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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 15<sup>th</sup> issue of the Northland Economic Quarterly. The quarterly indicators show a strong regional economy with growth in economic activity and employment. However, there is price pressure on households, with electricity prices rising and home affordability deteriorating. The lack of investment in non-residential buildings may reduce longer-term opportunities for both employment and productivity growth.

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.

The spotlight section focuses on developments in the Northland Māori workforce, exploring changes in employment by occupation, sector and skill level. One-quarter of the total 68,000 full-time equivalent jobs in Northland are filled by Māori. Over 50% of Māori are working in low skilled jobs, but the number working in high and medium-high skilled jobs is increasing faster.

Darryl Jones

## Quick quarterly statistics

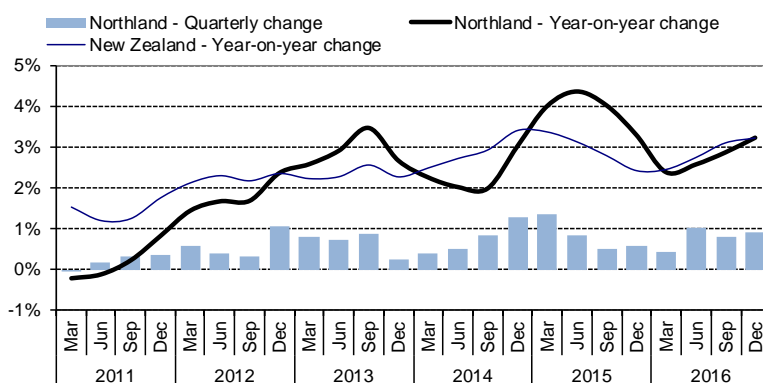
- Northland's GDP is estimated to have risen 3.2% in the year ended December.
- Net international migration rose by 18% to a new record level of growth.
- Both heavy traffic and light traffic through Kawakawa are at record levels.
- The floor area of new non-residential building consents fell by 48%.
- Employment rose to a new record high of 77,200 in December 2016.
- The annual average unemployment rate rose to 8.5% in December 2016.
- The youth NEET rate rose to an average of 18.9% in December 2016.
- Online job vacancies in December 2016 are 13% higher than a year ago.
- The average wage and salary rose 2.9% in the year ended December 2015.
- Domestic power prices rose 4.6% over the year ended November 2016.
- Rising house prices resulted in deteriorating home affordability, with the index rising 10% in November 2016.
- Consumer confidence rose slightly in December, matching the positive consumer confidence across the country.

# Economic activity – quarterly

## Gross domestic product (GDP) in Northland

Northland's GDP was estimated to have risen by 0.9% in the December 2016 quarter. This contributed to an estimated annual GDP growth rate of 3.2% for the year ended December, the same as the estimated national rate. All three districts are forecast to have grown between 3-5% during the 2016 December year.

For the year ended December, Northland ranked 9<sup>th</sup> out of 16 regions in terms of GDP growth. Auckland, Tasman and Nelson are estimated to have grown by more than 4% over the past year.

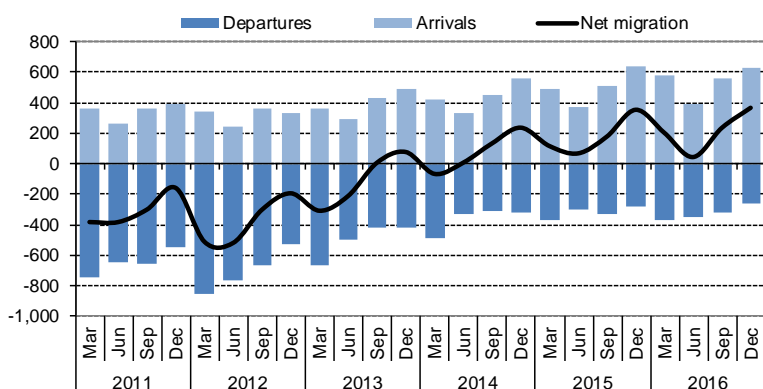


Source: Infometrics Regional Database

## Net international migration into Northland

The net number of international migrants into Northland in the December 2016 quarter was 368 people, giving a total 12 month increase of 855. This is a new record level of annual net international migration into the region.

The increase in net migration is the result of both an increase in arrivals and a reduction in departures. Since 2012, when a record net loss of 1512 people occurred, departures have fallen by 54% and arrivals grown by 67%.

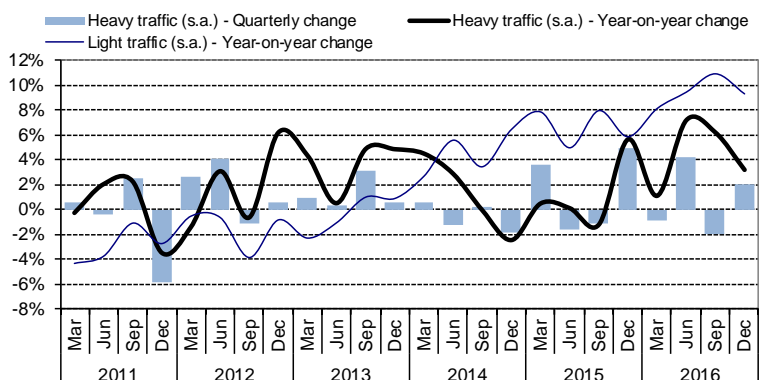


Source: Statistics New Zealand

## Traffic flows through Kawakawa

Just over 2300 heavy vehicles (>3.5 tonnes) travelled through Kawakawa in the December 2016 quarter, up 2% on the September quarter on a seasonally adjusted basis, and 3.2% higher than the number recorded in the December quarter 2015. Quarterly and annual heavy tariff flows are at record levels.

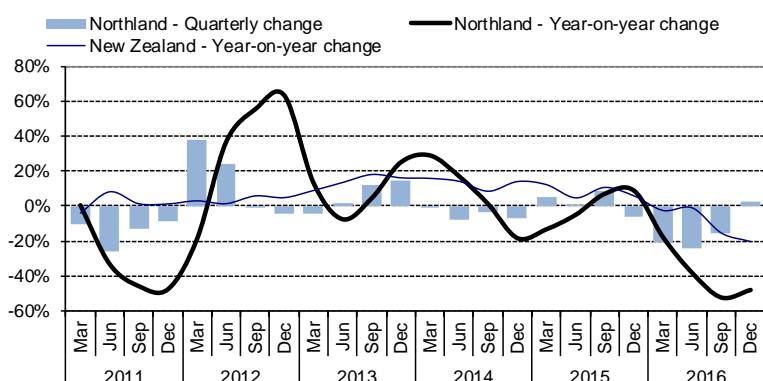
The number of light vehicles travelling through Kawakawa during the December quarter 2016 was 9.3% higher than in 2015. Over the past three years, light traffic volumes have increased considerably and are 10% higher than in 2007.



Source: ANZ

## Floor area of new non-residential building consents in Northland

During the year ended December 2016, the floor area of new non-residential building consents issued totalled 42,696m<sup>2</sup>. This is 48% lower than the floor area consented in the 2015 calendar year, and below the low levels recorded in 2011. The major reason for the decline is a reduction in the floor area of new farm buildings which fell by 52%, although all other buildings fell 43%. Twelve of the 16 regions experienced a drop in non-residential floor area consented in 2016, with Northland's drop the largest.

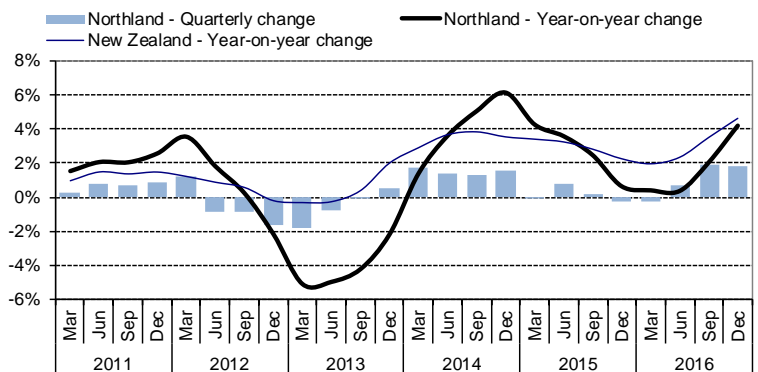


Source: Statistics New Zealand

# Employment activity – quarterly

## Employment in Northland

An estimated average of 77,200 people were employed in Northland (both full-time and part-time) in the year ended December 2016. This is 2% higher than the average number employed in the year ended September 2016, and is a new record level. The number of people employed in Northland has increased by 8200 (12%) since June 2013 when the fall in employment post-GFC bottomed out at around 69,000. Nationally, the number of people employed increased by 4.6% in the year ended December 2016, with the greatest increases occurring in Manawatu-Wanganui (8.5%).

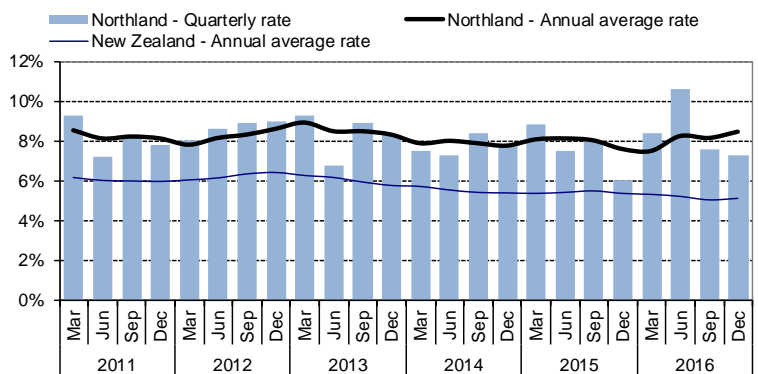


Source: Statistics New Zealand

## Unemployment in Northland

The annual average unemployment rate in Northland was 8.5% in the year ended December 2016. This is 0.9 percentage points higher than in December 2015. The rise in the unemployment rate is due to both a larger working age population and a rise in the proportion of people looking for work.

Northland's annual average unemployment rate is the highest of all regions in New Zealand, with Gisborne the next highest at 6.9%. The gap between Northland and the New Zealand average (5.1%) has been slowly growing since 2012.

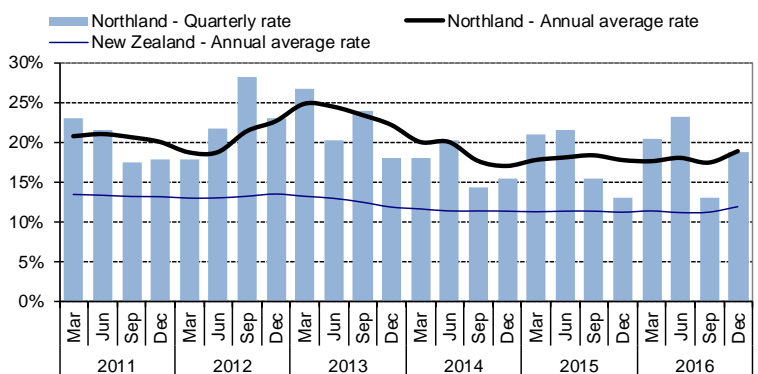


Source: Statistics New Zealand

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

The annual average youth NEET rate in Northland was 18.9% in the year ended December 2016. This is up from the annual average of 17.7% in December 2015 but is below the peak of 25% recorded in March 2013.

Northland's NEET rate remains well above the national youth NEET rate (12%), and is the highest among the 12 regions for which it is calculated. Gisborne/Hawkes Bay has the next highest annual NEET rate of 16.91% for 2016 with Canterbury having the lowest NEET rate (8.8%).

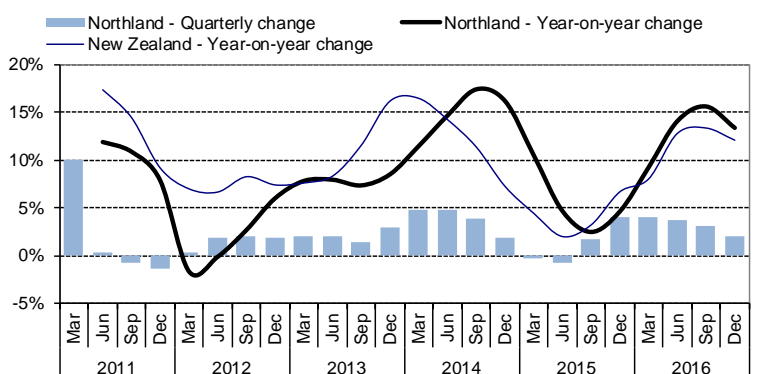


Source: Statistics New Zealand

## Jobs online vacancies in Northland

The trend series index of online job vacancies in Northland has remained at a relatively high level in the December 2016 quarter. The number of online vacancies was 2% higher than in the September 2016 quarter and 13% higher than in December 2015. It is almost 60% higher than in December 2011.

Nationally, the number of online job vacancies grew by 12% over the past year. Northland sits alongside job growth in Auckland (14%), behind the likes of Gisborne/Hawkes' Bay (30%) but ahead of Wellington (7%) and Canterbury (-3%).

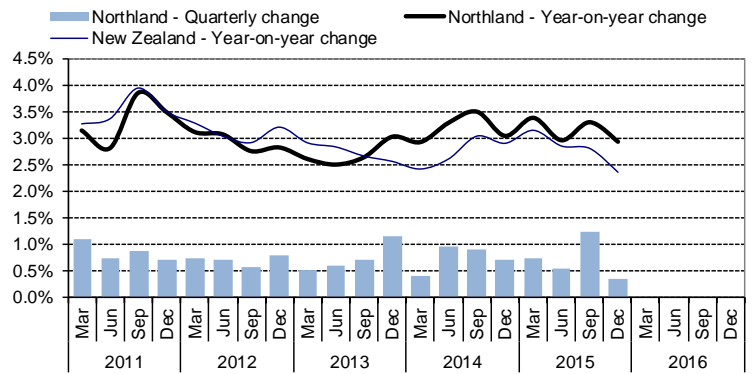


Source: Ministry of Business, Innovation & Employment

# 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 \$50,600 in December 2015. This represents an annual increase of 2.9%, higher than the national increase of 2.4%. Over 2014 and 2015, the average wage and salary in Northland grew faster than the national increase. Consequently, Northland's average is now 11% below the national average of \$57,010 (16% lower in 2000). Only two regions (Auckland and Wellington) have average earnings above the national average.

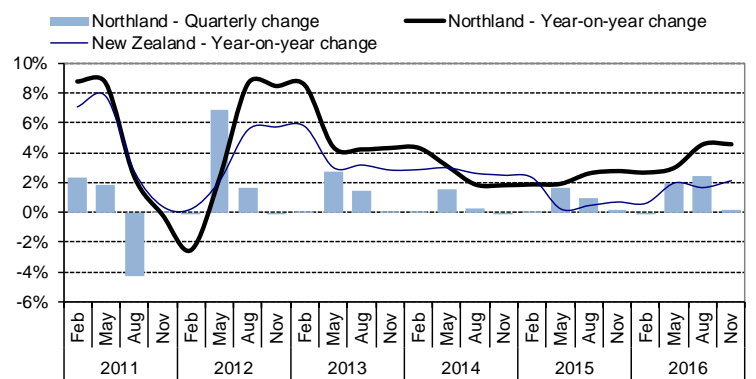


Source: Statistics New Zealand

## Domestic electricity price in Northland

The weighted average domestic electricity price in Northland was 34c/kW in November 2016. This was 0.1% higher than in August and 4.6% higher than in November 2015. Over the past five years, domestic electricity prices in Northland have risen by 4.4% per annum. This is faster than the national average increase of 2.7%.

Assuming 8000kW of power is used per year, this price equates to an annual household power bill of \$2717. This is 17% higher than the national average of \$2320, equivalent to an additional \$7.60 per week.

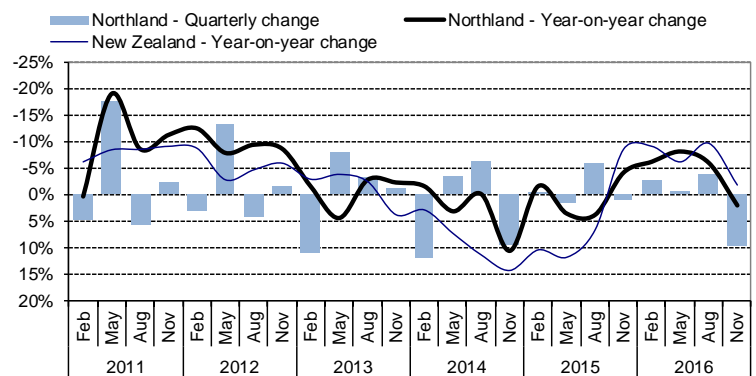


Source: Ministry of Business, Innovation and Employment

## Home affordability in Northland

The Northland Home Affordability Index (which takes into account the cost of borrowing as well as house prices and wage levels) rose by almost 10% in the quarter ended November 2016 indicating a decline in affordability. Rising house prices outweighed any gain from rising wages or falling interest rates.

There was a mixed result across the regions on an annual basis. Canterbury had the highest magnitude of improvement (9.4% more affordable) while Central Otago Lakes has the highest magnitude of decline (11% worse off).

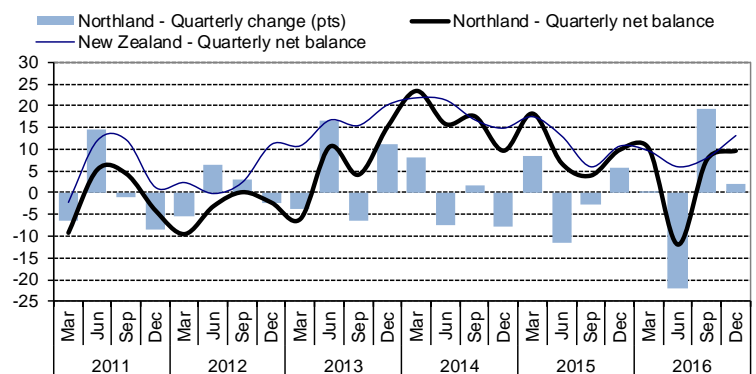


Source: Massey University

## Consumer confidence in Northland

The Westpac-McDermott Miller Consumer Confidence Index for Northland rose two points, to ten in December 2016 – close to the level recorded in December 2015. An index number above zero indicates that optimists outnumber pessimists.

Consumer confidence in Northland is just below the national level, with all regions in a relatively narrow positive band of 8-17. Auckland was the only region to see a decline in December, with consumers having a more pessimistic view about economic activity five years ahead.



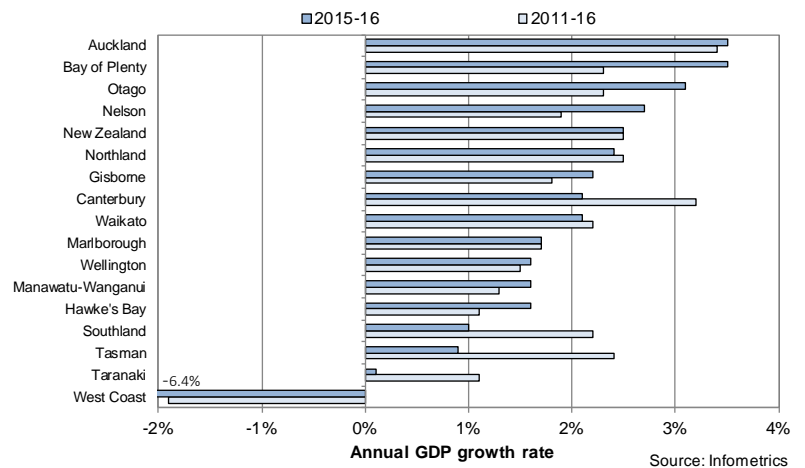
Source: Westpac McDermott Miller



# Contribution to economic growth – annual

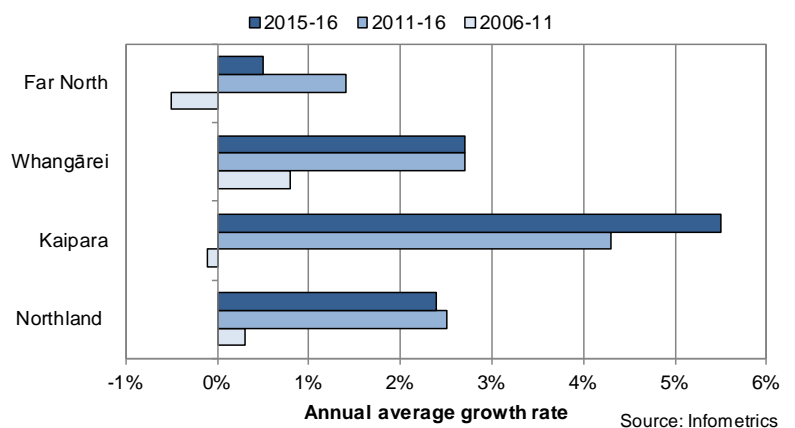
## Growth rates by region

The Northland economy, as measured by GDP, is estimated to have grown by 2.4% in the year ended March 2016 to \$5.9 billion (2010 prices). This is similar to the national GDP growth rate of 2.5%. Northland ranked fifth out of 16 regions in terms of GDP growth in 2016, with only Auckland, Bay of Plenty, Otago and Nelson growing faster. Over the five-year period 2011-16, the Northland economy grew at an annual rate of 2.5%, the same rate as the national economy. Northland sits towards the top of regional pack, with only Auckland and Canterbury having a higher annual growth rate since 2011.



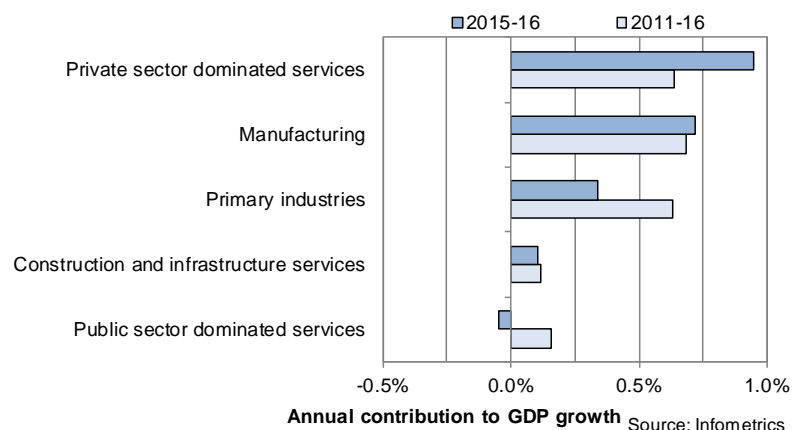
## Growth rates by district in Northland

Economic growth rates have been highly divergent over the region in recent years. In the year ended March 2016, GDP growth rates varied between 5.5% in Kaipara and 2.7% in Whangārei to 0.4% in the Far North. A similar pattern is observed over the longer 2011-16 period, with Kaipara growing by 4.3% per annum compared to 2.7% in Whangārei and 1.4% in the Far North. The economies of Kaipara and Whangārei are 21% and 15% respectively bigger than in 2007 (pre-GFC) while the Far North economy is only 1% bigger.



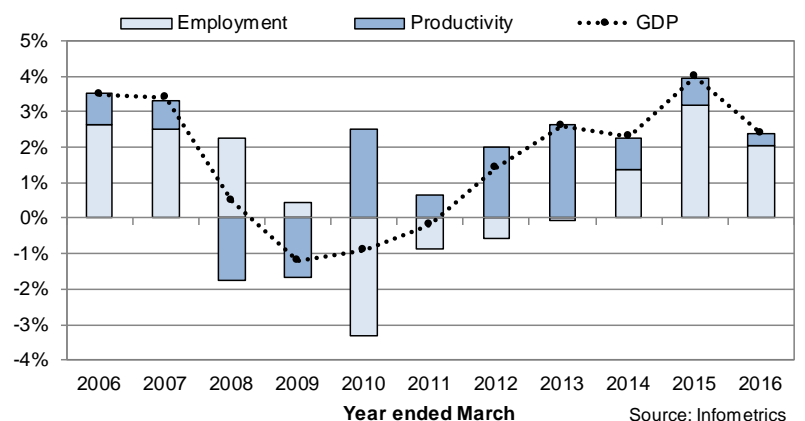
## Contribution of sectors to economic growth in Northland

The main industries contributing to the rise in Northland's GDP in 2016 were private sector dominated service industries (such as retail trade) and manufacturing (dominated by the refinery). Growth in these two sectors led to a 0.9% and 0.7% increase in the region's GDP respectively. There was also strong growth during 2015/16 in the primary industries, and to a lesser extent construction and infrastructure services. Public sector dominated services, such as health and education, fell slightly.



## Contribution of employment and productivity to economic growth

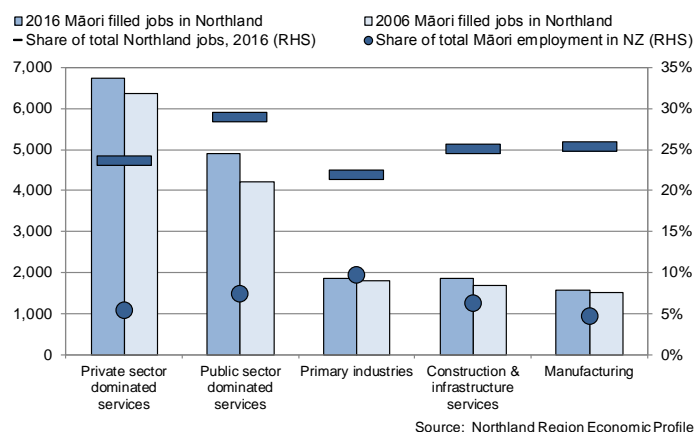
It is also useful to analyse GDP growth in terms of employment and productivity (GDP per filled job). A notable feature of Northland's GDP growth over the past three years was the positive contribution of employment. This had not been a feature of Northland's economic growth during 2010-13. GDP per worker in Northland has grown by 1.3% per annum since 2011 – faster than the 0.7% national average. Consequently, GDP per worker in Northland has risen from 88% to 91% of the national total, ranking the region eight out of 16.



# Spotlight – Māori in the workforce

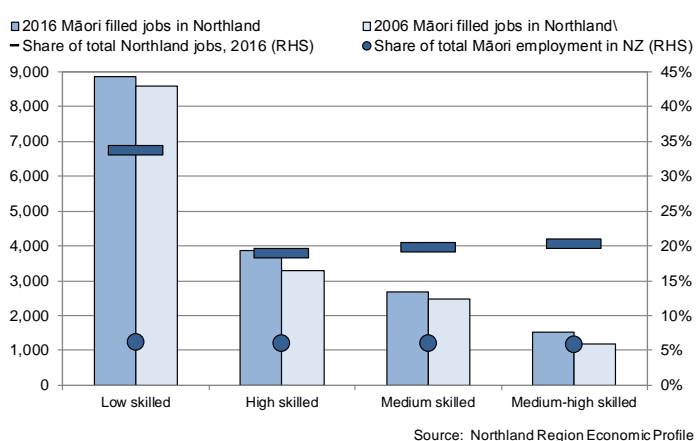
## Filled jobs by broad sector

In the year ended March 2016, almost 17,000 jobs in Northland (25% of the total), measured on a full-time equivalent basis, were filled by Māori. Māori employed in Northland represent 6% of total Māori employed nationally. As with non-Māori, 40% of Māori are employed in the private sector dominated service industry. However, since 2006 over half the 1400 more Māori employed in Northland have been employed within the public sector dominated services sector.<sup>1</sup> The 5000 Māori employed in this sector represent about 30% of total employment.



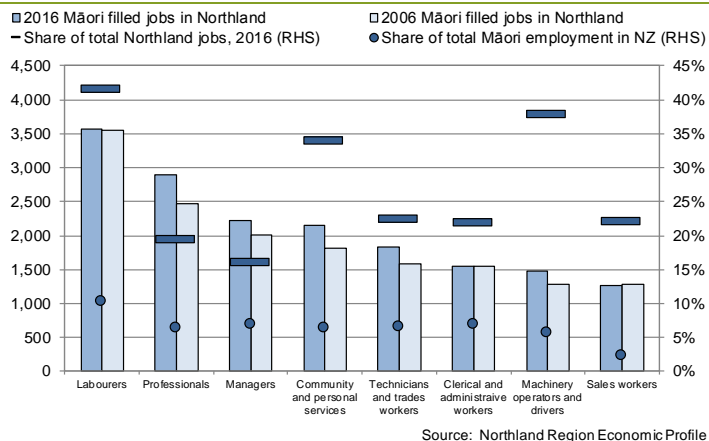
## Filled jobs by broad skill level

Jobs can also be categorised by broad skill level based on an assessment of employment demands for various occupations.<sup>2</sup> Almost 9000 Māori are employed in jobs categorised as low skilled. This represents around one-third of total low skilled employment and one-half of all Māori employed in Northland. The spread of Māori employed across the four broad skill levels in Northland is very similar to the national spread. Since 2006, almost two-thirds (~900) of the 1400 additional Māori employed have been so in high and medium-high skilled jobs.



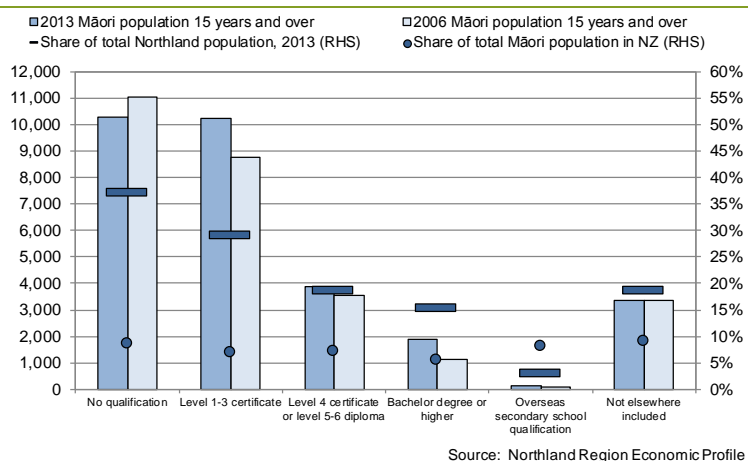
## Filled jobs by broad occupation

Māori represent more than 40% of jobs classified as "Labourers", the largest share of Māori workers by broad occupation. Other occupations in which Māori represent a higher than average proportion are community and personal service workers, and machinery operators and drivers. There are considerably less Māori employed as sales workers in Northland than nationally. Since 2006, the largest increase in Māori employed by broad occupation, both in terms of number and percentage, has been in professional occupations.



## Highest qualification of Māori

In 2013, just over 10,200 Māori in Northland aged 15 years and over did not have a formal qualification, with a similar number only having a Level 1-3 certificate. Māori are over-represented in these lowest qualification categories, accounting for 37% and 29% of the Northland population with these qualification levels, with Māori accounting for 25% of all Northlanders aged 15 years and over. However, the number of Māori with no formal qualification fell by 7% between 2006 and 2013. Moreover, the number of Māori with a Bachelor degree or higher rose by 73% over the same period.



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.