

# ASB Regional Economic Scoreboard

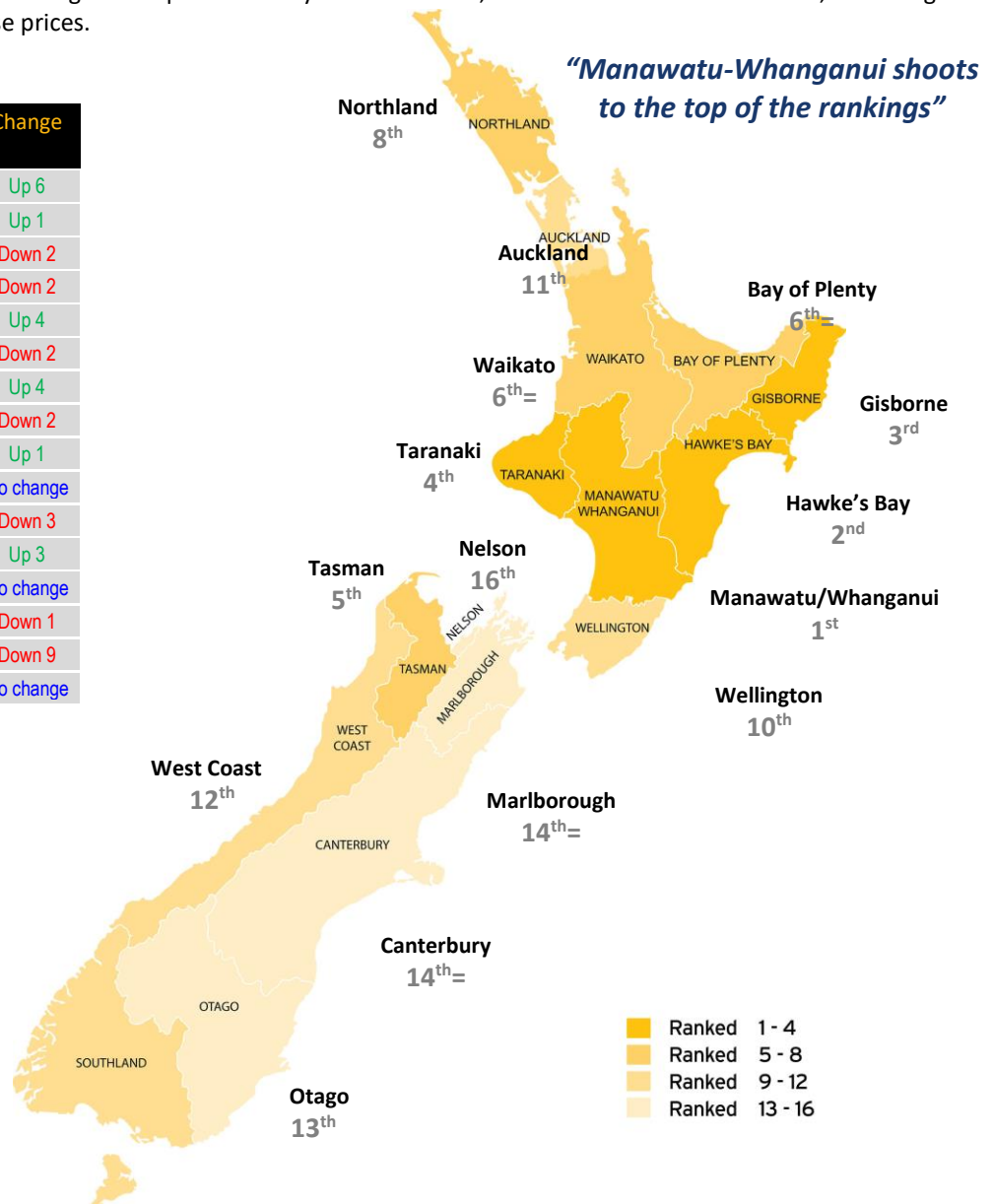
*Live life*  
ONE STEP>AHEAD

## ASB Regional Economic Scoreboard

June Quarter 2020

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, including employment, construction, retail trade, house prices.

Region	This Quarter	Previous Quarter	Change
Manawatu-Whanganui	1	7	Up 6
Hawke’s Bay	2	3	Up 1
Gisborne	3	1	Down 2
Taranaki	4	2	Down 2
Tasman	5	9	Up 4
Waikato	=6	4	Down 2
Bay of Plenty	=6	10	Up 4
Northland	8	6	Down 2
Southland	9	10	Up 1
Wellington	10	10	No change
Auckland	11	8	Down 3
West Coast	12	15	Up 3
Otago	13	13	No change
Marlborough	=14	13	Down 1
Canterbury	=14	5	Down 9
Nelson	16	16	No change



*“Gisborne, Hawke’s Bay and Taranaki continue their relative strength”*

*“Manawatu-Whanganui shoots to the top of the rankings”*

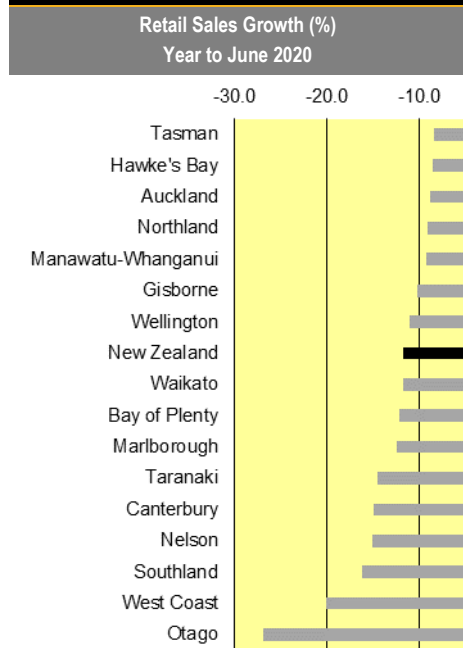
## The National State of Play

<p><b>Employment</b> ★★</p> <p>Employment and unemployment figures for the June quarter were surveyed throughout the quarter and understated the growing weakness in the labour market. The number of employed fell 11,000 and the unemployment rate fell back to 4%. The relatively quick move to Level 1 and ongoing wage subsidies will be helping to keep people in employment. However, as support reduces, we expect the unemployment rate will rise above 7% heading into 2021.</p>	<p><b>Retail Sales</b> ★</p> <p>June quarter retail sales volumes fell 14.6% as stringent lockdown conditions prevented people from shopping normally. Nevertheless, overall sales held up slightly better than we expected based off (non-cash) electronic cards transactions. The September quarter will see a substantial rebound in sales reflecting the largely Level 1 trading environment. However, we do expect that consumer spending will contract over 2020.</p>
<p><b>Wages</b> ★★</p> <p>Wage growth started to slow over the June quarter as the financial pressures of the pandemic started to bite. A lot of focus is going on preserving jobs, with one trade-off potentially being lower pay increases as one way of helping businesses cope financially. We expect that the pressures of weak activity and rising unemployment will slow wage growth through 2021.</p>	<p><b>New Car Sales</b> ★</p> <p>A softer household sector saw new car registrations fall 37.9% over the June quarter compared with the same period last year. Car imports were also dramatically lower over the period, down 43% quarterly. Anecdotes suggest the market is awash with ex-rental cars, and we expect to see demand for new vehicles remain subdued over 2020.</p>
<p><b>House Prices / Sales</b> ★★</p> <p>The pre-COVID housing boom stalled during the April and May lockdown period but has bounced out strongly. Pent-up demand will have been part of the story, but other supports are also at play. Falling mortgage rates, with the prospect of even lower rates ahead, make ownership more attractive for those looking to buy their first home, a holiday home or investment property. However, we expect rising unemployment to be a check on the market, and for prices to fall slightly.</p>	<p><b>Construction</b> ★★★</p> <p>Building consent issuance dropped sharply over April as processing and applications were disrupted but issuance recovered quickly over May and onwards. Dwelling consents quickly got back to their pre-COVID level and non-residential consents actually recorded a higher value of proposed building over the June quarter relative to the March quarter. However, we expect the downturn to trigger a reining in of construction after the current pipeline of work.</p>

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

## The Regional Lowdown

**Chart of the Quarter:**  
Retail sales took a hit everywhere as lockdown hit and purse strings tightened, but some regions fared better than others



Source: Stats NZ Q2 Retail Trade data.

### Northland ★★

After rising last quarter, Northland slips two places to 8<sup>th</sup> and loses a star. Northland has shifted around the Scoreboard a fair bit over the past year, with drought hitting the region and COVID-19 roiling exposed sectors like tourism and forestry. This period, the decline was largely driven by the housing market. The value of residential building consents fell for a second consecutive quarter on

year-ago levels, whilst house prices were also among the worst performing in the country when compared with the same time last year. Still, there was a good news story hidden in the figures, with annual employment growth once again beating the national average. The region has struggled with high unemployment over the past few years, so strong job growth in recent times has been a real success story. Unfortunately, the region has probably taken another hit since the June quarter, with Northland partly cut off from the rest of the country by the second lockdown. Looking ahead, the economic rebound in China might have a positive impact on the region as the forestry sector begins to lift. As alert levels relax, Northland might also get a boost from an influx of stir-crazy Aucklanders keen on a weekend getaway.

### Auckland ★★

Auckland took another hit in our rankings this month, sliding three places to 11<sup>th</sup>. In our last report, we highlighted Auckland's exposure to the pandemic fallout, given the region's reliance on the tourism and education sectors. Sure enough, there were some dramatic shifts this quarter. New car registrations cratered at the lowest levels in nearly a decade. Meanwhile, annual employment fell for the first time since 2013. Annual house price growth was below the national average, and the imposition of lockdown led to a large fall in construction. Retail sales held up better than elsewhere but note that the June quarter did not include Auckland's shift back to COVID Alert Level 3 at the beginning of August. Don't be too surprised to see the region slide relative to its peers when the next quarter of data is out.

### Waikato ★★★

After a remarkable rise over 2019, the Waikato continues to dip slightly in the rankings, down two places to 6<sup>th</sup> =. The region finished in the middle of the pack on almost every metric we keep track of.

That may sound like faint praise, but during a period where many regions saw wild swings on at least one measure, there is something to be said for consistency. The relative resilience of the dairy sector is providing the region with support, and the Waikato also outperformed the national average in attracting domestic tourism according to MBIE. Still, the re-imposition of COVID-19 Alert Level 3 in Auckland will put a dampener on next quarter's result.

### Bay of Plenty ★★★

Like one of its famous Zorbs, the Bay of Plenty has bounced all over the Scoreboard, from 15<sup>th</sup> up to 2<sup>nd</sup>, back down to 10<sup>th</sup>, and now leaping up the rankings to 6<sup>th</sup> =. However, this bounce was largely a function of weaker performances by the Bay's peers, rather than a sign of particularly strong growth on any given metric. Last quarter, we suggested that construction activity in the Bay was moving past its peak, and that looks to have been prescient, with the value of building consents continuing to decline. Still, employment growth in the BoP continued its long trend of outperforming the national average, despite two of the region's key industries, forestry – and especially tourism – remaining heavily exposed to COVID-19 related uncertainty. As this edition of the Scoreboard went to press, the Government was in the process of extending \$40m in grants and loans to keep key tourism businesses in the region afloat, with Skyline, Zorb and Whakarewarewa all set to receive emergency funds. The kiwifruit sector remains another important source of support for the region and could continue to benefit from shifting consumer preferences.

### Gisborne ★★★★★

Having topped the Scoreboard for four consecutive quarters, Gisborne's winning streak has come to an end – though the region remains in a comparatively good position nationally. Gisborne once again

topped the country for annual house price growth and was also in the top tier of regions in terms of annual employment, building consents and retail sales growth (though the region tightened its purse strings like everyone else). With new car sales cratering nationwide, East Coasters were relative petrolheads, with registrations falling far less than elsewhere off the back of more resilient consumer confidence. We'll be paying close attention to the sectors Gisborne is exposed to for signs of whether it can regain that top spot. We've highlighted the Chinese rebound as a source of support and, sure enough, we saw a lift in forestry prices over August.

### Hawke's Bay

★★★★

In this quarter's Scoreboard, Hawke's Bay moves one up the rankings to second place and earns an extra star. Some of the positive trends we saw last time continued to make themselves known in Q2. Both residential and non-residential consents had another good quarter, and annual employment growth remained amongst the highest in the country. Retail sales were down amid the pandemic, but still holding up far better than the national average. Given all that activity, the Hawke's Bay residents were unsurprisingly among the nation's most optimistic in terms of consumer confidence. Beverage exports have also held up well relative to other sectors, which is good news for the viticulture sector.

### Taranaki

★★★

Taranaki dropped slightly from 2<sup>nd</sup> place down to 4<sup>th</sup> this quarter. That modest fall belied a softening labour market, with employment the lowest it's been for eighteen months or so after several quarters of good growth. The construction pipeline and retail sales also shrank in line with the national picture after a comparatively good quarter at the start of the year. Other metrics were a bit rosier, with business confidence near the top of the pack, and house prices continuing their advance for now. Given the region's heavy focus on the dairy sector, we'll be keeping an eye on the milk price for a signal on the outlook for the region.

### Manawatu-Whanganui

★★★★

The mighty Manawatu-Whanganui surges to the top of our rankings, leapfrogging the competition to shoot six places up the Scoreboard and secure another gold star. Some are saying it's the region's proudest achievement since its two-year reign with the Ranfurly Shield in the mid-70s. Whilst it's been a difficult six months for the country, Manawatu-Whanganui has impressed with its resilience across a range of metrics. We've discussed the region's solid labour market in the past, and the story was no different this quarter, with employment figures up more than anywhere else vs. this time last year. The construction pipeline continues to look healthy, and house prices have held up despite some monthly churn. We've noted in the past that the nature of the region's economy (agri-based, less dependent on international tourism) should help it weather the COVID storm better than most. Sounds like plenty to celebrate – could we suggest a glass of something sparkling at Taste Whanganui this coming Labour Weekend?

### Wellington

★★

Anchored by the large apparatus of central government, Wellington held steady in 10<sup>th</sup> place for this quarter's rankings – broadly in line with our expectations. Wellington's best metric continues to be the housing market, with prices rising more than the national average, and sales falling by less. Note that whilst we revised our house price forecast since the last report, we still expect mild price declines over the next six months. On most other metrics the capital was slightly behind the national averages, with the decline in new car registrations particularly marked.

### Nelson

★★

Nelson remained stuck at the bottom of our rankings, in last place for the second quarter in a row. A lack of international tourists is weighing on the region, with the border potentially staying closed until the end of 2021. Given that uncertainty, consumer confidence in the upper South Island was very pessimistic this quarter – and retail sales were amongst the weakest in the country. On a positive note, the region's employment figures continue to outperform the national average. Construction remains the perennial weakness for Nelson, though there were signs of life in nearby Tasman, with work commencing on a new commercial development.

### Tasman

★★★

In contrast to its northern neighbour, the Tasman district moved up the rankings, lifting four spaces to 5<sup>th</sup> place and nabbing an extra star. Both residential and non-residential building consents lifted on an annual basis. On that theme, we've already noted the new commercial development in Richmond as a positive sign for the wider region as well as the comparatively good employment data in the wider region. Still, other indicators did point to headwinds. Though retail sales were down less than elsewhere, consumer confidence in the region was subdued.

### Marlborough

★★

Marlborough dropped one slot on our scoreboard, finishing up second to last on 14<sup>th</sup>. Last quarter we highlighted the region's healthy pipeline of construction work, but the pandemic hit the region hard on that front, with consents down sharply. Consumer confidence across the region was soggy as locals contemplate an uncertain period for the tourist sector. Local news was mixed, with the announcement that the Blenheim sawmill is closing, but positive tales of an influx of domestic tourists knocking back a sav or two over the school holidays.

### West Coast

★★

After finishing up second to last in the March quarter, Southland lifted three slots to 12<sup>th</sup> place. It was a mixed bag of data for the region, with retail trade falling by more than almost anywhere else, and house prices also declining on year-ago levels. Building consents rose on an annual basis, in contrast to declines elsewhere, but the region is small enough that even one or two modest non-residential projects can shift the numbers around. For those keen to splash some cash in the local economy, a flight to the region's isolated 'hanging lakes' looks like a must.

### Canterbury

★★

After a big rise in last quarter's rankings, Canterbury took a tumble, falling nine places down to 14<sup>th</sup> = and losing a gold star. Remember that our Regional Scoreboard measures growth rates over the past twelve months, so in part some of Canterbury's fall reflects that activity had already been high here. For example, the region was near the bottom for building consents, but after a whopper few years that's not too surprising. Similarly, Canterbury was near the bottom for annual employment growth, but it was already starting from a high base. Still, there is no doubt that other indicators were soggy. The region remains near the bottom of the pack for consumer confidence. Both retail sales and new car registrations have declined more than elsewhere. But demand for trophy cabinets will have lifted recently.

### Otago

★★

Otago held its place near the bottom of our rankings, though in some respects that was an impressive achievement given the challenges the region faces. As we noted last quarter, Queenstown has been badly affected by the fall in tourists from overseas, whilst Dunedin has been impacted by a lack of international students. Retail sales were hit hard as the region's café's and souvenir shops remained shut for COVID Alert Level 4. The region can expect an influx of domestic tourists looking for a marquee destination to replace cancelled overseas travel plans, though the re-imposition of COVID Alert Level 3 since our data was released may have disrupted the flow of Aucklanders. On most other metrics, the region was broadly in-line with national averages.

### Southland

★★

Southland finishes the quarter close the middle of the pack in 9<sup>th</sup> place (up one), but that ranking hides both sources of strength and real challenges for the region. The property market was remarkably resilient with house prices continuing their advance and a whopping non-residential construction pipeline. The long-awaited redevelopment of the Invercargill CBD speaks to the hive of activity in Southland, with the last of 43 (!) buildings set to be demolished as this report went to press. Still, the region faces some strong headwinds in other respects. Last quarter, we highlighted the announced closure of the Tiwai Point aluminium smelter, and the Government continues to insist there will be no bail-out for the ailing plant. About 5% of Southlanders are employed by the smelter, or a related industry, so we can expect the region to face some tough times in 2021. Here's hoping that glut of construction – perhaps aided by a resilient dairy sector – gives Southland some support.

## Taking the regions' temperatures

	Share of the economy	Population		Employment*		Retail Sales		House prices		Construction		New car sales		Star Rating
	Mar-19	Jun 19	Jun 20	Jun 19	Jun 20	Jun 20	Jun 20	Jun 20	Jun 20	Jun 20	Jun 20	Jun 20	Jun 20	Jun 20
	%	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	2.6	185	2.3%	92	4.0%	501	-9.0%	558	0.6%	144	-22%	973	-30.7%	★★
Auckland	37.6	1,618	1.5%	884	-0.1%	6,164	-8.7%	1,065	4.6%	2,091	-13%	15,480	-40.9%	★★
Waikato	8.5	472	2.1%	256	0.7%	1,341	-11.7%	612	5.6%	602	8%	2,987	-34.5%	★★★
Bay of Plenty	5.7	318	2.0%	171	2.1%	994	-12.1%	663	7.6%	276	-20%	2,123	-33.4%	★★★
Gisborne	0.7	49	0.8%			129	-10.1%	443	21.2%	30	16%	284	-11.5%	★★★★
Hawke's Bay	2.9	171	1.3%	114	3.5%	506	-8.5%	617	8.6%	166	45%	976	-33.6%	★★★★
Taranaki	2.9	121	1.4%	65	-4.7%	319	-14.5%	452	9.6%	87	-7%	625	-32.1%	★★★
Manawatu-Wanganui	3.8	246	1.4%	130	5.2%	697	-9.2%	433	14.3%	237	52%	1,514	-31.2%	★★★★
Wellington	12.9	522	1.1%	303	1.0%	1,622	-11.0%	724	9.3%	498	-11%	3,340	-36.6%	★★
Tasman	1.8	54	1.5%	105	4.0%	165	-8.3%	647	4.8%	72	34%	894	-33.5%	★★★
Nelson		52	1.0%			188	-15.1%	609	5.0%	33	-39%			★★
Marlborough		49	0.8%			154	-12.4%	499	6.7%	35	-34%			★★
West Coast		33	0.3%			95	-20.0%	225	-0.5%	16	7%			110
Canterbury	12.4	618	1.8%	344	1.8%	1,964	-14.9%	519	2.6%	740	-26%	4,522	-40.0%	★★
Otago	4.5	232	1.7%	132	1.5%	747	-26.8%	596	5.3%	305	-6%	1,260	-34.2%	★★
Southland	2.1	100	0.8%	58	1.2%	303	-16.2%	335	12.7%	127	104%	581	-37.6%	★★
New Zealand	100	4,841	1.6%	2654	1.2%	15,888	-11.7%	662	6.0%	5,459	-9%	35,669	-37.9%	★★

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.

## ASB Economics &amp; Research

Chief Economist  
Senior Economist  
Senior Economist  
Senior Economist  
Senior Economist, Wealth  
Economist  
Publication & Data Manager

[www.asb.co.nz/economics](http://www.asb.co.nz/economics)

Nick Tuffley [nick.tuffley@asb.co.nz](mailto:nick.tuffley@asb.co.nz)  
Mark Smith [mark.smith4@asb.co.nz](mailto:mark.smith4@asb.co.nz)  
Jane Turner [jane.turner@asb.co.nz](mailto:jane.turner@asb.co.nz)  
Mike Jones [mike.jones@asb.co.nz](mailto:mike.jones@asb.co.nz)  
Chris Tennent-Brown [chris.tennent-brown@asb.co.nz](mailto:chris.tennent-brown@asb.co.nz)  
Nat Keall [nathaniel.keall@asb.co.nz](mailto:nathaniel.keall@asb.co.nz)  
Judith Pinto [judith.pinto@asb.co.nz](mailto:judith.pinto@asb.co.nz)

## Phone

(649) 301 5659  
(649) 301 5657  
(649) 301 5853  
(649) 301 5661  
(649) 301 5915  
(649) 301 5720  
(649) 301 5660

 [@ASBMarkets](https://twitter.com/ASBMarkets)

## Disclaimer

This document is published solely for informational purposes. It has been prepared without taking account of your objectives, financial situation, or needs. Before acting on the information in this document, you should consider the appropriateness and suitability of the information, having regard to your objectives, financial situation and needs, and, if necessary seek appropriate professional or financial advice.

We believe that the information in this document is correct and any opinions, conclusions or recommendations are reasonably held or made, based on the information available at the time of its compilation, but no representation or warranty, either expressed or implied, is made or provided as to accuracy, reliability or completeness of any statement made in this document. Any opinions, conclusions or recommendations set forth in this document are subject to change without notice and may differ or be contrary to the opinions, conclusions or recommendations expressed elsewhere by ASB Bank Limited. We are under no obligation to, and do not, update or keep current the information contained in this document. Neither ASB nor any person involved in the preparation of this document accepts any liability for any loss or damage arising out of the use of all or any part of this document.

Any valuations, projections and forecasts contained in this document are based on a number of assumptions and estimates and are subject to contingencies and uncertainties. Different assumptions and estimates could result in materially different results. ASB does not represent or warrant that any of these valuations, projections or forecasts, or any of the underlying assumptions or estimates, will be met