

CANTOMETER

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ENCOURAGING SIGNS, THOUGH PROGRESS IS UNEVEN IN PLACES

ASB introduces the Cantometer. This is the first edition of the ASB Cantometer – a new indicator designed to capture the pick-up in Canterbury activity as the earthquake rebuild progresses over the coming years. The Cantometer is a simple summary of regional economic data and will be published monthly. For more detail on the design of the Cantometer please refer to the next page.

ASB Cantometer shows gradual improvement

Following the 2010 and 2011 earthquakes, activity in Canterbury fell sharply on a broad-based basis. The ASB Cantometer highlights a large proportion of this post-earthquake disruption reversed relatively quickly. Over the past year, we have now seen recovery in most areas of the Canterbury economy. The November Cantometer Snapshot, at 0.1, implies aggregate activity is now above pre-earthquake levels.

Construction is the big driver of the lift in the Cantometer, with the construction index at 2.2. Strong lifts in building consents and demand for ready-mix concrete have led this increase. Construction costs have already lifted strongly in Canterbury, up almost 10% on year-ago levels.

The remaining indices remain below pre-earthquake levels. However, over recent months we have seen steady improvement in most indices. In particular, the continued

recovery in permanent and long-term migration is an encouraging sign of increased population and demand in the region.

Canterbury wage growth has also been stronger than in the rest of the country – as to be expected. These price developments signal demand is lifting, even if it is yet to be apparent in all activity indicators.

Outlook

The Cantometer indicates construction activity continues to lift, although the flow on to the remainder of the Canterbury economy remains muted during the early days of the rebuild. We expect Canterbury reconstruction activity to underpin the nationwide lift in residential construction over the coming year, with nationwide activity rising 18% over the year to June 2013. However, we continue to expect the RBNZ to remain focused on global uncertainties and the elevated NZD, and leave the OCR unchanged at 2.5% until September 2013.

Recent developments

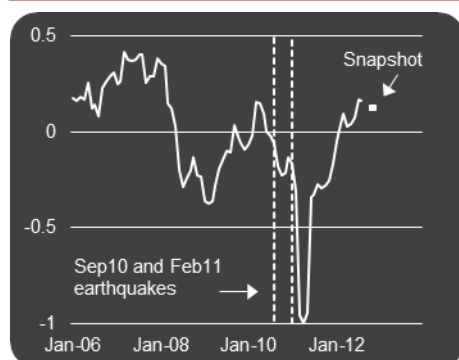
The [zoning process in Canterbury](#) has been completed. Of 190,000 residential properties 7860 have been classified as red. It is reported that in most instances owners have selected a buyout option.

StatsNZ estimates the number of cafés, bars and restaurants in Christchurch has [fallen 20% following the quakes](#). However, operators are gradually returning.

[Redevelopment plans](#) for a Christchurch inner-city shopping precinct have been revealed.

Since June 2010 the [population in Christchurch city](#) has declined by 13,500 (3.6%), while the population in the Canterbury region has declined by 6,900 (1.2%). Encouragingly, net external migration into Canterbury has been consistently positive in recent months while net migration flows have been patchier elsewhere in NZ.

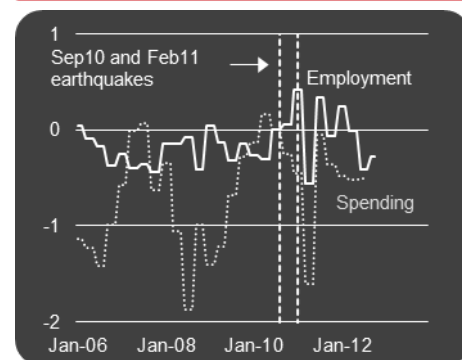
ASB CANTOMETER



ASB CANTOMETER SUB INDICES



ASB CANTOMETER SUB INDICES



About the Cantometer

The Cantometer is designed to summarise activity in Canterbury. In particular, we expect the indicator to provide a guide to the progress of the rebuild. We take a range of publically available regional economic data, which we then standardise and finally aggregate into a summary measure. We have rebased the standardised series equal to zero in June 2010 (the last full quarter prior to the first earthquake) such that a positive number represents activity being above pre-earthquake levels.

Along with the aggregate Cantometer index, we have also created five sub categories: Construction, Housing, Employment, Consumer spending and Miscellaneous*. These sub-indices will provide some insight into which sectors are driving the rebuild activity at a given point in time. We can see that rebuild activity has already been led by the construction index. We expect over time, activity will filter through to other segments of the Canterbury economy.

For most activity data we have used the level of activity. However, when incorporating wages and house prices into the index, levels are less informative. Instead we use prices relative to the rest of the country. An increase in relative prices is a signal resources are being reallocated to the Canterbury region.

The Cantometer is designed as a simple indicator of activity to give some insights into the recovery progress in different types of economic activity. It is not designed to measure economic growth in Canterbury.

The Cantometer Snapshot is a simple average of all our regional indicators based on the most recent data available for each. We call this a snapshot as the data set will be uneven, e.g. some data will be October, September or even June, due to differing lags in data publication.

The historical Cantometer series represented on our charts is a simple average of the complete set of data for each month. This has its limitations as different indicators will pick up at different stages of the recovery. For example, some data will lead actual activity (i.e. building consents, relative house prices, relative wages), others may be more contemporaneous (electricity usage, construction activity) and some indicators will lag the rebuild (employment, consumer spending). We have not made an explicit adjustment for this difference in timing.

*The miscellaneous category includes electricity, car registrations, guest nights and permanent and long-term net migration. A common factor driving these areas will be population growth, and we expect all these indicators to increase as the rebuild gathers momentum.

CANTOMETER SUMMARY

Residential consents	1.8
Non-residential consents	4.0
Ready-mix concrete	2.9
Building work put in place	0.2
Construction Index	2.2
House sales	0.1
New Listings	-1.5
House price inflation	0.9
Housing Index	-0.2
Employment	-0.3
Hours worked	-1.4
Full-time equivalent employees	-0.2
Relative Wages	0.8
Employment Index	-0.3
Retail Trade Indicator	0.6
Consumer Confidence	-2.2
Consumer Spending Index	-0.8
Electricity	-1.0
Car registrations	0.0
Guest nights	-0.5
PLT net migration	-0.1
Miscellaneous	-0.4
Cantometer Snapshot	0.1

Above/below 0 means a higher/lower level relative to June 2012 (i.e. pre-earthquake level)

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