

Christchurch & Canterbury

Quarterly Economic Report
March 2021

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Economy	People & Business	Visitors	Central City
<p>GDP growth (YE March 2021)</p> <p>Christchurch: -2.5% ▼ Canterbury: -2.0% ▼ New Zealand: -3.0% ▼</p> 	<p>Retail spending growth (incl. fuel) (Q1:2021 vs. Q1:2020)</p> <p>Christchurch: 2.3% ▲ (NZ: -0.2% ▼)</p>	<p>Airbnb guest nights in Christchurch (Q1:2021 vs. Q1:2020)</p> <p>Christchurch: -56.4% ▼</p> 	<p>Retail spending growth (excl. fuel)</p> <p>Year-on-Year growth 2.6% ▲ (Q1:2021 vs. Q1:2020) Year: -6.9% ▼ (year to March 2021 vs. year to March 2020)</p>
<p>Unemployment rate</p> <p>Christchurch: 5.4% ▲ (from 5% in Q4:2020) Canterbury: 4.5% ▲ (from 4.3% in Q4:2020) New Zealand: 4.9% - (from 4.9% in Q4:2020)</p> 	<p>Consumer confidence (Q1:2021 vs. Q4: 2020)</p> <p>Canterbury: -0.5 points ▼ (NZ: -0.8 points ▼)</p>	<p>Christchurch visitor spending (exclu. fuel) (Q1:2021 vs. Q1:2020)</p> <p>Total: -16.2% ▼ (NZ: -1.3%) Domestic: 31.5% ▲ (NZ: 5.5%) International: -72.8% ▼ (NZ: -76%)</p> <p><small>Rest of NZ customer origin used as proxy for domestic visitor spending</small></p> 	<p>Consumer origin spending (excl. fuel) (Q1:2021 vs. Q1:2020)</p> <p>Christchurch: 19% ▲ Australia: -90.7% ▼ Rest of International: -81.5% ▼</p>
<p>Building consent (sqm) (Q1:2021 vs. Q1:2020)</p> <p>Christchurch: -4.1% ▼ Canterbury: 6.1% ▲ New Zealand: 9% ▲</p> 	<p>Residential cost (Q1:2021 vs. Q1:2020)</p> <p>Weekly rent: Christchurch: 5.2% ▲ (NZ: 4.4% ▲)</p> <p>House price: Christchurch: 18% ▲ (NZ: 22% ▲)</p>	<p>Visitor arrivals (Q1:2021)</p> <p>Christchurch Airport: 650 arrivals 4.2% of total arrivals NZ ports -99.5% ▼ (Q1:2021 vs. Q1:2020)</p> 	<p>Number of new employees (2020 vs. 2019)</p> <p>Four Avenues (Central City): 1,070 ▲</p>
<p>International trade (Lyttelton & Chc Airport)</p> <p>Trade balance: \$2,669 millions (year to March 2021)</p> <p>-34% ▼ from previous year</p> 	<p>Business confidence >50: expansion; <50: contraction (Q1:2021)</p> <p>Service Index: Canterbury: 53.3 (NZ: 50.2)</p> <p>Manufacturing Index: Canterbury: 57.7 (NZ: 56.6)</p>	<p>Student Visa (YE 2019 vs. YE 2018)</p> <p>First time student visas: 16.3% ▲ Returning student visas: -1.0% ▼ Total student visas: 6.3% ▲</p> 	<p>Commercial property (2020)</p> <p>Rent: Prime office \$370</p> <p>Vacancy level: 14.9% (from 16.9% in 2019)</p>

Economic Commentary

National and city wide economic recovery is gaining traction and will continue to do so over the year ahead. Household expenditure continues to show resilience in Q1 2021, especially with regards to durable goods. Furthermore, business sector indicators, such as economic confidence, are pointing to a firming in trading activity. Reinforcing these favorable domestic conditions, prices for key commodity exports have been increasing and are expected to remain at healthy levels over the year ahead.

Despite this positive outlook, this recovery is set to remain uneven across industries for an extended period. The economic impacts of the COVID-related lockdown that occurred a year ago are still being felt across our tourism and hospitality sectors. While the recently established travel bubbles with Australia and the Cook Islands will help businesses that have struggled during the last year with the loss of international visitor dollars, it is likely that these visitor-related industries will face big challenges as long as long-haul travel is restricted.

The year to date economic growth of Christchurch decreased by 2.5 percent in Q1 2021 compared to the same period last year. Also, during the same period Canterbury's and New Zealand's GDP growth decreased by 2.0 percent and 3.0 percent, respectively.

Positives

- Economic confidence saw a significant increase in Canterbury in Q1 2021, partly due to an acceleration in house prices but also because of the region's current strength in both the agricultural and manufacturing sectors. This increase was the greatest nationwide and represented the biggest confidence gain seen in the region over the last two years.
- Net exports from Christchurch ports remain strong in Q1 2021, despite COVID-19 related supply chain issues.
- Canterbury's average Performance of Manufacturing Index (PMI) was 57.7 during Q1 2021, higher than New Zealand's.
- Total consent issuance in Christchurch was up 7.2 percent for the year ending March 2021 compared to the same period last year. This was driven by several factors, such as low interest rates and a significant increase in house prices across New Zealand.

Headwinds

- Upward pressure on the cost of living, with both rent and house prices increasing. Christchurch, however, still remains relatively affordable compared to its peer urban centres in the North Island.
- Consumer confidence slightly decreasing despite a firming of the economy.
- Lack of international visitors continues to weigh heavy on the hospitality sector.

ChristchurchNZ's Perspective

ChristchurchNZ

Sluggish start to the year

As signalled in the last quarterly report, there was a relatively underwhelming start for the local economy in 2021. With the lack of visitors that usually add some economic stimulus over the busy summer months, the first quarterly report for the year shows several key economic measures looking weak. This was expected given the closed international borders. The opening of borders with Australia at the start of the 2nd quarter of 2021 provides early signs of a pathway to a post-Covid 'new normal'. With the border opening we expect to see an increase in international visitor spending. However, this is likely to be offset over the winter months by a drop in domestic visitor spending as New Zealanders are presented with more choices for travel. The opening of borders also increases the risk of further Covid outbreaks in the community, whilst the roll out of a vaccine to all New Zealand residents will increasingly offset this risk over coming months. Businesses and individuals need to remain prepared for setbacks during this evolving period of the Covid response.

In the last quarterly report, we focussed on increasing levels of commentary and political concern relating to the heated housing market. Not surprisingly, the government has responded with a suite of policy and taxation changes aimed at taking the heat out of house prices. This is likely to subdue consumer sentiment somewhat, while homeowners and property investors adjust their behaviours. In the first quarter, house price growth remained strong. Growth in prices were lower in Christchurch relative to the rest of the country, increasing the housing affordability of Christchurch and Canterbury compared with other cities and regions. Christchurch maintains a significant cost of living advantage over other New Zealand cities.

Economic activity and future prospects remain strong in the global context

On a more positive note, retail spending and domestic visitation remained strong, job vacancies are back to pre-Covid levels in Canterbury, manufacturing and service sector sentiment indices are strong (indicating strong business confidence), exports are tracking upwards and trade balance remain strong. Unemployment, which is lower than in Auckland and Wellington, only increased slightly despite the release of additional labour force that is always associated with the end of the academic year. Labour force participation in the city and region also remain high both compared with historic levels and in comparison with the rest of New Zealand.

In summary, Christchurch, riding on the wave of New Zealand's response, is well positioned to experience a strong recovery out of the global slow down associated with Covid.

Economy

ChristchurchNZ

Figure 1. Economic growth

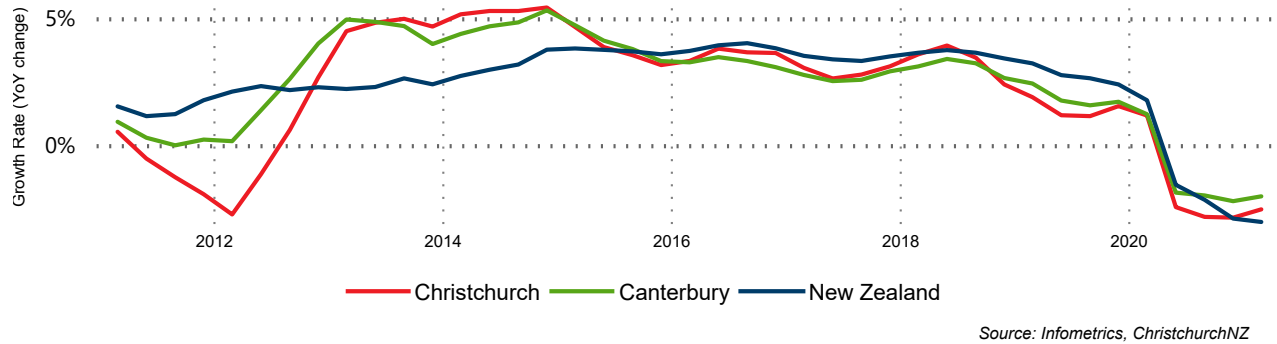


Figure 2. Unemployment

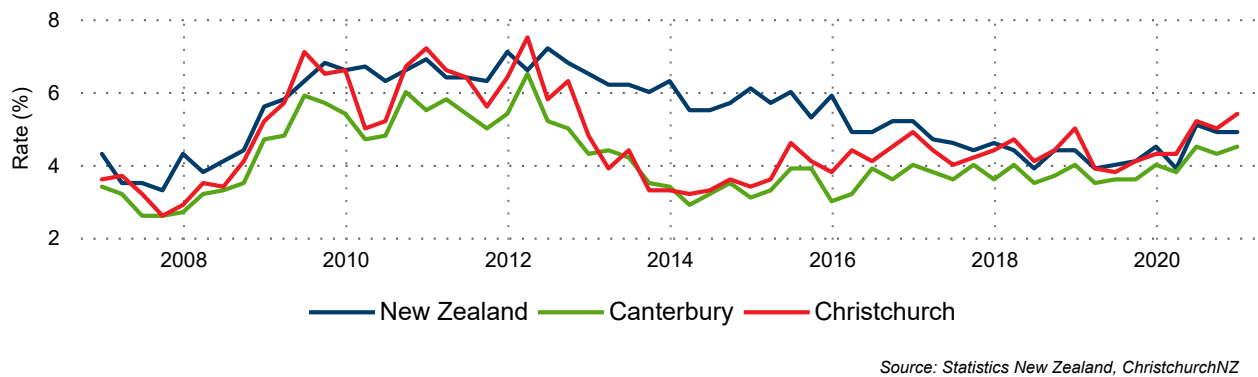


Figure 3. Christchurch building consents

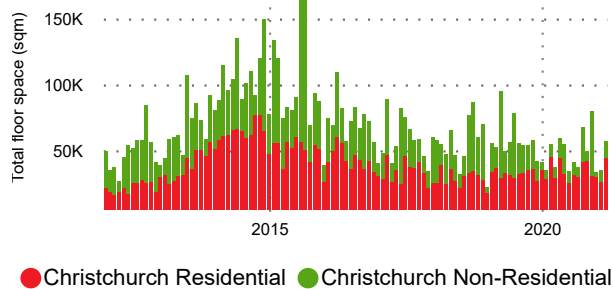


Figure 4. Value of building work in Canterbury

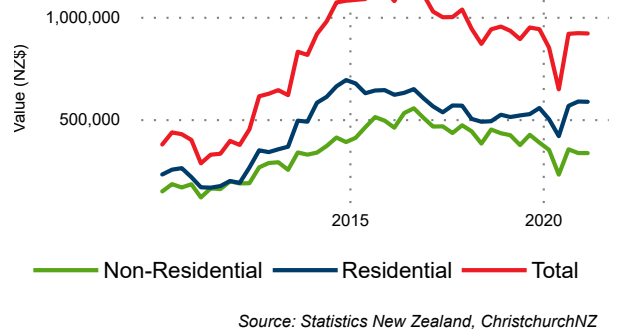


Figure 5. Christchurch Ports: International trade

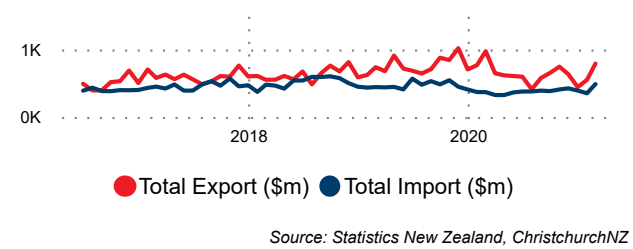


Figure 6. Canterbury regional economic confidence

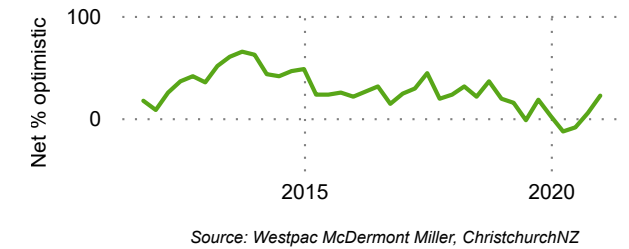
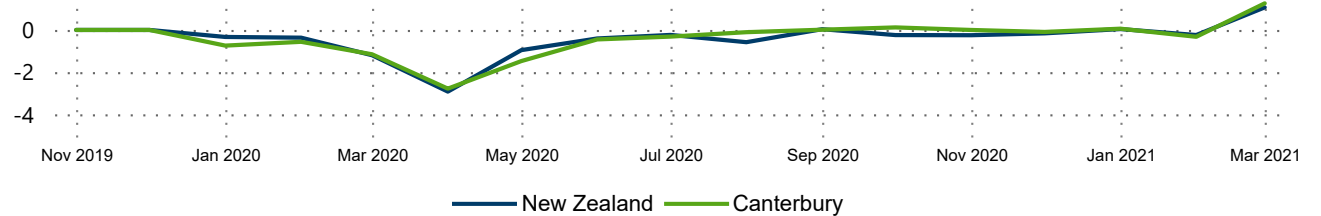


Figure 7. Canterbury Economic Activity Indicator



The year-to-date economic growth of Christchurch decreased 2.5 percent in Q1 2021 compared to the same period last year. The economic activity indicator for Canterbury, as developed by ChristchurchNZ (and based on a similar indicator release by the Treasury), reveals the level of economic activity on a monthly basis compared to historical trends. In December 2020, the Canterbury Economic Activity Indicator (CEAI) reached 1.34 compared to 1.05 for New Zealand. During March 2021, the CEAI was 3.4 percent, whereas the NZAC was 3.2 percent. This figure means that the weighted economic activity in Canterbury in March 2021 was 3.4 percent higher compared to March 2020. The CEAI was up 3.1 percentage points compared to February 2021, whereas the NZAC was up 3 percentage points compared to the previous month. In March 2021, the Performance of Manufacturing Index (PMI) of Canterbury was stronger than the previous three months, while the PMI for New Zealand reached the highest result in the history of the PMI's computation (reaching 63.6). The Christchurch unemployment rate increased from 5 percent in Q4 2020 to 5.4 percent in Q1 2021, higher than the national unemployment levels of 4.9 percent in Q1 2021, unchanged from 4.9 percent in Q4 2020. In Q1 2021, the Canterbury Regional Economic Confidence (which measures confidence in the local economy) jumped sharply from 5 percent to 22 percent. This means 22 percent of households in the region are feeling positive about economic prospects over the coming year. This increase was the greatest nationwide and represented the biggest gain seen in the region over the last two years. Net exports from Christchurch ports remain strong in Q1 2021, despite COVID-related supply chain issues. Building consents (in sqm) in Christchurch were buoyant during March 2021, up 29.4 percent on the same month last year. This abnormal increase is in part due to the Covid-related restrictions in the final days of March 2020, thus artificially inflating the baseline for comparison. For the year ending March 2021, total consent issuance in Christchurch was up 7.2 percent compared to the same period last year. This was driven by several factors, such as low interest rates and a significant increase in house prices across New Zealand. Meanwhile, the value of building work was up slightly in Q4 2020.

Figure 8. Mean residential rent, weekly

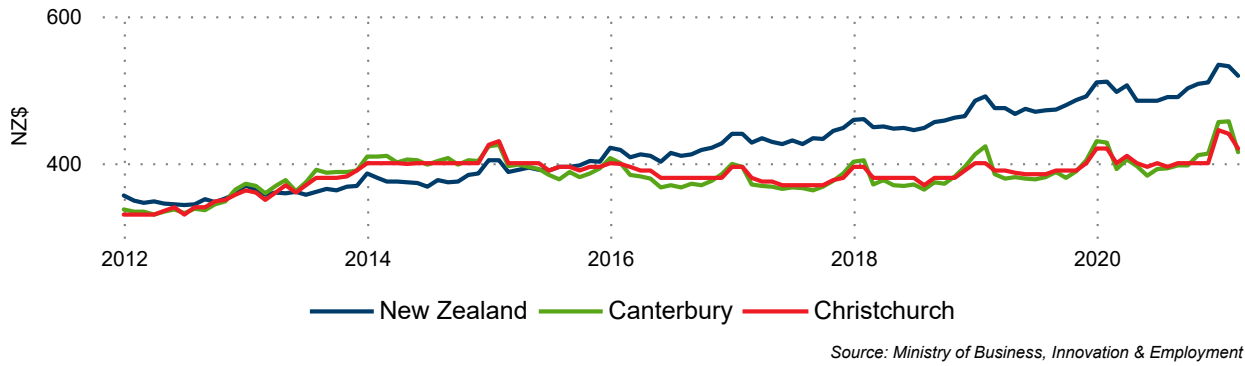


Figure 9. Median house price

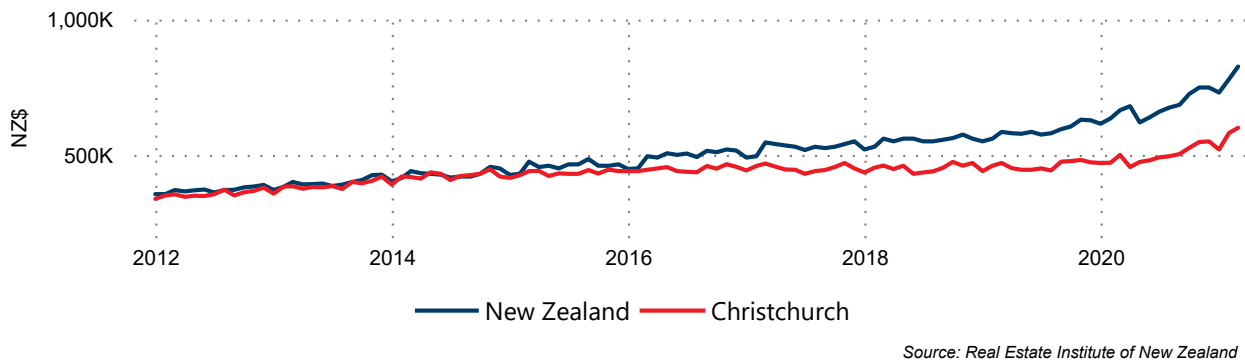


Figure 10. Immigration (long-term arrivals)

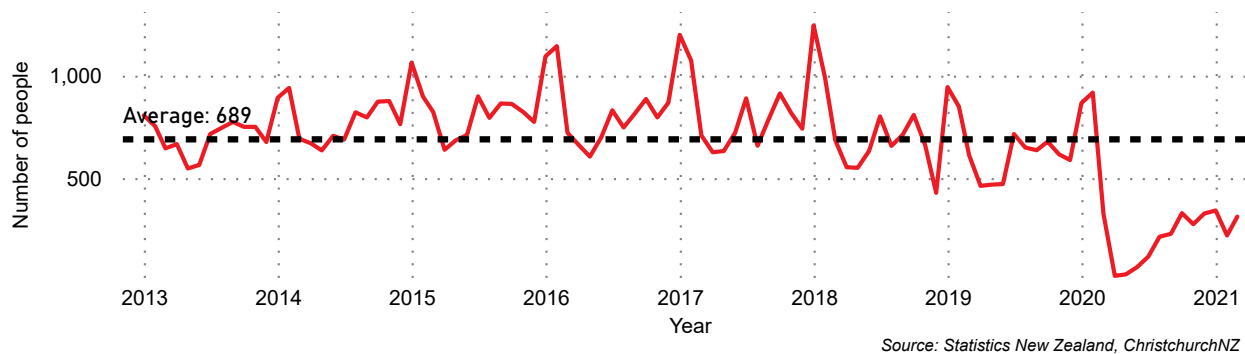


Figure 11. Canterbury consumer confidence

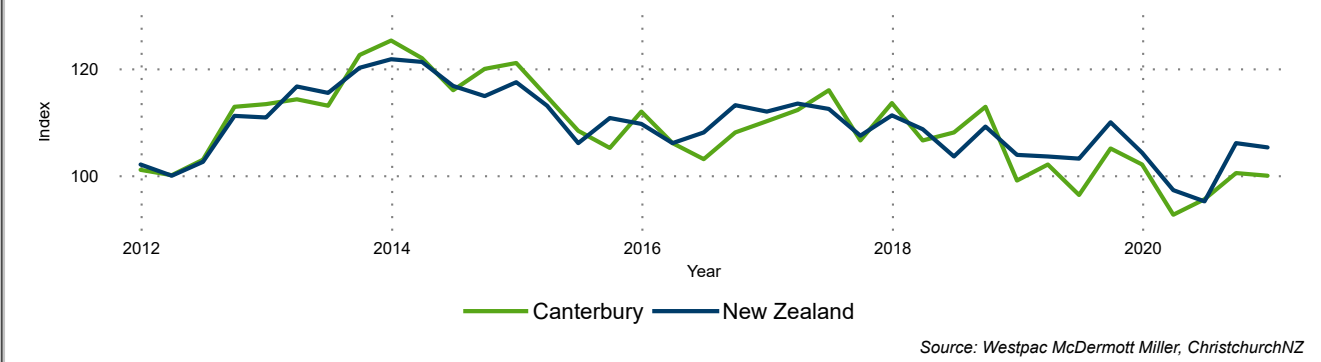
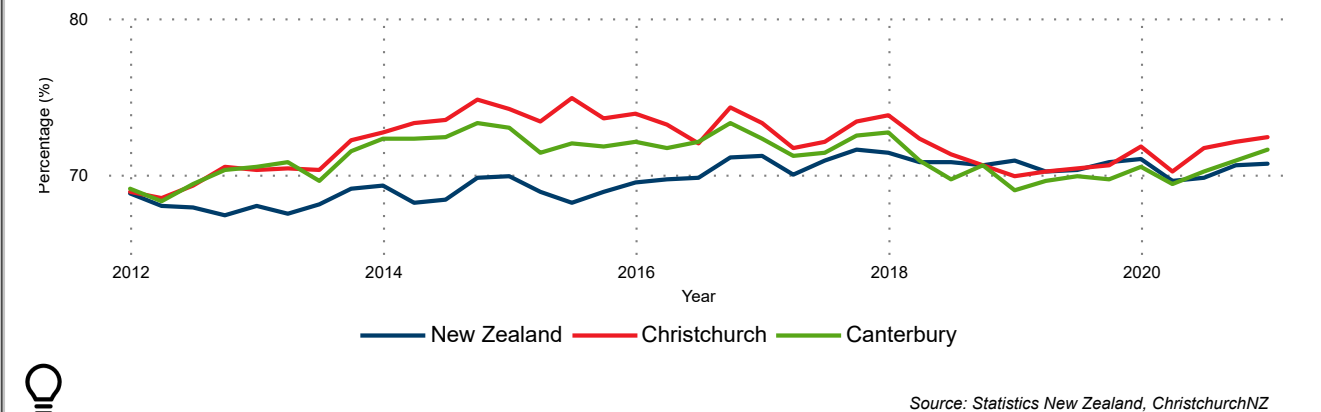


Figure 12. Labour force participation



In Q1 2021, mean weekly rent in Christchurch saw an increase of 5.2 percent compared to Q1 2020. Median house prices also saw an increase of 18 percent in Q1 2021 compared to the same period in 2020. Nationally, rent and house price growth rates were 4.4 percent and 22 percent, respectively. Exceptional growth in house prices have continued throughout Q1 2021, however, recent housing policy changes and changing government appetites towards migration will likely dampen housing prices in the long term. Despite recent price rises, Christchurch City continues to maintain its relative affordability profile. Long-term immigration arrivals through the Christchurch Airport remain subdued, having fallen 58.6 percent in Q1 2021 when compared to the same period last year. With New Zealand borders expected to remain closed for an indeterminate time, long term migration numbers will remain low. Consumer confidence in Canterbury decreased slightly in Q1 2021, which signals that the financial situation of Canterbury's households has not improved greatly over the past year (the survey shows a net balance of pessimistic responses by the interviewees).

Business

Figure 13. Spending by customer origin in Christchurch (excl. fuel) (Q1 2021)

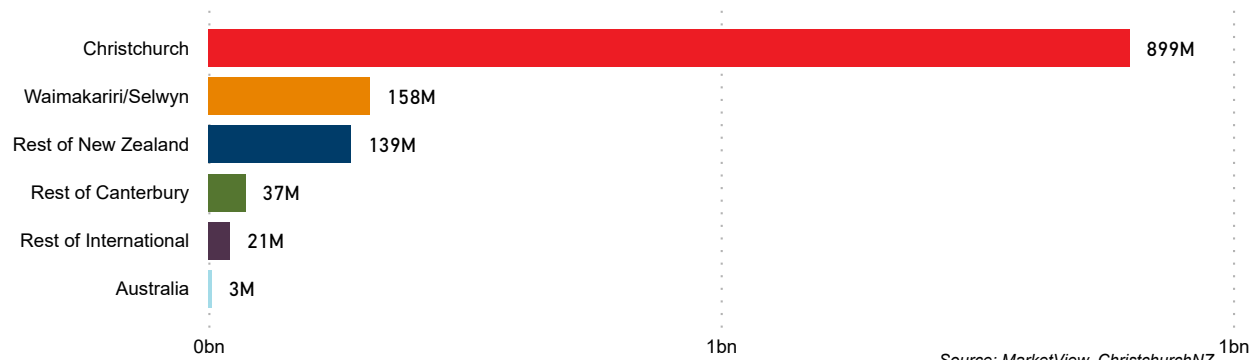


Figure 14. Spending by retail category in Christchurch (Q1 2021)

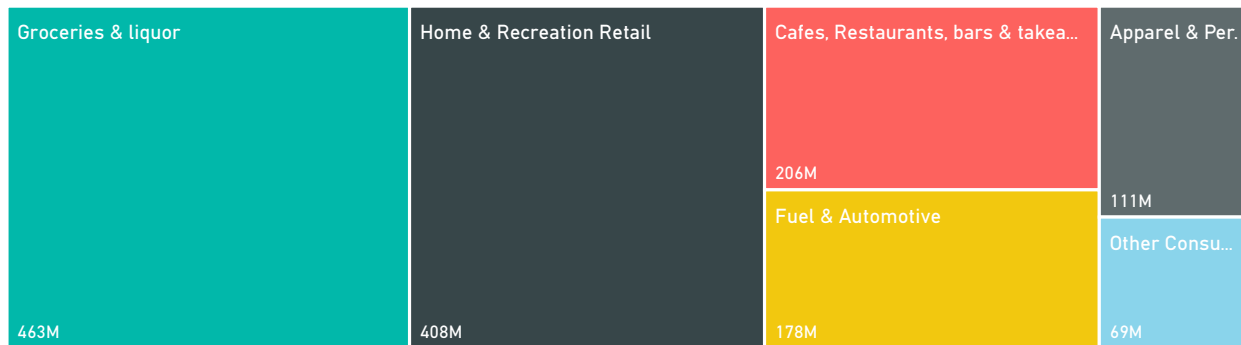


Figure 15. Retail trade growth

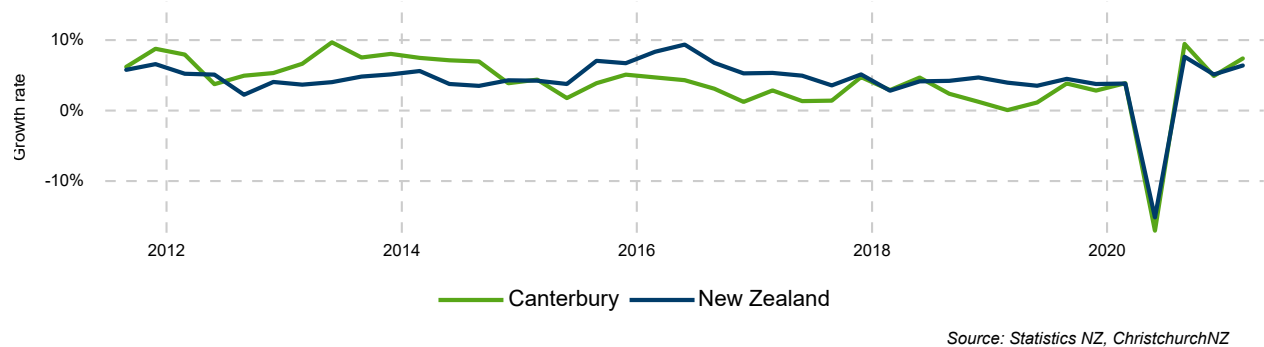


Figure 16. Job vacancy index, (indexed to Dec 2010)

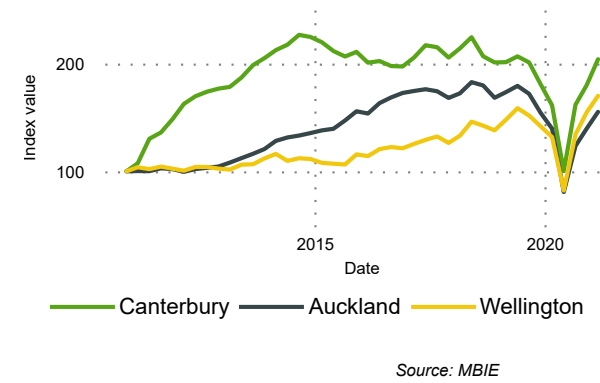


Figure 17. Christchurch commercial rent

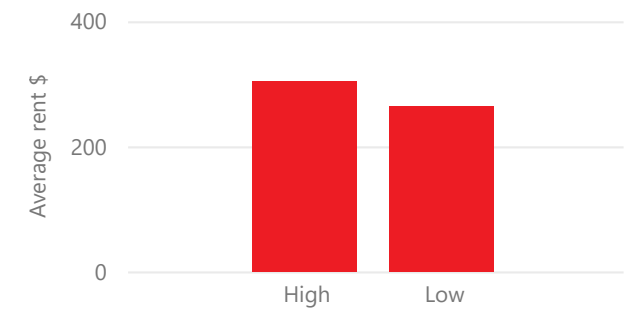


Figure 18. Performance of manufacturing index

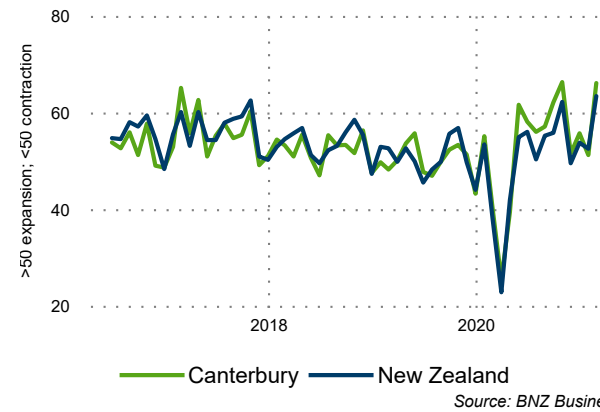
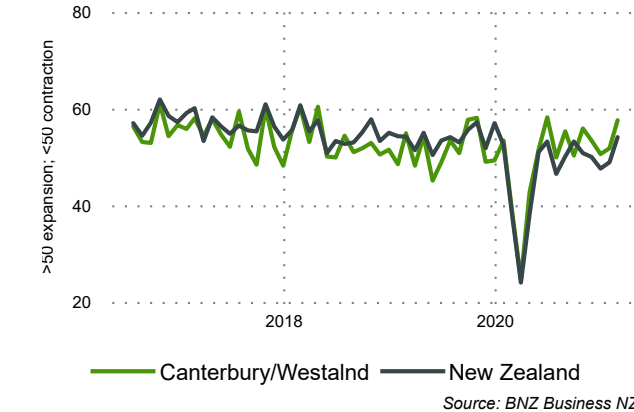
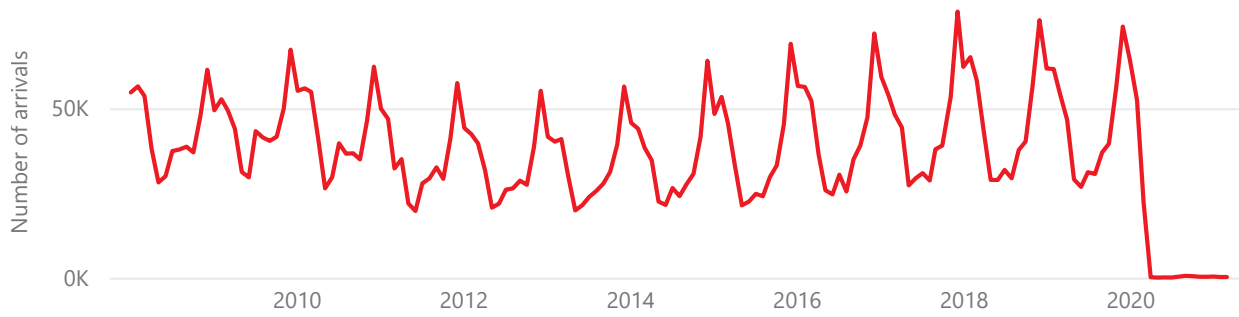


Figure 19. Performance of service index



Christchurch saw an overall spending increase of 2.1 percent (excl. fuel) over Q1 2021 when compared with the same period of last year. Retail spending growth was primarily driven by strength in apparel and personal categories, up 16.5 percent in Q1 2021 when compared with the same period of 2020. Also, retail spending on home & recreation retail and cafes, restaurants, bars & takeaways registered growth rates of 12.5 percent and 11.9 percent, respectively. The greatest declines in retail spend were seen in the other consumer spending category (down 31.9 percent) and the groceries & liquor category (down 5 percent in Q1 2021 when compared to the same period last year). As for spend by customer origin, rest of New Zealand visitor spend was up 31.5 percent, followed by the rest of Canterbury (up 18.9 percent) and Waimakariri/ Selwyn (up 14.3 percent). Unsurprisingly, spending by Australian and rest of international visitors saw the greatest declines (86.2 percent and 68.9 percent, respectively) due to continued restrictions on international travel. Retail trade in Canterbury during Q1 2021 saw strong growth, up 7.2 percent when compared to the same quarter last year. In Q1 2021, Canterbury's average Performance of Manufacturing Index (PMI) of Canterbury was 57.7, higher than New Zealand's. Expansion in the Performance of Services Index (PSI) was more subdued in the Q1 2021, averaging at 53.3.

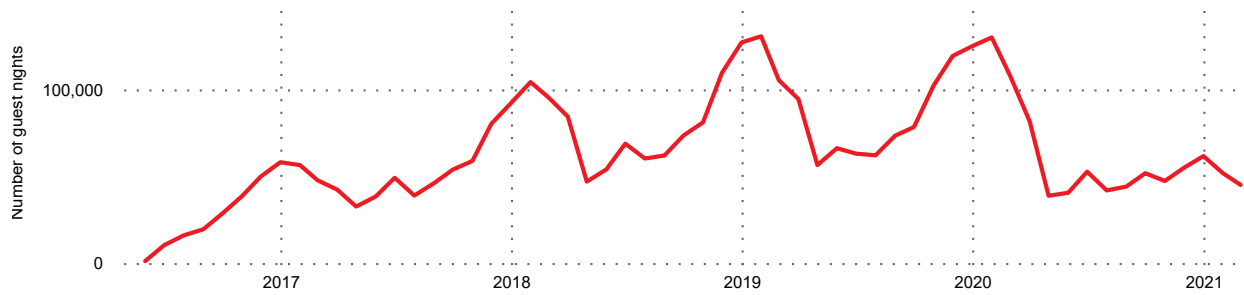
Figure 20. International arrivals at Christchurch Airport



Source: Statistics New Zealand, ChristchurchNZ

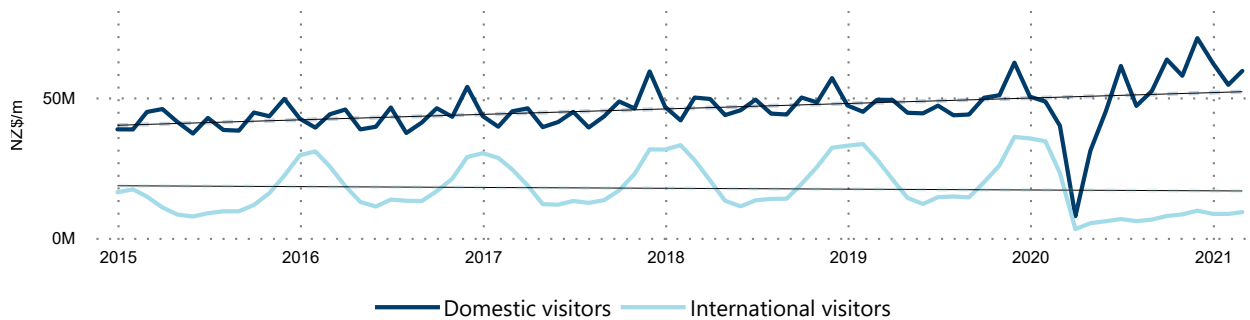
Figure 21. Airbnb guest nights

Guest nights per month Airbnb by Date



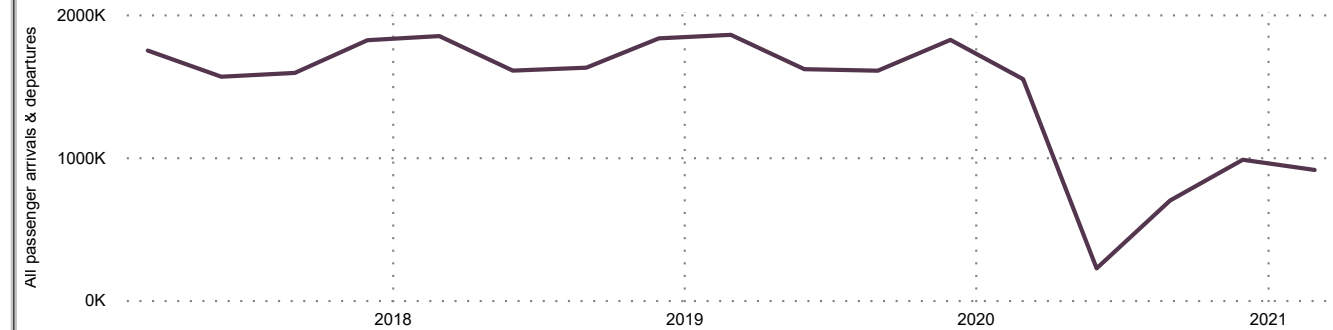
Source: Airdna, ChristchurchNZ

Figure 22. Christchurch visitor spending



Source: MarketView, Rest of NZ customer origin used as proxy for domestic visitor spending.

Figure 23. Passenger arrivals and departures at Christchurch Airport (domestic and international passengers)



Source: Statistics New Zealand, ChristchurchNZ

Figure 24. Christchurch visitor spending Q1 2021

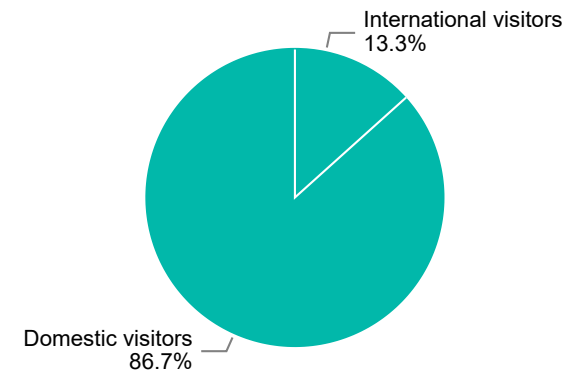
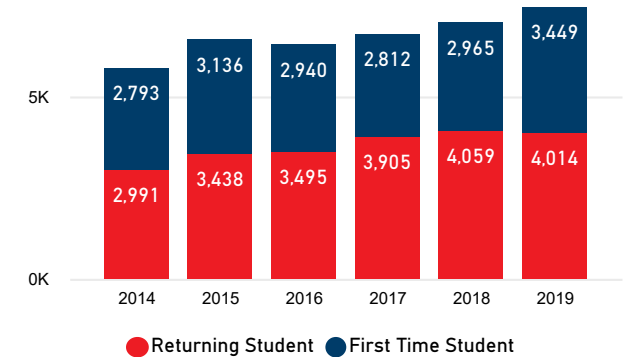


Figure 25. Canterbury student visas



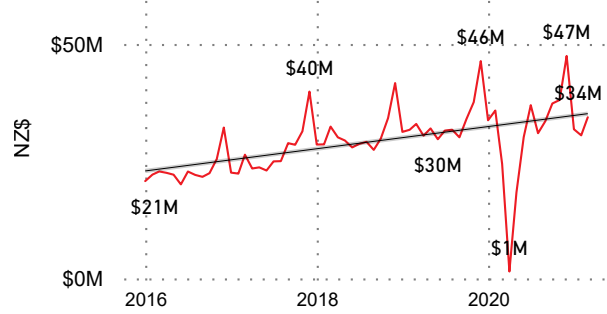
Source: Statistics New Zealand, ChristchurchNZ

Source: MarketView, Rest of NZ customer origin used as proxy for domestic visitor spending.

Passenger movements (arrivals and departures of both international and domestic passengers) at Christchurch Airport in Q1 2021 were down 41.1 percent when compared with the same period in 2020. Given the closed status of New Zealand's borders, this drop in passenger movements is to be expected due to the lack of international tourists. However, there were 650 international visitors arrivals in Q1 2021. Most of these visitors are likely New Zealanders returning to the country from overseas. Total visitor spending in Christchurch decreased by 16.2 percent in Q1 2021 when compared with the same period of the previous year (during the same period international visitor spending fell by 72.8 percent, whereas domestic visitor spending increased by 31.5 percent). The domestic visitor market accounted for 85.1 percent of all visitor spending in Q1 2021. The numbers of international students attending university is expected to be lower as a result of border restrictions and closure. Also, Airbnb guest nights decreased by 56.4 percent in Q1 2021 compared to the same period in 2020.

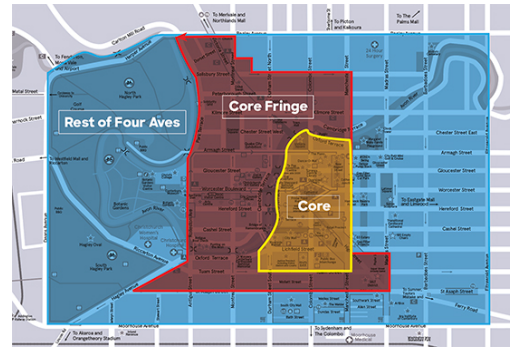
Central City

Figure 26. Core & core fringe total spending (incl. fuel), monthly



Source: MarketView, ChristchurchNZ

City map



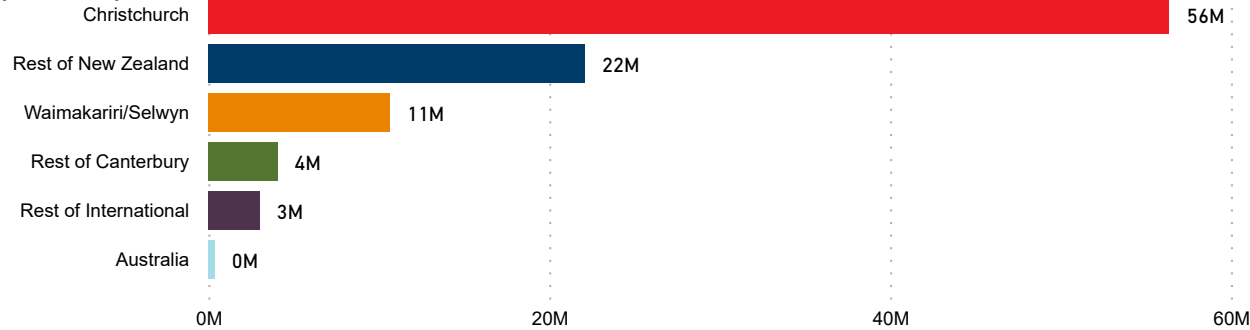
Source: MarketView, ChristchurchNZ

Figure 27. Core & core fringe total spending by category (Q1 2021)



Source: MarketView, ChristchurchNZ

Figure 28. Core & core fringe spending by customer origin in Christchurch (excl. fuel) (Q1 2021)



Source: Statistics New Zealand, ChristchurchNZ

ChristchurchNZ

Figure 29. Commercial office rent, 2020

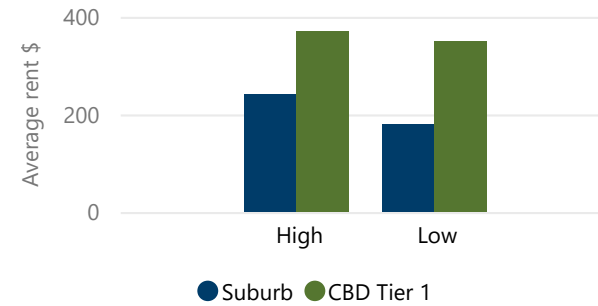
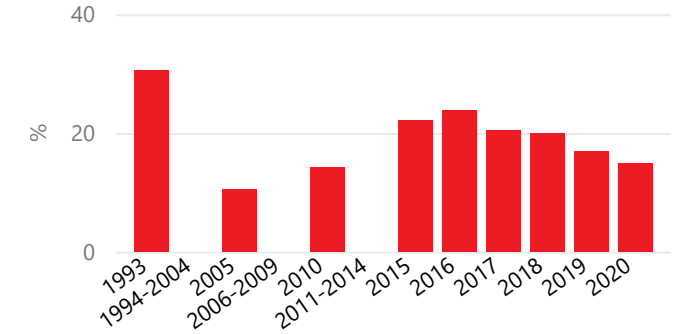
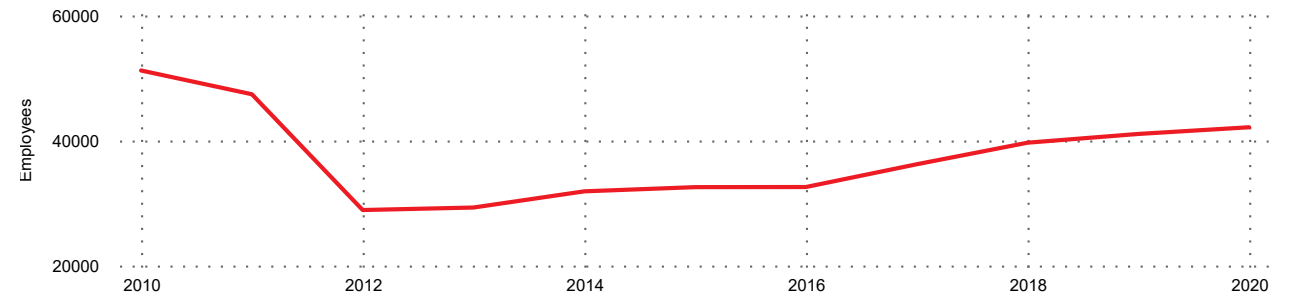


Figure 30. Commercial office vacancy rate



Source: Colliers, ChristchurchNZ

Figure 31. Number of employees within the four avenues



Source: Colliers, ChristchurchNZ



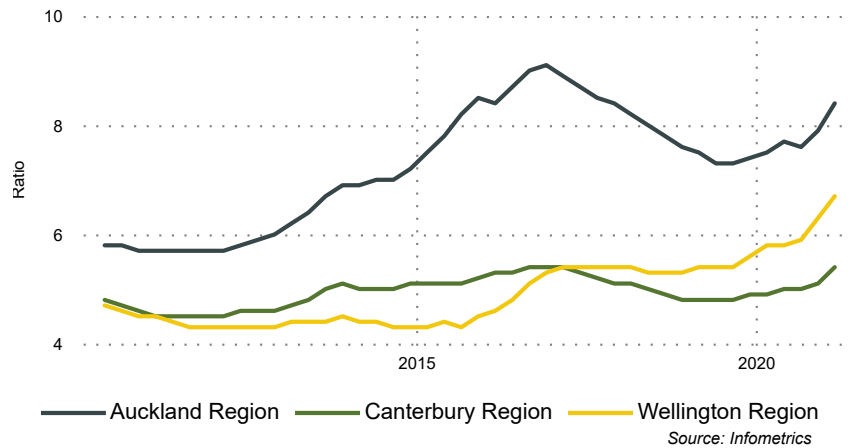
Core and core fringe (Central City) retail spending (incl. fuel) increased 2.6 percent, as did retail spending in the city which was up by 2.3 percent, in Q1 2021 when compared to Q1 2020. When considering customer origin spend in the Central City, due to continued border restrictions spending by Australian and rest of international visitors saw the most significant declines during Q1 2021 compared to Q1 2020 (90.7 percent and 81.5 percent, respectively). Given the recently opened trans-Tasman travel bubble, Australian visitor spend will be a source of more retail activity in the city as we progress through Q2 2021. Spending by rest of New Zealand and rest of Canterbury visitors saw strong growth over Q1 2021 compared to Q1 2020 (50.8 percent and 40.1 percent, respectively). Domestic visitor activity has increased in the Central City in the period following the Covid-19 outbreak due to New Zealanders inability to travel internationally. Despite this exceptional domestic visitor activity, it is unlikely to be enough to cover the loss from a lack of international visitors. According to the latest data available, high-end CBD rents reached \$370 per sqm in 2020, while low-end CBD office space rents reached \$350 per sqm in the same year, likely driven by internal churn from the suburbs to the central city. Also, during the last years the CBD office vacancy rates decreased constantly, from 23.9 percent in 2016 to 14.9 percent in 2020.

Canterbury in context

ChristchurchNZ conducts regular research on economic developments and provides analysis on factors that influence our economy. Transitioning from a high-growth period, within the context of the Covid-19 pandemic, has meant that the Christchurch and Canterbury economies have undergone a huge amount of change in recent years.

The graphs below provide insights into how this growth is playing out across the housing and employment indicators. Christchurch's growing reputation as a desirable, affordable city to live is driven by a lower residential rent, median house price and unemployment rate, particularly in comparison to Auckland and Wellington.

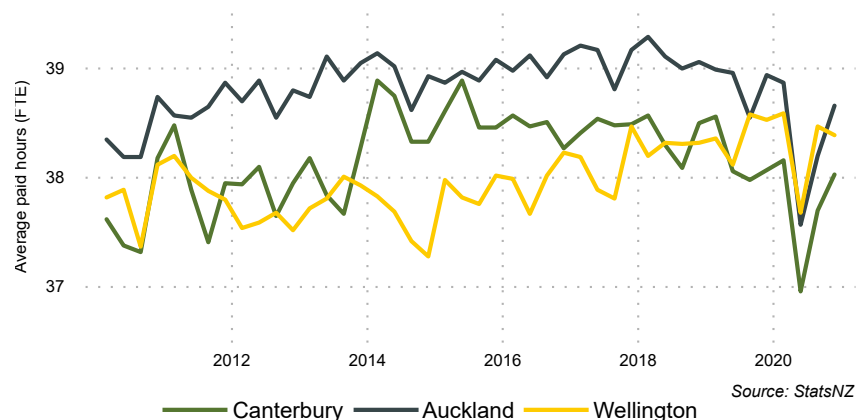
Figure 32. Residential affordability



Residential affordability shows that Canterbury continues to be the most affordable region of the three metropolitan areas (together with Auckland and Wellington).

* Housing affordability is estimated by comparing average current house values with average annual employment earnings from filled jobs.

Figure 33. Hours worked

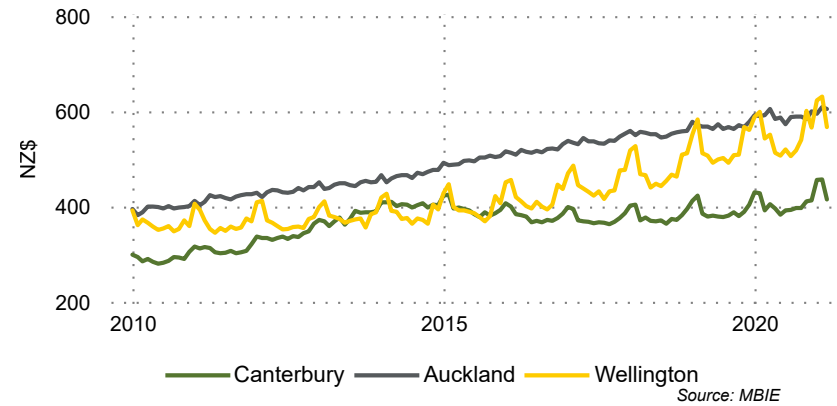


The average paid hours per FTE in Canterbury (38.02) is lower than Auckland (38.65) and Wellington (38.38).

Hours worked fell sharply in the June quarter due to Covid-related factors. In Canterbury, during Q4 2020 the hours worked were only down by 0.1 percent when compared to the same quarter last year, which suggests that hours have since recovered to normal levels.

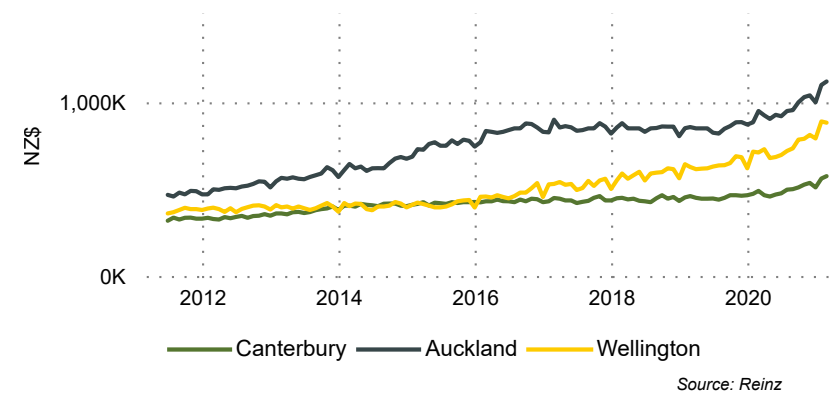
ChristchurchNZ

Figure 34. Mean residential rent, weekly



Residential rents in Canterbury have remained relatively constant over the last 5 years. However, in the last two quarters we have begun to see upward pressure on rental prices as demand outstrips supply. Currently, Canterbury's quarterly mean residential weekly rent in Q1 2021 is \$443, which is 26.6 percent lower than Auckland (\$603) and 27.1 percent lower than Wellington (\$607).

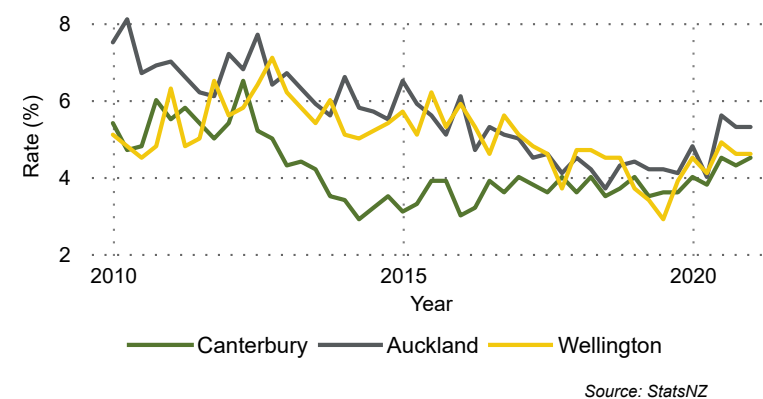
Figure 35. Median house price



The housing market continues to run hot with strong growth in the house prices in Canterbury, Auckland and Wellington over the March quarter.

Canterbury median house price in Q1 2021 is \$575,000, which is 48.7 percent lower than Auckland (\$1.1 million) and 34.9 percent lower than Wellington (\$882,700).

Figure 36. Unemployment rate



The level of unemployment in Canterbury increased from 4.3 percent in Q4 2020 to 4.5 percent in Q1 2021, higher than the national unemployment levels of 4.9 percent in Q1 2021 (unchanged from 4.9 percent in Q4 2020).

Unemployment rates for both the Auckland and Wellington regions remained unchanged in Q1 2021 compared to Q4 2020 (5.3 percent and 4.6 percent, respectively).

Data sources

ANZ: <http://www.anz.co.nz/commercial-institutional/economic-markets-research/>

BNZ Business NZ: <http://www.businessnz.org.nz/surveys/501>

BusinessNZ: <http://www.businessnz.org.nz>

Christchurch City Council: <https://www.ccc.govt.nz/culture-and-community/christchurch/statistics-and-facts/facts-stats-and-figures/central-city-indicators/>

Colliers International: <https://www.colliers.co.nz/offices/christchurch%20agency/>

Education New Zealand: <https://intellilab.enz.govt.nz/>

Immigration New Zealand: <https://www.immigration.govt.nz/about-us/research-and-statistics/statistics>

Infometrics Ltd: <http://www.infometrics.co.nz/>

Marketview: <https://marketview.co.nz/>

Ministry of Business, Innovation and Employment: <http://www.mbie.govt.nz/>

New Zealand Institute of Economic Research Inc (NZIER): <http://nzier.co.nz/>

Real Estate Institute New Zealand: <https://www.reinz.co.nz/>

Statistics New Zealand: <http://www.stats.govt.nz/> *This work is based on/includes Statistics New Zealand's data which are licensed by Statistics New Zealand for re-use under the Creative Commons Attribution 3.0 New Zealand licence.*

Westpac: <https://www.westpac.co.nz/>

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