

Christchurch & Canterbury

Quarterly Economic Report
March 2020

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Economy	People & Business	Visitors	Central City
<p>GDP growth (YE Mar 2020)</p> <p>Christchurch: 0.6% ▲ Canterbury: 1.5% ▲ New Zealand: 1.7% ▲</p> 	<p>Retail spending growth (incl. fuel) (Q1:2020 vs. Q1:2019)</p> <p>Christchurch: 0.5% ▲ (NZ: 1.6% ▲)</p>	<p>Airbnb guest nights (Q1:20120 vs. Q1:2019)</p> <p>Christchurch: 0.1% ▼</p> 	<p>Retail spending growth</p> <p>Quarter -3.6% ▼ (Q1:2020 vs. Q1:2019) Year: 6.7% ▼ (year to date vs. 2019)</p>
<p>Unemployment rate</p> <p>Christchurch: 4.2% ▲ (from 4.1 in Q4:2019) Canterbury: 3.9% ▲ (from 3.6 in Q4:2019) New Zealand: 4.4% ▲ (from 4 in Q4:2019)</p> 	<p>Average labour earnings (YE Mar 2020 vs. YE Mar 2019)</p> <p>Canterbury: 2.5% ▲ (NZ: 3.8% ▲)</p>	<p>Christchurch visitor spending (Q1:2020 vs. Q1:2019)</p> <p>Total: -7.4% ▼ (NZ: -4.8%) Domestic: -6.9% ▼ (NZ: -4.3%) International: -7.9% ▼ (NZ: -5.3%)</p> 	<p>Consumer origin spending (excl. fuel) (Q1:2020 vs. Q1:2019)</p> <p>Rest of International: 0.9% ▲ Christchurch: -2.6% ▼ Australia: -15.5% ▼</p>
<p>Building consent (sqm) (Q1:2020 vs. Q1:2019)</p> <p>Christchurch: 0.8% ▲ Canterbury: 7.4% ▲ New Zealand: -6.4% ▼</p> 	<p>Residential cost (Q1:2020 vs. Q1:2012)</p> <p>Weekly rent: Christchurch: 1.8% ▲ (NZ: 4.3% ▲) House price: Christchurch: 5.2% ▲ (NZ: 13% ▲)</p>	<p>Visitor arrivals (2020:Q1)</p> <p>Christchurch Airport: 138,824 arrivals 14.5% of NZ -22% ▼ (Q1:2020 vs. Q1:2019)</p> 	<p>Pedestrian count (Q1:2020 vs. Q1:2019)</p> <p>Core: 7.9% ▼</p>
<p>International trade (Lyttelton & Chc Airport)</p> <p>Trade balance: +4,041m year to date</p> <p>158% ▲ from previous year</p> 	<p>Business confidence >50 expansion; <50 contraction (Q1:2020)</p> <p>Service Index: Canterbury: 39 (NZ: 38.3) Manufacturing Index: Canterbury: 40.2 (NZ: 38.1)</p>	<p>Student Visa (YE 2019 vs. YE 2018)</p> <p>First time student visas 16% ▲ Returning student visas: -1% ▼ Total student visas: 6% ▲</p> 	<p>Commercial property</p> <p>Rent: Prime office \$350/sqm/pa</p> <p>Vacancy level: 16.9% (from 20%)</p>

Economic Commentary

As COVID-19 continues to have a significant effect on the economy, the impact that it has on Christchurch and Canterbury is slowly starting to emerge as information and data becomes available. The first quarter of 2020 is a mixed bag of results as the country moved from pre-COVID-19 in January and February to level 4 lockdown from 26th of March. During and after this period, the national government has provided relief packages and subsidies to businesses in an effort to support job retention. The industries hit the hardest are those within the services sector including tourism, hospitality, accommodation and events activities, while non-essential services had to either shift and prioritise to a work from home environment or stop operating during the lockdown. The real impacts of COVID-19 were not felt widespread in the economy until late March therefore its impact on the data is still soft in the first quarter of 2020.

The year to date economic growth increased by 0.6% in the first quarter of 2020 for Christchurch and 1.5% for Canterbury while New Zealand grew by 1.7%. Consumer and business confidence have deteriorated significantly by the end of the quarter in response to the uncertainty of what the lockdown will mean for business activity.

Positives

- The unemployment rate continues to be at similar levels than the national average (4.4%) at 4.2% for Christchurch and 3.9% for Canterbury's in the first quarter of 2020.
- Christchurch maintains strong residential affordability, relative to other urban centres in New Zealand.
- Earnings continue to trend upwards, albeit at a lesser rate than previously.
- Building consents remain steady in the first quarter of 2020 backed by strong residential consents.
- The value of exports in the first quarter from Christchurch ports continues to increase and outpace imports supporting a positive trade balance. Dairy and meat exports from Canterbury ports showed strong resilience in the lead-up and during the initial period of lockdown.

Headwinds

- The city's economic growth was impacted by general uncertainty in national and international environment due to COVID-19 and we will likely see its effect on economic activity in the second quarter of 2020.
- Continued border restrictions and closure have an adverse effect on tourism, especially hospitality, accommodation and event activity within the region. The opening of a Trans-Tasman bubble is expected to support these industries.
- The real impact of COVID-19 for the Christchurch and Canterbury economies is expected in the June quarter and further, depending on its duration.
- The low interest rates should support business investment, however the impact of COVID-19 coupled with a softer global economy and election year uncertainty will likely affect business investment decisions.

ChristchurchNZ's Perspective

COVID-19 has been a sudden and evolving economic shock which is causing significant disruption to Christchurch's economy, its businesses and workers as well as the national and international economy. The immediate priority for the city is to mitigate the impact of COVID-19 and to support rapid recovery out of the crisis.

The diversity of Christchurch's economy and its strong connection to the regional agricultural sector provide resilience against the COVID-19 shock. However, those aspects of the economy with strong dependence on the visitor economy and consumer spending will be severely if not structurally impacted by the shock.

The city's platform for growth remains strong with affordable housing, low congestion and high quality of life provide a competitive advantage to attract people and increase business activity. However, COVID-19 intensifies the economic challenges facing the city prior to lockdown, not least the need to effectively transition out of rebuild stimulus towards higher-value, export orientated activity and the vulnerability of the regeneration of the central city due to insufficient economic demand to support central city viability and ongoing investment.

The potential of a COVID-19 driven recession locally, nationally and internationally is likely to undermine Christchurch's ability, in the short-term, to attract and grow the economic activity necessary to support regeneration and economic growth and retain and grow decent jobs.

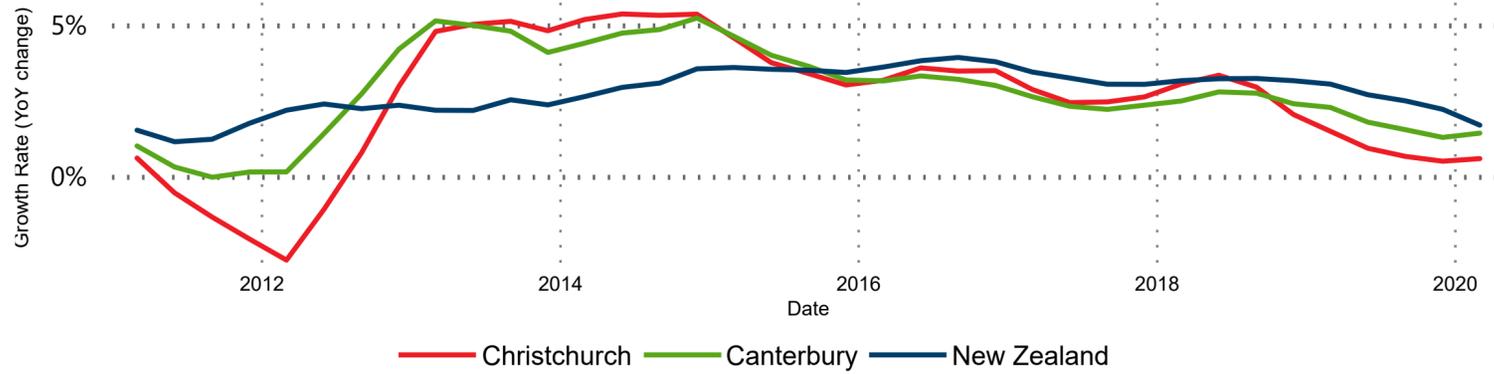
A coordinated effort across all parts of the community is necessary for Christchurch to minimise the negative consequences of the COVID-19 shock. Over the longer term, growing productivity across the economy both within existing industries, and through the rebalancing of the economy towards higher value activity will improve Christchurch's competitiveness as a location for talent and high value business.

As the city's economic development and city promotion agency, ChristchurchNZ is focused on working with business, tertiary and government partners to respond and accelerate recovery out of the COVID-19 shock and to reposition Christchurch and Canterbury as a productive and diverse region with a high standard of living to people, businesses and investment; and supporting major events and the wider visitor economy to provide quality leisure experiences for visitors and residents.

Economy

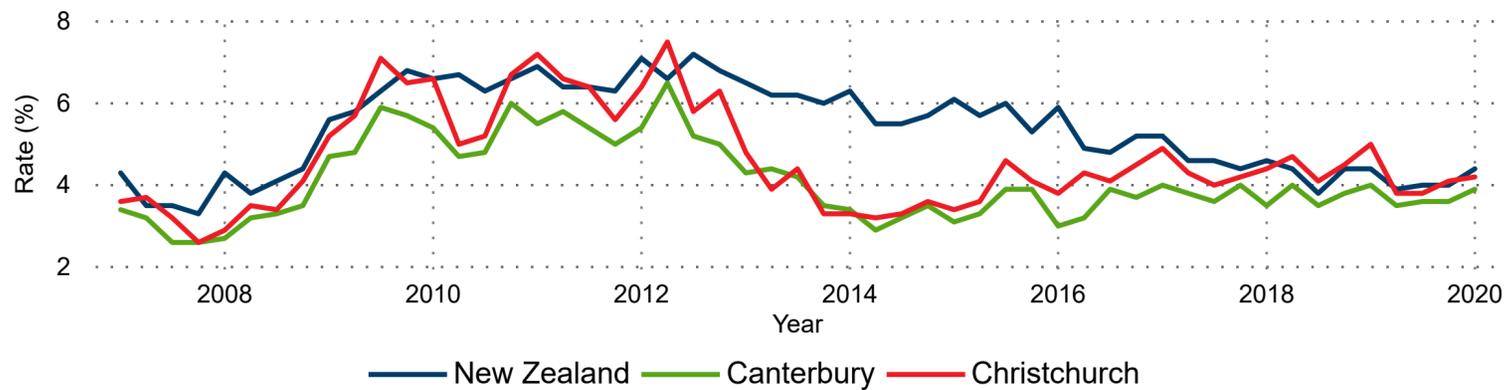
ChristchurchNZ

Economic growth



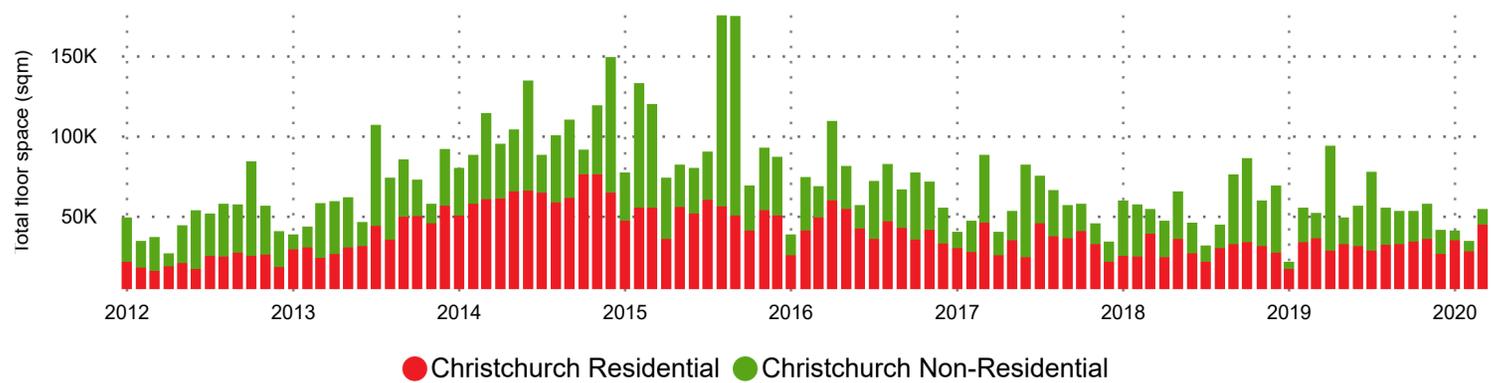
Source: Infometrics, ChristchurchNZ

Unemployment



Source: Statistics New Zealand, ChristchurchNZ

Christchurch building consents (sqm)



Source: Statistics New Zealand, ChristchurchNZ

Christchurch Ports: International trade



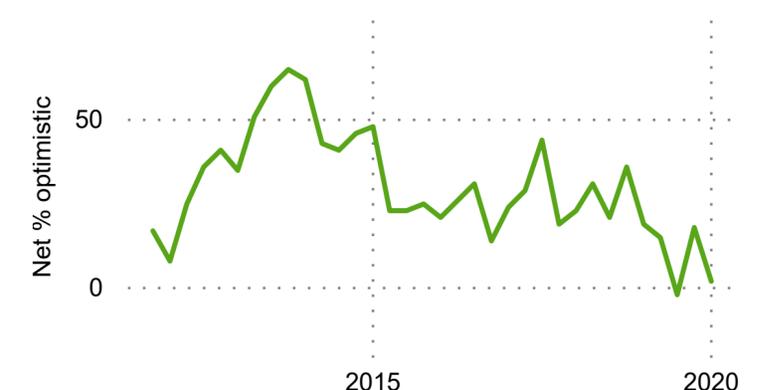
Source: Statistics New Zealand, ChristchurchNZ

Value of building work in Canterbury



Source: Statistics New Zealand

Canterbury regional economic confidence



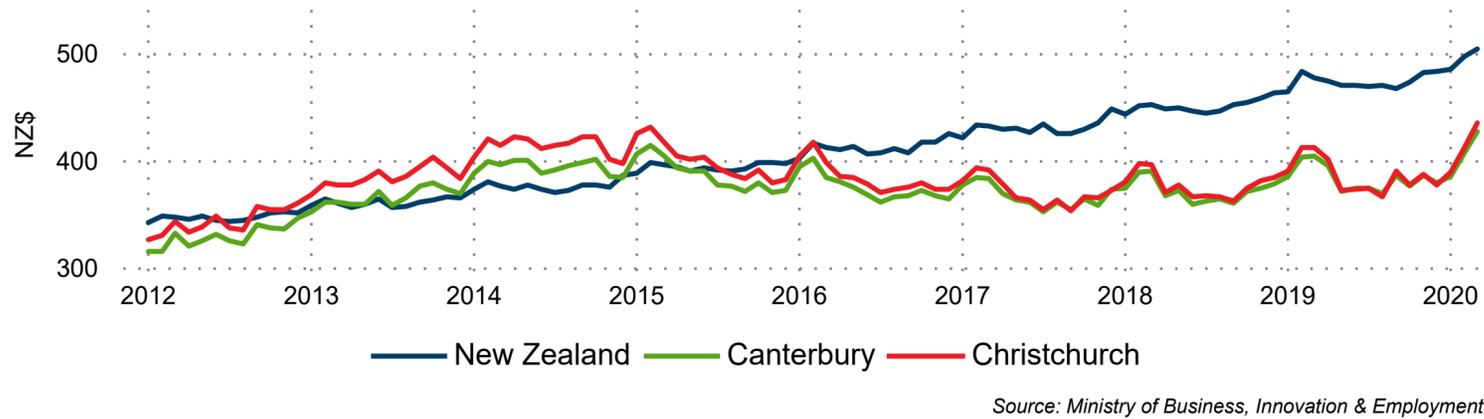
Source: Westpac McDermott Miller, ChristchurchNZ



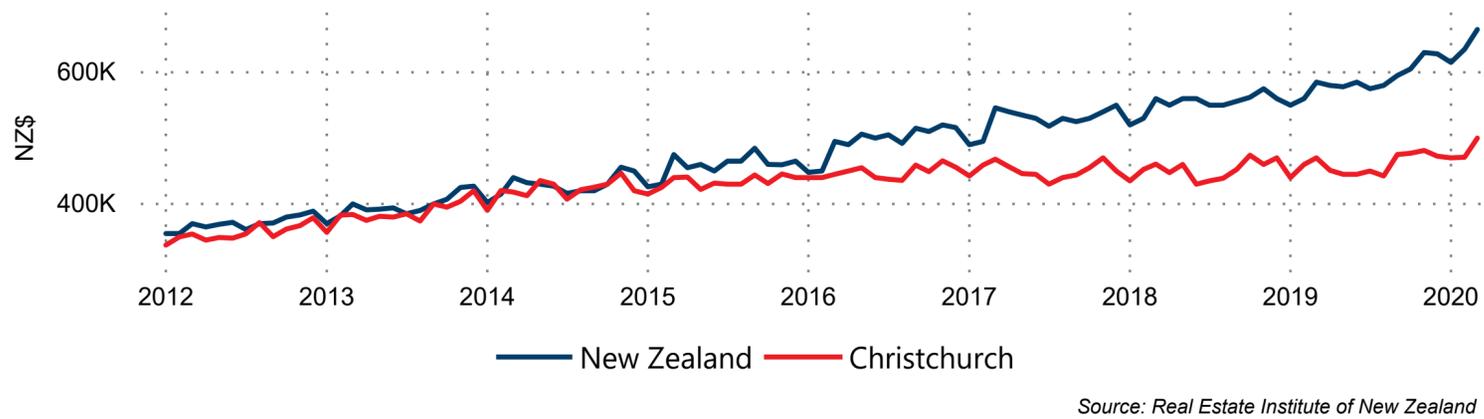
The year-to-date economic growth for Christchurch's economy slowed to 0.6% growth in the first quarter of 2020, up from 0.5% in the fourth quarter of 2019. The COVID-19 crisis has hampered economic activity in the month of March. We expect that the lockdown will have a significant impact on economic activity in the second quarter of 2020. The level of unemployment in Christchurch increased slightly to 4.2% in the first quarter, but is slightly below the national employment levels at 4.4% during the first quarter of 2020. Regional economic confidence softened to just above optimistic (2) during the first quarter of 2020. Exports from Christchurch ports continue to outstrip local imports, supported by higher world prices for meat, skins and wool, ensuring that the regional economy generates a positive trade balance and alleviates the overall negative trade balance for New Zealand. Building consents (in sqm) in the March quarter were slightly higher (0.8%) compared with the same period in 2019 while the value of building work has fallen.

People & housing

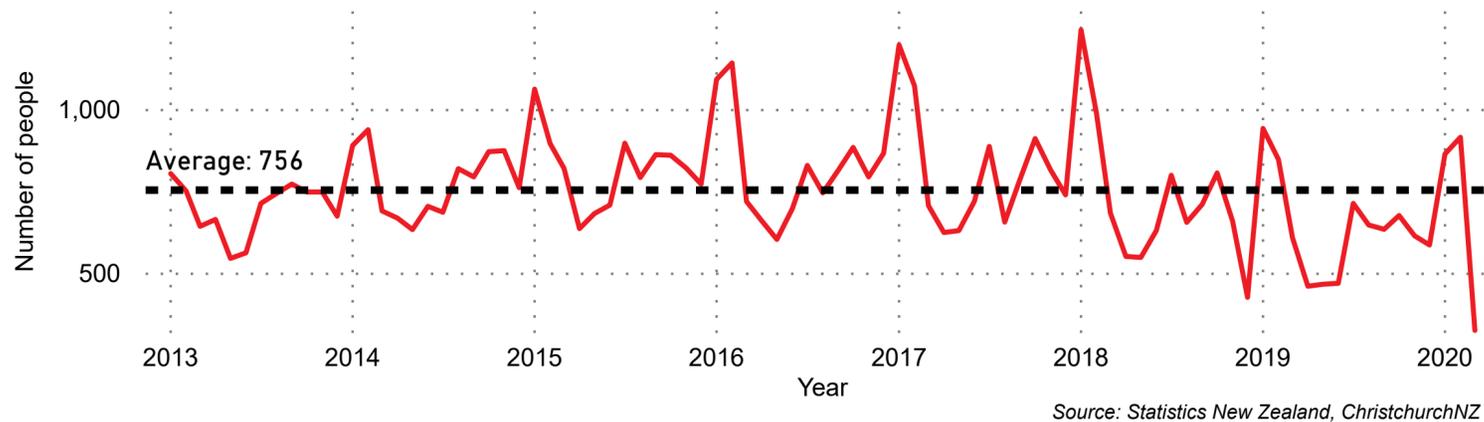
Mean residential rent, weekly



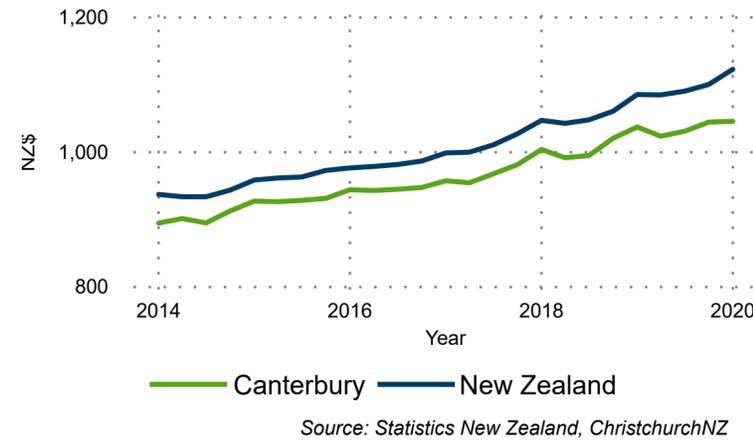
Median house price



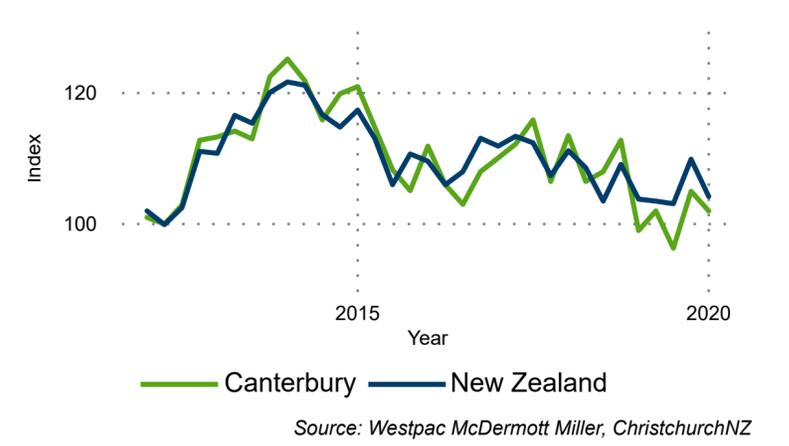
Immigration (long-term arrivals)



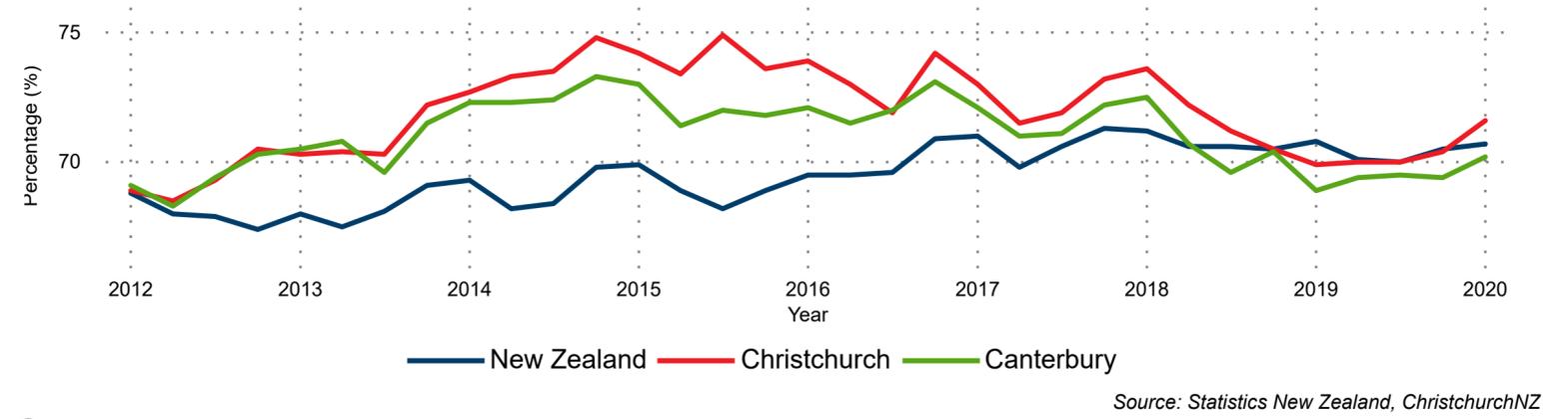
Average labour earnings



Canterbury consumer confidence



Labour force participation



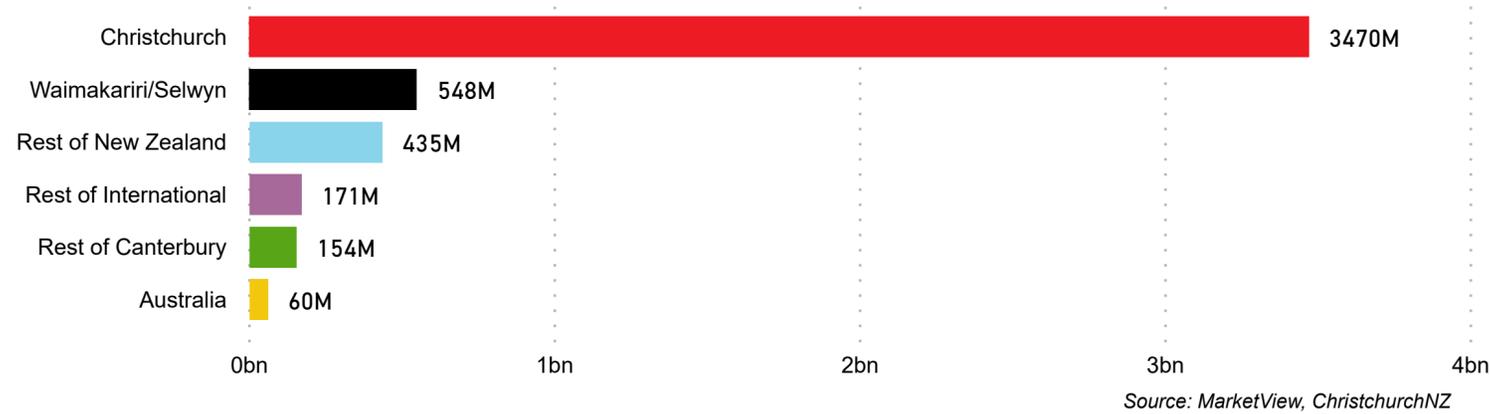
The mean weekly rent in Christchurch has increased by 1.8% and median house price by 5.2% in the first quarter of 2020 compared to the same period in 2019. Both rent and house price growth rates are below the national average of 4.3% and 13% respectively. The low housing cost growth rates supports housing affordability within a growing city and economy.

Average weekly earnings growth is up by 0.8% for the first quarter of 2020 compared to the same quarter in 2019. A slow down in earnings growth may be explained by the uncertainty of COVID-19 on the economy during the lead-up to the lockdown.

Long-term immigration arrivals through the Christchurch Airport fell 12.2% to 2,110 in quarter 1 2020, compared to the same quarter of the previous year. It is expected that New Zealand borders will remain closed for sometime resulting in continued low long term immigration numbers.

Canterbury consumer confidence decreased in the first quarter of 2020 after the gains in the fourth quarter of 2019 - a trend that is not surprising given the current economic conditions.

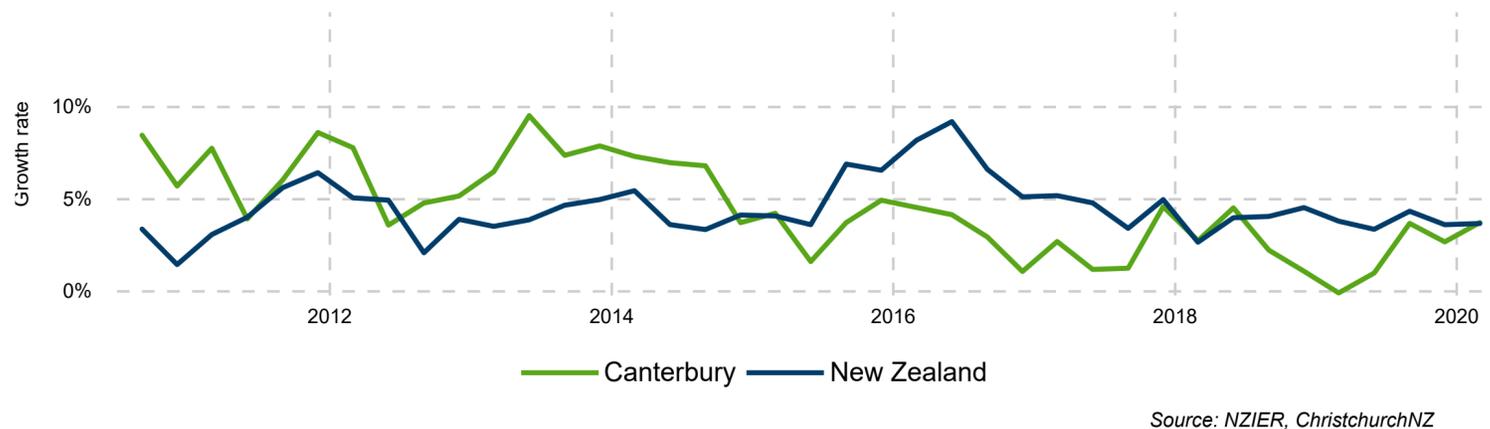
Spending by customer origin in Christchurch (excl. fuel) (YE March)



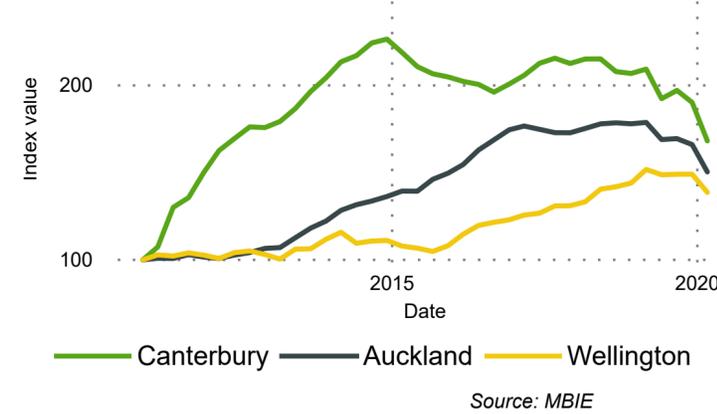
Spending by retail category in Christchurch (YE March)



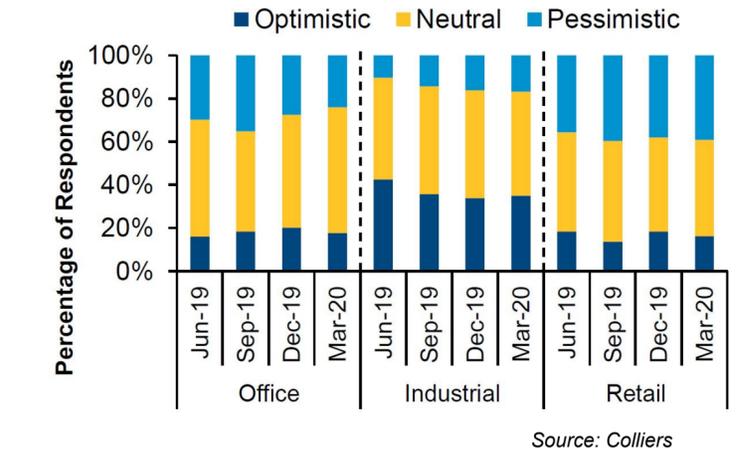
Retail trade growth



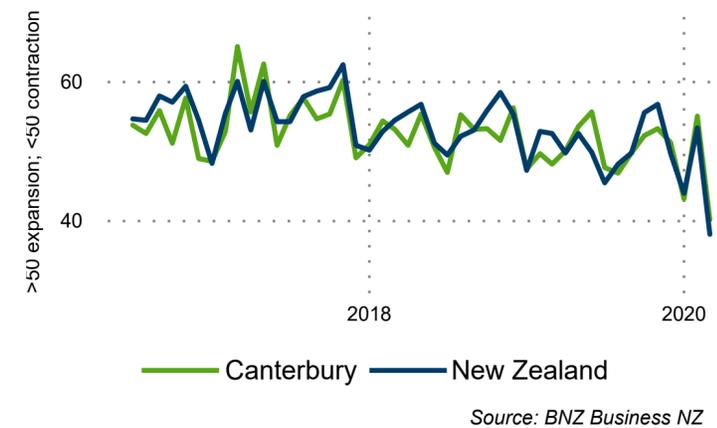
Job vacancy index



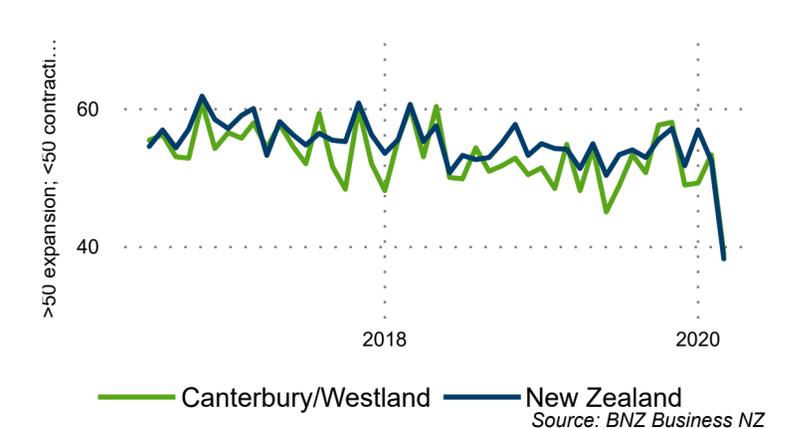
Christchurch investor confidence



Performance of manufacturing index



Performance of service index



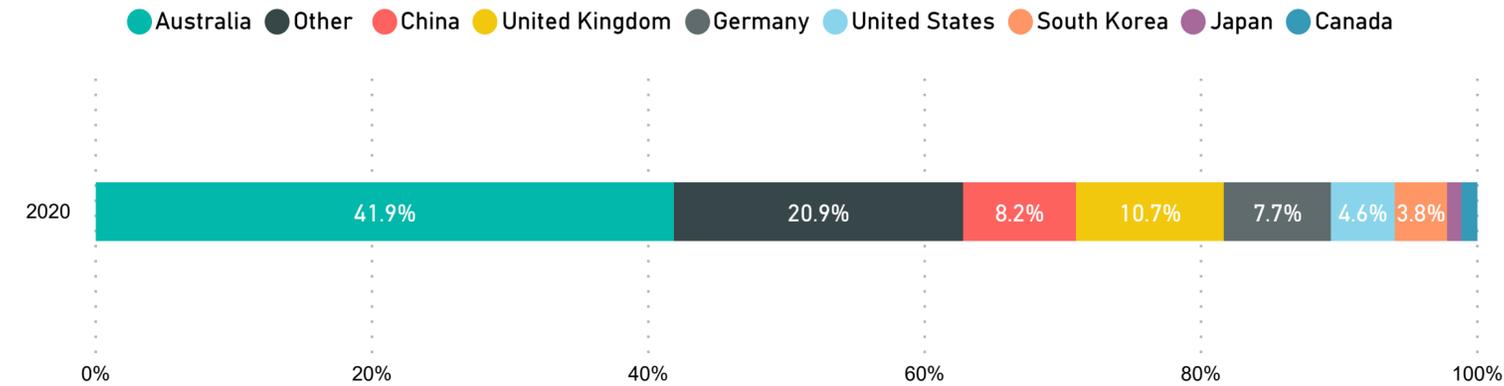
Total retail spending (incl. fuel) in Christchurch increased by 1.2% over the year to March 2020 compared with the previous year. Spending on groceries and liquor increased by 5.1%, followed by home hardware and electrical (3.5%) and cafes, restaurants, bars and takeaways (1.5%). Christchurch resident spending increased by 2.3%, while spending by consumers from Waimakariri and Selwyn and international visitors increased by 3.0% and 9.0% respectively over the year to March 2020. Retail trade growth continues to be positive in the March 2020 quarter at 3.7% compared with the same quarter in 2019.

Both the manufacturing and service index increased slightly in February 2020, before falling significantly in March 2020, in-line with national movement. This volatility is likely both an indication of investment uncertainty within a tight business climate with softer growth and uncertainty surrounding the COVID-19 crisis. The mixed signals in the market have likely affected the labour market, with a continued low job vacancy index for Canterbury in the first quarter of 2020.

Investor confidence in office, retail and industrial shifted from optimistic and neutral to neutral and pessimistic in the March quarter.

Visitors

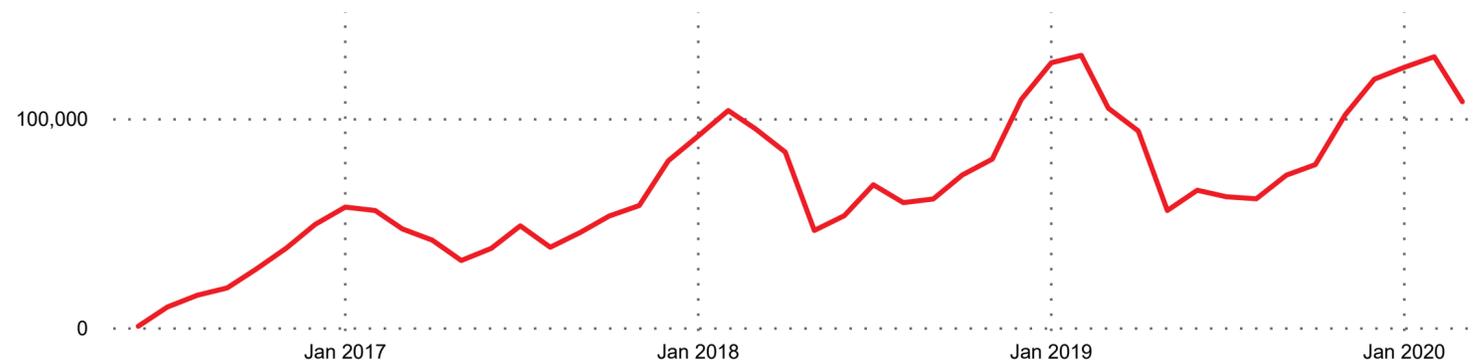
International arrivals at Christchurch airport, Q1:2020



Source: Statistics New Zealand, ChristchurchNZ

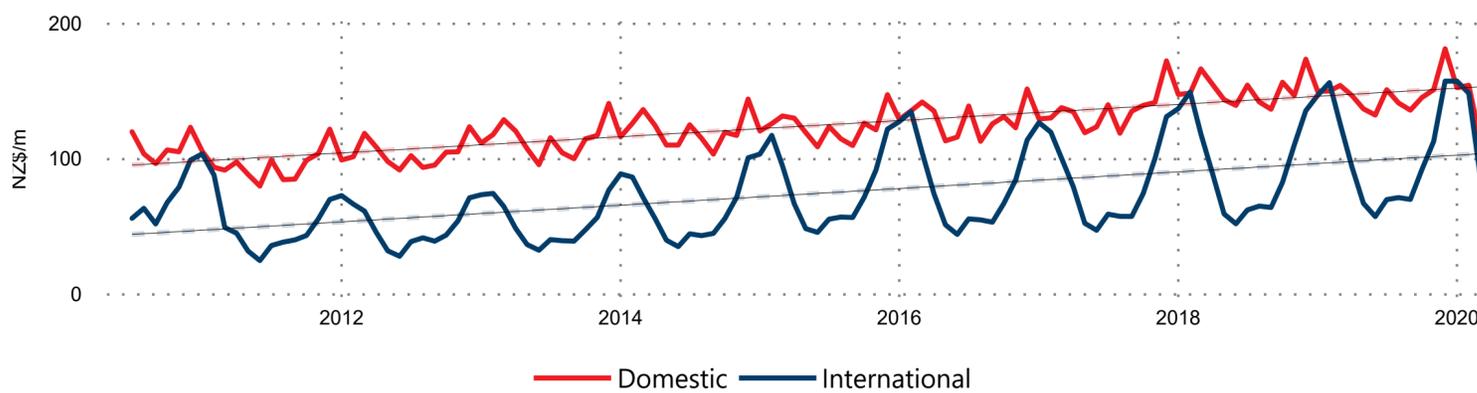
Airbnb guest nights

Guest nights per month Airbnb by Date



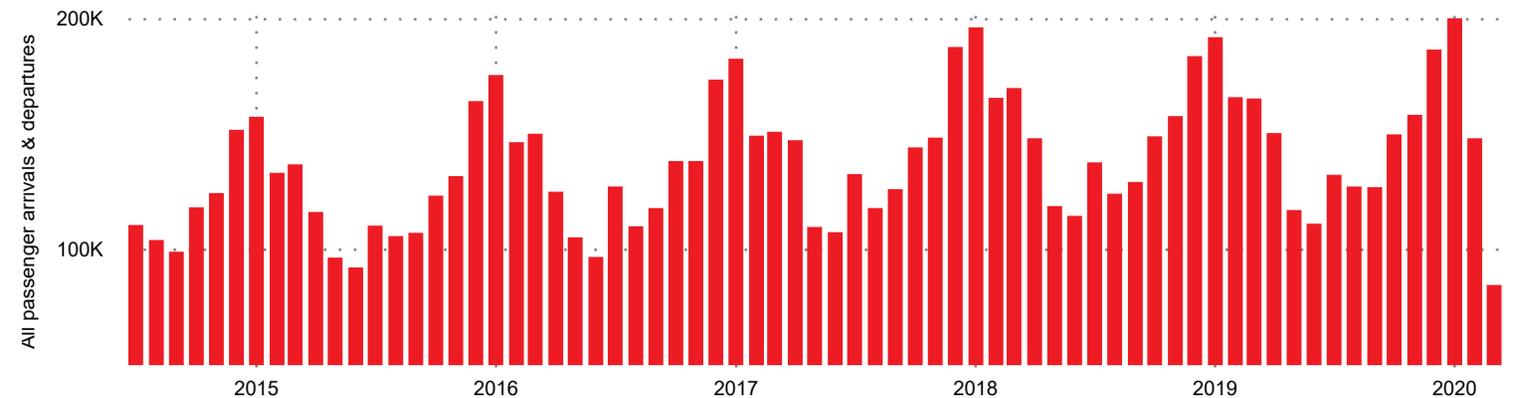
Source: Airdna, ChristchurchNZ

Christchurch visitor spending



Source: Ministry of Business, Innovation & Employment

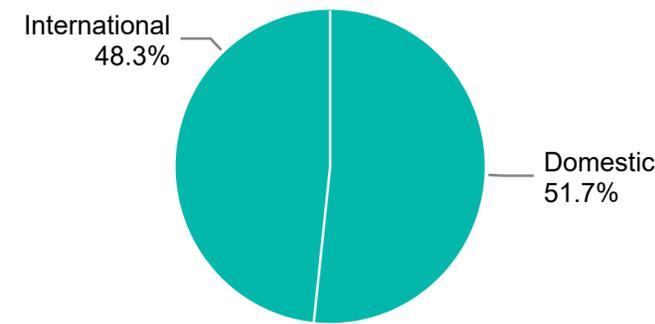
Passenger movement at Christchurch airport



Source: Statistics New Zealand, ChristchurchNZ

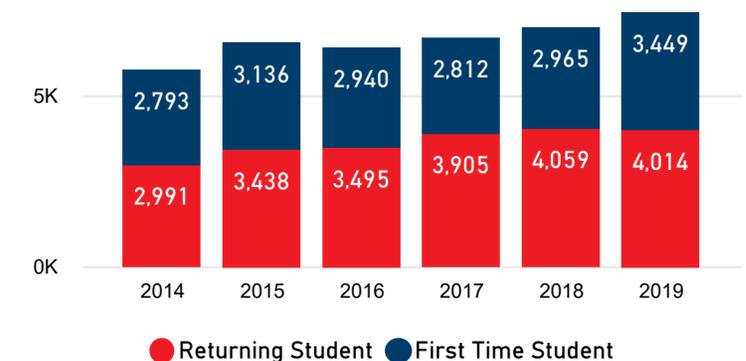
Source: Statistics New Zealand, ChristchurchNZ

Christchurch visitor spending, Q1:2020



Source: Ministry of Business, Innovation & Employment

Canterbury student visas



Source: Statistics New Zealand, ChristchurchNZ



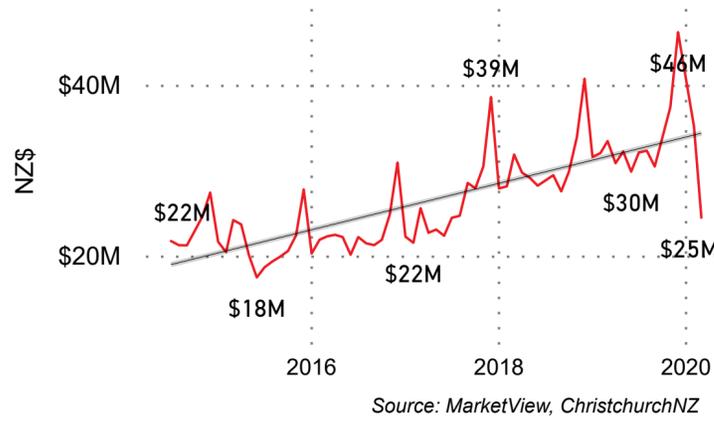
Passenger movement at Christchurch Airport is significantly down (17.3%) in the first quarter of 2020 compared with the same period in 2019. Australians continue to be the largest international market and have decreased by 17.2% compared with the previous quarter in 2019. International arrivals from all locations saw declines in the first quarter of 2020 with the greatest declines being from China (49.8%), Japan (29.4%) and United States (26.9%) compared to the same quarter in 2019.

Total visitor spending decreased by 7% in the first quarter compared with the first quarter of 2019, driven by a fall in domestic and international spending of 7% and 8% respectively. The domestic visitor market spent \$423.5 million during this quarter in the Christchurch economy, representing 52% of all visitor spending.

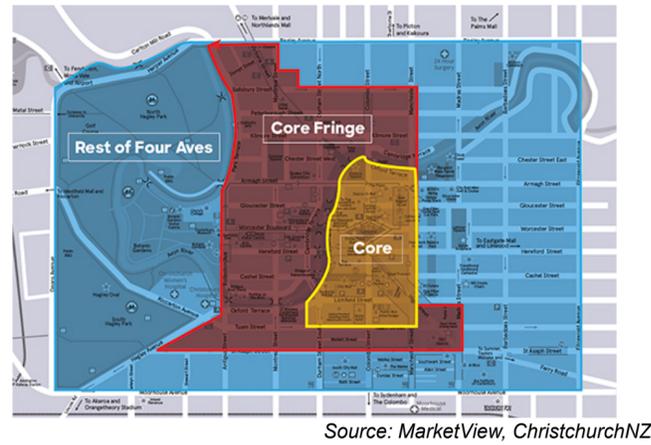
The numbers of international students attending university is expected to be lower as a result of border restrictions and closure. Airbnb guest nights decreased by 0.1% in the first quarter of 2020 compared to the same period in 2019.

Central City

Core & core fringe total spending (incl. fuel), monthly



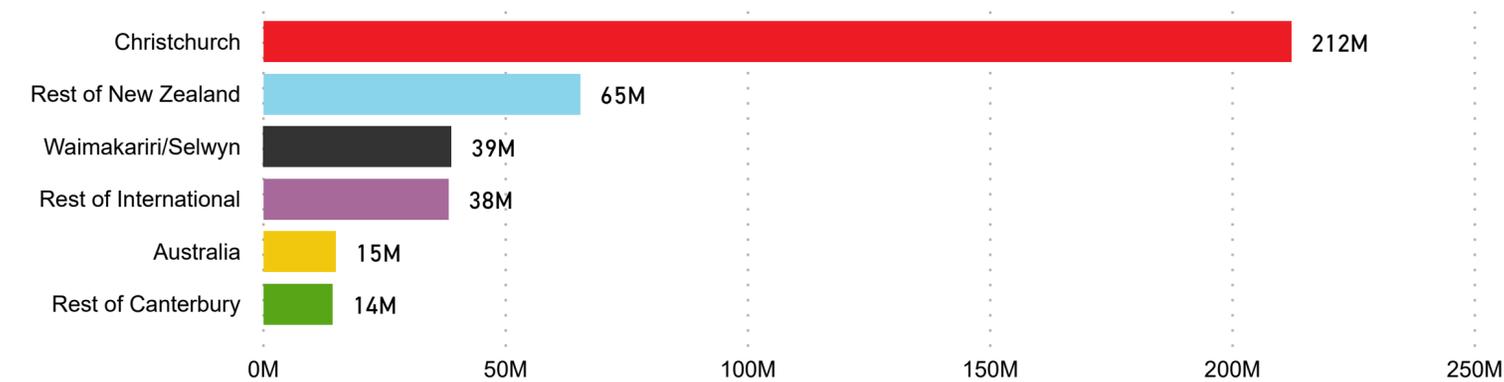
City map



Core & core fringe total spending by category (YE March)



Core & core fringe spending by customer origin in Christchurch (excl. fuel) (YE December)



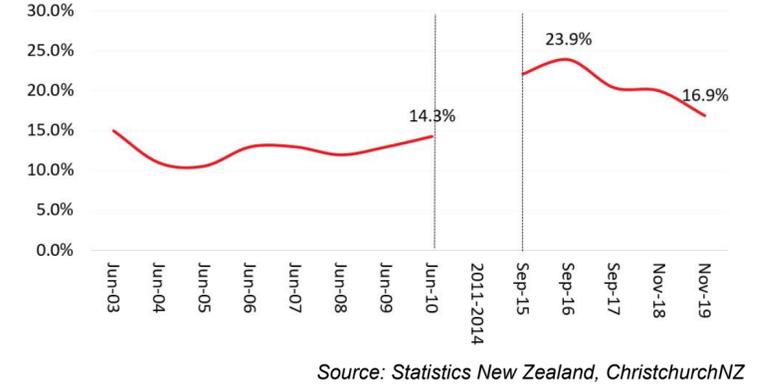
ChristchurchNZ

Commercial

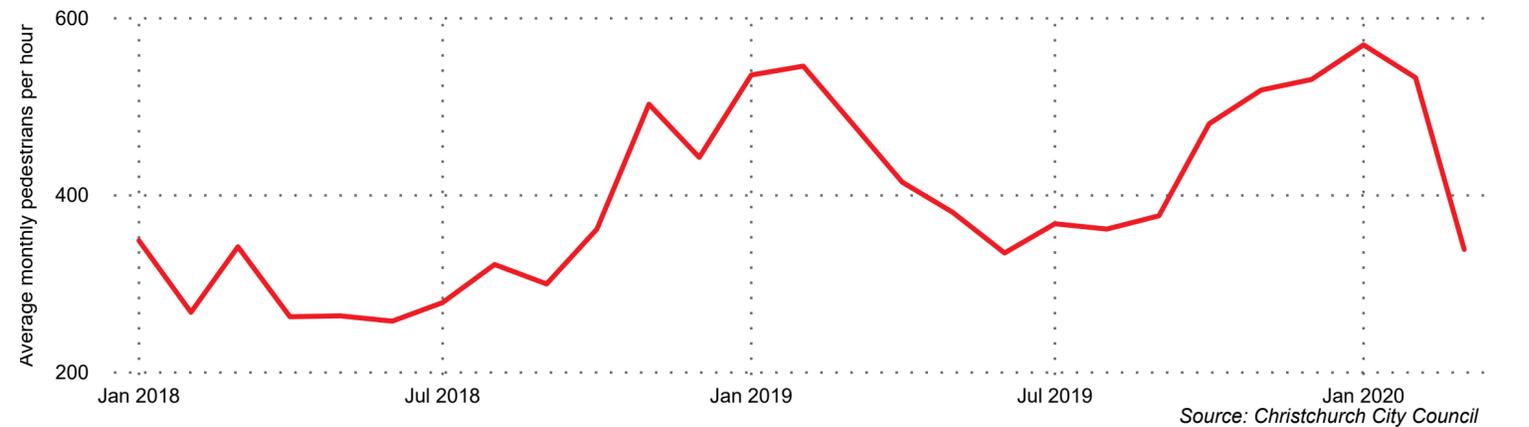
Office rents



Office vacancy



Pedestrian count - Core



Core and core fringe quarterly retail spending fell (3.9%, incl. fuel) compared to a small increase in retail spending for the city (0.5%, incl. fuel). The lower retail spending in the central city reflect the effect of the initial period of the lockdown where work moved to home-based activity. The year on year spending growth in the core and fringe increased by 6.4% up to March 2020 compared with the corresponding period in 2019. The spending from international visitors increased by 6.9% over the past year while spending from residents of Waimakariri/Selwyn increased by 10.6%. In recent years spending from visitors outside the city's boundaries has supported spending growth in the central city. With COVID-19 impacting travel behaviors it is going to be difficult to maintain the same pace of growth. The initial effect of the lockdown is illustrated by the lower average pedestrian counts in the first quarter of 2020 compared to the same period in 2019. Average prime office rentals have decreased to \$350 per square metre and have been stable at this price over the past year. Secondary office space rental price has dropped substantially to \$200 per square metre, driven by internal churn from the suburbs to the central city. We expect that rentals will be under pressure post the lockdown.

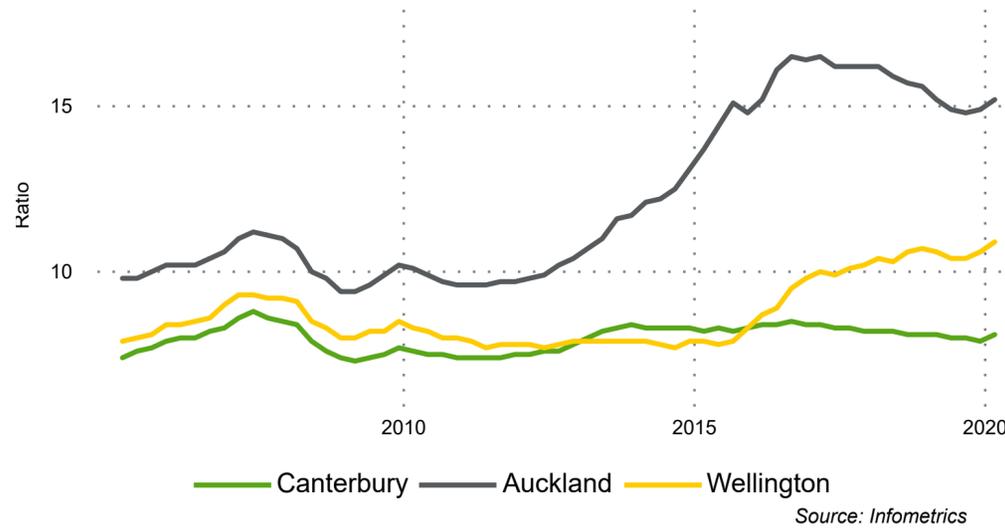
Canterbury in context

ChristchurchNZ conducts regular research on economic developments and provides analysis on factors that influence our economy. The Christchurch and Canterbury economies have undergone a huge amount of change in recent years, as the city and region transitions from a high growth period to 'business as usual'.

The graphs below provide insights into how this growth is playing out across the housing and employment indicators.

Christchurch's growing reputation as a desirable, affordable city to live is driven by a lower residential rent, median house price and unemployment rate, particularly in comparison to Auckland and Wellington.

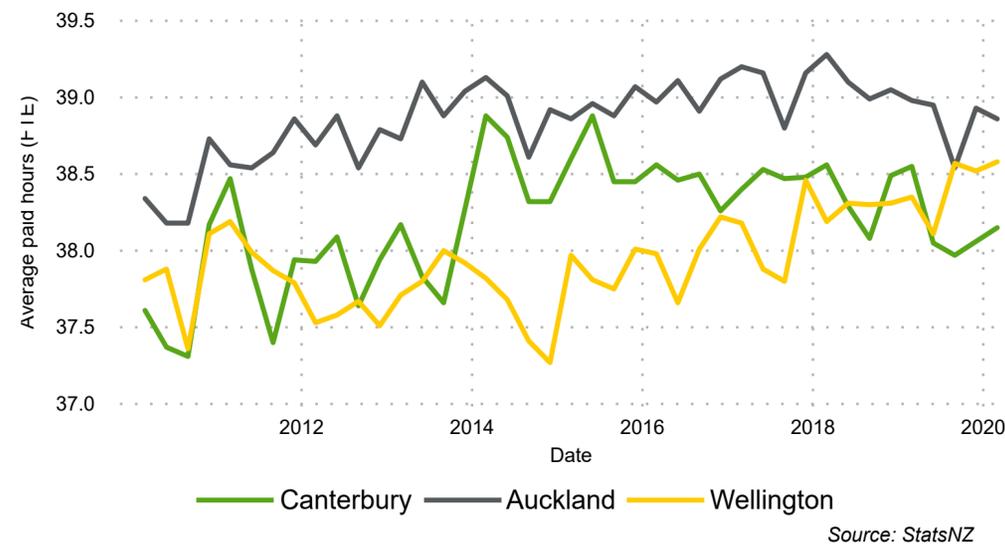
Residential affordability



Residential affordability shows that Canterbury (8.1) continues to be the most affordable region of the three metropolitan areas with Auckland at 15.2 and Wellington at 10.9.

* Housing affordability is estimated by comparing average current house values with average annual employment earnings from filled jobs.

Hours worked



The average paid hours per FTE in Canterbury (38.15) is lower than Auckland (38.86) and Wellington (38.58).

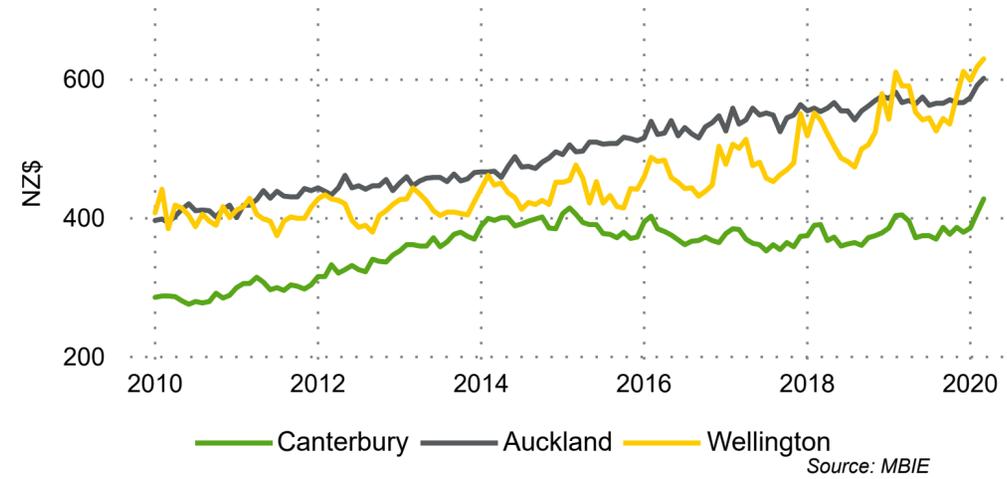
This decrease follows a period of high rebuild-related growth but the drop has not affected housing affordability relative to incomes within Canterbury.

ChristchurchNZ

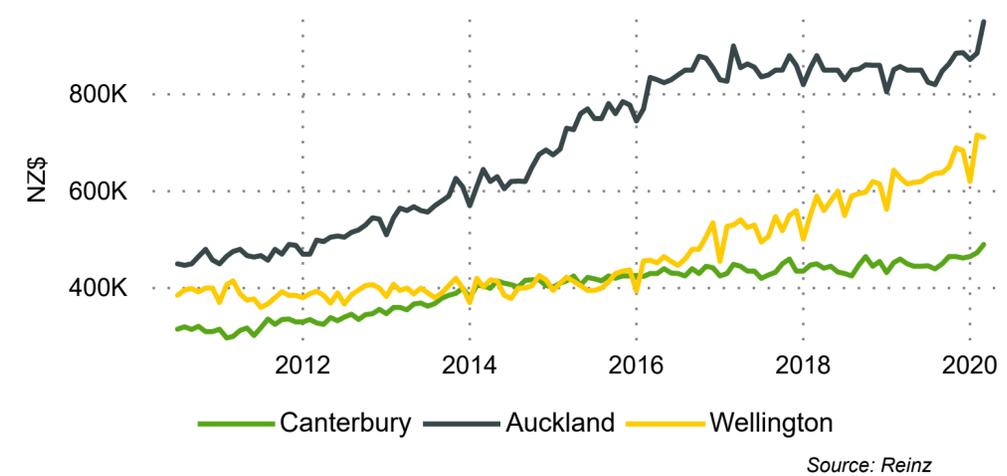
Residential rents in Canterbury have remained fairly constant over the last 5 years, while Auckland and Wellington rents continue to rise.

Currently, Canterbury mean rents are \$428 which is 28.9% lower than Auckland (\$602) and 32.1% lower than Wellington (\$630).

Mean residential rent, weekly



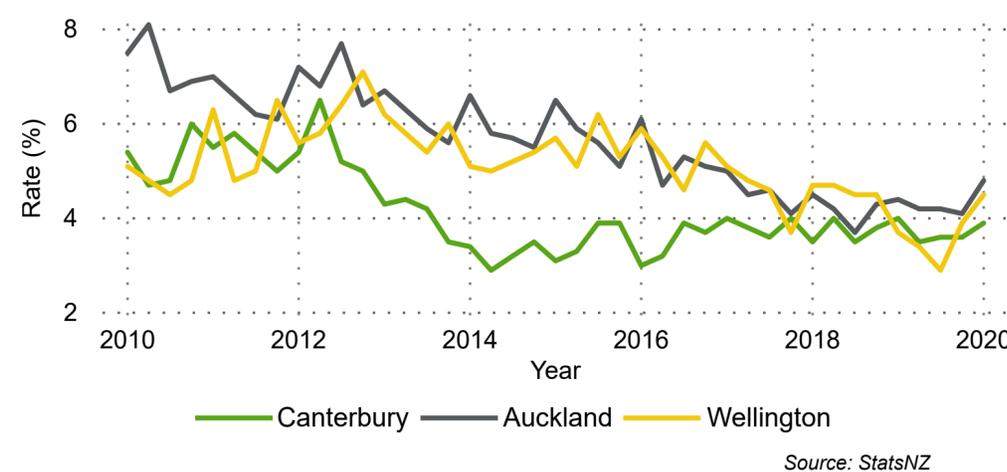
Median house price



Mean house prices in Canterbury have experienced moderate growth over the last 5 years, while Auckland has remained relatively flat and Wellington continues to rise.

Currently, Canterbury median house prices are \$490,000 which is 48.4% lower than Auckland (\$950k) and 32.2% lower than Wellington (\$711k).

Unemployment rate



Due to COVID - 19 related job losses unemployment has increased for all three regions; Canterbury (3.9%), Auckland (4.8%) and Wellington (4.5%).

As the situation develops we are likely to see this indicator worsen.

Data sources

ANZ: <http://www.anz.co.nz/commercial-institutional/economic-markets-research/>

BNZ Business NZ: <http://www.businessnz.org.nz/surveys/501>

BusinessNZ: <http://www.businessnz.org.nz>

Christchurch City Council: <https://www.ccc.govt.nz/culture-and-community/christchurch/statistics-and-facts/facts-stats-and-figures/central-city-indicators/>

Colliers International: <https://www.colliers.co.nz/offices/christchurch%20agency/>

Education New Zealand: <https://intellilab.enz.govt.nz/>

Immigration New Zealand: <https://www.immigration.govt.nz/about-us/research-and-statistics/statistics>

Infometrics Ltd: <http://www.infometrics.co.nz/>

Marketview: <https://marketview.co.nz/>

Ministry of Business, Innovation and Employment: <http://www.mbie.govt.nz/>

New Zealand Institute of Economic Research Inc (NZIER): <http://nzier.co.nz/>

Real Estate Institute New Zealand: <https://www.reinz.co.nz/>

Statistics New Zealand: <http://www.stats.govt.nz/> *This work is based on/includes Statistics New Zealand's data which are licensed by Statistics New Zealand for re-use under the Creative Commons Attribution 3.0 New Zealand licence.*

Westpac: <https://www.westpac.co.nz/>

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