

Monthly Insights Brief

March 2025

On-the-pulse analysis delivered monthly, providing insight into the Christchurch & Canterbury economies.



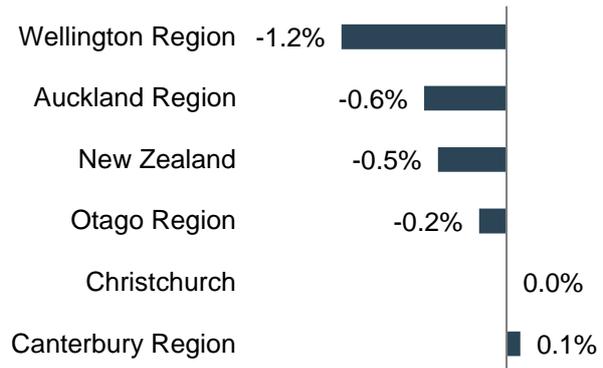


Local economy well positioned for recovery in 2025

While economic activity has been sluggish over the last year, early signs of improvement are emerging, and the local economy is well-positioned as New Zealand enters the recovery phase.

Estimates from Infometrics indicate that local GDP growth was flat at 0.0 percent in Christchurch in 2024, while GDP growth across New Zealand was negative (-0.5%). This means that Christchurch's economic output was largely unchanged compared to 2023, while national economic output declined over the same period. This GDP data aligns with a broader trend that has emerged across many indicators over the last year- economic performance has been weak across the board, but less so in Christchurch and Canterbury.

Annual GDP growth, 2024



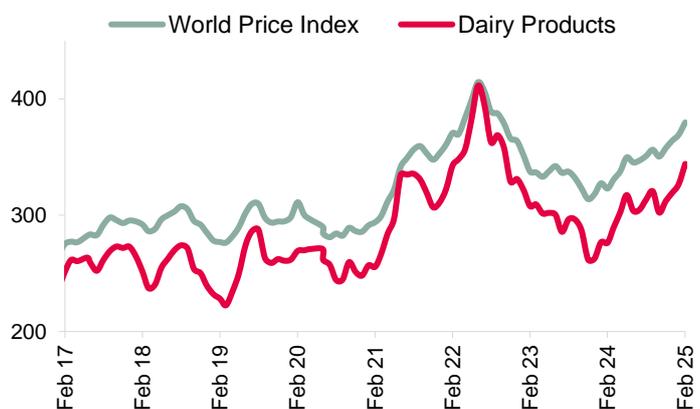
Source: Infometrics

Consumer confidence is one such example. Confidence wavered in the March quarter after lifting into net positive territory during Q4 last year, both locally and nationally. Canterbury's consumer confidence score was sitting at 95.4 in March, with a score below 100 indicating sentiment had dipped back into net pessimism. Reductions in consumer confidence were recorded across almost every region in New Zealand during the March quarter. Westpac suggests this could be linked to growing unease about global trade conditions and their impact on local businesses and financial markets.

Despite falling from the previous quarter, Canterbury's consumer confidence was the strongest in the country during March. This was followed by Otago and Southland, highlighting the comparative resilience of sentiment in the South Island. These three regions were also the only areas to record confidence scores above their respective five-year averages.

Westpac has linked confidence among South Island consumers to the performance of the agricultural sector, which has been supported by growth in commodity prices and therefore export revenues. Looking more closely at ANZ's Commodity Price Index shows that global prices for goods like dairy and meat have indeed been climbing over the last few months. This follows a period of downward trending commodity prices in 2023 and 2024.

World Commodity Price Index



Source: ANZ



As of February 2025, the dairy price index was up an average of 15% from February last year, while indexed prices for meat and wool had lifted 22%. New Zealand's milk production is also currently higher than usual at a time when global production is below trend, providing opportunities for local producers to fill a supply gap.

Signs of improvement are also showing up in local export data. The value of monthly goods exports from Canterbury ports has lifted above \$1 billion twice in recent months, for the first time since mid-2023. Canterbury's monthly trade balance has also returned to surplus after dipping into the negatives a couple of times in the second half of 2024.

Tourism has also been supporting activity in the region. Average occupancy in Christchurch accommodation shot up to 83% during February 2025, well above the national average of 68%. Guest nights increased by 7,000 nights compared to the same time last year, driven by a 7% uplift in domestic visitor nights. Strength in domestic visitation throughout February was supported by a bumper month of events in Christchurch, with Electric Ave, the final days of the World Buskers Festival, and Crankworx Summer Series.

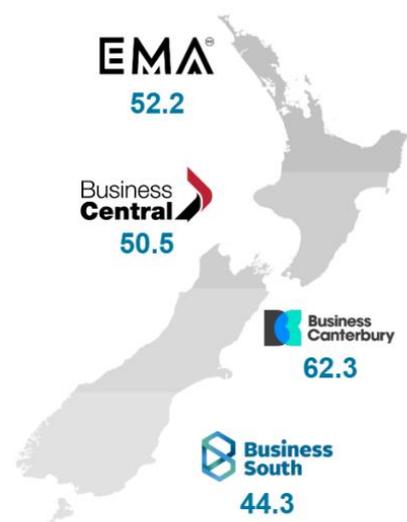
While international visitor data for February is yet to be released, January figures also point to a strong start to 2025 for international tourism in Christchurch. The number of international visitor arrivals at Christchurch Airport was 33% higher than during January 2024, a real increase of just under 14,000 people. This was equivalent to 14.9% of international visitation to New Zealand during January, the highest monthly market share recorded for Christchurch since the borders fully re-opened.

Despite a boost from tourism activity, the tough economic climate faced over the last year continues to weigh on the services sector more broadly. The Performance of Services Index (PSI) measures activity levels across the service industry, signaling whether the sector is expanding or contracting each month. Canterbury's services sector remained in contraction during February, in line with national trends.

This was in contrast to the manufacturing sector, where activity recorded a significant jump in February according to the Performance of Manufacturing Index (PMI). Canterbury's PMI score shot up to an expansive 62.3 during February 2025, the region's highest PMI since mid-2021. This was the strongest score in the country during February and was comfortably above the national average of 54.4. Improvement in manufacturing sector performance is particularly promising for Canterbury given that manufacturing is the region's largest industry in terms of GDP output. National analysis from BNZ suggests that gains in the PMI are linked to improvement in broader economic conditions, albeit from a weak baseline.

Economic conditions are expected to continue to recover over 2025, supported by the impact of lower interest rates on spending and investment levels across both households and businesses. As expected, the Reserve Bank chose to reduce the Official Cash Rate further during February, with a 50-basis point cut. This brings the OCR down to 3.75 percent,

Performance of Manufacturing Index, Feb. 2025



Source: Business NZ



the lowest it's been since October 2022. Further cuts are expected at the next Monetary Policy Review.

Signs of improving economic conditions are also reinforced by local business growth figures, which have continued their upward trajectory. The number of business units in Canterbury hit another record high during February, after a 1.8% lift from the same month in 2024. This was double the rate of national business growth over the same period and the third highest in the country. The South Island once again topped the charts, accounting for the top three performers over the year to February 2025. Meanwhile, the number of businesses has declined most sharply in the Wellington Region over the last year.

Despite the broader economic challenges faced across New Zealand, the local economy continues to show signs of resilience. Activity is being supported by recovery in the agricultural and tourism sectors, and Canterbury continues to outperform the rest of the country on measures of manufacturing sector activity, consumer confidence, and business growth.

Areas of weakness remain, as evidenced by flat GDP growth over the 2024 calendar year and sluggishness in service sector activity. However, the stronger performance of the local economy over the last year means that Christchurch and Canterbury are well-positioned to navigate the economic uncertainties ahead.

Change in number of business units by region, year to February 2025		
	Growth rate	Real change
Otago	3.1%	984
Tasman	2.1%	156
Canterbury	1.8%	1,395
Northland	1.7%	390
Waikato	1.4%	849
Gisborne	1.2%	66
Bay of Plenty	1.2%	489
Auckland	1.0%	2,232
New Zealand	0.9%	5,607
West Coast	0.9%	33
Manawatu-Whanganui	0.5%	141
Southland	0.2%	33
Hawke's Bay	0.2%	45
Marlborough	0.0%	0
Taranaki	-0.4%	-63
Nelson	-0.7%	-48
Wellington	-1.8%	-1,095

Source: Westpac