

Economic Quarterly

Northland
REGIONAL COUNCIL
Te Kaunihera ā rohe o Te Taitokerau



Issue 26 | March 2020

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 – Impact of COVID-19: A
preliminary assessment
page 6



Darryl Jones – Economist
darrylj@nrc.govt.nz
09 470 1247

To receive an email notification as new editions are published, sign up to our Website Alerts:
www.nrc.govt.nz/Your-Council/subscriptions.

Previous editions can be found at
www.nrc.govt.nz/economicquarterly.

Disclaimer: this newsletter provides general information on the Northland economy and the views expressed are those of the author. It is not intended for any particular course of action or as a substitute for financial advice.

From the economist

Kia ora / welcome to the 26th issue of this newsletter. It seems strange reporting on the December 2019 quarter when we are all focused on what will happen over the next month. However, this quarter is important because it provides the starting point from which we will track the changes caused by COVID-19. The indicators show a regional economy in reasonably good shape heading into the crisis although there had been a noticeable slowdown occurring over 2019.

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. I have made use of this data source to show changes in economic activity as measured by GDP. The Northland economy grew by 2.8% in the year ended March 2019, with this growth being well spread across the region and led by the private sector dominated services.

The spotlight section makes some projections on the impact of the COVID-19 virus and the government's response (as at 31 March) on the economy, looking at GDP, employment, unemployment and household income. In the year ended March 2020, it is projected that GDP will fall by 8%, employment by 10%, the unemployment rate will double to 14% and household income fall by 10. It will take until 2024 to get back to current levels of economic activity and wellbeing.

Darryl Jones

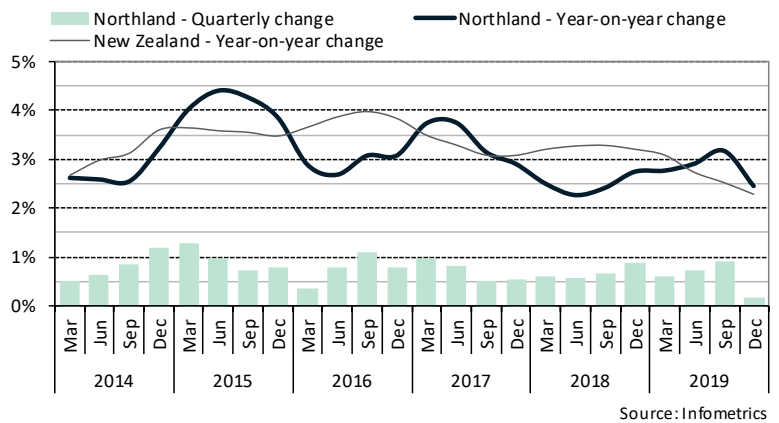
Quick quarterly statistics

- GDP is estimated to have risen 2.5% in the year ended December 2019.
- New residential building unit consents fell 3% in the calendar year 2019.
- Spending by international visitors is 2% higher than in 2018.
- Commercial vehicle registrations rose 0.6% in 2019.
- Employment rose by 2.4% in the year ended December 2019.
- The annual average unemployment rate increased to 5.8% in December.
- The annual average youth not in employment, education or training (NEET) rate rose to 17.5% in the year ended December 2019.
- The number of people on the Jobseeker Support-Work Ready benefit rose by 11% in the year ended December 2019.
- The average wage and salary rose 3.5% in the year ended June 2018.
- Food prices in Whangārei rose 3.4% in the year ended December 2019.
- The average rent rose 3% in the 12 months to December 2019
- Consumer confidence in Northland rose by three points in December 2019.

Economic activity – quarterly

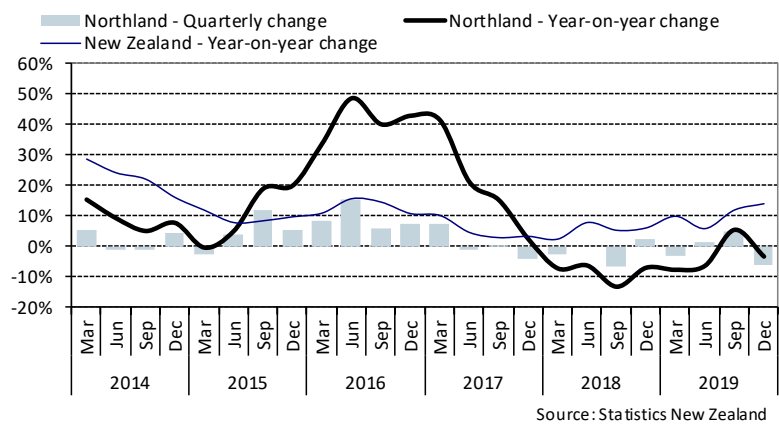
Gross domestic product (GDP) in Northland

Northland's GDP is estimated to have risen by 0.2% in the December 2019 quarter. This contributed to an estimated annual growth rate of 2.5% for the calendar year 2019. This is very similar to the rate of 2.7% in 2018 and is slightly above the national estimate of 2.3%. The New Zealand growth rate slowed over 2019 to just over 2%, its slowest rate in six years. Regional growth rates over the year ended December 2019 are estimated to vary from 0.3% in the West Coast to 4.3% in Tasman, with Northland sitting 10th out of 16 regions. Growth rates in the three Northland council districts range from 2.1% in Whangārei to 3.0% in Kaipara and the Far North.



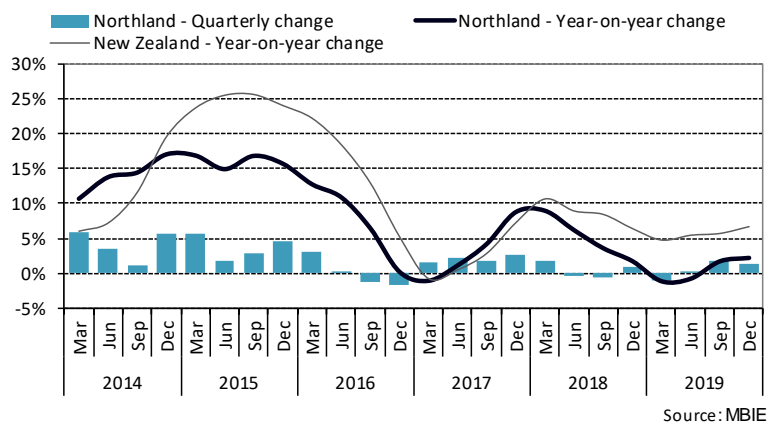
Number of new dwelling unit consents in Northland

During the year ended December 2019, 1119 new dwelling unit consents were issued in Northland. This is 3% less than the number issued in the year ended December 2018. The December annual total is 322 (22%) below the record of 1441 consents issued in 2004. There is a large regional variation around the 14% national increase in the 2019 calendar year, ranging from a 30% increase in Southland to the fall of 3% in Northland. The number of new dwelling unit consents issued in Northland in 2019 was 58% higher than in 2014, comparable to the national increase (52%).



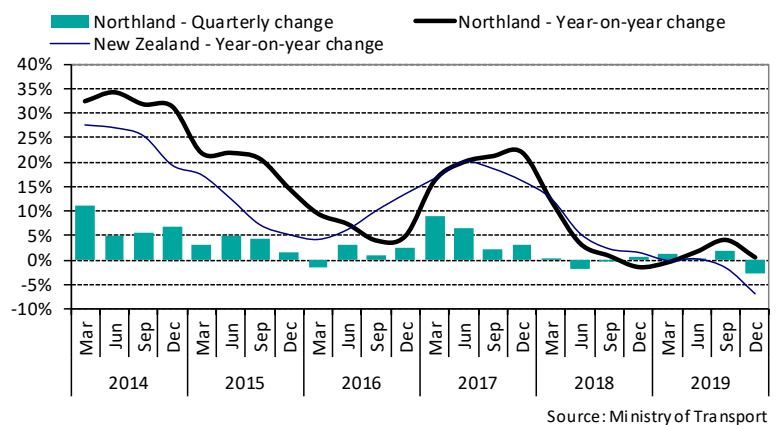
International visitor spending in Northland

The value of international visitor spending in Northland totalled \$269 million in the year ended December 2019. This is 2% higher than the level of spending in the year ended December 2019 but is below the national increase of 6.7%. Northland's share of the national total international visitor spend has fallen from 3.0% in 2009 to 2.1%. Since 2014, international visitor spending in New Zealand has increased by 59%, with spending increasing the most in the southern regions of New Zealand (Otago, Canterbury and Southland). Northland has seen just a 31% increase in international visitor spending, ahead of only Marlborough.



Commercial vehicle registration

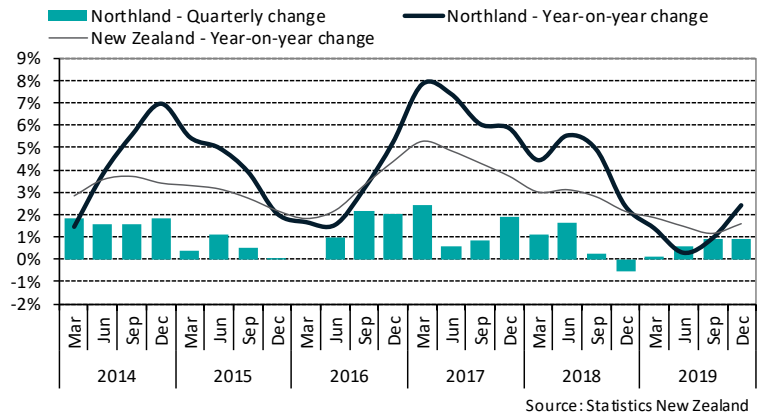
A total of 2178 commercial vehicles was registered in Northland in the year ended December 2019. This is similar to the number registered in the previous December year. The number of commercial vehicles registered in Northland in the year ended December is just below the annual record total set in the 12 months to March 2018 (2198) and is considerably higher than the 691 commercial vehicles registered in 2010 during the GFC. At the national level, commercial vehicle registrations fell by 7% in 2019, with Manawatu-Wanganui the only other region along with Northland which did not experience a fall.



Employment activity – quarterly

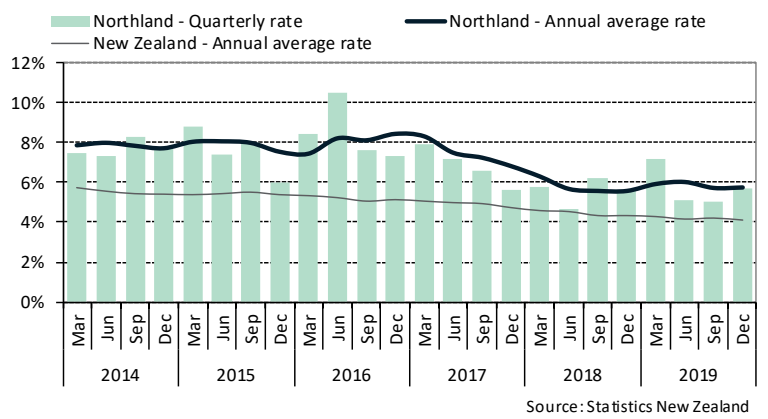
Employment in Northland

An estimated average of 88,500 people was employed in Northland (both full-time and part-time) in the year ended December 2019. This total is 2.4% higher than the number employed one year ago. Nationally, the number of people employed increased by 1.6% during the 2019 calendar year. The number of people employed in both Waikato and Canterbury has fallen during the past year, with all other regions growing between 0.8% (Otago) and 5.3% (Taranaki). Since December 2014, employment in Northland has increased by 19%, with an additional 14,300 people working. Bay of Plenty is the only region to have experienced a faster increase in employment.



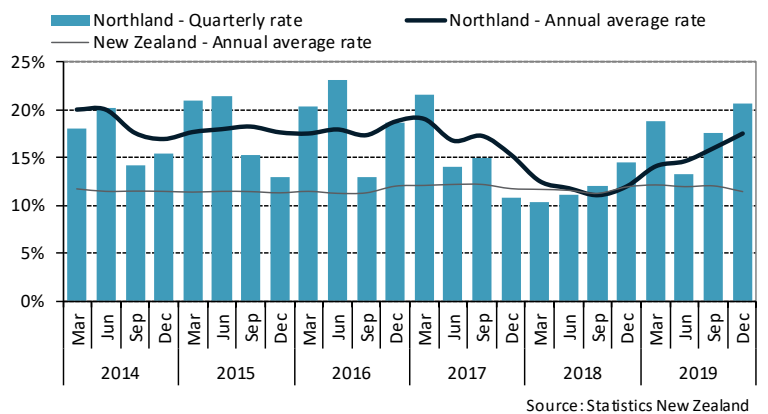
Unemployment in Northland

The annual average unemployment rate in Northland was 5.8% in the year ended December 2019. This is 0.2 percentage points higher than the annual average rate for the year ended December 2018 (5.6%). This was the lowest unemployment rate recorded for the past decade, with a decade average rate of 7.5%. The national unemployment rate continues to fall, being 4.1% in the year ended December 2019. Northland's unemployment rate remains the highest of all regions; with Taranaki having the second highest annual average unemployment rate of 5.3%. Otago has the lowest unemployment rate of 3.3%.



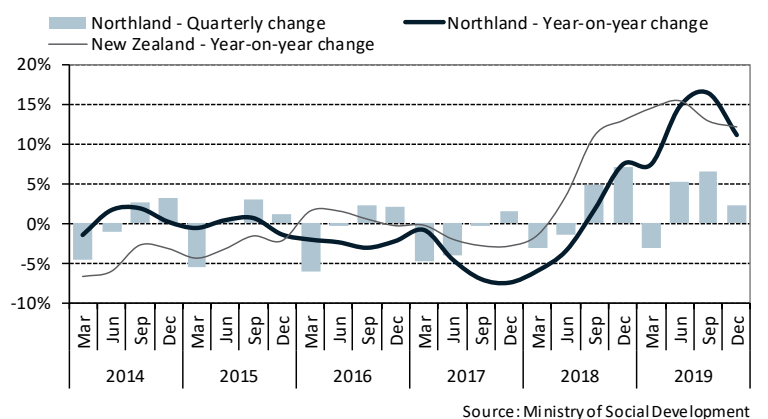
Youth (aged 15-24) not in education, employment or training in Northland

The annual average youth NEET rate in Northland was 17.5% in the year ended December 2019 (≈3700 people). This is up on the lowest annual average NEET rate of 11.1% recorded in September 2018, from which there has been a steady rise. The current rate is 7.5 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%. Taranaki (17.6%) is the only region with a higher NEET rate than Northland. Otago has the lowest NEET rate (8.8%) in the year ended December 2019.



Jobseeker Support-Work Ready in Northland

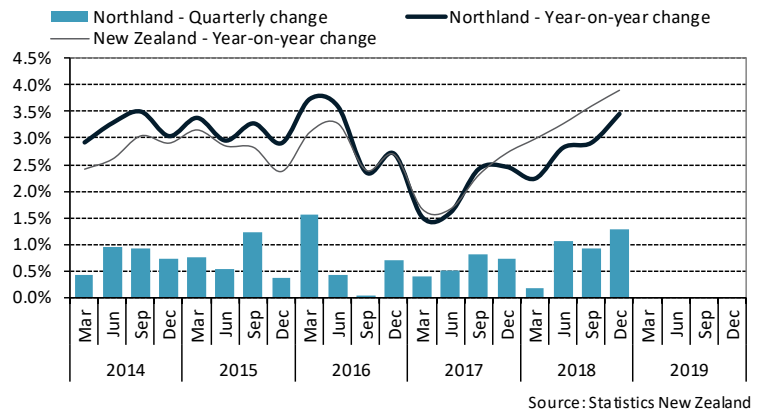
A total of 5347 people in Northland was receiving the Jobseeker Support-Work Ready benefit at the end of December 2019. This is up by 532 people (11%) from the number in December 2018. The current number receiving this benefit in Northland is only 231 (4%) lower than the number recorded at the peak of the post-GFC recession in June 2010. Nationally, the number of people receiving this benefit has risen by 12.1% during the past year. All regions except Marlborough (-3%) and Otago (0%) saw a rise in the number of Jobseeker Support-Work Ready recipients during 2019, with the number rising 20% in Auckland and Canterbury.



Household welfare – quarterly

Average wage and salary earnings in Northland

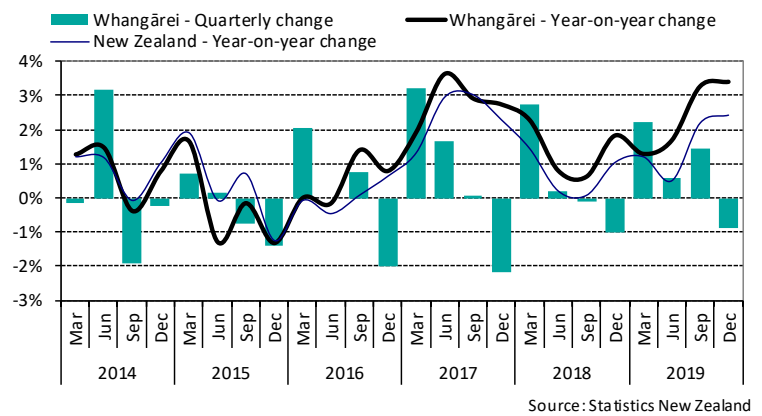
The annual average wage and salary in Northland, based on the sum of mean earnings of people in paid employment for the four quarters making up the year, was \$55,080 in December 2018. Average earnings rose \$1840 (3.5%) in the year ended December 2018, below the national average increase of 3.9%. Average earnings grew by 6.9% in the West Coast. 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 \$54,000-\$56,000.



Source: Statistics New Zealand

Food prices in Whangārei

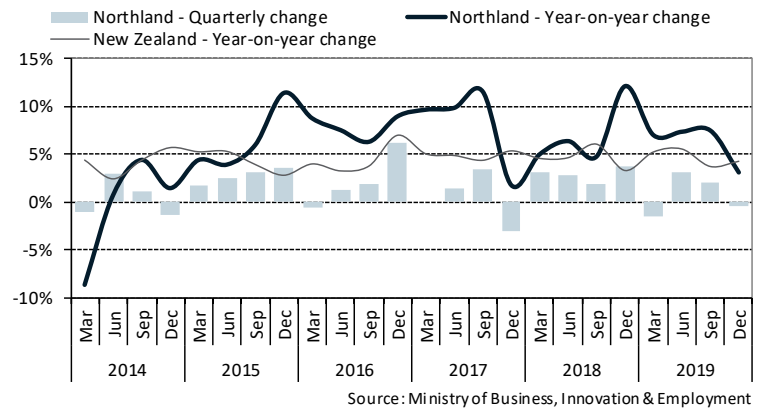
Food prices in Whangārei decreased by 0.9% in the December 2019 quarter, following a rise of 1.5% in the previous quarter. A fall in food prices in the December quarter is a recurring pattern. On an annual basis food prices in Whangārei rose 3.4% in the calendar year 2019, one percentage point higher than the rate of increase in the national food price index (2.4%). 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 7.6% higher today than it was five years ago in December 2014, nationally it is 5.2% higher.



Source: Statistics New Zealand

Average rent in Northland

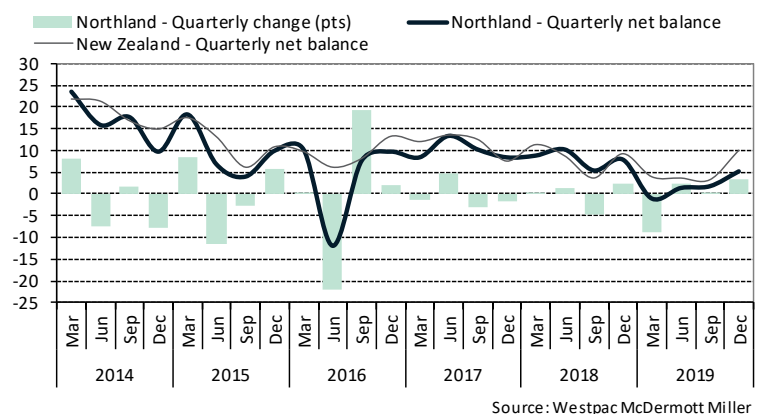
The mean average rent in Northland was \$401 per week in December 2019. This is 0.5% lower than the average rent paid in September 2019, a record level of \$403. The average rent in December 2019 is 3% higher one year ago. Since December 2014, the average rent in Northland has risen by 43%, well above the 25% increase in the national average. Of the 16 regions, only Bay of Plenty recorded a larger increase (51%) than Northland. The average rent in Northland is now 83% of the national average compared to 73% in 2014. The average rent in Auckland is 17% higher than the national average while in the West Coast it is 48% lower.



Source: Ministry of Business, Innovation & Employment

Consumer confidence in Northland

The Westpac-McDermott Miller Consumer Confidence Index for Northland rose three points in December 2019 from two to five. An index number above zero indicates that optimists outnumber pessimists. This rise mirrored the lift 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. All 11 regions for which data is compiled saw a rise in consumer confidence in the December 2019 quarter, although for seven, including Northland, the level of consumer confidence was lower than in December 2018.

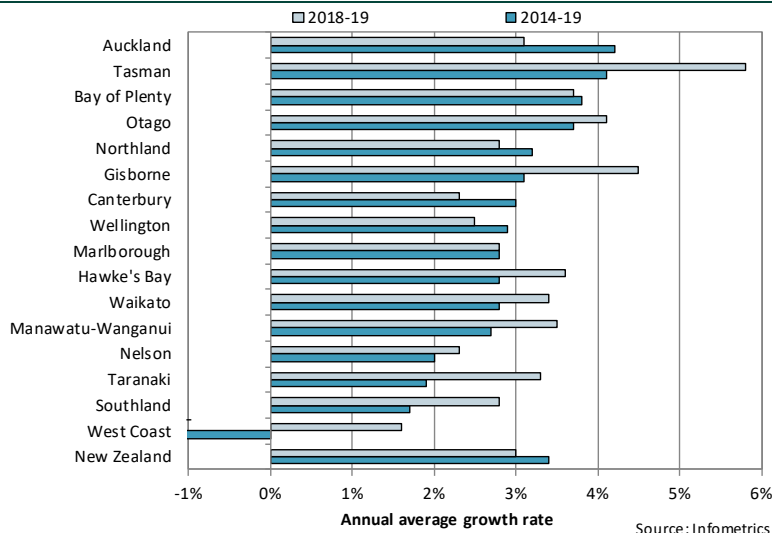


Source: Westpac McDermott Miller

Contribution to economic growth – annual

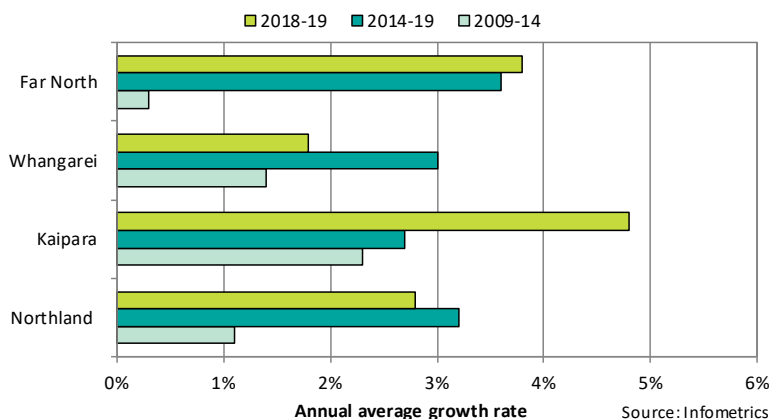
Growth rates by region

The Northland economy, as measured by GDP, is estimated to have grown by 2.8% in the year ended March 2019 to \$7.8 billion (2019 prices). This is slightly below the national GDP growth rate of 3.0%. Northland ranked tenth out of 16 regions in terms of GDP growth in the year ended March 2019, ahead of some larger regions like Wellington and Canterbury. Over the five-year period 2014-19, the Northland economy grew at an annual average rate of 3.2%, again just below the national growth rate of 3.4%. Northland sits towards the top of the regional pack, with only Auckland, Tasman, Bay of Plenty and Otago growing faster than Northland since 2014.



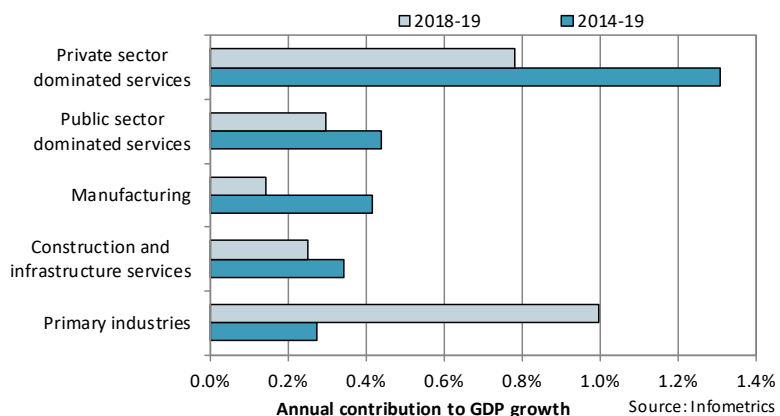
Growth rates by district in Northland

Economic growth rates can be highly divergent over the region. Over the five-year period 2009-14 the Kaipara economy grew by 2.3% per annum and Whangārei by 1.4%, while the Far North economy grew at an annual average rate of just 0.3%. However, over the current five-year period 2014-19 economic activity grew at similar rates across the region, with annual average growth of 3.6% in the Far North, 3.0% in Whangārei and 2.7% 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.



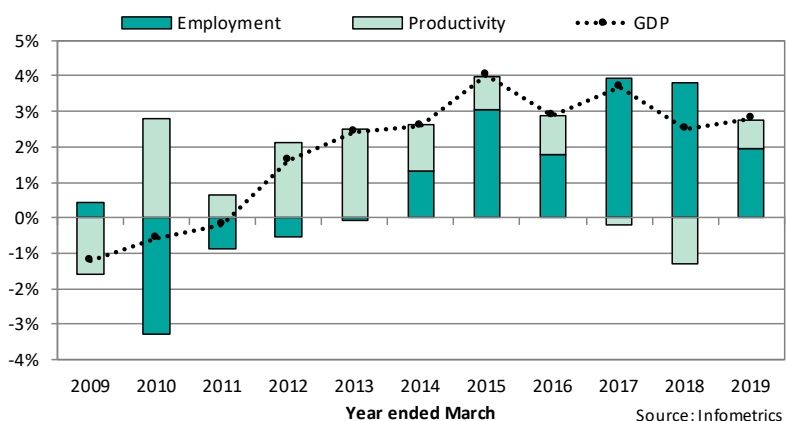
Contribution of sectors to economic growth in Northland

The main high-level sector contributing to the rise in Northland's GDP over the 2014-19 period 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 manufacturing and public sector dominated services sectors both lifted regional GDP by 0.4% per annum over the period. While primary industries lifted GDP by just 0.3% per annum over the five-year period, it played the major role in lifting GDP in 2018-19 due to higher grower returns.



Contribution of employment and productivity to economic growth

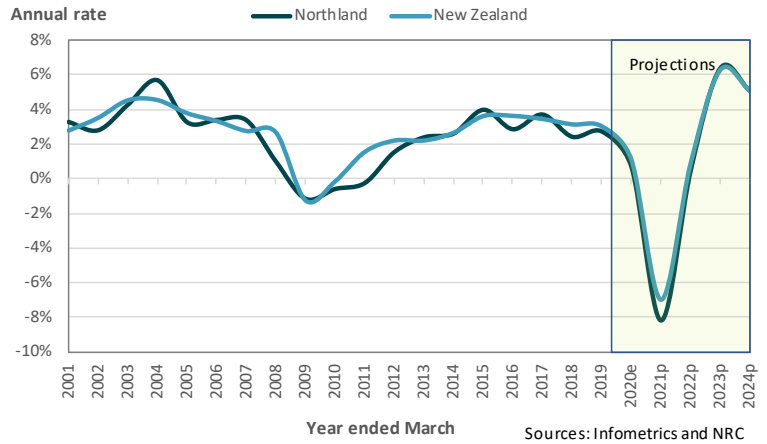
GDP growth can be analysed in terms of employment and productivity (GDP per filled job). A notable feature of Northland's economic growth over the past six years is the positive contribution of employment. This had not been a feature of Northland's economic growth during 2010-13 when the number of filled jobs fell. With a regional average of \$105,000 GDP per filled job, Northland ranks ninth out of 16 regions, equivalent to 90% of the New Zealand average.



Spotlight – Impact of COVID-19

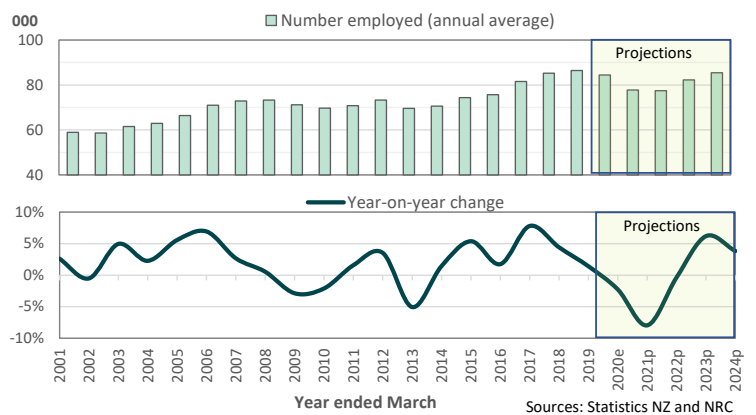
Impact on GDP (economic activity)

The impact of the COVID-19 virus and the lockdown response, coupled with the current drought conditions will have a significant negative impact on economic activity in Northland. It is projected that Northland's GDP may fall by 8% in the year ended March 2021, down from an annual average growth rate of 3.2% experienced over the five-year period 2014-19. This is a significantly larger drop than the 2% fall in activity experienced between 2009-11 as a result of the GFC crisis and various climatic events, and deeper than for New Zealand (6%). The current level of GDP in Northland (\$7.9B) is not expected to be reached again until 2024 even if the recovery is as swift as projected.



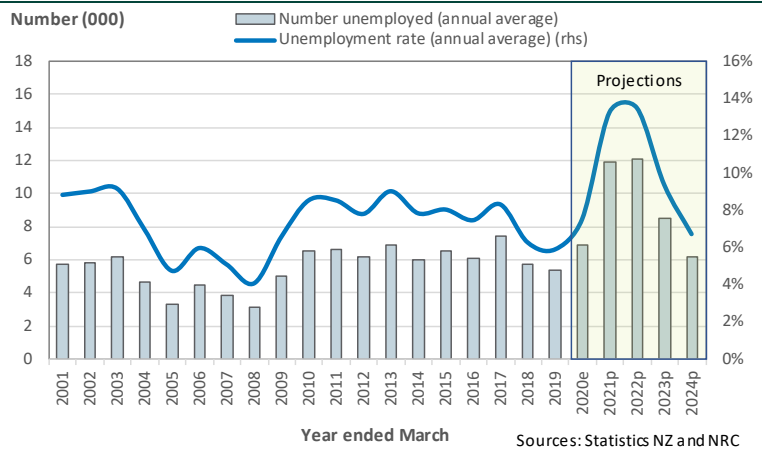
Impact on employment

The reduction in economic activity will result in a large fall in the number of people employed: projected to fall from 86,400 in the year ended March 2019 to 77,500 in 2022, a drop of 9000 or 10%. This is more than twice the fall in employment that occurred in the previous recession. The experience of that recession is that the impact will fall greater on Māori than non-Māori. One of the features of the post GFC recovery was the relatively slower and jerky rise in employment compared to economic activity. The projection is that by 2024 the number of people employed in Northland will still be lower than in 2019.



Impact on unemployment

If 75% of all those who lose their jobs classify themselves as unemployed (with the remaining 25% exiting the labour market by not actively seeking work opportunities), the number of people "unemployed" in Northland would more than double, from 5400 in 2019 to 12,000 in 2021-22. This would result in an annual unemployment rate of 14%, almost twice the average unemployment rate experienced during the past decade (7.8%). This projected unemployment rate is like that experienced in Northland during the early 1990s when it peaked at 14.7% in the year ended March 1994.



Impact on household income

The drop in economic activity will lead to a decrease in economic well-being, as measured by household income. Average annual household income (excluding investment returns) in Northland is projected to fall by more than 10% from over \$89,000 in 2019 to under \$80,000 in 2021-22. This drop is less than that experienced in 2008 and reflects the much larger fiscal stimulus package put in place by government in response to COVID-19. Average household income is not projected to rise back to current levels in real terms until after 2024. The hardest hit will be those whose income is derived from tourism and hospitality related industries, including tour operators, car rental firms, restaurants, cafés and bars.

