

THE ASB

CANTOMETER

ASB

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LABOUR DEMAND AND WAGES CONTINUE TO LIFT IN CANTERBURY

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 lifted again in August, rising to 1. Increased employment demand and wage growth continue to contribute to a broadening in Canterbury's economic recovery.

Labour market conditions continue to improve.

The Cantometer index continues its steady climb upward, rising to 1 in August. Behind the most recent lift was further increase in employment demand in Canterbury and stronger wage growth.

Labour demand in Canterbury continues to lift, led by rebuild activity. According to the Quarterly Employment Survey (QES), construction employment is now very close to its previous highs recorded during 2006-2007 at the end of the previous construction boom. With consent issuance, an indicator of demand in the pipeline, well above previous peaks, jobs growth is likely to continue in this sector over the coming year.

The lift in employment will not be isolated to construction, with support industries also seeing increased demand. In addition, the lift in population has stimulated additional demand for the hospitality sector (particularly cafes, bars and restaurants).

This area was one of the hardest hit economically in the wake of the earthquakes and closure of the CBD.

The QES measure of wage growth shows a significant lift in Canterbury wages relative to the rest of the country. As employment increases in the region and skill shortages emerge, wages in Canterbury will outperform the rest of the country to encourage a shift in labour resource to the region.

The recent lift in the Employment Index to 0.5 brings it in line with the strong recovery seen in Consumer Spending Index over the past 6 months. Contributing to increased consumer spending has been a lift in consumer confidence, wage growth and population growth.

New car registrations increased sharply in Canterbury over recent months, spiking higher again in July and bringing the car registrations index to 1.7. Increased demand for vehicles is another indication of increased economic activity and population growth in the region.

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

Outlook

The New Zealand and Canterbury economic recovery is starting to broaden beyond construction. Consumer confidence has steadily improved and retail spending has increased strongly in recent quarters.

While current inflation pressures are subdued, it is widely expected inflation will quickly lift over the coming year as the economic recovery strengthens. We continue to expect the RBNZ will start to lift the OCR from March 2014.

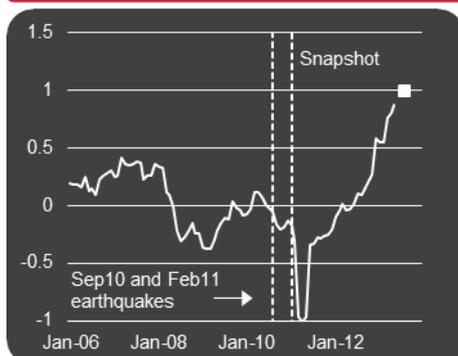
Recent developments

[New cafes and restaurants](#) opening in Canterbury.

Construction work on the new [Amberly shopping centre](#) commences.

Increase in construction wages concerns [employers in competing industries](#).

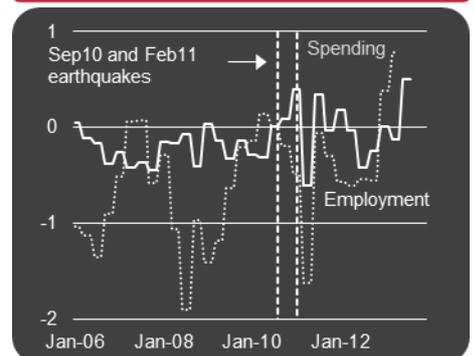
ASB CANTOMETER



ASB CANTOMETER SUB INDICES



ASB CANTOMETER SUB INDICES



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Please refer to the important disclosures at the end of this document.

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	2.5
Non-residential consents	3.2
Ready mix concrete	3.2
Building work put in place	2.6
Construction Index	2.9
House sales	0.6
New Listings	-1.6
House price inflation	1.7
Housing Index	0.2
Employment	-0.3
Hours worked	-0.1
Full-time equivalent employees	0.8
Relative Wages	1.6
Employment Index	0.5
Retail Trade Indicator	1.6
Consumer Confidence	-0.1
Consumer Spending Index	0.7
Electricity	-0.5
Car registrations	1.7
Guest nights	-0.5
PLT net migration	1.7
Miscellaneous	0.6
Cantometer Snapshot	1.0

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

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