

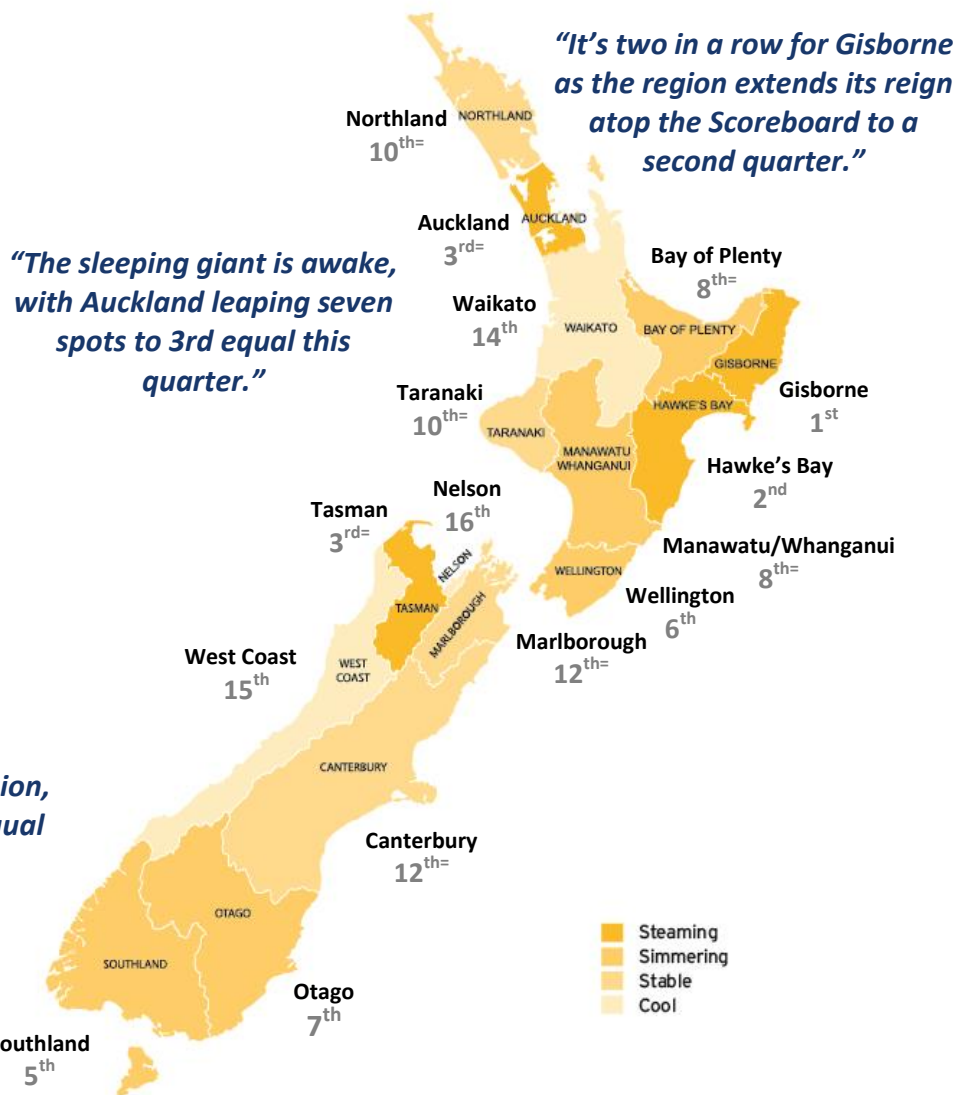
# ASB Regional Economic Scoreboard

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

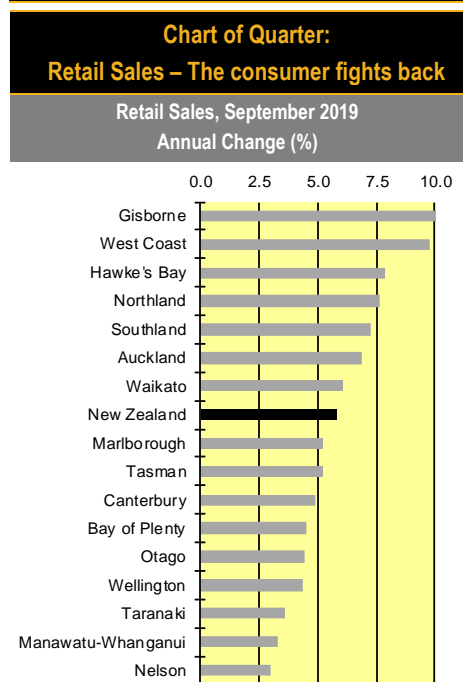


## The National State of Play

<b>Employment</b> ★★ ★ <p>Employment was soft over September quarter with the economy adding a modest 7,000 jobs. Despite the soft result, the unemployment rate remains low, sitting at 4.2%. From here, we anticipate that the labour market is likely to remain patchy over the remainder of 2019 and into 2020. Indeed, any turnaround in the labour will remain reliant on a material lift in business confidence.</p>	<b>Retail Sales</b> ★★ ★★ ★ <p>Retail sales volumes rebounded over the September quarter, jumping 1.6% for the quarter. Notably, spending on electronics was strong as Rugby World Cup viewers upgraded their TVs. With interest rates low and the housing market picking up, retailers may be in line for a bumper Christmas, while the outlook for 2020 looks relatively firm.</p>
<b>Wages</b> ★★ <p>Wage growth remains low. Weak inflation, globalisation, employers' offering increasingly flexible terms, and low productivity growth look to be the key factors. We expect wage inflation will remain modest over 2020, outside of earlier minimum wage lifts and some public sector pay settlements.</p>	<b>New Car Sales</b> ★★ <p>New car registrations have bottomed, with annual registrations now trending upwards again. Low interest rates are helping, while we suspect that still high migration numbers may also be playing a role. The trick, though, will be whether this recovery is sustained over 2020. Time will tell!</p>
<b>House Prices / Sales</b> ★★ ★ <p>House sales picked up over the year to September, with sales for the quarter 3.5% higher than the September 2018 quarter. This is a marked turnaround from the 4.4% fall in sales recorded over the June quarter compared to June 2018. The extra sales are also lifting house prices. Nationwide prices are up 5.5% in annual change terms, with some regions recording double-digit growth.</p>	<b>Construction</b> ★★ ★★ ★ <p>Annual residential consents are at their highest since the mid-1970s. Notably, growth in consents for townhouses and apartments are leading the way, with densification underway in Auckland. Meanwhile, non-residential consent issuance values for the September year also hit a new record high. This large pipeline of work is likely to see the construction boom continue into 2020.</p>

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

## The Regional Lowdown



Source: StatisticsNZ

### Northland ★★ ★

The up-down pattern of Northland's Scoreboard rankings has continued this quarter, with the region slipping back to 10<sup>th</sup> equal from 3<sup>rd</sup> last quarter. Unfortunately, this dip means we trim the North back to a three-star rating. Also with the region now in the bottom half of the Scoreboard, we trim its rating back to three stars. The volatile results aside, we anticipate that Northland's diverse industry base will serve it well over 2020, particularly as the horticulture and beef sectors perform well. In that sense, it's a case of bring on the new year for the North.

### Auckland ★★ ★★ ★

The sleeping giant is awake! Auckland has leaped seven spots to 3<sup>rd</sup> equal this quarter. Auckland

consumers were feeling chirpy over the quarter, leading the nationwide consumer confidence measure. Perhaps this buoyancy owes to the housing market showing signs of life, after a prolonged hiatus. On that front and with mortgage rates near record lows, perhaps Auckland may be sizing up Gisborne's top spot. Indeed, we might get to see Goliath take on David over coming quarters.

### Waikato ★★

The Waikato was not so mighty over the September quarter, slipping six spots to 14<sup>th</sup> on the Scoreboard. The local labour market was soft, with jobs falling 9,000 compared to the September 2018 quarter. Other Scoreboard results were also generally soft. All is not lost though. We are picking the agricultural sector to lead a regional rebound. Both beef and lamb prices are at record highs, while we recently upgraded our milk price forecast. On this basis, watch out for farmers leading the way for the region's economy over 2020.

### Bay of Plenty ★★ ★

This is a little more like it! Last quarter we were perplexed by the Bay of Plenty's fall down the Scoreboard to 15<sup>th</sup>. However, this has proved short-lived and the region has climbed to mid-table this quarter. Moreover, the Bay regains its three-star rating this quarter. Reflecting the mid-table result, the region's performance was mixed over the quarter. Looking ahead and with a generally strong industry outlook, we expect the region to consolidate at mid-table or better over coming quarters.

### Gisborne ★★ ★★ ★

It is two in a row for Gisborne as the region extends its reign atop the Scoreboard to a second quarter. The Gizzy housing market remains on fire, with house price growth topping the nationwide ranks over the quarter. Moreover, the retail and construction sectors are doing a roaring trade, with both sectors also top dog of their respective nationwide stakes. Gisborne has been on an

excellent run with its diverse mix of export industries. It also seems that the impact of the recent weakening of log prices has yet to be felt in the region. Looking ahead, we anticipate that the record meat prices are likely to see the region stay near the top of the Scoreboard over 2020.

### Hawke's Bay ★★ ★★ ★

After a one-quarter hiatus, the Hawke's Bay is back snapping at Gisborne's heels on the Scoreboard. Given that the Bay has claimed the silver medal this quarter, our move for the region to retain its five-star rating last quarter has proved justified. The accommodation and retail sectors were the region's hotspots over the September quarter. Looking to 2020, we anticipate that the economic good times will continue to roll. Indeed, with the majority of Bay industries in rude health we expect the region to duke it out with neighbour Gizzy and other willing regions for top spot in the Scoreboard over the next few quarters.

### Taranaki ★★ ★

Taranaki has slipped six spots to 10<sup>th</sup> equal in this quarter's Scoreboard, after placing a healthy fifth last quarter. We also trim the region back to a three-star rating. Reflecting the mid-table result, the region's performance was mixed over the quarter. However, if our bullish 2019/20 milk price forecast of \$7.50/kg is close to the money, perhaps the region can push back into the top half of the Scoreboard over coming quarters.

### Manawatu-Whanganui ★★

Manawatu-Whanganui has gained one spot in the latest Scoreboard, sharing 8<sup>th</sup> spot with the Bay of Plenty. In particular, the region's housing market is strong, with the region posting the second-highest annual house price growth. Moreover, we think there will more good news coming to the lower North Island. As mentioned already meat prices have cracked record highs, while the dairy sector also has a spring in its step. With the agricultural focus of the region, we anticipate that this could

lead the region up the Scoreboard over coming quarters.

### Wellington ★★★★★

Wellington has slipped four spots in the latest Scoreboard to sixth this quarter. The Capital's labour market continues to be a real strength, with the region's job market topping the nationwide growth stakes. The construction pipeline is also large, reflecting the strength of both the housing and commercial property markets. With an election next year and the Government signalling a willingness to lift spending and investment further, we anticipate that the Capital may challenge again for a Scoreboard medal over coming quarters. With this prediction in mind, we have decided to whole the region at a five-star rating.

### Nelson ★★

Nelson has dipped two spots to last in this quarter's Scoreboard, losing a star in the process. The bright spot for the region over the quarter was housing market activity, with the region recording the second-highest annual growth in sales in the country. Otherwise, though, Nelson's results were decidedly mediocre. Perhaps, the region's economy needs look to the victorious Makos for some inspiration!

### Tasman ★★★★★

Tasman has claimed the bronze medal in the latest Scoreboard, albeit sharing it with Auckland. This latest Scoreboard climb has led us to add two stars to Tasman's rating. The region topped nationwide house sales growth over the quarter. Also the residential construction pipeline is building nicely. With industries such as horticulture also performing well, we expect Tasman remain near the Scoreboard medals over 2020.

### Marlborough ★★★

Marlborough remains stuck in second gear at 12<sup>th</sup> equal spot in the latest Scoreboard rankings. The accommodation sector is performing relatively well in terms of guest nights growth. Otherwise, the region has returned mediocre Scoreboard results across the other measures. On a brighter note, more certainty around Brexit could release the shackles on the British wine market and thus Marlborough's most important export industry. With the festive season around the corner, there may be good reason to celebrate. Cheers!

### West Coast ★★

The West Coast has jumped one spot to 15<sup>th</sup> place in the Scoreboard this quarter. Notably, the Coast's retailers had a strong quarter, posting the second-highest annual growth nationwide. Perhaps the sale of Westland Dairy boosted local confidence. Indeed, with the milk price still on the rise, perhaps economic activity is set to firm on the Coast over 2020.

### Canterbury ★★★

Canterbury has risen one spot to 12<sup>th</sup> equal in the September Quarter Scoreboard. This quarter's results echo previous quarters as the region's economic momentum continues to slow, albeit, while the level of activity remains high. In addition, the commercial construction pipeline continues to build healthily, but it will not match the residential rebuild in terms of magnitude. Looking ahead, though, we are upbeat on the region's prospects. We anticipate that the rural economy is poised to do some more of the economic heavy lifting as meat prices hit record highs and the milk price heads north.

### Otago ★★★

Otago has jumped three spots to 7<sup>th</sup> in the September Quarter Scoreboard. The region's (read Dunedin's) housing market remains relatively perky, while the labour market is also firm. A sore point for the region is consumer confidence, with Otago second from bottom in the nationwide stakes. Growth in guest nights has also stalled and may reflect the broader nationwide slowing in tourist arrivals growth. This may see the two-speed regional economy continue with Dunedin leading the way and Central Otago the laggard over 2020.

### Southland ★★★★★

Southland gets to have fifth spot all to itself after sharing fifth with the Hawke's Bay last quarter. The region's construction pipeline is filling fast, with commercial consents growing at the fastest annual rate in the country. Similarly, the region has scored well across other measures over the quarter such as house price growth, retail sales growth and consumer confidence. Meanwhile, if our bullish 2019/20 milk price forecast of \$7.50/kg is close to the money, perhaps the region can build on this good run over coming quarters. Indeed, the direct flight link to Auckland may see the region's tourist hot spots, including Te Anau and potentially Stuart Island, get a boost as well.

## Taking the regions' temperatures

Annual growth= Qtr(t)/Qtr(+4)	Share of the economy Mar-18	Population Jun 19		Employment* Sep 19		Retail Sales Sep 19		House prices Sep 19		Construction Sep 19		New car sales Sep 19		Star Rating Sep 19
	%	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%	85	2.5%	543	7.6%	501	2.0%	185	23%	1,404	-3%	★★★★★
Auckland	37.9	1618	1.5%	923	0.5%	6,870	6.9%	968	-2.3%	2,390	9%	26,205	-11%	★★★★★
Waikato	8.4	472	2.1%	246	-3.7%	1,517	6.1%	572	4.2%	559	-5%	4,559	-8%	★★
Bay of Plenty	5.6	318	2.0%	157	-0.5%	1,121	4.5%	602	4.6%	344	13%	3,190	-13%	★★★
Gisborne	0.7	49	0.8%	109	3.8%	142	10.3%	395	19.9%	26	84%	321	-8%	★★★★★
Hawke's Bay	2.8	171	1.3%		3.8%	547	7.9%	539	9.9%	115	-10%	1,469	-10%	★★★★★
Taranaki	2.9	121	1.4%	65	1.9%	371	3.6%	426	8.1%	94	5%	921	-6%	★★★
Manawatu-Whanganui	3.8	246	1.4%	121	0.5%	762	3.3%	413	12.8%	156	4%	2,200	-12%	★★
Wellington	13.0	522	1.1%	304	3.9%	1,823	4.4%	665	11.6%	561	57%	5,267	-9%	★★★★★
Tasman	1.8	54	1.5%	100	0.2%	174	5.2%	609	4.9%	54	13%	1,344	-10%	★★★★★
Nelson		52	1.0%		0.2%	219	3.0%	605	4.4%	53	26%		-10%	★★★
Marlborough		49	0.8%		0.2%	167	5.2%	479	3.9%	52	28%		-10%	★★★
West Coast		33	0.3%		0.2%	112	9.8%	236	4.8%	15	6%		159	-9%
Canterbury	12.4	618	1.8%	340	1.7%	2,307	4.9%	483	0.7%	996	31%	7,538	-18%	★★★
Otago	4.4	232	1.7%	130	2.4%	1,047	4.5%	571	8.6%	324	-14%	1,914	-8%	★★★
Southland	2.0	100	0.8%	54	2.3%	351	7.2%	314	12.4%	62	72%	931	-12%	★★★★★
New Zealand	100	4841	1.6%	2632	0.9%	18,073	5.8%	621	1.2%	5,987	13%	57,422	-11%	★★★★★

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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