

# A clean sweep

## Q2 regional economic confidence rebounds

- **Economic confidence has risen across New Zealand.**
- **The rural North Island saw the biggest lift as drought concerns eased.**
- **Economic confidence has risen to a new post-recession high in Canterbury.**

### Regional economic confidence

Region	Regional economic confidence (%)		
	Mar-13	Jun-13	Change
Northland	-49	-23	26
Auckland	16	24	8
Waikato	-29	49	78
Bay of Plenty	-13	9	22
Gisborne/Hawke's Bay	-19	19	38
Taranaki/Manaw Wang	5	33	28
Wellington	-1	6	7
Nels Marl/West Coast	12	22	11
Canterbury	35	51	16
Otago	5	12	7
Southland	13	15	2
Nationwide	5	25	20

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. The survey was conducted over 1-10 June. The total sample size was 1568.

Regional economic confidence has risen in all regions of New Zealand. Such a broad upswing in economic confidence doesn't happen often – the last time was in September 2009, when the global economy stopped reeling from the Global Financial Crisis. Rising optimism for the global economy may be playing a role this time as well. In many regions economic confidence is the highest since September 2011 – just before the European crisis moved to code red and economic confidence tanked.

Easing drought concerns certainly also helped. The biggest increases in economic confidence were in those parts of the North Island that saw the biggest falls three months ago – Waikato, Gisborne/Hawke's Bay, Taranaki/Manawatu-Wanganui, and Northland. This is in line with other signs that farming confidence has picked up (in the dairy sector, at least). Three months ago it may have seemed hard to believe, but rising global dairy prices have indeed proved to be an even bigger deal for the economy than the drought.

There has also been another surge in economic confidence in Canterbury, which may be spreading to other parts of the South Island. A reconstruction-led building boom is now undeniably underway in Canterbury and official estimates of the total spend have been bumped up again, to \$40bn. The last time Cantabrians were this optimistic for their region was in late 2007, before New Zealand fell into recession.

**Northland:** Northlanders' economic confidence has recovered from drought and indeed is now the highest since September 2011. However, sentiment remains far below the national average – high unemployment and a weak housing market continue to weigh on local economic prospects.

**Auckland:** Economic confidence in Auckland has bounced back to where it was late last year after dipping three months ago. If anything, we were surprised not to see it pick up further. Concerns around the draft unitary plan may be reining in economic optimism (just as they may be holding back housing turnover).

**Waikato:** Economic confidence in the Waikato has surged from deep pessimism to the second highest optimism in the country (just behind Canterbury), as drought concerns have eased and high dairy payout forecasts have moved to centre stage. This gels with the upbeat vibe we got at the Fieldays. The region hasn't been this optimistic since late 2009.

**Bay of Plenty:** Economic confidence in the Bay of Plenty is once again cautiously optimistic – for the first time since March 2011. A more stable global economy, rising tourist numbers, and the recent fall in the NZ dollar are all likely contributors. But other challenges facing the region – notably the Psa blight which has decimated kiwifruit exports, and a still slow housing market – are ongoing, and economic confidence remains below the national average.

**Gisborne/Hawke's Bay:** Economic confidence in these parts has rebounded from drought, and indeed is now the most optimistic since September 2011. This chimes with other signs of economic revival, including a modestly rising housing market and falling unemployment.

**Taranaki/Manawatu-Wanganui:** The region has regained its pre-drought optimism and then some, with economic confidence now the highest since September 2011, and the third highest in the country. Taranaki's expanding energy industry, low unemployment rate and improving housing market are probably all playing a role, but an improving global economic climate may be boosting economic confidence more widely.

**Wellington:** Economic confidence in the capital has improved for the fourth time in a row, and is now cautiously optimistic, for the first time since September 2011. The region's labour market seems to be showing signs of life, and Wellington house prices are slowly but steadily rising.

**Nelson/Marlborough/West Coast:** Economic confidence across these diverse, but export-driven regions has improved for the third time in a row and is now the most optimistic since late 2009. Anecdotally, business in the northern South Island has benefitted from the Canterbury rebuild. Unemployment is low, and Nelson house prices have now surpassed their 2007 peak.

**Canterbury:** Economic confidence in Canterbury has continued to surge. Not only is the region the most optimistic in the country, it is also the only region where economic confidence has recovered to pre-2008 levels. With a reconstruction boom of massive proportions now firmly underway, and major injections into Christchurch's infrastructure in the latest Budget, we aren't surprised.

**Otago:** Economic confidence in Otago has improved for the third time in a row and is the highest since September 2011. The region's health and education sectors have been feeling the pinch, but tourist numbers have picked up, and there are also signs of life in the Queenstown housing market. Early snow might have buoyed confidence around the upcoming ski season.

**Southland:** Southlanders' economic confidence has seen little change from three months ago, when surging dairy prices and comparably good growing conditions gave it a major boost. That said, with Tiwai Point under a cloud, economic confidence in the region remains a lot lower than it was even a year ago.

**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.

Three months ago, Auckland and Canterbury jostled for top spot in the consumer confidence league tables. Since then, they've been leapfrogged by a number of other regions. Auckland remains number three, but consumer confidence is now even higher in the Waikato and Nelson/Marlborough/West Coast. And Canterbury has been surpassed by Otago, Taranaki/Manawatu-Wanganui, and Wellington.

To some extent this reflects 'catch-up' by other regions as the recovery broadens. Some of the consumer confidence questions – notably about people's own financial situation – focus on how things have changed or are expected to change. In 2011-2012, Auckland and (to a lesser extent) Canterbury stood out in that respect. Now the sense that people's financial situation has stabilised, and will get better next year, is spreading.

Optimism for the national economy has also become a lot more widespread. Three months ago Auckland was the only region that expected good times for the New Zealand economy over the year ahead. Now eight regions are at least as optimistic as Auckland was then.

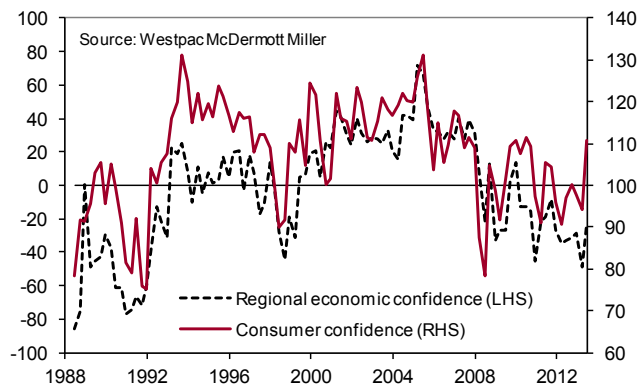
Finally, it's worth noting that consumer confidence in Canterbury has been lagging behind its surging regional economic confidence for a while. Many are still struggling with the after-effects of the quakes and boom towns create both winners and losers. Perhaps it's not too surprising that individual experiences remain mixed and consumer confidence, at this stage, remains comparatively cautious.

### Consumer confidence by region

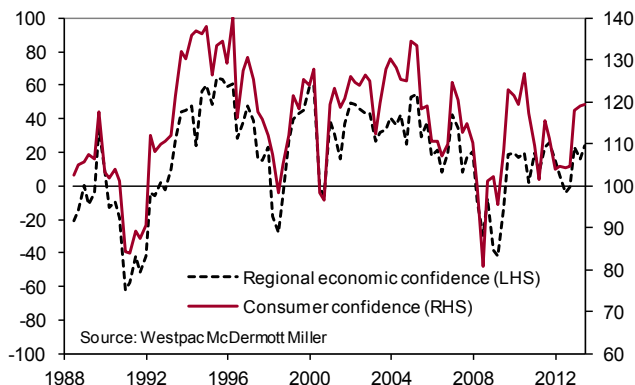
Region	Regional economic confidence (%)		
	Mar-13	Jun-13	Change
Northland	94.1	110.6	16.5
Auckland	119	119.4	0.3
Waikato	102.8	122.4	19.6
Bay of Plenty	107.5	108.7	1.2
Gisborne/Hawke's Bay	103.1	108.8	5.8
Taranaki/Manaw Wang	111.2	117.1	5.9
Wellington	105	115.5	10.5
Nels Marl/West Coast	103.6	122.1	18.5
Canterbury	113.3	114.2	0.8
Otago	109.3	117.2	7.9
Southland	108.2	107.7	-0.5
Nationwide	110.8	116.6	5.8

Source: Westpac McDermott Miller

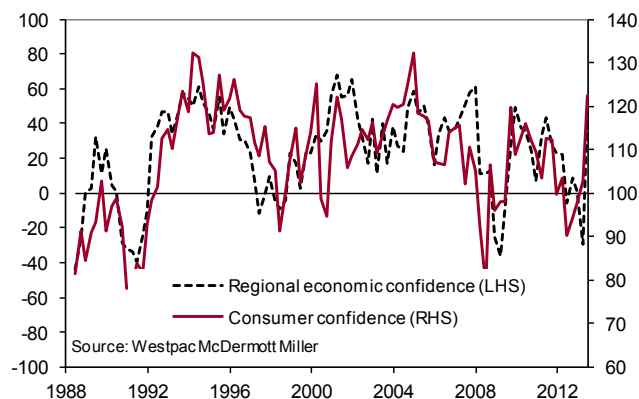
**Northland**



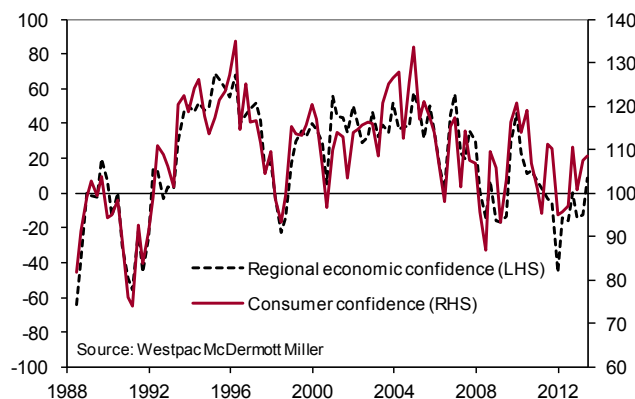
**Auckland**



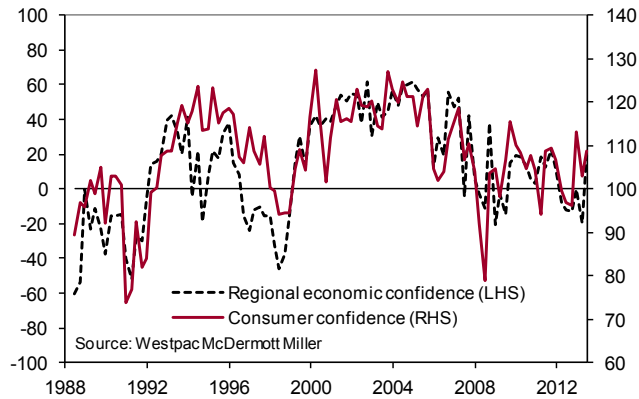
**Waikato**



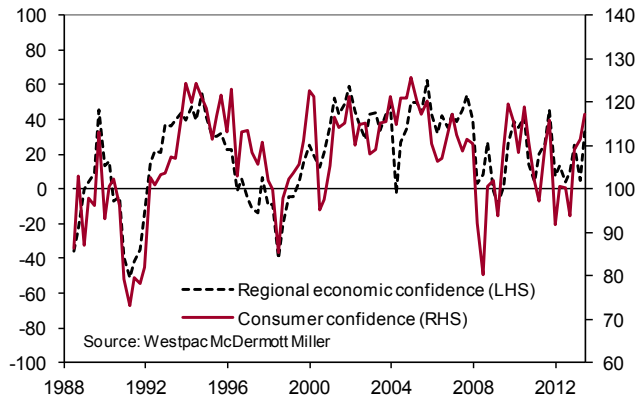
**Bay of Plenty**



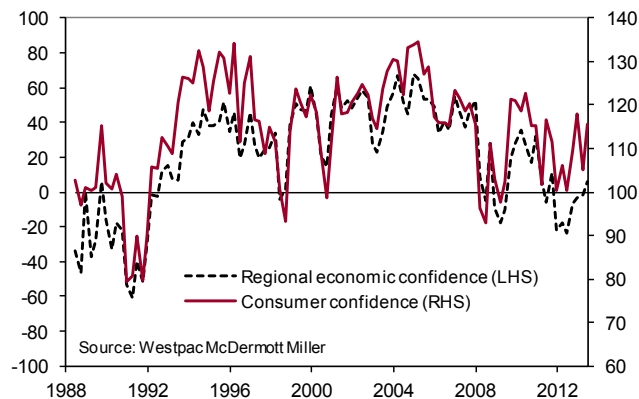
**Gisborne/Hawke's Bay**



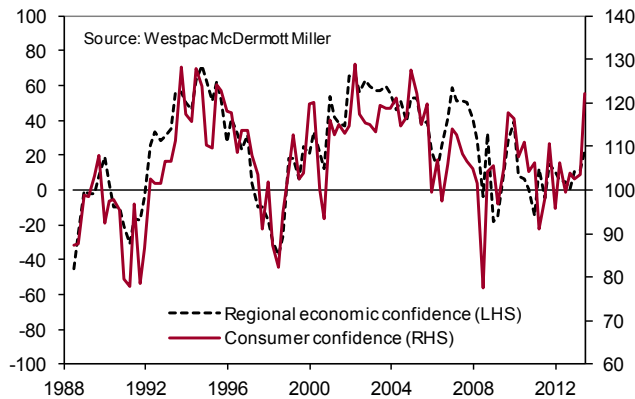
**Taranaki/Manawatu-Wanganui**



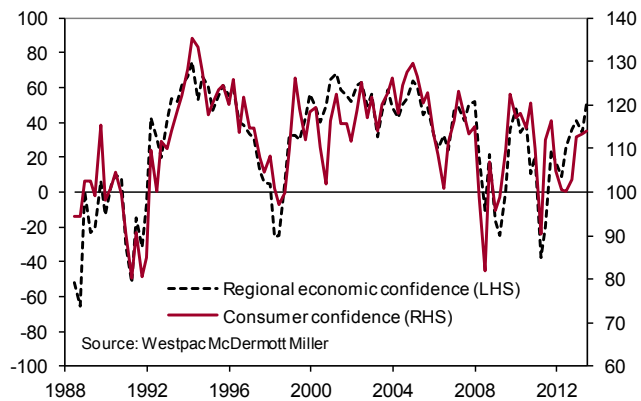
**Wellington**



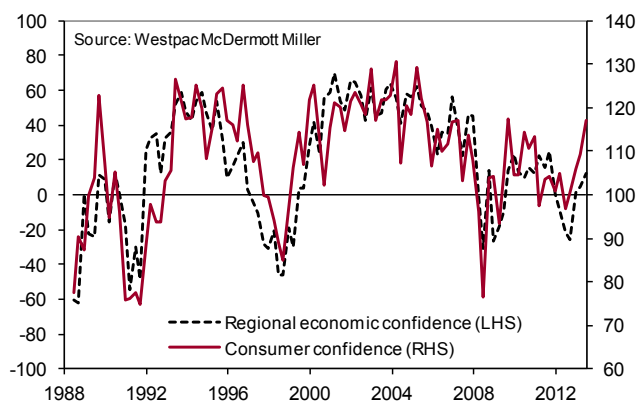
**Nelson-Marlborough/West Coast**



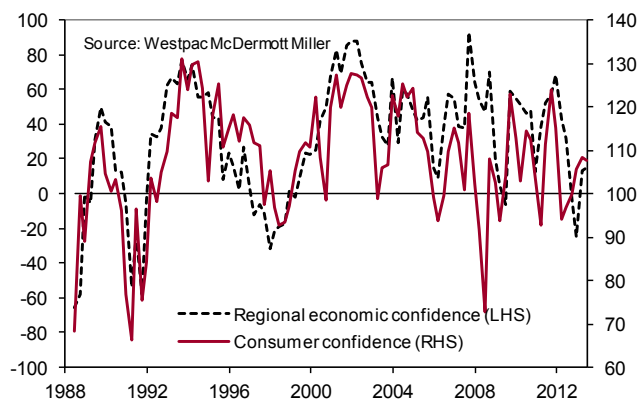
**Canterbury**



**Otago**



**Southland**



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