



Monthly Economic Insights Brief

March 2023



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

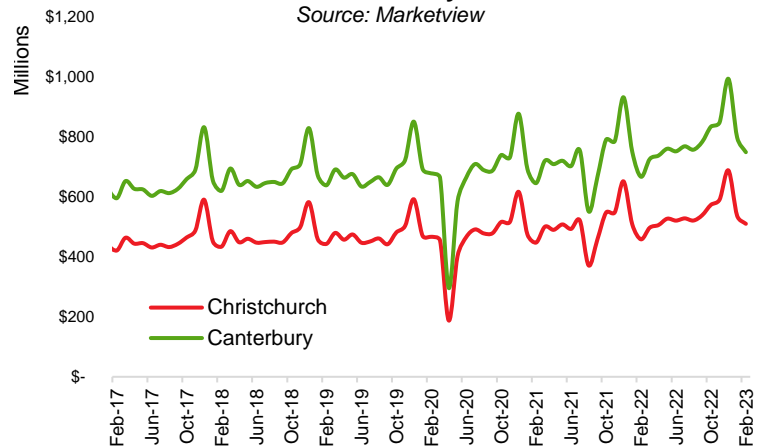


Retail Spending (February 2023)

- The value of retail spending in Christchurch during February 2023 came to \$509.6m, an increase of 11.3 percent from February 2022. The volume of retail spending (number of transactions) in Christchurch increased by 10.9 percent over the same period.
- As observed in the previous month, all store categories experienced an annual uplift in spending volumes, except for apparel & personal which recorded a -1.6 percent decline in transactions from February 2022.
- The value of retail spending (excluding fuel) carried out by residents of Christchurch increased 4.1 percent from February 2022. The volume of local spending increased 4.2 percent over the same period. These annual growth rates reflect the comparatively low volumes of local spending during February last year, as transactions carried out by residents in February 2023 actually remained below the levels seen during the same month in 2019-2021. This contraction in spending volumes likely reflects the impact of low consumer confidence and cost-of-living pressures on purchasing behaviour.

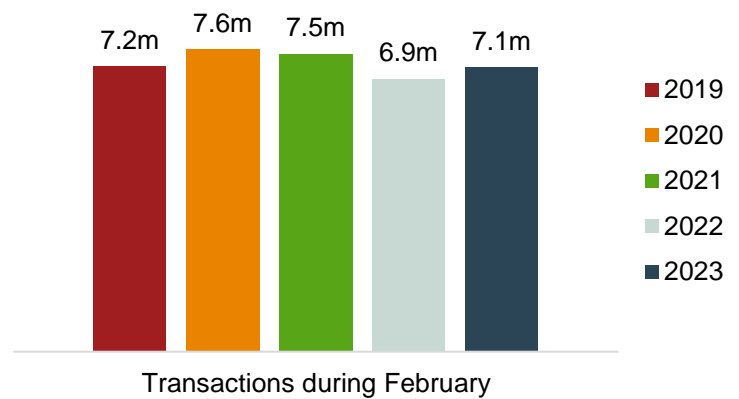
Value of retail spending, Christchurch & Canterbury

Source: Marketview



Number of transactions carried out by Christchurch residents during Feb (excl. fuel)

Source: Marketview



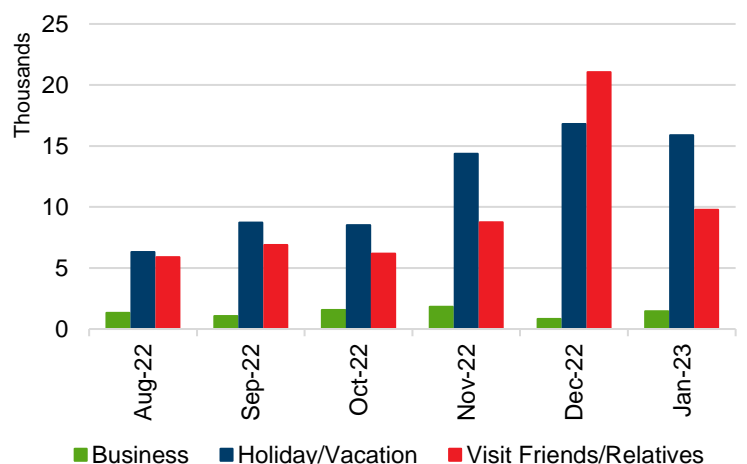
Update on International Visitation (January-February 2023)

International visitor arrivals (January 2023)

- There were just under 30,000 international visitor arrivals at Christchurch Airport during January 2022. This was down -27 percent from the previous month of December, when arrivals peaked after a strong upsurge in the number of people visiting friends and relatives in line with the Christmas holiday period. January 2023 arrivals were equivalent to 46 percent of pre-COVID levels (January 2020).
- Holiday arrivals made up 53 percent of Christchurch Airport arrivals during January, compared to 33 percent who were visiting friends and relatives and 5 percent who were business arrivals.
- Approximately half of all January arrivals were from Australia, with visitors from the UK making up the second largest share of arrivals at 13 percent, followed by the USA at 8 percent.

International visitor arrivals at Christchurch Airport, by purpose

Source: Statistics NZ

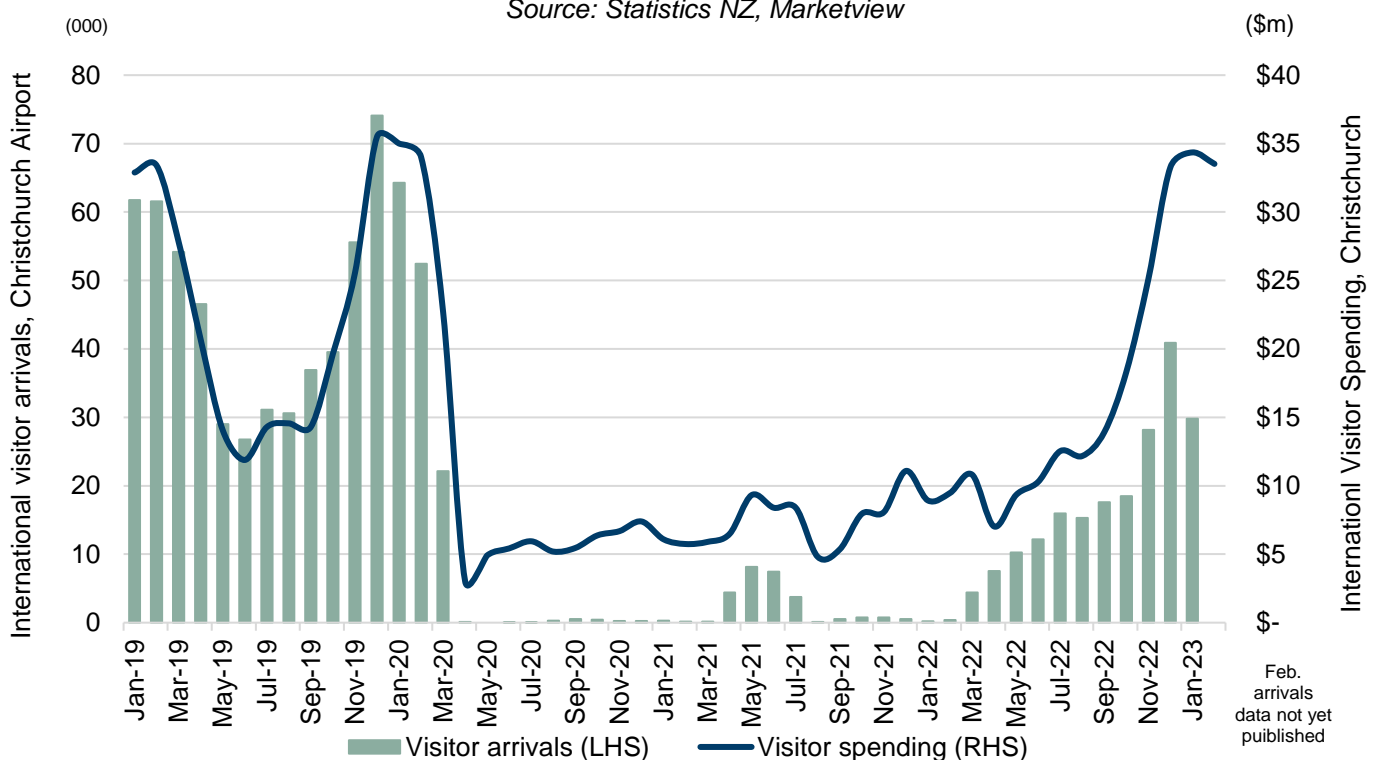


International Visitor Spending (February 2023)

- International visitor spending in Christchurch City in February 2023 decreased -2.4 percent or \$840k from the peak observed in the previous month of January. This was roughly equal to the amount spent by international visitors during the last pre-COVID February (February 2019).
- International visitor spending on transport, arts & recreation and accommodation was down on pre-COVID levels, while spending was up on food & beverage and retail trade.
- Visitors from the USA overtook Australia as the highest spending visitor market during February 2023, making up 21 percent of international visitor spend. Visitors from Australia contributed 19 percent to total spend, followed by visitors from the UK at 14 percent. The share of spending that is carried out by visitors from the USA is disproportionately large compared to the share of airport arrivals. This is because visitors from the USA tend to stay longer in New Zealand than Australian visitors (an average of 20 days compared to 14 days for Australians) and are therefore spending within the local economy over a longer period. Additionally, while there is no data available on the origin of passenger's onboard cruise ships visiting Christchurch, anecdotal evidence suggests that passengers from the USA made up a reasonable share of these passengers over summer. This will also have contributed to the strength in spending by visitors from the USA.

International visitation, Christchurch

Source: Statistics NZ, Marketview



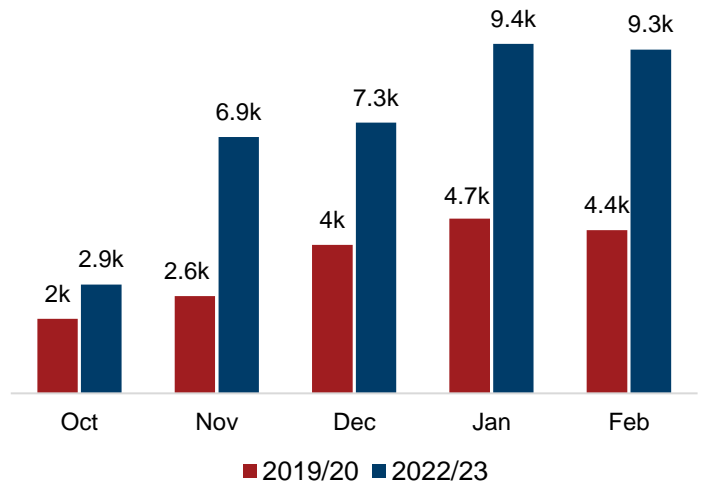
Cruise Visitation

- Over 28,000 passengers were estimated to be onboard the 16 cruise ships that docked at Lyttelton port during February 2023. There have been over 123,000 passengers aboard the cruise ships that have visited Lyttelton port since late October last year.
- Visits to a port do not necessarily mean that passengers disembarked, and passenger statistics should therefore only be treated as a general indicator of cruise activity.



- Retail spending by international visitors has lifted in line with the return of cruise to Lyttelton, with both the value and volume of international spending in Lyttelton increasing to above pre-COVID levels. The number of transactions carried out by international visitors in the area from October 2022- February 2023 increased 102 percent from October 2019-February 2020. This was equivalent to 18,000 additional transactions compared to the same period pre-COVID. In comparison, the number of transactions carried out by international visitors across Christchurch in general increased by 11 percent over the same period.

International visitor transactions in Lyttelton, 2022/23 vs pre-COVID
Source: Marketview

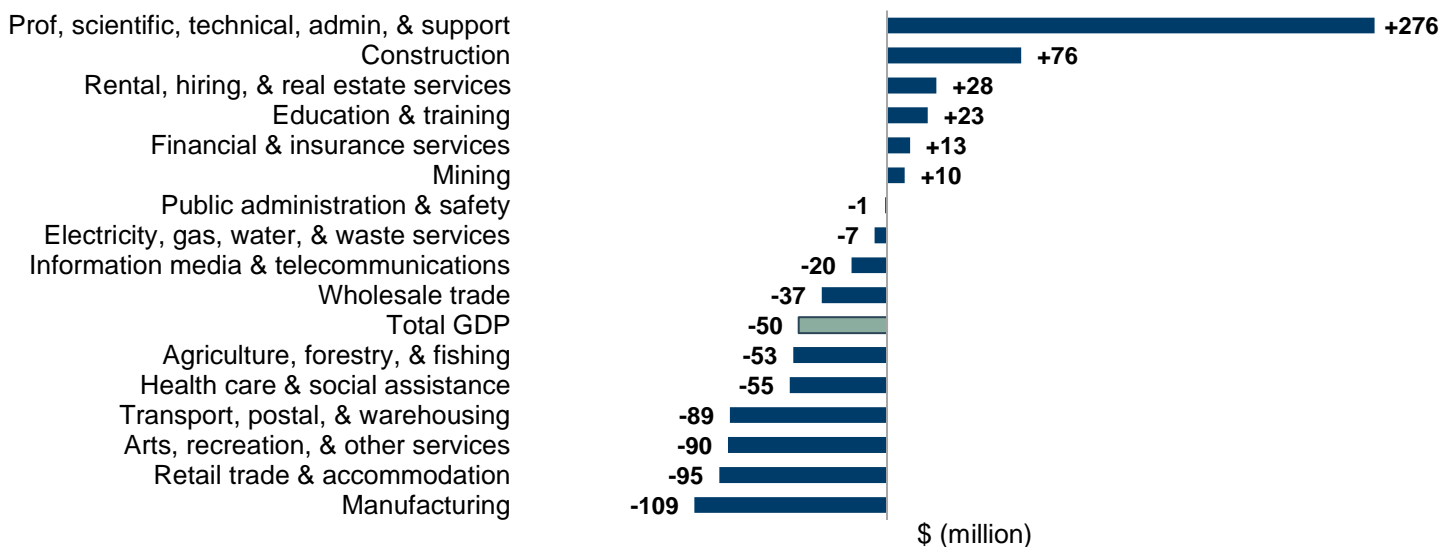


GDP (Q4 2022)

- GDP figures for the December 2022 quarter (Q4) indicate that New Zealand's economy shrank -0.6 percent from Q3. Nine of sixteen industries recorded a decrease in activity during Q4 from Q3.
- This contraction was stronger than the expectations held by the major banks (with forecasts ranging between -0.2 and -0.3), and well below the 0.7 percent of upward growth that was forecast by the Reserve Bank in the February Monetary Policy Statement.
- While GDP in Q4 contracted from Q3, this followed a 1.7 percent lift in GDP in the previous quarter. On an annual basis, GDP was still 2.2 percent higher in Q4 2022 than it was at the end of 2021.
- Manufacturing was the strongest downward driver in real terms, falling -1.9 percent. This was partly due to a fall in transport, machinery and equipment manufacturing (down -2.6% from Q3), as well as reduced output in food, beverage and tobacco manufacturing (down -1.9%).
- Retail trade and accommodation recorded the second largest contraction in real terms, also declining -1.9 percent from the previous quarter. This was driven by falls in accommodation and food services (down -3.9% from Q3) and retail trade (down -1.0%). As these sectors would have benefited from boosts in international tourism over Q4, this can be understood as an indication of softening in domestic demand. Capacity constraints due to staff shortages over the holiday season are also likely to have played a role here.

Real change in production of GDP (\$m), Q4 vs Q3 (2022)

Source: Statistics NZ





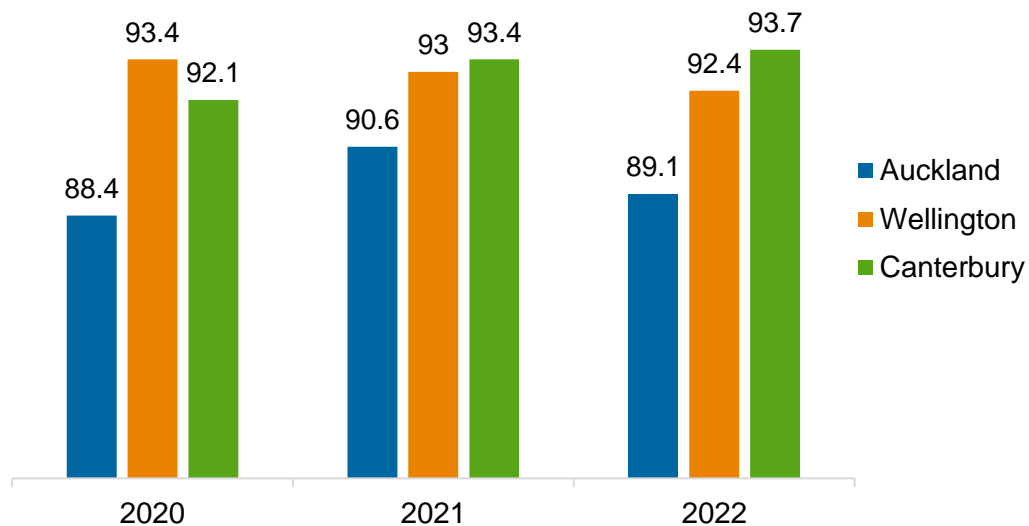
Household Economic Survey (YE June 2022)

- The Household Economic Survey is an annual survey that monitors the economic well-being of New Zealanders through measures of household income, housing costs and material wellbeing.
- Average household disposable income was \$86,722 for Canterbury households in the year to June 2022, compared to the national average of \$92,451. After accounting for differences in household size/composition and deducting housing costs, the average disposable income for Canterbury households was \$41,519, compared to the national average of \$42,068 after housing costs.
- Average annual housing costs were lower for Canterbury households than the average New Zealand household (\$15,903 vs \$18,578). On average, housing costs were equivalent to 18.3 percent of household disposable incomes in Canterbury, compared to 20.1 percent across New Zealand as a whole.
- For the second year in a row, the Canterbury Region scored the highest of the three major metropolitan areas in terms of material wellbeing. The material wellbeing index in the Household Economic Survey measures the percentage of people living in households that have a material wellbeing index score of 15 or more. This was recorded as 93.7 percent for Canterbury in 2022, compared to 92.4 percent for Wellington and 89.1 percent for Auckland.

Material Wellbeing Index

(Scores by major region)

Source: Household Economic Survey, Statistics NZ



Regional GDP (YE March 2021 & 2022)

- Regional GDP figures are released annually by Statistics NZ, with the most recent update providing provisional topline figures for the year to March 2022.
- The Canterbury Region's provisional GDP for the year to March 2022 was \$44.03 billion, making up 55.8 percent of the South Island's GDP and 12.2 percent of national GDP.
- The release of GDP data that is broken down by industry has a long time-lag, with the most recent release providing a breakdown of GDP by industry for the year to March 2021. Based on this data, manufacturing made up the largest share of Canterbury's GDP in the year to March 2021 at 10.5 percent, followed by construction (8.6%) and professional services (8.3%).
- Industry-level GDP figures provide insight into how the disruptive impact of COVID-19 in the twelve months to March 2021 likely influenced economic activity within each sector of the Canterbury economy. Regional GDP contracted -1.0% in the year to March 2021 compared to the previous year. Unsurprisingly, the sectors that experienced the largest contractions in activity were those

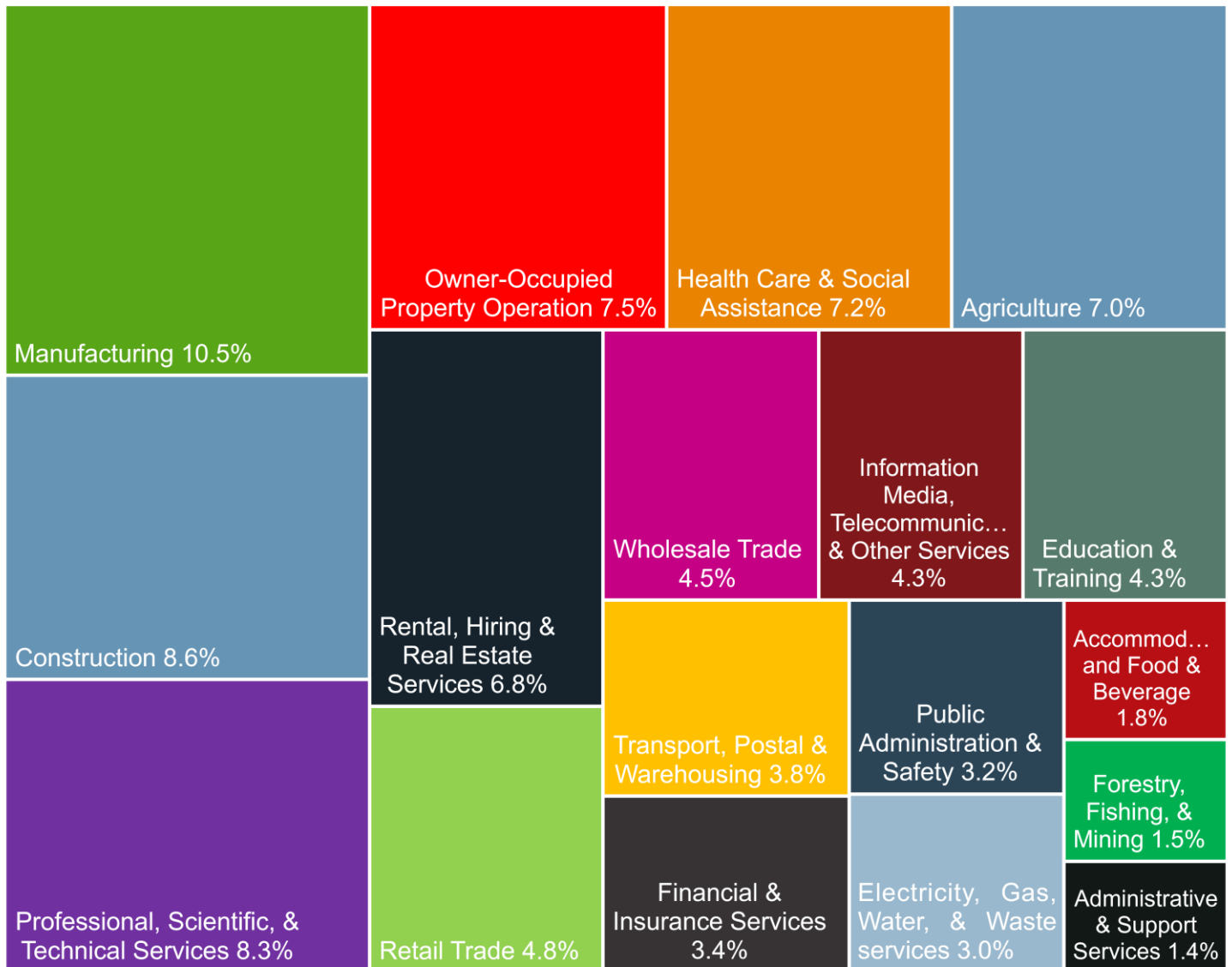


most closely linked to the visitor economy: accommodation (down -27.4% from the YE March 2020); transport, postal and warehousing (down -19%) and food and beverage services (down -16.3%).

- Retail trade experienced the largest annual increase in GDP, growing 8.0% from the previous year. This likely reflects the strength of retail spending on things like durable goods (furniture etc) that characterised the second half of 2020, with the impact of more time spent at home and an inability to spend on travel both influencing consumer preferences.

Share of regional GDP production by industry, Canterbury (YE March 2021)

Source: Statistics NZ



- Variance in GDP growth across sectors meant that some industries increased their contribution to regional GDP, while others reduced their share of regional output from the previous year. The sectors that experienced the largest gains in their share of regional GDP were owner-occupied property operation (supported by a strong housing market) and professional, scientific and technical services (part of this is likely due to the comparatively greater ease of businesses within this sector to work from home during COVID disruptions). Both sectors increased their share of regional GDP by half a percentage point compared to the previous year.
- Canterbury's GDP growth outperformed New Zealand's in financial & insurance services; agriculture; professional, scientific & technical services; and education & training.

Regional GDP Growth: Canterbury (Year to March 2021)

Industry (ANZSIC06)	GDP growth vs previous year	Annual change in share of GDP (percentage points)
Retail Trade	8.0%	0.4
Owner-Occupied Property Operation	6.4%	0.5
Education and Training	6.4%	0.3
Professional, Scientific, & Technical Services	5.0%	0.5
Financial and Insurance Services	4.2%	0.2
Health Care and Social Assistance	3.3%	0.3
Wholesale Trade	3.1%	0.2
Agriculture	2.9%	0.3
Rental, Hiring and Real Estate Services	1.4%	0.2
Information Media, Telecommunications & Other Services*	-0.2%	0.0
Construction	-0.8%	0.0
Manufacturing	-4.2%	-0.1
Public Administration and Safety	-6.6%	-0.2
Forestry, Fishing, and Mining	-7.6%	-0.1
Electricity, Gas, Water & Waste Services	-12.4%	-0.4
Administrative and Support Services	-13.2%	-0.2
Food and beverage services	-16.3%	-0.2
Transport, Postal and Warehousing	-19.0%	-0.8
Accommodation	-27.4%	-0.2

**Note that regional-level GDP figures combine the Information, Media & Telecommunications sector with Other Services, and that data for the Canterbury Region includes Chatham Islands.*

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