



ASB Regional Economic Scoreboard

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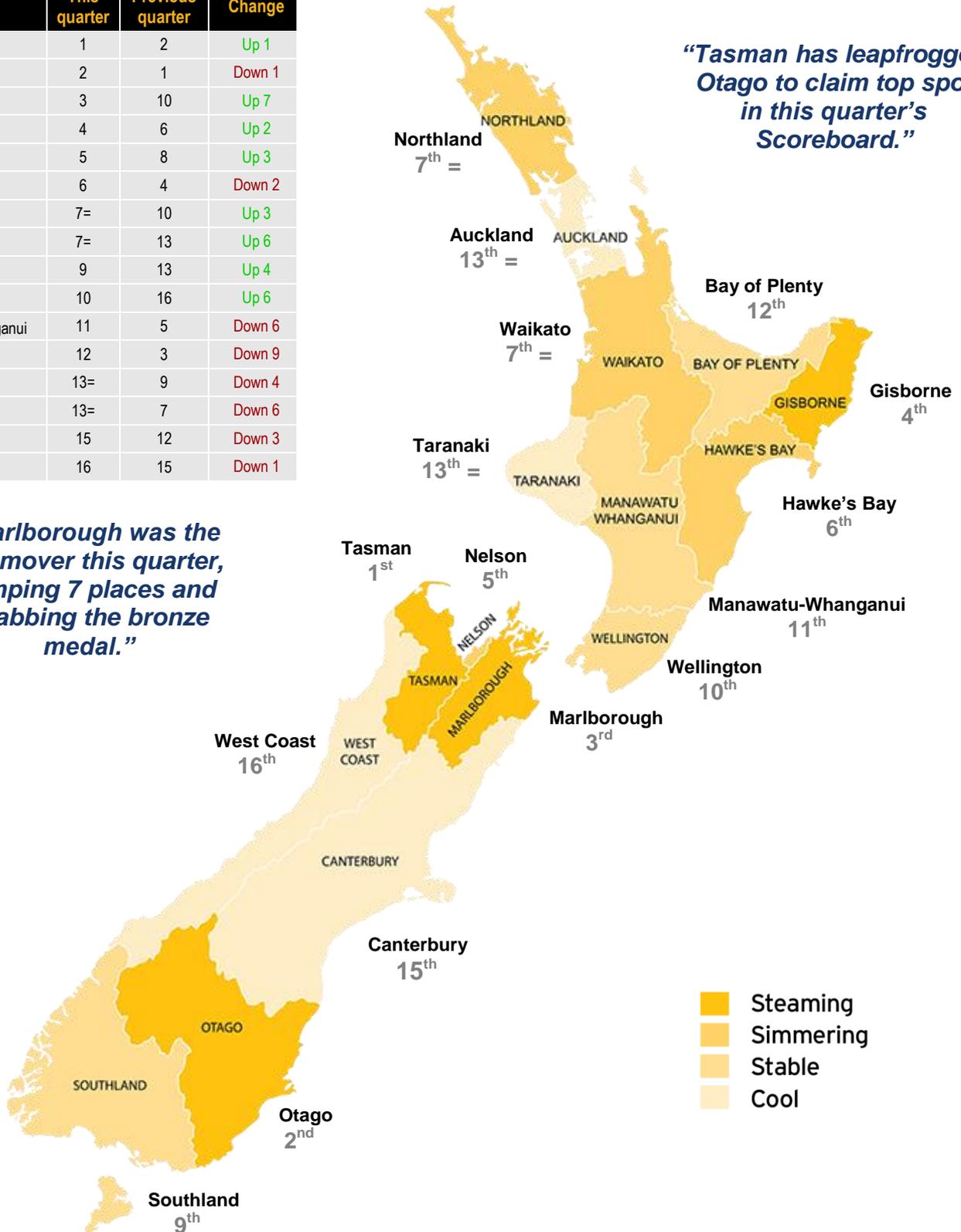
December 2017 Quarter

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 such as employment, construction, retail trade, house prices (sources at bottom).

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

“Tasman has leapfrogged Otago to claim top spot in this quarter’s Scoreboard.”

“Marlborough was the big mover this quarter, jumping 7 places and grabbing the bronze medal.”

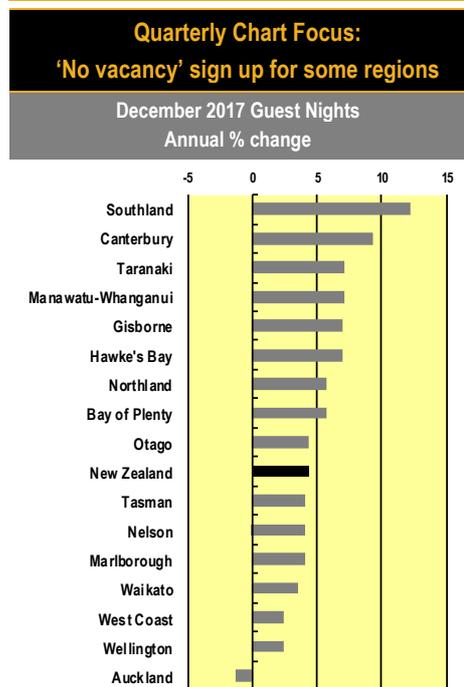


The National State of Play

Employment ★★★★★ 2017 was a cracking year for jobs growth the NZ labour market. Indeed, the economy added a touch under 100,000 jobs over the year. We expect the labour market to remain strong over 2018, however it will be hard-pressed to match 2017's strength.	Retail Sales ★★★★★ The retail sector had a great 2017. Low retail inflation is helping consumers get good bang for their buck. Meanwhile, ongoing jobs growth, low interest rates and lifting incomes in rural areas (from a healthy milk price for example) should help keep spending firm over 2018 as well.
Wages ★★ Despite strong jobs growth, wages continue to languish at modest levels. Wage pressures remain confined to tourism-related sectors, construction and sectors covered by the recent health care worker settlement. However, we expect wages to lift over 2018, particularly as the labour market tightens further.	New Car Sales ★★★★★ New car sales remain very high, with nationwide sales up 8% over 2017. In the short term, we expect a slowdown in the form of an unlikely source: stink bugs! Beyond the temporary disruptions, we also expect car sales to slow following the broader slowdown in immigration.
House Prices / Sales ★★ Housing market activity remains soft. In particular, national house sales over December were 9% below December 2016. Meanwhile, house price growth has also slowed, with prices 2% higher than a year ago, down from 12% higher back in the December 2016 quarter.	Construction ★★★★★ The construction sector's growing pains hit over 2017. At one stage annual construction growth hit 17% (as measured by consents), but slowed to 6% by the end of year. It appears that capacity constraints began to bite during 2017. Indeed, we expect the challenge around finding labour to remain over 2018.

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

The Regional Lowdown



Source: Statistics NZ

Northland ★★★

Northland has climbed three places to sit mid-table in the rankings this quarter, with the region's ranking reflecting a mixed bag of results. On the one hand, the region generated highest jobs growth over the year. But the strong labour market didn't translate over into housing market activity, where the annual percentage fall in house sales was the largest in the country. In this regard, we suspect that Northland's housing market weakness stems from the similar weakness at its large southern neighbour, Auckland. Reflecting the mixed bag of indicators, we knock Northland back to a three-star rating.

Auckland ★★

After a brief respite, Auckland has slipped back towards the bottom of the latest Scoreboard. Auckland is one of only three regions experiencing

both falling house prices and house sales. The "No Vacancy" sign is also up for the region's hotels and motels. And while this is proving a boon for existing operators and the prices they can charge, it is acting as deterrent for additional visitors to the region. On the positive side of the ledger, the construction pipeline continues to build with total building consents up 22% for the year. Indeed, the number cranes dotting the Auckland skyline set a fresh record high over the quarter. But the main message we garner from this Scoreboard is that capacity constraints are hindering the region's growth. With this in mind, we cut Auckland back to two stars.

Waikato ★★★

Waikato is one of the big movers in this quarter's Scoreboard, jumping six places to seventh equal. The key drivers of the improvement over the quarter have been the strong labour market, with Waikato only just edged out by Northland on the job creation front. Like Northland, however, the Waikato housing market is soft. But with the labour market strong, tourism growing, and agricultural incomes also solid (read the healthy milk price), we expect that the Waikato region is set for an extended period in the top half of the Scoreboard over 2018.

Bay of Plenty ★★★★★

Unfortunately for the Bay of Plenty, the region was the fastest mover in the wrong direction in the latest Scoreboard. The region slid 9 spots over the quarter to lie 12th. In particular, the Bay's housing market is beginning to weigh down economic activity. This fact was highlighted by 2018 Demographia Housing Affordability Survey (comparing the region's average incomes and average house prices), which showed Tauranga as the least affordable city in NZ and even less affordable than Auckland. Housing aside, the Bay is faring better, with the construction pipeline strong. In addition, the Kiwifruit sector is looking at record incomes this season, so there are other areas of strength underpinning the economy. That said, we still knock the Bay down to a four-star rating, and another low ranking next quarter could see the region lose an additional star.

Gisborne ★★★★★

It's been another solid quarter for Gisborne in the latest Scoreboard, with the region climbing two spots to fourth on the rankings. Leading the way were the region's retailers who topped nationwide spending growth over the quarter. Also, the region's housing market was perky, with annual house price growth in double digits. Moreover, with the horticulture, agriculture and forestry sectors performing well in the region we expect Gisborne to continue in a similar vein heading over 2018. Oh and before we forget, we have upped Gisborne to a four-star rating for the quarter.

Hawke's Bay ★★★★★

The Hawke's Bay slips down two places to sixth in the latest Scoreboard. Despite the fall, the region's housing market remains strong, with the Bay topping the house price growth stakes nationwide. In addition, house sales, retail sales and car sales were all strong over the quarter. All up, it's a strong quarter for the region and leaves the Bay knocking on the door of a five star rating. And with the region's main industries firing, we expect the good times to keep rolling over 2018.

Taranaki ★★

Drought has put the brakes on the recovery that was under way in the Taranaki earlier in 2017. After a brief climb into the top half of the Scoreboard, the region has slipped back to 13th equal in the rankings this quarter. Holding back the region is a weak jobs market compared to the rest of the economy and also weak consumer confidence perhaps stemming from the drought declaration. From here, we expect the region to fare better, but whether the rebound happens next quarter or later in 2018, we'll wait and see. For now though, we trim the region's star rating back to two.

Manawatu-Whanganui ★★★

Manawatu-Whanganui dipped to 11th in this quarter's Scoreboard. The weak labour market remains the region's Achilles heel as the number of jobs fell over the year. Meanwhile, the drought has put a temporary dent into what was shaping as a

good agricultural season. Over 2018, we expect fortunes to improve on the back of otherwise healthy agricultural incomes.

Wellington ★★★★★

Wellington was one of the big movers in this quarter's Scoreboard, with the Capital climbing six places over the quarter. In particular, the Capital's labour market was strong over the year. Also, Wellington remains the one major centre with a housing market still firing. Indeed, we expect the region to make a run up the Scoreboard over 2018. Already confidence has lifted as the new government, brings with it the prospect of additional jobs and activity. In fact, we say watch out Tasman and Otago, here comes the Capital.

Nelson ★★★★★

Nelson climbed three places to fifth in the latest Scoreboard. The region's strong housing market has been key to the move higher in the rankings. Indeed, Nelson's annual house sales growth led the country over the quarter. This strength has also been reflected in the country's highest level of consumer confidence (for the wider region). On the other hand, the number of building consents issued was subdued as was retail spending growth in the region. From here and on the basis of ongoing strength in Nelson's main industries, we expect the region's economy to start 2018 in good shape.

Tasman ★★★★★

We called it! As we predicted in last quarter's Scoreboard, Tasman has claimed top spot. The key to the region's success has been solid sales growth across the housing, retail and the car industries. It appears that consumers are acting on the highest level of consumer confidence in the country (for the wider region) by getting out their wallets. From here we expect more of the same as the outlook for the region's industries remains strong. That said, the region was hard hit by Cyclone Gita, so activity is likely to dip temporarily early in the year.

Marlborough ★★★★★

Marlborough was the big mover in the latest Scoreboard, jumping seven places over the quarter. moreover, the region claimed the bronze medal in the rankings. Along with the bronze medal, we give the region the coveted five-star rating. Marlborough led the way nationally, with its construction pipeline growing at the fastest rate in the country. Retail trade spending growth was also firm over the quarter. Indeed, with the re-opening of the Kaikoura road link late in the quarter, we expect the region's retailer to see a further pick-up in sales in early 2018. With that in mind, we expect Marlborough to remain near the top of the Scoreboard in early 2018.

West Coast ★★

The West Coast has slipped one spot to the bottom of the rankings this quarter. Retailers were again quiet; with the annual spend down this quarter. In addition, the Coast, along with Auckland and Canterbury, was one of three regions to see annual falls in house prices. Looking ahead, we anticipate some pick-up in the Coast's economic fortunes over 2018 on the back of a healthy milk price this season.

Canterbury ★★

Canterbury dropped to second-to-last in the rankings this quarter. In particular, employment growth was soft over 2017. Indeed, this softness translated into weak annual growth in retail spending and car sales. However, there has been 'good news' on several fronts recently that may lead to an acceleration in activity in the region over 2018. Firstly, the re-opening of the Kaikoura road link is likely to boost activity in the Canterbury region too. Secondly, the green light for some flagship rebuild projects is likely to further boost confidence as it has with the opening of new retail and commercial projects in the CBD. In short, we expect Canterbury to add a star or two and climb the Scoreboard ratings in coming quarters.

Otago ★★★★★

While Otago has slipped back into second spot in this quarter's Scoreboard, it's still another strong result for the region. In particular, it seems the region can't get enough workers, having added over 6% additional jobs over the year. Retailers also had an excellent quarter, with annual growth only behind that of Tasman and Gisborne. So where to from here? We are a touch sceptical that the activity levels can be maintained over 2018, particularly in the tourist centres, as accommodation (for both tourists and workers) hits capacity. Indeed, the peak tourist season coming up in the March quarter will provide a good test of how much additional growth the region can accommodate.

Southland ★★★

Southland has climbed four spots to 9th in the latest rankings. Moreover, on the bank of this solid result we have added a star, taking the region to a three-star rating. The shining light for the region has been the accommodation sector, with growth in guest nights the highest in the country over the past year. We suggest this is partly spillover from Queenstown into Te Anau. The region also topped the nationwide car sales growth stats for the year. From here, we think Southland can continue to climb the Scoreboard. The lift in the milk price has started to improve dairy sector cashflows. The sheep sector is also on the up on the back of very healthy lamb prices. There will be a temporary spanner in the works from the summer drought, but beyond that we expect 2018 is set up well for the region to outperform.

Taking the regions' temperatures

Share of the economy Mar-16		Population Jun 17		Employment* Dec 17		Retail Sales Dec 17		House prices Dec 17		Construction Dec 17		New car sales Dec 17		Star Rating Dec 17
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	2.5	175	2.3%	86	8.1%	587	3.3%	468	10.3%	146	-3%	1,589	17%	★★★
Auckland	37.2	1657	2.6%	911	3.4%	7,329	4.5%	1,062	-0.6%	2,114	22%	35,030	6%	★★
Waikato	8.3	460	2.4%	251	8.0%	1,641	5.4%	513	6.5%	479	6%	4,707	10%	★★★
Bay of Plenty	5.2	300	2.2%	158	4.0%	1,226	4.2%	554	7.0%	369	13%	3,601	15%	★★★★
Gisborne	0.7	49	1.3%	106	4.2%	149	11.3%	328	11.6%	20	9%	342	16%	★★★★
Hawke's Bay	2.7	164	1.5%		4.2%	581	5.4%	470	15.7%	102	3%	1,500	14%	★★★★
Taranaki	3.3	118	1.1%	61	0.3%	398	4.2%	387	7.1%	80	12%	967	0%	★★
Manawatu-Wanganui	3.8	240	1.4%	120	-1.6%	813	5.2%	317	12.0%	123	6%	2,248	19%	★★★
Wellington	13.5	514	1.8%	301	5.7%	1,963	4.3%	591	8.7%	362	-19%	5,514	12%	★★★
Tasman	1.7	51	1.8%	100	5.3%	196	10.1%	563	12.3%	38	-20%		25%	★★★★
Nelson		51	1.6%		5.3%	231	0.0%	560	12.6%	33	-29%	1,640	25%	★★★★★
Marlborough	1.0	46	1.5%	92	5.3%	193	7.0%	453	6.7%	53	40%		25%	★★★★★
West Coast	0.6	33	0.0%		5.3%	134	-0.4%	237	-3.0%	11	-80%	161	-17%	★★
Canterbury	13.2	612	2.0%	345	0.3%	2,525	2.6%	490	-0.4%	800	-8%	12,332	5%	★★
Otago	4.3	224	2.3%	127	6.2%	1,137	8.8%	480	12.9%	325	2%	2,127	13%	★★★★★
Southland	2.0	98	0.4%	55	-1.4%	386	4.7%	263	9.1%	45	13%	935	28%	★★★
New Zealand	100	4794	2.1%	2620	3.7%	19,715	4.2%	597	2.1%	5,101	6%	72,693	8%	★★★

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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