



# Monthly Economic Insights Brief

September 2023



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



## GDP (Q2 2023)

GDP data indicates that the New Zealand economy grew 0.9 percent during the June quarter. The latest data release also included an upward revision of GDP growth for the previous quarter (Q1), from -0.1 percent to 0.0 percent. This slight upward revision means that New Zealand is no longer considered to have entered a technical recession in the first half of the 2023. The 0.9 percent growth rate recorded for the June quarter was stronger than anticipated, with market expectations sitting around 0.4 percent and the Reserve Bank forecasting 0.5 percent growth for Q2. Some of this strength is expected to stem from a rebound in activity following the impact of Cyclone Gabrielle on GDP in Q1. While quarterly GDP growth improved in Q2 compared to Q1, economic momentum is slowing on an annual basis. GDP growth slowed from 2.2 percent in the year to March, to 1.8 percent over the year to June.

### By sector

Q2 GDP growth was most strongly driven by business services (up 2.1%), with growth in this sector propelled by computer system design & related services, and employment & other admin services. Public administration, safety and defence also made a strong contribution to quarterly growth, driven by expansion in public order, safety, and regulatory services (which captures police, fire, corrections, and security services). Other industries that drove growth during the June quarter included real estate services, and utilities services (driven by electricity generation and sales).

Headline GDP growth was partially offset by contractions in four sectors- agriculture, forestry & fishing; retail trade; wholesale trade; and construction. Quarterly declines in the agriculture sector were driven by negative growth in fishing & agriculture support services (and impacted by extreme weather events), while furniture, electrical & hardware retailing drove the contraction in retail trade.

### Change in GDP (production) by sector, Q2 vs Q1

Source: Statistics NZ



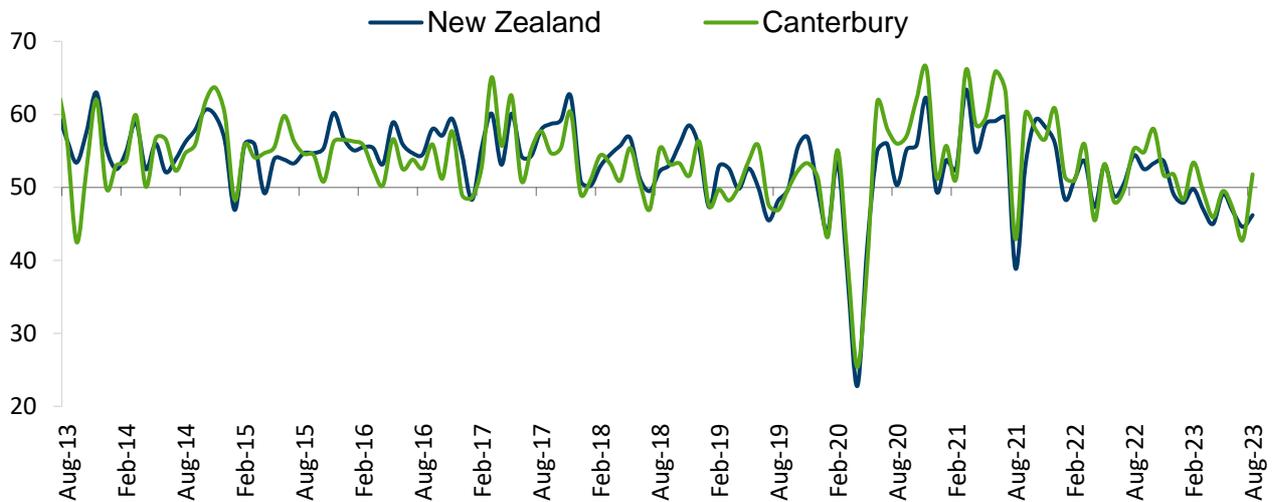
# Manufacturing Performance (August 2023)

## Performance of Manufacturing Index (PMI)

The PMI is a monthly survey providing an early indicator of levels of activity in the New Zealand manufacturing sector. A PMI score above 50 indicates that the sector is generally expanding, while a reading below 50 is an indicator of sector contraction. Canterbury's unadjusted PMI score for August was 51.8, which was the first expansive score for the region since February (and the only other expansive score recorded this year). New Zealand's unadjusted PMI score was also contractive in August at 46.2. New Zealand has not recorded a PMI above 50 since November last year.

### Performance of Manufacturing Index (non-seasonally adjusted)

Source: Business NZ



The PMI indicates that both national and local manufacturing activity has been trending steadily downward over 2023, although Canterbury's PMI reading has tended to score slightly higher than the national average. Since the start of the year, New Zealand's PMI has averaged at 47.0, compared to 48.5 in Canterbury. International manufacturing activity has painted a similar picture over 2023, with the global PMI hovering between 48-49 since the start of the year.

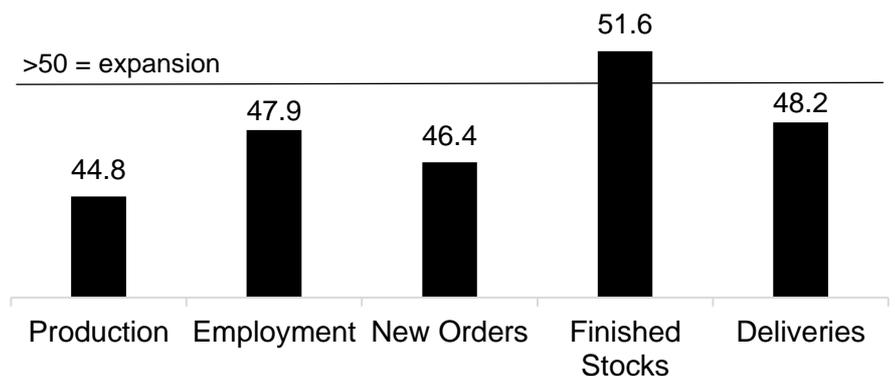
Detailed scores for the inputs to the PMI are available at the national level for production, new orders, deliveries of raw materials, finished stocks, and employment.

Production has been the strongest downward drag on the overall PMI score so far over 2023, followed by new orders. Meanwhile, the only input to average at an expansive score has been stocks of finished product, indicating that inventories have been building.

### NZ PMI scores by sub-index, monthly average

Jan-Aug 2023

Source: Business NZ

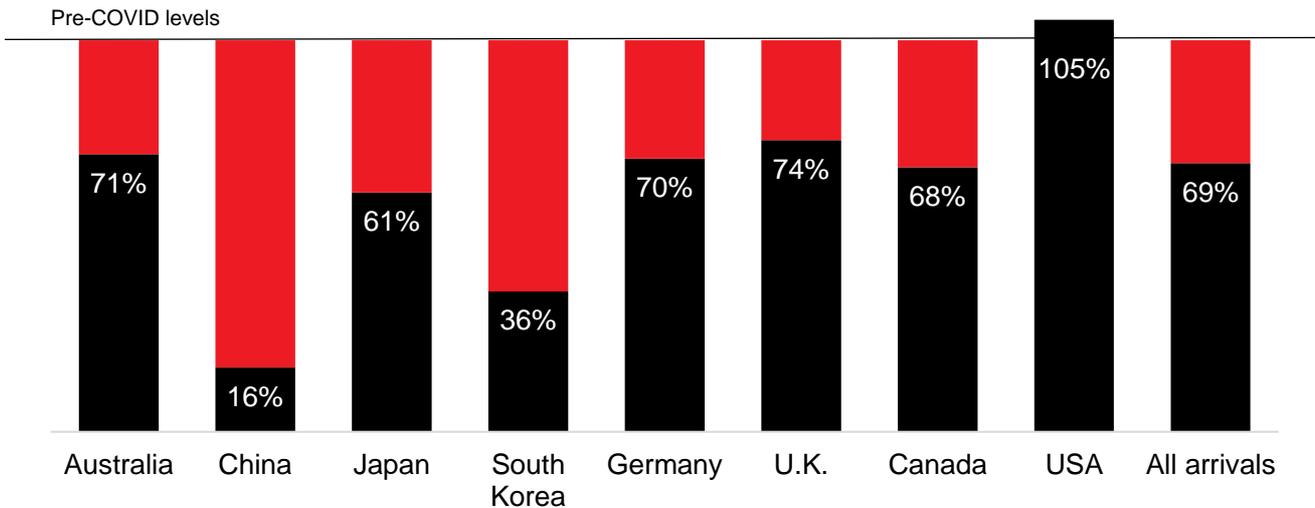


# Update on International Visitation (July & August 2023)

## International visitor arrivals (July 2023)

Approximately 21,300 international visitor arrivals landed at Christchurch Airport during July 2023. This was equivalent to 69 percent of pre-COVID levels (July 2019). Visitor numbers from the USA were sitting closest to pre-COVID levels during July 2023 at 105 percent. Arrivals from the U.S. were high across the country during July, coinciding with the FIFA Women's World Cup. Meanwhile, arrivals from the U.K. sat at the second highest equivalence to pre-pandemic levels at 74%, followed by arrivals from Australia at 71% and Germany at 70%.

**International arrivals, equivalence to pre-COVID levels by market**  
Christchurch Airport, July 2023 (Statistics NZ)

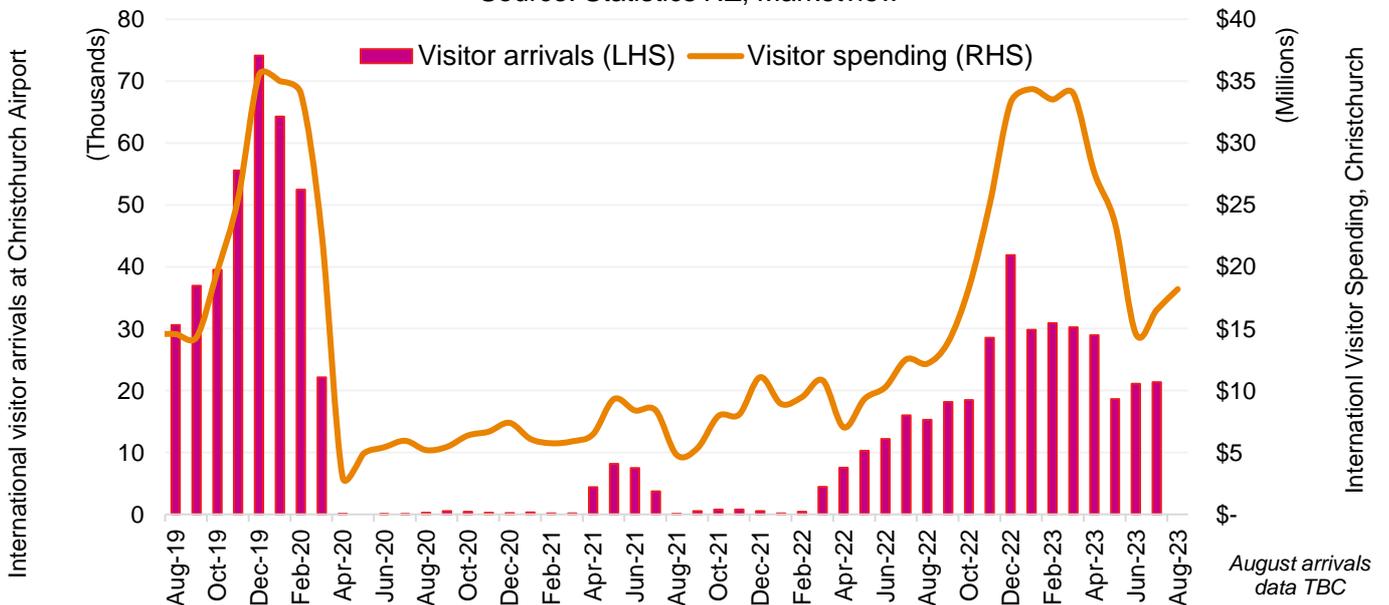


## International Visitor Spending (August 2023)

International visitor spending in Christchurch City in August 2023 was \$17.4m, up from \$16.6m in the previous month of July. 36% of international visitor spending in Christchurch during August took place within the Four Aves, up from 33% pre-COVID (August 2019).

**International visitation, Christchurch**

Source: Statistics NZ, Marketview



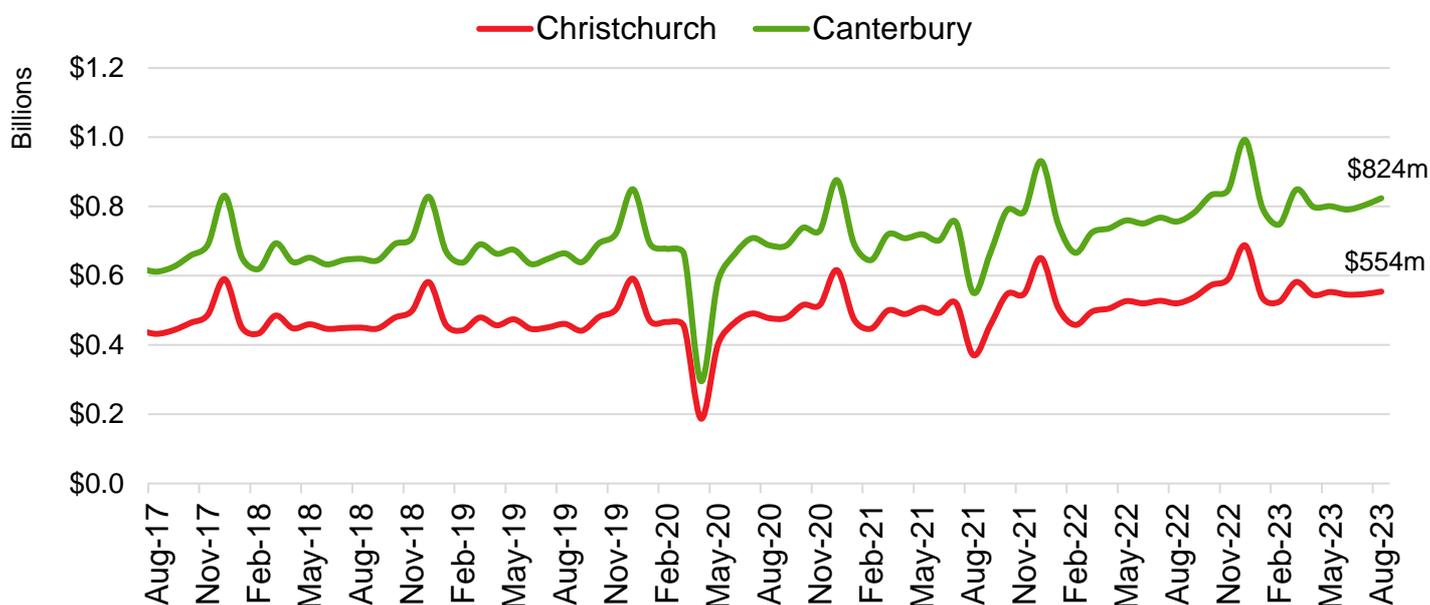
## Retail Spending (August 2023)

The value of retail spending in Christchurch during August 2023 came to \$554m, an increase of 6.5 percent from August 2022. The volume of retail spending (number of transactions) in Christchurch increased by 7.1% percent over the same period, while the average amount spent per transaction was unchanged at \$46.

Transactions in Christchurch recorded positive year-on-year growth across three store types, with spending on groceries & liquor recording the largest uplift in spending volumes (12.1%), followed by spending at cafes, bars & restaurants (8.9%) and fuel & automotive transactions (7.6%). Spending volumes at home & recreation retail stores were unchanged from August last year, while transaction numbers declined for apparel & personal (-10.7%) and other consumer spending (-6.5%).

### Value of retail spending, Christchurch & Canterbury

Source: Marketview



### Discretionary spending softening

Discretionary spending is often used to describe 'non-essential' spending or spending on things that can be considered outside of basic needs. Reductions in discretionary spending appear to be showing up in retail spending trends in Christchurch, which is likely to reflect the impact of cost-of-living pressures and low consumer confidence on purchase decisions. For example, transaction data in the apparel & personal category, which captures spending on clothing, footwear, and jewellery, has recorded negative year-on-year growth for seven of the last eight months. Transactions in the 'other consumer spending' category have also declined. This category largely captures tourism and transport expenditure, but also captures recreational spending by locals on things like sports and fitness activities, and arts and culture. While transactions carried out by international visitors in this category were up 43 percent from August 2022, 'other consumer spending' transactions among locals and domestic visitors fell by rates of -4 percent and -23 percent over the same period.

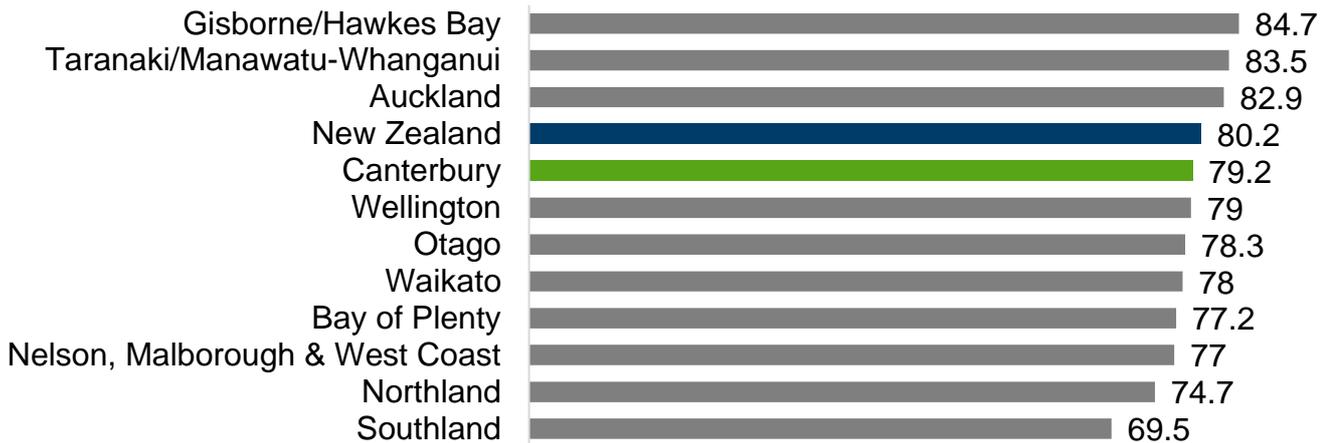
Reductions in discretionary spending have also taken place at the national level. Spending volumes among New Zealander's (i.e., excluding international visitor spend) declined -4.9 percent in the 'other consumer spending' category in August 2023 from the same time last year. Home & recreation retail transactions also declined year-on-year, falling -1.3 percent. Reductions in discretionary spend align with expectations of spending trends when consumer confidence is low and financial pressures are front-of-mind for households.

## Consumer Confidence (Q3 2023)

According to Westpac's latest survey, consumer confidence amongst Cantabrians remained firmly in net pessimistic territory during Q3. A score below 100 indicates that negative consumer sentiment outweighs positive sentiment, and confidence in Canterbury scored at just 79.2 in the September quarter. However, the regions confidence score did improve slightly from the previous quarter (for the second quarter in a row). Meanwhile, consumer confidence across New Zealand fell 3 points during Q3 to 80.2.

### Consumer confidence by region, Q3 2023

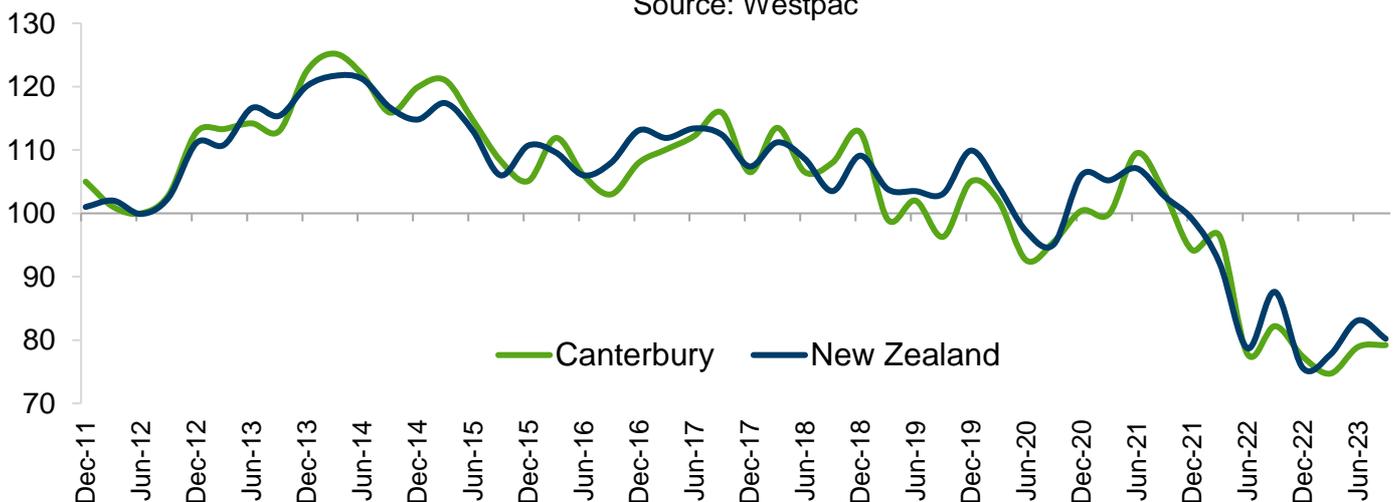
Source: Westpac



Financial pressures continue to weigh on consumer confidence, with Westpac reporting that the share of households that have experienced an improvement in their financial position over the last year sits at just 10%. This is the lowest level observed in the 35 years the survey has been running. The number of households who think it's a good time to make a major purchase are also lingering at record lows.

### Consumer Confidence

Source: Westpac



For queries related to ChristchurchNZ's economic insights, please contact:  
Sophie Jones (Economic Analyst): [sophie.jones@christchurchnz.com](mailto:sophie.jones@christchurchnz.com)