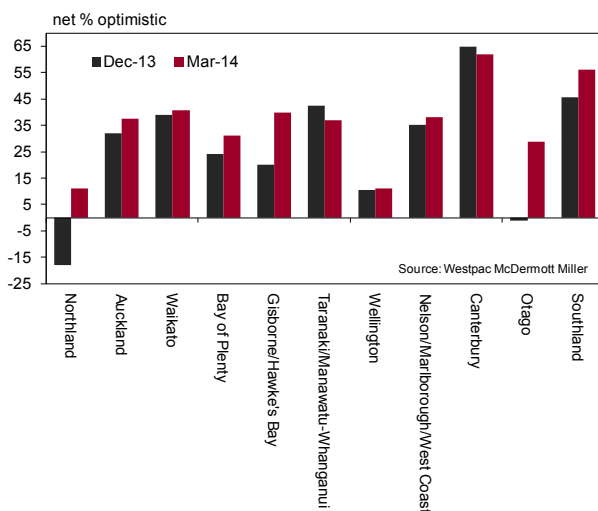


The bright side of life

Q1 regional economic confidence

- Economic confidence in Canterbury remains the highest in the country. Confidence fell in just two regions.
- And with the economy continuing to strengthen, optimists now outnumber pessimists in all regions for the first time since late 2009.
- There were sharp improvements in confidence in Otago and Northland this quarter, while confidence remains high in regions where the dairy industry plays an important role.

Regional economic confidence



Regional economic confidence*

Region	Regional economic confidence (%)		
	Dec-13	Mar-14	Change
Northland	-18	11	29
Auckland	32	37	5
Waikato	39	41	2
Bay of Plenty	24	31	7
Gisborne/Hawke's Bay	20	40	20
Taranaki/Manawatu-Whanganui	42	37	-5
Wellington	11	11	0
Nelson/Marlborough/West Coast	35	38	3
Canterbury	65	62	-3
Otago	-1	29	30
Southland	46	56	10
Nationwide	28	37	9

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 March, with a total sample size of 1594.

This quarter's Westpac McDermott Miller Regional Confidence survey emphasises the broad-based nature of recent improvements in the New Zealand economy. Right around the country households' confidence in their own region is growing. Just a little over a year ago there were significant divergences in economic confidence across regions, with broad daylight separating the very optimistic outlook in Auckland and Canterbury from the more cautious stance throughout rest of the country. As the economic recovery has continued to strengthen, helped by very strong prices for New Zealand's key commodity exports, this gap has now narrowed considerably. This quarter, optimists outnumbered pessimists in all regions for the first time since late 2009.

Economic confidence in Canterbury does still remain the standout. The region has now been the most optimistic in

the country for seven consecutive quarters as the enormous earthquake recovery task continues to progress. Taking second and third spots respectively were Southland and Waikato – two regions where the dairy industry plays a vital role in the local economy. However while Southlanders were noticeably more confident in March than December, confidence remains below its heights of 6 months ago in the Waikato, perhaps an indication that the extremely dry conditions in parts of the region are taking the gloss off the record dairy payout for some farmers. Economic confidence has picked up strongly in Otago this quarter, perhaps a response to talk around the prospect of an oil and gas industry developing in the region.

Regional Roundup

Northland: Economic confidence has improved in Northland over recent quarters, and in March, optimists outnumbered pessimists for the first time since December 2009. Unemployment in the region has fallen over the last year, while the housing market looks to be gradually improving after a long period in the doldrums.

Auckland: Economic confidence in Auckland ticked higher in March, despite the Reserve Bank's restrictions on low equity lending clearly slowing the housing market in the region. Perhaps the gradual improvement in employment prospects is providing an offset. Employment growth in the region has picked up, pushing the unemployment rate down to its lowest level since mid-2009. Growth in consent issuance also points to further improvement in building activity over the coming months with activity bolstered by growth in the apartment sector.

Waikato: Waikato remains one of the most upbeat regions of the country – no surprise given forecasts of a record dairy payout this season. However some parts of the region have experienced very dry conditions in recent months and this may be one reason economic confidence remains below the levels recorded six months ago.

Bay of Plenty: Economic confidence improved for the fourth consecutive quarter in the Bay of Plenty. The improved outlook for the Kiwifruit industry, favourable climatic conditions for dairy farmers and growth in building activity in the region have all no doubt played a role.

Gisborne/Hawke's Bay: Economic confidence rose strongly in the Gisborne/Hawke's Bay region, perhaps helped by positive expectations for the 2014 grape harvest. Improvements in beef and lamb prices will also be benefitting the region's farmers. While still noticeably above the nationwide average, the unemployment rate has fallen over the last year.

Taranaki/Manawatu-Whanganui: Despite the strong outlook for the dairy industry, economic confidence in Taranaki/Manawatu-Whanganui fell a little this quarter. It's difficult to point to a particular cause, with many of the key regional indicators improving broadly in line with nationwide trends. The Taranaki housing market has been relatively buoyant over the last year, in contrast to Whanganui where house prices have fallen over the last 12 months.

Wellington: Economic confidence in Wellington has lagged the national average for over a year as the government's continued drive for fiscal belt-tightening permeated employment and growth prospects in the region. However economic confidence has gradually improved as the wider New Zealand economy has picked up, the unemployment rate has fallen, and there has been modest growth in house prices.

Nelson/Marlborough/West Coast: In this diverse region, economic confidence has continued to steadily improve and is now at its highest level since December 2009. With factors such as the second lowest unemployment rate in the country, and a solid outlook for the agriculture, horticulture and viticulture industries, this comes as little surprise.

Canterbury: Despite easing a touch this quarter, economic confidence in Canterbury remains streets ahead of any other region in New Zealand. The rebuild is powering ahead, and the income boost flowing to the increasingly important dairy sector should support rural activity in the region.

Otago: After lagging much of the rest of country over the course of 2013, economic confidence in Otago surged this quarter. It's possible that the hunt for oil and gas off the coast has made people more optimistic about economic growth prospects in the region. In addition, labour market conditions have improved over 2013.

Southland: Economic confidence in Southland rose again this quarter, to its highest level since in two and a half years. Dairy is clearly an important part of the outlook for the region, and expectations of a record payout this season will have many in the region smiling.

Consumer confidence: regional breakdown

Consumer confidence by region

Region	Consumer confidence index		
	Dec-13	Mar-14	Change
Northland	115.2	123.4	8.2
Auckland	122.6	126.5	3.8
Waikato	120.6	124.3	3.7
Bay of Plenty	118.2	111.0	-7.2
Gisborne/Hawke's Bay	116.8	116.2	-0.5
Taranaki/Manawatu-Whanganui	124.4	115.1	-9.2
Wellington	119.5	116.8	-2.7
Nelson/Marlborough/West Coast	116.0	120.0	4.0
Canterbury	122.5	125.2	2.7
Otago	107.4	115.7	8.3
Southland	110.5	122.0	11.5
Nationwide	120.1	121.7	1.6

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.

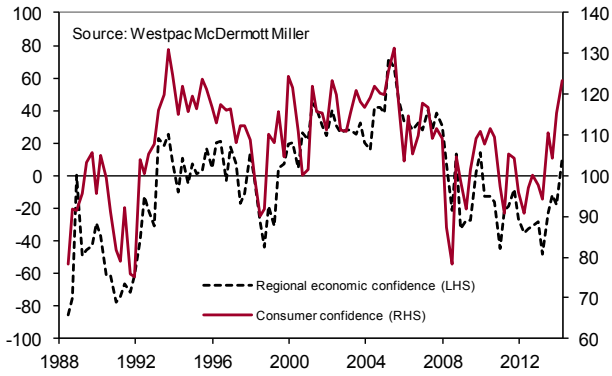
There were mixed outturns in consumer confidence this quarter. Consumer confidence rose in seven regions and fell in the Bay of Plenty, Gisborne/Hawke's Bay, Taranaki/Manuwatu-Whanganui and Wellington. However, optimists continue to outnumber pessimists in all regions.

There was a widespread improvement in people's outlook for the general economy. Only in the Bay of Plenty and Wellington were people less optimistic about the outlook for the economy over either over the near or medium term than last quarter. People's assessment of their own financial situation showed mixed changes. In most regions people's assessment of their present financial situation was more upbeat than three months ago (the exceptions were Taranaki/Manuwatu-Whanganui and Southland) however they were a bit more cautious about the outlook for their own finances in seven of the twelve regions, possibly an indication that thoughts of rising interest rates are starting to seep into people's consciousness.

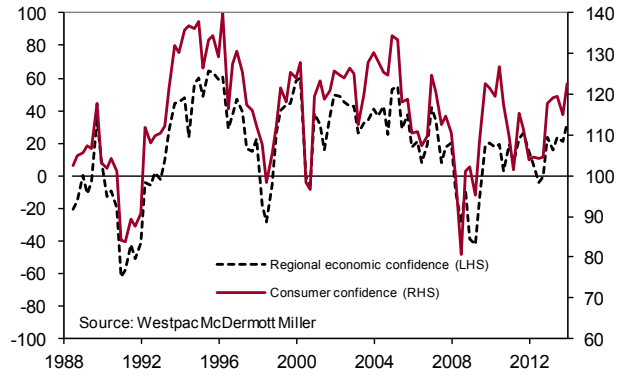
Anne Boniface

Senior Economist

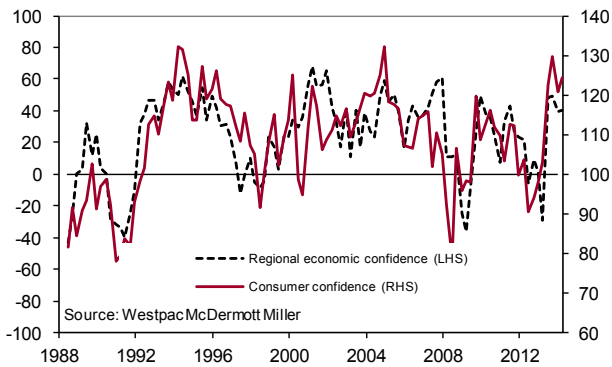
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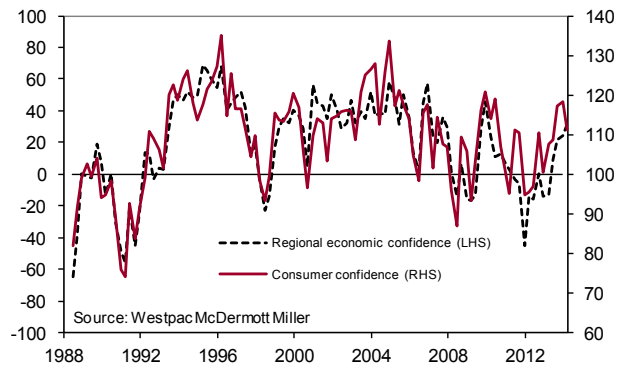
Auckland



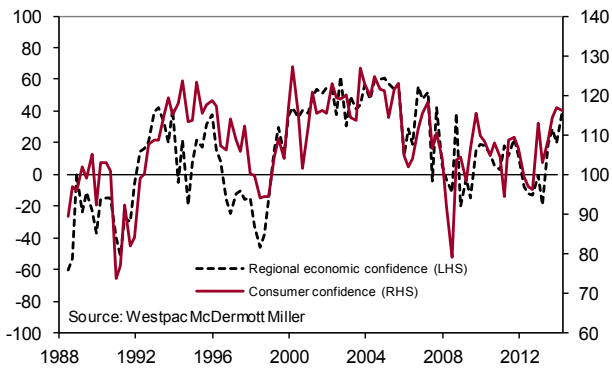
Waikato



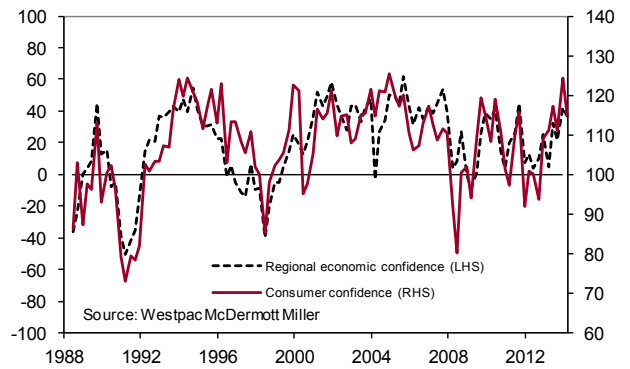
Bay of Plenty



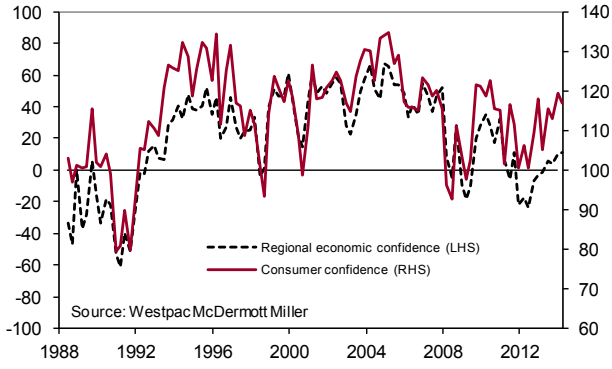
Gisborne/Hawke's Bay



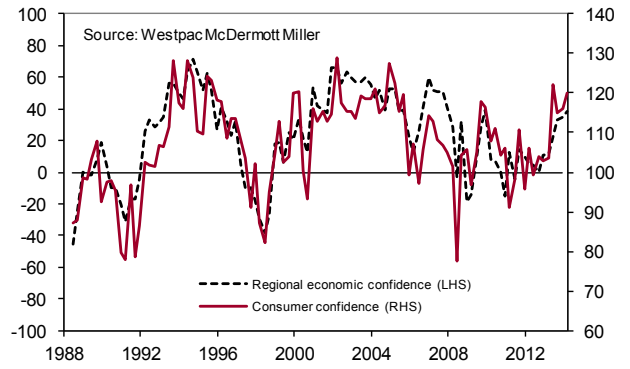
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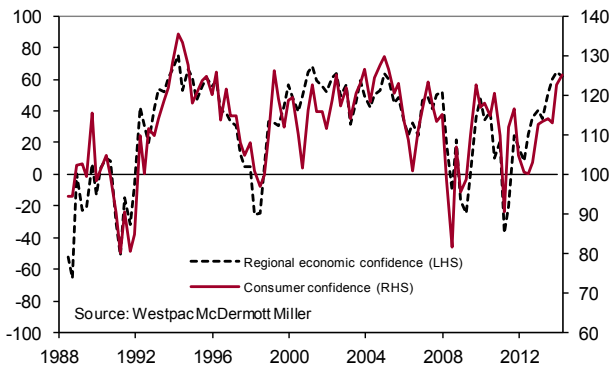
Wellington



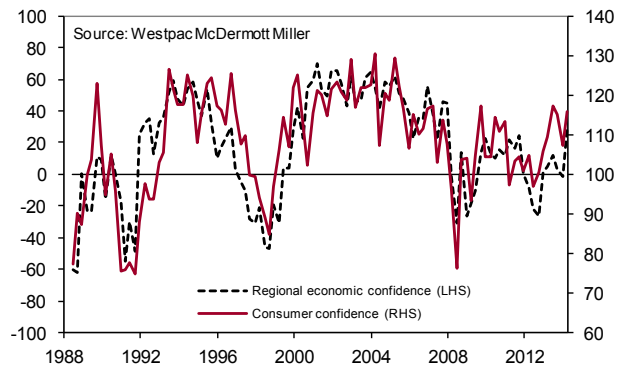
Nelson/Marlborough/West Coast



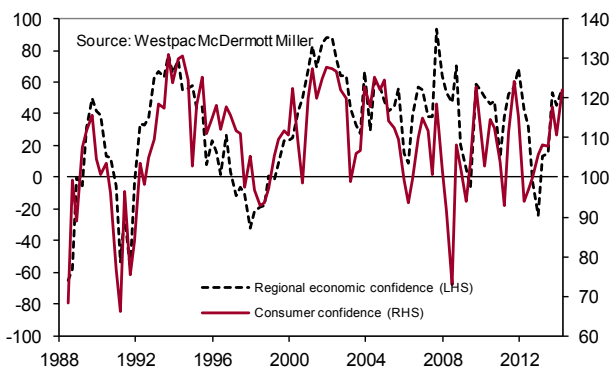
Canterbury



Otago



Southland



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