

Monthly Insights Brief

August 2024

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





Key economic trends during August

Creative arts sector 2

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Business sentiment 5

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Creative arts sector

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Creative skills and the creative arts sector play an integral role in the economy. Recent research carried out by ChristchurchNZ investigates the role that the creative arts sector plays in the economy of Ōtautahi Christchurch specifically, and how the characteristics of the local sector compare to the rest of the country. The creative arts ecosystem is made up a range of sub-industries including design, screen, digital media, music & radio, performing arts, craft & visual arts, and literature & print publishing.

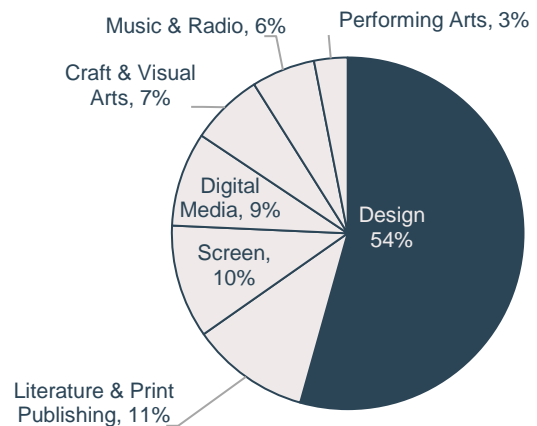
Key findings

The creative arts sector employed at least 5,700 people in Christchurch in 2022, equivalent to just over 2% of the local workforce. That's around the same size as the local legal and accounting workforce, or the number of people employed in central and local government in Christchurch. Annual economic output of the sector is estimated at over \$718 million, contributing 2.4% to Christchurch's total GDP output in 2022.

Employment and GDP data indicates that Christchurch's creative arts sector is most heavily concentrated in the design space, with design making up over 50% of local creative sector employment and economic output. Design employs just under 3,000 people in Christchurch and generated around \$390 million in economic output in 2022. The strength of this emphasis on design is unique to Christchurch- nationally, design contributes 38% to creative sector output (compared to 54% locally).

Understanding the interaction between the local creative sector and the economy is important not only because of the employment and earnings opportunities that are directly generated by the creative industries, but also because access to creative talent underpins the success of various other sectors in Christchurch. Demand for creative skills and talent spans across diverse industries and workplaces- for example, local designers are critical to the success of our outdoor apparel

GDP composition of Christchurch's creative arts sector (2022)



Source: CNZ, GDP data from Infometrics



industry, video game studios, and the construction sector, among many others. The work of the creative arts sector touches every industry and influences various aspects of the supply chain, from idea conception to point-of-sale and customer experience.

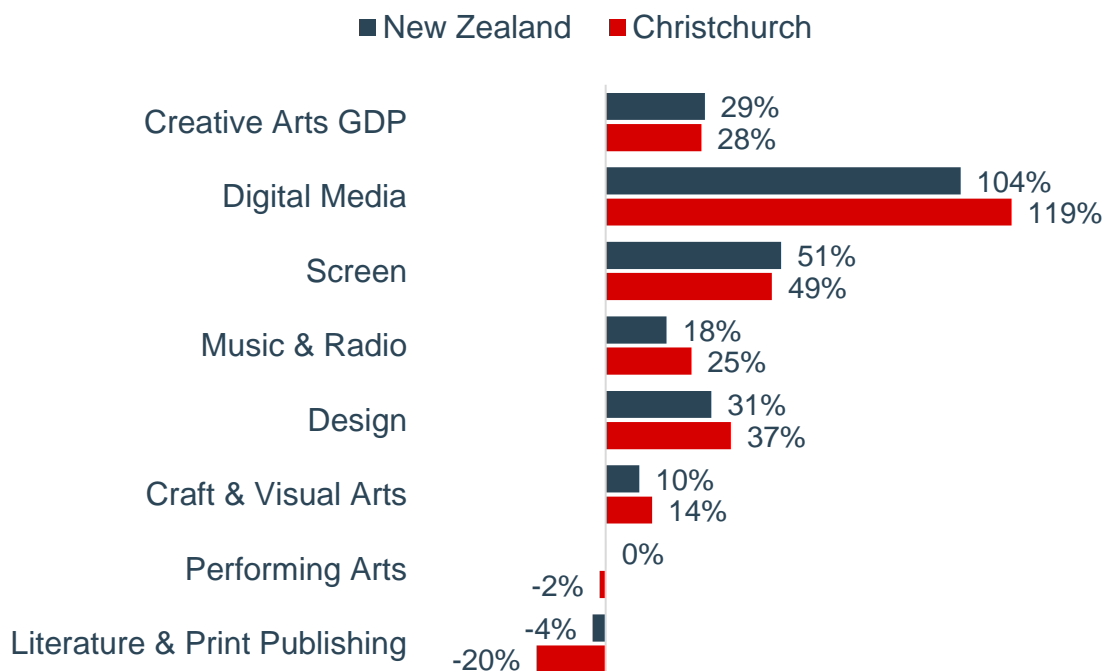
Creativity is also an important generator of, and magnet for innovation. As the cornerstone of idea generation, Christchurch's innovation ecosystem relies on the stimulation of creativity. Building creative skills within an economy enhances capacity for innovation and the ability of a place to attract other innovative businesses and workers. That's essential for the development of an entrepreneurial, high-tech economy capable of competing on a global scale. The creative arts sector is also important for telling the story of who we are as a city, which is essential for attracting people to visit and live in Ōtautahi Christchurch.

Sector growth

ChristchurchNZ's research indicates that both the workforce and GDP output of Christchurch's creative arts sector have been growing more rapidly than the economy in general. Between 2017-2022, creative sector GDP grew at almost double the rate of Christchurch's overall GDP output (28% growth in the creative sector, vs 15% overall).

Within the sector, digital media experienced the strongest growth over this five-year period with GDP output increasing by 119 percent. This was followed by growth in the screen sector (49%), design (37%), music & radio (25%), and craft & visual arts (14%). The strength of growth in both the digital media and screen sectors (which are also increasingly converging industries) points to the significant growth potential in these areas, both in Christchurch and nationally. Meanwhile, economic output has declined in performing arts (-2%) and literature & print publishing (-20%). The performing arts sector was disproportionately impacted by COVID-19 in 2020/2021 due to limits on gatherings and events, with sector output falling -43 percent in Christchurch in 2021. As of 2022, the GDP output of the performing arts sector had recovered to 85 percent of pre-COVID levels. Meanwhile, the decline in literature & print publishing reflects a longer-term structural shift away from print publishing within the media industry.

Creative Arts GDP growth, 2017-2022



Source: CNZ, GDP data from Infometrics



Christchurch's contribution to the national creative arts sector

Christchurch accounts for 8.2% of employment in New Zealand's creative industries, and 7.3% of national creative arts GDP. There are certain sub-industries that Christchurch over-indexes in, i.e., where Christchurch makes an above-average contribution to national employment and the GDP output of that sub-sector.

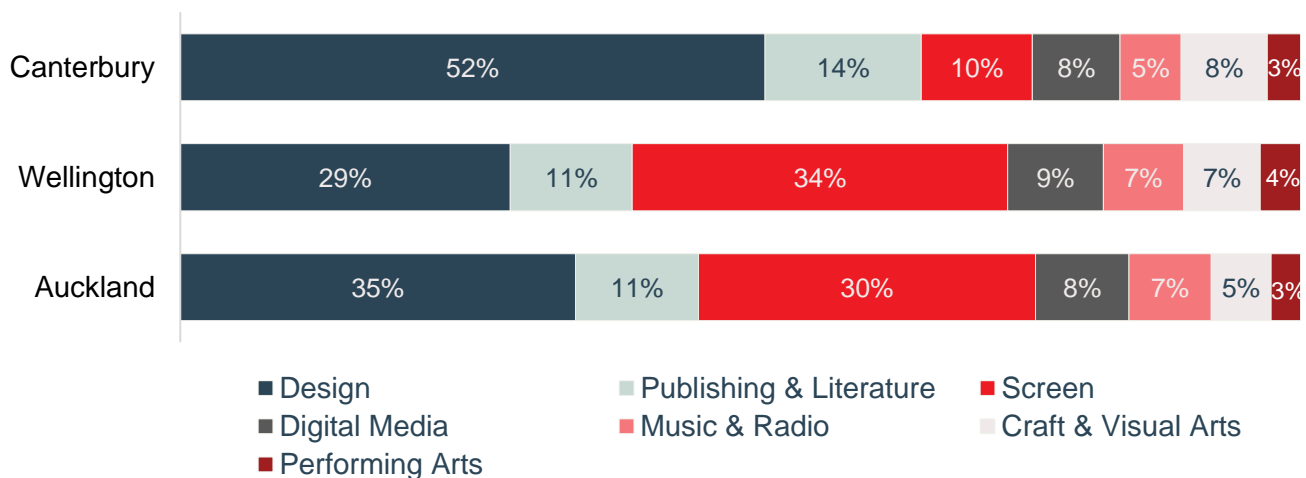
Christchurch has a strong advantage in the design sub-sector, employing 10.3% of New Zealand's design workforce and generating 10.5% of national design output. Design captures a range of creative services including architecture, specialised design (interior, graphic, textile design etc), and advertising. The design industry is growing faster locally than it is nationally, with GDP increasing 37% in Christchurch over the five years to 2022, compared to 31% nationally.

Christchurch also over-indexes in digital media, which captures things like software publishing (e.g. computer game software design), internet publishing and broadcasting, and web design. Christchurch's digital media industry makes up 8.3% of national digital media GDP, compared to 7.3% across all creative industries. Like design, digital media is growing faster in Christchurch than it is across New Zealand as a whole (119% local growth from 2017-2022, compared to 104% nationally).

Christchurch also makes a smaller above-average contribution New Zealand's performing arts subsector, which includes live performing arts activity and non-vocational arts education. With economic output of just over \$22 million in 2022, this was equivalent to 7.6% of national output in that same year.

Nationally, the creative arts sector employed around 70,000 people and generated \$9.9 billion in economic output in 2022. Creative sector activity is heavily concentrated in the Auckland Region, which makes up 52% of national creative sector output (compared to 37% of general economic output). This is followed by the Wellington Region, which produces 19% of New Zealand's creative sector output, and then Canterbury at 9%. The composition of the creative arts sector varies across the three major regions, as shown in the chart below.

Creative arts sector GDP composition by region, 2022



Source: CNZ, GDP data from Infometrics



Business sentiment

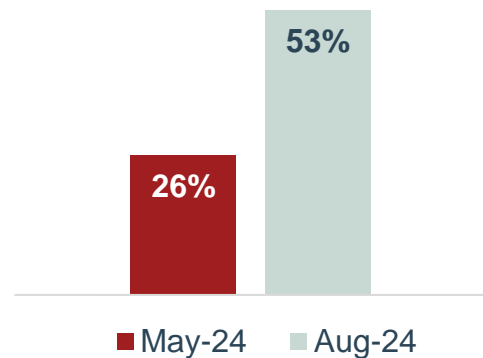
August was marked by a significant improvement in business confidence, with newfound optimism among both Canterbury and New Zealand businesses.

Optimism among local businesses surged during August, as indicated by Business Canterbury's latest [Quarterly Canterbury Business Survey](#).

Expectations for Canterbury's economic outlook and individual business performance both recorded significant improvements in the August survey, with 53% of local businesses expecting a more robust Canterbury economy over the next year (up from 26% in the previous quarter).

As noted by Business Canterbury, recent reductions in inflationary pressure and interest rates appear to be having a positive impact on the operating environment faced by businesses. The share of firms that are experiencing significant impacts from rising costs has started to fall, dropping to 36% in August (from 40% in May). This has also been reflected in sentiment around primary concerns for respondents, who are asked each quarter to select their three biggest concerns. Since mid-2023, inflationary pressure and rising interest rates have dominated this list, with the share of businesses identifying these as a top concern hovering around 65% for four consecutive quarters. The August survey showed a drop in concerns around cost-pressures for the first time in over a year, with the number of businesses citing this as a top issue falling to 46%.

Share of businesses that expect the Canterbury economy to be stronger in 12 months



Source: Business Canterbury

Rising confidence in the face of easing cost-pressures is being partly hampered by other concerns. Unease around weak consumer confidence and demand is now sitting at the top of the list for local business. 57% of respondents identified consumer confidence and demand as an issue during August, making it the most frequently identified concern. This is unsurprising given the soft performance recorded across a range of economic indicators in recent months. For example, retail spending data shows a clear decline in in-store card spending on 'non-essentials' in Christchurch over the last year. Spending on apparel fell -5% over the year to July 2024 (compared to the previous 12 months), while spending at home & recreation retail stores declined -4% over the same period. Productivity and growth were the third most frequently identified issues for business. Concerns about productivity and growth have been tracking steadily upward over the last year, lifting from 22% in August 2023 to 38% in August this year.

Net positivity about the economic outlook (i.e. the balance of positive responses minus negative responses) shifted back to optimistic levels with regard to both the Canterbury and New Zealand economies. Net positivity scores among Canterbury businesses were higher for the local economy than they were for the national economy. Improvements in local business confidence in August has also been matched by a sharp lift in national business confidence, as measured by ANZ's monthly [Business Outlook](#) survey.

National business confidence jumped to its highest level in a decade during August, lifting from a score of 27 in the previous month of July to a score of 51 in August. Regional results from the survey show business confidence was sitting slightly higher in Canterbury, at 53 points.

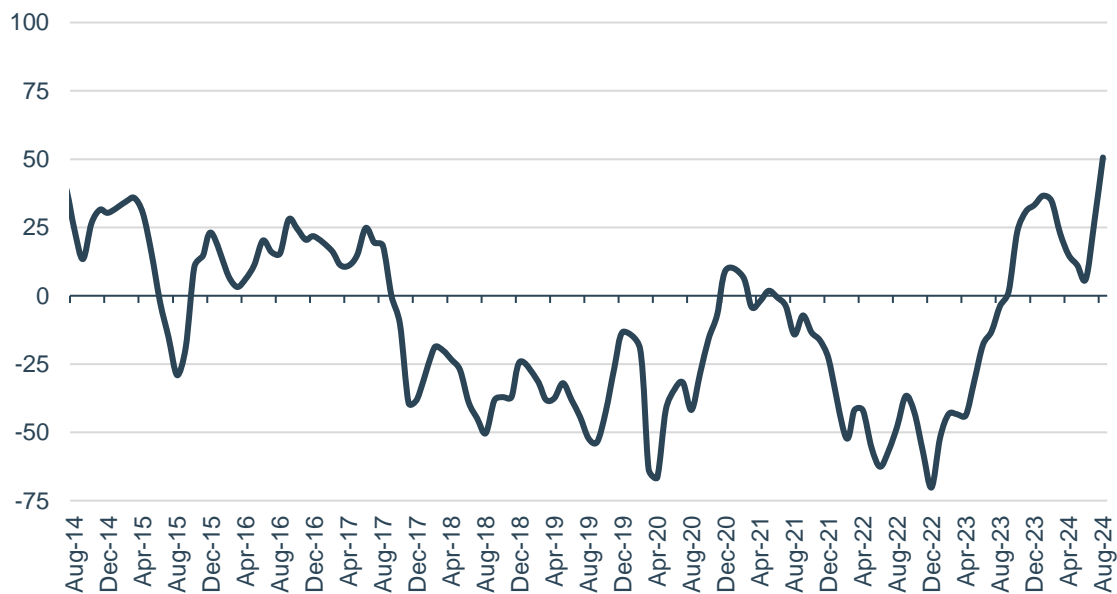


Forward-looking indicators lifted strongly across New Zealand, with expected activity increasing to a seven-year high. Expected activity scores were highest in the services industry, followed by construction. While expectations around future activity have improved considerably, current activity levels (experienced activity) remain very weak. Current activity levels were lowest for construction, pointing to the large gap that has opened between experienced activity and expected future activity within this sector.

Interestingly, the significant increases in confidence and activity expectations among survey responses were already evident before the Reserve Bank's OCR cut in mid-August. About one-third of responses to the survey came in after the OCR cut, with ANZ noting that they did not change the overall results a great deal.

It's likely that it will take time for this improvement in both local and national sentiment to carry over to an uplift in actual trading activity and investment, particularly in the absence of a sustained improvement in wider economic conditions. Business Canterbury notes that expectations around investment and recruitment have not yet risen in response to the recent OCR cut. However, the improvements in business confidence during August point to a renewed optimism about the state of the economy going forward and may signal that the business cycle is starting to climb out of its current slump.

National Business Confidence- ANZ Business Outlook



Source: ANZ

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