

Christchurch & Canterbury

Quarterly Economic Report
June 2020

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Overview

Economy

GDP growth

(YE Jun 2020)

Christchurch: **-3.4%** ▼

Canterbury: **-2.3%** ▼

New Zealand: **-2.1%** ▼



Unemployment rate

Christchurch: **+4.3%** ▲ (from 4.2 in Q1:2020)

Canterbury: **+3.8%** ▼ (from 3.9 in Q1:2020)

New Zealand: **+3.9%** ▼ (from 4.4 in Q1:2020)



Building consent (sqm)

(Q2:2020 vs. Q2:2019)

Christchurch: **-24.8%** ▼

Canterbury: **-6.2%** ▼

New Zealand: **-10.2%** ▼



International trade

(Lyttelton & Chc Airport)

Trade balance:

+3,887m year to date

70% ▲ from previous year



People & Business

Retail spending growth (incl. fuel)

(Q2:2020 vs. Q2:2019)

Christchurch: **-23.5%** ▼ (NZ: -22% ▼)

Average labour earnings

(Q2:2020 vs. Q2: 2019)

Canterbury: **-2%** ▼ (NZ: +0.1% ▼)

Residential cost

(Q2:2020 vs. Q2:2019)

Weekly rent:

Christchurch: **+3.2%** ▲ (NZ: +4.7% ▲)

House price:

Christchurch: **+5.1%** ▲ (NZ: +11.2% ▲)

Business confidence

>50 expansion; <50 contraction

(Q2:2020)

Service Index:

Canterbury: **39.6** (NZ: 37.7)

Manufacturing Index:

Canterbury: **42.1** (NZ: 39.9)

Visitors

Airbnb guest nights

(Q2:2020 vs. Q2:2019)

Christchurch: **-26%** ▼



Christchurch visitor spending

(Q2:2020 vs. Q2:2019)

Total: **-53.2%** ▼ (NZ: -55.9%)

Domestic: **-42.4%** ▼ (NZ: -45.2%)

International: **-74.4%** ▼ (NZ: -5.3%)



Visitor arrivals

(2020:Q2)

Christchurch Airport:

170 arrivals

2% of NZ

-99.8% ▼ (Q2:2020 vs. Q2:2019)



Student Visa

(YE 2019 vs. YE 2018)

First time student visas **16%** ▲

Returning student visas: **-1%** ▼

Total student visas: **6%** ▲



Central City

Retail spending growth (excl. fuel)

Quarter 2

-46% ▼ (Q2:2020 vs. Q2:2019)

Year:

-6.1% ▼ (year to date vs. 2019)

Consumer origin spending (excl. fuel)

(Q2:2020 vs. Q2:2019)

Rest of International: **-83.4%** ▼

Christchurch: **-37.5%** ▼

Australia: **-94%** ▼

Employees

(2019)

Four Avenues: **40,950** ▲

Commercial property

Rent:

Prime office

\$350/sqm/pa

Vacancy level:

16.9% (from 20%)

Economic Commentary

Quarter 2 of 2020 included the brunt of the lockdown period and as such the impact of COVID-19 on the Christchurch and Canterbury economy has become more apparent when examining the data.

While income relief packages and subsidies to businesses, in an effort to support job retention, have contributed to the low unemployment rates seen in this quarter it is likely that the true level of unemployment has been masked by peoples "inability to actively seek work" while in lockdown.

The industries hardest hit continue to be those within the services sector including tourism, hospitality, accommodation and events activities, however domestic tourism and pent up demand following lockdown appear to be offering some short term support to these industries.

The year to date economic growth decreased by 3.4% in the second quarter of 2020 for Christchurch and 2.3% for Canterbury while New Zealand decreased by 2.1%. Consumer and business confidence has deteriorated further due to the uncertainty surrounding COVID-19 and what it means for business activity.

Positives

- Defying expectations and forecasts the unemployment rate for Canterbury and New Zealand fell to 3.8 and 3.9 respectively and increased slightly for Christchurch to 4.3% in the second quarter of 2020.
- Housing and rental affordability remains comparatively strong in Christchurch, relative to other urban centres in New Zealand.
- Christchurch and Canterbury building consents saw strong growth in the June quarter driven almost entirely by residential consents.
- The value of exports in the second quarter from Christchurch ports expressed a positive trade balance and showed resilience through the lock down period.

Headwinds

- Lockdown and general uncertainty in the national and international environment due to COVID-19 has had a significant impact 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. A resurgence of COVID-19 cases in Australia and Auckland casts doubt over the possibility of a Trans-Tasman bubble.
- Canterbury earnings growth turned negative and for New Zealand fell flat in June 2020.
- The real possibility of a second wave of COVID-19, and thus the possibilities of more lockdowns, is likely to further dampen business and consumer confidence.
- 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

ChristchurchNZ

The second quarter of 2020 was anything but "business as usual" for the communities of Christchurch, Canterbury, New Zealand or internationally.

This is evident in the economic data presented in this quarterly report, which shows a sudden and evolving economic shock. The "lockdown" measures taken to contain the spread of Covid-19 caused significant disruption to Christchurch's economy in the second quarter of 2020.

The pathway towards economic recovery is not likely to be a smooth one. It is most likely that measures of economic activity will swing in a sawtooth pattern for some time as the operating environment changes.

These changes will largely be driven by national and international decisions and actions but may be offset somewhat by local actions to mitigate the impact on communities in Christchurch and Canterbury specifically. As the city's economic development and city promotion agency, ChristchurchNZ has reprioritised the entire work programme for 2020/21 into six economic recovery workstreams in order to provide the greatest support possible within our resources.

ChristchurchNZ is partnering with business, tertiary and government partners to respond and accelerate recovery out of the Covid-19 shock and reposition Christchurch and Canterbury as a productive region with a diverse economy and high standard of living.

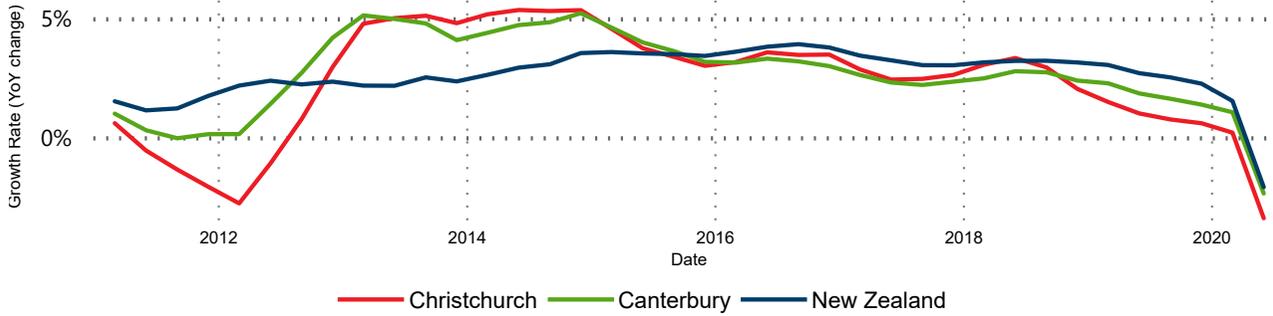
Whilst Christchurch communities and the local economy are facing many sudden and unexpected headwinds, the impacts of the pandemic so far have been far less severe here than in many parts of the world. New Zealand's positive external profile through the management of this global crisis creates a strong position for attracting talent and investment and supporting the trade of Kiwi goods and services.

The disruption to some sectors, particularly those related to the visitor economy, may need a certain amount of reinvention, which provides an opportunity to make significant productivity and sustainability gains over the long term.

The shock will also provide short term opportunities for some sectors to grow more rapidly or reposition their offerings to take advantage of changing consumer preferences. The key to minimising the pain of the current economic climate and maximising the long-term prosperity of Christchurch citizens will be to ensure these opportunities are grasped and pursued with passion.

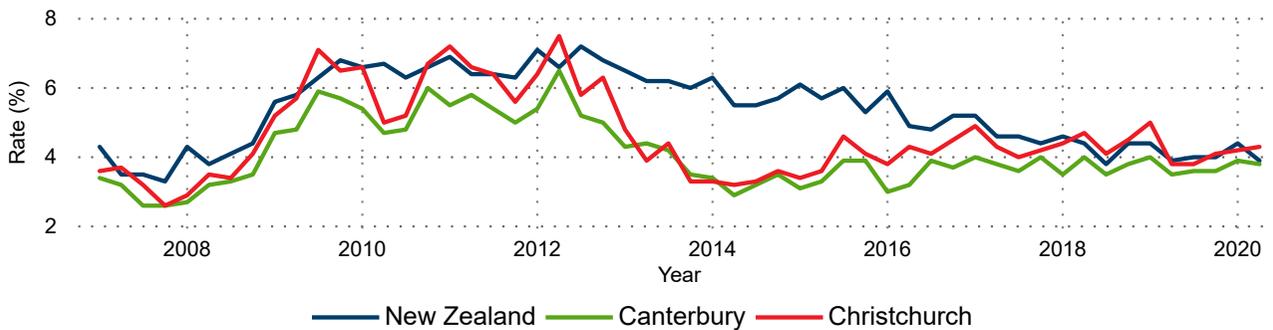
Economy

Economic growth



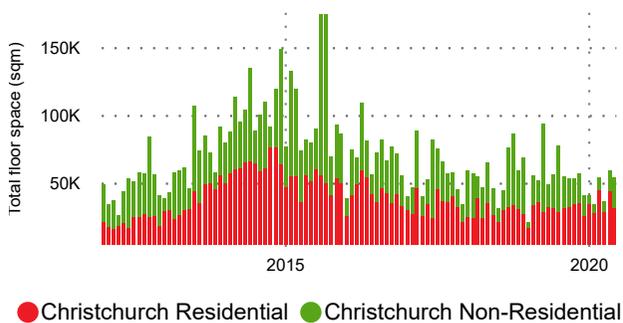
Source: Infometrics, ChristchurchNZ

Unemployment



Source: Statistics New Zealand, ChristchurchNZ

Christchurch building consents (sqm)



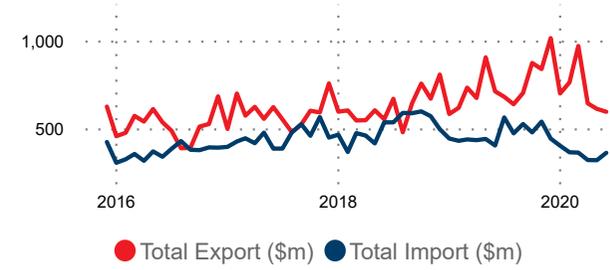
Value of building work in Canterbury



Source: Statistics New Zealand, ChristchurchNZ

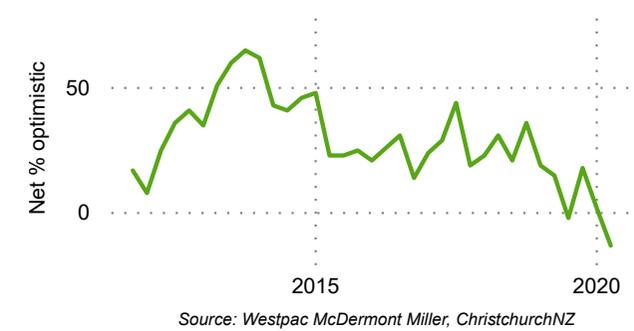
ChristchurchNZ

Christchurch Ports: International trade

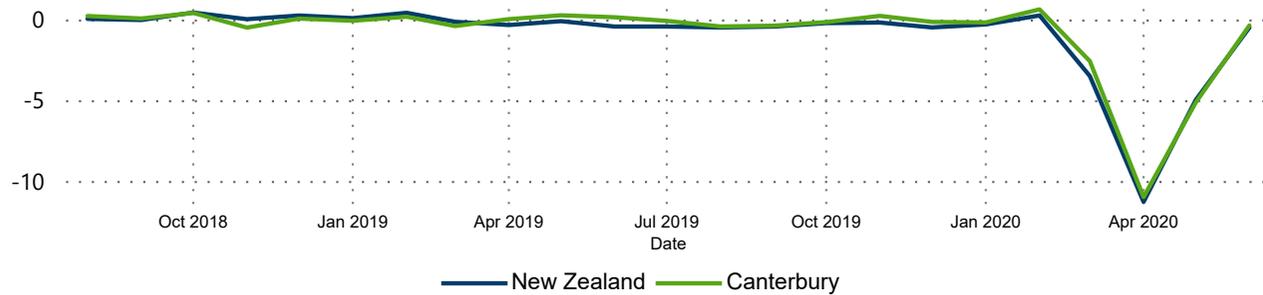


Source: Statistics New Zealand, ChristchurchNZ

Canterbury regional economic confidence



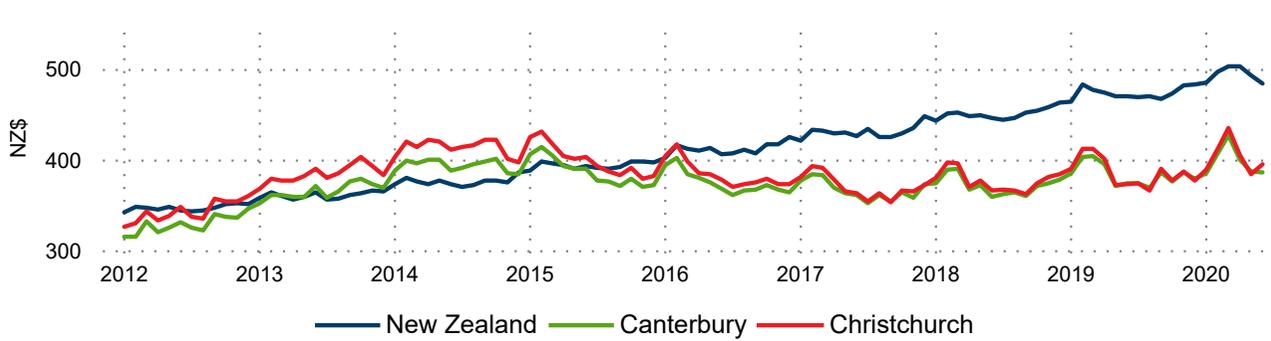
Canterbury Economic Activity Indicator



The year-to-date economic growth for Christchurch is negative at 3.4 percent in the second quarter of 2020, down from a slightly positive 0.2% growth in the first quarter of 2020. The second quarter of 2020 included the first full lockdown of non-essential economic activity and gradual easing of the regulations. The lower economic activity was expected given the regulations put in place by government. The second quarter of 2020 consisted of 26-days at lockdown level 4, 16-days at level 3, 27-days at level 2 and the remaining days (22) at level 1. An economic activity indicator for Canterbury, developed by ChristchurchNZ and based on a similar indicator by Treasury, reveal the level of economic activity on a monthly basis compared to historical trends. In June 2020 the Canterbury Economic Indicator stood at -0.3 compared to NZ at -0.4. This shows that weighted economic activity in the Canterbury region in June 2020 is 0.3 percent lower than in June 2019. This follows a low of -11 percent compared to the same month last year in April 2020. The level of unemployment in Christchurch increased marginally to 4.3% in quarter 2, higher than the national employment levels at 3.9%. The unemployment rate measures "active job-seekers" therefore, due to peoples inability to seek work during lockdown, the real change in unemployment has been masked. Over quarter 2 2020, regional economic confidence declined sharply to -13. Net exports from Christchurch ports remain positive in the 2nd quarter of 2020, expressing resilience despite the deterioration in the global outlook. Building consents (in sqm) in the June quarter saw significant growth (15%) compared with the same period in 2019 driven almost entirely by residential activity. Weak activity in the non-residential building consents can be attributed to high vacancies and difficult economic conditions, however, industrial warehousing remains resilient. Meanwhile the value of building work has fallen.

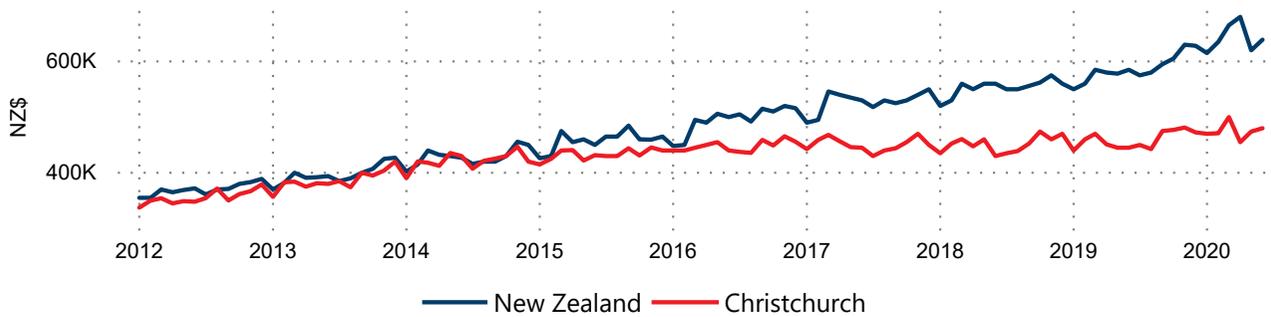
People & housing

Mean residential rent, weekly



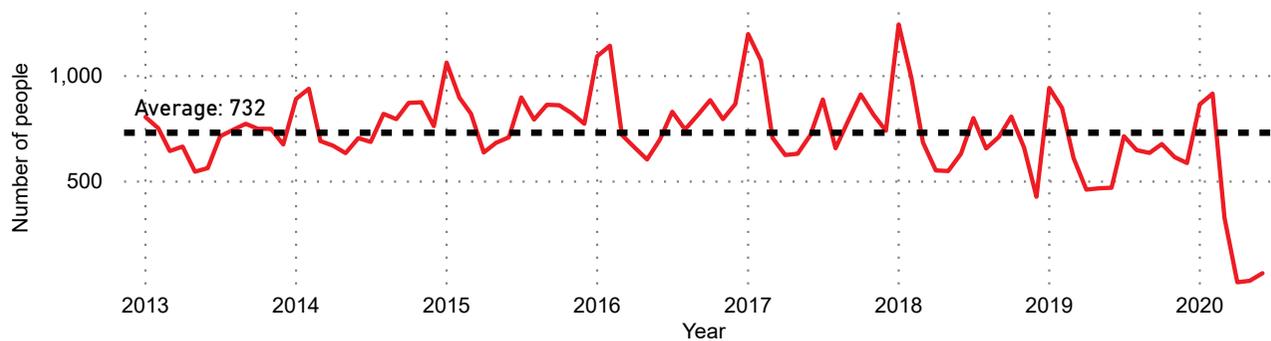
Source: Ministry of Business, Innovation & Employment

Median house price



Source: Real Estate Institute of New Zealand

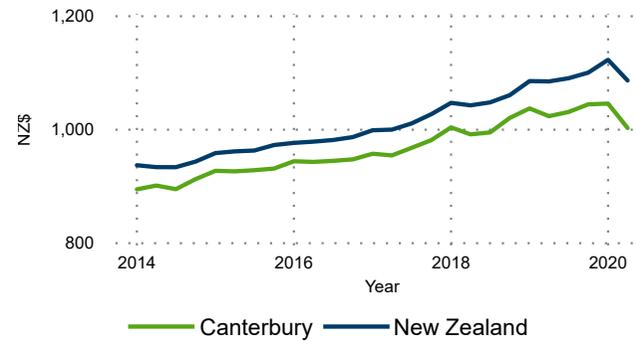
Immigration (long-term arrivals)



Source: Statistics New Zealand, ChristchurchNZ

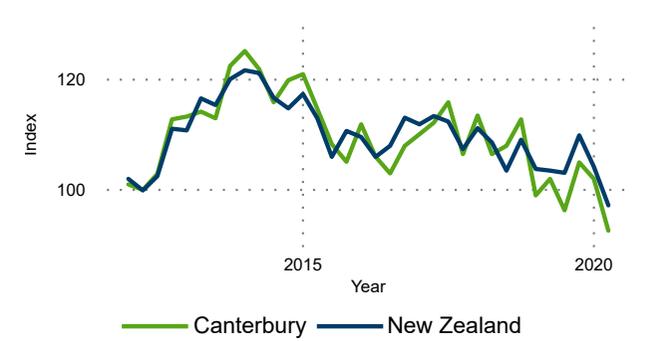
ChristchurchNZ

Average labour earnings



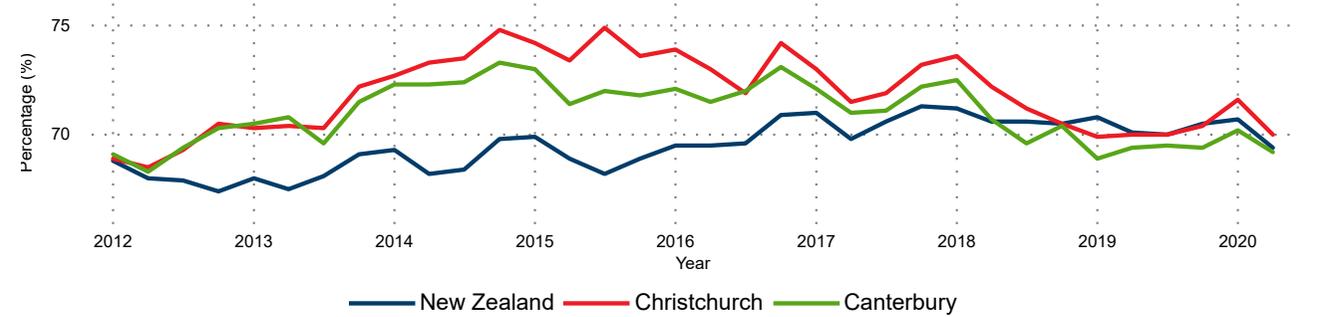
Source: Statistics New Zealand, ChristchurchNZ

Canterbury consumer confidence



Source: Westpac McDermott Miller, ChristchurchNZ

Labour force participation



Source: Statistics New Zealand, ChristchurchNZ



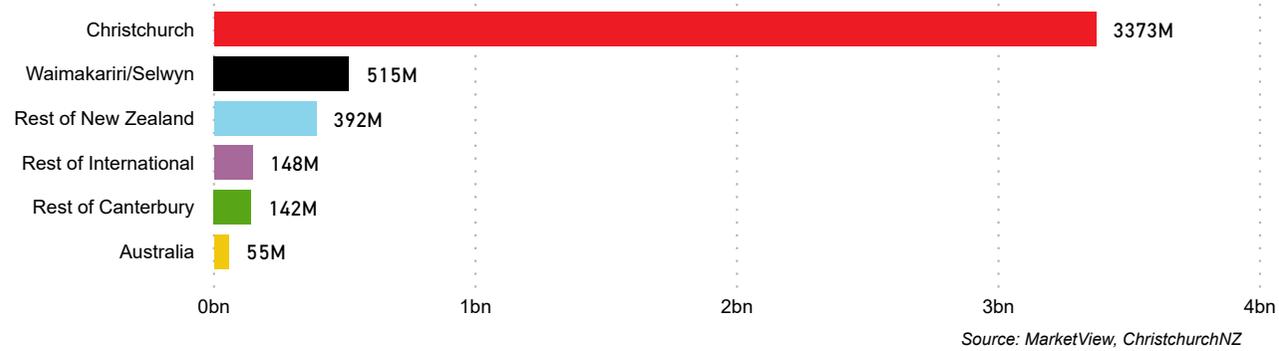
The mean weekly rent in Christchurch has increased by 3.2% and median house price by 5.1% in the second quarter of 2020 compared to the same period in 2019. Both rent and house price growth rates are below the national average of 4.7% and 11% respectively. The affordability profile of Christchurch city remains solid despite housing costs growth rates.

Average weekly earnings growth is down 2% for the second quarter of 2020 compared to the same quarter in 2019. Propped up by government wage subsidies, some firms have reduced staff hours in an attempted to avoid layoffs which explains some of this negative wage growth seen in quarter 2 2020.

Long-term immigration arrivals through the Christchurch Airport fell 91.5% to 119 in quarter 2 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.

Economic uncertainty caused by COVID-19 has continued to put downward pressure on Canterbury consumer confidence in quarter 2 2020.

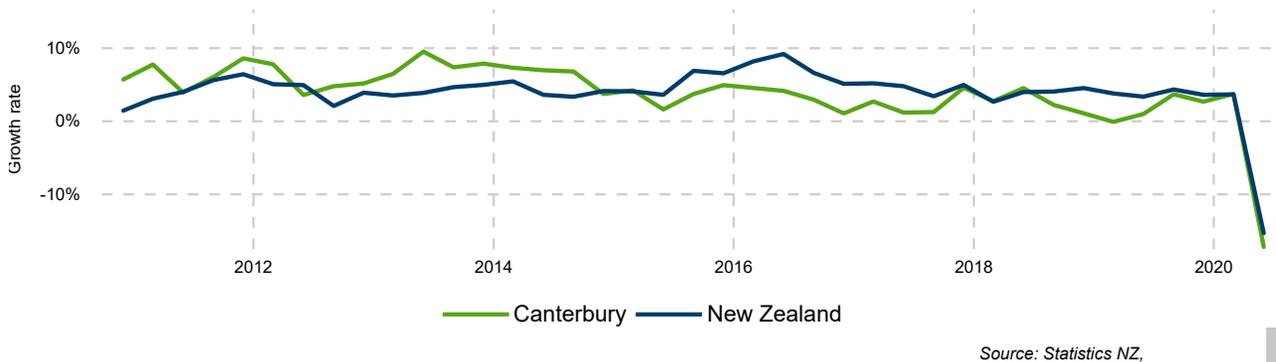
Spending by customer origin in Christchurch (excl. fuel) (YE June)



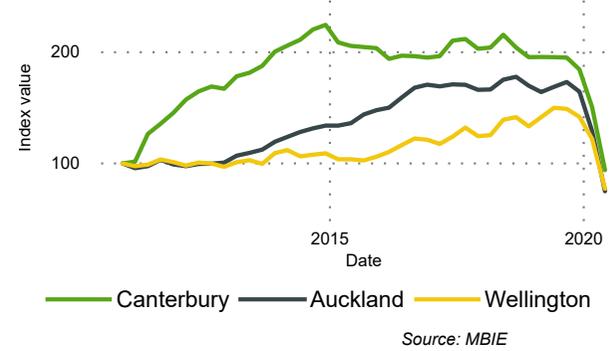
Spending by retail category in Christchurch (YE June)



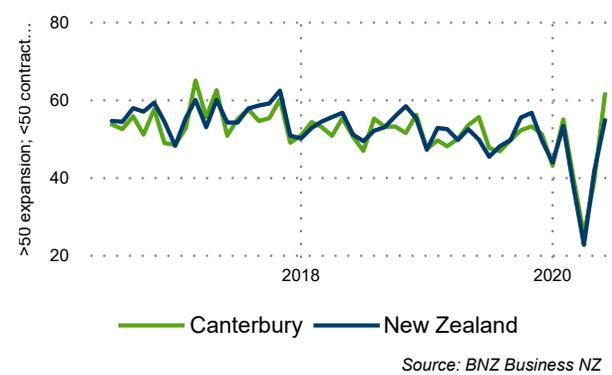
Retail trade growth



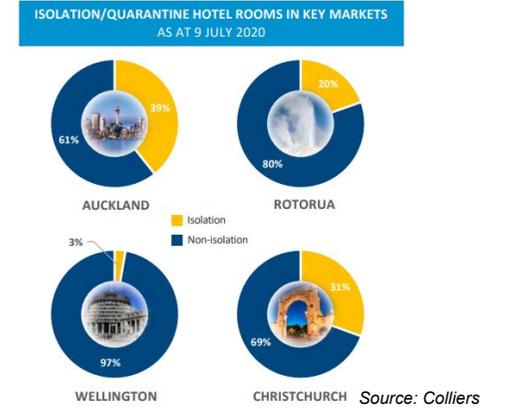
Job vacancy index



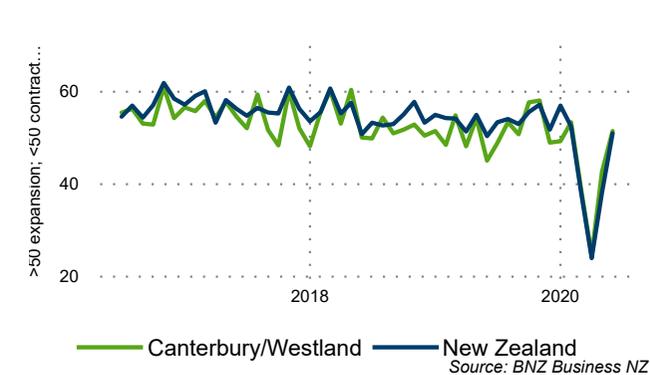
Performance of manufacturing index



Christchurch hotel market



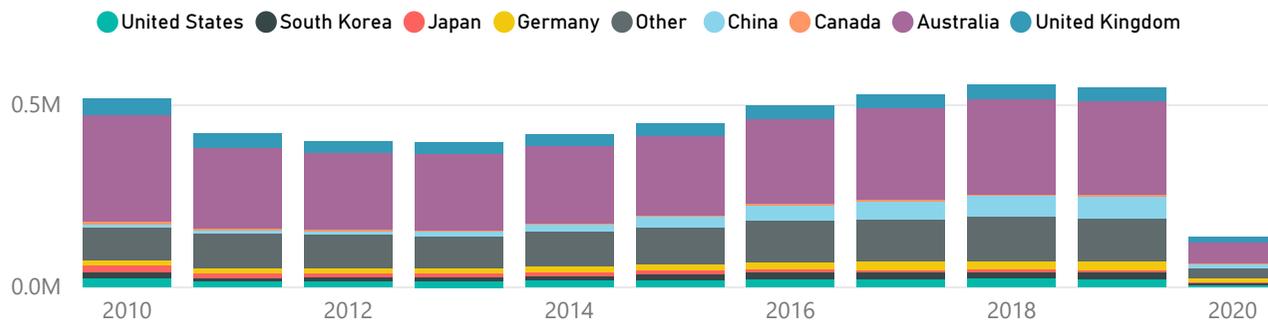
Performance of service index



💡 Total retail spending (incl. fuel) in Christchurch decreased by 5% over the year to June 2020 compared with the previous year. All spend categories saw negative growth for the YE June. The greatest falls in spending were seen in accommodation down by 26.4%, followed by fuel and automotive (-16.8%) and cafes, restaurants, bar and takeaways (11.6%). Australian visitor spending decreased by 14%, followed by Rest of New Zealand (-13%) and Rest of Canterbury (-9.4%) for the year to June 2020. Retail trade growth fell sharply by 17 percent in the June 2020 quarter compared with the same quarter in 2019. *Note: Due to confidentiality issues there was no categorical spending data provided for the month of April. As a result, the 2020 annual figures will be understated by one months worth of data.

The positive upward trend seen in the manufacturing and service index was maintained in the June quarter, in line with national activity. This suggests expansion, a likely response to the pent-up demand spending from consumers, despite softer economic conditions as a result of the COVID-19 crisis. The job vacancy index for Canterbury has continued to decline sharply through the second quarter of 2020. The hotel market has received a timely boost from being used as isolation facilities with an estimate 31% of Christchurch hotel rooms being utilised for this purpose.

International arrivals at Christchurch airport, YTD



Source: Statistics New Zealand, ChristchurchNZ

Passenger movement at Christchurch airport



Source: Statistics New Zealand, ChristchurchNZ

Source: Statistics New Zealand, ChristchurchNZ

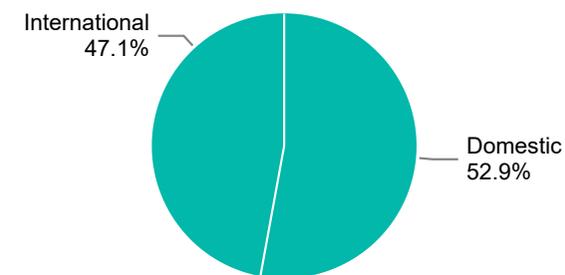
Airbnb guest nights

Guest nights per month Airbnb by Date



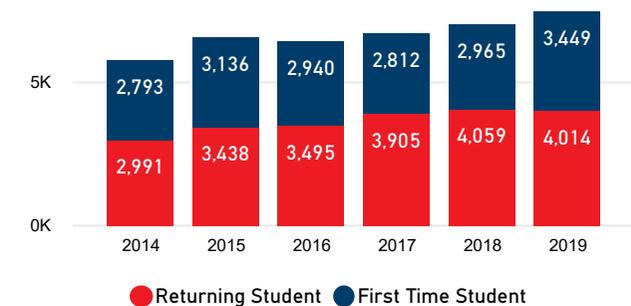
Source: Airdna, ChristchurchNZ

Christchurch visitor spending, Q2:2020



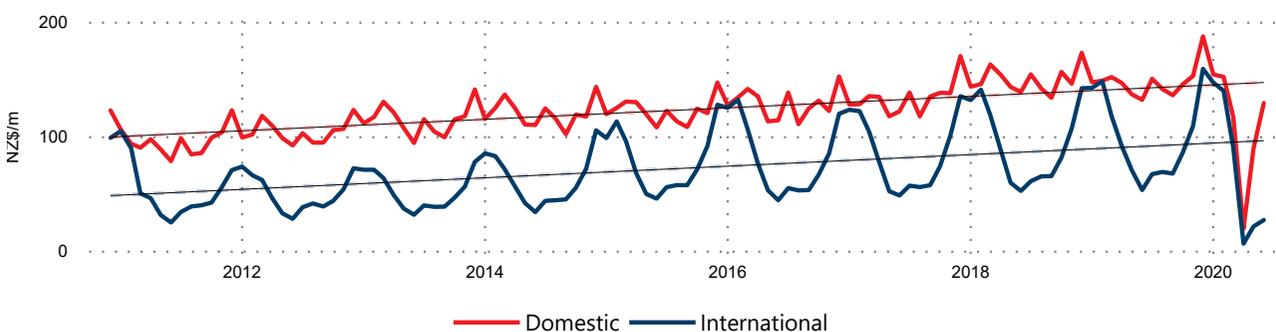
Source: Ministry of Business, Innovation & Employment

Canterbury student visas



Source: Statistics New Zealand, ChristchurchNZ

Christchurch visitor spending



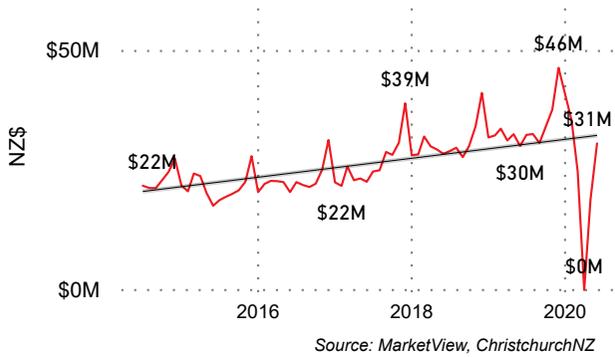
Source: Ministry of Business, Innovation & Employment



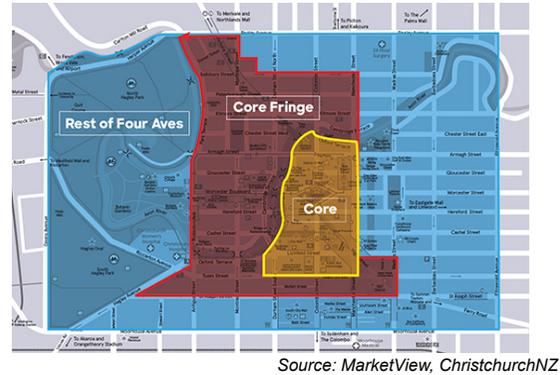
Passenger movement at Christchurch Airport were almost entirely down (98%) in the second quarter of 2020 compared with the same period in 2019. With New Zealand's borders closed to international visitors its not surprising to have seen such a drop in both visitor and passenger movement numbers here. The 170 international visitors seen in quarter 2 of 2020 were most likely New Zealanders entering the country. Total visitor spending decreased by 53% in the second quarter of 2020 compared with the second quarter of 2019, driven by a fall in domestic and international spending of 42% and 74% respectively. The domestic visitor market spent \$240 million during this quarter in the Christchurch economy, representing 80% of all visitor spending. This value for domestic spending was 42% lower in the current quarter compared to the same quarter in 2019, however, for the month of June, the 2020 value is only 2% below the domestic spending of June 2019. 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 26% in the second quarter of 2020 compared to the same period in 2019.

Central City

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



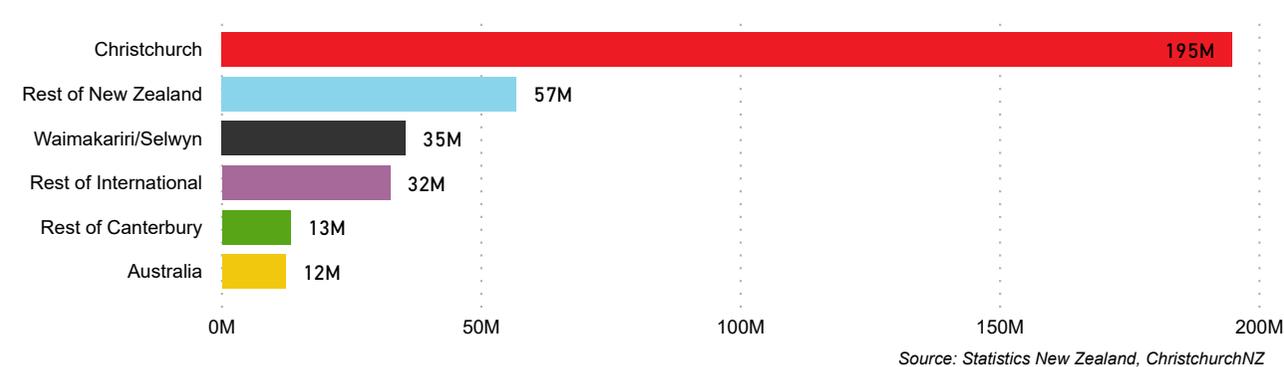
City map



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



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



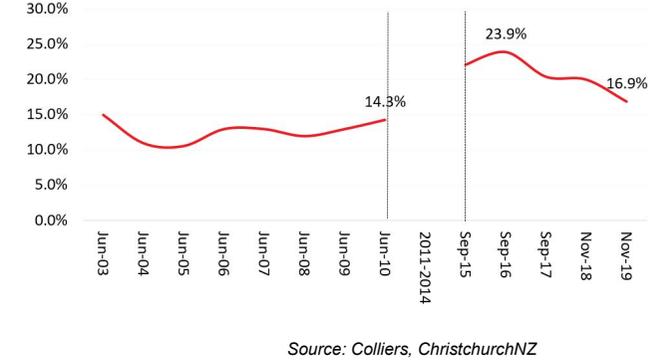
ChristchurchNZ

Commercial

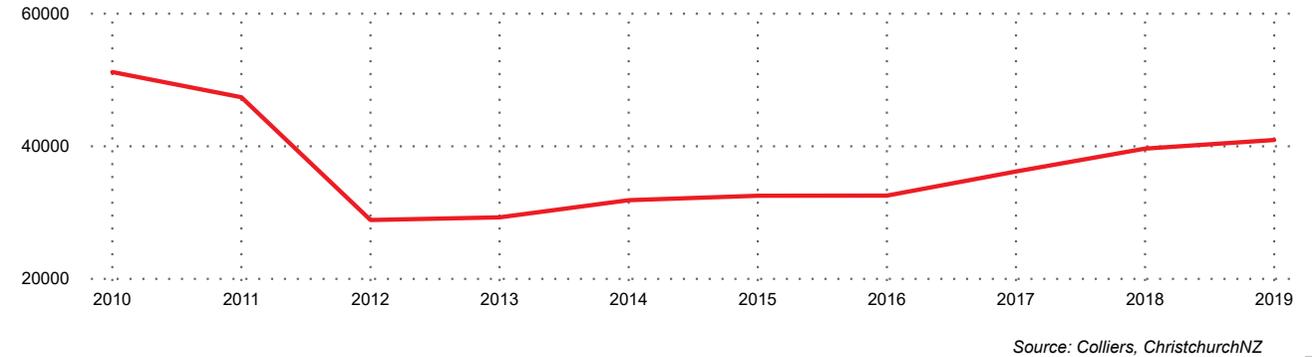
Office rents



Office vacancy



Number of employees within the four avenues



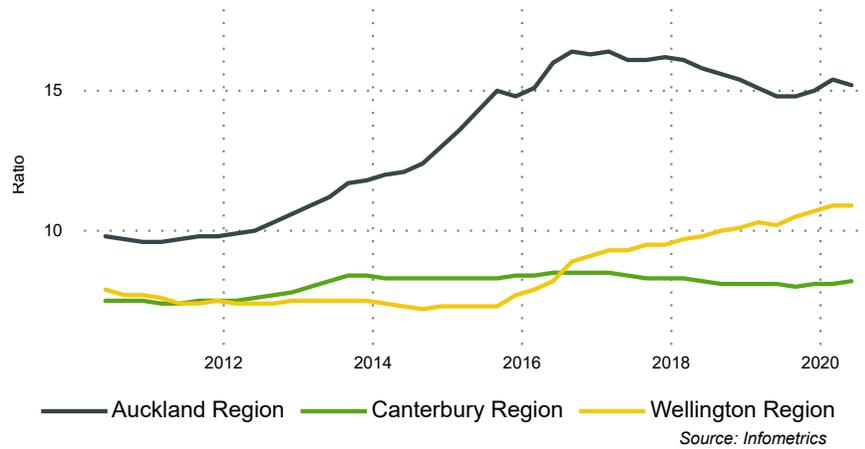
Core and core fringe quarterly retail spending fell (45.6%, incl. fuel) while retail spending in the city was lower by 23.5%, incl. fuel compared to the same period in 2019. The lower retail spending in the central city reflect the effect of the initial period of the lockdown where work moved to home-based activity. The year on year spending growth in the core and fringe decreased by 6.4% up to June 2020 compared with the corresponding period in 2019. The spending by all customers saw negative growth with the greatest falls being from Australian visitors, down by 19% over the past year while spending from residents of the rest of New Zealand decreased by 10.7% and decreased 9.1 percent for rest of international visitors. 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 sqm and have been stable at this price over the past year. Secondary office space rental price has dropped substantially to \$200 per sqm, driven by internal churn from the suburbs to the central city. We expect that office rents will be under negative 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.

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.

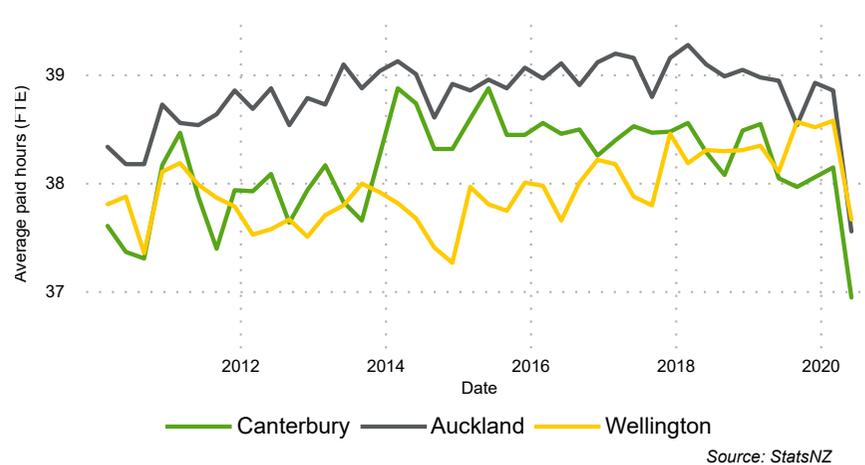
Residential affordability



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

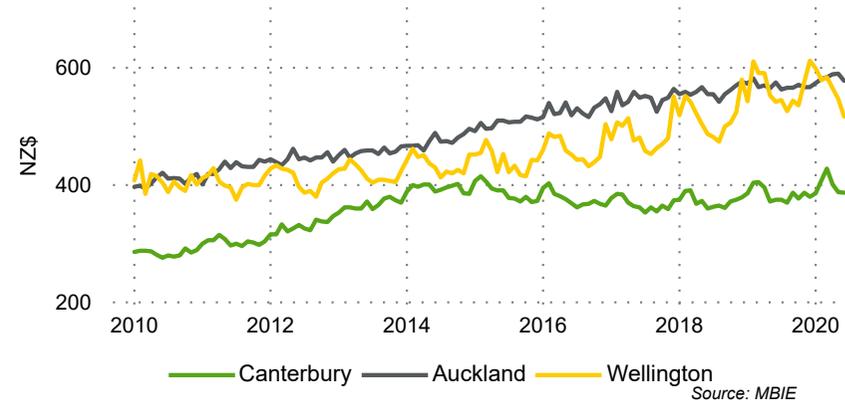


The average paid hours per FTE in Canterbury (36.95) is lower than Auckland (37.56) and Wellington (37.67).

This significant decline in hours worked maybe attributed to employer reducing staff hours in an attempted to avoid layoffs in a weaker economic climate as a result of COVID-19.

ChristchurchNZ

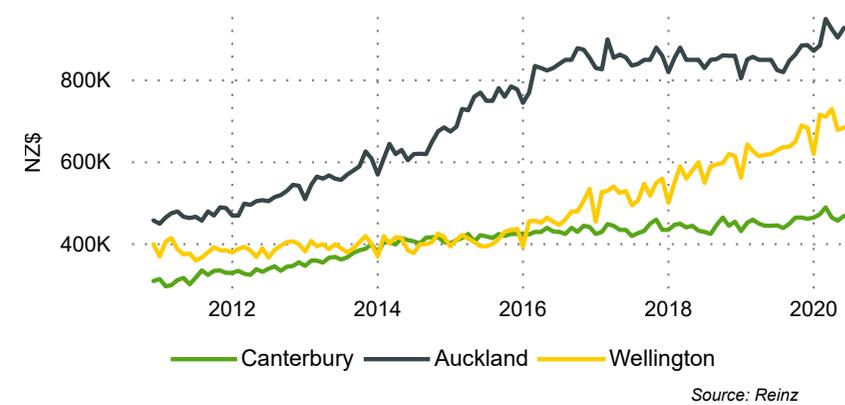
Mean residential rent, weekly



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 \$392 which is 33% lower than Auckland (\$586) and 27.8% lower than Wellington (\$543).

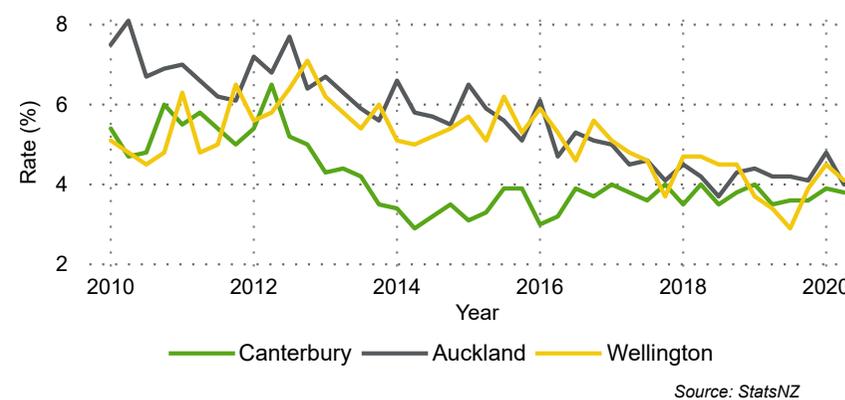
Median house price



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 \$463,800 which is 49.5% lower than Auckland (\$919k) and 33.6% lower than Wellington (\$698k).

Unemployment rate



Due to the manner in which the unemployment rate is recorded (must be actively seeking work, which wasn't possible during lockdown) the June unemployment figures showed less than predicted change and for some regions ameliorated; Canterbury (4.3%), Auckland (4%) and Wellington (4.1%).

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