

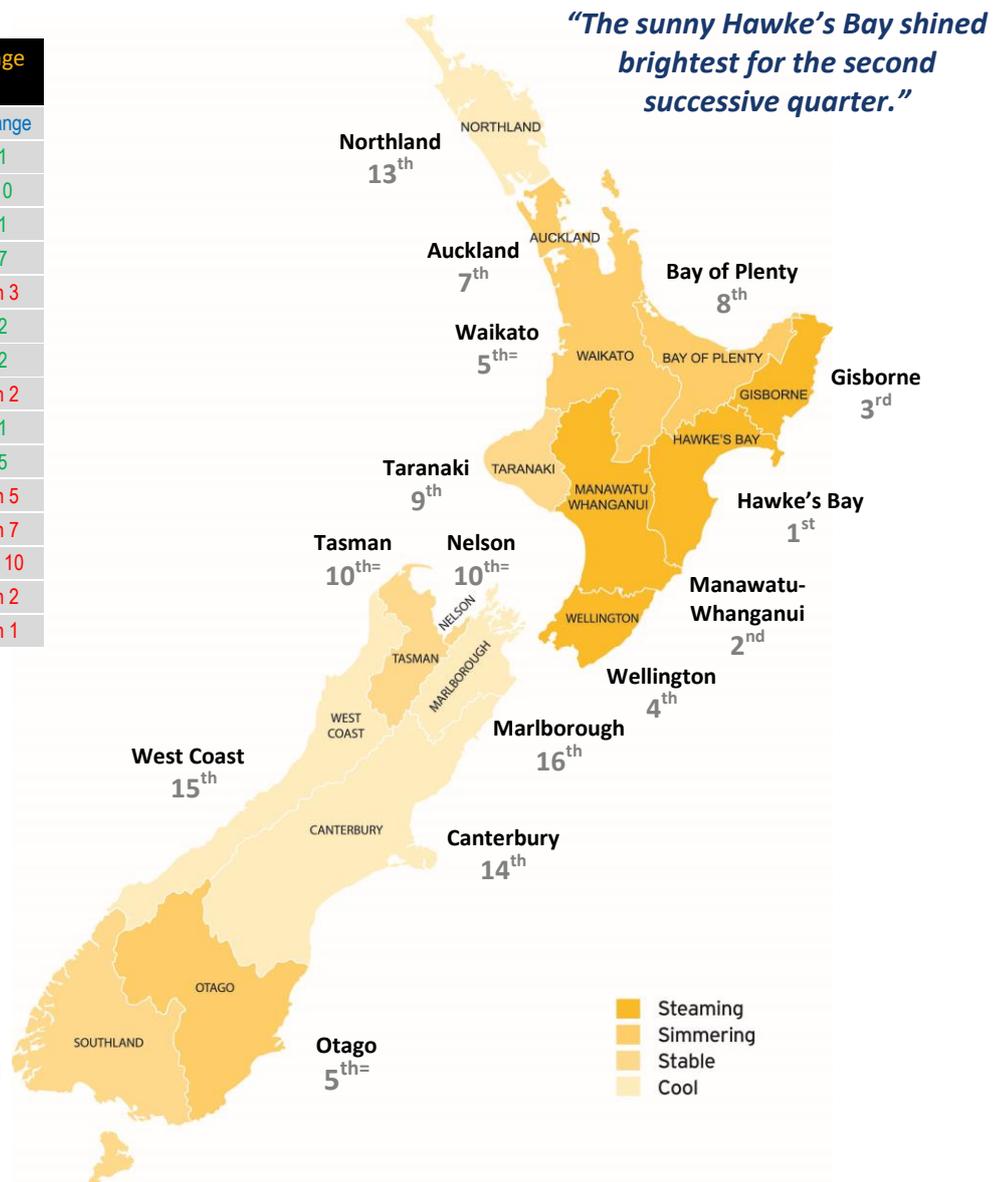
# ASB Regional Economic Scoreboard

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March 2019 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, including employment, construction, retail trade, house prices.

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



## The National State of Play

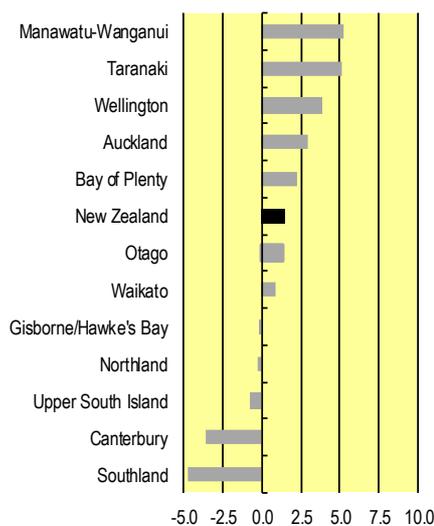
<b>Employment</b> ★★ Employment declined in the March quarter, with the pace of annual jobs growth slowing to 38,000 over the March 2019 year, the lowest since late 2015. Lower labour participation pushed the unemployment rate down to 4.2%. We expect the unemployment rate to drift up over 2019 given moderate employment growth, but for skilled and unskilled worker shortages to remain in some areas and sectors.	<b>Retail Sales</b> ★★★ Retail sales volumes rose 0.7% in the March quarter and followed the strong December quarter. Low retail prices supported the March quarter figures, with annual growth in retail values falling below 4%. Solid annual increases were evident for most retail categories, except motor vehicles. We expect moderate retail sales growth over 2019, with a finely-balanced outlook.
<b>Wages</b> ★★ Wage growth has been benign given the low unemployment rate, increases in the minimum wage and public sector industrial action. Low rates of consumer price inflation, globalisation, employers' offering increasingly flexible terms, and low productivity growth look to be the key factors. We expect wage inflation will remain contained over 2019.	<b>New Car Sales</b> ★ New car registrations have continued to recede after peaking in late 2017, with the decline being regionally broad-based. With still-elevated fuel prices, the weaker NZD, and the less supportive housing market backdrop, a recovery in car sales looks some way off.
<b>House Prices / Sales</b> ★★ Nationwide annual house price inflation continued to cool. A two-speed nationwide housing market remained evident, with Auckland and Canterbury house prices flat to slightly falling. Price growth in most other areas generally remained robust, with price growth still in double digits in some regions.	<b>Construction</b> ★★★★★ Annual residential consent numbers are at their highest since the mid-1970s. Non-residential consent issuance values for the March year hit a new record high. Still-present capacity constraints suggest construction activity is close to topping out, with the large pipeline of work expected to prolong the boom.

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

## The Regional Lowdown

Chart of Quarter:  
Employment – a tale of two islands

Employment, March 2019  
Annual Change (%)



Source: StatisticsNZ

### Northland ★★★

It's a case of one step forward, one step back for Northland this quarter. In Scoreboard terms, the region has dropped the seven spots in the rankings that it gained last quarter. The key weak spot over the quarter was the region's labour market, with jobs flat on a year ago. The housing market was also patchy, with sales dipping 19% from the March 2018 quarter, although the region's house prices still managed to rise. Looking over the remainder of 2019, we expect the region to head north in the Scoreboard, particularly as the outlook for its key primary industries remains robust.

### Auckland ★★★

Until the America's Cup starts, we propose temporarily changing Auckland's name from the

'City of Sails' to the 'City of Cranes'. Indeed, this quarter, the number of cranes spread across the Super City jumped to a record high of 98. Moreover, the strong pipeline of growth for both residential and commercial construction means it's likely that that number will crack 100 this year. With that in mind, it is no surprise that jobs growth has been strong, with the construction sector leading the way in terms of hiring. The Hi-Vis and road cone industries must be booming as well. On the flipside, the housing market is weak as house prices fell nearly 3% over the past year. However, with the recent mortgage rate declines and the cancellation of the capital gains tax, we wonder if housing will make a modest comeback over the remainder of the year.

### Waikato ★★★★★

The Waikato was one of the big movers this quarter, jumping seven spots to fifth. The region posted solid efforts across most of the Scoreboard measures. From here, we expect the Waikato will remain at or above this level over the rest of 2019. In particular, we anticipate the rosy dairy outlook will give an income boost to things like the retail sector over coming quarters. Indeed, we wouldn't mind betting that this year's Fieldays (now only a week or two away) will set or go close to setting new record highs in terms of spend.

### Bay of Plenty ★★★

The Bay of Plenty has snuck back into the top half of the Scoreboard this quarter. Indeed, the Bay has produced an appropriately glass half full economic performance over the quarter. Like Auckland, Tauranga has set a new high in terms of the number of cranes as the CBD gets a long-overdue facelift. In contrast, house sales dipped in annual terms by 3%. Looking ahead, we suspect the Bay's economy may stay stuck in two speeds. That is, key industries like kiwifruit are likely to remain strong, but the housing market is likely to continue to butt up against both affordability and land availability constraints.

### Gisborne ★★★★★

Gisborne grabs this quarter's bronze medal in the latest Scoreboard. The region was also the quarter's fastest mover, jumping 10 spots. Gisborne topped the nationwide stats on building consent issuance and annual house price growth. The region's retail sector also fired over the summer months. As a result, we've bumped Gisborne up to a five-star rating and anticipate that the good times are likely to roll on over the remainder of the year.

### Hawke's Bay ★★★★★

The Hawke's Bay remains king of the Scoreboard castle this quarter. Again, the Bay posted solid numbers across the board this quarter. In particular, the region topped the nationwide car sales and guest nights growth (combined with Gisborne) measures. Meanwhile, the housing market and retail sector were also busy over the quarter. Looking ahead, we see solid momentum for most of the Bay's industries and hence we would be loath to bet against the region notching up a hat trick of Scoreboard gold medals.

### Taranaki ★★★

Taranaki is top of the bottom half of regions in this quarter's Scoreboard. The region's labour market remains a bright spot, with over 5% more jobs than the same quarter back in 2018. The construction pipeline is soft, however, with commercial building consents well down on a year ago. Looking ahead, we anticipate that the rosy dairy sector outlook is likely to offset soft construction activity so that more mid-table Scoreboard results are likely over the year.

### Manawatu-Whanganui ★★★★★

The Manawatu-Whanganui has grabbed a silver medal to go with last quarter's bronze in the latest Scoreboard. The region topped the annual jobs growth stats over the quarter. Meanwhile, the region's cash registers rang hot over the quarter as well. Similarly, the housing market remains in a sweet spot, with the region continuing to record

double-digit annual house price growth. For the remainder of 2019, we expect the healthy agricultural outlook to translate into healthy results on the Scoreboard. Thus, the million dollar question becomes: can the region claim a gold medal at some stage this year?

**Wellington** ★★★★★

Wellington has climbed one spot to fourth in the latest Scoreboard. The economic drivers remain similar to recent quarters, with the strong labour market probably the outstanding feature. The housing market is not far behind as annual house price growth is still comfortably above 10%. Looking beyond the quarter and with the Government's foot still on the fiscal gas, we anticipate the Capital's economic 'wellbeing' is likely to remain strong over the rest of the year.

**Nelson** ★★★

Nelson has pushed itself back up to 10<sup>th</sup> spot this quarter. Retail spending at the top of the South Island is top of the country as well. Construction is uniformly strong, with #2 rankings for both residential and non-residential. However, house sales turnover is quite weak, down over 20% from the previous year.

**Tasman** ★★★

Neighbours on the map and neighbours on the Scoreboard - Tasman joined Nelson at 10<sup>th</sup> equal this quarter. The retail sector shone brightest over the quarter for the region. However, otherwise it was relatively mediocre quarter for the region. Looking ahead, we are relatively optimistic on the region's economic fortunes, particularly as momentum in the region's key horticulture sector remains strong.

**Marlborough** ★★

Marlborough's recent soft patch has continued, with the region now at the bottom of the rankings. Retail growth is slow and construction has pulled back from its 2017 surge. There is nothing particularly bad happening within the region, it is just missing out on the food and forestry bandwagon that many other regions are riding. For example, one key wine market, the UK, is afflicted with a weak exchange rate amidst Brexit confusion. Hopefully Theresa May drowns her sorrows (or toasts with relief) with a good Marlborough drop.

**West Coast** ★★

The West Coast edged down two spots from 15<sup>th</sup> to 13<sup>th</sup> this quarter. What is eye-popping is that the Coast's house sales growth for the full year is continuing to sit in top spot. The number of homes listed for sale has been dropping sharply as well. Is some entrepreneur (or minister) buying up homes and shipping them to Auckland? As yet this mysterious phenomenon is not yet being reflected in house prices, but that could just be a matter of time. Aside from housing, car registrations and building consent issuance remain soft, as do guest nights (though a possible X-Files housing visit could change that one).

**Canterbury** ★★

Canterbury's economic performance is not quite as emphatic and consistent as the region's super rugby team, down from 4<sup>th</sup> to 14<sup>th</sup>. The region is still working through the transition from past strong construction growth to the traditional drivers. Employment has been soggy after 5 years of robust growth and, unsurprisingly, retail spending has been subdued. The housing market is in an interesting spot. Prices have been weak. But sales turnover growth was 3<sup>rd</sup> fastest over the year, and contrasted with outright declines in most other regions. The number of homes for sale has fallen over the past 6 months, another sign the market may be turning the corner. The Auckland market (and Blues) can only look at Canterbury wistfully.

**Otago** ★★★★★

Otago has been edged out of a podium position this quarter, but is still in the top 5 – something it has achieved for 7 out of the last 8 quarters. That's testimony to a variety of performing sectors in recent times. So, even as the heavyweight tourism industry has slowed (with guest nights down more than the overall average), there is still plenty of momentum. Building activity is just on fire, particularly the commercial side. House prices are rising at a decent clip through Dunedin's momentum, which continues to outpace Queenstown's. The backdrop of good meat and horticulture prices, and recovering dairy prices, are also giving the region good legs.

**Southland** ★★★

Southland is still seeing some consolidation after its big surge to the top spot last year. The housing market is still going strongly, with price growth accelerating and sales turnover rising stronger than anywhere except the West Coast. Employment was surprisingly weak over the quarter. Given how wobbly the employment survey is we suspect some recovery down the track and are inclined to look through it for now. There have, however, been sharp drops in residential building consents and car registrations. Nevertheless, we see many positives for the region. Lamb prices are exceptional, dairy prices are set to be higher over the new season. More inner city rejuvenation is on the way to Invercargill, on top of the transport museums. Keep on TRUCKing, Southland.

**Taking the regions' temperatures**

Share of the economy Mar-18		Population Jun 18		Employment* Mar 19		Retail Sales Mar 19		House prices Mar 19		Construction Mar 19		New car sales Mar 19		Star Rating Mar 19
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	2.6	179	2.1%	84	-0.2%	586	4.3%	511	3.3%	184	4%	1,386	-8%	★★★
Auckland	37.9	1696	2.3%	941	2.9%	6,705	4.1%	971	-2.8%	2,528	32%	27,846	-8%	★★★
Waikato	8.4	469	1.9%	254	0.9%	1,546	3.9%	558	4.8%	530	14%	4,743	-5%	★★★★
Bay of Plenty	5.6	306	1.9%	159	2.2%	1,146	3.3%	594	7.1%	395	24%	3,486	-6%	★★★
Gisborne	0.7	49	1.2%	109	-0.2%	144	7.5%	383	13.2%	17	48%	318	-5%	★★★★★
Hawke's Bay	2.8	166	1.2%			568	7.3%	518	12.2%	99	3%	1,570	6%	★★★★★
Taranaki	2.9	120	1.4%	66	5.1%	369	5.0%	396	3.8%	62	-26%	951	-10%	★★★
Manawatu-Whanganui	3.8	244	1.4%	123	5.2%	752	8.3%	385	11.6%	141	-17%	2,525	5%	★★★★★
Wellington	13.0	522	1.5%	306	3.8%	1,827	5.5%	661	11.0%	416	-5%	5,373	-9%	★★★★★
Tasman	1.8	52	1.8%	100	-0.8%	207	8.8%	604	4.6%	60	-12%			★★★
Nelson		52	1.0%			227	8.8%	609	8.0%	56	46%	1,432	-8%	★★★
Marlborough	1.1	47	0.9%			192	2.2%	503	4.1%	37	-21%			★★
West Coast	0.6	33	0.3%			149	3.9%	218	2.1%	14	-8%	134	-20%	★★
Canterbury	12.4	624	2.0%	338	-3.6%	2,323	1.6%	495	1.0%	665	-24%	7,739	-8%	★★
Otago	4.4	229	2.2%	133	1.4%	1,174	3.6%	532	9.5%	342	37%	2,051	-3%	★★★★
Southland	2.0	99	0.7%	54	-4.8%	372	4.6%	306	11.4%	43	-1%	970	-14%	★★★
New Zealand	100	4886	1.9%	2665	1.5%	18,287	4.2%	594	1.2%	5,588	12%	60,524	-7%	★★★

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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