



## A gusher in the 'Naki

### Quarterly percentage change

Twelve of the fourteen regions recorded a rise in economic activity in the March quarter. Regions in the central and lower part of the North Island recorded the largest quarterly increases, with Taranaki and Manawatu-Whanganui posting the strongest gains. The only regions to record declines in economic activity in the first three months of the year were Otago and Gisborne - two economies that have recorded consecutive positive gains over the preceding nine months.

On a nationwide basis, our composite index of economic activity increased 0.9 percent in the March quarter. The North Island posted a 1.0 percent rise in economic activity, while the South Island recorded a 0.4 percent lift. This is the fourth consecutive quarterly rise in nationwide economic activity. On a regional basis, three economies have also recorded four successive quarterly rises: Auckland, Hawke's Bay and Canterbury.

### Year-on-year growth

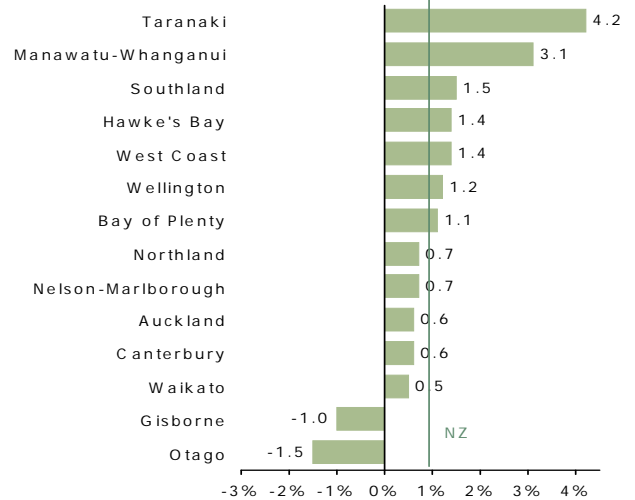
Nationwide year-on-year economic growth returned to a positive figure (albeit only +0.1 percent) for the first time since September 2008. The North Island economy grew by 0.3 percent in the twelve months to March, but the South Island economy was still 0.5 percent below where it was a year earlier.

All of the regions recorded an improved annual rate of economic growth in March, compared to three months earlier. The number of regions recording positive annual growth versus negative annual growth was evenly split. At 1.7 percent, Gisborne's rate of economic growth in the twelve months to March was the strongest across the regions. At the other extreme, Nelson-Marlborough and Southland jointly recorded the largest contraction in economic activity, decreasing 1.3 percent from a year earlier.

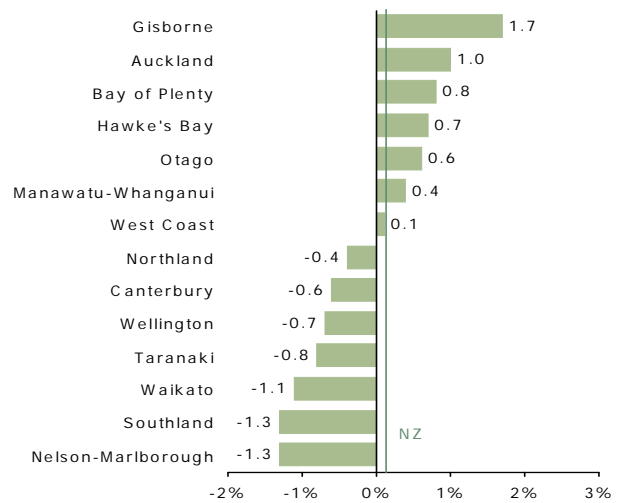
### March quarter at a glance

- **Retail interest rates** remained unchanged over most of the yield curve, with longer-term mortgage rates easing a little.
- **The exchange rate** had mixed moves versus our main trading partners. On a trade-weighted basis it appreciated slightly.
- **Commodity prices** continued to move higher.
- **Business confidence** nudged higher in most regions. Taranaki retained the highest level of confidence, while sentiment slipped the greatest in Southland.
- **Consumer confidence** eased in all but two regions. The largest fall and the lowest level of confidence was measured in Southland.
- **Retail sales** inched up nationally, with the largest regional rise measured in Southland.
- **House sales** weakened across the entire country with the largest falls measured in West Coast and Hawke's Bay.
- **Dwelling approvals** recorded a modest increase over several regions. The West Coast recorded the largest gain, while Otago recorded the largest fall.
- **Commercial building permits** were virtually unchanged (down 0.3 percent) in the March quarter. Otago and Southland recorded the largest falls, while Manawatu-Whanganui rebounded from a weaker December quarter.
- **Employment** grew in most of the regions. For the second successive quarter Otago topped the regional growth stakes.
- **The unemployment rate** improved in most regions. The lowest unemployment rate was measured in Southland.

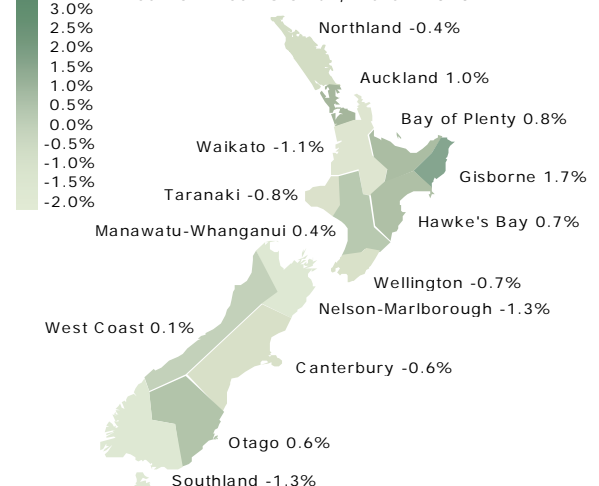
**REGIONAL ECONOMIC ACTIVITY**  
Quarterly Percentage Change, March 2010



**REGIONAL ECONOMIC ACTIVITY**  
Year-on-Year Growth, March 2010



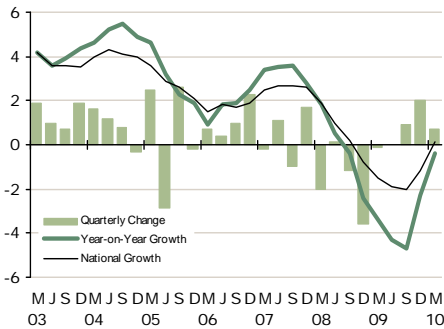
**REGIONAL ECONOMIC ACTIVITY**  
Year-on-Year Growth, March 2010



# Regional Summaries

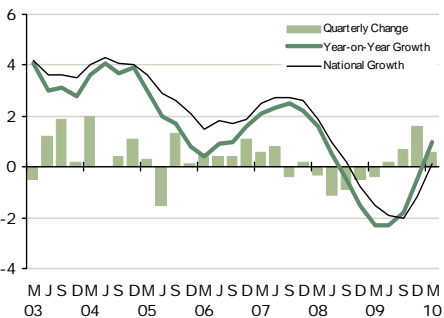
## Northland

Economic activity lifted for the third successive quarter, despite drought conditions setting in over the start of the year. Business confidence pushed ahead of the nationwide benchmark to hit a 16-year high. Meanwhile, consumer confidence mirrored a nationwide easing and slipped to a nine-month low. Retail sales slumped 4.2 percent in March – the largest quarterly fall across the regions. The number of commercial building permits issued slipped 8 percent, contrasting a virtually unchanged national figure, while the equivalent figure for residential building work posted a 3.3 percent increase (+1.9 percent nationwide). Employment rose 0.6 percent but this increase was weaker than the 1.0 percent increase measured nationally.



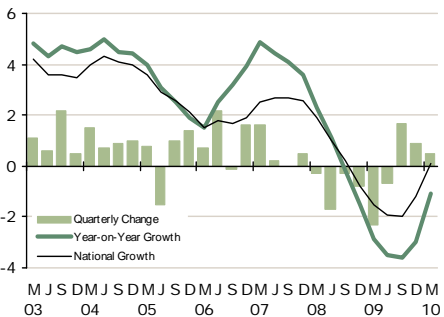
## Auckland

Auckland was one of only three regions to post its fourth consecutive quarterly increase in economic activity. A 1.4 percent surge in employment in the region, helped boost Auckland's surveyed level of consumer confidence to a nationwide high. Furthermore, business confidence exceeded the nationwide benchmark, lifting to an 11-year high. The number of house sales fell 14 percent in March, mirroring the national rate of decline. The number of dwelling approvals issued in Auckland was marginally ahead of the national rise (2.3 versus 1.9 percent, respectively) but consents for commercial construction projects slipped 4.1 percent (which compares with a 0.3 percent dip nationally). Retail sales rose 0.5 percent, while nationally they the figure only lifted 0.2 percent.



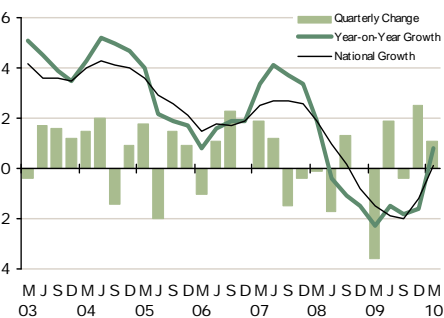
## Waikato

Economic prospects are picking up, but the rate of growth is below the pace measured nationally. Waikato recorded the second highest level of business confidence in March – the region's best relative ranking since 1996. In addition, consumer confidence lifted further, contrasting with an easing nationwide. The number of farm sales increased by a third, while at the national level they fell 3 percent. Visitor guest nights lifted 3.3 percent – the strongest increase across the regions. On a weaker note, Waikato recorded a 13 percent fall in the number of commercial building permits issued (-0.3 percent nationally) but residential dwelling approvals inched up 1.3 percent, but behind the 1.9 percent nationwide rise. Employment growth was flat, in contrast to a strong lift nationally.



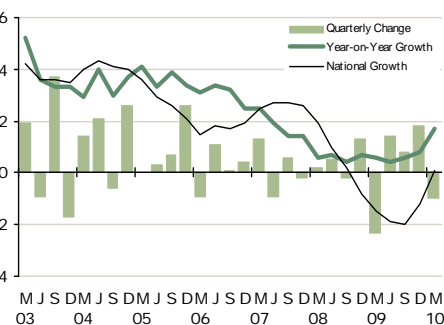
## Bay of Plenty

Back-to-back gains in economic activity has propelled annual economic growth ahead of the national benchmark. The Bay recorded reasonable rises across a range of economic indicators. There was a 1 percent rise in sales of lifestyle blocks, contrasting with a 21 percent fall nationally. Accommodation guest nights rose faster than the national average, with the region's occupancy rate recording a 3.3 percent rise. The number of houses sold in the Bay slipped 14 percent, identical to the national drop. Both business and consumer confidence were marginally weaker than the respective panoptic measures. Employment only grew 0.3 percent, while the national figure lifted 1.1 percent. The number of dwelling approvals issued rose at the same rate as the nation (up 2 percent), but commercial building consents eased 1.2 percent (-0.3 percent nationally).



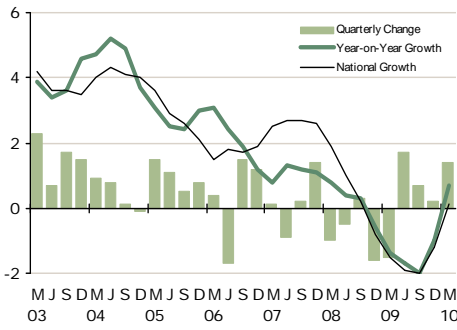
## Gisborne

Despite a quarterly drop in economic activity, Gisborne retained the prime position on the table of annual economic growth. The value of retail sales lifted 1.9 percent from three months earlier. House sales followed the nationwide trend down, but Gisborne recorded the smallest relative rate of decline, easing only 3.3 percent in the three months to March and ahead of the 14 percent fall recorded nationally. However, rural real estate statistics were weaker than the national yardstick. There was only one farm sold in the first three months of the year and 6 lifestyle blocks sold, which is the smallest quarterly number of rural sales since the start of our series in 1997. The number of commercial building permits increased 19 percent but residential dwelling approvals slipped 2 percent.



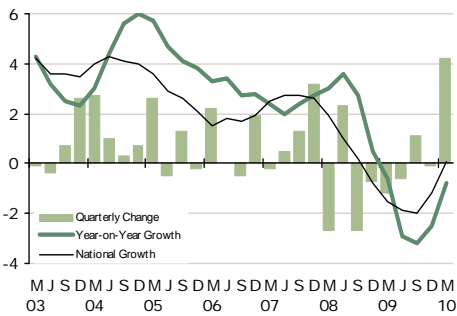
### Hawke's Bay

Hawke's Bay began the year with a strong lift in economic activity. The Bay recorded a 9 percent rise in rural real estate sales, at a time when the national figure fell 17 percent. This was underpinned by a 21 percent lift in the number of lifestyle blocks sold (-21 percent nationally). Accommodation guest nights recorded the second largest rise across the regions, lifting 2.7 percent. Residential real estate sales fell by 23 percent (-14 percent nationally), taking the series down to its lowest level since December 2008. There was an 11 percent increase in the number of commercial building permits issued in the region, lifting the series to a 12-month high. Employment in the region grew 1.1 percent in the quarter, on a par with the nationwide increase.



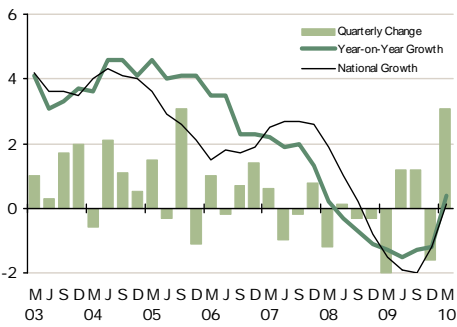
### Taranaki

Taranaki's surge in economic activity was of epic proportions and has not been matched since 1975. The region recorded the highest level of business confidence across NZ. The previous time that any individual region was as confident was eleven years ago. Employment grew 2.2 percent in Taranaki, twice the national rate of increase. The number of commercial building permits issued in Taranaki rose 20 percent to its highest level since December 2008. Residential building approvals also lifted 10 percent, while the nationwide figure only rose 2 percent. On the other side of the ledger, retail sales and accommodation guest nights both fell faster than the nationwide benchmarks, dropping 3.3 and 6.5 percent, respectively.



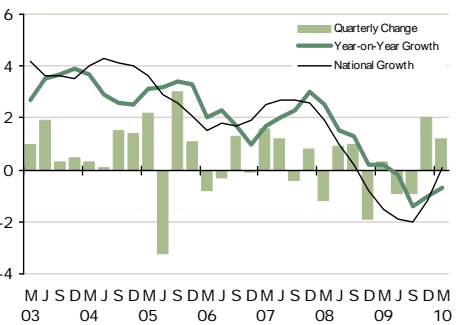
### Manawatu-Whanganui

Following a weak December outturn, a strong rebound in economic activity was measured in Manawatu-Whanganui. The region recorded the strongest rise in commercial building permits issued, lifting 24 percent from the end of last year, reaching its highest level since June 2008. The number of residential dwelling approvals also rose 11 percent, overshadowing a 2 percent rise nationwide. New car registration increased 21 percent (three times faster than the national increase) to its highest level since December 2008. Rural real estate sales were buoyed by a 37 percent increase in the number of large farms sold in the quarter. Retail sales grew 0.9 percent in the March quarter, considerably stronger than the 0.2 percent increase measured nationally.



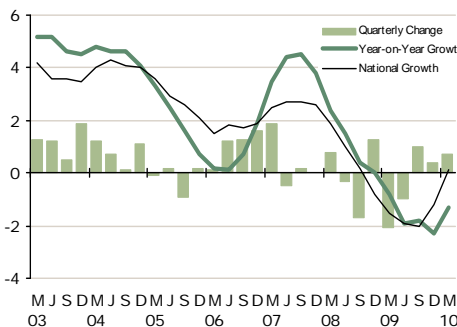
### Wellington

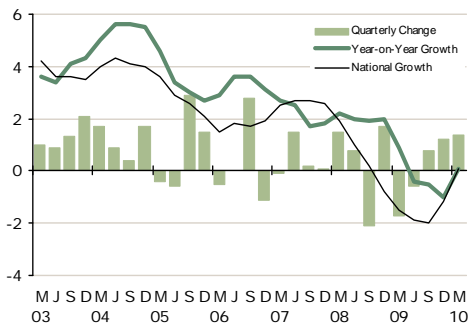
Despite the latest six month growth spurt, the year-on-year rate of increase in Wellington's economy has slipped below the nationwide pace. Both businesses and households recorded relatively high levels of economic confidence in March. Employment in the region grew 2.0 percent in the first three months of the year, twice the 1.0 percent rate of increase measured nationally. Building permits for commercial projects increased 8 percent, while residential permits rose 2.2 percent – respective nationwide figures recorded movements of -0.3 and 1.9 percent, respectively. New motor vehicle registrations issued in Wellington picked up in March, more so for commercial vehicles which lifted 27 percent (compared to only a 5 percent rise nationally).



### Nelson-Marlborough

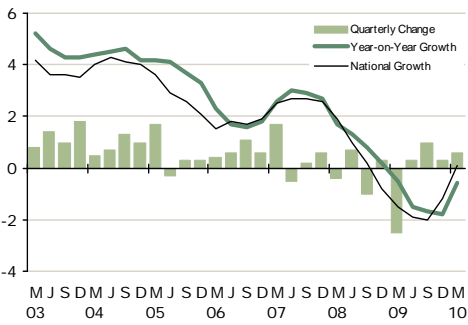
A third successive rise in economic activity has finally turned the downward drift in annual economic activity. Nelson-Marlborough recorded large increases in both types of building permits, rising 8 and 10 percent respectively for dwellings and commercial projects. Employment in the region lifted 0.8 percent to a nine-month high. New car registrations posted a 15 percent increase (twice the national rate of increase) to an 18-month high, but commercial motor vehicle registrations slipped 12 percent to a new low. Retail sales in the region grew 1.2 percent from three months earlier – nationally the increase was only 0.2 percent.





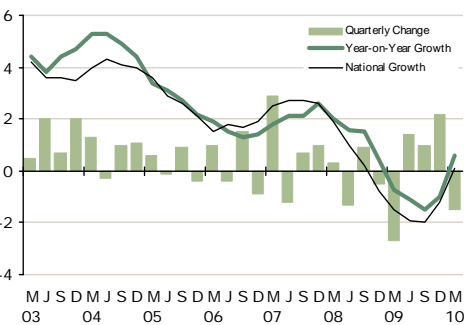
### West Coast

Year-on-year economic growth in the region was on a par with the national economy (up 0.1 percent). The West Coast recorded a 20 percent rebound in the number of dwelling approvals issued, lifting the series to its highest level since June 2008. Commercial building permits only edged up 2 percent but this compares to a nationwide figure that was unchanged. The number of new cars registered in the region rose to its highest level since December 2008. There were five farms sold in the March quarter, which represents the highest quarterly total since June 2009. Residential house sales dropped by 38 percent, sinking to a new low of just 71 sales in the three months to March.



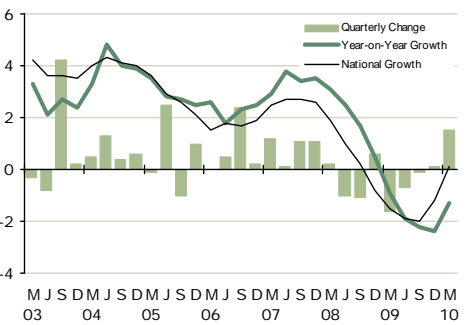
### Canterbury

Canterbury was one of three regions to record four straight quarters of economic growth. Business confidence in Canterbury remained above the nationwide benchmark, but the level slipped to the fourth highest ranked position across the regions. Consumer confidence inched up in March, at a time when most other regions recorded a weakening in confidence. Rural real estate sales dropped 17 percent, reflecting a drop in lifestyle blocks, but the number of large farm sales increased by 12 percent. Residential and commercial building permits posted very small rises but both were marginally ahead of the nationwide rate of growth. Employment only grew 0.3 percent, while the national figure rose 1.0 percent.



### Otago

Otago recorded the largest quarterly drop in economic activity. But it comes after three solid quarterly increases, meaning year-on-year growth remains above the national track. The region recorded an 6.2 percent surge in employment in March but, as this coincided with an equally large rise in the working age population, the region's unemployment rate increased to 6.3 percent. Otago recorded the largest weakening in building approvals in the March quarter, slipping 7.1 percent from the level recorded in December. The drop in the number of commercial building permits issued was even greater, falling 16 percent from the preceding quarter. Consumer confidence was the second lowest across the country. Retail sales dropped 0.6 percent, in contrast to a small rise nationally.



### Southland

A strong quarterly gain in economic activity in Southland has arrested a two year period of weakening annual economic growth. Despite recording the lowest levels of both business and consumer confidence across the regions, Southland posted its largest quarterly gain in economic activity since September 2006. Retail sales jumped 3.6 percent in the three months to March, easily beating the rest of New Zealand which only lifted 0.2 percent. Employment grew 2.0 percent, twice the nationwide rate of increase. The average days to sell a house narrowed, contrasting with a lengthening across the rest of New Zealand. Nevertheless, Southland recorded weaker number of house sales, accommodation guest nights and commercial building permits issued relative to the previous quarter.



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- Associate Member of Investment Savings & Insurance Association of NZ;
- Financial Markets Operations Association; and
- Institute of Finance Professionals.

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The insurer is ANZcover Insurance Pty Limited.

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- Adjudicated bankrupt;
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- Subject of an adverse finding by a court in any proceeding that has been taken against them in their professional capacity;
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- Equity securities such as listed and unlisted shares;
- New Zealand and overseas unit trusts;
- Share in a limited partnership;
- Superannuation schemes and bonds;
- Group investment funds;
- Life insurance products;
- Derivative products including interest rate and currency forward rate contracts and options; and
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- Providing a cheque payable to the relevant product or service provider and crossed 'not transferable'; or
- Making an automatic payment or payment through another electronic delivery mechanism operated by the Bank.

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