

## ASB / Main Report Regional Economic Scoreboard

June 2013 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
	Mar-12	Jun-12	annual	Jun-13	annual	Jun-13	annual	Jun-13	annual	Jun-13	annual	Jun-13	annual	Jun-13
Annual growth =	%	000s	annual	000s	annual	\$m	annual	\$000s	annual	\$m	annual	No.	annual	5 - hot
Qtr(t) / Qtr(t-4)		growth	growth	growth	growth	growth	growth	growth	growth	growth	growth	growth	growth	1 - not
Northland	3.3	158	0.1%	66	-3%	362	4%	320	3.0%	76	25%	818	18%	★★
Auckland	31.8	1508	1.5%	728	3%	4679	4%	601	12.6%	885	22%	20329	15%	★★★★
Waikato	8.7	416	0.8%	196	0%	1377	3%	329	2.3%	277	32%	3130	16%	★★★
Bay of Plenty	5.4	277	0.1%	117	2%	789	1%	365	0.0%	129	11%	2205	18%	★★
Gisborne	4.7	47	0.4%	101	0%	121	-9%	254	1.4%	19	68%	213	15%	★★
Hawke's Bay	2.7	155	-0.2%	63	1%	349	3%	315	2.5%	61	-11%	891	7%	★★
Taranaki	5.0	110	0.4%	111	-6%	239	-2%	315	3.5%	65	0%	785	19%	★★
Manawatu-Wanganui	11.5	233	0.0%	269	-1%	625	5%	423	2.4%	294	86%	1682	33%	★★
Wellington		490	0.5%			1489	1%			294	86%	4219	8%	★★
Tasman		48	0.6%			106	-8%			36	32%			★★★
Nelson		47	0.9%			167	9%			41	46%	875	26%	★★★★
Marlborough	4.4	46	0.2%	93	-2%	150	9%	322	1.9%	33	-20%			★★
West Coast		33	0.0%			143	-12%	238	-1.4%	14	-50%	160	15%	★★
Canterbury	14.6	559	-0.3%	324	5%	1817	10%	387	8.8%	695	38%	6316	23%	★★★★
Otago	5.3	211	0.6%	116	-4%	637	5%	323	3.8%	170	23%	1366	17%	★★★
Southland	2.7	95	0.0%	53	-7%	225	-1%	217	-1.5%	37	13%	546	22%	★★
New Zealand	100	4433	0.6%	2237	1%	13272	4%	438	7.6%	2914	28%	43535	17%	★★★

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

★★★★★

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 builds on the strong gains made in Q1, as businesses become more optimistic about hiring.

#### Wages

★★

Modest improvement in wage growth continues, although little sign emerging capacity pressures in Canterbury are spilling over to the rest of NZ.

#### House Prices / Sales

★★★★★

Housing market activity continues to increase, with supply constraints putting upward pressure on house prices. Housing supply pressures more acute in Auckland and Christchurch.

#### Retail Sales

★★★★★

Retail spending continues to improve, boosted by strong housing market activity and high number of overseas visitors.

#### Car Registrations

★★★★★

Robust growth in new cars registrations reflects households' optimism towards making big-ticket purchases.

#### Construction

★★★★★

Rebuilding in Canterbury and house-building demand in Auckland is underpinning ongoing strength in construction activity.

Steaming

★★★★★

Healthy

★★★

Sad

★

### Northland

★★

While Northland continues to languish in the bottom half of the table it has improved in its rankings slightly. Nonetheless, the region is weighed down by its weak labour market. Employment declined for the year to June, in contrast to the modest recovery seen nationwide. The region also has a relatively high unemployment rate, and annual house price growth lags the nationwide average. As a result, consumer confidence in Northland is softer than that in most of NZ, with the summer drought likely to have provided another headwind.

There are some potential bright spots for Northland on the horizon though. Its Marsden Point oil refinery is planning to expand its petrol production facilities, and permits for offshore petroleum production exploration are due to be awarded later this year.

### Auckland

★★★★★

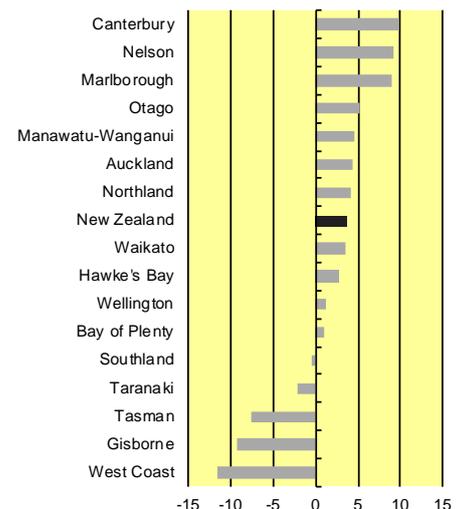
Auckland slips to third place in the rankings this quarter, after holding the top spot in 13 of the past 14 quarters. Its consistency in performance in recent years sees it retain its 4-star rating.

The Blues may have failed to make the play-offs this season, but outside of rugby Auckland is performing strongly, especially in employment and housing market activity. In particular, housing shortages are driving strong house price inflation in the region. The relatively brighter employment prospects and housing market are supporting consumer confidence in Auckland. While there are signs stronger house prices are starting to encourage house-building demand, overall

construction activity is lagging the nationwide experience. The targets set by the Housing Accord mean Auckland construction should ramp up substantially over the coming years, and in turn provide a further boost to activity in the region.

### Retail sales

Annual % change to June, source: StatsNZ



### Waikato

★★★★

Waikato edges lower in Q2 but remains in the top half of the rankings. Employment in the region was flat over the past year, and growth in retail sales has also lagged the nationwide average. Despite stronger housing market activity, annual house price inflation has been modest relative to the nationwide average. However, there are some

bright spots, with strong growth in non-residential construction over the past year. Waikato also has one of the highest consumer confidence in NZ. Its second straight Super 15 win means it should continue to have a lot to be happy about.

**Bay of Plenty** ★★

The Bay of Plenty remains in the bottom half of the rankings, as the region continues to deal with the effects of the Psa disease on its kiwifruit industry. House prices have been flat over the past year, in contrast to the strong increase nationwide. Despite these challenges, the Bay of Plenty has still recorded employment growth, and the region's unemployment rate is broadly in line with that for the whole of NZ. A rebound in container volumes through Port of Tauranga in Q2 is also an encouraging sign for the region.

**Gisborne** ★★

Gisborne has slipped to the bottom half of the rankings in Q2. Retail sales in the region fell sharply over the past year, in contrast to the growth in retail spending nationwide. Housing market activity is also lagging the nationwide average. The recent drought has presented challenges for the primary goods-intensive region.

**Hawke's Bay** ★★

Hawke's Bay slipped further in the rankings to close to the bottom of the scoreboard. Like Gisborne, the region is dealing with the effects of the summer drought and this is weighing on confidence. Construction and housing market activity has been weak over the past year, although there has been modest growth in retail sales. Flat employment demand in the wider Gisborne and Hawke's Bay region is also a negative factor for its economy.

**Taranaki** ★★

While there has been an improvement in its rankings, Taranaki remains in the bottom half of the scoreboard. Activity in the region over the past year has generally lagged that of the nationwide average. In particular, retail spending has declined over the past year, in contrast to the improvement across NZ. The decline in non-residential construction over the past year is also at odds with the increase seen nationwide. The effects of the drought on its dairy industry have been mixed, as higher global dairy prices have helped to offset some of the reduced income as a result of lower milk production volumes.

**Manawatu-Wanganui** ★★

Manawatu-Wanganui has slipped slightly in the rankings to share 10<sup>th</sup> place with Taranaki. Employment in the region has fallen sharply over the past year, and its housing market has also been relatively weak. The region has the highest unemployment rate in NZ, although recent events may well prompt Fonterra to increase investment into its research and development facility there.

**Wellington** ★★

Wellington remains around the middle of the scoreboard, reflecting its mixed performance across the activity indicators. Public sector cutbacks have seen employment in the region decline over the past year. House price inflation in Wellington has also been subdued relative to the nationwide average. One bright spot has been the surge in both residential and non-residential construction over the past year. The substantial

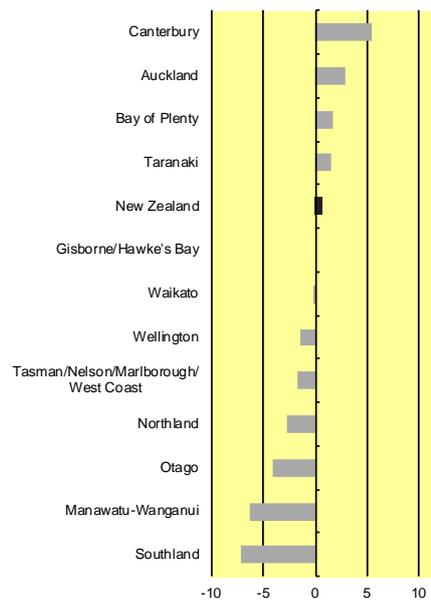
amount of earthquake strengthening that will need to be done will likely provide a further boost to non-residential construction activity in the region over the coming years. Hopefully, the recent earthquakes will not have dented confidence much.

**Nelson** ★★★★★

Nelson continues to edge up in the rankings and now takes up the top spot. Although employment in the wider Tasman/Nelson/Marlborough/West Coast region has fallen over the past year, Nelson has seen strong growth in retail spending. Non-residential construction has surged over the past year, as the region looks to expand to cope with the influx of residents in the wake of the Canterbury earthquakes.

**Employment**

Annual % change to June, source Stats NZ.



**Tasman** ★★★★★

The region has shot up from the bottom half of the scoreboard to 4<sup>th</sup> place in Q2, and gains a star in the process. This substantial improvement in the rankings reflects relatively strong housing market and construction activity, although house price inflation has lagged the nationwide average.

Retail sales have also been disappointing over the past year, despite relatively high consumer confidence in the wider Tasman/Nelson/Marlborough/West Coast region.

**Marlborough** ★★

Marlborough remains near the middle of the pack, with the region's performance over the past year still mixed. Housing market activity has lagged the nationwide average, and construction in the region has declined over the past year – in contrast to the recovery across much of NZ. Despite these challenges, there has been strong growth in retail sales in the region, and car sales in the wider Tasman/Nelson/Marlborough region have been strong over the past year. The region has been affected the most by the recent spate of earthquakes, but we hope the region will bounce back quickly from the disruptions. The hot and dry weather over summer is likely to have provided a boost to its predominantly sauvignon blanc-producing winegrowers.

**West Coast** ★★

Although the West Coast has lifted off the bottom of the scoreboard, the region remains low in the rankings. Economic performance has been weak across a broad range of measures, with retail sales, housing market activity and construction falling over the past year. The impact of the recent downturn in the global coal markets on the coal mining community has been severe, particularly with Solid Energy's mothballing of its Spring Creek mine which resulted in a substantial number of redundancies.

**Canterbury** ★★★★★

Canterbury holds onto its second place in the latest rankings, reflecting the boost to economic activity from its earthquake rebuild gaining momentum. Along with the increase in construction activity, retail sales and employment growth in Canterbury has been the strongest of all the regions in NZ over the past year. Meanwhile, housing shortages continue to underpin strong price inflation.

It may have failed (a.k.a. allowed Waikato) to take out the Super 15, but prospects remain bright for Canterbury as we continue to expect the effects of the earthquake rebuild will flow through to an improvement in wider economic activity in the region.

**Otago** ★★★★★

Otago remains high in the latest scoreboard. Although employment in the region has fallen over the past year, there has been an improvement in its other activity indicators. In particular, there has been a strong increase in demand for accommodation in the region over the past year. Although its pipfruit crop yields are expected to increase substantially over the coming year, the horticulture industry body has highlighted the ability to source seasonal workers as one challenge facing the sector given the huge number of workers needed for the Canterbury rebuild.

**Southland** ★★

Southland has fallen to the bottom of the rankings, after the region faced challenges earlier this year. The summer drought impacted on dairy and meat farming, as well as hydro-electricity production.

Hence it is not surprising to see consumer confidence in the region the lowest in NZ, and Southland employment has declined sharply over the past year. But dairy prices are high and the drought is now well and truly over. The outlook for this pastoral region looks much more promising for the next year.

**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**.

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