



Provincial Rivalry

Quarterly percentage change

Nine regions recorded a lift in economic activity in the September quarter, and five regions registered weaker activity. For two successive quarters, Canterbury has posted the strongest expansion in economic activity, with a 1.8 percent rise in activity in the September quarter. Auckland recorded the second strongest lift in the quarter, growing 1.2 percent. This represents the tenth consecutive quarterly gain for the region's economy.

The nationwide measure of economic activity lifted 0.6 percent, which comes on the heels of a 1.1 percent lift in June. Growth was faster in the South Island, lifting 1.1 percent, while economic activity in the North Island rose 0.5 percent.

Year-on-year growth

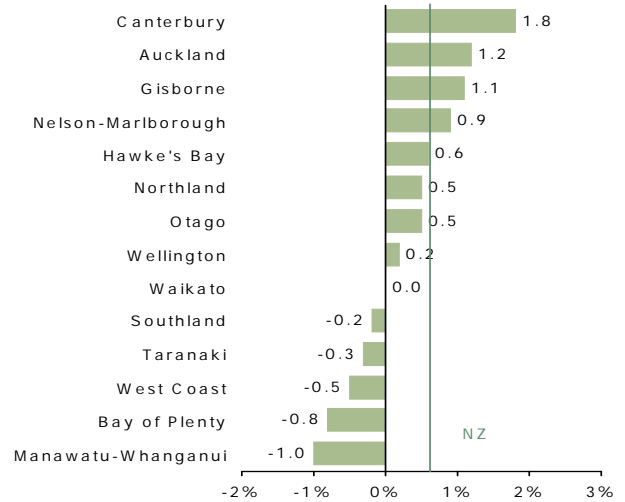
Year-on-year economic growth has slowed across most regions. On a nationwide basis, our measure of economic growth eased to 0.6 percent in the year to September, which was the lowest annual rate of growth since March 2010. Year-on-year economic growth in the North Island was 0.8 percent. Annual economic activity was 0.2 percent weaker in the South Island, which incorporates the impact of the earthquakes in Canterbury.

Annual growth in economic activity is jointly highest in Auckland and the West Coast. Individually, the West Coast has enjoyed being the top ranked region since December last year. Auckland was the second fastest growing region two years ago but until this quarter hasn't topped (albeit jointly) the year-on-year economic growth stakes since 1995.

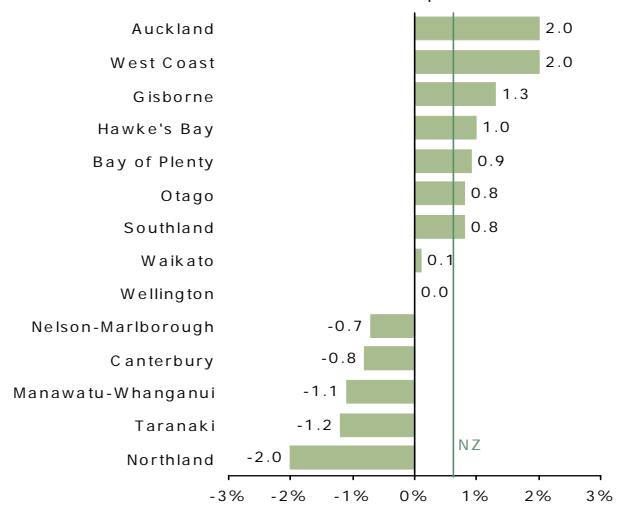
September quarter at a glance

- **Retail interest rates** were largely unchanged in the quarter.
- **The exchange rate** was weaker against most of our major trading partners. The exception was the Australian dollar and the euro.
- **Commodity prices** edged lower from the peak recorded in May.
- **Business confidence** retraced from a high measured in July, to end the quarter weaker.
- **Consumer confidence** was unchanged. All the South Island regions recorded stronger confidence and the majority of North Island regions saw a drop in sentiment.
- **Retail sales** rose strongly, underpinned by the build-up to the Rugby World Cup. The largest increase was measured in Taranaki and the largest fall in Hawke's Bay.
- **House sales** were slightly stronger at the nationwide level. Northland and Canterbury recorded the largest pick-up in sale numbers over the quarter and Taranaki the largest fall.
- **Dwelling approvals** lifted at the national level. Gisborne led the regions with a surge in the month of August. The next largest increases were measured in Wellington and Northland.
- **Commercial building permits** issued fell over the country as a whole. The Bay of Plenty recorded the largest drop and West Coast the largest increase, thanks to a surge in the final month of the quarter.
- **Employment** grew modestly. Auckland recorded the largest increase, with the series hitting a new high. Northland posted the largest decline, retracing from a surge in June.
- **The unemployment rate** ticked up in the quarter. The South Island recorded a lower unemployment rate.

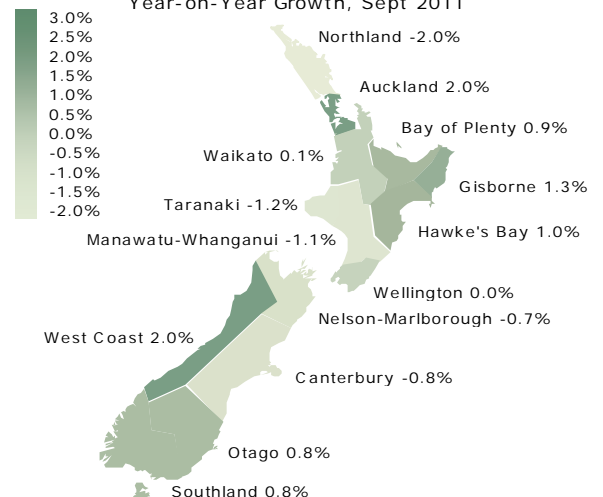
REGIONAL ECONOMIC ACTIVITY
Quarterly Percentage Change, Sept 2011



REGIONAL ECONOMIC ACTIVITY
Year-on-Year Growth, Sept 2011



REGIONAL ECONOMIC ACTIVITY
Year-on-Year Growth, Sept 2011



Regional Summaries

Northland

House sales in Northland hit an 18-month high, with sales for the September quarter up by 23 percent from the June figure. Residential dwelling approvals issued in the region lifted 8 percent from the June quarter, to sit at a twelve-month high. Accommodation guest nights also rose 8 percent in the quarter, underpinned by a busy month of July, when the series hit a 3½-year high. Dairy production started the season strongly and is contributing to a positive level of rural sentiment. However, confidence across the household sector was not as bright, with sentiment slipping to the second lowest across the regions, and only marginally ahead of the lowest ranked region.

Auckland

House sales in Auckland slipped to a seven-month low in September, after reaching a two-year peak three months earlier. Sale numbers rebounded in October but the value was the third lowest to be recorded so far over the 2011 calendar year. The time to sell a house in Auckland remains the quickest across the regions. Employment in the region posted a strong lift, rising 4.6 percent; but the number of unemployed rose even faster, resulting in the region's unemployment rate inching up to 7.5 percent. Job advertising in the region has slipped, with newspaper advertising returning to levels that prevailed at the start of the year. The volume of Paymark transactions rose 0.9 percent in the three months to September, with the monthly figure hitting a new high in October, propelled up by Rugby World Cup related spending.

Waikato

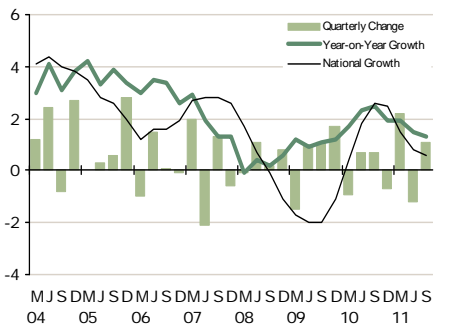
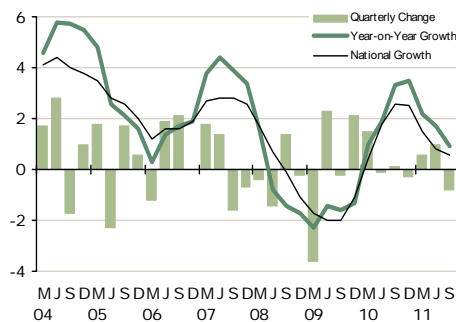
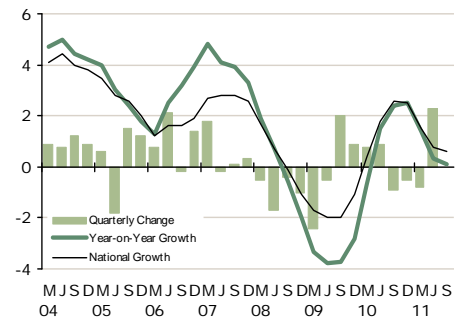
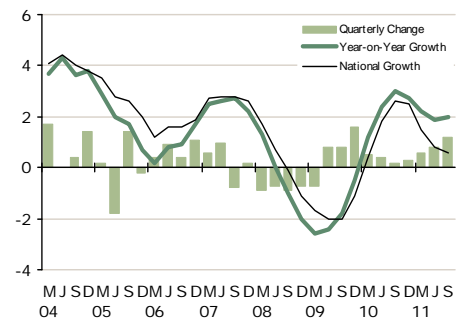
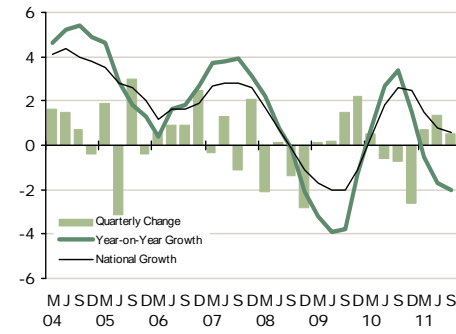
Over the past year businesses and consumers in Waikato have both registered a relatively high level of confidence, compared to the respective nationwide benchmarks. Employment and the number of house sales were virtually unchanged compared to modest rises nationwide. The monthly number of rural real estate sales rose to the highest level since the end of 2009, with October lifting to a two-year high. A good month of pasture growth has contributed to a strong lift in rural production. Firms aligned to the dairy industry remain in a positive space and we are hearing anecdotal reports of a strong pipeline of work for commercial construction firms.

Bay of Plenty

The Bay of Plenty recorded the largest decrease in the number of commercial building permits issued in the September quarter. The 24 percent fall in the number of consents issued in the Bay dragged the quarterly series to its lowest level in 19 years. Additionally, the number of residential building approvals eased 3 percent over the past three months. Employment in the Bay slipped 0.4 percent, to hit a twelve-month low. Internet job advertising eased, contrasting with a modest rise nationwide. After lifting 14 percent in the June quarter, house sales in the region retraced 5 percent in September. Improving import activity has boosted turnover at the Port of Tauranga. Retailers in the region have reported weaker than expected trade surrounding the Rugby World Cup, with efforts now being redirected towards enticing this season's cruise ship visitors into the shops.

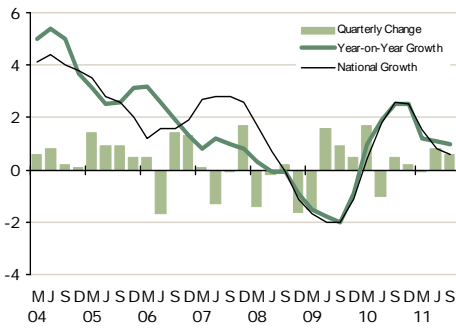
Gisborne

Accommodation providers have reported a strong rise in guest nights, lifting 20 percent in the three months to September and touching a 2½-year high for the series. Rural real estate sales were consistent throughout the September quarter, with 28 farms sold, up from 21 sold in the June quarter. Gisborne's rural real estate market hasn't been this active since the end of 2009. The region recorded the largest increase in residential building approvals in September, lifting an impressive 53 percent in the quarter. This was underpinned by a surge in the month of August, when approvals in the region hit a record high. Retail sales lifted 3.5 percent in the September quarter, to hit a new high for the series. Year-on-year economic growth is the third strongest across the regions.



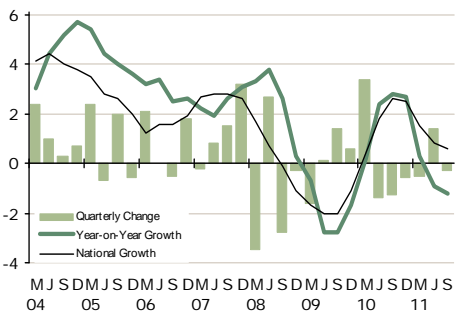
Hawke's Bay

Hawke's Bay recorded a 12 percent rise in house sales in the September quarter. This lift is off a very slow month in April, when the number of house sales in Hawke's Bay touched an eleven-year low. The Bay recorded a lift in business confidence, but the levels remain below the respective nationwide benchmarks. Following a surge in June, retail trade in the Bay eased slightly in September. Nevertheless, the level of sales remains elevated, being the second highest figure on record. Residential building approvals slipped 3.4 percent, with the months of July and September both recording softer levels. Commercial building permits fell 16 percent in the September quarter, ending the quarter with the month of September at a 13-month low.



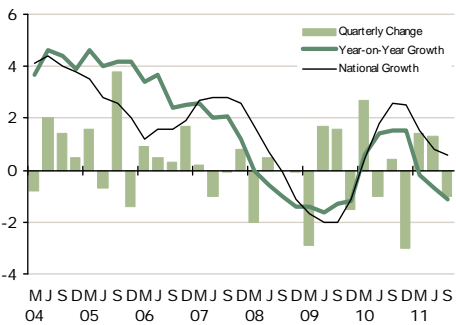
Taranaki

After surging in the June quarter, house sales in Taranaki returned to more typical levels in September. Rural real estate sales slipped from 76 in the three months to June, to 61 in September. Taranaki posted a 4.2 percent lift in employment, as the number employed rebounded from a five-year low in June. The number of commercial building consents issued in Taranaki lifted 5 percent from the June quarter, contrasting a 5 percent drop nationally. Both business and consumer confidence outstripped the national benchmarks in the latest surveys, with Taranaki recording the third highest levels for both surveys. This coincided with Taranaki posting the strongest rise in retail sales in the September quarter, lifting the series to an 18-month high.



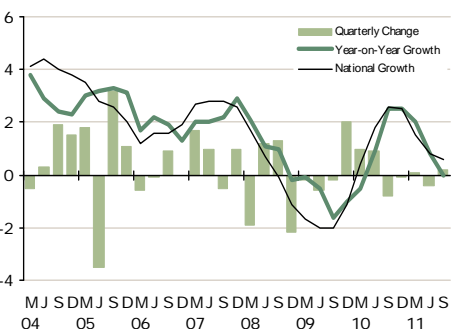
Manawatu-Whanganui

Following back-to-back rises, economic activity in Manawatu-Whanganui eased in the September quarter. A 3.5 percent drop in employment was the third largest decline and took the series back to a nine-month low. Guest nights dropped 8 percent over the September quarter, with the monthly figure for September easing to an eight-year low. Residential approvals dropped 11 percent, with the number of consents in the month of September hitting a twelve-month low. Commercial building permits issued in the region eased 15 percent and was only a whisker ahead of a recent low measured six months earlier. The number of rural real estate sales eased 11 percent, following a surge of sales in the June quarter.



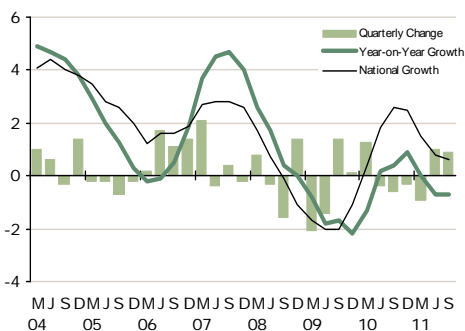
Wellington

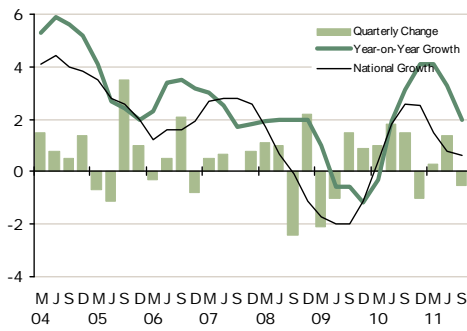
Wellington posted a 2.6 percent drop in employment in the September quarter, pulling the series down to its lowest level since June 2008. Consequently, the region's unemployment rate pushed up to a two-year high of 6.4 percent. Retail trade rose to a new record high, but the 0.3 percent increase was relatively modest, compared to the 2.0 percent lift measured nationally. A 0.3 percent drop in electronic transactions in Wellington contrasted a 0.1 percent lift in the national total. Spending related to the Rugby World Cup has seen the figure rise 0.5 percent in the month of October, but this only takes it back to levels recorded in March. Farm sales have surged to a four-year high in September, lifting 32 percent from the June figure.



Nelson-Marlborough

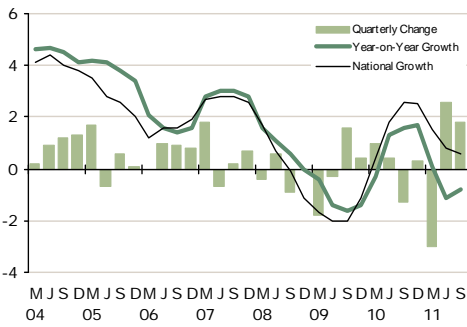
Nelson-Marlborough's unemployment rate dropped to a 12-month low of 3.7 percent in September. The number of residential building approvals issued recorded an 8 percent rise in the quarter, lifting the series to a 12-month high. However, the number of commercial consents issued fell 12 percent, with September the lowest monthly figure to be recorded during the latest downturn. The number of house sales retraced in September, after posting a large lift in June. The median time to sell a house reduced to the quickest time since January 2010. A strong dairy payout and good wool/lamb prices are creating a positive outlook for the rural community. Dairy farm expenditures are climbing, but farmers are still looking to contain operating expenditure. Guest nights rose to a 2½-year high in August.





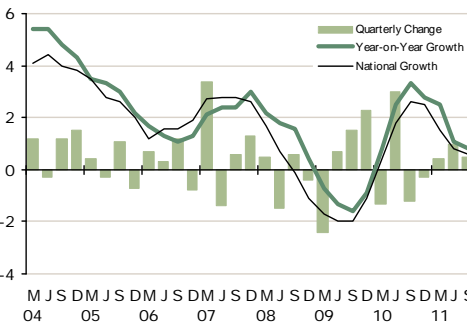
West Coast

The West Coast recorded a 15 percent lift in commercial building permits, with the month of September hitting a three-year high. The number of homes sold in the region surged 13 percent, with August and September jointly hitting the highest monthly figure since May 2008. The median time to sell a house shortened to hit a 2½-year monthly low of 46 days in July. Rural real estate sales have eased to 19, from 24 in June. Anecdotally, we have heard that businesses reliant on the tourism sector have not benefited from the expected Rugby World Cup tourism boost. A drop in guest nights and electronic transactions appears to confirm this, with respective falls of 5 and 1.7 percent in September.



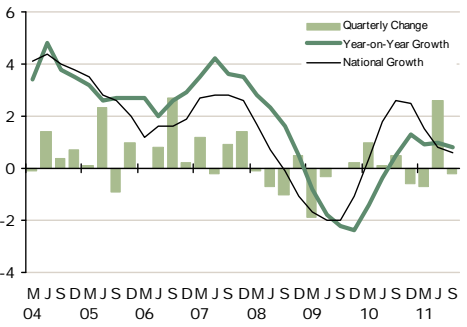
Canterbury

Businesses and consumers alike both posted strong expectations in the latest surveys. The region recorded a large rise in house sales in the quarter, lifting from 1,653 in June, to 2,021 in September. A positive tone was also noted in the rural real estate market. The number of farm sales lifted 20 percent in September, to post a three-year high. However, employment in the region dropped 3.8 percent in September, to sit 8 percent below the pre-earthquake level. Internet-based job advertising hit a record high in the quarter, so conditions in the labour market may be about to improve. Internally, we are starting to see a flow of insurance money for significantly damaged properties, with owners taking the indemnity sum while they decide what to do. Most have indicated they will invest again but are waiting at least 12-18 months, with the insurance payout being used to reduce debt.



Otago

Businesses in Otago reported some of the highest levels of economic confidence in the September quarter. Guest nights rose 10 percent in the build-up to the Rugby World Cup, with the September figure hitting a record monthly high. Employment edged up 0.2 percent, on a par with the nationwide economy. Households in Otago weren't quite as cheery, with consumer confidence in Otago being the lowest across the regions. The number of house sales slipped 7 percent in the September quarter, but the level remains close to a two-year high. Manufacturers have reported a pick-up in the last couple of months, with improving forward orders. The Rugby World Cup has proved a mixed blessing, with limited financial spill over. Hospitality in the CBD has benefited, but the anticipated gains never eventuated in other areas.



Southland

Southland recorded a 1.3 percent rise in employment in September, touching a six-year high for the series. The number of house sales in the region rose a modest 2 percent, with the median time to sell a house improving from 44 days in the June quarter, to 38 days in September. The number of residential building approvals issued in the region was 1 percent weaker in the September quarter, with the monthly number issued in September dropping to a ten-year low. Commercial construction recorded an even stronger drop, slipping 13 percent in the quarter. Rural real estate sales eased 12 percent from a surge in the June quarter, but remains the second highest number in the past three years. Some farms have reported a difficult spring, with lamb numbers roughly the same as last year, but stronger dairy production was noted.



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