

Even with the earthquakes in Canterbury, the New Zealand economy performed well during the first half of the year. This performance is likely to have carried over into the September quarter. During this period consumer spending was rising, house sales were climbing, and business

investment was picking up. However, the growing European debt crisis is expected to knock back New Zealand's recovery. Continuing uncertainty in financial markets will reduce business investment, keep unemployment high, and ultimately reduce economic activity in New Zealand.

Northland Overview

The Northland economy has recovered at a slower pace than the national economy. It has now experienced four successive quarters of positive annual growth and GDP is back up to its prerecession level.

The labour market is improving although it is still fragile. Employment grew by 1.3% in the year to September 2011. The number of unemployment beneficiaries declined to 3,630 in the September quarter from 3,830 a year ago. The seasonally adjusted unemployment rate as measured by the Household Labour Force Survey showed an increase, although this measure tends to volatile.

The housing market is very weak in Northland with both house prices and sales falling further than the national averages. Residential building activity has been constrained by the weak housing market and a lack of finance for developers. The number of residential consents has fallen to its lowest level in ten years. Non-residential consents have also fallen to a very low level by historical standards.

On the positive side electricity consumption and car registrations have continued to grow.

Table 1. Regional growth indicators (year to September 2011 compared with previous 12 months)

Indicator (annual average % change)	Northland	New Zealand
GDP	↑ 2.1%	↑ 1.6%
Employment	↑ 1.3%	↑ 1.7%
Unemployment beneficiaries*	↑ 5.1%	↑ 14.7%
Unemployment rate* (% point change)	↓ -0.8%	↓ -0.2%
Residential Consents	↓ -31.3%	↓ -16.9%
Non-residential Consents	↓ -54.3%	↓ -3.0%
House Sales	↓ -6.7%	↓ -2.6%
House Prices	↓ -4.2%	↑ 0.7%
Guest nights	↓ -0.3%	↓ -0.8%
Electricity consumption	↑ 1.7%	↓ -0.3%
Car registrations	↑ 4.3%	↑ 5.5%
Commercial registrations	↓ -3.7%	↑ 28.1%

Source: Infometrics, Statistics New Zealand, NZTA, REINZ and QV.

* An increase in the number of registered job seekers and the unemployment rate is shown as a negative.

gross domestic product

National economy

Annual growth in economic activity was estimated to be 1.7% in the year to September 2011. Although this is still a slow rate of growth, it was the largest annual increase since June 2008 – just prior to the start of the global financial crisis. Consumer spending and business investment have both increased moderately, as strong export commodity prices and an improving outlook for the New Zealand economy made households and firms more willing to spend.

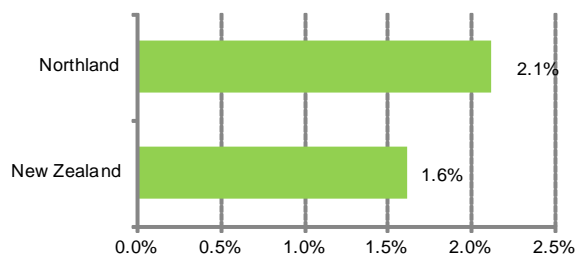
However, concerns about the level of sovereign debt in the Eurozone have led to a significant deterioration in credit conditions since July. With policymakers in Europe dithering, the outlook for global growth has darkened, knocking business

confidence. As long as the current debt crisis remains at the forefront of people’s minds, both consumer and business spending will stay restrained. This will hold back growth in the next 6-9 months. However, with commodity prices high and consumer’s income rising, we believe the stage is set for a recovery in economic activity by the later stages of 2012.

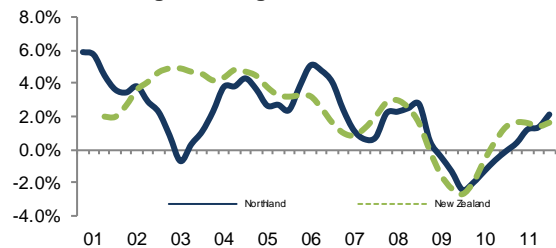
Northland

GDP in Northland increased by 2.1% in the year to September 2011 compared to the previous 12 months. The region's growth was higher than in the country as a whole (1.6%). GDP growth peaked in Northland at 5.1% in the year to March 2006.

Gross Domestic Product



Gross Domestic Product Annual average % change



Employment

National economy

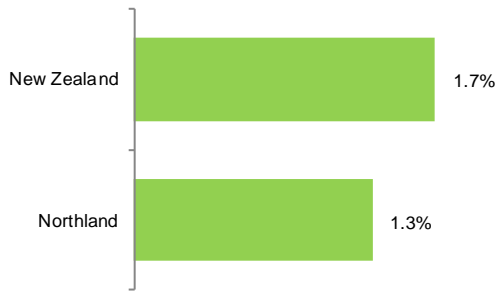
Total employment in New Zealand increased 0.2% in the September 2011 quarter, while total hours worked climbed 1.0% to finally surpass its June 2008 peak (seasonally adjusted). Employment has increased moderately over the past year, even as the economy was dogged by earthquakes and global uncertainty. However, robust wage growth may limit any further increase in employment heading into 2012.

Northland

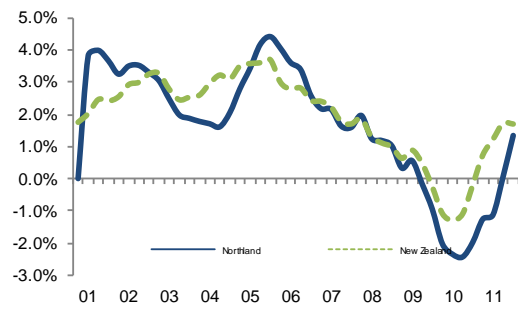
Employment in Northland increased by 1.3% in the year to September 2011 compared to the previous 12 months. The region's growth was lower than in New Zealand (1.7%). Approximately 65,100 people were employed in Northland during the September 2011 quarter which accounted for 3% of national employment. Employment growth peaked at 4.4% in the year to September 2005.

Employment

Year to Sep 2011 annual average % change



Employment
Annual average % change



unemployment beneficiaries

National economy

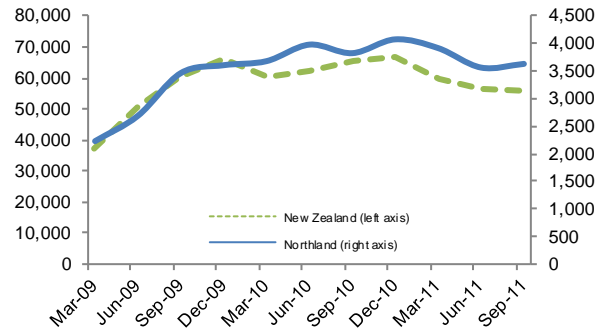
The number of unemployment beneficiaries fell 5.9% over the year to September 2011 on the back of a slight pick-up in hiring activity. The number of people receiving the unemployment benefit is still at relatively high levels and will take some time to fall to the levels seen leading up to 2008.

Northland

A total of 3,632 persons received an unemployment benefit in Northland during the September 2011 quarter. The number was down from 3,827 twelve months earlier, a decrease of

5%. This compares with a decrease at the national level of -14.7%.

Unemployment beneficiaries



unemployment

National economy

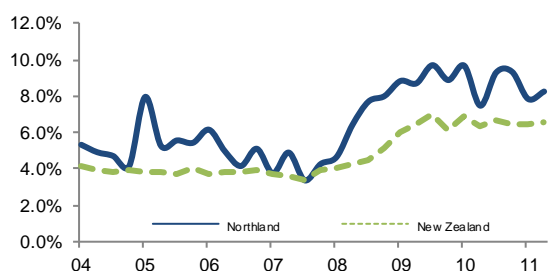
The unemployment rate rose to 6.6% in the September quarter, slightly above expectations. The unemployment rate for skilled workers has fallen to very low levels in the September quarter, while unemployment rates for lower skilled workers have remained high - demonstrating a growing divergence between the availability of skills and the skills required by businesses. Unemployment is likely to remain elevated during the next year, as economic uncertainty constrains hiring activity of firms.

Northland

The seasonally adjusted unemployment rate in Northland was 8.3% in the September 2011

quarter, up from 7.5% twelve months prior. The unemployment rate peaked at 9.7% in the December 2009 quarter. The rate in Northland was higher than in the national economy (6.6%).

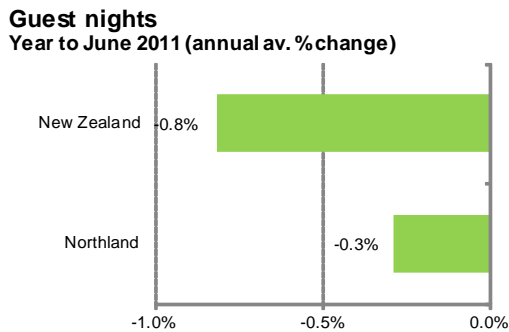
Unemployment rate
Quarterly%, seasonally adjusted



accommodation

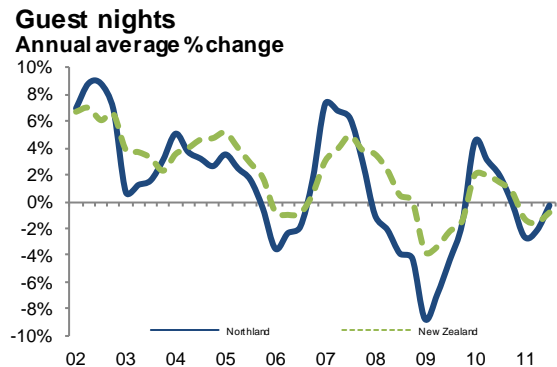
National economy

Foreign tourist arrivals were up 1.2% for the year to September 2011. This growth was boosted by the Rugby World Cup which got underway in September. While arrival numbers will drop off now that the Rugby World Cup is over, increased airline capacity from Asia will help support arrival numbers.



Northland

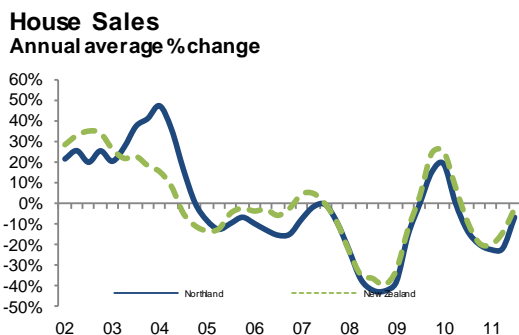
Total guest nights in Northland decreased by 0.3 % during the year to September 2011 compared with the previous 12 months. Growth in Northland was higher than in the country as a whole (-0.8%). Visitors spent 1,637,400 guest nights in Northland during the year to September 2011 which accounted for 3.6% of the national total.



house sales

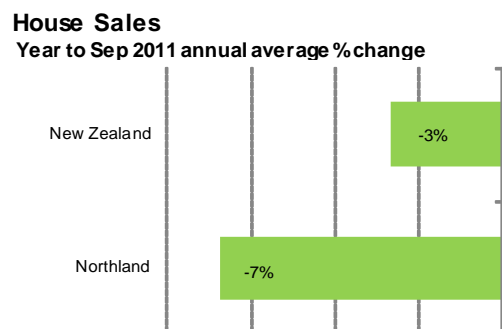
National economy

On-going economic uncertainty continued to constrain house sales over the year to September 2011, with sales across the country down an average of 2.7% compared to the previous 12 months. The effect of the Canterbury earthquakes on sales in the region was a contributor to the decline in national sales. Confidence in the housing market is beginning to pick up, particularly in Auckland.



Northland

Annual house sales in Northland decreased by 6.7% in the year to September 2011 compared with the previous 12 months. Growth in Northland was lower than for the country as a whole (-2.6%). A total of 370 houses were sold in the region during the September 2011 quarter which accounted for 2.4% of total national house sales during the quarter. Quarterly house sales in Northland peaked at 1,003 in December 2003.



house prices

National economy

House price across New Zealand were up 0.7% from a year earlier in the September quarter. Interest rates have remained low for an extended period and the low building rate is putting pressure on the existing housing stock. These factors are helping stimulate interest in property even in uncertain economic times. Price growth continues to be driven by Auckland and Canterbury, but many other regions are now showing signs of strengthening.

Northland

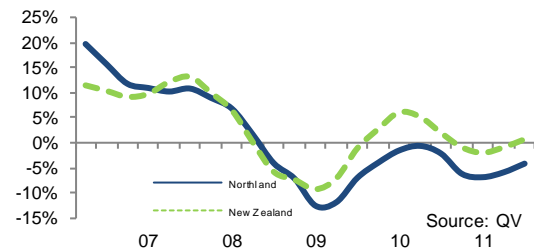
Average house prices in Northland decreased by 4.2% in the year to September 2011 compared with the previous 12 months. The growth in Northland was lower than in the country as a whole (0.7%). Northland's average house price was \$290,000 in the year to September 2011, which was lower than the national average (\$350,000).

House prices, Sep 2011
Annual average



Source: REINZ

House prices
Annual average % change



Source: QV

residential building

National economy

Residential consents have sunk to very low levels over the last year. The total number of non-apartment consents slipped 20% over the year to September compared to the previous year. Difficulty attracting funding for large developments and uncertainty in the housing market appear to be constraining developers.

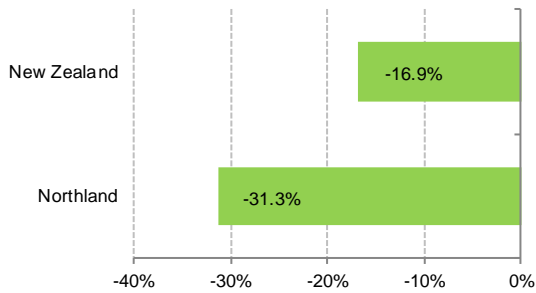
September 2011 compared with the same period a year ago. Its growth was lower than in the country as a whole (-16.9%). A total of 172 new residential building consents were issued in Northland during the September 2011 quarter which accounted for 4.3% of the national number of consents during the quarter. Residential consents peaked in the year to June 2007. During the current year the number of consents issued was 57.8% lower than in the year to June 2007.

Northland

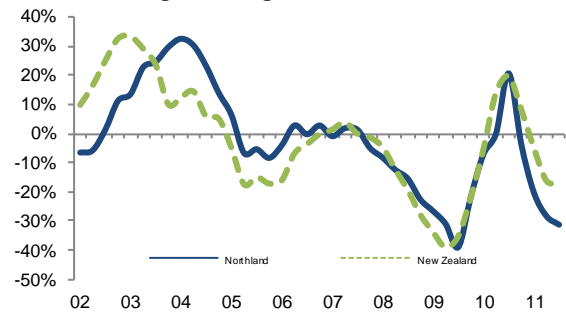
The number of residential building consents in Northland decreased by 31.3 % during the year to

Residential consents

Year to Sep 2011 annual average %



Residential consents
Annual average % change



non-residential building

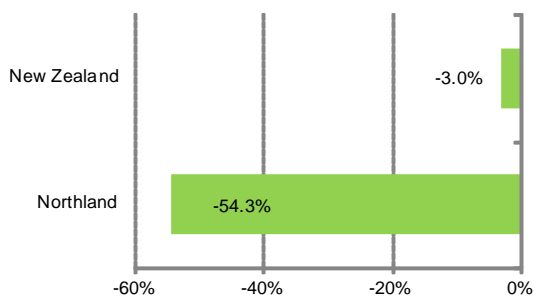
National economy

Non-residential building consents have remained flat over the last year. For the year to September 2011, the total value of non-residential consents was down 9% from the previous 12 months. Commercial building activity has begun to recover over the last few months, while social, cultural, and religious building consents have dropped off. Even with the \$105m consent for Middlemore hospital in July, public sector building activity has been weak over the last year.

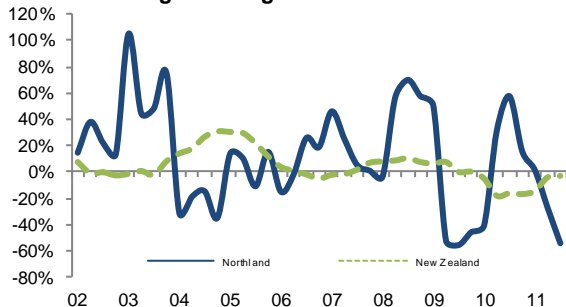
Northland

The value of non-residential consents in Northland decreased by 54.3 % during the year to September 2011 compared with the previous 12 months. The region's growth was lower than for the country as a whole (-3%). Non-residential building consents to the value of \$12 million were issued in Northland during the September 2011 quarter. This accounted for 1.7% of national consents during the quarter. Consents peaked at \$190.7 million in the year to September 2008.

Non-residential consents



Non-residential consents
Annual average % change



Vehicle sales

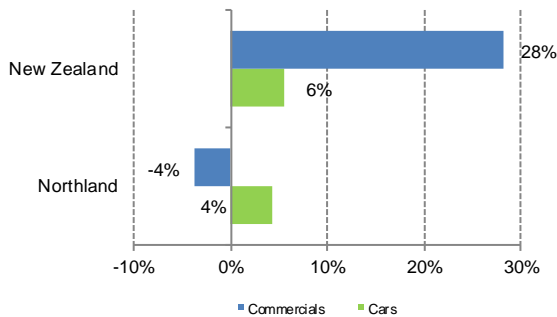
National economy

Sales of new light commercials were up 9.2% from a year earlier in the September quarter on the back of a buoyant rural sector. New car sales in the September quarter were unchanged compared to a year earlier. Car sales are likely to remain subdued for the remainder of the year. However, pent-up replacement demand and a recovering domestic economy should support sales growth in 2012.

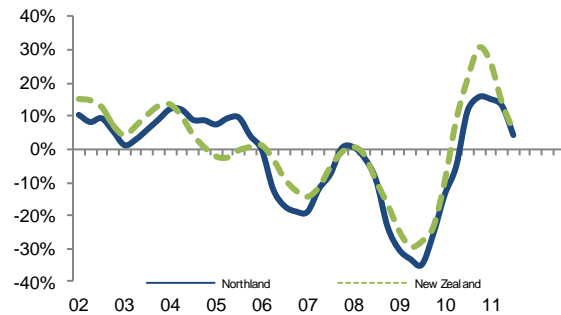
Northland

The number of cars registered in Northland increased by 4% in the year to September 2011 compared with the previous 12 months. Growth was lower than in New Zealand (6%). The number of commercial vehicles registered in Northland decreased by 4% in the year to September 2011 compared with the previous 12 months. Growth was lower than in New Zealand (28%).

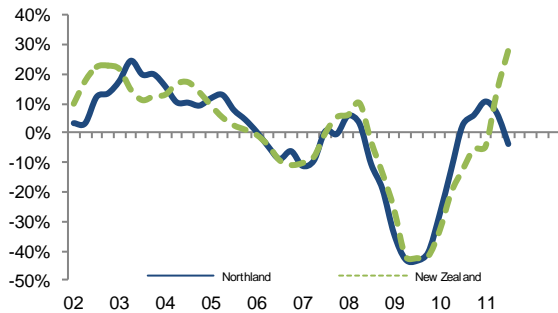
Car and commercial registrations



Car registrations Annual average % change



Commercial vehicle registrations Annual average % change



Technical notes

Gross Domestic Product

Gross Domestic Product is estimated by Infometrics. A top down approach breaks national industrial production (sourced from production based GDP measures published by Statistics New Zealand) is broken down to TA level by applying TA shares to the national total. Each TA's share of industry output is based on the number of people employed, the intensity at which they worked (hours worked per employee) and their productivity (output per hour worked).

Employment

This indicator measures the number of jobs as measured by Infometrics' Regional Industry Employment Model (RIEM). The model draws heavily on Linked Employer Employee Data (LEED) Quarterly and LEED Annual series as well as Business Demography (BD). RIEM differs from BD in that it is a quarterly series (BD is annual) and it includes both employees and self employed whereas BD only includes employees.

Job Seekers

The number of registered unemployed job seekers is sourced from Ministry of Social Development (MSD). The data is presented by WINZ Service Centre. Each Service Centre has been mapped to a territorial authority by Infometrics. Where a service centre serves more than one TA the number of job seekers is split across TAs using TA level unemployment beneficiary data provided by MSD.

Unemployment

Regional level unemployment rates are sourced from Statistics New Zealand's Household Labour Force Survey. Trends in the number of job seekers at TA level are used to break down regional unemployment rates to TA level.

Retail Sales

Retail sales are sourced from Statistics New Zealand's Retail Trade Survey. The estimates are core retail sales ie they exclude automotive.

Accommodation

The number of guest nights is sourced from Statistics New Zealand's Accommodation Survey

House sales

The number of house sales is sourced from REINZ. The indicator measures the number of house sales at the point when the sale becomes unconditional. The unconditional date is the date when all the terms of an agreement have been satisfied and the sale and purchase can proceed to settlement.

House prices

House price *levels* (dollar value) are sourced from REINZ. The levels are based on median sale prices for the month when the sale and purchase becomes unconditional. REINZ publish house prices and number of sales for about 170 jurisdictions which are a mixture of suburbs, territorial authorities and regions. Infometrics have mapped each suburb to a territorial authority and estimated the average price for each territorial authority using the number of sales as weights. The *percentage growth* in house prices are sourced from Quotable Value. The indicator measures the change in the average prices of sales entered into QV's system in the three month period compared with the same period of the previous year.

Building consents

Building consents data are sourced from Statistics New Zealand. Non-residential consents include the value of both new buildings and alterations.

Electricity Consumption

Electricity consumption data are sourced from the Electricity Commission. Data is published by approximately 220 grid exit points (GXPs). Each GXP has been mapped to a TA.

Vehicle sales

Car and commercial vehicle sales data are sourced from New Zealand Transport Authority.