


Christchurch & Canterbury

Quarterly Economic Report
March 2022

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Economy	People & Business	Visitors	Central City
<p>GDP growth (YE Mar. 2022 vs. YE Mar. 2021)</p> <p>Christchurch: 6.3% ▲ Canterbury: 7.0% ▲ New Zealand: 5.2% ▲</p> 	<p>Retail spending growth (incl. fuel) Christchurch</p> <p>2.9% ▲ (Spend value, Q1:2022 vs. Q1:2021)</p> <p>-7.3% ▼ (Transactions, Q1:2022 vs Q1:2021)</p>	<p>Christchurch visitor spending (Q1:2022 vs. Q1:2021)</p> <p>Total: -4.4% ▼ Domestic: -11.3% ▼ International: 64.7% ▲</p> 	<p>Retail spending growth (incl. fuel) (Spend value, Q1:2022 vs. Q1:2021)</p> <p>-14.3% ▼ (Transactions, Q1:2022 vs Q1:2021)</p> <p>-25.2% ▼ (Transactions, Q1:2022 vs Q1:2021)</p>
<p>Unemployment rate (unadjusted)</p> <p>Christchurch: 3.5% ▲ (from 3.4% in Q4:2021) Canterbury: 3.3% ▲ (from 3.2% in Q4:2021) New Zealand: 3.4% ▲ (from 3.2% in Q4:2021)</p> 	<p>Consumer confidence (Q1:2022)</p> <p><i>A score above 100 reflects a net positive response</i></p> <p>Canterbury: 96.4 (▲+2.2 points from Q4 2021)</p>	<p>Average occupancy rates (Q1:2022)</p> <p>Commercial accommodation: 40% Airbnb listings: 54%</p> 	<p>Spending by consumer origin (excl. fuel) (Q1:2022 vs. Q1:2021)</p> <p>Christchurch: -14.1% ▼ Rest of Canterbury -31.7% ▼ Rest of New Zealand -22.2% ▼</p>
<p>Building consent issuance (Q1:2022 vs. Q1:2021)</p> <p>Christchurch: 88.4% ▲ Canterbury: 46.6% ▲ New Zealand: 16.9% ▲</p> 	<p>Residential cost (Q1:2022 vs. Q1:2021)</p> <p>Weekly rent: Christchurch: 8.6% ▲ (NZ: 3.5% ▲)</p> <p>House prices: Christchurch: 23.8% ▲ (NZ: 13.6% ▲)</p>	<p>Passenger movements (Q1:2022 vs Q1:2021)</p> <p>Christchurch Airport: 699k passenger movements -23% ▼</p> <p>(Departures and arrivals, domestic & international flights)</p> 	<p>Spending by category (Q1:2022 vs Q1:2021)</p> <p>Fuel & automotive: 11.0% ▲ Apparel & personal: 1.2% ▲ Cafes, restaurants, bars & takeaways: -21.3% ▼ Other consumer spending: -19.9% ▼</p>
<p>Regional economic confidence (Q1:2022)</p> <p><i>A score above 0 reflects a net positive response</i></p> <p>Canterbury: -6 (▼-13 points from Q4 2021)</p> 	<p>Business confidence >50: expansion; <50: contraction (Q1:2022)</p> <p>Service Index: Canterbury: 51.0 (NZ: 47.2)</p> <p>Manufacturing Index: Canterbury: 52.8 (NZ: 51.0)</p>	<p>International visitor arrivals</p> <p>5,017 arrivals at Christchurch Airport (in Q1 2022 vs 650 arrivals in Q1 2021)</p> <p>Share of New Zealand visitor arrivals: 13.2%</p> 	<p>Four avenues (2021)</p> <p>Population: 8,080 (+870 ▲ vs 2020) Number of employees: 42,100 (-420 ▼ vs 2020) Number of businesses: 4,401 (+87 ▲ vs 2020)</p>

Economic Commentary

The March quarter was one of both high and lows, with economic performance in Canterbury varying significantly by indicator. The slowing effect of Omicron is evident in the reduced retail spending volumes, weakened Performance of Manufacturing and Services Indexes and declines across tourism indicators observed during Q1 2022. Meanwhile, cost pressures continued to exacerbate concerns for households and businesses alike, with confidence measures sliding downward across the board. On the other hand, Canterbury continued as a stand out performer in measures of export values, building consent issuance and growth in jobs online during Q1 2022. Christchurch's year-to-date economic growth increased by 6.3 percent in the year to March 2022 compared to the previous 12-month period. Canterbury and New Zealand registered growth rates of 7.0 percent and 5.2 percent, respectively.

Positives

- The value of exports from Christchurch ports continued to be boosted by high world prices for dairy, meat, skins and wool. Q1 2022 saw a 44.5 percent increase in the value of exports compared to Q1 2021. The balance of trade increased 84 percent from the same quarter in 2021, despite a 26.8 percent increase in the value of imports.
- Building consents continued on their tenacious upward climb, with Q1 2022 hosting two record-breaking months of consent issuance in Christchurch. This persistent growth in demand for new building consents in Christchurch far outstripped that of New Zealand as a whole during Q1 2022. Consents for new buildings in Christchurch increased 88.4 percent in Q1 2022 from Q1 2021, compared to 16.9 percent growth across New Zealand.
- The availability of jobs has provided jobseekers and employees with significant leveraging opportunities. The number of jobs online in Canterbury reached a new record high in Q1 2022, and low unemployment has given rise to a constrained recruitment environment within which businesses must compete to attract and retain workers.

Headwinds

- Omicron came knocking at Canterbury's door during Q1 2022, and with it came the region's first dose of widespread COVID-19 infection. Worker absenteeism, supply-chain delays and reduced consumer activity generated a softening in economic performance, including in the retail sector. The volume of retail spending in Christchurch dropped by -7.3 percent in Q1 2022 compared to the same quarter in 2021.
- Households faced increasing cost-of-living pressures, with mortgage rates on the rise and inflation hitting a thirty-year high of 6.9 percent in Q1 2022. These cost increases continue to gnaw into disposable incomes.
- Confidence indicators have taken hits from multiple directions. Omicron, record-high inflation, a cooling housing market, rising interest rates and global economic uncertainty dragged both consumer and regional economic confidence into net pessimistic territory during Q1 2022.
- Supply constraints continue to act as a handbrake on the economy. While Christchurch's unadjusted unemployment rate increased slightly from 3.4 percent in Q4 2021 to 3.5 percent in Q1 2022, ongoing labour shortages remain a major headache for businesses. Supply issues also contributed to the weakened performance of the unadjusted Performance of Manufacturing Index and Performance of Services Index during Q1 2022.

ChristchurchNZ's Perspective

A topsy-turvy start to 2022

Two trends dominated the local economic landscape during the March 2022 quarter- a softening of activity following the arrival of Omicron in the region, and a squeezing of household and business budgets as inflationary pressures continued to drive up costs. The impact of these trends on key indicators has been both significant and varied, with economic measures hitting highs and lows unseen in recent decades. The interaction between these trends has added further complexity to the mix, with the forces of Omicron and inflation working both in tandem and in opposition to influence different drivers in the economy. More often than not, the impact of one exacerbates the other. One such example is the role that supply-chain delays due to Omicron disruptions have played in fuelling further consumer prices increases. Another is the swift erosion of confidence that took place during Q1 2022 in the face of rising prices and Omicron disruptions, with New Zealand consumer confidence dropping to the lowest level recorded since the Global Financial Crisis.

While economic conditions over the March quarter saw some indicators slide, others continued to act as a source of resilience for economic activity in Canterbury. Export values remained strong, while building consents and the number of jobs online both reached record-breaking heights during Q1 2022. However, the success of these measures do not come without limits given the current economic environment. The amount spent on imports is moving swiftly upwards with inflation, and this combined with the impact of China's recent lockdowns on demand for New Zealand exports may have a less-than-stellar effect on the trade balance in the coming months. Escalating building costs, labour and supply shortages in the construction sector and a cooling house market also bring into question how long building consents can continue at their current sky-high levels. How the Canterbury housing market fares as the real estate sector transitions out of its 2021 boom will also play a role in determining how many consents for new homes translate into the finished product.

Buckle up

Looking ahead, it seems unlikely that the road will be much smoother in the near-future. Like a number of other advanced economies, New Zealand is currently in a stage of economic transition. This transition is characterised by a rapid winding back of the highly stimulatory conditions that were delivered through the pandemic response to prevent a sustained slump in demand. Two years on, it has become evident that the pandemic has had a more jarring effect on supply, sending inflationary pressures to a level unseen in recent decades.

The RBNZ now faces a difficult task- engineering a 'soft landing' for the economy. This means successfully reigning in demand through OCR increases without causing a deep recession. Adding to the RBNZ's challenge is the prevalence of 'imported inflation' courtesy of high fuel prices, which monetary policy cannot control. However, the RBNZ has the advantage of having moved more quickly on OCR increases than many of its OECD peers. This, alongside low unemployment, leaves New Zealand better positioned in many respects to weather this evolving economic transition.

Economy

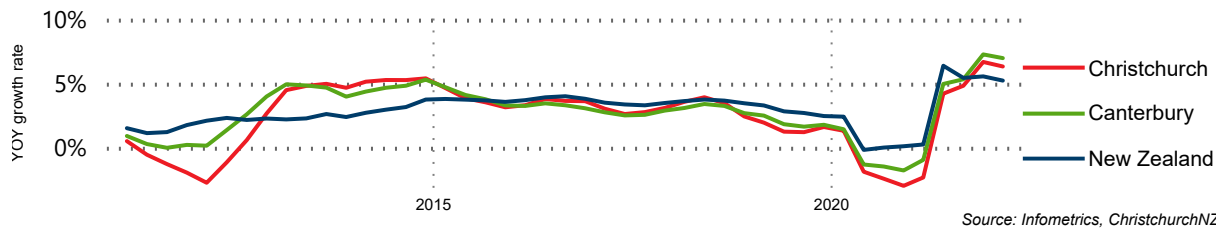
The year-to-date economic growth of Christchurch increased 6.3 percent in the year to March 2022 compared to the previous 12-month period. Note that the previous year included periods of reduced economic activity due to COVID-related lockdowns, and recovery from this dip in activity is reflected in the growth rate. The Canterbury Economic Activity Indicator (CEAI) measures the level of economic activity compared to historical trends. In March 2022 both the CEAI and the national figure were -0.8, meaning that weighted economic activity for both Canterbury and New Zealand was -0.8 percent below March 2021. Christchurch's unemployment rate increased slightly from 3.4 percent in Q4 2021 to 3.5 percent in Q1 2022. Although the unemployment rate rose in Q1 2022, the number of people employed in Christchurch also increased, due to growth in the size of the labour force.

Building consents in Christchurch continued to skyrocket during Q1 2022, with the number of consents issued up 88.4 percent on Q1 2021. February and March were consecutive record-setting months for building consent issuance in Christchurch. In the year to March 2022, the number of consents issued in Christchurch increased by 52.8 percent compared to the previous 12-month period. Over the same annual period, the value of total building consents issued in Christchurch increased by 40.3 percent.

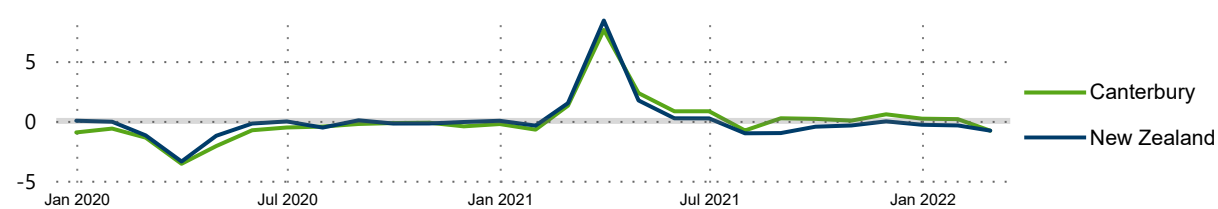
The value of exports from Christchurch ports registered a 44.5 percent increase in Q1 2022 from the same quarter in 2021. Imports also increased over the latest quarter, with Christchurch's imports for March representing the fourth highest monthly import figure registered in the last decade. Exports from Christchurch made up 15 percent of the country's total export value in Q1 2022, while the value of imports into Christchurch made up 8.1 percent of national import share.

Canterbury Regional Economic Confidence dipped into net negative territory in Q1 2022 with a score of -6, a continuation of the downward trend observed in Q4 2021. Economic confidence reflects the difference between the percentage of households expecting regional economic conditions to improve and those expecting prospects to worsen over the next twelve months.

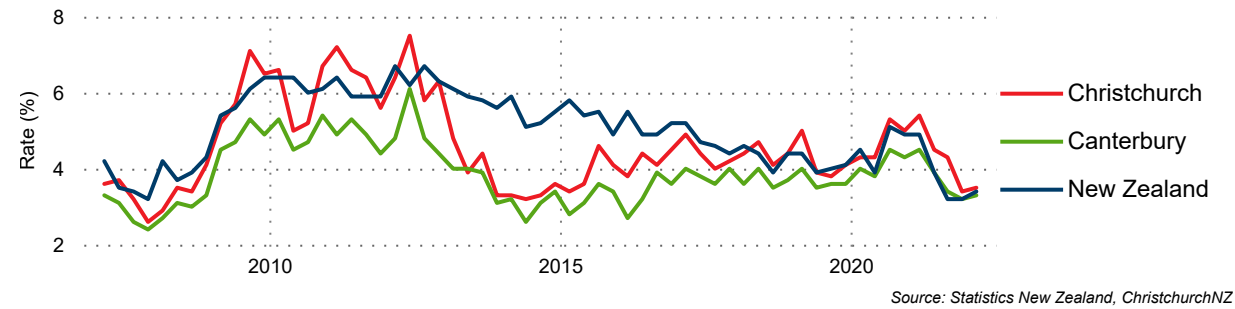
Economic growth (year-to-date)



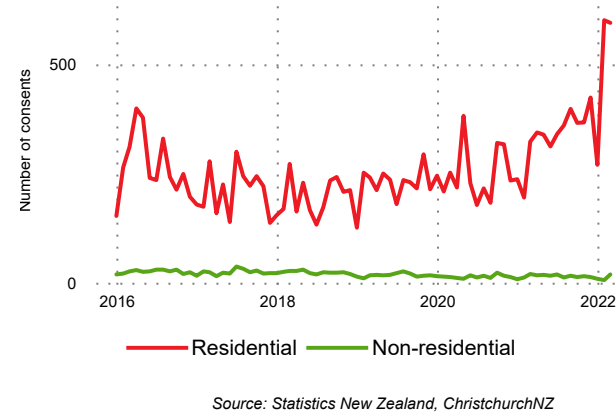
Canterbury Economic Activity Indicator (CEAI)



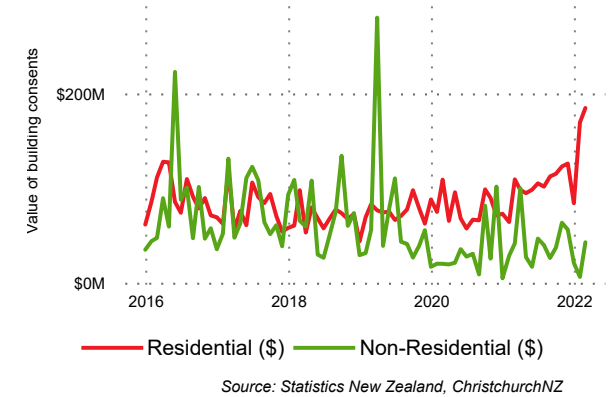
Unemployment rate (unadjusted)



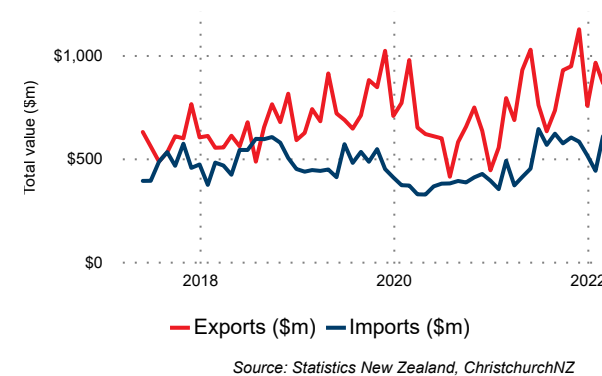
Christchurch building consents (number issued)



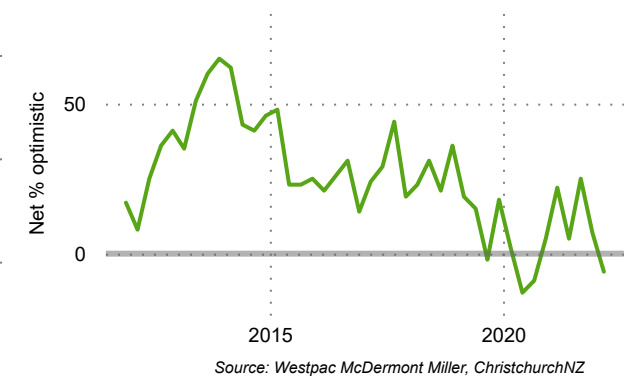
Christchurch building consents (value)



Christchurch ports: value of international trade



Canterbury regional economic confidence



People & housing

Upward pressure on rents softened in Q1 2022 compared to the previous quarter, although median weekly rents remain at heightened levels compared to the same quarter last year. During Q1 2022, median weekly rent in Christchurch was 8.6 percent higher than that of Q1 2021, and 3.5 percent higher across New Zealand as a whole.

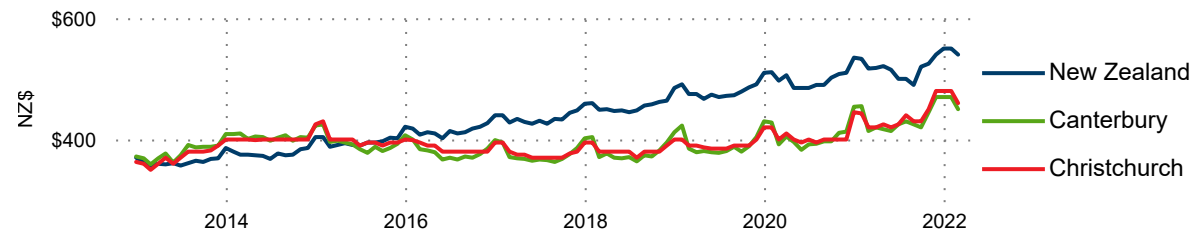
Average house prices in Christchurch continued to climb in Q1 2022, but began to fall across New Zealand as a whole. The average house price increased by 1.3 percent in Christchurch from Q4 2021, but decreased by -2.2 percent across New Zealand. Compared to the same quarter in 2021, average house prices in Christchurch and New Zealand were up 23.8 percent and 13.6 percent, respectively. A cooling of the housing market across New Zealand is unsurprising as rising interest rates and tighter credit regulations make mortgage borrowing both more expensive and less accessible.

The value of new residential mortgage lending across the country dipped further in Q1 2022, falling to -27.8 percent below that of the same period in 2021. This decline was driven by a dip in the value of mortgage lending to investors, which fell by -46 percent compared to Q1 2021. Over the same period, mortgage lending to first-home buyers, other owner occupiers and businesses fell by rates of -25.4 percent, -21.4 percent and -9.8 percent, respectively.

Price inflation, rising mortgage rates and the spread of Omicron continue to deflate consumer confidence. Consumer confidence in Canterbury rose slightly in Q1 2022 but remained in pessimistic territory. Meanwhile, consumer confidence across New Zealand continued to decline, dropping to the lowest level recorded since 2008 during the Global Financial Crisis.

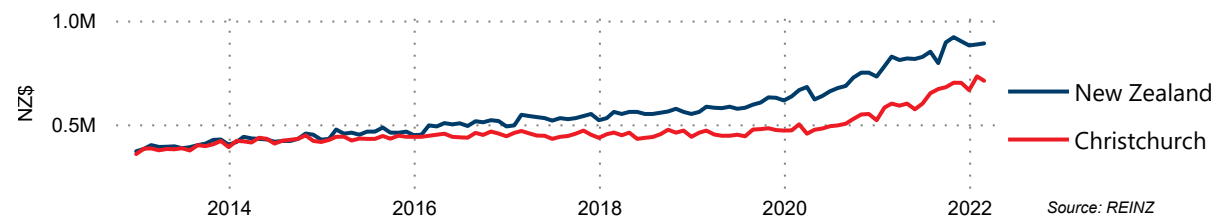
The labour force participation rate continued to rise in Q1 2022, reaching 72.7 percent in Christchurch and 73.1 percent in Canterbury. An additional 17,700 people were employed in Christchurch during Q1 2022 compared to the same quarter in 2021, an increase of 8.2 percent. The size of Christchurch's labour force increased by 6.2 percent over the same period.

Median residential rent: weekly



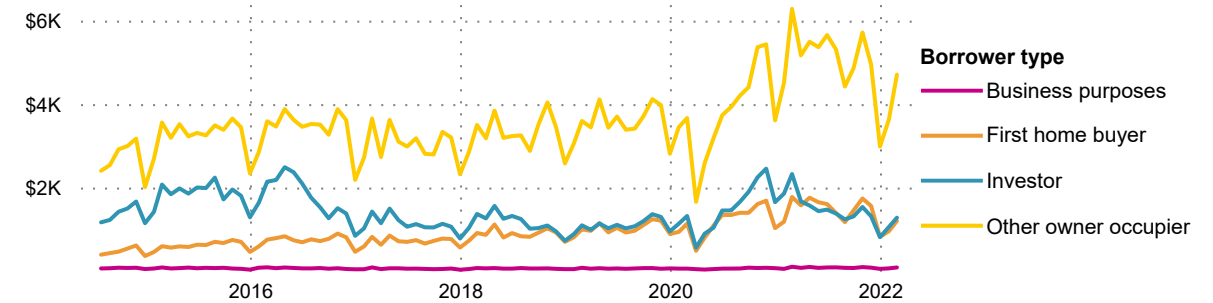
Source: MBIE

Median house price



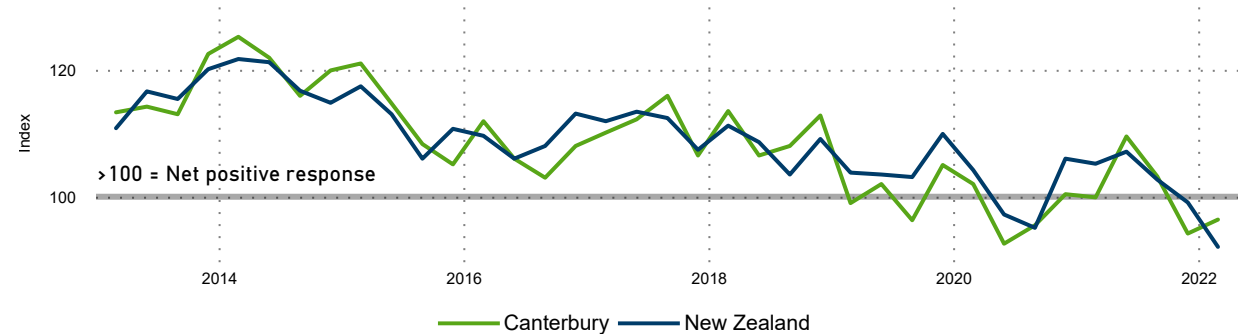
Source: REINZ

New residential mortgage lending by borrower type, New Zealand (\$m)



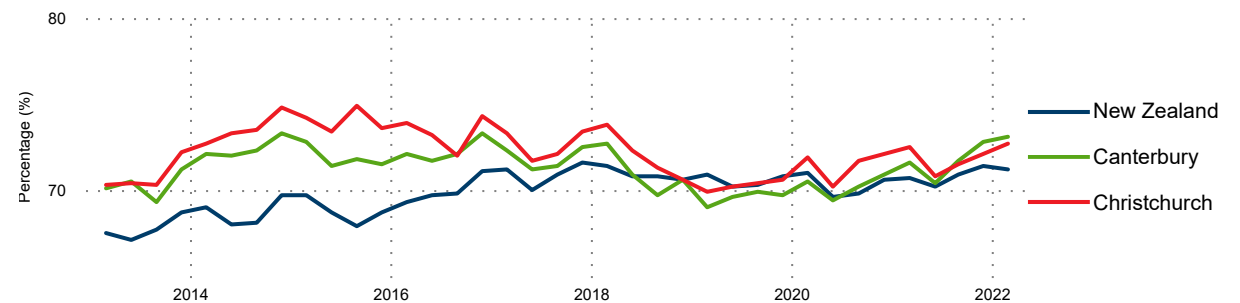
Source: Reserve Bank of New Zealand, ChristchurchNZ

Consumer confidence



Source: Westpac McDermott Miller, ChristchurchNZ

Labour force participation rate



Source: Statistics New Zealand, ChristchurchNZ

Business

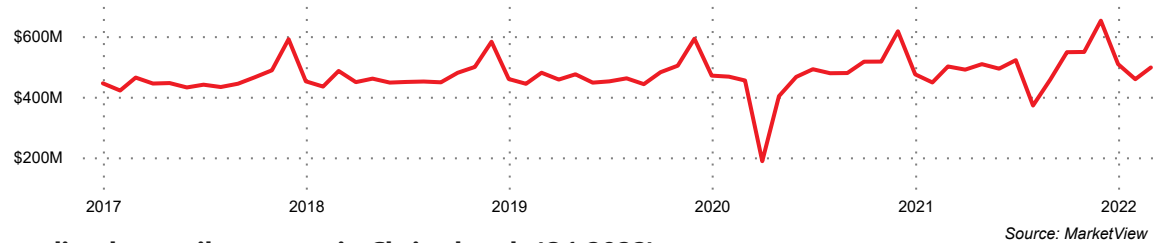
The value of retail spending in Christchurch increased by 2.9 percent in Q1 2022 compared to the same quarter in 2021. However, the number of transactions (i.e. the volume of spending) declined by -7.3 percent over the same period. This indicates that price inflation partially offset the impact of a reduction in transactions during Q1 2022. Three of the six spend categories saw positive growth in the value of retail spending compared to the same time last year. Meanwhile, all spend categories except for fuel and automotive experienced a decline in the number of transactions compared to Q1 2021, with transactions at cafes, bars, restaurants and takeaways registering the largest decline (-16.8%).

The Consumer Price Index (CPI) inflation rate in New Zealand during Q1 2022 was 6.9 percent, the highest inflation rate recorded in thirty years. Key inflationary drivers were housing/ household utilities and transport,

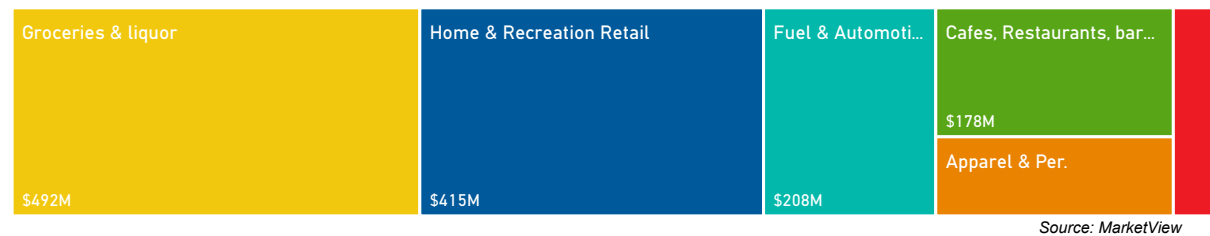
The number of jobs advertised online in Canterbury rebounded strongly during Q1 2022, increasing by 30.4 percent from the December quarter to a new record high. Compared to the same quarter in 2021, the number of jobs advertised online in Canterbury increased by 30.5 percent. Canterbury job vacancy growth by industry was highest in the IT sector (up 48% from Q1 2021) and the health sector (up 41% from Q1 2021).

Despite a fall from the previous quarter, the unadjusted Performance of Manufacturing Index (PMI) for Canterbury remained expansive during Q1 2022, with an average quarterly score of 52.8. The unadjusted Performance of Services Index (PSI) for Canterbury/Westland also softened compared to the previous quarter, falling into contraction during January and February. The average quarterly PSI for Canterbury/Westland remained expansive at 51.0, due to a strong lift in performance during March. New Zealand recorded an average PMI of 51.0 and an average PSI of 47.2 during Q1 2022.

Retail spending, Christchurch

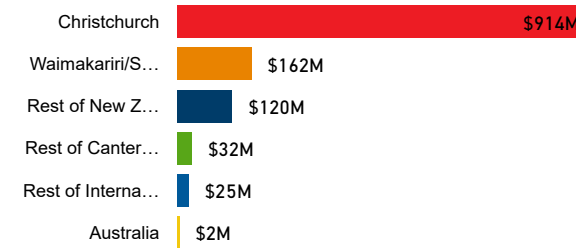


Spending by retail category in Christchurch (Q1 2022)

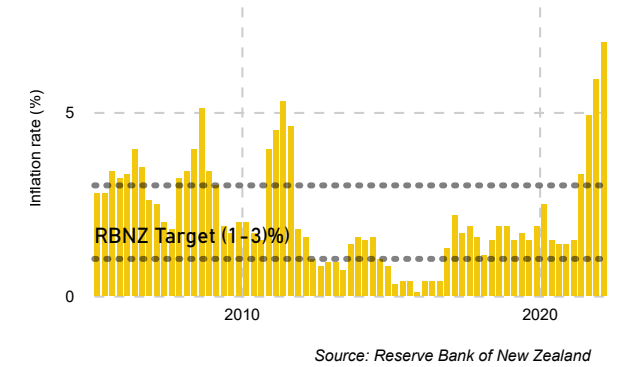


ChristchurchNZ

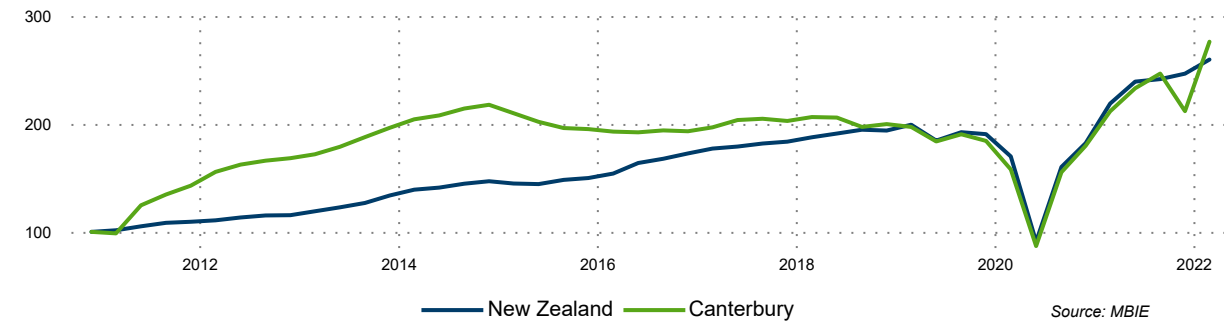
Christchurch retail spending by customer origin (excl. fuel) (Q1 2022)



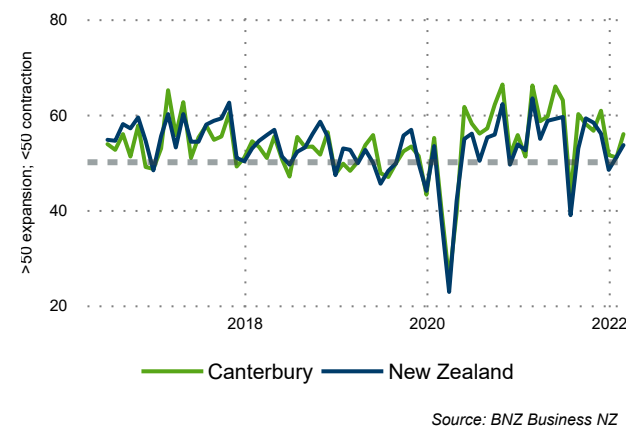
CPI inflation rate (%)



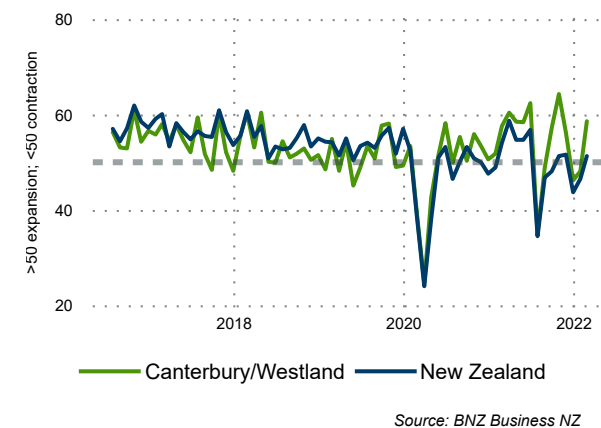
Jobs online (unadjusted, indexed to December 2010)



Performance of manufacturing index



Performance of services index



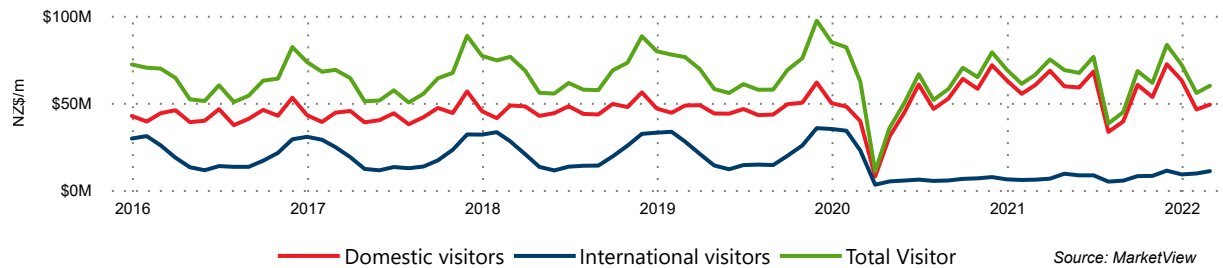
Visitors

The effects of Omicron on travel within New Zealand were apparent during the March quarter. Visitor spending in Christchurch fell to \$187.3 million in Q1 2022, down -4.4 percent from the same quarter in 2021. Domestic visitor spending dropped to \$158.1 million, a reduction of -11.3 percent or just over \$20 million compared to Q1 2021. This reduction in domestic visitor spending was similar in extent to the -11.8 percent drop in domestic visitor spending that took place in Christchurch during the September 2021 quarter (when the country spent time in a Level 4 lockdown and Aucklanders were unable to travel). International visitor spending was boosted toward the end of the quarter by the relaxation of some border restrictions and removal of MIQ requirements. As a result, international visitor spending increased by 64.7 percent, or \$11.5 million compared to the same quarter in 2021 (but remained around \$62 million below that of the same quarter in 2020).

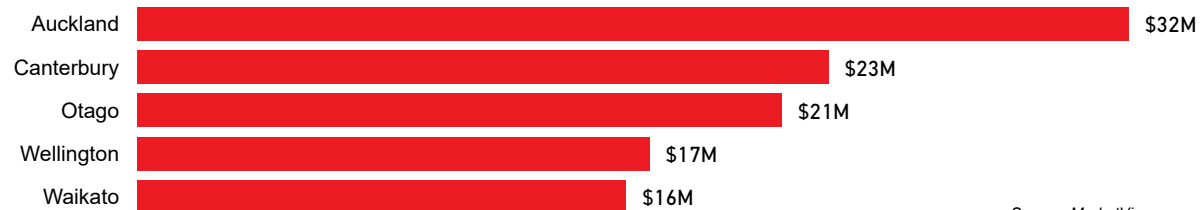
On average, the Airbnb occupancy rate was 54 percent in Christchurch in Q1 2022, up nine percentage points from Q1 2021. The average occupancy rate for commercial accommodation was 40 percent, down seven percentage points from Q1 2021.

During Q1 2022 passenger movements through Christchurch airport (all arrivals and departures for international and domestic flights) were down -55 percent from the same quarter in 2020 and down -23 percent from the same quarter in 2021. There were just over 5000 international visitor arrivals at Christchurch airport during Q1 2022. March saw a lift in international visitation compared to the low levels of the previous seven months that followed the closure of the Trans-Tasman bubble. However, arrivals at Christchurch airport remained well below pre-COVID levels. There were approximately 164,000 less visitor arrivals during Q1 2022 than during Q4 2019, when international visitor arrivals were yet to be impacted by COVID.

Visitor spending in Christchurch

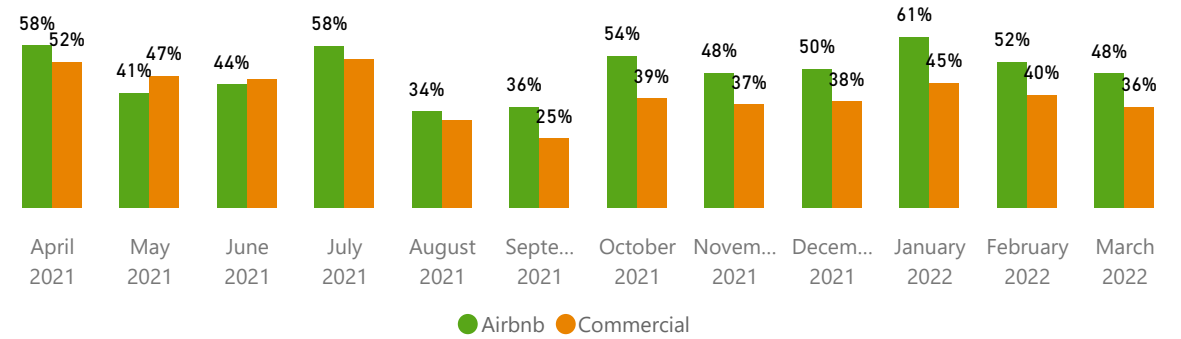


Highest spending domestic visitor markets in Christchurch (Q1 2022)



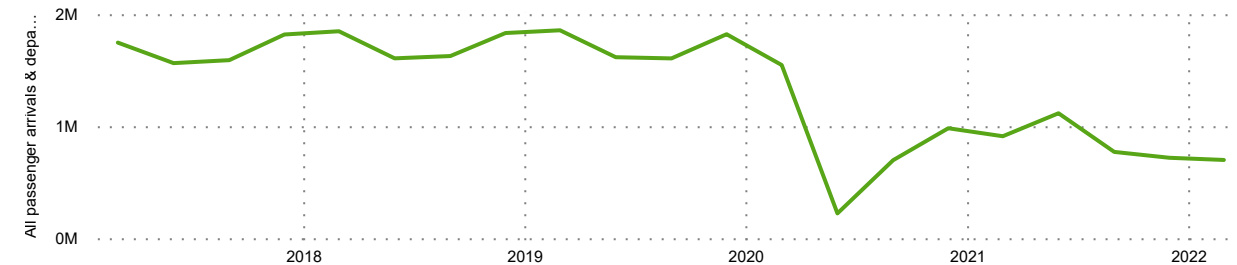
ChristchurchNZ

Average occupancy by accommodation type, Christchurch



Source: AirDNA, FreshInfo, ChristchurchNZ

Domestic and international passenger movements, quarterly (Christchurch airport, arrivals & departures)



International visitor arrivals at Christchurch Airport



Central City

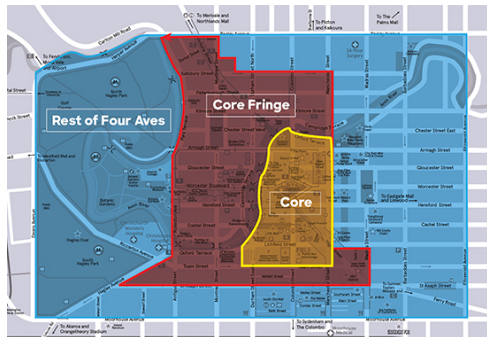
'Central city' spending refers to spending within the core and core fringe areas on the below map. Retail spending in the central city (incl. fuel) fell to \$85.9m in Q1 2022, a -14.3 percent decline from Q1 2021. The number of retail spend transactions within the central city fell by -25.2 percent over the same period. Spending at cafes, restaurants, bars and takeaways in the central city experienced the largest decline during Q1 2022 compared to the same time last year, both in terms of the value of spending (-21.3%) and the number of transactions (-30.4%).

Retail spending by residents of Christchurch in the central city (excluding fuel) fell during Q1 2022 compared to Q1 2021, for both the value of spending (-14.1%) and the number of transactions (-25.3%).

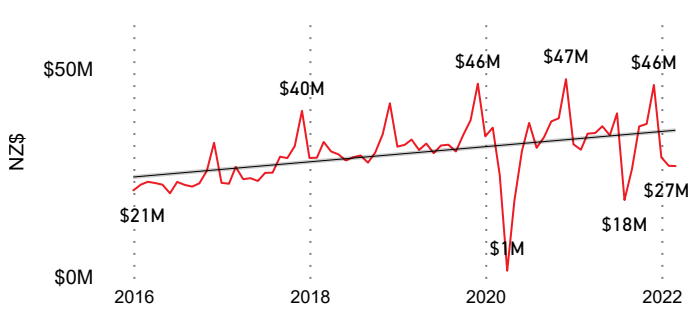
Spending by domestic visitors also fell compared to the same quarter last year, with spending by those from the rest of Canterbury and the rest of New Zealand declining at rates of -31.7 percent and -22.2 percent, respectively. Meanwhile, spending by international visitors within the central city increased over the same period. Spending by Australians increased by 26.7 percent compared to Q1 2021, while spending by other international visitors rose 15.5 percent.

The number of people living in the Four Avenues continued to increase in 2021 from 2020, with the Four Avenues population up 12.1 percent from 2020. The number of employees in the Four Avenues decreased slightly (-1%) over the same period. This is likely linked to the concentration of visitor industry-related businesses in the central city, which have experienced significant downturns in business due to COVID-19. Figures for 2022 are expected to be released in October.

City map

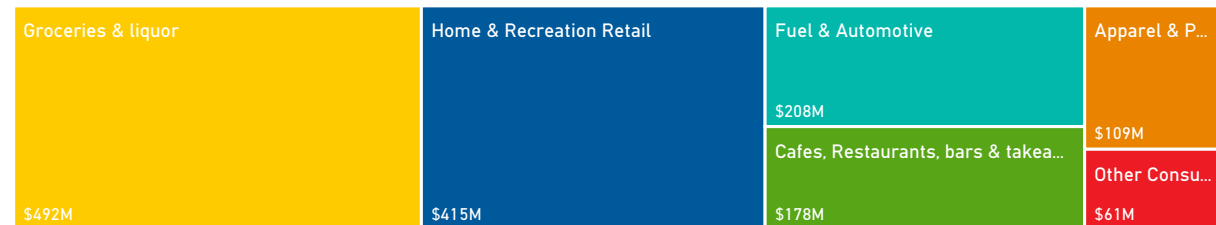


Core & core fringe total spending (excl. fuel), monthly



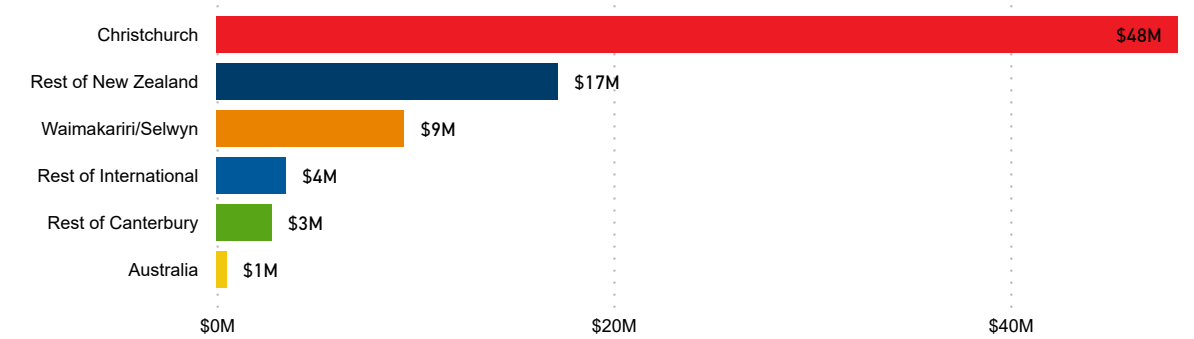
Source: MarketView, ChristchurchNZ

Core & core fringe total spending by category (Q1 2022)



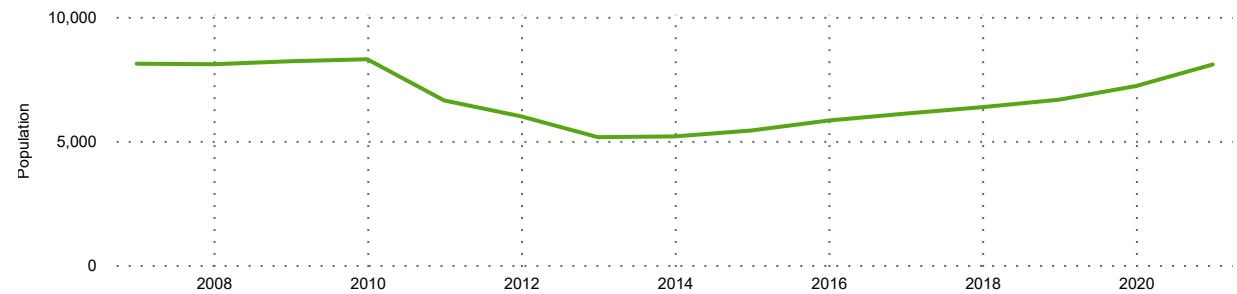
Source: MarketView, ChristchurchNZ

Core & core fringe spending by customer origin (excl. fuel) (Q1 2022)



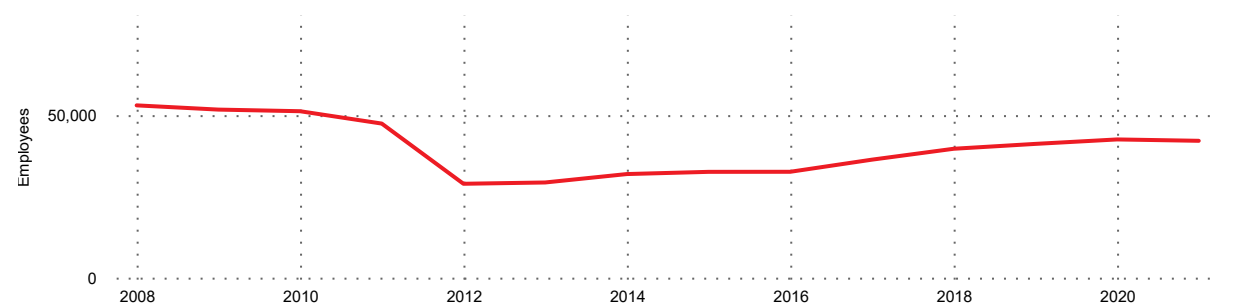
Source: Marketview, ChristchurchNZ

Number of people living within the Four Avenues (as at June)



Source: Statistics NZ

Number of employees within the Four Avenues (as at February)

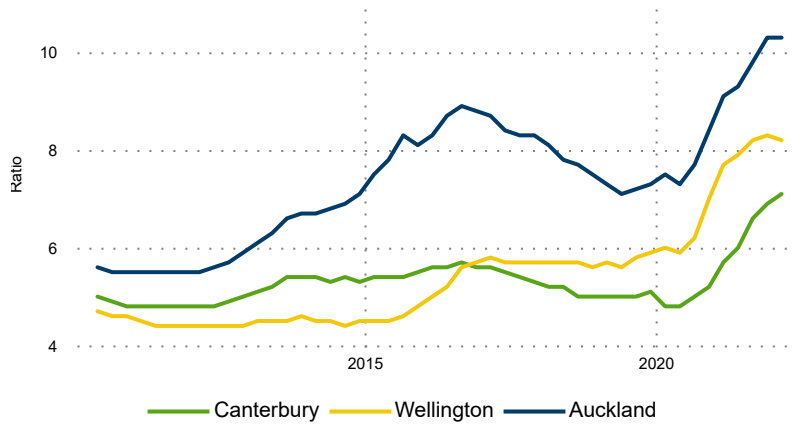


Source: Statistics NZ

Canterbury in context: regional comparison

The below graphs compare the performance of New Zealand's major metropolitan areas (Auckland, Canterbury and Wellington) over a range of housing and employment indicators. Canterbury continues to outperform Auckland and Wellington across key housing affordability metrics. This contributes to Christchurch's growing reputation as an attractive city to live and work in, a key drawcard for attracting skilled workers to the region.

Residential affordability

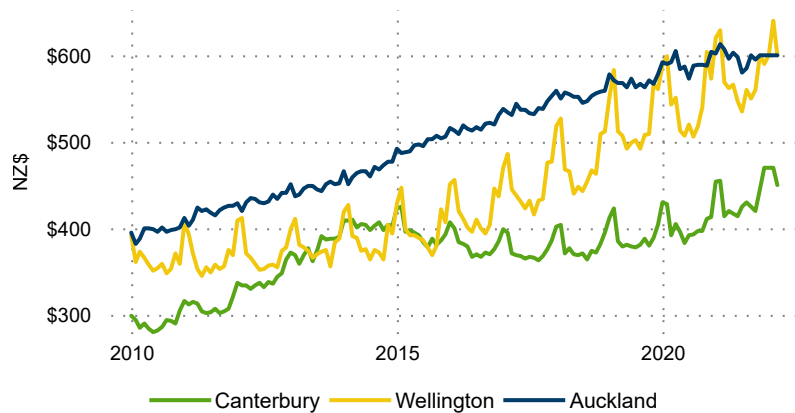


Housing affordability worsened in Canterbury during Q1 2022, declining by 2.9% compared to Q4 2021. Affordability stayed constant in the Auckland region, and improved marginally in Wellington (compared to Q4 2021). Despite this, Canterbury housing remains more affordable than in the Wellington and Auckland regions.

Housing affordability compares average house prices with average annual employment earnings from filled jobs. A higher score indicates lower housing affordability.

Source: Infometrics

Median residential rent, weekly



Despite upward pressure on rental costs, comparatively low rent continues to contribute to Canterbury's affordability profile. On average during Q1 2022, mean weekly residential rent was \$463 in the Canterbury region, compared to \$613 in Wellington and \$600 in the Auckland region. Average rent in Canterbury was up 5.1 percent compared to the same quarter in 2021.

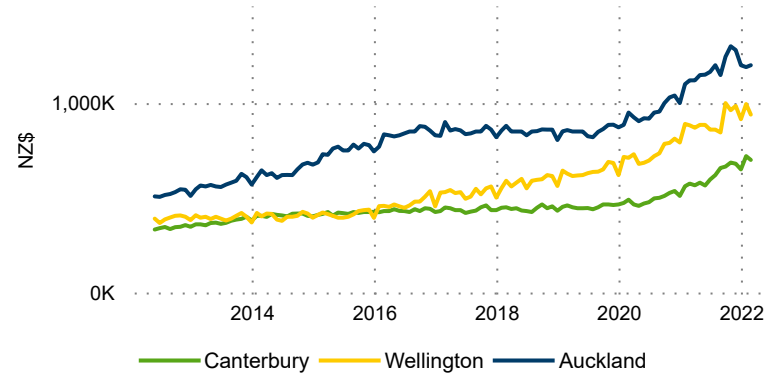
Source: MBIE

ChristchurchNZ

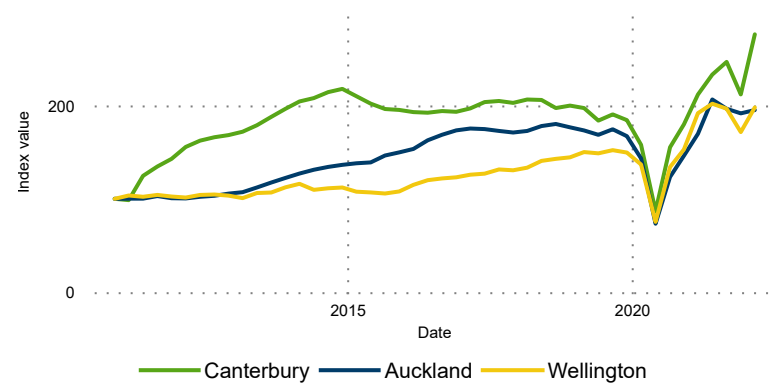
House prices continued to rise in Canterbury in Q1 2022, increasing by 1.9 percent from Q4 2021. Growth did however slow compared to previous periods. Monthly median house prices averaged at \$690,000 in Canterbury in Q1 2022, an increase of 25.8 percent from the same period in 2021. On average during Q1 2022, median house prices in Canterbury were 42 percent lower than in Auckland and 27 percent lower than in Wellington.

Source: REINZ

Median house price



Jobs online (indexed to Dec. 2010)

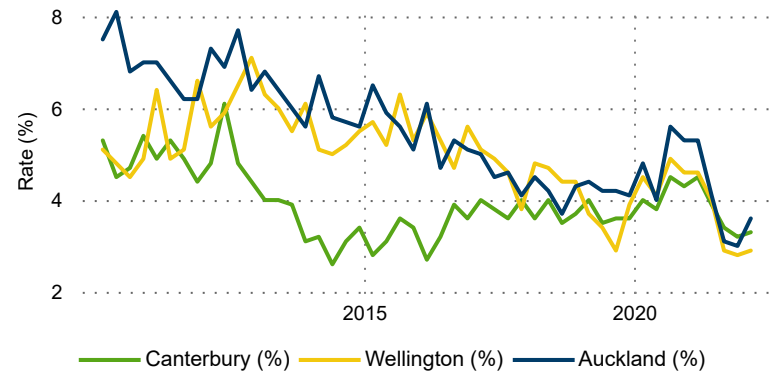


The number of job vacancies advertised online in Canterbury hit a new record high during Q1 2022. This followed a 30.5 percent increase in the number of job vacancies compared to the same quarter in 2021.

During Q1 2022, the number of jobs advertised online increased by 15 percent in the Auckland region compared to the same quarter in 2021. Over the same period, vacancies in the Wellington region increased by 3.2 percent.

Source: MBIE

Unemployment rate (unadjusted)



The unadjusted unemployment rate in Canterbury increased slightly from 3.2 percent in Q4 2021 to 3.3 percent in Q1 2022. It was above that of Wellington (2.9%) and below that of Auckland (3.6%).

The unemployment rate in Canterbury was 1.2 percentage points lower than the same quarter in 2021.

Source: Statistics NZ

Data sources

AirDNA: <https://www.airdna.co/>

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

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

Fresh Info: <https://freshinfo.shinyapps.io/ADPReporting/>

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

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

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

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

Reserve Bank of New Zealand: <https://www.rbnz.govt.nz/statistics>

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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