



Monthly Economic Insights Brief

October 2022



On-the-pulse analysis delivered monthly, with reporting that wraps around various economic issues and provides insight into areas of interest.

This report includes the Economic Activity Index comparing Canterbury's economic performance with the rest of Aotearoa, as well as the latest Marketview data showing the city's retail and growth trends.

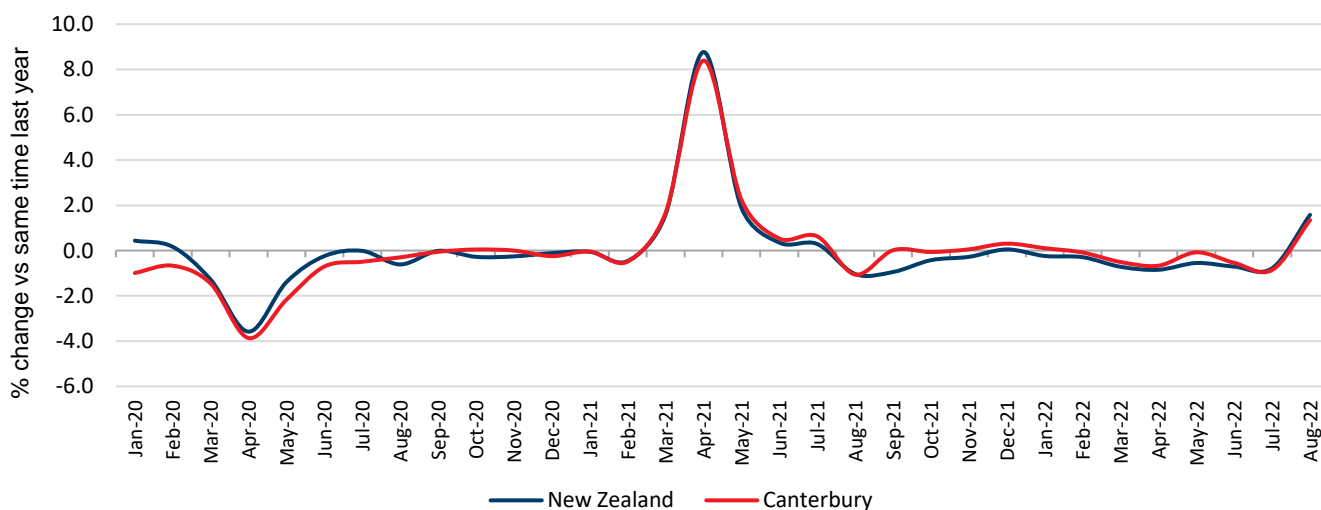


Canterbury Economic Activity Index (August 2022)

- In August 2022, the Canterbury Economic Activity Index (CEAI) was 1.3, while the national figure was 1.6. This means that in August 2022, economic activity in Canterbury was 1.3 percent higher than during August 2021, while national economic activity was up 1.6 percent. Note that an Alert Level 4 lockdown took place during August 2021, making the baseline for year-on-year comparison unusually low.
- The CEAI increased 2.2 percentage points from the previous month of July, while the national figure increased 2.4 percentage points.
- During August 2022, Canterbury experienced positive year-on-year growth in all five indicators that feed the CEAI. The strongest growth occurred in retail spending (up 37%), which is unsurprising given the sharp contraction in spending that took place during August 2021. The number of Jobs Online also experienced strong growth, rising 36 percent from August 2021 to a new record high.
- During August 2022, Canterbury's Performance of Manufacturing Index (PMI) climbed from the contractionary lows observed during June and July to a score of 55.3, marking a return to expansive territory for the manufacturing sector.

Canterbury Economic Activity Index (CEAI)

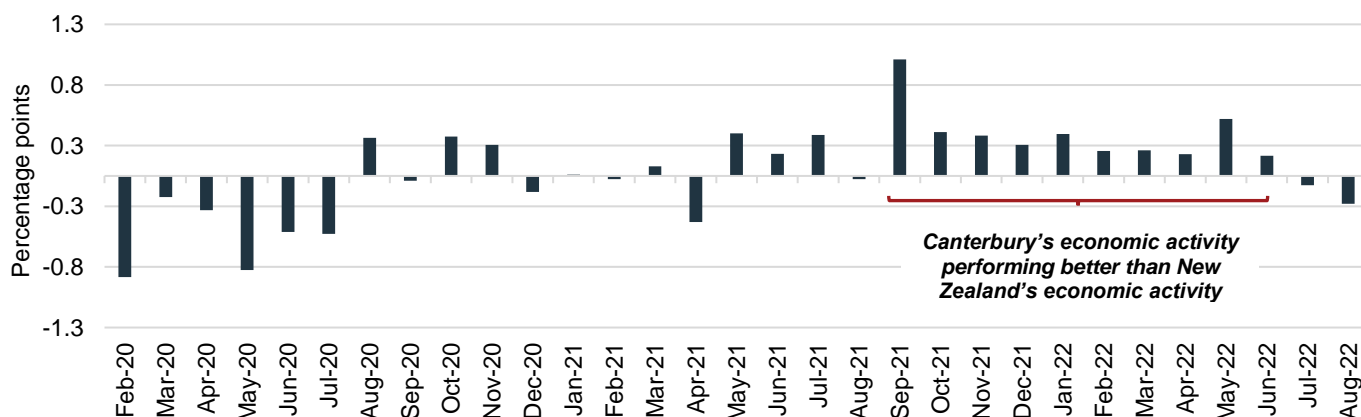
Source: ChristchurchNZ



Difference between New Zealand and Canterbury Economic Activity Indexes

(>0 Canterbury higher than NZ; <0 Canterbury lower than NZ)

Source: ChristchurchNZ



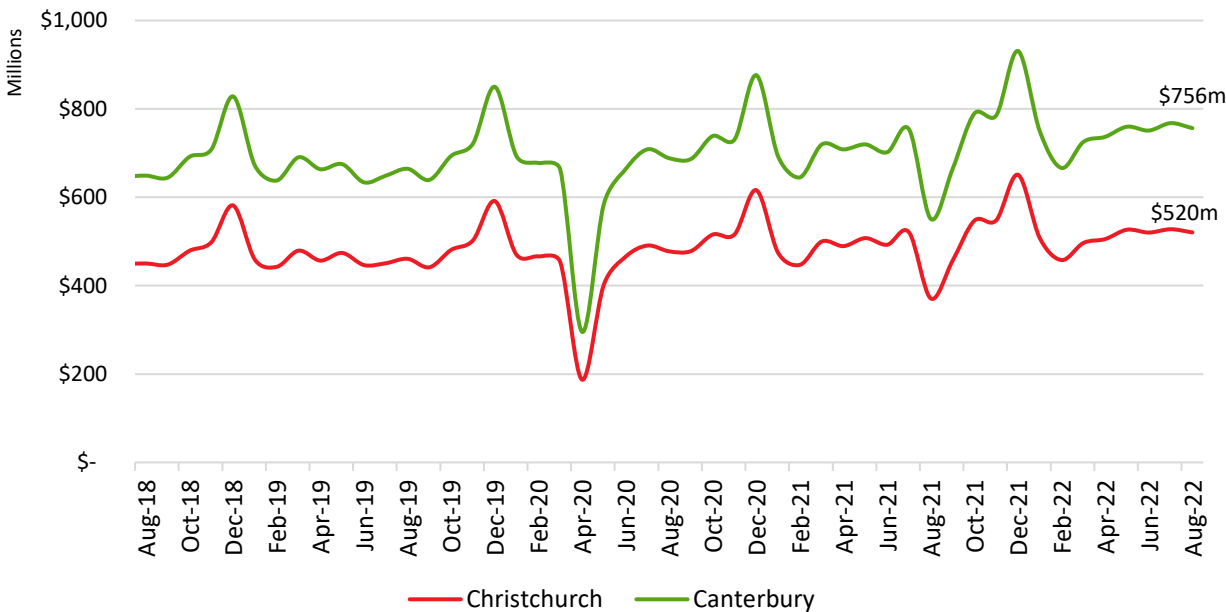


Retail spending (August 2022)

- In August 2022, retail spending in Christchurch increased by 2 percent from the previous month of July to a total of \$520.5 million. Year-on-year growth rates in retail spending for August 2022 are significant, as a two-week Level 4 lockdown took place during August 2021. This makes the baseline for comparison unusually low. Comparisons to August 2020 have also been used here to provide a more meaningful baseline.
- The volume of retail spending via electronic card transactions in Christchurch increased 41.8 percent in August 2022 from that of August 2021. Compared to August 2020, the volume of spending increased 1.5 percent, while total spending value increased 9.0 percent.
- Apparel & personal, fuel & automotive, groceries & liquor and home & recreation retail all experienced an uplift in spending volumes compared to August 2020. Meanwhile, transactions at cafes, restaurants, bars & takeaways remained below August 2020 levels, alongside other consumer spending.
- Transactions in the central city were at their highest levels since December 2021. This was partially boosted by a month-on-month lift in hospitality spending, with transactions at central city cafes, restaurants, bars & takeaways lifting to levels unseen since July 2021.

Retail spending via electronic card transactions

Source: Marketview



Christchurch Retail Spending (August 2022 vs August 2020)				
Category	Transactions		Spending Value	
Fuel & Automotive	11.2%	<div></div>	36.0%	<div></div>
Apparel & Personal	9.3%	<div></div>	16.5%	<div></div>
Home & Recreation Retail	2.0%	<div></div>	-2.3%	<div></div>
Total	1.5%	<div></div>	9.0%	<div></div>
Groceries & liquor	1.0%	<div></div>	3.4%	<div></div>
Cafes, Restaurants, bars & takeaways	-1.9%	<div></div>	6.8%	<div></div>
Other Consumer Spending	-2.4%	<div></div>	44.9%	<div></div>



Update on International Visitation (July/August 2022)

International visitor arrivals (July 2022)

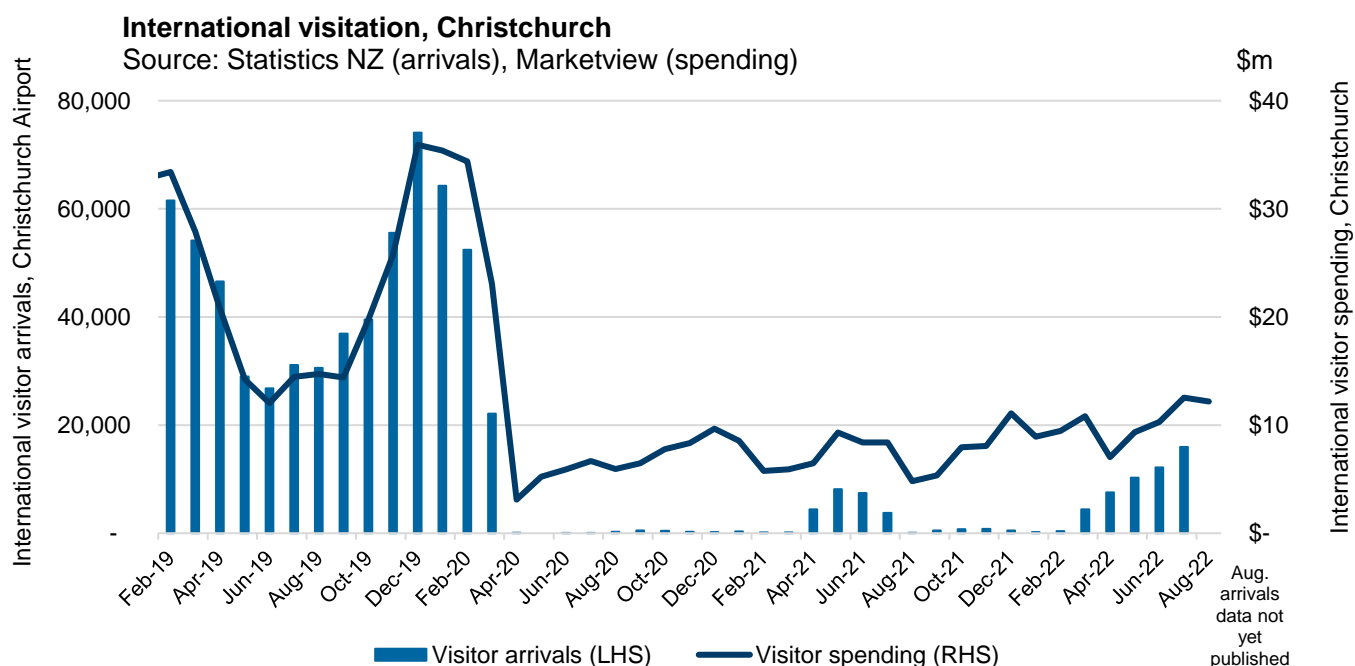
- There were just under 16,000 international visitor arrivals at Christchurch Airport during July 2022, up 31 percent from 12,100 in the previous month of June.
- 74 percent of visitor arrivals at Christchurch Airport were from Australia. Of these Australian visitor arrivals, 49 percent were visiting friends and relatives and 38 percent were visiting for a holiday.
- 46 percent of all visitor arrivals in Christchurch were travelling to visit friends and relatives, compared to 39 percent across all New Zealand airports. The proportion of arrivals at Christchurch Airport visiting for a holiday increased slightly from 35 percent in the previous month of June, to 37 percent in July.
- The number of international visitor arrivals at Christchurch Airport during July 2022 was equivalent to 51 percent of pre-COVID July levels (i.e., compared to July 2019), up from 45 percent of pre-COVID levels in June.

Number of international visitor arrivals at Christchurch Airport: equivalence to pre-COVID levels (i.e., vs 2019)

	Holiday	VFR	Business	All
May-22	16%	76%	36%	35%
Jun-22	29%	83%	35%	45%
Jul-22	34%	90%	39%	51%

International Visitor Spending (August 2022)

- International visitor spending in Christchurch City fell slightly (- 3%) to \$12.2 million in August 2022, from \$12.5 million in the previous month of July.
- This was equivalent to 84 percent of international visitor spending during a pre-COVID August (i.e., compared to August 2019). The number of transactions sat at 89 percent of a pre-COVID August.
- In previous months we observed that international spending on categories like groceries & liquor, fuel & automotive and apparel & personal had increased compared to the same month pre-COVID, while spending on tourism-focussed categories (e.g., accommodation, arts & recreation) remained well below pre-COVID levels. During August 2022, international visitor spending was below that of August 2019 across all spending categories. The largest deficiencies (compared to pre-COVID) were in spending on arts & recreation services (- 47%) and transport & travel (- 38%).



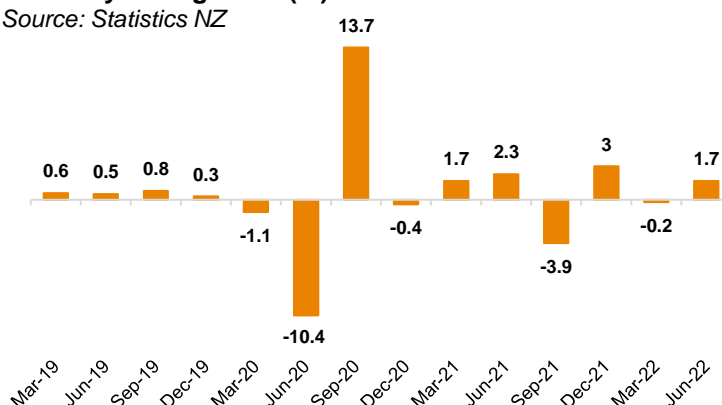


Gross Domestic Product (Q2 2022)

- Latest GDP figures released by Statistics NZ show that New Zealand has avoided a recession, with national GDP growing 1.7 percent in the June 2022 quarter. A recession occurs when an economy experiences two consecutive quarters of negative GDP growth. Quarterly growth fell to -0.2 percent in the March quarter, meaning a negative quarterly growth rate for June would have pushed the country into a recessionary environment.

Quarterly GDP growth (%)

Source: Statistics NZ

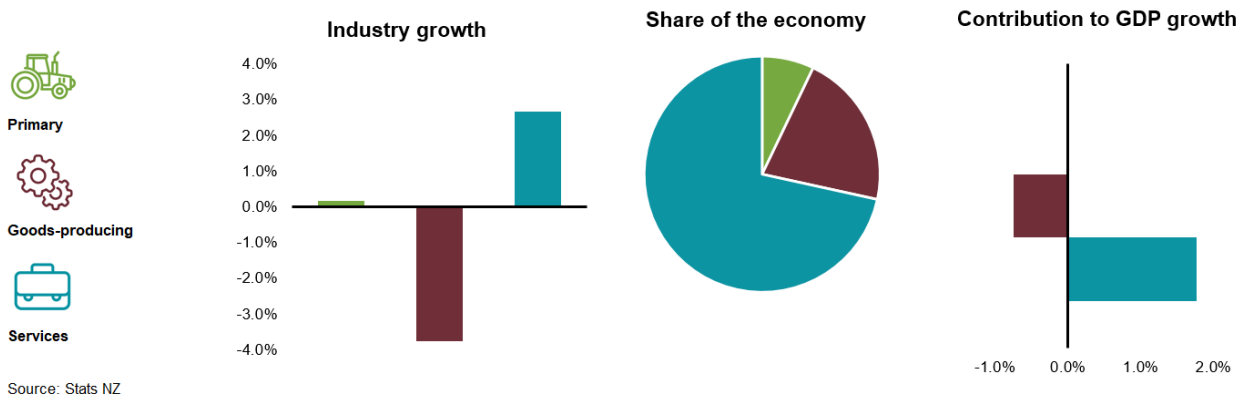


GDP by industry production

- New Zealand's positive GDP growth was driven by growth in the service industries (up 2.7%). The return of international tourism was a key source of growth during the June quarter. Increased activity in both air transport and transport support services produced a quarterly growth rate of 19.7 percent for the transport, postal and warehousing sector. The retail, accommodation, and restaurant sector grew 5.9 percent over the same period, benefiting from changes to both border and COVID traffic light settings. Arts, recreation, and other services also contributed to expansion in the services sector, growing 9.0 percent from the March quarter.
- Conversely, goods-producing industries experienced negative GDP growth during the June quarter, shrinking -3.8 percent from the March quarter. Key downward drivers within the goods-producing industries were the manufacturing sector (down -5.9%, likely due to the closure of the Marsden Point Oil Refinery) and construction (down -2.4%).

Gross domestic product, industry growth and contribution to growth, June 2022 quarter

GDP rose 1.7% in the June 2022 quarter



GDP expenditure

- Household spending dragged GDP expenditure growth downward during the June quarter, with household consumption expenditure falling - 3.2 percent. This was driven by reduced spending on durable goods (- 8.6%). Durable goods are goods that tend to be used over time rather than consumed immediately, such as cars or furniture. This decline in spending on durable goods is unsurprising given ongoing rises to interest rates. As the cost of servicing debt rises, households will cut back on their consumption in other areas. Expenditure on non-durable goods also declined during the June quarter, falling by - 2.3 percent.
- Such reductions in consumer spending indicate that upward movements of the Official Cash Rate by the Reserve Bank are beginning to take effect.



Economic Confidence (Q3 2022)

Regional Economic Confidence

- Economic confidence in Canterbury remained in negative territory during the September 22 quarter, with a score of -8. Regional economic confidence reflects the difference between the percentage of respondents who expect economic conditions in their region to improve over the next twelve months, and those who expect conditions to worsen. A negative score indicates a net pessimistic response. Canterbury's September score reflected a 9-point lift from the record low of the previous quarter. This was in alignment with confidence trends across the country, although Canterbury did demonstrate a stronger bounce-back than the national average.
- Westpac pointed to the comparatively smaller declines in regional house prices and ongoing strength in primary industries as contributing factors to the partial recovery in Canterbury's economic confidence. However, these were unable to outweigh the drag of ongoing cost-of-living pressures on household sentiment.
- Looking forward:* Canterbury is expected to emerge as one of the better-performing regions in coming quarters. Commentators anticipate a divide between the regions benefiting from strong agricultural incomes and the return of international tourism, and those struggling against the combined headwinds of cost-of-living pressures and declining house prices.

Regional economic confidence (net confidence %)	Sept 2022
Source: Westpac	
Waikato	16
Wellington	7
Southland	-1
Bay of Plenty	-6
Canterbury	-8
Gisborne/ Hawkes Bay	-10
Nelson, Marlborough & West Coast	-11
Taranaki/ Manawatu-Whanganui	-16
Otago	-17
Auckland	-22
Northland	-36

Consumer Confidence

- Consumer confidence remained firmly in grim territory during the September quarter, despite lifting from Q2 2022. Confidence remains at levels previously only seen during recessions, despite the fact that New Zealand is not currently in one. The feeling of gloom hanging over New Zealand consumers is credited to the ongoing impacts of inflation and rising interest rates on household budgets.
- Consumer confidence scores indicate the net balance of optimistic vs pessimistic responses to questions about household's financial situations, purchasing decisions and feelings about future financial and economic prospects. A score below 100 indicates a net pessimistic result.
- Canterbury's consumer confidence score of 82.2 sat below that of New Zealand as a whole (87.6). Confidence was highest in Wellington (105) and Waikato (103), and lowest in Otago (75.4) and Southland (76.7).
- One trend that emerged from the September consumer confidence results was a divergence among young people away from the national trend. Confidence among young people (18-29) was found to be decidedly more optimistic than other groups, with confidence back at pre-pandemic levels during the September quarter. Westpac's commentary highlights that this is likely because young people tend to change jobs more often. Given the tightness of today's labour market, they are well positioned to have secured solid pay rises with their new roles. Alongside the fact that young people are less likely to be homeowners, this group may have been more insulated from some of the concerns plaguing older consumers.



Housing Market (August 2022)

House prices

- House prices continued to fall during August 2022. While Christchurch and Canterbury recorded positive year-on-year growth rates (up 0.9% and 4.8% from August 2021, respectively), growth was negative across Auckland (-8.3%), Wellington (-9.3%) and New Zealand (-5.9%).
- Median house prices in Christchurch have now fallen -10.3 percent from their February peak, with the decline up from -9.7% in the previous month of July.

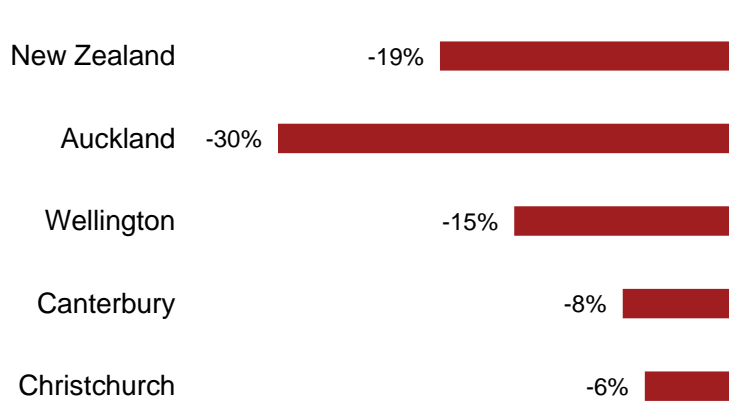
Area	Median price (Aug-22)	Peak median price	Decline from peak
Christchurch	\$656k	\$731k (Feb-22)	-10.3%
Canterbury	\$650k	\$720k (Feb-22)	-9.7%
Auckland	\$1.1m	\$1.3m (Nov-21)	-15.4%
Wellington	\$780k	\$1.0m (Oct-21)	-22.0%
New Zealand	\$800k	\$920k (Nov-21)	-13.0%

House sales

- The number of houses sold during August 2022 fell below that of an average August in all our monitored areas. Across New Zealand, approximately 1,200 less houses were sold compared to during a typical August.
- The Auckland region experienced the largest contraction in house sales compared to an average August, falling -30 percent. This is equivalent to a reduction of approximately 630 house sales. In comparison, Canterbury sales fell by 60 from the August average.

Number of houses sold in August 2022 vs average number sold in August (2008-2020)

Source: REINZ



Residential mortgage lending

- Just over 15,000 residential mortgages were issued in New Zealand during August 2022. This was -40 percent below the 25,000 mortgages that were issued on average in a typical August from 2015-2021.
- Lending to investors took the largest tumble compared to a typical August, falling -53 percent below the 2015-2021 average. Mortgage lending to 'other owner-occupiers' (i.e., those who are not first-home buyers) fell -41 percent from that of an average August. This group largely drove the overall decline in mortgage lending, given that this borrower type made up 73 percent of the total number of residential mortgages issued in August 2022. First-home buyers experienced a comparatively smaller decline in mortgage lending, with figures for August 2022 sitting -9 percent below typical August levels.

For queries related to ChristchurchNZ's economic insights, please contact:

Sophie Jones (Economic Analyst): sophie.jones@christchurchnz.com