

# Christchurch & Canterbury

Quarterly Economic Report  
September 2020

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# Overview

Economy	People & Business	Visitors	Central City
<p><b>GDP growth</b> (YE Sep 2020)</p> <p>Christchurch: <b>-4.2%</b> ▼ Canterbury: <b>-3.2%</b> ▼ New Zealand: <b>-3.3%</b> ▼</p> 	<p><b>Retail spending growth (incl. fuel)</b> (Q3:2020 vs. Q3:2019)</p> <p>Christchurch: <b>7.7%</b> ▲ (NZ: 3% ▲)</p>	<p><b>Airbnb guest nights</b> (Q3:2020 vs. Q3:2019)</p> <p>Christchurch: <b>-30.2%</b> ▼</p> 	<p><b>Retail spending growth (excl. fuel)</b></p> <p>Quarter 3 <b>+9.0%</b> ▲ (Q3:2020 vs. Q3:2019) Year: <b>-6.0%</b> ▼ (year to date vs. 2019)</p>
<p><b>Unemployment rate</b></p> <p>Christchurch: <b>5.3%</b> ▲ (from 4.3 in Q2:2020) Canterbury: <b>4.5%</b> ▲ (from 3.8 in Q2:2020) New Zealand: <b>5.1%</b> ▲ (from 3.9 in Q2:2020)</p> 	<p><b>Average labour earnings</b> (Q3:2020 vs. Q3: 2019)</p> <p>Canterbury: <b>+1.4%</b> ▲ (NZ: +2.5% ▲)</p>	<p><b>Christchurch visitor spending</b> (Q3:2020 vs. Q3:2019)</p> <p>Total: <b>-6.1%</b> ▼ (NZ: -17.5%) Domestic: <b>18.6%</b> ▼ (NZ: -11.1%) International: <b>-57.7%</b> ▼ (NZ: -65.4%)</p> 	<p><b>Consumer origin spending (excl. fuel)</b> (Q3:2020 vs. Q3:2019)</p> <p>Christchurch: <b>+14.1%</b> ▲ Australia: <b>-88.3%</b> ▼ Rest of International: <b>-64.1%</b> ▼</p>
<p><b>Building consent (sqm)</b> (Q3:2020 vs. Q3:2019)</p> <p>Christchurch: <b>-40.1%</b> ▼ Canterbury: <b>-23.1%</b> ▼ New Zealand: <b>-1.3%</b> ▼</p> 	<p><b>Residential cost</b> (Q3:2020 vs. Q3:2019)</p> <p>Weekly rent: Christchurch: <b>+3.0%</b> ▲ (NZ: +3.3% ▲)</p> <p>House price: Christchurch: <b>+8.9%</b> ▲ (NZ: +15.4% ▲)</p>	<p><b>Visitor arrivals</b> (2020:Q2)</p> <p>Christchurch Airport: <b>879</b> arrivals <b>6%</b> of NZ <b>-99.1%</b> ▼ (Q3:2020 vs. Q3:2019)</p> 	<p><b>Employees</b> (2020)</p> <p>Four Avenues: <b>42,120</b> ▲</p>
<p><b>International trade</b> (Lyttelton &amp; Chc Airport)</p> <p>Trade balance: <b>\$3,861m</b> year to date</p> <p><b>45%</b> ▲ from previous year</p> 	<p><b>Business confidence</b> &gt;50 expansion; &lt;50 contraction (Q3:2020)</p> <p>Service Index: Canterbury: <b>54.5</b> (NZ: 49.9)</p> <p>Manufacturing Index: Canterbury: <b>57.1</b> (NZ: 50.3)</p>	<p><b>Student Visa</b> (YE 2019 vs. YE 2018)</p> <p>First time student visas <b>16%</b> ▲ Returning student visas: <b>-1%</b> ▼ Total student visas: <b>6%</b> ▲</p> 	<p><b>Commercial property</b> (2020)</p> <p>Rent: Prime office <b>\$370/sqm/pa</b></p> <p>Vacancy level: <b>14.9%</b> (from 16.9% in 2019)</p>

## Economic Commentary

Despite the remaining threat of COVID, many key sectors have fared better than expected in the third quarter of 2020. Retail spending was considerably stronger than market expectations in quarter 3 and was driven largely by sales in home and hardware and apparel and personal. Pent up demand, government support, a resilient domestic economy and a surging domestic visitor market has underpinned this rebound in retail activity.

While still constrained by COVID related supply chain disruptions, manufacturing showed expansion through quarter 3. This positive growth follows the extreme weakness that was seen in quarter 2 and as such looks more like recovery from earlier in the year rather than outright strength.

Industries related to the visitor economy such as hospitality, accommodation and events continue to be the industries most disrupted by COVID. While domestic visitor activity has provided some support to those in these service sectors, it is unlikely that it will continue at the same scale as we move into the holiday season.

The year to date economic growth in Christchurch decreased by 4.2% in the third quarter of 2020 and 3.2% and 3.3% for Canterbury and New Zealand respectively. Consumer and business confidence, while still negative, has improved slightly in quarter 3.

### Positives

- The Christchurch affordability profile remains competitive despite rapidly rising house prices through quarter 3 2020.
- In the third quarter of 2020 the exports and imports trade balance in Christchurch continues to hold positive despite a weaker global economic outlook.
- Recovery in the labour market following the COVID shock earlier in the year can be seen in quarter 3 with both earnings and job listings making progress towards reaching pre COVID levels.

### Headwinds

- Uncertainty in the global and domestic economy has created downward pressure on economic activity in the city and region.
- The unemployment rate in Christchurch, Canterbury and New Zealand has declined deeper into negative territory although is not as dire as predicted at the start of the year.
- The impact of closed borders on the visitor economy and related industries is likely to worsen as we enter the holiday season which is historically characterized by an influx of international visitors.
- Building consents for Christchurch and Canterbury were down significantly in quarter 3 when compared to the same period last year.

## ChristchurchNZ's Perspective

## ChristchurchNZ

### Strong economic rebound

The third quarter of 2020 saw a rapid and strong rebound from the economic slowdown associated with the national lockdown imposed during quarter 2 to mitigate the effects of COVID-19.

The data presented in this report clearly demonstrates that the economic ramifications have, to date, been less dire than was initially thought.

Not only has New Zealand managed the health impacts of the pandemic, but its economy is performing better than most other jurisdictions.

This puts us in a strong position in the current global context.

Particularly pleasingly, the Christchurch and Canterbury economies performed well in the September quarter despite a period at Covid Alert Level 2 in response to the outbreak in Auckland, that resulted in COVID Alert Level 3 controls, which impacted on economic activity in the country's largest urban market. However, there are still aspects of the economy experiencing ongoing effects.

The most significant of these is due to strong border controls. The obvious impact on international visitor spending and migration will be key evolving challenges in the economy over the coming summer months and beyond.

### Political certainty provides greater confidence

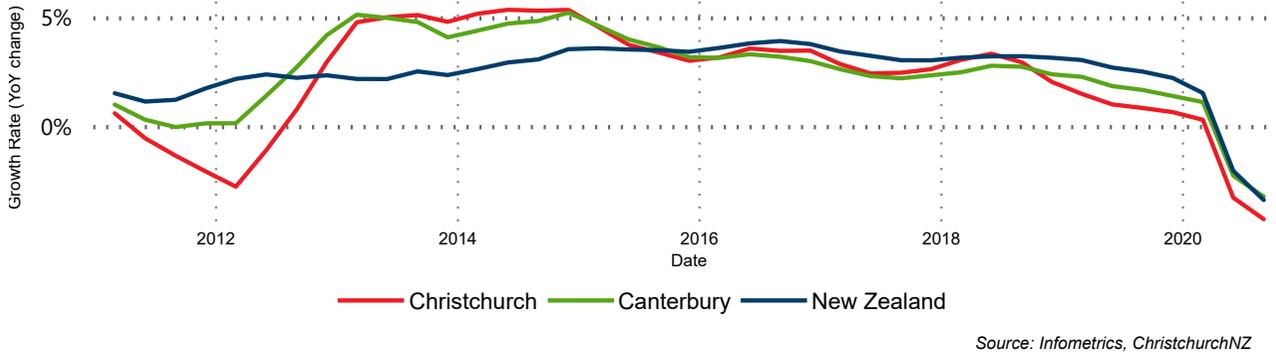
The New Zealand general election delivered a landslide victory to the Labour party. The ability to govern alone will enable the government to set clear direction for the 3-year term with a clear focus on delivering key policies.

Greater certainty in the policy landscape should improve confidence and may be a relief given the high levels of turbulence in our society and economy from other pressures.

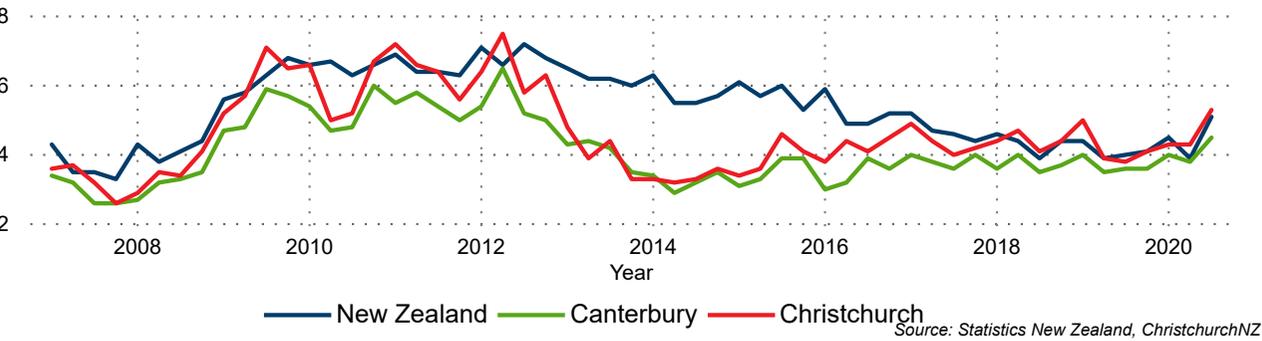
There are early signs that the result of the US election has further supported global confidence. Three weeks after election day, the S&P 500 had surged 7.7%, the second-best gain in 90 years and nearly triple the advance that followed the 2016 election.

# Economy

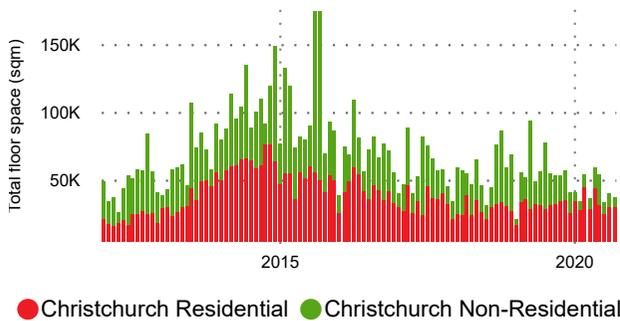
## Economic growth



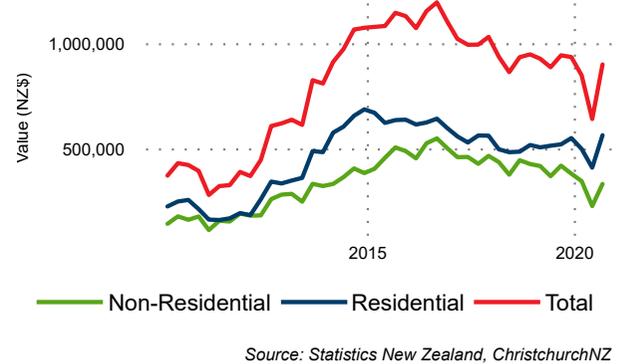
## Unemployment



## Christchurch building consents (sqm)

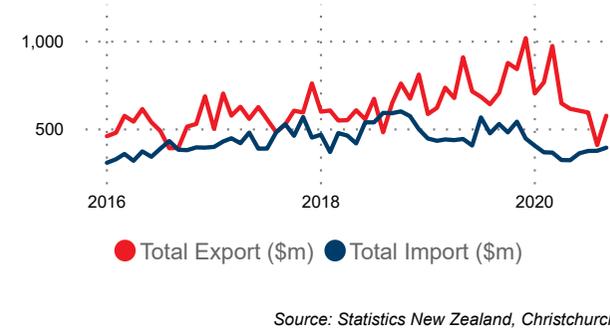


## Value of building work in Canterbury

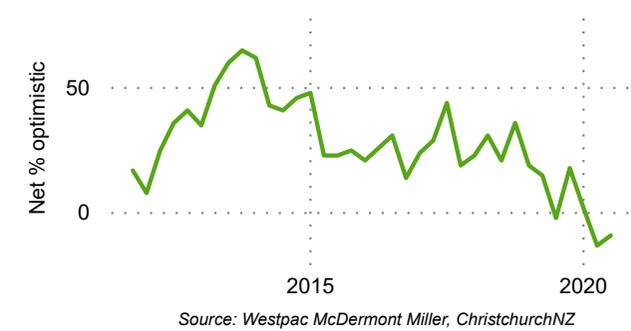


# ChristchurchNZ

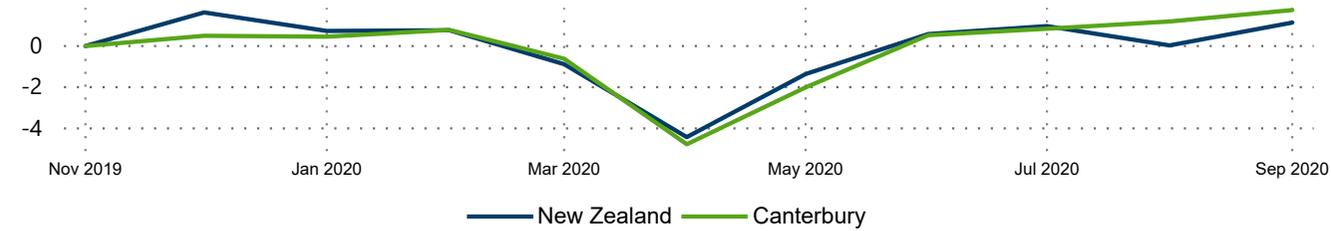
## Christchurch Ports: International trade



## Canterbury regional economic confidence



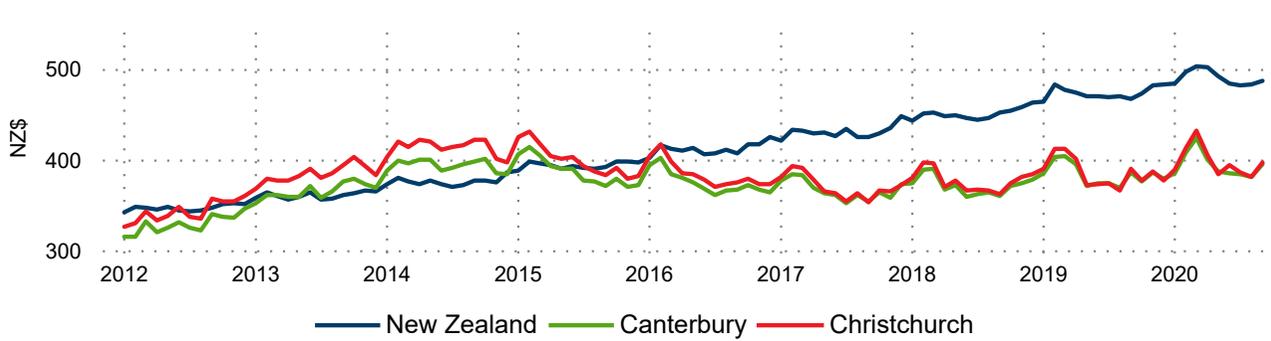
## Canterbury Economic Activity Indicator



The year-to-date economic growth for Christchurch is negative at 4.2 percent in the third quarter of 2020, down further from negative 3.2% growth in the in the year ending in the second quarter of 2020. With border restrictions still in place, this softer economic activity was expected. The economic activity indicator for Canterbury, as developed by ChristchurchNZ and based on a similar indicator by Treasury, reveals the level of economic activity on a monthly basis compared to historical trends. In September 2020 the Canterbury Economic Activity Indicator reached 1.7 compared to 1.1 for New Zealand. These figures express that the weighted economic activity in Canterbury for September 2020 was 1.7 percent higher than in September 2019. This is up 0.6 percentage points on last month (August) for Canterbury compared to a 1.1 percentage point increase for New Zealand (from 0.03 to 1.1). The spike in activity nationally, shows that following the Auckland lockdown 2.0, economic performance in New Zealand bounced back quickly. The unemployment rate in Christchurch increased 1 percentage point to 5.3% in quarter 3, marginally higher than the national unemployment level of 5.1%. Over quarter 3 2020, regional economic confidence increased slightly from -13% to -9% but remains negative. Net exports from Christchurch ports continue to hold up in the 3rd quarter of 2020, expressing resilience despite the weak outlook in the global economy. Building consents (in sqm) in the September quarter saw significant decline (40%) compared with the same period in 2019 driven almost entirely by non-residential activity. Weak activity in the non-residential building consents can be attributed to high vacancies and difficult economic conditions, however, industrial warehousing remains resilient. Meanwhile the value of building work has increased sharply following a COVID related dip in quarter 2. .

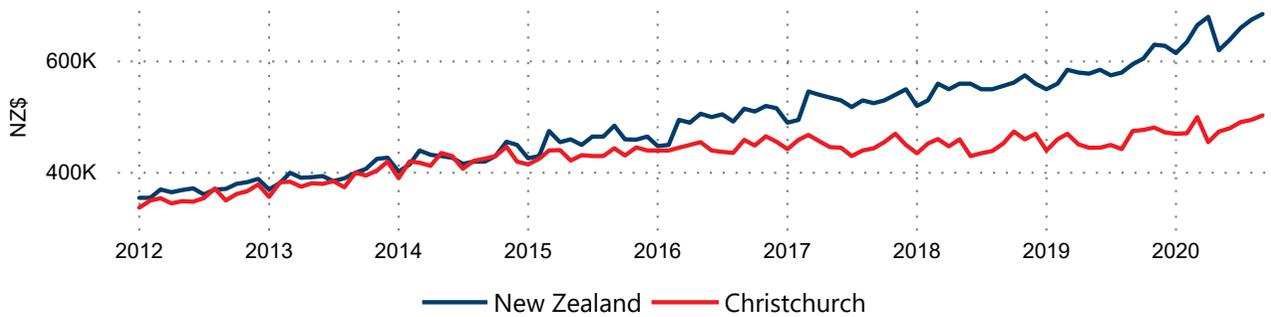
# People & housing

## Mean residential rent, weekly



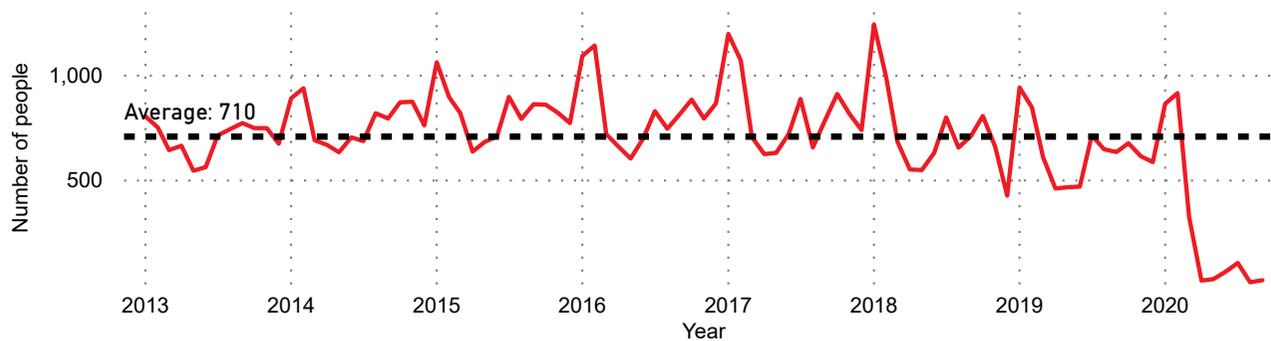
Source: Ministry of Business, Innovation & Employment

## Median house price



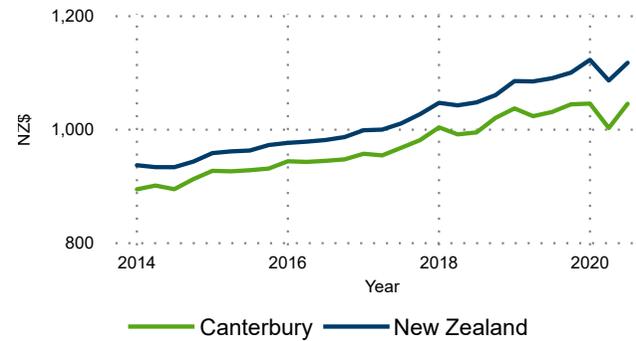
Source: Real Estate Institute of New Zealand

## Immigration (long-term arrivals)



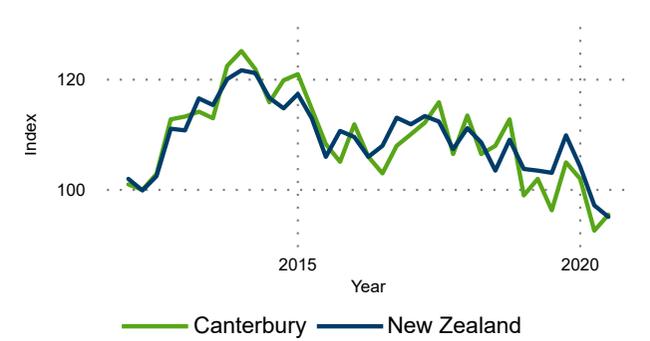
Source: Statistics New Zealand, ChristchurchNZ

## Average labour earnings



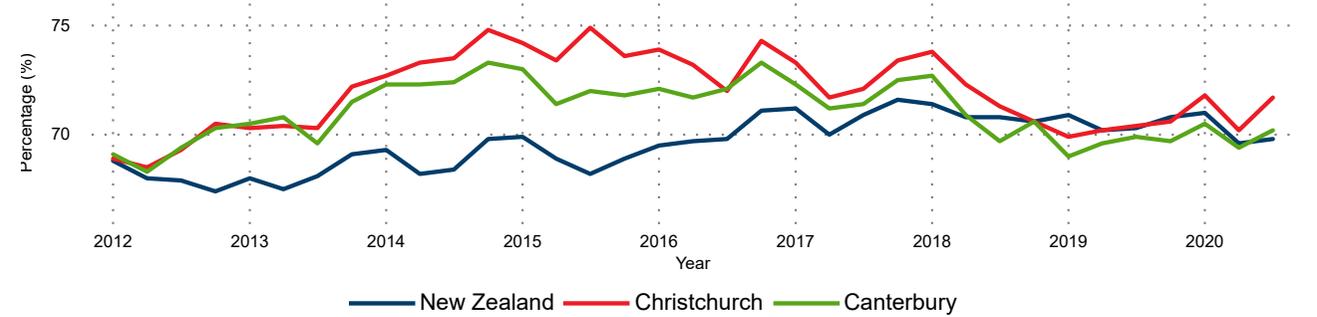
Source: Statistics New Zealand, ChristchurchNZ

## Canterbury consumer confidence



Source: Westpac McDermott Miller, ChristchurchNZ

## Labour force participation



Source: Statistics New Zealand, ChristchurchNZ

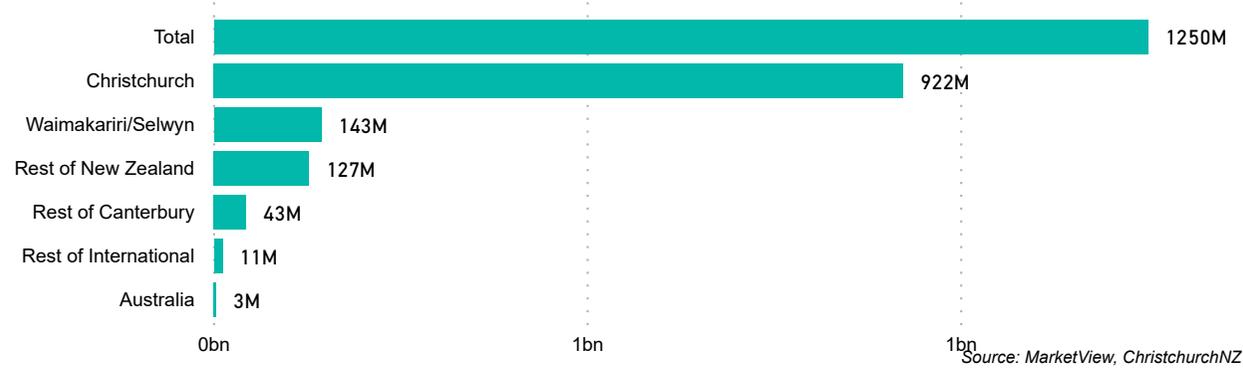


In the third quarter of 2020 mean weekly rent in Christchurch saw an increase of 3%. Median house prices also saw an increase of 8.9% in the third quarter of 2020 compared to the same period in 2019. Rent and house price growth rates nationally are above that seen in Christchurch at 3.3% and 15.4% respectively. Christchurch city continues to maintain its affordability profile despite growing housing costs. Average weekly earnings saw a small dip in quarter 2 where firms, that were propped up by government wage subsidies, reduced staff hours in an attempted to avoid layoffs. Since then it appears that earnings have made a recovery seeing 1.4 percent growth in quarter 3 when compared to last year.

Long-term immigration arrivals through the Christchurch Airport fell 92.7% to 147 in quarter 3 2020, compared to the same quarter of the previous year. It is expected that New Zealand borders will remain closed for sometime resulting in continued low long term immigration numbers.

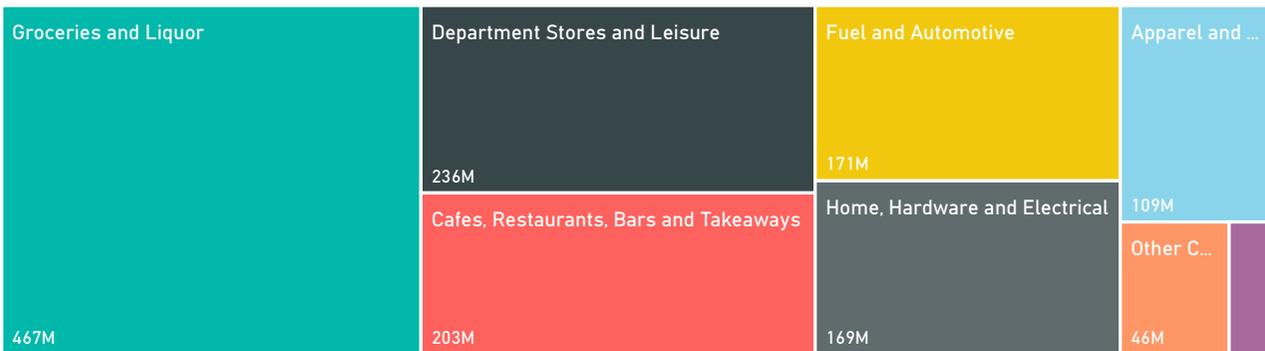
Economic uncertainty caused by COVID-19 has continued to put downward pressure on Canterbury consumer confidence in quarter 3 2020.

## Spending by customer origin in Christchurch (excl. fuel) (Q3)



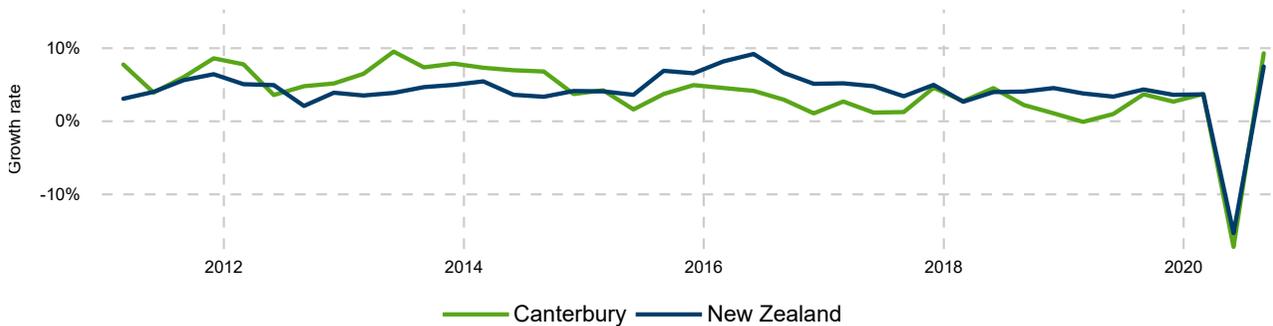
Source: MarketView, ChristchurchNZ

## Spending by retail category in Christchurch (Q3)



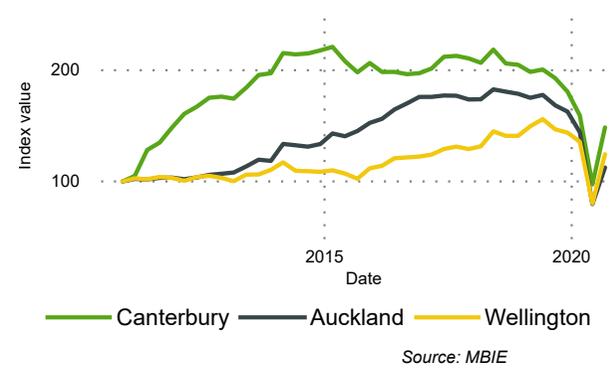
Source: MarketView, ChristchurchNZ

## Retail trade growth



Source: Statistics NZ, ChristchurchNZ

## Job vacancy index



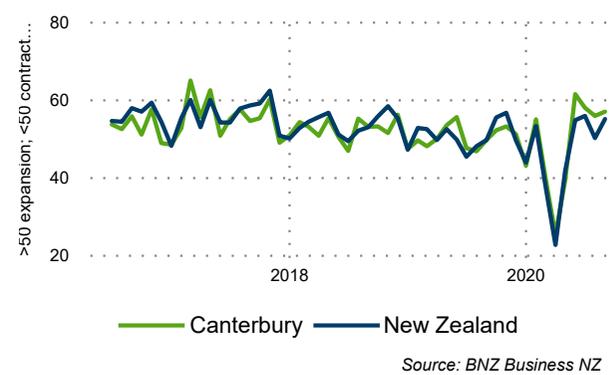
Source: MBIE

## Christchurch Commercial Rent



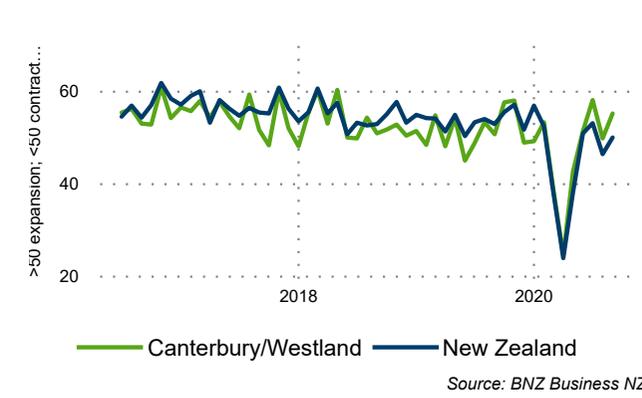
Source: Colliers

## Performance of manufacturing index



Source: BNZ Business NZ

## Performance of service index

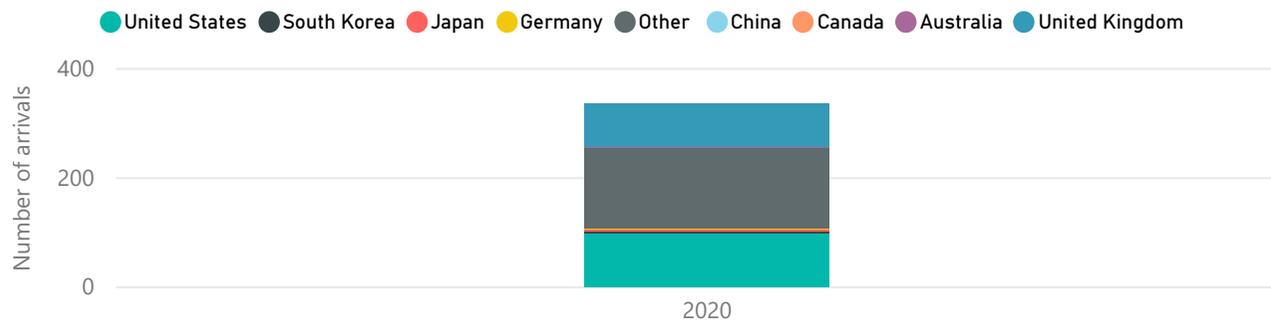


Source: BNZ Business NZ



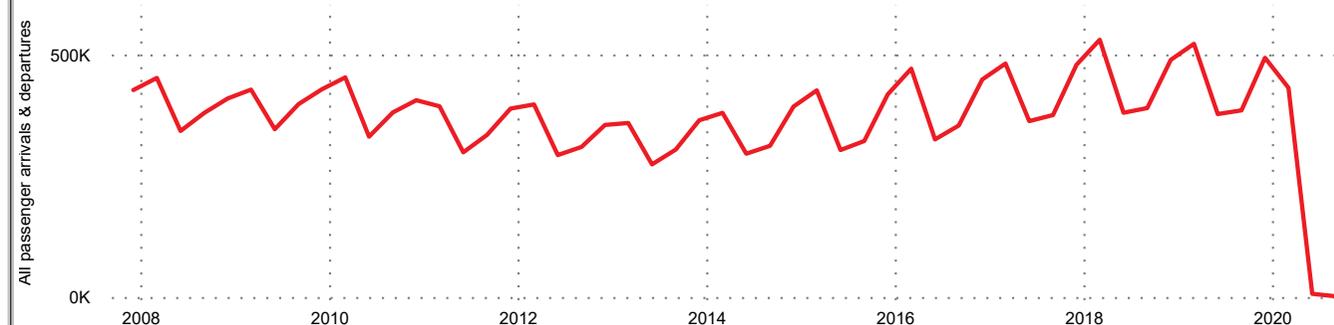
Total retail spending (incl. fuel) in Christchurch increased by 7.7% over quarter 3 compared with the previous year. Many spend categories saw positive growth for quarter 3 with the greatest growth seen in home hardware and electrical, up 34%, followed by apparel and personal, up 16% when compared to quarter 3 last year. The greatest declines in spend was seen in accommodation, down 26% and fuel and automotive which was down 4%. As for spend by customer origin, Rest of Canterbury visitor spending increased by 18%, followed by Rest of New Zealand visitors (23%) for the September quarter 2020. Conversely, spending by Australian and Rest of international visitors saw the greatest declines of 79% and 53.5% respectively. In quarter 3 Canterbury retail trade increased sharply by 9.3 percent in the September 2020 quarter compared with the same quarter in 2019. The positive upward trend seen in the manufacturing and service index has continued through the September quarter, in line with national activity. This expansion is likely a response to pent up demand, savings accumulated over lock down and from deferred travel spending. The job vacancy index for Canterbury has made a solid recovery of 52.6% through quarter 3 2020 when compared to quarter 2 2020.

International arrivals at Christchurch airport, Q3



Source: Statistics New Zealand, ChristchurchNZ

Passenger movement at Christchurch airport



Source: Statistics New Zealand, ChristchurchNZ

Source: Statistics New Zealand, ChristchurchNZ

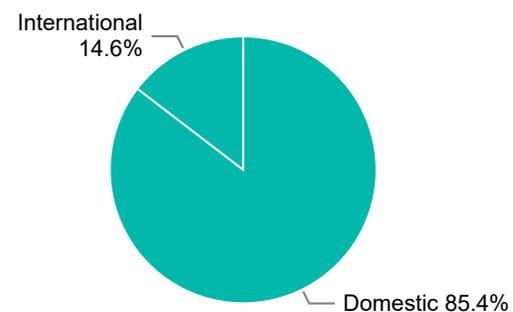
Airbnb guest nights

Guest nights per month Airbnb by Date



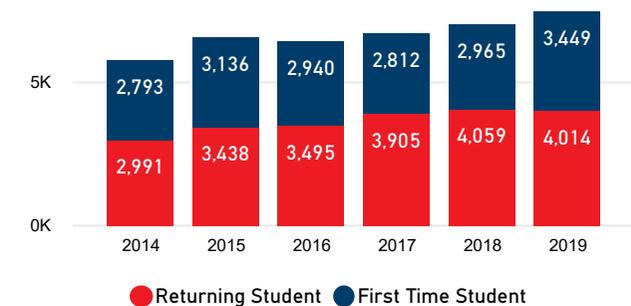
Source: Airdna, ChristchurchNZ

Christchurch visitor spending, Q3:2020



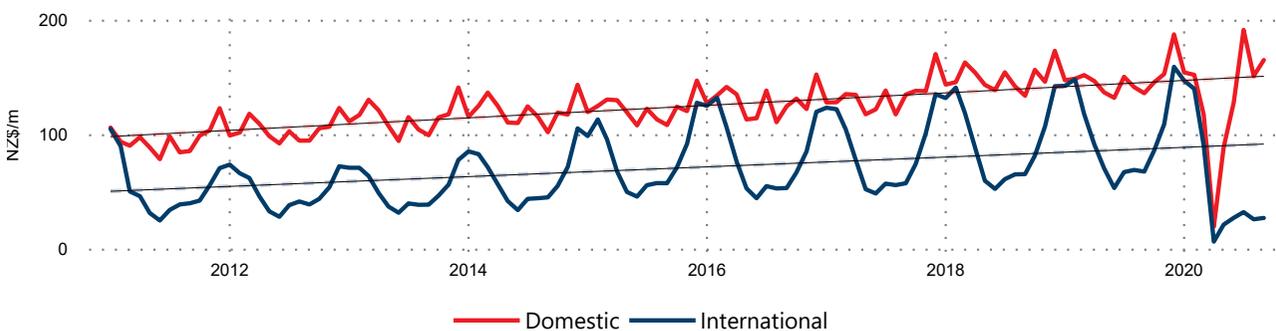
Source: Ministry of Business, Innovation & Employment

Canterbury student visas



Source: Statistics New Zealand, ChristchurchNZ

Christchurch visitor spending



Source: Ministry of Business, Innovation & Employment



Passenger movement at Christchurch Airport were almost entirely down (99%) in the third quarter of 2020 compared with the same period in 2019. With New Zealand's borders closed to international visitors its not surprising to have seen such a drop in both visitor and passenger movement numbers here. The 879 international visitors arrivals in quarter 3 of 2020 were most likely New Zealanders returning to the country.

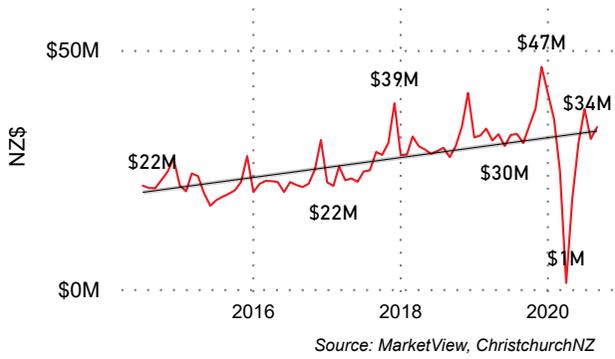
Total visitor spending decreased by 6.1% in the third quarter of 2020 compared with the third quarter of 2019. International visitor spending fell 57.7% where as domestic visitor spending increased 18.6%.

The domestic visitor market spent \$510 million during this quarter in the Christchurch economy, representing 85% of all visitor spending. The numbers of international students attending university is expected to be lower as a result of border restrictions and closure.

Airbnb guest nights decreased by 30% in the third quarter of 2020 compared to the same period in 2019.

# Central City

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



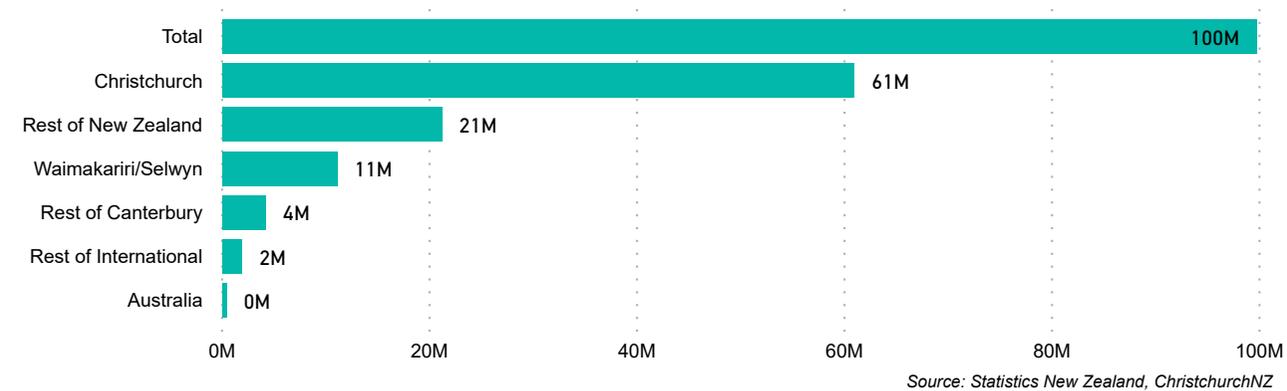
City map



Core & core fringe total spending by category (Q3)



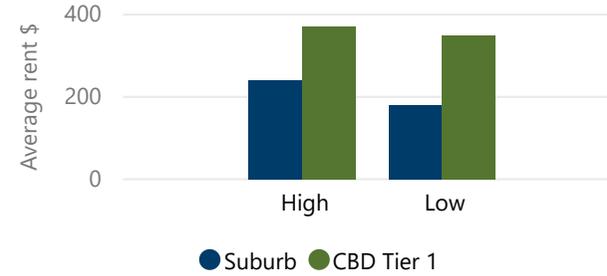
Core & core fringe spending by customer origin in Christchurch (excl. fuel) (Q3)



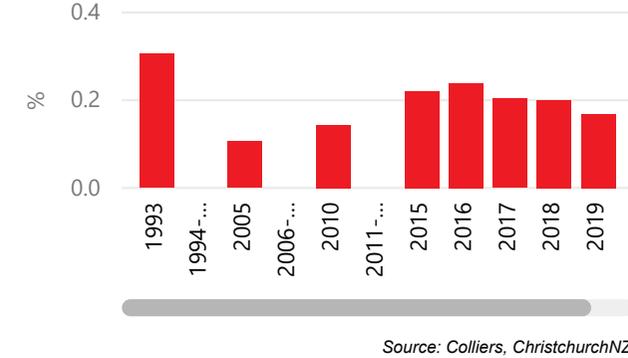
# ChristchurchNZ

## Commercial

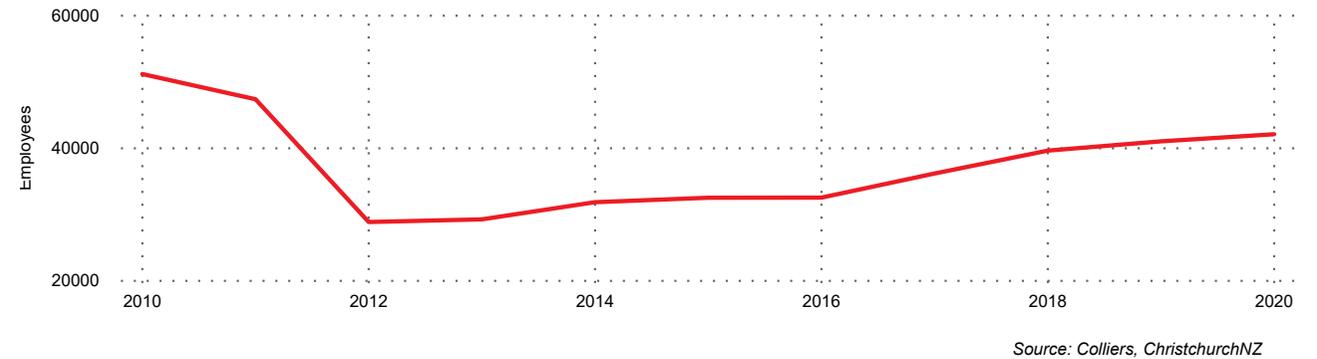
Commercial Office Rent, 2020



Commercial Office Vacancy Rate



Number of employees within the four avenues



Core and core fringe retail spending saw growth in quarter 3 (8%, incl. fuel) as did retail spending in the city which was up by 7.7%, incl. fuel compared to the same period in 2019. The increase in retail spending in the city is reflective of the effect of pent up demand combined with built up savings from the lockdown period and money deferred from travel as previously mentioned.

The spending by Australian visitors was down by 88% over the past quarter as was spending from rest of international down by 64% while spending by rest of New Zealand was up 31% and rest of Canterbury up 25%. Domestic visitor spending has been driving activity in the visitor economy in the city, however, as we move into the holiday season it is unlikely that domestic visitor spending will continue to carry total visitor spending.

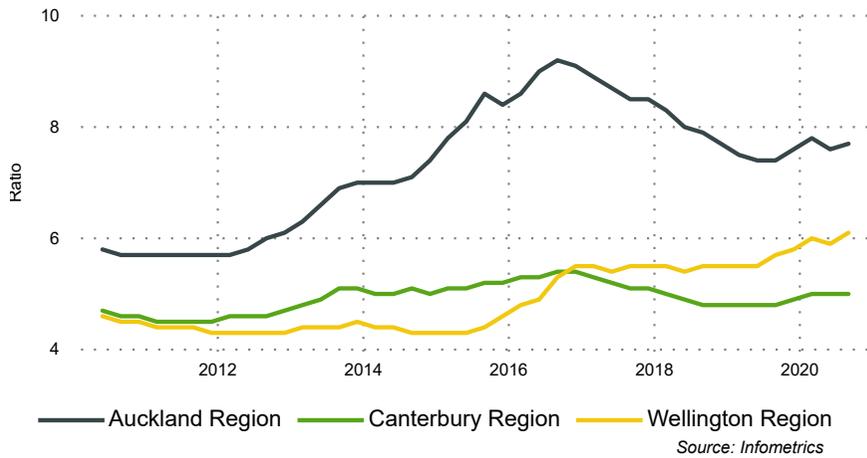
High end CBD rents reached \$370 per sqm in 2020 and have been stable at this price over the past year. Low end CBD office space rental price has dropped substantially to \$350 per sqm, likely driven by internal churn from the suburbs to the central city. We expect that office rents will be under negative pressure post the lockdown. CBD office vacancy rates continue to fall in 2020, down to 15%.

# Canterbury in context

ChristchurchNZ conducts regular research on economic developments and provides analysis on factors that influence our economy. The Christchurch and Canterbury economies have undergone a huge amount of change in recent years, as the city and region transitions from a high growth period and due to the more recent COVID-19 pandemic.

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.

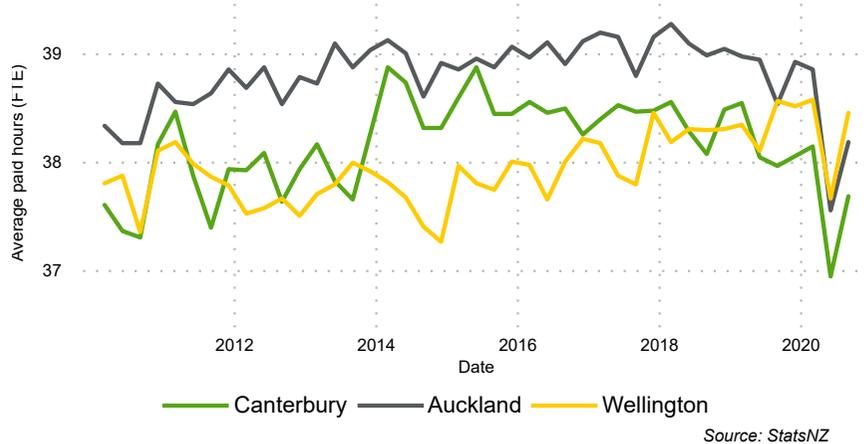
## Residential affordability



Residential affordability shows that Canterbury (5) continues to be the most affordable region of the three metropolitan areas with Auckland at 7.7 and Wellington at 7.1.

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

## Hours worked

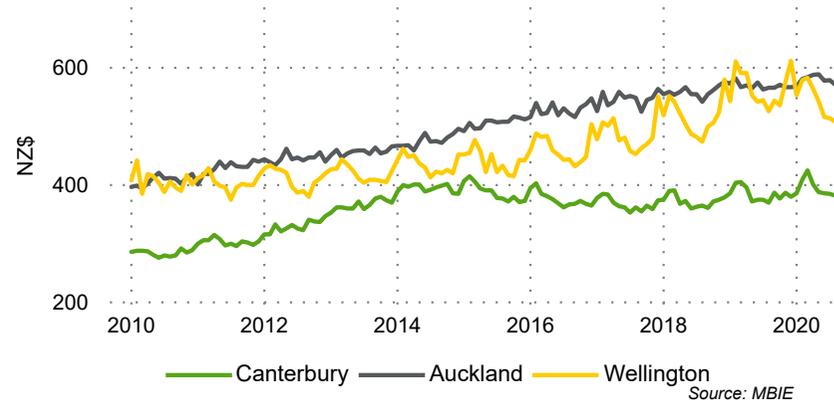


The average paid hours per FTE in Canterbury (37.69) is lower than Auckland (38.19) and Wellington (38.46).

The significant decline in hours worked in the previous quarter was attributed to employers reducing staff hours in an attempted to avoid layoffs in a weaker economic climate as a result of COVID-19. Hours have somewhat recovered to normal levels in Q3,

# ChristchurchNZ

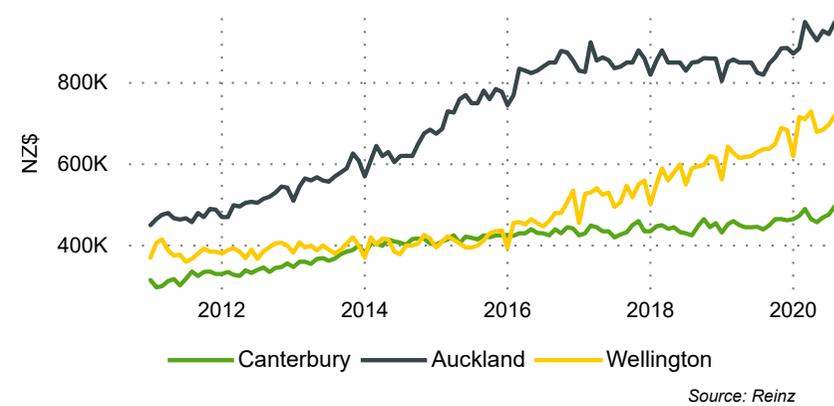
## Mean residential rent, weekly



Residential rents in Canterbury have remained fairly constant over the last 5 years, while Auckland and Wellington rents continue to rise.

Currently, Canterbury quarterly mean rents are \$388 which is 33% lower than Auckland (\$576) and 25% lower than Wellington (\$514).

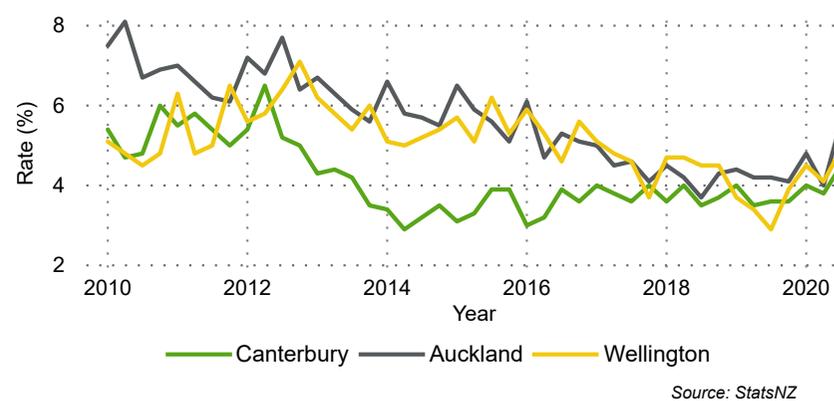
## Median house price



Mean house prices in Canterbury, Auckland and Wellington have experienced exceptional growth over the last quarter.

Currently, Canterbury median house prices in Q3 are \$491,000 which is 49% lower than Auckland (\$968k) and 34% lower than Wellington (\$746k).

## Unemployment rate



September quarter unemployment figures for the major regions have seen the biggest quarterly growth, or second biggest in the case of Canterbury, observed in the last 5 years.

The Canterbury unemployment rate was up to 4.5%, Auckland up 5.6% and Wellington up 5.6%.