

ASB Regional Economic Scoreboard

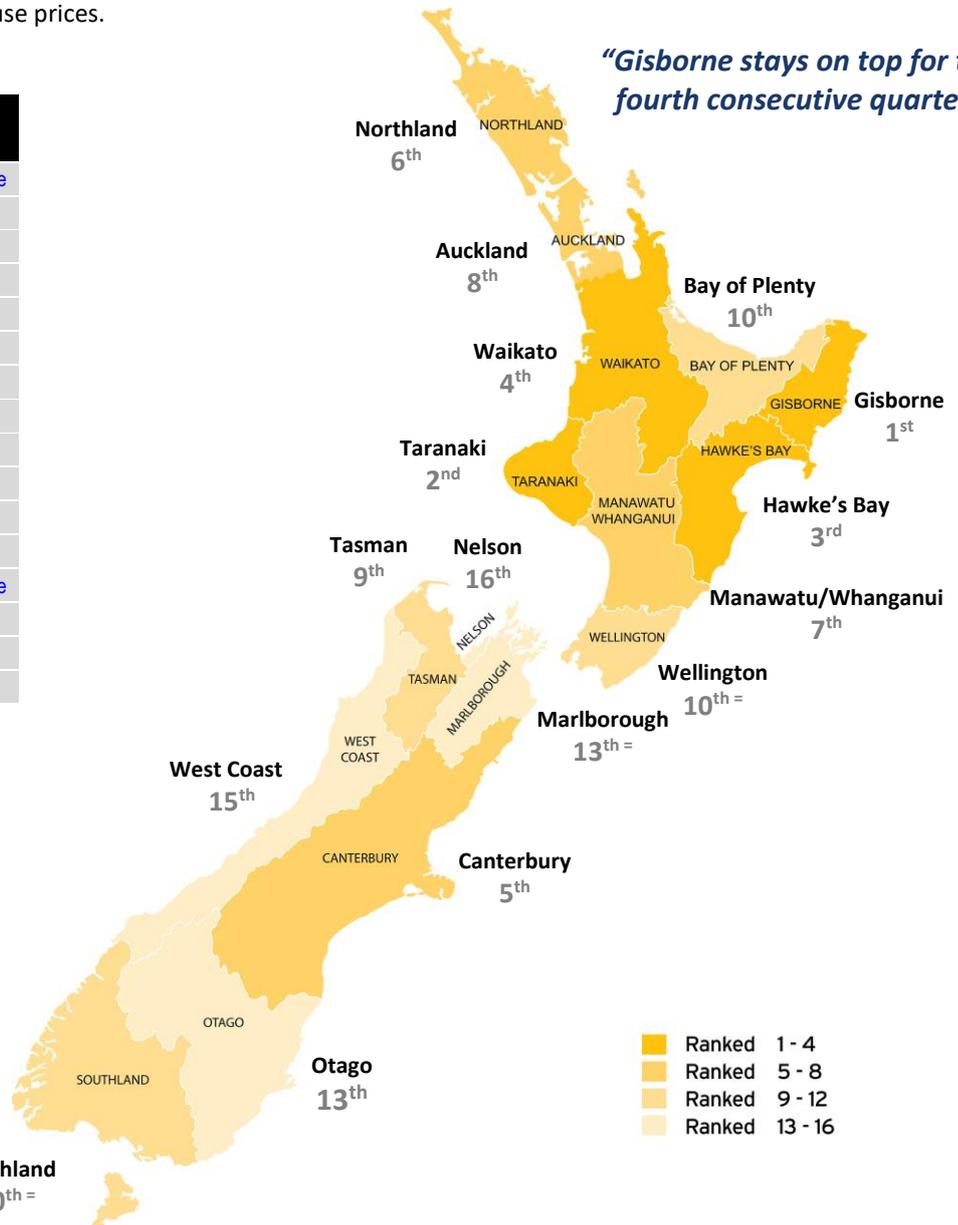
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ASB Regional Economic Scoreboard

March 2020 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
Gisborne	1	1	No change
Taranaki	2	9	Up 7
Hawke's Bay	3	11	Up 8
Waikato	4	3	Down 1
Canterbury	5	15	Up 10
Northland	6	11	Up 5
Manawatu-Whanganui	7	10	Up 3
Auckland	8	5	Down 3
Tasman	9	7	Down 2
Bay of Plenty	10=	2	Down 8
Southland	10=	8	Down 2
Wellington	10=	4	Down 6
Marlborough	13=	13	No change
Otago	13=	6	Down 7
West Coast	15	16	Up 1
Nelson	16	14	Down 2



The National State of Play

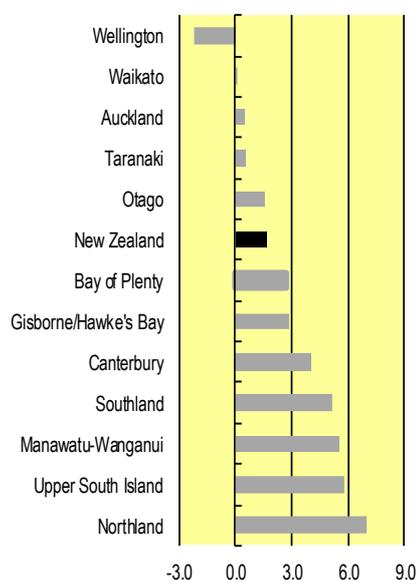
Employment ★★ Employment rose a seasonally-adjusted 0.7% in the March quarter, with the economy adding 42,000 jobs over the year to March. COVID-19 has seen surveyed employment intentions turn deeply negative and we expect the economy to shed around a net 125,000 jobs over 2020, with the unemployment rate to peak at just under 8%, from 4% at the end of last year.	Retail Sales ★★ Retail sales volumes fell 0.7% over the March quarter. COVID-19 restrictions in March contributed to sharp falls for apparel, hospitality and accommodation providers. Panic buying pushed supermarket sales volumes (+8.5% qoq) to a record high. April and May lockdown restrictions are expected to drive record falls for overall Q2 retail volumes.
Wages ★★ Wage growth was solid in Q1, with average hourly earnings running at above 3% in the March year. Despite further increases to the minimum wage in April, weak demand for labour, rising unemployment and low inflation is expected to push aggregate wage inflation lower over 2020.	New Car Sales ★ COVID-19 restrictions triggered a steep fall in new car registrations over the quarter. April registrations fell to a record low and while they lifted in May they were close to 30% lower than a year earlier. The weaker household sector outlook is expected to temper consumers' enthusiasm for new cars over 2020.
House Prices / Sales ★★ The housing market started 2020 strongly before COVID-19 restrictions impacted in March. Overall sales volumes fell 3.5% qoq s.a.). House prices (up +9% yoy according to the REINZ House Price Index) and the days to sell (a very low 32 s.a. in Q1) were consistent with a robust housing market. Both have fallen away considerably since then, with the pendulum swinging more in favour of buyers. We expect house price falls over the remainder of 2020.	Construction ★★★ At the start of the year, annual residential consent numbers were the highest since the mid-1970s, with elevated issuance in most regions. Lockdown restrictions saw a tailing off for residential and non-residential consent issuance at the end of Q1, with 5-6% declines in residential and non-residential volumes. The long pipeline of projects and Government infrastructure projects should keep the sector ticking over this year. 2021 may not be as good.

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

The Regional Lowdown

Chart of the Quarter:
Annual employment growth was positive over the year to 31st March. Now we are bracing for several tough quarters.

Employment Growth
 Year to March 2020



Source: Stats NZ Q1 Labour Market data.

Northland ★★★

Northland has been hit hard by drought, and its tourism, forestry and meat industries are heavily exposed to the fallout from COVID-19. The value of both residential and non-residential building consents were down on year-ago levels, and so were new car registrations. Before these challenges, Northland was going well, and employment growth over the year to March was stronger than in the rest of the country. Strong jobs growth had driven unemployment in the region

lower than it had been for many years. But, like elsewhere, the coming quarters will be tough for the region's labour market. In saying that, the infrastructure plans in the region bode well for supporting future jobs and longer-term prospects. And you never know, Northland may eventually find a port in a storm.

Auckland ★★

Auckland has slipped to mid-pack in this quarter's Scoreboard and was heavily exposed to the impacts of COVID-19. Prior to the shutdown housing market activity was strong, with Auckland topping nationwide house sales again. And that buoyant housing market helped consumer sentiment and retail sales over most of Q1. But now those drivers have changed, and the region is also exposed to the fallout from the halt to international tourism and education. The total value of building consents fell to its lowest for several years, although there is still a lot of construction to be done. We've trimmed Auckland's stars back to two.

Waikato ★★★

The Waikato surged 11 places up the Scoreboard to 3rd place in 2019 and is sitting at 4th in the latest rankings. The region's confidence held up better than everywhere else over 2020 Q1, but that didn't translate to outsized spending. Waikato is mid-pack in terms of housing activity, new car registrations and retail trade. Meanwhile the value of building consents issued is coming off last year's level. The year ahead will include some challenges: the lack of international tourists will impact, but domestic tourists already spend a lot more here than overseas tourists. International students will also be missed for a while yet. Encouraging recent signals for dairy prices are a positive for the region.

Bay of Plenty ★★

The Bay of Plenty has had a yo-yo ride in the scoreboard over the past year, coming from 15th

place in the Scoreboard a year ago, to second place in late 2019, only to drop back to 10th = this time. The Regional Scoreboard measures growth rates, which can jump around, as we are seeing in the Bay. There was a major step up in the level of construction activity taking place in the Bay compared to a few years ago, but the pipeline of work is now past the peak, with both residential and non-residential consent values declining on a year ago. Tourism and forestry are important to the region, and COVID-19 has hurt both. We remain positive about the outlook for horticulture, particularly with the kiwifruit season off to a strong start and riding the wave of consumers' desire to keep themselves healthy with a strong dose of Vitamin C. The Bay will also remain an attractive destination for domestic tourism while the borders remain closed.

Gisborne ★★★★★

It has been Gisborne's year, and the region has secured a fourth successive gold medal. Like everywhere, question marks are about the COVID-19 impact on the future. The reduction to four stars reflects these COVID-19 concerns, rather than Gisborne doing anything wrong, and the region went into the crisis with plenty of momentum. Housing market strength saw house price growth top the nationwide ranks over the quarter. Retail trade and new car registrations also grew more here than anywhere else. Non-residential consent issuance is high, but residential consent issuance appears to be past its peak. As we mentioned last quarter, Gisborne is significantly exposed to the impact of COVID-19. The forestry sector was initially hit hard by the disruptions caused by the coronavirus, and the meat sector has been impacted too. China's ongoing recovery from its COVID-19 disruption will help to drive a similar recovery in fortunes for these key sectors as well.

Hawke's Bay

★★★

The Hawke's Bay, like the Bay of Plenty has been on a yo-yo ride in the Scoreboard, courtesy of some lumpy growth data. This quarter it moved in the right direction, up to third place. The pipeline of both residential and non-residential consents was healthy at the end of Q1, and retail sales activity has been solid. Confidence in Hawke's Bay and Gisborne has been interesting – in early 2019 it was lower than nationwide, but in more recent surveys it has bounced back, which is encouraging for the region. Just like the other "Bay", Hawke's Bay is well positioned to capture a good slice of domestic tourism while the borders are closed. You don't need to travel to France to have a hearty meal of succulent lamb washed down with a warming red.

Taranaki

★★★

Taranaki has climbed dramatically up the rankings, from mid-pack to 2nd place. The result reflects a good pipeline of construction work, house price growth and solid retail sales growth over the past year. Consumer confidence has taken a knock this year, but is still holding up better than average, and the unemployment rate was lower than elsewhere as we went into lockdown. That all bodes well for the future as the economy emerges from the COVID-19 crisis. There are good plans to attract visitors later in the year, with entertainment, the Garden Festival and Arts Trail organised to bring visitors and their wallets to the region. Go local, go Taranaki!

Manawatu-Whanganui

★★★

Manawatu-Whanganui has recovered three spots in the latest Scoreboard, registering 7th spot in Q1. The region's bright spot has been its labour market, which has expanded well over the past year. That has helped the housing market and ties in with the good pipeline of construction work consented. The broader region will have some resilience to the impacts of the border closure. Tourism is more skewed towards the domestic market, agriculture should be relatively resilient, and the Manawatu is an important distribution hub – with the site of a new regional freight hub just announced.

Wellington

★★

Wellington has slipped back into the bottom half of the rankings, as COVID-19 saps consumers' confidence in the region. In contrast, we think Wellington can weather the COVID-19 storm better than most other regions given the steady ballast of central government. The construction outlook remains an area of strength in the region, and that should continue. Infrastructure spending will help, and the residential construction outlook also appears healthy. Wellington's house price growth was strong over Q1, continuing to outperform the other main centres. However, we do expect house market activity to cool over H2 2020.

Nelson

★★

Nelson has dropped back to trail in 16th place in the Scoreboard again. The housing market and construction outlook are subdued, and consumer confidence is low. International tourists will be missed in the region, but the top of the South Island has plenty of attractions for domestic travellers. For starters, cycling the Great Taste Trail between Nelson and Mapua is a fun way to explore, enjoy the area's hospitality, and burn some calories all at the same time. Nelson and the wider Tasman region have reasonably diversified economies, so we expect the top of the South Island will prove to be more resilient than Nelson's current Scoreboard ranking would imply.

Tasman

★★

Tasman remains around mid-table (9th) in the latest Scoreboard. The retail sector posted solid sales growth over the quarter, but other indicators point to a subdued outlook. We're encouraged by the huge range of things to do in Tasman and think the region can make a good case to be top of the list for domestic tourists. Skydiving, kayaking, walking, wine tasting, or a tour to Farewell Spit. What's on your bucket list?

Marlborough

★★

Marlborough remains stuck in 13th spot in the latest Scoreboard rankings. But the pipeline of construction work looks solid based on the value of residential and non-residential consents issued over the past year. COVID-19 poses a threat to exports including wine, which is a challenge. But the grapes were harvested this year despite the lockdown challenges. Reports suggest it should be an outstanding vintage despite the challenging situation.

West Coast

★★

The West Coast trails in 2nd to last place in the Scoreboard this quarter. Scoreboard readings across most measures were weak over the quarter. However, we still think that the dairy sector can do relatively well, and the Coast's fortunes could improve over H2 2020. And the West Coast Wilderness Trail is a must do for anyone wondering "what next" after cycling the Otago Rail Trail. Maybe not in the middle of winter though, unless you have some good wet weather gear!

Canterbury

★★★

Canterbury was 15th equal in the December Quarter Scoreboard but is back to 5th in the latest rankings. House price growth is still subdued, but the construction pipeline looks reasonable, albeit below the level of a few years ago. Retail sales growth has been modest, which ties in with the region's low consumer confidence. Employment growth has been an area of strength, and the region went into the lockdown with a low level of unemployment.

There is still plenty of work to be done here, and accordingly we expect the region can continue to chug along better than many other places. Did we mention the Crusaders?

Otago

★★

Otago has slipped significantly in the latest Scoreboard and faces several COVID-19 related challenges. Queenstown is enduring a material drop in visitor numbers, while Dunedin is suffering a similar fate in terms of international student arrivals. That's going to remain a challenge for a while yet. Confidence and retail sales have taken an understandable hit. However, Queenstown and the surrounding areas are probably at or near the top of the wish list for many kiwi explorers over the year ahead. Data shows kiwi tourists already spend a lot of money in the region, not far behind the amount that international tourists pour in. In Dunedin Uni life is returning slowly to normal for kiwi students at least.

Southland

★★

Southland dipped down to 10th in the latest Scoreboard. But prior to the lockdown the Southland housing market was still charging ahead, and the pipeline of consented construction work was encouraging. As mentioned above, if the dairy sector fares relatively well during the coronavirus outbreak as we suspect, that's a positive for the region. In contrast, jobs appear set to go with the expected closure of the Tiwai Point aluminium smelter next year.

The theme of domestic tourism can play out for Southland, with sports events, Bill Richardson's Transport World Museum, and plenty of Burt Munro memorabilia all drawcards. If you haven't been to the bottom of NZ yet, this should be the year you do so! The "eighth wonder of the world", Milford Sound, will be an even more amazing experience without the usual crowds to contend with. Check that out, then head to Invercargill, via Tuatapere, the Sausage Capital of New Zealand.

Taking the regions' temperatures

	Share of the economy	Population		Employment*		Retail Sales		House prices		Construction		New car sales		Star Rating
	Mar-19	Jun 19	Mar 20	Mar 20	Mar 20	Mar 20	Mar 20	Mar 20	Mar 20	Mar 20	Mar 20	Mar 20	Mar 20	Mar 20
	%	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	185	2.3%	92	7%	622	6.1%	559	4.1%	140	-24%	1,130	-18.5%	★★
Auckland	37.6	1,618	1.5%	889	0%	7,170	6.9%	1,061	4.5%	1,948	-23%	24,199	-13.1%	★★
Waikato	8.5	472	2.1%	256	0%	1,630	5.4%	595	6.1%	502	-5%	4,200	-11.4%	★★★
Bay of Plenty	5.7	318	2.0%	171	3%	1,199	4.6%	670	4.7%	296	-25%	3,157	-9.4%	★★★
Gisborne	0.7	49	0.8%	115	3%	157	9.2%	453	33.1%	15	-12%	335	5.3%	★★★★
Hawke's Bay	2.9	171	1.3%			606	6.6%	597	9.1%	169	70%	1,282	-18.3%	★★★
Taranaki	2.9	121	1.4%	67	1%	397	7.4%	433	11.0%	92	48%	800	-15.9%	★★★
Manawatu-Wanganui	3.8	246	1.4%	131	5%	778	3.5%	441	17.4%	174	24%	1,945	-23.0%	★★★
Wellington	12.9	522	1.1%	298	-2%	1,916	4.9%	752	9.4%	461	11%	4,723	-12.1%	★★★
Tasman	1.8	54	1.5%	109	6%	222	7.1%	665	5.5%	58	-4%	1,240	-13.4%	★★
Nelson		52	1.0%			241	5.8%	670	5.3%	49	-12%		-13.4%	★★
Marlborough		49	0.8%			201	5.1%	533	4.1%	51	37%		-13.4%	★★
West Coast		33	0.3%			153	2.9%	239	6.7%	14	1%		136	1.5%
Canterbury	12.4	618	1.8%	346	4%	2,430	4.6%	507	3.4%	711	7%	7,410	-4.3%	★★★
Otago	4.5	232	1.7%	137	2%	1,177	0.3%	589	8.4%	448	31%	1,945	-5.2%	★★
Southland	2.1	100	0.8%	57	5%	389	4.6%	356	17.6%	60	40%	928	-4.3%	★★
New Zealand	100	4,841	1.6%	2667	2%	19,288	5.5%	654	6.8%	5,188	-7%	53,430	-11.7%	★★

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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