

# North to South

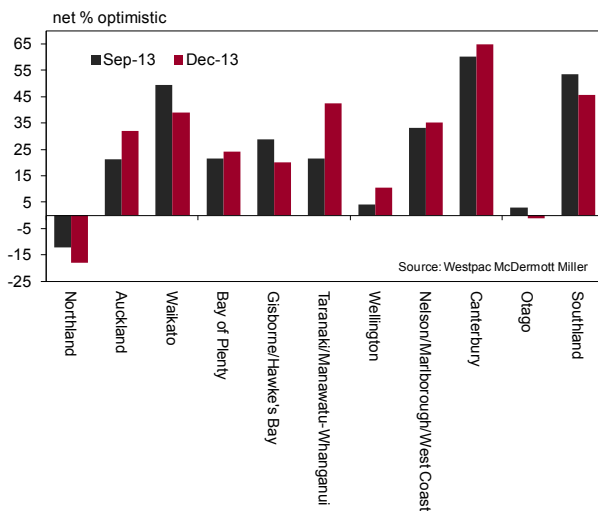
## Q4 regional economic confidence remains highest in Canterbury, dairy producing regions

- Economic optimism in Canterbury has risen to its highest level in a decade.
- Confidence in Auckland has also picked up sharply, to its highest level in six years.
- With dairy prices at record highs, optimism also remains high in the main dairy producing regions.
- Wellington and Otago continue to lag behind, reflecting ongoing public sector austerity – though confidence in Wellington is now slowly rising.

### Regional economic confidence\*

Region	Regional economic confidence (%)		
	Sep-13	Dec-13	Change
Northland	-12	-18	-6
Auckland	21	32	11
Waikato	50	39	-11
Bay of Plenty	22	24	2
Gisborne/Hawke's Bay	29	20	-9
Taranaki/Manawatu-Whanganui	21	42	21
Wellington	4	11	7
Nelson/Marlborough/West Coast	33	35	2
Canterbury	60	65	5
Otago	3	-1	-4
Southland	53	46	-8
Nationwide	27	28	1

### Regional economic confidence



Source: Westpac McDermott Miller

\*Regional economic confidence is the balance of households expecting good, as opposed to bad, economic times in their region over the coming year, as a percentage of total number of households. 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 December, with a total sample size of 1569.

Over the past year, almost all parts of New Zealand have seen a major lift in economic confidence. However, there continue to be major divergences between regions, reflecting some of the big themes currently shaping New Zealand's economic prospects.

Confidence has surged to decade highs in Canterbury, where a building boom of historic proportions is underway. Next down on the list are major dairy producing regions – Southland, Taranaki and the Waikato – where farmers are enjoying better growing conditions and sky-high global prices. On the other end of the spectrum, confidence remains very bleak in the northern tip of the North Island, reflecting the legacy of a housing bust and a series of droughts. Confidence also continues to be subdued in Wellington and Otago, suggesting the continued heavy weight of government cutbacks on those region's economies.

Compared to three months ago, movements in the survey have been mixed. Perhaps the most noteworthy change is a major lift in economic confidence in Auckland, to its highest level since late 2007. That's in spite of potential worries around what lending restrictions and rising interest rates might do to the local housing market. It may be that people are becoming more confident that Auckland will come to rival Canterbury as a centre of building activity over the next few years.

**Northland:** Northlanders' economic confidence remains bleak, a reflection of past droughts and a housing bust. That said, economic confidence is the second highest in two years, in keeping with some signs that the local economy has bottomed out – unemployment is lower than a year ago, and house and farm sales have risen. Fears of renewed drought may have affected the latest survey, which was in the field in early December.

**Auckland:** Aucklanders' economic confidence has surged to its highest level since March 2007, and is now well above the national average. This surprised us, given that the housing market outlook has become less certain and the region's manufacturing base is still facing fairly lacklustre global conditions. There may be a sense that regional building activity is finally revving up.

**Waikato:** Economic confidence in New Zealand's biggest dairy producing region has slipped back from three months ago, but remains among the highest in the country, thanks to prospects for a record dairy payout and a good start to the growing season. Recent high-profile announcements of job cuts may have taken the gloss off sentiment relative to three months ago.

**Bay of Plenty:** Economic confidence in the Bay of Plenty has risen for five quarters in a row, and is now the highest since December 2009. This chimes with other signs that the local economy is on the mend, including falling unemployment, slowly rising property prices, and higher tourist numbers. While kiwifruit farmers are still working through the PSA blight, they are also enjoying the highest prices in years.

**Gisborne/Hawke's Bay:** Economic confidence in the region has dipped over the past three months, but remains the second highest in two years. The region's economic data have been mixed, but among the positives, the region's beef farmers are continuing to enjoy sky-high global prices, while lamb prices are improving.

**Taranaki/Manawatu-Whanganui:** Economic optimism in this diverse region has rebounded to its highest level since September 2011, and the third highest level nationwide. Prospects of a record payout for dairy farmers and the ongoing expansion of Taranaki's oil and gas industry are no doubt playing a major role. Conditions continue to look less rosy in Manawatu-Whanganui, with unemployment high and the housing market still pretty flat.

**Wellington:** Economic confidence in the capital is gradually improving, in line with a steady improvement in Wellington's job market over the past year – on the latest read, unemployment was 6%, the lowest since 2011. That said, after years of government austerity, economic optimism continues to sit well below the national average.

**Nelson-Marlborough/West Coast:** Economic confidence in this diverse region has risen for the fifth quarter in a row, to its highest level since December 2009. That matches other signs of economic recovery: unemployment has fallen this year, Nelson house prices are back above their 2007 peak, and commercial construction has picked up.

**Canterbury:** The last time economic confidence in Canterbury was this high was in December 2004 (when a net 64% were optimistic) and before that in 2001. With Christchurch now in the midst of an epic building boom, and the region's rural sector benefiting from soaring dairy prices, we aren't too surprised.

**Otago:** Economic confidence in Otago has fallen over the past six months, with pessimists now once again outnumbering optimists. This has surprised us, given the generally more positive tone of local economic data over the past year. That said, unemployment in the region remains the highest in the South Island and some high-profile announcements of job cuts may have dampened confidence.

**Southland:** Economic confidence in the region has slipped back since the last survey, but remains the second highest in the country after Canterbury. And small wonder, given prospects of a bumper payout for the region's dairy farmers.

## Consumer confidence: regional breakdown

### Consumer confidence by region

Region	Consumer confidence index		
	Sep-13	Dec-13	Change
Northland	104.2	115.2	11.0
Auckland	115.1	122.6	7.6
Waikato	129.5	120.6	-8.9
Bay of Plenty	117.3	118.2	0.9
Gisborne/Hawke's Bay	114.5	116.8	2.2
Taranaki/Manawatu-Whanganui	111.1	124.4	13.3
Wellington	113.0	119.5	6.5
Nelson/Marlborough/West Coast	115.0	116.0	1.0
Canterbury	113.0	122.5	9.6
Otago	115.0	107.4	-7.6
Southland	117.8	110.5	-7.3
Nationwide	115.4	120.1	4.8

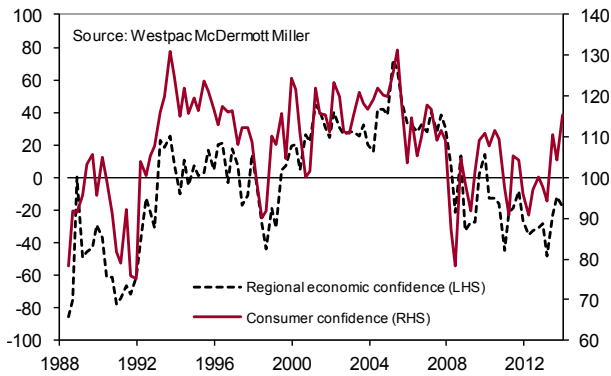
In this bulletin we also report on the regional breakdown of the Westpac McDermott Miller Consumer Confidence Index. Separately from the Regional Economic Confidence Survey, the Consumer Confidence Index summarises responses to questions about households' own financial situation, their expectations for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

The lift in consumer confidence seen over the last three months was geographically widespread - the index rose in all regions except Waikato, Otago and Southland. In particular, people in most regions are feeling more positive about the state of their finances, and about New Zealand's overall economic prospects. Strikingly, though, in 7 out of 11 regions (including Auckland and Canterbury) respondents expressed less willingness to buy a major household item. With interest rates now heading up, and the recent restrictions on low-deposit lending, it may be that homeowners have become more uncertain about future property values and their own future mortgage payments - and accordingly more cautious when it comes to spending.

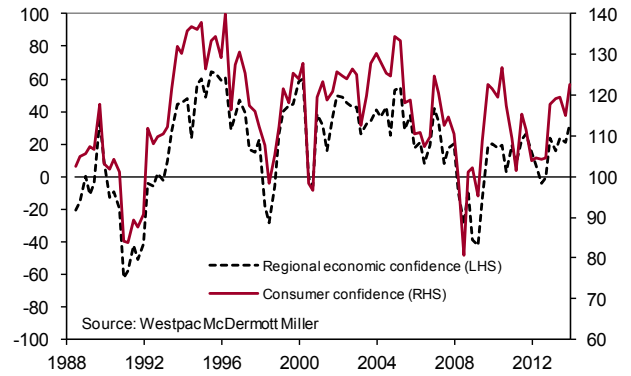
#### Felix Delbrück

Senior Economist

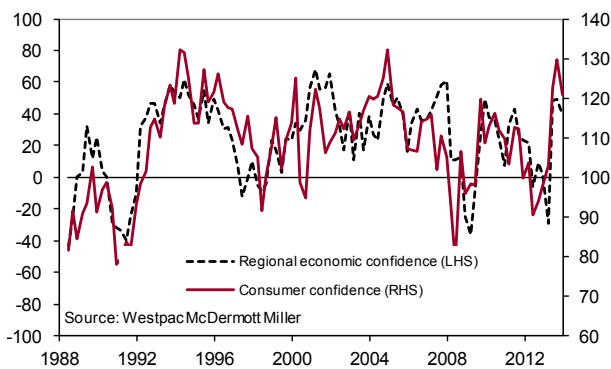
### Northland



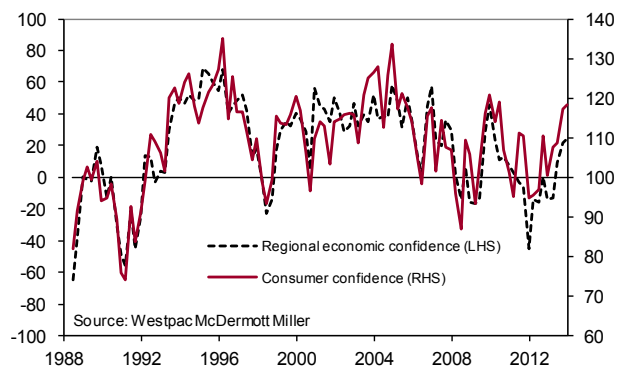
### Auckland



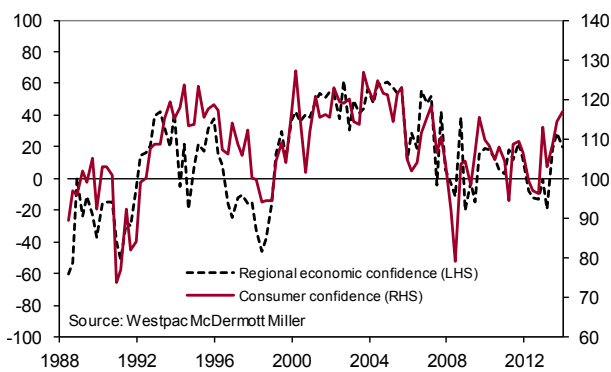
### Waikato



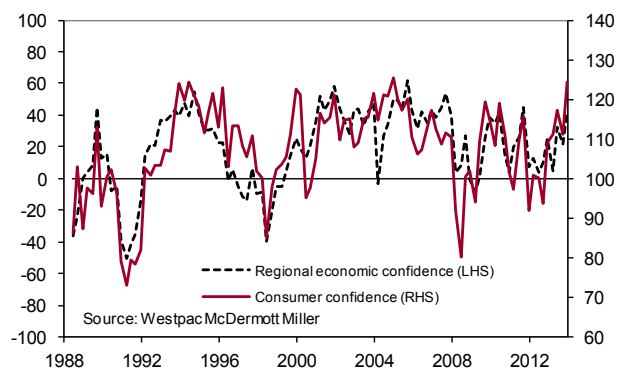
### Bay of Plenty



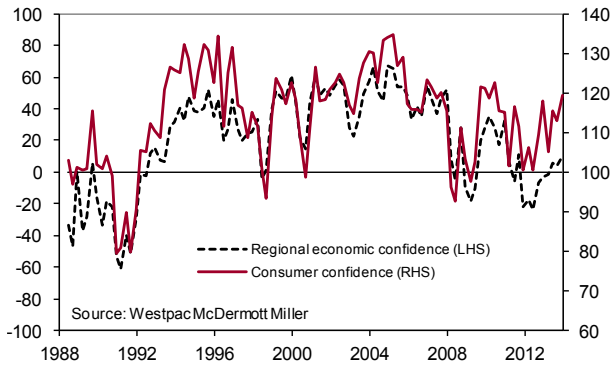
### Gisborne/Hawke's Bay



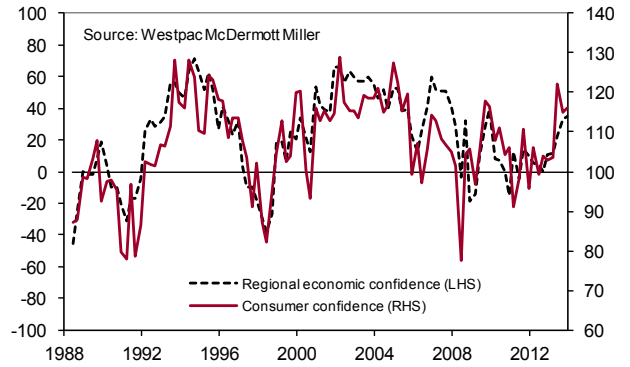
### Taranaki/Manawatu-Whanganui



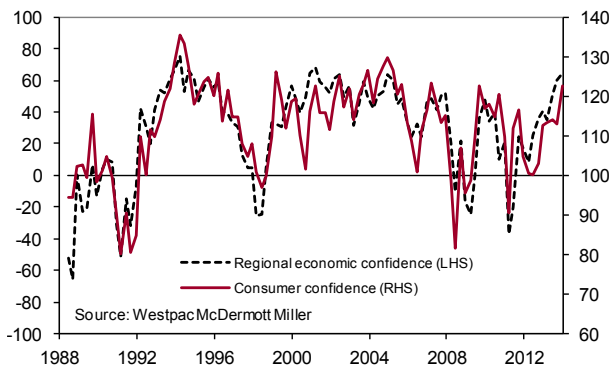
### Wellington



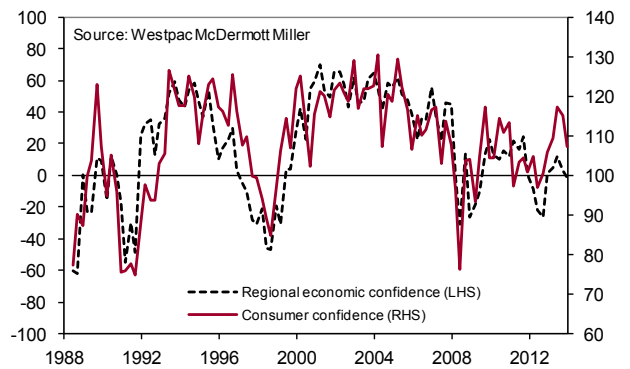
### Nelson-Marlborough/West Coast



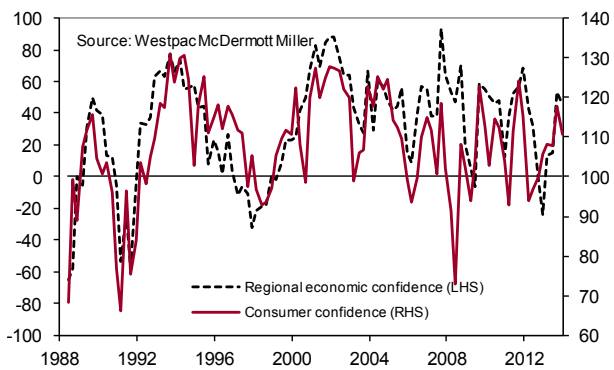
### Canterbury



### Otago



### Southland



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