



# Monthly Economic Insights Brief

September 2022



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

*This report includes the Economic Activity Index comparing Canterbury's economic performance with the rest of Aotearoa, as well as the latest Marketview data showing the city's retail and growth trends.*

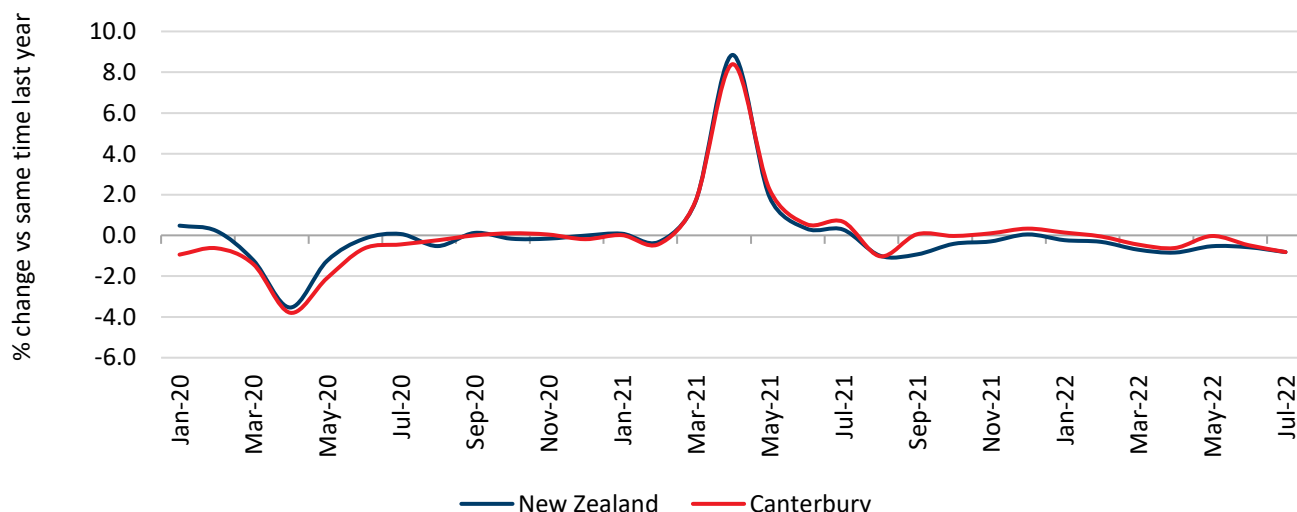


## Canterbury Economic Activity Index (July 2022)

- In July 2022, the Canterbury Economic Activity Index (CEAI) was -0.8, as was the national figure. This means that in July 2022, economic activity both in Canterbury and across New Zealand was -0.8 percent lower than during the same month in 2021.
- The CEAI fell by -0.3 percentage points from the previous month of June, while the national figure fell -0.2 percentage points.
- During July 2022, Canterbury experienced negative year-on-year growth in the number of Jobs Online, heavy traffic volumes and the Performance of Manufacturing Index (PMI). The PMI increased slightly during July 2022 from the previous month of June but remained in contractionary territory. Meanwhile, the value of exports from Canterbury ports experienced strong growth from July 2021, with an increase of 36 percent.

### Canterbury Economic Activity Index (CEAI)

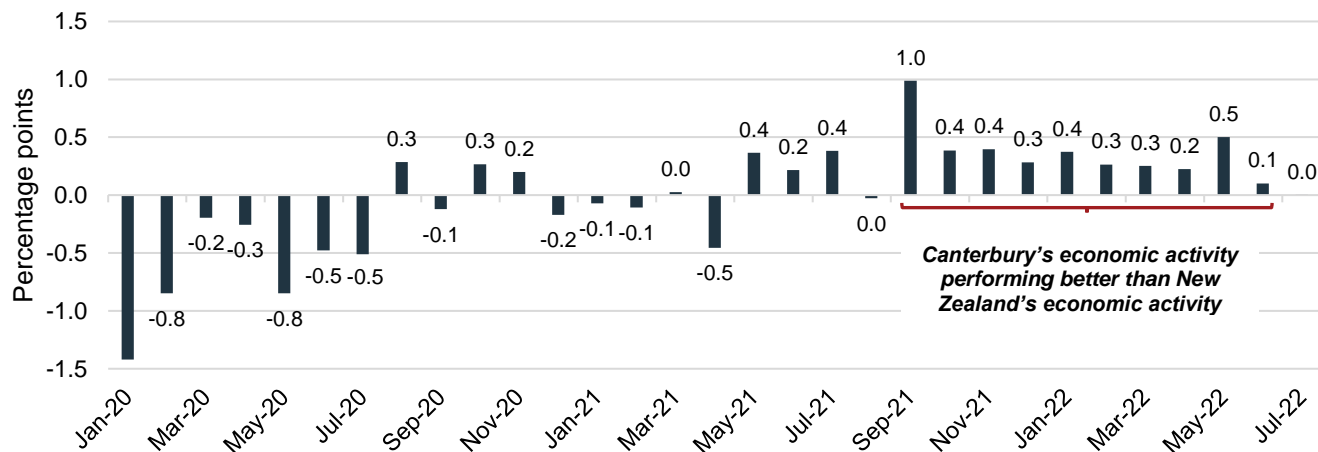
Source: ChristchurchNZ



### Difference between New Zealand and Canterbury Economic Activity Indexes

(>0 Canterbury higher than NZ; <0 Canterbury lower than NZ)

Source: ChristchurchNZ





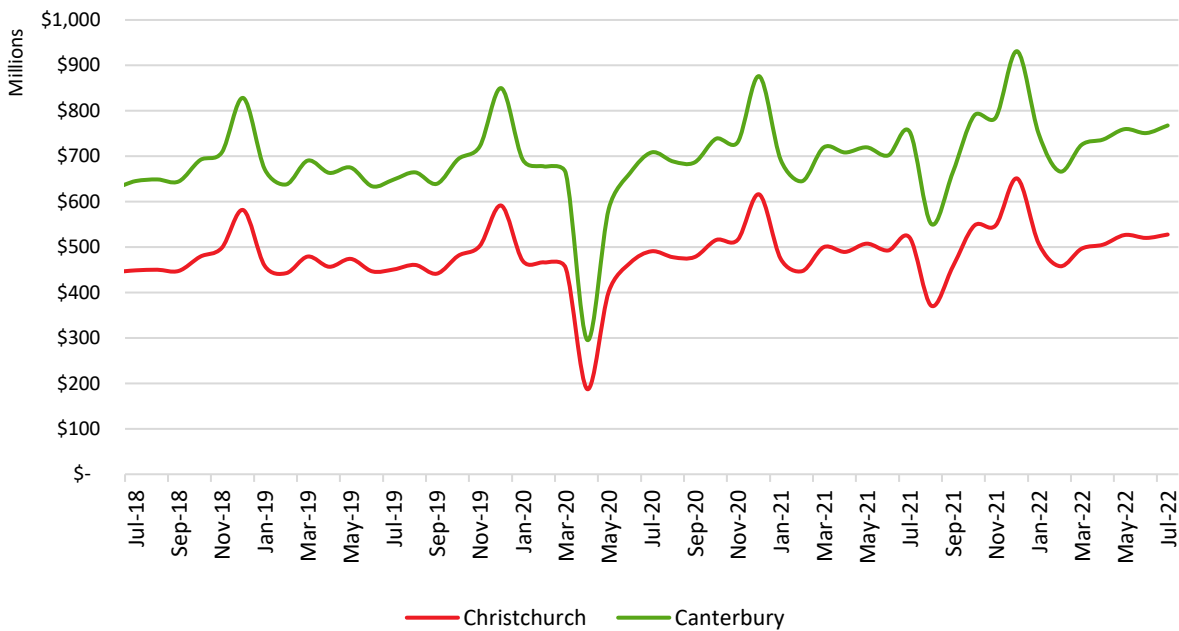


## Retail spending (July 2022)

- The value of retail spending via electronic card transactions in Christchurch increased 1.3 percent in July 2022 compared to the same time in 2021. However, the number of transactions (i.e., the volume of spending) declined by -8.6 percent over the same period. This indicates that price inflation continued to offset the impact of a reduction in spending volumes during July. The value of central city retail spending fell -4.6 percent from July last year, while transactions fell -17.3 percent.
- Retail spending across the Canterbury region also increased in value but decreased in volume compared to July 2021. The value of retail spending increased 1.9 percent from the same time in 2021, while the number of transactions declined by -8.4 percent over the same period.
- Spending at cafes, restaurants, bars and takeaways continued to take the largest hit compared to July last year, with spending falling in terms of both value and volume across the central city, Christchurch and Canterbury. Hospitality spending in the central city experienced the largest contraction, with transactions at cafes, restaurants, bars and takeaways declining -20.4 percent from July 2021.

### Retail spending via electronic card transactions

Source: Marketview



Christchurch Retail Spending, July 2022 vs July 2021				
Category	Spending Value		Transactions	
Fuel & Automotive		18.9%		-2.1%
Other Consumer Spending		9.1%		-9.6%
Groceries & liquor		3.3%		-7.7%
Total		1.3%		-8.6%
Apparel & Personal		0.9%		-0.1%
Home & Recreation Retail		-5.0%		-4.4%
Cafes, Restaurants, bars & takeaways		-8.9%		-15.1%



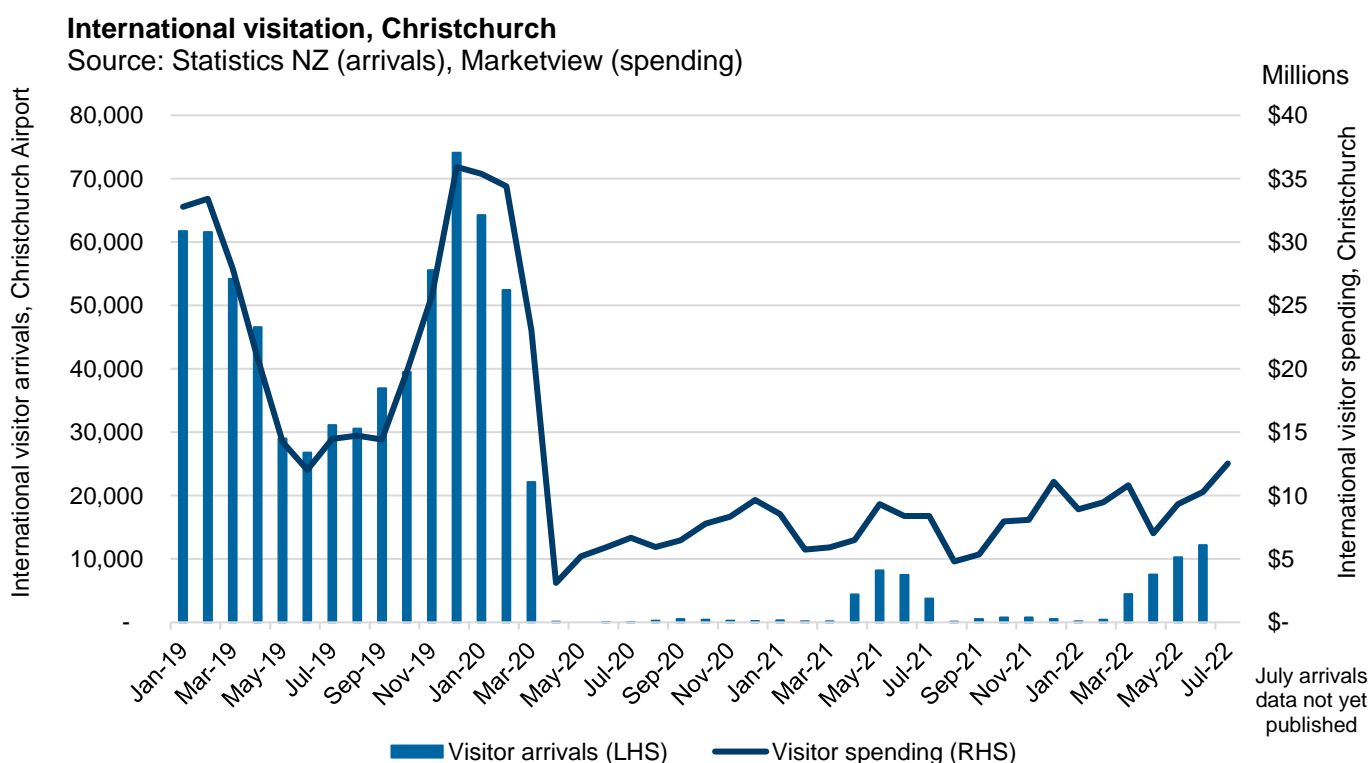
## Update on International Visitation

### *International visitor arrivals (June 2022)*

- There were just over 12,000 international visitor arrivals at Christchurch Airport during June 2022, up 18 percent from 10,000 in the previous month of May. 77 percent were from Australia and the most common purpose of travel was to visit friends and relatives, at 46 percent of total visitors.
- The proportion of people visiting for a holiday was up from 24 percent in the previous month of May to 35 percent in June. The proportion of people arriving via Christchurch Airport for the purpose of a holiday was higher than that of New Zealand as a whole (35% at Christchurch Airport vs 27% across all New Zealand airports).
- The number of international visitor arrivals at Christchurch Airport during June 2022 was equivalent to 45 percent of pre-COVID June levels (i.e., compared to June 2019). The number of arrivals visiting friends and relatives sat at 83 percent of pre-COVID levels, while the number of people holidaying or visiting for business purposes sat at 29 percent and 35 percent of pre-COVID levels, respectively.

### *International Visitor Spending (July 2022)*

- International visitor spending in Christchurch City increased by 22 percent to \$12.5 million in July 2022 from \$10.3 million in the previous month of June. This is the highest monthly international visitor spend since March 2020.
- This was equivalent to 88 percent of international visitor spending during a pre-COVID July (i.e., compared to July 2019). The number of transactions also sat at 88 percent of a pre-COVID July.
- International visitor spending on apparel & personal and fuel & automotive increased compared to July 2019, while spending on tourist-focussed sectors like accommodation, arts & recreation, food & beverage services and transport services were down compared to pre-COVID. Headline spending figures for July 2022 are therefore likely to overstate the extent to which international visitation has provided an injection into Christchurch's tourism sector.





## A deep dive into the housing market

### House prices (July 2022)

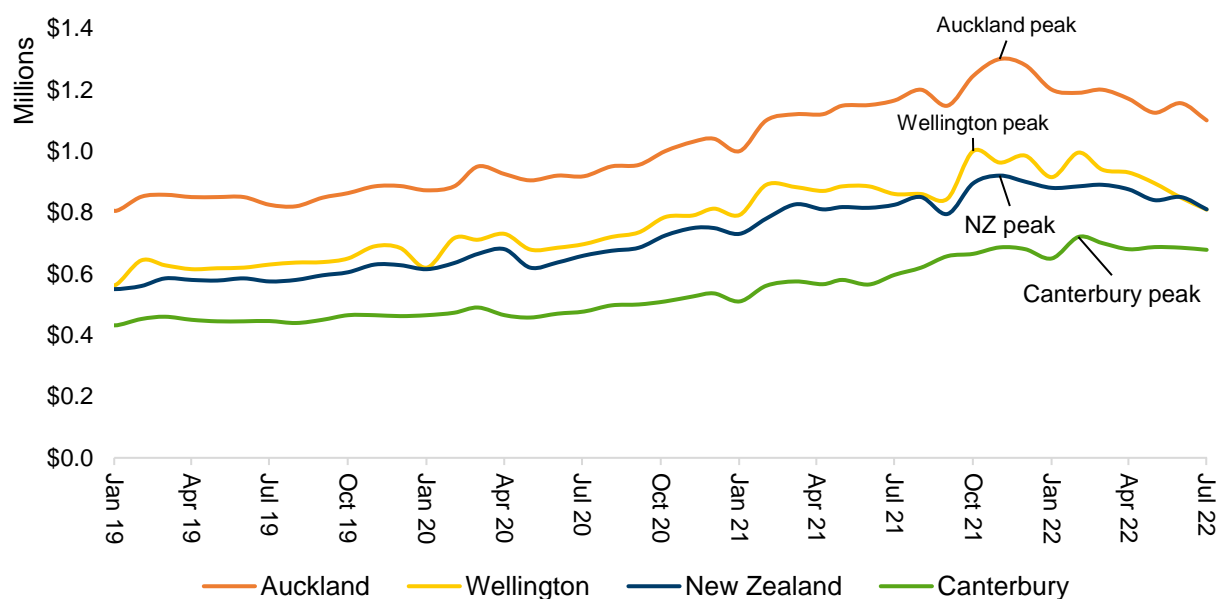
- Median house prices in New Zealand are now falling. July 2022 marked the first month since July 2011 in which the national median house price fell compared to the same month in the previous year.
- In contrast, median house prices in Christchurch and Canterbury continue to record positive year-on-year growth rates. However, the rate of annual house price growth in Christchurch has fallen by about two-thirds from the gains observed during 2021.

Area	Median House Price July 2022	Median House Price July 2021	YOY Growth Rate	YOY Real Change
Christchurch	\$660,000	\$600,000	10%	\$60,000
Canterbury	\$678,000	\$596,500	14%	\$81,500
Wellington	\$809,100	\$860,000	-5.9%	-\$50,900
Auckland	\$1,100,000	\$1,165,000	-5.6%	-\$65,000
New Zealand	\$810,000	\$825,000	-1.8%	-\$15,000

- New Zealand's national median house price peaked in November 2021 and has since fallen by -12 percent from that peak. Median house prices in Christchurch and Canterbury peaked later in February 2022.
- By July 2022, median house prices had fallen -19 percent from their respective peak in Wellington, -15 percent in Auckland, -10 percent in Christchurch and -6 percent in Canterbury.
- The average rate of decline in house prices over the last three months has been fastest in Wellington at -4.5 percent per month, followed by -2.4 percent in Christchurch, -2.0 percent in Auckland and -0.1 percent per month in Canterbury.
- Based on forecasts by the major banks, house prices are expected to fall by between 10-15 percent from peak to trough over 2022 and into 2023.

### Median house price by region, 2019-2022

Source: REINZ, ChristchurchNZ





## What could this mean for first-home buyers?

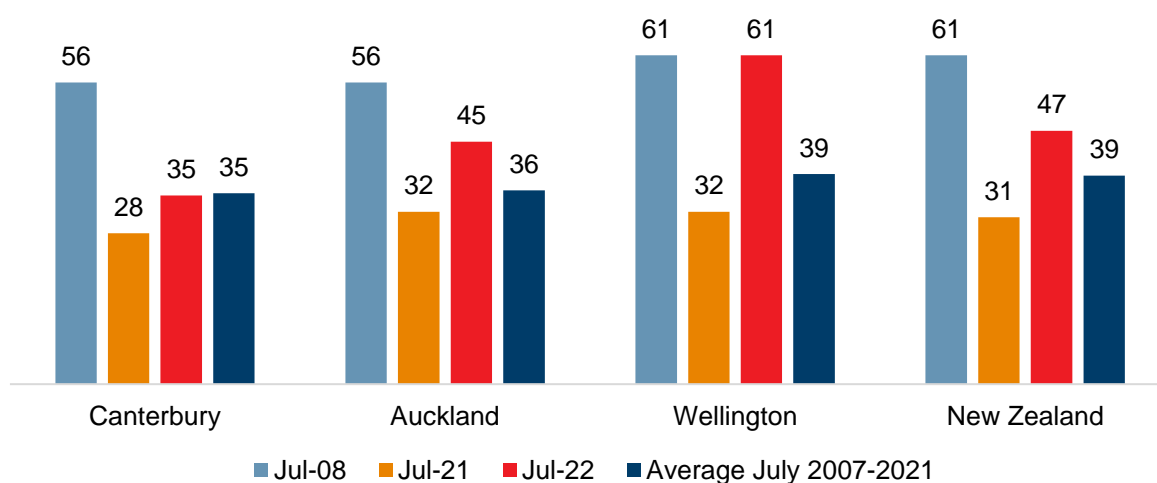
- On their own, declines in house prices could reduce barriers to entry into the market for first-home buyers. However, rising interest rates mean that the higher cost of servicing a mortgage will offset some of this benefit for first-home buyers.
- In June 2022, the amount required for a 20 percent deposit on a house sold at the median lower-quartile price in Christchurch had fallen by \$3000 from the equivalent of a 20 percent deposit on the 'same' house in December 2021.
- However, the average two-year interest rate for borrowers with a 20% deposit rose from 4.3 percent in December 2021 to 5.4 percent in June 2022.
- This would increase the monthly mortgage repayments for this home by just over \$250 per month. The result is a \$6000 increase in mortgage payments over the two-year fixed term period, with the money 'saved' on the deposit eaten up within the first year.
- The overall impact on first-home buyers will therefore depend on the relative decline in house prices compared to interest rate increases.

## Days to sell (July 2022)

- The average number of days for a house to sell increased in July 2022 from the historic lows observed in July 2021 but varied significantly by region.
- Houses taking longer to sell fits with our expectations of behaviour during a slowdown, as sellers are yet to adjust their expectations to match those of buyers, who are trying to avoid 'overpaying'.
- Longer sale periods are yet to be observed in Canterbury. Average days to sell during July 2022 was in line with an average July (2007-2021) in Canterbury at 35 days.
- A large variance from an average July was observed in Wellington, where days to sell lifted above the average of 39 days to 61 days in July 2022. This was on par with average days to sell in Wellington in July 2008, when average days to sell lifted across the board in the midst of the GFC. In comparison, it took an average of 56 days for houses in Canterbury to sell during July 2008.

### Average days to sell during July by region

Source: REINZ, ChristchurchNZ



Note: Days to sell is equivalent to 'days to sell with one agent' and does not capture total length of time for sellers that change agents during the sales process



## How do house prices influence the wider economy?

- House prices move closely with economic cycles, as residential investment is strongly correlated with GDP. As well as the direct impact of housing investment on GDP, the impact of house prices on the wider economy largely flow through via consumption. House prices influence consumer demand through the 'wealth effect'. When house prices are high, people feel that they have experienced a permanent increase in their wealth and are therefore more likely to spend, and vice versa. When house prices drop and consumers pull back on spending, the economy contracts.
- Downturns in the housing market have also been found to be damaging for productivity and inclusion, as property is often used as collateral in loans to small businesses and start-ups. When house prices fall, access to credit also shrinks, which can reduce flows of business investment.
- The construction sector also supports economic activity, particularly in Canterbury.
  - In the year to March 2020, construction was Canterbury's second largest industry by GDP contribution, at 9.2 percent.
  - The construction sector employs almost 10 percent of Christchurch's workforce and makes up 14% of business units.
  - In the year to June 2022, Canterbury had the highest number of consents for new homes issued per capita of any New Zealand region.

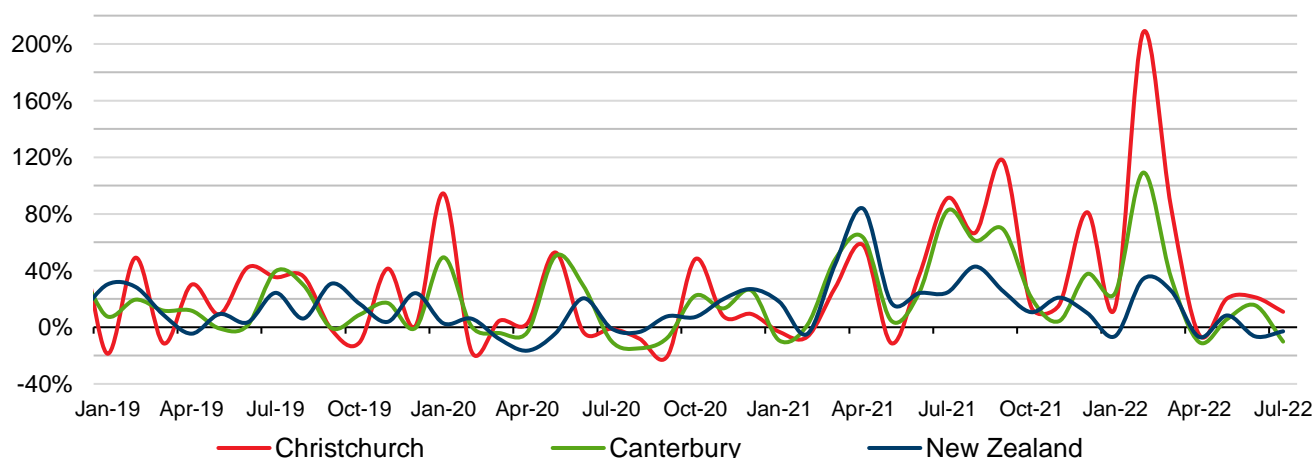
The extent to which falling house prices impact on residential investment in Canterbury will therefore be a key determinant of local construction activity, with flow-on effects on regional GDP growth.

## Building Consents

- Growth in building consent issuance has cooled from the record-breaking highs observed in the latter half of 2021 and early 2022.
- Residential building consent growth remained positive in Christchurch, with the number of new homes consented up 10.9 percent from July 2021. However, residential consent growth was negative in the neighbouring districts of Selwyn (-31.2%) and Waimakariri (-22.2%). Residential consent issuance across Canterbury and New Zealand also experienced negative year-on-year growth, with consents down -10.2 percent and -2.9 percent from July 2021, respectively.

### Year-on-year growth in monthly residential building consents

Source: Statistics NZ, ChristchurchNZ

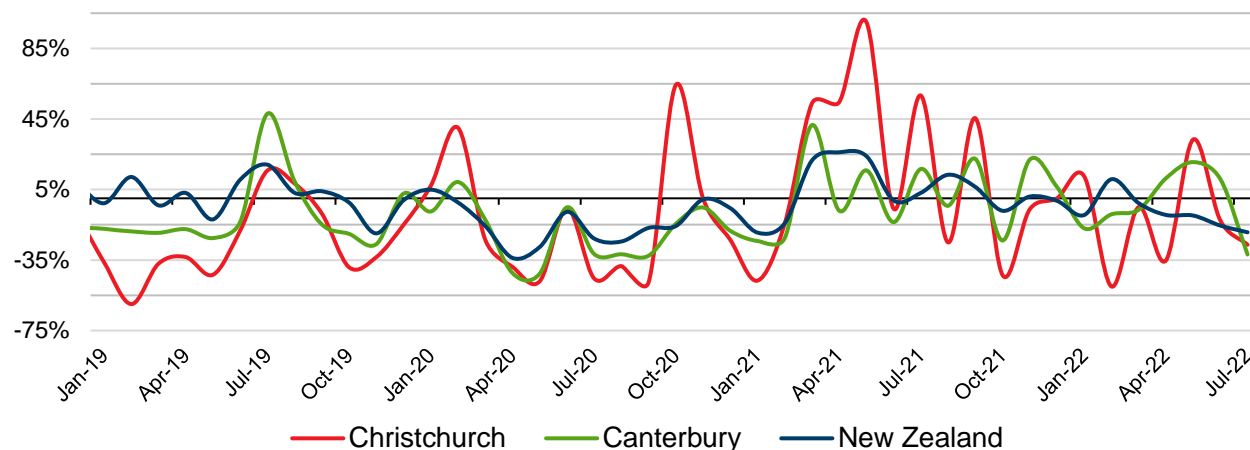




- Non-residential building consents were less resilient, with consents down from July 2021 across Christchurch, Canterbury and New Zealand. Because a small number of non-residential buildings are consented each month, year-on-year growth tends to be more volatile than the residential sector. However, year-end data also shows negative growth for the year to July 2022 compared to the previous 12-month period, with non-residential consents down -12.2 percent in Christchurch.

### Year-on-year growth in monthly non-residential building consents

Source: Statistics NZ, ChristchurchNZ



## GDP (provisional)

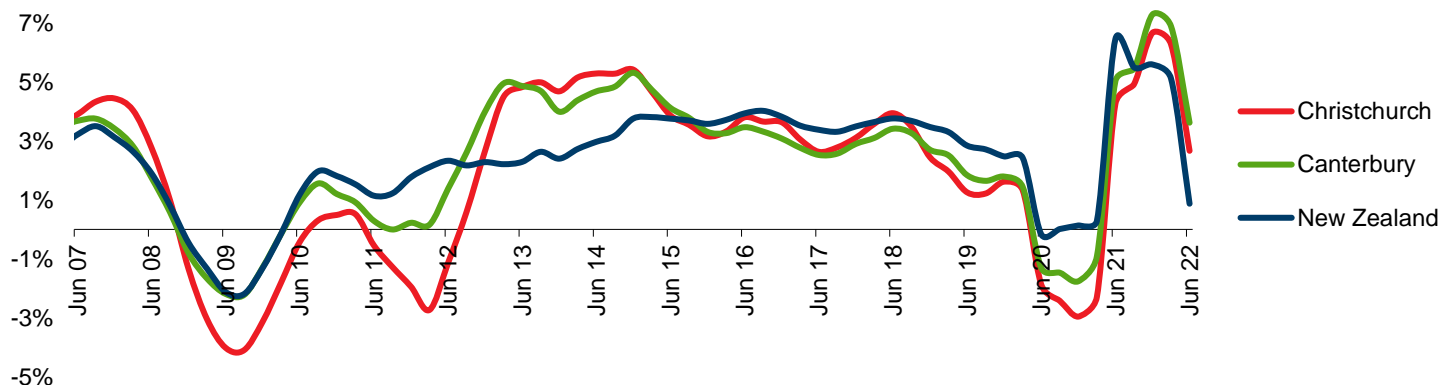
- According to the provisional gross domestic product (GDP) figures published by Infometrics, the New Zealand economy grew 0.9 percent in the year to June 2022 from the previous 12-month period. Canterbury experienced GDP growth of 3.6 percent over the same period, while Christchurch's GDP increased 2.7 percent.
- Annual GDP growth in Christchurch has averaged at 2.5 percent per year over the last decade. Annual GDP growth peaked at 6.7 percent in the year to December 2021, reflecting a rebound from the pandemic-induced contraction of the previous year.

#### GDP growth by area, year to June 2022

Waimakariri District	7.3%
Selwyn District	6.2%
<b>Christchurch City</b>	<b>2.7%</b>
Dunedin City	1.3%
New Zealand	0.9%
Wellington City	-0.5%
Auckland	-0.9%

### Gross Domestic Product, Annual Average Percent Change

Source: Infometrics, ChristchurchNZ



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