

ASB / Main Report Regional Economic Scoreboard

March 2007 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 Mar-04	Population*			Employment		Retail Trade		House Prices		Construction		New Car Sales		Rating Mar-07	
	Mar-04	Jun-06	annual growth	000s	annual growth	\$m	annual growth	\$000s	annual growth	\$m	annual growth	No.	annual growth		
Annual growth = Qtr(t) / Qtr(t-4)	%	000s	000s	0.7%	000s	annual growth	\$m	annual growth	\$000s	annual growth	\$m	annual growth	No.	annual growth	5 - hot 1 - not
Northland	3	150	149	0.7%	68	2%	355	5%	333	10.5%	108	4%	1062	-8%	★★★
Auckland	31	1358	1337	1.6%	674	3%	3809	9%	469	8.5%	810	4%	21584	-6%	★★★
Waikato	9	388	385	0.8%	200	12%	959	12%	305	9.0%	336	24%	3924	-18%	★★★
Bay of Plenty	6	263	260	1.0%	115	16%	722	4%	349	6.5%	191	4%	2597	-14%	★★★
Gisborne		45	45	-0.4%			110	3%	272	16.9%	17	22%	281	-12%	★★★
Hawke's Bay	5	150	150	0.3%	93	-9%	403	3%	309	3.8%	89	-9%	1406	-11%	★★★
Taranaki	3	105	105	0.0%	60	9%	233	10%	283	13.9%	59	-23%	927	-6%	★★★
Manawatu-Wanganui	5	226	226	-0.1%	111	-3%	631	7%	227	15.9%	116	-3%	1986	-10%	★★★
Wellington	13	465	460	0.9%	260	0%	1302	7%	398	15.1%	249	-4%	4743	-5%	★★★
Tasman		47	47	1.3%			153	4%	358	5.2%	29	30%			★★★
Nelson	5	46	46	1.5%	89	-4%	139	39%	346	11.5%	29	90%	1286	-5%	★★★
Marlborough		43	43	1.2%			155	5%	337	17.1%	40	17%			★★★
West Coast		31	31	0.0%			91	12%	207	18.8%	25	55%	215	-29%	★★★
Canterbury	14	533	526	1.3%	326	-3%	1438	7%	324	11.4%	448	11%	6368	-13%	★★★
Otago	5	198	197	0.9%	95	1%	738	10%	297	7.8%	187	24%	1602	-20%	★★★
Southland	3	92	93	-0.6%	54	-5%	276	5%	168	24.5%	44	15%	730	-12%	★★★
New Zealand	100	4140	4098	1.0%	2144	2%	11514	8%	366	10.6%	2777	7%	48711	-10%	★★★

* Statistics NZ Population Estimates, p.a.

★★★★★
The place to be

★★★★
Be there or be square

★★★
Fair to middling

★★
Needs an energy injection

★
Take pity

The National State of Play

Employment ★★★★★

The unemployment rate is still only fractionally above its 20-year lows. However, employment growth is below its 2004 peak. The labour market will nevertheless remain quite tight.

Wages ★★★★★

Wage growth remains very strong – a reflection of how tight the labour market is. Growth will remain high though could be peaking.

House Prices / Sales ★★★★★

Housing is definitely off on a third wind. Annual price growth is accelerating above 10% p.a., though sales turnover is lagging behind.

Retail Sales ★★★★★

Retail sales have thundered away since petrol prices dropped in August/September from historic highs.

Car Registrations ★

Registrations are down around 10% from year-earlier levels. However, car sales grew strongly over the March quarter so the market is recovering from last year's petrol price blues.

Construction ★★★★★

Construction activity has started to turn around, mainly through housing. However, capacity is stretched and cost pressures remain very high.

Steaming ★★★★★

Healthy ★★★★★

Sad ★

Northland ★★★★★

House price growth in Northland has been steady and very respectable, though the rest of the country is starting to catch up. Retail spending growth has slowed a touch. Confidence is marginally below average, and car registrations are down a touch more than the drop seen on a nationwide basis.

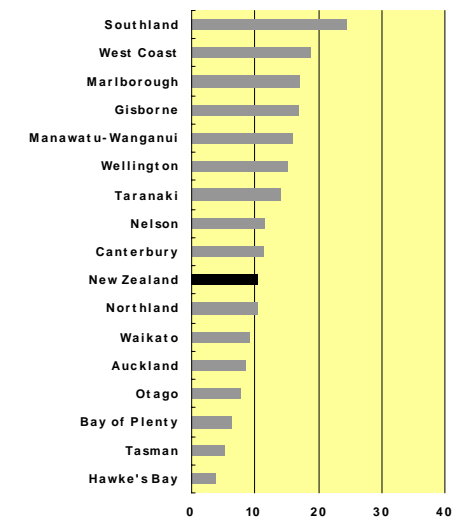
Northland has lost the top spot it took off the West Coast in the December Quarter. However, Northland faced a torrid time with floods, with the severe flooding at the end of March being the worst experienced for decades. The related disruption will have held the region back to a degree over the quarter. Notwithstanding the region's trials and tribulations, Northland remains popular with visitors, taking top spot for accommodation nights.

Auckland ★★★★★

Auckland is seeing a lift in its housing market, though price growth in the QVNZ measure is still a touch below the national average. The ASB Housing Confidence survey showed Auckland was the most optimistic region of the country in its outlook for housing, so the recent momentum could stay a little longer. Consumer confidence did take a slight dip over the quarter – as it did in most regions – but Aucklanders overall are quite upbeat. They have been quick to translate their new-found housing wealth into a trip to the mall or local wine bar, with annual retail sales growth up to 9%. The fall in car registrations over the past year has been very mild: it seems it takes more than a sharp rise in petrol prices and roadwork logjams in Queen Street to get Aucklanders out of their cars.

Annual House Price Growth

(As at Mar 2007, source: QVNZ)



Waikato ★★★★★

Although confidence in the region is a touch below the national average and house price growth is modest, Waikato formed part of the minority that actually saw consumer confidence edge up over the quarter. A lot of that may stem from the buoyancy of dairy prices on global markets, and employment growth has also been strong. More recent announcements from Fonterra that the milk solids payout could reach \$5/kg may see the region's quiet confidence improve – despite the

high NZ dollar. There is certainly some strong energy content in that milk: the region has seen very strong retail sales growth of 12% p.a. The A1 GP no doubt helped as well, and the authors did their bit to boost food and drink sales at the event. One aspect where the region is a little lagging is in weak car registrations.

Bay of Plenty ★★★

Consumer confidence took a big knock in the Bay over the quarter. The Bay of Plenty has become the least optimistic region. Retail spending growth is relatively subdued and car registrations weak. House price growth recently has been a bit below the rest of the country though has been accelerating. East Coast areas did experience dry weather in early part of the year, which may not have helped. Where the region has been better than all the rest is in employment growth and housing turnover.

Gisborne ★★★

Gisborne's spectacular house price growth has moderated but is still above average. Sales turnover has also dropped, but residential construction is on the up and up. However, retail spending growth has slowed even further and car registrations are on the weak side. Employment growth is a little lagging, too. Dry conditions may have held back horticulture a touch, the downside to Gisborne having its sunniest March on record. But those sun hours could help explain why consumer confidence in the Gisborne/Hawke's Bay area has been so chipper.

Hawke's Bay ★★

Hawke's Bay was the most subdued region in the previous Scoreboard, and hasn't quite managed to claw up the ladder this time. But the good news is we are seeing some signs that things are picking up. Retail spending growth has started to lift after sales shrank over 2006. House price growth has quickly rebounded to be within another auction or two of the national growth rate. That momentum looks like it is upward, given that the region has also seen some of the strongest growth in housing turnover. Job ads growth is relatively strong, though has yet to translate into sharper jobs growth. Dry conditions would have challenged the region's horticultural sector.

Taranaki ★★★

It would seem to be no coincidence that retail sales growth in this dairy region are, at 10% p.a., running ahead of the national average. Employment growth is also relatively strong, suggesting the resilience of the dairy sector could be helping the region along. Construction is another relatively upbeat sector. The dip in car registrations over the past year has been very mild. Annual house price growth is a touch behind the national average but in recent quarters has shown signs of strong acceleration: watch this space.

Manawatu-Wanganui ★★★

Spending growth has edged down from its previously above-average pace. That is perhaps a slight surprise given that the region is registering very respectable house price growth and getting a decent share of guest night growth. Employment and construction activity are the region's weak points, and housing turnover growth is not yet matching the robustness of prices.

Wellington ★★★

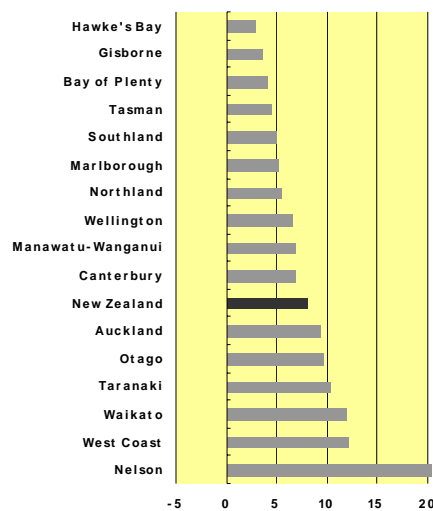
House price growth has lifted to be well above the national average, and unsurprisingly Wellington is the second most optimistic region in the country. Being host to the centre of government, the capital does have a degree of buffer against the NZ dollar that other regions don't enjoy. Nevertheless, though retail spending growth has picked up it is on the soft side of the rest of the country. And, despite strong house price gains, sales turnover and construction is lagging. Car registrations have held up well, down only slightly over the past year – perhaps the opening of the new inner-city bypass is keeping the car market on the front foot.

Nelson ★★★★★

We labelled Nelson as the comeback region in the last Regional Scoreboard, and it just keeps on coming back. Annual retail sales growth has hit an incredulous 39% - though admittedly the level of sales is still nearly 20% below the extraordinary spike seen in 2002.

House price growth is very close to the national average, a good achievement after the housing market hangover the region suffered in 2004 and 2005. Construction rated stronger in Nelson than anywhere else. Nelson gets the top spot in the rankings for its comeback, though we do note the rebound is heavily concentrated in retailing and construction.

Regional Retail Sales (non-auto)
Annual % change to Mar. quarter, Statistics NZ



Tasman ★★★

Retail sales are now growing, a contrast to the slight dip in annual growth seen in 2006. However, house price growth has lost a bit of steam, though that could change given strengthening sales turnover. The Tasman region has the noteworthy distinction of being the only region in which car registrations have increased over the past year.

Marlborough ★★★

Retail sales growth is edging up, though lagging somewhat. House price growth is a touch ahead of the national average. Marlborough was another area that experienced dry conditions over the quarter. Surprisingly, visitors have not been flocking to the region to sample the latest batch of very drinkable sauvignon blanc.

West Coast ★★★★★

Snail's pace is hardly the way to describe the Coast's progress of late – in fact consistently strong would be more apt. Retail sales growth over the past year topped 12%, only exceeded by Nelson's extraordinary performance. House price growth has been very strong and construction activity has also been solid. Although Nelson has grabbed the Number 1 spot that the West Coast held for much of last year, the Coast is well poised in second place to take back its crown.

Canterbury ★★★

Canterbury put on a sizeable increase in confidence – to be the most confident region – during a time when most other regions got a little less optimistic. That this lift in confidence came during a shaky start to the Super 14 season suggests the Cantabrians should be able to weather the impact of a rare non-appearance at the more recent final.

House price growth is on a gradual uptrend in line with the rest of the country and residential construction is up noticeably. Retail spending growth is, however, a touch below that of the rest of the country – possibly because visitor numbers growth has tailed off.

Otago ★★★★★

Otago is the 3rd best ranked region, and in getting there has gained another star in what we could describe as a team effort rather than a few outstanding performances. House price growth is more or less in line with the rest of the country, though prices in the Central Lakes area are weak. House sales turnover growth and construction all rank above average. Consumer confidence has moved up, and retail sales growth has lifted to be above, rather than below, the national average. However, car registrations have been soft over the past year.

Southland ★★★

Auckland might be seeing some revival of its (huge) property market, but Southland is where the real action is. Price growth is ballistic, in excess of 24% p.a. Nevertheless, the region is one of the least optimistic, even with the help of high dairy prices. No doubt the high NZ dollar is a big headwind to other export industries in the region. Retail spending growth is on the modest side: perhaps Southlanders are heeding the RBNZ Governor's calls to stop spending off the back of gains in housing wealth?

Sources:

- Population, Employment, Retail trade, Wages, Construction, Guest nights – Statistics NZ.
- House prices – Quotable Value NZ
- House sales – REINZ.
- Vehicle registrations – Land Transport NZ.
- Job Ads – Department of Labour
- Confidence – Westpac-McDermott Miller
- Housing & Investor confidence – ASB.

Disclaimer

The views expressed herein are those of the authors and are based on information believed but not warranted to be correct. Any views or information, whilst given in good faith, are not necessarily the views of the bank and are given without responsibility and no right of action shall arise against any of the authors, the bank or its employees either directly or indirectly out of any views, advice or information