



Monthly Economic Insights Brief

April 2023



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

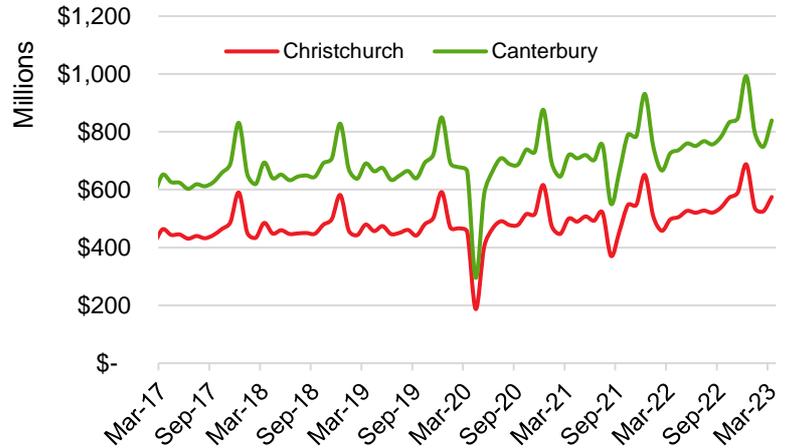


Retail Spending (February 2023)

- The value of retail spending in Christchurch during March 2023 came to \$574.7m, an increase of 15.7 percent from March 2022. The volume of retail spending (number of transactions) in Christchurch increased 17.6 percent over the same period. These strong growth rates reflect the lower levels of economic activity that took place during March 2022 due to the impact of COVID-19.
- The number of transactions carried out by residents of Christchurch increased 9.5 percent from March 2022. However, comparisons to more 'typical' March periods do not show a similar uplift. Transactions by locals increased 1.8 percent compared to March 2019, and decreased (by -2.3%) compared to March 2021.

Value of retail spending, Christchurch & Canterbury

Source: Marketview



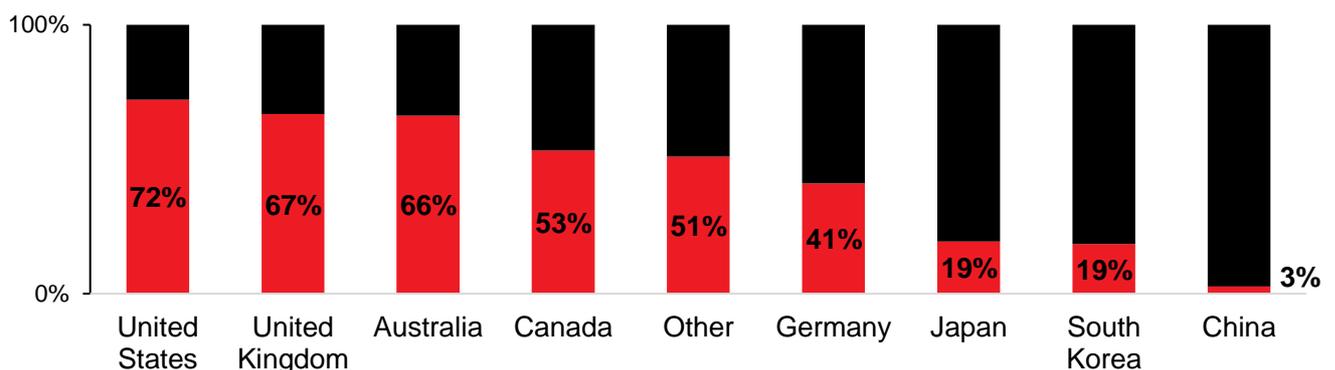
Update on International Visitation (February-March 2023)

International visitor arrivals (February 2023)

- Approximately 31,000 visitor arrivals landed at Christchurch Airport during February 2023, a 4 percent increase from the previous month. This was driven by a month-on-month lift in business and holiday arrivals (up 16% and 6% from January, respectively).
- Holiday arrivals made up 54 percent of monthly arrivals at Christchurch airport, compared to 46 percent across New Zealand as a whole.
- Comparing visitor arrivals over the summer period (December 2022- February 2023) with the same time pre-COVID (2019/20) can be used to understand how recovery has varied by visitor market. Arrivals from the United States recorded the strongest recovery to 72 percent of pre-COVID summer levels, followed by visitors from the UK (67%) and Australia (66%).
- Arrivals from China remained very low due to the closure of the Chinese border until recently. The re-opening of the border has seen a lift in travel demand from China and this is expected to increase in the coming year. According to [MFAT](#), booking enquiries from Chinese travellers looking to visit New Zealand have increased significantly, enabled further by the loosening of COVID-testing requirements in China, the impact of increased flight frequency on average flight prices and growth in demand from Chinese business travellers.

Recovery in visitor arrivals at Christchurch Airport by market, Summer 2022/23 vs pre-COVID

Source: ChristchurchNZ, Statistics NZ





International Visitor Spending (March 2023)

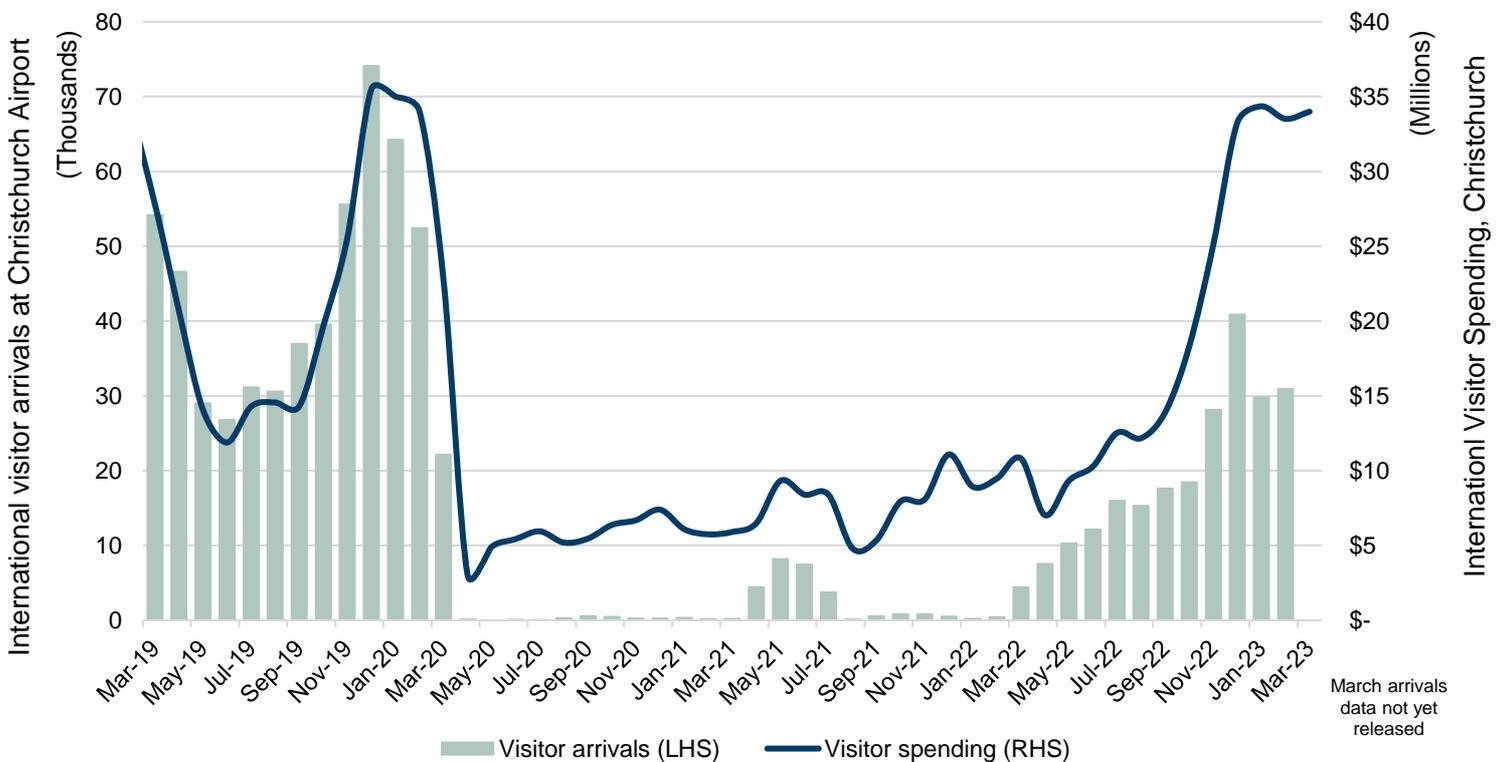
- International visitor spending in Christchurch City in March 2023 increased slightly from the previous month to a total of \$34 million. This was 22.3 percent higher than the same month pre-COVID (March 2019).
- International visitor spending on accommodation, arts & recreation and transport & travel were down on pre-COVID levels (by -2.7%, -22.3% and -29.7%, respectively). Meanwhile, spending on food & beverage services and retail trade increased over the same period (up 32.7% and 48.1% from March 2019, respectively). Spending in these categories makes up around ¾ of international visitor spend, making them key drivers of overall visitor spending trends.
- Visitors from Australia and the United States were the two highest spending international visitor markets in Christchurch during March 2023, each making up around 19 percent of international spend.

Cruise Visitation

- The cruise season has concluded for Christchurch, with just under 23,000 passengers estimated to have been onboard the 8 cruise ships that docked at Lyttelton port during March & April 2023.
- A total of 90 cruise ships visited the ports of Akaroa and Lyttelton over the cruise season (October 2022 – April 2023), carrying over 158,000 passengers. Of the 90 total ships, 75 visited Lyttelton and the remaining 15 visited Akaroa.
- Visits to a port do not necessarily mean that passengers disembarked, and passenger statistics should therefore only be treated as a general indicator of cruise activity.

International visitation, Christchurch

Source: Statistics NZ, Marketview





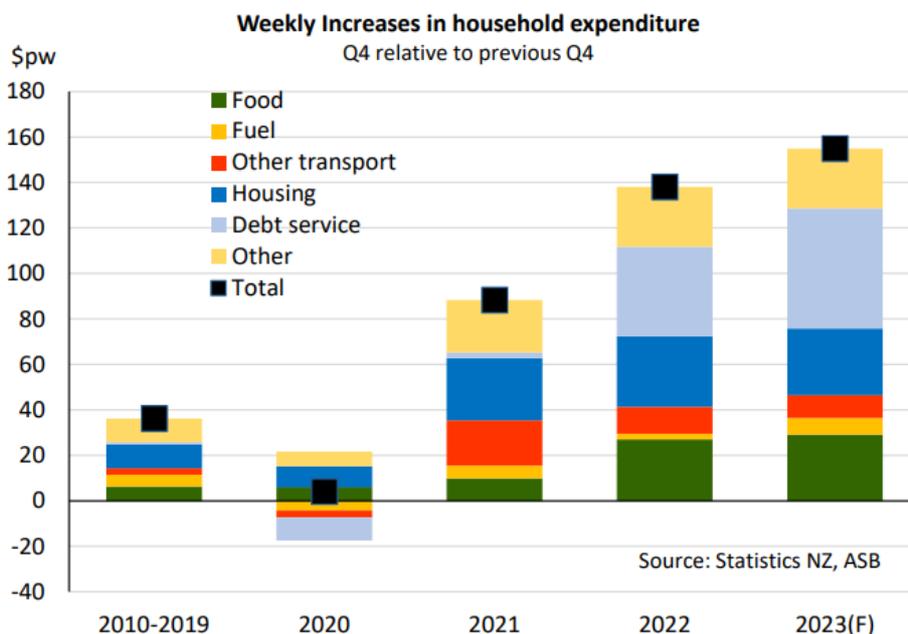
Financial Environment

Monetary Policy Review (April 2023)

- The Reserve Bank increased the Official Cash Rate (OCR) by 50-basis points to 5.25 percent at the last Monetary Policy Review. This was a larger than expected hike, with most analysts expecting a 25-basis point increase. The OCR is currently at its highest level since late 2008.
- The size of the OCR hike and hawkish tone of the policy statement that accompanied it reflect three key economic factors:
 - Since the February Monetary Policy Statement, wholesale interest rates have fallen significantly, following recent banking stress in the USA and Europe. The Reserve Bank cited this as having potential to create downward pressure on lending rates. This appears to have already happened, with average fixed-term mortgage rates having fallen slightly since February. The Reserve Bank has therefore countered this downward pressure with a decisive hike to the cash rate, to keep upward pressure on short-term rates and discourage the market from prematurely pricing in OCR cuts.
 - Cyclone Gabrielle has added to inflationary pressures for some goods and services, and the Reserve Bank now anticipates that this will carry through in the rebuild effort over the medium-term. This extra demand for resources is expected to drive inflationary pressures above what was assumed in the February Monetary Policy Statement. This increases the risk that the OCR may need to peak at a higher rate than previously expected.
 - The Reserve Bank also identified that risks to inflationary pressure from fiscal policy were skewed to the upside. This holds particular weight due to ongoing demand for government services in the context of rising costs of provision, and the impact of the Cyclone Gabrielle recovery effort on the upcoming 2023 Budget.

Household Costs

- Borrowers face an increasingly challenging environment, with the cost of servicing debt increasing significantly in recent months. This increase in borrowing fees is occurring against a backdrop of general upward pressures on the cost of living. [ASB](#) recently estimated that higher consumer prices and borrowing costs could increase household outgoings by an average of \$150 per week over 2023, which is equivalent to a yearly increase of almost \$8000. This follows two previous years of already sizeable increases (see graph from ASB).





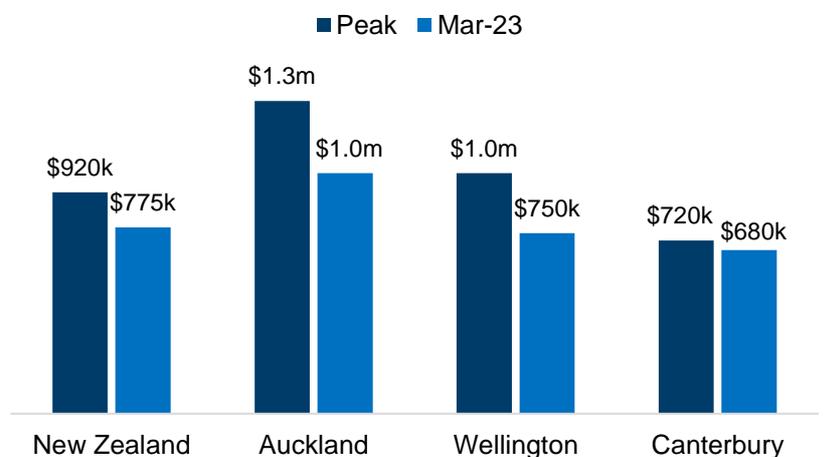
- There have been limited signs of widespread financial stress in the household sector, which has been supported by a strong labour market. However, recent data from Centrix does indicate that credit arrears are trending upward.
 - Data for February 2023 saw national mortgage arrears climb for the seventh month in a row, which is out of line with typical seasonal patterns. This is equivalent to 18,900 mortgages that were past due in February, equivalent to 1.3 percent of mortgages (up 23% from February 2022).
 - Centrix also reported that 10.5 percent of all borrowers in Canterbury were in arrears in February 2023, compared to 11.5 percent across New Zealand. This includes both those with mortgages and consumer debt. Historic data is not available for Canterbury, but at the national-level, arrears were up 8% from the same time in 2022.

Housing Market

- March is usually the busiest month of the year for the residential property market. Despite this, activity remained very subdued during March 2023, with annual house price growth continuing to push further into the negatives. The median house price in Canterbury during March 2023 was \$680,000, down -2.9 percent from March 2022.
- It has now been just over a year since the median house price hit its peak in Canterbury in February 2022. The median house price in Canterbury has since declined by -5.6 percent or -\$40k. Median prices in the other major centres peaked earlier (late 2021) and have recorded substantial declines since then. House prices peaked during November 2021 in Auckland at \$1.3m and have since fallen -23.0 percent or just under \$300k in real terms. Similarly, the median house price peaked at \$1.0m in Wellington in October 2021, and as of March 2023 had dropped -25.0 percent or \$250k. Canterbury and Southland were the only two of New Zealand's sixteen regions in which the median house price in March 2023 had declined by less than \$50k from its respective peak, and one of just six regions where prices had declined by less than \$100k.

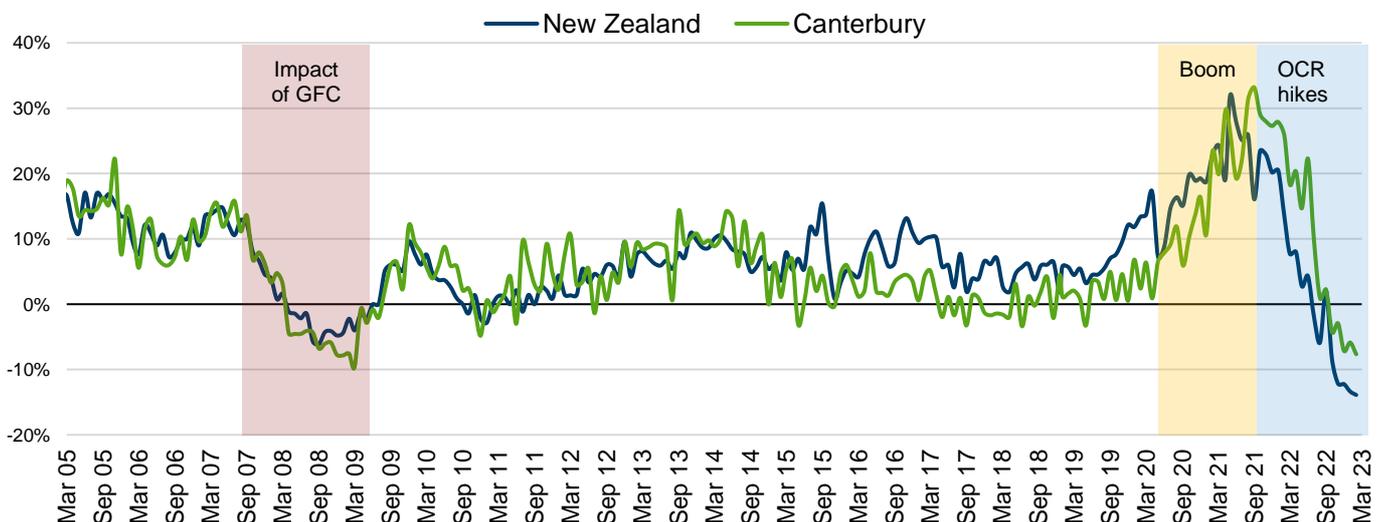
Median house prices- peak vs March 2023

Source: REINZ



Annual house price growth

Source: REINZ

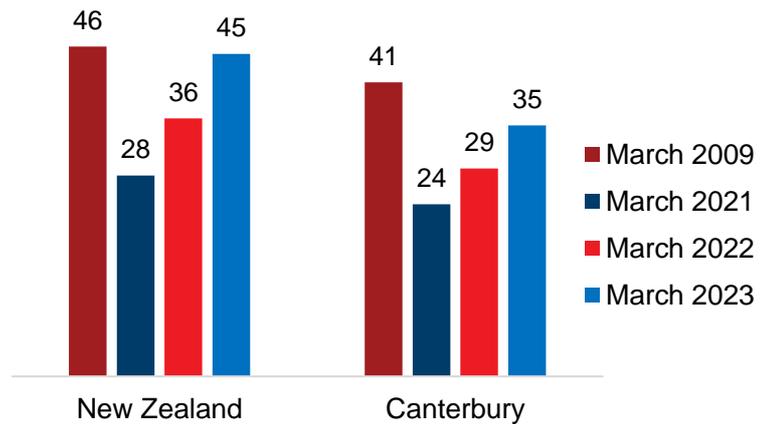




- This decline in activity within the housing market has also seen an uplift in the number of days taken for properties to sell. Nationally, the median number of days to sell increased to 45 days in March 2023. This is compared to 36 days during March last year, and 28 days during March 2021 when market activity was booming. This is also on par with the number of days taken to sell during March 2009 (46 days) when houses prices were declining during the GFC.
- In Canterbury, median days to sell sat at 35 in March 2023, up from 29 in March last year and 24 days in March 2021. This remains below the number of days taken to sell during the GFC (41 in March 2009).
- Note that days to sell data reflects the number of days to sell with the selling agent, meaning that the length of time a property was on the market may be higher if an owner has switched agents during the selling process.

Median days to sell property, March

Source: REINZ

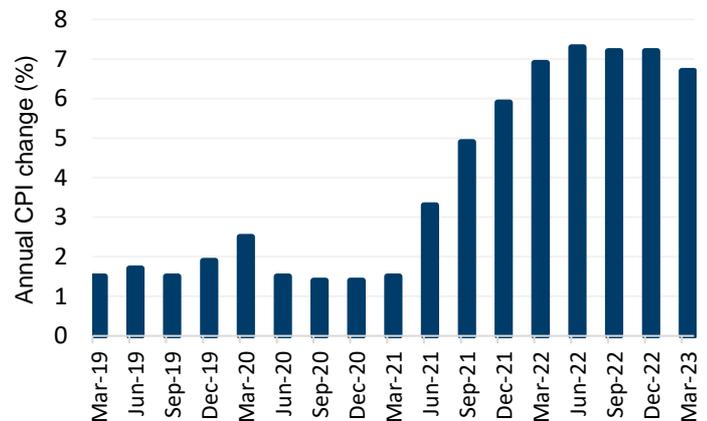


CPI Inflation (Q1 2023)

- The Consumer Price Index (CPI) data release for Q1 2023 indicates that consumer prices rose 6.7 percent on an annual basis, and 1.2 percent from the previous quarter. While inflation still increased on a quarterly basis, the pace at which inflation has been increasing has slowed in the last two quarters.
- The annual inflation rate was below most analyst forecasts, which were predicting an annual inflation rate of around 7.1 percent. The Reserve Bank had forecast a 7.3% increase in the CPI for Q1 in its April Monetary Policy Statement. The gap between inflationary expectations and the actual CPI result was mainly due to tradeable (i.e., largely imported) inflation coming in lower than expected. This was due to reductions in the price of international airfares and petrol over the three months to March 2023. Meanwhile, non-tradeable inflation (which is generated domestically) hit its highest annual rate since the series began in 1999. This is the form of inflation that the Reserve Bank seeks to influence through the OCR, and the ongoing strength of this will continue to impact decision-making at the next monetary policy review.
- Food prices were a key driver of inflation over the year to March 2023, with fruit and vegetable prices rising a significant 20.2 percent and grocery food up 12.3 percent. On a quarterly basis, food prices were up 3.7 percent. This was driven by a 9.5 percent increase in fruit and vegetable prices over the three months to March 2023 following recent storms in the North Island.

Consumer Price Index, annual change

Source: Statistics NZ



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