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From the economist

Welcome to the twelfth issue of the Northland Economic Quarterly. Two new quarterly indicators are introduced this issue. In terms of economic activity, net international migration has been added as strong population growth has helped buffer the region from the dairy downturn – seen for example in the drop in non-residential building consents. The other new indicator looks at the difference between male and female unemployment rates.

The annual section contains data from the Agricultural Production Statistics. It focuses on trends in beef, sheep, deer and pig numbers in Northland. All four livestock types rose in number in the year ended June 2015. This is positive although stock numbers remain well below levels seen in the mid-2000s. The quantity of fertiliser applied to Northland farms has been steady at around 100,000 tonnes over the seven years, much lower than historical levels.

In the annual section, I provide some analysis of Northland rail freight data, drawn from the Ministry of Transport's Freight Information Gathering System. The Northland rail system has transported on average 116,000 tonnes of wood product per annum over the past four years, equivalent to about 3% of the region's roundwood removals. Most (70%) of this product is transported within the region. All the 86,000 tonnes of dairy product is transported out of the region, to Auckland and Bay of Plenty.



Darryl Jones

Quick quarterly statistics

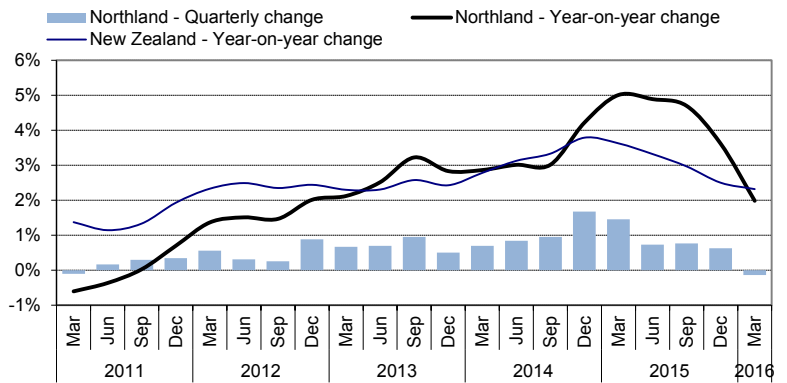
- Northland's GDP is estimated to have risen by 2% in the year ended March 2016, the lowest level for three years.
- The floor area of new non-residential building consents fell by 18%.
- Net international migration rose by 62% to a new record level of growth.
- Business confidence fell in April but remains positive.
- Employment continues to fall from the record high set in September 2015.
- The annual average unemployment rate fell to 7.9% in March 2016.
- The unemployment rate is falling faster for males than for females.
- Northland job vacancies on Trade Me are similar to a year ago.
- The average wage and salary rose 3.4% in the year ended March 2015.
- Food prices in Whangārei were constant over the year ended March 2016.
- The average rent in Whangārei rose by 10% in the year ended May 2016.
- Consumer confidence remained flat but positive in March.

Economic activity – quarterly

Gross domestic product (GDP) in Northland

Northland's GDP was estimated to have fallen by 0.1% in the March 2016 quarter. This contributed to an estimated annual GDP growth rate of 2.0% for the year ended March, below the national estimate of 2.3%. This is the first quarter of negative growth in Northland since March 2011.

Infometrics estimates a fall in economic activity in the March quarter in all 16 regions except Otago, and in the three Northland districts. For the year ended March, Northland ranked 11th out of 16 regions in terms of GDP growth.

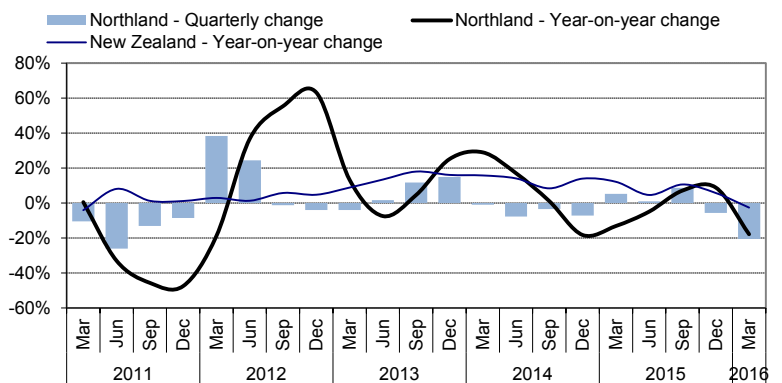


Source: Infometrics Regional Database

Floor area of new non-residential building consents in Northland

During the year ended March 2016, the floor area of new non-residential building consents issued totalled 86,000m². This is 18% lower than the floor area consented in the year ended March 2015.

There is a large regional variation around the 3% national annual decrease in floor area consented in March 2016, ranging from -53% in Tasman to 142% in Wellington. Northland ranked 9th of 16. The major reason for the decline in Northland is a reduction in consents for new farm buildings.

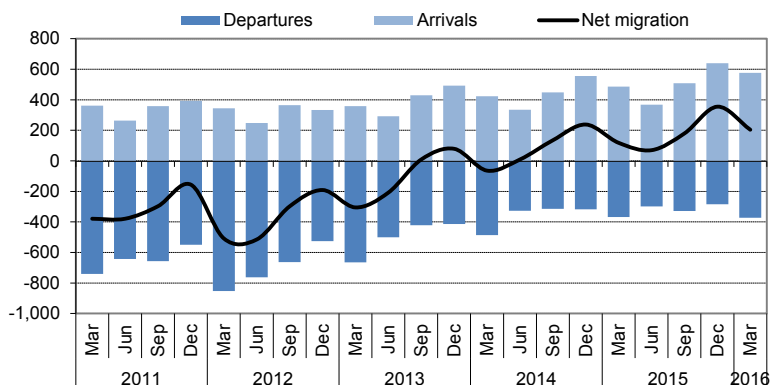


Source: Statistics New Zealand

Net international migration into Northland

The net number of international migrants into Northland in the March 2016 quarter was 204 people, giving a total twelve month increase of 809. This is a record level of annual net international migration into the region. This follows almost a decade of net migration loss.

The increase in net migration is the result of both an increase in arrivals and a reduction in departures. Since 2012 departures have fallen by 52% with arrivals jumping by 56%.

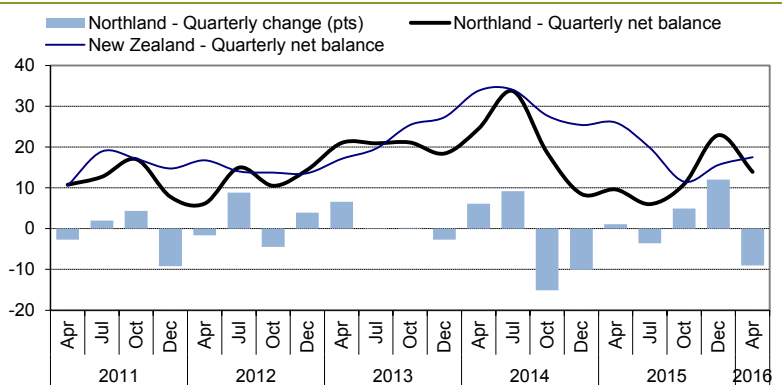


Source: Statistics New Zealand

Business confidence in Northland

The composite index of business confidence measures the difference between those expecting an improvement and those expecting conditions to deteriorate. The Northland index fell by nine points in the March 2016 quarter to reach 14 points, dropping just below the national average.

Six regions experienced a decline in business confidence during the March quarter, while it rose in eight others. Regional business confidence ranges from minus five points in the West Coast to 31 in Hawke's Bay.



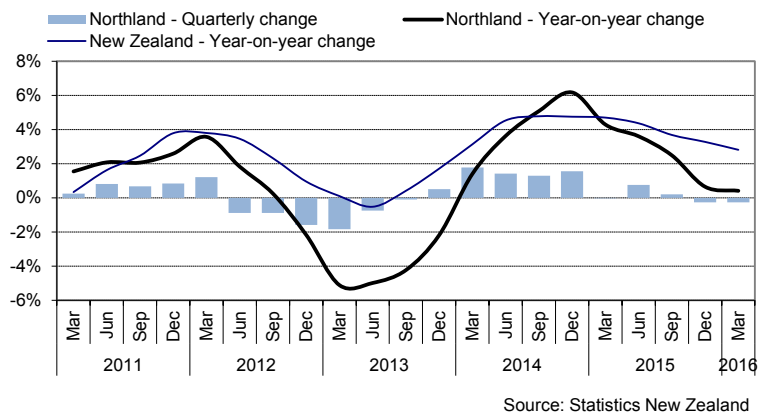
Source: ANZ

Employment activity – quarterly

Employment in Northland

It is estimated that an average of 73,900 people were employed in Northland (both full-time and part-time) in the year ended March 2016. This is slightly down on the average number employed in calendar year 2015. The number of people employed in Northland has increased by 300 (0.4%) since March 2015, and by 4,300 (6.2%) since March 2013.

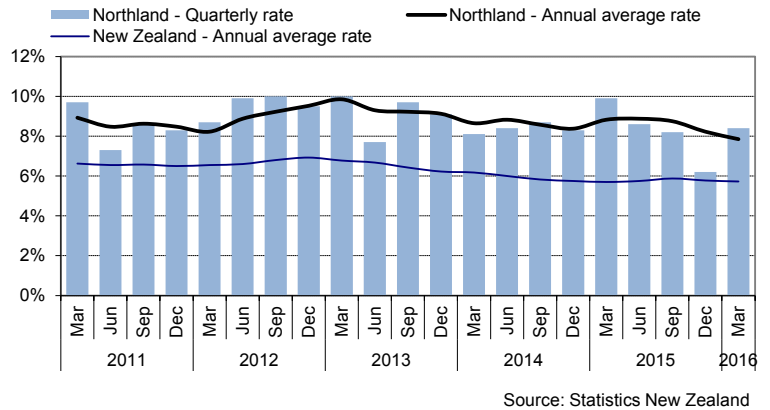
Nationally, the number of people employed increased by 1.9% in the year ended March 2016, with the greatest increases occurring in the Bay of Plenty (5%) and Manawatu-Wanganui (4.8%).



Unemployment in Northland

The annual average unemployment rate in Northland was 7.9% in the year ended March 2016. This is a drop of 0.3 percentage points from 8.2% recorded in December 2015. This is the first time the annual average unemployment rate has fallen below 8% since June 2009, and is 2 percentage points below the post-GFC peak of 9.9% recorded in March 2013.

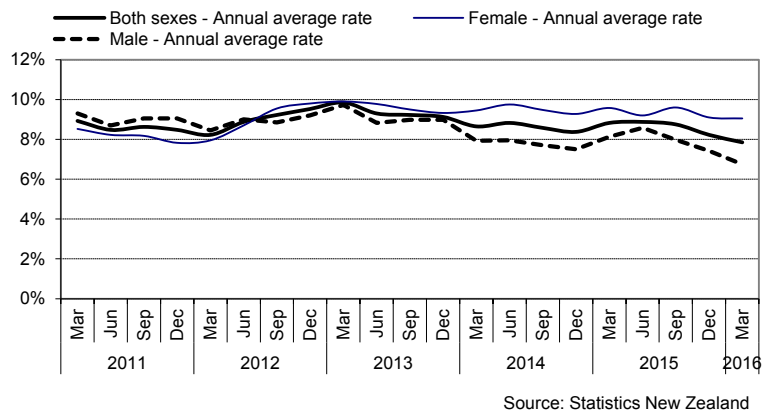
Northland's annual average unemployment rate is still the highest of all regions in New Zealand, with Gisborne the next highest at 7.7%. Canterbury has the lowest rate of 3.5%.



Unemployment by gender

In March 2013, the annual average unemployment rate for males and females in Northland were very similar at 9.7% and 9.9% respectively. Since then, they have diverged considerably. The male unemployment rate has fallen to 6.8% in the year ended March 2016 while the female unemployment rate has fallen to just 9.1%.

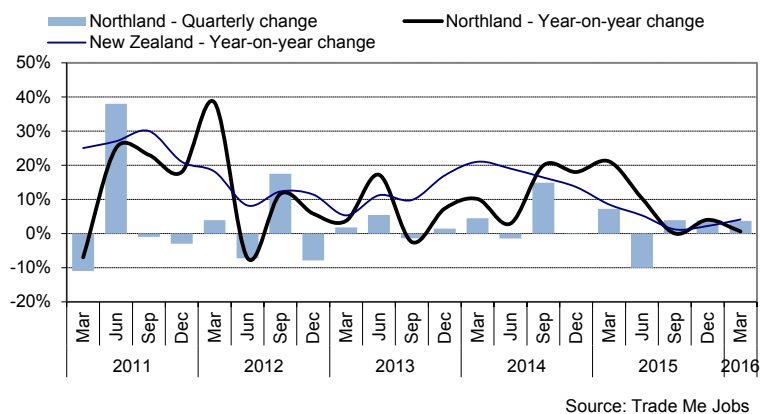
The major reason for this is that of the 4,300 increase in persons working in Northland since March 2013, 3,000 have been males and only 1,300 females. Most of the job openings have been in sectors like construction and manufacturing.



Online job advertisements in Northland

The number of vacancies in Northland listed on Trade Me Jobs during the March 2016 quarter was slightly up on the December quarter but similar to the number listed in the March quarter 2015. Trade Me Jobs listings in Northland are one-third higher than in the March quarter 2013.

Nationally, the number of vacancies grew by 4.1% over the past year. The largest increases in job advertisements were in Hawke's Bay, Bay of Plenty and Nelson/Tasman. Four regions saw a drop in job advertisements, up to 10% in Canterbury.

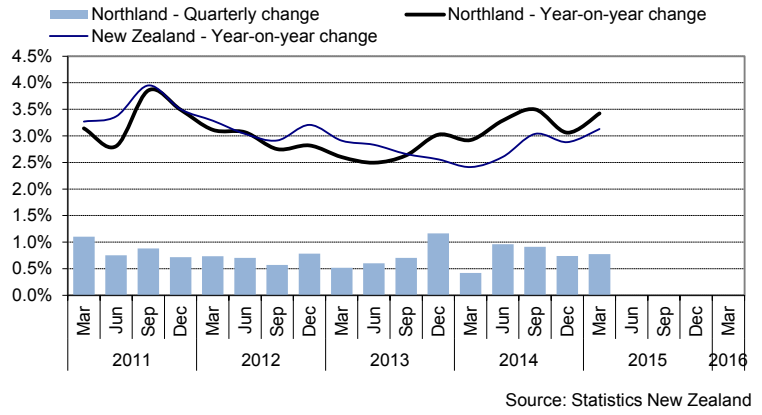


Household welfare – quarterly

Average wage and salary earnings in Northland

The average annual 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 \$49,550 in March 2015. This represents an annual increase of 3.4%, higher than the national increase of 3.1%.

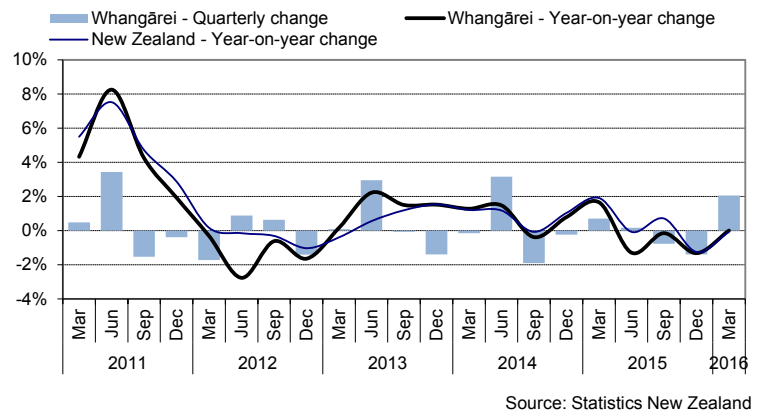
Northland's average is 12% below the national average of \$56,030. Only three regions (Auckland, Taranaki and Wellington) have average earnings above the national average. Northland's average is similar to that in Bay of Plenty, Otago and Southland.



Food prices in Whangārei

Food prices in Whangārei rose by 2% in the March 2016 quarter. This followed two quarters in which food prices fell in total by 2%. Consequently, the food price index in March 2016 is the same as in March 2015. Local food prices have fallen back in line with the national trend after dropping in 2015.

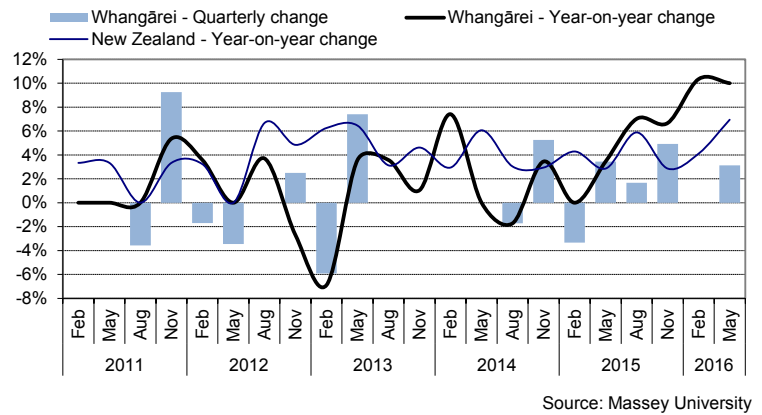
The cost of the standard basket of commodities used for measuring food prices in Whangārei is 3% higher today than it was five years ago in March 2011. Over the longer term, the standard food basket costs 30% more today than it did ten years ago in March 2006.



Rent in Whangārei

The median rent in Whangārei in May 2016 was \$330 per week. This is 10% (\$30) higher than in May 2015 and is the highest level on record. The current median rent is \$50 per week more than it was five years ago in May 2011.

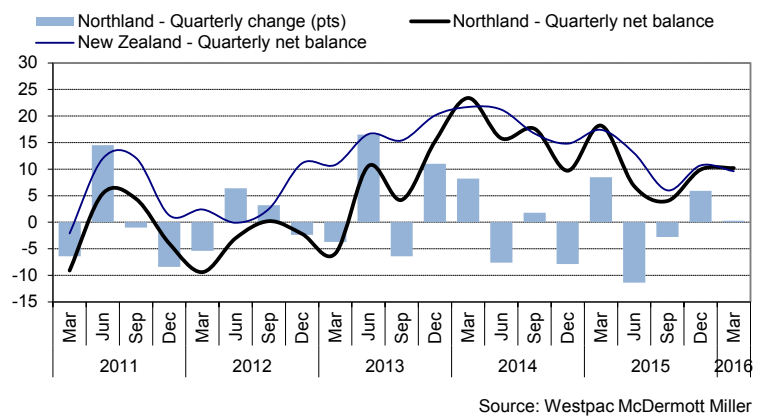
The national median rent rose 6.9% (\$25) in the year ended March 2016 to \$385 per week. This is \$75 more than in March 2011. Of the centres measures, only Tauranga (15%) and Palmerston North (12%) had larger increases in the median rent paid than Whangārei.



Consumer confidence in Northland

The Westpac-McDermott Miller Consumer Confidence Index for Northland remained flat in the March quarter 2016 at ten points – very similar to the New Zealand average. An index number above zero indicates that optimists outnumber pessimists.

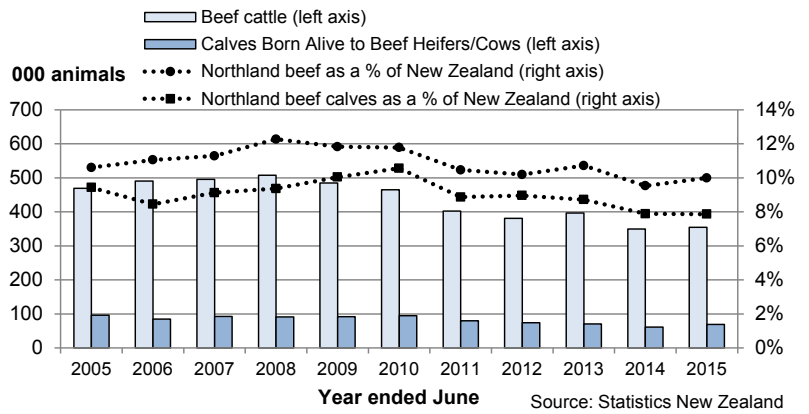
All 11 regions have recorded a fall in consumer confidence over the past year. Only Auckland, Canterbury and Gisborne/Hawke's Bay has a high level of consumer confidence than in Northland.



Agricultural statistics – annual

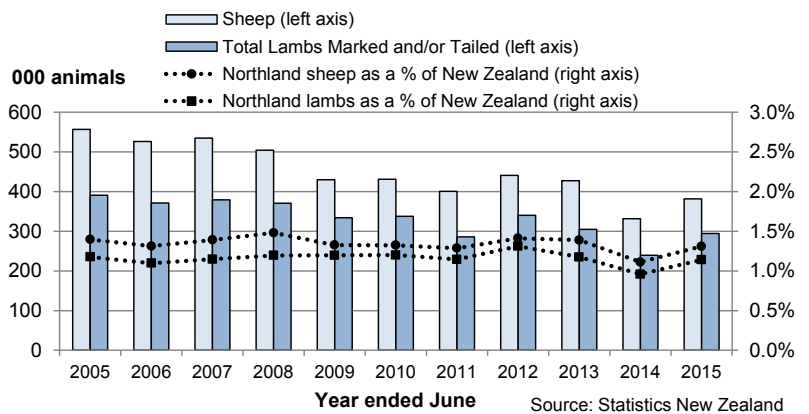
Beef animals in Northland

The number of beef cattle in Northland rose by 1.3% in the year ended June 2015 to just below 355,000 head. The number of beef cattle in Northland has been constantly falling over the past six years since reaching 507,000 head in 2008. Between 2008 and 2015, the number of beef cattle in Northland has fallen by 30%. This compares with an 14% drop in the national beef cattle herd. Consequently, Northland's share of the national beef herd has fallen from just over 12% in 2008 to 10% in 2015. In the early 1990s, there were close to 600,000 beef cattle in Northland.



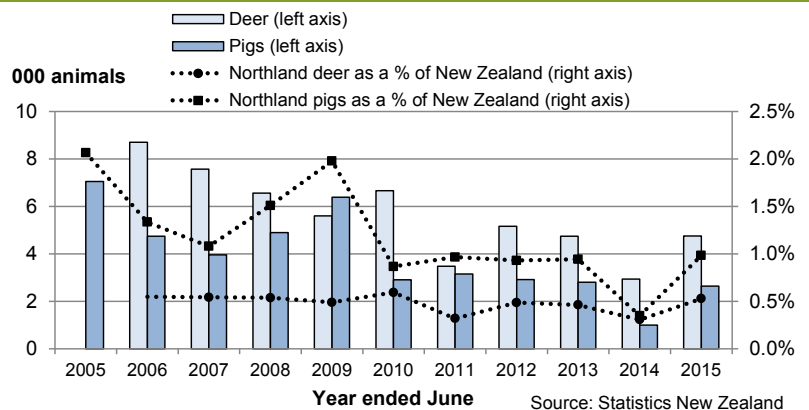
Sheep in Northland

In the year ended June 2015 there were 380,000 sheep in Northland, 50,000 (15%) more than in 2014. The number of sheep in Northland has been declining since 2005 when the regional flock numbered 550,000. Between 2005 and 2015, the number of sheep in Northland has fallen by 32%. This compares with a 27% drop in the national flock. There were 294,000 lambs born in Northland in the year ended June 2015, down from 391,000 in 2005. The region's sheep flock numbered more than one million in the early 1990s.



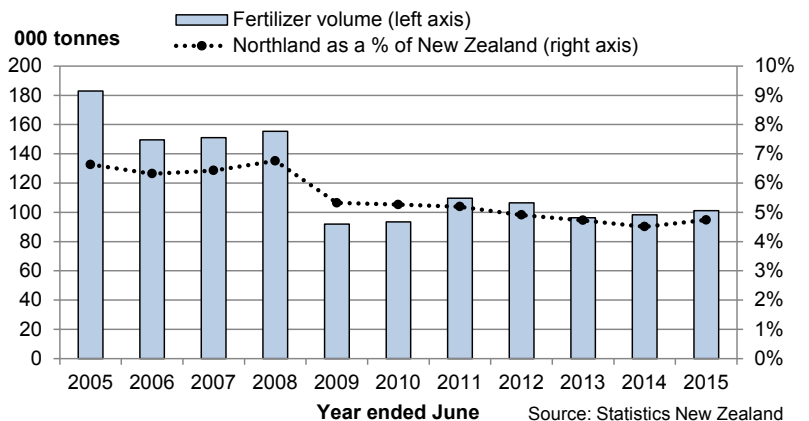
Deer and pigs in Northland

There were 4,700 deer and 2,600 pigs in Northland in June 2015. As for beef and sheep, these are down on the number of animals in the mid-2000s. The number of deer has fallen from over 20,000 in the early 2000s while pig numbers have fallen from over 5,000. 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 1.5% in 2002 to 0.3% in 2015, while for pigs the decrease has been from about 2% in 2009 to 0.3%.



Fertiliser use in Northland

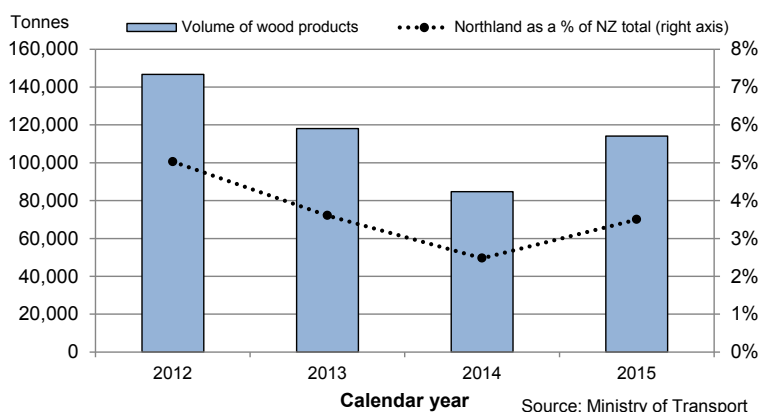
Just over 100,000 tonnes of fertiliser was applied on Northland farms in the year ended June 2015. This is in line with the annual average quantity applied across the seven-year period 2009-2015. For most of the 2000s (2002-08), Northland farmers put on around 160,000 tonnes of fertiliser each year, equivalent to 6.5% of total fertiliser applied in New Zealand. Over the seven years since 2008, the annual average applied in Northland has fallen to around 100,000 tonnes, around 5% of the New Zealand total. During the early 1990s over 300,000 tonnes p.a. was applied.



Spotlight – rail freight movements

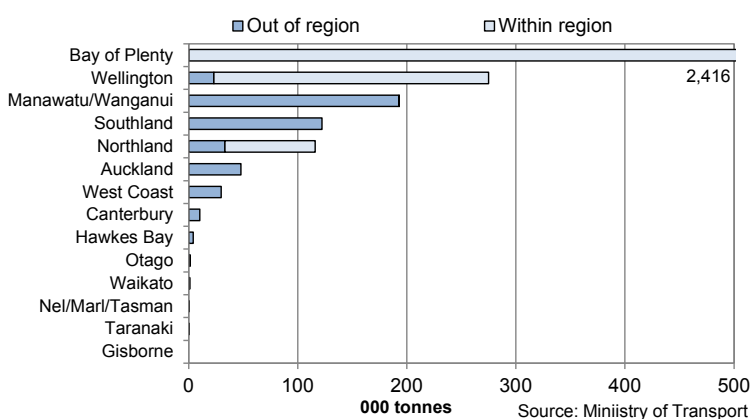
Volume of wood products of Northland origin

In the calendar year 2015, rail transported 114,053 tonnes of wood products that originated in Northland.¹ This was up 35% on the volume transported in 2014, but 22% less than the amount transported in 2012. Northland's share of total wood products transported by rail was 3.5% in 2015. The volume of wood products transported by rail in Northland represents around 3% of the total volume of roundwood removals in Northland wood supply region, and is equivalent to about 17 trucks per day.



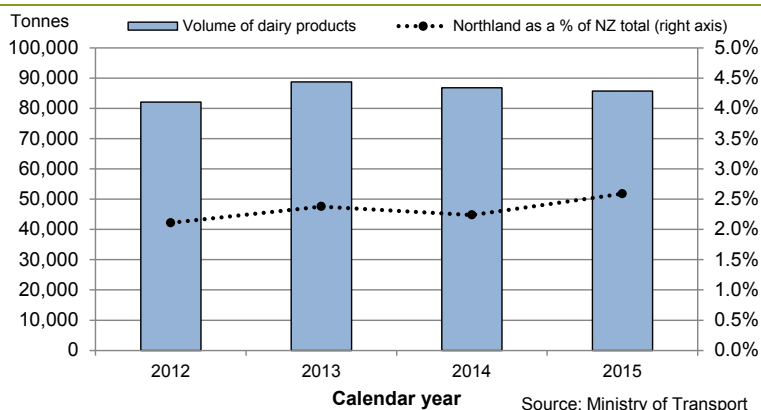
Volume of wood products by region of origin

Over the four-year period, Northland ranked fifth out of 14 regions in terms of the volume of wood products originating in the region that travelled by rail. Bay of Plenty dominates rail wood product haulage, averaging 2.4 million tonnes or 75% of the national total. All of the wood products that originated within the Bay of Plenty travelled by train to a destination within the region. In contrast about 30% of wood transported by rail in Northland travels out of the region.



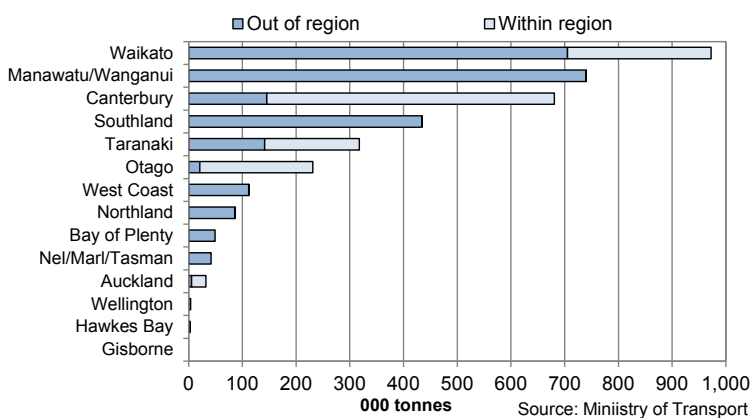
Volume of dairy products of Northland origin

In the calendar year 2015, rail transported 85,678 tonnes of dairy and milk products that originated in Northland.² This was down 1% on the volume transported in 2014, but 4% higher than the amount transported in 2012. Northland's share of total dairy and milk products transported by rail was 2.6% in 2015. The volume of dairy and milk products transported by rail in Northland is slightly less than the weight of milksolids produced in the region.



Volume of dairy products by region of origin

Over the four-year period, Northland ranked eighth out of 14 regions in terms of the volume of dairy and milk products originating in the region that travelled by rail. Waikato is the largest user of rail, hauling on average 972 thousand tonnes or 26% of the national total. All of the product that originates within Northland travelled by train to a destination outside the region. This is the situation for the majority of regions. Most of the product originating in Otago and Canterbury travelled within their region.



1. Wood products include logs, wood, sawn timber, woodchips, processed timber and joinery. It excludes pulp.
 2. Dairy and milk includes milk, milk fats, processed dairy products and eggs.