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## From the economist

Welcome to the tenth issue of the Northland Economic Quarterly. Despite the impact of a lower dairy payout, and the climatic uncertainties created by El Niño, the Northland economy continues to move forward. Encouragingly, the number of people employed has hit a new high. Unfortunately, the unemployment rate, particularly for Māori, remains stubbornly high.

Results for the 2014/15 season are reported for four key primary sectors in the annual statistics section. Production levels were up for dairy, kiwifruit and avocado, with record levels set in all three. Roundwood harvest volumes are estimated to have fallen 0.2% from the record level set in 2013/14. Returns per unit of output fell for dairy, forestry and kiwifruit, rising for avocado. Overall, revenue earned by the kiwifruit and avocado industries is estimated to have risen 31% and 23% respectively, but fell 45% and 6% for dairy and forestry.

The Spotlight section provides some analysis of the latest business demographic statistics for Northland. There were just over 20,100 businesses in Northland as at February 2015. While the number of businesses has risen 2% over the past two years, there are almost 1000 fewer businesses today than in 2009. Five other regions have fewer businesses today than in 2009, with Auckland and Canterbury having the largest growth. Each of the three districts has experienced a fall in the number of businesses, with the construction, and agriculture, forestry and fishing industries experiencing the biggest reductions.



Darryl Jones

## Quick quarterly stats

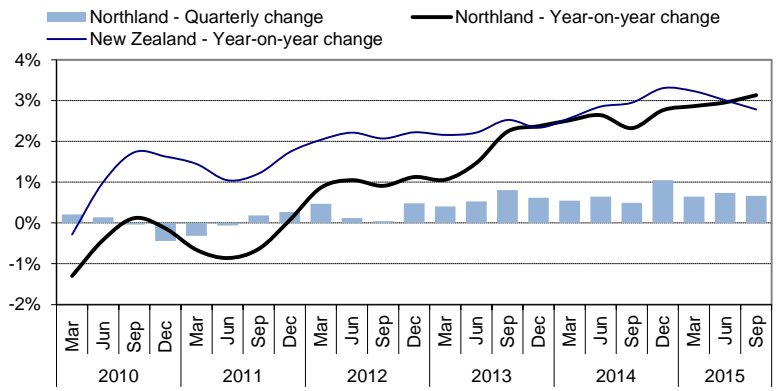
- GDP is forecast to have risen by 3.1% in the year ended September 2015.
- Ready-mixed concrete production is up 3% over the past 12 months.
- Wood chip export volumes rose 10% in year ended September 2015.
- Business confidence rose in the October quarter to meet the NZ average.
- Employment has increased by 2.5% over the year to a new record high.
- The annual average unemployment rate fell to 8.8% in September 2015.
- The unemployment rate for Māori hit a record high of almost 20%.
- The number of people on Jobseeker Support-Work Ready benefit rose 4%.
- The average wage and salary rose 3.5% in the year ended September 2014.
- Food prices in Whāngārei fell by 0.2% in the year ending September 2015.
- The average rent in Whāngārei rose by \$15 per week in November 2015.
- Consumer confidence fell in September, but it did so everywhere.

# Economic activity – quarterly

## Gross domestic product (GDP) in Northland

Northland's GDP is provisionally estimated to have risen 0.7% in the September 2015 quarter. This contributed to an estimated annual GDP growth rate of 3.1% for the year ended September, just above the national estimate of 2.8%.

This growth is spread fairly evenly across the region, with estimated annual growth rates of 2.3% in the Far North, 2.6% in Whāngārei and 3.7% in Kaipara. Northland was the third (out of 16) fastest growing region in the September 2015 year.

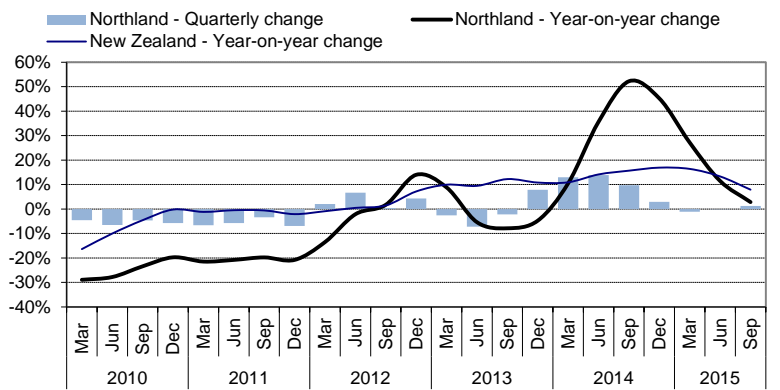


Source: Infometrics Regional Database

## Ready mixed concrete in Northland

In the year ended September 2015, 112,000m<sup>3</sup> of ready-mixed concrete was produced in Northland. This is 1% higher than the annual volume recorded in the year ended June 2015 and almost 3% above the annual volume recorded a year earlier. While production has been increasing over the past two years, current levels are still 30% below those recorded in the mid-2000s.

Nationally, concrete production increased by 8% in the year ended September 2015, driven by growth in Canterbury and Auckland.

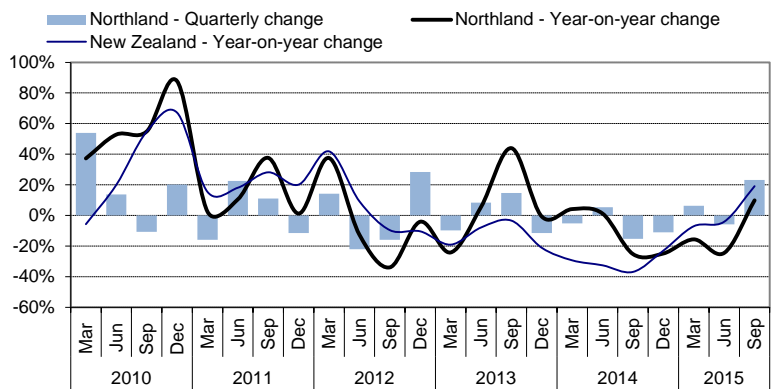


Source: Statistics New Zealand

## Wood chip exports from Whāngārei

Some 122,000 Bone Dry Units (BDU) of wood chips were exported from the port of Whāngārei in the year ended September 2015. This is 10% higher than the annual volume exported the previous September year but 22% below the annual record of 156,000 BDU exported in September 2011.

Despite the lower volume, the region's share of New Zealand wood chip exports has risen over this period: increasing from 38% in 2011 to 46% in 2015. Softwood chips account for about 85% of the volume exported from Whāngārei.

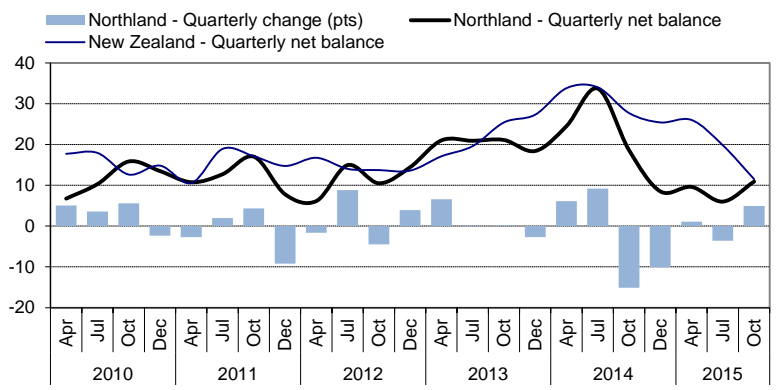


Source: Ministry for Primary Industries

## 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 rose by five points in the October 2015 quarter to reach 11 points. The gap between Northland and the New Zealand average has closed dramatically.

All regions, with the exception of Northland and the West Coast, experienced a drop in business confidence during the October quarter. Business confidence ranges from zero in Canterbury to 22 in Auckland.



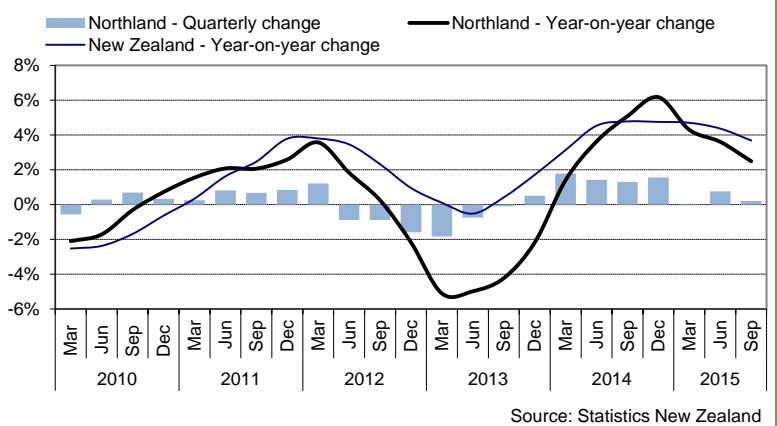
Source: ANZ

# Employment activity – quarterly

## Employment in Northland

It is estimated that an average of 74,300 people were employed in Northland (both full-time and part-time) in the year ended September 2015. The number of people employed in Northland has increased by 1800 (2.5%) since September 2014. This is the highest level recorded in Northland, slightly above the record set the previous quarter.

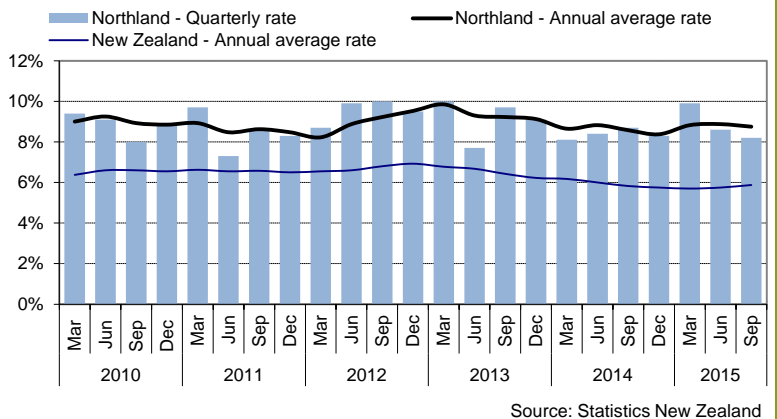
Nationally, the number of people employed increased by 2.8% in the year ended September 2015, with the greatest increases occurring in the Bay of Plenty, Southland and Auckland.



## Unemployment in Northland

The annual average unemployment rate in Northland was 8.8% in the year ended September 2015. This was marginally down from 8.9% recorded in June 2015. Since March 2010, the region's unemployment rate has averaged 8.9%.

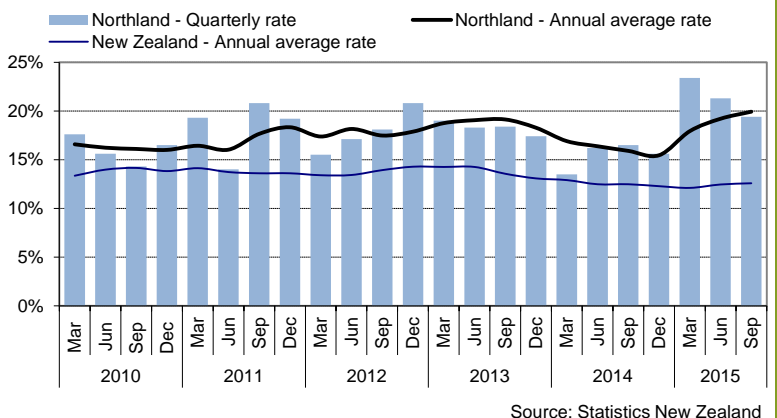
Northland's unemployment rate is 50% higher than the national average of 5.9% and is the highest among the 12 regions for which it is calculated. Manawatu-Wanganui and Gisborne/Hawkes Bay have the next highest rates, both averaging 7.7%. Canterbury has an unemployment rate of just 3.5%.



## Māori unemployment in Northland

The annual average unemployment rate for Māori in Northland was 19.9% in the year ended September 2015. This is the highest rate recorded since data became available, and the rise during 2015 is due to a fall in the number of Māori employed. The lowest annual average of 10.1% was recorded in 2008.

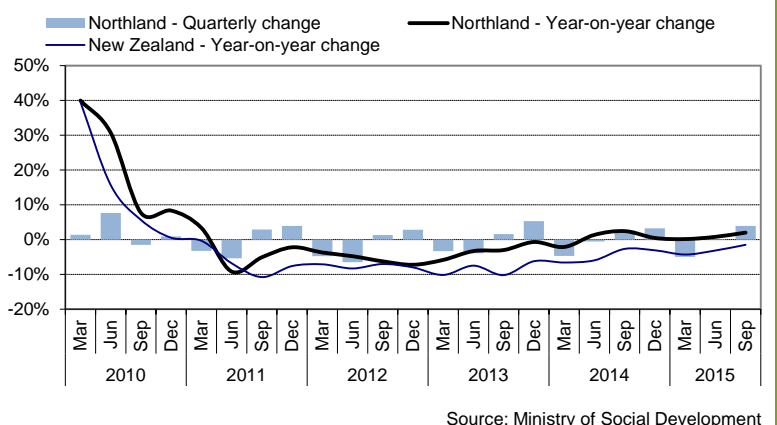
Northland's current Māori unemployment rate is more than three times the European equivalent (6.1%). While the highest in New Zealand, other regions having similarly high Māori unemployment rates are Manawatu-Wanganui (14.3%) and Gisborne/Hawke's Bay (14.1%).



## Jobseeker Support-Work Ready in the Work and Income Northland region

A total of 4945 people in the Northland were receiving the Jobseeker Support-Work Ready benefit at the end of March. This is up 4% from June and is 2% higher than in September 2014. While the number of people currently receiving this benefit is 11% less than the peak recorded in June 2010, it remains 60% higher than in September 2008.

At the national level, the number of people receiving this benefit has fallen by 1.5% over the past year. Northland accounts for 7.5% of the total, and this share has been rising since 2009.

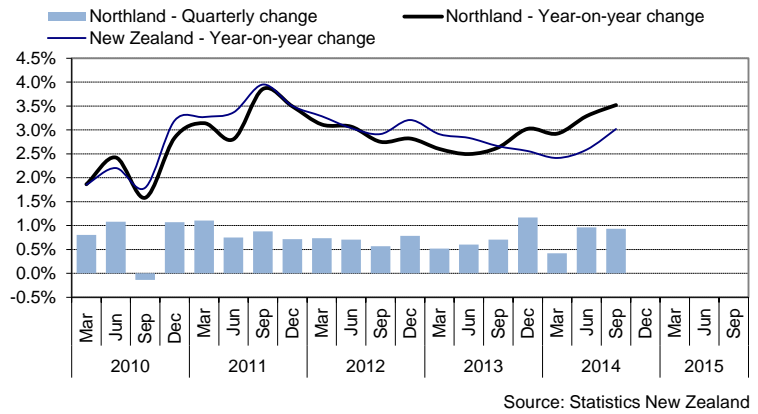


# Household welfare – quarterly

## 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 \$48,820 in September 2015. This represents an annual increase of 3.5%, higher than the national increase of 3.0%.

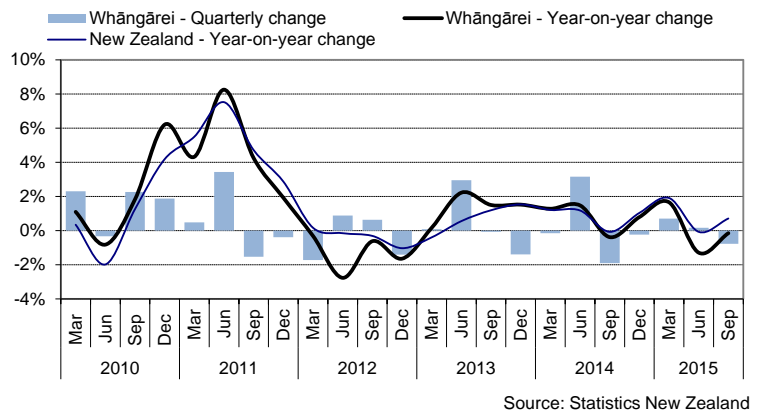
Northland's average is 12% below the national average of \$55,290. Only three regions (Auckland, Taranaki and Wellington) have average earnings above the national average. Northland's average is similar to that in Bay of Plenty, Otago and Southland.



## Food prices in Whāngārei

Food prices in Whāngārei fell by 0.8% in the September 2015 quarter. This followed two quarters in which food prices rose in total by just under 1%. Over the year ended September, food prices fell by 0.2% in Whāngārei. Local food prices have risen slower than the national trend over the past year.

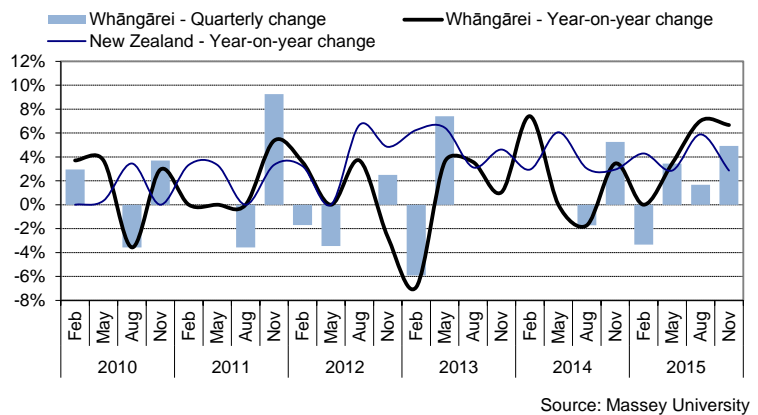
The cost of the standard basket of commodities used for measuring food prices is around the same in Whāngārei today as it was in September 2011. However, the standard food basket costs 5% more today than it did in 2010.



## Rent in Whāngārei

The median rent in Whāngārei in November 2015 was \$320 per week. This is 6.7% (\$20) higher than in November 2014 and is the highest level on record. The current median rent is \$40 per week more than it was five years ago in November 2010.

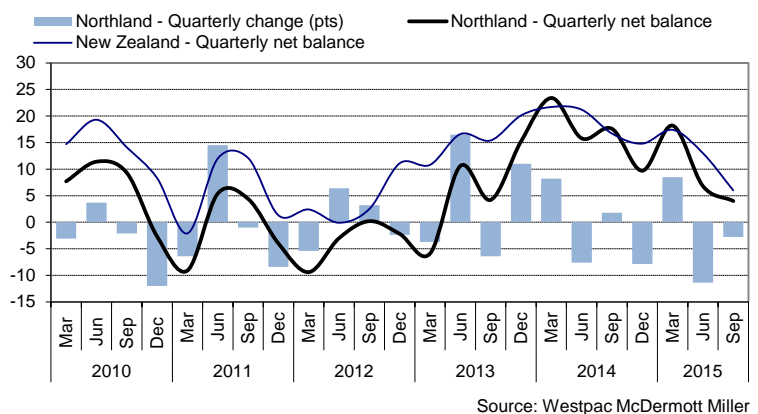
The national median rent rose 2.9% (\$10) in the year ended November 2015 to \$360 per week. This is \$60 more than in November 2010. The median rent paid on the North Shore and in New Plymouth increased the fastest in the year to November 2015 – by \$45 and \$40 respectively to \$520 and \$340 per week.



## Consumer confidence in Northland

The Westpac-McDermott Miller Consumer Confidence Index for Northland fell three points, to four, in September 2015. An index number above zero indicates that optimists outnumber pessimists. While this is down from the post-global financial crisis high of 23 in March 2014, this was the tenth consecutive quarter showing a positive number.

All 11 regions recorded a fall in consumer confidence in September. In all regions consumer confidence is the lowest level for 2-3 years, and has fallen below zero in Southland.

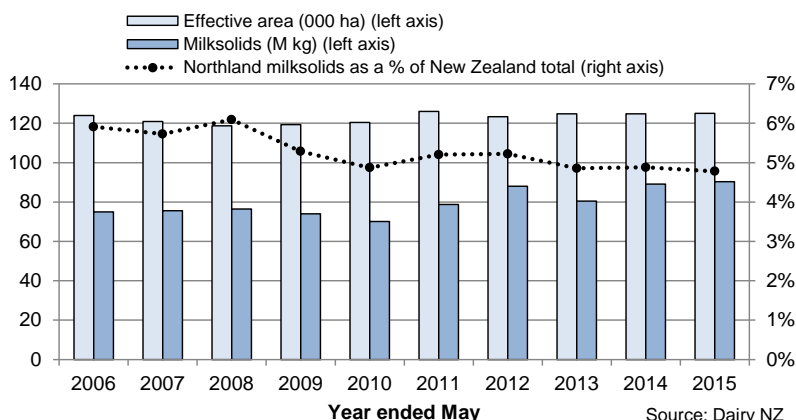




# Selected primary industries – annual

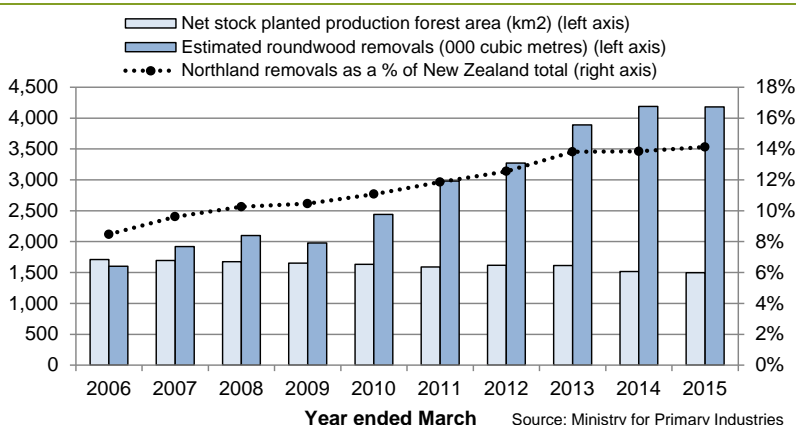
## Milk production in Northland

Just over 90M kg of milk solids was produced in Northland in the 2014/15 season, a new record volume for the region. This was 1.4% higher than the record level set the previous season. The increase was mainly due to a rise in average milk solids per cow. Despite rising, Northland's share of national production dropped to 4.8% in 2014/15. Northland's share of the national total was 7.2% in 2002/03. At a total payout price of \$4.65/kg milk solids, the dairy industry in Northland earned \$420M in 2014/15, 45% lower than in 2013/14 when the total payout was \$8.50 kg.



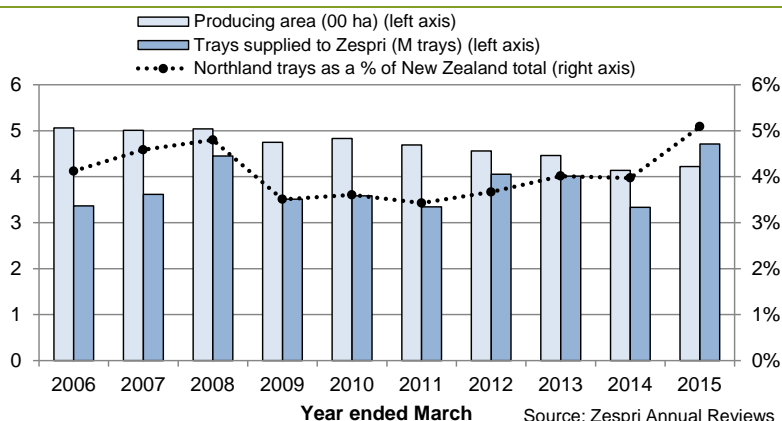
## Forest production in Northland

It is estimated that 4.18Mm<sup>3</sup> of roundwood was harvested from the Northland wood supply region in 2014/15.<sup>1</sup> This is just below the record harvest volume of 4.19Mm<sup>3</sup> achieved the previous year. Northland's share of the national harvested rose to over 14% due to greater falls in the central North Island. Since the mid-2000s, the plantation forest area in Northland has fallen from 172,000ha to just under 150,000.<sup>2</sup> Using an average log price of \$127m<sup>3</sup>, Northland forest owners earned around \$530M in 2014/15, down 6% on 2013/14 revenue.



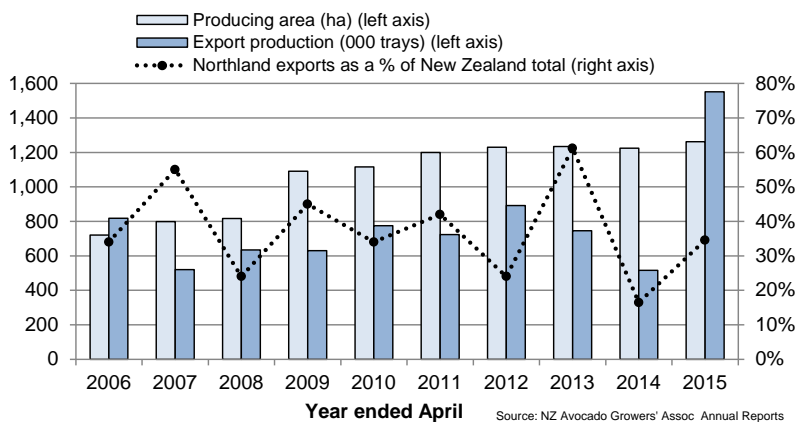
## Kiwifruit production in Northland

In the 2014/15 season, Northland kiwifruit growers supplied Zespri with just over 4.7M trays of fruit, 41% more than in 2013/14. This is also 6% higher than the previous record of 4.45M trays produced in 2007/08, with the current volume produced off 422ha or 16% less land. Northland's share of the national crop rose to more than 5%. Grower returns rose by one-third from \$45M to \$59M as the average prices for Zespri Gold fell slightly. Gold kiwifruit has risen from 35% of the Northland crop in 2002/03 to 79% in 2014/15.



## Avocado production in Northland

Northland avocado growers supplied 1.5M trays of fruit for export in 2014/15; 200% more than in 2013/14 and 74% above the previous record high set in 2011/12. As a result, Northland's share of total exports rose from 16% to 35%. Production was significantly up in the mid-North producing area, particularly in terms of output per hectare. Returns were also boosted by higher prices. Assuming the national average orchard gate return was received, Northland growers earned more than \$31M in 2014/15, up from \$25M in 2013/14.

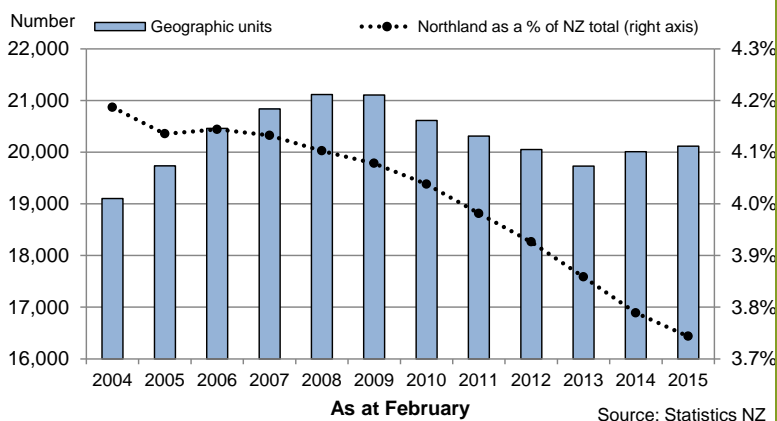


1. The Northland Wood Supply region as defined by the Ministry for Primary Industries includes the former Rodney district.
2. The planted production forest area only includes forest holdings greater than 40 hectares.

# Spotlight – business demographics in Northland

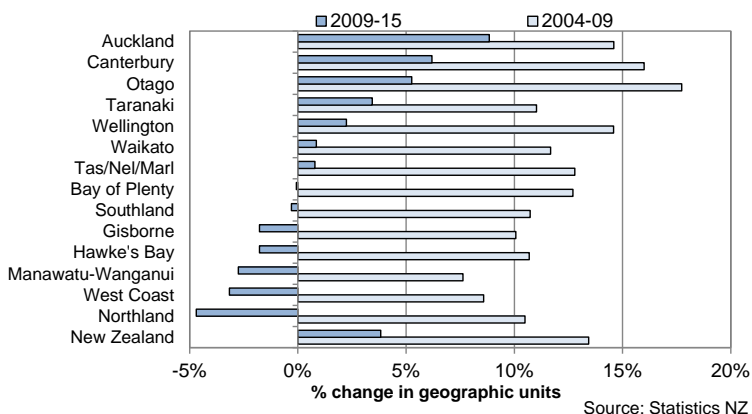
## Number of businesses in Northland

At February 2015, there were 20,118 geographic units<sup>1</sup> in Northland, up 0.6% (111) from February 2014. This is the second year in a row in which the number of businesses is estimated to have risen. The number of businesses in Northland peaked at around 21,100 in both 2008 and 2009. The economic slow-down following the global financial crisis saw the number of businesses in Northland fall by 7% to a low of 19,730 in 2013. Northland's share of total businesses in New Zealand has fallen from 4.3% in the early 2000s to 3.7% in 2015.



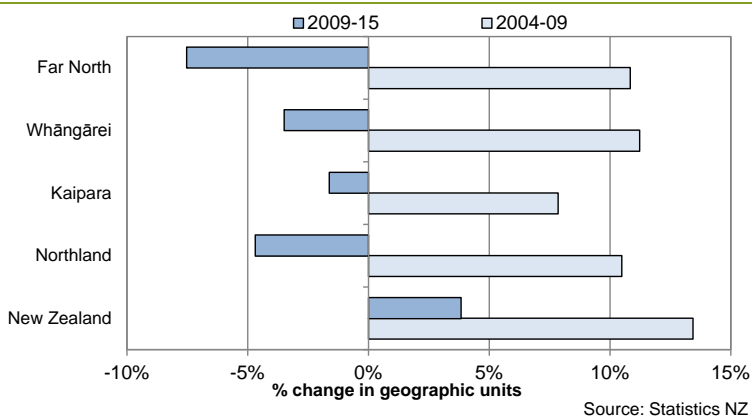
## Change in businesses by region

In the six years between 2009 and 2015 the number of businesses in Northland fell by 5%; the largest decrease among the 14 regions. Other regions having a lower number of businesses in 2015 in comparison to 2009 are West Coast, Manawatu-Wanganui, Hawke's Bay, Gisborne and Southland. Since 2009, the number of business in Auckland and Canterbury has increased by 9% and 6% respectively. Over the five-year period 2004-09, the number of business in Northland grew by 10%, which is similar to most other regions and ahead of three.



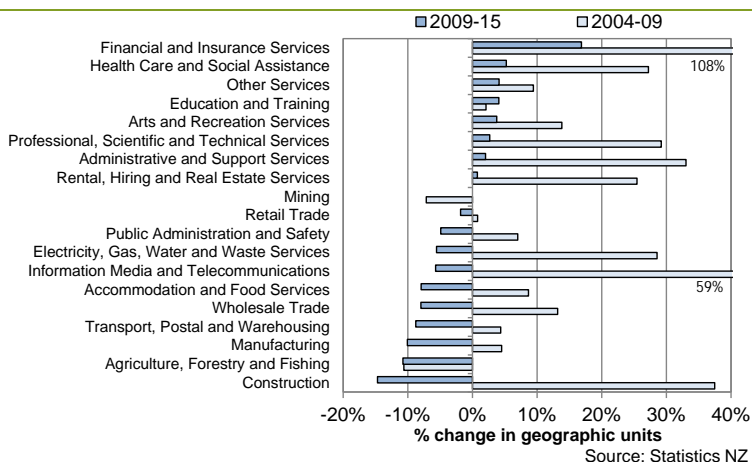
## Change in businesses by district

The number of businesses has fallen in all three Northland districts between 2009 and 2015: 7.5% in the Far North, 3.5% in Whāngārei and 1.6% in Kaipara. This contrasts with the period 2004-09 when all three districts experienced a rise in the number of businesses, ranging from 7.8% in Kaipara to 11.2% in Whāngārei. The spread of businesses across the region is very similar to the population distribution, with 46% of businesses located in Whāngārei, 37% in the Far North and the remaining 17% located in Kaipara.



## Change in businesses by sector

In the five-year period 2004-09, the number of businesses in Northland in each of the 19 ANZSIC<sup>2</sup> 2006 division classifications increased with the exception of the two primary sector categories of mining, and agriculture, forestry and fishing, which decreased by 7% and 11% respectively. Since 2009, the number of businesses has fallen in 10 categories, rising in eight and constant in one. The largest falls occurred in the construction, and agriculture, forestry and fishing categories. Growth in business has been strongest in the financial and insurance services category, as it was in 2004-09.



1. A geographic unit is a separate operating unit engaged in one, or predominantly one, kind of economic activity from a single physical location or base. Geographic units must belong to economically significant enterprises, i.e. have a GST turnover greater than \$30K per year.
2. Australian and New Zealand Standard Industrial Classification.