

# Rebuilding confidence

## Q3 Regional Economic Confidence shows Canterbury surging ahead

- **Households' confidence in their local economy increased in 7 out of 11 regions.**
- **One of these was Canterbury, which remains the most optimistic region by far. In most regions, cautious optimism or mild pessimism predominate.**

### Regional economic confidence\*

Region	Regional economic confidence (%)		
	Jun-12	Sep-12	Change
Northland	-33	-31	2
Auckland	-4	-1	3
Waikato	-6	9	15
Bay of Plenty	-16	0	16
Gisborne/Hawke's Bay	-12	-13	-1
Taranaki/Manawatu-Wanganui	4	10	6
Wellington	-24	-7	17
Nelson/Marlborough/West Coast	4	0	-4
Canterbury	25	36	11
Otago	-22	-26	-4
Southland	32	-3	-35
National average	-4	3	7

Source: Westpac McDermott Miller

\* Regional economic confidence is the balance of respondents expecting good, as opposed to bad, economic times in their region over the coming year. Sample sizes, and margins of error, vary by region. The national average is weighted by the share of each region in the total population.

Economic confidence in Canterbury has taken another big leap, continuing to lead the rest of the country by a mile. The latest Westpac McDermott Miller Regional Economic Confidence survey, which asks households about their expectations for their local economy over the year ahead, showed that Cantabrians are now the most optimistic for their region since mid-2010, before the first quake hit.

Elsewhere the picture varies, though on average regional economic confidence has improved slightly. Economic confidence has increased across most of the North Island, but fallen in the South Island (Canterbury aside). And while economic confidence has picked up in some rural exporting regions (such as the Waikato and Taranaki/Manawatu-Wanganui) it has fallen in others (notably Southland, a previous beacon of optimism). In most regions, cautious optimism or mild pessimism now seem to be the order of the day.

This mixed picture is partly a reflection of where we are in the global economic cycle. On the one hand the global downturn has deepened over the past three months. But the world's major central banks have now also pledged aggressive policy support, laying the groundwork for conditions to improve over the coming year. And concerns around supplies have helped support global prices for some regions' export commodities (notably oil and dairy).

Lack-lustre confidence outside Canterbury is also a reminder of the mixed impact that the Canterbury rebuild is likely to have elsewhere. Reconstruction will create jobs, but it will also increasingly divert human and financial resources from other regions.

The survey was conducted over 1-9 September. The total sample size was 1553.

**Northland:** Northlanders' economic confidence improved modestly for the second time in a row. However, it remains very downbeat, with a net 31% of households expecting mainly bad economic times over the year ahead. The region is slowly recovering from a housing bust and previous droughts. Its number one issue continues to be very high levels of unemployment.

**Auckland:** Economic confidence in Auckland has improved slightly, though pessimists continue to just outnumber optimists (a net 1% of households expect bad economic times over the year ahead). The Auckland economy is facing strong opposing forces: on the one hand the Auckland housing market continues to heat up, but parts of the manufacturing industry are struggling.

**Waikato:** A net 9% of Waikato households now expect mainly good times over the year ahead, marking a return to cautious economic optimism in the region. This may reflect recent signs of a turnaround in global dairy prices. However, economic confidence in the region remains lower than six months ago.

**Bay of Plenty:** Economic confidence in the Bay of Plenty has lifted sharply – there are now as many optimists (expecting mainly good times for the region over the year ahead) as pessimists. The region continues to face significant challenges, including the impact of the PSA blight on kiwifruit growers, a weak construction sector, and difficult conditions for tourism operators. However, it may be that concerns around the economic impact of the Rena grounding are fading one year on from the disaster.

**Gisborne/Hawke's Bay:** Economic confidence in the region has slipped further into pessimism, as farmers and foresters continue to face the double whammy of weaker global conditions and a high NZ dollar. A net 13% of households now expect mainly bad economic times for the region over the year ahead – the most since mid-2009.

**Taranaki/Manawatu-Wanganui:** Economic confidence in this diverse region has improved slightly and continues to be cautiously optimistic, with a net 10% of households expecting mainly good economic times for the region over the coming year. While the global downturn has deepened, the region's oil industry has benefited from recent price increases, and there have been early signs of a turnaround in global dairy prices as well.

**Wellington:** Wellingtonians remain pessimistic, but a lot less so than three months ago: a net 7% of households now expect mainly bad times for the region over the year ahead, down from 24% in the previous survey. There may be a growing sense that 'the worst is behind us' in terms of public sector cutbacks.

**Nelson-Marlborough/West Coast:** Economic confidence in the region has slipped further and now hangs in the balance, with as many pessimists (those expecting mainly bad economic times for the region over the year ahead) as optimists. While the region has seen an influx of migrants and growing demand for business as a result of the Canterbury earthquakes, its diverse export base has also been hard hit by the global downturn – the threatened closure of the Spring Creek Mine is just one example.

**Canterbury:** Canterbury has seen another surge in economic confidence and is now the one unambiguously optimistic region in the country, with a net 36% of households expecting mainly good economic times over the year ahead (57% expect good times, 21% bad). While parts of the regional economy are still struggling, the repair and rebuild effort is now clearly underway,

demand for repaired and non-damaged homes has pushed house prices beyond their 2007 peaks, and the unveiling of the new central city plan may have lifted optimism as well.

**Otago:** Economic confidence in Otago has fallen further into pessimism, with a net 26% of households expecting mainly bad economic times over the year ahead – the most since late 2008. We suspect the deepening global downturn has hit the region's tourism and agricultural sectors hard, and government cutbacks may be affecting health and education providers, which are a big part of the Otago economy.

**Southland:** Southland's regional economic confidence has plunged from the highest in the country – a net 32% of households were still expecting mainly good times in the region three months ago – to outright pessimism. Confidence in this region is now the lowest since mid-2009. That is a remarkable turnaround and we suspect the planned job cuts at Tiwai Point have played a role.

**Felix Delbrück**  
Senior Economist

### Consumer confidence: regional breakdown

In this bulletin, we also report on the regional breakdown of the Westpac McDermott Miller Consumer Confidence Index. Separately from the Regional Economic Confidence Survey, this index summarises responses to questions about households' own financial situation, their expectations for the New Zealand economy as a whole, and their current willingness to buy a major household item.

Consumer confidence rose in most regions. The biggest increases were in the Bay of Plenty (where households have become significantly less downbeat about their financial situation) and Wellington (where there was a big jump in households' willingness to buy major household items). Consumer confidence fell sharply in Taranaki/Manawatu-Wanganui, where households have become more concerned about their financial situation and more cautious about buying big-ticket items.

The three main urban centres (Auckland, Canterbury and Wellington) all saw big increases in the number of households saying it is a good time to buy big-ticket items. That's despite the Wellington housing market continuing to underperform, and despite Aucklanders having become a lot more downbeat about their financial situation. The most obvious explanation is that low prices for some goods have been boosting spending. Attitudes towards buying big-ticket items remain more subdued

in provincial centres and rural areas. That may be a reflection of the divergent impact that the high NZ dollar is having across the country: benefiting consumers in the major cities, but hurting livelihoods in the more export-focused rural regions.

### Consumer confidence by region

Region	Consumer confidence		
	Jun-12	Sep-12	Change
Northland	97.0	100.2	3.2
Auckland	104.3	104.5	0.1
Waikato	90.4	94.2	3.8
Bay of Plenty	96.9	110.6	13.7
Gisborne/Hawke's Bay	97.0	96.3	-0.6
Taranaki/Manawatu-Wanganui	100.1	93.8	-6.4
Wellington	100.5	109.4	8.9
Nelson/Marlborough/West Coast	99.4	104.0	4.6
Canterbury	100.0	102.9	2.9
Otago	96.9	100.6	3.7
Southland	96.8	99.8	3.0
National average	99.9	102.5	2.7

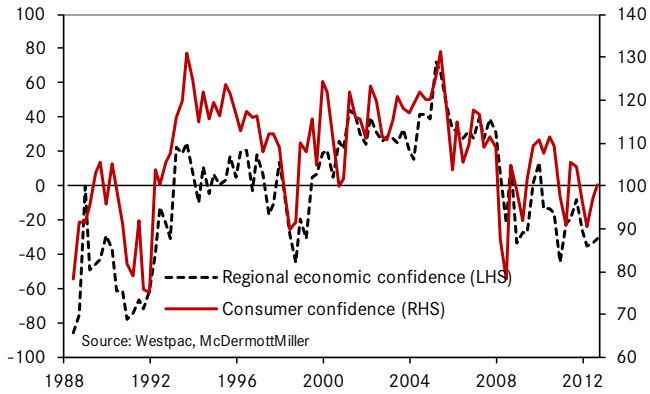
Source: Westpac McDermott Miller

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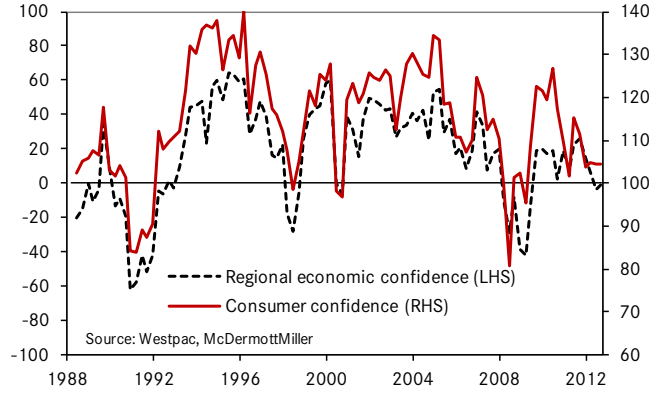
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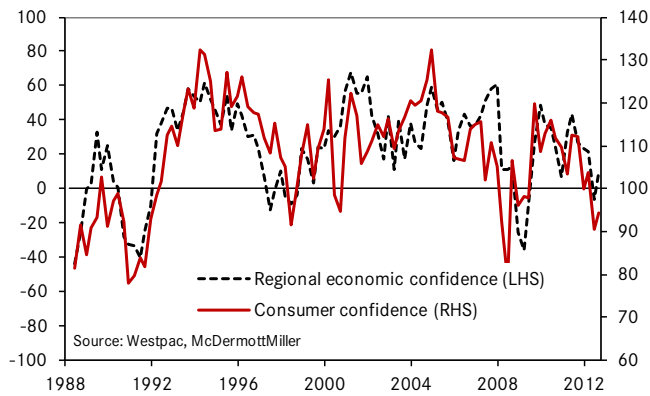
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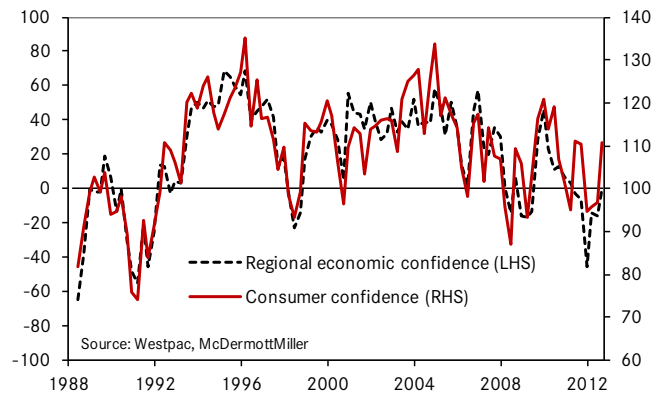
### Auckland



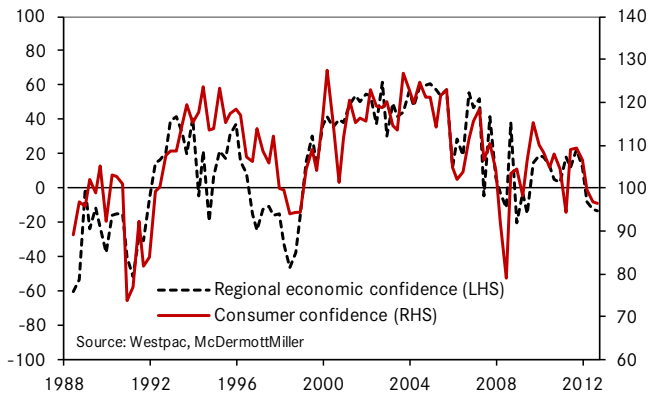
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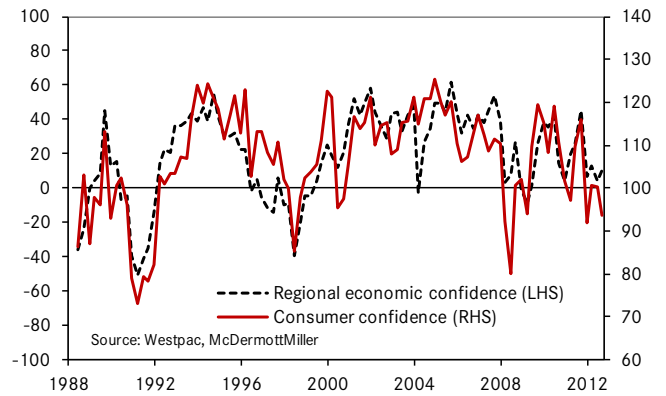
### Bay of Plenty



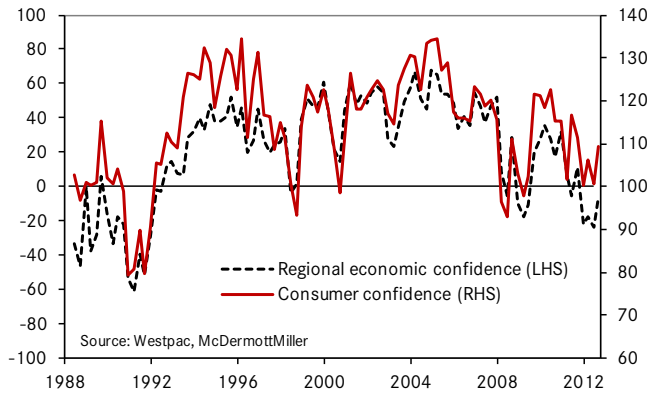
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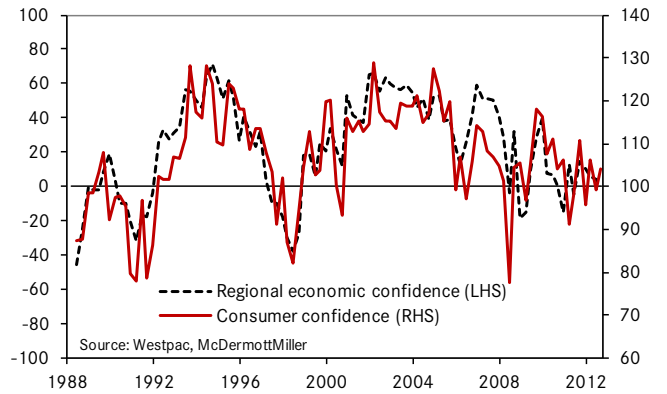
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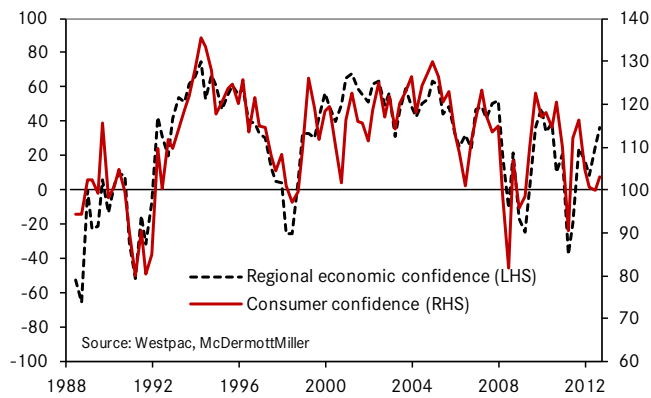
### Wellington



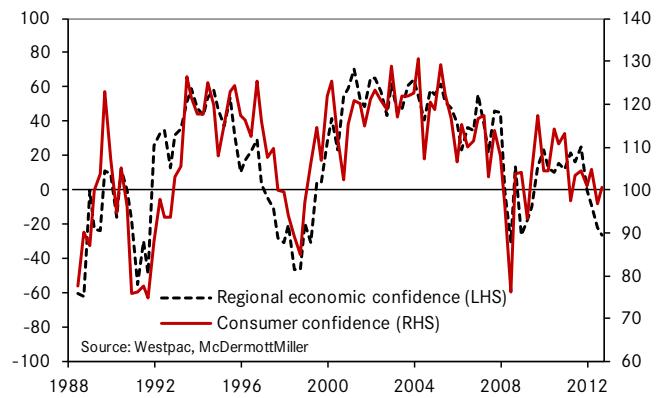
### Nelson-Marlborough/West Coast



### Canterbury



### Otago



### Southland

