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*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

Welcome to the eleventh issue of the Northland Economic Quarterly. A number of indicators suggest that economic activity continued to grow in the December quarter with double-digit rises in building consents issued and international electronic transactions. However, the growth in employment opportunities seen over the past 12-24 months appears to be petering out with a drop in both the number of people working and those looking for a job.

The annual and spotlight sections both feature 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](http://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 including GDP, exports, employment, productivity, businesses and skills.

In the annual section, I have made use of this data source to show changes in economic activity as measured by GDP. The Northland economy is estimated to have grown by 5.0% in the year ended March 2015. I show how this compares with other regions, how it differed within the region, and what contributed to the rise. In the spotlight section, I drill down to show some changes in the structure of employment over the past 10 years, showing changes by industry, occupation, skills and field of study.



Darryl Jones

## Quick quarterly statistics

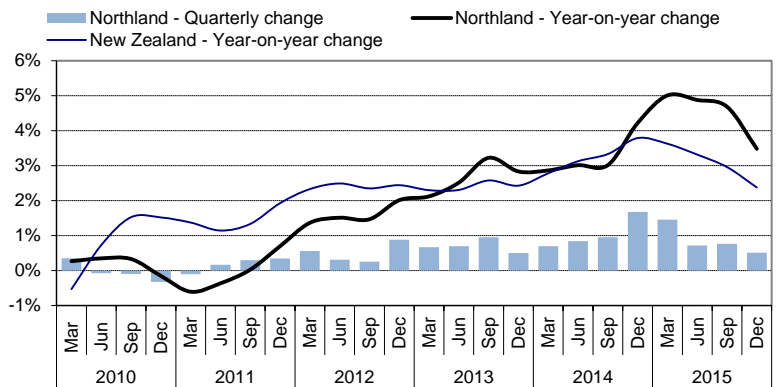
- Northland's GDP is forecast to have risen by 3.5% in the year ended December 2015.
- The number of new building unit consents rose 20% in the calendar year.
- Electronic transactions by international visitors were 15% higher in 2015.
- Business confidence rose in the December quarter above the NZ average.
- Employment has fallen 0.3% from the record high set in September 2015.
- The annual average unemployment rate fell to 8.2% in December 2015.
- The youth NEET rate dropped to average of 17.7% for the calendar year.
- Northland job vacancies on Trade Me are 4% higher than a year ago.
- The average wage and salary rose 3.1% in the year ended December 2014.
- Home affordability has improved due to falling interest rates.
- Domestic power prices rose 2.8% in the year ended November 2015.
- Consumer confidence rose in December as it did so everywhere.

# Economic activity – quarterly

## Gross domestic product (GDP) in Northland

Northland's GDP was forecast to have risen 0.5% in the December 2015 quarter. This contributed to an estimated annual GDP growth rate of 3.5% for the year ended December, above the national estimate of 2.4%.

This growth is spread fairly evenly across the region, with estimated annual growth rates of 2.5% in the Far North, 4.2% in Whāngārei and 2.3% in Kaipara. Northland and Bay of Plenty are the fastest growing regions in the December 2015 year.

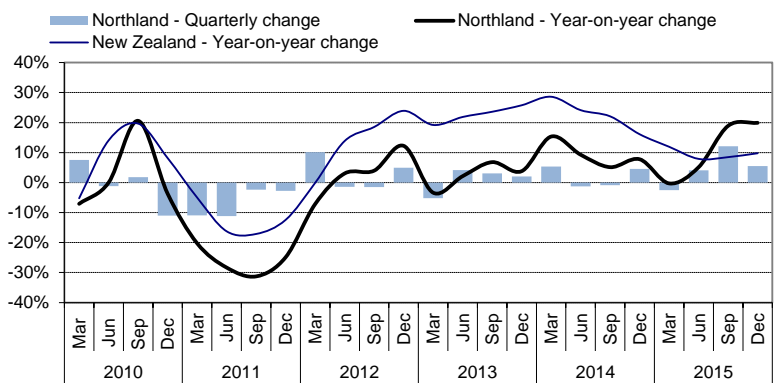


Source: Infometrics Regional Database

## Number of new dwelling unit consents in Northland

During the calendar year 2015, 849 new dwelling unit consents were issued in Northland. This is 5.5% more than the number of dwelling unit consents issued in the year ended September and 20% more than the number issued in the year ended December 2014.

There is a large regional variation around the 10% national increase in consents issued in the calendar year 2015, ranging from 35% in the Bay of Plenty to -24% in Nelson. Northland ranked fifth out of 16.

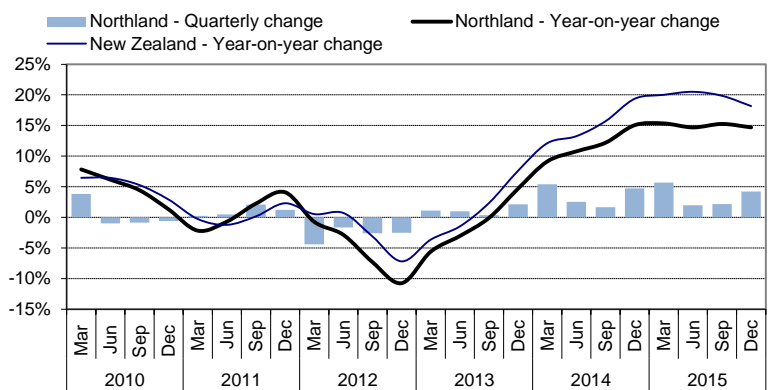


Source: Statistics New Zealand

## Number of international electronic card transactions in Northland

The number of electronic card transactions in the Northland region done by international visitors in the year ended December 2015 totalled more than 0.52 million. This is 4% higher than the annual number for the year ended September 2015 and 15% higher than the 2014 calendar year.

Despite the large increase in transactions, the region's share of total international electronic card transactions in New Zealand has decreased: falling from 3.3% in 2008 to 2.8% in 2015.

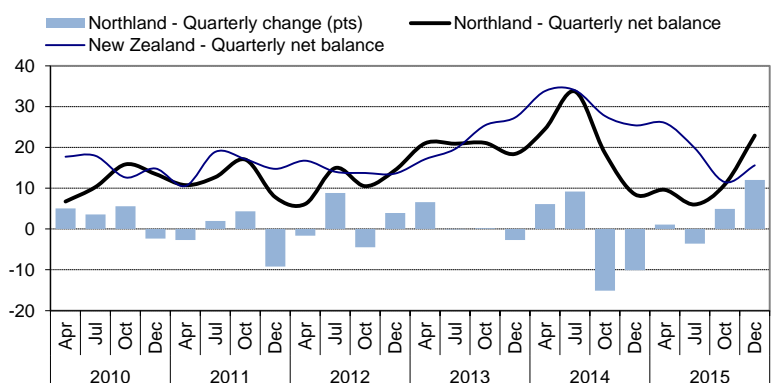


Source: MBIE

## 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 12 points in the December 2015 quarter to reach 23 points. This is the first time the Northland index has exceeded the national average since 2013.

All regions, with the exception of Gisborne, experienced a rise in business confidence during the December quarter. Regional business confidence ranges from four points in Canterbury to 23 in Auckland.



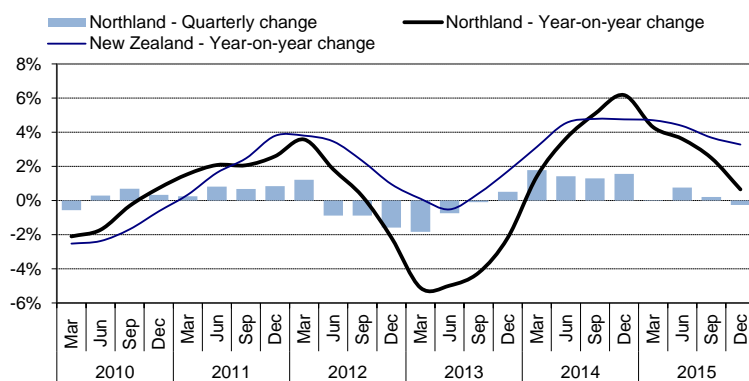
Source: ANZ

# Employment activity – quarterly

## Employment in Northland

It is estimated that an average of 74,100 people were employed in Northland (both full-time and part-time) in the year ended December 2015. This is slightly down on the record level set the previous quarter. The number of people employed in Northland has increased by 500 (0.6%) since December 2014.

Nationally, the number of people employed increased by 2.2% in the calendar year 2015, with the greatest increases occurring in the Bay of Plenty, Manawatu-Wanganui and Southland.

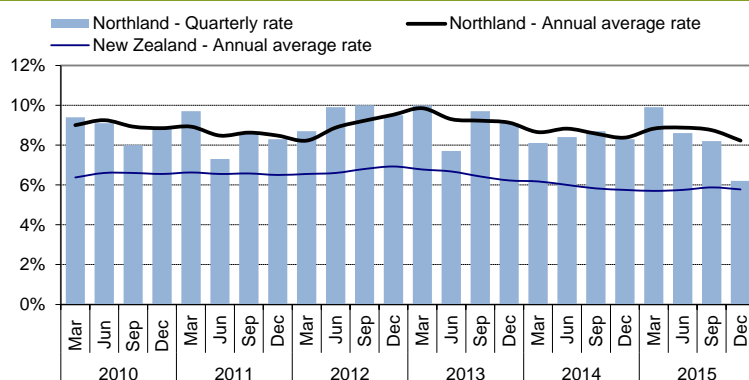


Source: Statistics New Zealand

## Unemployment in Northland

The annual average unemployment rate in Northland was 8.2% in the year ended December 2015. This is a drop of 0.6 percentage points from 8.8% recorded in September 2015. Since March 2010, the region's unemployment rate has averaged 8.8%.

Large quarterly variations in unemployment rates are not uncommon. The most recent drop was the result of a fall in people looking for work as opposed to a rise in employment. Despite the large quarterly fall, Northland's annual average for the calendar year was still the highest of all regions in New Zealand.

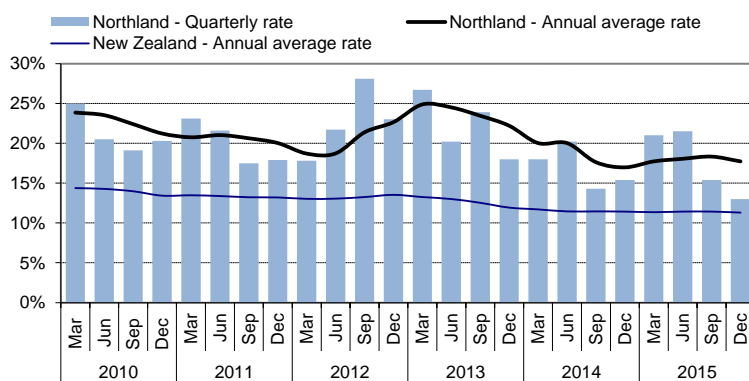


Source: Statistics New Zealand

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

The annual average youth NEET rate in Northland was 17.7% in the year ended December 2015. This is slightly up from the annual average of 17% in December 2014 but is below the peak of 25% recorded in March 2013.

Northland's NEET rate remains well above the national youth NEET rate. However, it is no longer the highest among the 12 regions for which it is calculated: Gisborne/Hawkes Bay had an annual NEET rate of 18.1% for the year ended December 2015. Otago has the lowest NEET rate (7.2%).

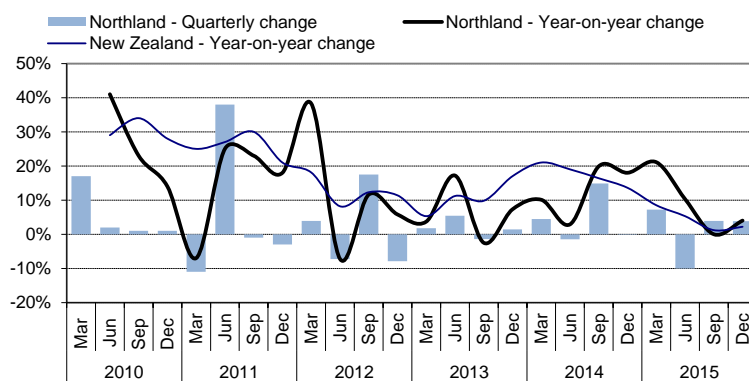


Source: Statistics New Zealand

## Online job advertisements in Northland

The number of vacancies in Northland listed on Trade Me Jobs during the December 2015 quarter was 3.8% higher than in the September quarter and 4.0% higher than in December 2014. Trade Me Jobs listings in Northland are 62% higher than in December 2010.

Nationally, the number of vacancies grew by 2.2% over the past year. Six regions recorded a higher year-on-year increase in job listings than Northland. Four regions have seen a drop in job vacancies over the past year, with a 20% decrease in the West Coast.



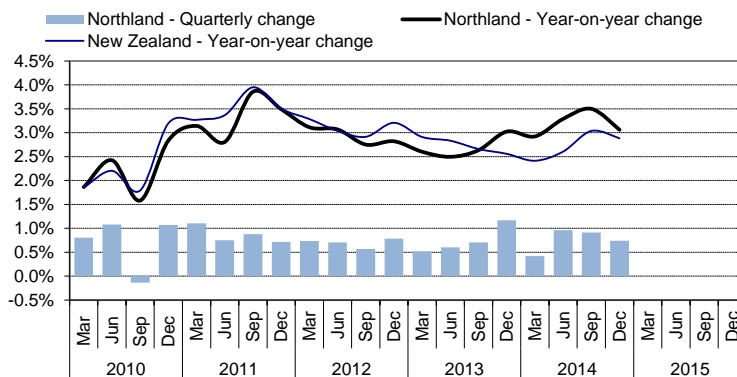
Source: Trade Me Jobs

# 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 \$49,170 in December 2014. This represents an annual increase of 3.1%, higher than the national increase of 2.9%.

Northland's average is 12% below the national average of \$55,690. 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.

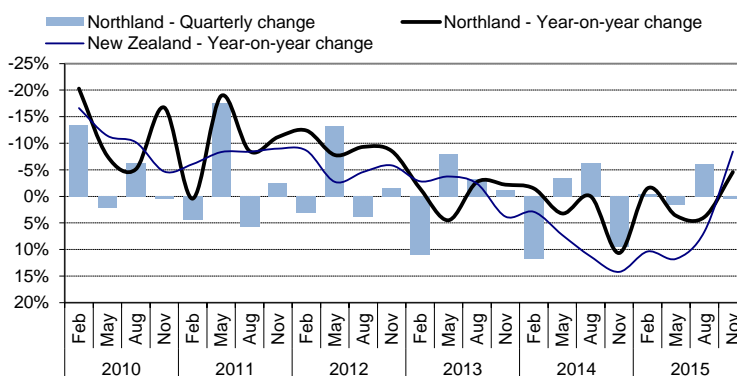


Source: Statistics New Zealand

## Home affordability in Northland

The Northland Home Affordability Index rose by 0.5% during the quarter ended November 2015 indicating a slight deterioration in affordability. This increase is the result of higher median house prices offsetting the rise in average earnings.

The Northland HAI stood at 18.8 in November 2015, 4.6% lower than in November 2015. All regions except Auckland and Otago saw an improvement in affordability over the year, due mainly to lower interest rates. The latest HAI score for Northland remains well below the peak of 36.7 in May 2008.

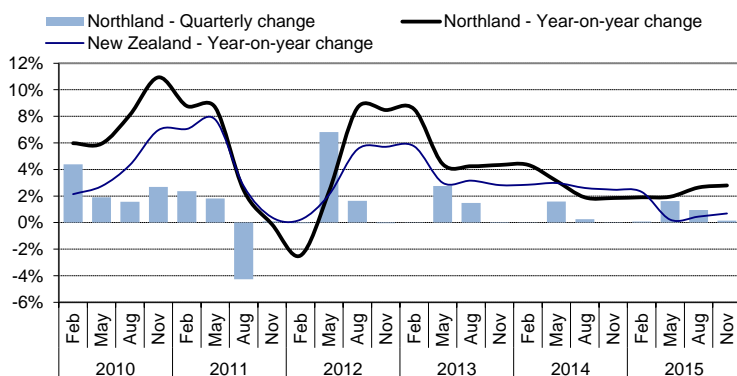


Source: Massey University

## Domestic electricity price in Northland

The weighted average domestic electricity price in Northland was 32.5c/kW in November 2015. This was 0.1% higher than in August and 2.8% higher than in November 2015. Over the past five years domestic electricity prices in Northland have risen by 3.4% per annum. This is slightly faster than the national annual average increase of 2.4%.

Assuming 8000kW of power is used per year, this price equates to an annual household power bill of \$2600. This is 14% higher than the national average of \$2270, equivalent to an additional \$6 per week.

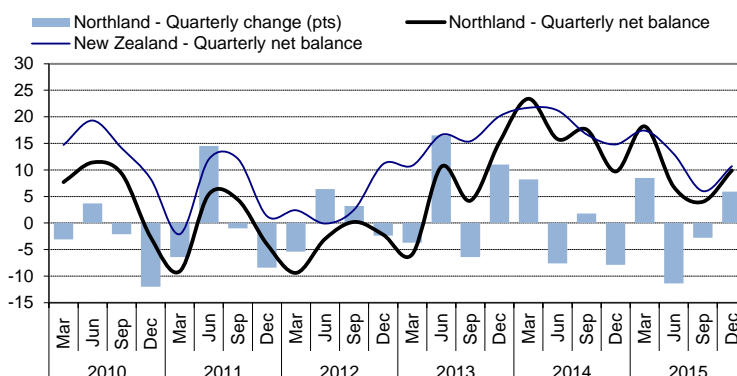


Source: Ministry of Business, Innovation and Employment

## Consumer confidence in Northland

The Westpac-McDermott Miller Consumer Confidence Index for Northland rose six points, to ten, in December 2015. An index number above zero indicates that optimists outnumber pessimists.

Over the past year consumer confidence in Northland has been following the national trend, and that observed in most regions. All 11 regions except Canterbury recorded a rise in consumer confidence in December. This followed a fall in consumer confidence in all regions in September.

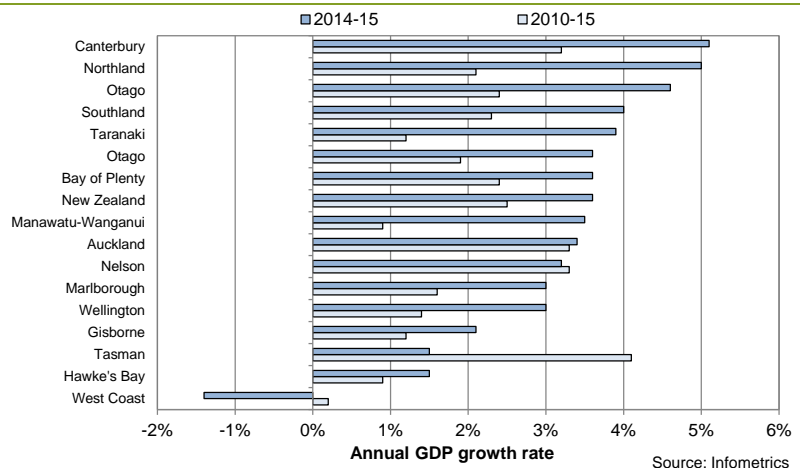


Source: Westpac McDermott Miller

# Contribution to economic growth – annual

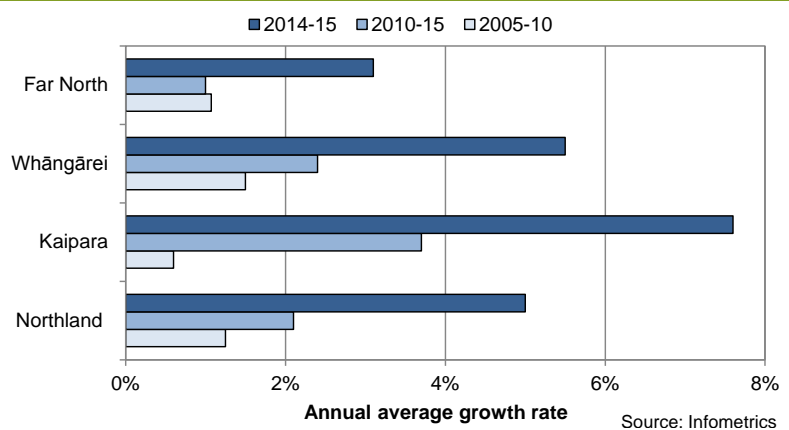
## Growth rates by region

The Northland economy, as measured by GDP, is estimated to have grown by 5.0% in the year ended March 2015 to \$6.0 billion (2010 prices). This is above the national GDP growth rate of 3.6%. Northland ranked second out of 16 regions in terms of GDP growth in 2015, with only Canterbury growing faster. Over the five-year period 2010-15, the Northland economy grew at an annual rate of 2.1%. Over the same period, the national economy grew by 2.5% per annum. Northland sits in the middle of the regional pack, with eight regions having a lower annual growth rates since 2010.



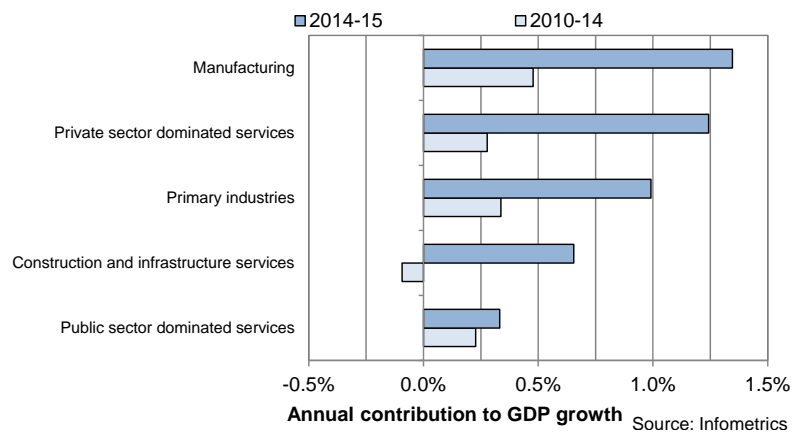
## Growth rates by district in Northland

Economic growth rates have been highly divergent over the region in recent years. In the year ended March 2015, GDP growth rates varied between 7.6% in Kaipara and 5.5% in Whāngārei to 3.1% in the Far North. A similar pattern is observed over the longer 2010-15 period, with Kaipara growing by 3.7% per annum compared to 2.4% in Whāngārei and 1.0% in the Far North. In 2015, GDP in the Far North finally exceeded pre-GFC levels, something the Kaipara and Whāngārei districts did in 2012 and 2013 respectively.



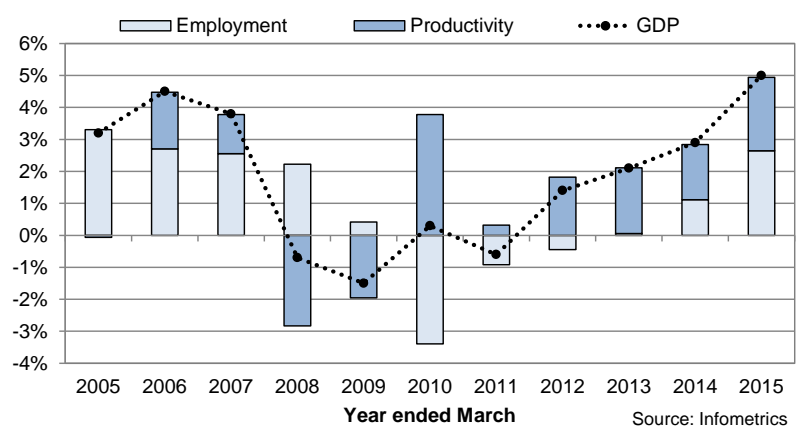
## Contribution of sectors to economic growth in Northland

The main industries contributing to the rise in Northland's GDP in 2015 were manufacturing and private sector dominated service industries such as accommodation and food services. Growth in these two sectors led to a 1.3% and 1.2% increase in the region's GDP respectively. There was also strong growth during 2014/15 in primary industries, and construction and infrastructure services. Growth in public sector dominated services, such as health and education, increase Northland's GDP by about 0.5% per annum.



## Contribution of employment and productivity to economic growth

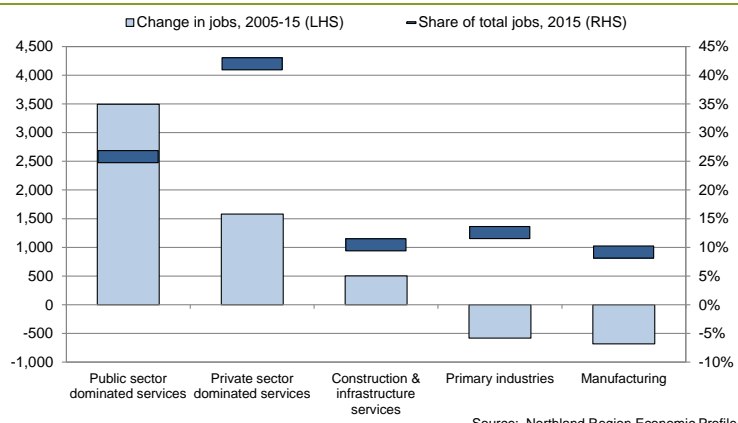
It is also useful to analyse GDP growth in terms of employment and productivity (GDP per filled job). A notable feature of Northland's GDP growth estimated for 2014 and 2015 was the positive contribution of employment. This had not been a feature of Northland's economic growth since 2009. GDP per worker in Northland has grown by 1.6% per annum since 2010 – faster than the 1.1% national average. Consequently GDP per worker in Northland has risen from 92% to 94% of the national total, ranking the region seventh out of 16.



# Spotlight – changes in employment in Northland

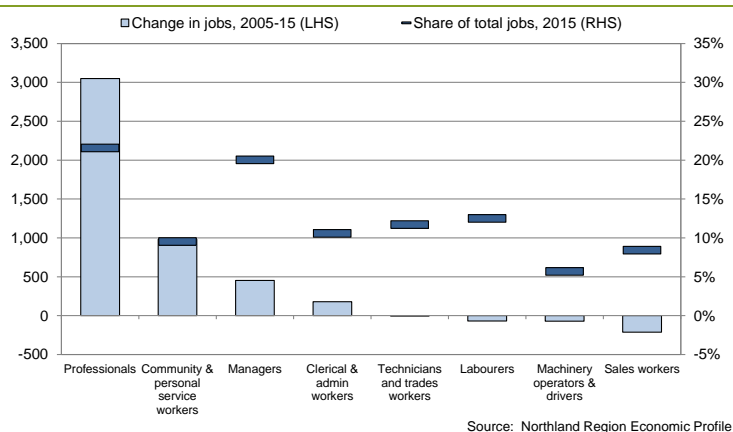
## Change by sector

In the year ended March 2015 there were 66,000 filled jobs in Northland when measured on a full-time equivalent basis. This is 4300 more than in 2005, representing a 7% increase. This rise in employment has not been even across the various sectors. Over the 10-year period 2005-15, an additional 3500 jobs have been created within the public sector dominated services<sup>1</sup>, with an additional 1600 in other service industries. Conversely, there are now 700 fewer jobs in manufacturing than in 2005, and 600 fewer jobs in the primary industries.



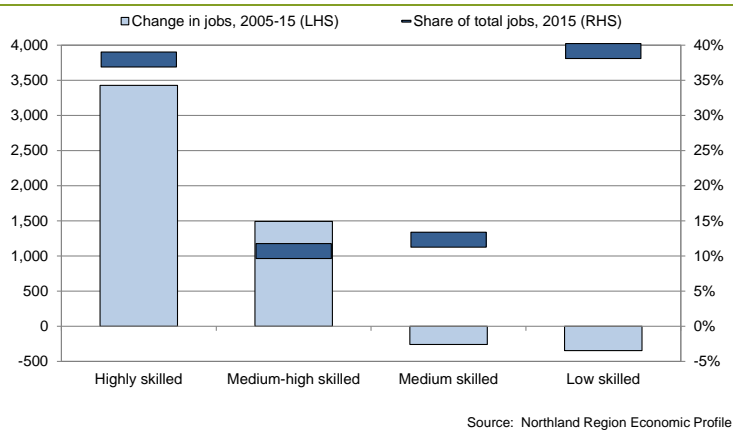
## Change by occupation

Jobs classified as "Professional" represent the largest share of workers by occupation, and this category has increased by 3000, or 27%, since 2005. Other occupations in which jobs have been created are community and personal service workers, and managers. While managers make up 20% of the workforce, this occupation grouping has increased by around 50 per year since 2005. There has been a fall in the number of jobs in Northland for sales workers, machinery operators and drivers, and labourers, which together make up 27% of total jobs.



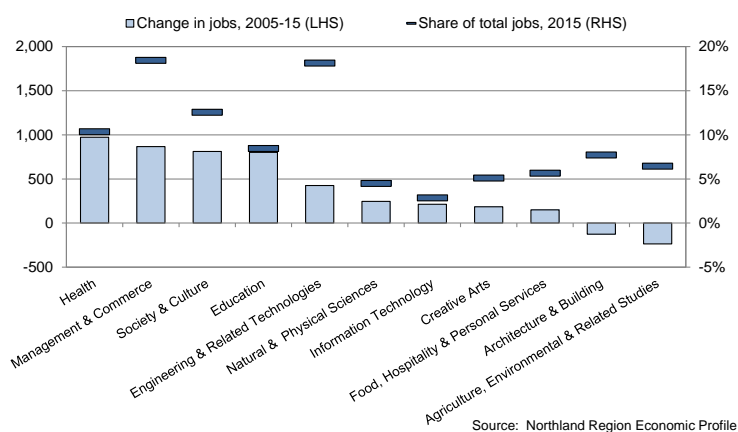
## Change by broad skill level

Jobs can also be categorised by broad skill level based on an assessment of employment demands for various occupations.<sup>2</sup> Highly skilled and low skilled jobs make up roughly the same share of total jobs; just less than 40% each. However, the number of highly skilled jobs has increased by almost 3500 since 2005 while the number of low-skilled jobs has fallen by 350. There has also been a growth in medium-high skilled jobs. In total, highly-skilled and medium-high skilled jobs account for almost 50% of jobs in 2015 compared to 44% in 2005.



## Change by field of study

Infometrics also make an estimate of the type of qualifications which are ideally required for each occupation. Since 2005 there has been a rise in demand of over 50 persons per year for jobs likely to be requiring qualifications in the fields of health, management and commerce, society and culture and education. The number of jobs requiring qualifications in agriculture and environment-related studies, or in architecture and building, has decreased over the past 10 years. Jobs ideally requiring study in the field of information technology training have risen by 13% over 10 years.



1. Public sector dominated services include the three broad 1-digit ANZSIC06 classifications Health care and social assistance, Education and training, and Public administration and safety.
2. Highly skilled: degree level and above; Medium-high skilled: diploma level; Medium: NZ Register Level 4; Low skilled: NZ Register Level 1-3.