

THE ASB

CANTOMETER

ASB

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Construction activity pushes Cantometer to new high

The ASB Cantometer is an indicator designed to capture the pick-up in Canterbury activity as the earthquake rebuild progresses over the coming years. The ASB Cantometer rose to 1.5 in June, hitting a new all-time high. Increased construction activity was the main driver, while there were also improvements in consumer spending and tourism data.

Index hits new high

The Cantometer index rose to 1.5 in June, hitting a new all-time high before rounding (1.53 versus the previous high of 1.46 in April).

The largest improvement in recent data was the Q1 Building Work Put in Place survey, which showed a strong increase in regional construction activity. Residential construction increased 31% in Canterbury over Q1 (in value terms), while non-residential construction was up 16%. Clearly the rebuild continues to gather momentum, and recent building consents data point to yet more strong activity over coming months. The three-month average of non-residential consent issuance, which we use in the Cantometer, hit a new high in April (the most recent month for which we have data). Residential consent issuance, in seasonally-adjusted terms, has eased slightly from the very high levels seen around the turn of the year. But as of April, issuance was still running around 36% above year-ago levels.

While construction remains the clear standout in terms of activity, other sectors also look to be picking up steadily. The Christchurch Retail Trade Indicator showed a 1.8% increase in the value of spending over Q1. Over the last year, retail spending has risen by 7.9% in Christchurch - far outstripping the 3.5% increase at the national level. Meanwhile the latest reading of regional consumer confidence dipped very slightly but was still the second-highest since the earthquakes.

The region's tourism industry continues to fight its way back to pre-earthquake levels. Guest nights figures continue to climb steadily as demand returns and lost accommodation capacity is restored. Christchurch Airport is the country's fastest growing point of entry for Chinese visitors, showing that Canterbury and the rest of the South Island are benefitting from growth in this important tourism market.

Elsewhere, the Housing sub-index continues to soften gradually. House sales throughout the country have fallen since the RBNZ's mortgage lending restrictions

came into effect in October 2013. Sales in Canterbury have fallen by around 8% over that time, while national sales are down almost 16%.

Outlook

The rebuild has taken longer to get going than was initially expected, but recent construction data show that things are starting to really get moving now. That activity is creating a healthy economic environment, with very low unemployment and strong growth in spending flowing through to other sectors of the economy. With building work likely to continue accelerating for several years yet, the outlook is very encouraging.

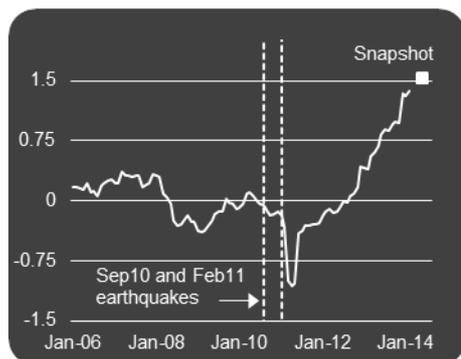
For more detail on the design of the Cantometer please refer to page 2.

Recent developments

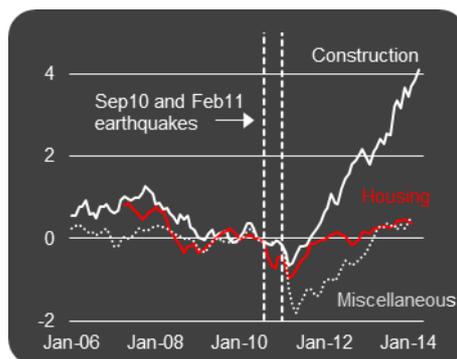
Lyttelton Port redevelopment to be [fast-tracked](#).

Construction to start soon on new complex at [Triangle Centre site](#).

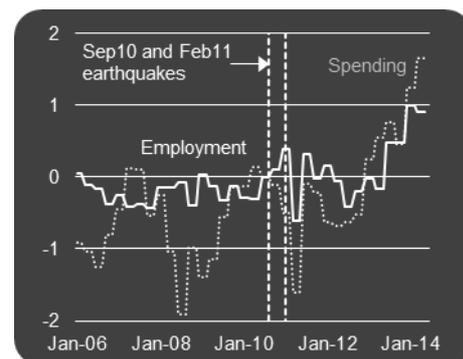
ASB CANTOMETER



ASB CANTOMETER SUB INDICES



ASB CANTOMETER SUB INDICES



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	4.2
Non-residential consents	4.4
Ready mix concrete	3.7
Building work put in place	4.2
Construction Index	4.1
House sales	0.3
New Listings	-1.4
House price inflation	1.9
Housing Index	0.3
Employment	0.5
Hours worked	1.2
Full-time equivalent employees	1.4
Relative Wages	0.6
Employment Index	0.9
Retail Trade Indicator	2.2
Consumer Confidence	0.7
Consumer Spending Index	1.5
Electricity	-0.6
Car registrations	2.5
Guest nights	-0.6
PLT net migration	2.1
Miscellaneous	0.8
Cantometer Snapshot	1.5

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

ASB ECONOMICS & RESEARCH

PHONE

FAX

ECONOMICS

Chief Economist	Nick Tuffley	nick.tuffley@asb.co.nz	(649) 301 5659	(649) 302 0992
Economist	Christina Leung	christina.leung@asb.co.nz	(649) 301 5661	
Economist	Daniel Smith	daniel.smith@asb.co.nz	(649) 301 5853	
Economist	Chris Tennent-Brown	chris.tennent-brown@asb.co.nz	(649) 301 5660	
Rural Economist	Nathan Penny	nathan.penny@asb.co.nz	(649) 448 8778	

<https://reports.asb.co.nz/index.html>

ASB Economics, 12 Jellicoe Street, Auckland

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