

Economic Quarterly

Northland
REGIONAL COUNCIL
Te Kaunihera ā rohe o Te Taitokerau



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From the economics team at NRC

Kia ora and welcome to the 37th issue of this newsletter. Economic indicators generally point to a slowdown in economic activity in Northland over the second half of 2022. Modest growth in consumer spending caused by rising interest rates and slower population growth are likely contributing factors. Employment indicators are mixed. While the number of people employed has fallen, online job vacancies in Northland remain strong. This suggests a skills mismatch between the occupations being sought by employers and the labour available.

The annual section features some of the data available in the Northland Region Economic Profile, which can be accessed through the council's website: www.nrc.govt.nz/economicdevelopment. The online profile, which is free to use, provides an in-depth description of Northland's economic structure and performance across a wide range of variables. We have made use of this data source to show changes in economic activity as measured by GDP. Economic activity in Northland grew in real terms by 4.7% in the year ended March 2022, the second fastest March annual rate this century and a rebound from just 1.1% in 2021. However, economic growth in Northland was slightly slower than the national average and most other regions. Growth was driven by private sector dominated services and was relatively evenly spread across the region.

The spotlight section focuses on developments in the Northland Māori workforce, exploring changes in employment by occupation, sector and skill level. Almost one-third of the total 80,900 jobs in Northland in 2022 were filled by Māori. Around 50% of Māori are working in low skilled jobs, but the number working in skilled and highly skilled jobs is increasing faster.

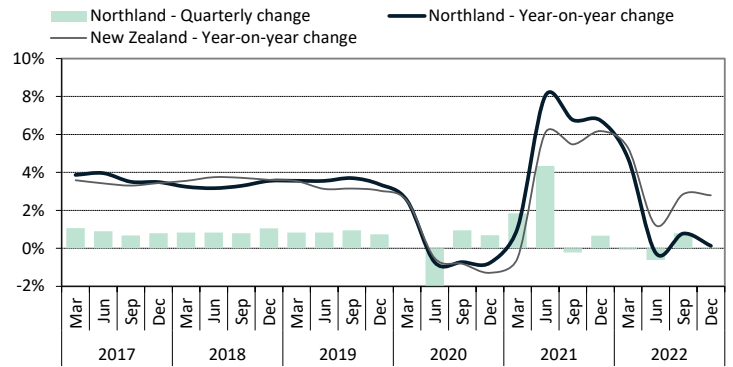
Quick quarterly statistics

- Annual GDP is estimated to have increased by 0.1% in December 2022.
- Ready-mix concrete production increased 5.5% in the past 12 months.
- Commercial vehicle registrations dropped 19% in the December 2022 year.
- Log export volumes fell 27% in the year ended December 2022.
- Employment fell by 2.3% in the year ended December 2022.
- The annual average underutilisation rate was 11.8% in December 2022.
- In the year ended December 2022, the annual average unemployment rate for Māori was 6%, down from 7.3% in December 2021.
- Online job vacancies index in December 2022 is 20% higher than a year ago.
- The average wage and salary rose 5.4% in the year ended December 2021.
- Domestic power prices rose 1% during the year ended February 2023.
- Home affordability deteriorated markedly during the year ended November 2022 due to rising interest rates.
- Consumer confidence remained at historically low levels in March 2023.

Economic activity – quarterly

Gross domestic product (GDP) in Northland

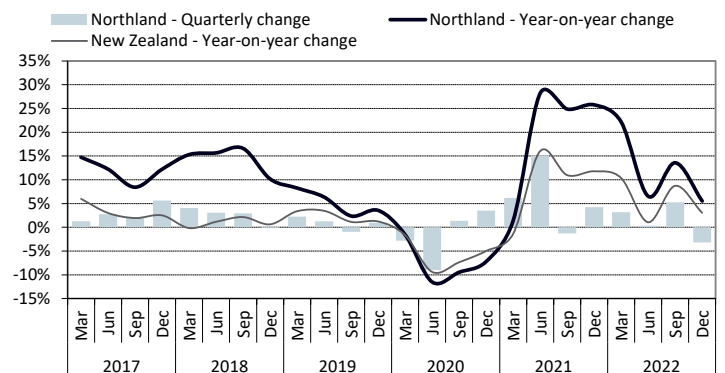
Northland’s annual GDP is estimated to have remained constant in the December 2022 quarter compared to September 2022, contributing to an estimated annual growth rate of 0.1%. This is well below the 6.7% increase in economic activity estimated for the year ended December 2021. Northland recorded the slowest growth of economic activity for the year to December 2022, while the Tasman region experienced the fastest growth (4.2%) over the same period, followed by Canterbury (3.9%). Nationally, economic activity increased by 2.8% in the December 2022 year. Annual growth rates in the districts range from a rise of 1.9% in the Far North and 1.4% in Kaipara to a fall of 1.1% in Whangārei.



Source: Infometrics

Ready-mixed concrete in Northland

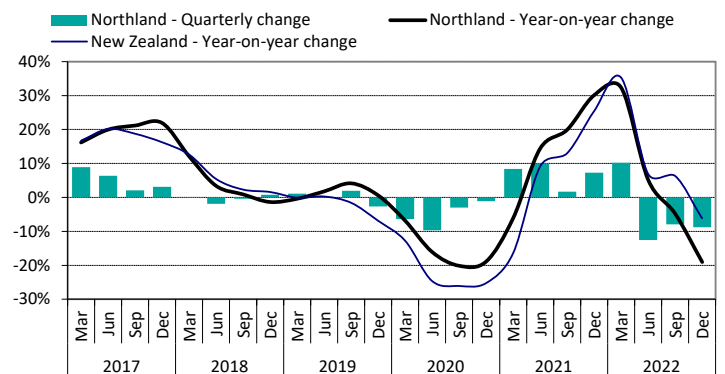
In the year ended December 2022, 212,200m³ of ready-mixed concrete was produced in Northland, an increase of 5.5% in annual volume compared to 2021. Nationally, concrete production increased by 3% over the same period. Northland ranked second behind Auckland (7.7%) in terms of percentage increase, with the combined Gisborne/Hawke’s Bay area recording the largest fall (-6.8%). The current annual volume of concrete production in Northland is at near record levels – set in year ended September 2023 (219,200m³) – and nearly triple the 21st century annual volume low of 71,100m³ recorded in the 2011 calendar year.



Source: Statistics New Zealand

Commercial vehicle registration

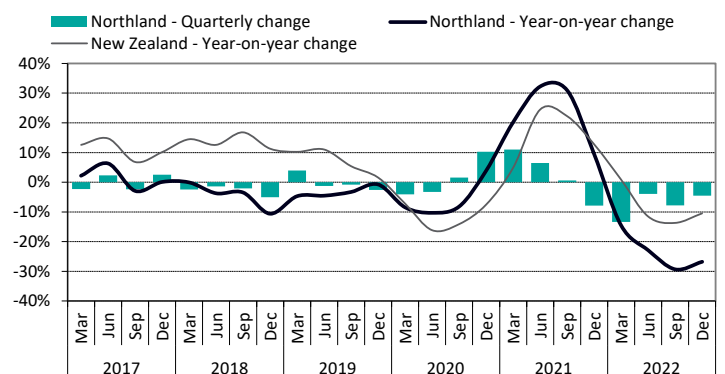
A total of 1860 commercial vehicles were registered in Northland in the year ended December 2022. This is 19% lower than the number registered in the year to December 2021. For comparison, 691 commercial vehicles were registered in the calendar year 2010 following the GFC. At the national level, commercial vehicle registrations fell by 6% in the year ended December 2022. All regions experienced a drop in the 12 months to December 2022, except for Nelson (0.9%). Northland recorded the second largest fall in the number of commercial vehicles registered in the year to December 2022, following Taranaki at -22%.



Source: Ministry of Transport

Log exports from Whangārei

Just over 2.1 million cubic metres of logs were exported from Whangārei in the year ended December 2022. This is 27% lower than the volume exported in the year ended December 2021. At a national level, the volume of log exports dropped by 11%. Nearly all regions experienced a decline in the volume exported in the twelve months to December 2022 with Auckland experiencing the largest drop (29%) followed by Whangārei. Dunedin is the only region that recorded an increase in the volume of logs exported (15%). Northland accounts for 10% of national log exports in 2022, down from 13% in 2021.

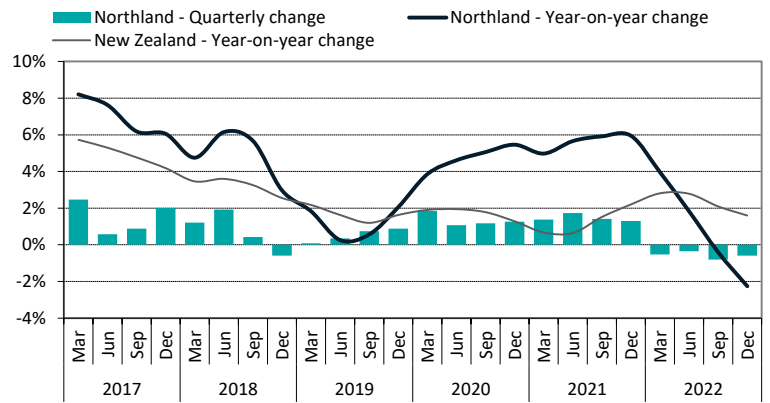


Source: Forestry New Zealand

Employment activity – quarterly

Employment in Northland

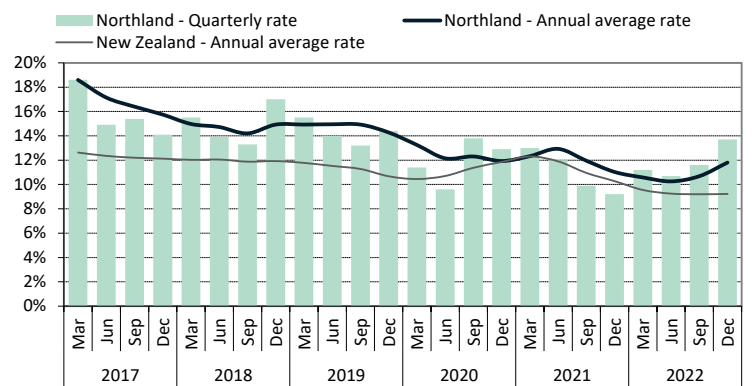
An estimated average of 97,500 people were employed in Northland (both full-time and part-time) in the year ended December 2022. This total is 2.3% lower (2200 people) than the number employed one year ago. Nationally, the number of people employed increased by 1.6% during the calendar year 2022. All regions except four, Northland (-2.3%), Tasman/ Nelson/ Marlborough (-2.2%), Taranaki (-1%) and Gisborne/ Hawke’s Bay (-0.1%), experienced a rise in the number of people employed, growing between 0.1% (Manawatu-Wanganui) and 2.9% (Wellington). Since 2017, employment in Northland has increased by 15%, with an additional 12,600 people employed. This is the largest percentage increase in employment across the 12 regions.



Source: Statistics New Zealand

Underutilisation rate in Northland

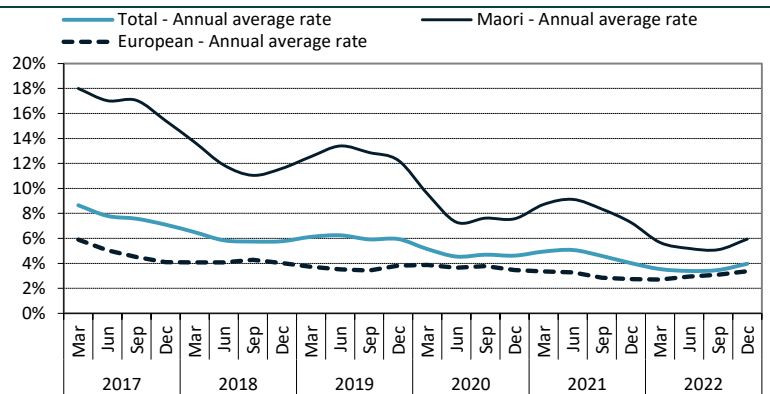
The annual average underutilisation rate in Northland was 11.8% in the year ended December 2022. This is up from 11% in the December 2021 year. The underutilisation rate gives a broader measure of untapped capacity in the labour market. Northland recorded the highest underutilisation rate over the December 2022 year followed by Taranaki (10.5%). The national annual average underutilisation rate is 9.2% for the 2022 calendar year with Otago recording the lowest rate (8.6%). There has been a downward trend in Northland’s underutilisation rate since 2013 when it was above 20%.



Source: Statistics New Zealand

Unemployment rate by ethnicity in Northland

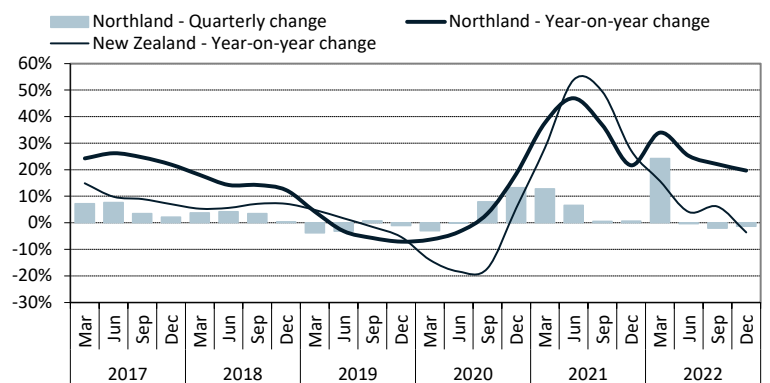
In December 2022, the annual average unemployment rate for Māori in Northland was 6.0% compared to 3.4% for Europeans. These ethnic unemployment rates are down from 15.4% and 4.1% respectively recorded in the year ended December 2017. The drop in the Northland regional average unemployment rate over the past five years from 7.1% to 4.0% is due primarily to a fall in Māori unemployment. The annual average national unemployment rate is currently 6.4% for Māori and 2.8% for Europeans.



Source: Statistics New Zealand

Job online vacancies in Northland

The trend series index of online job vacancies in Northland indicates a 1% drop in the number of online vacancies in December 2022 compared to the previous quarter. The number of online vacancies recorded in December 2022 is 20% higher than in December 2021, and 80% higher than in December 2017. Nationally, the number of online job vacancies dropped by 4% between December 2021 and 2022. Northland had the highest growth in online job vacancies in 2022 among regions for which the index is calculated, with three regions recording a fall: Waikato (-7%), Wellington (-6%) and Bay of Plenty (-2%).

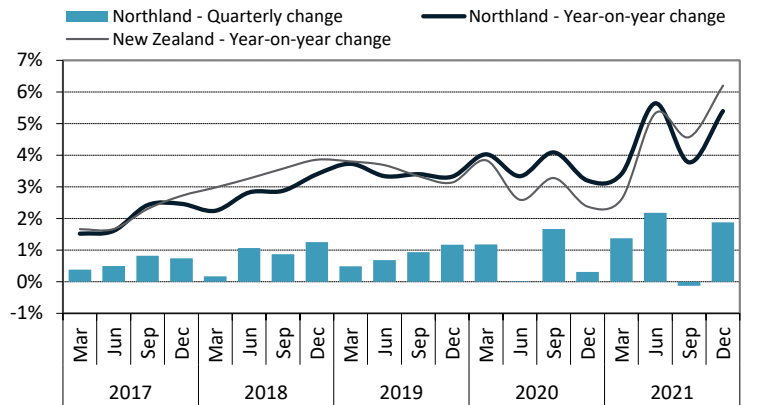


Source: MBIE

Household welfare – quarterly

Average wage and salary earnings in Northland

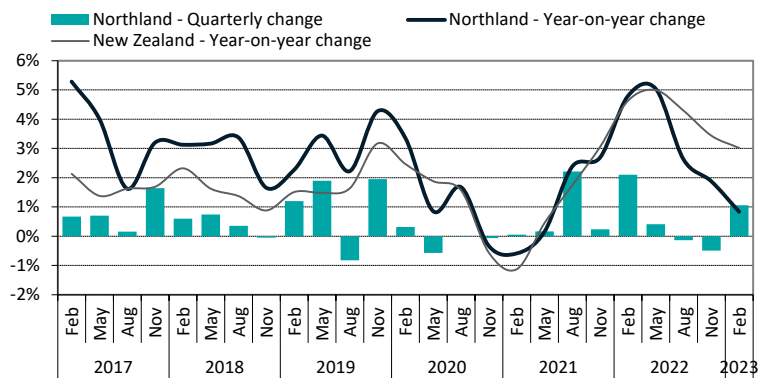
The annual average wage and salary in Northland, based on the sum of mean earnings of people in paid employment for the four quarters making up the year, was \$61,870 in December 2021. Average earnings rose by \$3170 (5.4%) in 2021. This is just below the national average increase of 6.2%, ranging from a low of 4.3% in the West Coast to high of 7.3% in the Bay of Plenty. 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 13th out of the 16 regions, with 8 regions including Northland having an average in the narrow range between \$61,800-\$62,800.



Source: Statistics New Zealand

Domestic electricity prices in Northland

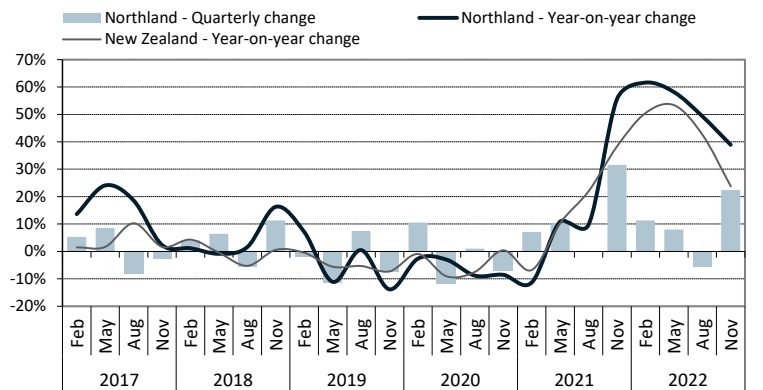
The weighted average domestic electricity price in Northland was 39.1c/kW in February 2023. This is 1% higher than the price of 38.8c/kW recorded a year previously. Nationally, domestic electricity prices rose 3% on average. During the past five years, the average domestic electricity price in Northland has risen by 2.1% per annum, the same as the national average. Assuming 8030kW of power is used per year, the current price equates to an annual household power bill of \$3143. This is 19% higher than the national average of \$2639, equivalent to an additional \$9.70 per week.



Source: Ministry of Business, Innovation and Employment

Home affordability in Northland

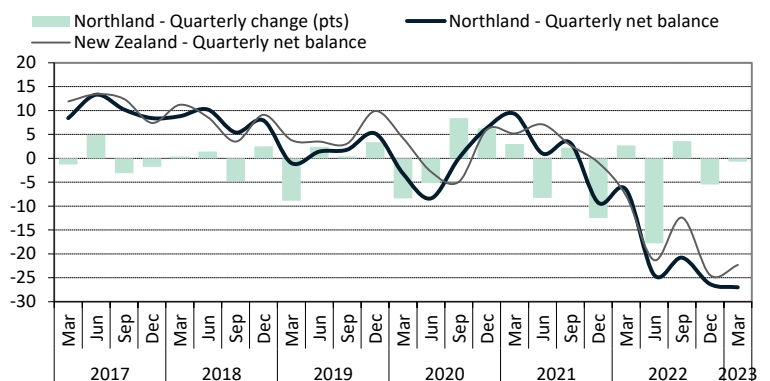
The Home Affordability Index for Northland (which considers interest rates, house prices, and wage levels) increased by 22% in November 2022 compared to August and by 39% compared to November 2021, indicating a deterioration in affordability (a rising index represents a worsening). In the year to November 2022, home affordability worsened in all sixteen regions with the deterioration greatest in the West Coast and Southland although both these regions remain the most affordable. The deterioration in home affordability in the year to November was due to an increase in mortgage interest rates.



Source: Massey University

Consumer confidence in Northland

The Westpac-McDermott Miller Consumer Confidence Index for Northland changed little in March 2023 compared to December 2022, remaining at -27. An index less than zero indicates that the number of pessimists is greater than the number of optimists. All of the 11 regions for which data is compiled have experienced a drop in confidence levels over the past year and sit well below zero, with the sharpest falls seen by Southland (33-pnt drop) and Canterbury (22-pnt). The national level of consumer confidence is -22 as a February 2023, which compares to a level of -18 points recorded during the GFC in June 2008.

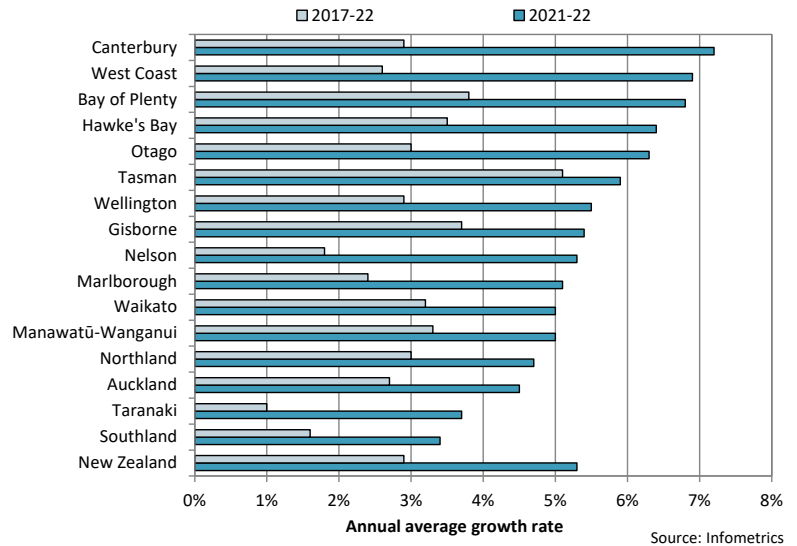


Source: Westpac McDermott Miller

Contribution to economic growth – annual

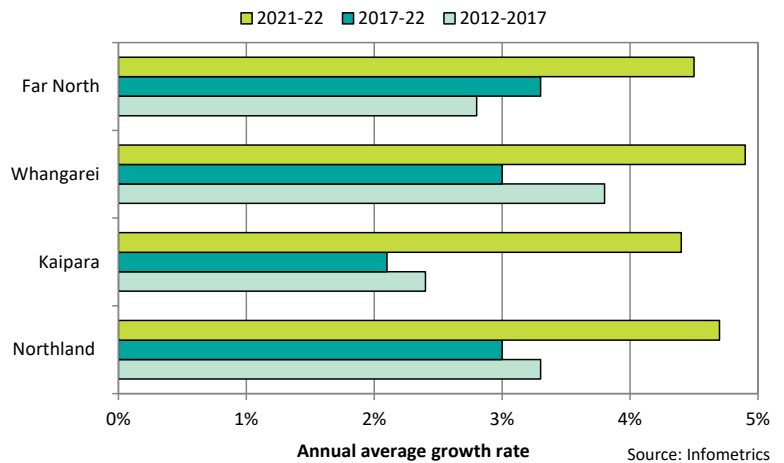
Growth rates by region

The Northland economy, as measured by GDP, is estimated to have grown by 4.7% in the year ended March 2022, to \$9.4 billion (2022 prices). New Zealand experienced a 5.3% rise in GDP over the same period. Northland ranked 13th out of 16 regions in terms of GDP growth in the year ended March 2022, with only Auckland (4.5%), Taranaki (3.7%) and Southland (3.4%) growing slower. Over the five-year period 2017-22, the Northland economy grew at an annual average rate of 3.0%, above the national growth rate of 2.9%. Since 2017 only six regions have grown faster than Northland with Taranaki (1.0%), Southland (1.6%) growing the slowest and Tasman (5.1%) growing the fastest.



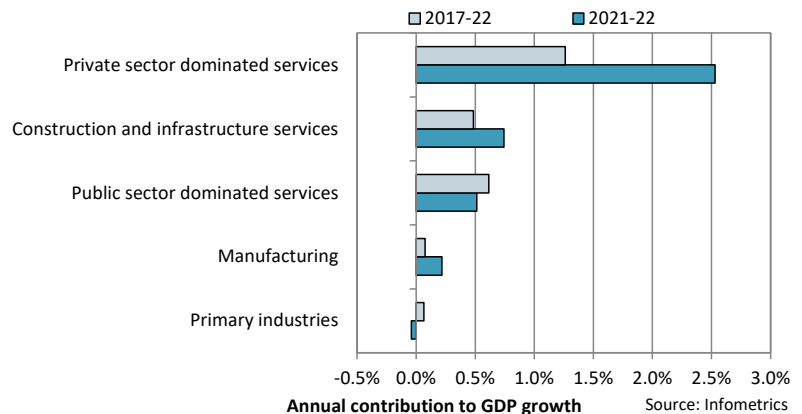
Growth rates by district in Northland

Economic growth rates can be highly divergent over the region. Over the five-year period 2012-17 the Whangārei economy grew by 3.8% per annum, while the Far North and Kaipara economies grew at an annual average rate of 2.8% and 2.4% respectively. However, over the current five-year period 2017-22 economic activity has switched around, with annual average growth of 3.3% in the Far North, 3.0% in Whangārei and 2.1% in Kaipara. Because of their smaller size, economic activity in the Kaipara and Far North districts varies from year to year much more than in Whangārei. Kaipara's economy is relatively more dependent on the dairy industry while the Far North is more dependent on tourism.



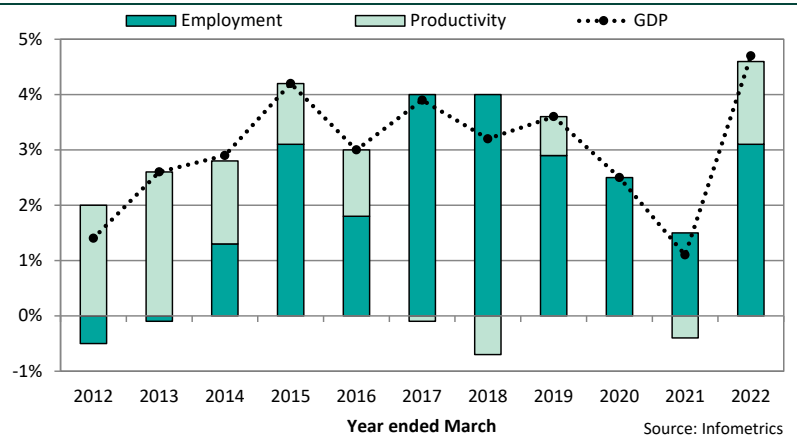
Contribution of sectors to economic growth in Northland

The main high-level sector contributing to the rise in Northland's GDP over 2017-22 was the private sector-dominated service industries (such as retail trade), which raised the region's GDP by 1.3% per annum. Economic activity in the public sector dominated services sectors and construction and infrastructure services lifted regional GDP by 0.6% and 0.5% per annum over that period. Over the past year, private sector services played the greatest role in lifting activity (2.5%) followed construction and infrastructure services (0.7%).



Contribution of employment and productivity to economic growth

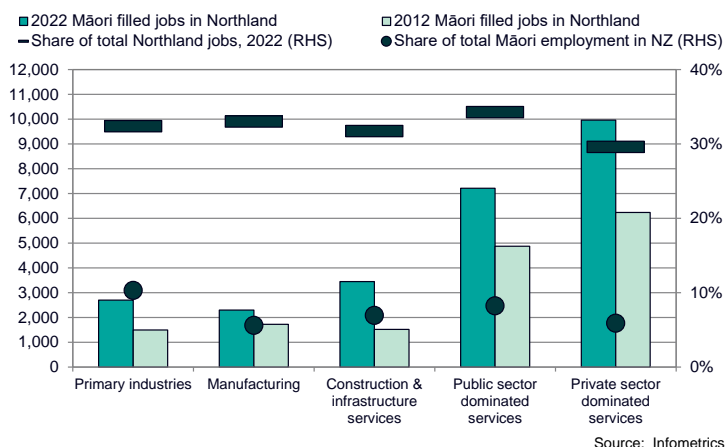
GDP growth can be analysed in terms of employment and productivity (GDP per filled job). A notable feature of Northland's economic growth over the past nine years is the positive contribution of employment. This had not been a feature of Northland's economic growth during 2010-13 when the number of filled jobs fell. With a regional average of \$117,281 GDP per filled job, Northland ranks tenth highest out of 16 regions, equivalent to 94% of the New Zealand average.



Spotlight – Māori in the workforce

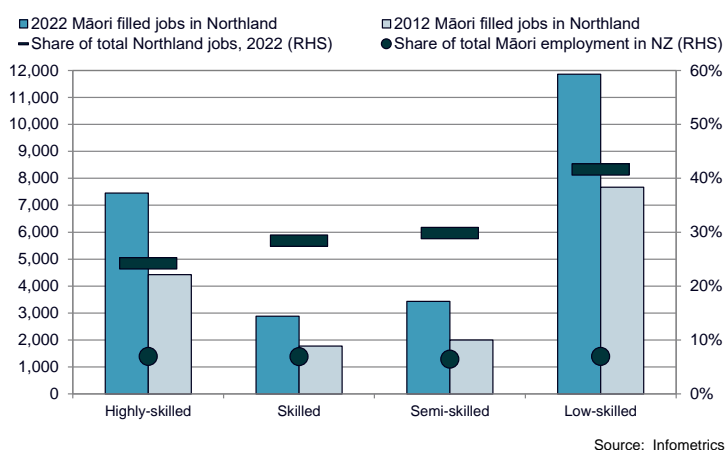
Filled Jobs by broad sector

In the year ended March 2022, almost 25,600 jobs in Northland (32% of the total number of part and full-time jobs) were filled by Māori. Māori employed in Northland represent 7% of total Māori employed nationally. In the year to March 2022, just below 40% of Māori were employed in the private sector-dominated service industry. Since 2012 the construction and infrastructure sector has experienced the largest percentage increase in Māori employment (56%). Around one in ten Māori in Northland are employed in the primary industry compared to just one in fourteen nationally.



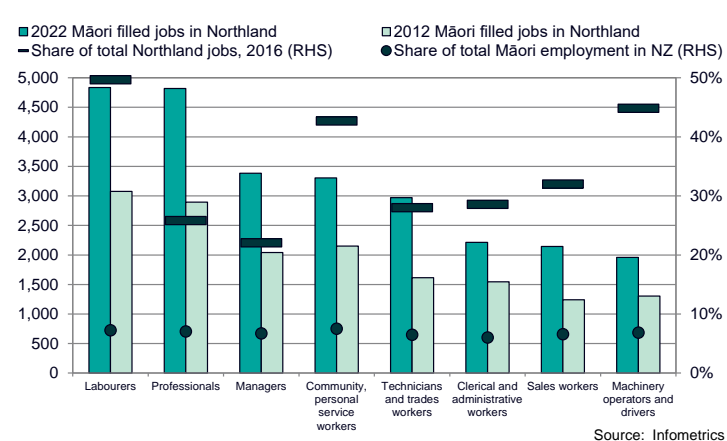
Filled jobs by broad skill level

Jobs can also be categorised by broad skill level based on an assessment of employment demands for various occupations. Almost 12,000 Māori are employed in jobs categorised as low skilled. This represents 46% of all Māori employed in Northland, and 42% of all people employed in low-skilled jobs in Northland. Since 2012, 42% (~4100) of the 9700 additional Māori employed have been in skilled or highly skilled jobs. However, Māori remain under-represented in the highly skilled category. The spread of Māori employed across the four broad skill levels in Northland is very similar to the national spread.



Filled jobs by broad occupation

Around 50% of occupations classified as “Labourers” are filled by Māori, the largest share of Māori workers by broad occupation. Other occupations in which Māori represent a higher-than-average proportion of the Northland workforce are community and personal service workers, and machinery operators and drivers. Since 2012, the largest increase in Māori employed by broad occupation, both in terms of number and percentage, has been in professional occupations. However, Māori remain under-represented in these occupations in Northland. The distribution of Māori employment in Northland by broad occupation is very similar to the national spread.



Highest qualification of Māori

In 2018, just under 11,000 Māori in Northland aged 15 years and over did not have a formal qualification, an increase of 720 (7%) compared to 2013. The number having a Level 1-3 certificate increased by over 6000 (60%). However, Māori are over-represented in these lowest qualification categories, accounting for 36% and 35% of the Northland population with these qualification levels, with Māori accounting for 31% of all Northlanders aged 15 years and over. The number of Māori in Northland with a tertiary qualification more than doubled between 2013 and 2018.

