

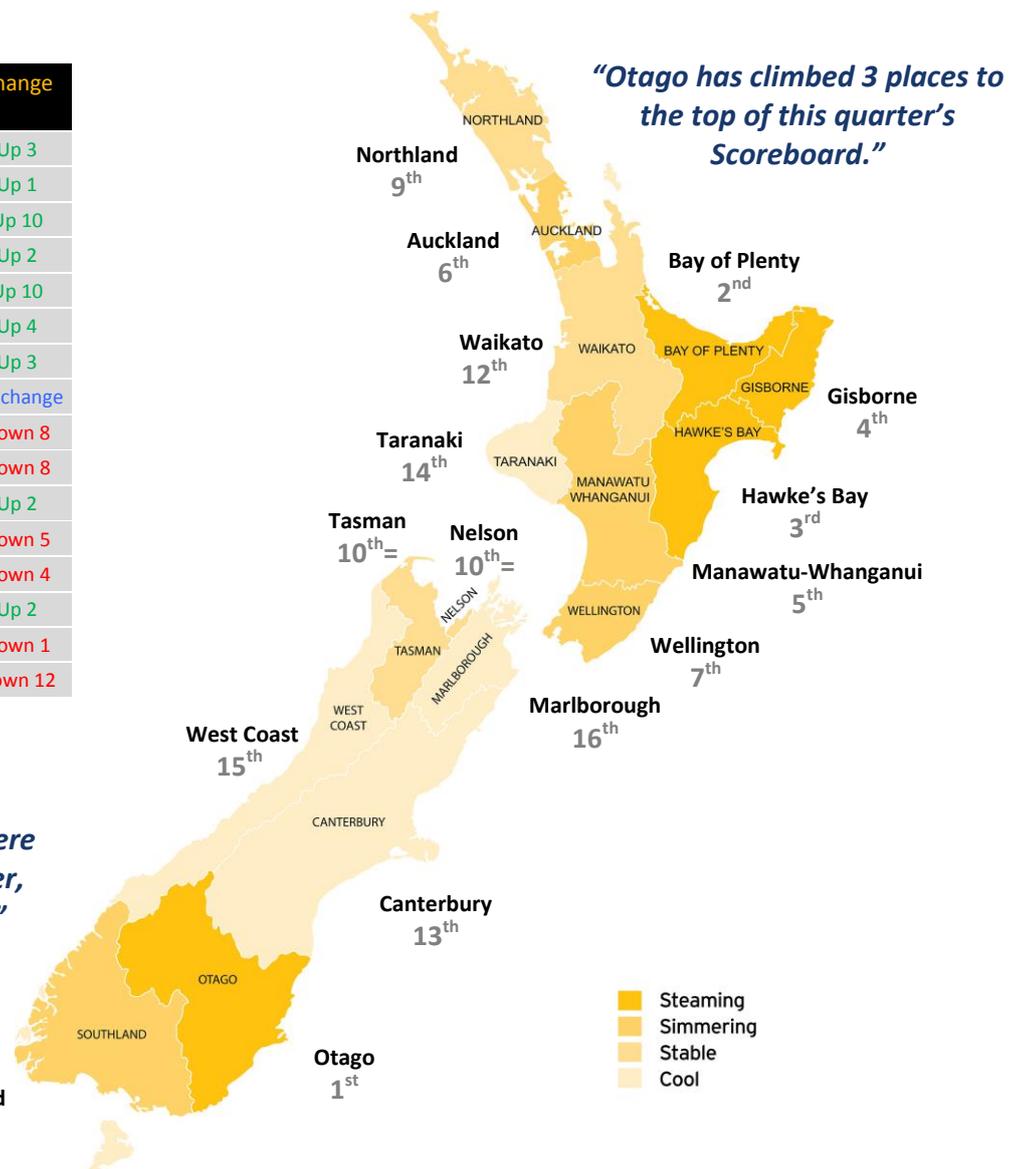
ASB Regional Economic Scoreboard

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



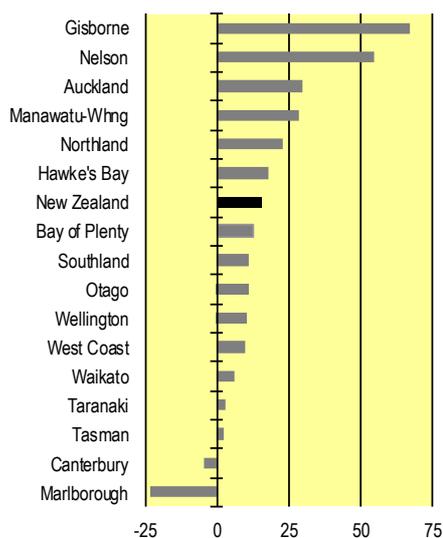
The National State of Play

Employment ★★★★★ The labour market remains strong, with the economy adding over 90,000 jobs over the past 12 months. We expect the labour market to remain tight over the remainder of 2018, with moderate employment growth over the course of the year reflecting a continued scarcity of workers.	Retail Sales ★★★★★ Retail sales has remained relatively resilient to soft consumer confidence and lifting petrol prices. Ongoing jobs growth, increases in government support (from July) and lifting rural incomes should help underpin spending growth over the remainder of 2018.
Wages ★★★★★ Wage growth has remained modest over recent quarters. The April 2018 increases in the minimum wage have helped wages lift at the lower end of the spectrum. However, we anticipate broader increases are still a year or so away.	New Car Sales ★★★★★ New car registrations fell on an annual basis for the second-successive quarter. Indeed, after the stellar run through 2017, registrations have fallen back to mid-2016 levels. The weaker NZ dollar and high petrol prices may provide further headwinds to sales over the rest of the year.
House Prices / Sales ★★★★★ The housing market was a mixed bag over the June quarter. House sales growth bounced back to over 5% annual growth, after recent weak readings. Meanwhile, nationwide annual house price inflation lifted to 5%, and would have been stronger if it wasn't for flat prices in Auckland.	Construction ★★★★★ Total consent values were nearly 16% higher than a year ago, with similarly-sized increases for residential and non-residential work. That said, capacity constraints will make further growth difficult over the remainder of 2018 and in coming years.

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

The Regional Lowdown

Chart of Quarter: Construction outlook is strong
 Total Building Consents, June 2017
 Annual Change (%)



Source: Statistics NZ

Northland ★★★★★

Northland's reign at the top of the Scoreboard was short-lived. The region fell from top spot to 9th over the quarter. With the drop we also relegate the region to 3 stars, from five stars previously. Over the quarter, retail, house and car sales all lagged behind the national average, and these falls explain much of the North's drop down the rankings. Employment, however, remains firm in the region and it is on this basis that we maintain a glass half-full perspective on the region. As a result, we anticipate this fall may be a temporary blip in Northland's economic fortunes.

Auckland ★★★★★

Auckland has continued its climb up the Scoreboard, reaching 6th spot this quarter. We also bump the Big Smoke up one star to a 3-star rating

this quarter. The construction sector looks like it is humming, with residential building consents up by a third over the past year. The region is also generating solid jobs growth, with an extra 39,000 jobs added over the same period. Meanwhile, the housing market is mixed, with prices flat, while sales picked over some quiet recent quarters. Car sales, in contrast, are falling. Strangely though, some may view that trend as a good news story given the region's traffic congestion. While on the topic of cars, the regional fuel tax kicked in 1 July – we'll get to see the impact of that in next quarter's Scoreboard. Watch this space.

Waikato ★★★★★

By now, we had expected that the Waikato economy would be coming to life. Alas, the region's performance remains mediocre, and in fact went backwards in Scoreboard terms (slipping 5 spots in the rankings). The region's consumers are particularly downbeat, with consumer confidence the equal-lowest in the country. The one bright spot is the labour market – jobs grew at around 6% for over the year. Our suspicion is that the region's performance will improve over the second half of the year. Nonetheless, if the improvement is not forthcoming over the next quarter or two, the Waikato runs the risk of losing a star from its rating.

Bay of Plenty ★★★★★

The Bay of Plenty's strong run over 2018 continued this quarter, with the region grabbing the silver medal, after last quarter's bronze. In particular, the Kiwifruit export season got off to a rollicking start over the quarter. Indeed, we anticipate that the sector will set fresh record highs in terms of returns this season. Looking at the Scoreboard, the labour market was strong as the region posted 6.5% annual growth in jobs. On that basis, it was unsurprising to see Bay consumers upbeat about their lot, with the consumer confidence reading sitting second-highest in the country. All up, we expect the Bay economy to remain on the front foot over the second half of 2018. With that in mind, we wouldn't be surprised if the region added a Scoreboard gold to go with its silver and bronze so far this year.

Gisborne ★★★★★

Gisborne is riding (relatively) high in the latest Scoreboard, claiming fourth spot this quarter. In particular, there is a very solid pipeline of construction work planned in the region as annual building consents growth was the highest in the country. Gisborne retailers also had another excellent quarter, posting 8.1% annual sales growth. All up, a solid quarter and, with Gisborne's primary sectors firing, we anticipate Gisborne is poised for a good Scoreboard run.

Hawke's Bay ★★★★★

The Hawke's Bay was this quarter's equal-biggest mover, jumping 10 spots in the rankings to third. As a result, the region grabs this quarter's bronze medal and a five-star rating. In particular, the Bay's housing market is in a sweet spot. Annual house sales growth is running at 15%, while house prices are also increasing at a healthy clip. We also hear that the region's grape harvest this year was up a bumper 22% on last year. With that in mind, we raise a glass to the region's economic performance this quarter.

Taranaki ★★★★★

Taranaki climbed two spots in the rankings to sit fourteenth this quarter. Rebound from the summer drought may explain some of this quarter's improvement. In addition, the region's retailers had a bumper quarter, recording the third-highest annual sales growth nationwide. Dairy incomes remain solid and the positive outlook bodes well for the region over the rest of 2018.

Manawatu-Whanganui ★★★★★

Manawatu-Whanganui was the other big mover this quarter. The region jumped 10 places to fifth in the latest Scoreboard. As a result, the region gains two stars this quarter. In particular, the housing market is humming, with the region posting the fastest house price growth across the country. The region will also be benefitting from the record high lamb prices, with Feilding saleyards no doubt doing a roaring trade. With lamb prices likely to remain near record highs over the rest of the year, we

expect the region to kick on probably over 2018, if not well into 2019.

Wellington ★★★

Wellington climbed three spots to 7th place in the latest Scoreboard. Despite the climb, the Capital remains decidedly middle of the road on most measures. The standout measure is consumer confidence, with the Capital topping that statistic nationwide. However, the confidence has yet to translate into spending, with retail sales growth one of the many middle of the road results over the quarter. Looking ahead and with the Government's foot on the fiscal gas, we anticipate the Capital's economic fortunes are likely to continue to improve over the next year.

Nelson ★★★

Nelson has regained two spots in the latest Scoreboard, climbing to 10th equal place. Perhaps fittingly, the region shares the spot with its close neighbour Tasman. Construction stands out as the region's strong spot, with building consent growth the second-highest nationwide. Similarly, house sales were a bright spot over the quarter. In contrast, the retail and accommodation sectors were soft. On that front, perhaps punters were saving themselves for the historic All Blacks test in August?

Tasman ★★★

Tasman is well out of the medals this quarter, dropping eight spots to 10th equal. As we note above, the region shares 10th with its neighbour, Nelson. It appears that a weaker construction outlook may explain much of the drop down the rankings. In smaller regions such as Tasman, construction projects can be particularly lumpy, so there is the possibility that the region isn't down for long. Indeed, the retail sector remains strong, with Tasman's retailers taking out the gold for sales growth over the quarter. And with horticulture strong, we wouldn't be surprised to see Tasman

bounce back later in the year.

Marlborough ★★★

Marlborough hit a speed bump this quarter, dropping to the bottom of this quarter's Scoreboard. Unfortunately for the region, we also trimmed its star rating back to 3 stars. The key drag on this quarter's result was a weak construction outlook. But as we mentioned with Tasman, this could potentially be due to the lumpy nature of building consents. Meanwhile, this year's grape harvest was solid, rising 4% on 2017's. On this positive note, we expect the region to bounce off the bottom of Scoreboard next quarter.

West Coast ★★

The West Coast dipped one spot to 15th in this quarter's Scoreboard. Retailers had a tough quarter, with sales down on June 2017. House sales were a bright spot, though, and the residential construction outlook is strong. Dairy incomes are also solid, so we are cautiously optimistic on the Coast's outlook for the remainder of 2018.

Canterbury ★★★

Canterbury's steady climb back up the Scoreboard took a breather over the June quarter. House price growth is the second slowest in the country. Meanwhile, with the construction project pipeline starting to clear, the region's builders will be hoping the green light on the new stadium comes sooner rather than later. The accommodation sector is a bright spot as tourists increasingly return to the city. Rural incomes in the region are also strong on the back of stellar lamb returns and a positive milk price. Indeed, increasingly it will be agriculture and other export sectors that the region will look to for ongoing economic growth.

Otago ★★★★★

Otago is top dog in this quarter's Scoreboard. Notably, employment charged ahead over the June year, with the region adding a whopping 10% more jobs compared to back in June 2017. One wonders where they all stayed, but the tourism sector did manage to squeeze in more guests – unlike most other tourism hotspots. House price growth throughout the region remains impressive, with Dunedin City prices continuing to outshine their flashy lake cousin's. Moreover, building consent issuance has rebounded, particularly for non-residential work. On top of the tourism boom, we anticipate that Otago rural incomes are also strong. Indeed, with both sectors firing, we anticipate that Otago will continue to challenge for the medals over the next few quarters.

Southland ★★★

Southland is stuck in the middle of the Scoreboard. It is clearly benefitting from the tourism boom with strong annual growth in guest nights. The housing market is also perky, with double-digit house sales growth and house prices also rising at a swift rate. Rural sector incomes are strong, but we imagine are being held back by Mycoplasma Bovis concerns amongst other things. This cautiousness is being reflected in low consumer confidence and very low retail sales growth. All up though, we maintain our glass half full perspective on the region, heading into the second half of the year.

Taking the regions' temperatures														
Share of the economy Mar-17		Population Jun 17		Employment* Jun 18		Retail Sales Jun 18		House prices Jun 18		Construction Jun 18		New car sales Jun 18		Star Rating Jun 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	175	2.3%	84	7.0%	523	3.0%	485	4.0%	183	23%	1,408	-9%	★★★
Auckland	37.5	1657	2.6%	917	4.4%	6,448	4.6%	1,044	0.9%	2,205	30%	28,532	-7%	★★★
Waikato	8.4	460	2.4%	256	6.0%	1,476	4.1%	538	5.7%	501	7%	4,925	-2%	★★★
Bay of Plenty	5.3	300	2.2%	160	6.5%	1,084	4.2%	604	4.5%	370	13%	3,594	-1%	★★★★★
Gisborne	0.7	49	1.3%	109	3.9%	132	8.1%	338	7.0%	19	68%	334	-1%	★★★★★
Hawke's Bay	2.7	164	1.5%		3.9%	520	4.2%	485	8.4%	115	18%	1,582	6%	★★★★★
Taranaki	3.1	118	1.1%	63	3.5%	359	6.3%	385	5.6%	80	3%	946	-11%	★★
Manawatu-Whanganui	3.8	240	1.4%	119	0.4%	747	4.1%	331	11.0%	152	29%	2,424	0%	★★★★★
Wellington	13.2	514	1.8%	292	-0.4%	1,782	4.5%	636	5.8%	426	11%	5,844	4%	★★★
Tasman	1.8	51	1.8%	99	3.4%	172	10.6%	562	5.9%	45	3%	1,510	-2%	★★★
Nelson		51	1.6%	0	3.4%	212	2.7%	643	4.4%	52	55%		-2%	★★★
Marlborough	1.0	46	1.5%		3.4%	173	4.0%	465	4.1%	36	-23%		-2%	★★★
West Coast	0.6	33	0.0%		3.4%	113	-2.5%	223	2.8%	21	10%	185	-14%	★★
Canterbury	12.9	612	2.0%	341	1.0%	2,241	3.7%	492	1.2%	815	-5%	8,513	-7%	★★★
Otago	4.3	224	2.3%	131	10.1%	1,010	4.8%	501	10.3%	320	11%	2,062	-6%	★★★★★
Southland	2.1	98	0.4%	53	1.0%	338	1.2%	272	7.7%	50	12%	953	9%	★★★
New Zealand	100	4794	2.1%	2623	3.7%	17,330	4.3%	622	5.3%	5,390	15%	62,812	-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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