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ASB / Main Report Regional Economic Scoreboard — December 2008 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-07	Jun-08		Dec-08		Dec-08		Dec-08		Dec-08		Dec-08		Dec-08
Annual growth = Qtr(t) / Qtr(t-4)	%	000s	annual growth	000s	annual growth	$m	annual growth	$000s	annual growth	$m	annual growth	No.	annual growth	5 - hot 1- not
Northland	3.2	155	0.6%	66	-3%	441	6%	353	-9.2%	91	-36%	601	-44%	★
Auckland	31.4	1415	1.5%	691	1%	4357	-1%	494	-8.8%	716	-18%	16431	-25%	★★
Waikato	9.1	402	0.9%	205	-2%	1088	2%	336	-8.4%	263	-23%	2322	-32%	★★
Bay of Plenty	5.1	270	0.9%	117	9%	833	1%	345	-8.4%	149	-19%	1674	-28%	★★
Gisborne	4.5	46	0.2%	96	-1%	127	4%	249	-10.6%	16	-1%	203	-21%	★★
Hawke's Bay		153	0.1%			468	4%	304	-7.2%	67	-31%	882	-32%	★★
Taranaki	2.8	108	0.3%	58	-4%	294	4%	285	-5.2%	68	-12%	721	-17%	★★
Manawatu-Wanganui	5.2	229	0.1%	116	2%	735	1%	245	-7.9%	103	-24%	1376	-19%	★★
Wellington	12.7	474	0.7%	277	4%	1570	5%	406	-8.8%	249	-30%	3216	-23%	★★★
Tasman	4.3	47	0.9%	96	4%	134	-23%	350	-5.5%	31	17%	776	-36%	★★
Nelson		45	0.7%			167	2%	345	-7.2%	30	-7%			★★
Marlborough		45	1.1%			166	-4%	342	-7.3%	49	-2%			★★
West Coast		32	0.0%			96	10%	201	1.7%	25	7%	176	-25%	★★★
Canterbury	15.1	553	1.1%	344	2%	1748	6%	327	-8.3%	354	-18%	6436	-24%	★★★
Otago	4.3	204	0.9%	103	10%	734	4%	295	-7.0%	165	-9%	1119	-30%	★★
Southland	2.4	93	0.0%	54	0%	331	7%	203	-5.1%	92	50%	526	-25%	★★
New Zealand	100.0	4269	1.0%	2224	2%	13287	2%	383	-8.3%	2467	-18%	36459	-26%	★★

* 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 ★★★

Employment was resilient in 2008, holding up better than some expected. But unemployment is starting to rise, and will get higher in 2009.

Wages ★★★

Wages continued to grow strongly even though the economy is in a recession. The acceleration is likely over now the labour market is turning.

House Prices / Sales ★

Sales turnover has plummeted, with no spring pick-up. House prices are also heading south, and houses are taking a long time to sell.

Retail Sales ★★

Retail spending volumes contracted in 2008 as household finances came under strain. Falling petrol prices, lower interest rates, and tax cuts failed to spark up sales in the fourth quarter.

Car Registrations ★

Car sales continue to fall. High petrol prices have tainted the kiwi love affair with motoring. Car finance is far harder to obtain these days, which hurts auto sales.

Construction ★

Both residential and non-residential construction are weak. The outlook isn't encouraging. Infrastructure investment will hopefully provide some offset over the next few years.

Steaming	★★★★★
Healthy	★★★
Sad	★

Northland ★

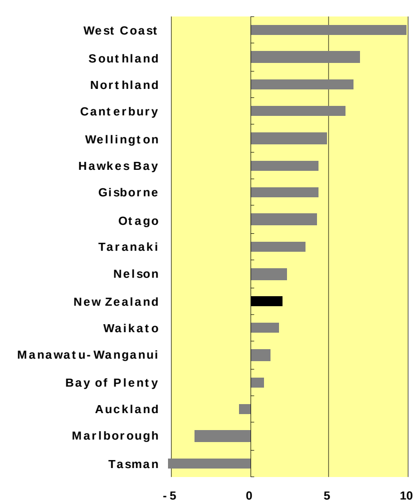
Northland is a great part of the country, but it faces some headwinds at the moment. House prices are declining, but only by a little more than the falls in the rest of the country. Construction and car sales are significantly weaker than the national experience. These weak indicators reflect the labour market up north - the unemployment rate is higher than the national average, and employment is declining. Confidence took a knock in the last quarter in response to the pressure. A tourism slowdown is also noticeable with falling guest nights in Northland. The surprise for the region was retail trade, which is performing better than many other regions. Northland can come back from the soft patch, and a lower exchange rate should provide some relief to the numerous exporters in the region.

Auckland ★★

Auckland stays on two stars, although the mood of the city has lifted slightly from the depths of winter. Consumer confidence has picked up a tad, running just ahead of the national average. Falling fuel prices make it cheaper to be stuck in a traffic jam these days. Business confidence has slipped though, as the slowdown here and abroad bites. The property market remains weak, with price declines and the drop in turnover both worse than the national average. The glut of unsold houses isn't clearing, despite falling interest rates. This combined with ongoing difficulties in the finance sector means residential construction is weak, and will likely stay so for 2009. But this is partially offset by a reasonable non-residential construction pipeline. Getting the town ready for the Rugby World Cup is important too. Annual employment and population growth remain positive, so there is still money to be spent. However, retail sales are down for the fourth quarter running as Aucklanders tighten their belts.

Regional Retail Sales

Annual % change to Dec quarter, Statistics NZ



Waikato ★★

Consumer confidence dropped in Waikato during the last quarter. Given the change in the dairy payout forecast in late 2008 and early 2009, the drop is unsurprising given the importance of Dairy in the region. Other exporters will be concerned about the deteriorating outlook for New Zealand's key trading partners, but a low New Zealand dollar should eventually help. Retail spending lifted, albeit by a touch less than the national average. The drop in car sales is also worse than the national experience. A fall in employment and a weak housing market adds to the soft picture for Waikato, and the region has slipped to two stars.

Bay of Plenty ★★

Employment in the region is up compared with a year ago. The housing market in the Bay continues to suffer. House price declines and construction intentions are slightly worse than the national average. With house turnover significantly weaker than the national experience, a pick up in prices or construction is unlikely in the near-term. Tourism is important to the region, and another quarter of declines in guest nights remains a concern. Despite this, the people in the Bay of Plenty continue to be the most positive in the country, but last quarter it didn't translate into spending – the Bay was one of the weaker regions for retail trade.

Gisborne ★★

House prices have fallen more sharply in Gisborne than anywhere else, and turnover remains very low. The soft patch comes after a strong boom lasting several years. The slowdown in residential construction is therefore understandable, and it is pleasing that non-residential construction intentions remain reasonable in the region, providing an offset. Guest nights in the region remain weak.

Hawke's Bay ★★

Hawke's Bay visitor numbers are also down noticeably. Consumer confidence is low, but better than other areas, and retail sales growth remains positive and above the national average. Consents issued continue to drop off in the region. Falling house prices, low population growth and low turnover offer little hope of a pick up in 2009. However, the climate remains enviable, and this summer we hear Hawke's Bay apples are bigger and juicier than they have been in a decade.

Taranaki ★★

An oil and milk bonanza has really boosted Taranaki over recent years, but the outlook for both commodities changed over 2008. Consumer confidence is holding up better than in other dairy regions, and retail spending growth remains above average. Car registrations have fallen by less than in most other regions, but the labour market lost jobs over the year, and for now looks a touch weaker than the national picture. House prices are falling, but by . less than national decline. Turnover is down on year-ago levels. The construction outlook has dropped off following a surge earlier in the 2008, and guest nights have dipped.

Manawatu-Wanganui ★★

Employment grew and the unemployment rate is lower than the national rate. However, despite this strength, consumer confidence is low and housing market and construction outlook is weaker than in other regions. The visitors keep coming, and guest nights are up over the year.

Wellington ★★★

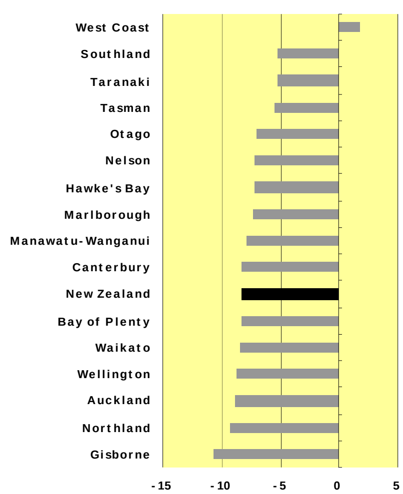
Wellington is partially isolated from the economic cycle because it is the home of central government. Unemployment is below the national average, and consumer confidence is relatively high. Retail spending growth reflects the relative strength, and a year on year increase in guest nights also helps. House prices are now declining, having held up longer than elsewhere. Wellington is one of the places to be right now, but only gets 3 stars. The region won't be immune to the current downturn.

Nelson ★★

Nelson delivered some mixed results during the last quarter. Guest nights dipped but retail spending rose in the latest measure – a reversal of the previous quarter's result. The recent catch-up phase of the housing market has come to an end, with prices falling like they are elsewhere. House turnover is down on year ago levels, and the outlook for residential and non-residential construction is weak, but not as bad as elsewhere. Employment growth has been positive at the top of the South Island, and this is a plus for Nelson and the surrounding regions.

House Prices

Annual % change to Dec, QVNZ



Tasman ★★

Retail spending has dipped over the past three quarters, following very strong growth. Car sales are also very weak. Maybe the poor sales result is a statistical anomaly, as the region looks better than the nationwide picture on other measures. In particular, the construction outlook is better than other regions, and confidence has actually lifted.

Marlborough ★★

Down, but certainly not out is the story for Marlborough. Retail trade, the housing market and residential construction outlook are down on year ago levels. But confidence is better than most other regions, and consents issued point to a good pipeline of non residential construction. Vineyards say spring growing conditions were favourable, and the fruit set was good – so far, so good for 2009.

West Coast ★★★

In past scorecards, the West Coast has been the place to be, and region continues to hold up better than most. Construction consent issuance is well off the peak of a few years ago, but is holding up better than average. The drop off in guest nights mirrors the national experience. The region has the second most confident consumers in the country, so it is no surprise retail spending on the Coast picked up in late 2008. House prices rose 0.8% over the year – the only region with positive house price growth. The Coast looks better than most, and is one of our three places to be.

Canterbury ★★★

Canterbury stays at the front of the pack, but a bit of the gloss has come off lately. The region is in the top half of the regional rankings for all measures apart from construction, house prices and confidence. Like other regions with a high exposure to the dairy downturn, consumer confidence has taken a knock. The drop off hasn't been too adverse for overall spending – in fact Canterbury was the only region to have a lift in trade in the fourth quarter. Helping the tills keep ringing is a relatively healthy labour market. Unemployment remains well below the national average, and annual employment growth has remained positive. Maybe confidence will pick up as the Crusaders make their usual charge to the top of the Super 14 table. Guest nights dipped on year ago levels, and car registrations are down significantly but fared better than the NZ totals. We have trimmed a star off Canterbury purely because the national slowdown and turmoil offshore will affect Canterbury too. But the region is one of the places to be, and should fare better than most.

Otago ★★

Otago really came up the rankings during the last quarter, although like other regions, the outlook remains tough. A positive is the labour market: unemployment, like the rest of the South Island, is below the national average and total employment is up on year-ago levels. House prices fell 7% in the last year, and the construction outlook remains weak. Guest nights are down more than the national average. Retail spending growth is above average, and a lower New Zealand dollar will help the tourists' money go further. Confidence is above the nationwide figure.

Southland ★★

Consumer confidence had been by far the lowest in the country, but perked up in the last two quarters, despite the lower outlook for the important dairy sector. Overall, the confidence doesn't surprise us, as the region is holding up better than most on a two important measures: retail spending growth remains solid; and unemployment remains low. House prices are now declining, albeit by less than elsewhere, and turnover has dropped off significantly. Car registrations are down on year ago levels, falling into line with the national decline.

Sources:

Population, Employment, Retail trade, Wages, Construction, Guest nights – Statistics NZ.

House prices – Quotable Value NZ. House sales – REINZ. Vehicle registrations –LTNZ.

Confidence – Westpac-McDermott Miller.

Housing & Investor confidence – ASB.