



# Monthly Economic Insights Brief

February 2023



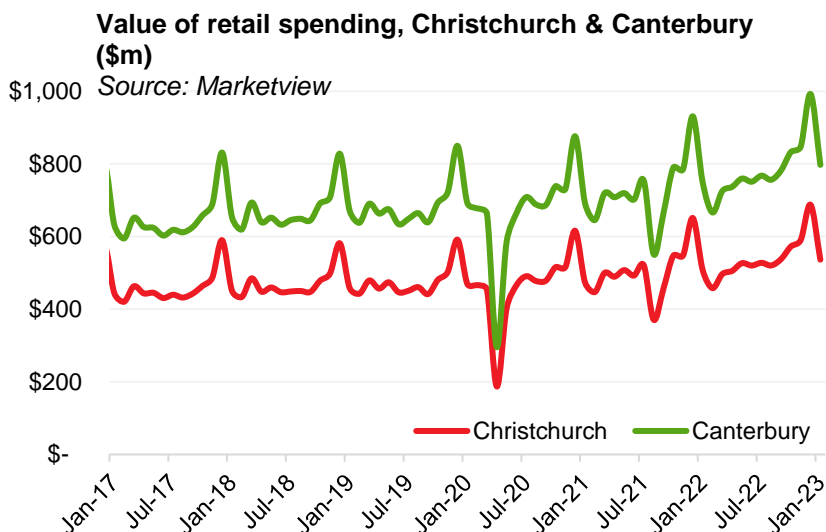
*On-the-pulse analysis delivered monthly, with reporting that wraps around various economic issues and provides insight into areas of interest.*

**February 2023:** The Canterbury Economic Activity Index has not been included in this month's report due to delays in the release of heavy traffic data.



## Retail Spending (January 2023)

- The value of retail spending in Christchurch during January 2023 came to \$536.4m, an increase of 5.7 percent from January 2022. The volume of retail spending (number of transactions) in Christchurch increased by 4.8 percent over the same period.
- All spending categories experienced an annual uplift in spending volumes except for apparel & personal, which recorded a -13.2 percent decline in transactions from January 2022.
- Transaction data (excluding spending on fuel) indicates that spending volumes increased among most customer types in January 2023 compared to January 2022. Transactions carried out by domestic visitors fell -16.0 percent from January last year, while all other customer types recorded positive transaction growth. Domestic visitor spending fell -8.7 percent across New Zealand as a whole over the same period.

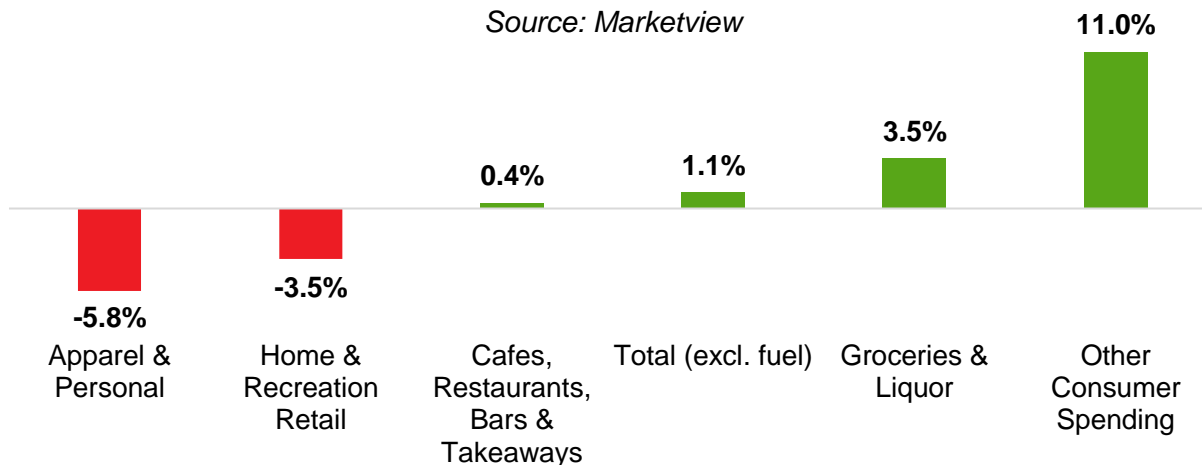


### Spending volumes: Christchurch locals

- After displaying negative growth (-0.7%) in the previous month of December, year-on-year growth in transactions carried out by Christchurch locals bounced back into the positive, increasing 1.1 percent from January 2022 (excluding fuel). Although transactions carried out by locals were up overall, spend volumes were down for the store categories apparel & personal, and home & recreation retail (falling -5.8% and -3.5% from January 2022, respectively). Strong growth in the 'other consumer spending' category reflects increased activity in the recreation & transport sectors, which fell back to low levels in the initial post-COVID period.
- The average transaction value carried out by locals did fall slightly over the same period (-0.4%), which is notable in the current context of high inflation where we would expect to see consumers spending more per transaction. This indicates that while locals may have made more frequent purchases overall in January this year, they were spending less each time than a year ago.

### Transactions carried out by Christchurch residents (excl. fuel), Jan 2023 vs Jan 2022

Source: Marketview



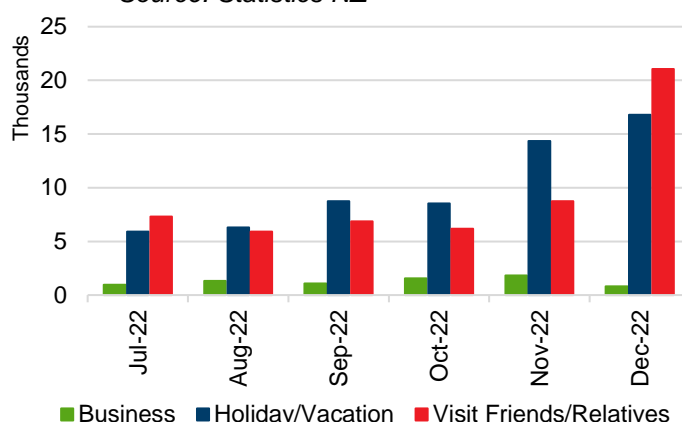


## Update on International Visitation (December 2022 & January 2023)

### International visitor arrivals (December 2022)

- There were just under 41,000 international visitor arrivals at Christchurch Airport during December 2022, up 45 percent or 12,700 people from the previous month of November.
- This increase was almost entirely driven by a lift in the number of people visiting friends and relatives (up 12,300 from November).
- The number of international visitor arrivals at Christchurch Airport during December 2022 was equivalent to 55 percent of pre-COVID levels (i.e., compared to December 2019).

International visitor arrivals at Christchurch Airport, by purpose  
Source: Statistics NZ



### Cruise arrivals (January 2023)

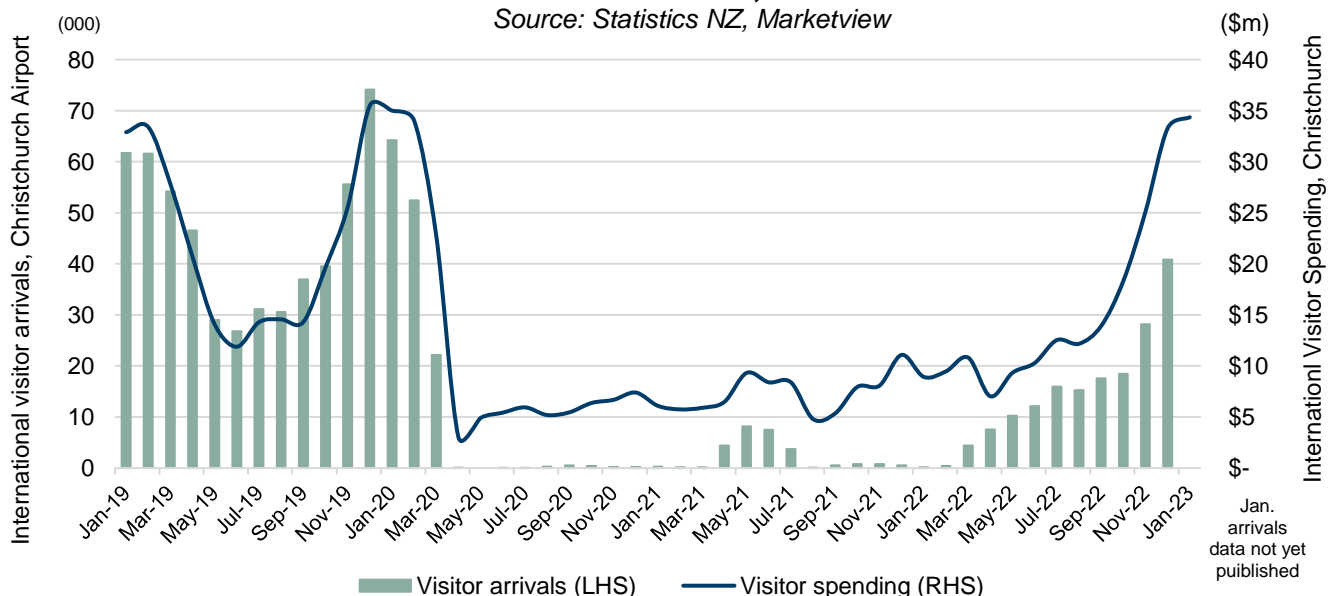
- Over 43,000 passengers were onboard the 32 cruise ships that docked at the ports of Lyttelton and Akaroa during January 2023, up from 30,000 in the previous month of December. Visits to a port do not necessarily mean that passengers disembarked, and passenger statistics should therefore only be treated as a general indicator of cruise activity.

### International Visitor Spending (January 2023)

- International visitor spending in Christchurch City increased 3.3 percent or \$1.1 million during January 2023 from the previous month of December, to a total of \$34.1 million. This was 4.8 percent higher than international visitor spend during the last pre-COVID January (2019).
- The highest spending international markets in Christchurch during January were visitors from Australia (22% of international visitor spend), the USA (18%) and the UK (15%).
- Visitor spending via card transactions is recovering more rapidly than visitor arrivals partly because visitors are spending more. However, the primary driver is a more rapid recovery in independent travellers who tend to purchase more in region, rather than people booking organised tours prior to departure. This gap is expected to close now China has re-opened with Asian markets tending to favour pre-booked tours.

### International visitation, Christchurch

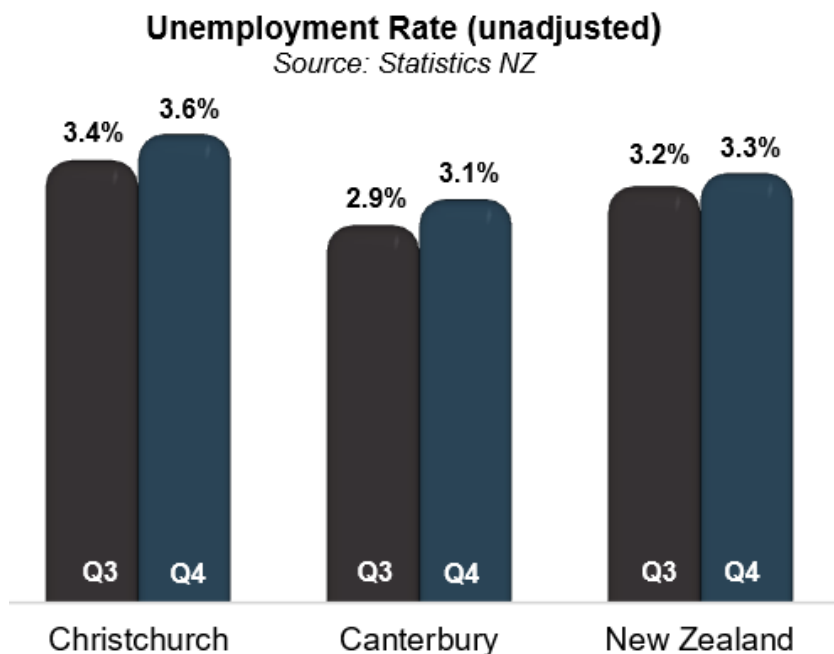
Source: Statistics NZ, Marketview





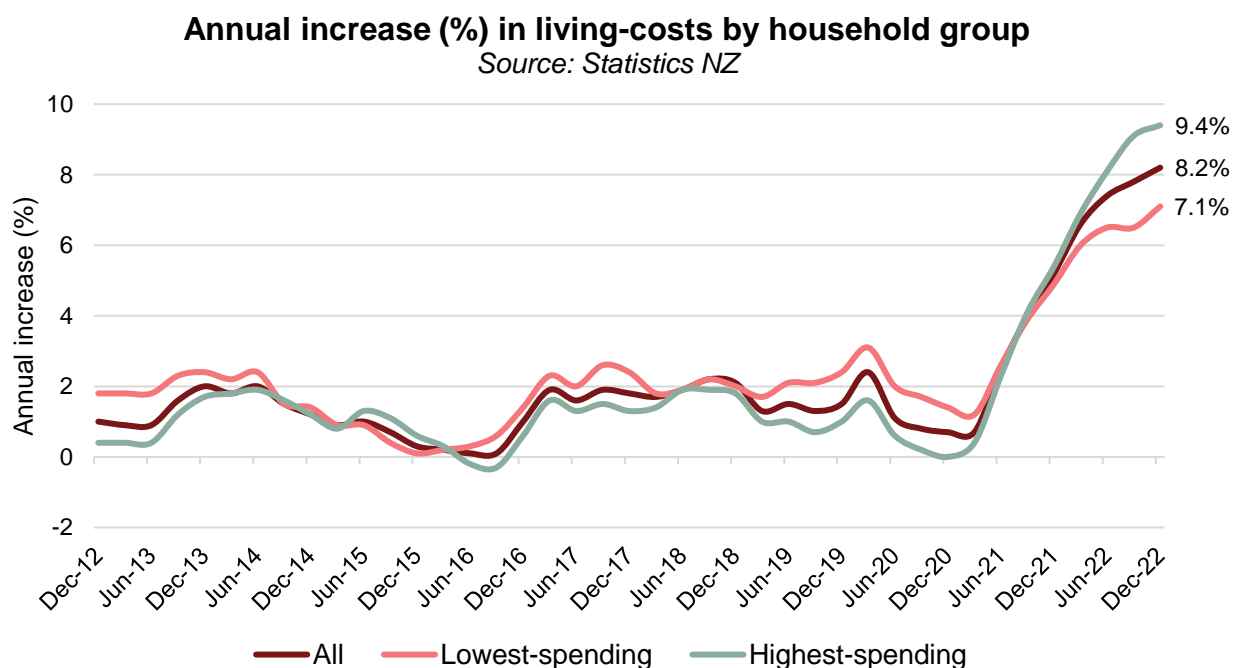
## Q4 2022 Labour Force

- Labour force data for Q4 shows that the (unadjusted) unemployment rate increased both nationally and locally during the December quarter. These increases were largely driven by growth in the size of the labour force, rather than people moving from employment into unemployment. This is unsurprising for Q4, when students tend to move into the labour force for summer.
- Labour force participation was at record-high levels during Q4. The labour force participation rate increased to 73.6 percent in Christchurch, while the Canterbury Region recorded its highest ever participation rate of 73.7 percent.



## Q4 2022 HLPs

- The Household Living-Costs Price Indexes (HLPs) measure how inflation affects different household groups each quarter. The HLPs differ from the Consumer Price Index (CPI) in that housing costs are captured within the HLPs through the cost of mortgage interest payments, while the CPI captures the cost of building a new home.



- Household living-costs increased 8.2 percent for the average household in Q4 2022 compared to the same time in 2021. In comparison, the annual CPI inflation rate for Q4 was 7.2 percent. This difference likely reflects the impact of rising mortgage rates on the cost of living. According to the HLPs, interest payments increased 45 percent for the average household in the year to December 2022, following recent increases to the Official Cash Rate by the Reserve Bank. Spending on interest payments made up 7.4 percent of total household spending for the highest-spending



households, compared to 4.7 percent for an average household and 2.0 percent for the lowest-spending households (who tend to spend proportionally more of their incomes on rent).

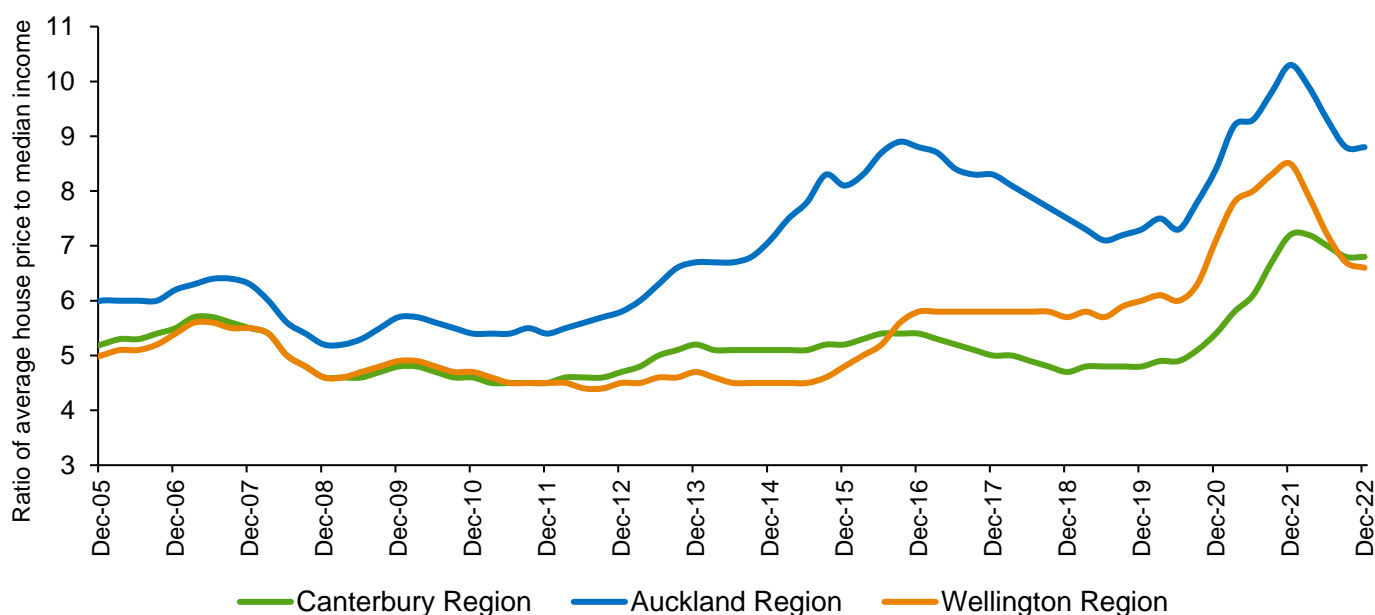
- By household type, the highest-spending households experienced the largest annual increase in living costs at 9.4 percent, reflecting the comparatively higher share of expenditure that interest payments make up for this group. For the lowest-spending households, the cost-of-living increased by 7.1 percent over the same period. Increases to living costs for this group were driven by higher prices for rent, grocery food, interest payments and fresh produce. This group spends 18.2 percent of household expenditure on rent, compared to 13.4 percent for the average household.

## Q4 2022 Housing Affordability

- Housing affordability data from Infometrics indicates that housing affordability improved slightly in Christchurch during Q4. This follows declines in average house prices, which has reduced the ratio of average house prices to median incomes from 7.1 in Q4 2021 to 6.5 in Q4 2022.
- Housing affordability was slightly worse at the regional level during Q4, with the average house price 6.8 times that of average incomes across the Canterbury Region.
- Since 2016, housing affordability ratios in Canterbury have remained well below that of the other major regions. In recent quarters however, relatively rapid declines in house prices in the Wellington Region have seen housing affordability improve within the area. This is further supported by the comparatively higher average incomes that are earned in Wellington City. Regional housing affordability ratios now sit at 6.6 in Wellington, 6.8 in Canterbury and 8.8 in the Auckland Region.
- House price to income ratios are used globally to assess housing affordability. While estimates of an 'affordable' ratio vary, the widely used standard for housing affordability is that average house prices must be less than three-times that of median incomes to be considered affordable. A [2022 study](#) of 92 location-based markets across eight countries including New Zealand, Australia, the UK and the USA found just one market in which the affordability ratio was 3.0 or less.

### Housing Affordability (ratio of average house prices to median income)

Source: Infometrics



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