

ASB Regional Economic Scoreboard

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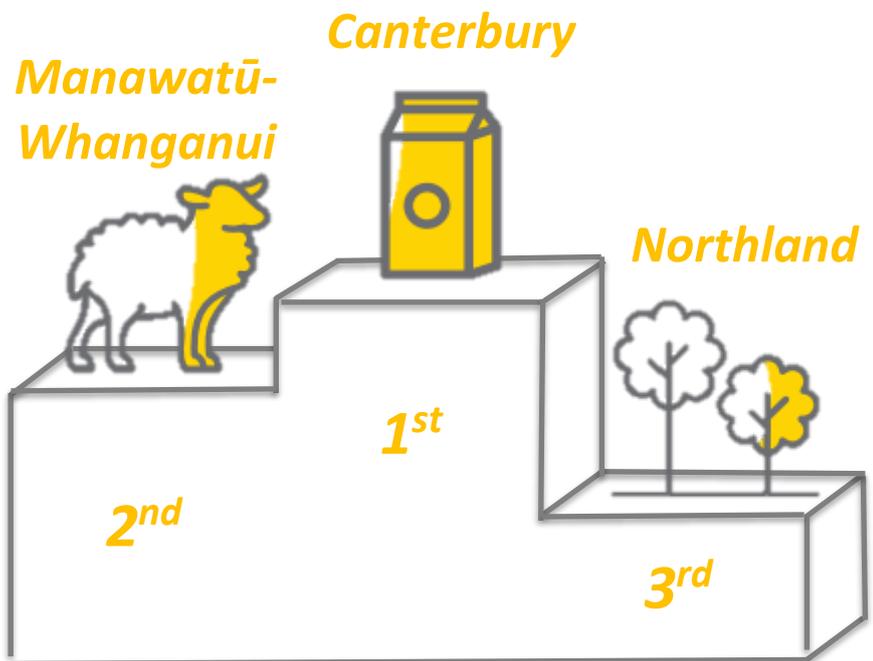
ASB Regional Economic Scoreboard

September Quarter 2021

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.

“Canterbury pips Northland and the Manawatū for the top spot”

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



“Southland remains soggy, but Otago bounds up the ranks”

The National State of Play

Employment ★★★★★ Q3 labour market data looked very strong with the unemployment dropping down to a mere 3.4%. Because the recent lockdown only kicked in partway through the quarter, the data should be taken with a hefty deposit of sodium, but if nothing else, it's good to have yet more confirmation that the NZ labour market was very, very tight ahead of the move back to Alert Level 4. There's scope for the unemployment rate to tick up modestly over the coming quarters but we're bullish that unemployment will remain low while NZ's border stays largely shut.	Retail Sales ★★ The retail sector was experiencing some strong momentum heading into the quarter, but lockdown slammed the brakes on as Kiwis were forced to swap cinema trips and swanky restaurants for Netflix and supermarket plonk. Sure enough, the quarter recorded a substantial 8.1% dip in qoq retail volumes. While that drop was unsurprisingly large, it was actually a bit smaller than market expectations. What's more, card spending and mobility data suggest spending is on track for a solid recovery over the summer.
Wages ★★★★★ Where a tight labour market makes itself known, wage inflation usually follows. Accordingly, the Labour Cost Index lifted about 0.7% qoq. We expect it to accelerate further from here. We're not the only ones of that view – far from it. Rising wage pressures are one reason the RBNZ has begun lifting the OCR off its lows, given they have the potential to help push inflation outside the Bank's target bank for a prolonged period.	New Car Sales ★★ There was a lot of variation in new car sales this quarter, with regions differing markedly in terms of their petrolheadedness (is that a word? – if not we're coining it). With Aucklanders stuck at home like cheese at fourpence, there was a 9% annual fall in new car sales. Conversely, Gisbornians and West Coasters didn't let the new lockdown dent their enthusiasm for splashing out on new rides (up 20%+ p.a.). The end result saw overall sales down -0.5% annually.
House Prices ★★★★★ Despite the kitchen sink-like plethora of tax and regulatory changes, the NZ housing market has continued to prove strong through lockdown. While the imposition of higher Alert Levels put a temporary dent in sales activity, house price momentum has mostly shrugged off the higher Alert Level restrictions and annual house price inflation is around circa 30%. Despite those lofty figures, we do still expect to see house price gains moderate over 2022 as the recent bumper building boom catches up with demand, with higher interest rates for borrowers also playing a supporting role.	Construction ★★★★★ Q3 saw yet another whopping lift in building consents, up 21.3% annually off an already-high base – impressive considering the period spent at Alert Level 4 in the middle of the quarter, when the sector couldn't operate. The boom in construction has been such that capacity remains the biggest issue, with labour and raw material shortages remaining big themes. The big question now is how long the boom will last, given net migration has been zilch over the past eighteen months. We expect the housing shortfall to be met in around twelve months' time, so the sector may struggle to sustain such high activity after that.

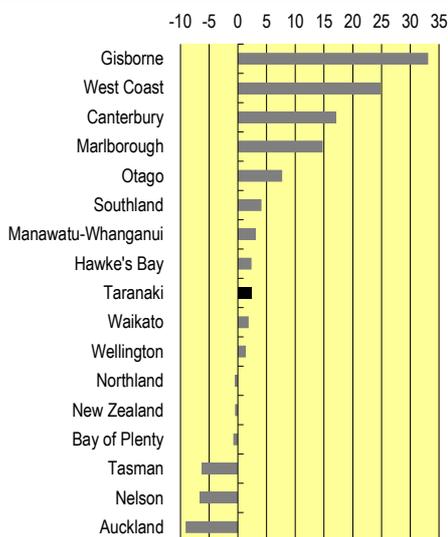
Steaming ★★★★★ Simmering ★★★★★ Stable ★★★★★ Needs an energy boost ★★ In the doldrums ★

The Regional Lowdown

Chart of the Quarter:

Immobile Aucklanders weren't in the mood to buy a new car during Q3

Growth in New Car Registrations (%)
Year to September 2021



Source: Stats NZ, ASB

Northland ★★★★★

Northland remains one of our Scoreboard's star players, having finished on the podium for four of the last five quarters (including taking the gold medal three times). Job growth remains the region's real strength at the moment, having consistently been one of the country's strongest over the past year or so. No doubt record forestry prices and bumper export activity in the first half the year

helped, though the price correction and surge in freight costs we've seen since then might prove to be a storm cloud on the horizon. Here's hoping the region sees an influx of stir-crazy (and vaccinated) Aucklanders with fat wallets over the holidays. The challenge for Northland will be getting those vaccine numbers up, given it has pockets of real deprivation and isolation that are proving hard to reach – its joint-bottom when it comes to second doses, and only at 85% when it comes to first doses.

Auckland ★★

Given it was at higher alert levels for longer over the September quarter, it's not surprising at all to see Auckland take a tumble, falling from 4th place all the way down to 11th. Being trapped at home, Aucklanders clearly weren't in the mood to splash out on some new transport, so the region saw by far the largest falls in new car sales in the country. Still, other metrics pointed to Auckland's resilience. The fall in retail sales was only slightly larger than the national average, and the region actually posted the strongest gains in job numbers in the country. That suggests Auckland employers have been keen to hold onto staff even if they've been unable to work for much or all of the quarter. Auckland now has one of the highest vaccination rates in the country, so the bars and clubs of Ponsonby and Wynyard Quarter look well placed for a festive season blowout.

Waikato ★★★★★

Another cracker for the dairy behemoth of Waikato, which remains in the top half of the Scoreboard, creeping up into 5th place. That's particularly impressive given the Waikato spent the latter half of the quarter bouncing between various COVID Alert Level changes. The region was a good all-round

performer, besting the national average in retail sales, house price growth, new car sales and residential construction. The thing that stood out to us this quarter was the confidence of Waikato residents, which saw them among the most optimistic in the country. That might have something to do with the record high farmgate milk price that looks to be on the way (we're expecting something in the region of \$8.75 perkgMS).

Bay of Plenty ★★★★★

The Bay of Plenty slid six places down to 9th on our Scoreboard, but that's after a very strong couple of years where it's usually been close to the top. Don't forget our Scoreboard measures annual growth. So it's not uncommon to see strong-performing regions fall down the Scoreboard after a period of gains, because they are coming off a higher baseline. We suspect there's a bit of that at play here – building consents lifted only 5% vs a 21% lift nationally, but that's coming off twelve months of some of the strongest construction growth in the country (which is saying something in the current environment). Whatever the case, the region posted some of the strongest consumer confidence figures in the country, so Bay residents were happy – and why shouldn't they be? It's been another strong kiwifruit season.

Gisborne ★★★★★

During late 2019 and early 2020, Gisborne was one of our Scoreboard's star performers, coming in 1st place for four consecutive quarters. After spending a couple of quarters in the bottom half of the Scoreboard as other regions caught up, it mounted a pretty spectacular comeback this quarter, up 11 ranks to 4th place. This quarter we salute Gisbornites for finding opportunities to splash their

cash around despite the higher alert levels – annual growth in retail sales, house sales and new car registrations were the strongest in the country. Here's hoping folks are using those new rides to take themselves off to get their second vaccine jabs – the region's currently only at 75%.

Hawke's Bay

★★★

Hawke's Bay stays in the bottom half of our Scoreboard in 10th place, after a strong run last year and in the early part of this year. There may be a cyclical element to Hawke's Bay's drop down the Scoreboard, though the region's two famous exports – wine and apples – have been some of the hardest hit by labour shortages and shipping capacity constraints – export volumes are down circa 11% and 13% year-to-date, respectively. Those labour pains are being felt more broadly in the region too: staff shortages have hampered efforts by local carpet maker [Bremworth's](#) to expand production. This quarter, the region had few stand-out metrics to point to, though it bested the rest of the country for house price growth.

Taranaki

★★

Taranaki remains stuck at unlucky number 13 this quarter. For yet another quarter, it was weak job growth that bedevilled the region – employment numbers were down 3.1% year-on-year, the only region in the country that recorded a fall in employment over that period. It's a problem the region is taking seriously, with South Taranaki District Council working with the local chamber of commerce and the Mayors Taskforce for Jobs on launching a jobs Expo in Hawera during November. Still, for now, the region holds the title of highest unemployment rate in the country. On the bright side (no pun intended), the 'Naki did recently earn a more appealing sobriquet: [New Zealand's sunniest region](#) according to NIWA.

Manawatū-Whanganui

★★★★

It's been a rollercoaster ride for Manawatū-Whanganui on our Scoreboard lately. After tumbling into second-to-last last quarter, the mighty central North Island surges twelve ranks to silver medal position this time around. It was bumper house price growth that boosted the region's fortunes this quarter, at an annual rate of +46.7% versus an already-strong national average of +30.3%. Other stand-outs this quarter were job growth (the second highest in the country) and construction (the third highest). All-up it caps a strong twelve months for a region that looks to have benefitted from the agri sector's solid run – who doesn't love a second wind.

Wellington

★★★

One of our Scoreboard's most stable performers, this quarter Wellington nudged up a rank to joint-7th place. The frothy housing market remains Welly's most notable feature, with lofty house price growth breathing down the RBNZ's neck in its own backyard. This quarter they were up at +37.7% annually, only bested by the Manawatū next door. Much like last quarter, the region also spent Q3 embracing its 'absolutely, positively Wellington' slogan: consumer confidence was the second highest in the country. And finally, let's give the capital a hand for setting an example with its high vaccination rate.

Nelson

★

Another volatile quarter for sunny Nelson, down seven ranks after leaping six last quarter. That leaves it second from the bottom this time around. Smaller regions like Nelson can get thrown around the Scoreboard a little bit by the odd swing on one metric or another given their relatively low baseline. This quarter it looks the region's outsized, lockdown-impacted dip in home sales (-48% yoy) was one factor, as was a 6% dip in residential construction. We'll have to wait for the December quarter data to come out before we draw any firm conclusions there. Unfortunately, there's no Bay Dreams this summer, so retail trade may take a bit of an annual dip next quarter.

Tasman

★★

Tasman dips three ranks down the Scoreboard to 14th place this quarter. Another blow for the region after its narrow loss to the Waikato in the finals of the Bunnings NPC. One driver of Tasman's shift down the rankings seems to be the end of a construction boom that it was experiencing this time last year. Tasman recorded by the far the largest year-on-year drop in building consents, which were down 23%. By contrast, the average *lift* nationally was 21.3% despite the lockdown over the second half of the quarter. In other news, the region also saw one of the biggest drops in new car registrations this quarter.

Marlborough

★★

A big dip for Marlborough this quarter, dropping seven rankings down our Scoreboard. The region's most notable feature this quarter was a big annual drop in retail sales, which were down a whopping 9%. As a massive tourism destination, the region was always going to take a big hit – particularly given it was enjoying a boom this time last year as stir-crazy Kiwis splashed out on a post-first lockdown holiday. Marlborough will be one region that stands to gain a lot when the international border opens up, but it's hard to know exactly how soon that will be. Still, at least there are signs the region's other big, embattled sector might be turning the boat around (no pun intended) – after a tough 2020, seafood export volumes lifted more than 20% over Q3 by our reckoning.

West Coast

★★★

After a surprise surge into 1st place during Q2, the West Coast slips back down into joint-7th place. We'd warned that the Coast's rise could be a function of some lumpy data coming off a low base line, and that looks to have proven prescient. Despite that fact, there were still some pretty eye-watering lifts in evidence this quarter. Having come in at just \$15m this time twelve months ago, building consents were up a whopping 125% annually. There's one metric Coasties have been formidably consistent on – growth in new car sales has been some of the strongest in the country for the last several quarters.

Canterbury

★★★★

After coming in at 2nd place last quarter, Canterbury dethrones the West Coast and takes the top spot for itself. Canterbury didn't actually top the country on any individual metric this quarter. Instead, it was

a good all-round performer across the board, coming in 3rd or 4th place on a lot of categories. Canterbury's return to the top of the Scoreboard comes after a period of five or six years during which it has typically been closer to the bottom, undergoing a period of consolidation after its flurry of activity and inward investment over the years following the 2010-11 earthquakes. Now it looks like the cycle has entered the next phase, and the region is enjoying a period of growth once again. Great work Cantabrians.

Otago

★★★

Otago spent the best part of a year stuck in the mud at the bottom of our Scoreboard, hit hard by the slamming shut of the NZ border and the absence of international tourists spending up large. Now that we're well past the twelve months of COVID milestone, the only way is up for the region, and its reached 6th place on our Scoreboard. Employment growth is finally in positive territory after four quarters where it notched up an annual decline. And the region enjoyed some of the strongest year-on-year construction figures in the country. Still, the challenges of the last few months have definitely taken their toll on Otagans – it's by far the most pessimistic part of the country in terms of consumer confidence. And the tourism-centric Central Lakes have had to endure not just the external border closure but the regional travel restrictions.

Southland

★

New Zealand's southernmost region remains southernmost on our Scoreboard for a third consecutive quarter. After last quarter's annual drop in job growth, it's the turn of retail sales to take a hit, down 5.6% yoy (the second-largest drop in the country). The region's drop down our Scoreboard is also being driven by a property market that's less blazing hot than elsewhere in the country. This time last year, the region was experiencing a big construction boom amid the Invercargill town centre redevelopment – that's meant construction is now down 17.5% annually. House price growth is also now the lowest in the country – though in the current environment that still equates to annual growth of +24.8%. All-up, the challenges of the last eighteen months are taking their toll here too, with Southland second only to Otago for the un-wanted title of 'most pessimistic region in New Zealand.'

Taking the regions' temperatures

	Share of the economy Mar-20		Population Jun-20		Employment Sep-21		Retail Sales Sep-21		House prices Sep-21		Construction Sep-21		New car sales Sep-21		Star Rating Sep-21
	%	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	2.5	195	2.6%	99	4.9%	616	-2.9%	3,110	28.5%	260	13.6%	1,377	-0.4%	★★★★	
Auckland	37.9	1,718	2.2%	971	8.0%	7,083	-1.9%	3,121	26.1%	3,215	20.1%	20,663	-9.1%	★★	
Waikato	8.6	497	2.3%	266	1.2%	1,715	0.3%	3,311	32.8%	736	8.6%	4,974	1.9%	★★★★	
Bay of Plenty	5.8	337	2.8%	175	1.9%	1,250	-1.3%	3,056	36.0%	420	4.9%	3,349	-0.8%	★★★★	
Gisborne	0.7	51	1.2%	119	0.9%	165	4.8%	3,282	36.5%	33	5.0%	442	33.1%	★★★★	
Hawke's Bay	2.8	179	2.0%	66	-3.1%	631	0.6%	3,282	36.5%	230	7.3%	1,579	2.4%	★★★★	
Taranaki	2.9	125	1.5%	139	5.9%	382	-5.0%	3,321	31.3%	124	58.9%	1,077	2.4%	★★	
Manawatu-Wanganui	3.8	254	1.6%	317	2.9%	854	0.4%	3,473	46.7%	251	58.8%	2,214	3.0%	★★★★	
Wellington	12.5	542	1.8%	197	3.6%	1,946	-2.9%	3,054	37.7%	577	5.6%	5,304	1.4%	★★★★	
Tasman	1.9	56	2.4%	109	0.1%	233	-2.4%	2,570	26.3%	88	-23.0%	412	-6.2%	★★	
Nelson		55	1.9%			233	-2.4%	2,570	26.3%	34	8.0%	565	-6.6%	★	
Marlborough	1.0	50	1.6%	186	-9.0%	112	2.1%	2,570	26.3%	69	-1.4%	395	14.8%	★★	
West Coast	0.6	32	0.3%	112	2.1%	112	2.1%	2,570	26.3%	35	125.0%	292	24.8%	★★★★	
Canterbury	12.4	646	2.2%	366	3.9%	2,529	-0.2%	2,657	32.1%	1,057	56.8%	8,226	17.1%	★★★★	
Otago	4.4	245	2.3%	136	1.7%	1,021	-0.8%	3,107	26.3%	515	47.2%	2,142	7.7%	★★★★	
Southland	2.1	103	1.1%	57	1.1%	355	-5.6%	3,439	24.8%	94	-17.5%	930	4.1%	★	
New Zealand	100	5,084	2.1%	2,819	4.3%	19,275	-1.4%	3,070	30.27%	7,736	21.3%	53,941	-0.5%	★★★★	

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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