

## ASB / Main Report Regional Economic Scoreboard

December 2007 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).

### Taking the regions' temperatures

Share of NZ economy Mar-04	Population*			Employment		Retail Trade		House Prices		Construction		New Car Sales		Rating Dec-07	
	%	000s	000s	annual growth	000s	annual growth	\$m	annual growth	\$000s	annual growth	\$m	annual growth	No.		annual growth
Annual growth = Qtr(t) / Qtr(t-4)														5 - hot 1 - not	
<b>Northland</b>	3	154	153	0.7%	68	-5%	415	14%	351	9.5%	141	6%	1069	13%	★★★
<b>Auckland</b>	31	1394	1371	1.7%	686	5%	4387	3%	506	9.7%	873	-9%	21841	4%	★★★
<b>Waikato</b>	9	399	395	0.9%	209	7%	1069	3%	330	6.8%	342	-6%	3417	5%	★★★
<b>Bay of Plenty</b>	6	268	265	0.9%	108	-4%	825	1%	376	3.9%	183	2%	2332	4%	★★
<b>Gisborne</b>		46	46	-0.2%			122	1%	283	5.5%	16	3%	258	3%	★★
<b>Hawke's Bay</b>	5	153	152	0.3%	96	1%	448	4%	311	5.3%	98	4%	1288	1%	★★★
<b>Taranaki</b>	3	107	107	-0.1%	61	0%	284	12%	281	3.7%	77	15%	871	10%	★★★★★
<b>Manawatu-Wanganui</b>	5	229	229	-0.2%	115	1%	726	5%	246	9.6%	135	0%	1699	-5%	★★★
<b>Wellington</b>	13	470	466	0.9%	269	-2%	1498	5%	420	11.5%	356	46%	4158	-7%	★★★
<b>Tasman</b>		46	46	0.7%			173	5%	365	5.7%	26	-15%			★★★
<b>Nelson</b>	5	44	44	0.2%	93	8%	163	21%	365	7.9%	32	1%	1218	9%	★★★★★
<b>Marlborough</b>		44	44	0.9%			172	16%	359	8.3%	50	-11%			★★★★★
<b>West Coast</b>		32	32	0.6%			87	-4%	211	9.1%	23	-2%	234	4%	★★★
<b>Canterbury</b>	14	547	540	1.3%	337	4%	1648	6%	346	7.9%	398	-3%	8523	3%	★★★
<b>Otago</b>	5	202	200	1.0%	94	1%	704	-1%	313	8.0%	182	18%	1590	1%	★★★
<b>Southland</b>	3	93	93	-0.2%	53	2%	309	5%	205	22.4%	61	38%	700	2%	★★★★★
<b>New Zealand</b>	100	4228	4185	1.0%	2189	2%	13029	4%	391	8.9%	2994	2%	49198	3%	★★★

\* Statistics NZ Population Estimates, p.a.

★★★★★  
The place to be

★★★★  
Be there or be square

★★★  
Fair to middling

★★  
Needs an energy injection

★  
Take pity

### The National State of Play

#### Employment ★★★★★

Labour markets remain tight and employment growth was still strong in the December quarter. Unemployment dropped to a very low 3.4% and firms still report difficulties finding staff.

#### Wages ★★★★★

The tight labour markets are making for some large pay increases, if not on the job then when changing to a new employer.

#### House Prices / Sales ★★

In contrast the housing market is much slower. Sale volumes are well below 2002-2006 levels and time to sell is creeping out. Prices are mixed but showing a greater tendency to decline now.

#### Retail Sales ★★

Budgets are clearly tight judging by the modest spending growth at present, not aided by higher interest/rent, food and petrol costs.

#### Car Registrations ★★

Car sales picked up a little last year but they remain below the levels of 2003-2005.

#### Construction ★★★

The construction growth momentum is slowing now but the overall level of activity remains high. Residential activity has passed its peak but non-residential construction is still increasing.

Steaming ★★★★★

Healthy ★★★

Sad ★

### Northland ★★★

The economic temperature up north appears neither hot, nor cold; some sectors are still accelerating, others are slowing down. For retailers, December quarter sales were strong relative to twelve months earlier. Whether this can be sustained is a moot point: employment is now dropping although this is due to fewer workers rather than more unemployed; house sales are much fewer now and the median sale price is tending to decline (after a 110% rise over six years mind you); and the popularity of the region to others waned over the second half of 2007. There may be less of a stampede to buy a beach section.

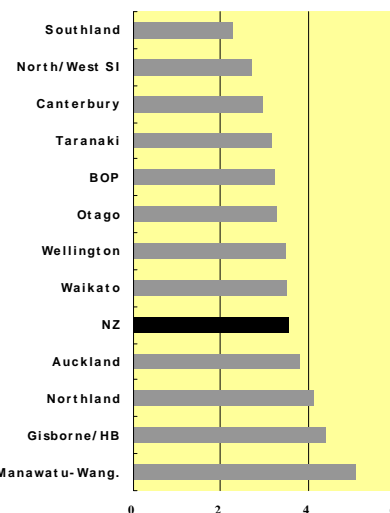
### Auckland ★★★

The 'for sale' signs are noticeable on the Auckland City apartments. More generally all forms of housing around the wider region are selling less these days and the tendency is also for the median sale price to decline, although prices are still very high, even relative to Auckland incomes. The flip side of the high house prices is high debt levels, and now high debt servicing. This burden appears to be biting - helped by higher petrol and food prices - judging by the meagre 2.9% retail sales growth vs. 2006 during the busy Christmas shopping period (although Santa apparently did see his way to put a few cars in Christmas stockings). The budgeting push seems to have stricken the Auckland visitor as well: guest nights were up in Auckland during the quarter but the growth was primarily amongst motels and backpackers. Job ads are down sharply: perhaps the weaker housing

market and retail sales are starting to bite. Nevertheless, the ranks of the unemployed are not swelling yet.

### Regional Unemployment

Average % of labour force 2007, Statistics NZ



### Waikato ★★★

Economic theory suggests any unwanted 'suits' from Auckland should move to the dairy sheds but it seems implausible that this is behind the local jobs growth. Dairying is undoubtedly providing a boost to the region but it was not causing the tills to ring too loudly before Christmas. Retail sales growth over the whole region was as slow as in

Auckland. The focus appears to have been more on producing the milk, and on buying the neighbour's farm judging by the jump in large farm sales. Tourist numbers were down in all the regional hot spots, from Coromandel to Taupo.

**Bay of Plenty** ★★

While higher interest rates are hitting the pockets of the younger, it is lower asset values – and lost assets in some cases – that are hitting the older generation. Combine this with lower forestry and kiwifruit prices and the net effect is low retail sales growth (a mere 1.3% up in 12 months) and falling employment in the Bay of Plenty. But it takes more than that to stop a good party at the 'Mount': the coastal camping grounds had their best ever December – no, not all camping grounds have been subdivided. Unfortunately the tourists that generate the foreign exchange were not as plentiful, with Rotorua guest nights a touch below the levels of last year (but watch when the extended runway is opened next year).

**Gisborne** ★★

Gisborne was already poorly placed with low population growth, dry weather and low sheep prices (although good grapes). Add in an earthquake and recent times have been challenging. Little wonder retail sales were barely higher than last year in the December quarter and that job ads are down sharply. The heat is well out of the housing market now and residential building is coming off a mid 2007 peak. But it's still a great place to visit with guest nights up strongly for the second December quarter in a row.

**Hawke's Bay** ★★★

While also suffering from drought and higher unemployment, albeit still low, the economic environment was typically one notch better in the Bay than within their northern neighbour. The heat has also gone out of the local housing market but sales were not down as much; retail sales growth was up slightly; so too construction consents and car registrations. The one sector where Hawke's Bay came in behind Gisborne was visitor growth.

**Taranaki** ★★★★★

If only more of New Zealand were like Taranaki – how high would the NZ dollar be then? The region is an export dynamo right now. There is the higher dairy production and high dairy prices. There is the Tui oilfield still scaling up in the December quarter. And there were more visitor stays in the region, not all tourists no doubt. And success breeds success. Retail sales are strong. There are more jobs. More buildings are being constructed. And even house prices edged higher over the quarter, although sale volumes remain well below year-ago levels. The only surprising statistic is that there are still some people unwillingly out of work in the region.

**Manawatu-Wanganui** ★★★

A few kilometres down the road we find the highest unemployment rate in the country – a still relatively low 5.3% in the December quarter – although there are plenty of positives in the region. Retail spending is growing faster than the national average. House building is still growing rapidly. The median house sale price increased towards year-end. The increased job ads and the employment jump in the

quarter suggest the unemployment claim to fame will vanish soon.

**Wellington** ★★★

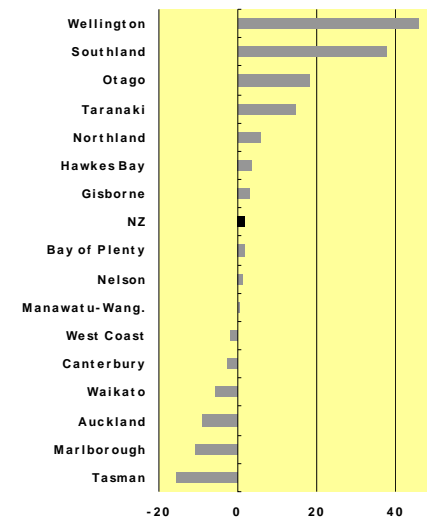
While the promises of building a better country are starting to come thick and fast now, it is a bigger Wellington that is being built at present. The phase of rapid job growth has ended but non-residential construction is surging again and residential construction is only a notch off its peak levels; dare we say, 'build it like Beckham'. Certainly his visit was a key contributor to the extra guest nights in the City during December, after all 31,853 people have to sleep – and eat and drink – somewhere.

**Nelson** ★★★★★

Nelson ranked highly on a number of economic measures for the quarter but there is also the sense that the region is coming off a high. Employment growth was very strong during the year over the combined Marlborough-to-West Coast region but fewer job ads in Nelson hint at a turning point. Retail sales growth was very strong, but it had been even stronger earlier in the year. Building permits, still high, have passed the mid-year peak. House sales are up slightly but the peak price pressure has passed (try saying that!). Still the optimists nationwide will take some comfort from the approximate 20% average house price gain in Nelson since the local housing slowdown of 2004.

**Building consents**

Annual % change to Dec quarter, Statistics NZ



**Tasman** ★★★

The housing market in Tasman has already taken a more extreme turn. The number of houses sold and the number being built has dropped sharply. Nonetheless retail sales growth was slightly above the national average and more job ads indicate plenty of employment opportunities, although affording the rent and/or petrol is proving challenging to some. The tourists, however, they continue to come in increasing numbers to play amidst the beautiful lakes and beaches.

**Marlborough** ★★★★★

A construction turnaround was also evident further to the east. The number of house sales, as in most regions, is fewer and housing construction is off its peak. Non-residential consents were down sharply,

although that will change now that the District Council has approved an infrastructure upgrade, including to the Picton waterfront. This may help with visitor numbers, which were down slightly. But the shops were busy, retail growth reported up 16%. And, even more exciting, wait until the 2008 wines turn up after all that sunshine.

**West Coast** ★★★

The sharpest fall in house sales came on the West Coast. Gone now are the double-digit annual price gains. Left are a lot of sections for sale. Not surprising, there is less keenness to build more at present. Also down were visitor numbers. However there is still plenty of work on the Coast judging by the jump in job ads, something to be expected given the price of gold and coal. And the growing season was a record for a certain crop, although this extra 'green' economy will do little for GDP.

**Canterbury** ★★★

Canterbury's one trophy-laden emigrant has created more furore than the other 10,037 people that left NZ for Australia in the December quarter but it hasn't dented confidence within the local economy. Employment was up strongly. House prices are still edging upwards, although sales are down as elsewhere. Visitor numbers were high and Show Week was another big success, no doubt adding more than the \$27 million value-add of 2006. By quarter-end the retail sales growth was more noticeable in the dairy-influenced south.

**Otago** ★★★

The number of farm sales increased, with some dairy farmers trading high debt levels for freehold sheep blocks. There was also continued strong non-residential building activity. The same could not be said for the housing market: sales volumes were down and dwelling consents 3% lower than a year earlier. Although the median house sale price throughout the region was still edging higher. Within the region, guest nights were up in Queenstown but there are plenty of apartments and sections for sale around this tourist Mecca.

**Southland** ★★★★★

The Southern Institute dropping almost a quarter of its roll for 2008 could be expected to dampen the housing market but the fewer house sales before Christmas appear more to do with nationwide influences. Locally, house prices were still rising and a growing number of new dwellings are in the pipeline. Non-residential construction growth is even stronger. Little wonder that job ads and employment are up and unemployment is down to less than 1000 people. Maybe those extra 1300 students would have been handy in the future.

**Sources:**

- Population, Employment, Retail trade, Wages, Construction, Guest nights – Statistics NZ.
- House prices – Quotable Value NZ
- House sales – REINZ.
- Vehicle registrations – Land Transport NZ.
- Job Ads – Department of Labour
- Confidence – Westpac-McDermott Miller
- Housing & Investor confidence – ASB.

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