

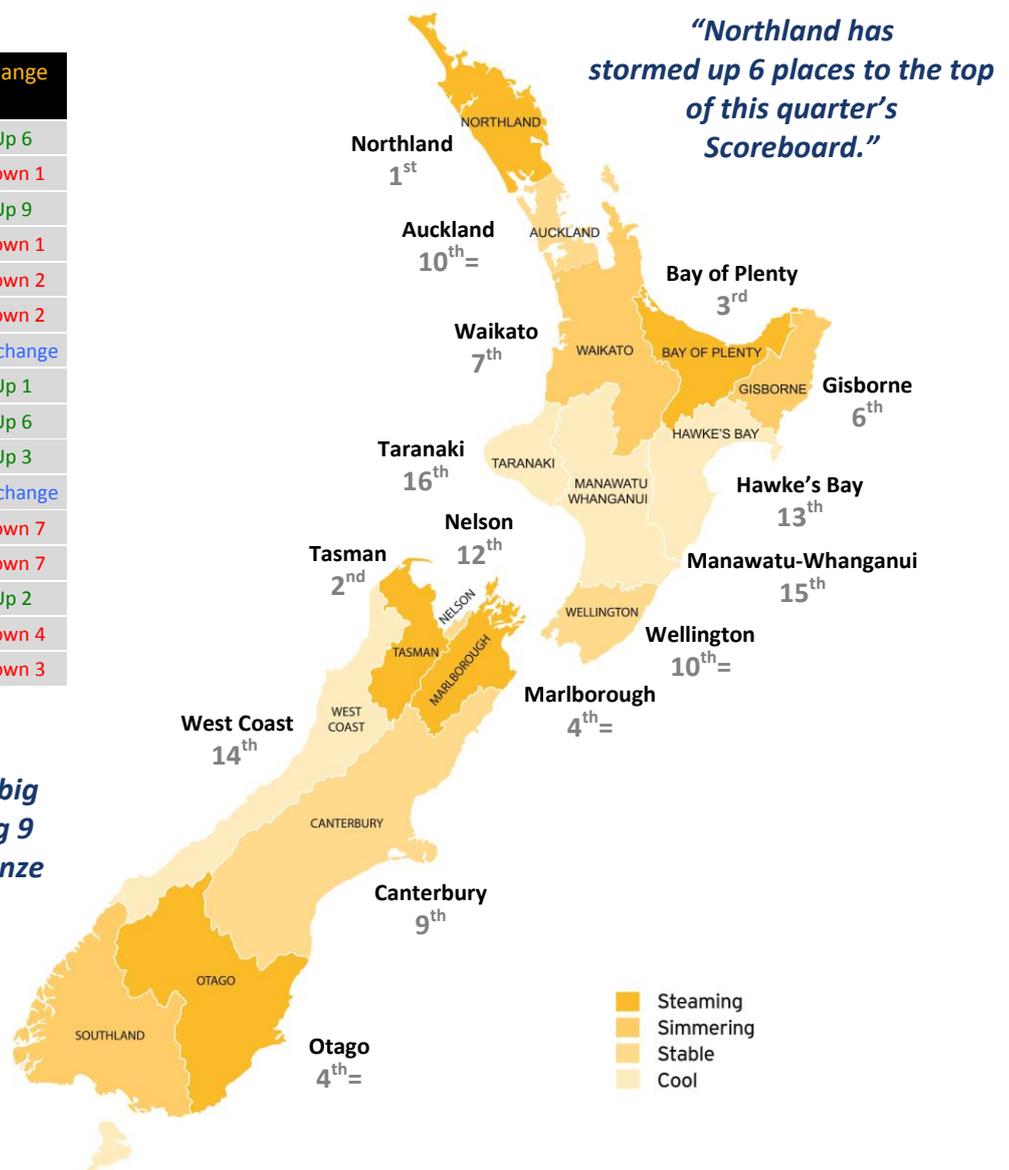
ASB Regional Economic Scoreboard

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March 2018 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 11 measures, including employment, construction, retail trade, and house prices.

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



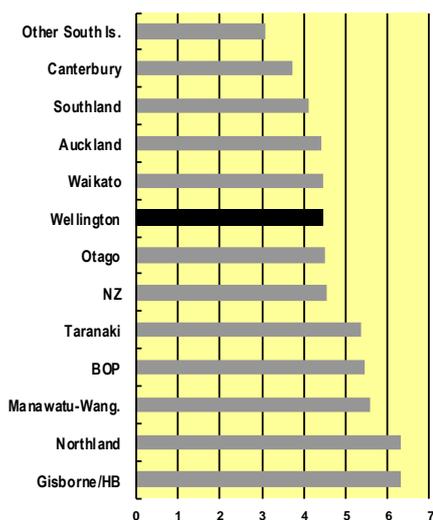
The National State of Play

Employment ★★★★★	Retail Sales ★★★★★
Strong demand for labour has remained evident, with the economy adding close to 80,000 jobs over the past 12 months and the unemployment rate falling to a nine-year low. The labour market is expected to remain tight over 2018, with moderate employment growth over the course of the year.	Generally solid performance, although lower March quarter volumes took off some of the gloss. Still-low retail inflation is helping consumers get good bang for their buck. Ongoing jobs growth, increases in government support and lifting rural incomes should support spending growth over 2018.
Wages ★★	New Car Sales ★★★
Despite the tight labour market, wage growth remains low outside of a few pockets. We expect wage growth to lift over 2018 given April increases in the minimum wage and further labour market tightening.	New car registrations fell in the March quarter, with nationwide sales 3% lower than 12 months ago. Disruptions to vehicle imports were a likely catalyst. A modest June rebound is possible, but we look to be past the peak.
House Prices / Sales ★	Construction ★★★★★
Housing market activity remains in the doldrums in the major centres, with signs of strength in some regional areas. National house sales over March were 1% lower than 12 months ago. Nationwide annual house price inflation remained low at 2.1%, but with much stronger growth rates evident in some regions.	Total consent values were around 9% higher than a year ago, with similarly-sized increases for residential and non-residential work. Residential consent activity is approaching 2004 peaks, with increasing productivity or more inputs needed to overcome capacity constraints.

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

The Regional Lowdown

Quarterly Chart Focus:
Unemployment rate at nine-year low
 March 2017 Unemployment Rate
 Annual Average (%)



Source: Statistics NZ

Northland ★★★★★

Northland has stormed up six places to the top of Scoreboard to grab this quarter's gold medal. And with the gold medal the region also nails the obligatory 5-star rating. Indeed the region was a jack-of-all-trades over the quarter, with solid ratings across all of the measures. That said, the region added a healthy 4.6% more jobs over the year and not surprisingly this growth then spilled over into the retail sector where annual sales grew at over 5%. No doubt the good summer weather contributed to the positive vibe up North too!

Auckland ★★

Auckland has crept higher in the latest Scoreboard, up three places to 10th equal. On most key measures the big smoke is middle of the road – employment, retail sales guest nights are all growing at annual rates close to or a little above the national average. Interestingly, an acceleration in

residential building consents over the quarter is hinting that housing construction may pick up over the year. That would be good news for the region as the post-election lull in building was a worry. In addition, much of the pick-up has come via consents for town houses, pointing to some of the planning changes having the desired effect in terms of densification. The same cannot be said for commercial construction, however, and we are wary of Fletchers' much-publicised issues spilling over into a slowdown in broader commercial building.

Waikato ★★★

The Waikato economy was a bit like the Chiefs over the quarter. That is the region is sitting mid-table, performing well in some areas, and not so flash in others. On the flash side, the accommodation sector is charging along, indicating that the 'No Vacancy' signs were up in Whangamata and Raglan over the summer. However, the region's households have suffered from a loss of confidence, and we suspect that may have been due to the various summer storms and Mycoplasma Bovis concerns. With better recent weather recently and a decision on Mycoplasma Bovis now made, confidence may return through the middle of the year.

Bay of Plenty ★★★★★

The Bay of Plenty was the big mover this quarter, jumping 9 places and grabbing the bronze medal and a 5 star rating in the process. It seems that the summer sun had the desired effect in the region as holiday makers spent up large, while accommodation was bursting at the seams in the Bay's summer hotspots. One drag was employment over the quarter though, and it appears that has continued with the Kiwifruit sector struggling to fill vacancies over the picking season. That said the Kiwifruit export season is set to shatter previous record highs. On that basis, with regional incomes strong, the Bay may be set for a prolonged spell towards the top of the Scoreboard.

Gisborne ★★★★★

Gisborne is hanging in there in the latest rankings, claiming a respectable sixth ranking. While this is

down two spots on the last quarter, we still see some strong indicators in this quarter's results. In particular, the region's retailers had a boomer quarter, with Gisborne leading the way nationally in terms of annual retail sales growth. Importantly, jobs growth was strong over the quarter. The housing market is also quite perky. Construction activity is also light in the region, while household confidence is on the low side of the national average. But for us, we prefer to focus on the positives and hence Gisborne keeps its four-star rating.

Hawke's Bay ★★★

Unfortunately for the Hawke's Bay, the region has slipped seven spots to 13th in the latest Scoreboard. Despite the fall, the region's housing market remains strong, with the Bay topping the house price growth stakes nationwide. In addition, annual jobs growth was robust. However, both house and car sales fell over the quarter in annual terms. And when combined with weak household sentiment, this leads us to trim a star off the Bay. Looking over the remainder of the year, we suspect the Bay will rebound soon, particularly as horticulture, forestry and sheep sector returns are robust.

Taranaki ★★

Taranaki propped up the Scoreboard this quarter, after the region fell three spots in the rankings. The region was one of the worst-hit by drought over the summer. With that in mind it's not that surprising that consumer confidence was the weakest in the country over the quarter. From here, it may get worse before it gets better. The Government's decision in April to cease issuing permits for offshore oil exploration will begin to filter through into the Scoreboard's indicators from next quarter. However, the strong milk price along with the fact that the region is largely Mycoplasma Bovis-free (touch wood!) may provide some offset at least for the region's dairy farmers.

Manawatu-Whanganui ★★

Manawatu-Whanganui has slipped a further four places to second-to-last in the latest Scoreboard. The region also dips down to a two-star rating. The

weak labour market remains the region's Achilles heel as the number of jobs fell over the year. Meanwhile, drought dented agricultural production over the summer months. Looking ahead, we expect the region's economic fortunes to improve on the back of otherwise healthy agricultural incomes and any potential boost from the Government's 'free first year' of tertiary study policy. We wonder if that meant Palmy's streets were particularly jovial over Orientation week this year.

Wellington ★★

Wellington stayed put in 10th place in the latest Scoreboard. The Capital's housing market is robust, with house prices (and rents!) rising at a brisk pace. This buoyancy is also translating into a surge in residential housing consents, and that'll translate into construction activity over the year. On this basis, we expect the jobs and spending to follow, and with it we wouldn't be surprised if the Capital makes a run up the Scoreboard over the year.

Nelson ★★

Nelson hit a speed bump in the latest Scoreboard, slumping seven places in the rankings to 12th place. However, we suspect that this ranking doesn't do the region justice and the dip may well prove short-lived. For example, the housing market remains strong, with annual house sales growth the second-highest in the country. Also, Cyclone Gita may have put some business on hold during the quarter. Reluctantly, though, we trim a star off the region's rating, but as discussed we suspect the region may bounce back quickly.

Tasman ★★

Tasman grabs the silver medal this quarter, although it has lost top dog status to Northland. The region's housing market remains key to its fortunes with house prices strong and the construction pipeline also full. As per above, the wider region's labour market is also strong. From here, we expect more of the same as the outlook for the region's key industries such as horticulture remain strong.

Marlborough ★★

Marlborough has stayed near the top of the Scoreboard this quarter, albeit sliding one spot down to fourth equal. Marlborough retailers had a bumper summer, no doubt helped by the Marlborough Flyer steaming high-spending cruise passengers into town and the re-opening of the Kaikoura road link in December. It looks like the region's economic 2018 vintage is shaping up as a tasty one.

West Coast ★

The West Coast has edged off the bottom of the table, though its performance is still cool compared to most of the rest of the country. The housing story is interesting. Price performance is the weakest in NZ, actually registering a slight fall over the past year. Yet sales turnover is simply charging away from that elsewhere. Alongside that we note that guest night growth is the 3rd strongest – we hope all these developments don't imply cheque-book laden Aucklanders are suddenly discovering the green jewel of the south! Residential construction, retail sales and car registrations are relatively weak in the region – the softness of the latter two may dispel the Auckland housing theory.

Canterbury ★

Canterbury has started creeping back up the rankings. Growth in visitor numbers has been sharp, which is heartening to see as Christchurch rebuilds its accommodation stock after the earthquake losses. Hopefully that capacity will get a Super Rugby workout on August 4. Consent issuance for non-residential buildings is up sharply after a slowdown in late 2017, suggesting the rebuild of the heart of the city will maintain a strong pace. Consumer confidence is above the national average. The region is being weighed down in our rankings by relatively muted house prices and the continued decline in housing construction now that housing supplies have well and truly overcome the earthquake shortfall.

Otago ★★

Otago has slipped slightly amidst the strong tussle at the top of the table. The tourism boom is clearly continuing to make its mark in the region, with retail sales up strongly, the fastest growth in employment of any region, and above-average population growth to fill the jobs demand. House price growth throughout the region remains impressive, with Dunedin City prices continuing to outshine their flashy lake cousin's. However, building consent issuance has nosedived, particularly for non-residential work. That is somewhat of a surprise, given the people pressures coming on the Central Lakes areas. And car registrations have fallen slightly more than the national average. Perhaps it's the effect of Queenstown's \$2 bus service? Or are 2 traffic lights simply 2 too many? Or is the lake Water Taxi simply the way to go?

Southland ★

Southland has maintained a middling Middle Earth rating. It is clearly benefitting from the tourism boom with its double-digit annual growth in guest nights the fastest in NZ. Talk of traffic jams, regional fuel taxes and toll charging evidently haven't reached as far south as Invercargill, judging by chart-topping growth in car registrations. Consumer confidence in the region has returned: sustained good dairy prices are a positive given Southland's heavy dependence on dairy, though the Mycoplasma Bovis outbreak could yet dampen confidence. Flat employment and an unwinding of a past surge in non-residential building consents are constraining the region's ranking.

Taking the regions' temperatures

Share of the economy Mar-16		Population Jun 17		Employment* Mar 18		Retail Sales Mar 18		House prices Mar 18		Construction Mar 18		New car sales Mar 18		Star Rating Mar 18
Annual growth= Qtr(t)/Qtr(+4)	%	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	175	2.3%	84	4.6%	562	5.2%	472	10.3%	177	19%	1,513	2%	★★★★★
Auckland	37.2	1657	2.6%	914	3.8%	6,440	3.7%	1,004	-0.6%	1,910	12%	30,115	-5%	★★
Waikato	8.3	460	2.4%	251	3.8%	1,489	3.1%	522	6.5%	463	13%	4,968	-1%	★★★
Bay of Plenty	5.2	300	2.2%	156	0.9%	1,110	5.8%	569	7.0%	319	9%	3,722	3%	★★★★★
Gisborne	0.7	49	1.3%	109	4.2%	134	7.9%	325	11.6%	11	-20%	334	7%	★★★★
Hawke's Bay	2.7	164	1.5%		4.2%	530	2.3%	467	15.7%	97	18%	1,487	-6%	★★★
Taranaki	3.3	118	1.1%	63	2.1%	352	5.1%	388	7.1%	84	10%	1,058	-4%	★★
Manawatu-Whanganui	3.8	240	1.4%	117	-6.2%	694	-0.9%	320	12.0%	169	50%	2,400	-5%	★★
Wellington	13.5	514	1.8%	294	2.7%	1,732	1.5%	606	8.7%	438	19%	5,921	-3%	★★★★
Tasman	1.7	51	1.8%	101	4.8%	191	6.1%	556	12.3%	68	52%	1,558	-1%	★★★★★
Nelson		51	1.6%		4.8%	209	-4.7%	579	12.6%	38	-26%		-1%	★★★★★
Marlborough	46	1.5%	4.8%		188	7.4%	453	6.7%	47	29%	-1%	★★★★★		
West Coast	33	0.0%	4.8%		143	0.6%	218	-3.0%	15	-13%	167	-23%	★★	
Canterbury	13.2	612	2.0%	350	2.8%	2,286	2.5%	481	-0.4%	873	3%	8,377	-3%	★★★
Otago	4.3	224	2.3%	131	9.7%	1,133	6.0%	489	12.9%	249	-23%	2,118	-6%	★★★★★
Southland	2.0	98	0.4%	57	-0.5%	356	2.7%	269	9.1%	43	-23%	1,133	27%	★★★
New Zealand	100	4794	2.1%	2626	3.1%	17,547	3.3%	572	2.1%	5,002	9%	64,871	-3%	★★★★

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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