

ASB / Main Report Regional Economic Scoreboard

June 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		Population*		Employment		Retail Trade		House Prices		Construction		New Car Sales		Rating
	Mar-04	%	000s	000s	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
Northland	3		150	149	70	2%	334	11%	344	9.4%	128	-12%	970	-3%	★★★★
Auckland	31		1358	1337	670	3%	3734	6%	487	11.9%	979	-18%	21178	-2%	★★★★
Waikato	9		388	385	202	9%	920	11%	334	10.7%	361	-13%	3960	-7%	★★★★
Bay of Plenty	6		263	260	118	14%	701	7%	368	7.7%	200	-37%	2478	-7%	★★★
Gisborne			45	45			102	7%	276	25.0%	26	-29%	293	0%	★★★
Hawke's Bay	5		150	150	93	-7%	388	5%	309	7.3%	79	-27%	1254	-9%	★★
Taranaki	3		105	105	58	6%	229	6%	284	12.5%	66	-23%	891	0%	★★★★
Manawatu-Wanganui	5		226	226	108	-4%	629	6%	232	17.2%	148	-4%	2014	-1%	★★★★
Wellington	13		465	460	268	2%	1312	6%	414	16.6%	253	-11%	4606	-3%	★★★★
Tasman			47	47			139	6%	380	10.5%	33	-8%			★★★
Nelson			46	46			139	37%	330	14.4%	41	21%	1146	-1%	★★★★★
Marlborough	5		43	43	86	-5%	138	9%	352	18.7%	51	-24%			★★★★
West Coast			31	31			74	8%	202	20.5%	41	-9%	219	-18%	★★★★
Canterbury	14		533	526	330	-3%	1407	10%	335	13.5%	429	-20%	6545	0%	★★★★
Otago	5		198	197	94	0%	623	3%	317	12.4%	188	12%	1658	-7%	★★★★
Southland	3		92	93	52	-1%	261	6%	178	27.7%	50	-26%	742	3%	★★★★
New Zealand	100		4140	4098	2148	2%	11131	7%	381	12.7%	3072	-17%	47954	-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 ★★★★★

The unemployment rate is back to its 21-year low of 3.6%. However, employment growth is still well below its 2004 peak. The labour market will nevertheless remain quite tight into 2008.

Wages ★★★★★

Strong wage growth has continued unabated. The tight labour market will keep it that way in the near future.

House Prices / Sales ★★★★★

The third wind in the housing market is showing signs of cracking. Nevertheless, sales turnover and price growth are still at healthy levels.

Retail Sales ★★★★★

The sales surge that began last September has started to fade. Durables and luxury items are slowing as interest rates rise.

Car Registrations ★

Registrations are 3% lower than they were in June 2006, though that does rate as an improvement after the mid-2006 petrol price spike.

Construction ★★★★★

Non-housing construction has been the mainstay recently, though a spike in apartment consents points to some revival of house building.

Steaming ★★★★★

Healthy ★★★★★

Sad ★

Northland ★★★★★

Northland has had a tough first half of 2007, being on the receiving end of widespread flooding again recently. Nevertheless, Northlanders don't seem to have let rain deter them from visiting the shops, judging by a sharp jump in retail spending growth. Job ads are skyrocketing, suggesting that recent employment growth could continue. However, house price growth is bucking the national trend by showing signs of deceleration.

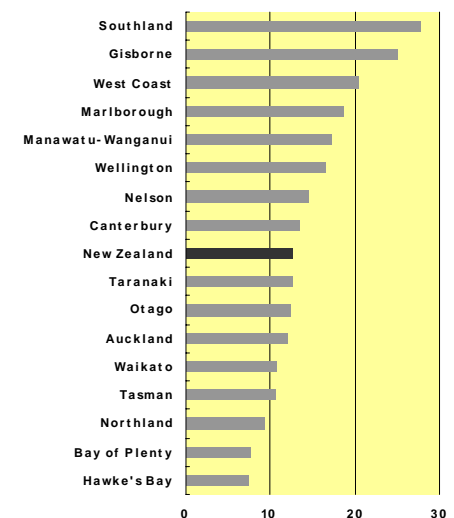
Annual guest night growth has slowed in the region, though this may be a reflection of the travel disruption that has occurred due to the travel difficulties the floods caused. We expect Northland's strong tourism performance will resume, with tourists again being more numerous than fish around the Hole in the Rock. Northland gains an extra star, reflecting the underlying robustness of the region – and its performance against adversity.

Auckland ★★★★★

House price growth has continued to pick up briskly from last year's soft patch, with growth closing in on the national average. The pace of retail spending has slipped back below average, though that may be because Aucklanders have started to cut back on lattes in favour of saving to buy a house. One noticeable feature in Auckland is that jobs growth has been solid over the first half of 2007. Construction has also been very upbeat, and that is well before the region gets around to sorting out whether it is going to build bridges or tunnels in the future.

Annual House Price Growth

(As at June 2007, source: QVNZ)



Waikato ★★★★★

White gold has become the new buzzword, thanks to soaring global dairy prices. And nowhere does that river of gold flow more thickly than in the Waikato, NZ's biggest dairying region. There are some signs of the trickle down effect already. Annual retail sales growth has again exceeded 10%. Employment growth has been very strong on a sustained basis, in keeping with a region that is seeing hot demand for a key product. House price growth has started to lift though lags nation-wide

price growth. To date the Waikato's overall score remains moderate, but watch this space going forward. A considerable cash injection is on its way over the next couple of years.

Bay of Plenty ★★★

Whereas Northland has been experiencing far too much rain for its liking, the opposite has been true for east coast regions of the country. That has made life a little challenging. House price growth headed up over the first half of 2007, though is still one of the softer regions for housing at present. Likewise, retail spending growth has picked up but behind the overall NZ pace. Nevertheless, the region is holding its chin up, and consumer confidence has rebounded. The Bay of Plenty has seen outstanding employment growth of late. House sales turnover has been very strong, suggesting comparatively modest house price growth of late will continue accelerating strongly in the short term.

Gisborne ★★★

Dry conditions have been making life difficult for agriculture and horticulture. Moreover, the high NZ dollar is depressing the prices of that hard-won production. Unsurprisingly, employment has been contracting. Even so, there are some strong positives for the region. House price growth is in the year to June hit 25%, the second-strongest region for housing. The region tops the country for guest night growth, so we surmise chardonnay sales have been doing pretty well.

Hawke's Bay ★★

The Hawke's Bay region is another in which weather hasn't been kind to those dependent on the land for a living. But life is there. Whilst house prices were at a virtual standstill at the end of 2006, signs were there for a recovery as sales turnover picked up early on in 2007. That has now translated into further rapid recovery in house prices. Although growth is behind the national average the trend is, as they say, your friend. The turnaround in the housing market is now filtering through to greater construction activity as well. Although the region still only has two stars, it is showing signs of picking up. The Bay has only to look at the Magpies for a little inspiration.

Taranaki ★★★★★

As with the Waikato, Taranaki will be another region that will feel the benefits of the dairy boom. Employment growth is well above average, and strong job ads growth suggests this will continue. Other areas of strength are new car sales and guest nights. House price growth and sales turnover are roughly average, though construction activity is a laggard. Taranaki gets another star this quarter.

Manawatu-Wanganui ★★★

There is something about buildings, it seems, in the Manawatu-Wanganui region. House price growth continues to pick up and is comfortably above the national average, with sales turnover also running at an above-average pace. Construction activity in the region is on the up and up, thanks to non-residential building consents growing at a very fast clip. However, employment has been contracting, and guest night growth is flat.

Wellington ★★★

Housing unaffordability may have become a

national topic of discussion recently, but in Wellington that debate seems to be confined to Parliament: house price growth in the region is the strongest of the main centres and above average as well. Employment growth is also showing signs of revival after a brief pause in a strong run. Whatever the reason, Wellington is the most confident region in the country at present.

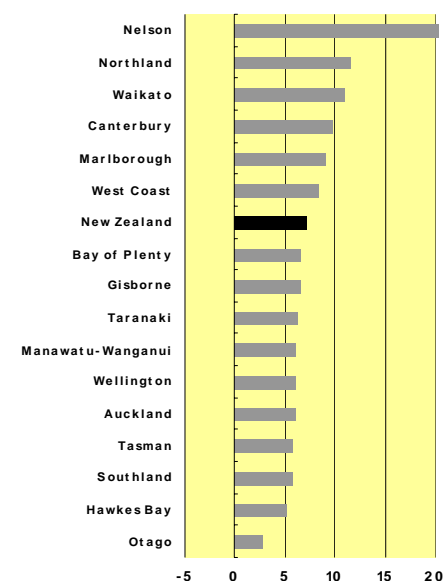
Dry conditions have been inhibiting grass growth over the Rimutakas in the Wairarapa: no doubt Wellingtonians will be hoping that the next batch of Martinborough wines will continue to be tasty.

Nelson ★★★★★

In recent quarters Nelson has stormed back after a relatively muted time, in particular with a stunning rebound in retail spending. House price growth has continued to accelerate rapidly and is now at an above-average pace. That is an impressive development given that two years previously prices were still falling as the market shifted from marked boom to mild bust. Nelson ranks top for job ads, construction and retail spending, with the growth rates phenomenal compared to other regions. In the March quarter Scoreboard we gave Nelson top spot: it not only holds that placing but we have given it a rare 5-star ranking in recognition of the strength of its recent rebound.

Regional Retail Sales (non-auto)

Annual % change to June quarter, Statistics NZ



Tasman ★★★★★

House price growth has turned around in region though is still below the national average. Employment has been in decline in the region – this is a general South Island trend at present. But the region is doing very well in attracting visitors.

Marlborough ★★★★★

House prices are eyeing up 20% annual growth, reinforcing a trend of relatively upbeat house prices in the South Island. Given the house price performance it is no real surprise that builders' hammers are reaching a crescendo. Guest night and retail sales growth have been above the national average: good 2006 Sauvignon Blanc (to our uneducated palate) may have been a draw card.

West Coast ★★★

The West Coast has been a solid performer over the past year, though it would be fair to say there are a few regions that are now starting to nose ahead. The Coast rates well for construction activity in both the residential and non-residential categories, and its house price growth of 20% is the third-fastest in the country.

Canterbury ★★★

Canterbury is exuding a degree of confidence at present – despite a rare non-appearance in the Super 14 final. Perhaps Cantabrians anticipated Stephen Brett would come through for the NPC series in Dan's absence? Reflecting that confidence, retail spending and car registrations have put on comparatively strong performances relative to the overall average.

House price growth continues to keep a step ahead of the accelerating national trend, no doubt helping to bolster the spending trend. On the soft side employment is down in Canterbury, possibly reflecting its manufacturing export focus and the difficulties the high NZ dollar has brought. However, job ads suggest some pick-up could be around the corner.

Otago ★★★

Otago looks set for a construction boom, given recent table-topping growth in non-residential building consents. The new House of Pain fortress will no doubt add to the momentum down the track and, one hopes, be just as impregnable as the original. House price growth has closed in on the national average, with relatively strong sales momentum hinting at potential out performance ahead. Employment went backwards a fraction over the year to June, but Otago is actually the strongest region in the Mainland on the jobs front.

Southland ★★★

House prices are growing strongly still, pushing up to nearly 28% to remain the region with the fastest moving housing market. A recent visit there did reveal a quiet optimism in the region. Employment is still shrinking in the region, but nowhere near as fast as it was in 2006.

Southland is another beneficiary of the white gold phenomenon, likely to keep up interest in dairying conversions as well as bringing the region a sizable cash injection. But let's not forget black gold, given new interest in exploring the Southern basin for oil, which will see some added spending in the region and the chance of finding a gusher. Though house price growth may struggle to maintain its recent performance in light of ever-higher interest rates, there are a few positives ahead for the region.

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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