

Economic Activity and Business Confidence

Key Information	Why is this Useful?	What is Happening?
National Bank Regional Economic Activity Index.	The composite index of economic activity is a series of figures that show how a selection of key regional economic data has changed over time. It is useful as a comparative measure of economic performance between regions.	↑ Year-on-year economic growth in Canterbury for September 1999 was 4.2 per cent. This was the highest annual growth recorded since the mid-1990s.
National Bank Business Confidence Index.	Business confidence data generally reflect wider economic conditions. During periods of growing confidence businesses are more likely to increase investments and staffing levels.	↑ The National Bank's general business confidence index for Canterbury reached a five year high in March 1999.
Canterbury Manufacturers' Association (CMA) business confidence data.	This measures the confidence of manufacturing businesses in Canterbury, one of the region's key sectors.	↑ According to the CMA Survey of Business Conditions, manufacturing businesses were more optimistic about future trading conditions during 1999 than 1998.

Other Related Sections: Part 3: The City's Economy, Waste Management, Energy, The Built Environment, Transportation.

Economic Activity

The National Bank of New Zealand produces a measure of regional economic activity. The composite index of economic activity summarises trends in a selection of regional economic data and can be used to measure comparative economic performance between regions¹.

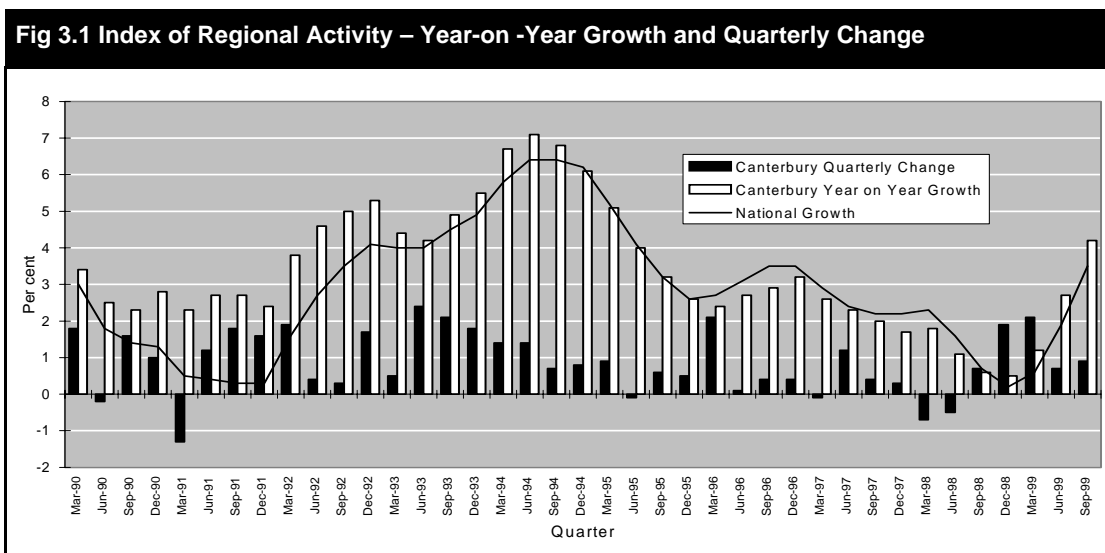
According to the National Bank, Canterbury recorded the fifth consecutive quarterly rise in economic activity in September 1999. The latest rise was fuelled by strong growth in employment and house sales (Figure 3.1).

For the year to September 1999 the index for Canterbury increased by 4.2 per cent. In terms of annual economic growth at this time, Canterbury was

ranked first equal with Otago out of New Zealand's 14 regions. (Figure 3.1).

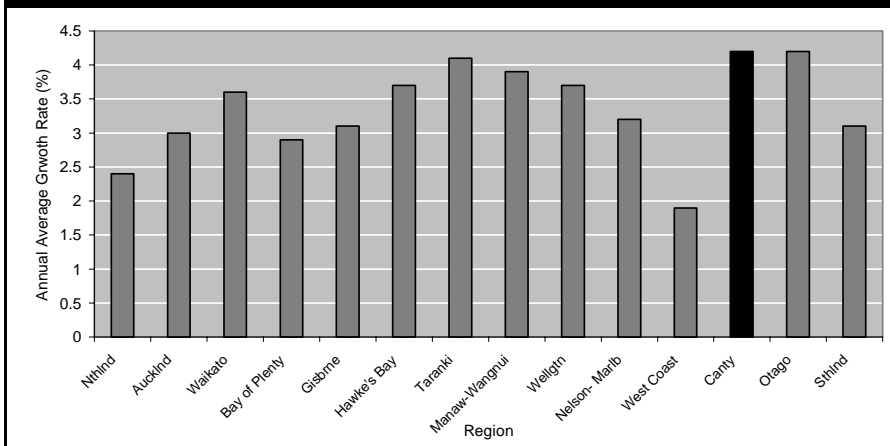
Latest figures show that Canterbury has steadily pulled out of the short-term economic trough experienced during 1998. In fact, annual growth to September 1999 was the strongest in the region since the mid-1990s. Year-on-year growth in economic activity also

¹ The National Bank uses 34 series to calculate the composite indices of regional economic activity including: business confidence; consumer confidence; retail sales; new motor vehicle registrations; regional exports; registered unemployed; building permits approved; real estate turnover; household labour force data; overseas cargo statistics; electricity consumption; job placements; number of companies; job ads; accommodation survey data and newspaper circulations. Quarterly rates of change are calculated on seasonally and inflation-adjusted data (National Bank Regional trends see www.nationalbank.co.nz).



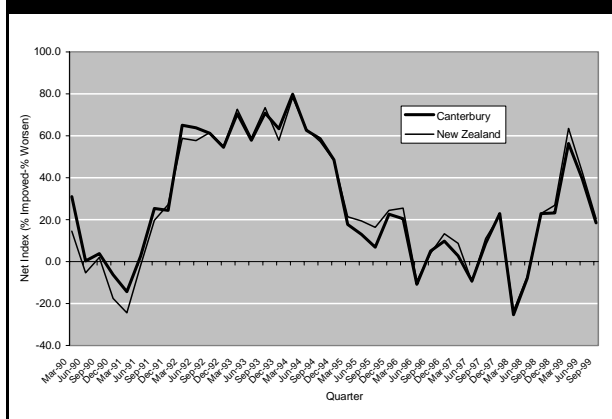
Source: National Bank of New Zealand.

Fig 3.2 Index of Regional Economic Activity, Year-on-Year Growth, Year Ended September 1999



Source: National Bank of New Zealand

Fig 3.3 Canterbury Business Confidence Index



Source: National Bank of New Zealand.

occurred across all regions and at a national level, suggesting an ongoing improvement in New Zealand's economy (Figure 3.2).

Business Confidence

Business confidence indices are considered valuable indicators of economic activity. They are particularly useful for identifying turning points in the cycle of business activity.

After a number of years in the doldrums, business confidence in Canterbury reached a five-year high in March 1999, according to the National Bank's Business Confidence Index. During that quarter 56 per cent of businesses expected an improvement in trading conditions during the following 12 months. Confidence then declined during the June and September quarters to 39 and 18 per cent respectively. This pattern was similar to that occurring at a national level and may have reflected the high level of uncertainty which surrounded the 1999 general election (Figure 3.3).

Canterbury's export-oriented manufacturing sector is a key component of the local economy and is particularly sensitive to changing economic conditions. The Canterbury Manufacturers' Association (CMA) Survey

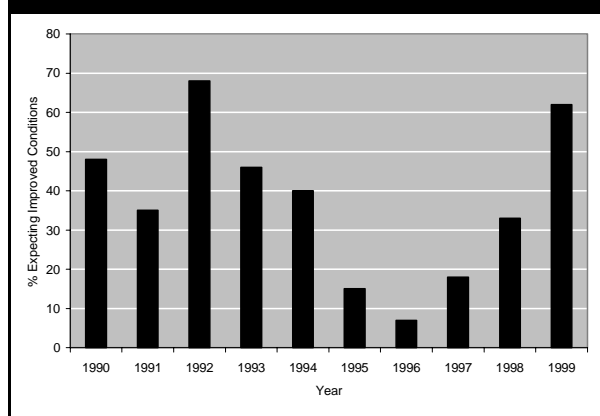
of Business Conditions reveals a similar pattern to the National Bank of strong growth in business confidence after a period of pronounced decline. Confidence plummeted to 7 per cent in June 1996 before rallying to 62 per cent in June 1999 (Figure 3.4).

Monthly CMA survey results and data from the Canterbury Employers' Chamber of Commerce Quarterly Business Opinion Survey also showed increased optimism during much of last year. However, a drop in confidence in August 1999 again revealed the unsettling effect of the general election on local businesses².

Business confidence data last year generally indicated that Canterbury was moving out of recession. They showed that the sluggish national economy, the drought of 1998/99 and the Asian crisis, which adversely affected confidence in the past few years, were becoming a distant memory for many local businesses.

² See also the Canterbury Manufacturers' Association web site at www.cma.org.nz and the Canterbury Employers Chamber of Commerce web site at www.cecc.org.nz

Fig 3.4 CMA General Business Confidence Series



Source: Canterbury Manufacturers' Association, Survey of Business Confidence.