



Monthly Economic Insights Brief

December 2022



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

December 2022: The Canterbury Economic Activity Index has not been included in this month's report due to delays in the release of heavy traffic data.



Business Demography (2022)

Business growth

- The number of businesses in Christchurch City grew 5.0 percent in the year to February 2022, to just below 45,600.
- This was the strongest rate of annual business growth recorded in Christchurch in eight years.
- Christchurch's annual business growth was on par with that of Auckland, and higher than that of Wellington City (3.6%).

Workforce- by the numbers

- Healthcare and social assistance made up the largest share of Christchurch's workforce by industry at 12 percent.
- Construction was the second largest industry at 10 percent, followed by professional, scientific & technical services (9.9%), retail trade (9.8%) and manufacturing (9%).
- These five industries made up just over 50 percent of the workforce in Christchurch in the year to February 2022.

Christchurch's workforce by number of people in industry, 2022

Source: Statistics NZ



Note- Some ANZSIC06 categories have been combined in the above visual:

- Arts & Recreation Services; and Other Services
- Electricity, Gas, Water & Waste (Utilities); Agriculture, Forestry & Fishing; and Mining
- Financial & Insurance Services; and Information Media & Telecommunications

The above figures **include** self-employment, by using business units as a proxy for self-employment and combining with employee numbers to form an overall workforce figure for each industry.



Employment Growth

Note- these figures exclude self-employment

By industry

- The number of employees in Christchurch increased by 3.8 percent over the year to February 2022.
- Service industries experienced the strongest increase in employee numbers, with the fastest growth taking place in Financial & Insurance Services (+14%), Utilities Services (+10%), Professional, Scientific & Technical Services (+8%) and Healthcare & Social Assistance (+5%).

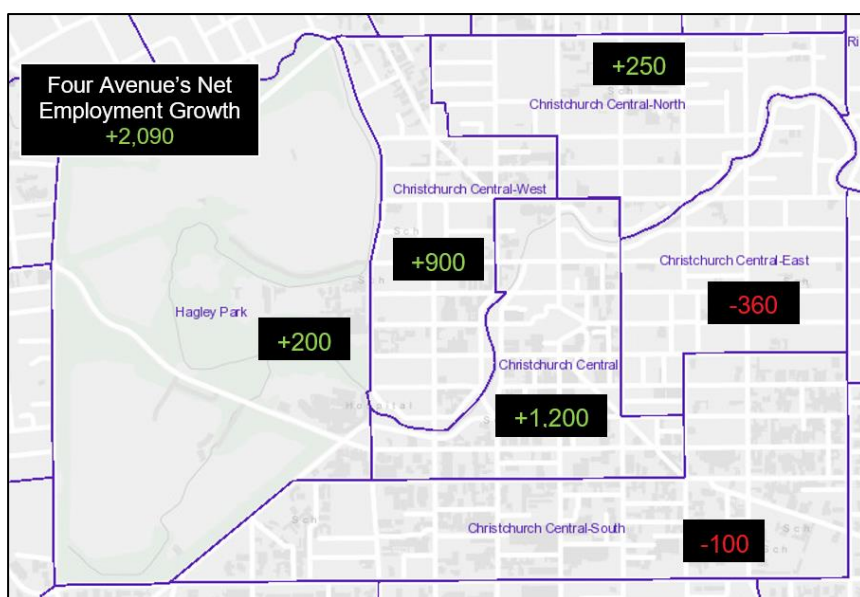
Industry (ANZSIC06)	Employee growth, year to Feb. 2022
Financial and Insurance Services	14%
Electricity, Gas, Water and Waste Services	10%
Professional, Scientific & Technical Services	8%
Health Care and Social Assistance	5%
Agriculture, Forestry and Fishing	5%
Retail Trade	5%
Other Services	4%
Wholesale Trade	4%
Construction	4%
Public Administration and Safety	4%
Transport, Postal and Warehousing	3%
Accommodation and Food Services	1%
Manufacturing	1%
Administrative and Support Services	1%
Education and Training	1%
Arts and Recreation Services	0%
Information Media and Telecommunications	-2%
Rental, Hiring and Real Estate Services	-3%
Mining	-8%
All industries	3.6%

By area

- The largest increases in employees in the year to February 2022 took place in parts of the central city and Sockburn South.
- The number of people working in Christchurch Central increased by 1,200 people, while Christchurch Central-West and Sockburn South each experienced a 900-person increase in employee numbers.
- Employment growth in these three areas was responsible for just under 40 percent of total employment growth in Christchurch over the year.

Four Avenues

- A net gain of 2,090 employees took place within the Four Avenues in the year to February 2022.
- This annual net gain was largely driven by growth in the number of people employed in healthcare & social assistance; professional, scientific & technical services; and public administration & safety.
- Two areas within the Four Avenues experienced a net decline in employee numbers. The fall in employee numbers in Christchurch Central East was driven almost entirely by a decline in people working in Administrative and Support Services (specifically building cleaning, pest control and gardening services; and other administrative services). This decline in Administrative and Support Services employees was consistent with a trend across the Four Avenues in general, with the number of people working in this industry falling by -800 over the year to February 2022. This could be due to business closures or business movement out of the area.



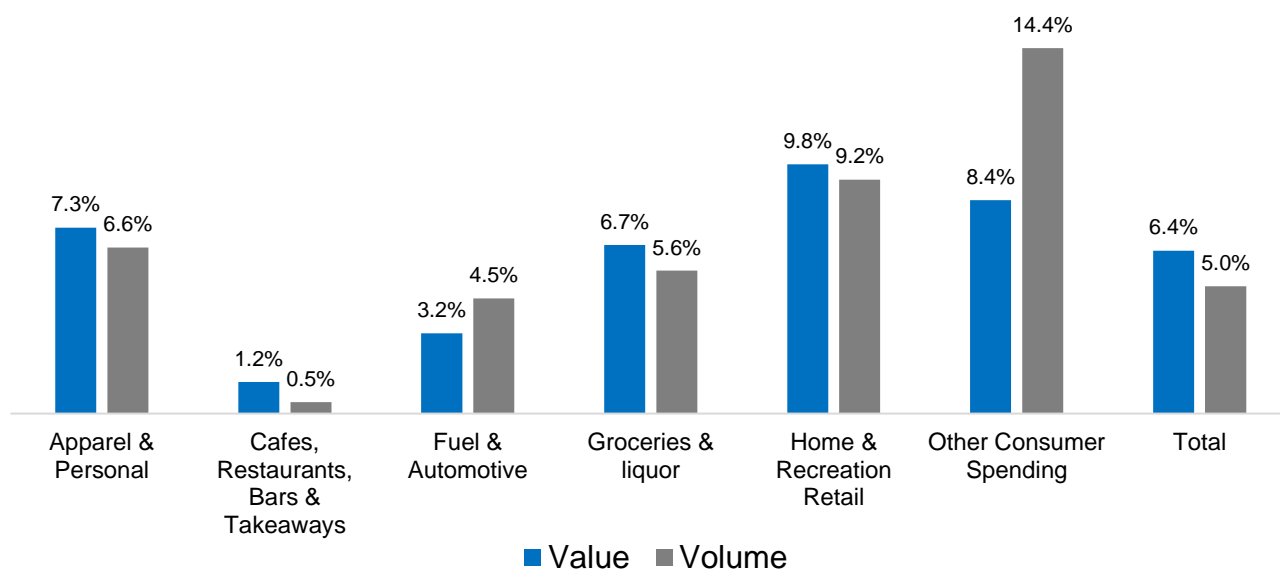


Retail spending (October 2022)

- The value of retail spending in Christchurch during October 2022 came to \$572.8m, an increase of 4.7 percent from October 2021.
- The volume of retail spending (number of transactions) in Christchurch increased 4.4 percent over the same period. The largest annual increase in transaction volumes took place in the 'other consumer spending' category (+27.7%). This is likely a reflection of increased tourism activity in Christchurch, as this category captures spending on accommodation and tourism product.
- Despite ongoing cost-of-living pressures, rising interest rates and low consumer confidence, retail spending in Christchurch is yet to show clear signs of slowing down. All retail spending categories recorded positive growth in both the value and volume of spending during October compared to the previous month of September (see graph below). We expect to see monthly retail spending continue to trend upward as Christmas approaches, with any signs of cooling unlikely to emerge until the new year.

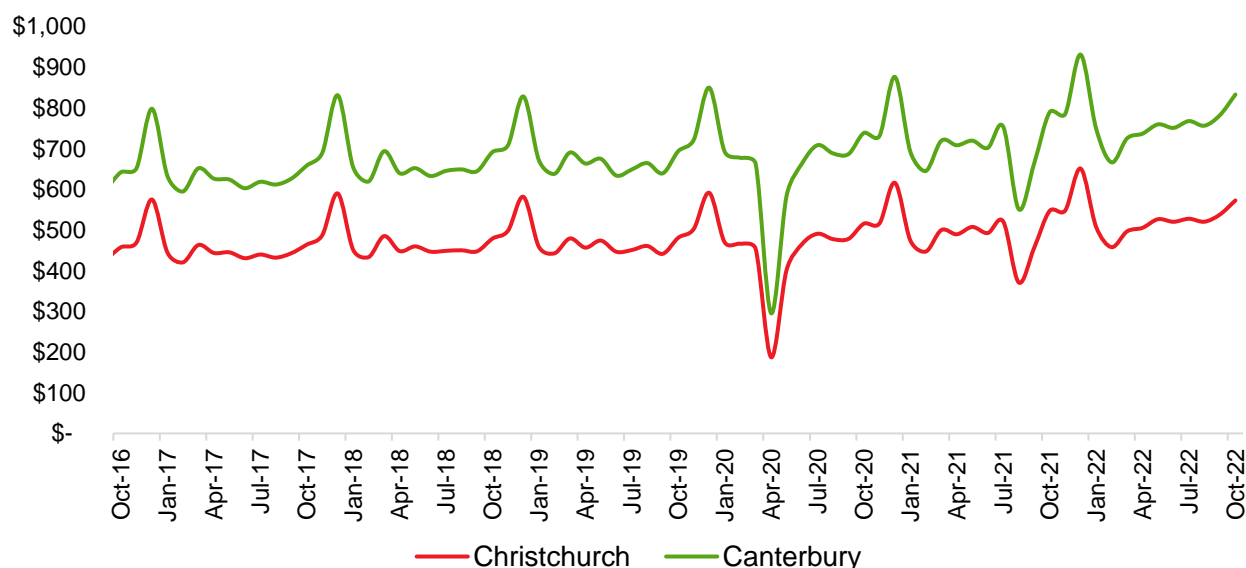
Month-on-month retail spending growth in Christchurch, October 2022 vs September 2022

Source: Marketview



Value of retail spending, Christchurch & Canterbury

Source: Marketview





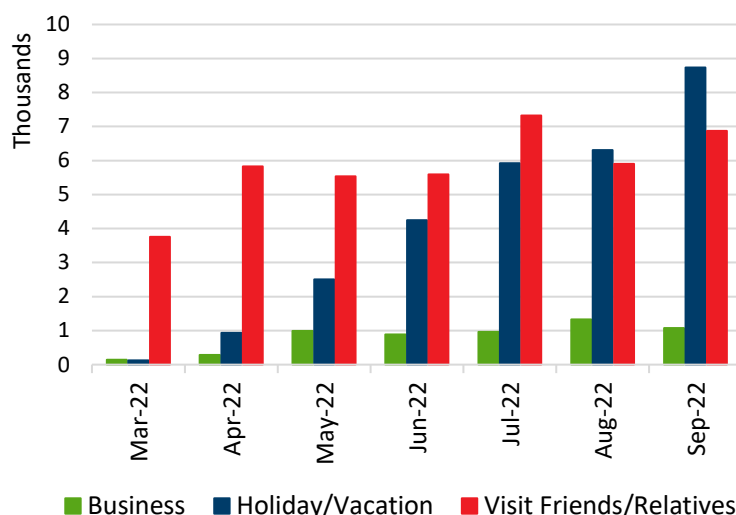
Update on International Visitation (September/October 2022)

International visitor arrivals (September 2022)

- There were just over 18,000 international visitor arrivals at Christchurch Airport during September 2022, up 19 percent or 2,870 people from the previous month of August.
- This monthly increase was driven by uplifts in non-business arrivals, particularly those visiting for a holiday.
- For the second month in a row, the number of arrivals at Christchurch Airport who were visiting for a holiday was higher than the number visiting friends and relatives.
- The number of international visitor arrivals at Christchurch Airport during September 2022 was equivalent to 50 percent of pre-COVID September levels (i.e., compared to September 2019).

International visitor arrivals at Christchurch Airport, by purpose

Source: Statistics NZ

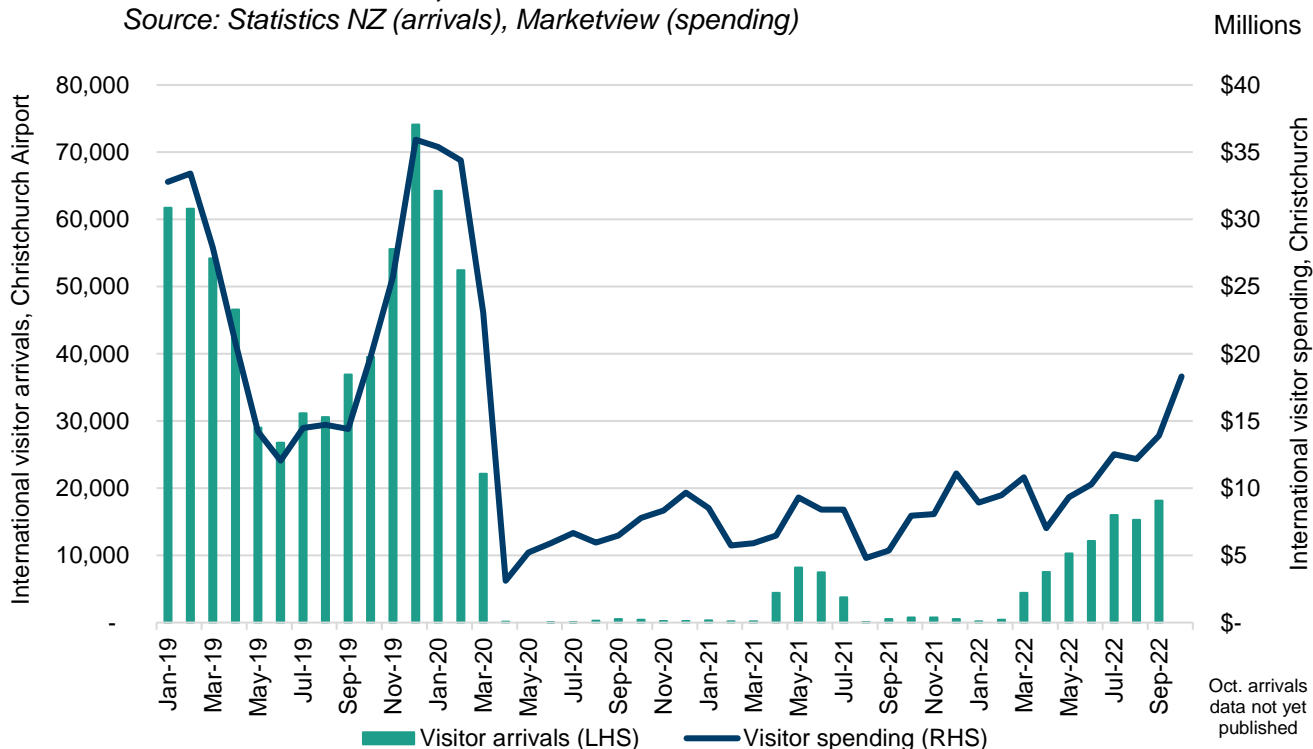


International Visitor Spending (October 2022)

- International visitor spending in Christchurch City increased 32 percent or \$4.4 million during October 2022 from the previous month of September, to a total of \$18.3 million.
- The two largest markets by spend in Christchurch were visitors from Australia (28 percent of international visitor spend) and from the USA (22 percent).

International visitation, Christchurch

Source: Statistics NZ (arrivals), Marketview (spending)



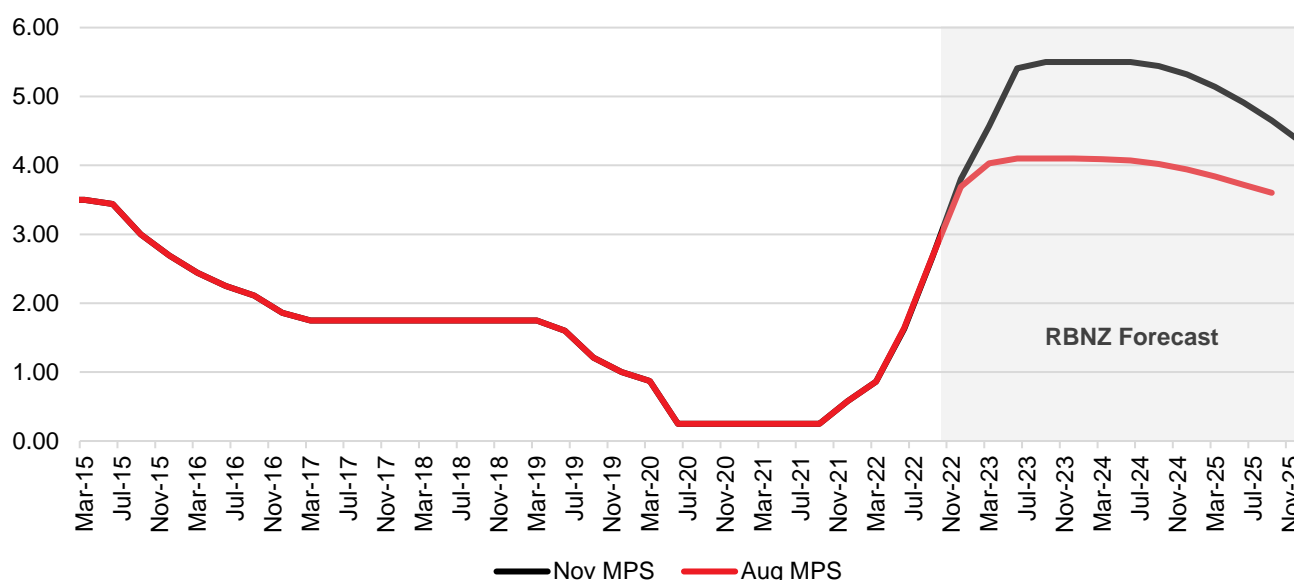


Monetary Policy

- At their last Monetary Policy Review for 2022, the Reserve Bank made their ninth-consecutive increase to the Official Cash Rate (OCR), increasing it from 3.5 to 4.25 percent. This is the first time that New Zealand's OCR has been hiked by 75 basis points.
- A Monetary Policy Statement (MPS) was also released with the review. The MPS sets out the Reserve Bank's long-term view for the OCR alongside various forecasts including inflation, unemployment, and wage growth.
- While the 75 basis-point increase to the OCR was widely anticipated by analysts, the decidedly hawkish tone of the MPS was less expected. The Reserve Bank has significantly revised their forecast track for the OCR upward, and now anticipates that it will need to increase to 5.5 percent by late-2023. This forecasted peak is 140 basis-points higher than the 4.1 percent peak projected in the August MPS.
- This upward revision to the OCR forecast track comes off the back of Q3's nasty inflation shock, which saw the CPI inflation rate barely moving from its Q2 peak of 7.3 percent. The Reserve Bank now expects that inflation still has not peaked, and projects that the CPI annual inflation rate will increase to 7.5 percent in December and stay there until mid-2023. As directly quoted from the MPS, 'The Committee agreed that the OCR needs to reach a higher level, and sooner than previously indicated, to ensure inflation returns to within its target range over the medium term'.
- This expected ongoing tightness of monetary policy means that a 'mild' recession is now forecast by the Reserve Bank, from mid-2023 until the end of 2025. This forecast recession would be engineered through policy, rather than generated via a global economic shock (as New Zealand has experienced in the past). The recession is expected to be driven by a reduction in demand, as households are forced to pull back on spending due to constraints arising from higher debt-servicing costs.

Past and projected OCR track

Source: Reserve Bank of New Zealand



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

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