



Monthly Insights Brief

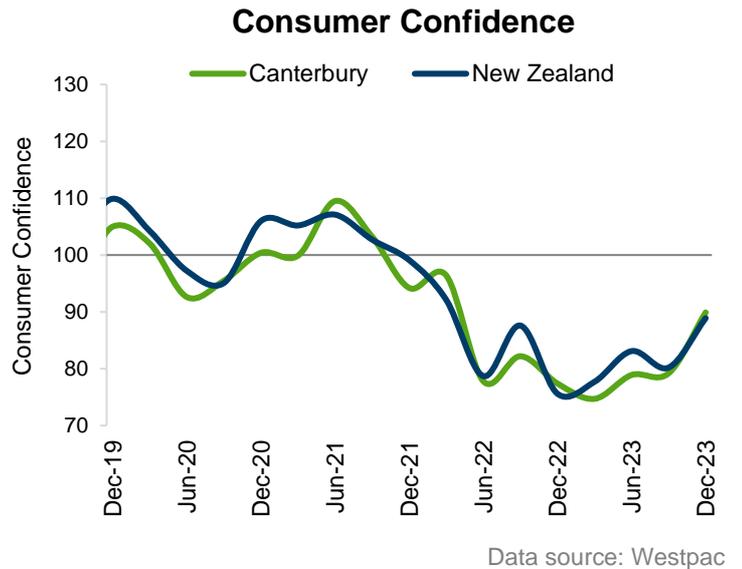
December 2023 & January 2024

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



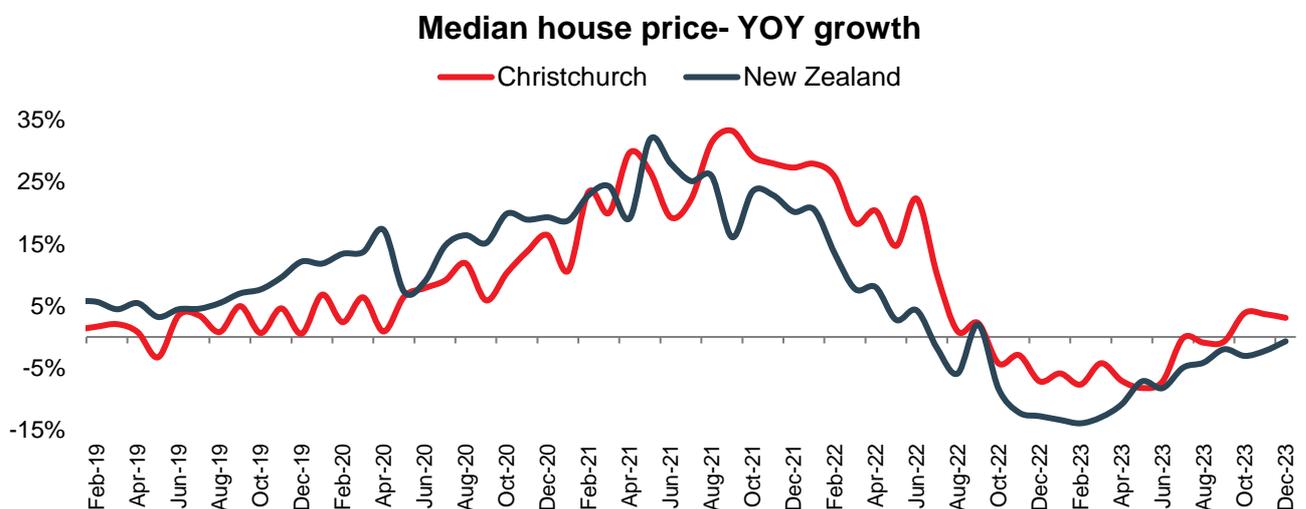
Consumer Confidence (Q4 2023)

- Westpac's Consumer Confidence survey for the final quarter of 2023 showed an improvement in consumer sentiment from the previous quarter.
- In Canterbury, consumer confidence lifted to 89.9, an increase of 10.7 points from Q3. This nudged regional consumer confidence to very slightly above national consumer confidence, which sat at 88.9 during Q4. A score below 100 indicates that negative sentiment outweighs positive sentiment. While still net pessimistic, both regional and national consumer confidence were sitting at their highest levels since early 2022.
- This improvement in consumer confidence reflects a rise in the number of New Zealanders who expect economic conditions to improve over the coming year, and more optimism around expectations for personal finances. However, this has not yet been matched with a shift in appetites toward spending, with consumer attitudes towards making major purchases remaining firmly unenthusiastic.



Housing Market (December 2023)

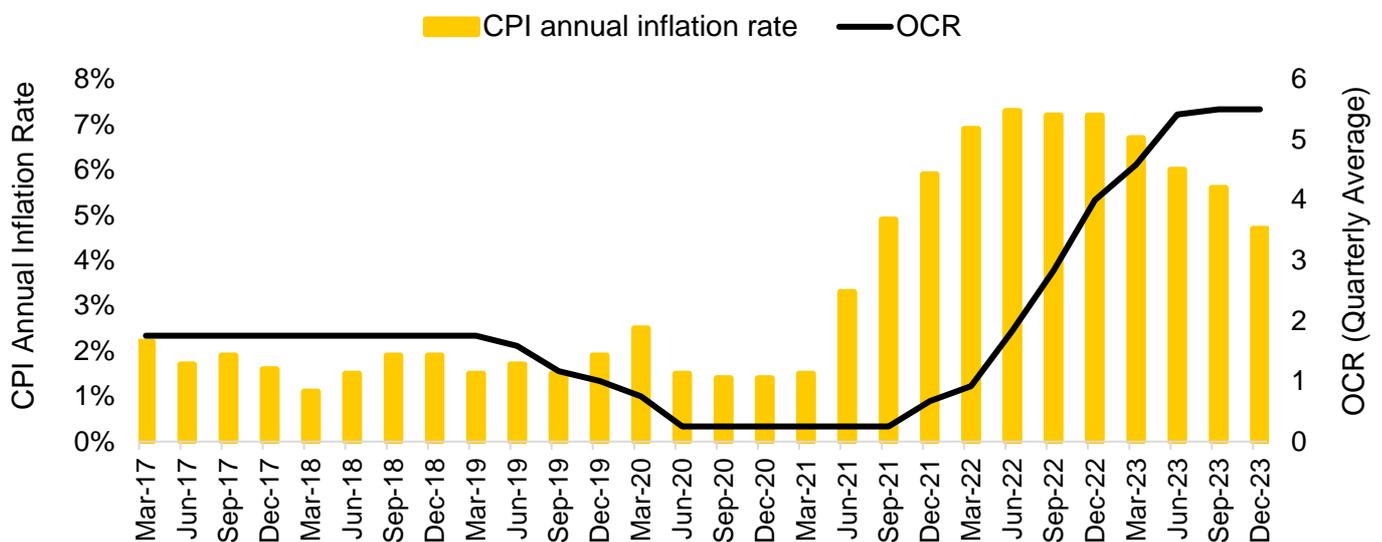
- According to house price data from the Real Estate Institute of New Zealand (REINZ), the median house price in Christchurch sat at \$670,000 during December 2023, up 3.1 percent from December 2022. Year-on-year growth in Christchurch house prices has been positive since October, in a movement away from previous trends.
- As of December, the median house price in Christchurch was -8.3 percent or \$61,000 lower than its February 2022 peak. This compares to declines of just over 19 percent from their respective peaks in both the Auckland and Wellington regions (equivalent to declines of \$250,000 and \$193,000 in the median house price, respectively).
- Across the Canterbury region, the median number of days to sell in December was 31 days. This was the same as the ten-year average for December. This was below the median number of days to sell for New Zealand as a whole, which sat at 36 days.



Consumer Price Index (Q4 2023)

- The release of the Consumer Price Index (CPI) for the December 2023 quarter indicates that the annual inflation rate fell to 4.7 percent in Q4, down from 5.6 percent in the previous quarter. This is the lowest annual CPI inflation rate recorded in New Zealand since June 2021.
- Housing costs made the largest contribution to annual inflation. Rental prices rose 4.5 percent over the year to December, while construction costs and local government rates increased by 3.6 percent and 9.8 percent over the same period, respectively.
- While CPI inflation is still outside the 1-3 percent target band, the annual inflation rate has been trending steadily downward over the last 12 months. This indicates that price pressures are easing in the economy as COVID-induced supply chain disruptions have diminished, consumer demand has reduced in line with OCR hikes, and the labour force has expanded.

Annual inflation & the OCR



Data source: Statistics NZ & RBNZ

- On a quarterly basis, prices increased by 0.5 percent (i.e., prices were 0.5 percent higher in the December 2023 quarter than they were in the September quarter). This is the lowest quarterly CPI inflation rate recorded since December 2020.
- Prices for about one-third of all items in the CPI basket declined over the December quarter, with the largest decrease observed in vegetable prices due to summer seasonal availability (down -14.9% from the September quarter). Despite this large quarterly decline, vegetable prices were still 0.8% above that of the December quarter in 2022. While vegetable prices fell compared to the September quarter, fruit prices increased by 9.6 percent over the same period.

Commodity Prices (December 2023)

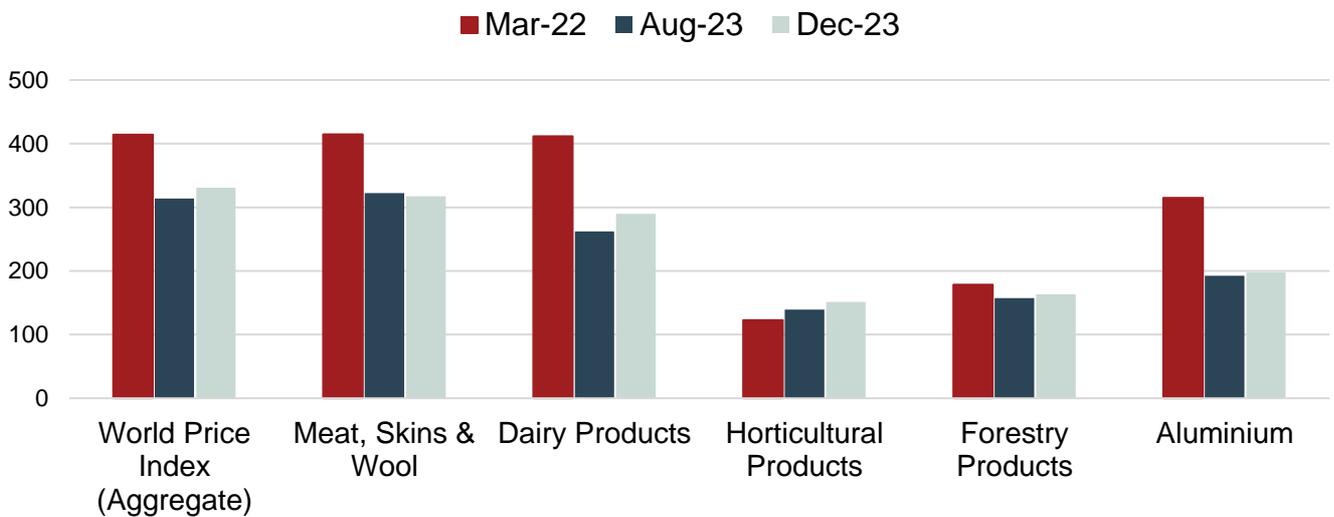
- ANZ's Commodity Price Index tracks movements in the prices received for New Zealand's main export categories- meat, skins & wool; dairy; horticultural products; forestry products; and aluminium.
- According to the Commodity Price Index, world prices hit a record high in March 2022 but began a steady downward climb shortly afterward. Driven by easing in global inflationary pressures and softening Chinese demand, this declining trend continued for almost eighteen



months until bottoming out in August 2023. This represented a -24 percent decline in the index from peak to trough. The largest falls in indexed prices over this period were for aluminium (-39%) and dairy products (-36%), in line with reduced global demand.

- Since August, prices for commodities have started to lift with the world price index increasing by 5 percent over the four months to December 2023. Gains were largest in indexed prices for dairy (up 11%) and horticultural products (+9%), while indexed prices declined over the same period for meat, skins & wool (-2%).
- Although commodity prices have lifted, global shipping prices have been trending upward simultaneously which is limiting margins for exporters. Conflict in the Red Sea and climatic effects in the Panama Canal are causing disruptions in two of the world's busiest shipping lanes and pushing up insurance costs for shipping companies.

ANZ Commodity Price Index



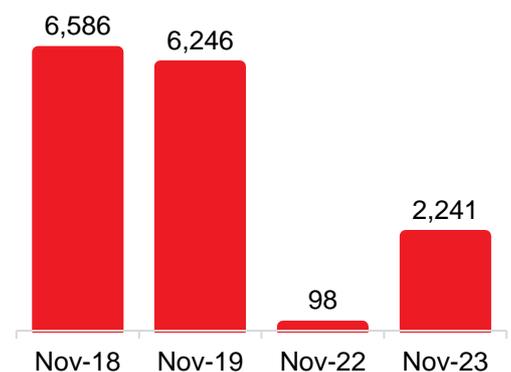
Data source: ANZ

International Visitation (November & December 2023)

International visitor arrivals (November 2023)

- International visitor arrivals at Christchurch Airport increased to 37,600 people during November 2023. This was a 39 percent increase from the previous month of October, and a 34 percent lift from November 2022. This was equivalent to 68% of pre-COVID arrival numbers (November 2019). Seat capacity on international flights into Christchurch (which can also be understood as the maximum recovery in arrival numbers we could expect to see given the seats/flights available) sat at 80 percent of 2019 levels during the same period.
- Arrivals data for November was characterised by a jump in visitors from China, coinciding with the return of direct flights from Guangzhou to Christchurch from the 10th of November. There were 2,220 visitor arrivals from China during November, compared to less than 500 in October. Chinese arrival numbers for November sat at 34 percent of pre-COVID levels, up from an average of 15 percent of over the previous six months.

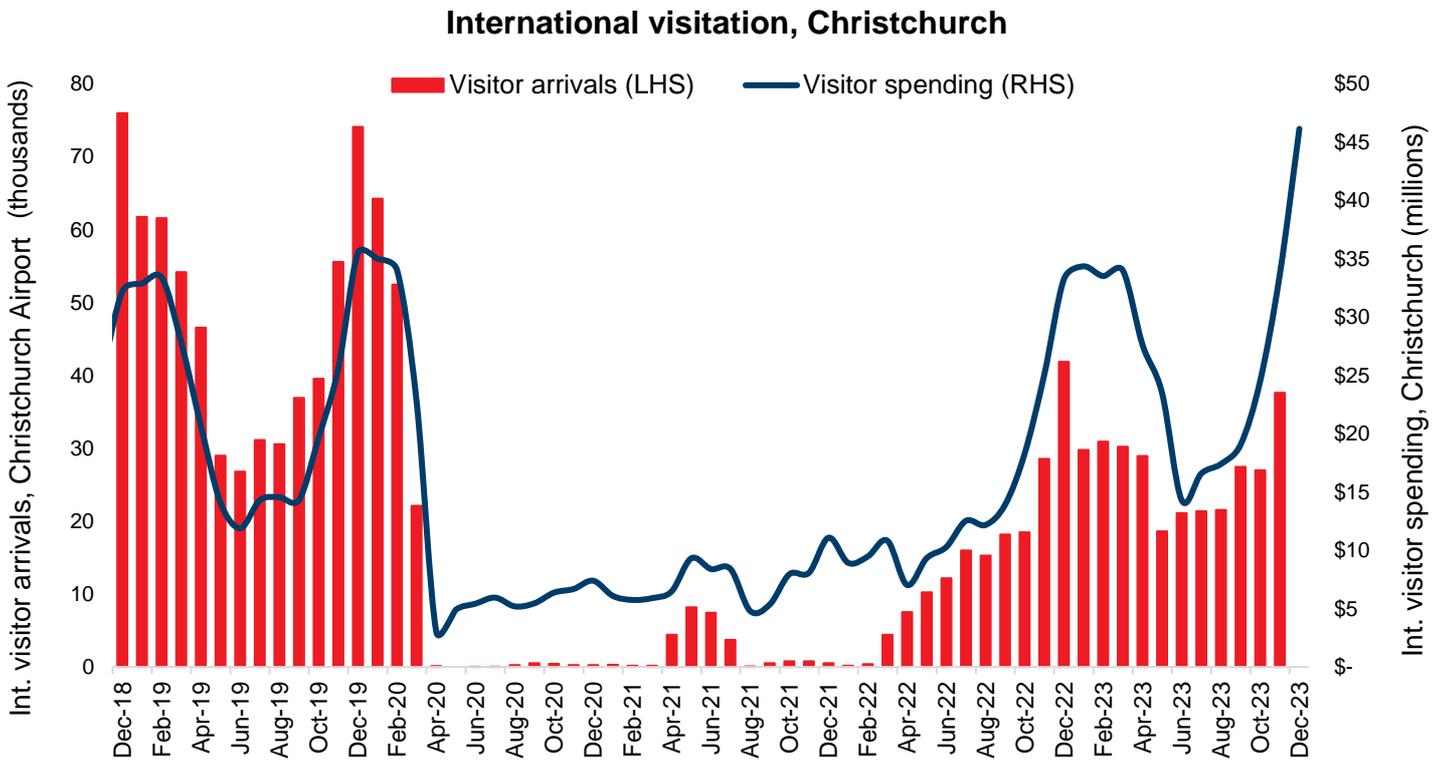
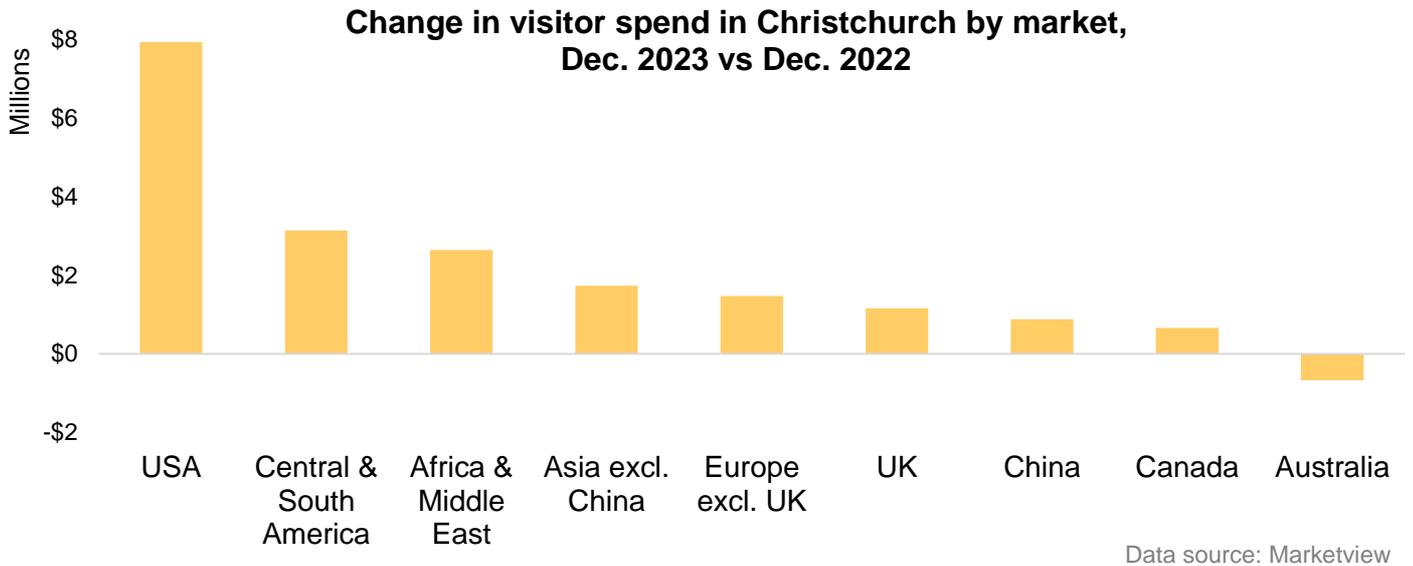
Visitor arrivals from China, Christchurch Airport



Data source: Statistics NZ

International Visitor Spending (December 2023)

- In-store international visitor spending in Christchurch City reached a record high of \$46.1 million in December 2023, up \$12.9 million from the same month in 2022.
- \$7.9 million of this increase from December 2022 was due to an uplift in spending by visitors from the United States. The next largest increases in real terms were among visitors from Central & South America (up \$3.1m) and Africa & the Middle East (up \$2.6m). Increases in spending from both these and other international markets offset a decline in spending by Australian visitors (down -9% or \$670k compared to December 2022).
- Visitors from the US made up the largest share of international visitor spending in Christchurch at 31 percent, followed by visitors from Australia (15%) and the UK (12%).
- After adjusting for CPI inflation, December's record high is estimated to be 6 percent higher than the pre-COVID peak recorded in December 2019.



Retail Spending (December 2023)

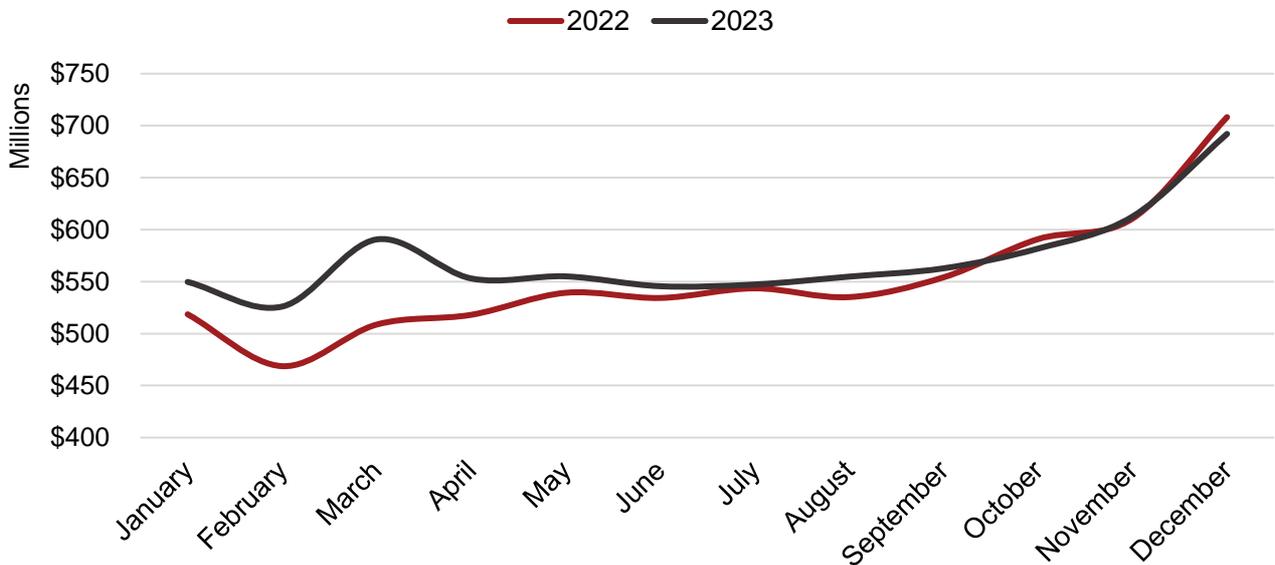
Retail spending figures are sourced from Marketview and refer to spending via **in-store electronic card transactions**. Figures do not capture purchases made in cash or online.

- The value of retail spending in Christchurch during December 2023 came to \$692m. An increase in spending in the lead up to Christmas saw monthly spend lifting 13.0 percent from the previous month of November, with daily spend peaking at \$34.1 million on Friday 22nd December. However, spending declined on a year-on-year basis. Spending during December 2023 was down -2.3 percent or -\$16.1m from December 2022.
- In a continuation of trends observed in previous months, the largest year-on-year declines in spending took place in 'discretionary' or non-essential store categories: home & recreation retail (-8.0%); apparel & personal (-5.1%); and other consumer spending (-4.4%). This reduction in discretionary spending continues to reflect weakened consumer sentiment amid cost-of-living pressures.

Change in value of ECT retail spending in Christchurch, December 2023 vs December 2022

Apparel & Personal	Cafes, Restaurants & Bars	Fuel & Automotive	Groceries & Liquor	Home & Recreation Retail	Other Consumer Spending	Total
-5.1%	0.5%	1.3%	2.1%	-8.0%	-4.4%	-2.3%

Value of retail spending in Christchurch



Data source: Marketview

Spending volumes

- 13.3 million retail transactions were carried out in Christchurch via in-store electronic card spending during December 2023. This was -1.7 percent below that of the same time in 2022 (around 236,000 fewer transactions).

For queries related to ChristchurchNZ's economic insights, please contact:
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