



## “Rhythm and signs” in Gisborne

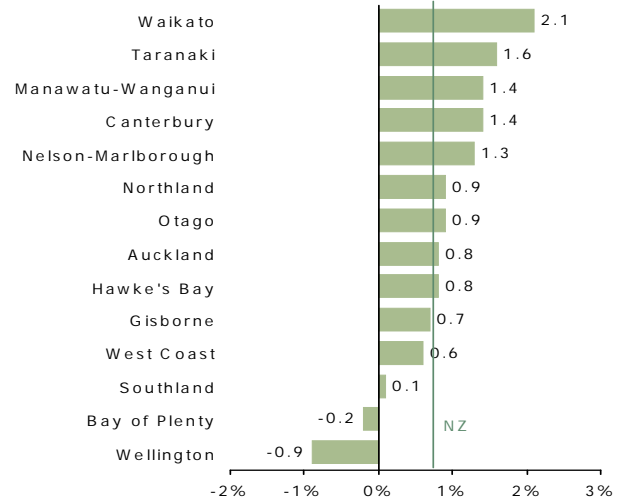
### Quarterly percentage change

Twelve out of the fourteen regions posted a rise in economic activity in the September quarter, with the nationwide measure expanding by 0.7 percent over the same period. Aggregate economic activity in the North Island increased 0.6 percent in the three months to September, while activity in the South Island recorded an increase nearly double that, growing 1.1 percent in the quarter.

The largest regional increase in economic activity was measured in Waikato, growing 2.1 percent from three months earlier. This represents the first positive rise in economic activity in the region since the end of 2007.

Consecutive quarterly rises in economic activity were measured in ten regions. At the other extreme, Wellington was the only region to post back-to-back economic declines in both the June and September quarters.

**REGIONAL ECONOMIC ACTIVITY**  
Quarterly Percentage Change, Sept 2009

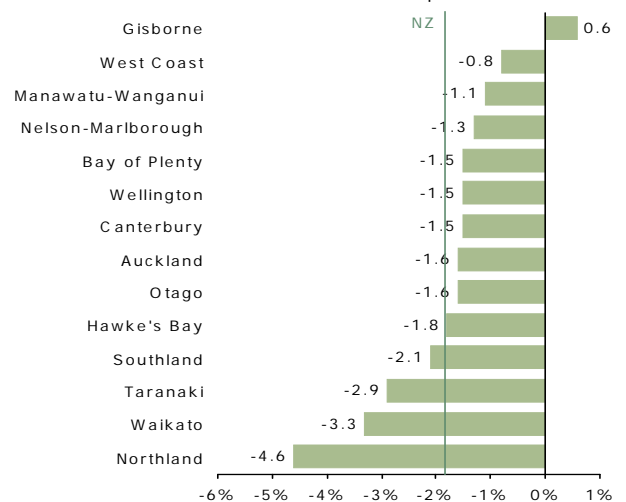


### Year-on-year growth

At -1.8 percent, nationwide annual economic growth was unchanged from the figure measured in June. The South Island recorded a 1.6 percent decline in annual economic growth and the North Island recorded a 1.8 percent decline.

Four regions recorded an improvement in annual economic growth, led by the East Cape. Gisborne's economy, which looks to have escaped from falling into negative territory, accelerated from a +0.3 percent rate of growth in June, to +0.6 percent in September. Whereas the three other regions to improve in September (Auckland, Manawatu-Wanganui and Nelson-Marlborough) merely recorded a smaller rate of decline.

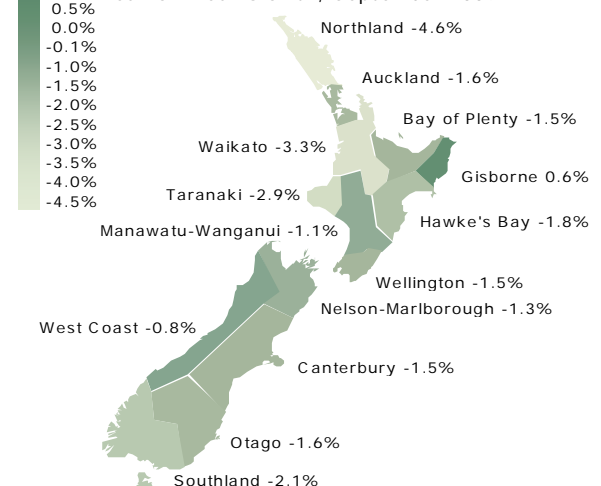
**REGIONAL ECONOMIC ACTIVITY**  
Year-on-Year Growth, Sept 2009



### September quarter at a glance

- **Retail interest rates** increased at the longer-end of the yield curve, in anticipation of a lift in the Official Cash Rate at some stage next year.
- **The exchange rate** strengthened against all our major trading partners.
- **Commodity prices** rose but the lift was eroded by the increase in the value of the Kiwi dollar.
- **Business confidence** improved in every region – for the second successive quarter. Canterbury retained the prime position for the third consecutive time.
- **Consumer confidence** rose in all regions, with Southland just managing to pip Auckland for a place on the top rung.
- **Retail sales** were essentially flat in the quarter. Nelson-Marlborough had the largest increase. On the other side of Cook Strait, Wellington recorded the largest fall.
- **House sales** increased in most of the regions, with the West Coast registering the largest increase.
- **Dwelling approvals** lifted in many regions, led by Waikato.
- **Commercial building permits** rose only modestly. Gisborne recorded the largest increase and Northland had the greatest fall.
- **Employment** dropped in many regions, with Waikato registering the largest fall.
- **The unemployment rate** increased to a nine-year high of 6.5 percent. Gisborne topped the regional table, at 11.6 percent. Nelson-Marlborough was the lowest, at 3.2 percent.

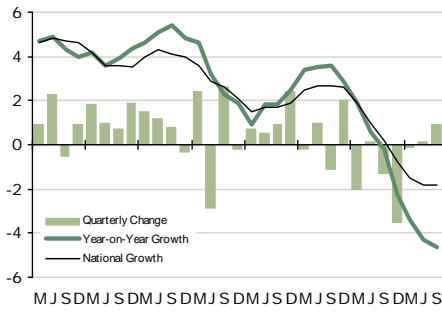
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Year-on-Year Growth, September 2009



# Regional Summaries

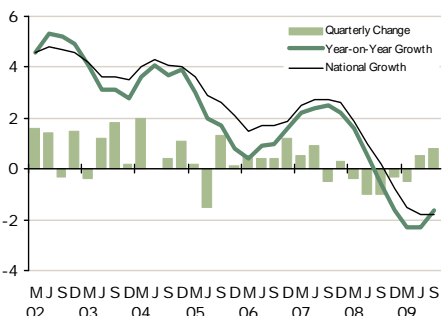
## Northland

Twenty nine farms were sold in Northland in September, representing the highest quarterly figure in 12 months and contrasts a nationwide easing. Furthermore, the number of lifestyle blocks sold in the region increased by a third, to hit an eighteen-month high for the series. Northland's employment bounced back from a fall in the preceding quarter, cutting the region's unemployment rate from 9.1 percent in June to 8.1 percent in September. Despite the improvement in labour market conditions, Northland's level of consumer confidence trails the nation. Evidence of weaker household sentiment was also reflected in a drop in dwelling approvals (down 15 percent), new car registrations (-11 percent) and retail sales (-2.1 percent). Overall, annual economic growth in Northland fell to a new low in our series in the latest quarter.



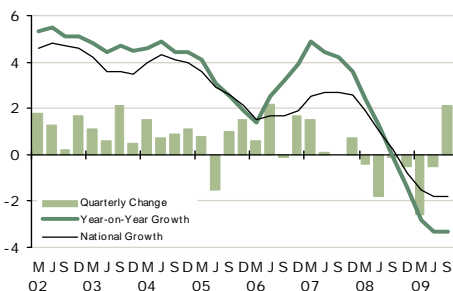
## Auckland

Auckland's economy benefited from a 4.0 percent gain in accommodation guest nights in September, which was the largest increase across the regions. This boost undoubtedly rubbed off onto the retail trade statistics, which grew by a relatively robust 1.8 percent in September. Consumer confidence lifted to its highest level since 2006, while business confidence out-trumped this rise and improved to a ten-year high. Auckland's four most recent quarter-on-quarter percentage changes in economic activity have all eclipsed the equivalent national rates of growth. Consequently, annual economic growth in Auckland has outstripped the nationwide rate of growth for the first time since 2002.



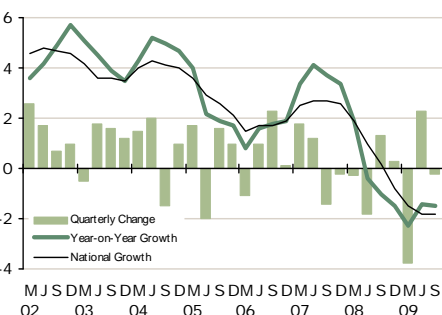
## Waikato

Waikato recorded the largest (18 percent) increase in residential dwelling approvals in September. A more modest rise in commercial building consents was also noted, but the 2.5 percent lift in September outstripped the lowly 0.5 percent rise recorded nationally. A lift in business confidence in Waikato outpaced the national benchmark, but consumer confidence fell short of the nationwide measure. The number of house sales recorded in Waikato increased to its highest level since the end of 2007. In summary, Waikato recorded the largest quarterly rise in economic activity in the September quarter (expanding 2.1 percent) – ending a six quarter string of consecutive declines. However, the latest pick-up failed to lift year-on-year economic growth, which remains the second lowest across the nation.



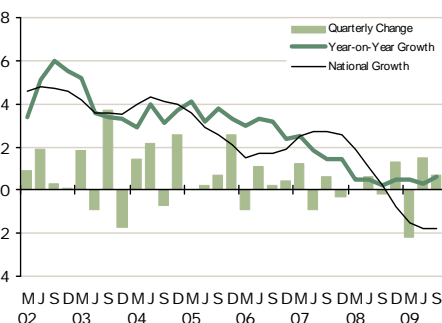
## Bay of Plenty

The Bay of Plenty recorded a large rise in farm sales in September, lifting 17 percent in the quarter to its highest level in a year. The residential real estate market also picked up some momentum over the September quarter, with a significant drop in the median time to sell, from 62 days in the June quarter, to 44 days in September – the lowest figure in the region in over two years. The number of commercial construction consents rebounded 12 percent, following a 17-year low in June. An opposing outturn was noted for residential building permits, which slumped 20 percent after a strong surge last quarter. Employment in the region fell 1.9 percent in the September quarter, resulting in the Bay's unemployment rate rising to a seven-year high of 7.9 percent.

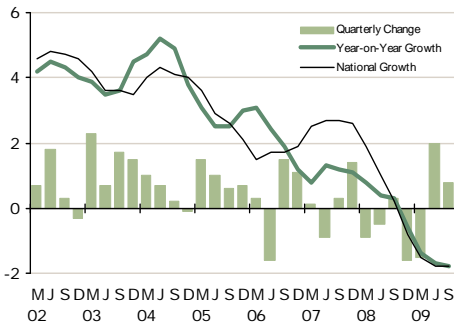


## Gisborne

Gisborne reported the largest rise in commercial construction consents across the nation. The number was up by a third from June to record its highest level since mid-2008. Additionally, residential building permits increased 12 percent to its highest level in a year. After a 33 percent surge in June, the number of house sales retraced to a more typical level in September. Overall, Gisborne recorded back-to-back rises in economic activity in June and September. Confounding the rest of the country, Gisborne's annual economic growth rate has remained positive throughout the recent economic downturn and has risen to its highest rate of increase since 2007.

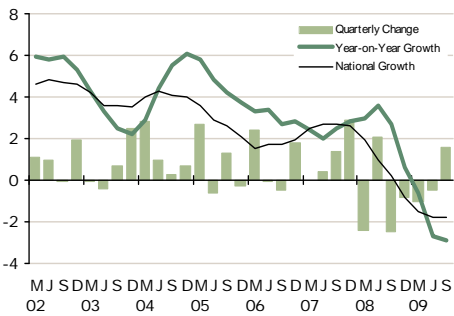


### Hawke's Bay



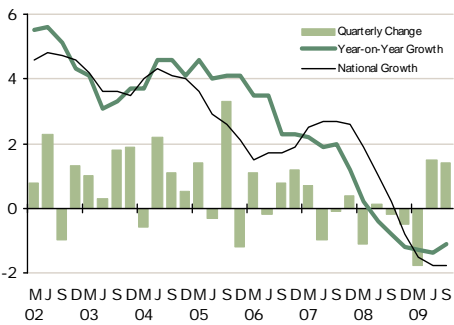
Hawke's Bay recorded a strong lift in house sales in September with the 9.1 percent increase in the quarter being twice the 4.6 percent rise for the nation, driving the quarterly total up to its highest level since 2007. The number of rural real estate sales rose to an 18-month high, with the average selling price recovering 58 percent from a four-year low recorded in June. Employment made a strong gain, up 1.0 percent in September and contrasting a 0.7 percent drop nationwide. Retail sales dropped 0.8 percent, coinciding with a 2.6 percent fall in accommodation guest nights. Both residential and commercial building permits dropped in September, down 9.4 and 6.2 percent, respectively.

### Taranaki



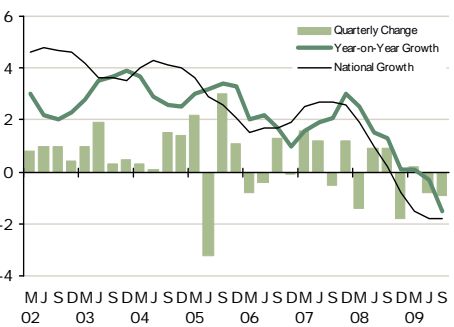
Taranaki recorded its first quarterly rise in economic activity in over a year. The region recorded a large increase in the number of dwelling approvals, rising 8.7 percent from three months earlier. The value of permits lifted an even more impressive 41 percent, indicating some higher valued projects are in the pipeline. Paymark electronic transactions data recorded a 1.7 percent increase, twice the 0.8 percent nationwide rise. This contrasts the official retail sales data for Taranaki, which recorded a 1.9 percent fall in the region in September. After a surge in June, house sales eased 4.1 percent, but remained at the second highest level in the past 1½ years. Commercial building consents in the quarter took a tumble, dropping to a five-year low.

### Manawatu-Wanganui



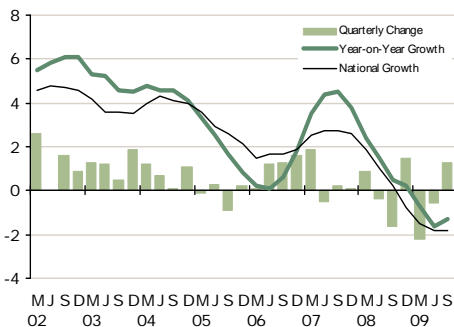
Manawatu-Wanganui registered a 20 percent lift in the number of commercial building consents issued in the quarter, hitting the highest level this year. The number of residential building approvals rose 11 percent to its highest level of issuance in a year. Retail sales recorded a healthy increase, lifting 1.5 percent and dwarfing a modest 0.1 percent rise nationwide. The number of house sales was unchanged from three months earlier but the median time to sell shortened to a two-year low of 38 days. The number of rural real estate sales rose on the back of a 19 percent lift in lifestyle blocks, but the average sale price of rural property sold dropped to a four-year low. Nevertheless, in aggregate, Manawatu-Wanganui recorded another solid gain in economic activity, with year-on-year economic growth also improving.

### Wellington

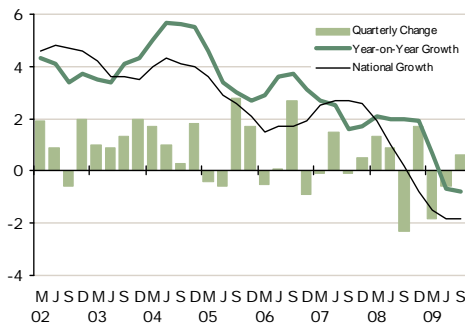


Just when most regional economies are beginning to recover, Wellington's economy has started to report some weakness. Retail trade in the region fell 2.8 percent in September, which was the largest quarterly decline across the regions. Employment fell 2.5 percent, pushing the region's unemployment rate up to a 10-year high of 6.2 percent. The number of residential building permits issued in the region fell 5.5 percent, to a 14-year low. New commercial motor vehicle registrations fell 23 percent to a new low since the start of our series in 1975. In addition, accommodation occupancy rates dropped in the September quarter. Overall, Wellington was the only region to record successive declines in economic activity. Year-on-year economic growth remained ahead of the national figure, for the time being at least.

### Nelson-Marlborough

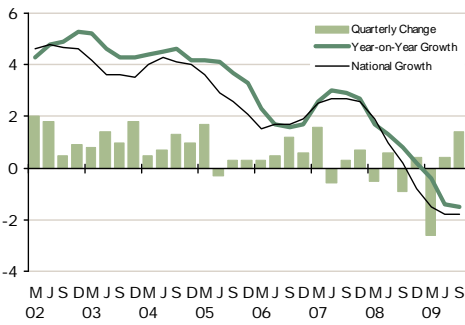


Nelson-Marlborough recorded the largest rise in retail sales in September, lifting 1.8 percent and eclipsing a slight 0.1 percent rise recorded nationally. Both new car and commercial motor vehicle registrations recorded strong increases, lifting 23 and 6 percent, respectively. A 40 percent surge in the number of lifestyle blocks sold in the region pushed the quarterly total to an 18-month high. The number of residential dwelling approvals lifted 7.2 percent from three months earlier and commercial construction consents rose 5.6 percent. Employment in the region dropped 0.9 percent, causing the region's unemployment rate to creep-up to a six-year high of 3.2 percent (but nevertheless the country's lowest rate). Year-on-year economic growth improved, extending the above-the-national-average span that began in March 2007.



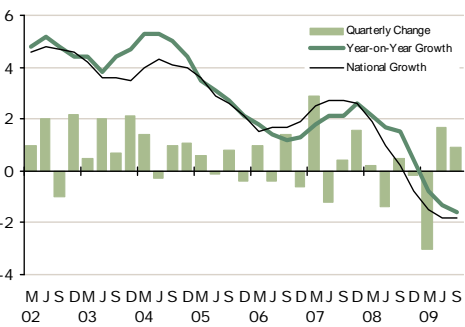
**West Coast**

Activity in the Coast's real estate market was buoyant in September, with the number of houses, sections and lifestyle blocks sold all lifting to their highest levels since June last year. The number of commercial building consents issued in the region increased 8.4 percent in September, to sit at its highest level this year. Residential building permits dipped only marginally after a strong rise in the previous quarter. Retail sales dropped 1.1 percent, coinciding with a 1.3 percent decrease in accommodation guest nights. New motor vehicle registrations for cars, commercial vehicles and tractors all underperformed the national rate of change. Employment fell 0.9 percent, not quite keeping pace with the nationwide 0.7 percent drop.



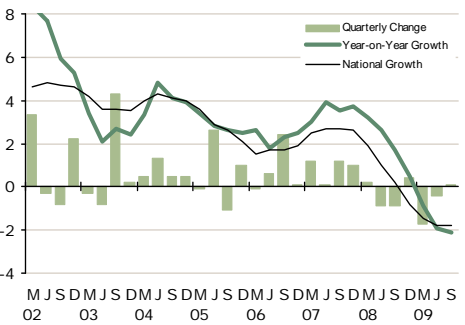
**Canterbury**

For the third consecutive quarter, Canterbury recorded the highest level of business confidence. Consumer confidence was the third highest in the nation. A 2.3 percent lift in employment in Canterbury, could have helped buoy this level of consumer sentiment, notwithstanding the region's unemployment rate worsening to a nine-year high of 6 percent. Retail sales dropped 1.0 percent, contrary to a lift in accommodation guest nights and a 1.7 percent rise in the value of electronic transactions, as measured by Paymark. The number of house sales rose 7 percent, with the median time to sell shortening to a two-year low of 29 days. Overall, economic activity recorded its largest quarterly gain in 2½ years.



**Otago**

Otago recorded a 12 percent rise in the number of house sales in September, propelling the series to an 18-month high. New car registrations in Otago recovered 27 percent, after registering a 16-year low in the previous quarter. Accommodation guest nights recorded a strong rise (up 3.4 percent) at a time of modest growth nationwide (0.2 percent). Residential building approvals lifted 4.1 percent and commercial construction consents rose 7.3 percent. Despite a small lift in employment, the region's unemployment rate rose to 6 percent. Both business and consumer confidence undershot their respective nationwide benchmarks. Turnover in the rural real estate weakened, with the number of large farm sales hitting an all-time low.



**Southland**

For the first time in seven years Southland topped the consumer confidence poll, albeit by the slimmest of margins possible. On the other hand, businesses were not as optimistic and barely registered a net positive level of sentiment in September, at a time when sentiment across the country hit a ten-year high. Statistics relating to Southland's labour market has been volatile of late. Employment in Southland rebounded from a weak outturn in June. Consequently, against the national trend, the region's unemployment rate improved to 3.4 percent, down from 4 percent in June. The number of commercial construction consents issued in Southland dropped 10 percent in the September quarter, falling to a nine-year low. Rural real estate sales eased, underpinned by the lowest number of farm sales for at least 12 years, when our series began.



**The National Bank**

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- Associate Member of Investment Savings & Insurance Association of NZ;
- Financial Markets Operations Association; and
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- Life insurance products;
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