

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 remained steady at 1 for the third consecutive month in October. While activity continues to hold up at a very high level, indications are the pace of growth may be starting to slow.

Cantometer steady again.

The Cantometer snapshot remained steady again in October, sitting at 1 (zero marks the level of activity prior to the earthquakes). After making steady improvement since late last year, the Cantometer index has remained flat over the past 3 months. Indicators suggest activity continues at a high level, but the pace of growth appears to have eased. This may indicate bottle necks are starting to emerge in the Canterbury rebuild process.

Building consents are a key area where growth appears to have stalled. Building consents have lifted strongly over the past year and monthly consent issuance is now above the previous peak. However, the growth in consents appears to have stalled and indicates construction activity will soon start to level off (albeit at high levels). The recent results pose the question if the flat results are due to a temporary lull in activity before the upward trend resumes, or a larger issue where bottle necks may be starting to impact.

Further housing construction is required to alleviate housing shortages in Canterbury. Housing data continue to indicate the housing market is supply-constrained with low levels of new listings constraining the level of turnover. Meanwhile, house prices in Canterbury continue to lift strongly, outpacing nationwide house price growth. Adding to the squeeze, the net migration influx will continue to exacerbate current housing shortages.

Retail spending remains buoyant, with the Retail Trade Indicator continuing to lift strongly. However, Canterbury consumer confidence was also somewhat soft over the September quarter, lacking the usual seasonal increase. The result was surprising and suggests spending growth may remain flat heading into the second half of 2013. Nonetheless, continued population growth and a lift in incomes will continue to underpin stronger retail demand.

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

Outlook

Overall the outlook remains bright for Canterbury, with construction still continuing at very elevated levels. However, some recent data trends have suggested growth in activity may be slowing. We assume further lifts in consent issuance from here, but if the upward trend does not resume soon a closer look at capacity constraints and reducing bottle necks in the region may be needed.

With further indications NZ growth is broadening beyond the Canterbury recovery, we continue to expect the RBNZ will start to lift the OCR from March 2014.

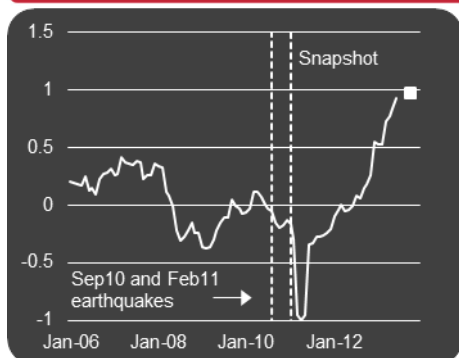
Recent developments

The new [Justice and Emergency precinct](#) will cost \$300 million and employ up to 400 people during construction.

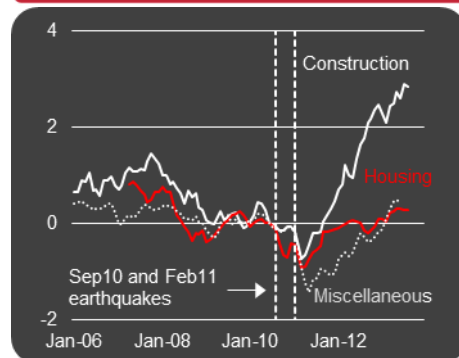
Concerns that [repair targets for Housing NZ properties](#) are too ambitious.

New [city pool](#) to be completed by 2016.

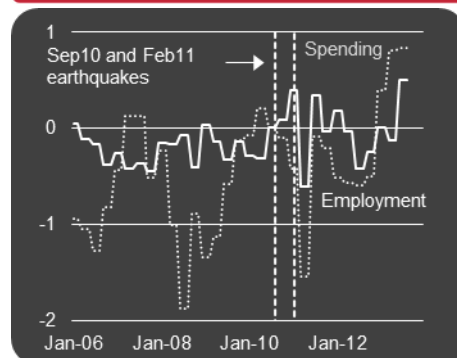
ASB CANTOMETER



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	2.7
Non-residential consents	3.8
Ready mix concrete	3.2
Building work put in place	1.7
Construction Index	2.8
House sales	0.5
New Listings	-1.5
House price inflation	1.8
Housing Index	0.3
Employment	-0.3
Hours worked	-0.1
Full-time equivalent employees	0.8
Relative Wages	1.6
Employment Index	0.5
Retail Trade Indicator	1.9
Consumer Confidence	-0.8
Consumer Spending Index	0.5
Electricity	-0.5
Car registrations	1.7
Guest nights	-0.5
PLT net migration	1.9
Miscellaneous	0.7
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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