

Christchurch & Canterbury

Quarterly Economic Report
December 2019

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Overview

Economy	People & Business	Visitors	Central City
<p>GDP growth (YE Dec 2019)</p> <p>Christchurch: 0.4% ▲ Canterbury: 1.3% ▲ New Zealand: 2.3% ▲</p> 	<p>Retail spending growth (incl. fuel) (Q4:2019 vs. Q4:2018)</p> <p>Christchurch: 1.4% ▲ (NZ: 2.8%)</p>	<p>Airbnb guest nights (Q4:2019 vs. Q4:2018)</p> <p>Christchurch: 13.6% ▲</p> 	<p>Retail spending growth</p> <p>Quarter 12.1% ▲ (Q4:2019 vs. Q4:2018) Year: 10.1% ▲ (year to date vs. 2018)</p>
<p>Unemployment rate</p> <p>Christchurch: 4.1% ▲ - (from 3.8 in Q3:2019) Canterbury: 3.6% - (same as in Q3:2019) New Zealand: 4.0% - (same as in Q3:2019)</p> 	<p>Average labour earnings (YE Sept 2019 vs. YE Sept 2018)</p> <p>Canterbury: 2.3% ▲ (NZ: 3.7%)</p>	<p>Christchurch visitor spending (Q4:2019 vs. Q4:2018)</p> <p>Total: 4.2% ▲ (NZ: 5.3%) Domestic: 0.1% ▲ (NZ: 2.5%) International: 10.2% ▲ (NZ: 9.2%)</p> 	<p>Consumer origin spending (excl. fuel) (Q4:2019 vs. Q4:2018)</p> <p>Christchurch: 22.7% ▲ Selwyn/Waimakariri: 10.5% ▲ International: 10.1% ▲</p>
<p>Building consent (sqm) (Q4:2019 vs. Q4:2018)</p> <p>Christchurch: 4.5% ▲ Canterbury: 5.3% ▲ New Zealand: 4.1% ▲</p> 	<p>Residential cost (Q4:2019 vs. Q4:2018)</p> <p>Weekly rent: Christchurch: 0.3% ▲ (NZ: 4.5%) House price: Christchurch: 1.9% ▲ (NZ: 9.8%)</p>	<p>Visitor arrivals (2019:Q4)</p> <p>Christchurch Airport: 169,214 arrivals 14.3% of NZ -2.2% ▼ (Q4:2019 vs. Q4:2018)</p> 	<p>Pedestrian count (Q4:2019 vs. Q4:2018)</p> <p>Core: 17% ▲</p>
<p>International trade (Lyttelton & Chc Airport)</p> <p>Trade balance: +3,357m year to date</p> <p>143% ▲ from previous year</p> 	<p>Business confidence >50 expansion; <50 contraction (Q4:2019)</p> <p>Service Index: Canterbury: 54.9 (NZ: 54.9) Manufacturing Index: Canterbury: 52.3 (NZ: 54)</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

The Christchurch and Canterbury economies had mixed results in the fourth quarter of 2019. The year to date economic growth slowed to 0.4% in the fourth quarter for Christchurch and 1.3% for Canterbury and 2.3% for New Zealand. The economic growth continues to be lower than the national growth rate and the continuous shift to an economy less reliant on rebuild investment, is expected to continue putting pressure on the city's growth. Despite this, consumer and business confidence bounced back into optimism in the fourth quarter from the low, pessimistic levels of the previous quarter. It is likely that both consumers and business confidence will continue in volatility, especially given the current effect of the coronavirus and the uncertain total effect on the economy. The focus of this report is on the fourth quarter of 2019, prior to the coronavirus (COVID-19).

Positives

- Christchurch and Canterbury's unemployment rate continues to be at similar levels than the national average for the third quarter in a row.
- Wage growth continues to outpace residential rents and prices, improving Christchurch's already strong household affordability, relative to other urban centres in New Zealand.
- Visitor numbers are slightly higher in the fourth quarter compared to last year and visitor spending continues to increase at a similar rate than to national average.
- Central city retail growth, particularly the spending injection from outside the city, suggest Christchurch's central city is continuing to develop into an attractive visitor proposition. The opening of the Riverside Market has meant increased consumer activity in the area adjacent to the market.
- The value of exports in the fourth quarter from Christchurch ports continues to increase and outpace imports supporting a positive trade balance.
- Vacancy levels in retail and office property are continuing to decrease in the central city.

Headwinds

- The city's economic growth is slowing and will be impacted by COVID-19. We expect lower international travel to affect tourism and international trade activity.
- The real impact of COVID-19 for the Christchurch and Canterbury economies is expected in the March and possibly the June quarters, depending on the longevity.
- 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. Further interest rate cuts are likely to have only a marginal effect given the uncertain effect on global demand of COVID-19.
- The growth of the labour force continues to be affected by retirement.

ChristchurchNZ's Perspective

Christchurch's immediate challenge is delivering levels of economic activity that justify continued investment for the regeneration of the central city. The city's affordable housing, low congestion and high quality of life provide a competitive advantage to attract people and increase business activity. However, unless the city can effectively transition out of the rebuild, attracting more activity and shifting towards higher-value, export orientated activity, the city will not be able to offer competitive earning and employment opportunities relative to other urban centres in the medium and long term.

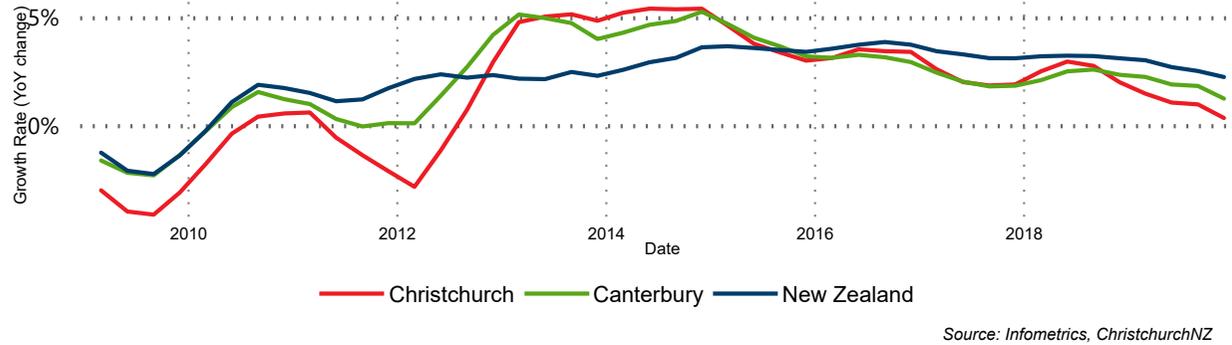
The immediate solution to these challenges is the attraction of new economic activity to the city – growing visitor spend and attracting new business investment, to support regeneration and maintain economic growth. Over the longer term, growing productivity across the economy both within existing industries, 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.

The potential of recession locally, nationally and internationally, due to the economic uncertainty associated with COVID-19, 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.

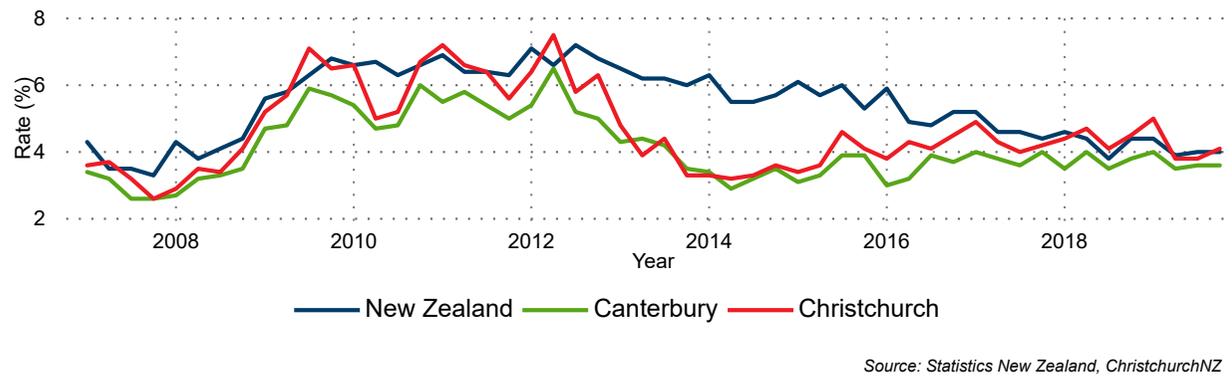
As the city's economic development and city promotion agency, ChristchurchNZ is focused on stimulating sustainable economic growth through working with business, tertiary and government partners to develop areas of high value activity – Supernodes; promoting the opportunity of Christchurch as a productive and diverse region with a high standard of living to migrants, businesses and investment; and supporting major events and the wider visitor economy to provide quality leisure experiences for visitors and residents.

Economy

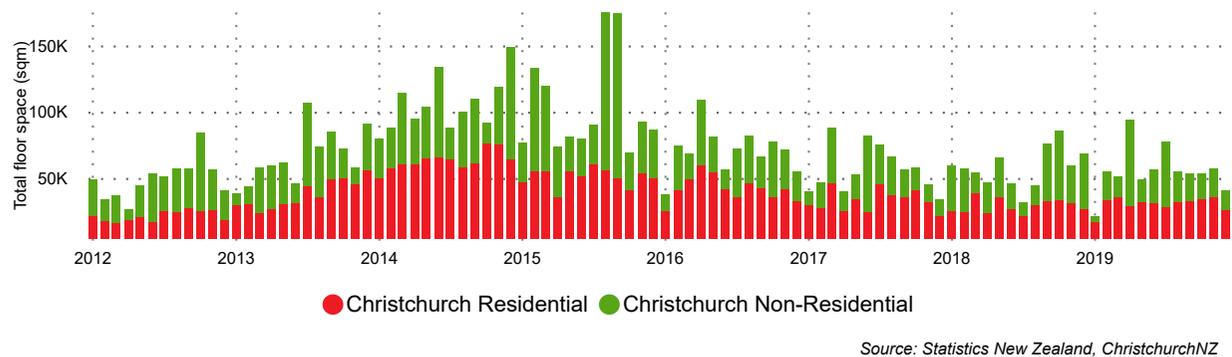
Economic growth



Unemployment



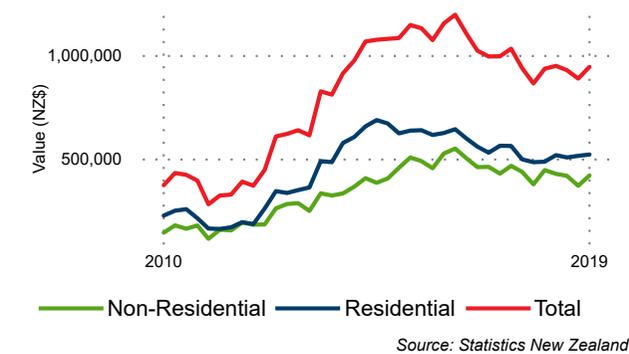
Christchurch building consents (sqm)



Christchurch Ports: International trade



Value of building work in Canterbury



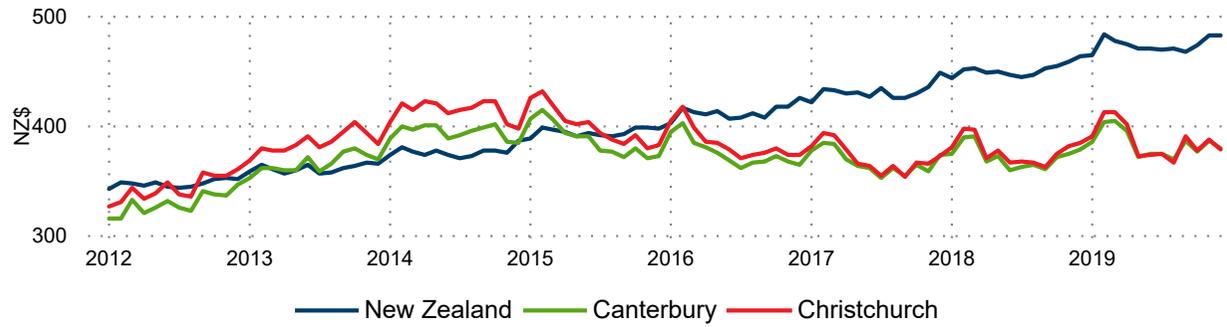
Canterbury regional economic confidence



The year-to-date economic growth for Christchurch's economy slowed to 0.4% growth in the fourth quarter of 2019, down from 1% in the third quarter of 2019. This is a more pronounced decrease after Infometrics (the data providers) revised their territorial authority-level GDP data, as part of their annual revision. Although GDP growth is slower, the level of unemployment mirrors national employment levels near 4% during the fourth quarter of 2019. Regional economic confidence bounced back into optimistic territory during the fourth quarter of 2019. 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 activity appears to have stabilised through 2019 driven by residential consents in 2019. The floorspace for new consents in Christchurch is up by 4.5% over the fourth quarter compared to the same period in 2018. The consent growth in Christchurch (4.5%) and Canterbury (5.3%) outpace the growth in the national economy (4.1%) showing a continued interest in local investment.

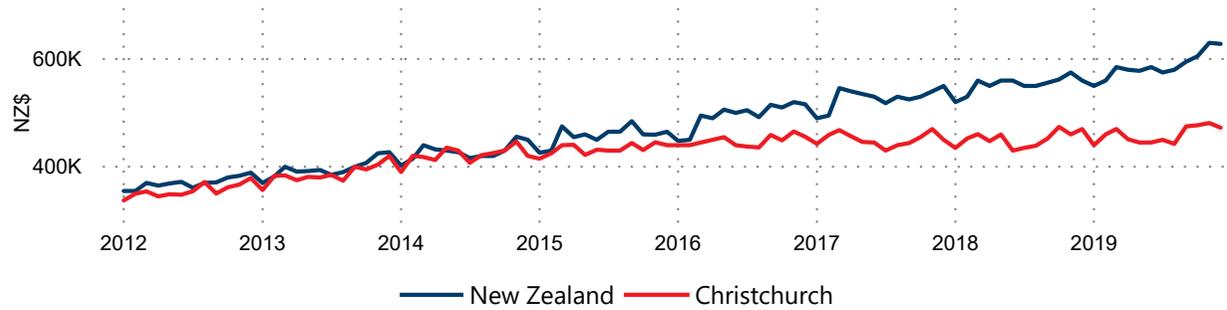
People & housing

Mean residential rent, weekly



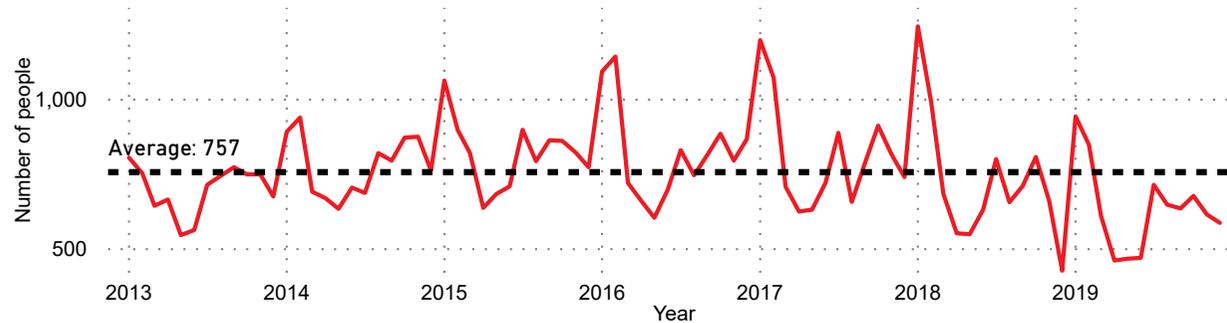
Source: Ministry of Business, Innovation & Employment

Median house price



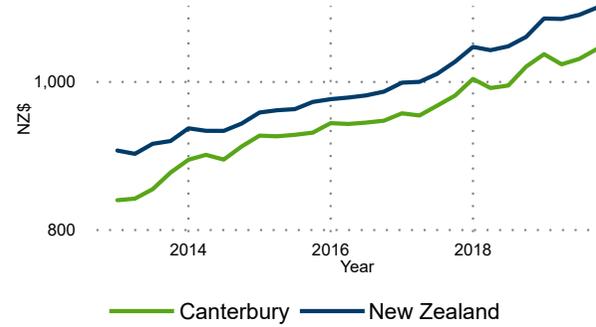
Source: Real Estate Institute of New Zealand

Immigration (long-term arrivals)



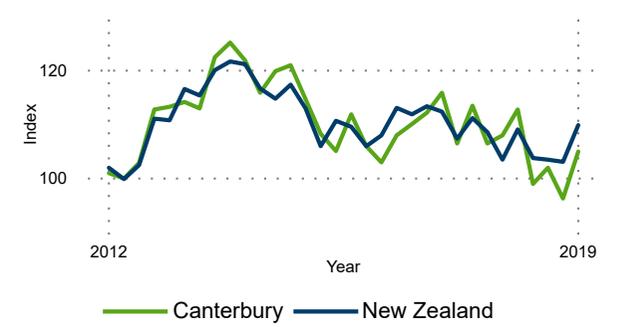
Source: Statistics New Zealand, ChristchurchNZ

Average labour earnings



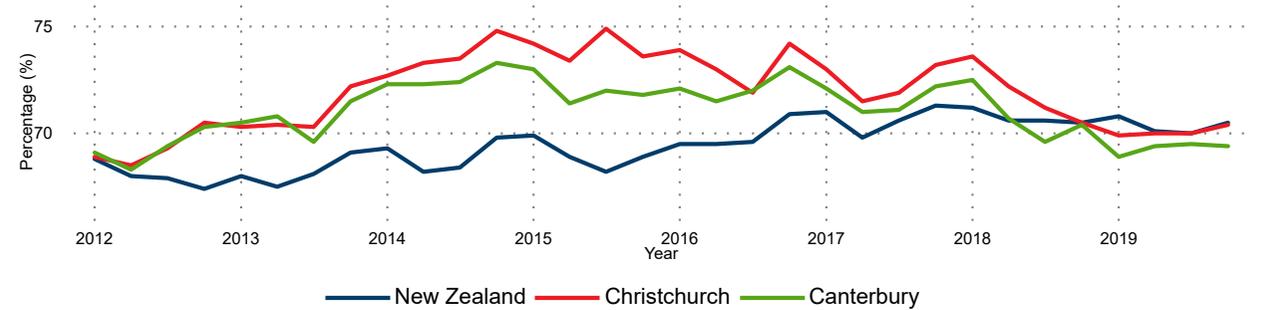
Source: Statistics New Zealand, ChristchurchNZ

Canterbury consumer confidence



Source: Westpac McDermott Miller, ChristchurchNZ

Labour force participation



Source: Statistics New Zealand, ChristchurchNZ



The mean weekly rent in Christchurch has increased by 0.3% and median house price by 1.9% in the fourth quarter of 2019 compared to the same period in 2018. Both rent and house price growth are below the national average of 4.5% and 9.8% respectively.

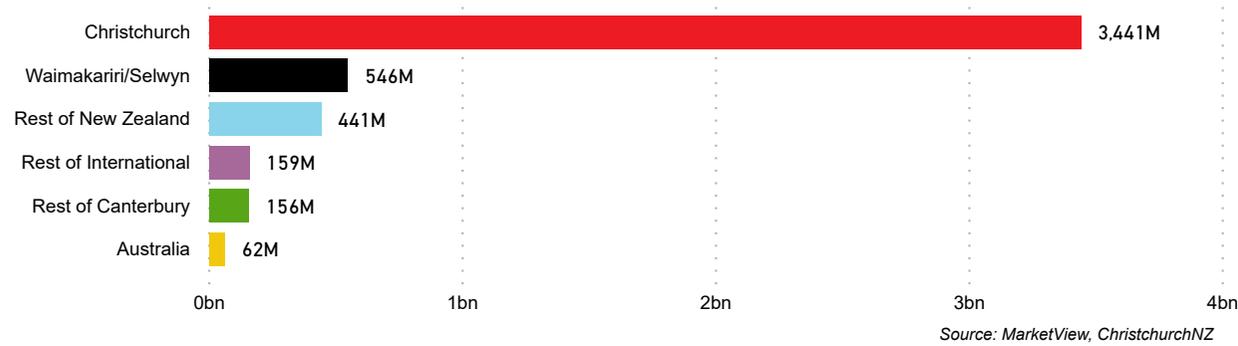
Average weekly earnings growth is up by 2.3% for the fourth quarter of 2019 compared to the same quarter in 2018, and imply an improvement in residential affordability as earnings outpace increases in housing inflation in Christchurch and Canterbury.

Long-term immigration arrivals through the Christchurch Airport have been below the long-term average of 757 per month since March 2019. This lower level of long-term arrivals is evident across New Zealand.

Canterbury consumer confidence increased substantially in the fourth quarter from a low in the third quarter of 2019. An increase in consumer confidence suggests consumers would consider purchasing major household items as they are more optimistic about their own financial situation.

Business

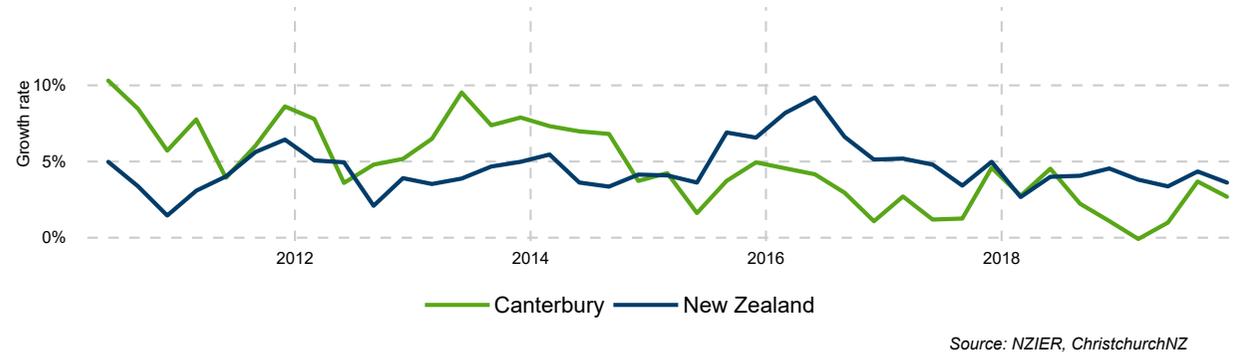
Spending by customer origin in Christchurch (excl. fuel) (YE December)



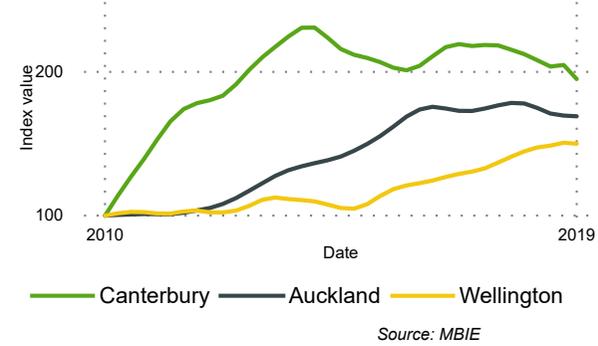
Spending by retail category in Christchurch (YE December)



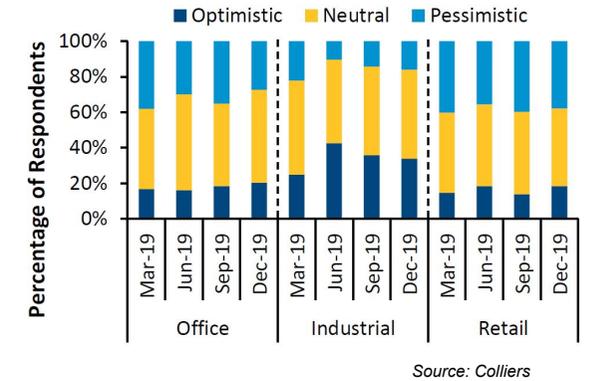
Retail trade growth



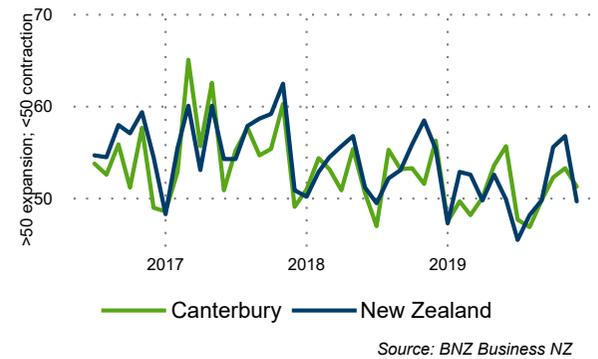
Job vacancy index



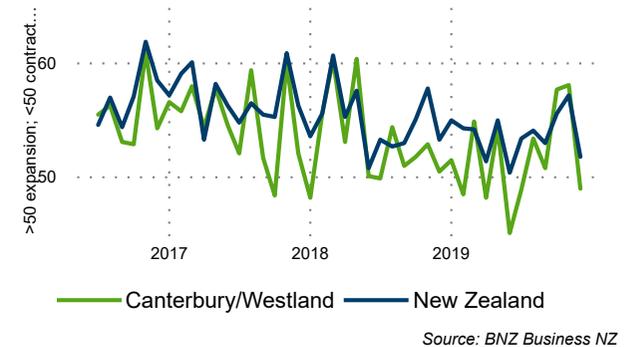
Christchurch investor confidence



Performance of manufacturing index



Performance of service index



Total retail spending (incl. fuel) in Christchurch increased by 1.4% over the past year up to December 2019 compared with the previous period. Spending at cafes, restaurants and takeaways increased by 5.8%, followed by groceries and liquor (3.1%) and apparel & personal (2%). Christchurch resident spending increased by 2.0%, while spending by consumers from Waimakariri and Selwyn and international visitors increased by 3.0% and 9.6% respectively over the past year to December 2019.

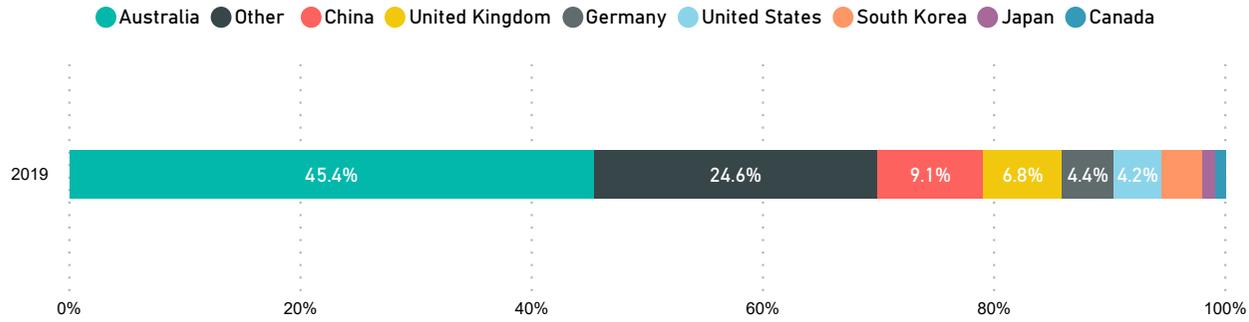
Both the manufacturing and service index improved in October and November before falling in December. This volatility is likely an indication of investment uncertainty within a tight business climate with softer growth. The mixed signals in the market have likely affected the labour market, with a lower job vacancy index for Canterbury in the fourth quarter of 2019.

Retail trade growth continues to be positive in the December 2019 quarter at 2.7% compared with the same quarter in 2018.

Investor confidence in office, retail and industrial remains mainly neutral during the fourth quarter of 2019.

Visitors

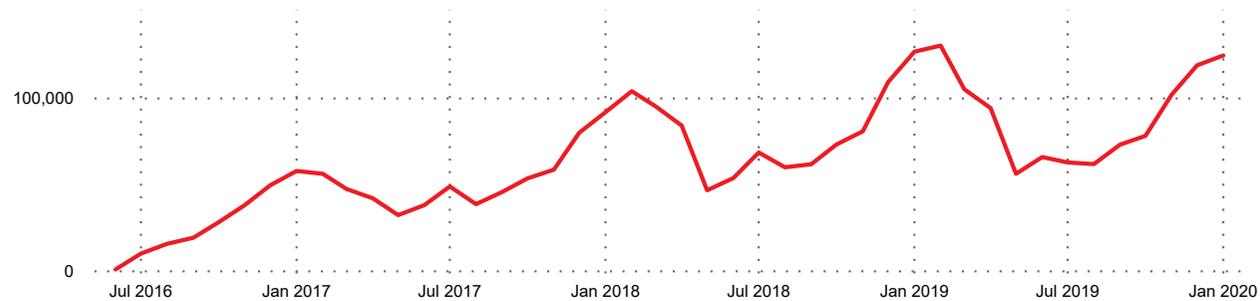
International arrivals at Christchurch airport, Q4:2019



Source: Statistics New Zealand, ChristchurchNZ

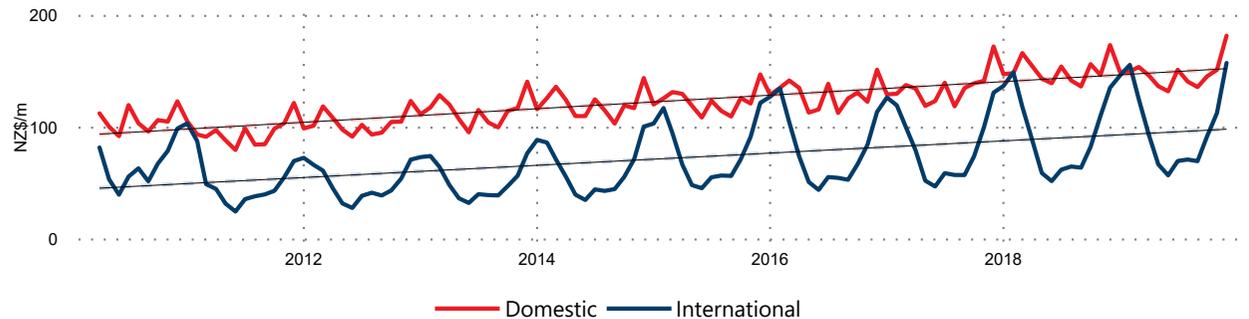
Airbnb guest nights

Guest nights per month Airbnb by Date



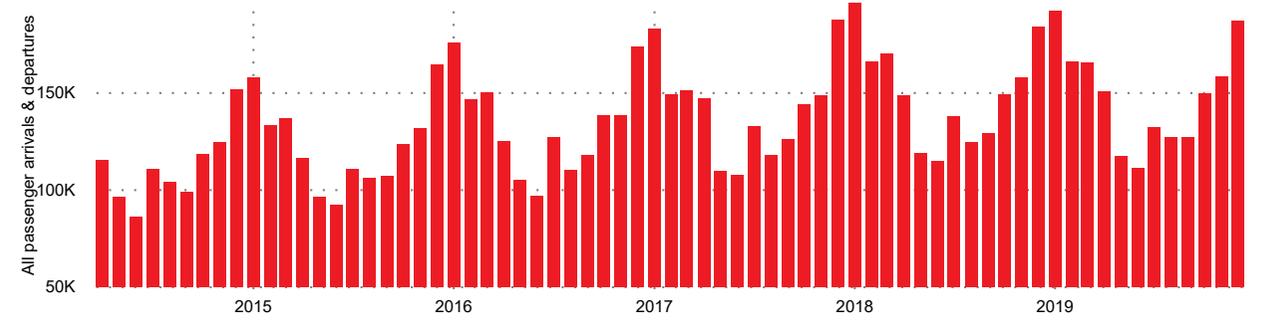
Source: Airdna, ChristchurchNZ

Christchurch visitor spending



Source: Ministry of Business, Innovation & Employment

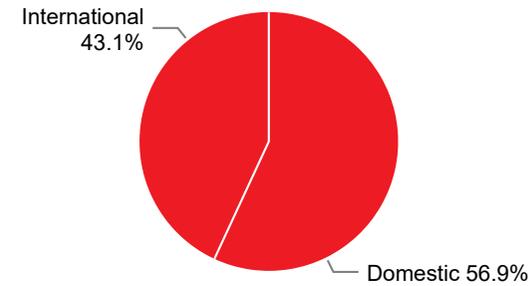
Passenger movement at Christchurch airport



Source: Statistics New Zealand, ChristchurchNZ

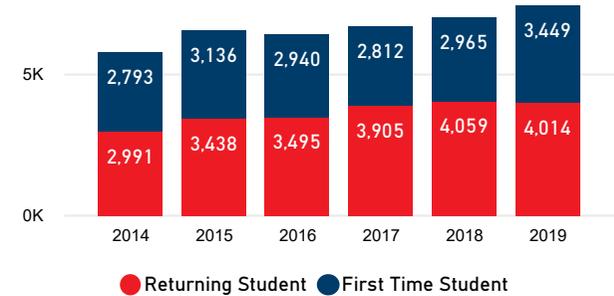
Source: Statistics New Zealand, ChristchurchNZ

Christchurch visitor spending, Q4:2019



Source: Ministry of Business, Innovation & Employment

Canterbury student visas



Source: Statistics New Zealand, ChristchurchNZ



Passenger movement at Christchurch Airport is slightly higher (0.9%) in the fourth quarter of 2019 compared with the same period in 2018. Australians continue to be the largest international market and have decreased slightly by 0.4% compared with the previous quarter in 2018. International arrivals from South Korea and Germany are higher by 3.5% and 1.8% respectively for this quarter compared to the same quarter in 2018.

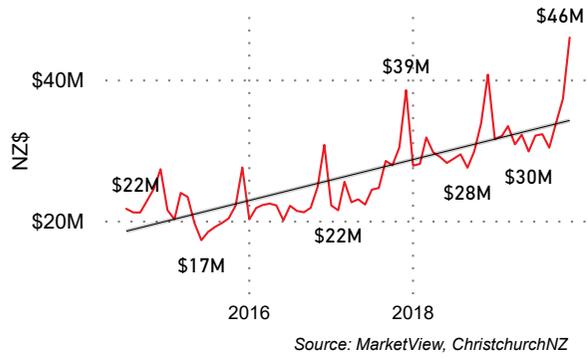
Total visitor spending increased by 4.2% in the fourth quarter compared with the fourth quarter of 2018, driven by growth of 10.2% in international spending and 0.1% by domestic visitor spending. The domestic visitor market spent \$480 million during this quarter in the Christchurch economy, representing 56.9% of all visitor spending.

The growth in international visitor spending is supported by an increase in returning and first time students with annual growth of 6% between 2019 and 2018.

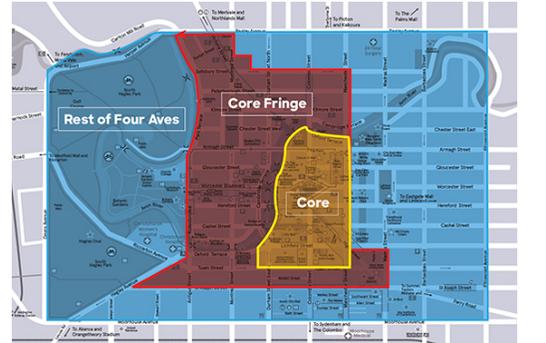
Airbnb guest nights continue to increase with 13.6% growth in the fourth quarter of 2019 compared to the same period in 2018.

Central City

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



City map

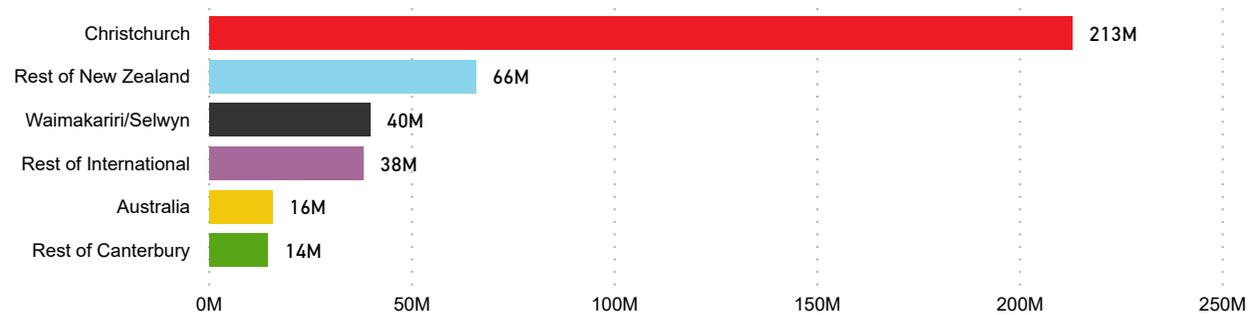


Source: MarketView, ChristchurchNZ

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



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



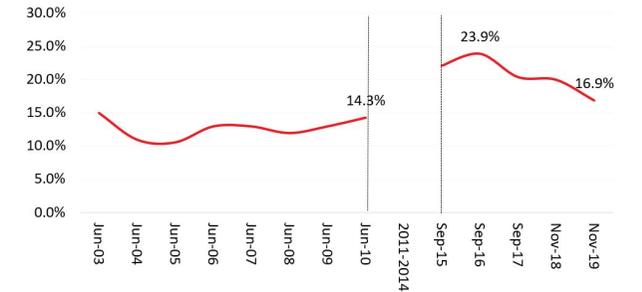
ChristchurchNZ

Commercial

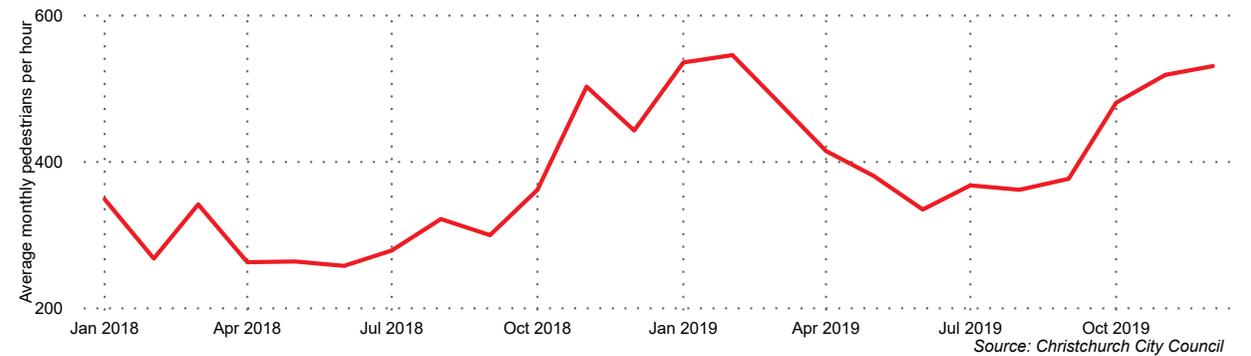
Office rents



Office vacancy



Pedestrian count - Core



Core and core fringe quarterly retail spending growth (12.1%, incl. fuel) continues to outpace retail spending growth for the city (1.4%, incl. fuel) with December 2019 experiencing the highest spending value (\$46 million) over the past few years. The spend from outside the city, suggests Christchurch's central city is developing into an attractive visitor proposition. The year on year spending growth in the core and fringe increased by 8.8% up to December compared with the corresponding period in 2018.

The spending from international visitors increased by 14.8% over the past year while spending from residents of Waimakariri/Selwyn increased by 17.4%. The growth in spending from visitors outside the city's boundaries is a positive injection to the economy of Christchurch.

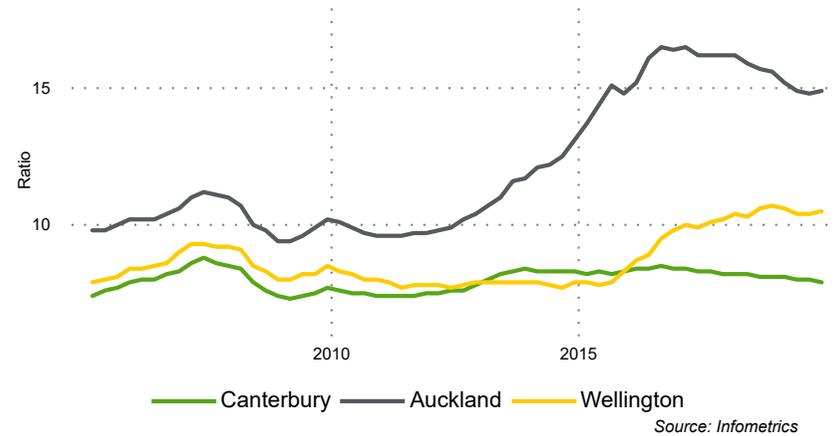
Average prime office rentals have decreased to \$350 per square metre and have been stable at this price over the past year. Secondary office space rental price has dropped substantially to \$200 per square metre, driven by internal churn from the suburbs to the central city. Office and retail vacancy are lower compared to a year ago at 16.9% and 15% respectively.

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 transition 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. Canterbury'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.

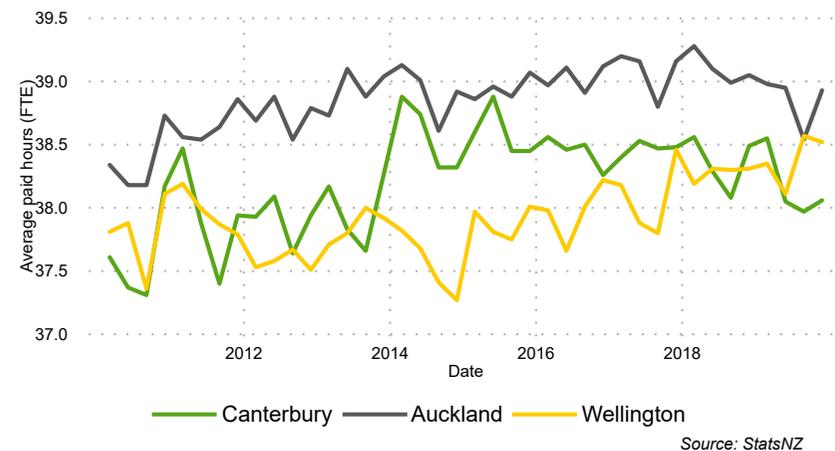
Residential affordability



Residential affordability shows that Canterbury (7.9) continues to be the most affordable region of the three metropolitan areas with Auckland at 14.9 and Wellington at 10.5.

* 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 (38.06) is lower than Auckland (38.93) and Wellington (38.52).

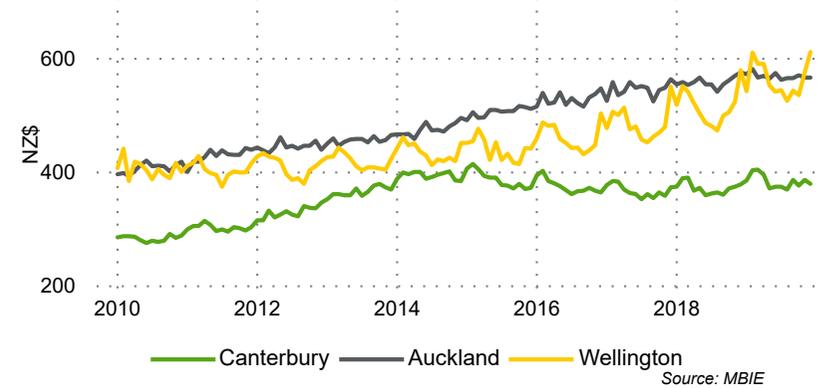
This decrease follows a period of high rebuild-related growth but the drop has not affected affordability within Canterbury.

ChristchurchNZ

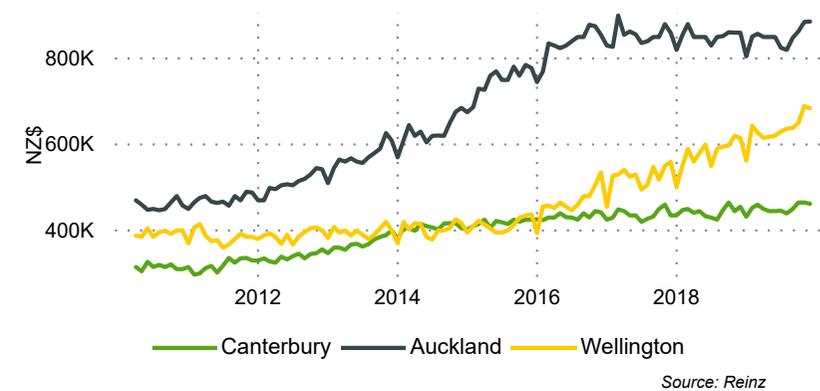
Residential rents in Canterbury has remained fairly constant over the last 5 years, while Auckland and Wellington rents continue to rise.

Currently, Canterbury mean rents are \$380 which is 32% lower than Auckland (\$567) and 35% lower than Wellington (\$612).

Mean residential rent, weekly



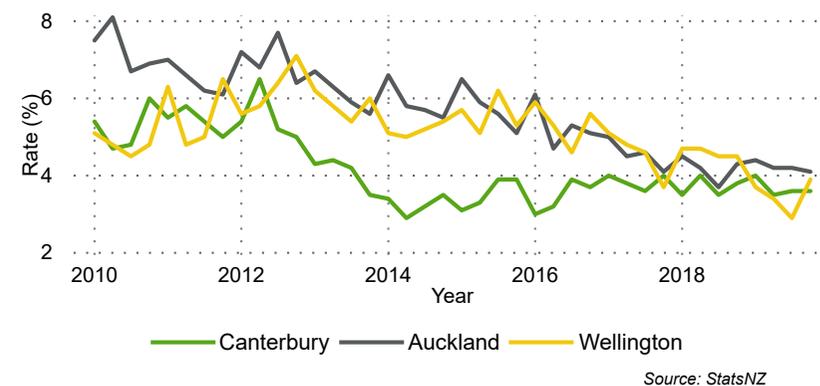
Median house price



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 \$465,000 which is 47% lower than Auckland (\$886k) and 25% lower than Wellington (\$684k).

Unemployment rate



Unemployment in Canterbury (3.6%) has remained stable over the past three years, while it continues to decrease to a similar level in Auckland (4.1%) and Wellington (3.9%).

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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