

CANTOMETER

ISSUE THREE // 23 January 2013 | CONSUMER SPENDING CONTINUES TO RECOVER

The ASB Cantometer shows growing momentum in Canterbury activity. This is the third edition of the ASB Cantometer - an indicator designed to capture the pick-up in Canterbury activity as the earthquake rebuild progresses over the coming years. The Cantometer snapshot has steadily improved over recent months, with signs of activity starting to pick up beyond construction.

Construction continues to drive improvement

The Cantometer snapshot has lifted strongly in the January edition of the Cantometer, increasing to 0.5 from 0.2. The snapshot now suggests activity is firmly above pre-quake levels. Much of the improvement over the past month stems from the consumer spending index, which has lifted to +0.3 from -0.8.

The Christchurch Retail Trade Indicator revealed further recovery in retail spending over Q3, with the quarterly pace of Christchurch retail spending growth outpacing that of the rest of the country. In addition, there was a sharp improvement in Canterbury consumer confidence over Q4, although this does follow an improvement on a nationwide basis. The continued recovery in these areas suggests economic activity is starting to broaden beyond construction.

In addition to stronger consumer spending, we have also seen small improvements in

other areas of the Canterbury economy.

A lift in permanent and long-term net migration (now positive) and pick-up in car registrations are also encouraging indications of increased activity.

The Construction index lifted even higher over the past month, boosted by further increase in non-residential consents.

Housing demand continues to recover, with a pick-up in house sales. However, low levels of new listings continue to hold back the Canterbury housing market recovery. The tight market continues to place upward pressure on Canterbury house prices.

The Cantometer is a simple summary of regional economic data and is published monthly. For more detail on the design of the Cantometer please refer to the next page.

Outlook

We expect Canterbury reconstruction activity to underpin the nationwide lift in residential construction over the coming

year. However, for the time being, Canterbury activity beyond the construction sector has remained subdued. In particular, the [Q3 GDP figures](#) suggest there is less momentum in support industries (such as professional services) than previously thought.

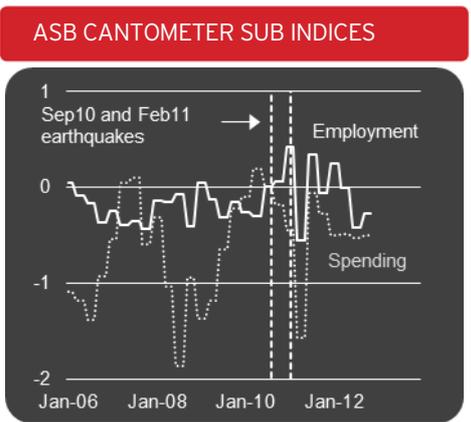
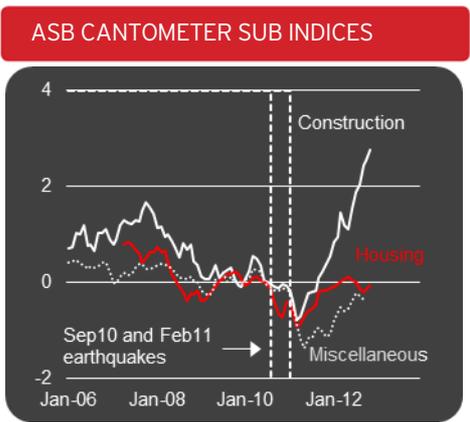
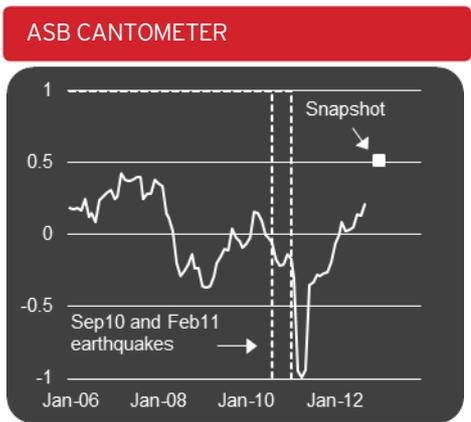
In light of indications of less momentum in the wider economy and subdued inflation pressures we now expect the [RBNZ will leave the OCR unchanged until March 2014](#).

Recent developments

To date, the EQC has settled \$4.1 billion in claims, and estimates \$12 billion in claims remain outstanding ([as at January 14th](#)). Of the 459,500 claims received, the EQC has closed 108,653.

EQC would like quake affected residents to complete contents claims by the end of February. [80% of contents claims have been closed](#).

Kaipoi residents are pleased by new green spaces as [red-zone areas cleared](#).



About the Cantometer

The Cantometer is designed to summarise activity in Canterbury. In particular, we expect the indicator to provide a guide to the progress of the rebuild. We take a range of publically available regional economic data, which we then standardise and finally aggregate into a summary measure. We have rebased the standardised series equal to zero in June 2010 (the last full quarter prior to the first earthquake) such that a positive number represents activity being above pre-earthquake levels.

Along with the aggregate Cantometer index, we have also created five sub categories: Construction, Housing, Employment, Consumer spending and Miscellaneous*. These sub-indices will provide some insight into which sectors are driving the rebuild activity at a given point in time. We can see that rebuild activity has already been led by the construction index. We expect over time, activity will filter through to other segments of the Canterbury economy.

For most activity data we have used the level of activity. However, when incorporating wages and house prices into the index, levels are less informative. Instead we use prices relative to the rest of the country. An increase in relative prices is a signal resources are being reallocated to the Canterbury region.

The Cantometer is designed as a simple indicator of activity to give some insights into the recovery progress in different types of economic activity. It is not designed to measure economic growth in Canterbury.

The Cantometer Snapshot is a simple average of all our regional indicators based on the most recent data available for each. We call this a snapshot as the data set will be uneven, e.g. some data will be October, September or even June, due to differing lags in data publication.

The historical Cantometer series represented on our charts is a simple average of the complete set of data for each month. This has its limitations as different indicators will pick up at different stages of the recovery. For example, some data will lead actual activity (i.e. building consents, relative house prices, relative wages), others may be more contemporaneous (electricity usage, construction activity) and some indicators will lag the rebuild (employment, consumer spending). We have not made an explicit adjustment for this difference in timing.

*The miscellaneous category includes electricity, car registrations, guest nights and permanent and long-term net migration. A common factor driving these areas will be population growth, and we expect all these indicators to increase as the rebuild gathers momentum.

CANTOMETER SUMMARY

Residential consents	1.7
Non-residential consents	4.9
Ready-mix concrete	2.9
Building work put in place	1.6
Construction Index	2.8
House sales	0.4
New Listings	-1.3
House price inflation	0.9
Housing Index	0.0
Employment	-0.3
Hours worked	-1.4
Full-time equivalent employees	-0.2
Relative Wages	0.8
Employment Index	-0.3
Retail Trade Indicator	0.9
Consumer Confidence	-0.3
Consumer Spending Index	0.3
Electricity	-1.0
Car registrations	0.1
Guest nights	-0.6
PLT net migration	0.4
Miscellaneous	-0.3
Cantometer Snapshot	0.5

Above/below 0 means a higher/lower level relative to June 2010 (i.e. pre-earthquake level)

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