

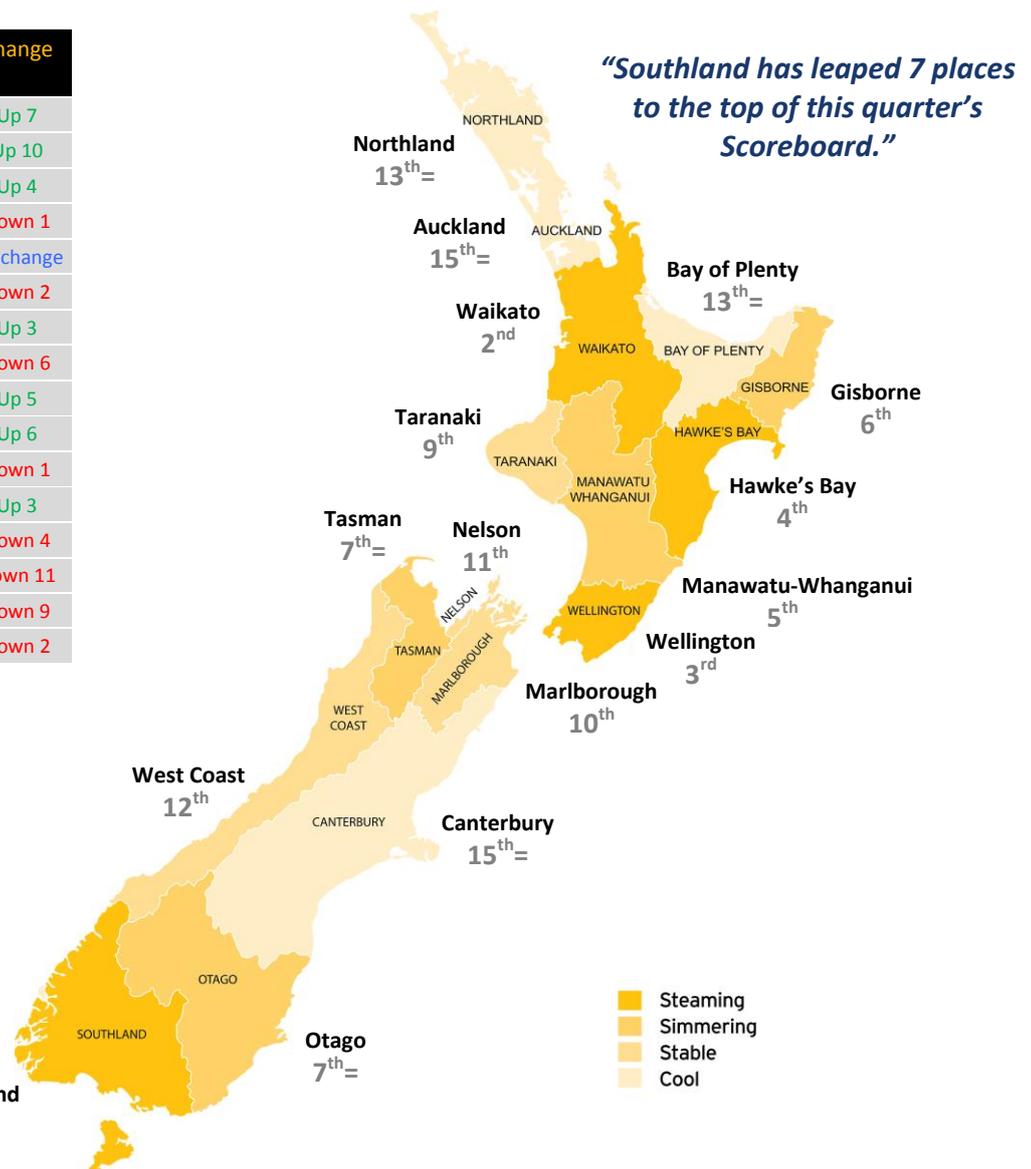
ASB Regional Economic Scoreboard

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

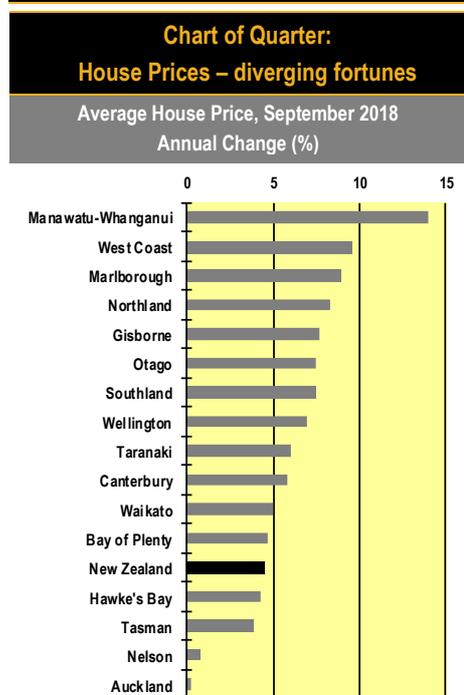


The National State of Play

Employment ★★★★★ The labour market remains firm, with the economy adding over 70,000 jobs over the past 12 months. Also, the unemployment rate fell to 3.9% over the quarter, highlighting just how tight the labour market is. We expect the labour market to remain tight, with moderate employment growth over the next 12 months, reflecting the continued scarcity of workers.	Retail Sales ★★ Retail sales weakened over the September quarter as high petrol prices put the squeeze on household budgets. However, with petrol prices falling since, we anticipate that spending will rebound over coming quarters. Increases in government support and supportive rural incomes will also help boost spending in time for Christmas.
Wages ★★ Wage growth has remained subdued over recent quarters. There is some pressure coming on wages via public sector industrial action. However, we anticipate that broader increases, particularly in the private sector, are still a year or so away.	New Car Sales ★ New car registrations fell on an annual basis for the third-successive quarter. Like with retail sales, high petrol prices are likely to have dampened car sales. Looking ahead, with petrol prices falling and the NZ dollar rising, we anticipate that car sales are likely to bottom out over the next quarter or two.
House Prices / Sales ★★ The housing market continued to run at different speeds in the September quarter. The Auckland market is subdued, with price and sales growth in particular largely flat over the quarter. Outside of Auckland, annual house price growth lifted to nearly 8%, while nationwide house price growth rose to 6%.	Construction ★★★★★ Total consent values have plateaued at near record high levels. At this stage and with capacity constraints kicking in, it appears that further growth is unlikely. However, given the long pipeline of work, activity levels are likely to remain high for a number of years to come.

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

The Regional Lowdown



Source: QV

Northland ★★★★★

Northland's fall in the Scoreboard has been swift. Recall that Northland topped the Scoreboard back at the start of the year. The region has fallen four further places this quarter, to lie 13th equal. In particular, housing market activity in the North has cooled, with annual house sales growth (or decline in Northland's case) the lowest in the country. Similarly, falling building consents indicate some softness is likely in construction sector activity over coming quarters. Some bright spots do remain, with horticulture, forestry and tourism strong. With this in mind, we look to the summer for a lift in economic activity in the region.

Auckland ★★

Auckland was the big mover – in the wrong

direction – this quarter, dropping 9 places to 15th equal with Canterbury on the Scoreboard. As a result, we trim a star off the Big Smoke's rating in the process. Notably the housing market has run out of steam, with house prices effectively unchanged from this time a year ago. In contrast, the jobs market remains a bright spot, with Auckland generating around 35,000 jobs over the year to September. We are also a little surprised that Auckland retail activity has held up over the quarter at the same time as petrol price rises, including the Auckland-specific tax, took effect. Maybe the influx of Teslas and Lime scooters helped cushion the blow?

Waikato ★★★★★

The Waikato has leaped 10 places over the quarter to grab the silver medal on the Scoreboard as well as a coveted fifth star. The region's housing market led the way, recording double-digit annual sales growth over the year. Similarly, the construction industry has a good pipeline of work to look forward to, following the 11% annual growth in the value of building consents during the quarter. Across the other measures, the region recorded solid readings. However, we're a little more circumspect on the region's outlook, particularly as Fonterra trimmed its milk price forecast twice over the December quarter.

Bay of Plenty ★★★★★

The Bay of Plenty has fallen from grace in the latest edition of the Scoreboard. Indeed, the Bay has sunk like a stone, from 2nd place last quarter to 13th equal place this quarter. We also trim a star off the region's rating. The question is: does this signal a change in fortune for the region? We think not. Kiwifruit sector incomes are at record highs and tourism, particularly the cruise ship market, remains strong. On this basis, we anticipate that the Bay will rebound over coming quarters.

Gisborne ★★★★★

Economically speaking, Gisborne had a mixed bag over the last quarter. In Scoreboard terms, the

region lost two spots, falling to 6th place. Over the quarter, the jobs market was strong in line with strength in Gisborne's key industries such as forestry, livestock and horticulture. However, housing market activity was soft, with house sales lower over the September quarter than at the same time a year ago. All up, with the incomes high in its key industries, we anticipate that Gisborne's solid run is likely to continue over coming quarters.

Hawke's Bay ★★★★★

The Hawke's Bay has slipped a spot to just outside of the medals in this quarter's Scoreboard. The Bay scored well across a range of categories. In particular, the jobs market has been hot in the Bay so far over 2018, with a 6.5% annual lift. This labour market strength has also translated into spending, with cash registers across the region comfortably doing 5% more business than the same quarter a year ago. All up, the Bay has good reason to celebrate its 5-star rating over a nice local Rosé this summer.

Taranaki ★★★★★

Taranaki jumped five spots in the rankings to sit 9th this quarter. We also added a star to the region's rating. Excellent spring growing conditions may explain part of the improvement. In addition, the region's labour market had a stellar quarter, and added over 7% more jobs than the same quarter back in 2017. Looking ahead, however, we anticipate that this may be as good as it gets for the region, particularly as Fonterra trimmed its milk price forecast twice in the quarter since.

Manawatu-Wanganui ★★★★★

Manawatu-Wanganui held on to 5th spot in the latest Scoreboard. We've added another star to the region's rating as well. The region's housing market led the way over the quarter, with the Manawatu-Wanganui recording the highest nationwide house price growth over the year (14%). The region also benefitted from the record-high lamb prices over the quarter. Moreover, with lamb prices set to stay very healthy over the remainder of the season, we

anticipate that the region is likely to remain comfortably in the top half of the Scoreboard over coming quarters.

Wellington ★★★★★

Wellington leaped 4 spots to grab the bronze medal in the latest Scoreboard. The Capital gains a 5-star rating in the process. Wellingtonians continue to be happy about their lot, with the region's consumer confidence reading the second-highest nationwide. With the Government's foot on the fiscal gas and Working Group consultants aplenty, we anticipate the Capital's economic fortunes are likely to remain healthy well into 2019.

Nelson ★★★

Nelson punters certainly enjoyed themselves when the All Blacks flew into town in August. The region's retailers cashed in, with Nelson topping nationwide annual retail sales growth over the quarter. Alas, it wasn't enough to swing the region's broader economic fortunes. Nelson remains in the bottom half of this quarter's Scoreboard. That said, there's a large pipeline of construction work ahead, so if that translates into broader activity, the region's economic fortunes may improve over the coming quarters.

Tasman ★★★

Tasman jumped 3 places to 7th equal in the latest Scoreboard. Tasman's retailers continue to flourish, with only neighbour Nelson recording better annual sales growth. The housing market is also charging ahead, with the region recording the second-highest annual house sales growth nationwide over the quarter. All up, it appears that last quarter's fall was an aberration. Moreover, with the horticulture sector charging ahead, we expect Tasman to remain near the top of Scoreboard over coming quarters.

Marlborough ★★★

Marlborough's stay at the bottom of the Scoreboard was short-lived, with the region jumping six places to 10th this quarter. Economic activity remains patchy in the region. Indeed, we wonder if the All Blacks lured punters over to Nelson in August as Marlborough's retail spend was the mirror opposite of Nelson's over the quarter. If that is the case, retail spending may perk up over coming quarters.

West Coast ★★

The West Coast lifted three spots to 12th this quarter. The standout for the Coast was its housing market as house prices jumped 9.5% over the year. Outside of the housing market, though, other indicators are soft. Let's hope the recent announcement of a government loan for a new dairy plant in Hokitika will jumpstart things over 2019.

Canterbury ★★

Canterbury slipped two spots this quarter, joining Auckland at the bottom of the Scoreboard. We also trim a star off the region's rating this quarter. Canterbury's economic rebalancing continues to be gradual. By some measures, the economy is normalising, with population growth, for example, running at a healthy 2% per annum. However, other measures present a less rosy picture. For example, Canterbury was the only region across the country to post falling job numbers over the September year. Putting that aside, the outlook for the region's export sectors remains healthy and, with the exception perhaps of Akaroa, the tourism sector, in particular, has ample capacity to grow. On this basis, we continue to expect that the Canterbury economy will gradually improve, although the lumpy nature of some of the CBD construction work means that the economic data will contain some fits and starts.

Otago ★★★★★

Otago slips six spots to 7th equal in the latest edition of the Scoreboard, losing a star in the process. Looking at the quarter's data, it's a case of Jekyll and Hyde, with Otago topping some readings and being close to the bottom in others. These data fit the picture of the region experiencing growing pains, particularly in Central Otago (read Queenstown). We expect the economic growing pains to continue for a while yet, and for volatile Scoreboard readings to accompany it. That said, growth in the Dunedin economy might be a little smoother than for its inland brethren.

Southland ★★★★★

Southland has leaped seven places over the last quarter to stand atop of this quarter's Scoreboard. The Southland housing market is hot, with the highest annual sales growth in the country. This strength is also translating into healthy house price growth. Meanwhile, tourists are obviously discovering the region's hidden gems, such as Te Anau, with the region also leading annual guest nights growth. Meanwhile, the rural sector outlook has improved. By most accounts, spring growing conditions were good, while the Mycoplasma Bovis situation is looking more positive over time. Furthermore, lamb prices set record highs over the quarter. All up, the region is well-deserving of its 5-star rating!

Taking the regions' temperatures														
Share of the economy Mar-17		Population Jun 17		Employment* Sep 18		Retail Sales Sep 18		House prices Sep 18		Construction Sep 18		New car sales Sep 18		Star Rating Sep 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	2.6	179	175	83	1.0%	504	4.0%	480	8.3%	150	-15%	1,449	-6%	★★★
Auckland	37.5	1696	1657	933	3.9%	6,426	3.4%	1,017	0.3%	2,196	3%	29,454	-8%	★★
Waikato	8.4	469	460	260	3.3%	1,430	4.0%	532	5.0%	587	11%	4,972	0%	★★★★★
Bay of Plenty	5.3	306	300	160	0.8%	1,073	5.8%	594	4.7%	304	-20%	3,646	-3%	★★★
Gisborne	0.7	49	49	106	6.5%	128	3.0%	338	7.7%	14	1%	348	4%	★★★★★
Hawke's Bay	2.7	166	164	106	6.5%	507	5.3%	484	4.3%	128	3%	1,630	1%	★★★★★
Taranaki	3.1	120	118	65	7.1%	358	2.1%	406	6.0%	89	18%	984	-16%	★★★
Manawatu-Whanganui	3.8	244	240	122	2.4%	738	3.0%	340	14.0%	151	1%	2,510	1%	★★★
Wellington	13.2	522	514	297	2.1%	1,747	4.0%	626	6.9%	358	-4%	5,806	2%	★★★★★
Tasman	1.8	52	51	101	3.9%	166	5.9%	598	3.8%	41	-20%	1,500	-2%	★★★
Nelson		52	51		3.9%	212	7.4%	589	0.7%	295	615%		-2%	★★★
Marlborough	1.0	47	46		3.9%	159	0.2%	471	8.9%	127	192%		-2%	★★★
West Coast	0.6	33	33		3.9%	102	1.7%	244	9.5%	17	6%	175	-25%	★★
Canterbury	12.9	624	612	339	-0.7%	2,199	2.3%	485	5.8%	512	-50%	9,241	-9%	★★
Otago	4.3	229	224	129	5.5%	1,003	0.9%	524	7.5%	284	-28%	2,088	-9%	★★★★
Southland	2.1	99	98	53	0.0%	328	4.9%	264	7.5%	44	-19%	1,055	13%	★★★★★
New Zealand	100	4886	4794	2648	2.8%	17,078	3.5%	618	4.5%	5,299	-5%	64,858	-5%	★★★

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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