

THE ASB

CANTOMETER

ASB

ISSUE TWENTY ONE // 30 JULY 2014 Continued construction growth drives Cantometer to another 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 1.6 in July, again hitting an all-time high. Increased construction activity was again the main driver, with continued strong net migration providing a further boost.

Another high for index

The Cantometer index rose to an all-new high of 1.6 in July,

Stronger construction activity remained a key driver of economic activity in the region. In particular, non-residential building consents continued to improve, pointing to further strong non-residential construction activity over the coming year. This growth reflects continued earthquake rebuilding activity and higher business confidence. Non-residential building consents increased just over 9% for the year to May, relative to the same period a year ago.

StatsNZ noted the monthly pace of earthquake-related consent issuance remained steady in May, suggesting the earthquake rebuild remains on track. However, there are emerging signs dwelling consent issuance in Canterbury may be plateauing following a surge in activity over the second half of last year.

Meanwhile, the Housing sub-index continued to soften, largely reflecting the fall in house

sales. Although Christchurch house prices continued to increase in recent months and is 7.3% higher for the year to March, the pace of house price growth in Christchurch was just below the nationwide average (which was dominated by strong Auckland house price growth).

Car registrations continued to lift, with registrations 33% higher relative to a year ago. Increased consumer confidence is supporting stronger retail spending, with households now more optimistic about big-ticket purchases such as cars. Continued population growth is also boosting retail spending.

Canterbury's tourism industry also continues to recover, although guest nights figures indicate activity remain below pre-earthquake levels. We expect continued recovery over the coming year as demand returns and lost accommodation capacity is restored. Christchurch Airport reported a continued high number of domestic passengers passing through the airport in June, indicating a solid recovery in the local travel market. Added to that is strong

growth in international passenger numbers passing through Christchurch Airport.

Outlook

We expect construction growth will continue to lead activity in Canterbury over the next couple of years. There are continued signs this construction growth is flowing through to stronger demand across a broad range of sectors, with higher consumer confidence supporting retail spending growth over the past year. We expect the earthquake rebuild will continue to encourage workers to move to Canterbury, as well as boost further employment demand.

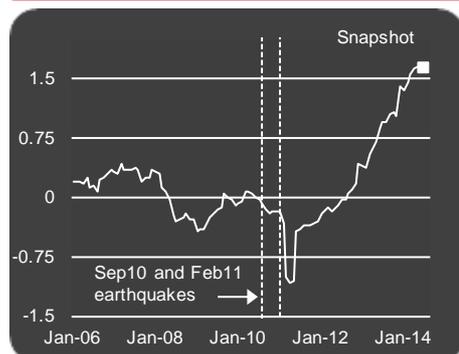
For more detail on the design of the Cantometer please refer to page 2.

Recent developments

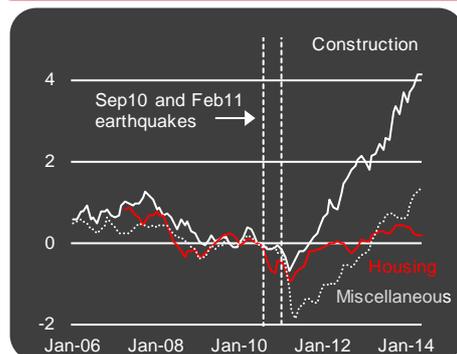
[Nelson businesses](#) launch new initiative to help with post-earthquake rebuild.

[Christchurch Art Gallery](#) begins second phase of earthquake repairs and seismic strengthening.

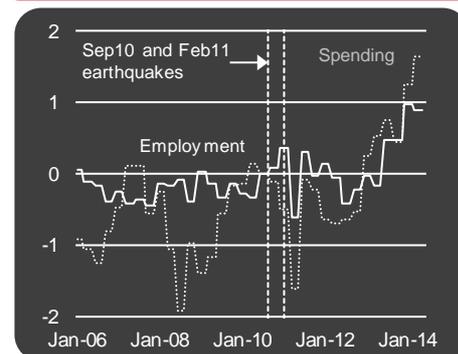
ASB CANTOMETER



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 car registrations, guest nights and permanent and long-term net migration. *Note electricity is now excluded from the Cantometer given the series has been discontinued.* 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	4.6
Ready mix concrete	3.7
Building work put in place	4.2
Construction Index	4.2
House sales	0.4
New Listings	-1.3
House price inflation	1.6
Housing Index	0.2
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
Car registrations	2.6
Guest nights	-0.5
PLT net migration	2.2
Miscellaneous	1.4
Cantometer Snapshot	1.6

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
Senior Economist	Chris Tennent-Brown	chris.tennent-brown@asb.co.nz	(649) 301 5660	
Economist	Christina Leung	christina.leung@asb.co.nz	(649) 301 5661	
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

IMPORTANT DISCLOSURES

This document is published solely for informational purposes. It has been prepared without taking account of your objectives, financial situation, or needs. Before acting on the information in this document, you should consider the appropriateness and suitability of the information, having regard to your objectives, financial situation and needs, and, if necessary seek appropriate professional or financial advice.

We believe that the information in this document is correct and any opinions, conclusions or recommendations are reasonably held or made, based on the information available at the time of its compilation, but no representation or warranty, either expressed or implied, is made or provided as to accuracy, reliability or completeness of any statement made in this document. Any opinions, conclusions or recommendations set forth in this document are subject to change without notice and may differ or be contrary to the opinions, conclusions or recommendations expressed elsewhere by ASB Bank Limited. We are under no obligation to, and do not, update or keep current the information contained in this document. No person involved in the preparation of this document accepts any liability for any loss or damage arising out of the use of all or any part of this document.

Any valuations, projections and forecasts contained in this document are based on a number of assumptions and estimates and are subject to contingencies and uncertainties. Different assumptions and estimates could result in materially different results. No representation or warranty is made that any of these valuations, projections or forecasts, or any of the underlying assumptions or estimates, will be met.