

ASB / Main Report Regional Economic Scoreboard

September 2015 Quarter

The NZ Regional Economic Scoreboard takes the latest quarterly regional statistics and ranks the economic performance of New Zealand's 16 Regional Council areas. The fastest growing regions gain the highest ratings, and a good performance by the national economy raises the ratings of all regions. Ratings are updated every three months, and are based on measures such as employment, construction, retail trade, house prices (sources at bottom).

Taking the regions' temperatures

	Share of NZ economy	Population		Employment		Retail Trade		House Prices		Construction		New Car Sales		Rating
	Mar-14	000s	annual growth	000s	annual growth	\$m	annual growth	\$000s	annual growth	\$m	annual growth	No.	annual growth	5 - hot 1 - not
Annual growth = Qtr(t) / Qtr(t-4)	%													
Northland	2.5	168	1.3%	74	0.8%	406	13%	342	9.3%	120	24%	1338	14%	★★★★★
Auckland	35.3	1571	2.8%	784	1.5%	5439	10%	885	24.3%	1318	6%	29831	11%	★★★★★
Waikato	9.0	439	1.9%	215	1.3%	1327	2%	386	13.2%	421	38%	4314	2%	★★★★★
Bay of Plenty	5.2	287	1.7%	140	6.1%	826	-1%	410	10.9%	276	36%	3264	18%	★★★★★
Gisborne	0.7	47	0.6%	98	4.1%	130	13%	252	1.0%	15	48%	217	-4%	★★★★
Hawke's Bay	2.8	160	0.7%			353	3%	341	3.9%	67	16%	1309	17%	★★★
Taranaki	4.0	116	0.9%	58	-1.2%	251	-8%	338	4.1%	68	-2%	1020	0%	★★
Manawatu-Wanganui	4.0	235	1.0%	110	1.6%	652	6%	252	3.6%	87	-15%	2001	1%	★★★
Wellington	13.2	497	1.1%	265	0.5%	1516	2%	427	2.3%	320	12%	4959	3%	★★
Tasman	1.8	50	0.8%			139	12%	434	2.8%	40	20%			★★★
Nelson	1.8	50	1.2%	89	-4.1%	174	-4%	444	4.8%	24	-24%	1243	-2%	★★
Marlborough	1.0	45	1.1%			136	-8%	355	3.7%	30	-16%			★★
West Coast	0.7	33	-0.3%			69	1%	241	-2.8%	19	1%	219	7%	★★
Canterbury	13.1	587	2.1%	327	1.3%	2100	4%	451	1.1%	1386	24%	9174	5%	★★★★★
Otago	4.3	215	1.6%	117	1.7%	739	4%	362	5.3%	247	28%	1822	-3%	★★★★★
Southland	2.4	97	0.8%	53	3.1%	237	-1%	213	0.5%	54	30%	767	11%	★★★★★
New Zealand	100	4597	1.9%	2330	1.4%	14492	5%	531	13.3%	4493	17%	61478	8%	★★★★★

★★★★★ The place to be ★★★ Be there or be square ★★★ Fair to middling ★★ Needs an energy injection ★ Take pity

The National State of Play

Employment ★★

Annual employment growth has slowed rapidly after the surge earlier in 2015. Migration also continues to boost the size of the workforce.

Wages ★★

Wage increases continue to be low by historical standards. Low inflation and labour market slack point to no turnaround soon.

House Prices / Sales ★★★★★

The Auckland "halo effect" is spreading; with Northland prices now climbing almost as fast as in the Bay of Plenty and Waikato. Elsewhere, low interest rates are boosting housing more generally.

Retail Sales ★★★★★

Annual retail sales growth is holding at high levels, underpinned by high migration, strong tourist arrivals and low interest rates.

Car Registrations ★★★★★

Car sales and new car registrations remain high, but the growth rate is slowing.

Construction ★★★★★

The commercial rebuild in Canterbury is now heating up, while Auckland house construction continues its upward trajectory.

Steaming ★★★★★

Healthy ★★★

Sad ★

Northland ★★★★★

Northland's strong run is showing no signs of slowing, and as a result, the region gains a star. House prices, retail spending, construction, new car sales and guest nights all provided a boost to Northland's ranking. Northland is also basking in Auckland's "halo" effect which is helping support house prices and population growth. However, employment growth needs to make sure it is keeping pace in future quarters. While employment growth was positive, it was lower than last quarter and is below the national average. Further, another drop in consumer confidence over the quarter means there remains room for improvement. Overall, Northland will need to make sure it's good track record continues in order to hold on to its extra star.

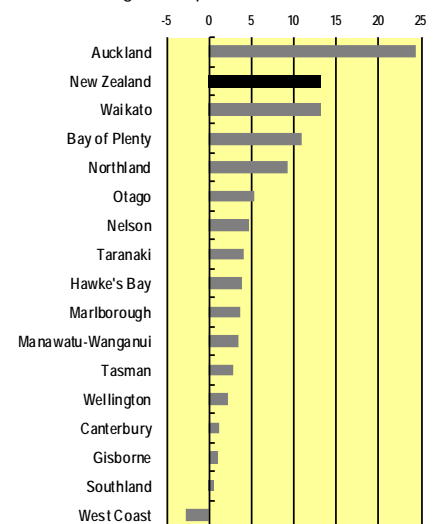
Auckland ★★★★★

While Auckland retains its 5 stars this quarter, it has lost the top spot to the Bay of Plenty. A degree of softness crept into Auckland's labour market this quarter, with Auckland employment growth on par with the national average. Consumer confidence also took a hit, and is sitting at the lowest level in 3 years. On the other hand, strong migration continues to boost population growth, which in turn is helping to support retail and car sales as well as house prices. These factors suggest that it is the sheer growth in numbers that is keeping Auckland churning at the moment. Moreover, while construction activity is high, it still needs to pick up if it is going to meet demand in New Zealand's fastest growing region. The housing market will

continue to be a key driver of activity in the region over 2016. In fact we are keeping a watchful eye on housing developments now that the recent Reserve Bank and Government rule changes are in play.

House Prices

Annual % change to September, source: QVNZ



Waikato ★★★★★

Auckland's "halo effect" combined with low interest rates have boosted the Waikato, helping it retain 4 stars in the latest Scoreboard. House sales doubled over the quarter compared to a year ago, and house prices continue to increase. Unsurprisingly, construction also outperformed over the quarter, driven by house construction growth. This housing

fillip is very timely given the dairy sector's continuing struggles.

Bay of Plenty ★★★★★

The Bay of Plenty has plenty to boast about this quarter as it finally takes first place from Auckland. Jobs growth in the region has been outperforming, holding on to the top spot for the second quarter in a row. The Bay of Plenty is also enjoying a strong housing market – and we're hearing stories about happy cashed-up Aucklanders moving to the region. Indeed, house sales, house prices and construction were all star performers over the quarter, securing the Bay of Plenty its fifth star. But even the best has room for improvement. We would like to see an improvement in retail sales and confidence to give the region an all-round boost.

Gisborne ★★★

As we thought it might, Gisborne has gained a star this quarter. Gisborne, along with Northland, topped the retail spending pops over the quarter. Still high beef prices may be boosting incomes in the region and contributing to solid employment growth in the wider Gisborne-Hawkes Bay area. Those factors, combined with strong construction activity point to buoyant activity over the summer. Although the current el Niño weather pattern could yet spoil the party.

Hawke's Bay ★★★

The Hawke's Bay was generally perky over the September quarter. Horticulture and viticulture continue to do well, with the lower NZ dollar boosting export returns. Strength in these sectors may explain the boost to jobs and commercial construction over the quarter. Housing market activity is also strong and points to further strength to come. All up and despite the loss of the Ranfurly shield, the Bay has plenty positives to focus on.

Taranaki ★★

As hinted at last quarter, we have downgraded the Taranaki to two stars. The region continues to struggle due to the twin downturns in dairy and energy. With its main two industries under a cloud, it's not surprising to see unemployment rising and spending down. Construction activity is also falling, particularly in the commercial sector. There are signs of life in the housing market with sales activity improving most likely on the back of low interest rates. But it will probably take a pick-up in the dairy sector for a more general improvement in the region's fortunes.

Manawatu-Wanganui ★★★

Manawatu-Wanganui slipped a couple of places down the ladder in the latest ASB Regional Scoreboard. On most measures, the region was middle of the road. The most encouraging signs came via the retail and housing sectors; it looks like interest rates are giving a leg up to spending and house sales activity. Elsewhere, the weak dairy sector may be dragging on activity, with commercial construction particularly weak. Let's hope for better things heading into Christmas.

Wellington ★★

Wellington is mediocre at best across all of the main sectors we monitor. As a result, we have downgraded Wellington's rating to two stars. Unemployment is rising, while retail trade, new car sales and house prices continue to track at levels significantly lower than the national average. Even

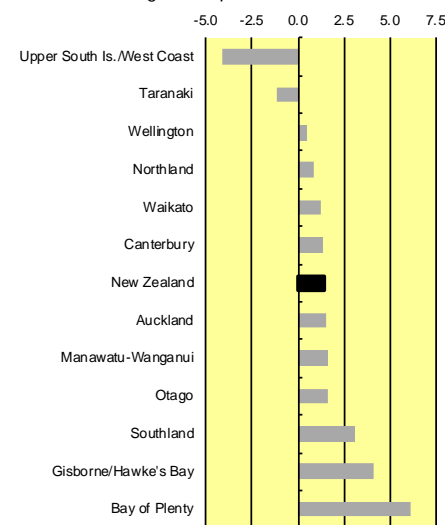
tourism, which is buoyant nationally, is slow in Capital, with guest nights lower this September than September a year ago. Commercial construction is one bright spot for the region. All up, Wellington could do with an economic shot in the arm.

Nelson ★★

Nelson dips down a star rating in the latest quarter. Jobs growth (at the top of the South Island) remains very weak and this is flowing into retail sales, with September quarter sales below their year ago levels. Construction activity was also weak, particularly on the commercial side. House price growth remains one bright spot and is the highest in the South Island outside of Otago. Heading into summer and with guest nights growth still strong, perhaps an additional influx of tourists can provide the jumpstart Nelson needs to get out of its current soft patch.

Employment growth

Annual % change to September, source: Stats NZ.



Tasman ★★★

Tasman comes in smack in the middle of the pack in the latest quarter. Also in contrast to its local rivals Nelson and Marlborough, Tasman holds on to its three stars in the latest quarter. One particular standout was Tasman's double-digit retail growth this September compared to a year ago. The other big difference to its local rivals came via buoyant construction activity. A weak labour market is the one dark cloud hanging over the top of the South Island generally, and more jobs remain key to improving the region's fortunes.

Marlborough ★★

Marlborough drops down a rating to two stars in the latest ASB Regional Scoreboard. Jobs growth remains very weak and this is flowing into retail sales, which posted the worst result nationwide over the September quarter. As in recent quarters, the housing sector remains a strong point though, with house sales and home construction up strongly compared to the same period a year ago. The commercial construction outlook is holding back Marlborough, and this is one factor we look to for the region to regain some stars.

West Coast ★★

The West Coast has climbed off the bottom of the rankings over the September quarter, though remains on its two-star rating. Tourism continues to be the Coast's shining light, with guest nights up

over 5% in September compared to a year ago. Another bright spot this quarter was housing market activity, with house sales 40% higher than a year ago. Car sales were also strong. Elsewhere, the numbers aren't pretty, with house prices, jobs and the region's population all recording falls.

Canterbury ★★★★★

Canterbury retains its 5 stars, but by some measures growth in the region is slowing, while by others it is still charging ahead. The best example is in the construction sector where the rate of home building has actually slowed over the latest year, while the rate of commercial building has surged over 60%. Also, annual jobs growth has also slowed to 1.3% from over 5% during 2014. One particularly bright spot is that tourists are increasingly returning to the region, with September guest nights growing at the third-fastest rate in the country. Similarly Cantabrians remain an upbeat lot, with consumer confidence clocking in the second-highest reading nationwide. All things considered, the transition from a rebuild-led economy to business as usual will be tricky for the regional economy. In that sense, it will be difficult for Canterbury to hold on to its five-star rating over all of 2016.

Otago ★★★★★

Our Otago comment this quarter is almost a carbon copy of last quarter's. Activity in Otago remains very healthy. In particular, the tourism sector continues to charge ahead. And feeding off the tourism activity, construction, both residential and commercial, continues at a rate of knots. No doubt this sector is driving much of the whopping 70% annual increase in commercial construction. House prices also increased at the fastest rate south of Waikato. If we were splitting hairs, we'd like to see more jobs growth in the region. All up though, the Otago regional economy is strong.

Southland ★★★

We move Southland up to three stars in this Scoreboard. Leading the way up was the construction sector, with building activity up 30% over the year. Similarly, the Southland labour market was strong; September year jobs growth was 3.1%, the third-highest in the country. The Tiwai smelter contract extension may just have been the shot in the arm the region needed. However, the important dairy sector remains weak, but it is pleasing to see other sectors pick up some of the slack.

Sources:

Population, Employment, Retail trade, Wages, Construction, Guest nights, regional GDP – Statistics NZ.

House prices – QVNZ. House sales – REINZ.

Vehicle registrations – NZ Transport Agency.

Consumer Confidence – Westpac McDermott Miller.

Housing & Investor confidence – ASB.

Disclaimer

This report is published solely for informational purposes. We believe that the information in this report is correct based on the information available at the time of its compilation, but no representation or warranty is made or provided as to accuracy, reliability or completeness of any statement made in this report.