

Economic Quarterly

Northland
REGIONAL COUNCIL
Te Kaunihera ā rohe o Te Taitokerau



Issue 24 | June 2019

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From the economist

Kia ora / welcome to the 24th issue of this newsletter. The slowdown in the Northland economy discussed in the last issue continues to be shown by the quarterly indicators. Growth remains positive but is not as strong as has been experienced over the previous five years. The slowdown is particularly marked in the labour market, with a small drop in employment and a slight rise in unemployment. However, maintaining the previous pace of growth was always going to be difficult given the tight labour market conditions.

The annual section reports on Northland data from the latest Agricultural Production Statistics. Beef and pig numbers rose in 2018 but the region's sheep flock size and the number of deer fell. Stock numbers for all four animal types remain 20-40% or more below levels recorded a decade ago. The quantity of fertiliser applied in Northland in 2017/18 decreased by 5% to 106,000 tonnes but this is around the decade average level.

In the spotlight section, I drill down to show some changes in the structure of employment over the past 10 years. In the year ended March 2018 there were 72,500 filled jobs in Northland when measured on a full-time equivalent basis, 7900 more than in 2013. During the previous five years (2008-13), the number of filled jobs fell by 2900. There are significant differences in how these employment changes occurred by industry, occupation, skills and location.

Darryl Jones

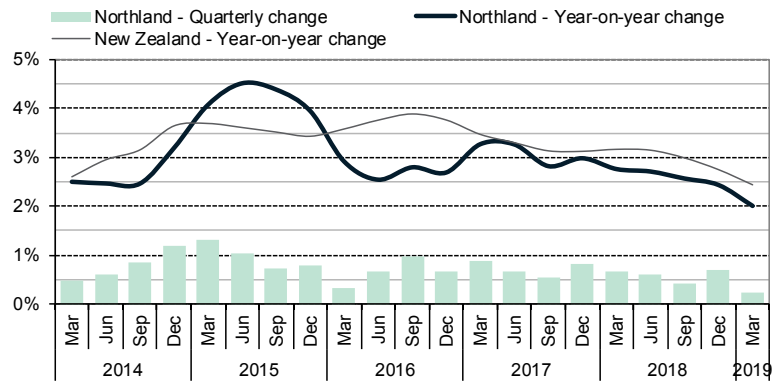
Quick quarterly statistics

- GDP is estimated to have risen 2% in the year ended March 2019.
- The floor area of new non-residential building consents rose by 53%.
- Spending by international visitors is 2% higher than in 2018.
- Wood chip export volumes fell 19% in the year ended December 2018.
- Employment fell by 0.1% in the March 2019 quarter.
- The annual average underutilisation rate was 14.6% in March 2019.
- The annual average unemployment rate for Māori has risen over the past six months from 11.2% to 12.6% in the year ended March 2019.
- Online job vacancies in March 2019 are 1% lower than a year ago.
- The average wage and salary rose 2.4% in the year ended March 2018.
- Food prices in Whangārei rose 1.3% in the year ended March 2019.
- The average rent rose 7% in the 12 months to March 2019.
- Consumer confidence in Northland fell below 0 for the first time since 2016.

Economic activity – quarterly

Gross domestic product (GDP) in Northland

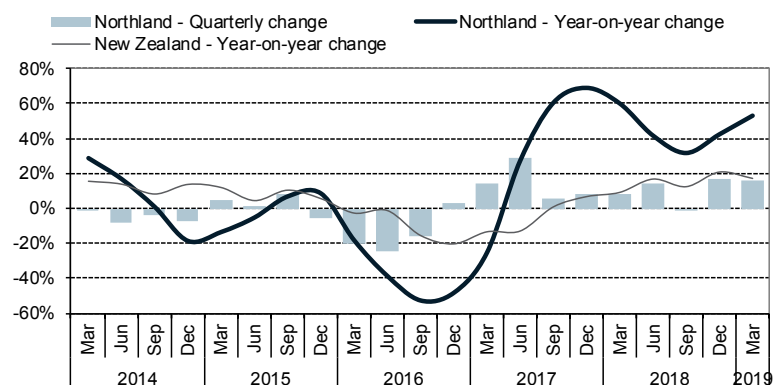
Northland's GDP is estimated to have risen by 0.2% in the March 2019 quarter. This contributed to an estimated annual growth rate of 2% for the year ended March 2019. This is down from 2.7% in 2017 and is in-line with the slowdown in the national rate. The current rate of growth in economic activity is the lowest recorded in the region since 2012 and ranks Northland 12th out of 16 regions. Regional growth rates vary from 3.1% in Gisborne to -0.6% in the West Coast. Growth rates in the three districts range from 1.8%-2.1%



Source: Infometrics Regional Database

Floor area of new non-residential building consents in Northland

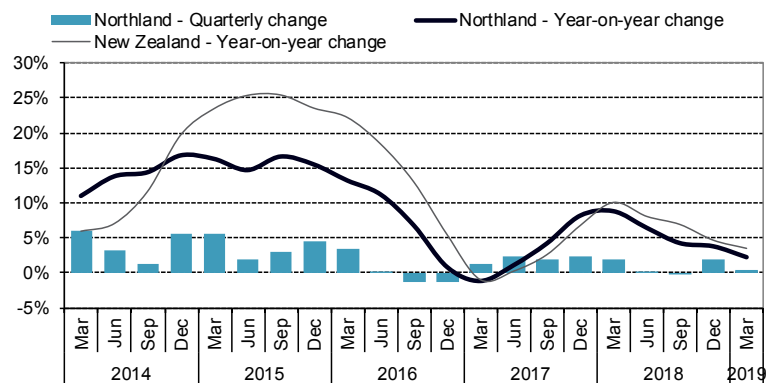
During the year ended March 2019, the floor area of new non-residential building consents issued in Northland totalled 119,566m². This is 53% higher than the total floor area consented in the year ended March 2018. This is the first time the area consented has recovered to near pre-GFC levels. The major reason for the rise is an increase in the floor area for farm buildings and storage buildings. Only eight of the 16 regions experienced a rise in non-residential floor area consented in the year to March 2019, with Northland being the largest.



Source: Statistics New Zealand

International visitor spending in Northland

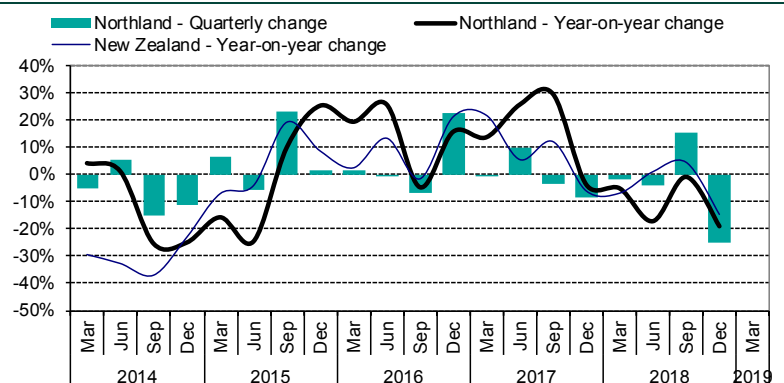
The value of international visitor spending in Northland totalled \$267 million in the year ended March 2019. This is 2% higher than the level of spending in the year ended March 2018 but is below the national increase of 3.6%. Northland's share of the national total has fallen from 3.0% in 2009 to 2.3% since 2016. Since 2009, international visitor spending in New Zealand has increased by 59%, with spending more than doubling in Otago. Northland has seen just an 18% increase, ahead of only Marlborough and Hawke's Bay.



Source: MBIE

Wood chip exports from Whangārei

Some 111,580 Bone Dry Units (BDU) of wood chips were exported from the port of Whangārei in the year ended December 2018. This is 19% less than the annual volume exported the previous calendar year and 29% below the annual record of 158,000 BDU exported in the year ended March 2012. The region accounts for 46% of total New Zealand wood chip exports. Softwood chips account for 100% of the volume exported from Whangārei compared to 46% nationally.

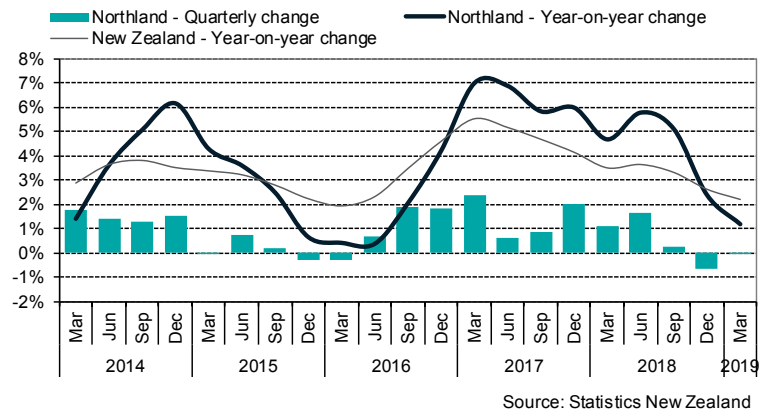


Source: Ministry for Primary Industries

Employment activity – quarterly

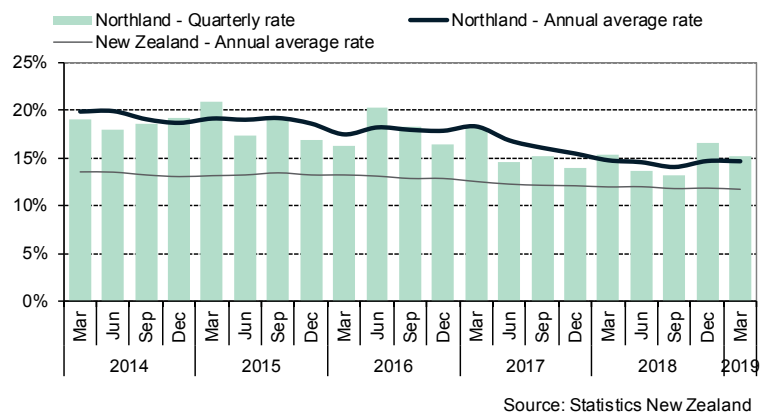
Employment in Northland

An estimated average of 83,700 people was employed in Northland (both full-time and part-time) in the year ended March 2019. The average number of people employed in Northland is 1.2% higher than one year ago and 19% higher than in 2014. Nationally, the number of people employed has increased by 18% since March 2014. The annual average number of people employed in Northland has fallen for two consecutive quarters, the first time this has occurred for three years. Only four of the 12 regions have a higher employment growth rate in 2019 than in 2018.



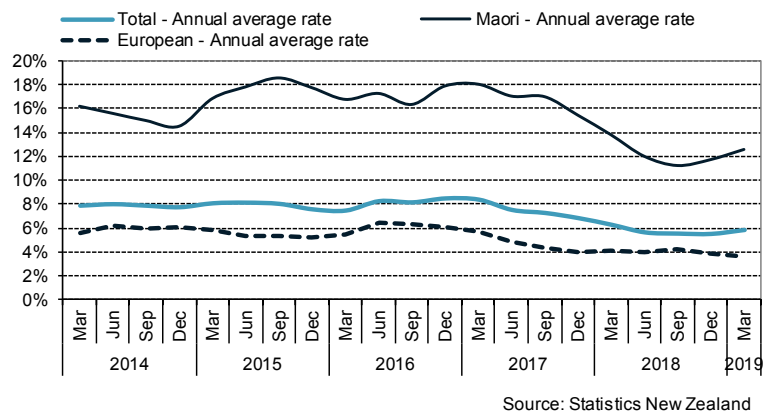
Underutilisation in Northland

The annual average underutilisation rate in Northland was 14.6% in the year ended March 2019. There has been a steady decline in Northland's underutilisation rate since 2013 when it was above 20%. The lowest annual underutilisation rate recorded in Northland was 10.7% recorded in March 2008. The national annual average underutilisation rate is 11.7% and varies between 10.6% in Auckland and 16.4% in Manawatu-Wanganui. Northland's underutilisation rate is the second highest behind Manawatu-Wanganui.



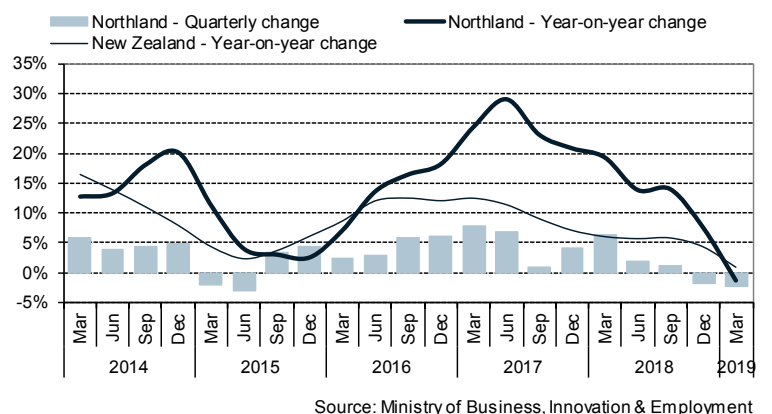
Unemployment by ethnicity in Northland

In March 2019, the annual average unemployment rate for Māori in Northland was 12.6% compared to 3.6% for Europeans. These ethnic unemployment rates are down from 18% and 5.7% respectively recorded in the year ended March 2017. The drop in the Northland regional average unemployment rate over the past 24 months from 8.4% to 5.9% is due to a fall in Māori unemployment. However, there has been an increase in the Māori unemployment rate over the past two quarters. The annual average national unemployment rate is currently 8.7% for Māori and 3.4% for Europeans. Manawatu-Wanganui has the highest Māori unemployment rate (13.3%).



Job online vacancies in Northland

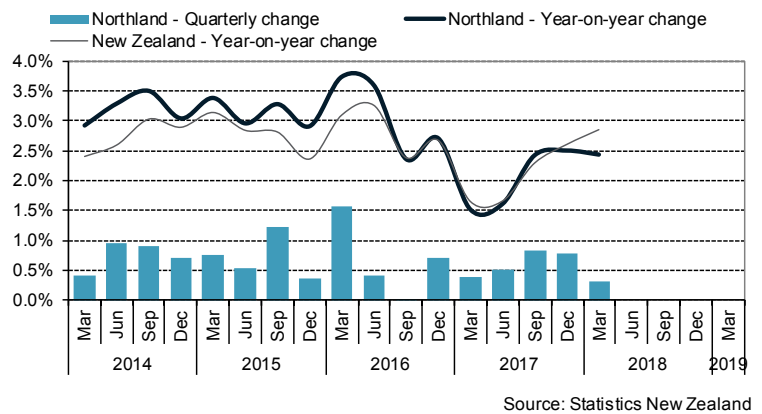
The trend series index of online job vacancies in Northland indicates a fall in the number of online vacancies in March 2019 compared to March 2018, the first time an annual fall has been recorded since 2012. However, the number of online vacancies recorded in March 2019 is 18% higher than in March 2017, and 75% higher than in March 2014. Nationally, the number of online job vacancies grew by 1% during the past year. Across the 10 regions for which the index is calculated, online job vacancies also fell in Auckland and Canterbury during the past year.



Household welfare – quarterly

Average wage and salary earnings in Northland

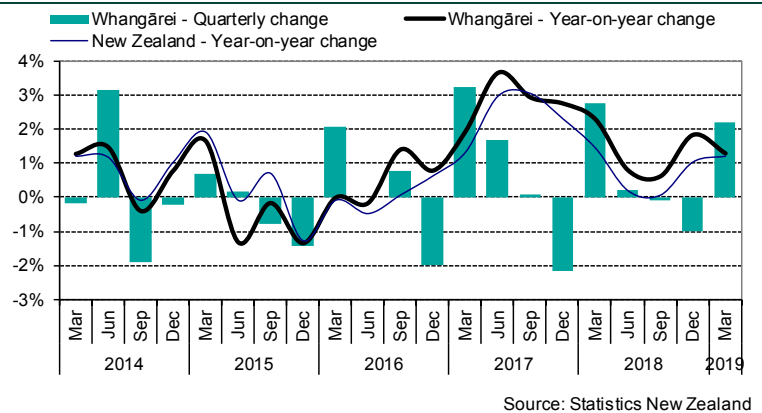
The annual average wage and salary in Northland, based on the sum of mean earnings of people in paid employment for the four quarters making up the year, was \$53,430 in March 2018. Average earnings rose 2.4% in the year ended March 2018, below the national average increase of 2.9%. Average earnings grew by 4.8% in Marlborough. Northland's average wage and salary is 88% of the national average. Only Auckland and Wellington have average earnings above the national average; Northland ranks 11th out of the 16 regions.



Source: Statistics New Zealand

Food prices in Whangārei

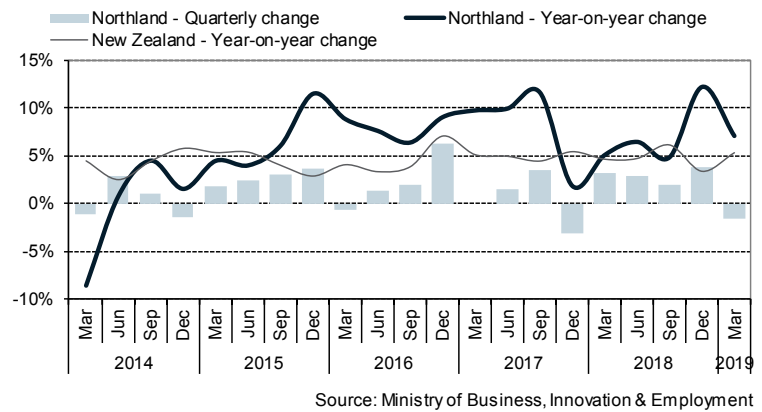
Food prices in Whangārei increased by 2.2% in the March 2019 quarter, following a fall of 1% in the previous quarter. On an annual basis food prices in Whangārei rose 1.3% in the year ended March 2019, around the same rate as the national food price index. The cost of the standard basket of commodities used for measuring food prices in Whangārei is 4.1% higher today than it was five years ago in March 2014.



Source: Statistics New Zealand

Average rents in Northland

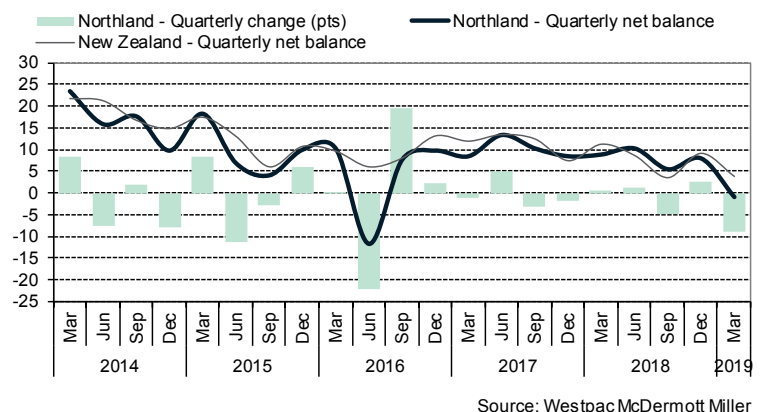
The mean average rent in Northland was \$383 per week in March 2019. This is 1.5% lower than the average record in December 2018, a record level of \$389. The average rent in March 2019 is 7% higher than in March 2018. Since March 2014, the average rent in Northland has risen by 40%, well above the 27% increase in the national average. The average rent in Northland is now 80% of the national average compared to 73% in 2014. The average rent in Auckland is 18% higher than the national average while in Southland it is 48% lower.



Source: Ministry of Business, Innovation & Employment

Consumer confidence in Northland

The Westpac-McDermott Miller Consumer Confidence Index for Northland fell 9 points to -1 in March 2019. An index number below zero indicates that pessimists outnumber optimists. This fall was in line with the rise in the national level of consumer confidence, which Northland sits just below. Consumer confidence in Northland had been relatively stable at around 10 in 2017 and 2018. Along with Northland, 8 of the 11 other regions in the data set had a fall in consumer confidence in the March quarter, with consumer confidence rising only in Waikato, Taranaki-Manawatu, and Southland.

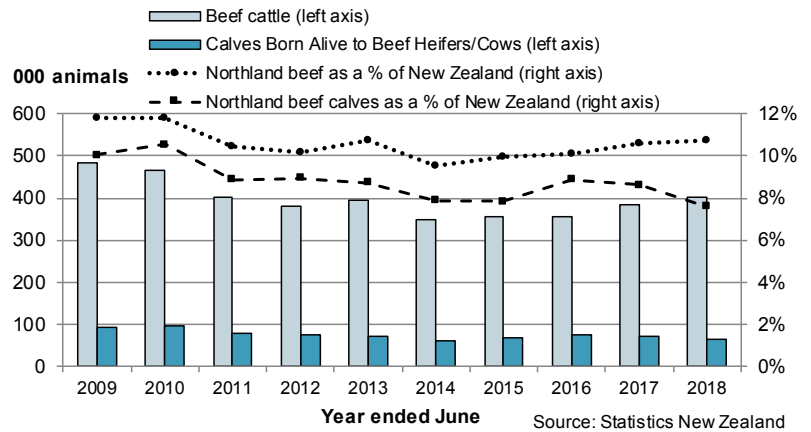


Source: Westpac McDermott Miller

Agricultural statistics – annual

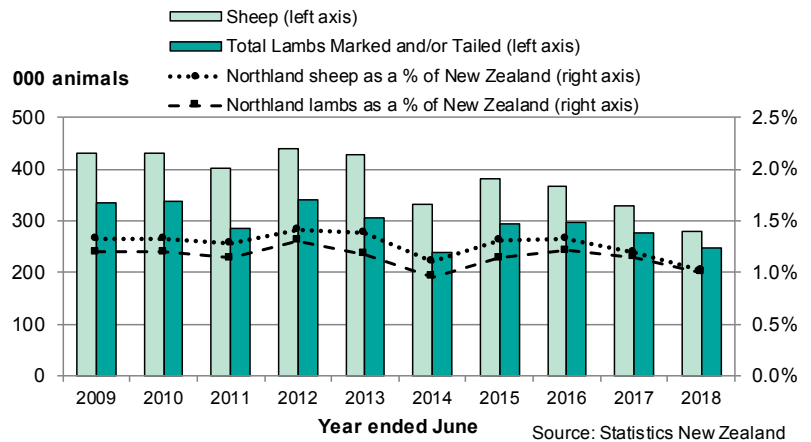
Beef animals in Northland

The number of beef cattle in Northland rose by 4.6% in the year ended June 2018 to just over 400,000 head.¹ This is the fourth year in a row that the regional beef herd has increased. There had been a steady decline in the Northland beef herd between the mid-2000s to 2014, falling about 30% from around 0.5 to 0.35 million. During this period Northland's share of the national beef herd fell from 12.3% in 2008 to 9.5% in 2014. Since 2014 the Northland beef herd has grown by 14%; the national herd has grown by just 1%. Northland accounts for 11% of the national herd in 2018.



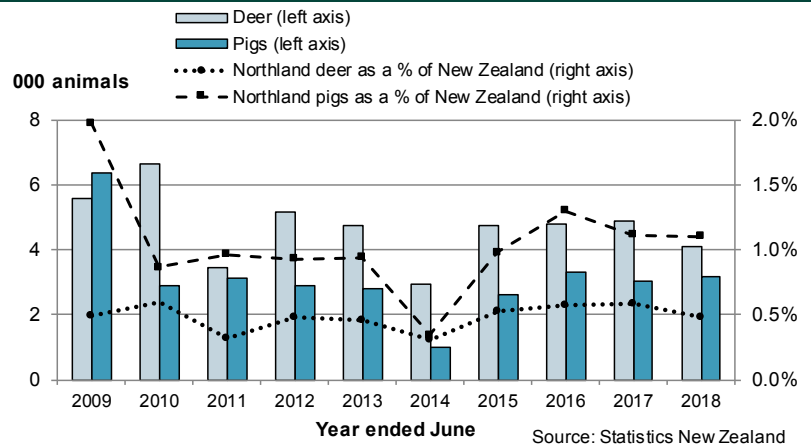
Sheep in Northland

In the year ended June 2018 there were 280,000 sheep in Northland, 48,000 (15%) less than in 2017. The number of sheep in Northland has been steadily declining for many years. The region's sheep flock totalled 1.3 million in 1990. Over the last 10 years, the number of sheep in Northland has fallen by 45% while the national flock has fallen by 20%. Northland's share of the national flock has fallen from 1.5% to 1%. There were 247,000 lambs born in Northland in the year ended June 2018, down from 277,000 in 2017.



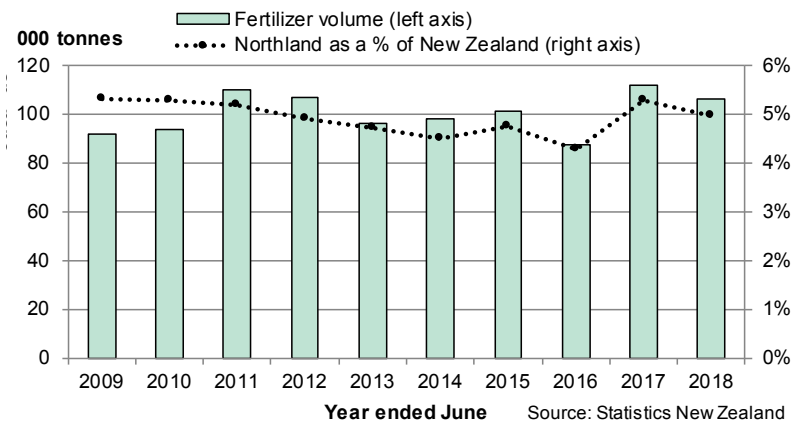
Deer and pig numbers in Northland

There were 4100 deer and 3200 pigs in Northland in June 2018, a 17% decrease in deer numbers and a 4% rise in pigs. The number of deer in Northland has fallen from more than 20,000 in the early 2000s while pig numbers have fallen by more than 5000. A similar, but not so dramatic decline, is also observed in the national deer and pig numbers. Consequently, Northland's share of the national deer herd has fallen from a peak of 1.4% in 2002 to 0.5% in 2018, while for pigs the decrease has been from 2% in 2009 to 1.1% in 2018.



Fertiliser use in Northland

Northland farmers applied 106,000 tonnes of fertiliser in the year ended June 2018, down 5% on the quantity applied in 2016/17. For most of the 2000s (2002-08), Northland farmers applied around 160,000 tonnes of fertiliser each year, equivalent to 6.5% of total fertiliser applied in New Zealand. For the ten years since 2008, the annual average quantity applied in Northland has fallen to around 100,000 tonnes, 4.9% of the New Zealand total. During the early 1990s over 300,000 tonnes per annum was applied.

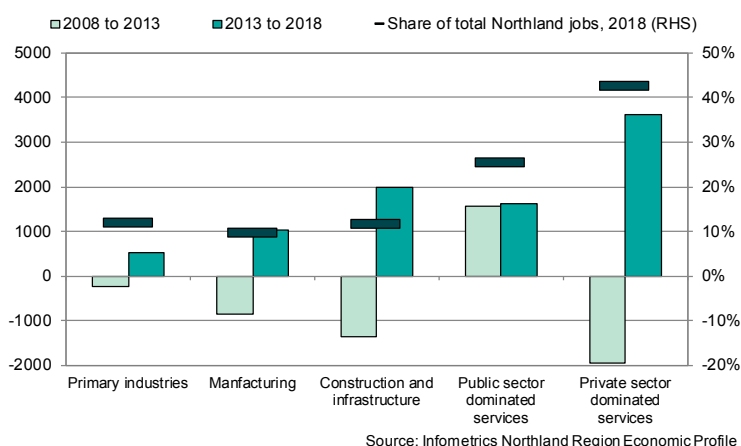


1. Analysis of the Northland dairy industry performance in 2017/18 was included in the Annual section of the December 2018 issue of the NEQ, along with the kiwifruit, avocado and forestry industries. There were 271,945 dairy cows in milk in Northland in the 2017/18 season, 1% more than in 2016/17 but below the last decade average of around 277,000.

Spotlight – changes in employment in Northland

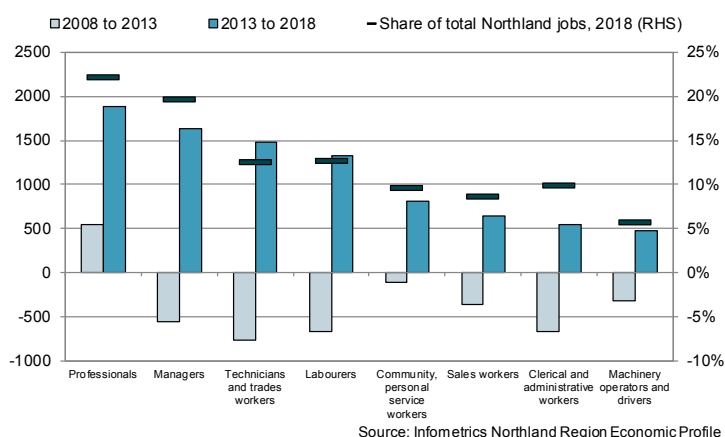
Filled jobs by broad sector

In the five-year period 2013-18, the number of filled jobs in Northland increased by 7900 (14%). This compares to a loss of 2900 (-4%) between 2008-13. This rise (and fall) in employment has not been even across the various sectors. For the 10-year period 2008-18, an additional 3200 jobs have been created within the public sector dominated services¹, with a similar amount in each five-year period. The number of filled jobs in the other sectors fell during 2008-13 but rose in 2013-18. There were large swings in filled jobs in the construction and infrastructure, and private sector dominated services sector.



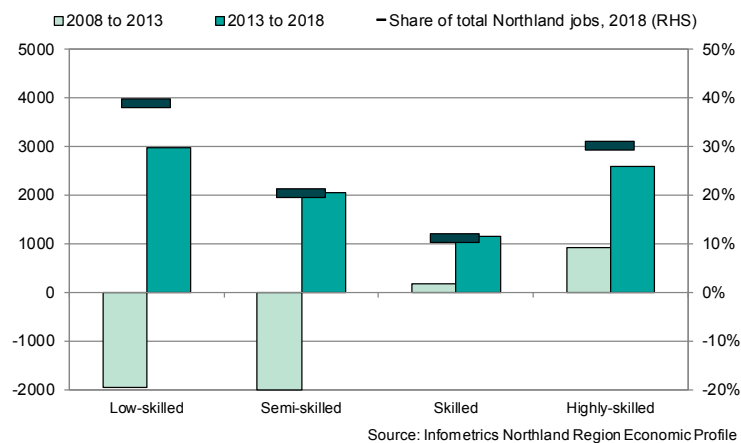
Filled jobs by occupation

Jobs classified as “Professional” represent the largest share of workers by occupation (22%), and this category has increased by 2400, or 18%, since 2008. This is the only broad occupation category that saw an increase in both five-year periods. The other categories experienced first a fall in 2008-13 and then a rise in 2013-18. Clerical and administration workers is the one category where the number of jobs in 2018 is less than in 2008. Occupations in the technicians and trade workers category have increased the fastest during 2013-18.



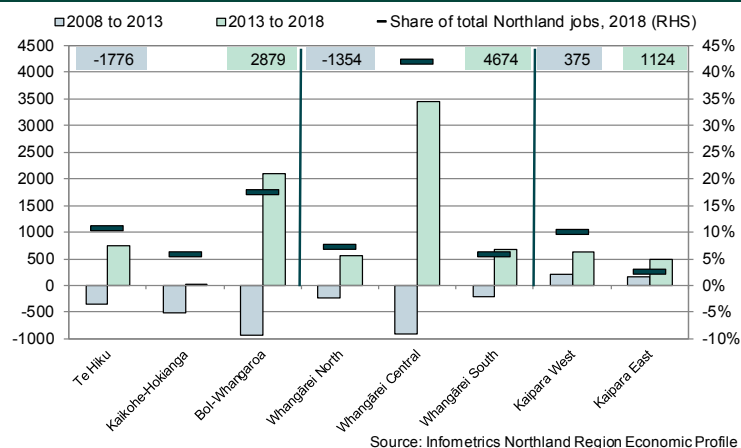
Filled jobs by skill level

Jobs can also be categorised by broad skill level based on an assessment of employment demands for various occupations.² Low-skilled jobs make up roughly 40% of total jobs while highly-skilled jobs make up 30%. However, the number of highly-skilled jobs has increased by 3500 (25%) since 2008 while the number of low-skilled jobs has risen by just 1000 (4%). In total, highly-skilled and skilled jobs account for 41% of jobs in 2018 compared to 37% in 2008. Low-skilled and semi-skilled jobs are very dependent on economic conditions, rising when the economy is growing but falling during tough times.



Filled jobs by location

Only in Kaipara did the total number of filled jobs grow in both five-year periods, with a total increase of around 1500 (21%). The increase has occurred in both the eastern and western areas of Kaipara. In comparison, other areas of Northland experienced a fall in filled jobs during 2008-13 and a rise in 2013-18. Employment growth during 2013-18 has been particularly strong in the Bay of Islands-Whangaroa and Whangārei Central areas. Kaikohe-Hokianga is the only area where the number of filled jobs in 2018 is less than in 2008, i.e. 480 (11%) fewer jobs.



1. Public sector dominated services include the three broad 1-digit ANZSIC06 classifications: Health care and social assistance, Education and training, and Public administration and safety.
2. Highly-skilled: degree level and above; Skilled: diploma level; Semi-skilled: NZ Register Level 4; Low skilled: NZ Register Level 1-3.