

Economic Quarterly



Issue 29 | March 2021

Quick quarterly statistics
page 1

Economic activity – quarterly
page 2

Employment – quarterly
page 3

Household welfare – quarterly
page 4

Contribution to economic growth –
annual
page 5

Spotlight – Immediate impacts of
COVID-19
page 6



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From the economics team at NRC

Kia ora and welcome to the 29th issue of this newsletter. The initial fall and bounce back from the COVID-19 crisis are clearly seen in the quarterly indicators. Relative to New Zealand as a whole, and many other regions, Northland has fared rather well. In particular, the labour market has continued to perform strongly. Several factors have contributed to this including the wage subsidy scheme and other government spending programmes, strong consumer spending in the region, and several major construction projects around the region. The drop in residential building consents is a concern for on-going housing affordability.

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. The Northland economy grew by 1.5% in the year ended March 2020, with this growth led by private sector dominated services and in the top half of the region.

Like the previous edition, the spotlight section highlights some of the immediate impacts of the COVID-19 crisis on Northland's economy. After falling by almost 50% during Level 4, weekly consumer spending has been on average 7% higher than two years previous since then, with the rebound in Northland the fourth highest among the 16 regions. There are signs that consumer spending is waning. The positive quarterly employment indicators are backed up by the small (0.5%) increase in filled wage and salary jobs between February 2020 and February 2021. However, Jobseeker Support numbers are still 30% above pre-COVID levels and more than one-in-ten Northlanders aged 18-64 years old receive this benefit.

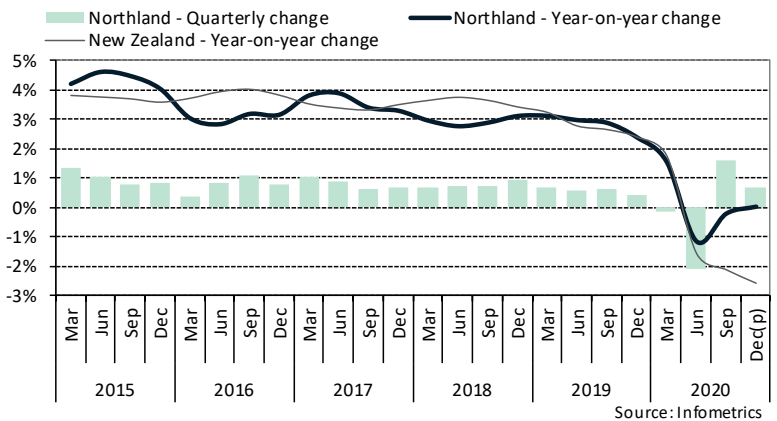
Quick quarterly statistics

- Annual GDP is estimated to have remained flat (0% growth) in 2020.
- New residential building unit consents fell 11% in the 2020 calendar year.
- Commercial vehicle registrations fell 19% in the year ended December 2020.
- Log exports rose by 4% in volume in the December 2020 year.
- Employment rose by 5.2% in the year ended December 2020.
- The annual average underutilisation rate was 12% in December 2020.
- In the year ended December 2020, the annual average unemployment rate for Māori was 7.6%, down from 12.3% in December 2019.
- Online job vacancies in December 2020 are 2% higher than a year ago.
- The average wage and salary rose 3.4% in the year ended December 2019.
- Domestic power prices fell 0.6% during the year ended February 2021.
- Home affordability improved during the year ended August 2020 due to falling interest rates offsetting increases in house price.
- Consumer confidence in Northland rose by three points in March 2021.

Economic activity – quarterly

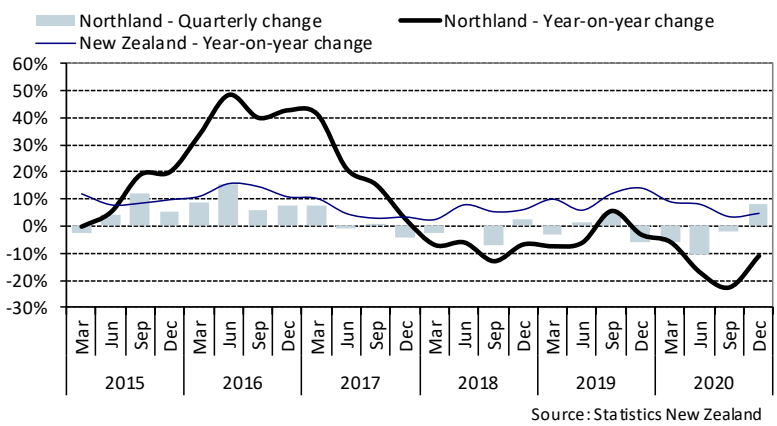
Gross domestic product (GDP) in Northland

Northland’s annual GDP is estimated to have grown by 0.7% in the December 2020 quarter, contributing to an estimated annual growth rate of 0% for the calendar year. The combined September and December quarter increases offset the decreases experienced in March and June. The 0% growth in Northland’s GDP is “higher” than the -2.1% fall in the national economy. Regional growth rates during the calendar year 2020 are estimated to vary from -4.3% in Auckland to 0.8% in Hawke’s Bay, with Northland sitting 4th out of 16 regions. Annual growth rates in the districts range from a fall of -0.2% in Whangarei and the Far North to growth of 2.6% in Kaipara.



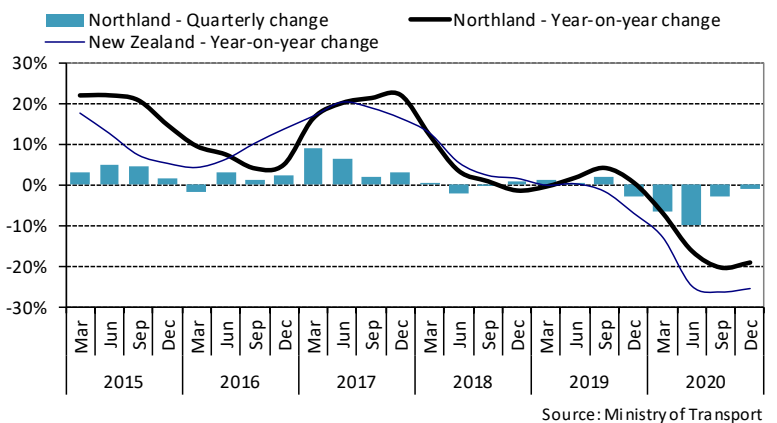
Number of new dwelling unit consents in Northland

During the calendar year 2020, 995 new dwelling unit consents were issued in Northland. This is 11% less than the number issued in the year ended December 2019. This is the third year in a row that the number of new dwelling unit consents has fallen, with the number issued in 2020 being 20% less than in 2017 despite a 7% increase in population. The December annual total is 446 (31%) below the record number issued in 2004. There is a large regional variation around the 5% national increase in the 2020 calendar year, ranging from a 47% increase in Hawke’s Bay to a fall of 19% in Nelson.



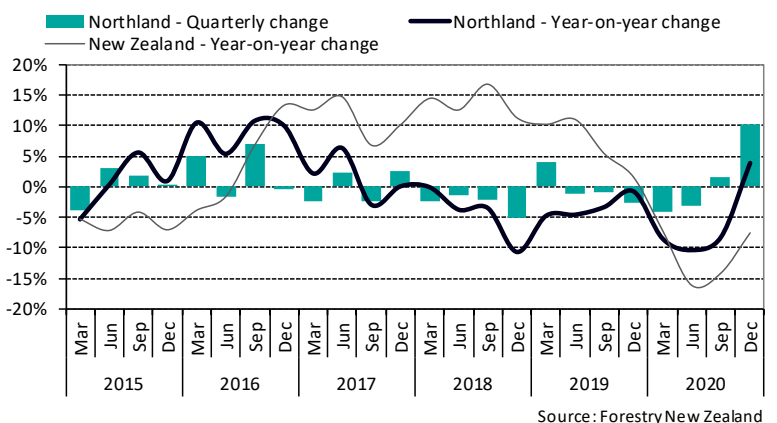
Commercial vehicle registration

A total of 1766 commercial vehicles was registered in Northland in the year ended December 2020. This is 19% lower than the number registered in the year to December 2019, and 20% below the annual calendar year record total of 2195 set in 2017. For comparison, 691 commercial vehicles were registered in the calendar year 2010 following the GFC. At the national level, commercial vehicle registrations fell by 25% in the year ended December 2020. All regions experienced a fall in the 12 months to December 2020, ranging from -0.8% in Nelson to -43% in Canterbury.



Log exports from Whangārei

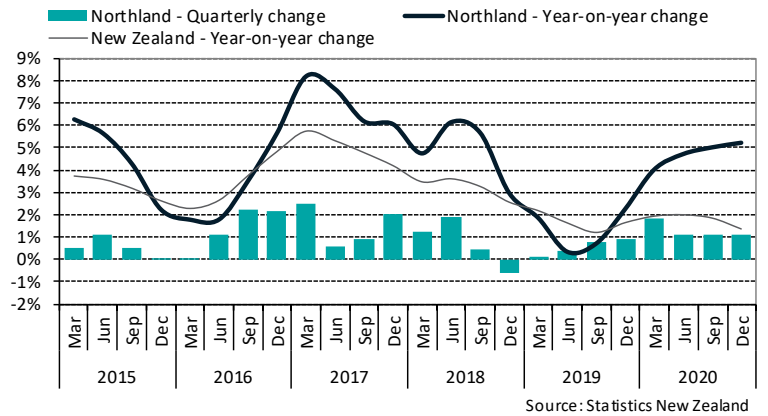
Just over 2.65 million cubic metres of logs were exported from Whangārei in the year ended December 2020. This is 4% higher than the volume exported in the year ended December 2019 and follows two years of falling export volumes. Exports in 2020 are 8% below the record annual export of 2.88 million cubic metres from the region in 2017. At the national level, the volume of log exports fell by 7.5% in the year ended December 2020, driven by decreased export volumes out of Tauranga, Nelson and Picton. Northland accounts for 13% of national log exports in 2020, down from 16% in 2016.



Employment activity – quarterly

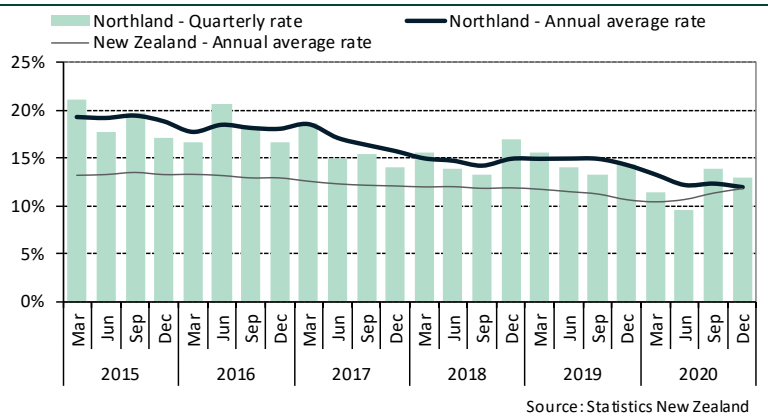
Employment in Northland

An estimated average of 94,200 people were employed in Northland (both full-time and part-time) in the year ended December 2020. This total is 5.2% higher (4700 people) than the number employed one year ago. Nationally, the number of people employed increased by 1.4% during the calendar year 2020. All regions except two, Taranaki (-2.2%) and Wellington (-0.7%), experienced a rise in the number of people employed, growing between 0.2% (Otago) and 5.2% (Northland). Since 2015, employment in Northland has increased by 24%, with an additional 18,300 people employed. This is the largest percentage increase in employment across the 12 regions, with Southland recording just a 6% increase.



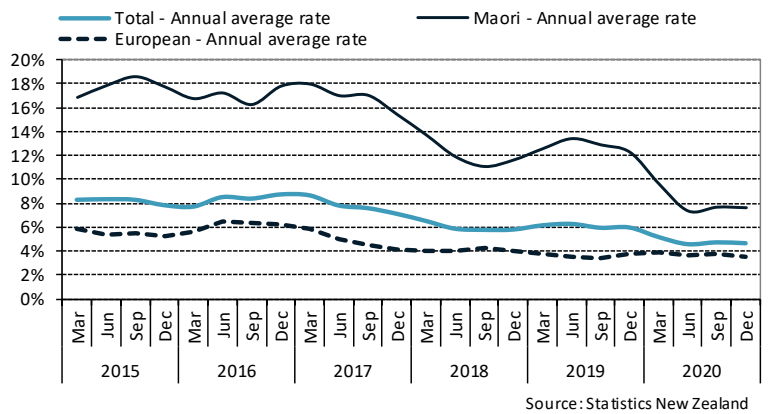
Underutilisation rate in Northland

The annual average underutilisation rate in Northland was 12% in the year ended December 2020. The underutilisation rate gives a broader measure of untapped capacity in the labour market. There has been a steady decline in Northland's underutilisation rate since 2013 when it was above 20%. The lowest annual average underutilisation rate recorded in Northland was 10.8% recorded in March 2008. The national annual average underutilisation rate is also 12% for the 2020 calendar year and varies between 11% in Southland and 13% in Gisborne/Hawke's Bay.



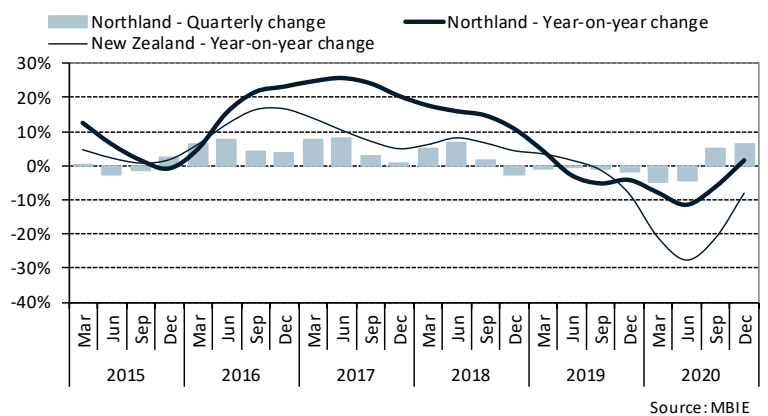
Unemployment rate by ethnicity in Northland

In December 2020, the annual average unemployment rate for Māori in Northland was 7.6% compared to 3.5% for Europeans. These ethnic unemployment rates are down from 17.8% and 6.2% respectively recorded in the year ended December 2016. The drop in the Northland regional average unemployment rate over the past four years from 7.6% to 5.6% is due primarily to a fall in Māori unemployment. The annual average national unemployment rate is currently 8.3% for Māori and 3.7% for Europeans. Waikato recorded the highest annual average Māori unemployment rate in 2020 (9.6%) with Southland the lowest (2.5%).



Job online vacancies in Northland

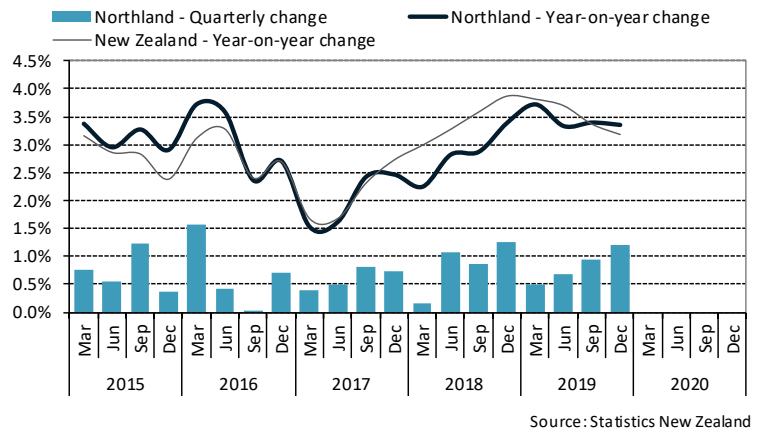
The trend series index of online job vacancies in Northland indicates a 6.5% rise in the number of online vacancies in December 2020 compared to September. The number of online vacancies recorded in December 2020 is 1.6% higher than in 2019, and 60% higher than in December 2015. Nationally, the number of online job vacancies fell by -8% during the past year. Online job vacancies index fell in seven of the 10 regions for which the index is calculated during the past year, ranging from a fall of -20% in Otago/Southland to a rise of 16% in Gisborne/Hawke's Bay.



Household welfare – quarterly

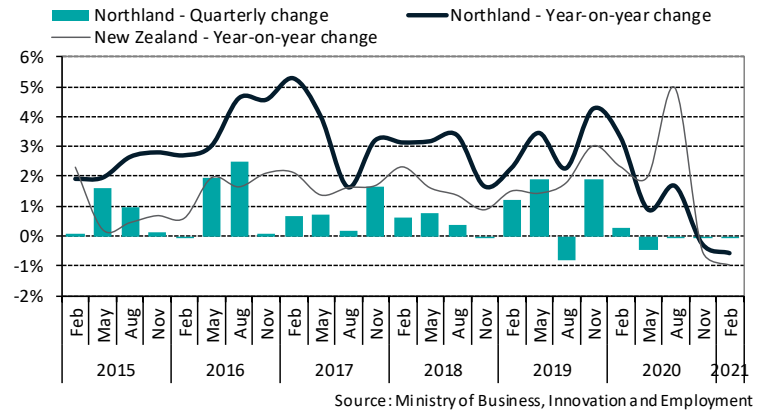
Average wage and salary earnings in Northland

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 \$56,900 in December 2019. Average earnings rose by \$1850 (3.4%) in the 2020 calendar year. This is slightly above the national average increase of 3.2%, with five of the 16 regions (including Auckland and Canterbury) recording a lower increase than Northland in the 2020 calendar year. 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 seven regions including Northland having an average in the narrow range between \$56,000-\$58,000.



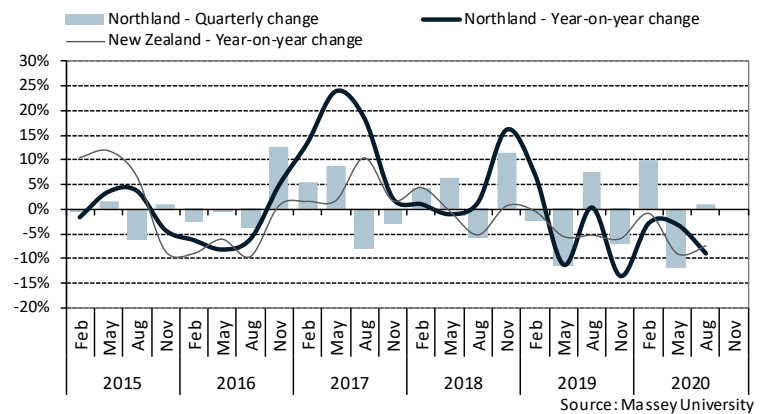
Domestic electricity prices in Northland

The weighted average domestic electricity price in Northland was 37.0c/kW in February 2021. This is the same as in November 2020 and is 0.1c/kW (-0.6%) lower than in February 2020. During the past five years, the average domestic electricity price in Northland has risen by 2.7% per annum, with the national average increasing by 1.5% per annum over the same five-year period. Assuming 7100kW of power is used per year, the current price equates to an annual household power bill of \$2628. This is 21% higher than the national average of \$2165, equivalent to an additional \$8.90 per week.



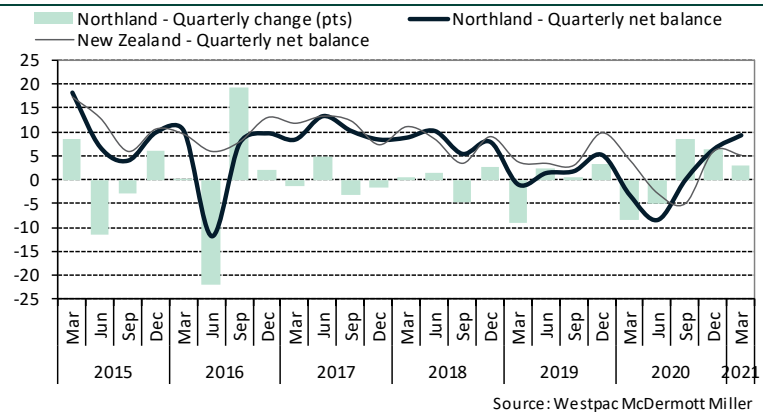
Home affordability in Northland

The Home Affordability Index for Northland (which considers interest rates, house prices and wage levels) increased by 1% in August 2020 compared to May but fell by 9% compared to August 2019 - indicating an improvement in affordability (a falling index represents an improvement). In the year to August, home affordability improved in all sixteen regions except Southland (no change). While the median house sales price has increased, the improvement in house affordability in the year to August was due to a decrease in mortgage interest rates and a steady increase in wages. The Index is likely to have risen since then due to the sharp rise in house prices.



Consumer confidence in Northland

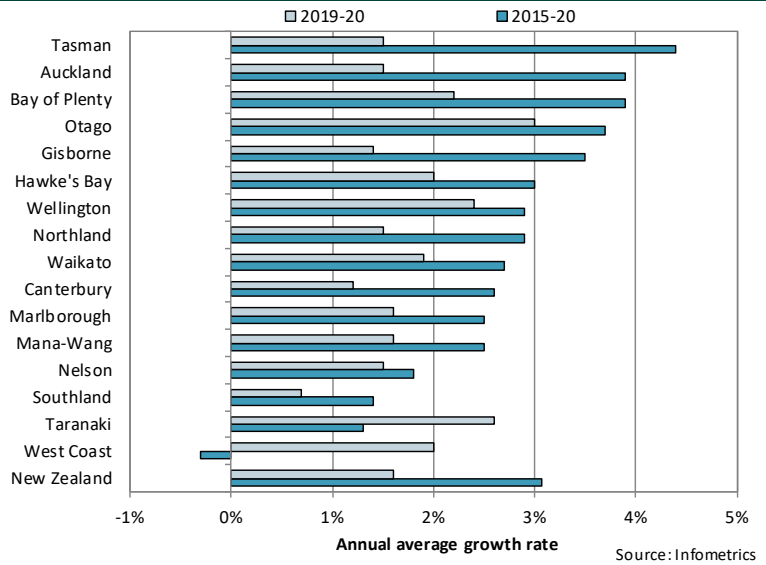
The Westpac-McDermott Miller Consumer Confidence Index for Northland rose by three points in March 2021 from 6 to 9. An index number of zero indicates that the number of optimists equals the number of pessimists. This rise diverged from the fall in the national level of consumer confidence, which Northland has sat above for three consecutive quarters (a record length). Of the 11 regions for which data is compiled, consumer confidence is higher than Northland in only two regions: Taranaki/Manawatu-Wanganui (13pts) and Wellington (16pts).



Contribution to economic growth – annual

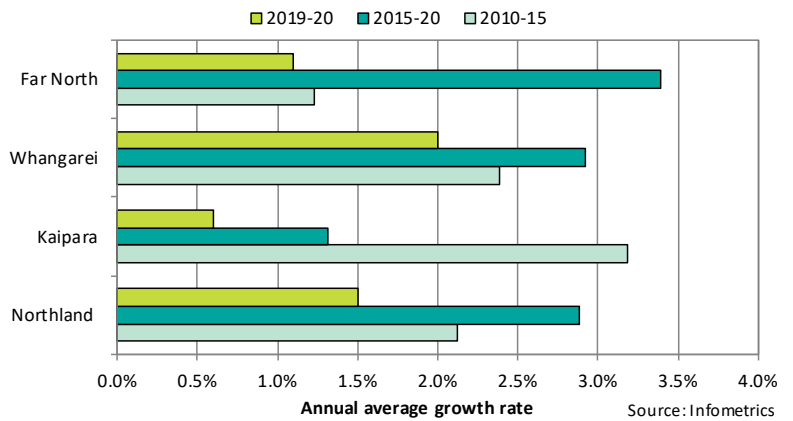
Growth rates by region

The Northland economy, as measured by GDP, is estimated to have grown by 1.5% in the year ended March 2020 to \$8.5 billion (2020 prices). This is slightly below the national GDP growth rate of 1.6%. Northland ranked twelfth out of 16 regions in terms of GDP growth in the year ended March 2020, ahead of Southland, Canterbury, Gisborne and Nelson. Economic activity in Otago grew the fastest at 3%. Over the five-year period 2015-20, the Northland economy grew at an annual average rate of 2.9%, again just below the national growth rate of 3.0%. Northland sits towards the middle of the regional pack, with seven regions growing faster and eight regions growing slower than Northland since 2015.



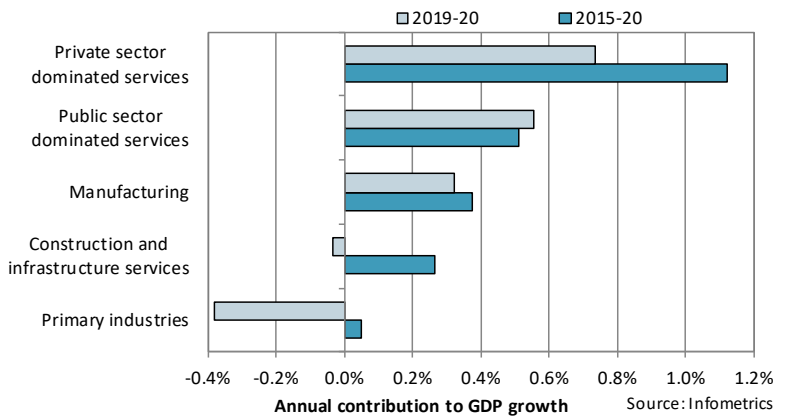
Growth rates by district in Northland

Economic growth rates can be highly divergent over the region. Over the five-year period 2010-15 the Kaipara economy grew by 3.2% per annum and Whangārei by 2.4%, while the Far North economy grew at an annual average rate of just 1.2%. However, over the current five-year period 2015-20 economic activity has switched around, with annual average growth of 3.4% in the Far North, 2.9% in Whangārei and 1.3% 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 is also affected by dairy payout and the Far North by tourism.



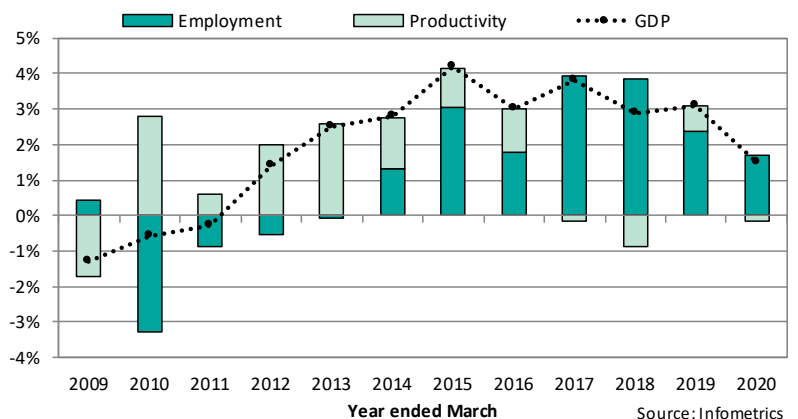
Contribution of sectors to economic growth in Northland

The main high-level sector contributing to the rise in Northland's GDP over the 2015-20 period was the private sector dominated service industries (such as retail trade), which raised the region's GDP by 1.1% per annum. Economic activity in the manufacturing and public sector dominated services sectors both lifted regional GDP by 0.4% and 0.5% per annum over the period. Primary industries lifted GDP by less than 0.1% per annum over the five-year period, due largely to a drop in milksolids production and payout.



Contribution of employment and productivity to economic growth

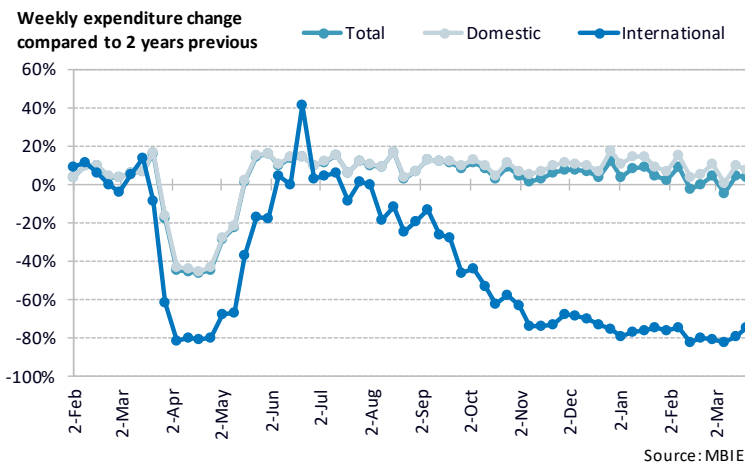
GDP growth can be analysed in terms of employment and productivity (GDP per filled job). A notable feature of Northland's economic growth over the past seven years is the positive contribution of employment. This had not been a feature of Northland's economic growth during 2010-13 when the number of filled jobs fell. With a regional average of \$112,000 GDP per filled job, Northland ranks eight highest out of 16 regions, equivalent to 90% of the New Zealand average.



Spotlight – Immediate impacts of COVID-19

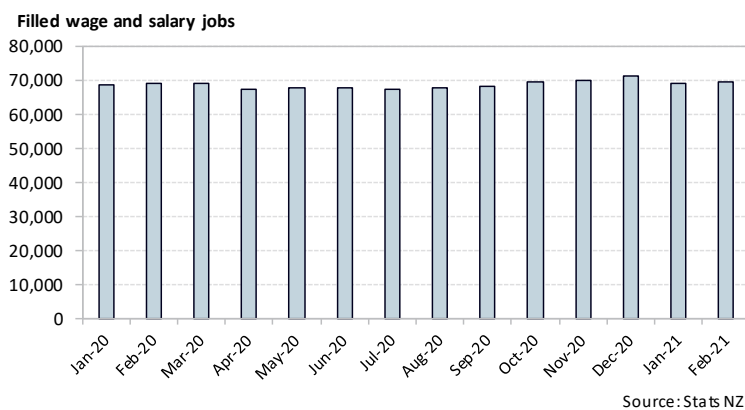
Electronic consumer spending in Northland

From early June 2020 when New Zealand came out of Level 4 lockdown to 21 March 2021, weekly consumer spending in Northland, as measured by Paymark's EFTPOS transactions, has been on average 7% higher than in the same week two years previous. The increase in consumer spending is slightly higher in Gisborne, Hawke's Bay and Manawatu than in Northland, with change in spending in the remaining 12 regions lower. Average weekly spending has fallen in four regions since June 2020, with Otago and Auckland recording a drop of more than 8% in consumer spending. Since the start of 2021, weekly consumer spending in Northland has averaged only 4% higher than two years previous. A similar drop has been experienced by all regions.



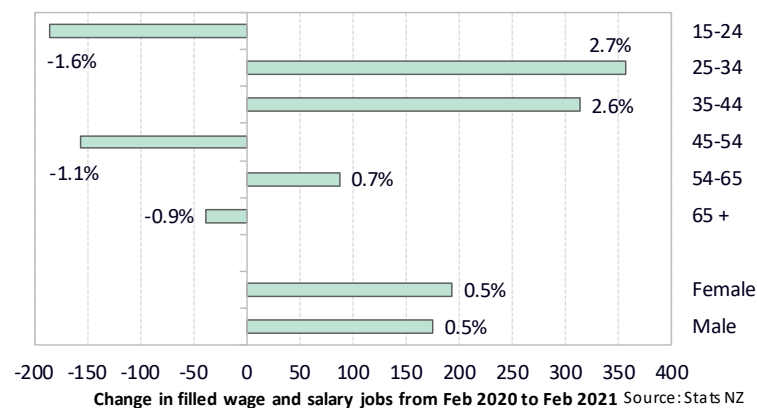
Filled wage and salary jobs in Northland

In February 2021, there were 69,350 filled wage and salary jobs in Northland, i.e. not including self-employed. This is approximately 360 (0.5%) higher than the number employed in February and March 2020. Compared to other regions, the 0.5% increase from February 2020 to 2021 ranks Northland as the 10th largest. The number of filled wage and salary jobs has increased in 11 regions and fallen in five. The largest increase has been in Tasman (1.8%) while Otago has seen the biggest fall (-2.7%). Nationally, the number of wage and salary jobs has fallen by 0.1%.



Filled wage and salary jobs in Northland by broad age group and gender

The change in filled wage and salary jobs in Northland has not be even across age groups. The number of filled wage and salary jobs employing 15-24 years old has fallen by 190 (-1.6%). A slightly smaller drop has been experienced for those 45-54 years old. The largest increases in employment have been in the 25-34- and 34-44-years old age groups. The number of males and females employed in Northland have both risen by around 180 persons or 0.5% between February 2020 and February 2021.



Jobseeker Support recipients in Northland

In the three months between the beginning of March 2020 and the end of May 2020, the number of Jobseeker Support recipients in Northland increased by 2300 (25%) to around 11,500. For the remainder of 2020 there was a small but steady rise in the number of recipients (like 2019) to reach a peak of just over 12,200 in January 2021. As at 19 March 2021, there were 11,904 Jobseeker Support recipients, 30% higher than in one year previous. Nationally, the number of Jobseeker Support recipients has increased by 41% over the past year. Northland has the 6th lowest rate of increase since 20 March 2020, with Auckland recording the highest (60%) and Manawatu-Whanganui the lowest (23%).

