

Economic Quarterly

Northland
REGIONAL COUNCIL
Te Kaunihera ā rohe o Te Taitokerau



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Quick quarterly statistics
page 1

Economic activity – quarterly
page 2

Employment – quarterly
page 3

Household welfare – quarterly
page 4

Tourism activity – annual
page 5

Spotlight – Census usually resident
population
page 6



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From the economist

Kia ora / welcome to the 25th issue of this newsletter. The slowdown in the Northland economy highlighted in the previous two issues continues to be shown by the quarterly indicators, particularly for employment. Annual growth in the region's GDP, as a measure of economic activity, has fallen below 2% for the first time since 2012. While the economy grows at a slower pace, some indicators are at, or near, record highs. The factors causing the slowdown are national rather than local in nature, with growth slowing in almost all regions.

The four tourism-related indicators covered in the annual section show the positive developments that have occurred in this sector during the past few years. Guest nights in the year ended June 2019 rose slightly to a new record level of 1.96 million. Domestic visitors and stays in backpackers and campgrounds increased, but international visitors and stays in hotel and motel accommodation fell. Estimates of expenditure reveal a continued rise in spending by international visitors (2%) while spending by visitors from other regions of New Zealand fell (-0.9%) for the second year running.

In the spotlight section, I summarise some of the initial regional data from the Census 2018 which relate to the census usual resident population. Northland is the fastest growing region in terms of this population count (18%), with increases in all three districts (increase from 17-21%) and four broad age group categories (increases from 14-26%).

Darryl Jones

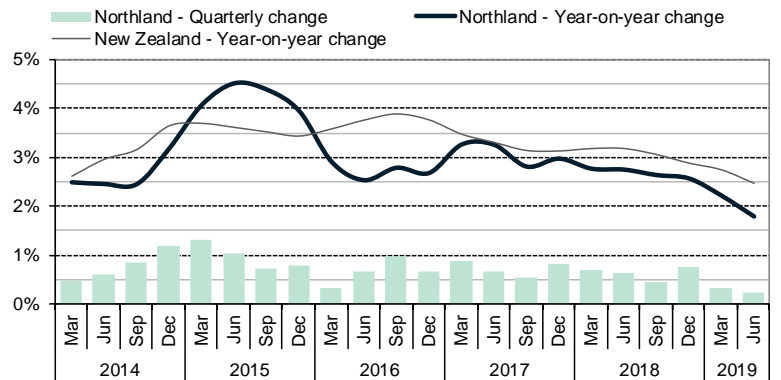
Quick quarterly statistics

- GDP is estimated to have risen 1.8% in the year ended June 2019.
- Ready-mix concrete production rose 6% in the past 12 months.
- Log exports fell by 7% in volume and 3% in value in the June 2019 year.
- The value of retail trade rose 5.3% in the 12 months to June 2019.
- Employment fell by 0.1% in the year ended June 2019.
- The annual average unemployment rate increased to 6.0% in June 2019.
- The annual average youth not in employment, education or training (NEET) rate rose to 14.5% in the year ended June 2019.
- The number of people on the Jobseeker Support-Work Ready benefit rose by 14.6% in the year ended June 2019.
- The average wage and salary rose 2.9% in the year ended June 2018.
- Domestic power prices rose 2.3% during the year ended August 2019.
- Home affordability improved during the year ended June 2019.
- Consumer confidence in Northland rose above zero in June 2019.

Economic activity – quarterly

Gross domestic product (GDP) in Northland

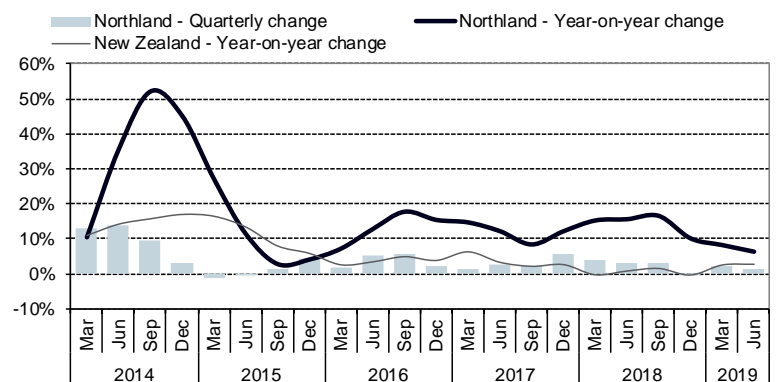
Northland's GDP is estimated to have risen by 0.2% in the June 2019 quarter. This contributed to an estimated annual growth rate of 1.8% for the year ended June 2019. This is down from 2.7% in 2018 and is in-line with the slowdown in the national rate. The current rate of growth in economic activity is the lowest recorded in the region since 2012 and ranks Northland 13th out of 16 regions. Regional growth rates vary from -1.4% in the West Coast to 3.1% in Otago. Growth rates in the three Northland council districts range from 1.6%-2.1%.



Source: Infometrics Regional Database

Ready-mixed concrete in Northland

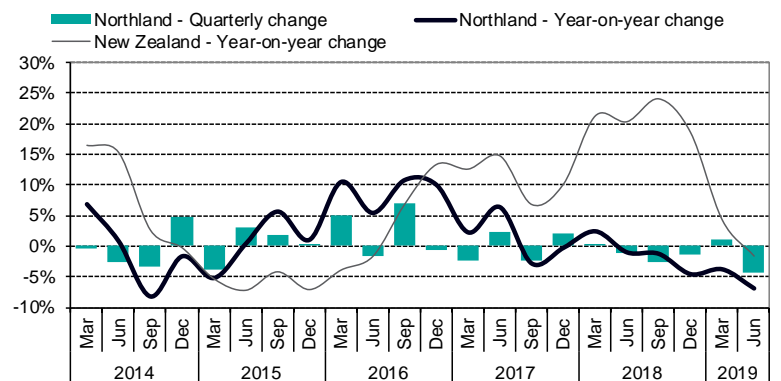
In the year ended June 2019, 172,400m³ of ready-mixed concrete was produced in Northland. This is 6.4% higher than the annual volume recorded in the year ended June 2018. Nationally, concrete production increased by 2.7% in the year ended June 2019, with reductions in ready-mix production in Canterbury being offset by increases in other regions. The strong lift in output in Northland during the past five years has seen production levels return to near the record volume of annual production (173,300m³) recorded in the year ended September 2008.



Source: Statistics New Zealand

Log exports from Whangārei

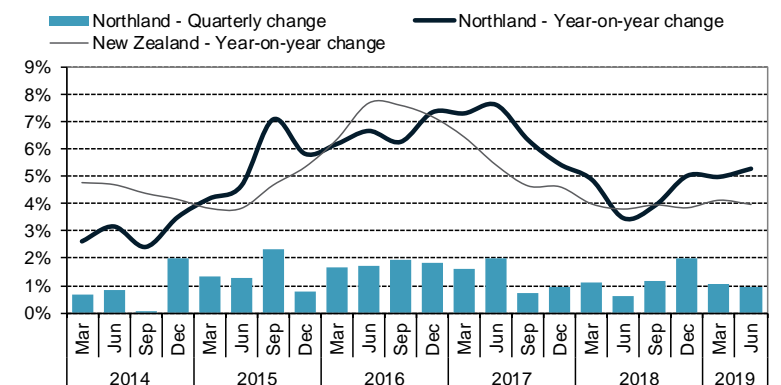
Just over 2.64 million cubic metres of logs were exported from Whangārei in the year ended June 2019. This is 7% lower than the volume exported in the year ended June 2018, and is 8% below the record annual export of 2.88 million cubic metres in the year ended March 2018. Due to higher log prices, the total value of logs shipped from Whangārei fell by only 3% in the June 2019 year to \$467 million. At the national level, the volume of log exports fell by 1.6% in the year ended June, with exports from Wellington and Nelson bucking the downward trend observed nationally.



Source: Ministry for Primary Industries

Retail trade in Northland

The annual value of retail trade spending in Northland was just over \$2.9B in the year ended June 2019. This was 5.3% higher than the value of spending in the year ended June 2018. There has been a steady growth in retail trade spending in Northland during the past five years, driven in part by increases in population and the number of tourists. Since 2014, retail spending in Northland has grown by 31%, faster than the national increase of 27% during the same period, with Northland ranking fourth out of the 16 regions in terms of growth rates.

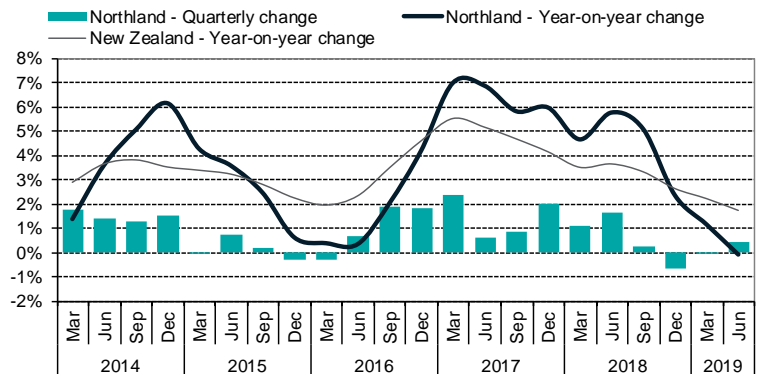


Source: Statistics New Zealand

Employment activity – quarterly

Employment in Northland

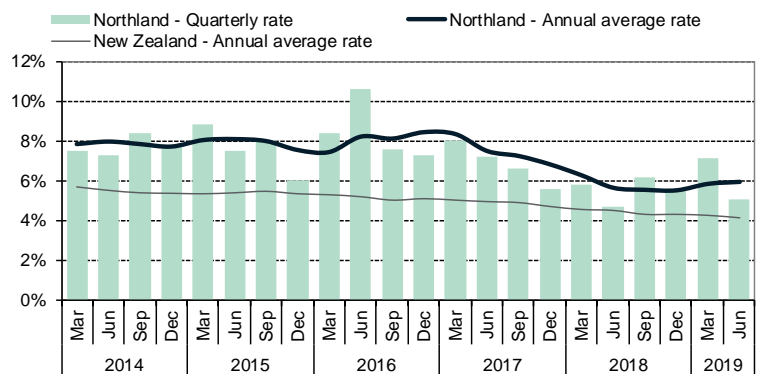
An estimated average of 84,100 people was employed in Northland (both full-time and part-time) in the year ended June 2019. This total is just below (-0.1%) the number employed one year ago - the first time annual average employment has fallen since 2013. Nationally, the number of people employed increased by 1.7% during the year ended June 2019. Canterbury also experienced negative employment growth (-1%), with all other regions growing between 0.2% (Tasman) and 6.9% (Taranaki). Since June 2014, employment in Northland has increased by 18%, growing faster only in Auckland, Waikato and Bay of Plenty.



Source: Statistics New Zealand

Unemployment in Northland

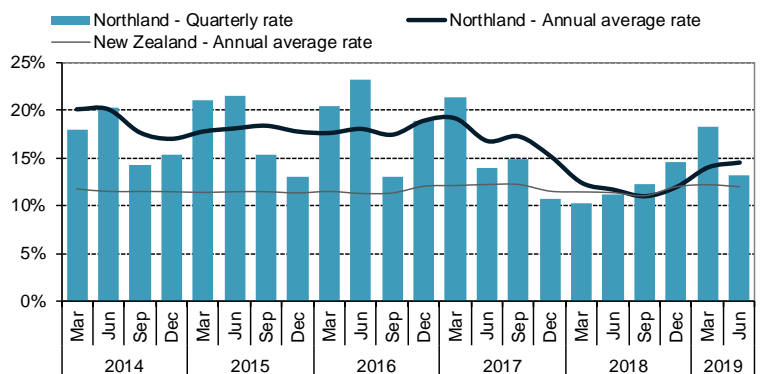
The annual average unemployment rate in Northland was 6.0% in the year ended June 2019. This is 0.3 percentage points higher than the annual average rate for the year ended June 2018 (5.7%). The national unemployment rate continues to fall, being 4.1% in the year ended June 2019. Northland's unemployment rate has resumed its place as the highest of all regions; with Manawatu-Wanganui having the second highest annual average unemployment rate of 5.2%. Otago has the lowest unemployment rate of 3.4%.



Source: Statistics New Zealand

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

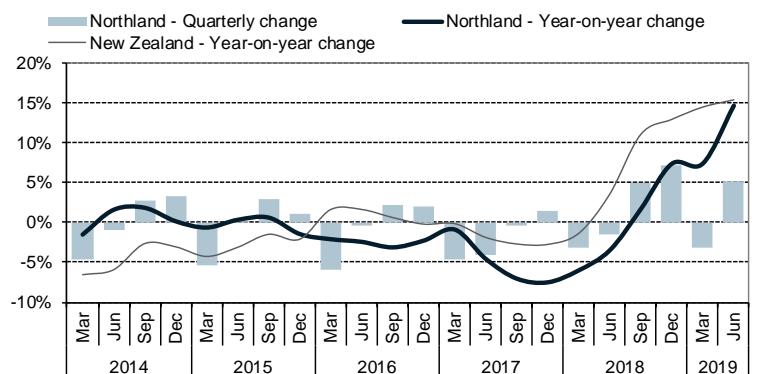
The annual average youth NEET rate in Northland was 14.5% in the year ended June 2019 (≈2900 people). This is up on the lowest annual average NEET rate of 11.1% recorded in September 2018. The current rate is 10.5 percentage points below the peak of 25% recorded in March 2013. Northland's NEET rate is above the national youth NEET rate of 11.9%. Three regions have a higher NEET rate: Taranaki (16.1%), Gisborne/Hawkes Bay (15.9%) and Manawatu-Wanganui (15.1%). Southland has the lowest NEET rate (8.1%) in the year ended June 2019.



Source: Statistics New Zealand

Jobseeker Support-Work Ready in Northland

A total of 4908 people in Northland was receiving the Jobseeker Support-Work Ready benefit at the end of June 2019. This is up by 627 people (14.6%) from the number in June 2018. The current number receiving this benefit in Northland is 670 (12%) lower 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 15.4% during the past year.

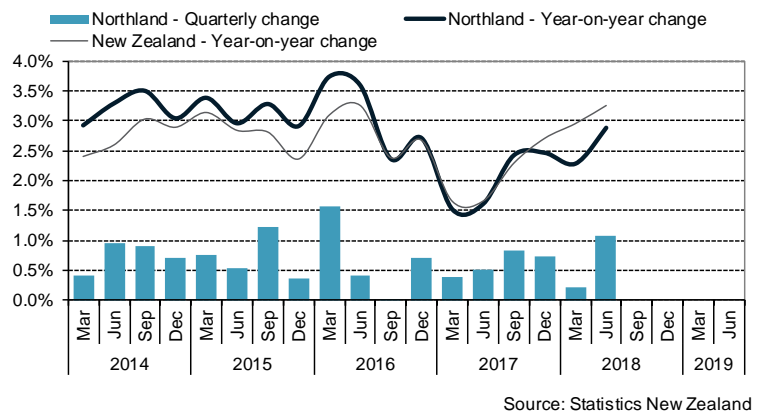


Source: Ministry of Social Development

Household welfare – quarterly

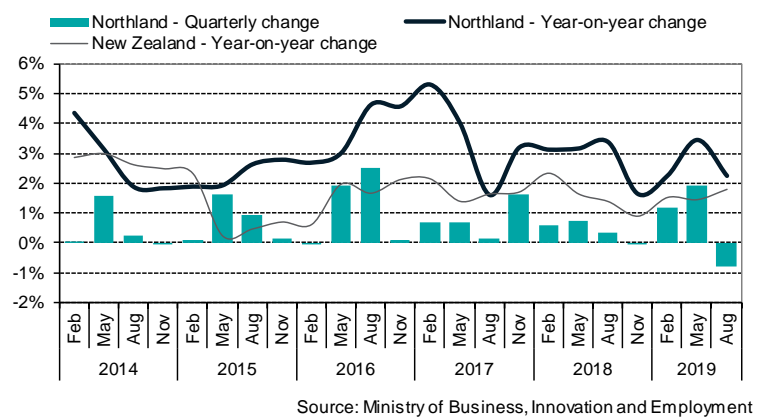
Average wage and salary earnings in Northland

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 \$53,930 in June 2018. Average earnings rose \$1510 (2.9%) in the year ended June 2018, below the national average increase of 3.3%. Average earnings grew by 5.2% in Marlborough. 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 11th out of the 16 regions, with nine regions having an average between \$53,000-\$55,000.



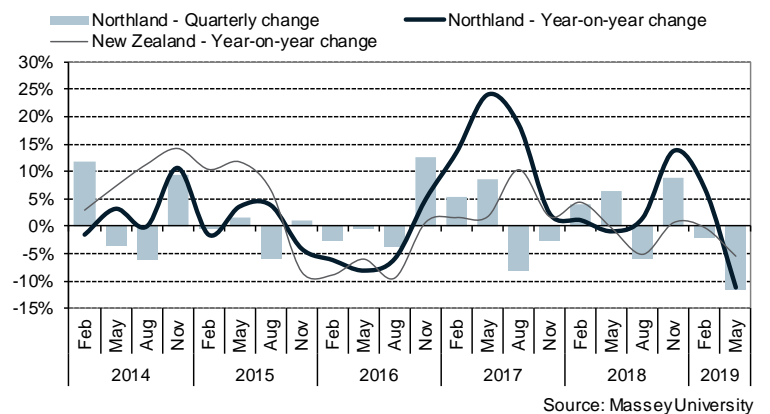
Domestic electricity prices in Northland

The weighted average domestic electricity price in Northland was 36.4c/kW in August 2019. This is a 0.3c/kW fall since May but 2.3% higher than in August 2018. During the past five years, the average domestic electricity price in Northland has risen by 2.9% per annum. This is twice as fast as the national annual average increase of 1.4%. Assuming 7100kW of power is used per year, this price equates to an annual household power bill of \$2587. This is 21% higher than the national average of \$2144, equivalent to an additional \$8.52 per week.



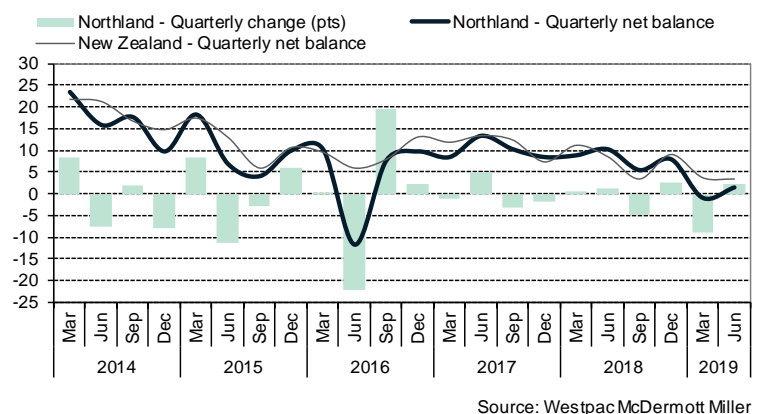
Home affordability in Northland

The Home Affordability Index for Northland (which considers the cost of borrowing as well as house prices and wage levels) fell by 11% in the year ended May 2019, indicating a sharp improvement in affordability (a falling index represents an improvement in affordability). Affordability during the past 12 months has varied among the 16 regions, with the index falling in 12 and rising in four. The improvement in house affordability in Northland was due to a 7% reduction in the median house price. In absolute Home Affordability Index terms, Northland ranks as the sixth least affordable region.



Consumer confidence in Northland

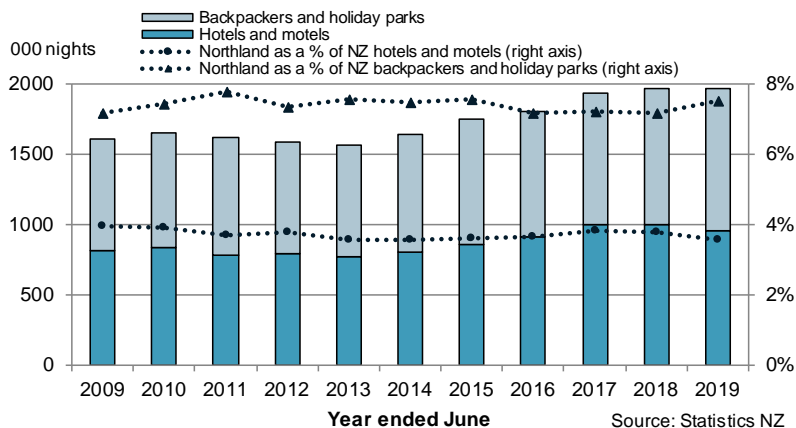
The Westpac-McDermott Miller Consumer Confidence Index for Northland rose two points in June 2019 from -1 to 1. An index number above zero indicates that optimists outnumber pessimists. This rise was opposite to the slight fall in the national level of consumer confidence, which Northland sits just below. Consumer confidence in Northland had been relatively stable at around 10 in 2017 and 2018. Including Northland, 6 of the 11 regions in the data set had a rise in consumer confidence in the June quarter, with consumer confidence falling the greatest in Bay of Plenty and Southland.



Tourism activity – annual

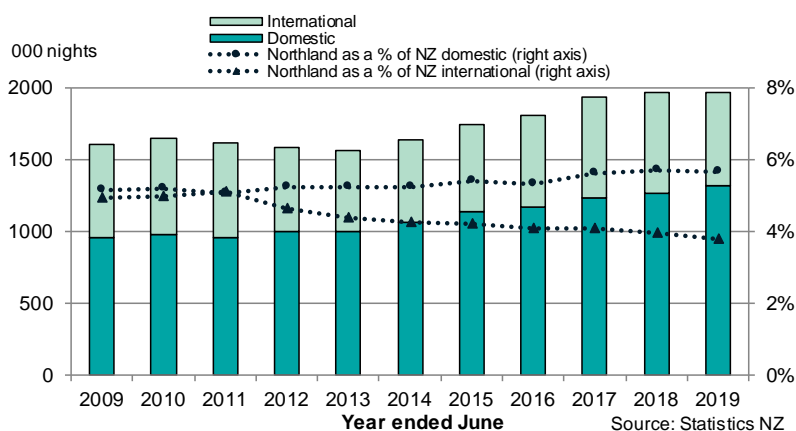
Guest nights by accommodation type

A total of 1.96 million guest nights was spent in Northland commercial accommodation in the year ended June 2019. This represents a 0.2% annual increase and follows a 1.6% increase in the previous year. The 2018/19 annual total is the highest on record, 12% above the pre-GFC high of 1.756 million set in 2006/07. During 2018/19, guest nights rose for backpackers and campgrounds (5.2%) but fell for hotels and motels (-4.6%). The increase in total guest nights in Northland was lower than the national increase of 1.3%. Northland accounted for 4.9% of total guest nights spent in New Zealand in 2018/19.



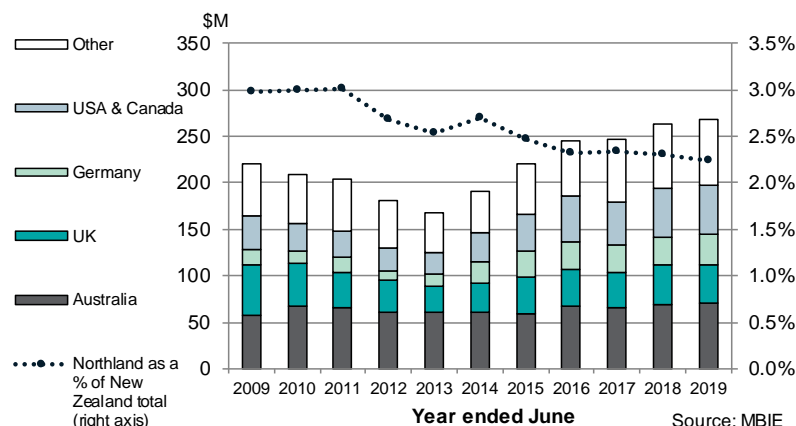
Guest nights by origin

During the past year there has been a 3.5% increase in guest nights by domestic visitors, with the number of international guest nights falling by 6.1%. Domestic guest nights now exceed pre-GFC levels by 22%. However, the number of international guest nights is still 9% below its peak in 2007/08. International visitors made up 33% of guest nights in 2018/19 compared to 41% in 2007/08. Northland's share of total international guest nights in New Zealand has fallen from 5.1% in 2006/07 to 3.8% in 2018/19. By contrast, Northland's share of the domestic tourism market has remained relatively stable at around 5.7%.



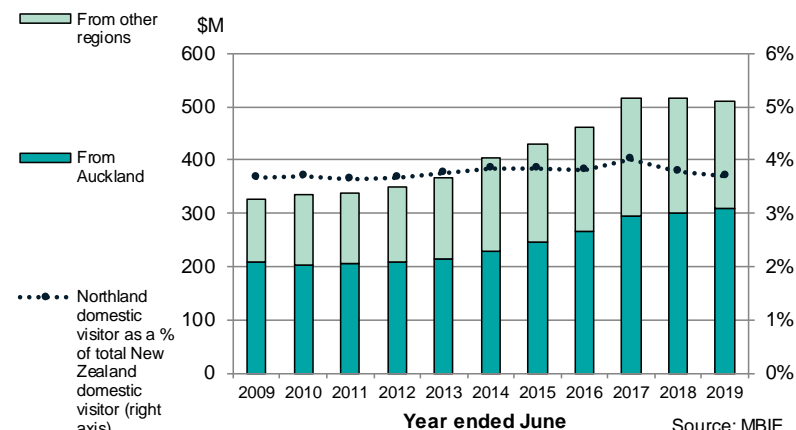
International visitor spending

It is estimated that international visitors spent \$268M in Northland during the year ended June 2019. This is up 2% on the amount spent in 2017/18. Since 2012/13, international visitor spending in the region has increased by an average of 8% each year. During the past year there has been an increase in expenditure by visitors from all parts of the world except the UK, with visitors from Germany contributing the most. However, Northland's share of total international spending in New Zealand has fallen from 3.0% in 2010/11 to 2.2% in 2018/19.



Domestic visitor spending

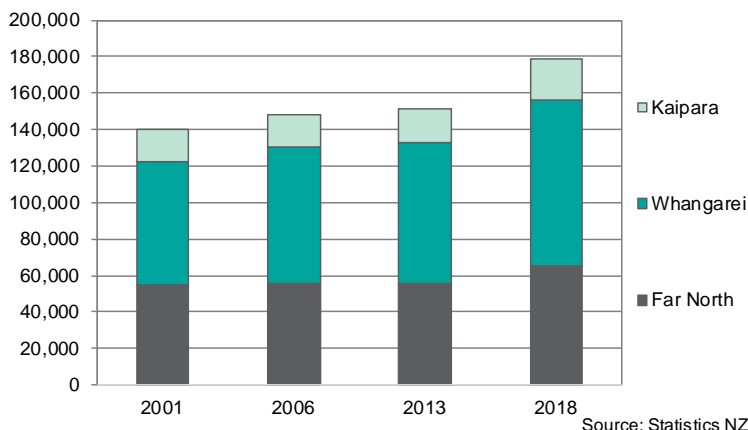
The monthly regional tourism estimates show total spending of \$511M in Northland by visitors from other regions of New Zealand during the year ended June 2019. This is 0.9% lower than the same level of spending that occurred in 2017/18, and contrasts with the 7% per annum rise experienced from 2011 to 2017. Around 60% of domestic visitor spending in Northland is done by Aucklanders. Northland accounts for about 3.7% of total domestic visitor tourism spending. The combined value of domestic and international visitor spending in Northland totalled \$779 million.



Spotlight – Census usually resident population¹

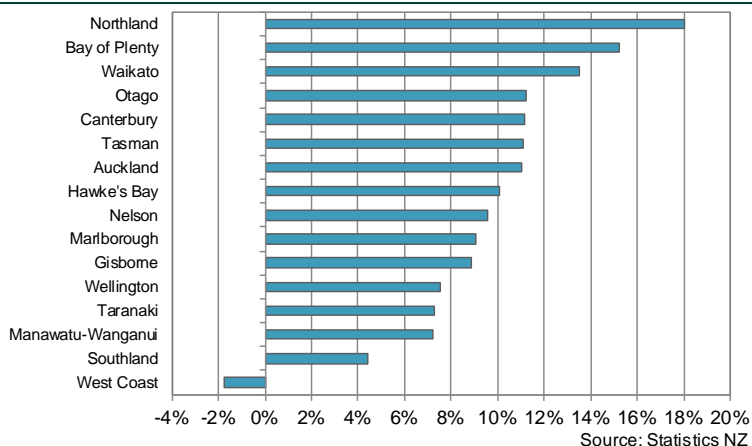
Usually resident population by district

The census usually resident population of Northland is 179,076 at the time of the 2018 Census. This represents an 18% increase since 2013, the fastest inter-census period growth experienced in Northland this century. All three districts experienced relatively high population growth between 2013 and 2018: with Far North growing 17%, Whangarei 18% and Kaipara 21%. Consequently, the spread in population across the districts has remained constant: 36% in Far North, 51% in Whangarei and 13% in Kaipara.



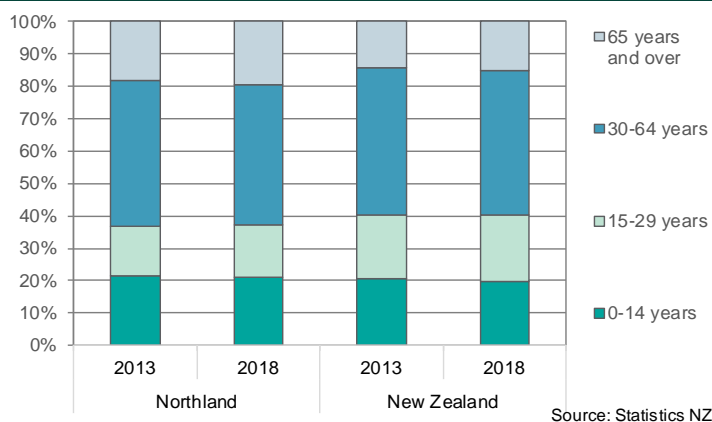
Change in census usually resident population by region, 2013-18

Northland's inter-census population growth (18%) was faster than the national increase of 11%, and the fastest across all 16 regions. The other two regions close to Auckland, Bay of Plenty and Waikato, recorded increases of 15% and 14%. Eight regions had population growth of less than 10%, with the population of the West Coast falling by nearly 2%. In absolute terms, only Auckland, Waikato, Bay of Plenty, Wellington and Canterbury, experienced a larger increase in population than Northland.



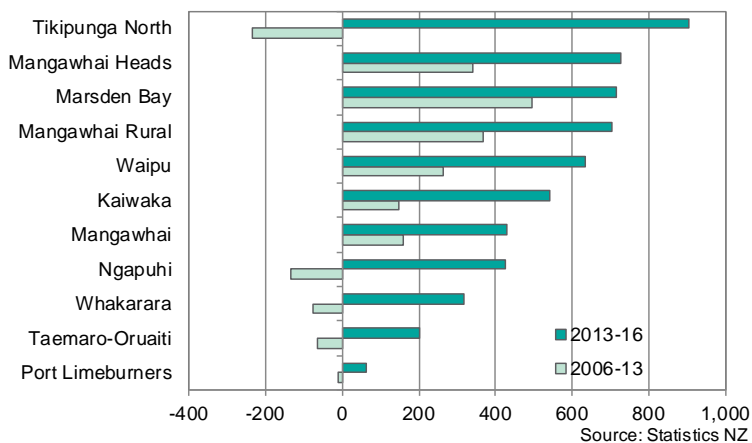
Composition by broad age group

Northland has experienced an increase in the number of people across all four broad age groups. 20% of Northlanders was aged 65 years and over at the time of the 2018 Census, up from 18% in 2013, and 14% in 2006. In comparison, 15% of the national population is aged 65 years and over. While relatively old, the Northland population is also relatively young, with 21% of the usually resident population aged under 15 years at Census 2018 compared to 20% of the national population.



Change in census usually resident population by SA2 areas

Eleven of the 100-odd SA2s in Northland experienced an increase in their usually resident population of more than 30% between 2013 and 2018. Of these 11, the largest increases in absolute terms were Tikipunga North, Marsden Bay and around Mangawhai. Together these 11 SA2 had a total population growth of 5658 people over the five-year period, or 21% of the total population increase in Northland. Only one SA2 in Northland experienced a fall in usually resident population between the two censuses: Hokianga South.



1. The census usually resident population is a count of all people enumerated by census, who usually live in New Zealand, and were present in New Zealand on census night. This differs from the estimated resident population which is an estimate of all people who usually live in New Zealand at a given date. This is higher than the census usually resident population because it includes estimates of the net census undercount and the number of residents temporarily overseas on census night.