

# ASB Regional Economic Scoreboard

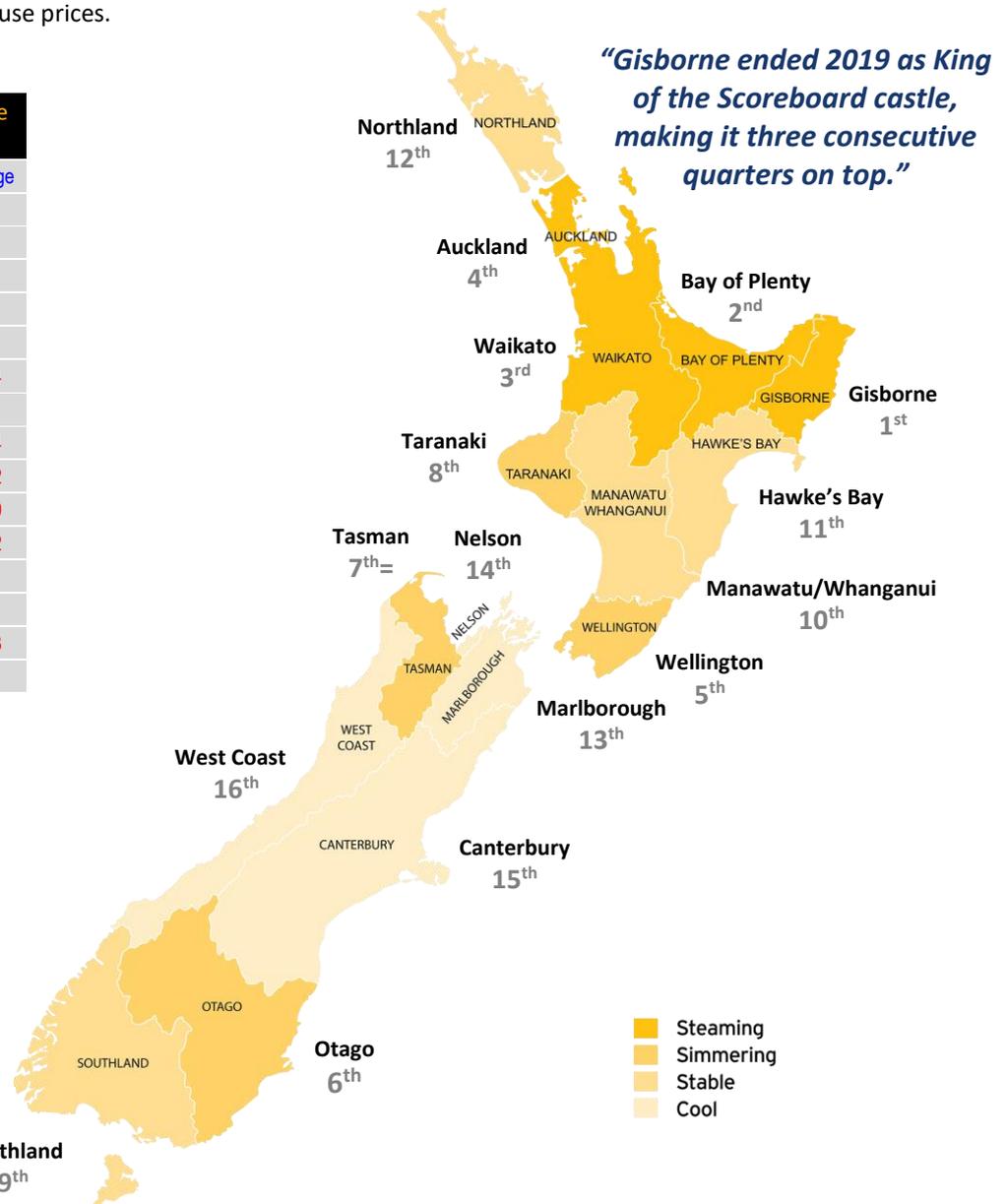
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ONE STEP>AHEAD

## ASB Regional Economic Scoreboard

December 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
Bay of Plenty	2	8=	Up 6
Waikato	3	14	Up 11
Auckland	4	3=	Down 1
Wellington	5	6	Up 1
Otago	6	7	Up 1
Tasman	7	3=	Down 4
Taranaki	8	10=	Up 2
Southland	9	5	Down 4
Manawatu-Whanganui	10	8=	Down 2
Hawke's Bay	11	2	Down 9
Northland	12	10=	Down 2
Marlborough	13	12=	Down 1
Nelson	14	16	Up 2
Canterbury	15	12=	Down 3
West Coast	16	15	Down 1



## The National State of Play

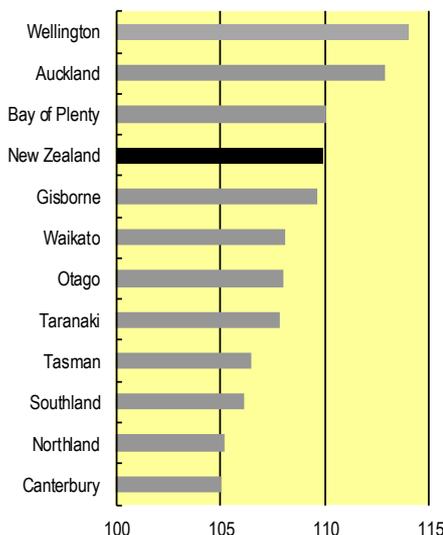
<b>Employment</b> ★★★ Employment was essentially flat over the December quarter, with the economy adding a paltry 1,000 jobs. Despite the soft employment result, the unemployment rate remains low, sitting at 4.0%. We anticipate that the labour market is likely to remain patchy over 2020, particularly as the coronavirus leads firms to defer or even scale back hiring plans over the first half of the year.	<b>Retail Sales</b> ★★★ Retail sales volume growth rose a modest 0.7% over the December quarter. By product, performance over the quarter was patchy. Electronics spending continued to charge ahead, while grocery, food and liquor sales dipped in over the quarter. Looking ahead, the coronavirus is likely to put a damper on spending, particularly for accommodation and hospitality providers.
<b>Wages</b> ★★★ Wages have picked up of late. In particular, public wage settlements and minimum wage rises have lifted the lid on wages, albeit modestly. The modest lift in inflation may also be flowing through to wage setting. Looking over 2020, we anticipate the coronavirus to put a damper on further wage growth as per above.	<b>New Car Sales</b> ★★ New car registrations had started to lift over 2019, with the year's sales marginally higher than over 2018. Low interest rates have certainly helped. We suspect, though, that the coronavirus and lower NZ dollar will slam the brakes on car sales again over the first half of 2020.
<b>House Prices / Sales</b> ★★★★★ House sales picked up over the year to December, with sales for the quarter around 5% higher than the December 2018 quarter. Record low interest rates from earlier in the year have given the market a noticeable boost. The extra sales are also lifting house prices. Nationwide prices are up over nearly 10% in annual change terms.	<b>Construction</b> ★★★★★ Annual residential consents are at their highest since the mid-1970s. Notably, Auckland consent issuance has hit a purple patch. However, non-residential consent issuance values took a recent breather. Looking ahead, Government-related construction may chug along, but we anticipate a coronavirus-generated slowdown in commercial construction over much of 2020.

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

## The Regional Lowdown

**Chart of the Quarter:**  
**Consumer Confidence – Booming this quarter, but busting next?**

Consumer Confidence  
 December 2019 Index



Source: Westpac McDermott Miller

### Northland ★★★

Northland has slipped two spots to 12<sup>th</sup> in this quarter's Scoreboard. Northlanders are the most pessimistic in the country (along with Cantabrians). Unfortunately, we think things are likely to get worse before they get better up North. Indeed, Northland has been hit hard by drought and its tourism, forestry and meat industries are heavily exposed to any fallout from the coronavirus outbreak. Taking the glass half full view, it has been a cracking Northern summer!

### Auckland ★★★★★

The sleeping giant remains awake although it may have had a micro nap over the December quarter.

Auckland has slipped one spot to fourth in this quarter's Scoreboard. Notably, housing market activity was strong, with the Super City topping nationwide house sales for the quarter. With the housing market sparking to life, Auckland consumers were also feeling relatively chirpy over the quarter. On this basis, we had expected Auckland to kick on over 2020. However, with the coronavirus outbreak all bets are off. For now, at least, Auckland gets to keep its five-star rating.

### Waikato ★★★★★

The Waikato surged 11 places up the Scoreboard this quarter, grabbing the bronze medal in the process. The region's retailers had a good quarter, and so did vehicle dealers. Perhaps the region's farmers got their cheque books out on the back of record meat prices and the improving milk price. However, it seems in some cases that that joy may be short-lived as the coronavirus outbreak and local drought combine to send rural incomes back down to earth, at least temporarily.

### Bay of Plenty ★★★★★

Wow talk about rocket up the Scoreboard! As recently as the June quarter, the Bay was languishing in 15<sup>th</sup> place in Scoreboard. This quarter, the region has grabbed the silver medal! The housing market is leading the way, with sales posting double-digit annual growth. In turn, this housing uptick has boosted consumer confidence in Steamer territory. No doubt, strong kiwifruit incomes are helping too. Looking ahead to 2020, and with kiwifruit well-placed to weather the coronavirus storm, we expect the Bay is set for a prolonged run towards the top of the Scoreboard.

### Gisborne ★★★★★

2019 is Gisborne's year! The region has secured a third successive Scoreboard gold medal. 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. We hate to be the party pooper in this situation, but we fear the good times will not extend into 2020. In particular, the key forestry sector has been hard hit by the disruptions caused by the coronavirus, with Gisborne sharing some of this burden. The meat sector has been hit hard too. That perhaps leaves the region's horticulture sector to do the heavy lifting over the first half of 2020.

### Hawke's Bay ★★★

The Hawke's Bay was this quarter's biggest mover, unfortunately in the wrong direction. The region slid nine spots to 11<sup>th</sup> in this quarter's Scoreboard. However, we note that given the boomer growth in the retail sector over the past year or so, some moderation in sales growth was expected. Moreover, the region's key industries are in good shape fundamentally. That said, the meat and forestry sectors have a particularly bumpy start to 2020 to navigate.

### Taranaki ★★★

Taranaki has climbed into the top half of this quarter's Scoreboard, coming in eighth. Reflecting the mid-table result, the region's performance was mixed over the quarter. Nonetheless, the region did jump two spots, perhaps due to the improvement in the milk price over the quarter. Moreover, if the dairy sector fares relatively well during the coronavirus outbreak as we suspect, then the region's fortunes may continue to improve over 2020.

### Manawatu-Whanganui ★★★

Manawatu-Whanganui has dropped two spots in the latest Scoreboard, registering 10<sup>th</sup> spot for the quarter. The region's bright spot is its labour market, with the 9% annual jump the fastest growth in the country. Elsewhere though, it's a mixed bag for the region. Similarly, we expect a mixed bag going forward. As mentioned already the meat

sector is facing a bumpy road over the coming months, while the dairy sector should fare a little better. Also, Palmy may start the academic year on a quiet note as some international students can't make it into the country.

### Wellington ★★★★★

Wellington has climbed one spot in the latest Scoreboard to fifth this quarter. Indeed, Wellingtonians are happy with their lot as evidenced by their highest-in-the-country confidence reading. The construction pipeline is also long, reflecting the strength of both the housing and commercial property markets. With Wellington getting its fair share of the recent Government infrastructure spending announcements, we anticipate that the Capital may challenge again for a Scoreboard medal over coming quarters. Moreover, we anticipate that the region is one of the best-placed to weather the coronavirus storm over coming quarters.

### Nelson ★★

Nelson has climbed off the bottom of the Scoreboard this quarter, although in 14<sup>th</sup> spot there is still little to cheer about. If there is a bright spot for the region over the quarter, it 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. Let's hope 2020 brings a change of fortunes for the region.

### Tasman ★★★★★

Tasman has slipped to mid-table (7<sup>th</sup>) in the latest Scoreboard, losing a star in the process. That said, the economic glass remains half full for the region. Notably, the retail sector posted solid sales growth over the quarter, while the construction pipeline has filled nicely for the year ahead.

### Marlborough ★★★

Marlborough remains stuck in second gear at 13<sup>th</sup> spot in the latest Scoreboard rankings. There is a bright spot on the horizon though, with residential consents growing at the fastest rate in the country. Also, the better-late-than-never Brexit deal could release the shackles on the British wine market and thus Marlborough's most important export industry.

### West Coast ★★

The West Coast has reversed last quarter's gain, dropping back to last place in the Scoreboard this quarter. Scoreboard readings across most measures were weak over the quarter. However, if the dairy sector fares relatively well during the coronavirus outbreak as we suspect, then the Coast's fortunes could improve over 2020.

### Canterbury ★★

Canterbury has dropped three spots to 15<sup>th</sup> equal in the December Quarter Scoreboard. But we feel the ranking doesn't do the region justice. Notably, the Scoreboard is penalising Canterbury for its low house price growth, while there is no recognition for the relative affordability of its housing. We are on the lookout for how this pans out over coming years and whether the housing affordability translates into more sustainable economic growth in the region. It could be that households' higher disposable incomes (i.e. after housing costs) drive growth in spending in other areas of the economy. Also, the lower housing costs may act as a magnet for attracting skilled workers into the region, boosting activity over time. Indeed, the region provides a counterfactual to regions at the other end of the housing spectrum like Auckland, the Bay of Plenty (Tauranga) and Otago (Queenstown).

### Otago ★★★★★

Otago has jumped another spot to 6<sup>th</sup> in the December Quarter Scoreboard. The region posted solid, but not spectacular, results across most measures over the quarter. If we were to single out a measure, new car sales annual growth was the second-highest in the country over the quarter. Looking ahead to 2020, we are concerned that coronavirus will have an oversized impact. Queenstown is seeing a material drop in visitor numbers, while Dunedin is suffering a similar fate in terms of international student arrivals. For both the tourism and education sectors, the outbreak couldn't have come at a worse time.

### Southland ★★★★★

Southland dipped down to ninth place in the latest Scoreboard. The Southland housing market is still charging ahead, however, recording annual house price growth of over 16% for the quarter. As mentioned above, if the dairy sector fares relatively well during the coronavirus outbreak as we suspect, then the region's fortunes may improve over 2020. Although we do note that flooding in some parts has made for a challenging summer.

## Taking the regions' temperatures

Share of the economy Mar-18		Population Jun 19		Employment* Dec 19		Retail Sales Dec 19		House prices Dec 19		Construction Dec 19		New car sales Dec 19		Star Rating Dec 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	185	2.3%	90	3.6%	663	5.0%	532	3.8%	147	-9%	1,287	-5.3%	★★★
Auckland	37.9	1,618	1.5%	889	1.8%	8,132	5.0%	1,037	0.5%	2,228	6%	29,657	-0.2%	★★★★★
Waikato	8.4	472	2.1%	257	-0.6%	1,774	5.5%	579	5.2%	632	8%	4,313	6.2%	★★★★★
Bay of Plenty	5.6	318	2.0%	167	2.6%	1,338	4.1%	636	7.9%	270	-8%	3,270	1.3%	★★★★★
Gisborne	0.7	49	0.8%			169	8.1%	406	26.3%	25	65%	351	25.8%	★★★★★
Hawke's Bay	2.8	171	1.3%	116	4.8%	645	1.8%	579	7.5%	143	1%	1,299	-6.4%	★★★
Taranaki	2.9	121	1.4%	69	5.8%	432	3.6%	421	9.8%	90	8%	825	-5.1%	★★★
Manawatu-Whanganui	3.8	246	1.4%	129	8.6%	867	1.1%	416	18.1%	177	0%	2,130	-7.3%	★★★
Wellington	13.0	522	1.1%	309	3.9%	2,119	1.9%	721	7.2%	594	60%	4,838	1.4%	★★★★
Tasman		54	1.5%			218	7.4%	613	2.4%	66	34%			★★★★
Nelson	1.8	52	1.0%			256	2.0%	627	4.9%	31	-14%	1,335	-5.3%	★★
Marlborough	1.1	49	0.8%	105	3.9%	210	4.2%	536	3.6%	52	16%			★★★
West Coast	0.6	33	0.3%			143	3.3%	239	10.0%	19	-13%	140	-2.8%	★★
Canterbury	12.4	618	1.8%	342	0.9%	2,695	3.5%	500	3.4%	829	-22%	11,116	-0.5%	★★
Otago	4.4	232	1.7%	137	0.7%	1,226	3.1%	585	8.3%	439	21%	1,931	8.4%	★★★★
Southland	2.0	100	0.8%	56	0.4%	422	6.5%	345	16.2%	54	-8%	895	6.0%	★★★★
New Zealand	100	4,841	1.6%	2,666	2.3%	21,308	4.1%	647	4.1%	5,795	4%	63,387	0.1%	★★★★

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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