Monthly Insights Brief

September 2024

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

Key economic trends during September

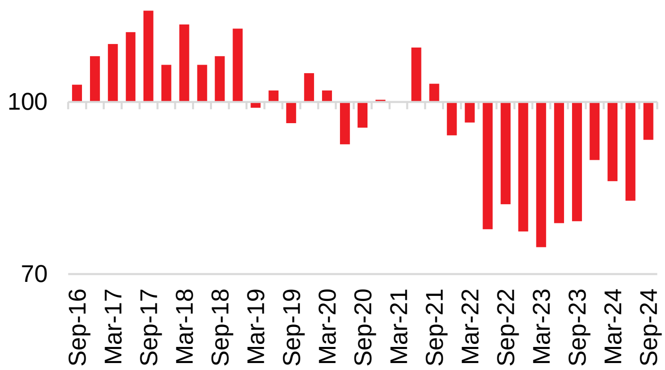
Household confidence

Sentiment surveys from Westpac point to an improvement in consumer and employment confidence among Canterbury households in recent months.

While confidence scores are still net pessimistic, i.e. negative sentiment outweighs positive sentiment, there is a growing sense of optimism among households around future economic conditions. This is especially true of Canterbury households, with both consumer sentiment and employment confidence scores sitting at higher levels in Canterbury than they are nationally.

Consumer sentiment improved both nationally and regionally in the September quarter, with consumer confidence lifting to a score of 90.8 nationally, and to 93.4 in Canterbury. Canterbury's consumer confidence score was the third highest in the country during Q3, sitting just behind Gisborne/Hawkes Bay, and the Waikato. This is also the highest consumer confidence score recorded for Canterbury since early 2022- a promising sign that sentiment is moving closer to net optimism (a score of 100 or higher).

Consumer confidence, Canterbury



The recent lift in consumer sentiment reflects a nation-wide improvement in expectations about the economic outlook over the year ahead, with forward-looking sentiment lifting to a three-year high. Households expect to see their finances improving over the coming year as inflationary pressures ease off and mortgage rates continue to fall.

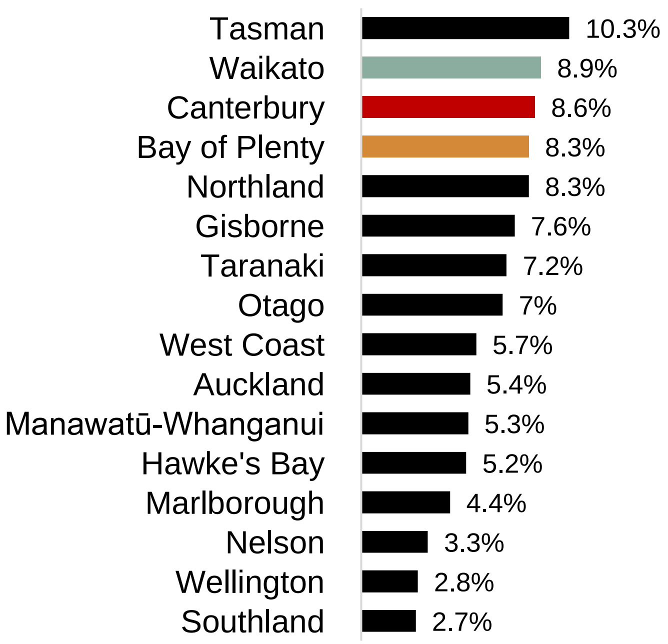
Sentiment around the employment outlook is more mixed, with employment confidence lifting among Canterbury households in the September quarter despite declining at the national level. National employment confidence is now sitting at its weakest score since the 2020 lockdowns, driven by growing perceptions that jobs have become much harder to find.

Looking across the regions indicates that the biggest hit to employment confidence over the last three months has taken place in Auckland. Although Wellington has the weakest employment confidence overall, sentiment in Auckland has dropped to similar levels. Westpac notes that this serves as a reminder that job losses are also taking place in industries like construction, manufacturing, and retail, as well as the more widely-reported public sector job cuts taking place largely in Wellington.

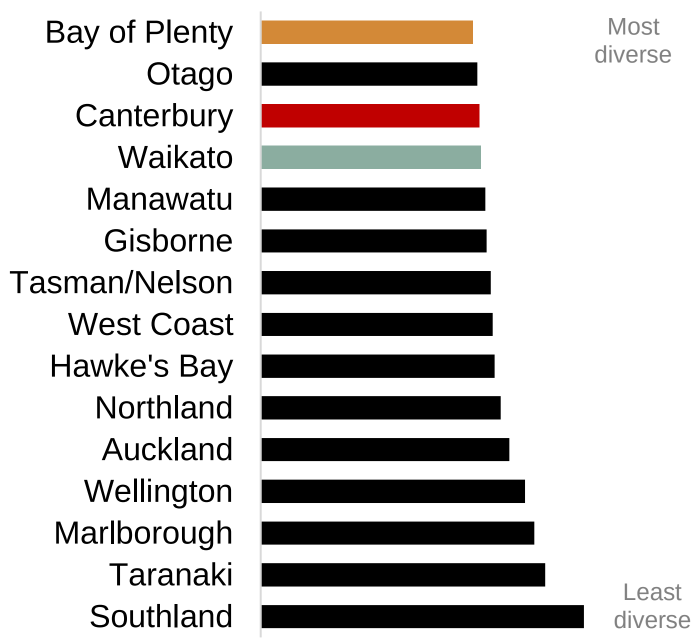
On the other hand, the September survey points to a lift in employment confidence in three regions- one of which is Canterbury. In a departure from national trends, employment confidence has improved in recent months in Waikato, the Bay of Plenty and Canterbury. Although jobs are still seen as harder to come by, people in these regions also possess a stronger sense of optimism about future earnings growth and job security.

Looking at the performance of these regions across a wider set of indicators reveals a couple of similar threads. Just six of New Zealand's sixteen regions recorded an annual increase in filled job numbers in the latest monthly data release (July 2024), with these three regions featuring among those still recording year-on-year job growth. Waikato, Bay of Plenty and Canterbury also happen to be some of New Zealand's most economically diverse regions, as well as ranking near the top of the charts for regional population growth in recent years. It could be that the greater resilience that comes with a diverse regional economy, coupled with a sense of momentum and growth within these areas, is creating more of a buffer for confidence in these regions than in others. With that being said, the employment landscape has still changed significantly, and the real test will be whether employment confidence can continue to improve in these regions over the coming months.

Census population growth 2018-2023



Economic diversity by region (2022)



Business growth & confidence

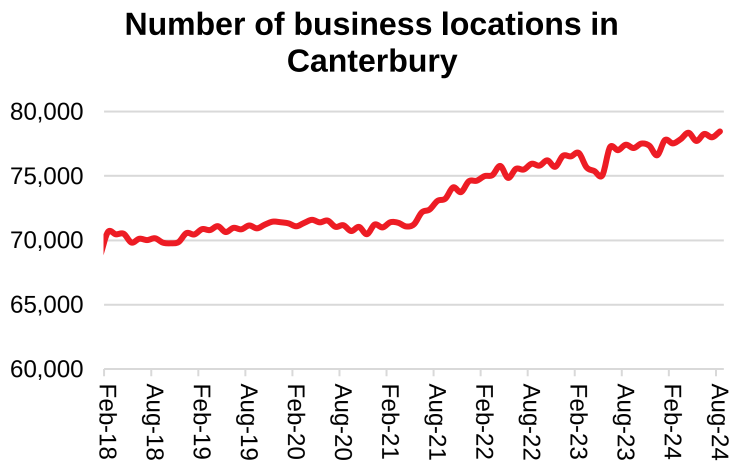
The number of businesses located in Canterbury has continued to rise despite a more challenging economic environment. Business growth in Canterbury accounted for 23% of national growth in business locations over the last year, despite making up just 13% of businesses in New Zealand.

This resilience is particularly noteworthy in light of New Zealand's broader economic context, with GDP growth hovering at flat to negative levels since late 2023.

Business growth can be tracked through monthly data that measures the number of business locations within a region. For example, a retail chain with three different stores in a region would be recorded as three business locations.

There were 78,460 business locations in Canterbury in August 2024. Compared to the same month last year, the number of businesses grew 1.3% (equivalent to an additional 1,000 businesses in Canterbury).

Data for growth within specific industries isn't available at the regional level. However, national data suggests that business expansion across New Zealand has been strongest in finance & insurance, admin. & support services, healthcare, and accommodation & food services. Meanwhile, the largest contractions have taken place in professional services, agriculture, and wholesale and retail trade.



The number of businesses locations across New Zealand increased by 0.6% or 3,700 businesses in August 2024 compared to August 2023. This means that business growth in Canterbury has accounted for 23% of national growth in business locations over the last year, despite making up just 13% of businesses in New Zealand. Canterbury's disproportionate contribution to national growth highlights the region's ongoing ability to attract and sustain businesses even in the current challenging climate.

Growth has varied widely by region, with Auckland recording a gain of just over 1,500 additional business locations from August 2023, and Otago business locations expanding by 850. Meanwhile, the Wellington region has registered a decline of about -600 business locations over the same period. Regional disparities reflect differences in local economic conditions and confidence, with Wellington in particular struggling with weak performance across a range of economic indicators.

The latest monthly Business Outlook Survey from ANZ indicates the surge in business confidence that took place in August was sustained in September. Business confidence hit another high in September, both nationally and in Canterbury. Confidence among Canterbury respondents has now lifted to its highest level since late 2013.

Wellbeing

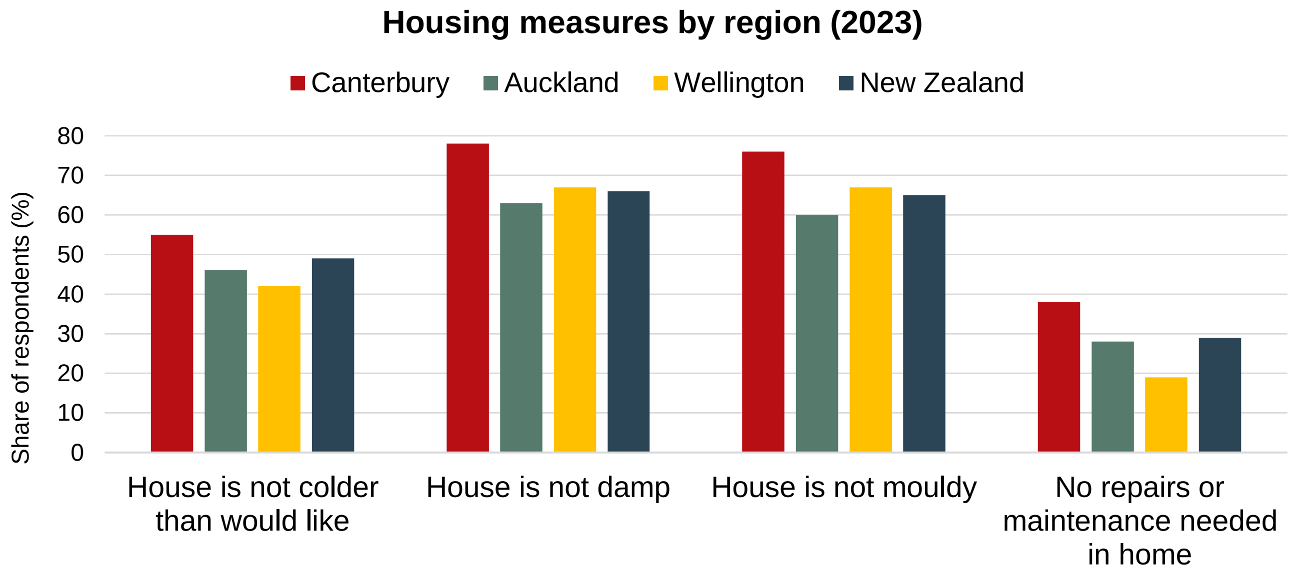
Recent insights from Statistics New Zealand's bi-annual Wellbeing Survey indicates that overall wellbeing levels are higher in Canterbury than they are nationally, despite a decline from the 2021 survey.

Four aspects of life have a strong relationship with wellbeing in New Zealand. A good outcome in each of these aspects of life is captured when someone reports having excellent or very good health; enough money to meet their everyday needs; having not felt lonely in the last four weeks; and having no major problems with their home.

22% of Cantabrians had all four of these key aspects of wellbeing in 2023. This was above the national average (18%) and higher than in the other major regions (17% in Wellington and 15% in Auckland). However, Canterbury's score on this measure had fallen slightly from 2021, when 24.5% of respondents had all four key aspects of wellbeing. This was largely due to a decline in the health indicator, with the share of people rating their health as excellent or very good dropping from 60% in 2021 to 48% in 2023.

Housing

Of these four aspects of wellbeing, Canterbury outperformed the national average most strongly in the housing measure. This indicator compares rates of coldness, dampness, and mould in the home. Comparing regional responses more generally also points to comparatively higher quality housing in Canterbury, as shown in the graph below.



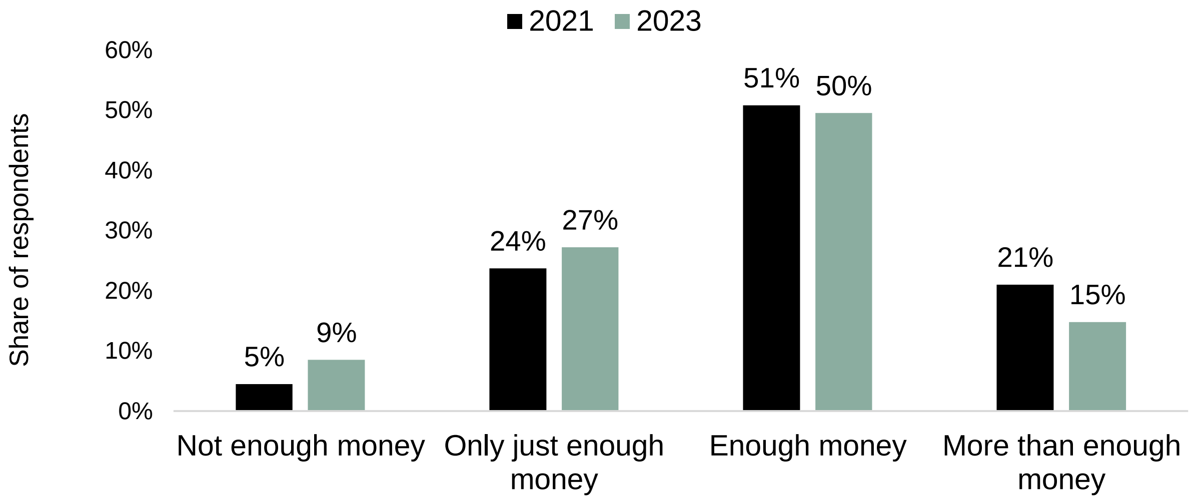
Income

Cantabrians were also more likely to feel that their income was adequate for meeting their everyday needs. 49.5% of people in Canterbury felt they had enough money to meet their needs. This compares to 45% nationally, 43% in Auckland and 38% in Wellington. Average incomes in Canterbury tend to be lower than the national average and the other major centres, which means that this is likely to reflect the comparatively lower cost of living in Canterbury rather than incomes being higher.

While Canterbury outperformed the national average on this measure, the impact of cost pressures on household finances in recent years is evident when comparing income adequacy statistics from the last wellbeing survey (2021). The share of people who feel they either don't have enough money or have only just enough has risen, while the share of people with more than enough has fallen. This trend is also evident at the national level.

Respondents were also asked if they had done certain things in the last 12 months to keep costs down. In line with national trends, Cantabrians were most likely to have done without or cut down on visits to local places, including the shops (58%) or spent less on hobbies or other special interests than they would have liked (58%). This aligns clearly with retail spending data from the last year that points to a cut-back in non-essential spending, e.g. recreational spend.

Adequacy of income to meet everyday needs, Canterbury



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