

Insight

Canterbury after the earthquakes

The Canterbury earthquakes have disrupted lives and the economy. This *Insight* brings together key economic indicators to provide a snapshot of the economic disruption.

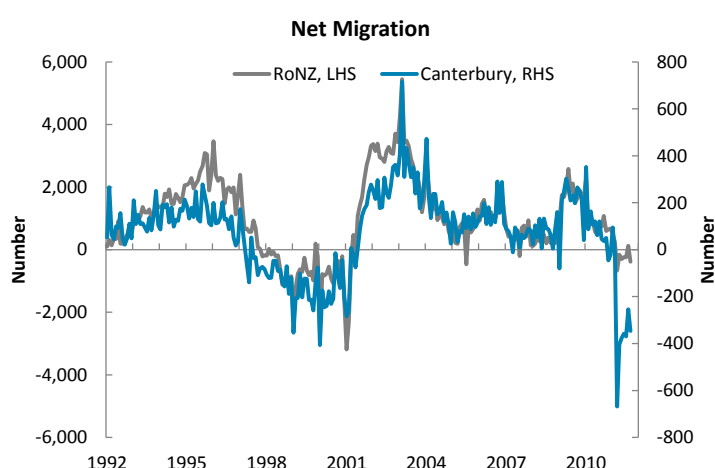
The true cost of the disaster will not be known for some time. The immediate clean-up and reconstruction is boosting demand in certain sectors like utilities, construction, safety, healthcare and social assistance. These have not fully offset reduced activity in other sectors.

A broad and considered long term economic plan is needed to ensure skills, jobs and businesses are retained in the economy. Anecdotally, regulatory and insurance risks are key barriers.

The most worrying signs are in population and job losses. The region's population has shrunk by 5,000 over the year to June 2011. There have been 26,800 jobs losses over year to September 2011 and employment is at the lowest level since June 2004. The impact has been harshest for the hospitality and services sectors. Retail spending is running well behind national trends, partly reflecting the impact of de-population.

Encouragingly, there are some signs of normalisation and resilience. For example, exports are buoyant and house sales are bouncing back. Ready mix concrete volumes are making up for lost production. However, there is not yet any evidence of a rapid recovery in construction activity.

Depopulation is a concern



Source: Statistics NZ, NZIER

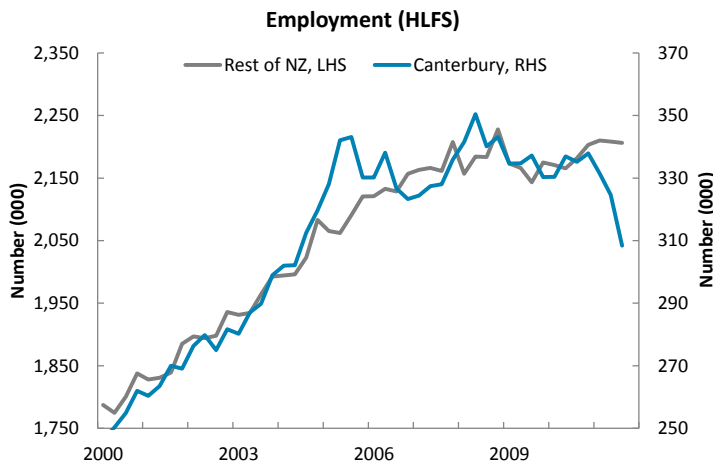
- Canterbury region population has fallen by 5,000 in the year to June 2011.
- Christchurch population has fallen by 8,900.
- International net migration to the region remains negative (-2,776 in the seven months to September).
- Regional migration is also likely to be negative, but data is sketchy.

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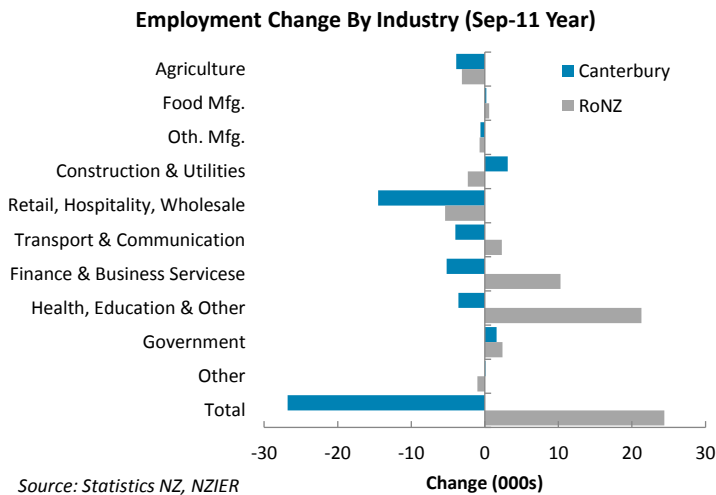
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Widespread job losses



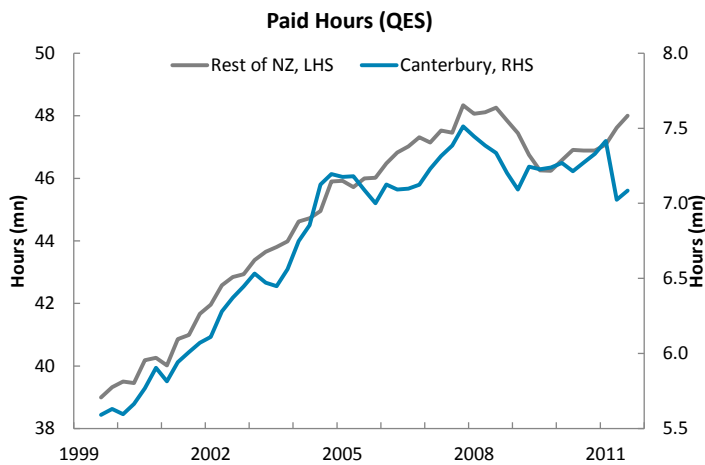
Source: Statistics NZ, NZIER

- Canterbury employment has fallen by 26,800 in the year to Sep-2011.
- Employment is at the lowest level since Jun-2004.
- Some jobs from Canterbury may have moved to other regions, but it is not possible to identify this yet.



Source: Statistics NZ, NZIER

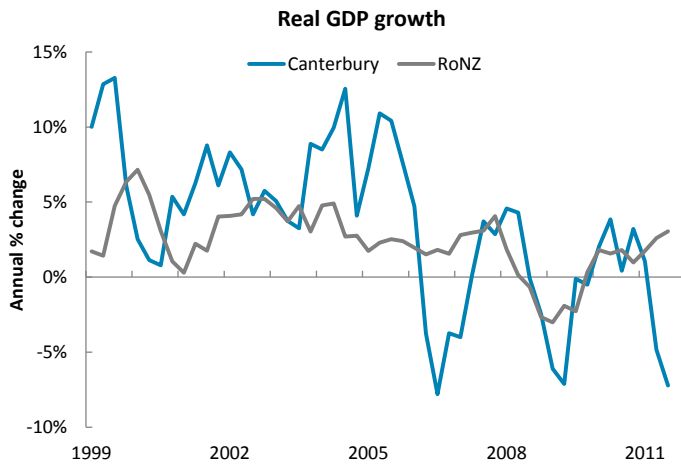
- Employment changes by industry shed greater insights.
- Canterbury job losses have been widespread, but particularly harsh in the hospitality and services sectors, which are more likely to have been in the CBD.
- The only sectors to show job gains are construction, utilities and government. Encouragingly, manufacturing remains resilient.



Source: Statistics NZ, NZIER

- Paid hours, a proxy for economic activity, has stabilised after a sharp fall after the Feb-11 earthquake.
- The rest of New Zealand continues to grow. Potentially the national economy has potentially absorbed and offset some of the disruption in Canterbury.

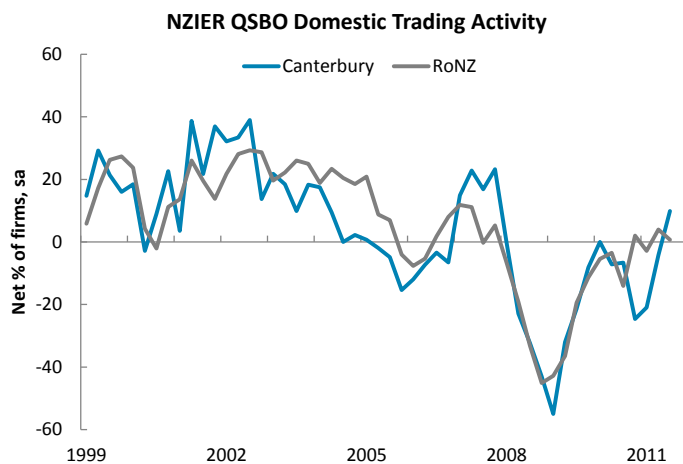
Significant contraction in activity



Source: NZIER

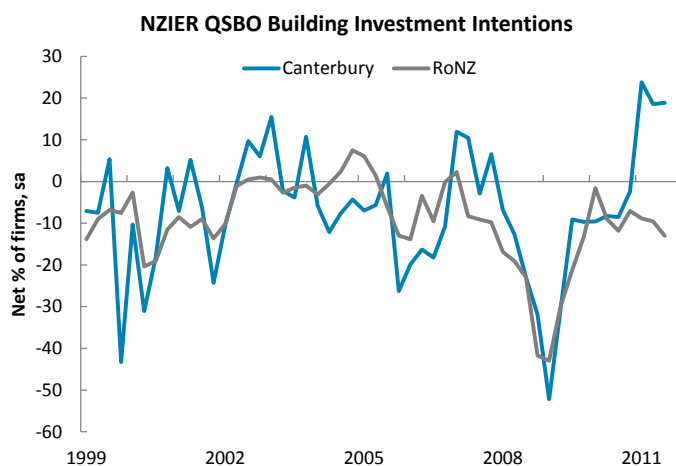
- Regional GDP data is not readily available. Our own indicative estimates suggest activity has fallen sharply in Canterbury, by around 5%-7% over the past year. This is partly offset by resilience elsewhere in New Zealand.

Encouraging signs of rebound, particularly in construction



Source: NZIER

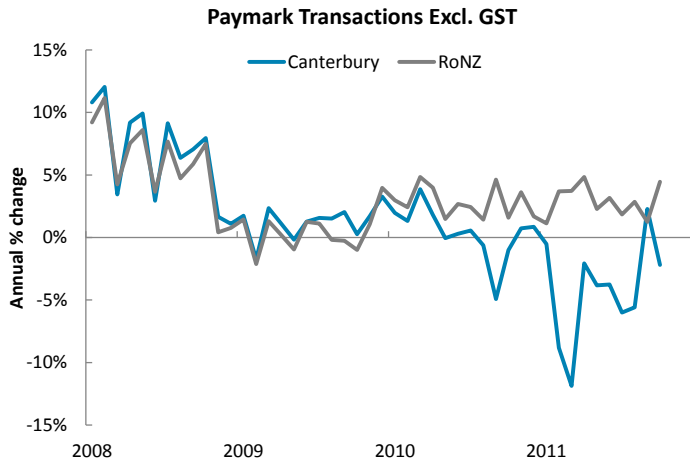
- The NZIER QSBO provides a timely read of activity.
- The domestic trading activity indicator suggests activity will bounce back from the latest disruption.
- However, the Canterbury results may be biased as closed and disrupted businesses might not respond to the survey.



Source: NZIER

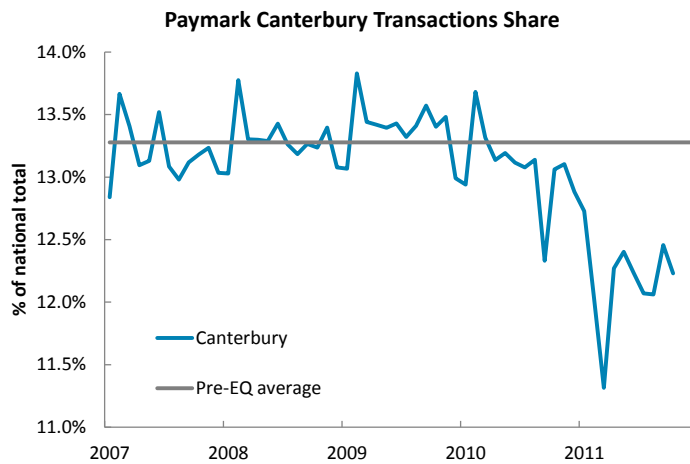
- Construction sector indicators have surged in Canterbury – especially for building investment intentions and construction labour hiring intentions
- At the same time some cost pressures are emerging in the construction industry.
- Other investment intentions have also risen.

Retail spending hard hit



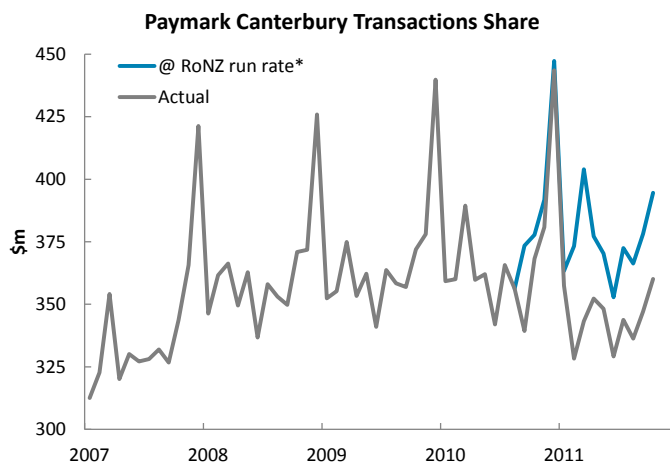
Source: Paymark, NZIER

- Paymark data suggests Canterbury spending growth is bouncing back from the massive disruption following the Feb-11 earthquake.



Source: Paymark, NZIER

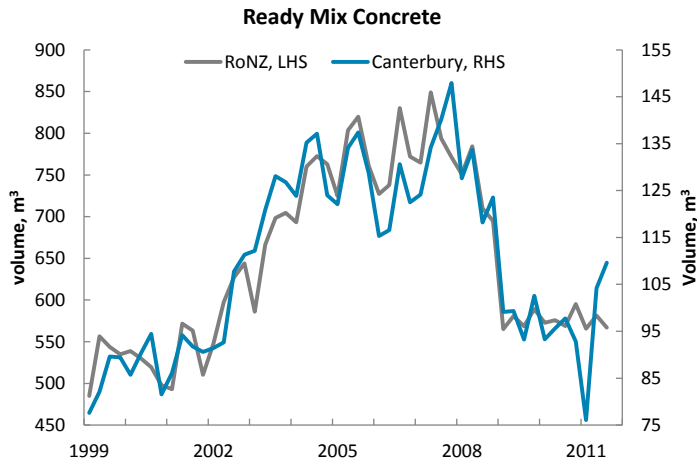
- Canterbury's share of electronic card transactions on the Paymark network remains at a historically low level.
- This suggests retail spending in Canterbury is running behind the pace elsewhere in the country.



Source: Paymark, NZIER (*If Canterbury had grown at the same rate as the rest of NZ)

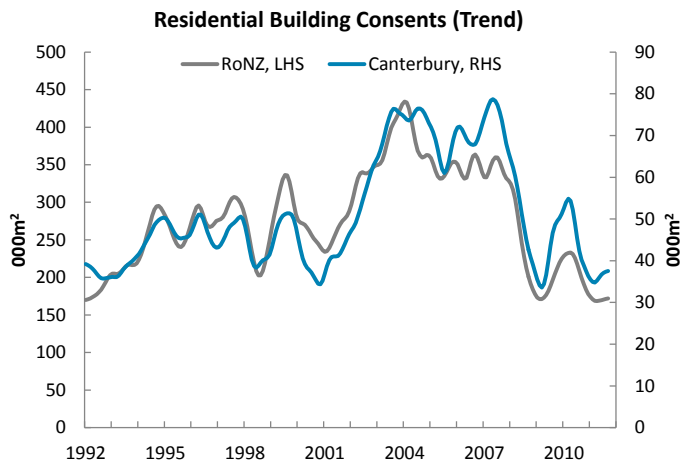
- Our estimates suggest retail spending in Canterbury is running around 8% behind the pace in the rest of the country.
- This may be due to a number of factors, including depopulation and reduced retail offerings.

Construction bouncing back, but still very weak



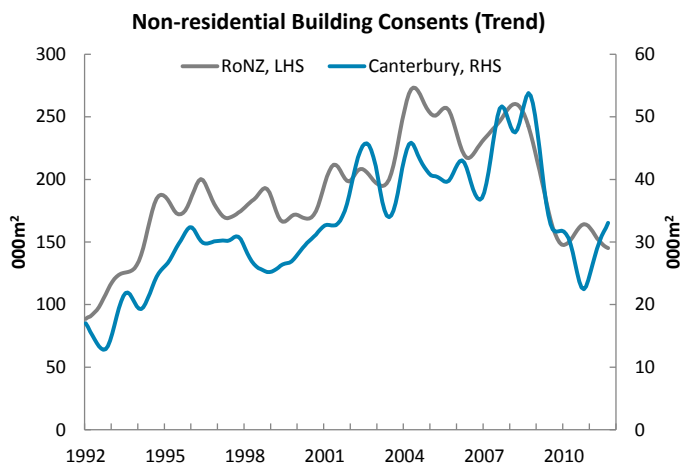
Source: Statistics NZ, NZIER

- Ready mix concrete is a good indicator of construction activity, as it is a key input.
- Ready mix concrete volumes have rebounded from the earthquake disruptions.



Source: Statistics NZ, NZIER

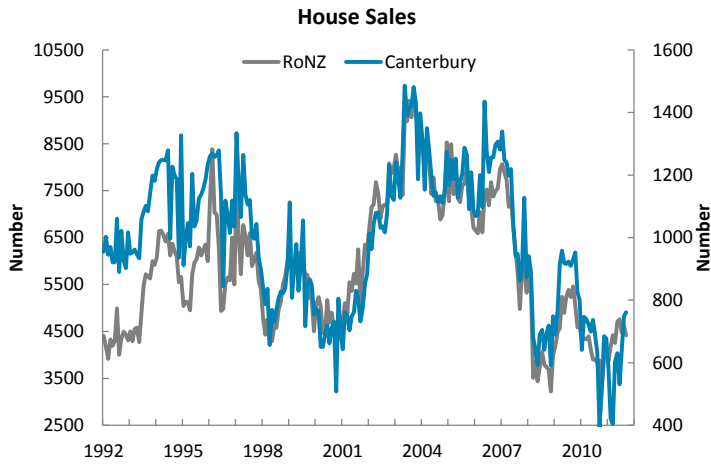
- Residential consents are beginning to lift, but still remain very low.
- The patterns do not yet look very different from the rest of the country.



Source: Statistics NZ, NZIER

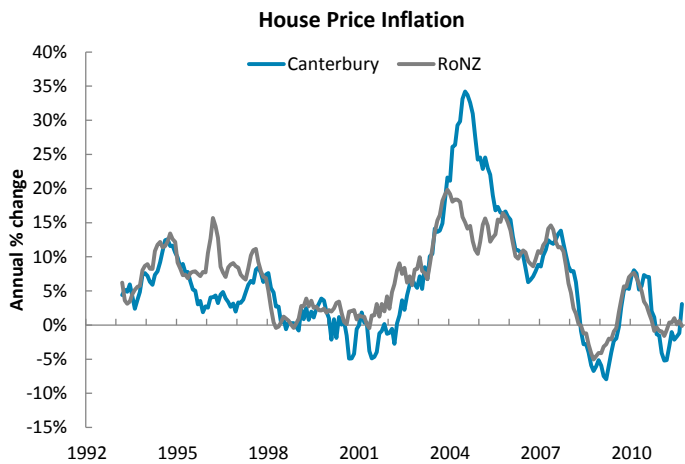
- Non-residential consents fell sharply in late 2010, but now appear to be bouncing back.

Housing market normalising



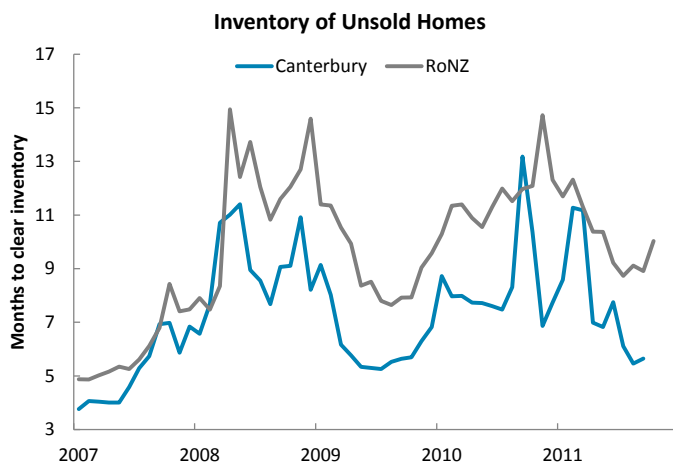
Source: REINZ, NZIER

- House sales are bounding back, from depressed to weak levels seen nationally.



Source: REINZ, NZIER

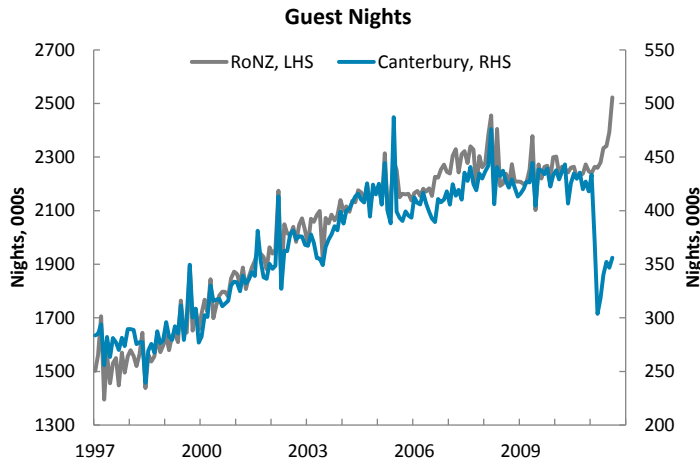
- House prices appear to be rising in Canterbury, compared to flat prices elsewhere.
- This may be due to a reduced stock of homes in Canterbury, which could increase the value of unaffected homes.



Source: realestate.co.nz, REINZ, NZIER

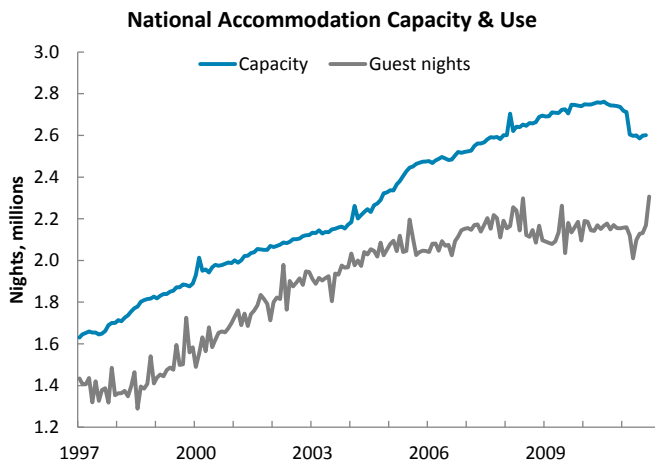
- Inventory of homes for sale is small in Canterbury. This may be consistent with a reduced supply of suitable housing following the earthquakes.

Accommodation sector has slumped



Source: Statistics NZ, NZIER

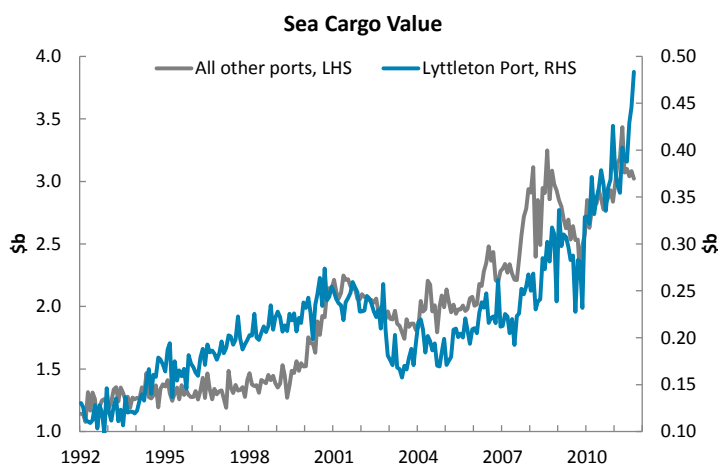
- Guest nights in Canterbury have fallen sharply, but have recovered a little.
- Rest of country got a boost from the Rugby World Cup (RWC).



Source: Statistics NZ, NZIER

- National accommodation capacity fell by around 5% as a result of the Canterbury earthquakes.
- But rest of country has sufficient spare capacity to meet demand, even during the RWC.

Exports strong



Source: Statistics NZ, NZIER

- Exports remain encouragingly resilient despite disruptions and reported damage to the port.

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