

## ASB / Main Report Regional Economic Scoreboard

December 2006 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		Population*		Employment		Retail Trade		House Prices		Construction		New Car Sales		Rating Dec-06	
	Mar-04	%	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)		%	000s	000s	annual growth	000s	annual growth	\$m	annual growth	\$000s	annual growth	\$m	annual growth	No.	annual growth	5 - hot 1 - not
<b>Northland</b>	3		150	149	0.7%	72	2%	364	8%	322	11.3%	134	14%	948	-18%	★★★★
<b>Auckland</b>	31		1358	1337	1.6%	654	1%	4263	6%	458	6.5%	958	14%	20933	-14%	★★★★
<b>Waikato</b>	9		388	385	0.8%	197	8%	1041	9%	293	10.5%	363	1%	3253	-31%	★★★★
<b>Bay of Plenty</b>	6		263	260	1.0%	113	7%	815	5%	349	4.6%	180	-18%	2236	-25%	★★★★
<b>Gisborne</b>			45	45	-0.4%			121	4%	251	26.5%	16	-8%	250	-22%	★★★★
<b>Hawke's Bay</b>	5		150	150	0.3%	96	-4%	433	-4%	293	1.9%	94	-7%	1273	-19%	★★★
<b>Taranaki</b>	3		105	105	0.0%	61	10%	254	5%	270	11.0%	67	5%	791	-16%	★★★★
<b>Manawatu-Wanganui</b>	5		226	226	-0.1%	114	-3%	694	8%	222	14.5%	134	25%	1797	-20%	★★★★
<b>Wellington</b>	13		465	460	0.9%	274	8%	1421	3%	370	12.6%	244	-39%	4484	-10%	★★★★
<b>Tasman</b>			47	47	1.3%			165	-2%	360	7.4%	31	58%			★★★★
<b>Nelson</b>			46	46	1.5%			135	32%	338	6.8%	32	28%	1115	-9%	★★★★
<b>Marlborough</b>	5		43	43	1.2%	86	-5%	148	5%	333	9.3%	56	36%			★★★★
<b>West Coast</b>			31	31	0.0%			91	18%	186	19.9%	23	-28%	225	-26%	★★★★
<b>Canterbury</b>	14		533	526	1.3%	324	-3%	1566	5%	319	9.5%	409	18%	8262	-5%	★★★★
<b>Otago</b>	5		198	197	0.9%	93	2%	713	4%	288	7.2%	154	-15%	1574	-16%	★★★★
<b>Southland</b>	3		92	93	-0.6%	52	-7%	293	1%	167	13.3%	44	9%	686	-22%	★★★★
<b>New Zealand</b>	100		4140	4098	1.0%	2136	1%	12504	5%	356	8.8%	2939	1%	47827	-15%	★★★★

\* 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 ★★★★★

The unemployment rate is only fractionally above its 20-year lows. However, employment growth has slowed. The labour market will nevertheless remain quite tight.

#### Wages ★★★★★

Wage growth remains very strong – a reflection of how tight the labour market is. Growth will remain strong for several quarters yet.

#### House Prices / Sales ★★★★★

Housing could be starting off on a third wind. Prices jumped in late 2006 and turnover has increased.

#### Retail Sales ★★

Retail sales saw a relief surge after petrol prices dropped back over August/September. Competition will keep pressuring margins.

#### Car Registrations ★

Registrations remain markedly lower than 2005 levels. Sales have recovered slightly in the wake of lower petrol prices.

#### Construction ★★

Construction activity remains high though it has been contracting – Activity could bounce in the short-term. Capacity is stretched and cost pressures remain very high.

Steaming ★★★★★

Healthy ★★★

Sad ★

### Northland ★★★★★

Northland remains one of the healthy regions and in fact is our new top-of-the-pops region – two thumbs up no doubt from any roving foreign documentary maker.

Retail spending growth is solid and house price growth of 11.3% p.a. is a notch above most of the rest of NZ.

Northland is also raking in more than its fair share of tourists if accommodation nights are anything to go by, bringing further income to the region. Northland is showing the same degree of caution as NZ as a whole when it comes to cars, perhaps reflecting that confidence in the region is more or less in line with the national average also.

### Auckland ★★

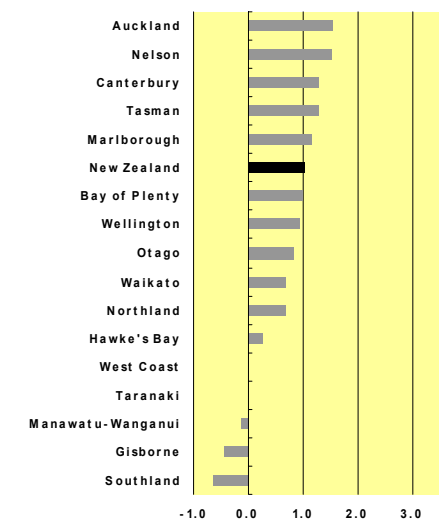
Auckland is starting to stage a comeback, though still ranks as a moderate region. Consumer confidence went from zero to hero at the end of 2006 – something has definitely got into the chardonnay. Auckland's ranking has moved from being the lowest in our November scorecard to around the middle of the pack and has earned the region a third star.

One development behind this sentiment shift is that all-important housing market. Though annual house price growth is still a touch below the national average, the end of the year saw prices jump very sharply. That feel-good factor has helped maintain retail spending. And Auckland will see stadium preparations for the 2011 World Cup – once funding and location are set in concrete.

Even so, construction is already strong in the Auckland region.

### Regional Population Growth Estimates

(Source: Statistics NZ)



### Waikato ★★

The Mooloos may not be saying in the confidence surveys that they are feeling upbeat, but we suspect they are being overly modest – or certainly not letting it get in the way of having a good time.

Annual growth in retail spending is comfortably above average and the region was singled out for being one of the big spenders in Q4, 2006. Modest house price growth of late has not been an

impediment to spending, though car registrations are distinctly on the soft side. A still-high NZ dollar does risk putting pressure on dairy payouts, and perhaps that degree of prudence with big-ticket items is a good thing.

Accommodation nights were a touch below the national average, though with Taupo adding the highly successful A1 Grand Prix to the list of events it hosts we could see a lift in the 2007 figures.

### Bay of Plenty ★★

Retail spending growth and consumer confidence are just a touch below the national average. On the plus side house price growth is a little ahead of the national average, and why wouldn't it be given the surf, sun and fun to be found there. The Bay is also experiencing plentiful employment. Car registrations are off a little, though a good beach or lake isn't too much of a walk anyway from a number of centres.

### Gisborne ★★

The Reserve Bank governor is worried that the housing market is taking off again. We hope he doesn't visit Gisborne anytime soon as the housing market there is red-hot. Annual price growth has hit 26% to make it the market most on the move.

Gisbornians are not letting that euphoria go to their heads though, as retail spending growth is a touch below NZ's as a whole, perhaps being held back by soft employment recently. But people obviously see great attraction in visiting the area, as accommodation guest nights exceeded 10% annual growth. Admiring house valuations or the scenery – either seem a good reason at the moment to sit back and enjoy one of the region's chardonnays.

### Hawke's Bay ★★

Retail sales levels are still lower than that of a year ago. House price growth is the lowest nationwide as well and car registrations are just a touch softer than the national average. Hawke's Bay appears to be having a breather, but to put it into perspective the region had a massive spend-up in 2003/04. We give the Hawke's Bay two stars this quarter, and hope that the pick-up in job ads means things could be stirring a little.

### Taranaki ★★

In several areas Taranaki is tracking with the country at large: retail spending growth is on the average with car registrations and consumer confidence also checking in around the same. But Taranaki is another region where the housing market is on the up and up. Employment growth is stronger in Taranaki than anywhere else, having been noticeably weak recently.

### Manawatu-Wanganui ★★

The region has registered very healthy retail spending growth. That is unsurprising given the heated 15% p.a. pace of house price growth. On the down side accommodation guest nights shrunk a touch, and employment has been weak as well.

### Wellington ★★

Retail spending growth was surprisingly modest over the past year, despite Lambton Quay's crowded appearance and an employment boom. But the housing market in the capital has started to get a tailwind, with price growth showing signs of picking up. And Wellington is evidently doing its bit

to promote being an absolutely positively great place to visit given that accommodation nights over the past year saw their fastest growth of any region here. Car registrations also haven't suffered as much as most regions from high petrol prices – perhaps people are anticipating the moment when the inner-city bypass will be fully completed.

### Nelson ★★

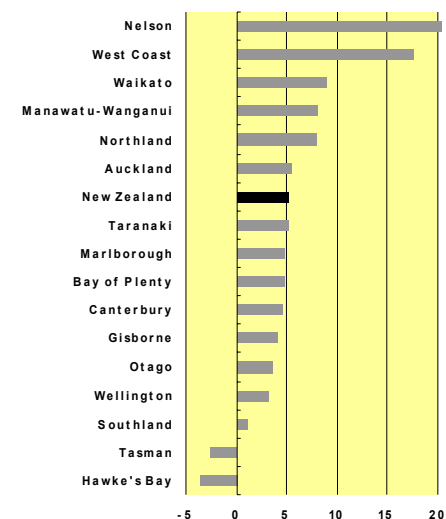
Nelson is doing a comeback that Rocky Balboa could only dream about. Retail sales growth over the past year has registered a stunning 32%. There may be a bit of 'lies, darn lies and statistics' in the sheer magnitude of that growth figure (surveys aren't 100% accurate), but the underlying message is clear.

House price growth is back around the national average. That is also quite an achievement: Nelson's house price boom in 2003 was so sharp that there was a hangover that lasted over 2004 and 2005. It appears that living in the nation's sun capital is coming back in vogue.

Although we are aware that activity levels in some sectors are still lower than in the recent boom time, the strength of recovery impresses, and we give Nelson a 4<sup>th</sup> star.

### Regional Retail Sales (non-auto)

Annual % change to Dec. quarter, Statistics NZ



### Tasman ★★

The Tasman region has seen some of the improvement shown by Nelson. Confidence in the Tasman region took a big hit in early 2006 but that is also now recovering – and that will see the region distinctly on the mend. House price growth is a little above the national average as well. Where Tasman differs from Nelson is in retail sales, where volumes have shrunk slightly over the past year.

### Marlborough ★★

Retail sales growth has slowed to be around the national average. But the housing market is distinctly upbeat, as is construction. Visitor growth is a little above the national average, with the vineyards still having evident pull.

### West Coast ★★

The West Coast has for the past year ranked as the place to be, and in certain areas the region has tried hard to defend its title. Retail spending

volumes grew a stellar 17.6% over 2006, second only to the Comeback Kid of Nelson.

However, construction activity is the region's Achilles heel. Car registrations also slipped a bit relative to the rest of the country, as did accommodation nights. It can be tough at the top and there are always fresh contenders for the crown. The Coast will have to be content with four stars this quarter.

### Canterbury ★★

Retail sales are only a shade under the national average. Conversely, house price growth is a touch above average. And car registrations slowed by the least of all regions over the past year, suggesting Cantabrians didn't let matters such as record petrol prices faze them too much. Canterbury is seeing a share of visitors in line with country-wide growth in accommodation guest nights. Confidence has improved, though along with Otago and Southland is a little lower than the national average. This may just be a touch of Mainlanders being better at containing their euphoria at lower petrol prices, but the high NZ dollar may be making people feel cautious given how export-dependent much of the South Island is.

### Otago ★★

Otago sits near the national average. Spending growth is modest and house price growth not quite up with the national average. Accommodation nights have also been on the soft side. The good news is that foreign visitor arrivals to NZ seem to be picking up and all would do well to visit the Central Lakes. The resurgent NZ dollar could still put a bit of a damper on tourism earnings in general, so whether the recent kick up will continue remains to be seen.

Construction in the region is a weak point, but job ads growth has been strong. Employment growth has been a touch above the national average, but perhaps that could change.

### Southland ★★

Southlanders are quietly feeling more confident about life. In a mirror of the Tasman region, sentiment over the past year has gone from extreme depths to largely catching up with the mood in the rest of the country. Possibly that chipper outlook has something to do with house price growth picking up over the past year. The associated feel-good factor has yet to translate into strong retail spending, though. The perennial struggle to get much traction in population growth does mean long-term growth in spending and construction doesn't get the benefit from simply having more people around. Moreover, employment has been slipping of late.

### 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.

### Disclaimer

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