

# ASB Regional Economic Scoreboard

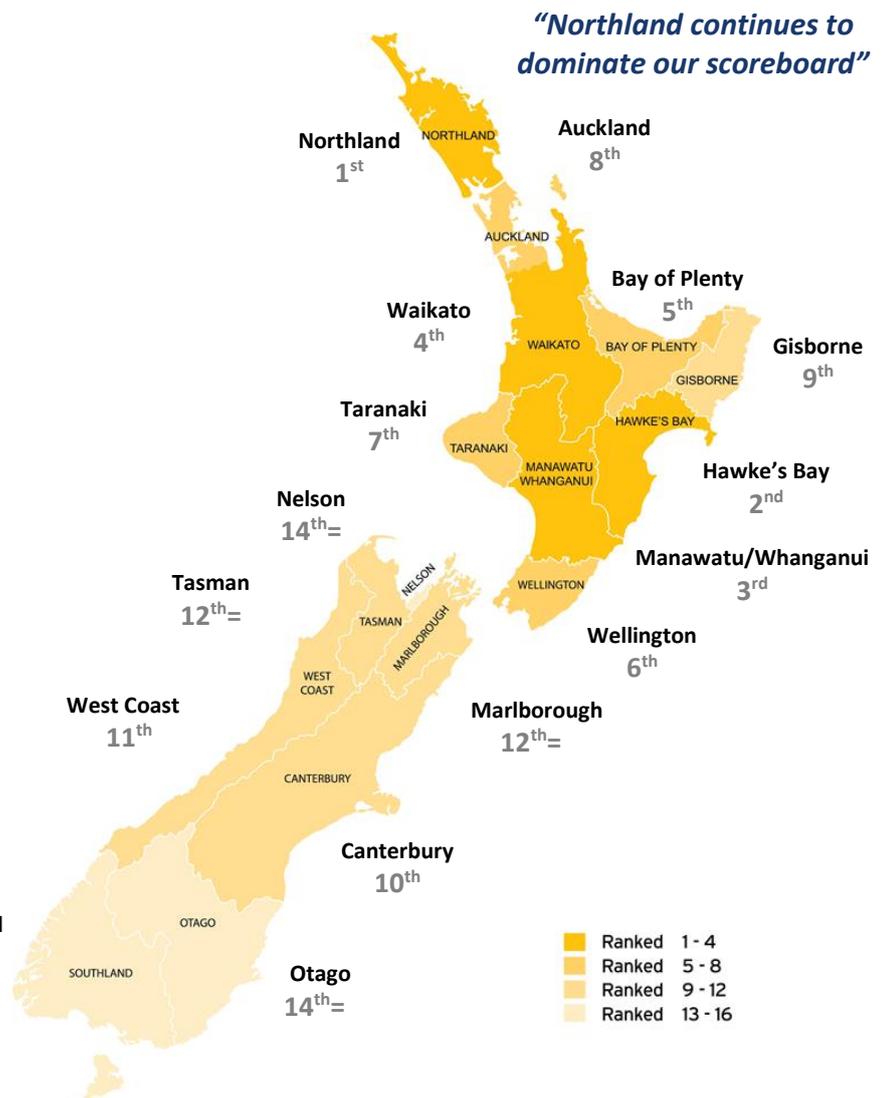
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## ASB Regional Economic Scoreboard

March Quarter 2021

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, including employment, construction, retail trade, house prices.

| Region             | This Quarter | Previous Quarter | Change    |
|--------------------|--------------|------------------|-----------|
| Northland          | 1            | 1                | No change |
| Hawke’s Bay        | 2            | 2                | No change |
| Manawatu-Whanganui | 3            | 8                | Up 5      |
| Waikato            | 4            | 6                | Up 2      |
| Bay of Plenty      | 5            | 2                | Down 3    |
| Wellington         | 6            | 11               | Up 5      |
| Taranaki           | 7            | 10               | Up 3      |
| Auckland           | 8            | 9                | Up 1      |
| Gisborne           | 9            | 2                | Down 7    |
| Canterbury         | 10           | 13               | Up 3      |
| West Coast         | 11           | 5                | Down 6    |
| Marlborough        | 12=          | 14               | Up 2      |
| Tasman             | 12=          | 12               | No change |
| Nelson             | 14=          | 7                | Down 7    |
| Otago              | 14=          | 16               | Up 2      |
| Southland          | 16           | 14               | Down 2    |



**“The North-South divide widens even further in our latest scoreboard”**

# The National State of Play

|   |  |
|---|--|
| <b>Employment</b> ★★★★★<br>Labour market data continue to outperform expectations, with the unemployment easing by more than expected over the start of the year to 4.7%. Broader employment growth also bested most predictions. That's not say it's all is hunky dory – NZ's lengthy border closure means that employment in the transport and retail trade/accommodation sectors is well below pre-COVID levels. Still, other sectors (notably construction) are providing an offset, and we see signs the labour market will continue improving over the coming quarters. | <b>Retail Sales</b> ★★★★★<br>Forecasters emitted audible gasps and uttered expletives when Q1 retail data came out a couple of weeks ago. Retail sales had been expected to fall 1.8%, but instead, they lifted by a sizable 2.5%. Pleasingly, the gains were felt across most store types, with little sign widespread logistics disruption cramped activity. The broad gains were one reason Q1 GDP also vastly outstripped expectations. Still, we once again emphasise not all regions are benefitting – the absence of tourist spending in Otago and the West Coast is clearly evident. |
| <b>Wages</b> ★★★★★<br>With activity strengthening and the ongoing border closure constraining the supply of workers, wage growth has been well supported over the beginning of 2021. We expect it to accelerate further over the rest of the year. While the trans-Tasman bubble has opened, the broader kiwi border looks set to stay shut until early 2022, with risks tilting to a later opening. In other words, employers are going to have continue competing for the smaller pool of workers a while yet.  | <b>New Car Sales</b> ★★★★★<br>For much of 2020, households were (understandably) rather cautious about splashing out on a new car, but we're starting to see signs of a bit of an uptick. In most regions, new car registrations now look to be moving back in line with their pre-COVID levels as confidence in the economic outlook lifts. There are some interesting dynamics going on in the global vehicle market, with rental companies seeking to rebuild their fleets after selling them down last year.   |
| <b>House Prices</b> ★★★★★<br>House prices continued to gallop away over the first quarter of 2021, hitting new all-time highs. Late March saw the introduction of a number of tax policy changes by the government, designed to pour some cool water on a hot, hot market. We lowered our house price forecasts a shade off the back of those measures but expect the market to avoid a hard landing. Its early days yet, but if anything, post-tax change data suggest the risks are still tilted toward house prices running ahead of those forecasts.                      | <b>Construction</b> ★★★★★<br>There's a bit of give and take when it comes to construction at the moment. Demand remains very, very strong, with consents issuance exceeding its previous peak, up as much as 18% on pre-COVID levels through Q1. However, there is clear evidence that the sector is running up against major capacity constraints, with shortages of raw materials abounding (recall the great timber shortage) and labour pains running high. With no signs of demand slowing, it's a recipe for swelling construction inflation.  |

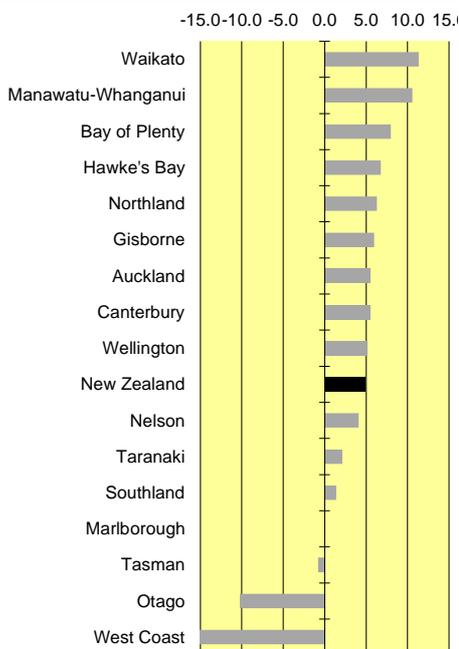
Steaming ★★★★★ Simmering ★★★★★ Stable ★★★★★ Needs an energy boost ★★ In the doldrums ★

## The Regional Lowdown

### Chart of the Quarter:

**More signs the border closure is continues to hitting the South Island hard**

Retail Sales Growth (%)  
Year to March 2021



Source: Stats NZ, ASB

### Northland ★★★★★

The North Island as a whole had a really strong quarter and Northland was the best of the bunch, taking the gold medal for a third consecutive quarter. Once again, solid jobs growth is

underpinning the region's strength, lifting nearly 5% yoy. Northland's improving labour market looks to be coinciding with a construction boom, with the region also topping the country for residential building consents granted. Beyond that, the region continues to perform well on almost every other metric we monitor, from new car sales to consumer confidence. The region was one of the hardest hit by the drought over the summer, but there's little sign it put a dampener on things (no pun intended). With commodity prices surging over the start of the year, the North Island's agri heartlands all had a strong quarter, and Northland's forestry sector is a great example of that trend. Prices are currently sitting at all-time highs, with export volumes are also performing well. All-up, we are impressed by Northland's ongoing comeback, particularly in light of the challenges the region faces, like the proposed closure of the Marsden Point oil refinery.

### Auckland ★★★★★

Auckland holds its ground near the middle of our scoreboard, lifting one slot to ninth place. It was a busy quarter for the jewel of the Waitemata, marked by Team New Zealand's stunner at the America's Cup. The lack of international tourists in the country meant the latter didn't quite trigger the spending splurge it might have in a different year – the region was broadly in the middle of the pack for retail sales, consumer confidence and employment growth. On the other hand, it's impressive that the region continues to hold its ground despite shifting up COVID alert levels a few times during the quarter. The housing market remained as crazy as ever, with house sales growth second in the country, though we think there's scope for things to cool ahead of the rest of the country given how stretched affordability metrics currently are.

### Waikato ★★★★★

Waikato just misses out on a podium finish this quarter, coming in at number four. Most notably, there was plenty of cash splashing around, with retail sales growth topping the country for a second consecutive quarter. This is the seventh quarter Waikato has been in the top half of our scoreboard, and we see scope for further strength in the region over the next twelve months. After all, the region is New Zealand's dairy behemoth, and the sector is enjoying a golden run at the moment. We reckon farmers can expect a \$7.60kgms milk price for the season just been, and we've got our 21/22 forecast sitting at an even loftier \$8.20 kgms. That should help deliver an influx of cash for the region's farmers. Ute sales may surge before July 2022.

### Bay of Plenty ★★★★★

Bay of Plenty slips three places down the rankings but remains near the top of our scoreboard. With youngsters packing into Tauranga for Bay Dreams, retail spending held up well over the summer, coming third in the country with an 8% lift. Booming construction was also a real source of strength this quarter, with consents up a whopping 75% on Q1 2020. A large increase in non-residential building consents seems to be behind the surge, and it does sound like there are a number of interesting projects going on, with a new kiwifruit packhouse being built in Te Puke, the Papamoa town centre development, the Tauranga Historic Village upgrade (well worth a visit). Despite all that activity, Bay residents were actually the least optimistic in the country this quarter. While the region has a number of key sources of strength, we're conscious it's among the most impacted by the ongoing border closure and lack of migrant workers.

**Gisborne** ★★★

Gisborne remains in the top half of our scoreboard but slips seven slots down to number nine. But don't panic, Gizzy's dip comes after a period of solid growth – this time last year, the region was enjoying a year-long winning streak at the top of our scoreboard. That stronger starting point might explain why employment fell a little (against the national trend) and new car sales posted some of the weakest annual growth in the country. Still, the region continues to charge ahead on a number of other metrics. Notably, Gisborne's construction boom is the most dramatic in the country (and there's plenty of competition on that score).

**Hawke's Bay** ★★★★★

Another stunner for the Hawke's Bay, hanging on to the silver medal for a second consecutive quarter. Like everywhere else, house prices are up annually in a big way, but the pace of gains has been particularly astonishing, up a whopping 27.2%. There was also a big surge in new car sales this quarter, up 32.5% (!) on the same time last year. The region's strong run of late is particularly impressive given the absence of international tourists – with regional sales holding up, it looks like the Bay has done well to attract domestic tourists over the summer. With hospitality restrictions easing overseas, we think there could be further upside for the Bay's food and beverage exports.

**Taranaki** ★★★

Taranaki lifts three slots to seventh place this quarter. Despite that overall lift, the labour market looks a little soft. Employment is down 4.8% on the same time last year, having notched up falls for three of the last four quarters. We've previously highlighted some of the uncertainties looming over the job market, with the impending closure of the Methenex plant at Brixton. Fortunately, it looks like the region is setting up a [scheme](#) to tackle some of its challenges. The 'Naki also fared well on a few other measures, with a big lift in construction and an optimistic outlook on consumer confidence.

**Manawatu-Wanganui** ★★★★★

Manawatu-Wanganui is back up near the top of our scoreboard this quarter. Given its solid performance over the past year, we think it's earned an extra star. With the rural sector enjoying a strong run thanks to high commodity prices, folks in the Manawatu-Wanganui boasted high consumer confidence and were happy to throw a bit of cash around, with retail sales lifting 10.6%. The region also boasts one of the hottest housing markets in NZ, with prices up 25.8% yoy, even as residential construction also charges ahead (+40% yoy).

**Wellington** ★★★

Wellington enjoys a five-rank jump to sixth place. Urban regions have generally underperformed through the pandemic, but this quarter the capital looks to have benefitted from the rising tide seen through the North Island. Wellingtonians were the most optimistic in the country, first in consumer confidence. Wellington's strength in our Scoreboard has always been its hot property market. This quarter it got leapfrogged by a few other regions, but that's a reflection of those areas catching up, rather than the Welly market deteriorating.

**Special Topic****North Island vs South Island – what gives?**

Our scoreboard shows a massive widening in the North/South divide this quarter – the nine North Island regions all took the top nine slots, and the seven South Island regions took the bottom seven slots. It's rare we see such a clear divergence emerge, but we suspect there are a few drivers:

- Overseas tourism makes up a larger portion of spending down south (think Queenstown, the Sounds and the West Coast), so the regions are still suffering disproportionately more from NZ's lengthy border closure.
- Conversely, agricultural output makes up a smaller portion, so the region isn't benefitting as much from the recent surge in commodity prices.
- The South Island property market also hasn't been as tight as it is up north, and consequently, it hasn't enjoyed as much of a residential construction boom, and house price gains have been a bit more modest (albeit still surging by double digits in many places).

**Nelson** ★

Nelson plunges seven slots down to fourteenth on our rankings, acting as a good symbol for the South Island's challenges as a whole. While employment fell year-on-year, and retail sales growth slightly lagged the national average, it was the softer property market that underpinned the underperformance. Construction actually fell vs. the same time last year, against the national trend. Nelson was actually dead last in the country for house price gains, though as ever, context is key – in the current environment, even a comparatively cooler market still means an annual lift of circa 9.5%.

**Tasman** ★★

Tasman holds its ground at joint twelfth place on our scoreboard. It was a relatively muted quarter for the region on most scores, though it was saved from the some of the sharper annual falls seen in other parts of the South Island. Employment data in the top of the Island eased a shade from its pre-COVID levels, retail sales stalled, and consumer confidence was some of the most pessimistic in the country. Bucking the trend of its neighbours, Tasman's ongoing construction boom was its saving grace this quarter – residential consents were up 46% on the same time in 2020.

**Marlborough** ★★

Marlborough totters two places up the rankings but remains stuck near the bottom of our scoreboard, also at joint twelfth. There was less activity going on in the property market this quarter – building consents dipped (down 9.8% yoy) and house sales plunged 29%. Marlborough did outperform on one score though – the petrol heads of Picton and the boy racers of Blenheim helped the region undergo a 29% lift in new car sales. Surprisingly, retail sales were unchanged from last summer, despite the absence of international tourists – reporting from local journo's suggests the region has benefitted from an influx of local tourists. We urge patriotic aviation fans to take a trip down to Omaka for the

★rescheduled airshow in September.

**West Coast** ★★

The West Coast drops six ranks this quarter, moving from the top half to the bottom half of our scoreboard. The region has been one of the hardest hit from the border closure and the absence of international tourists, with retail sales plunging 19% from their pre-COVID level a year ago. Unsurprisingly, job numbers and consumer confidence readings were also on the softer side. Once again, the region's tiny property market was bouncing around the scoreboard, with house sales lifting 84% from a low base.

**Canterbury** ★★

Canterbury was the strongest performing South Island region this quarter, up three ranks to ninth (though still in the bottom half of our scoreboard). Given the region has a large, rural hinterland, it's probably benefitted more from surging commodity prices than some of its neighbours. Most obviously, it was the only southern region to see a lift in employment numbers (+2.1%) from pre-COVID levels in Q1 last year. Still, we suspect it will have been sporting, rather than economic news, that will have been Cantabrian's focus of late, with the Crusaders narrowly missing out on a spot in the trans-Tasman Super Rugby final – but charity does start at home and it's been a long time between drinks for one former rugby powerhouse...

**Otago** ★

Otago edges up two ranks to joint fourteenth but remains stuck near the bottom of our Scoreboard for a fifth consecutive quarter. The challenges faced by tourism hubs like Queenstown continue to leap out, with employment numbers down 5.2% on last year, when visitors were flowing freely. In fact, this quarter, Otago was below the national average on every other metric we measure (including posting a large, 27% fall in construction). We hope the region sees further gains from the trans-Tasman bubble through the winter, though given some Aussie tourists are usually visiting friends and family – and have a comparatively low spend per head – the journey to a decent recovery looks set to take a while longer.

**Southland** ★

New Zealand's southernmost region finishes up southernmost on our Scoreboard, dropping two slots to sixteenth place. As well as the broader challenges facing the South Island, Southland faces its own challenges (who could forget the impending closure of the Tiwai Point smelter) and its proximity to the tourism hub of Otago. There was a bit of softness evident across the board this quarter, with employment, retail sales, construction and the housing market all underperforming the national trend. Unsurprisingly, Southlanders were a bit cautious about making large discretionary purchases in the current climate, with new car sales down 2.4% annually – the only region to undergo a decline.

## Taking the regions' temperatures

|                   | Share of the economy<br>Mar-20 |       | Population<br>Jun-20 |       | Employment<br>Mar-21 |        | Retail Sales<br>Mar-21 |         | House prices<br>Mar-21 |       | Construction<br>Mar-21 |        | New car sales<br>Mar-21 |                    | Star Rating<br>Mar-21 |
|-------------------|--------------------------------|-------|----------------------|-------|----------------------|--------|------------------------|---------|------------------------|-------|------------------------|--------|-------------------------|--------------------|-----------------------|
|                   | %                              | 000's | annual growth        | 000's | annual growth        | \$m    | annual growth          | \$000's | annual growth          | \$m   | annual growth          | No.    | annual growth           | 5 – hot<br>1 – not |                       |
| Northland         | 2.5                            | 195   | 2.6%                 | 99    | 4.8%                 | 661    | 6.3%                   | 641     | 15.8%                  | 225   | 61.3%                  | 1,385  | 21.8%                   | ★★★★★              |                       |
| Auckland          | 37.9                           | 1,718 | 2.2%                 | 929   | 0.4%                 | 7,564  | 5.5%                   | 1,153   | 15.5%                  | 2,374 | 21.8%                  | 24,504 | 2.5%                    | ★★★                |                       |
| Waikato           | 8.6                            | 497   | 2.3%                 | 264   | 0.9%                 | 1,815  | 11.3%                  | 713     | 19.0%                  | 637   | 26.9%                  | 5,163  | 19.8%                   | ★★★★★              |                       |
| Bay of Plenty     | 5.8                            | 337   | 2.8%                 | 174   | -1.1%                | 1,295  | 8.0%                   | 780     | 23.6%                  | 516   | 74.5%                  | 3,507  | 16.0%                   | ★★★★★              |                       |
| Gisborne          | 0.7                            | 51    | 1.2%                 | 117   | -0.8%                | 167    | 6.0%                   | 647     | 23.5%                  | 27    | 89.0%                  | 338    | 1.8%                    | ★★★                |                       |
| Hawke's Bay       | 2.8                            | 179   | 2.0%                 |       |                      | 647    | 6.8%                   | 725     | 27.2%                  | 244   | 44.2%                  | 1,689  | 32.5%                   | ★★★★★              |                       |
| Taranaki          | 2.9                            | 125   | 1.5%                 | 65    | -4.8%                | 405    | 2.1%                   | 515     | 20.4%                  | 147   | 59.7%                  | 1,129  | 23.8%                   | ★★★                |                       |
| Manawatu-Wanganui | 3.8                            | 254   | 1.6%                 | 135   | 1.4%                 | 861    | 10.6%                  | 537     | 25.8%                  | 229   | 31.0%                  | 2,256  | 21.2%                   | ★★★★★              |                       |
| Wellington        | 12.5                           | 542   | 1.8%                 | 312   | 1.6%                 | 2,016  | 5.2%                   | 852     | 21.9%                  | 538   | 16.7%                  | 5,686  | 20.7%                   | ★★★                |                       |
| Tasman            | 1.9                            | 56    | 2.4%                 | 111   | -1.0%                | 220    | -0.8%                  | 778     | 15.2%                  | 76    | 32.7%                  | 415    | 5.3%                    | ★★                 |                       |
| Nelson            |                                | 55    | 1.9%                 |       |                      | 251    | 4.1%                   | 767     | 9.5%                   | 42    | -13.9%                 | 599    | 7.7%                    | ★                  |                       |
| Marlborough       | 1.0                            | 50    | 1.6%                 | 124   | -18.8%               | 202    | 0.0%                   | 636     | 22.2%                  | 46    | -9.8%                  | 375    | 29.3%                   | ★★                 |                       |
| West Coast        | 0.6                            | 32    | 0.3%                 |       |                      | 297    | 16.7%                  | 18      | 26.9%                  | 258   | 18.9%                  | ★★     |                         |                    |                       |
| Canterbury        | 12.4                           | 646   | 2.2%                 | 361   | 2.1%                 | 2,563  | 5.5%                   | 571     | 14.4%                  | 846   | 18.9%                  | 7,695  | 3.1%                    | ★★                 |                       |
| Otago             | 4.4                            | 245   | 2.3%                 | 134   | -5.2%                | 1,057  | -10.2%                 | 688     | 9.6%                   | 326   | -27.2%                 | 2,004  | 4.9%                    | ★                  |                       |
| Southland         | 2.1                            | 103   | 1.1%                 | 56    | -3.4%                | 395    | 1.4%                   | 404     | 12.7%                  | 59    | -1.6%                  | 867    | -2.4%                   | ★                  |                       |
| New Zealand       | 100                            | 5,084 | 2.1%                 | 2,758 | 0.3%                 | 20,240 | 4.9%                   | 768     | 17.36%                 | 6,350 | 22.4%                  | 57,870 | 8.8%                    | ★★★★★              |                       |

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.

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