



Monthly Economic Insights Brief

June 2023



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

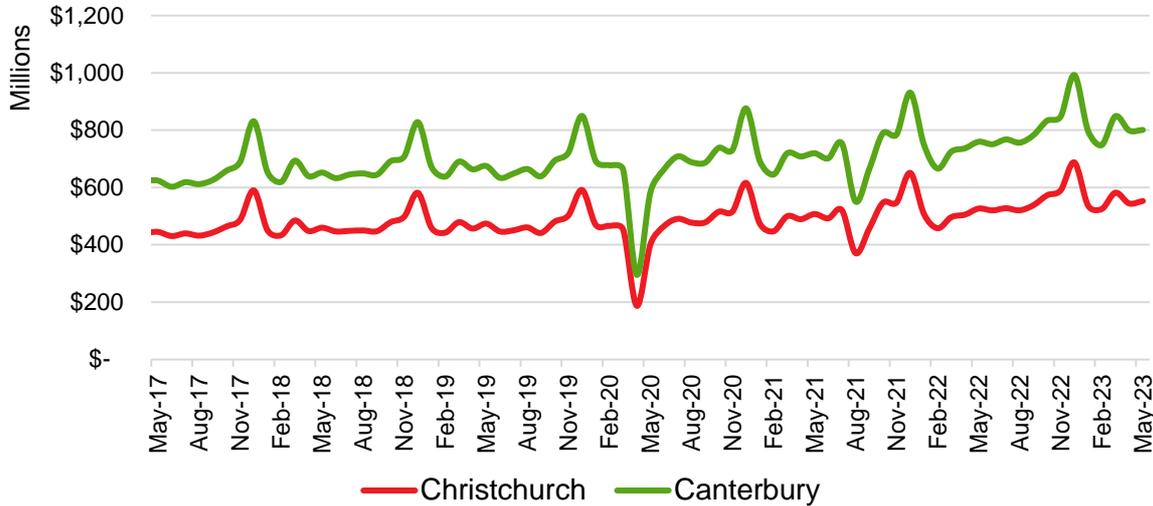


Retail Spending (May 2023)

The value of retail spending in Christchurch during May 2023 came to \$553m, an increase of 5.0 percent from May 2022. The volume of retail spending (number of transactions) in Christchurch increased 9.3 percent over the same period.

Value of retail spending, Christchurch & Canterbury

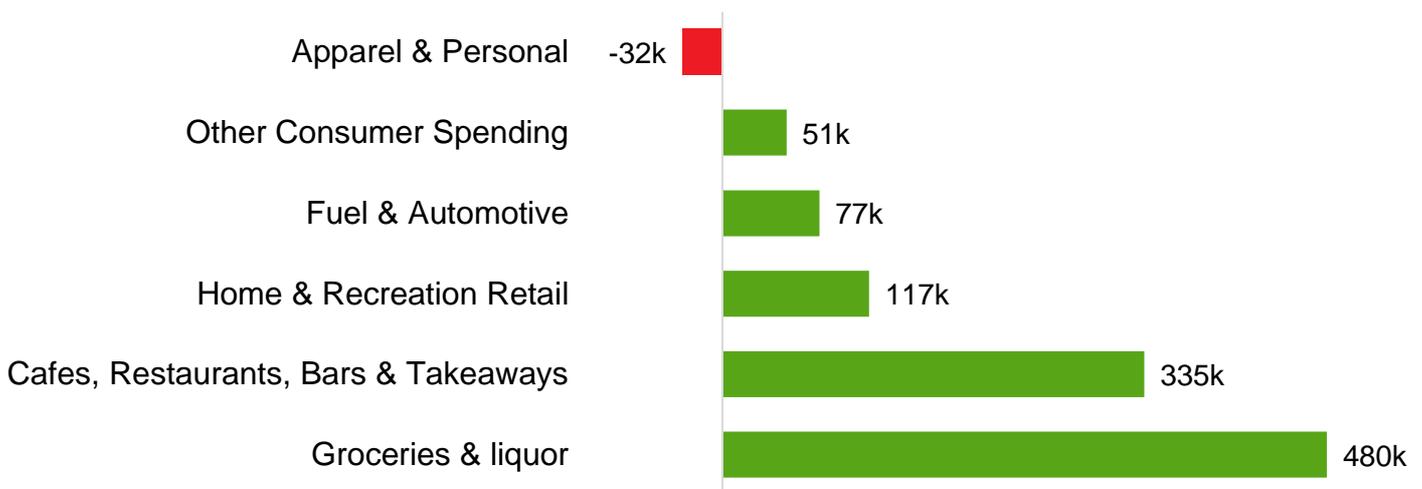
Source: Marketview



The only store type to experience a decline in transaction numbers from May last year was apparel & personal, with spending volumes falling by -6.8 percent (equivalent to 32,000 less transactions). Meanwhile, uplifts in spending volumes were partly driven by increased grocery & liquor transactions (up 480,000 or 11.8% from May 2022). Spending at cafes, restaurants, bars & takeaways also displayed strong transaction growth (up 335,000 or 10.9% from May last year). Overall, the number of in-store electronic card transactions carried out in Christchurch increased by 1.03 million from May 2022.

Real change in retail card transactions by category, Christchurch (May 2023 vs May 2022)

Source: Marketview



Around 60 percent of this increase in transaction volumes was driven by a lift in transactions carried out by Greater Christchurch locals. An additional 36 percent of this uplift came from increased spending volumes among international visitors.



Update on International Visitation (April-May 2023)

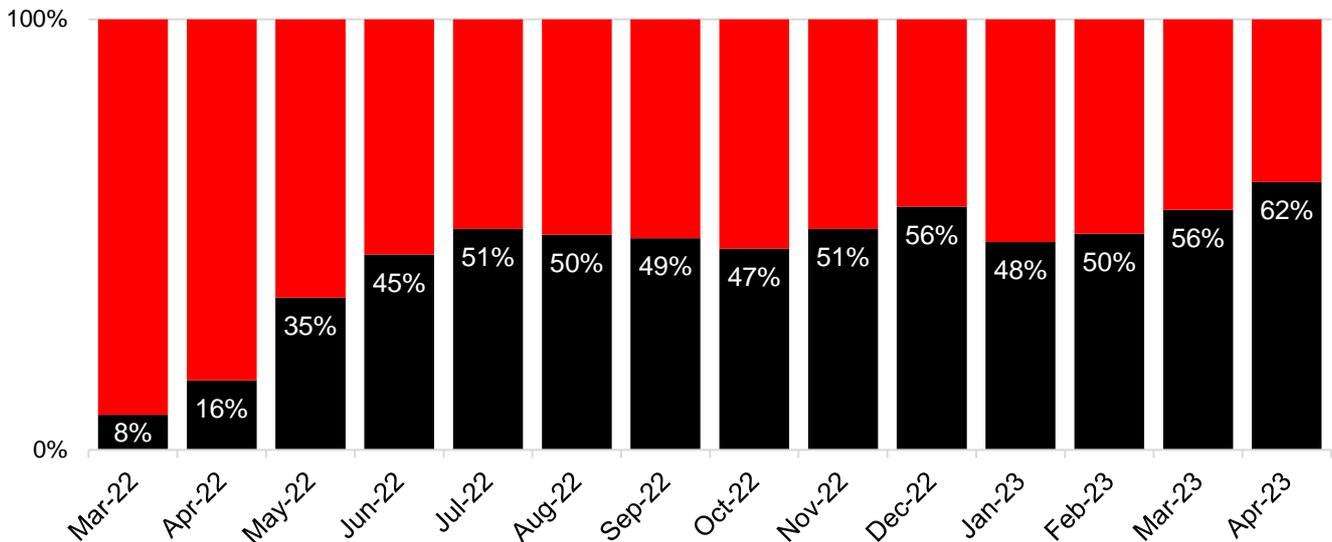
International visitor arrivals (April 2023)

Just under 29,000 visitor arrivals landed at Christchurch Airport during April 2023, a -4 percent decrease from the previous month. 52 percent of international arrivals were visiting for a holiday, 20 percent to visit friends & relatives and 5 percent for business.

International arrival numbers in Christchurch increased to 62 percent of pre-COVID levels during April 2023. This is the highest equivalence to monthly pre-COVID levels recorded in Christchurch in the post-pandemic period. This recent improvement in recovery has been enabled by an increase in international flight capacity. Air New Zealand recently announced international network capacity was back to approximately 91 percent of pre-COVID levels, rising from around 60 percent over summer. Rising visitation from China is also expected to support further improvements in recovery. While arrivals from China remained at just 9 percent of pre-COVID levels in April, arrival numbers had doubled from the previous month of March.

International visitor arrivals at Christchurch airport, equivalence to pre-COVID levels

Source: Statistics NZ, ChristchurchNZ



International Visitor Spending (May 2023)

International visitor spending in Christchurch City in May 2023 was \$23.5m. Spending on retail trade made up 61 percent of international visitor spend, followed by food & beverage services (19.5%), accommodation (11.3%), transport & travel services (5.4%) and arts & recreation services (2.3%).

While both the value and volume of international visitor spending increased compared to pre-COVID, the average transaction value fell -31 percent. This indicates that international visitors were making more frequent, but lower-value transactions compared to the same time pre-COVID. The largest decline in average transaction values took place in arts & recreation services. The number of transactions carried out in this category doubled in May 2023 compared to pre-COVID, but the average transaction value fell -32 percent over the same period. Retail trade recorded a -27 percent decline in the average transaction value compared to May 2019, while the number of transactions increased 150 percent.



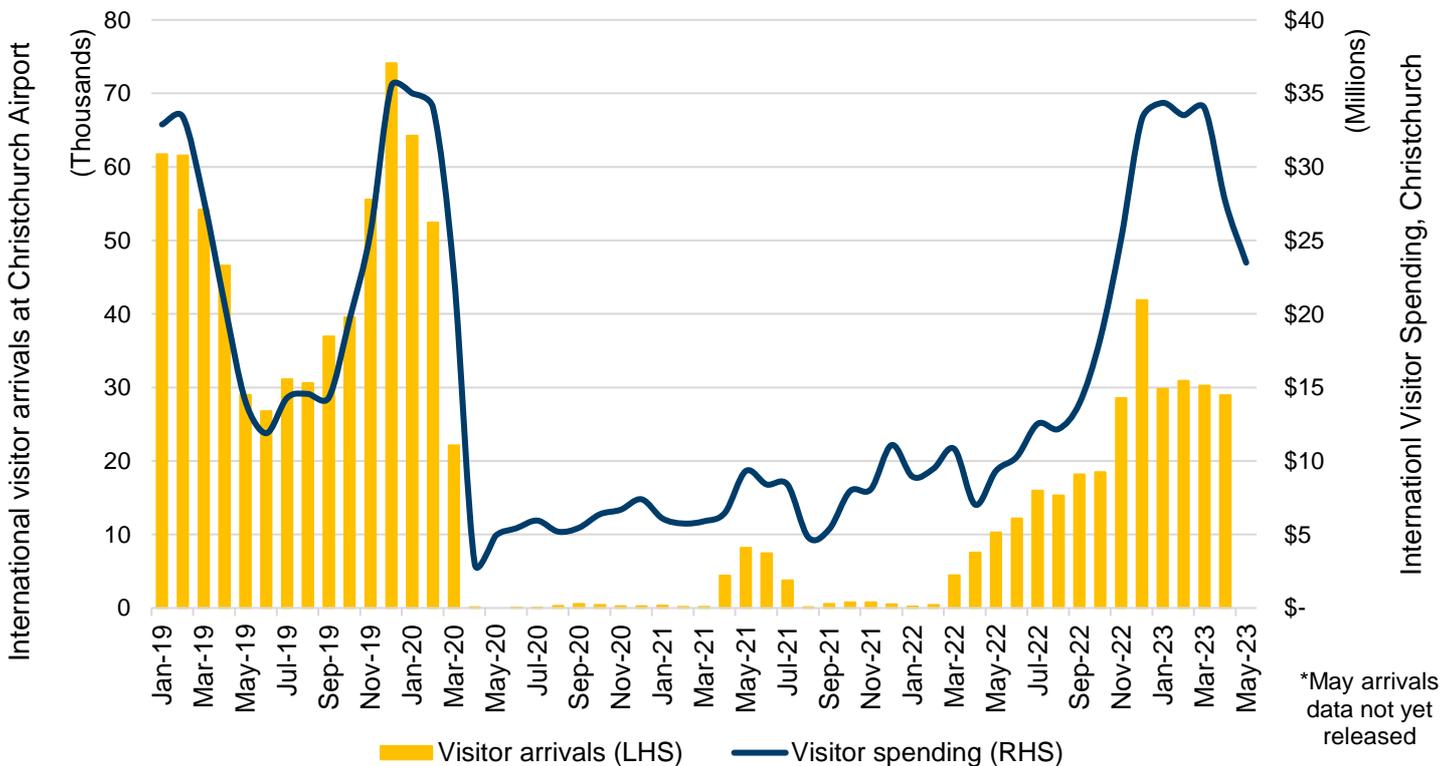
Average transaction value by category, international visitor spending in Christchurch		
	Average transaction value- May 2019	Average transaction value- May 2023
All categories	\$69.20	\$47.80
Accommodation	\$183.90	\$171.90
Arts & Recreation Services	\$50.60	\$34.40
Food & Beverage Services	\$31.90	\$25.90
Retail Trade	\$70.80	\$51.80
Transport & Travel Services	\$219.80	\$297.40

While the average transaction value has fallen compared to pre-COVID, the significant lift in transaction volumes (i.e. number of card swipes) has offset the impact of this on the overall value of spending by international visitors. In May 2023, there were over 490,000 international visitor transactions in Christchurch, a significant increase from the 200,000 transactions carried out during the same month in 2019.

Visitors from Australia and the United States were the two highest spending international visitor markets in Christchurch during May 2023, making up 17 percent and 15 percent of international spend, respectively.

International visitation, Christchurch

Source: Statistics NZ, Marketview





Jobs Online (May 2023)

Demand for labour has softened over 2023, as seen through a decline in the number of jobs advertised online. Job advertisements largely sat at record-high levels from the middle of 2021 to mid-to-late 2022. Since then, economic activity has slowed, and strong migration inflows have allowed more vacancies to be backfilled. This has seen job advertisements fall back in most regions, to varying levels.

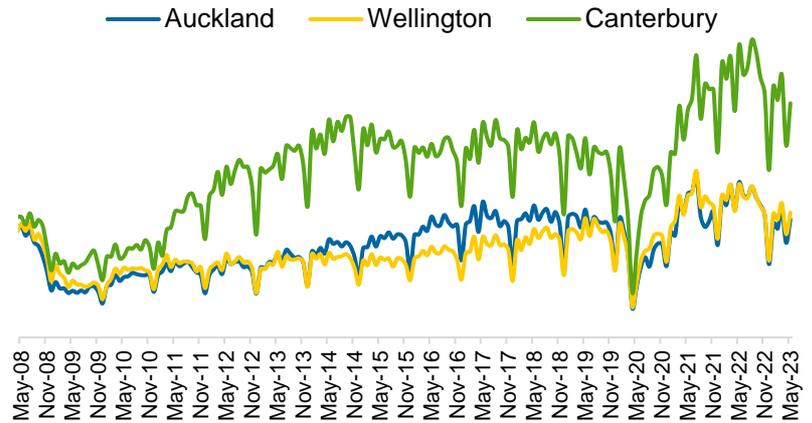
At the national level, job ads fell -18 percent in the three months to May 2023, compared to the same period in 2022. They remain 10 percent above the same time pre-COVID

(March to May 2019). Demand for labour has softened to a lesser extent in Canterbury. While job ads in Canterbury have fallen back -14 percent from the same time in 2022, they remain 25 percent above pre-COVID levels. This compares to 12 percent above pre-COVID levels in Wellington, and -5 percent below pre-COVID levels in Auckland.

Post-pandemic growth in job advertisements in Canterbury has been strongest in hospitality. This reflects renewed demand for hospitality workers following significant reductions over 2020, and recovery in the international tourism sector. Post-pandemic growth in job ads in Canterbury has also been very strong in health, I.T., manufacturing and education. Strong growth in hospitality, education and health is consistent with national trends. Meanwhile, the extent of growth in demand for I.T. and manufacturing workers is unique to Canterbury. Job ads in Canterbury for manufacturing and I.T. have both lifted to 50 percent above pre-COVID levels. At the national level, job vacancies in manufacturing have lifted at just half this rate, while in I.T. they have fallen -7 percent over the same period.

Jobs Online (unadjusted, indexed to 2007)

Source: MBIE, ChristchurchNZ



Consumer Confidence (Q2 2023)

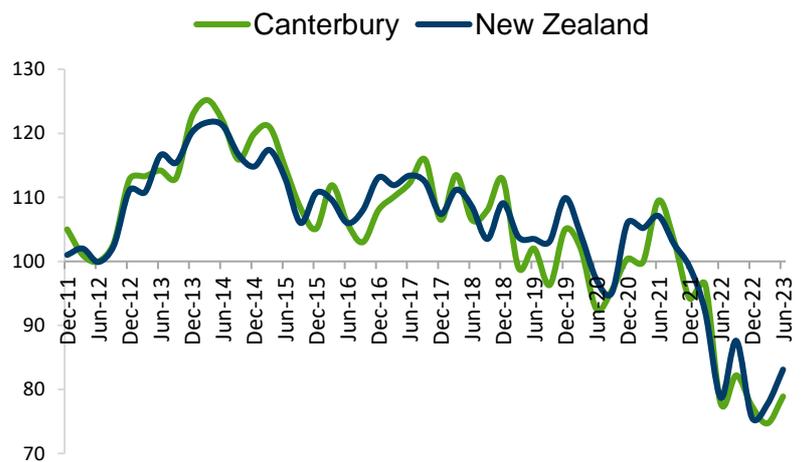
Results from Westpac's Consumer Confidence survey for the June 2023 quarter show that despite a small rise in confidence from the previous quarter, New Zealanders continued to feel deeply pessimistic about the economic outlook during Q2.

New Zealand's consumer confidence index sat at 83.1 in the June quarter, well below the long-term average of 109.4. A score below 100 indicates that households pessimistic about the economic landscape outweigh the number that are optimistic. June's confidence index did reflect a slight bump from scores in the March quarter, which is likely to reflect views that interest rates are close to their peak, and that house price declines are slowing.

Despite this, financial pressure continued to dominate household concerns. 43 percent of respondents reported that their financial position had worsened in the last year, compared to only 14 percent who felt it had improved. Pressure on finances is weighing on attitudes toward spending, with many households reporting that they have cut back their expenditure on certain activities, such as eating at

Consumer Confidence

Source: Westpac McDermott Miller, ChristchurchNZ





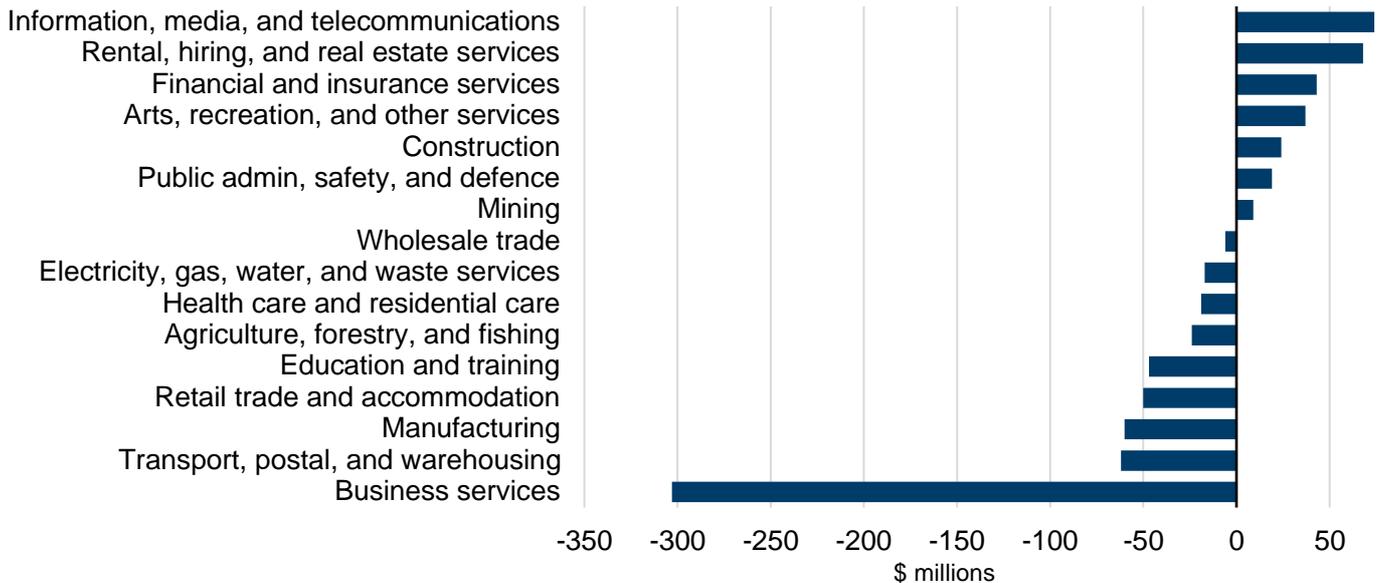
restaurants. Financial pressures are expected to increasingly influence consumer spending patterns over 2023.

At the regional level, consumer confidence in Canterbury remained firmly in pessimistic territory during the June quarter, at 78.9. Consumer confidence amongst Cantabrians did improve slightly (+4.2 points) from the March quarter but remains below the national average. This likely to reflect the 'catch-up' effect of falling house prices, which were slower to hit the region than other parts of New Zealand.

Gross Domestic Product (Q1 2023)

Quarterly change in production of GDP (\$) by industry, Q1 2023

Source: Statistics NZ



GDP data for the March 2023 quarter indicates that economic activity in New Zealand fell by -0.1 percent compared to the previous quarter. This follows a -0.7 decline in the December quarter, putting New Zealand into a technical recession (defined as two consecutive quarters of negative GDP growth).

Declines in production were driven by contractions in business services (down -3.5% or \$303m); transport, postal & warehousing (down -2.2% or \$62m); manufacturing (down -1.1% or \$60m); and education & training (down -1.9% or \$47m). The contraction in business services was driven by declines in advertising, market research & management services; scientific, architectural & engineering services; and computer system design & related services. Declines in the transport sector were concentrated in transport support services, while shrinkage in the manufacturing sector was driven by falls in petrol, chemical, polymer & rubber product manufacturing, and wood & paper product manufacturing. Finally, the impact of cyclones and teacher strikes on attendance drove a decline in activity within the education & training sector.

Population growth driven by strong migration inflows has been adding to demand for goods and services, which will have driven headline GDP upward during Q1. After adjusting for this population growth, GDP per capita fell -0.7 percent in the March quarter. This follows a -0.9 percent decline in GDP per capita in the December 2022 quarter.

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