

MANAWATŪ QUARTERLY ECONOMIC SNAPSHOT

HAKIHEA //
DECEMBER QUARTER 2024

YOUR ECONOMIC SNAPSHOT
FOR THE DECEMBER 2024
QUARTER AND YEAR TO DATE

CEDA
CENTRAL ECONOMIC
DEVELOPMENT AGENCY

 **MANAWATU**
DISTRICT COUNCIL

PALMY
PALLISER
PALMERSTON
NORTH
CITY

TE MAURI O
MANAWATŪ


DECEMBER 2024

WELCOME TO THE MANAWATŪ QUARTERLY ECONOMIC SNAPSHOT // DECEMBER 2024 QUARTER



THE MANAWATŪ REGION ENDED 2024 ON A STRONGER ECONOMIC FOOTING, REFLECTING EARLY SIGNS OF RECOVERY ACROSS REGIONAL NEW ZEALAND.

Favourable export conditions helped drive this momentum, with solid returns in dairy, beef, and horticulture, while lamb prices also showed improvement. Tourism rebounded with rising international arrivals and stronger domestic travel, providing a boost to local businesses. Encouragingly, New Zealand's Performance of Manufacturing Index tipped into expansion in January for the first time in 23 months, signalling better conditions for manufacturers. Spending and employment trends also point towards a slow but steady shift towards economic recovery in 2025.

Despite these positive indicators, global uncertainty poses a risk to New Zealand's economic outlook. Policy shifts proposed by

the new U.S. administration could fuel inflation and weaken global trade, potentially slowing demand for exports. If implemented, increased tariffs on goods entering the U.S. could hurt key trading partners like China and raise costs for New Zealand exports, particularly red meat and dairy sectors critical to the Manawatu economy. Market instability is already evident, with currency, equity, and bond markets experiencing volatility, and expectations of rising inflation leading some major banks to predict domestic interest rate increases as early as 2026.

On a more positive note, the Reserve Bank of New Zealand (RBNZ) expects interest rates to ease, with the Official Cash Rate (OCR) projected to decline to 3.1% between 2026 and 2028. This would provide relief for households and businesses, helping to support regional economic activity throughout 2025. At the same time, the New Zealand government is actively pursuing new trade agreements with India, Vietnam, and the Middle East.

These efforts aim to reduce reliance on traditional trading partners and strengthen the country's economic resilience.

Further economic stimulus could come from foreign investment and large-scale infrastructure projects, which have the potential to drive job creation and long-term growth. While external risks remain, the combination of policy initiatives, trade diversification, and investment attraction is helping to secure New Zealand's economic future in the face of global challenges.

“While undoubtedly challenges continue in 2025, mammoth efforts are being made, both regionally and at the national level, to secure the economic future of New Zealand, in the face of these external challenges.”

- Jerry Shearman, CEDA's Chief Executive

Five Year GDP

MANAWATŪ NEW ZEALAND



8.9%



8.9%

% change in annual GDP compared to 5 years ago

NEW ZEALAND GDP

\$415 BILLION



A decrease of 0.5% in the year to December 2024

MANAWATŪ GDP

\$8.676 BILLION

In the year to December 2024, a decrease of 0.1%



Annual GDP growth in Manawatū peaked at 9% in the year to June 2021

GROSS DOMESTIC PRODUCT (GDP)

NEW ZEALAND'S ECONOMY CONTRACTED BY 1% OVER THE SIX MONTHS TO DECEMBER 2024, MEANING THE COUNTRY STILL REMAINS IN A TECHNICAL RECESSION.

While this presents challenges for businesses and employment, the worst of the downturn may be behind us, with early signs of stabilisation emerging. A combination of global pressures and domestic factors has contributed to the slowdown, but efforts to restore economic momentum are already underway.

The sharp increase in the Official Cash Rate (OCR) over the past two years has been the biggest domestic factor driving the slowdown. Higher interest rates have increased borrowing costs, which in turn reduced household and business spending. While this successfully curbed inflation, it also slowed demand and impacted business profitability. However, with inflation largely under control, we are now moving towards a period

where interest rates are expected to ease, providing some relief for businesses and households.

So, while challenges remain, the economic outlook is beginning to shift. With trade diversification, investment opportunities, and interest rate stability on the horizon, New Zealand's economy is positioned for recovery. Ensuring businesses and industries are supported through this transition will be key to unlocking sustainable growth in the years ahead.

Total Annual Earnings

\$4,074 Million



4.1% Increase

An increase of \$249M

Nationally this increased by 4.5%

Filled Jobs

(BY PLACE OF RESIDENCE)

Decreased by



1.6%

A decrease of 913

This decreased by 1.6% Nationally

Filled Jobs

(BY WORKPLACE LOCATION)

Decreased by



1.5%

A decrease of 863

This decreased by 1.6% Nationally

WORKFORCE & EMPLOYMENT

EMPLOYMENT IN MANAWATŪ DECLINED BY 0.3% IN THE YEAR TO DECEMBER 2024, CONTRASTING WITH THE NATIONAL EMPLOYMENT GROWTH OF 1.6% OVER THE SAME PERIOD.

On average, 56,982 Manawatū residents were employed throughout the year. Meanwhile, the regional unemployment rate sat at 3.9%, slightly lower than the national rate of 4.7%.

The labour market is showing signs of strain, with 863 fewer jobs (-1.5%) in the region compared to the previous year. Sectors experiencing the biggest declines include administrative and support services, retail trade, and construction, reflecting broader economic pressures. In contrast, healthcare, education, and central government administration have experienced the strongest job growth.

The Household Labour Force Survey for the Manawatū-Whanganui region for the December quarter reports a labour force participation rate of

69.3%, compared to New Zealand's national rate of 71.3%. The Labour Force Participation rate both for the region and New Zealand as a whole, increased in the December, likely reflecting a seasonal boost driven by the Christmas period and peak international tourism activity. The labour force participation rate in the region sat at 67.8% in the previous quarter and 70.9% across New Zealand.

A key challenge for recovery is the loss of skilled workers in critical sectors, particularly in public infrastructure and government services. Restructures and cost-cutting measures have weakened capability in these areas, which could hinder long-term economic growth and slow the delivery of essential infrastructure projects. This will be a critical issue to watch in the coming months.

56,982

PEOPLE LIVING IN MANAWATŪ



Were employed in December 2024

"In the final quarter of 2024, market uncertainty and interest rate concerns led many businesses to delay hiring decisions, reflecting the cautious economic environment. Despite this slowdown, specialised technical roles—such as diesel mechanics, welders, and engineers—remain in high demand.

At the same time, we've seen an influx of highly skilled candidates, particularly in middle management, due to commercial restructuring and public sector cost-cutting. The job market is extremely competitive, with some roles attracting over 100 applicants.

While hiring remains cautious, businesses are expressing optimism for early 2025, taking a prudent approach now while anticipating improved conditions ahead."

- Robyn Bills, Recruitment Specialist, PN Personnel



CONSTRUCTION

JANUARY 2025 SAW STEADY ACTIVITY IN BUILDING AND PLANNING SERVICES, WITH 39 NEW APPLICATIONS RECEIVED - SIMILAR TO LAST YEAR - WHILE THE NUMBER OF APPROVALS ROSE TO 60, UP FROM 50 IN JANUARY 2024.

An increase in applications and higher-value projects meant consent processing took slightly longer, but over 90% were still approved on time.

Inspections remained steady, with 432 completed - more than last year - while average inspection times stayed low at just 0.5 days, suggesting the industry took a well-earned break before ramping up again.

Several large projects are currently in progress, including an extension to Te Rere Hau Windfarm and a 150-lot residential subdivision in Whakarongo.

“The residential construction market remains under pressure, with fewer new builds coming through. Instead, we’re seeing more homeowners refreshing older properties. Larger homes are still being built, but not at the same volume. Across all subcontractor trades—whether scaffolding, roofing, or others—there’s simply not enough demand to match capacity. Many businesses have had to cut costs and reduce staff, and if conditions don’t improve within the next year, cashflow will become a significant issue.

On the commercial front, there are positive signs, with previously stalled projects starting to move again. However, delays in Council consents continue to slow progress. The commercial sector is providing more stability than residential, but sustained growth is needed to support the wider industry.”

- David Crowley, Managing Director, Scafit



NON-RESIDENTIAL CONSENTS

The total value of non-residential building consents issued in Manawatū for the year to December 2024 was \$157.8 million, slightly above the ten-year annual average of \$154.9 million. However, this represents a 31.6% decline compared to the previous year.

Nationally, \$2.3 billion in non-residential consents were issued in the December 2024 quarter, bringing the annual total to \$9.3 billion - a slight 0.9% decline from the previous year. While activity showed some resilience in October and November, there was a noticeable dip in December.

Looking ahead, non-residential consents are expected to continue trending lower as businesses hold back on expansion due to subdued consumer demand. Public sector investment is also expected to remain constrained as government spending tightens in response to fiscal pressures.

It's important to note that this data is being compared against a period of sustained construction growth from 2020 onwards, driven by strong demand, government stimulus, and infrastructure investments. As a result, recent declines should be viewed in the context of this high baseline rather than as an outright downturn.

RESIDENTIAL CONSENTS

In the December 2024 quarter, 156 new residential building consents were issued in Manawatū, up from 129 in the same quarter last year. On an annual basis, residential consents in Manawatū grew by 4%, contrasting with a 9.8% decline nationally over the same period.

New residential dwelling consent value in Manawatū

Increased by

4%



In the year to December 2024

Compared with a 9.8% decrease in New Zealand in the year to December 2024

Nationally, 8,428 new dwellings were consented in the December 2024 quarter, reflecting a 0.9% decline from the same period in 2023.

While standalone house consents have helped stabilise dwelling consents at around 33,000-34,000 annually, volatility remains in attached dwelling consents, particularly for townhouses and apartments, which face longer lead times. Retirement unit consents saw a short-lived boost in the September 2024 quarter but dipped again in December.

Non-residential dwelling consent value in Manawatū

Decreased by

31.6%



In the year to December 2024

Compared with a 0.9% decrease in New Zealand in the year to December 2024

With economic conditions remaining soft and population growth slowing, a strong recovery in residential consents is unlikely in 2025.

AGRICULTURE

NEW ZEALAND'S AGRICULTURE SECTOR HAS BEEN EXPERIENCING STRONG RETURNS, DRIVEN BY A COMBINATION OF WEAKER GLOBAL SUPPLY CONDITIONS, RISING INTERNATIONAL DEMAND FOR NEW ZEALAND PRODUCTS, AND A LOWER NEW ZEALAND DOLLAR.

These factors have provided a welcome boost to the sector, reinforcing the economic outlook for regional areas like Manawatū.

As a key agrifood exporter, the Manawatū region saw dairy, meat, forestry, and other food and beverage exports contribute \$856 million to the regional economy in the year to March 2024. Dairy remains the region's largest export, generating \$460.1 million, followed by beef and lamb, which together accounted for \$253 million. Forestry and wood product exports added a further \$31.8 million over the same period.

Commodity prices for New Zealand's primary exports have continued to climb, reflecting strong global demand. Beef and lamb prices surged by **20.7%** in the year to February 2025, while dairy prices rose a healthy **13.5%**. These gains highlight the resilience of the sector and its crucial role in supporting regional economic growth.

Dairy Payout

Estimates from Infometrics

\$332M

Estimated dairy payout for
Manawatū in 2023/2024
season



\$433M

Estimated dairy payout in
Manawatū in 2024/2025
season

According to Infometrics, the total dairy payout for New Zealand is estimated to have been approximately \$14,739 million in the 2023/2024 season, and is expected to be \$4,500 million higher in the 2024/2025 season





ASB Commodities Index at 7th, March 2025

With rising commodity prices and easing interest rates, confidence is returning to the agriculture sector, reaching its highest level since 2017, according to the latest Rabobank survey. While strong returns are driving optimism, challenges such as high input costs and potential trade barriers remain key considerations for farmers and exporters in the year ahead.

INDEX	INDEX	WEEK %	YEAR %
Total NZD	132.4	-0.7	20.3
Total SDR	120	0.6	11.4
Total USD	114.9	1.3	11.1
Dairy USD	132.5	0.5	13.5
Sheep/beef USD	100.4	2.6	20.7
Forestry USD	88.2	2	-7.4
Fruit USD	110.9	2	16.8
NZD/USD	0.5717	2	-7.6

TOURISM

MANAWATŪ IS INCREASINGLY BECOMING HOME TO MAJOR EVENTS THAT DRAW VISITORS FROM BOTH WITHIN NEW ZEALAND AND BEYOND.

Several local businesses have recently benefited from the Ministry of Business, Innovation and Employment's Regional Events Promotion Fund, with nearly \$150,000 allocated to the region to help market seven events with a view to increasing visitation and tourism spending in the region. Successful applicants include the Palmy Drag Fest, the Manawatū Tattoo, and the Armageddon Expo, among others.

In 2024, Palmy Drag Fest continued to grow in prominence, attracting a diverse audience to Palmerston North. The main event at Regent on Broadway sold out, attracting 1,300 attendees. Notably, over 40% of these attendees traveled from outside the Manawatū region, highlighting the festival's national appeal.

"While we saw a slight dip in accommodation nights for the year ending December 2024, it encouraged us to diversify our offerings. As agritourism operators, we expanded into farm tours, partnering with tour operators to welcome international visitors, particularly those traveling from Taupō.

In November, we planted a 4.5-acre sunflower field,

open for picking and photo opportunities, with a picnic area and a heart-shaped walking track.

Our first Sip & Savour boutique food and beverage festival was a fantastic success, showcasing local producers and bringing new energy to the region. Alongside this, our wedding season has been thriving, with our elopement package now our most popular option.

Accommodation nights are picking up in early 2025, driven by major events like the Rural Games and Central District Field Days, which continue to boost tourism and keep Manawatū vibrant."

- Julia Stewart, Managing Director, Hiwinui Country Estate.

Commercial guest nights in Manawatū

Decreased by



4.2%

In the year ending December 2024



Commercial guest nights nationally

Increased by



0.8%

In the year ending December 2024

HOUSING

THE PROPERTY MARKET HAS SHOWN STABILITY SINCE JUNE 2023, WITH AN 11.3% INCREASE IN SALES VOLUME OVER THE LAST FOUR MONTHS OF 2024 COMPARED TO THE PREVIOUS PERIOD.

However, December and January sales were still quite low. While interest rates are falling, which could provide some relief to the economy, this will take time to create real impact.

Currently, property prices are about 20.3% lower than the peak that was seen in November 2021 and are 15.1% below the affordable range for majority of buyers. However, prices are still 27.2% higher than what is affordable for half of the buyer market.

On a positive note, regional areas like Manawatū and Whanganui are becoming more appealing. Property values in these regions have more than doubled in the past decade, with a 128.6% rise, making them an attractive option for both lifestyle and investment.

House sales in the region
Increased by

9.4%



In the year to December 2024 compared to the same period in 2023

Nationally house sales
Increased by

11.3%



In the year to December 2024 compared to the same period in 2023

\$ 636,076 (Decreased by 1%)
>> Average house prices in Palmerston North

\$ 570,637 (Decreased by 0.7%)
>> Average house prices in Manawatū district

\$ 902,414 (Decreased by 0.3%)
>> Average house prices in New Zealand





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EMAIL //
[COMMUNICATIONS@CEDA.NZ](mailto:communications@ceda.nz)

PHONE //
+64 6 350 1830