

## ASB / Main Report Regional Economic Scoreboard

December 2012 Quarter

The NZ Regional Economic Scoreboard takes the latest quarterly regional statistics and ranks the economic performance of New Zealand's 16 Regional Council areas. The fastest growing regions gain the highest ratings, and a good performance by the national economy raises the ratings of all regions. Ratings are updated every three months, and are based on measures such as employment, construction, retail trade, house prices (sources at bottom).

### Taking the regions' temperatures

	Share of NZ economy*	Population**		Employment		Retail Trade		House Prices		Construction		New Car Sales		Rating Dec-12
	Mar-12	000s	Jun-12 annual growth	000s	annual growth	\$m	annual growth	\$000s	annual growth	\$m	annual growth	No.	annual growth	
Annual growth = Qtr(t) / Qtr(t-4)	%													5 - hot 1 - not
Northland	3.3	158	0.1%	67	-7%	417	0%	312	3.6%	58	-4%	698	11%	★★
Auckland	31.8	1508	1.5%	712	0%	5313	2%	566	8.4%	906	5%	20091	15%	★★★★
Waikato	8.7	416	0.8%	191	-3%	1542	11%	328	3.6%	277	16%	2673	12%	★★★★
Bay of Plenty	5.4	277	0.0%	110	-6%	891	-2%	357	0.9%	146	29%	1833	11%	★★
Gisborne	4.7	47	0.4%	101	5%	141	-6%	241	-1.8%	19	-1%	268	18%	★★
Hawke's Bay	4.7	155	-0.2%	101	5%	390	-2%	307	0.9%	77	25%	813	5%	★★
Taranaki	2.7	110	0.4%	62	6%	257	-3%	287	3.3%	53	4%	710	22%	★★★★
Manawatu-Wanganui	5.0	233	0.0%	109	-6%	690	-8%	245	1.8%	92	5%	1567	42%	★
Wellington	11.5	490	0.5%	263	-4%	1630	-4%	416	3.0%	234	-7%	3961	7%	★★★★
Tasman		48	0.6%			120	2%	390	2.3%	36	21%			★★★
Nelson		47	0.9%			192	-1%	372	3.1%	24	12%	667	-6%	★★★
Marlborough	4.4	46	0.2%	93	-6%	169	5%	326	3.1%	26	-14%			★★★
West Coast		33	0.0%			177	2%	226	4.3%	18	29%	132	-4%	★★★
Canterbury	14.6	559	-0.3%	326	5%	1986	4%	366	8.1%	684	71%	7007	14%	★★★★
Otago	5.3	211	0.7%	117	-9%	735	6%	314	5.2%	168	19%	1096	-3%	★★★
Southland	2.7	95	0.0%	56	-1%	266	-2%	210	3.8%	44	-16%	557	21%	★★
New Zealand	100	4433	0.6%	2205	-1%	14914	1%	422	6.3%	2864	18%	41091	11%	★★★★

\* NZIER Estimates \*\* Statistics NZ Population Estimates, p.a.

★★★★

★★★★

★★★

★★

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The place to be

Be there or be square

Fair to middling

Needs an energy injection

Take pity

### The National State of Play

#### Employment ★★

Employment surprisingly weak over H2, although growing employment demand in Canterbury is starting to emerge.

#### Wages ★★

Modest improvement in wage growth continues over Q4. We expect skills shortages to emerge later this year as rebuild gathers momentum.

#### House Prices / Sales ★★★★★

Housing market activity continued to surge in Q4, with supply constraints driving up prices. Auckland and Christchurch continue to lead the increases, but there is evidence price gains are spreading to other regions.

#### Retail Sales ★★★★★

Retail sales surged in Q4, following a slight decline in Q3. Housing and construction-related sectors strongest.

#### Car Registrations ★★★★★

Strong growth in new cars registrations in Q4 a positive sign of consumer confidence and demand.

#### Construction ★★★★★

Signs are emerging of more rapid expansion of construction activity in Canterbury. Nationwide, residential construction is expanding faster than commercial.

Steaming ★★★★★

Healthy ★★★

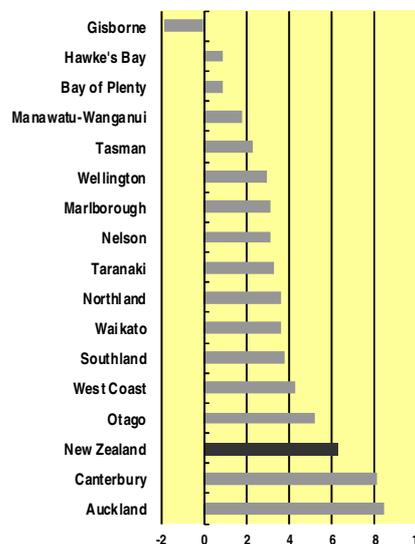
Sad ★

### Northland ★★

Northland remains firmly in the bottom half of the table, with some disappointing data taking the region down a few places. Employment has been particularly weak over the last year and the unemployment rate, at 9.5%, remains the highest in the country. Consumer confidence is also lower than the rest of the country, and commercial construction slumped towards the end of the year. A bright spot was the pickup in house sales, suggesting the regional economy has some life left in it still.

### House prices

Annual % change to December, QVNZ Index



### Auckland ★★★★★

The Super City once again tops the rankings, supported by strong population growth and a buoyant housing market. The housing market is still characterised by a lack of supply, which is driving up prices. At some point construction will probably respond to evident housing demand and higher prices, but this has so far failed to materialise – residential construction activity was actually slightly lower in Q4 2012 than in Q4 2011.

In all other respects, though, Q4 was a good one for Auckland. After soft results in Q3, employment and retail sales in the region bounced back strongly. Consumer confidence also remains amongst the highest in the country.

### Waikato ★★★★★

Waikato has surged up the table in the latest rankings thanks to remarkable strength in retail sales in the region. Following softer sales over the middle of the year Q4 sales rebounded strongly, with total (ex-auto) sales 11% higher than a year ago – and 27% higher than two years ago. Strangely, consumer confidence in Super 15 champion territory remains the lowest in the country (level with Northland), and dry conditions may keep sentiment in the region downbeat. In all other respects, Waikato is firmly middle-of-the-pack.

### Bay of Plenty ★★

The Bay of Plenty continues to sit near the bottom of the rankings. Higher house sales and construction activity keep the region off the bottom of the table but most other indicators remain soft. In particular, consumer confidence has slumped from the strongest in the nation in Q3 to amongst the lowest in Q4. Employment in the Bay of Plenty

shrank considerably over 2012 as the region dealt with the Psa outbreak.

### Gisborne ★★

Gisborne climbs up into the top half of the rankings and gains a star, thanks to solid employment growth over the last year in the Gisborne/Hawke's Bay region – one of the few regions that did not experience lower employment over the year. In contrast, retail sales have declined markedly in each of the last two quarters, although consumer confidence has improved lately. Gisborne is also the only region in the country in which house prices have declined over the last year though rising sales and low interest rates suggest a pickup is looming.

### Hawke's Bay ★★

Hawke's Bay also moves up the rankings and gains a star thanks to those good regional employment figures. The other area of real strength in the region is non-residential construction, which picked up towards the end of the year and was about 75% greater over Q4 2012 than in the same quarter of 2011 (possibly related to several construction projects in the Napier CBD retail precinct). Given those factors, it is no surprise that consumer confidence improved in Q4 and is sitting above the national average.

The areas in which Hawke's Bay is not performing so well are new car sales, which have lagged the national growth rate, and guest nights. Guest nights recorded in the region have been essentially flat for the past three or four years, which may be of some concern to the Bay's tourism operators. Hawke's Bay also seems to have missed out so far on the general rise in house prices around the country.

### Taranaki ★★★

Taranaki maintains its place in the top half of the rankings, thanks to a strong labour market and increasing new car sales. Despite a slight dip in employment in the region in Q4, the number of people in work remains 6% higher than a year ago and the unemployment rate is one of the lowest in the country at 5.8%. New car sales increased strongly over the second half of 2012 and consumer confidence surged in Q3. General retail sales softened over H2 2012, though, and commercial construction activity also declined, suggesting some weak spots remain in the local economy.

### Manawatu-Wanganui ★

The region slips a little in the rankings, and now sits in last place after some weak economic data over 2012. There was a large drop in employment in Q4, and while retail sales stabilised in that quarter they were still 8% below year-ago levels. The one saving grace was a significant increase in new car sales, which were up over 40% on year-ago levels. Clearly, the region's petrol heads are doing just fine. Or perhaps the situation is not quite as bad as those volatile official statistics on retail and employment make out.

### Wellington ★★★

Wellington drops a little in the rankings, but still maintains a top-half position. While most regional data have been quite weak, the number of guest nights recorded in December 2012 was 12% higher than in the same month of the previous year. That suggests the 'coolest little capital' retains tourism appeal, and probably saw an influx of visitors

sporting stick-on hobbit ears in December.

Other indicators point to more subdued activity in the Wellington region, with government spending restraint keeping growth in employment, retail spending and construction activity weak. Still, the locals remain upbeat, with consumer confidence very high. Just don't touch their cats.

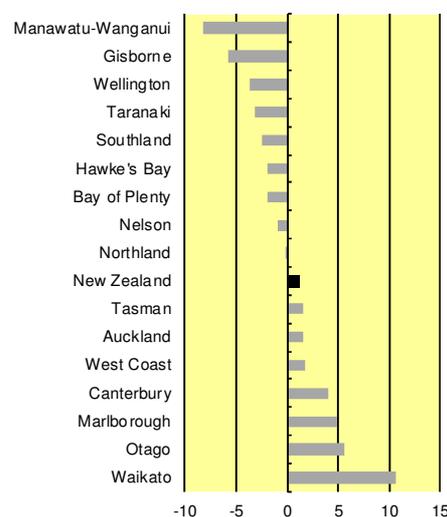
### Nelson ★★★

Nelson remains firmly mid-table. It is one of several South Island regions that have benefited from relatively strong population growth over the last couple of years as a result of displaced Cantabrians. However, employment in the Tasman/Nelson/Marlborough/West Coast regions (measured collectively by Stats NZ) fell steadily throughout 2012. On the bright side, 2011 was a very good one for jobs growth in the broader region so employment still remains at a decent level overall.

The one area of real strength in the Nelson economy is residential construction activity, which picked up strongly over the second half of 2012.

### Retail sales, excluding auto

Annual % change to December, source Stats NZ.



### Tasman ★★★

The region drops down the rankings this time, landing in the bottom half. Much of the deterioration comes from the ongoing decline in employment within the broader region (as discussed above). Retail sales, while still above year-ago levels, dropped sharply in Q4, suggesting that some of the strength seen earlier in the year may only have been temporary.

Like Nelson, though, Tasman has seen a solid increase in residential construction activity over the second half of 2012, which keeps the region from falling nearer the foot of the table.

### Marlborough ★★★

Marlborough also slips a little in the rankings due to the weak regional employment figures. Retailers in the region will be happy that sales have increased at a decent clip this year, with sales bouncing back in Q4 after a dip in Q3. That helps the region to a placing just ahead of its neighbours at the top of the South Island. Construction stats are dragged down by the fact that December 2011 was a strong month; the current level is actually not that weak.

### West Coast ★★★

The Coast drops in the rankings for the second

successive quarter, and now sits firmly mid-table. Growth in house prices and non-residential construction prevent the region dropping any further, but the construction stats are more due to weak levels in Q4 2011 than strong levels in Q4 2012. The mining sector may have had it tough this year, but tourism numbers for the region should provide some cause for optimism. After a couple of years of declining guest night numbers, late 2012 saw numbers pick up slightly from the same period a year earlier. Perhaps the Hobbit films will spur further interest in some of NZ's best scenery.

### Canterbury ★★★★★

Canterbury's resurgence continues, with the region moving into second place in the rankings and joining Auckland on four stars. With rebuilding activity sparking the local economy back into life, a declining population over the two years since the earthquakes is the one weak spot.

The lack of available housing in the region continues to restrict sales numbers and is pushing house prices up quite rapidly, although this will likely ease over the next year or two as more supply comes on line.

As signs emerge of increasing rebuilding activity, retail sales and employment both improved quite strongly (especially compared to most other regions) over H2 2012. Stats NZ reports strong growth in hardware and building supplies sales. And with a growing population of tradies, beer sales probably aren't doing too badly either.

### Otago ★★★

Otago climbs up to third place in the rankings, thanks to very strong retail sales data. House price growth in the region has also outstripped all but Auckland and Canterbury – the influx of All Blacks have got to live somewhere. While most data point to a steady expansion of the local economy, employment data have been very weak over the last year. The scale of the decline in employment is questionable, but clearly the labour market remains soft. The employment statistics showed some improvement in Q4, and hopefully the region can maintain that in 2013.

### Southland ★★

Southland slips towards the bottom of the rankings as Q4 produced an apparent slowdown in the region. Retail sales have been on a long-term decline in the region, and that continued this quarter. Employment was also soft, and commercial construction failed to maintain the relatively strong levels seen in late 2011/early 2012. New car sales did increase strongly in late 2012, though, with some dairy farmers perhaps choosing to 'invest' the proceeds of last season's good production levels.

### Sources:

Population, Employment, Retail trade, Wages, Construction, Guest nights – **Statistics NZ**.

House prices – **QVNZ**.

House sales – **REINZ**.

Vehicle registrations – **LTNZ**.

Consumer Confidence – **Westpac McDermott Miller**.

Housing & Investor confidence – **ASB**.

### Disclaimer

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