

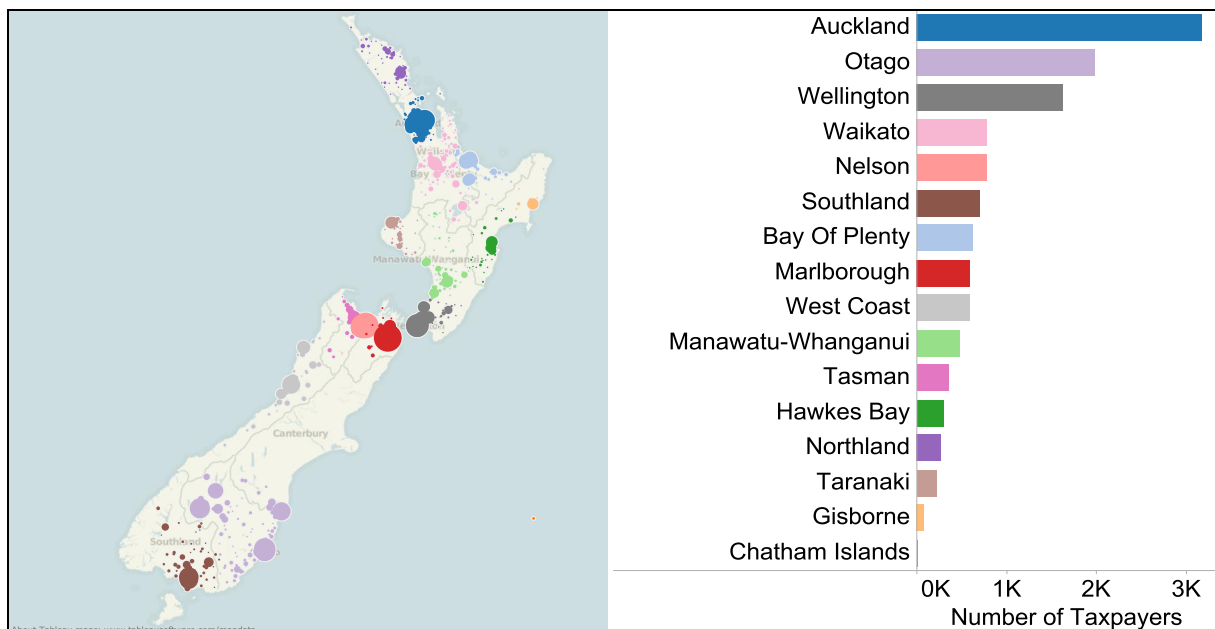
Canterbury after the earthquakes: April 2012 update

The Canterbury earthquakes have disrupted lives and the economy. This Insight brings together key economic indicators to provide a second snapshot of the economic disruption.¹ We find encouraging signs of stabilisation.

Canterbury has been significantly affected by the devastating earthquakes in September 2010 and February 2011. In addition to the human cost, the economy suffered leading to job losses and outflow of people. But there are indications the economy may be on the mend and we are even seeing recovery in some sectors.

The outflow of people is slowing. The figure below uses IRD taxpayer data to show the New Zealand regions Canterbury residents have moved to. These flows may lead to activity and housing pressures in the recipient regions.

Regional tax payer emigration (gross outflow) from Canterbury: September 2010-January 2012



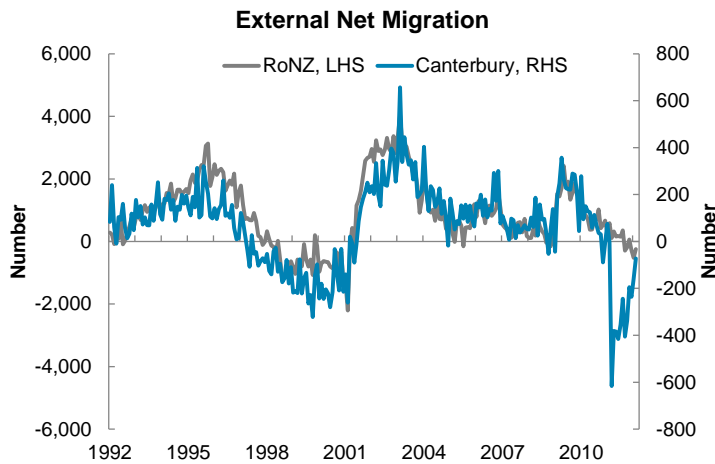
Source: Inland Revenue Department

¹ First snapshot Insight 30 Canterbury after the earthquakes <http://nzier.org.nz/publications/canterbury-after-the-earthquakes-nzier-insight-30>

Job losses have stopped, but a broad-based recovery has not begun in earnest yet. International trading remains resilient and a pickup in construction is emerging.

Retention of skills, jobs and businesses requires certainty and a considered long-term economic plan. Anecdotally, regulatory and insurance risks continue to be key barriers.

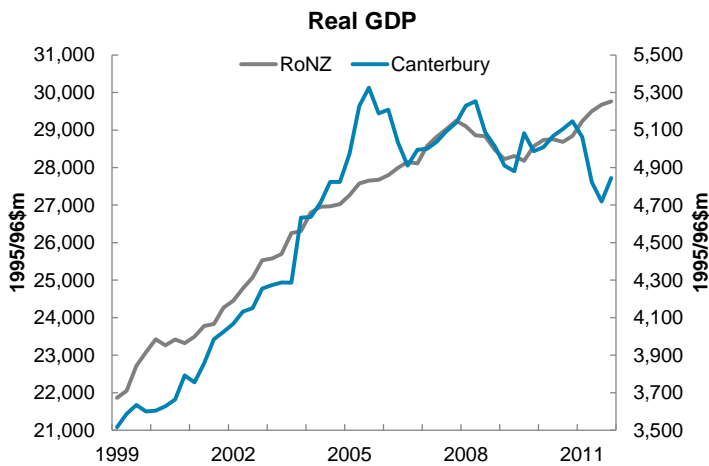
Population outflow easing



Source: Statistics NZ, NZIER

- Loss of population from migration has slowed.
- In net terms, 3,800 people have moved overseas since the September 2010 earthquake.
- Net outward migration to other regions is slowing.
- According to IRD data a net 5,400 tax payers have moved out of Canterbury since the first earthquake. The total may be higher when children are taken into account.

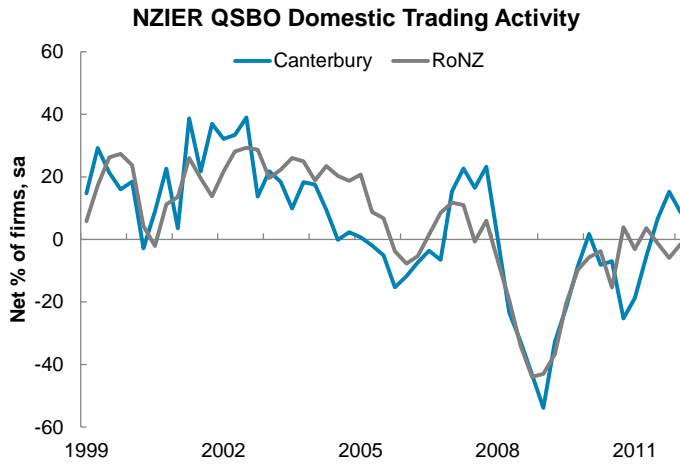
Activity has troughed



Source: Statistics NZ, NZIER

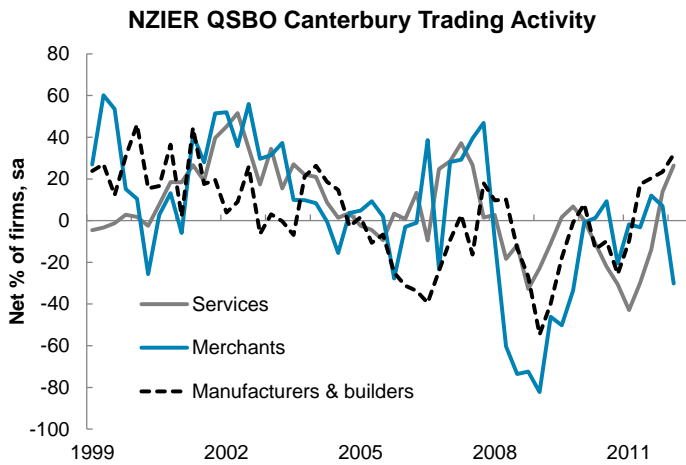
- Economic activity contracted sharply in the aftermath of the earthquakes. We estimate economic activity in 2011 was 4% lower than 2010.
- There are now some encouraging signs of a recovery in economic activity.

Leading indicators rebounding sharply



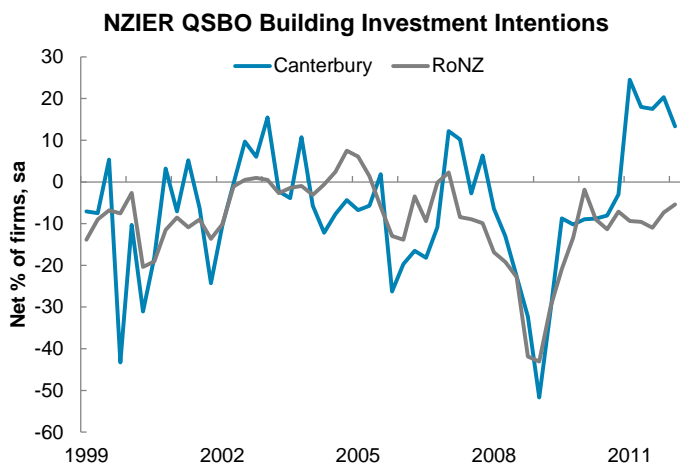
Source: NZIER

- Leading indicators of the economy are recovering in Canterbury. The NZIER *Quarterly Survey of Business Opinion* shows domestic trading activity has rebounded from the weakness following the earthquakes.
- Capacity pressures are building in Canterbury, which is flowing through to higher prices, particularly for the building sector.



Source: NZIER

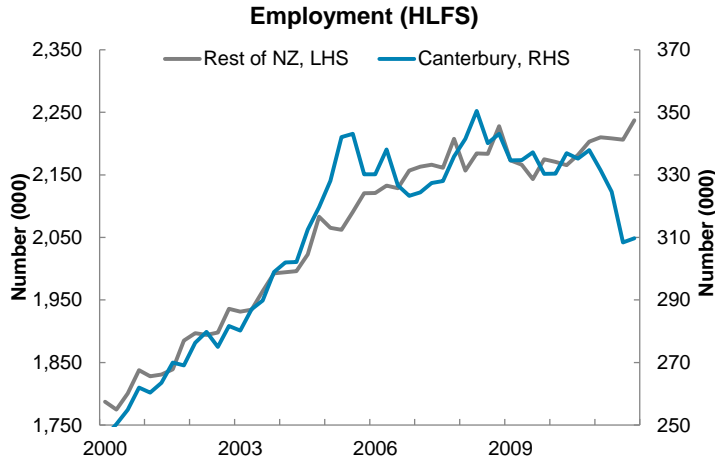
- The rebound in activity has been widespread across services, manufacturing and building sectors.
- Retailing has shown renewed weakness. This is surprising and may reflect a patchy recovery.



Source: NZIER

- Investment intentions remain high in Canterbury, for both buildings, plant and machinery.
- This reflects replacing capital lost during the earthquakes and the capital needed to rebuild Canterbury.

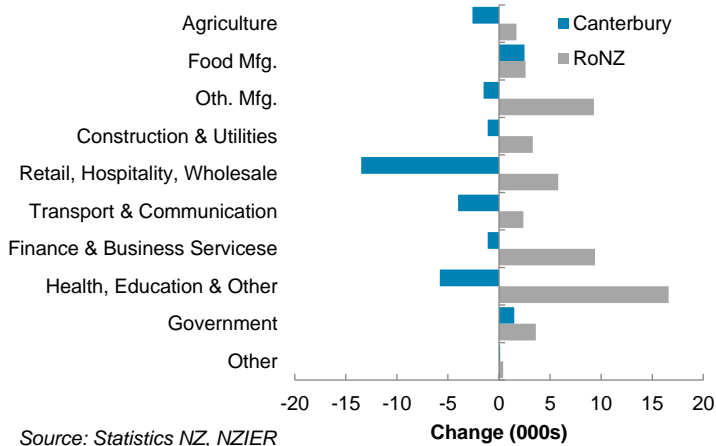
Jobs market stabilising after steep falls



Source: Statistics NZ, NZIER

- The labour market is also stabilising after steep falls in the aftermath of the recession.
- Over the year to December 2011, there were 28,200 job losses.

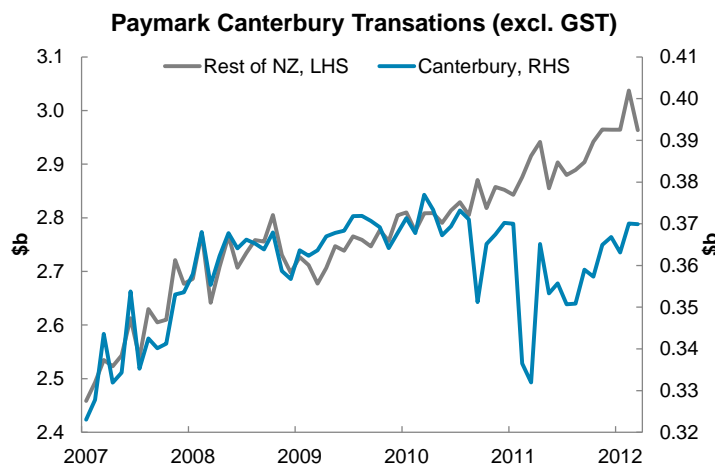
Employment Change By Industry (Dec-11 Year)



Source: Statistics NZ, NZIER

- Job losses in Canterbury have been widespread across industries.
- Employment has grown in food manufacturing and government sectors. There were job losses in other sectors, particularly in the retail, hospitality and wholesale segment.
- Not all jobs have necessarily been lost, as some may have moved to other regions.

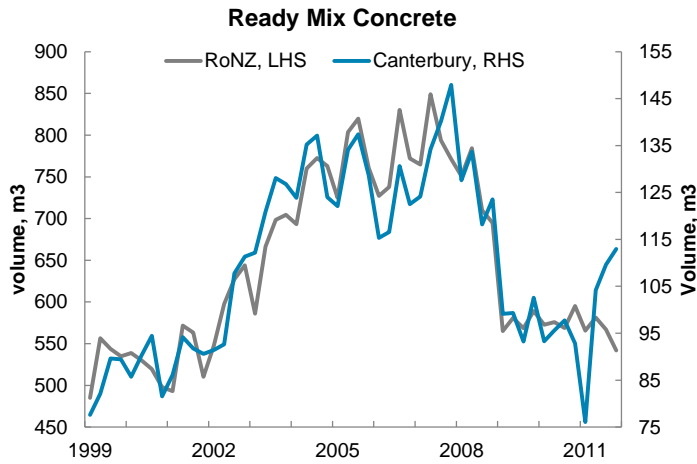
Retail spending recovering, but still weak



Source: Paymark, NZIER

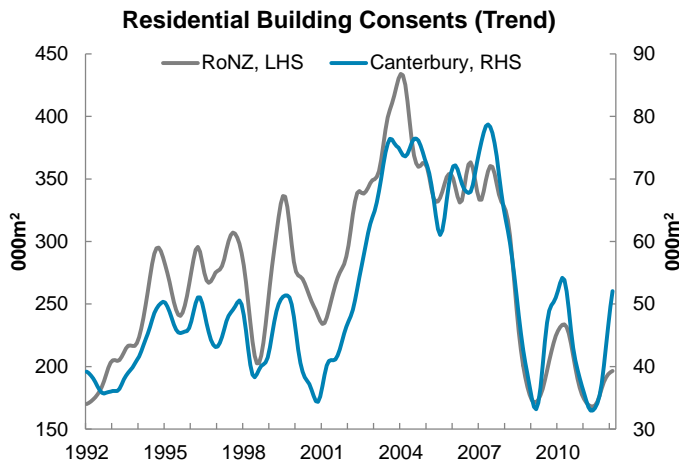
- Retail spending in Canterbury is rebounding from the earthquake disruptions, according to regional data from Paymark, which processes electronic card transactions.
- The level of spending is tracking behind the rest of New Zealand.

Construction bouncing back



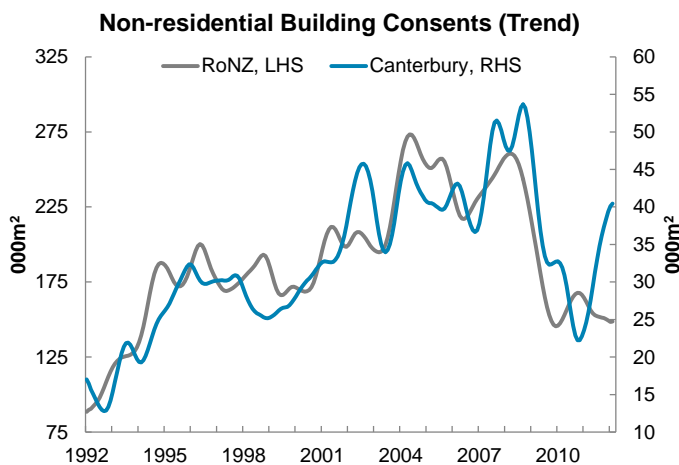
Source: Statistics NZ, NZIER

- Construction activity is beginning to rebound sharply.
- Ready mix concrete production has risen, consistent with a rebuilding led by infrastructure work, followed by residential and non-residential buildings.



Source: Statistics NZ, NZIER

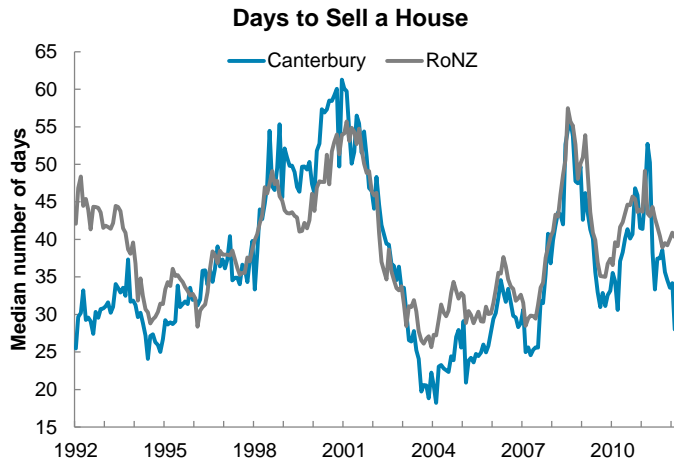
- Residential building consents have rebounded in Canterbury. The level of consents remains modest, but growth is better than the rest of New Zealand.



Source: Statistics NZ, NZIER

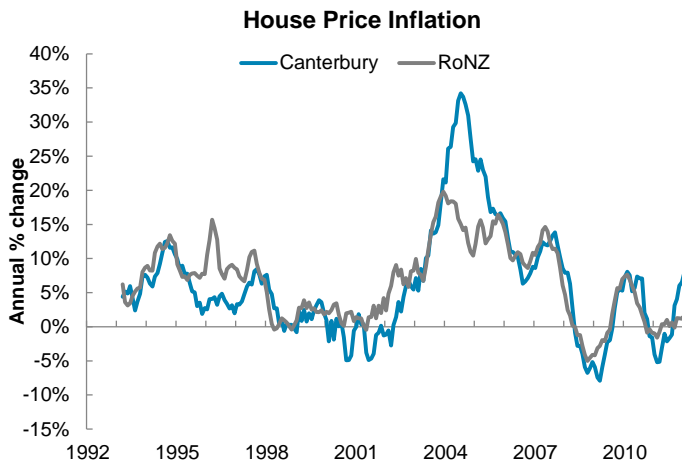
- Non-residential building consents have rebounded sharply, while activity is lacklustre elsewhere.
- The rebound in consents has been widespread across retail, office, industrial and farm buildings.
- Education and health are also rebounding.

Housing market pressures emerging



Source: REINZ, NZIER

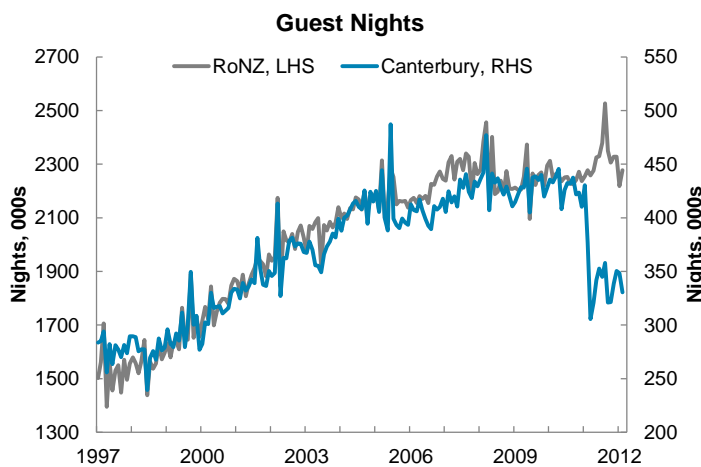
- There are emerging housing market pressures in Canterbury. Houses are selling rapidly and the inventory of unsold homes has shrunk.
- The tightening property market is symptomatic of wider pressures in the Canterbury housing market.
- Trademe, an online advertising site that includes rental properties, suggests the number of listings has nearly halved and rents are rising.



Source: REINZ, NZIER

- The rapid rise in Canterbury house prices reflects a mismatch between the supply and demand for habitable housing.

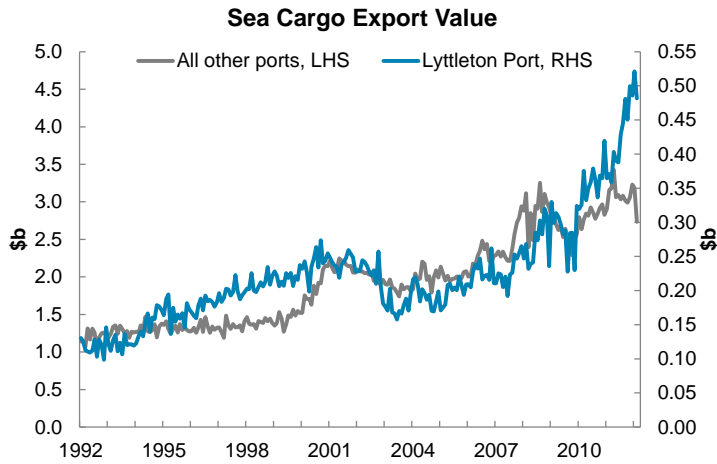
Accommodation sector has slumped



Source: Statistics NZ, NZIER

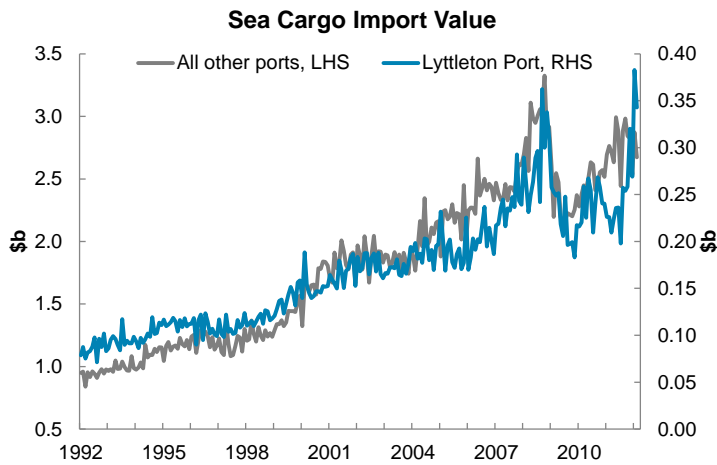
- The accommodation sector has been significantly affected by the earthquakes. The loss of capacity has been the biggest driver.
- International visitors have fallen sharply, but domestic guest nights are similar to before the earthquakes.

International trading backbone resilient



Source: Statistics NZ, NZIER

- Exports continue to be strong through both the Lyttleton seaport and the Christchurch airport.



Source: Statistics NZ, NZIER

- Imports through the Lyttleton seaport continue to grow.

This Insight was written by Shamubeel Equb, Principal Economist at NZIER, 17 April 2012

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