









Christchurch & Canterbury

Quarterly Economic Report
December 2021

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Economy	People & Business	Visitors	Central City
<p>GDP growth (YE Dec. 2021 vs. YE Dec. 2020)</p> <p>Christchurch: 6.8% ▲ Canterbury: 7.2% ▲ New Zealand: 5.5% ▲</p> 	<p>Retail spending growth (excl. fuel) (Q4:2021 vs. Q4:2020)</p> <p>Christchurch: 4.0% ▲ (NZ: -2.4% ▼)</p>	<p>Christchurch visitor spending (Q4:2021 vs. Q4:2020)</p> <p>Total: -0.6% ▼ Domestic: -3.7% ▼ International: 28% ▲</p> 	<p>Retail spending growth (incl. fuel) (Q4:2021 vs. Q4:2020)</p> <p>-2.6% ▼ (Q4:2021 vs. Q4:2020) 9.7% ▲ (year to Dec. 2021 vs. year to Dec. 2020)</p>
<p>Unemployment rate</p> <p>Christchurch: 3.4% ▼ (from 4.3% in Q3:2021) Canterbury: 3.2% ▼ (from 3.4% in Q3:2021) New Zealand: 3.2% ▼ (from 3.3% in Q3:2021)</p> 	<p>Consumer confidence (Q4:2021)</p> <p><i>A score above 100 reflects a net positive response</i></p> <p>Canterbury: 94.2 (▼-9 points from Q3 2021)</p>	<p>Average occupancy rates (Q4:2021 vs Q4:2020)</p> <p>Commercial accommodation: 38% ▼ Airbnb listings: 51% ▲</p> 	<p>Spending by consumer origin (excl. fuel) (Q4:2021 vs. Q4:2020)</p> <p>Christchurch: 0.0% Rest of Canterbury -0.1% ▼ Rest of New Zealand -16.0% ▼ International: -5.3% ▼</p>
<p>Building consent issuance (Q4:2021 vs. Q4:2020)</p> <p>Christchurch: 29.8% ▲ Canterbury: 18.0% ▲ New Zealand: 12.1% ▲</p> 	<p>Residential cost (Q4:2021 vs. Q4:2020)</p> <p>Weekly rent: Christchurch: 13.3% ▲ (NZ: 4.3% ▲) House prices: Christchurch: 28.1% ▲ (NZ: 22.1% ▲)</p>	<p>Passenger movements (Q4:2021 vs Q4:2020)</p> <p>Christchurch Airport: 718k passenger movements -27% ▼ (Departures and arrivals, domestic & international flights)</p> 	<p>Spending by category (Q4:2021 vs Q4:2020)</p> <p>Fuel & automotive: 16.6% ▲ Apparel & personal: 13.2% ▲ Cafes, restaurants, bars & takeaways: -8.2% ▼ Other consumer spending: -23.5% ▼</p>
<p>Regional economic confidence (Q4:2021)</p> <p><i>A score above 0 reflects a net positive response</i></p> <p>Canterbury: 7 (▼-18 points from Q3 2021)</p> 	<p>Business confidence >50: expansion; <50: contraction (Q4:2021)</p> <p>Service Index: Canterbury: 59.2 (NZ: 50.3) Manufacturing Index: Canterbury: 58.5 (NZ: 57.8)</p>	<p>International visitor arrivals</p> <p>2,059 arrivals at Christchurch Airport (in Q4 2021 vs 913 arrivals in Q4 2020) Share of New Zealand visitor arrivals: 13.6%</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

Economic performance varied across the country during the December quarter. National economic activity was initially hindered by ongoing restrictions in Auckland and parts of the North Island, while the South Island benefited from the avoidance of a local COVID-19 outbreak. Christchurch's strong economic performance during Q4 2021 was bolstered by significant growth in export values, continued strength in building consent issuance, high retail spending and expansion across the manufacturing and services sectors. Meanwhile, ongoing COVID-19 related constraints and local skill shortages remained as the key challenges faced by the region. Christchurch's year-to-date economic growth increased by 6.8 percent in the year to December 2021 compared to the previous 12-month period. Canterbury and New Zealand registered growth rates of 7.2 percent and 5.5 percent, respectively.

Positives

- Supported by high world prices for dairy, meat, skins and wool, the value of exports from Christchurch ports reached a record high in December. Q4 2021 reflected a 49.9 percent increase in the value of exports from Q4 2020. As a result, net exports in December were at the highest value recorded in the last decade.
- Building consents continued to skyrocket, driven by historically low interest rates, growth in house prices and an upswing in demand for townhouses, flats and units. Consents for new buildings in Christchurch increased by 29.8 percent in Q4 2021 from the same quarter in 2020.
- Despite declines in other confidence indicators, both the manufacturing and services industries were expansive during the December quarter. Canterbury outperformed the rest of New Zealand in both sectors. Strong recovery from a sharp contraction during August also saw the Canterbury/Westland Performance of Services Index (PSI) hit a nine-year high in November.
- Availability of employment continued to benefit jobseekers and employees. The number of jobs online in Canterbury remains at a heightened level, while low unemployment has equipped employees with greater bargaining power as employers compete to entice workers into the labour force or from other firms.

Headwinds

- Global supply-chain disruptions and local labour shortages continued to drive inflation, with rising costs eroding purchasing power across the country. The Consumer Price Index (CPI) inflation rate hit a thirty-year high of 5.9 percent in the December 2021 quarter.
- Confidence took a hit in Canterbury during the December quarter, with both regional economic confidence and consumer confidence falling from Q3 2021. This growth in pessimism is likely to stem from uncertainty around emerging COVID variants, as well as expectations that rising costs of living and debt-servicing will continue to eat into disposable incomes.
- House prices continued on their eye-watering upward climb, with the median house price in Christchurch up 28.1 percent or \$152k in Q4 2021 from the same period in 2020. Uncertainty about if and when a market correction may occur dominated discussions on housing during the December quarter, as rising interest rates and tighter lending restrictions seek to cool the market.

ChristchurchNZ's Perspective

A mixed bag

Economic indicators produced a mixed bag of results for the December quarter. The absence of significant restrictions in the South Island saw the Canterbury economy continue to draw strength from its underlying resilience in agriculture, manufacturing and construction. These strengths are reflected in the strong performance recorded in the December quarterly figures for exports, PMI and building consents in Christchurch/Canterbury.

While the Canterbury economy was able to sidestep some of the more direct impacts of the Delta outbreak, it has been unable to avoid the wider capacity constraints that have been squeezing the economy both in New Zealand and overseas. Concerns about rising inflation were centre-stage during the December quarter, as record-low unemployment, supply-chain disruptions and robust demand for goods continued to push prices upward. The inflation issue is further complicated by the fact that price pressures are impacting both tradable and non-tradable goods.

Households are therefore facing a double-edged sword. As the Reserve Bank attempts to suppress local inflation by increasing interest rates, the rising cost of servicing mortgages and consumer debt will eat into disposable incomes. National household debt as a percentage of nominal incomes is at a record high of 169 percent, and an estimated 60 percent of mortgages are due to be re-fixed in 2022, with many borrowers facing higher interest rates than before. Meanwhile, as borrowing costs rise, 'imported' inflation (which as a small, open economy, New Zealand can't avoid) will also continue to push prices of tradable goods higher. In this inflationary environment, and coupled with the looming risk of Omicron, it is unsurprising to observe the downward shift in confidence that occurred during the December quarter.

Watch this space

There are a few key trends moving through the economic landscape that are likely to influence activity in the coming months.

- As Omicron becomes widespread in New Zealand, worker absenteeism will exacerbate supply-chain constraints and retail spending is likely to soften as people spend more time at home.
- With unemployment continuing to hit record-lows, we may see an increased need for businesses to pursue new avenues in response to critical skill shortages, through innovation or increased investment in capital. The phased re-opening of the border in 2022 will also have an ongoing influence on the labour market.
- The housing sector looks to be approaching a crossroads. Rising interest rates and tighter lending rules seeking to cool the market appear to have taken effect, with the real estate sector registering marginal declines in house prices over the summer. However, the construction industry is facing labour shortages in the short-term, and an increase in the cost of building materials has been widely documented. How these opposing forces of supply and demand balance against each other will influence where house prices land in 2022.
- Escalating geopolitical tensions following the invasion of Ukraine by Russia have spooked financial markets and added further fuel to the petrol-price fire. War is inflationary, and how this conflict and resulting economic sanctions play out will have a resounding effect on the global economy.

Economy

The year-to-date economic growth of Christchurch increased 6.8 percent in the year to December 2021 compared to the previous 12-month period. The Canterbury Economic Activity Indicator (CEAI) measures the level of economic activity on a monthly basis compared to historical trends. In December 2021, the CEAI was 0.5 percent, whereas the national figure was -0.1. This means that Canterbury's weighted economic activity in December 2021 was up 0.5 percent compared to that of December 2020, while national economic activity fell -0.1 percent over the same period. Christchurch's unemployment rate continued to fall, from 4.3 percent in Q3 2021 to 3.4 percent in Q4 2021. This reflected the largest annual change in the number of people employed in Christchurch (i.e., compared to Q4 2020) since 2006.

Building consents in Christchurch continued to skyrocket during Q4 2021, with consent issuance up 29.8 percent on Q4 2020. In the year to December 2021, total consent issuance in Christchurch was up 32.7 percent compared to the previous 12-month period. Over the same period, the value of total building consents issued in Christchurch increased by 25.7 percent.

Christchurch's net exports (value of exports minus imports) in December were at the highest level recorded in the last decade, and the third highest on record. This was driven by strong growth in export values, which hit a record high in December and registered a 49.9 percent increase in Q4 2021 from the same quarter in 2020. Exports from Christchurch made up 17.8 percent of the country's total export value in December, the highest share since 2013.

Canterbury Regional Economic Confidence fell back to 7 percent but remained net positive in Q4 2021 following an almost three-year high in Q3 2021. Economic confidence reflects the difference between the percentage of households who expect regional economic conditions to improve and those who expect prospects to worsen over the next twelve months.

Figure 1. Economic growth (year-to-date)

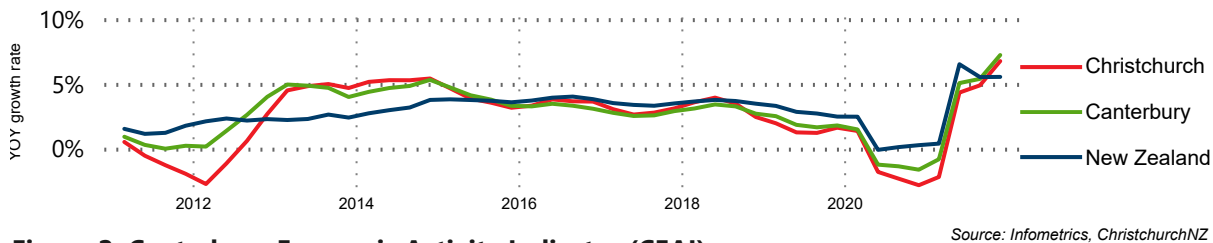


Figure 2. Canterbury Economic Activity Indicator (CEAI)

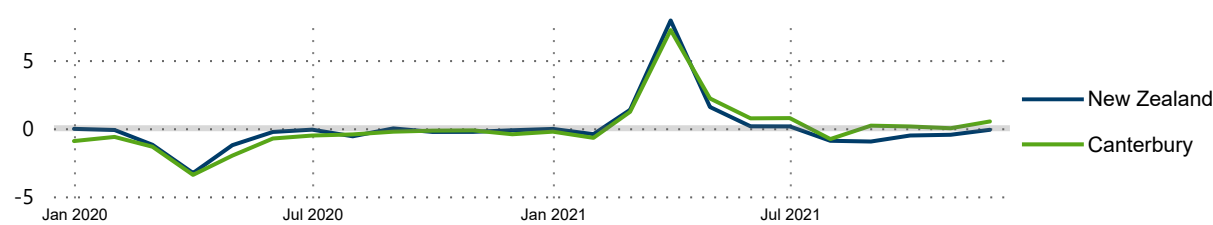


Figure 3. Unemployment rate

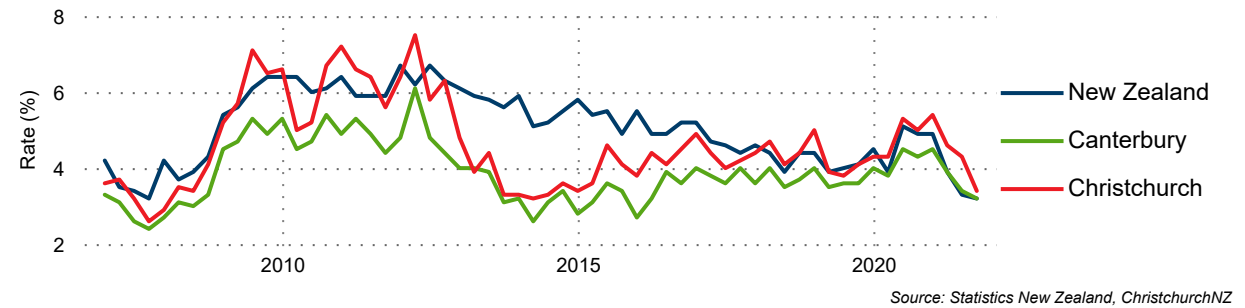


Figure 4. Christchurch building consents (number issued)

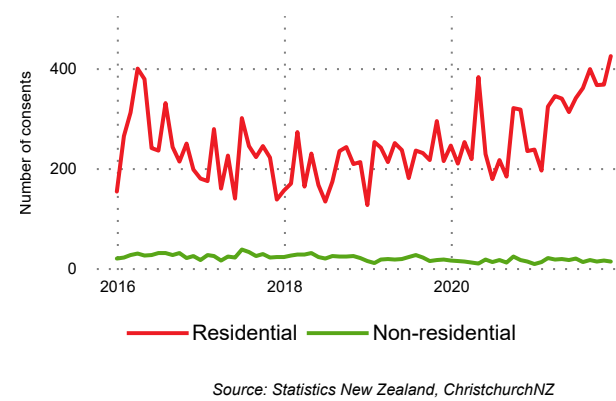


Figure 5. Christchurch building consents (value)

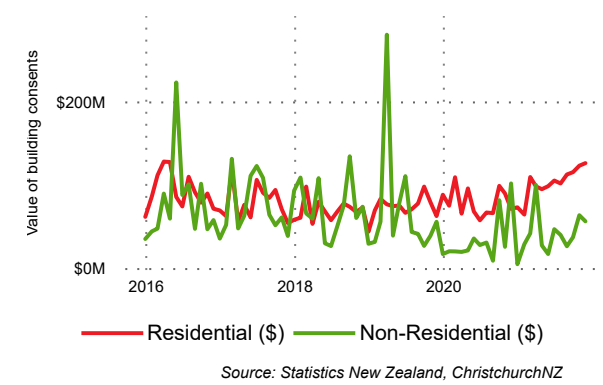
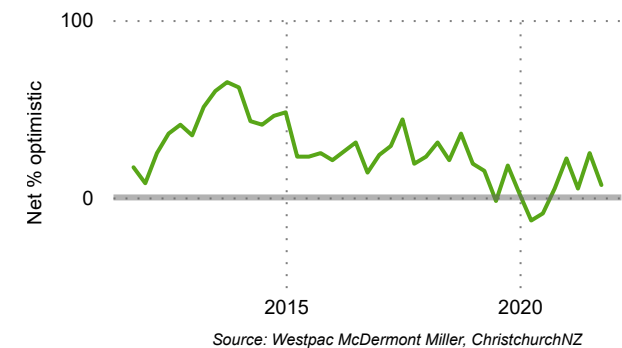


Figure 6. Christchurch ports: value of international trade



Figure 7. Canterbury regional economic confidence



People & housing

Upward pressure on rents accelerated in Q4 2021, with median weekly rents in Christchurch and New Zealand up from Q4 2020 by an average of 13.3 percent and 4.3 percent, respectively. Q4 also saw a continuation of the strong year-on-year growth in house prices observed over the last eighteen months. Average house prices for Q4 2021 were up 28.1 percent in Christchurch compared to Q4 2020. Month-on-month growth however took a slight downward turn towards the end of the quarter, with Christchurch's median house price in December down -0.1 percent from November. Results for the next quarter will provide firmer insight into whether the market is entering into a long-specified period of cooling.

The value of new residential mortgage lending across the country decreased by -7.6 percent during Q4 2021 from the same period in 2020. This decline was driven by a significant dip in the value of mortgage lending to investors, which fell by -37 percent compared to Q4 2020. Mortgage lending for all other borrower types increased over the same period, with the value of mortgage lending up 1.4 percent for first home buyers, up 2.1 percent for other owner occupiers and up 7.3 percent for business purposes.

Consumer confidence in Canterbury fell further in Q4 2021, dipping below that of New Zealand as a whole and into pessimistic territory. The looming threat of Omicron in late 2021 and anticipation of ongoing rises in mortgage costs have both been pointed to as likely contenders for this hit to confidence.

The labour force participation rate in Q4 2021 increased to 72.2 percent in Christchurch, an increase from 71.5 percent in the previous quarter. This was just above that of the same quarter in 2020. Meanwhile, the working age population in Christchurch increased by 5.5 percent in Q4 2021 compared to Q4 2020.

Figure 8. Median residential rent: weekly

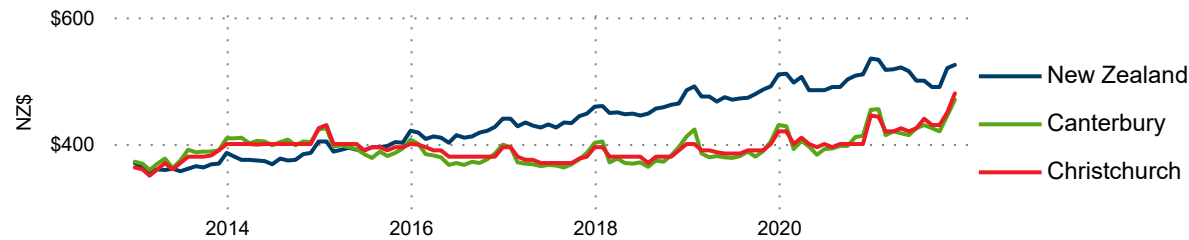


Figure 9. Median house price

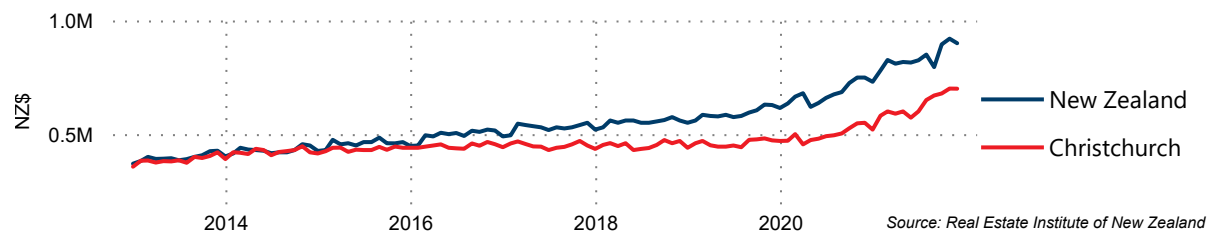


Figure 10. New residential mortgage lending by borrower type, New Zealand (\$m)

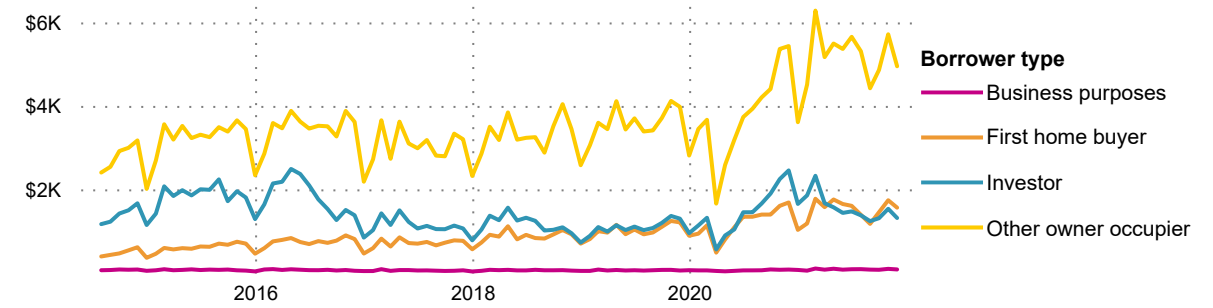


Figure 11. Canterbury consumer confidence

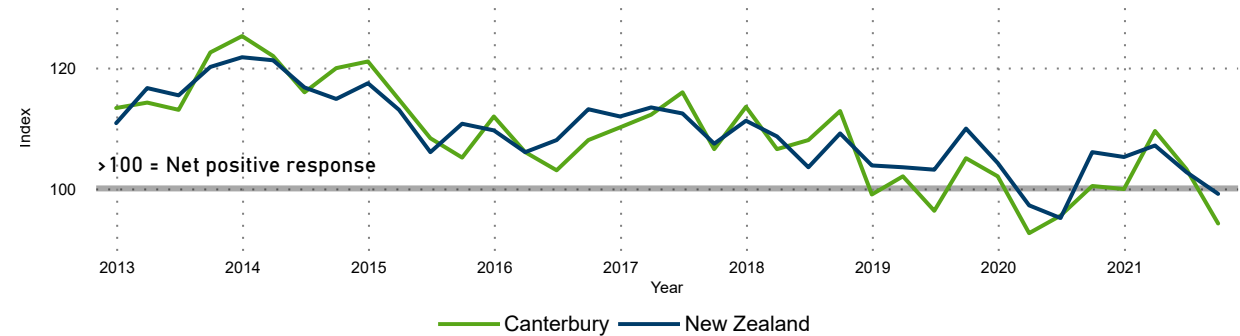
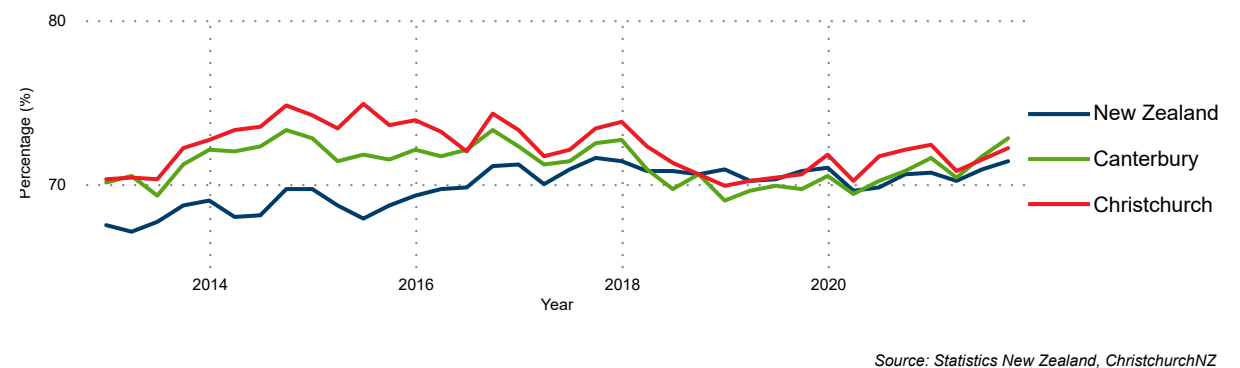


Figure 12. Labour force participation rate



Business

Christchurch saw a 6 percent increase in retail spending (incl. fuel) in Q4 2021 compared to the same period in 2020, with retail spending hitting a record high in the month of December. All but two categories experienced positive spending growth when comparing Q4 2021 to the same time last year, with spending at cafes, restaurants, bars and takeaways and on other consumer spending declining by rates of -2.2 percent and -12.7 percent, respectively. The largest increases in spending took place in the fuel and automotive category (21.7%) and home and recreation retail (8.1%). Spending by residents in Christchurch was up 4.7 percent compared to Q4 2020.

The Consumer Price Index (CPI) inflation rate in New Zealand during Q4 2021 was 5.9 percent, the highest inflation rate recorded in thirty years. Key inflationary drivers were housing (due to increases in rents and construction prices) and transport.

After a period of sustained growth in the number of jobs advertised online, Canterbury job vacancy growth dipped in Q4 2021 from a record high in the previous quarter. However, Canterbury job vacancy growth was still up 18 percent from the same quarter in 2020, and well above the last level seen before COVID (210.9 in Q4 2021 vs 181.8 in Q4 2019).

The Performance of Manufacturing Index (PMI) for Canterbury signalled an expansive manufacturing sector during Q4 2021 with an average quarterly score of 58.5, compared to the New Zealand average of 57.8. Meanwhile, the Performance of Services Index (PSI) for Canterbury/Westland recorded a strong recovery for the services sector during Q4 after a period of contraction in August. The Canterbury/Westland PSI registered a nine-year high in November, pushing the regions quarterly average to 59.2.

Figure 13. Retail spending, Christchurch

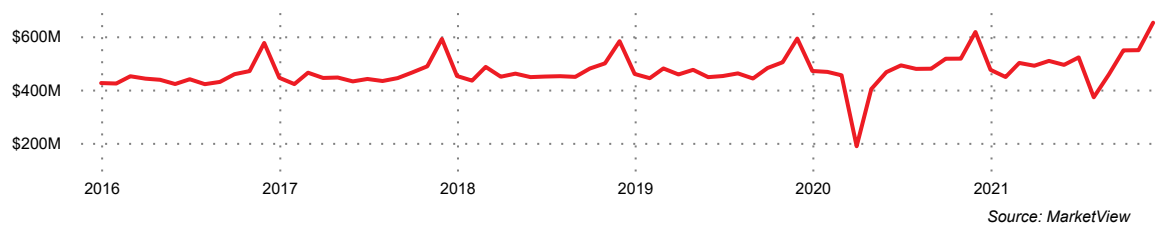
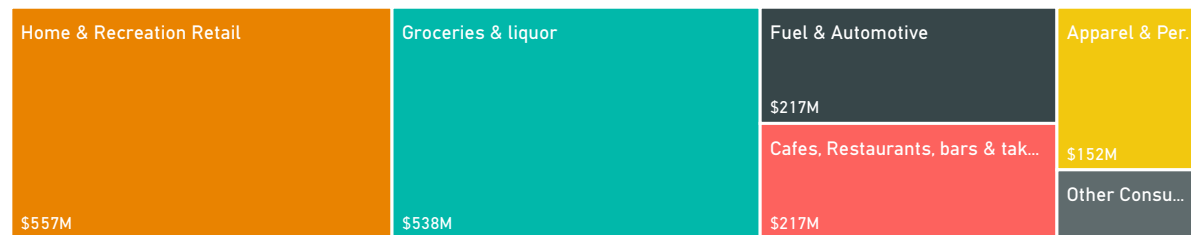


Figure 14. Spending by retail category in Christchurch (Q4 2021)



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Figure 15. Christchurch retail spending by customer origin (excl. fuel) (Q4 2021)

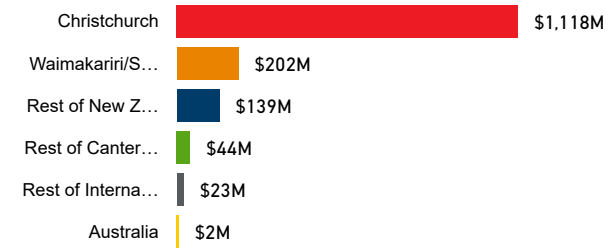


Figure 16. CPI inflation rate (%)

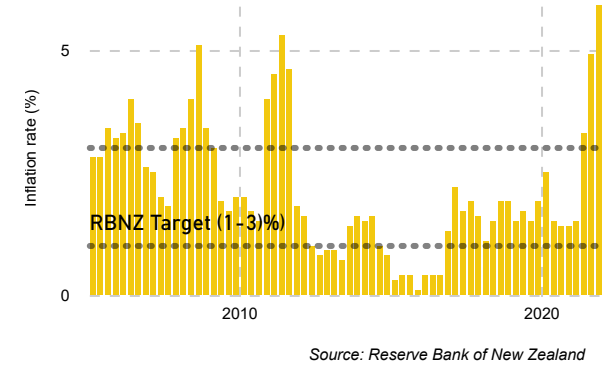


Figure 17. Jobs online (unadjusted, indexed to December 2010)

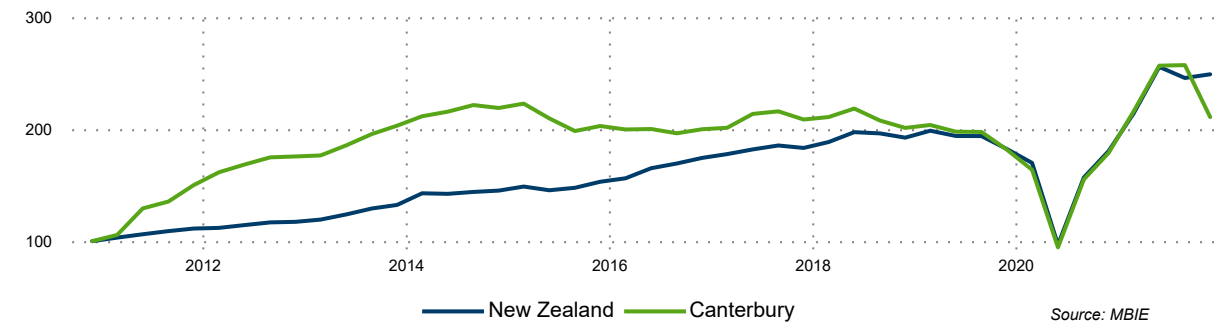


Figure 18. Performance of manufacturing index

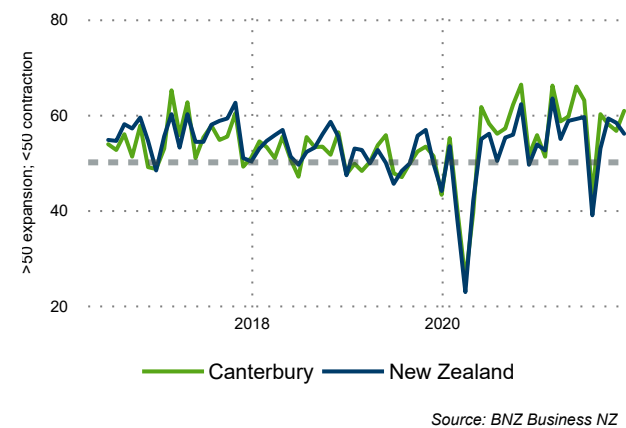
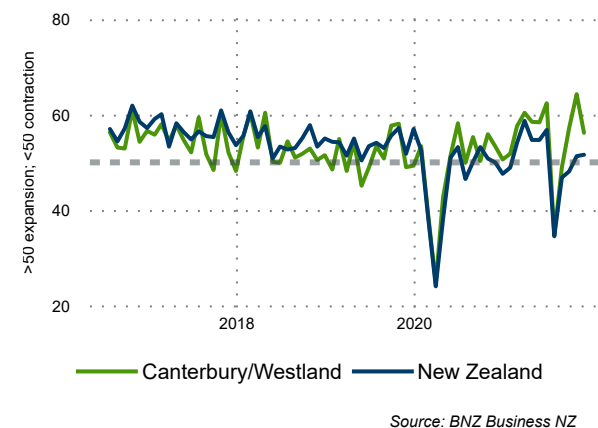


Figure 19. Performance of services index



Visitors

Visitor spending in Christchurch reached \$212.9 million in Q4 2021, down -0.4 percent from the same quarter in 2020. Despite hitting a record high in December, quarterly domestic visitor spending was dragged by the absence of visitors from Auckland for the majority of the quarter. As a result, domestic visitor spending decreased by -3.9 percent or \$7.4 million compared to Q4 2020. International visitor spending increased by 32.6 percent or \$6.7 million, but remained well below pre-COVID levels. Visitors from the Canterbury region were the highest spenders in Christchurch during Q4 2021, followed by visitors from Auckland. The loosening of COVID restrictions saw a significant upswing in spending by Aucklanders towards the end of the quarter. December figures registered record-high spending by Aucklanders in Christchurch despite the fact that travel out of Auckland was only permitted in the second half of the month.

On average, the Airbnb occupancy rate was 51 percent in Christchurch in Q4 2021, up six percentage points from Q4 2020. The average occupancy rate for commercial accommodation was 38 percent, down seven percentage points from Q4 2020.

During Q4 2021 passenger movements through Christchurch airport (all arrivals and departures for both international and domestic flights) were down -61 percent from the same quarter in 2019 and down -27 percent from the same quarter in 2020. There were just over 2000 international visitor arrivals at Christchurch airport during the December quarter, a 95.4 percent increase from the same quarter in 2020. However, arrivals at Christchurch airport remained well below pre-COVID levels, with Q4 2021 figures reflecting a decrease of approximately 167,000 visitor arrivals from Q4 2019.

Figure 20. Visitor spending in Christchurch

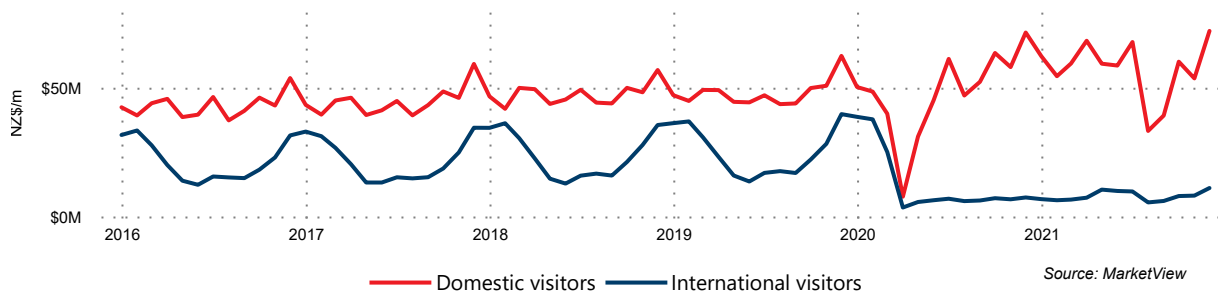


Figure 21. Highest spending domestic visitor markets in Christchurch (Q4 2021)



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Figure 22. Average occupancy by accommodation type, Christchurch

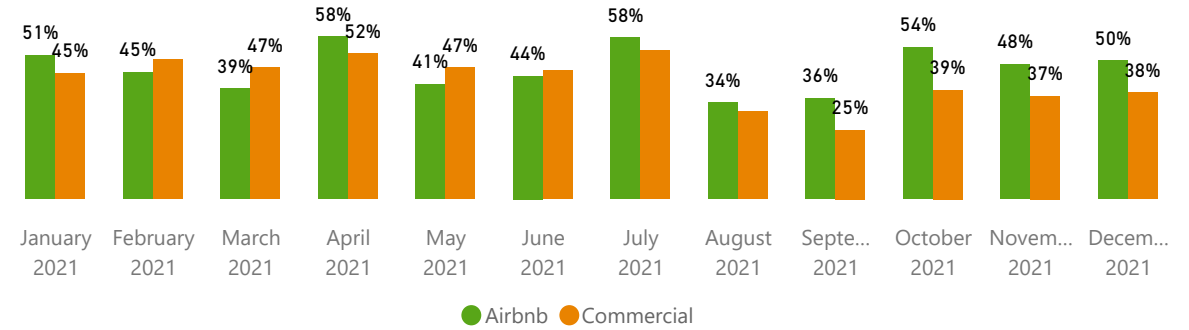


Figure 23. Domestic and international passenger movements, quarterly (Christchurch airport, arrivals & departures)

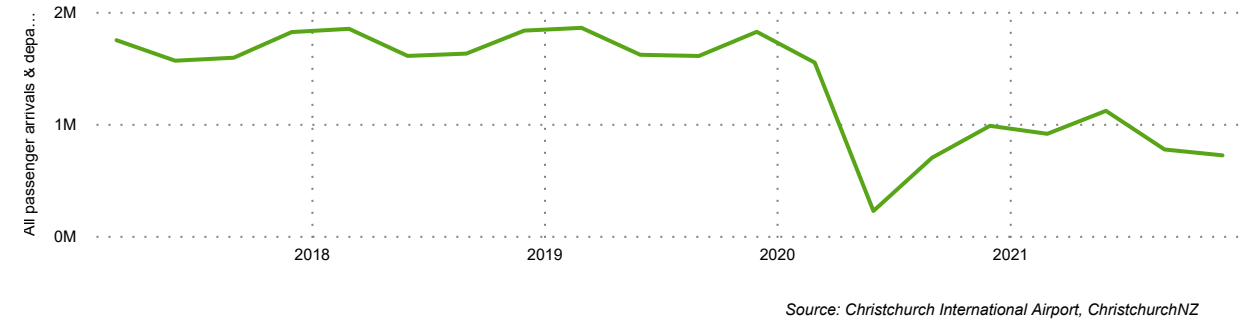


Figure 24. International visitor arrivals at Christchurch Airport



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 \$123.7m in Q4 2021, a -2.6 percent decline from Q4 2020. Spending growth varied by product category, with spending increasing for fuel and automotive (16.6%), apparel and personal (13.2%) and home and recreation retail (1.0%) compared to the same time last year. Meanwhile, other consumer spending contracted by -23.5 percent, while spending at cafes, restaurants, bars and takeaways and on groceries and liquor fell by -8.2 percent and -2.2 percent, respectively.

Spending by Christchurch locals within the central city was relatively unchanged in Q4 2021 compared to the same time last year. Visitor spending was down in the central city, which is unsurprising due to the restrictions on travel out of Auckland (one of Christchurch's largest domestic visitor markets) for the majority of Q4. Compared to the same quarter in 2020, spending by visitors from the rest of Canterbury and the rest of New Zealand experienced declines of -0.1 percent and -16 percent, respectively.

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.

City map

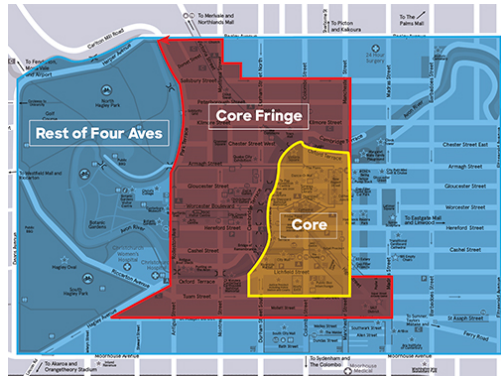


Figure 25. Core & core fringe total spending (excl. fuel), monthly

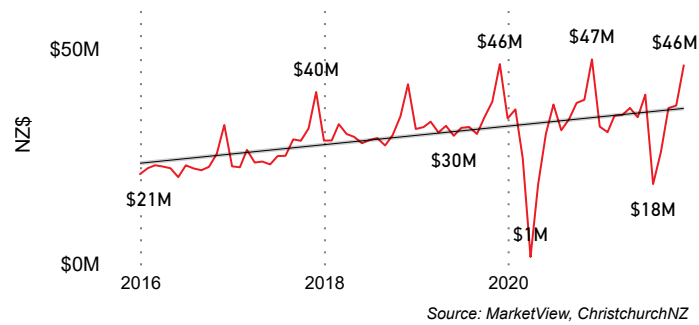
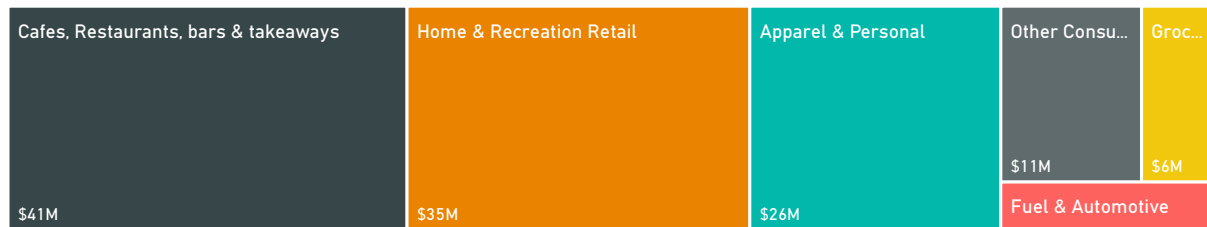


Figure 26. Core & core fringe total spending by category (Q4 2021)



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Figure 27. Core & core fringe spending by customer origin (excl. fuel) (Q4 2021)

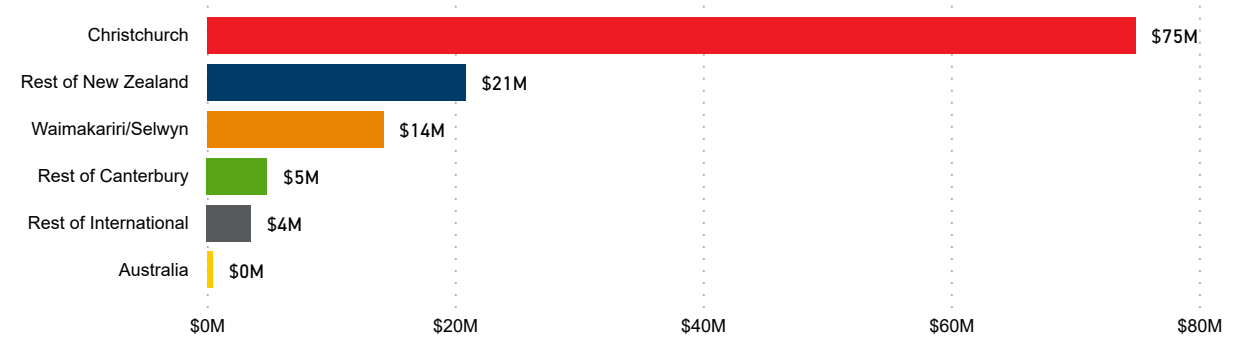


Figure 28. Number of people living within the Four Avenues (as at June)

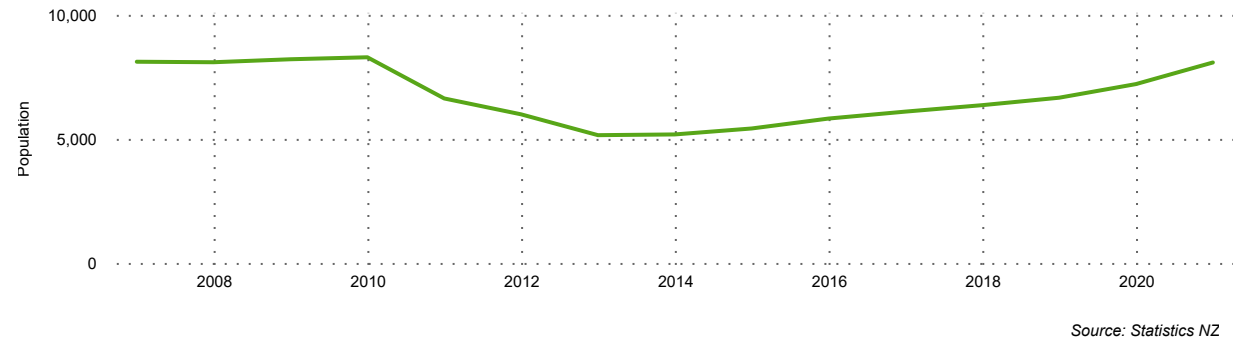
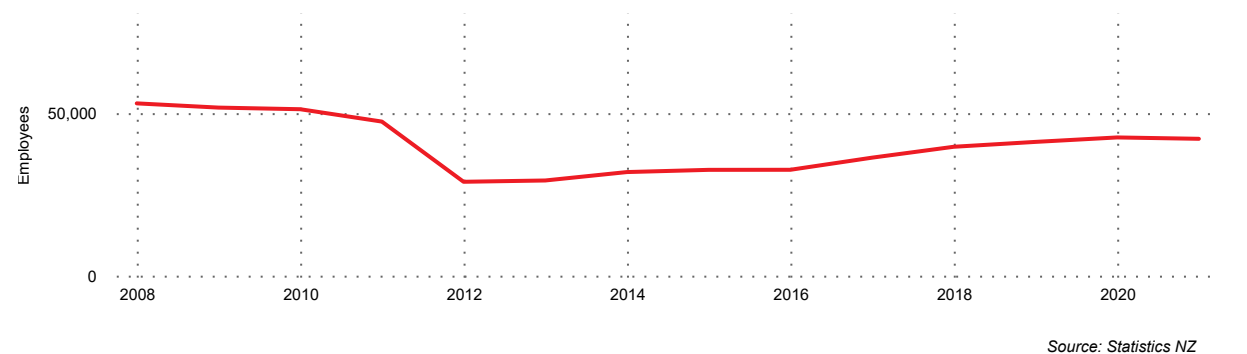


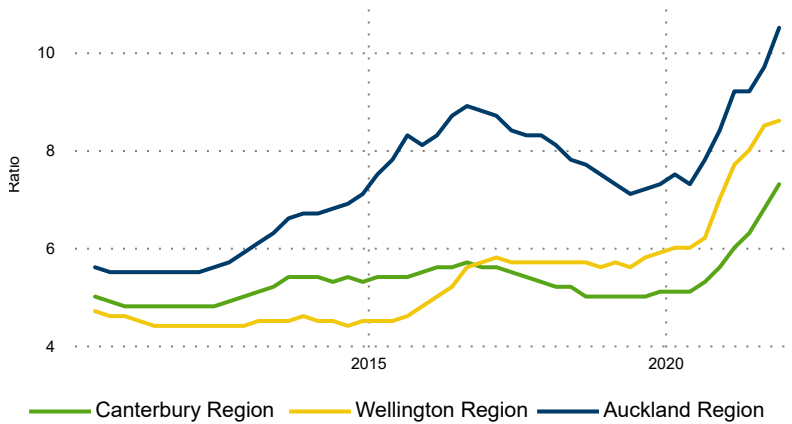
Figure 29. Number of employees within the Four Avenues (as at February)



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.

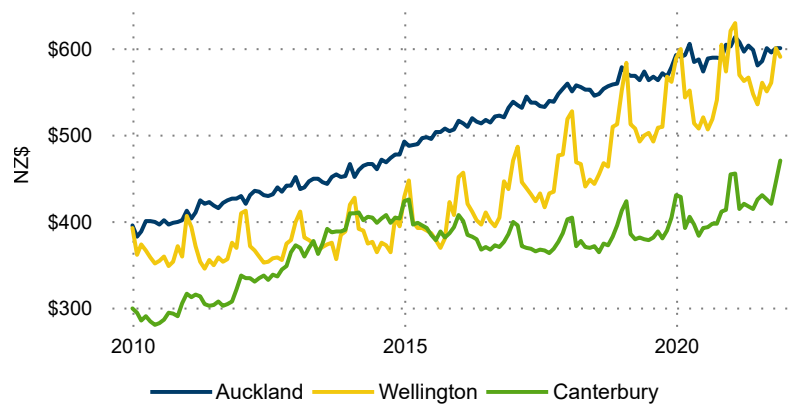
Figure 30. Residential affordability



Housing affordability worsened in all three major regions in Q4 2021 from the previous quarter, with affordability in Canterbury declining by 7.4% compared to Q3 2021. However, Canterbury housing still 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

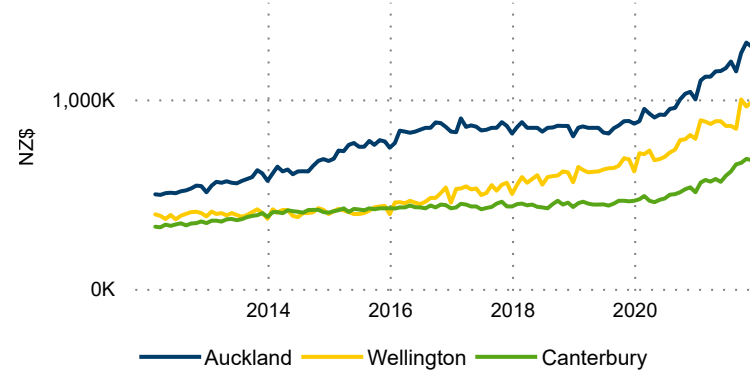
Figure 31. Median residential rent, weekly



Despite upward pressure on rental costs, comparatively low rent continues to contribute to Canterbury's affordability profile. On average during Q4 2021, mean weekly residential rent was \$445 in the Canterbury region, compared to \$583 in Wellington and \$598 in the Auckland region. Average rent in Canterbury was up 9.3 percent compared to the same quarter in 2020.

Source: MBIE

Figure 32. Median house price

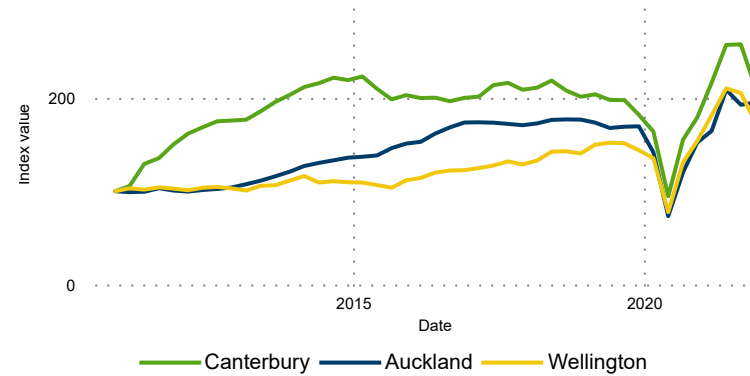


ChristchurchNZ

House prices continued to rise in Q4, although December figures indicate that growth may be levelling off. Monthly median house prices averaged at \$677,000 in Canterbury in Q4 2021, an increase of 29.2 percent from the same period in 2020. On average, median house prices in Canterbury were 47 percent lower than in Auckland and 31.4 percent lower than in Wellington in Q4 2021.

Source: REINZ

Figure 33. Jobs online (indexed to Dec. 2010)

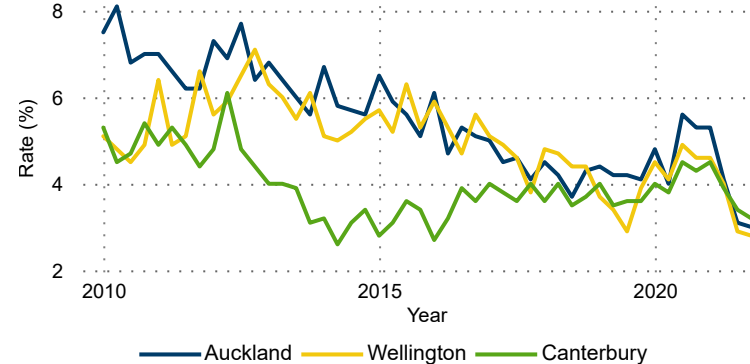


After falling from a record high in the previous quarter, the number of job vacancies advertised online in Canterbury was up 18.0 percent in Q4 2021 compared to the same quarter in 2020.

Growth in job vacancies (compared to the 2010 baseline) was 8.2 percent higher in Canterbury than in Auckland and 21.2 percent higher than in Wellington in Q4 2021.

Source: MBIE

Figure 34. Unemployment rate



The unemployment rate in Canterbury decreased from 3.4 percent in Q3 2021 to 3.2 percent in Q4 2021. Unemployment remained slightly higher in Canterbury than in Auckland (3.0%) and Wellington (2.8%).

The unemployment rate in Canterbury was 1.1 percentage points lower than the same quarter in 2020.

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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