

# North to South

## Q1 2012 Regional Economic Confidence slips further

- **Consumers' confidence in their local economy fell in most regions, according to the Westpac McDermott Miller Regional Economic Confidence Survey.**
- **Despite these falls regional confidence remains positive in key dairy exporting regions, as well as Auckland and Canterbury. Most other regions are more or less pessimistic.**

### Regional economic confidence\*

Region	Regional economic confidence (%)		
	Dec-11	Mar-12	Change
Northland	-27	-35	-8
Auckland	15	7	-8
Waikato	23	22	-1
Bay of Plenty	-46	-14	32
Gisborne/Hawke's Bay	12	-8	-20
Taranaki/Manawatu-Wanganui	7	13	6
Wellington	-22	-18	5
Nelson/Marlborough/West Coast	10	6	-5
Canterbury	17	8	-9
Otago	0	-9	-9
Southland	68	43	-25
National average	6	3	-3

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 Westpac McDermott Miller Regional Economic Confidence Survey, which asks households about their expectations for their local economy over the coming year, showed regional confidence falling in most parts of the country. The steepest falls by far were in Southland and Gisborne/Hawke's Bay, but Auckland, Canterbury, Otago and Northland also saw sizeable declines. Regional confidence rose in Bay of Plenty, Taranaki/Manawatu-Wanganui and Wellington, but remains lower than six months ago.

Despite these widespread declines substantial differences in the level of regional economic confidence persist. Dairy exporting regions Waikato and Southland, while no longer as headily confident as a few months ago, continue to be much more optimistic than the rest of the country. Regional confidence also remains cautiously optimistic in Auckland, Canterbury, Taranaki/Manawatu-Wanganui, and Nelson/Marlborough/West Coast. The remainder of the country is now pessimistic to a greater or lesser degree. As in December's survey, Wellington, Northland and the Bay of Plenty are the most downbeat regions.

The survey was conducted over the period 1-11 March. The total sample size was just over 1500.

**Northland:** Regional economic confidence in Northland has fallen further and is now the lowest in the country, with a net 35% of households expecting mainly bad times over the year ahead. Northland's housing market remains in the doldrums even as markets elsewhere are recovering, and unemployment in Northland is particularly high.

**Auckland:** Regional economic confidence in Auckland fell for the second time in a row, but remains cautiously optimistic, with on balance 7% of respondents expecting good times over the coming year. Auckland appears to be ahead of the curve in New Zealand's economic recovery. Consents for new building have risen, house prices are rising sharply, and the population continues to grow faster than elsewhere.

**Waikato:** Regional economic confidence held steady in the Waikato, and remains the second highest nationwide, with a net 22% of households expecting mainly good times for the region over the year ahead. Waikato's standout level of confidence may be related to good growing conditions for dairy farmers, which is dulling the pain of a lower payout this year.

**Bay of Plenty:** Economic confidence in this region plunged in December, in the wake of the Rena oil spill disaster. But the Bay of Plenty region has had it tough on several fronts, including the PSA blight that devastated parts of the kiwifruit industry, a residential building industry in the doldrums, and a slow housing market. While it's encouraging that regional confidence has picked up, the Bay of Plenty does remain one of the least confident in New Zealand, with a net 17% of households expecting mainly bad times over the year ahead.

**Gisborne/Hawke's Bay:** Regional economic confidence fell sharply for a second time in the Gisborne/Hawke's Bay region, turning from optimism to pessimism. On balance 8% of households now expect mainly bad times for the region over the coming year. Growing conditions have been good, but farmers and foresters are dealing with falling product prices. The Gisborne housing market remains weak, and unemployment in the region is high.

**Taranaki/Manawatu-Wanganui:** Regional economic confidence in this diverse region improved over the past three months, and is now the third most optimistic nationwide. On balance 13% of households expect mainly good times for the region over the coming year, up from 7% in the previous survey.

**Wellington:** Regional economic confidence in Wellington improved, but households remain very downbeat, with a net 18% expecting mainly bad times for the region over the coming year (down from 22% in December). This makes Wellington the second most pessimistic region in the country – unusual for one of the main metropolitan centres, but not surprising given public sector cutbacks and rising regional unemployment.

**Nelson/Marlborough/West Coast:** Regional confidence took a surprisingly small knock from the December floods. Nelson/Marlborough/West Coast remains one of the more optimistic parts of New Zealand, with a net 6% of households expecting good times over the year ahead. The region has absorbed a significant number of new residents since the Canterbury earthquakes, which has buoyed activity and housing markets in some parts. Nelson and the West Coast, in particular, are experiencing rising property prices. Local businesses have reported increased orders associated with the Canterbury rebuild, which also may have helped buoy perceptions of the outlook.

**Canterbury:** Regional economic confidence in Canterbury took a knock, possibly due to December's aftershocks. However, Canterbury remains optimistic on balance, and has the highest confidence reading of the main centres. On balance 8% of households now expect mainly good times over the year ahead, down from 17% three months ago. While parts of the economy are struggling, repair and reconstruction work has been ramping up, the market for non-damaged homes has picked up, and retail spending has recovered some of the ground it lost after February 2011.

**Otago:** Regional economic confidence in Otago has slipped into pessimism for the first time since mid-2009, with a net 9% of households expecting mainly bad times over the year ahead. This was slightly puzzling – we had taken Dunedin's strengthening housing market as vote of confidence in the region. Perhaps the drop in regional confidence has to do with the outlook for the tourism industry. The high New Zealand dollar and economic weakness in source countries including Australia certainly have us concerned about a weaker winter tourism season ahead.

**Southland:** Regional economic confidence in Southland is down from December's highs, with a net 43% of households now expecting mainly good times for the region over the year ahead. The lower dairy payout and lower meat schedules may have taken the gloss off the supreme confidence Southland expressed in late-2011. But the fact remains that Southland is the most confident region in the country, and has the lowest unemployment rate.

**Felix Delbrück** - Senior Economist  
**Dominick Stephens** - Chief 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 spend.

Consumer confidence rose in 7 regions and fell in 6, leaving consumer confidence only slightly higher on average. Consumer confidence rose the most in Taranaki/Manawatu-Wanganui, Wellington, and Nelson/Marlborough/West Coast, largely on the back of increased willingness to spend. By contrast, consumer confidence fell sharply in Southland, and also declined in Canterbury, Gisborne/Hawke's Bay, and Northland. The reasons varied, but generally included a reduced willingness to spend (particularly in Canterbury) and households feeling worse off.

There's currently a striking divergence between regional economic confidence and the Consumer Confidence Index in some regions, notably Southland and Wellington. As the charts on the last page show, that's not too unusual: Southlanders tend to feel more positive about their local economy than about the national economy or their own finances, whereas for Wellingtonians and Aucklanders the reverse has often been true.

### Consumer confidence by region

Region	Consumer confidence		
	Dec-11	Mar-12	Change
Northland	96	91	-5
Auckland	104	105	1
Waikato	100	104	4
Bay of Plenty	95	96	1
Gisborne/Hawke's Bay	107	99	-7
Taranaki/Manawatu-Wanganui	92	101	9
Wellington	100	106	6
Nelson/Marlborough/West Coast	96	106	10
Canterbury	105	101	-4
Otago	101	105	4
Southland	115	94	-21
National average	101	102	1

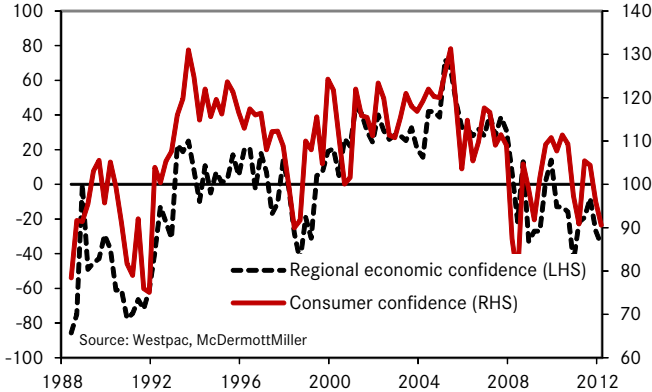
Source: Westpac McDermott Miller

## Westpac Economics Team Contact Details

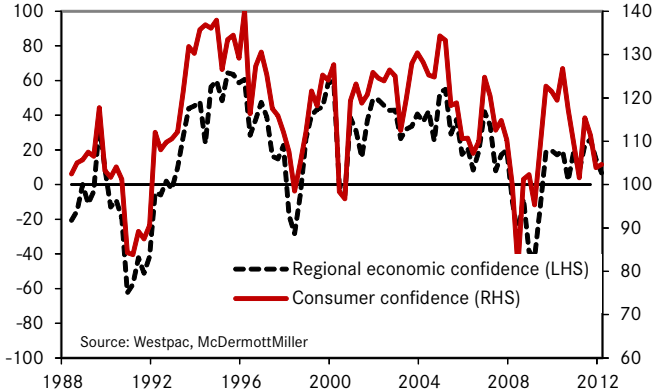
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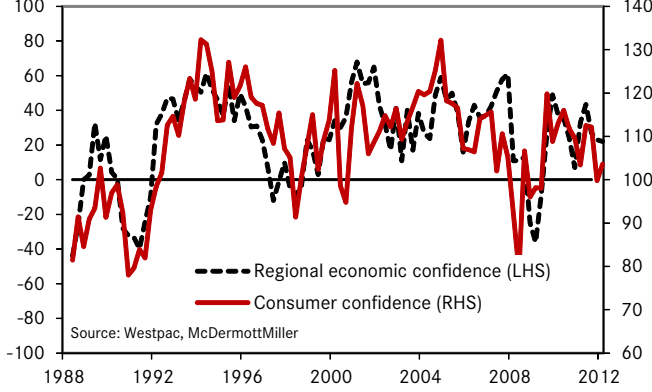
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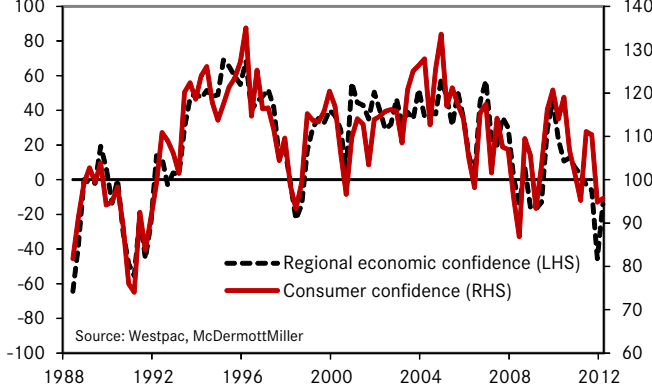
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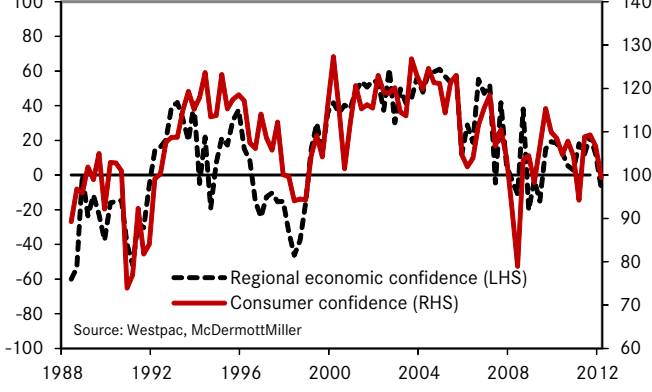
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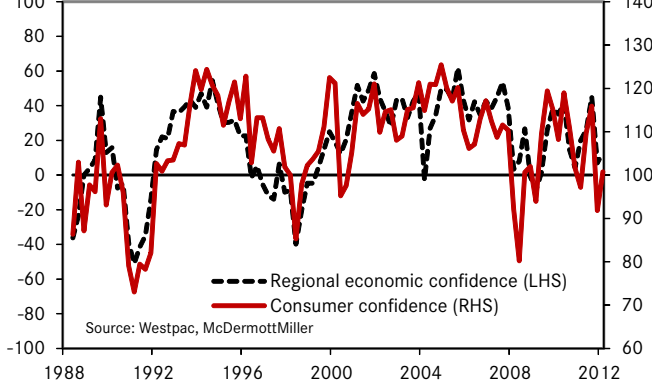
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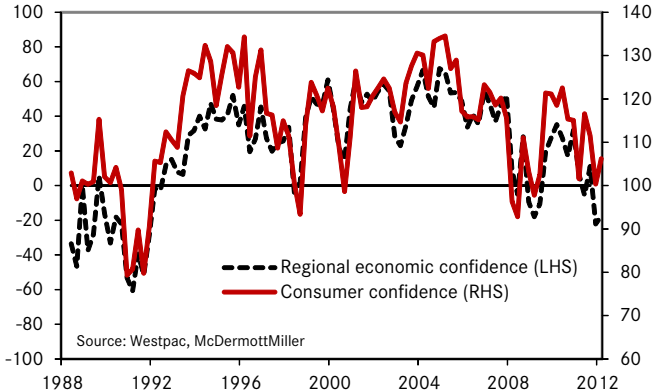
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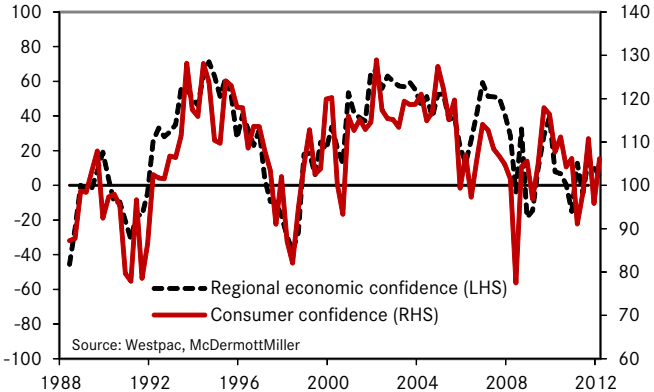
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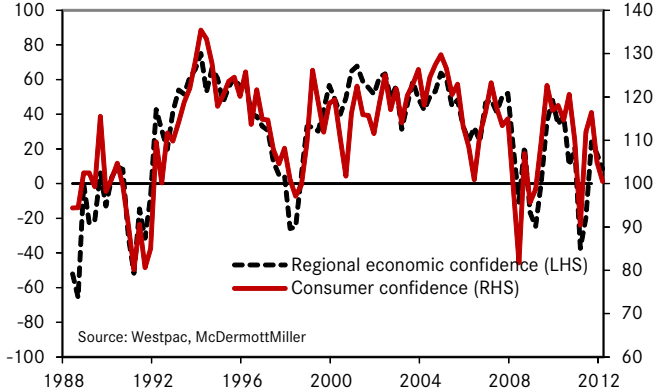
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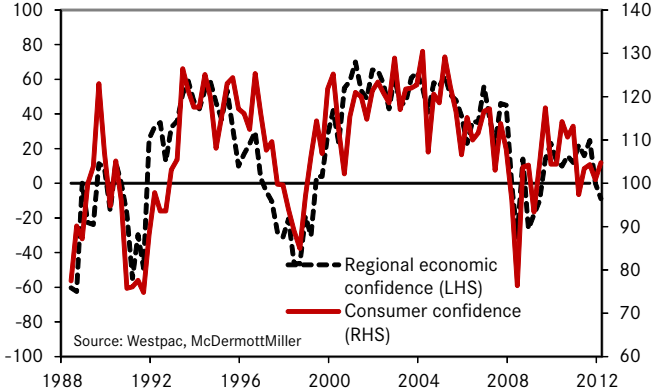
Nelson/Marlborough/West Coast



Canterbury



Otago



Southland

