

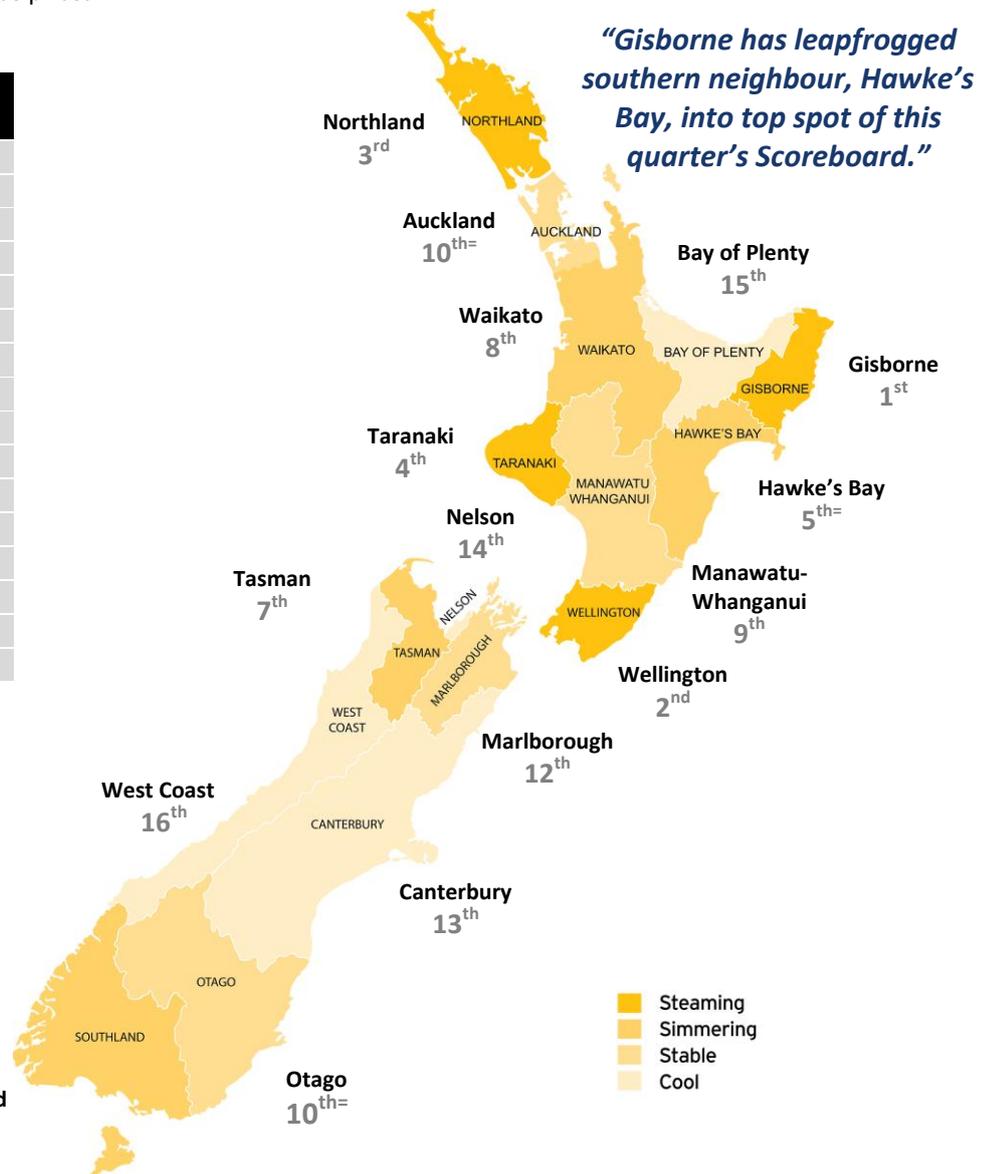
ASB Regional Economic Scoreboard

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



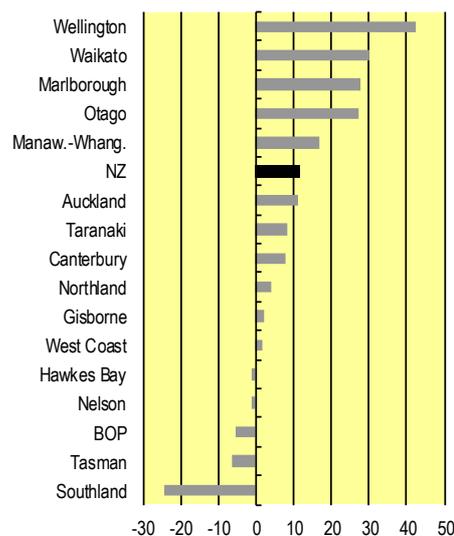
The National State of Play

Employment ★★ ★ <p>Employment rebounded in the June quarter after the weak March quarter result. Indeed, the unemployment rate dipped below 4% for the first time since June 2008. Despite the relatively rosy June picture, we anticipate that the labour market will weaken a touch over the remainder of the year, particularly as business confidence and hiring intentions remain low.</p>	Retail Sales ★★ <p>Retail sales volumes rose a meagre 0.2% in the June quarter. The soft retail numbers were broad-based, with annual growth in retail values falling below 3.8%. There's a fair chance that the soft spending continues over the remainder of 2019 as consumer confidence remains low. However, the Reserve Bank hopes that recent interest rate cuts will soon boost spending.</p>
Wages ★★ <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 contained over 2019, outside of earlier minimum wage lifts and some public sector pay settlements.</p>	New Car Sales ★ <p>New car registrations have continued to recede after peaking in late 2017, with the decline being regionally broad-based. With still-elevated fuel prices, the weaker NZD, and the less supportive housing market backdrop, a recovery in car sales looks some way off.</p>
House Prices / Sales ★★ <p>Nationwide annual house price inflation remains low. Auckland house prices are down over the past year, but the rest of the country is experiencing house price gains. Indeed, for the lower parts of both Islands, house price growth is running close to 10% or above.</p>	Construction ★★ ★★ ★ <p>Annual residential consent numbers are at their highest since the mid-1970s. Non-residential consent issuance values for the June year also hit a new record high. Still-present capacity constraints suggest construction activity is close to topping out, with the large pipeline of work expected to prolong the boom.</p>

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

The Regional Lowdown

Chart of Quarter:
Residential Consents – Pipeline shifts
Residential Building Consents, June 2019
Annual Change (%)



Source: StatisticsNZ

Northland ★★ ★★ ★

Northland has charged up the Scoreboard this quarter, taking out the bronze medal. The region also was the quarter's biggest mover, jumping 10 spots. Given the scale of the move, we are a little wary, so have only bumped Northland up to a four-star rating. Another good result next quarter would see us add the remaining star. The key areas of strength for the region were guest nights and car sales growth, with Northland topping both categories nationwide. We also suggest that Northland's diverse industry base is serving it well, particularly as the horticulture and beef sectors perform well. On this basis, we anticipate that Northland has a better-than-fair chance of claiming that sought-after fifth star next quarter and potentially a different colour medal to go with it.

Auckland ★★ ★★

The 'Big Smoke' had a mixed quarter. On the one hand, jobs growth was strong, with an additional 26,000 people in work between June 18 and June 19. Meanwhile, on the other hand, the housing market continues to soften. House sales were down 10% on a year ago, and the region recorded the only nationwide house price fall over the same period. Indeed, the housing market is the missing piece of the Auckland jigsaw puzzle. On that front, we expect to see some movement now that mortgage rates have fallen to record lows. Watch this space!

Waikato ★★ ★★

It was a glass half-full quarter for the Waikato. House sales growth was strong, with the region recording the second-fastest annual growth this quarter. Otherwise, though, Scoreboard results were a ho-hum affair, befitting of the region's three-star rating. Perhaps the most revealing statistic was low consumer confidence over the quarter, which may have held the region back from climbing higher up the Scoreboard. Recent confidence readings, particularly from the farming sector, suggest that this funk may continue a while longer.

Bay of Plenty ★★

The Bay of Plenty has slipped down the Scoreboard this quarter, all the way to 15th. We must admit though, we are a little bemused by the result. Nonetheless, like its neighbour, Waikato, consumer confidence is well down, so something is bugging Bay of Plenty locals. Perhaps it's the traffic, particularly around the Mount as road construction drags on. For our part though and with a generally strong industry outlook, we don't expect the region to stay down for long.

Gisborne ★★ ★★ ★★

Gisborne has leapfrogged its southern neighbour, taking out top honours in this quarter's Scoreboard. Indeed, the region has been on a good run, having climbed to third as at the March quarter. The Gizzy housing market is on fire, with both house sales and

house price growth topping the nationwide ranks over the quarter. Moreover, the region's cash registers have been ringing hot, with the region's retail sector also top dog of the nationwide stakes. By industry, Gisborne, like Northland, has been on an excellent run with its diverse mix of export industries. The one storm cloud on the horizon is the recent weakening of log prices. That aside, it is definitely time for a Gold in the Sunshine!

Hawke's Bay ★★ ★★ ★★

With Gisborne now top dog, the Hawke's Bay reign at the top of the Scoreboard ends. That said, the Bay remains at a respectable 5th equal and we allow the region the benefit of the doubt in keeping its five-star rating. Annual house price growth remains strong at over 12%, while slowing house sales may be more of a case of a lack of listings than a case of lack of interest. Indeed, with house building consents high, there's good reason to think that the region's economy still has momentum to sustain decent growth at least until the end of the year, if not beyond.

Taranaki ★★ ★★ ★★

Taranaki jumped five spots to fourth in this quarter's Scoreboard. The region's labour market remains a bright spot, with over 8% more jobs than the same quarter back in 2018. The residential consents pipeline is also full, with the second-highest annual growth in the country. Meanwhile, if our bullish 2019/20 milk price forecast of \$7.00/kg is close to the money, perhaps the region can challenge for a Scoreboard medal over coming quarters.

Manawatu-Wanganui ★★ ★★

Manawatu-Wanganui's great run on the Scoreboard has ended this quarter, with the region dropping to ninth. That said, we still view the region's economy on a glass half-full basis. In particular, there's still reason to be cheery around the local housing market and around the performance of the sheep and beef sector. Indeed, we expect that most farmers will be looking forward to spring in the region.

Wellington

★★★★★

Wellington has climbed two more spots in the latest Scoreboard, grabbing the silver medal. The economic drivers remain similar to recent quarters, with the strong labour market probably the outstanding feature. The housing market is not far behind as annual house price growth is still comfortably above 10%. Looking beyond the quarter and as Wellingtonians are the most optimistic in the country, we anticipate that the Capital could challenge for top spot over the next couple of quarters.

Nelson

★★

Nelson has slipped four spots to 14th spot this quarter. There doesn't appear to be one particularly weak result over the quarter. Instead, generally the region's Scoreboard results were on the soft side. Looking ahead, we expect the region to climb the Scoreboard. Indeed, the region's economy need look no further than the region's rugby team for inspiration!

Tasman

★★★

Tasman climbed three spots to seventh in the latest Scoreboard. The construction pipeline continues to fill, boding well for future activity (and jobs). Meanwhile, housing market activity, at least on the sales front, remains firm. With industries such as horticulture performing well, we expect Tasman to remain in the top half of the Scoreboard, if not better, over the remainder of 2019.

Marlborough

★★★

Marlborough has climbed four spots in the latest Scoreboard rankings. Driving the lift was a pick-up in commercial building consents. That lift aside, the region's Scoreboard results still appear soft. On this basis and a tough global environment for wine sales (with Brexit shenanigans continuing), we anticipate that the region may stay stuck in the bottom half of the Scoreboard over the rest of the year.

West Coast

★★

The West Coast slipped to bottom of the Scoreboard this quarter. Notably, the construction pipeline is soft, with building consents issued falling over the year. However, with the Westland Milk takeover confirmed, the cash injection that this provides may see spirits and activity lift on the Coast over coming quarters.

Canterbury

★★★

Canterbury has climbed one spot to 13th in the June 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. The housing market highlights the lost momentum, with annual house price growth the second-lowest in the country. However, underlying this slowing is a rebalancing in activity, which will likely see a return to sustainable economic growth in the long run.

Otago

★★★

Otago has slipped to 10th equal in this quarter's Scoreboard. Even though the region's house prices are still charging ahead (up 9.5% annually), the weak labour market and retail sector have dragged down the region's overall ranking. Also notably for the region's tourist hotspots, guest nights were down on a year ago and well back from the nationwide annual lift of 3%. Looking ahead, we anticipate ongoing mixed performance for the region as tourism growth slows, but the sheep and beef sector charges ahead. A similar divergence may occur between Dunedin, where activity is firm, and the inland centres where activity may be past its peak.

Southland

★★★★★

Southland has surged seven spots to fifth equal in the latest edition of the Scoreboard. The housing market is strong and, in turn, generating housing development. Indeed, the number of housing consents issued is growing at the fastest annual rate in the country. Similarly, the retail sector has had a good quarter, with annual sales growth in excess of 7%. Meanwhile, if our bullish 2019/20 milk price forecast of \$7.00/kg is close to the money, perhaps the region can maintain this good run over coming quarters. And more good things are on the way: more Aucklanders (courtesy of the new direct flight link) and the CBD redevelopment project, which has got the go-ahead.

Taking the regions' temperatures

Share of the economy Mar-18		Population Jun 18		Employment* Jun 19		Retail Sales Jun 19		House prices Jun 19		Construction Jun 19		New car sales Jun 19		Star Rating Jun 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	179	2.1%	84	1.7%	551	5.3%	522	3.3%	185	1%	1,404	0%	★★★★
Auckland	37.9	1696	2.3%	917	2.9%	6,752	4.7%	1,004	-2.8%	2,390	8%	26,205	-8%	★★★
Waikato	8.4	469	1.9%	256	-1.2%	1,519	2.9%	581	4.8%	559	12%	4,559	-7%	★★★
Bay of Plenty	5.6	306	1.9%	160	-0.1%	1,130	4.2%	619	7.1%	325	-12%	3,190	-11%	★★
Gisborne	0.7	49	1.2%	109	-1.6%	143	8.7%	387	13.2%	26	41%	321	-4%	★★★★★
Hawke's Bay	2.8	166	1.2%	99	-0.6%	553	6.3%	548	12.2%	115	0%	1,469	-7%	★★★★★
Taranaki	2.9	120	1.4%	63	8.2%	373	3.9%	401	3.8%	94	17%	921	-3%	★★★★
Manawatu-Whanganui	3.8	244	1.4%	119	2.5%	767	2.7%	379	11.6%	156	3%	2,200	-9%	★★★
Wellington	13.0	522	1.5%	292	3.2%	1,822	2.2%	667	11.0%	561	32%	5,267	-10%	★★★★★
Tasman	1.8	52	1.8%			180	4.7%	625	4.6%	54	20%			★★★
Nelson		52	1.0%			221	4.3%	595	8.0%	53	2%	1,344	-11%	★★
Marlborough	1.1	47	0.9%			176	1.7%	470	4.1%	52	44%			★★★
West Coast	0.6	33	0.3%			119	4.9%	207	2.1%	15	-31%	159	-14%	★★
Canterbury	12.4	624	2.0%	341	0.7%	2,309	3.0%	493	1.0%	996	22%	7,538	-11%	★★★
Otago	4.4	229	2.2%	131	-1.5%	1,021	1.0%	556	9.5%	324	1%	1,914	-7%	★★★
Southland	2.0	99	0.7%	53	7.8%	362	7.1%	312	11.4%	62	25%	931	-2%	★★★★
New Zealand	100	4886	1.9%	2623	1.7%	17,997	3.8%	637	1.2%	5,968	11%	57,422	-9%	★★★

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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