

# North to South

## Q3 economic confidence rises in most regions

- **Optimism in Canterbury continues to surge, with the region now the most optimistic since the mid-2000s.**
- **Economic confidence is now also trending up in many export-focussed parts of the country.**
- **Economic confidence remains subdued in Wellington and Otago, in a reminder that public sector austerity continues to weigh on parts of the economy.**

### Regional economic confidence\*

Region	Regional economic confidence (%)		
	Jun-13	Sep-13	Change
Northland	-23	-12	11
Auckland	24	21	-3
Waikato	49	50	1
Bay of Plenty	9	22	13
Gisborne/Hawke's Bay	19	29	10
Taranaki/Manaw Wang	33	21	-11
Wellington	6	4	-2
Nels Marl/West Coast	22	33	11
Canterbury	51	60	9
Otago	12	3	-9
Southland	15	53	39
Nationwide	25	27	2

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 1-11 September. The total sample size was 1571.

The broadening economic optimism that we noted three months ago continued to be a theme in September. For the second quarter in a row, optimists outnumbered pessimists in all but one of New Zealand's regions. And sentiment in many of the country's smaller centres and rural areas continued to improve.

However, a wide gap persists between the most and least optimistic regions. These differences reflect some of the big drivers of New Zealand's economic outlook over the next year:

- **The Canterbury recovery and rebuild:** New Zealand's number one growth engine continues to rev up. Economic confidence in Canterbury is now the highest since early 2005, and remains the highest in the country.
- **A resurging export sector:** Despite signs of slowing growth in many developing countries, global food prices (especially

dairy) have defied gravity over the past three months. Add better growing conditions and signs of a lift in tourism into the mix, and things are looking up for many export-focussed regions. Economic confidence is now very strong in the Waikato and Southland, moderately positive in Taranaki/Manawatu-Wanganui, and trending up in the Bay of Plenty, Gisborne/Hawke's Bay and Nelson/Marlborough/West Coast.

- **House prices:** Rising house prices may now also be boosting economic confidence in many of New Zealand's smaller centres. Interestingly, confidence has dipped in Auckland, where the housing market is running rampant. It may be that Aucklanders have become less certain that the upswing can be sustained in the face of the Reserve Bank's recently announced mortgage restrictions.
- **Fiscal austerity:** The Government's drive for surplus continues to be a major drag on the economy. We suspect it's still weighing on economic confidence in the capital and possibly also in Otago, another region with a strong public sector presence.

### Northland

Northlanders' economic confidence may be on the mend – while it remains pessimistic, it has improved for the second quarter in a row, to levels not seen since early 2010. To some extent this may reflect the passing of the recent drought, but it is also in keeping with signs of improvement in the region's long-depressed housing and job markets.

### Auckland

Regional economic confidence in Auckland has fallen slightly over the past three months, but remains moderately upbeat. People may be feeling more uncertain around the housing market outlook in view of recent rises in mortgage rates and impending restrictions on low-equity borrowing. A gloomier offshore picture (in Australia as well as many parts of Asia) may also be dampening economic confidence among Auckland's manufacturing base.

### Waikato

Economic confidence in the Waikato has risen a smidgen further, to a net 50% optimistic. Sky-high global dairy prices have combined with an end to drought to lift confidence in New Zealand's biggest dairy producing region to its highest level since late 2007.

### Bay of Plenty

Economic confidence in the Bay of Plenty has moved further into positivity, rising to the highest level since early 2010. The region's economy does seem to be picking up after a tough few years: unemployment has fallen, house prices in Tauranga and Rotorua are slowly rising, building activity has picked up modestly, and there are signs of rising tourist numbers as well.

### Gisborne/Hawke's Bay

Regional economic confidence has risen further into optimism, and is now the highest since September 2008. Unemployment in the Gisborne/Hawke's Bay region appears to have fallen this year. The region's beef farmers are enjoying surprisingly strong prices on global markets, while conditions for sheep farmers are slowly improving.

### Taranaki/Manawatu-Wanganui

Regional economic confidence in this diverse region has fallen back slightly, though it remains moderately upbeat. Positives for the region's economic outlook include Taranaki's expanding oil and gas industry, and prospects of a bumper payout for Taranaki dairy farmers. But unemployment in Taranaki has risen (albeit to levels that are still low by national standards), and conditions in Manawatu-Wanganui look less buoyant.

### Wellington

Wellingtonians' economic confidence has dropped slightly, and is now much more subdued than in most other regions. Ongoing public sector austerity is likely to be the chief culprit. Unemployment in the capital remains high, and the Wellington housing market appears to have flattened off in the last few months. The spate of recent earthquakes will have dented confidence as well.

### Nelson/Marlborough/West Coast

Economic confidence in this diverse region now seems to be on a definite uptrend – indeed, it hasn't been this high since late 2009. And the local economy does seem to be getting stronger, with unemployment in the region now the second lowest in New Zealand and house prices in Nelson and Blenheim gradually rising. Spillovers from the Canterbury rebuild and early signs of a pickup in tourism are likely contributing factors.

### Canterbury

With the Christchurch recovery and rebuild well underway, Cantabrians' optimism for their region's economy continues to surge. A net 60% of households now expect good times for the year ahead – up from 51% three months ago, and the most optimistic the region has been since 2005.

### Otago

Regional economic confidence in Otago remains optimistic, but only just. On the positive side, tourism is now showing signs of a cyclical upturn, as is the Queenstown housing market. But, as in Wellington, we suspect public sector cutbacks are holding optimism back, with the region's large health and education sectors likely to be feeling the squeeze.

### Southland

Economic confidence in Southland has rebounded sharply, to levels only a little behind Canterbury. Soaring global dairy prices and a rescue deal for the Tiwai Point aluminium smelter (keeping 3,000 jobs in place for now) are all likely to have boosted confidence.

### 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, 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.

Consumer confidence fell in most regions – the only regions where consumer confidence rose were the Waikato, Bay of Plenty, Gisborne/Hawke's Bay, and Southland. However, consumer confidence remains more or less optimistic (above 100) in all regions.

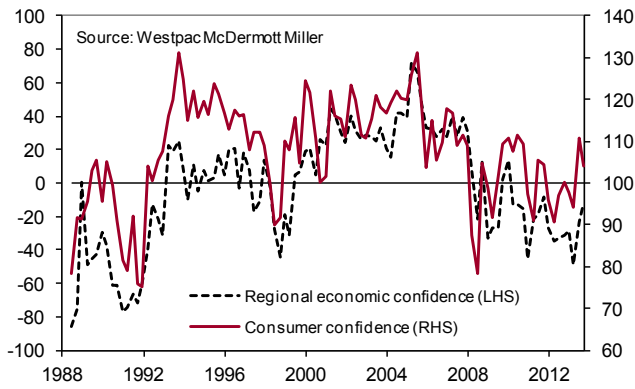
There was a particularly widespread fall in the number of households saying it was a good time to buy a major household item. In some cases (such as Auckland, Taranaki/Manawatu-Wanganui, Wellington, or Otago) this coincided with a drop in regional economic confidence, or in people's assessment of their own financial situation. But in other cases (notably the Waikato) respondents became less willing to buy a big-ticket item, despite feeling more upbeat about the economy and their own finances. It could be that income levels simply aren't improving as rapidly as people were hoping for. People may also be just a bit more inclined to 'play it safe' than three months ago, given signs of economic fragility in Asia and Australia, and interest rates now clearly heading up.

### Consumer confidence by region

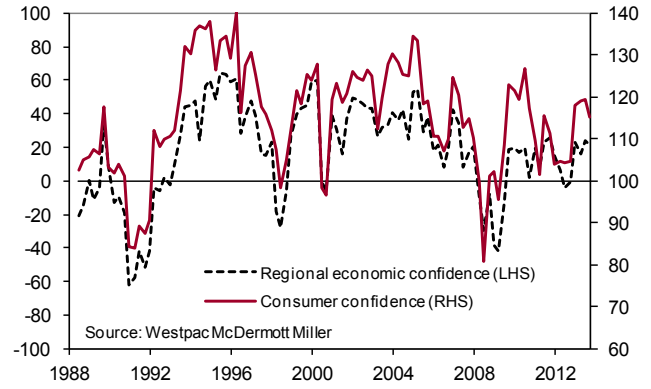
Region	Regional economic confidence (%)		
	Jun-13	Sep-13	Change
Northland	110.6	104.2	-6.4
Auckland	119.4	115.1	-4.3
Waikato	122.4	129.5	7.1
Bay of Plenty	108.7	117.3	8.6
Gisborne/Hawke's Bay	108.8	114.5	5.7
Taranaki/Manaw Wang	117.1	111.1	-6.0
Wellington	115.5	113.0	-2.5
Nels Marl/West Coast	122.1	115.0	-7.1
Canterbury	114.2	113.0	-1.2
Otago	117.2	115.0	-2.2
Southland	107.7	117.8	10.1
Nationwide	116.6	115.4	-1.2

Source: Westpac McDermott Miller

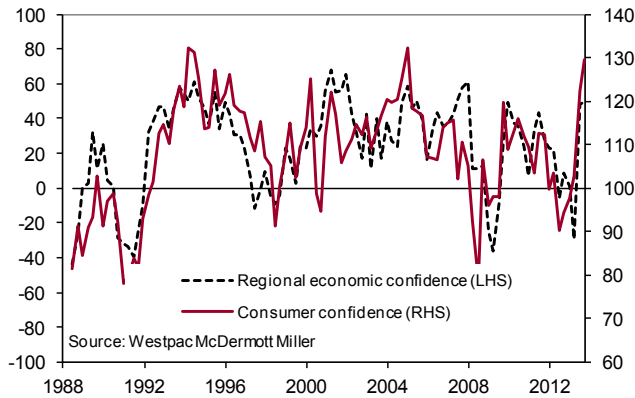
**Northland**



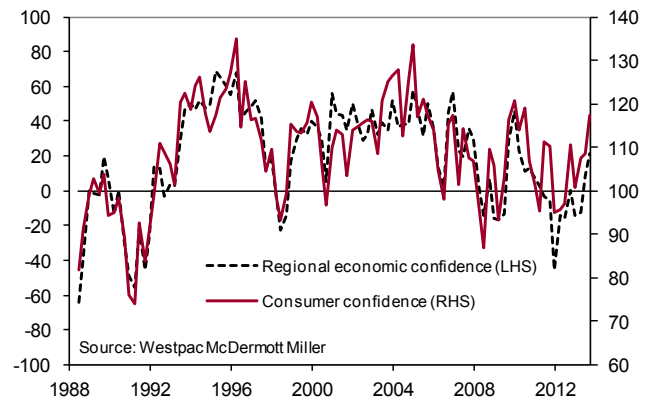
**Auckland**



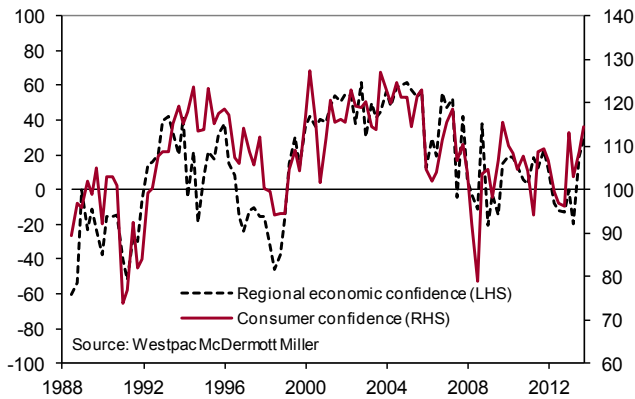
**Waikato**



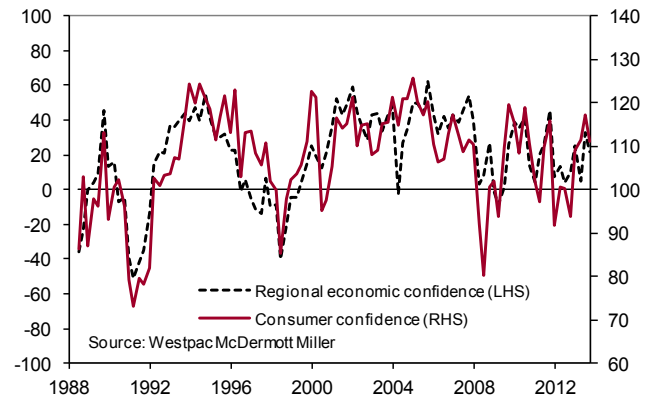
**Bay of Plenty**



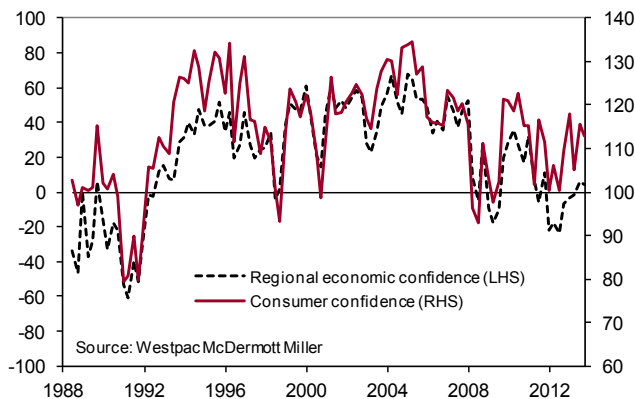
**Gisborne/Hawke's Bay**



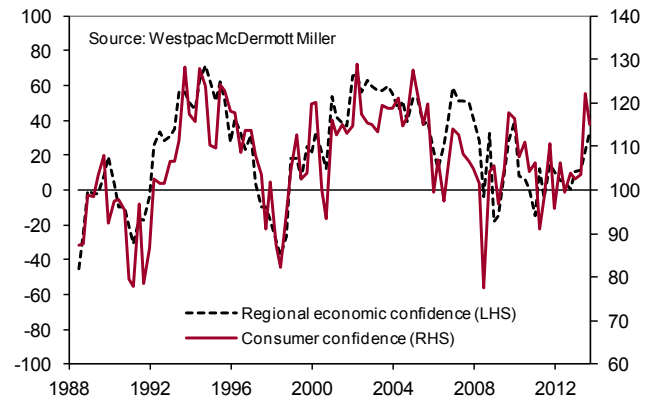
**Taranaki/Manawatu-Wanganui**



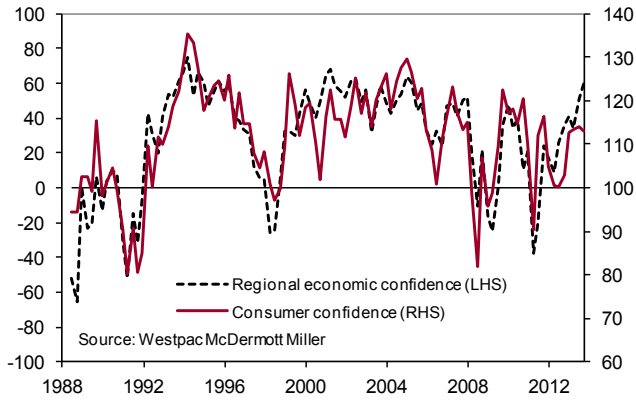
**Wellington**



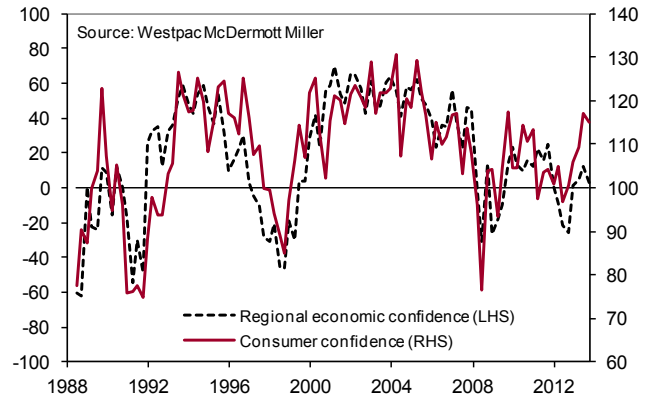
**Nelson-Marlborough/West Coast**



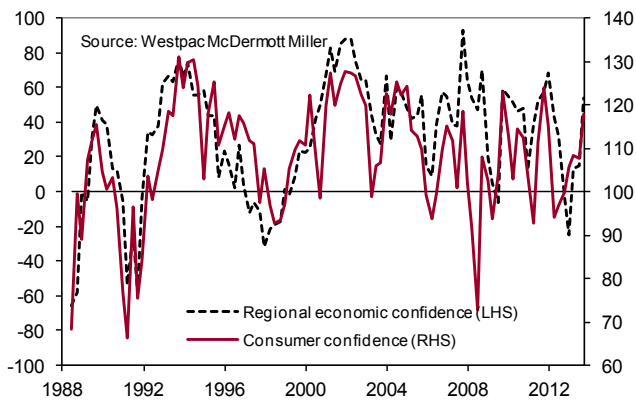
**Canterbury**



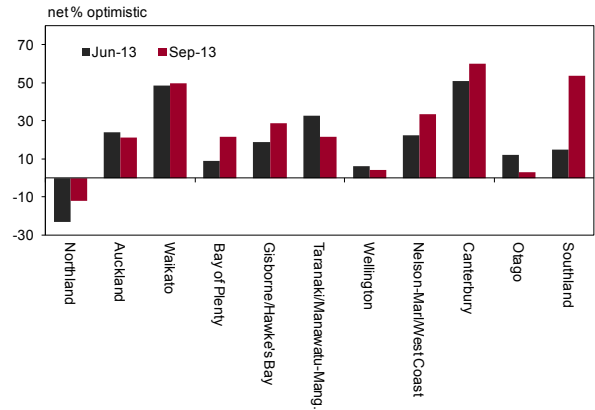
**Otago**



**Southland**



**Regional economic confidence**



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