

Economic Quarterly

Northland
REGIONAL COUNCIL
Te Kaunihera ā rohe o Te Taitokerau



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From the economist

Kia ora and welcome to the 28th issue of this newsletter. The impact of the COVID-19 crisis is clearly showing itself in the quarterly indicators, particularly with economic activity. The relatively strong employment data for June surprised many commentators. Total employment did not fall as much as expected due to the effectiveness and extension of the wage subsidy scheme. More importantly, many people who were previously unemployed and looking for work are no longer seeking employment and therefore not counted as “unemployed” since they have “left” the labour market.

The annual statistics on household income show changes over a longer time, including regional comparisons and differences between ethnicity. Over the past five years Northland’s median household income has increased by just over 4% per annum, ranking third out of 12 regions. However, while the gap has closed, Northland still has the lowest regional median household income.

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, consumer spending has been on average 11% higher than one year ago for the past two and a half months, with the rebound in Northland higher than any other region. The 1.7% drop in filled wage and salary jobs between March and August has mainly impacted on the younger members of the workforce. While a second wave of new Jobseeker Support recipients has not yet appeared, there is a small but steady week by week increase occurring.

Darryl Jones

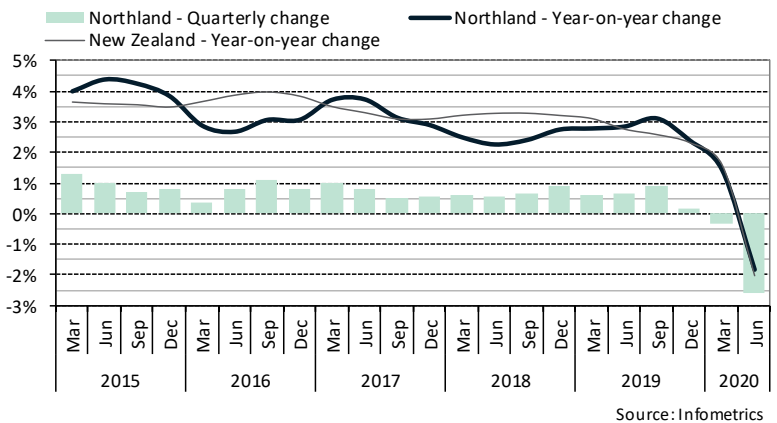
Quick quarterly statistics

- Annual GDP is estimated to have fallen by 2% in the year ended June 2020.
- Ready-mix concrete production fell 11.5% in the past 12 months.
- The total value of retail trade fell 1% in the 12 months to June 2020.
- Wood chip export volumes fell 21% in the year ended March 2020.
- Employment rose by 4.7% in the year ended June 2020.
- The annual average unemployment rate increased to 4.4% in June 2020.
- The annual average youth not in employment, education or training (NEET) rate remained stable at 17.4% in the year ended June 2020.
- The number of people on the Jobseeker Support-Work Ready benefit rose by 48% in the year ended June 2020.
- The average wage and salary rose 3.3% in the year ended June 2019.
- Food prices in Whangārei rose 2.5% in the year ended June 2020.
- The average rent rose 6.6% in the 12 months to June 2020.
- Consumer confidence in Northland rose by eight points in September 2020.

Economic activity – quarterly

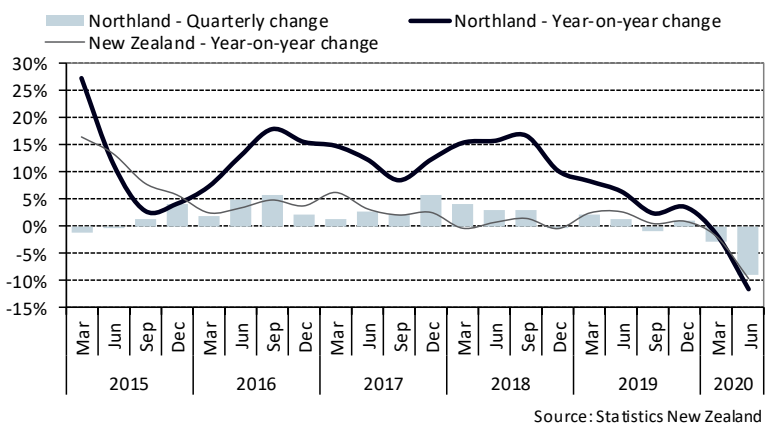
Gross domestic product (GDP) in Northland

Northland’s annual GDP is estimated to have fallen by 2.6% in the June 2020 quarter, contributing to an estimated annual growth rate of -1.9% for the year ended June 2020. Both the quarterly and annual changes are the biggest falls on record in the data series back to 2000. The -1.9% fall in Northland’s GDP is lower than the national estimate of -2.1%. Regional growth rates during the year ended June 2020 are estimated to vary from -2.7% in Auckland to 0.2% in Gisborne, with Northland sitting 11th out of 16 regions. Annual growth rates in the three Northland council districts range from -2% in Whangarei and the Far North to -1% in Kaipara.



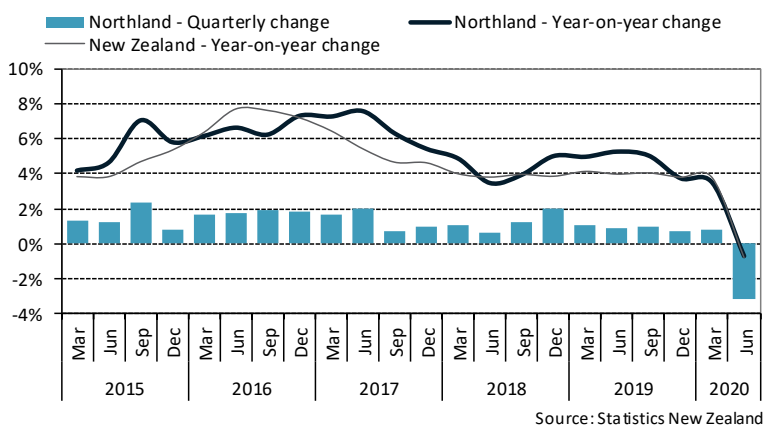
Ready-mixed concrete in Northland

In the year ended June 2020, 152,500m³ of ready-mixed concrete was produced in Northland. This is 11.5% lower than the annual volume recorded in the year ended June 2019. Nationally, concrete production decreased by 9.5% in the year ended June 2020. Gisborne/Hawke’s Bay was the only region to record a rise in concrete production (12.5%) in the year ended June 2020. The current annual volume of concrete production in Northland is 12% below the record volume set in the year ended September 2008 (173,300m³) but is still more than double the 21st century annual volume low of 71,100m³ recorded the 2011 calendar year.



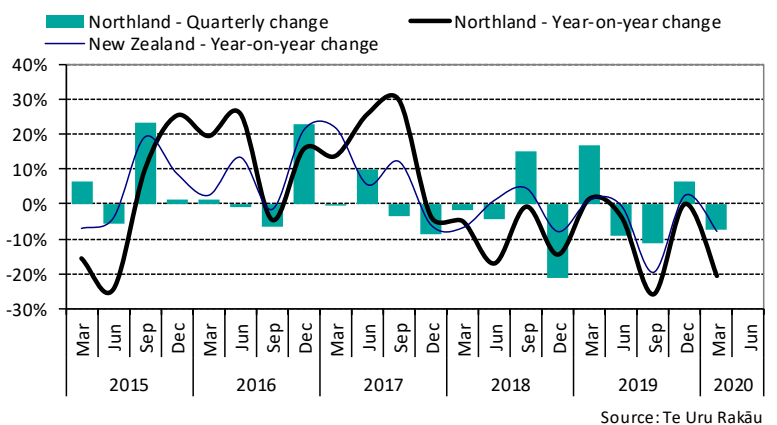
Retail trade in Northland

The annual value of retail trade spending in Northland was just over \$2.9B in the year ended June 2020. This was 3% lower than the annual value recorded for the year ended March 2020, and 1% lower than the value of spending in the year ended June 2019. There has been a steady growth in retail trade spending in Northland during the previous five years, driven in part by increases in population and the number of tourists. Since 2015, retail spending in Northland has grown by 24%, faster than the national increase of 21% during the same period, with Northland ranking fifth out of the 16 regions in terms of growth rates.



Wood chip exports from Whangārei

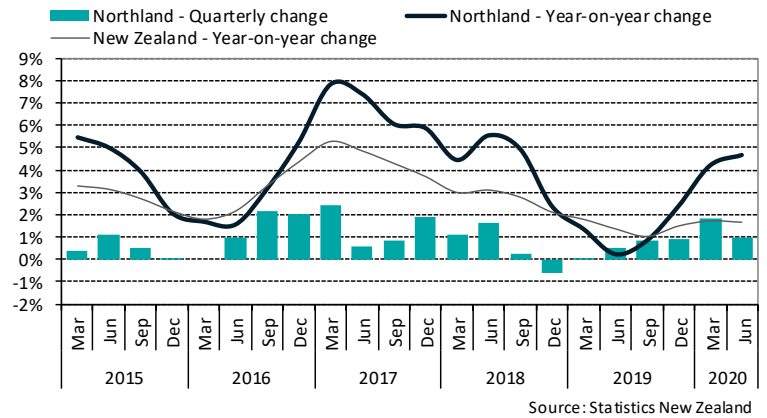
Some 108,870 Bone Dry Units (BDU) of wood chips were exported from the port of Whangārei in the year ended March 2020. This is 21% less than the annual volume exported in the year ended March 2019 and 31% below the annual record of 158,000 BDU exported in the year ended March 2012. The region accounts for 41% of total New Zealand wood chip exports. Softwood chips account for 100% of the volume exported from Whangārei compared to 42% nationally.



Employment activity – quarterly

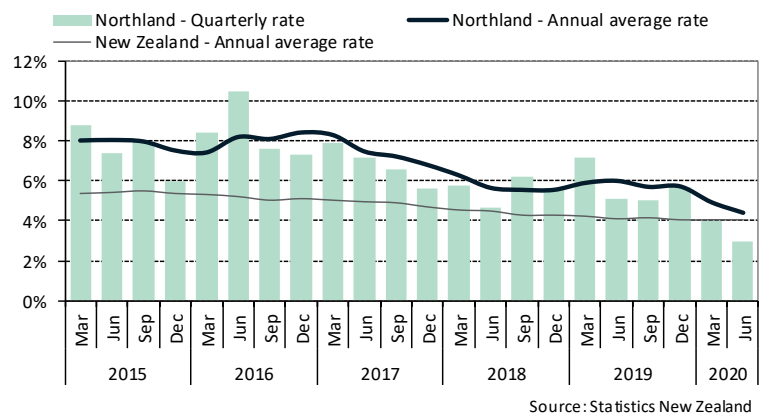
Employment in Northland

An estimated average of 90,900 people were employed in Northland (both full-time and part-time) in the year ended June 2020. This total is 4.7% higher (4100 people) than the number employed one year ago. Nationally, the number of people employed increased by 1.7% during the year ended June. All regions except Waikato (-0.6%) experienced a rise in the number of people employed, growing between 0.6% (Auckland) and 5.2% (Manawatu-Whanganui). Since March 2015, employment in Northland has increased by 21%, with an additional 15,600 people employed. This is the largest percentage increase in employment across the 12 regions, with Canterbury recording just 5%.



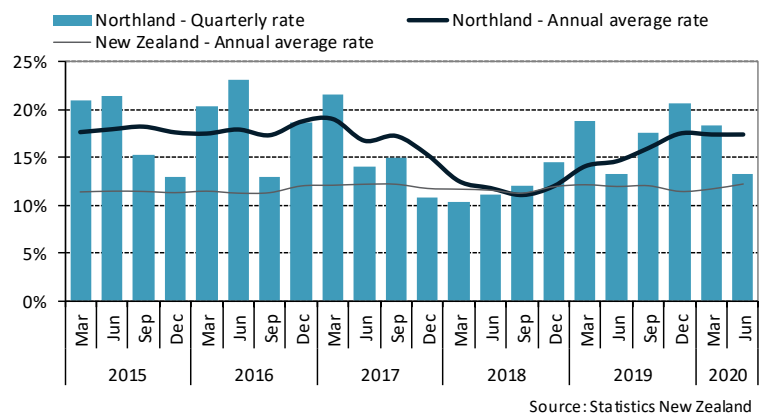
Unemployment in Northland

The annual average unemployment rate in Northland was 4.4% in the year ended June 2020. This is 1.6 percentage points lower than the annual average rate for the year ended June 2019 (6%). This is the lowest unemployment rate recorded since June 2008 when it was 4.3%. However, the major driver behind the drop in Northland's unemployment rate is the large number of people that "left" the labour force in the June quarter, i.e. no longer looking for a job. The national unemployment rate has stabilised at 4.1% over the past twelve months. Northland no longer has the highest regional unemployment rate with the Gisborne/Hawke's Bay region recording 4.8%.



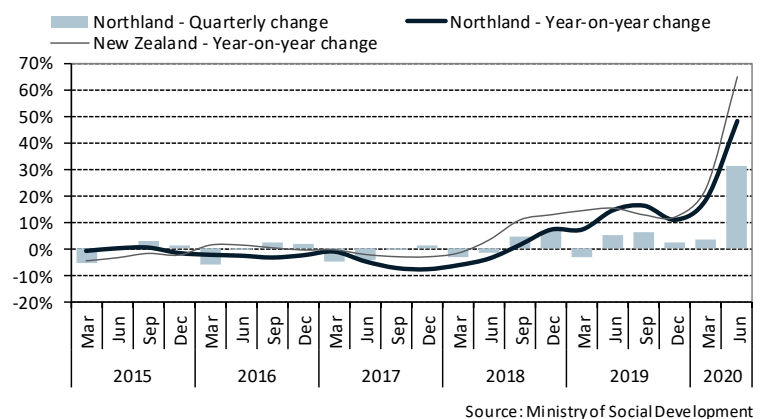
Youth (aged 15-24) not in education, employment or training in Northland

The annual average youth NEET rate in Northland was 17.4% in the year ended June 2020 (≈3700 people), similar to the rate recorded in previous two quarters, and the rate recorded three years ago in June 2017. The current rate is 7.5 percentage points below the peak of 25% recorded in March 2013 but 6.4 percentage points above the record low of 11.1% in September 2018. Northland's NEET rate is above the national youth NEET rate of 12%. Northland has the highest NEET rate, with Wellington and Canterbury having the lowest (10%) in the year ended June 2020.



Jobseeker Support-Work Ready in Northland

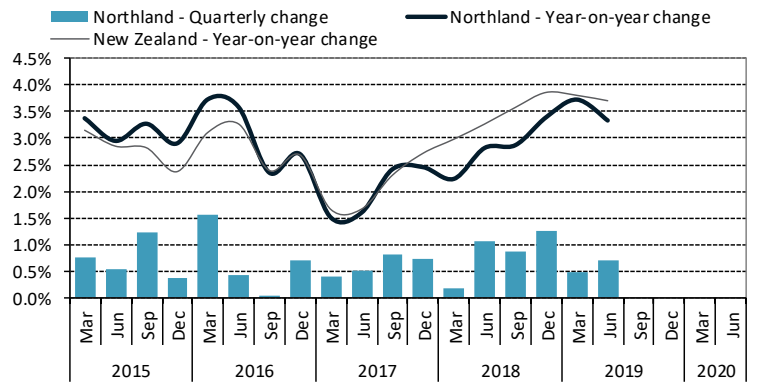
A total of 7261 people in Northland received the Jobseeker Support-Work Ready benefit at the end of June 2020. This is up by 2353 people (48%) from the number in June 2019. The current number receiving this benefit in Northland is 1683 (30%) higher than the number recorded at the peak of the post-GFC recession in June 2010. Nationally, the number of people receiving this benefit has risen by 65% (48,642 people) during the past year. All regions experienced a rise in the number of Jobseeker Support-Work Ready recipients during the year ended June 2020, ranging from 27% in Southland to 113% in Tasman.



Household welfare – quarterly

Average wage and salary earnings in Northland

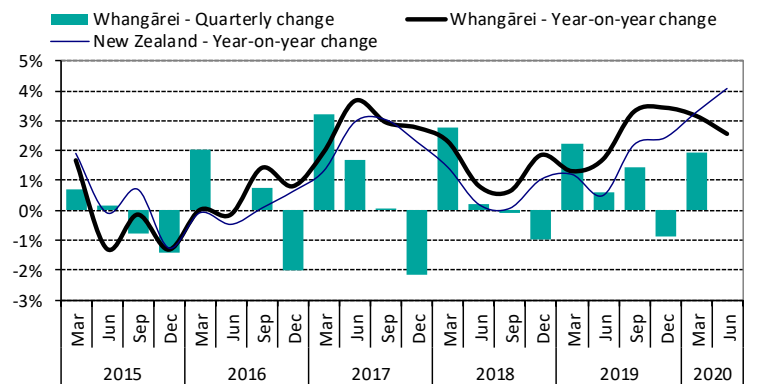
The annual average wage and salary in Northland, based on the sum of mean earnings of people in paid employment for the four quarters making up the year, was \$55,700 in June 2019. Average earnings rose by \$1800 (3.3%) in the year ended June 2019. This is slightly below the national average increase of 3.7%, with only two regions (Canterbury and Taranaki) recording a lower increase of the year ended June 2019. 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 six regions including Northland having an average in the narrow range between \$55,000-\$57,000.



Source: Statistics New Zealand

Food prices in Whangārei

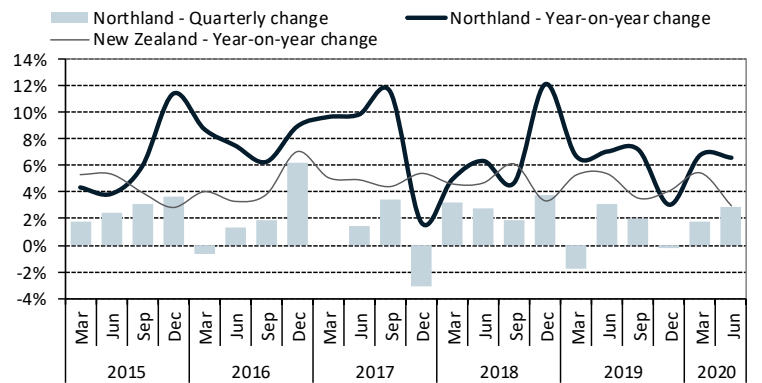
Food prices in Whangārei were stable in the September 2020 quarter, following a rise of 1.9% in the previous quarter. On an annual basis food prices in Whangārei rose 2.5% in the year ended June 2020, 1.6 percentage points lower than the rate of increase in the national food price index (4.1%). This is a reverse of the trend observed since 2016 where food prices in Whangārei have generally been increasing at a faster rate than nationally. The cost of the standard basket of commodities used for measuring food prices in Whangārei is 9% higher today than it was five years ago in June 2015; nationally it is 7.5% higher.



Source: Statistics New Zealand

Average rent in Northland

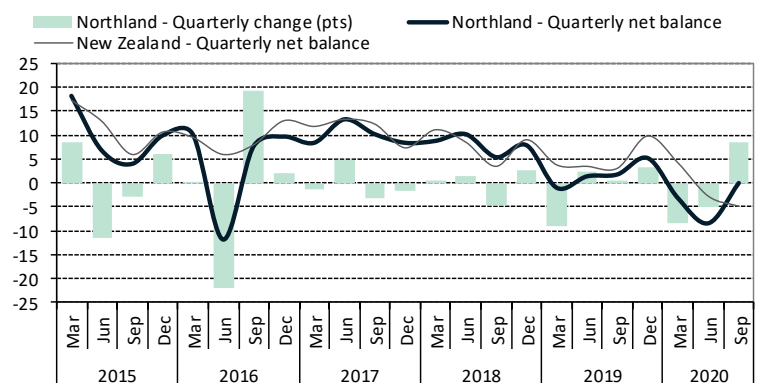
The mean average rent in Northland was \$420 per week in June 2020. This is the new record level and is 3% higher than the average rent paid in March 2020. The average rent in June 2020 is 6.6% higher than one year ago. Since June 2015, the average rent in Northland has risen by 43%, well above the national average rent increase of 23%. Over this five-year period the average rent in Northland has increased faster than any other region. The average rent in Northland is now 87% of the national average compared to 74% in 2015. The average rent in Auckland is 19% higher than the national average while in the West Coast it is 47% lower.



Source: Ministry of Business, Innovation & Employment

Consumer confidence in Northland

The Westpac-McDermott Miller Consumer Confidence Index for Northland rose by eight points in September 2020 from -8 to 0. 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 now sits above. Of the 11 regions for which data is compiled, four (including Northland) recorded an increase in consumer confidence in September with the other seven showing a decrease. Consumer confidence in Northland is 2 points lower than it was in 2019 while in Auckland it is 15 points lower.

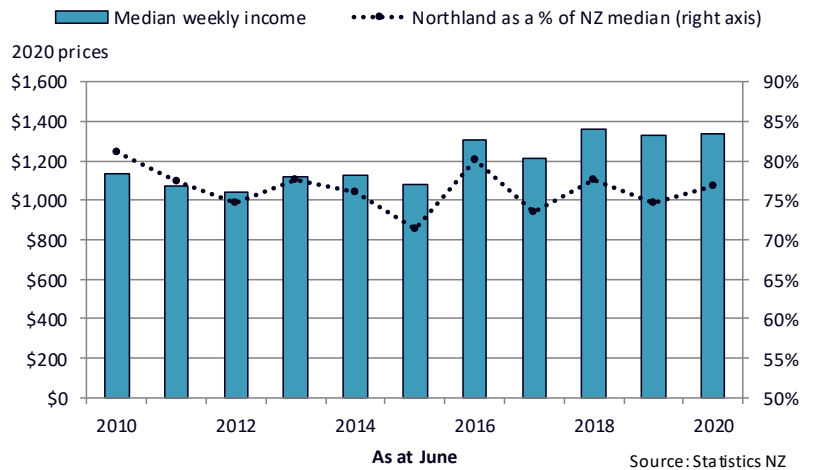


Source: Westpac McDermott Miller

Household income – annual

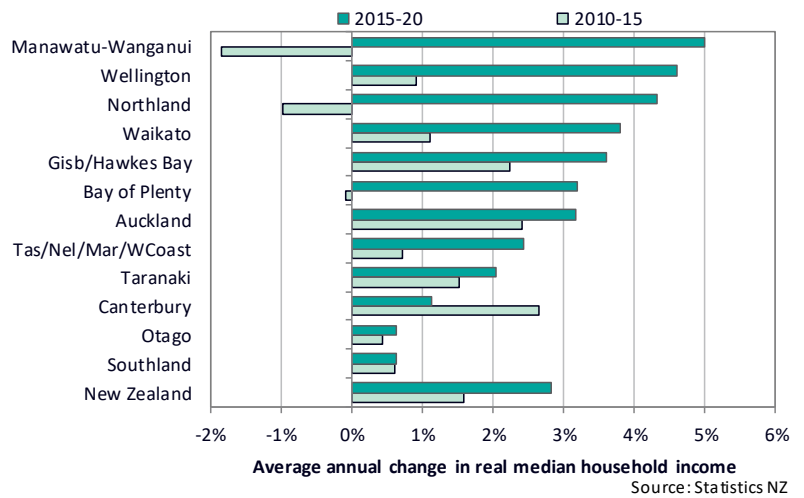
Average household income in Northland

The median weekly income for households in Northland was \$1340 in June 2020. When measured in real terms (adjusted by the CPI), the average weekly household income is now \$200 (18%) higher than in June 2010. Most of this increase has occurred in the second half of the decade. The current median weekly income is just below the record high level of \$1360 set in 2018. Median weekly household income in Northland is equivalent to 77% of the national median in 2020, just above the decade average of 76%. However, it remains the lowest median household income among the 12 regions for which data is recorded, with Wellington having a median weekly income of \$2055.



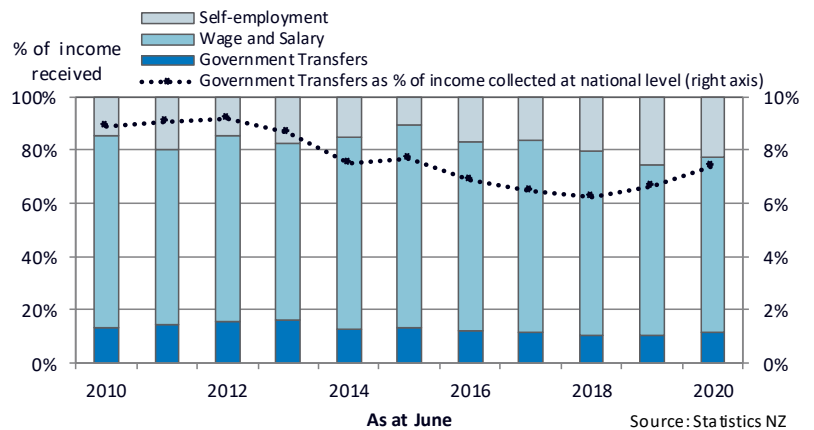
Change in average household income by region

Over the five-year period 2015-20, the median weekly household income in Northland has risen by 4.3% per annum in real terms. This contrasts with a -1.0% annual decrease over the previous five years 2010-2015. All regions have experienced a rise in real average household incomes over the past five years, with Northland ranking third out of 12 regions in terms of its growth rate behind Manawatu-Wanganui and Wellington. Over the last five years median weekly household income growth has been stronger in the North Island than the South Island.



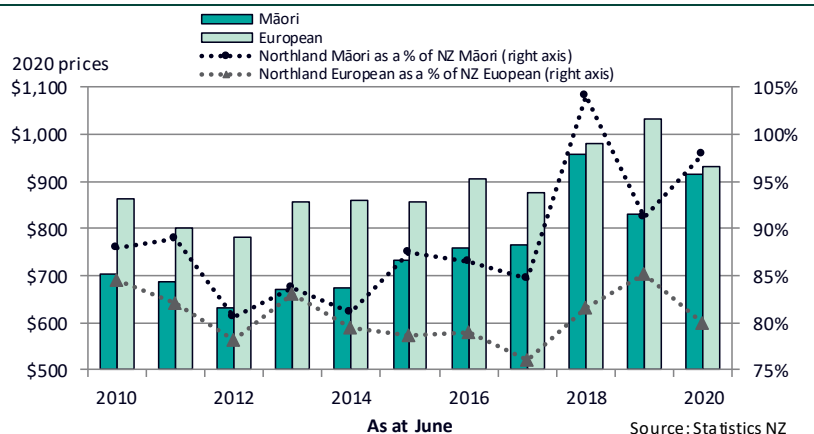
Source of household income in Northland

On average, earnings from wages and salaries provided two-thirds of total household income in Northland in 2020, with self-employment income contributing 22% and government transfers 11%. The relative importance of self-employment income has fallen over the past decade or so from a peak of 29% in 2005 to a low of 11% in 2015. This has mirrored the trend at the national level. Similarly, the relative importance of government transfers in household income in Northland and New Zealand rose between 2006 and 2012 before decreasing to 2018 after which it seems to be increasing again.



Average weekly income of Māori and European aged 25-64 years

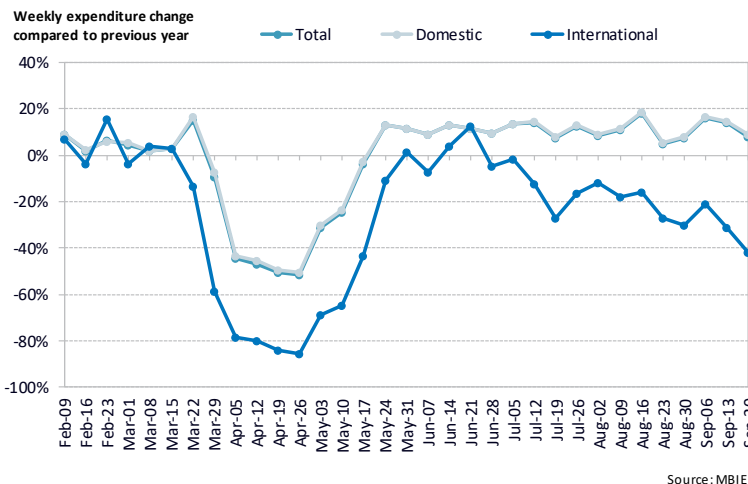
The average weekly wage for a Māori person in Northland aged between 25-64 years was \$917 in June 2020. This is a 30% increase in real terms from just over \$700 per week received in 2010. In 2020 the average income for a working aged Māori in Northland is 98% of the average European working in Northland (\$932 per week). The average weekly income for a Northland Māori is 98% of the national Māori average. The European gap is slightly larger, with Northland income 20% lower than the national.



Spotlight – Immediate impacts of COVID-19

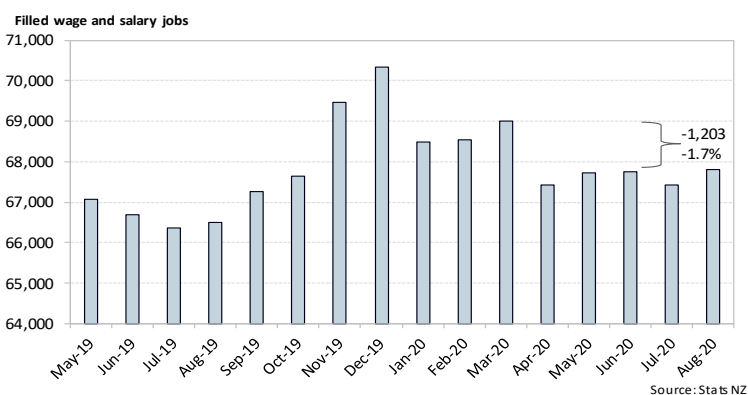
Electronic consumer spending in Northland

Since the beginning of June 2020, weekly consumer spending in Northland, as measured by Paymark's EFTPOS transactions, has been on average 11% higher than in the same week in 2019. This is the highest rate of increase among the 16 regions, with all regions except Otago and Auckland recording a week on week annual increase. Consumer spending in Auckland has fallen by -8.5%, which has driven down the national average drop in consumer spending to -4%. An explanation for the high level of spending taking place in Northland particularly given the Level 3 lockdown in Auckland is that Northlanders were unable to travel out of the region and therefore spent their money within the region. This more than offset the fall in spending by visitors from outside the region.



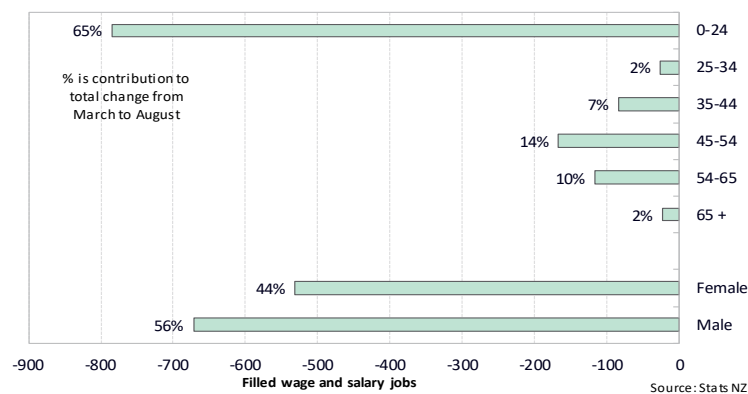
Filled wage and salary jobs in Northland

In August 2020, there were 67,800 filled wage and salary jobs in Northland, i.e. not including self-employed. This is 1200 (1.7%) fewer than the 69,000 employed in March 2020 but 1300 (1.9%) higher than in Northland in August 2019. Compared to other regions, the 1.7% drop from March to August ranks Northland as the 10th largest, with the drop ranging from -0.2% in Bay of Plenty to -4.9% in Hawke's Bay. Nationally, the number of wage and salary jobs has fallen by 1.3% since March.



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, with the impact falling harder on younger people. Of the 1200 fewer wage and salary jobs, 784 (65% of the total) were filled by people aged below 24 years old. People aged over 45 years old, while accounting for 47% of those employed, accounted for 25% of the drop in filled wage and salary jobs. The number of females employed in Northland has fallen by 530 (1.5%) while the number of males has fallen by 670 (2%).



Jobseeker Support recipients in Northland

Between 20 March and 18 September, the number of Jobseeker Support recipients in Northland increased by 2568 (28%), rising to 11,693. While the initial wave of recipients peaked at 11,484 on 5 June, there has been a small but steady rise over the past six weeks to a new record high of 11,693 as at 18 September. Nationally, the number of Jobseeker Support recipients increased by 39% between 20 March and 18 September. Northland has the lowest rate of increase since 20 March, with Southland and Hawke's Bay recording the highest (58%). However, 10.5% of Northlanders aged 18-64 years old are estimated to be receiving Jobseeker Support, the highest among all 16 regions, with a national average of 6.3%.

