

THE ASB

CANTOMETER

ASB

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Cantometer holds steady.

The ASB Cantometer is an indicator designed to capture the pick-up in Canterbury activity as the earthquake rebuild progresses over the years. The ASB Cantometer held steady at 1.8 in November, as an easing in construction activity was largely offset by some improvement in the Canterbury housing market. Activity still remains at fairly solid levels.

Cantometer steady

The Cantometer index held steady at 1.8 in November, just off its record high of 1.9 reached in September.

There was some easing in construction activity indicators, with a decline in both residential and non-residential consents issued in Canterbury over September. The lower number of consents issued points to a reduction in construction work in the pipeline. However, the easing in construction demand comes off the back of very strong activity and the trend remains positive. Sales of ready-mix concrete continued to surge in Q3, as the foundations were set for new housing and commercial buildings.

The Cantometer Labour Sub-Index also eased slightly, with labour market indicators in the region mixed. Although the number employed in Canterbury increased in Q3, there was a decline in total hours worked. Wage growth in Canterbury was slower than the nationwide average. That said, overall labour market conditions in Canterbury

remain solid, as the earthquake rebuild boosts demand for workers. On top of the need for more construction workers, the rebuild is also boosting demand for workers in professional services that are supporting the construction sector.

The increased demand for workers is continuing to attract a high number of migrants into the region. For the year to October, net migration into Canterbury totalled just over 5,700 - well over the 4,100 a year earlier. Population growth is likely to be underpinning the continued increase in car sales in the region.

The Canterbury housing market has improved slightly on the back of increased housing supply. Canterbury house sales remained steady in October. Indicators suggest the Canterbury housing market remains supply-constrained, but we expect further residential construction activity will add new supply of housing to the region over 2015.

The recovery in the Canterbury tourism sector remains constrained by lower

accommodation capacity. Nonetheless, with Christchurch Airport reporting increased seat capacity from a wide array of airlines including Air NZ and Singapore Airlines, as well as new services by China Airlines, the outlook is promising for the Canterbury tourism sector.

Outlook

Despite recent signs of flatter construction activity in the near term, activity in Canterbury is still at fairly high levels. We expect construction activity will continue to be a key support of Canterbury economic activity over the coming years.

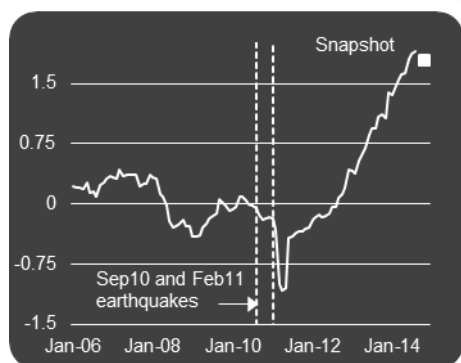
For more detail on the design of the Cantometer please refer to page 2.

Recent developments

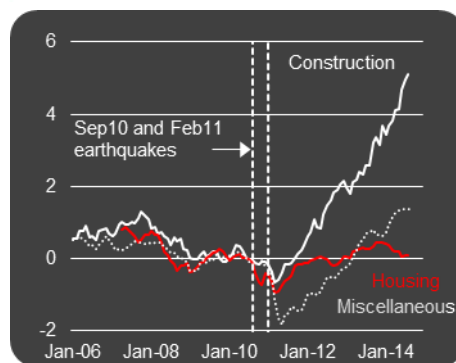
[The Friday night food truck market](#) takes off in Cathedral Square.

[Christchurch transit technology company Connexion](#) boosted by strong revenue growth from the US.

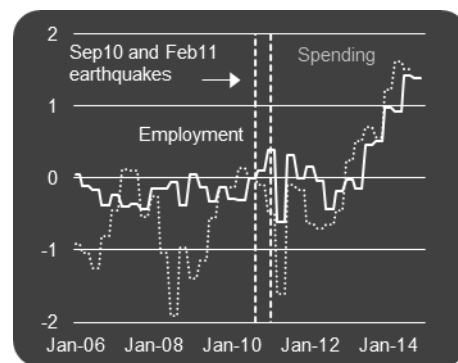
ASB CANTOMETER



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	3.8
Non-residential consents	6.1
Ready mix concrete	4.6
Building work put in place	4.4
Construction Index	4.7
House sales	0.5
New Listings	-1.0
House price inflation	1.2
Housing Index	0.2
Employment	0.7
Hours worked	2.5
Full-time equivalent employees	1.5
Relative Wages	0.9
Employment Index	1.4
Retail Trade Indicator	2.4
Consumer Confidence	-0.1
Consumer Spending Index	1.2
Car registrations	3.1
Guest nights	-0.9
PLT net migration	2.1
Miscellaneous	1.4
Cantometer Snapshot	1.8

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	Jane Turner	jane.turner@asb.co.nz	(649) 301 5853	
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

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