

# Monthly Insights Brief

November 2024

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





# Economic year in review- 2024

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## Economic growth

- **Economic growth has been sluggish over the last year.** Christchurch’s GDP grew by just 0.4% over the year to September 2024, compared to the previous 12 months. This was above national GDP growth over the same period which remained flat at 0%.
- Like Christchurch, New Zealand’s metropolitan areas have tended to fare better than the rest of the country. Economic growth has declined by an average of -0.3% in provincial areas and -0.4% in rural areas. This highlights the challenging conditions faced in non-metro areas. This probably due to New Zealand’s rural areas experiencing comparatively lower population growth over the last year, as population growth can have of a prop-up effect on things like retail spending and employment growth. Provincial and rural areas also generate a higher share of economic activity from interest-rate-sensitive sectors such as the primary sector and goods-producing industries.

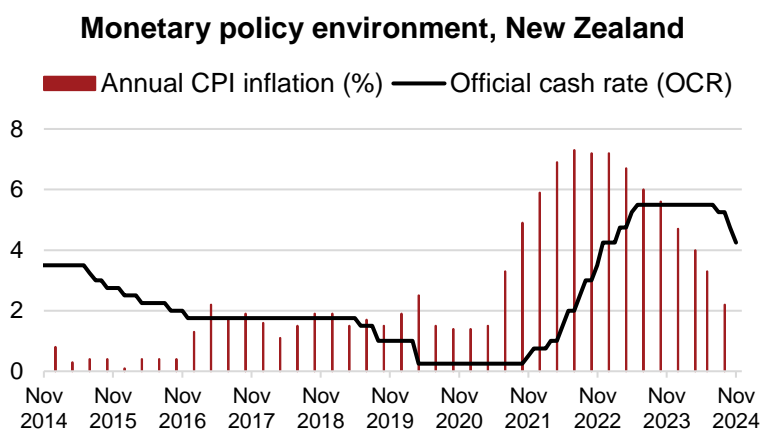
## Inflation & the OCR

- **The cost of living was one of 2023’s key economic issues, and the hangover effect of this has carried over well into 2024.** New Zealand’s CPI inflation rate has eased from 4.7% at the end of 2023, to 2.2% as of September 2024. This is the first time the inflation rate has fallen inside the RBNZ’s target band since early 2021.
- Both imported and domestic inflation have dropped in recent months, which means lower costs for businesses and households. Imported prices have fallen due to a weaker global economy and easing inflationary pressure in overseas markets. Domestic inflation has reduced as the impact of higher interest rates has dampened spending, driving an overall

reduction in demand within the economy. It's worth noting however that domestic inflation remains higher than usual, because of historically elevated prices for things like rates, insurance, and rent.

- In response to the overall reduction in inflationary pressure, the Reserve Bank began reducing the Official Cash Rate (OCR) in August. The OCR impacts on the level of demand in the economy through its influence

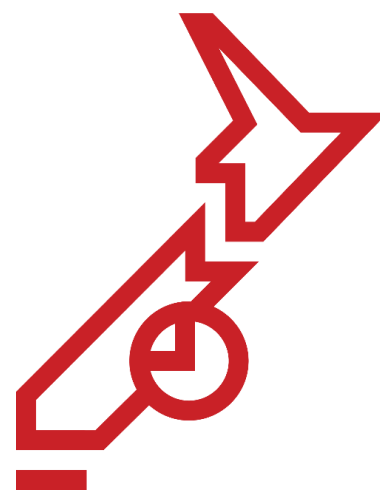
on the cost of borrowing and investing. The OCR peak for this monetary cycle was 5.5%, remaining at that level from May 2023 to July 2024. As of November 2024, the OCR had been reduced to 4.25%. The Reserve Bank is projecting further reductions in 2025, which should drive ongoing declines in interest rates and therefore borrowing costs.



Source: RBNZ & Statistics NZ

## Population change

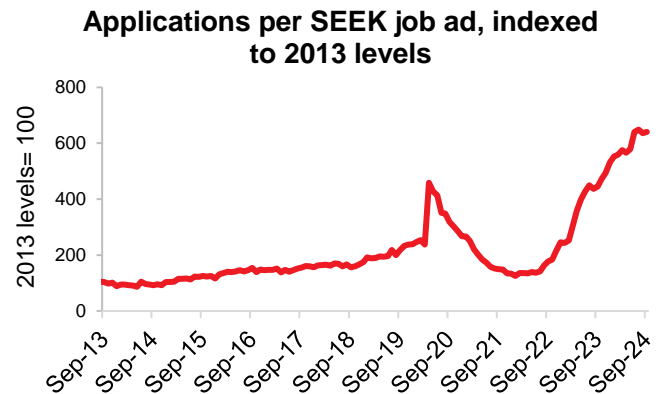
- **The 2023 Census indicates that Christchurch's population has expanded by 6.1% from the 2018 Census, growing to a total of just over 390,000 people.** Like the rest of New Zealand, Christchurch is becoming more diverse as it grows with Asian, Māori, Pasifika, and MELAA ethnicities making up an increasing share of the local community. There were 175 different ethnicities identified across the city in total, with 28% of people having been born overseas.
- Census data has also highlighted that the South Island experienced a net migration gain from the North Island between 2018-2023. Just over 83,000 people living in the South Island were living in the North Island five years ago (7.3% of the South Island's population). This is higher than the number of people in the North Island that had moved from the South Island over the same period (just under 57,000 people). In Christchurch, almost 7% of the 2023 population (27,000 people) was living in the North Island in 2018. That number grows to over 43,000 people when we look at the Canterbury Region as a whole.
- Growth in the size and diversity of Christchurch's population means growth in demand for a range of goods and services. Learning about these different groups and their diverse needs and preferences will allow businesses to tap into these new consumer markets. It also contributes to growth in our local talent pools. When people move to New Zealand from overseas they bring with them new knowledge, experience, and skills that not only help to build local capability and support innovation, but also help local businesses to build connections with international audiences.



## Labour market

- **The labour market saw a big shift in dynamics over 2024**, with the impacts of slowing economic activity driving changes across the employment landscape.
- Canterbury's unemployment rate was sitting at 3.6% at the end of 2023, on par with the region's pre-COVID average and equivalent to just under 15,000 people. The latest measure (September 2024) recorded Canterbury's unemployment rate as 4.7%. This was in line with the national average over the same period, meaning that the regional and national labour markets have softened to a similar extent.

- Cooling demand for labour means that the number of jobs being advertised has dropped back while the number of people seeking work has risen. As a result, competition for jobs has lifted significantly, with the average number of applicants per job ad on Seek spiking well above its previous COVID-lockdown peak. In Canterbury, applicants per job ad had lifted 45% in September 2024 from September last year, while at the national level applicants per ad lifted by 54%.



Source: Seek

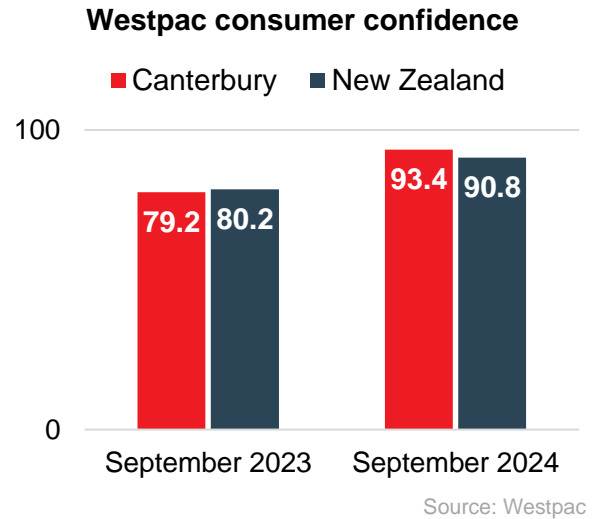
- The increasingly challenging environment facing those seeking work is also reflected in Jobseeker statistics. There were just under 8,000 'work-ready' people receiving a Jobseeker benefit in Christchurch in October 2024, a 14% lift from the same time last year. This is below the increases that have taken place in Auckland and Wellington City over the same period (up 16% and 20%, respectively), but above the 10% increase across New Zealand as a whole.
- There tends to be a lag between economic conditions and employment indicators. This means that this softening in employment indicators is expected to continue into 2025 as the labour market continues to respond to past weakness in economic conditions. However, unemployment is projected to peak lower and sooner than previously expected, with the Reserve Bank now forecasting a peak in the unemployment rate during Q1 next year.

## Confidence & sentiment

- **After languishing throughout the first half of 2024, business and consumer sentiment has been improving in recent months.** Confidence surveys point to growing optimism around future conditions, which is driving a lift in overall sentiment.
- Consumers in Canterbury are feeling less pessimistic than in other parts of the country. Consumer confidence is measured by Westpac using an index where a score of 100 or higher means there are more people feeling optimistic than there are that are feeling pessimistic. Confidence scores were generally gloomy throughout 2023 and the first half of 2024, hanging around the high 70's to mid-80's. This has lifted more recently, with Canterbury's index coming in at 93 during September, a 13% increase from the previous quarter.



- Although still in net pessimism range, this is much closer to net optimism than what was seen at the beginning of the year. It's also the third highest consumer confidence score in the country, pointing to a lower level of pessimism here than in most other parts of New Zealand.
- Sentiment has also improved significantly on the business side. ANZ's monthly business outlook survey shows that business sentiment in Canterbury bounced around over the first half of 2024 before declining sharply in the middle of the year in line with national trends. This coincided with a period of particularly weak performance across most economic indicators around the mid-year mark, including negative national GDP growth. This was followed by a big spike in both local and national business confidence in September, with confidence in Canterbury lifting to its highest level since 2013. It has remained at similar levels since then, bolstered by two consecutive 50-point reductions in the OCR.
- More granular national-level data shows that a smaller net share of firms are reporting lower activity than the same time last year, with the biggest lift taking place in construction (although economy-wide reported activity is still in net negative territory). This indicates that the gap between actual activity and expected future activity may be beginning to shrink. Both consumer and business confidence are expected to continue to improve as we move into 2025, with CPI inflation now back at more sustainable levels and further cuts to the OCR on the cards.



## Retail spending

- **Retail spending trends for 2024 point to a tough year for the sector.** Using the most recent data indicates that year-on-year growth in in-store electronic card spending has been negative in six of the last twelve months, and barely positive during another two months (for the year to October 2024). That's an average annual growth rate -0.1% each month, well below the 2018-2019 pre-COVID average of 1.6%.
- No-essential spending on things like clothing and homewares has taken the biggest hit, which is fairly typical during economic downturns as people prioritize essential spending like groceries and bills.
- Spending patterns have impacted on parts of Christchurch in different ways, reflecting the different store types and customer bases that characterise various suburbs in the city. Areas like Akaroa and Lyttelton that have benefited from the return of international tourists have recorded the strongest annual growth rates, lifting 4.7% and 7.2% over the year to October 2024, respectively. These

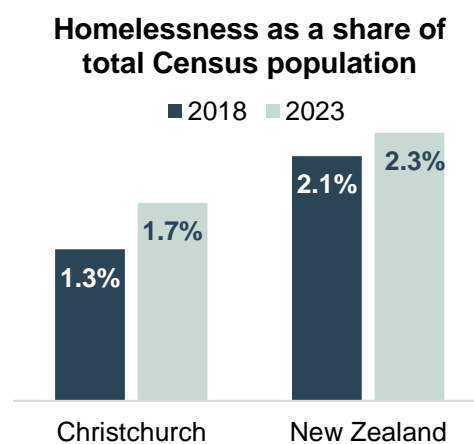


areas also generate a higher share of spending from hospitality and essentials, and a lower share from general retail trade (clothing, homewares etc) than the other suburban retail centres.

- The challenging environment faced by the retail sector over the last couple of years is also evident in annual business count statistics. Those statistics show signs of vulnerability in the retail sector early in 2024, with retail and wholesale trade being the only two industries in Christchurch to record an annual decline in business numbers over the year to February 2024.
- Conditions in the retail sector should become less challenging in 2025 as consumer confidence improves and cost-of-living pressures continue to ease. However, rising unemployment and concerns about job security may partially inhibit consumer enthusiasm toward spending.

## Hardship in Christchurch

- **Census data has also provided new insight into measures of hardship within Christchurch.** The rate of homelessness in Christchurch has risen since 2018. 6,700 people are estimated to have been homeless in 2023, equivalent to 1.7% of the usual resident population. This is up from 1.3% of the population in 2018, an increase of just under 2,000 people.
- Christchurch has a lower rate of homelessness than the national average, which sat at 2.3% of the population in 2023 (112,000 people). New Zealand's homelessness rate also rose from 2018, lifting from 2.1% of the population.
- Christchurch may have a higher share of unseen or less visible homelessness than other parts of the country. Homelessness refers to two different types of housing deprivation, the first being those who have no form of shelter or are living in temporary/transitional accommodation. The second, potentially less visible type of homelessness, is those who are living in uninhabitable housing- accommodation that lacks basic amenities like drinkable tap water, electricity, a toilet etc. Uninhabitable housing makes up a higher share of total homelessness in Christchurch than it does nationally (66% vs 62% across New Zealand).
- Another hardship measure produced recently using Census data is the New Zealand Deprivation Index for 2023. The index is an area-based measure of socioeconomic deprivation which divides each small area in New Zealand into one of ten deciles. Decile 1 represents the 10% of areas in New Zealand with the least deprived scores and Decile 10 represents the 10% of areas with the most deprived scores. Deprivation measures are based on nine Census variables, which include things like internet access, income and employment status, education levels, family type, and housing tenure and quality. The deprivation index can't be to track changes in deprivation over time because 10% of areas will always have the most deprived scores.

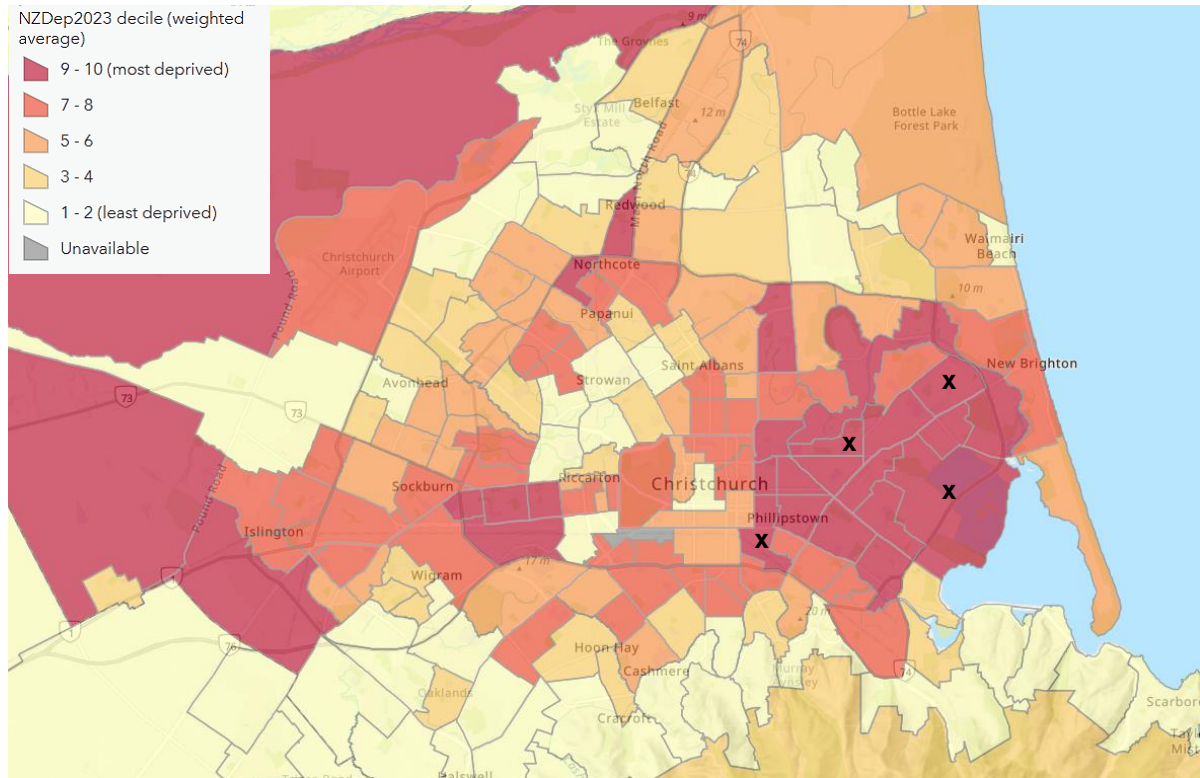


Source: Statistics NZ



- Of 161 areas in Christchurch, there were four areas in Decile 10, meaning they are in the 10% of most deprived areas in New Zealand. Those areas were Lancaster Park, Aranui, Avonside, and North Bromley and are marked with X's on the map below. 6,300 people were living in these four areas in 2023 (1.6% of Christchurch's population), with the majority living in Aranui. These were part of a larger cluster of areas across Christchurch's eastern suburbs which were measured as Decile 9 or higher. There are also pockets of higher deprivation around Riccarton/Middleton, Islington, Northcote, and McLeans Island.

### New Zealand Index of Deprivation 2023, Environmental Health Intelligence NZ



Source: EHINZ

- The deprivation index highlights the unequal distribution of hardship within Christchurch, which is an important consideration for economic inequality. Economic inequality has a long list of negative impacts. It inhibits wellbeing, worsens existing patterns of disadvantage, and damages social cohesion. It also has a negative impact on economic development, with OECD research showing that economic growth falls as income inequality rises.

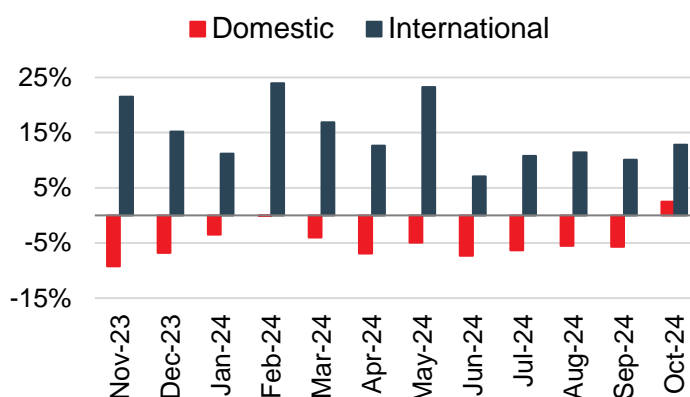
## Visitor economy

- **Demand for domestic tourism has remained subdued while international visitor numbers have continued to recover**, leading to a tale of two halves in the tourism sector. Visitors spent a total of \$1.04 billion in Christchurch via in-store electronic card transactions over the year to October 2024. About 70% of this spending was from domestic visitors, while the other 30% was carried out by international visitors. This lines up with pre-COVID market segmentation for Christchurch.
- Domestic visitor activity has been more subdued than it was last year, with domestic visitor spending down -5% from the year to October 2023. This is equivalent to a reduction of

\$37.4 million from the previous year. This trend can also be seen across the rest of New Zealand, with the budgetary impacts of higher living costs, along with greater access to international destinations likely having a two-pronged effect on demand for domestic travel.

- International tourism has recorded stronger year-on-year growth as international visitation continues to recover in the post-COVID period. In-store card spending by international visitors in Christchurch increased by 15% over the year to October 2024, equivalent to an additional \$41.8 million spent in the city. Transaction numbers were also above pre-COVID levels.

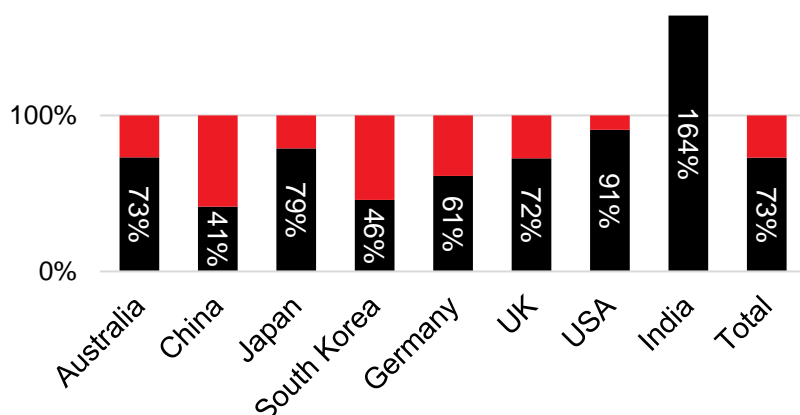
**Year-on-year change in monthly visitor spend, Christchurch**



Source: Marketview

- Just over 400,000 international visitors landed at Christchurch Airport over the year to September 2024. This was up 26% or 83,000 people from the previous year, and above the national growth rate of 17% over the same period. Australians made up the largest share of visitor arrivals at 47%, followed by visitors from the UK (6.6%), China (6.2%) and the USA (5.5%).
- Of New Zealand’s major visitor markets, India was the only market to record arrival numbers higher than pre-COVID levels during the year to September, with visitation from India to Christchurch up 64% from pre-COVID levels (+3,200 people). Arrival numbers from the USA were close to 2019 levels at 91%, while arrivals from Australia and China sat at 73% and 41% of 2019 levels, respectively.

**Recovery to 2019 levels by market, international visitor arrivals at Christchurch Airport (year to Sept. 2024)**



	2019	2024
<b>Australia</b>	258.2k	189k
<b>China</b>	60k	24.9k
<b>Japan</b>	6.4k	5k
<b>South Korea</b>	18.1k	8.3k
<b>Germany</b>	22.4k	13.8k
<b>UK</b>	36.5k	26.5k
<b>USA</b>	24.5k	22.2k
<b>India</b>	5k	8.3k
<b>Total</b>	551.5k	401.8k

Source: Statistics NZ

- Overall, international visitor arrivals averaged at 75% of pre-COVID levels during the September 2024 year, up from 61% in the previous year. Recovery continued to be partly limited by capacity constraints, with service schedules not yet fully back to pre-COVID levels. However, growing international connectivity is adding to the supply of international





flights to and from Christchurch. Christchurch Airport has reported a 25% increase in seat capacity across Christchurch's long-haul international routes for the 2024/25 summer season. Additional services to Christchurch include more flights to and from Australia, China, the USA, Singapore, and Hong Kong.

## Summary

- Economic growth has been sluggish over the last year, although Christchurch has outperformed the national average. This slowdown in economic activity over the last year reflects the ongoing impacts of restrictive monetary policy and weaker global economic performance.
- The good news is that inflation is easing and with recent cuts to the OCR, interest rates are on the way down. This has already led to a significant lift in business confidence and consumers are also feeling less pessimistic, especially in Canterbury. As optimism grows, we can expect to see conditions improving in the retail sector, which faced a tough year in 2024.
- Challenges remain in the labour market, with the lagged effect of economic performance over the last year currently making its way through the employment landscape. Demand for labour has fallen and competition for jobs has risen significantly, while the number of people receiving the Jobseeker benefit has grown.
- Census data has also provided new insight into measures of hardship in Christchurch. Rates of homelessness have increased since the last Census and there is a clear concentration of socioeconomic deprivation in Christchurch's eastern suburbs.
- Insights from the Census also show us that Christchurch is becoming more diverse as it grows, with non-European ethnicities making up an increasingly larger share of the population. The city has continued to attract people moving from the North Island and overseas, as well as international visitors. While domestic tourism has been subdued in line with national trends, international visitation is expected to bring a boost to the city over the summer months.

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