



Monthly Economic Insights Brief

January 2023



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

January 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 (December 2022)

- The value of retail spending in Christchurch during December 2022 came to \$687.5m, an increase of 5.6 percent from December 2021. The volume of retail spending (number of transactions) in Christchurch increased by 3.0 percent over the same period.

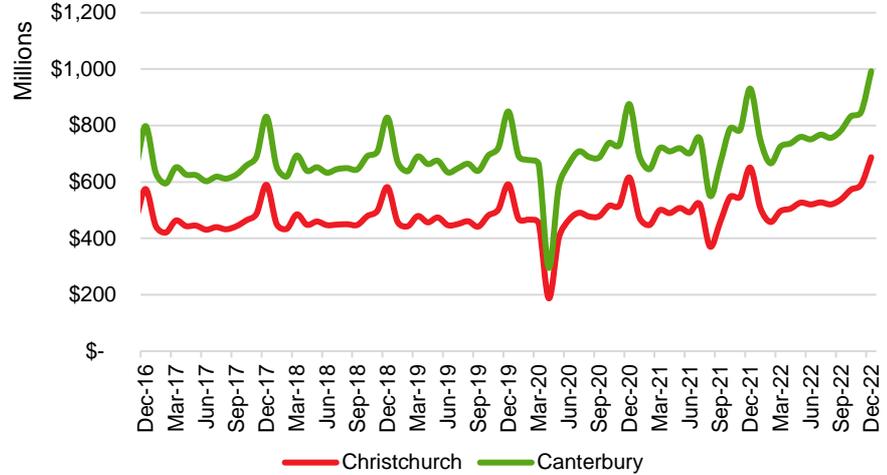
- The largest annual increase in transaction volumes took place in the 'other consumer spending' category (+24.1%), reflecting an upsurge in spending by international visitors on tourism-related products and services.

- This increase in spending by visitors to Christchurch offset a reduction in transaction volumes by locals, with the number of card swipes by residents of Christchurch dropping -0.7 percent or approximately 64,000 transactions compared to December 2021. This slowdown in local spending reflects a trend observed across the wider economy (and observed in the Q3 GDP figures below), in which the impacts of a softening in domestic demand is being offset by a revival of the tourism sector.

- The number of transactions within the central city increased 10.0 percent in December 2022 from the same month in 2021. This was also driven by strong growth in the 'other consumer spending' category (up 43.2% YOY). As with the rest of Christchurch, the central city experienced a decline in transactions carried out by Christchurch locals (down -3.9% from December last year). However, uplifts in transactions within the central city by residents of Selwyn & Waimakariri, and both domestic and international visitors, offset the impact of this on overall transaction volumes.

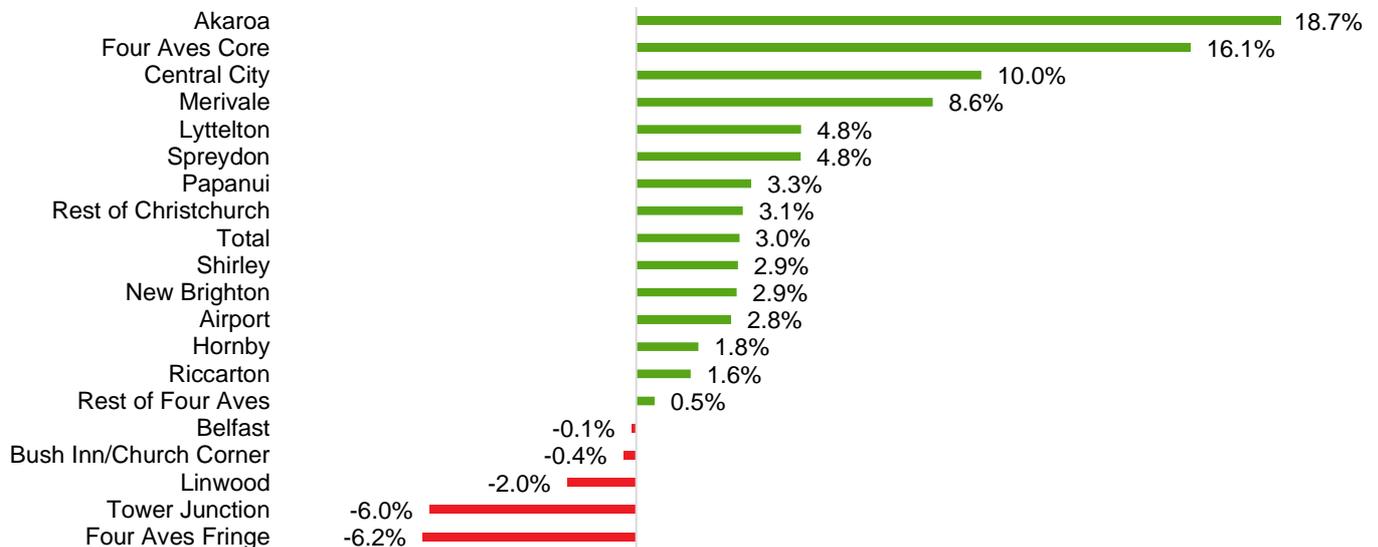
Value of retail spending, Christchurch & Canterbury

Source: Marketview



Number of transactions vs same month last year, Christchurch suburbs (December 2022)

Source: Marketview





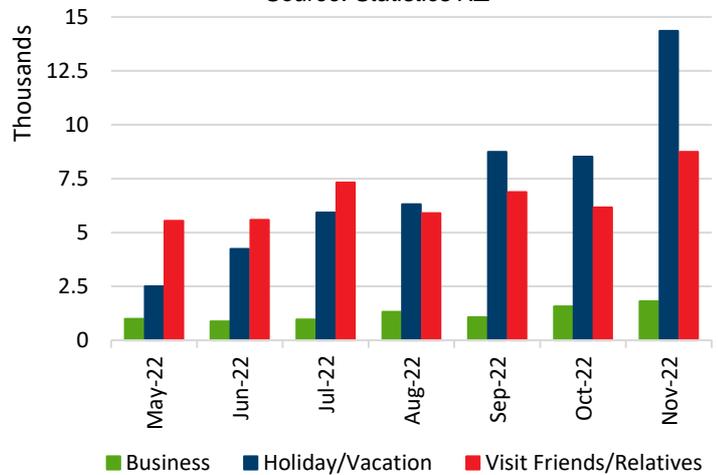
Update on International Visitation (November & December 2022)

International visitor arrivals (November 2022)

- There were 28,100 international visitor arrivals at Christchurch Airport during November 2022, up 52 percent or almost 9,700 people from the previous month of October.
- This increase was driven by an uplift in the number of people visiting for a holiday (up 5,800 from October).
- The number of international visitor arrivals at Christchurch Airport during November 2022 was equivalent to 38 percent of pre-COVID levels (i.e., compared to November 2019).

International visitor arrivals at Christchurch Airport, by purpose

Source: Statistics NZ



Cruise arrivals (December 2022)

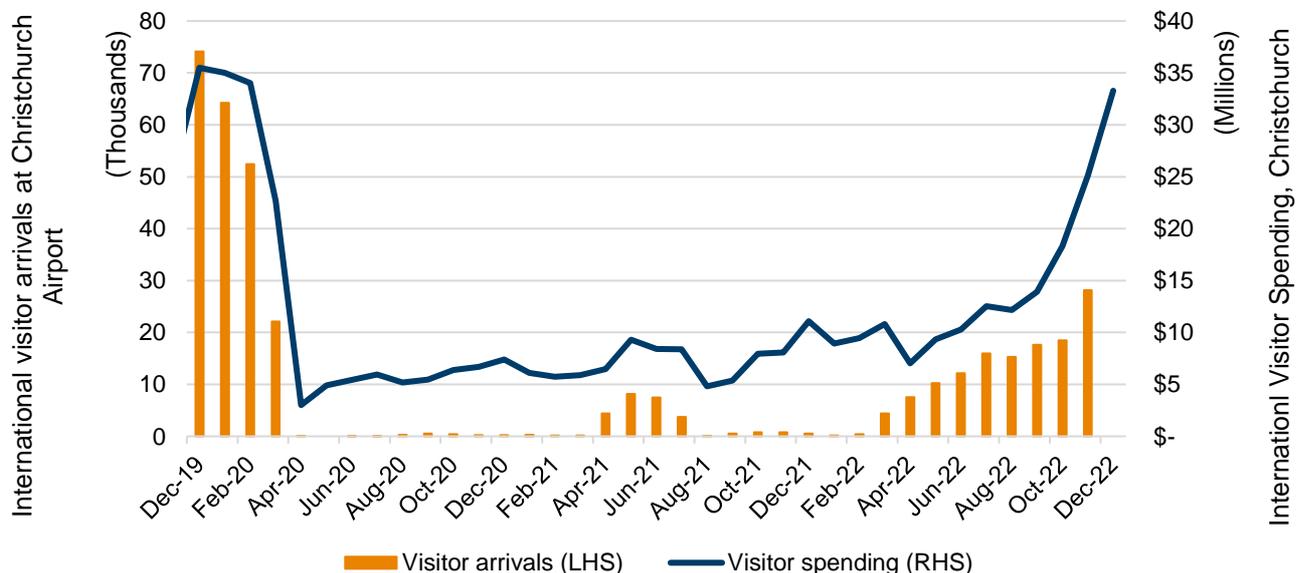
- Just over 30,000 passengers were onboard the seventeen cruise ships that docked at the ports of Lyttelton and Akaroa during December 2022, up from 27,300 in the previous month of November. Visits to a port do not necessarily mean that passengers disembarked. Passenger statistics should therefore only be treated as a general indicator of cruise activity.

International Visitor Spending (December 2022)

- International visitor spending in Christchurch City increased 33 percent or \$8.2 million during December 2022 from the previous month of November, to a total of \$33.3 million
- The two highest spending international markets in Christchurch during December were visitors from Australia (23 percent of international visitor spend) and from the USA (20 percent).
- Visitor spending on credit cards 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 market growth.

International visitation, Christchurch

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





Q3 2022 GDP

- New Zealand's GDP increased 2.0 percent over Q3 2022, with growth around two times higher than market and Reserve Bank expectations.
- Thanks to the reopened border, transport was the star performer during Q3. Transport, postal and warehousing grew 9.7 percent during Q3, driven by growth in transport support services and air transport. Although international visitor arrivals in New Zealand are sitting at around half of pre-COVID numbers, travel-related sectors like transport services and arts and recreation are sitting above pre-pandemic levels in GDP terms. The release of pent-up demand is likely to be playing a large role in this trend. Tourism activity is also contributing positively to New Zealand's trade balance, driving a large spike in the export of services (up 27.5% over Q3), which flowed through to a strong 7.8 percent lift in overall exports compared to Q2.
- Construction activity also registered a strong increase of 5.1 percent in Q3. This was driven by growth in homebuilding, commercial construction and infrastructure work. The sector has a significant backlog of housing completions to work through, and consent issuance indicates that there is still a healthy pipeline of work in the near future. However, ongoing softening in the housing market means that activity in the longer term is unlikely to have such a rosy impact on GDP growth.
- From an expenditure perspective, domestic demand continued to contract during Q3, albeit at a more moderate pace than during the previous quarter. Household spending fell -0.1 percent in the September quarter, following a -3.4 percent decline in Q2. This was driven by a -0.9 percent reduction in household spending on services, and has been pointed to by commentators as a sign that domestic demand is now trending downward.

Q4 2022 Consumer Confidence

- Consumer confidence fell further in Q4, to a new low of 77.4 in Canterbury. Consumer confidence scores indicate the net balance of optimistic vs pessimistic responses to questions about household's financial situations, purchasing decisions and feelings about future financial and economic prospects. Q4's scores across the country indicate that there are now many more New Zealander's who feel pessimistic about the economic environment than there are those who are optimistic.
- Inflation, rising interest rates and the lead up to Christmas combined in Q4 to keep financial pressures front of mind for many New Zealand consumers. The majority of households signalled in Q4 that they expect their finances to deteriorate further in 2023, indicating that consumer confidence scores will remain firmly in the red in the near future.

Consumer confidence by region

	Dec-22	Sep-22	Change
Northland	73.7	79.2	-5.5
Auckland	75.1	87.2	-12.1
Waikato	74.2	103	-28.8
Bay of Plenty	72.7	86.8	-14.1
Gisborne/Hawke's Bay	73.2	79.4	-6.2
Taranaki/Manawatu-Whanganui	72.7	78	-5.3
Wellington	82.2	105	-22.8
Nelson/Marlborough/West Coast	75.3	80.7	-5.4
Canterbury	77.4	82.2	-4.8
Otago	79.3	75.4	3.9
Southland	61.9	76.7	-14.8
Nationwide	75.6	87.6	-12.0



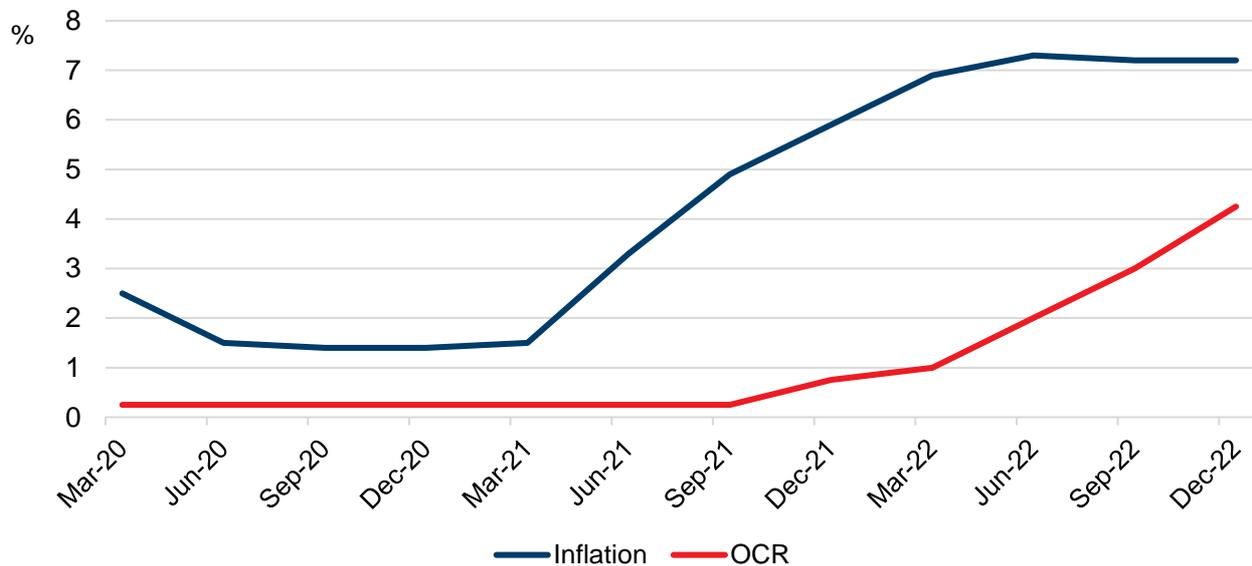
Q4 2022 Consumer Price Inflation

- Annual consumer price inflation remained at 7.2 percent during Q4. On a quarterly basis, the consumer price index (CPI) increased by 1.4 percent from Q3.
- The rate of annual CPI inflation has remained almost unchanged for the last three quarters, although remains well above the Reserve Bank's (RBNZ's) target band of 1-3 percent. Q4's 7.2 percent reading came in roughly in line with the expectations of the major banks, and below the RBNZ's forecast of 7.5 percent.
- The largest contributor to annual inflation in Q4 was housing and household utilities, due to prices increases for construction and rental housing. The second largest contributor was the food group, with prices up 10.7 percent from the same quarter in 2021.
- The gap between the RBNZ's forecasts and the actual inflation rate was largely due to non-tradeable inflation (i.e., domestically generated inflation) coming in lower than expected. Non-tradeable inflation remained flat at 6.6 percent, compared to the RBNZ's expectation of 7.0 percent. Following the release of inflation data for Q4, several banks have revised their OCR forecasts downward. Although a relatively high degree of uncertainty does remain, a growing number of commentators now expect that the RBNZ will not need to raise the OCR as high as originally expected.

Country	Annual inflation (year to December 2022)
Canada	6.3%
USA	6.5%
New Zealand	7.2%
Australia	7.8%
Ireland	8.2%
UK	10.5%

New Zealand: Consumer Price Index (CPI) Annual Inflation Rate & Official Cash Rate (OCR), Quarterly

Source: Statistics NZ & Reserve Bank of New Zealand



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