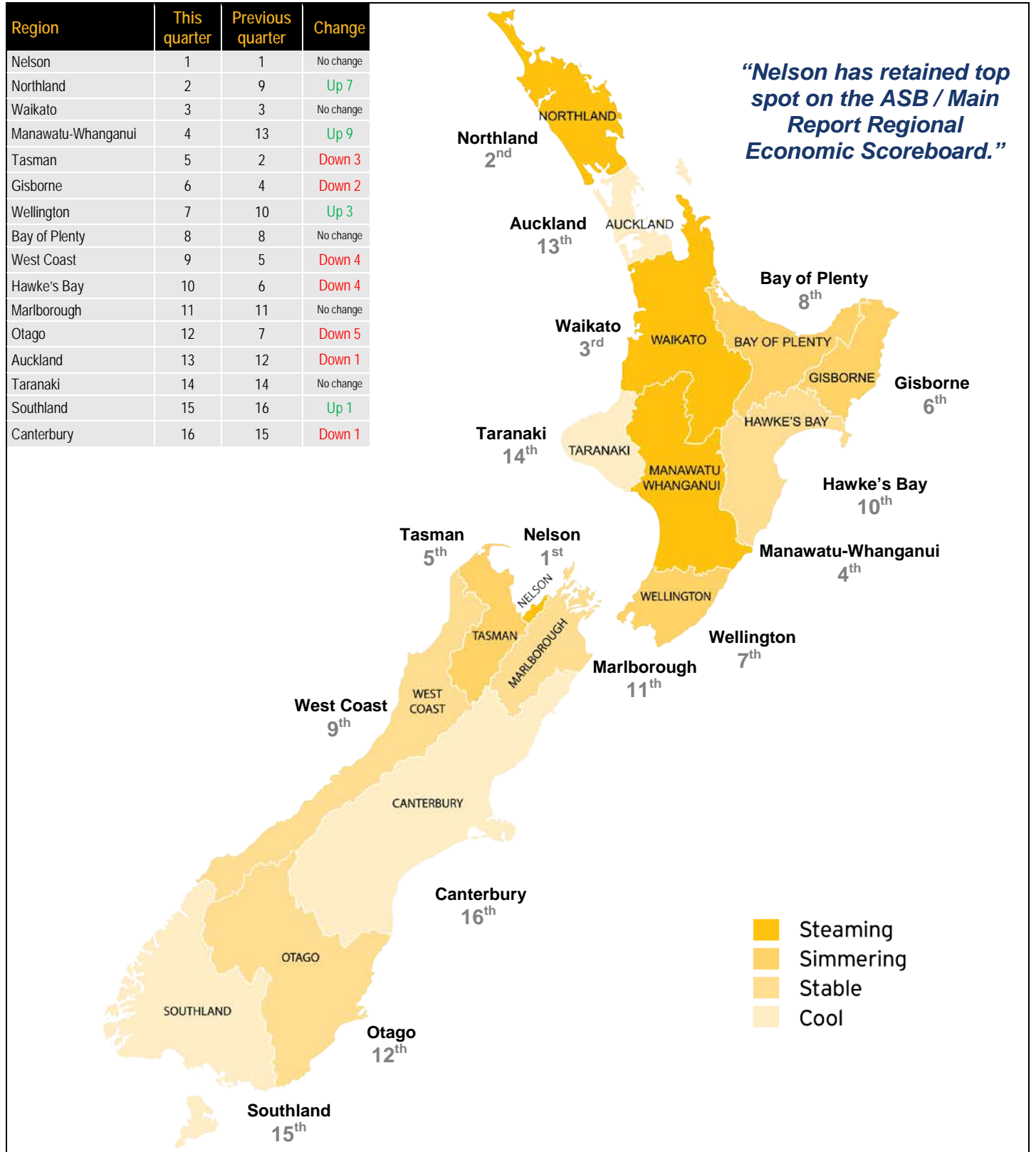


The NZ Regional Economic Scoreboard takes the latest quarterly regional statistics and ranks the economic performance of New Zealand's 16 Regional Council areas. The fastest growing regions gain the highest ratings, and a good performance by the national economy raises the ratings of all regions. Ratings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

Region	This quarter	Previous quarter	Change
Nelson	1	1	No change
Northland	2	9	Up 7
Waikato	3	3	No change
Manawatu-Whanganui	4	13	Up 9
Tasman	5	2	Down 3
Gisborne	6	4	Down 2
Wellington	7	10	Up 3
Bay of Plenty	8	8	No change
West Coast	9	5	Down 4
Hawke's Bay	10	6	Down 4
Marlborough	11	11	No change
Otago	12	7	Down 5
Auckland	13	12	Down 1
Taranaki	14	14	No change
Southland	15	16	Up 1
Canterbury	16	15	Down 1



The National State of Play

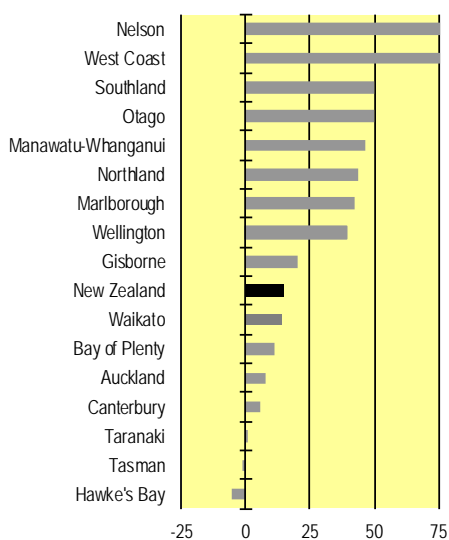
Employment* ★★★★★	Retail Sales ★★★★★
Due to last year's survey changes labour market data comparisons are still difficult; as a result, we've excluded the employment data from our rankings calculations. But the employment story is good: growth is strong in terms of jobs growth, and business employment intentions remain positive.	The retail sector is experiencing solid growth, with activity boosted by both the growing population (courtesy of record net migration) and a booming tourism sector. Even with the prospect of continued sales growth, retail price pressures will rise only gradually, with the exception of the accommodation sector.
Wages ★★★	New Car Sales ★★★★★
Strong employment growth continues to fail to push wages significantly higher for most sectors. Pressures remain largely confined to tourism-related sectors and construction. Continued record high levels of migration and a strong willingness to work amongst those of working age are keeping overall wage growth low.	New car sales surged again over the quarter, although unlike last quarter, a lot of the strong growth rates were outside of Auckland. Nonetheless, Auckland's registrations are still up 10% on a year ago as the region awaits the latest motorway to get opened, and provide another place to get congested.
House Prices / Sales ★★★	Construction ★★★★★
House prices are up on a year ago, and by double digits in many regions. But, price gains have slowed and may slow further, as investor restrictions and affordability continue to restrain house sales.	The values of both residential and non-residential consents are up on a year ago, and construction will continue to drive economic activity over coming years. The biggest issues relate to capacity constrains slowing the boom.

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

The Regional Lowdown

Quarterly Chart Focus: Solid Pipeline

Total value of building consents
Annual % change to March



Source: Statistics NZ

Northland ★★★★★

Having slid two places in the preceding quarter, Northland burst back up the rankings in the latest Scoreboard. Indeed, with Northland now in second place, the region is snapping at the heels of first-placed Nelson. Northland continues to post solid numbers which compare, for the most part, favourably with national averages. Confidence is one area which is lower than average, but that's not impacting sales - the annual growth rate for new car registrations and retail sales is stronger than anywhere else. The tourism boom is helping the region, and although the employment figures are ropery these days, Northland's labour market is clearly improving. So we add a star for Northland!

Auckland ★★★★★

Auckland is suffering from growing pains: the level of activity is high, but the growth rate of activity has slowed. And that's what the scoreboard measures. Indeed in many cases construction can't happen

fast enough. The best example is housing: Auckland residential building consents are down on a year ago, but not because the demand isn't there for more housing. There are simply too many impediments in the way. Meanwhile, one massive road project is near completion, while an even bigger one is on the planning table. Car sales are up, albeit by less than the national average. Don't expect that traffic jam to clear any time soon. Overall the picture is one where activity remains high for most sectors, but the level of activity is struggling to lift, or is falling as capacity constraints bite. We are trimming Auckland by one star as we monitor the indigestion.

Waikato ★★★★★

Waikato remains on the medal dais, grabbing the bronze for the second consecutive quarter. Tourism remains the region's star, with growth in guest nights second only behind Gisborne/Hawke's Bay, as we saw in the previous Scoreboard. The housing market continues to be good in terms of sales. Prices are significantly up over the year, but appear to have softened over Q1. The construction outlook remains good, with a healthy volume of residential and non-residential consents being issued. Against this backdrop, and as the important dairy sector recovers, it was surprising to see consumer confidence dip in the region over the past quarter. Nonetheless, we remain very upbeat on the Waikato's outlook.

Bay of Plenty ★★★★★

The Bay of Plenty held steady around mid-pack in the latest Scoreboard. The slowdown in housing turnover is significant, and prices are now drifting sideways after a significant lift over 2016. There are still a lot of building consents being issued, but the level is down on last year's peak. For now it seems the Bay is another region to bear the brunt of the tighter housing investor restrictions. On the positive side of the ledger, the region is benefitting from the tourism boom and the positive export sector. The dip in consumer confidence is at odds with signs that retail trade is steaming along in the region. All up we are keeping the Bay to a four-star rating for now, and monitoring how the slowdown in housing plays out in the region.

Gisborne ★★★

Gisborne dipped slightly in the latest Scoreboard, but the region is still running in the top half of the rankings, and is looking pretty good relative to its track record over recent years. The wider region (Hawke's Bay and Gisborne) tops the country for guest nights growth, which is really encouraging. We are also seeing strong house price growth in the region, and reasonable turnover, but it's not triggering a lot of residential construction activity. Non-residential consents have been patchy, but it looks like there's a reasonable volume of work in the pipeline. We are keeping the region on three stars, and hope to see the signs of improvement over the past two scoreboards strengthened.

Hawke's Bay ★★★★★

The Hawke's Bay has fallen further in the latest Scoreboard, and is now in the bottom half of the rankings. That move reflects a real mixed bag of results. As mentioned above for Gisborne, the wider region topped the guest night growth figures nationwide. But retail sales growth is weak, and the value of non-residential construction consents has fallen. Meanwhile, annual house price growth continues, and so does the growth in residential consent issuance. The Bay keeps its four-star rating, for now, reflecting our optimism for tourism, horticulture and viticulture in the region. Rockets aren't the only thing lifting off in the region. But we are also keeping a wary eye on the construction outlook for the region.

Taranaki ★★

Taranaki remains stuck towards the bottom of the rankings, at 14th place again this quarter. The region is in the bottom half of the rankings for almost all the other measures. One exception is house price turnover, which is fairly reasonable. But house price growth is modest, and not enough to stimulate a lift in construction. And it's the lack of construction activity that continues to hold the region back on the Scoreboard. Taranaki remains one of the weakest regions for total construction growth this quarter. However, the recovery in dairy sector incomes will help the region; we expect to see more signs of that boost over the year ahead.

Disclaimer

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Manawatu-Whanganui

★★★★

Unlike its northern neighbour, Manawatu-Whanganui shot up the rankings in the last quarter, from 13th place to 4th this quarter. The recovery in dairy incomes and decent outlook for other primary production in the region has to be helping. House sales and residential consents have recovered somewhat too. Growth in new car registrations adds to the story in the region, and we add a star.

Wellington

★★★★

The November earthquakes had pushed the capital city down to 10th in the preceding Scoreboard's rankings. But, as expected, the region has subsequently picked back up on several measures and also lifted back up to 7th in the latest Scoreboard rankings. The capital is ranking around mid-pack on most measures, with house prices the exception. House price growth has been stronger in Wellington than anywhere else, and the market remains tight. Low supply is impacting the level of sales activity, and the tight market should keep supporting prices for a while yet.

Nelson

★★★★★

Nelson is on top of the Scoreboard for the second quarter running. It has been all about booming tourism, horticulture and viticulture, as well as construction in the last year. And in the latest scoreboard Nelson ranked third in terms of new car registrations and was second equal (behind Auckland) for consumer confidence. The pipeline of construction work has grown more in percentage terms in Nelson than anywhere else. Combine that strength with high confidence and the associated retail strength, and the picture is very positive for the coming quarters. Nelson is the place to be.

Tasman

★★★★

Tasman has slipped in the rankings this quarter, but the region is still looking good. Like Nelson, consumer confidence is high, and tourists are keeping Tasman's retailers busy. However, Tasman

continues to lag in both the construction outlook and the housing market in terms of turnover. Nonetheless, Tasman looks very good, and the region is still well positioned to do well from the tourism boom and export sector strength.

Marlborough

★★★★

Marlborough remains at 11th spot this quarter, as last year's earthquake continues to impact activity. Transport links are still disrupted, and activity is likely to be impacted over quarters to come. That initial impact is the slowdown in activity we have seen in this, and the preceding, Scoreboard. But, as we saw in Canterbury over the year that followed the 2011 earthquake, we will now start to see the repair work and resumption of activity showing up in the data, in turn boosting the region back up the rankings.

West Coast

★★★★

The West Coast has slipped to ninth in the rankings this quarter. Nonetheless, it's the second-successive top ten ranking for the Coast. In particular, housing market activity on the Coast is heating up, with the region top dog in house sales growth for the quarter. Also, after topping the retail sales last quarter, annual growth in the sector remains healthy at 12%. On this basis, the Coast comfortably keeps its three star-rating.

Canterbury

★★★★

Canterbury hits rock bottom on the scoreboard this quarter. We repeat that the level of activity remains high in the region, but the slowdown is across a broad range of the growth indicators. Growth (or in this case actually decline) in guest nights remains a thorn in Canterbury's side, with that measure the weakest in the country. The housing sector also continues to slow in the wake of the rebuild, with house sales down 11% over the year, for example. From here, we expect the broader economy will continue to rebalance over 2017, with the traditional drivers of growth returning gradually. Also this year,

we expect the dairy income to boost activity in rural Canterbury into 2018.

Otago

★★★★★

Otago's slipping fast down the rankings as capacity constraints curb activity growth. But, as we point out in other regions, that growth rate slowdown is inevitable when a region has been running hot, and is hitting capacity constraints. This is most obvious in the accommodation sector: guest nights can't lift if hotels are fully booked. Likewise for retail sales growth – the cash registers have been ringing loud and hard for the last few years, but the rate of growth in annual sales is now not as high as elsewhere. The construction pipeline also remains healthy, although the total value of construction consents is off its recent peak. The value of residential permits is at a record high, while non-residential consents are off their recent peak. In sum, the level of consents over the past year should keep the hammers swinging for a while longer. House prices are still on the rise, although the growth rate is slowing, and turnover keeps falling. Lending restrictions are impacting parts of the housing market in Otago, and we expect this to continue. But while the level of activity remains so high, we are keeping Otago on five stars.

Southland

★★

The worm is turning for Southland. Indeed, the region has lifted off the bottom of the rankings this quarter, and there are signs of further improvement to come. For example, construction sector activity is lively and house price growth is bang on the nationwide average. No doubt a better agricultural season and the lift in the milk price are helping. With dairy farmers' bank balances improving all the time, we expect that to translate to broader strength in the local economy. The retail sector, for example, could do with the boost. Perhaps come the second half of 2017, Southland may charge up the rankings. Watch this space!

Taking the regions' temperatures

Annual growth= Qtr(t)/Qtr(+4)	Share of the economy Mar-16		Population Jun-16		Employment* Mar-17		Retail Sales Mar-17		House prices Mar-17		Construction Mar-17		New car sales Mar-17		Star Rating Mar-17
	%		000's	annual growth	000's	annual growth	\$m	annual growth	000's	annual growth	\$m	annual growth	No.	annual growth	5 – hot 1 – not
Northland	2.5	171	1.8%	80	10%	616	33%	459	17%	149	44%	1487	27%	★★★★	
Auckland	37.2	1614	2.8%	880	7%	6038	4%	982	10%	1711	7%	31859	10%	★★★★	
Waikato	8.3	449	2.3%	242	10%	1436	3%	481	15%	411	14%	5000	12%	★★★★	
Bay of Plenty	5.2	294	2.2%	154	5%	1122	12%	517	17%	292	11%	3600	19%	★★★★	
Gisborne	0.7	48	1.1%	105	4%	136	0%	323	18%	14	20%	311	16%	★★★	
Hawke's Bay	2.7	162	0.9%	105	4%	418	2%	427	18%	82	-5%	1575	10%	★★★★	
Taranaki	3.3	117	0.8%	62	4%	268	0%	366	8%	76	1%	1097	13%	★★	
Manawatu-Whanganui	3.8	237	1.0%	124	9%	672	4%	284	15%	112	46%	2517	25%	★★★	
Wellington	13.5	505	1.6%	287	5%	1616	5%	542	19%	367	39%	6133	17%	★★★★	
Tasman	1.7	50	1.6%	97	7%	179	13%	543	16%	45	-2%	23%	23%	★★★★	
Nelson	1.7	51	1.4%	97	7%	219	9%	537	15%	52	127%	1570	23%	★★★★★	
Marlborough	1.0	46	0.4%	92	3.8%	177	-1%	410	11%	36	42%	23%	23%	★★★	
West Coast	0.6	33	-0.3%	92	3.8%	105	12%	233	0%	18	105%	218	10%	★★★	
Canterbury	13.2	600	2.3%	341	2%	2115	1%	481	2%	847	5%	8595	8%	★★★	
Otago	4.3	219	2.0%	120	0%	944	5%	429	15%	322	50%	2243	7%	★★★★★	
Southland	2.0	98	0.7%	57	1%	258	1%	238	9%	56	50%	892	21%	★★	
New Zealand	100	4693	2.1%	2547	6%	16316	5%	549	9%	4592	15%	69249	16%	★★★	

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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