

ASB Regional Economic Scoreboard

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June Quarter 2022

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



Another brilliant performance from Canterbury, which tops the rankings in our Regional Economic Scoreboard once again. Canterbury has sustained its economic dominance despite wider New Zealand confronting economic headwinds of late.

The recent reign could be likened to that of the Crusaders at the pinnacle of success within Super Rugby. This isn’t our first comparison between Canterbury’s economic indicators and rugby, however it’s not just the records that catch our eye. Economic resilience is like that of grassroots rugby where many factors come into play in a mutually reinforcing way. The strong housing sector, employment, and consumption data all support that Canterbury is enjoying the fruits of several economic factors hitting their stride.

Still, our scoreboard is cyclical in nature and as much as we love to see Canterbury continue in stride, we will be keeping a keen eye on how other regions battle the next twelve months of shifting challenges (household cost pressure) and opportunities (such as global demand for food and NZ’s recently-opened borders). Will Canterbury keep up at this pace? Or will another region rebound and capitalise on a favourable bounce of the ball?

The National State of Play

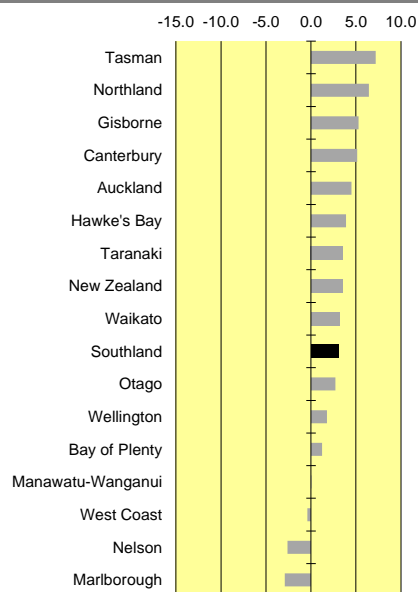
<p>Employment ★★★★★</p> <p>From the perspective of a fresh-faced jobseeker, the labour market of H1 2022 has arguably been the best in post-1980s history. The unemployment rate remains close to forty-year lows and employees have greater bargaining power. The natural flipside has employers much less sanguine though. With labour utilisation uber-stretched, the difficulty of finding staff is a major constraint on most businesses. While unemployment may tick up from here as growth slows, we expect labour supply to grow at a much slower rate over the coming years.</p>	<p>Retail Sales ★★</p> <p>Retail spending wound up wide of the mark in Q2, sliding by 2.3% qoq and wrongfooting expectations of a spending splurge by Kiwis getting out of bed and shaking off the Omicron infections they battled in Q1. We suspect that the softer consumption picture is set to remain a feature over the remainder of 2022, as household balance sheets battle the unholy trinity of painful living cost increases, higher interest rates and slowing population growth. The retail-led recovery that we saw in 2020 and 2021 is well and truly behind us.</p>
<p>Wages ★★★★★</p> <p>Where an ultra-tight labour market goes, stonking wage growth usually follows, and the economy of 2022 is proving no different. In Q2, the Labour Cost Index surged to a post-GFC high of +3.4% yoy as workers exercised their bargaining power and went looking for a salary bump to offset the rising cost of living. With the labour market likely to remain very tight for some time to come, expect more wage increases on the way and the threat of a wage-price spiral to harden the RBNZ's resolve to cool the economy.</p>	<p>New Car Sales ★★★</p> <p>The first quarter of 2022 saw a big, lumpy blip in new car sales as importers scrambled to register new gas guzzlers before incurring higher fees under the Clean Car Discount 'feebate' scheme. Q2 saw things calm down markedly, with almost every region recording a double-digit dip relative to the same period last year. As household balance sheets take a battering and households tighten the purse strings, we expect new car purchases to slow over the medium term, in line with our wider retail spending outlook.</p>
<p>House Prices ★★★</p> <p>The strength – or lack thereof – of the NZ housing market depends on the baseline you're using. On an annual basis, prices were still up 3.5% as of the end of Q2, but they remain below their late-2021 peak and they've continued to head south in timelier REINZ data. Prices are currently about 9% below their November 2021 high point, but we expect a bit more downward pressure from here given the less-acute housing shortage, tighter credit conditions and higher interest rates. The name of the game isn't FOMO anymore, its 'fear of paying too much' or FOPTM (ok, we're still workshopping the acronym).</p>	<p>Construction ★★</p> <p>Clouds have continued to darken for the construction sector as 2022 has worn on. Year-on-year, total building consents were still up around 5.4% over Q2, but residential consents ended the quarter circa 3% lower on a seasonally-adjusted basis and other leading indicators – like concrete production – are slipping. The story here has further to run, with both supply constraints and demand pressures set to weigh on the sector over the next twelve months. On the one hand, labour and raw materials remain in painfully short supply. And on the other, a cooler housing market and tighter financial conditions continue to weigh.</p>

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

The Regional Lowdown

Chart of the Quarter:
Retail sales are no longer posting spectacular year-on-year growth

Change in Retail Sales (%)
 Year to June 2022



Source: Stats NZ, ASB

Northland ★★★★★

Northland continues a run of form having its 8th consecutive quarter within the top five ranks on our Scoreboard. Retail sales jumped a remarkable 6.4%, coupled with house prices growing by 12.8%. However, this trend is expected to take an axing for the forestry-dominant region in line with that of the rest of New Zealand as we grapple with inflation and rising interest rates. Population growth in the previous year hit 1.9%, which ranks 1st in New Zealand, a testament to Northland's sustained strong performance and durability during a period of instability, or potentially for the beautiful beaches and lifestyle offerings.

Auckland ★

Aucklanders have sheathed their credit cards after a run of high retail sales. The pent-up demand for retail induced by lengthy lockdowns waned over Q2, no doubt also influenced by the impact on discretionary spending of the higher cost of living. House price growth also dwindled throughout the quarter, foreshadowing the current rapid decline in prices we are experiencing. House sales fell the farthest in New Zealand by a whopping 38% yoy, signalling less urgency for buyers as they expect further price uncertainty and grapple with securing finances. The City of Sails' ranking has taken on a bit of water, down three places to 10th, warranting the weak consumer sentiment of late.

Waikato ★★★★★

The mighty Waikato propels itself up the rankings from 5th to 2nd. Our metrics show green pastures across the board relative to the wider country. Population growth and employment growth have

shown a positive and consistent trend, whilst retail sales and house prices remain milder than the national average. The standout metric for Waikato was 2nd in consumer confidence: we believe this is correlated with the favourable conditions in the dairy industry and higher prices as a result. Our previous [reporting](#) shows that despite volatility in the New Zealand economy, dairy is on track to do well due to tight global supply and prolonged weakness in the NZD over the dairy season.

Bay of Plenty ★★★

The Bay of Plenty comes in at number seven on our scoreboard this quarter, up two rankings. BOP enjoyed the highest growth in employment over the country at 3.8%. BOP's strong primary industries have been less impacted by COVID-19 than the wider economy has, with special mention to the kiwifruit and manuka honey exporters who have bolstered sales and navigated supply chain disruptions. Additional employment growth within the adversely affected tourism sector is expected now the borders are open and summer approaches.

Gisborne ★★

Giszy eased down to 14th place this quarter. Although there were less than favourable declines in employment and new car sales, we saw continued growth in residential consent issuance (up 9% over the year). Other housing market trends have essentially moved lock-step with the national average during the current cooling off period. Issuance for non-residential building consents did fall, though more reflective of some very chunky consent issuance earlier this year that bodes well for

actual activity. And unlike last summer, Rhythm N Vines literally has the green light to go ahead – PSA: tickets are on sale.

Hawke's Bay ★★★

As per our previous quarter's prediction, Hawke's Bay has started regathering from a disappointing period and gained two places to 11th spot. Cyclical effects were the tale of the tape at the beginning of the year with primary industries being hit with poor weather conditions and labour shortages. Despite sustained labour issues, Hawke's Bay has seen improvements in retail sales, house prices, and construction culminating in marked uptick in consumer confidence. We are pleased to see recovery in the Bay and expect further positive developments for the region of food & wine.

Taranaki ★★★

The 'Naki rose two positions into 6th place this quarter, house prices being a sizable determinant of higher than national average consumer confidence. House prices rose by 10.1% yoy, which just squeezed into 3rd fastest for the year, potentially driven by a reported high number of out-of-region buyers interested in the Taranaki market. The outlook is stable for the region as numerous indicators maintained steady growth. As we head into spring, we could see the region blossom into the top five performers and celebrate in style by taking a stroll through the acclaimed Taranaki Garden Festival.

Manawatu-Whanganui ★★

Manawatu-Whanganui edged down to 13th rank on the board. The sentiment of the previous quarter has carried through, showing sluggishness in most indicators with retail sales, house prices, and construction all below national averages. The silver lining for Manawatu-Whanganui is the growth in employment of 1.7% exceeded that of the national average: we are hoping that rising commodity prices will help bolster the primary industry and see the region improve its ranking next quarter.

Wellington ★★★

The Capital regained 3 ranks this quarter, justifying its three-star rating. Much like the record of the Wellington Phoenix, our economic indicators show about an equal number of wins to losses. The housing market in Wellywood saw a dramatic decrease by 5.9% in median house price year on year after having one of the hottest runs through to mid-2021. Reportedly, first-home buyers are struggling to get on the market as average household income growth ranks last in the nation. Vendors are growing frustrated with inability to sell, and houses are sitting on the market for up to a month longer than this time last year. On the Brightside, the Windy City saw sizable growth in the construction pipeline with a good mix of residential and non-residential consent issuance. Another win was the unemployment rate continuing to fall over the past year and remaining comfortably below the national average. Retail sales and new car sales are both up and consumer spending could keep rising as winter passes into the rear-view mirror.

Nelson ★

The flood-torn region of Nelson suffered throughout the previous quarter and weakened to 15th place.

Our reporting shows annual house price growth of 4.5% (just above the national average) and a shrinkage in construction by 1.7%. Flood damages will need to be repaired, which may result in some added construction activity to help get the region back on its feet. Meanwhile, though, house prices are likely to follow the national pattern of sinking into the red. Retail sales shrunk by 2.6% over the year and are likely experiencing further disruption as the region grapples with road closures and displacement of residents. We have seen exceptional resilience within the region as the community has come together in aid, and we hope for a speedy clean-up and recovery.

Tasman ★★★★★

The Tasman has battled through the same flooding as its next-door neighbour, and we echo our consolatory thoughts to those affected. The previous quarterly results were starkly different, however. The region benefitted last year from the second largest uptick in population growth rate (at 1.6%) as well as an outstanding increase in retail sales that topped the charts at 7.2%. Building consents for both residential and non-residential were up by 27% and 248%, respectively, which paints the picture for the 2nd best performing region in the construction indicators. The Tasman has some difficult times regathering from flooding but can be proud of the economic performance of late that is deserving of a four-star rating and a place on the podium.

Marlborough ★

Marlborough, like the Nelson/Tasman regions, has been hard struck with the floodings that have forced road closures and residents to be displaced from their homes. Marlborough faced a challenging economic landscape in Q2, though still managed to edge up three rankings. Both employment and retail sales indicators diminished to well below the national averages and, despite residential construction consents increasing by 63%, a large plunge in non-residential consents virtually offset that surge. Marlborough has struggled of late having been affected by generational weather events and the pandemic causing worker shortages and lack of tourism. Consumer sentiment has been rather frosty at the top of the South Island, here's hoping things warm up with the change of season and an anticipated tourist influx on the horizon.

West Coast ★

Another tough quarter for the West Coast sees the region at bottom of the Scoreboard for the second consecutive quarter. The West Coast has dealt with all the same issues as its upper South Island regional partners but to a worse extent. Unsurprisingly, the resultant economic indicators are weak across the board. Annual population growth, employment, and retail sales all declined by 0.3%, 0.7%, and 0.4%, respectively. The South Island has traditionally been more heavily dependent on international tourists to bring in revenue, which had taken on more importance in the West Coast as its traditional mining industries have reduced. The good news is the border re-opening has started to see more visitors head to NZ. Dramatic and lush scenery, Pancake Rocks, glaciers, and a memorable visit to Shantytown await.

Canterbury ★★★★★

Once again Canterbury takes the title of top dog, in fact this is 4th win in 5 quarters for the Cantabrians, cementing the region's reign at the pinnacle of our economic scoreboard. Canterbury has proclaimed its status at the top through sustained dominance in our economic indicators. Both annual population growth and employment growth exceeded national averages, indicating a solid labour market within the region. Most astoundingly, house prices increased the most within New Zealand at 17.1% in the year to Q2, which may correlate with the retail sales metric also performing well at an annual increase of 5.1%. Notably, Canterbury was the only region to record an increase in new car sales at 2% compared to the national average of -18.5%. Cantabrians have reason to rollick in their local economy, current sitting in the sweet spot likened to a fresh crayfish from Kaikoura or a Danish pastry from the Fairlie Bakehouse.

Otago ★★★★★

Otago comes in 5th place and deserves its four-star rating as our indicators highlight reasonable growth across the board. Construction has done well overall with an annual increase of 11.6% seemingly fuelled predominantly through an uptick in residential consents approved. House prices, meanwhile, were a mixed bag with declines in Dunedin, Waitaki District and increases in Queenstown, Central Otago, and the Clutha District. With tourism coming back and working visa holders trickling in, Central Otago is looking to bounce back to its former glory. Following a successful ski season, and with summer rapidly approaching, we bet the previous pains of staff shortages and a quashed tourist influx will be alleviated. Otago could expect a boost in retail sales over the next few quarters with tourism flooding in, much like the boost in sales seen from Dunedin students on St Paddy's Day.

Southland ★★

Southland has slipped back down the leader board as the brief stint in the top five comes to a quick end. Much like its neighbour in Otago, we expect levels of tourism to hike up over the coming quarters which should help with Southland's dwindling retail sales. On a positive note, house prices have increased marginally throughout Southland despite buyers reportedly acting with less urgency and waiting for prices to decrease. New car sales had one of the largest reductions in growth over the year at -39.8%, though given it had a huge surge in registrations early in the year this could be related to the recent introduction of the 'ute tax'. There is an added uncertainty for the region given the back and forth over Tiwai Point. However, a key backbone for Southland is farming, and the price prospects for that look encouraging for the region.

Taking the regions' temperatures

	Share of the economy	Population		Employment		Retail Sales		House prices		Construction		New car sales		Star Rating		
	Mar-21	Jun-21		Jun-22		Jun-22		Jun-22		Jun-22		Jun-22		Jun-22		
	%	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	198	1.9%	98	-1.3%	702	6.4%	3,802	12.8%	263	7.8%	1,162	-22.8%	★★★★★		
Auckland	37.3	1,716	-0.1%	952	2.0%	8,397	4.5%	3,753	0.4%	3,001	2.8%	21,428	-18.9%	★		
Waikato	8.9	506	1.3%	270	2.0%	1,866	3.2%	4,175	9.5%	723	-2.1%	4,212	-22.4%	★★★★★		
Bay of Plenty	5.9	343	1.5%	177	3.8%	1,342	1.2%	3,923	7.7%	403	-3.2%	2,688	-28.5%	★★★		
Gisborne	0.7	52	0.8%	110	-0.7%	173	5.3%	4,277	2.4%	66	93.4%	216	-49.1%	★★		
Hawke's Bay	2.8	182	1.0%			692	3.9%	4,277	2.4%	213	7.0%	1,263	-26.5%	★★★		
Taranaki	2.7	126	1.0%			67	0.5%	427	3.6%	4,197	10.1%	108	-38.5%	911	-27.5%	★★★
Manawatu-Wanganui	3.9	257	0.8%			137	1.7%	908	0.0%	4,988	0.8%	194	-29.9%	1,738	-23.8%	★★
Wellington	12.6	547	0.7%	322	1.3%	2,118	1.8%	4,083	-7.8%	735	32.9%	4,986	-15.1%	★★★		
Tasman	1.9	58	1.6%	110	-0.7%	217	7.2%	3,091	4.1%	118	76.2%	344	-28.5%	★★★★★		
Nelson		55	0.0%			255	-2.6%	2,953	4.5%	49	-2.9%	421	-28.8%	★		
Marlborough		52	1.0%			194	-2.9%	3,350	5.7%	35	-42.4%	311	-8.8%	★		
West Coast		33	-0.3%			123	-0.4%	3,150	5.7%	45	5.5%	176	-32.8%	★		
Canterbury	12.6	650	0.9%	365	2.5%	2,766	5.1%	3,221	17.1%	1,082	16.1%	7,151	2.0%	★★★★★		
Otago	4.3	247	0.9%	136	1.3%	1,104	2.7%	3,722	7.8%	508	11.6%	1,715	-21.2%	★★★★★		
Southland	2.1	103	-0.1%	58	1.8%	399	3.0%	4,139	9.8%	85	11.5%	622	-39.8%	★★		
New Zealand	100	5,123	0.6%	2,808	1.6%	21,683	3.5%	3,808	3.53%	7,627	5.4%	49,344	-18.5%	★★★		

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.

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