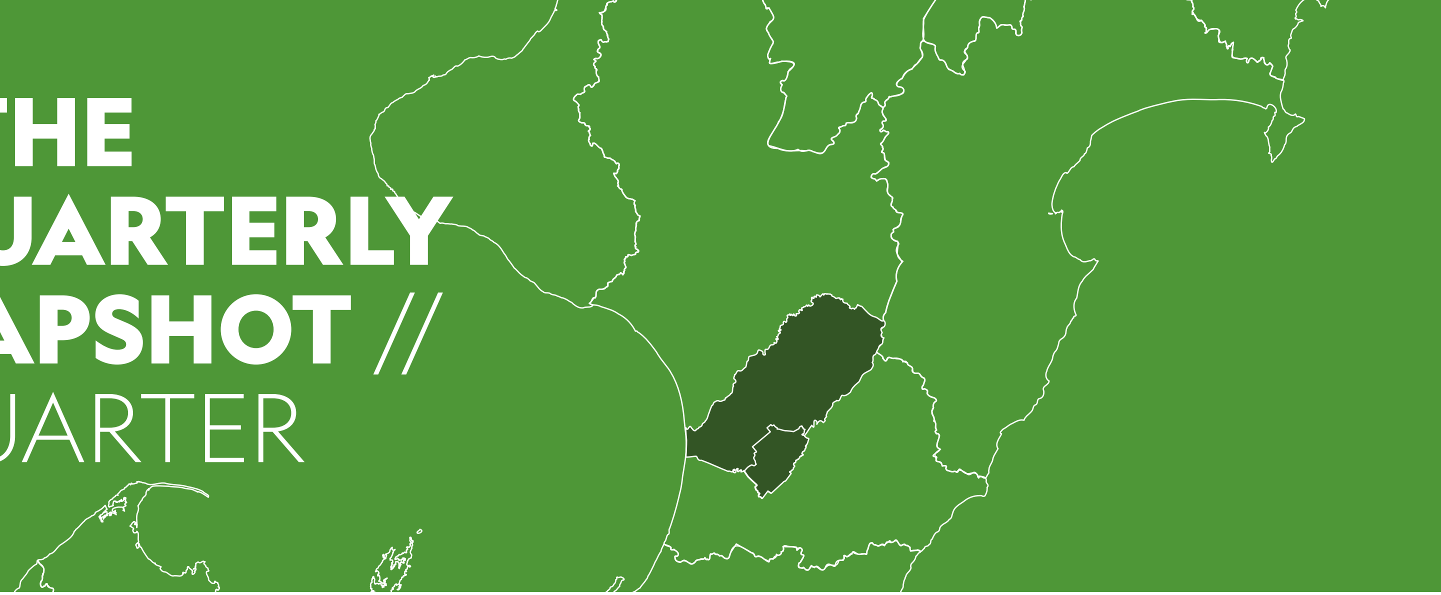
MANAWATŪ QUARTERLY ECONOMIC SNAPSHOT

POUTŪ-TE-RANGI //
MARCH QUARTER 2025

YOUR ECONOMIC SNAPSHOT FOR THE MARCH 2025 QUARTER AND YEAR TO DATE

WELCOME TO THE MANAWATŪ QUARTERLY ECONOMIC SNAPSHOT // MARCH 2025 QUARTER



WHILE THE NATIONAL ECONOMY HAS SHOWN THE FIRST SIGNS OF RECOVERY, FOR MANY HOUSEHOLDS AND BUSINESSES IT MAY NOT FEEL THAT WAY JUST YET.

Rising unemployment and increasing business closures continue to remind us that the impacts of the economic downturn are still very real.

The Official Cash Rate (OCR) is forecast to fall to 2.75% by the end of 2025, with some forecasters predicting cuts as low as 2.5% in response to subdued economic activity. While GDP rose 0.8% in the March quarter, double the RBNZ's expectation of 0.4%, this upside surprise has since been overshadowed. The impact of Liberation Day on 2 April dampened both domestic and international market confidence, and more recent data shows a slowdown in manufacturing and services activity. These conditions point to the need for lower interest rates to support economic momentum.

On a more positive note, the announcement of the government's 30-year infrastructure plan has provided a welcome boost of confidence for Manawatū. Of the 17 nationally significant projects identified, six will directly drive economic activity in the region. These include upgrades to NZDF facilities, utilities, and roads serving the bases; improved freight connections in Palmerston North; upgrades to NZDF housing; enhancements at Linton Military Camp; and the completion of the Ohakea Base development. While these projects will take time to deliver, they signal a longer-term commitment to regional growth and resilience.

With regional exports topping $1.51 billion in the year to March 2025 – including $1.18 billion in goods and $334 million in services – Manawatū remains an export engine, even amid global headwinds. Dairy prices are up 17.5% year-on-year, with strong forecasts for the season ahead, and beef and lamb exports have seen a 36.2% year-on-year lift, driven by tight global supply and record pricing. These gains reinforce the region's role as a producer of premium, high-demand goods for global markets.

Looking ahead, falling interest rates, infrastructure investment, and the region's skilled workforce are expected to drive gradual recovery and support businesses as conditions begin to improve.

"What we're seeing is the strength of Manawatū's underlying economy – diverse, connected, and forward looking. The region's resilience comes from its mix of stable public sector roles, world-class research and logistics infrastructure, and a deep connection to the land through high-value food production,"

- Jerry Shearman, Chief Executive of CEDA.

GROSS DOMESTIC PRODUCT (GDP)

ECONOMIC ACTIVITY IN MANAWATŪ HAS HELD UP RELATIVELY WELL COMPARED TO MANY OF NEW ZEALAND'S MAJOR URBAN CENTRES, THANKS TO THE REGION'S STRONG RURAL BASE AND A HIGH CONCENTRATION OF PUBLIC SERVICES.

While the national economy continues to feel the effects of weak domestic demand and global uncertainty, the structure of Manawatū's economy has helped shield the region from the sharpest impacts.

In the year to March 2025, GDP in the region declined by 1.1%, bringing the total value of the regional economy to $8.647 billion. Palmerston North city saw a modest contraction of 1.3%, while Manawatū district was down just 0.3%. These figures reflect the broader national trend of weakened consumer confidence, reduced household spending, and delayed investment, particularly in sectors reliant on discretionary spending.

Despite this, Manawatū's economic fundamentals remain strong. Our region is less exposed to economic cycles than others, due in part to the stability provided by the public sector including government, health and education services.

NEW ZEALAND GDP

$414 BILLION

A decrease of 1.1% in the year to March 2025

MANAWATŪ GDP

$8.647 BILLION

In the year to March 2025, a decrease of 1.1%

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

These sectors alone account for 29.2% of the region's economy, well above the 17.6% national average. In contrast, service industries overall make up 58.2% of Manawatū's GDP, compared to 66.3% nationally, meaning our region is more balanced and less vulnerable to downturns in consumer-facing sectors.

Over the past 20 years, the largest areas of GDP growth in the region have come from:

- **>> Public Administration and Safety:**
  Increased by $410.6 million
- **>> Healthcare and Social Assistance:**
  Increased by 309.9 million
- **>> Wholesale Trade:**
  Increased by $306.6 million

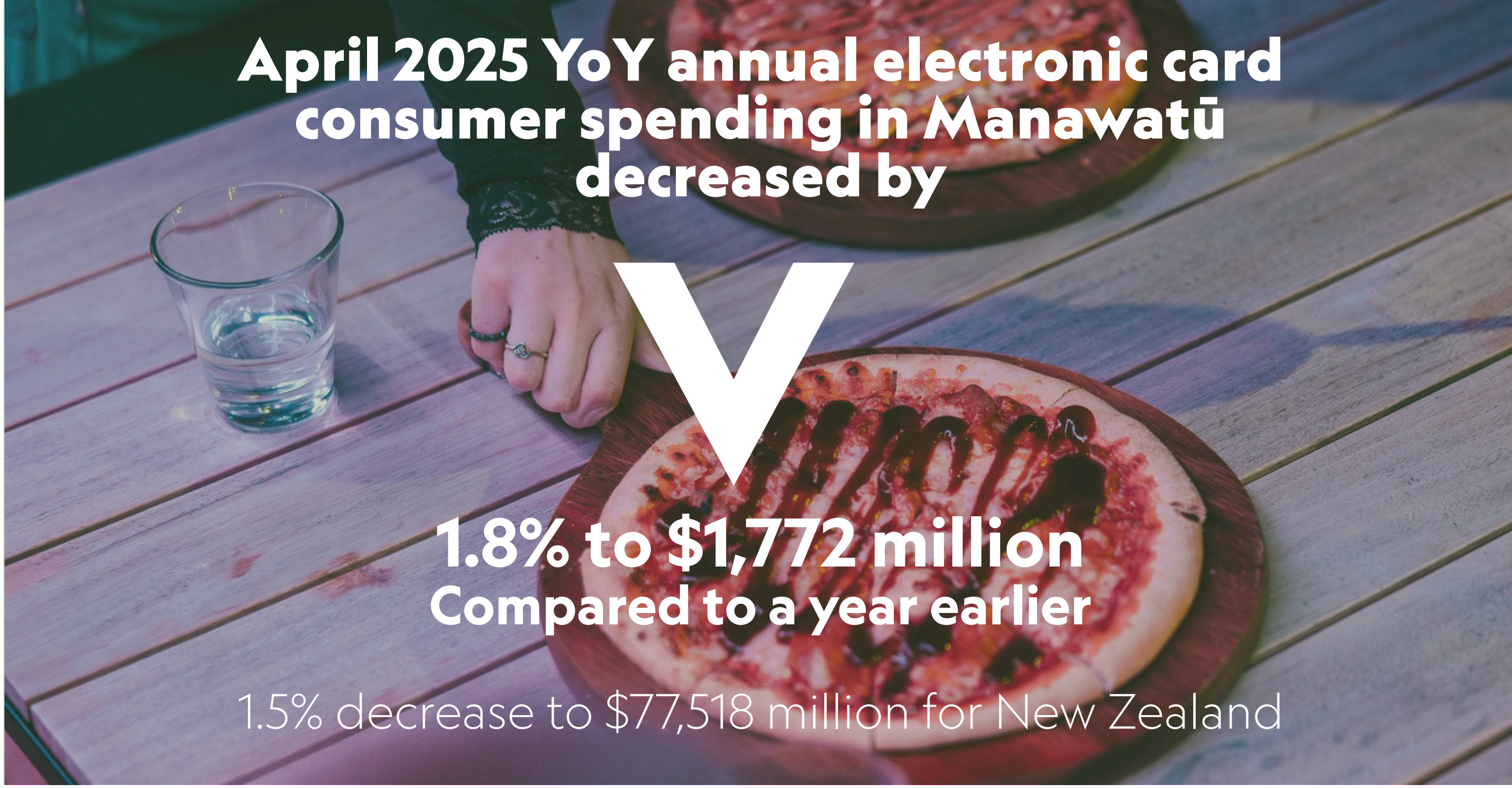
These long-term gains reflect Manawatū's growing role as a hub for public services, regional logistics, and health delivery. While the year to March has brought challenges, the structure of Manawatū's economy and the strength of our primary and public sectors continue to provide a solid foundation for recovery and growth.

Five Year GDP

MANAWATŪ	NEW ZEALAND
9.3%	8.4%

% change in annual GDP compared to 5 years ago

CONSUMER SPENDING



CONSUMER SPENDING IN MANAWATŪ, LIKE MUCH OF THE COUNTRY, REMAINS SUBDUED AS HOUSEHOLDS AND BUSINESSES CONTINUE TO FEEL THE PRESSURE OF THE LAST TWO YEARS.

While interest rates and inflation are beginning to ease, high prices and economic uncertainty are still weighing on confidence levels.

Spending has been constrained by several factors, including job insecurity, slower wage growth, tighter business conditions, and the lingering impacts of the housing market correction – all contributing to what economists call the 'negative wealth effect'. People feel less financially secure, so they're holding off on both big-ticket purchases and day-to-day discretionary spending.

Price pressures have come down from their peak, but costs remain elevated. Consumer Price Index (CPI) inflation rose 2.5% in the March 2025 quarter, bringing five-year cumulative inflation to 23.5%.

This ongoing increase in prices continues to impact household budgets and business operating costs.

Looking ahead, the outlook for spending is cautiously optimistic. With interest rates forecast to fall steadily through 2025 – and the Official Cash Rate potentially reaching 2.5% – households and businesses may begin to feel more confident about spending and investment.

There are already signs of this emerging, particularly in sectors tied to the rural economy. Spending on commercial vehicles is increasing, a signal that confidence is improving among dairy, meat and logistics businesses. The 20% depreciation incentive for capital investment, announced in the recent government budget, is expected to further support confidence and reinvestment in these sectors.

"While overall consumer spending remains relatively weak, we are seeing pockets of renewed confidence – especially across regional New Zealand and upstream industries from agriculture such as farm machinery, commercial vehicles and agricultural support services. Despite external challenges to domestic economic recovery, lower interest rates and targeted investment incentives will help to support domestic household and business spending."

- Stacey Andrews, City Economist

While the recovery will take time, improving access to credit and easing financial pressures should support a gradual lift in demand across the region.

WORKPLACE AND EMPLOYMENT

AFTER A SUSTAINED PERIOD OF TIGHT LABOUR MARKET CONDITIONS AND ELEVATED WAGE GROWTH, SIGNS ARE EMERGING THAT THE EMPLOYMENT LANDSCAPE IN MANAWATŪ IS ENTERING A MORE STABLE PHASE - WITH A MODEST LIFT IN HIRING ACTIVITY AND A GRADUAL EASING OF WAGE INFLATION.

While many regions across the country are reporting declines in job advertising, our region is bucking the trend.

According to the latest Seek Employment data, job ads in the wider Manawatū-Whanganui region rose by 10% between March and April 2025, compared with just 1% growth nationally. Over the full year to April, job ads in the wider region have held steady, while nationally they've fallen by 10%.

"The uplift in advertised roles is a very positive sign reflecting that recruitment confidence is returning across the region. This highlights the strength of our economic fundamentals and the resilience of our employment base, particularly when compared to national trends."

- Stacey Andrews, City Economist

Wage and earnings growth, which surged between 2021 and early 2024 due to labour shortages and public sector bargaining, is now easing. In 2024, annual earnings growth in Palmerston North fell to 4%, compared to 4.5% nationally.

Manawatū's workforce remains highly skilled, with 41.7% of workers in highly skilled roles, virtually matching the national average. The region's professional and public sector workforce has been a key driver of employment growth over the past two decades, with the largest gains seen in:

- **>> Professionals:** Increased by 6,060
- **>> Managers:** Increased by 2,510
- **>> Community and Personal Service Workers:** Increased by 2,037

As inflation and interest rates ease, confidence is expected to gradually return across both public and private sectors - supporting steady job creation, investment, and a more balanced labour market.

Total Annual Earnings

$4,074 Million

2%

An increase of $143M

Nationally this increased by 2%

Filled Jobs

(BY PLACE OF RESIDENCE)

Decreased by

1.8%

A decrease of 999

This decreased by 1.7% Nationally

Filled Jobs

(BY WORKPLACE LOCATION)

Decreased by

1.9%

A decrease of 1,095

This decreased by 1.7% Nationally

CONSTRUCTION

NON-RESIDENTIAL BUILDING CONSENTS IN MANAWATŪ CLIMBED 32.4% IN THE YEAR TO APRIL 2025, REACHING A TOTAL VALUE OF $175.7 MILLION, WELL ABOVE THE TEN-YEAR ANNUAL AVERAGE OF $151.2 MILLION.

This growth was underpinned by significant investment across a range of sectors, including hotel accommodation, education, cultural and religious facilities, industrial buildings, and farm buildings. Notable contributors include:

- >> **Factories, industrial and storage buildings:** Increased by $19 million (26.8%)
- >> **Education buildings:** Increased by $9 million (218.7%)
- >> **Farm buildings:** Increased by $2.7 million (56.6%)
- >> **Social, cultural and religious buildings:** Increased by $863,000 (48.1%)
- >> **Hotel accommodation:** Increased by $1.78 million (49.8%)

The Manawatū District recorded a 31.5% increase in non-residential consents over the same period, totalling $35.7 million. However, this rise reflects a relatively quieter year prior, rather than a sharp increase in new activity. Some of the uplift is likely attributed to new industrial developments coming through the pipeline.

“We’re starting to see early signs that the commercial construction market might be turning. There’s been a lift in client inquiries and a more positive tone, especially in planning and procurement stages.

Preconstruction and design activity is picking up, but projects are still slow to move into construction. Clients remain cautious, and while the pipeline is growing, it’s taking time to convert into active sites.

Labour costs have steadied, which is a relief, but materials and transport remain pricey, just not climbing as fast as before.

We expect increased government spending in the region and a greater access to funding will help drive demand in the second half of the year. Things are steady for now, but the next few months will be key in seeing if this momentum carries into 2026.”

- Angus Terry, Project Manager, Alexander Construction

New residential dwelling consent value in Manawatū

Increased by

9.2%

In the year to April 2025

Compared with a 5.2% decrease in New Zealand in the year to April 2025

Non-residential dwelling consent value in Manawatū

Increased by

32.4%

In the year to April 2025

Compared with a 7.6% decrease in New Zealand in the year to April 2025

AGRICULTURE

THE PRIMARY SECTOR CONTINUES TO BE A PILLAR OF STRENGTH FOR THE MANAWATŪ REGION, PLAYING A KEY ROLE IN SUSTAINING ECONOMIC RESILIENCE DURING A PERIOD OF NATIONAL UNCERTAINTY.

The region's diverse and high-value rural export base is contributing to a broader export-led recovery, with demand and pricing remaining strong for key commodities.

Manawatū's rural economy is particularly well positioned, thanks to high global demand for premium New Zealand products - especially dairy and red meat. The latest data shows:

>> Dairy exports totalled nearly $1.6 billion
>> Beef exports reached $422.4 million
>> Other meat products (including offal) contributed another $406 million

Fonterra is forecasting a milk payout of $10.00 per kgMS for the season ending 31 May 2025, a 27.7% increase from the previous season. Dairy production is also expected to rise 2–3%, further fuelling sector income. On the red meat front, prices for beef are up 26% and lamb is up 19% over the year to 30 May 2025, according to ASB's commodity index. While volumes remain constrained due to tight livestock supply, the value of meat exports continues to rise, with receipts up 6.5% nationally and now valued at $9.2 billion.

Dairy Payout

Estimates from Infometrics

$332M

Estimated dairy payout for Manawatū in 2023/2024 season

$436M

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 $4,579 million higher in the 2024/2025 season

The region's exposure to the US, which is New Zealand's second-largest export market is also worth noting. While global uncertainty and tariff risks remain in play, Manawatū's agricultural exports tend to face low price elasticity, meaning demand remains strong even amid international turbulence. For example:

>> 40% of New Zealand's beef, 5% of dairy, and 36% of wine exports go to the US
>> Other strong performers include pharmaceuticals +5.3% and lamb +6.5%
>> Offal and other meats surged 35.9% year-on-year

Confidence in the rural sector is also flowing through to the broader regional economy. Updated multipliers for 2024 show that for every $1 of GDP generated directly in the agriculture, forestry, and fishing sector, an additional $0.53 is generated in upstream businesses. Likewise, for every two people directly employed in the sector, one more job is supported elsewhere in the regional economy. This highlights how the sector's strong performance is playing a vital role in driving wider economic activity and employment across Manawatū.

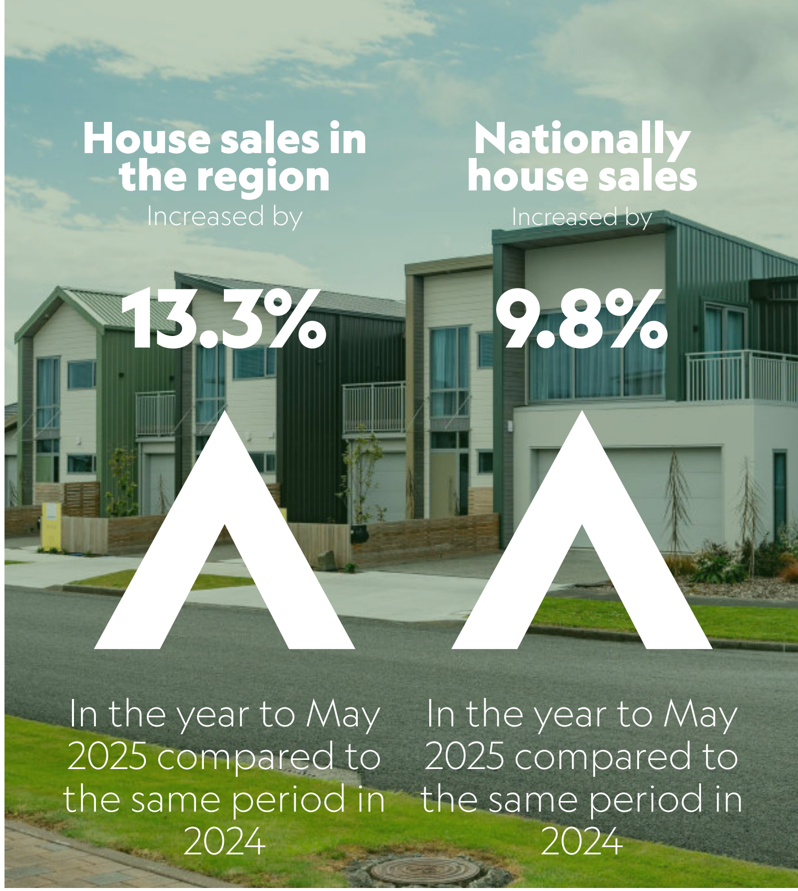
The New Zealand government is working hard to build international trade relationships, opening new and expanded markets and boosting the reputation of New Zealand as a quality producer of highly nutritious food for the world. These efforts support the outlook for the sector and the New Zealand economy in challenging times.

ASB Commodities Index at 13th, June 2025

INDEX	INDEX	WEEK %	YEAR %
Total NZD	130.5	0.2	16.7
Total SDR	116.4	-1.1	6.8
Total USD	119.4	0.5	14.7
Dairy USD	134.4	0	11.6
Sheep/beef USD	119.9	1.7	38.2
Forestry USD	86.7	0.3	2.9
Fruit USD	105.1	0.3	10.7
NZD/USD	0.6028	0.3	-1.7

Base Year 2019, Base = 100

HOUSING



$632,309 (Decreased by 1.3%)

>> Average house prices in Palmerston North

$612,087 (Decreased by 0.9%)

>> Average house prices in Manawatū district

$913,772 (Decreased by 1.1%)

>> Average house prices in New Zealand

JUST LIKE HOW JOB LOSSES AND BUSINESS CLOSURES TEND TO HAPPEN AFTER A RECESSION HAS ALREADY STARTED, THE HOUSING MARKET OFTEN GIVES US THE FIRST WARNING SIGNS THAT THE ECONOMY IS SLOWING DOWN.

It's like the canary in the coal mine - showing early pressure before we see it in things like job numbers, business performance, consumer spending, or investment. But just as it feels the pinch first, the housing market is also usually the first part of the economy to bounce back. That's exactly what we're seeing in the current housing market data.

Construction tends to move on its own track, driven largely by business confidence and borrowing costs. While sales volumes have picked up, showing stronger demand, a large pool of unsold stock is keeping house prices steady. In fact, prices have remained fairly flat over the past eight months, a trend that's likely to continue. This stability is supporting affordability and creating a more accessible path into home ownership, particularly in our region. In February 2025, 9,687 properties were rented across the region, up slightly (+0.6%, or 60 more rentals) compared to February last year.

"We're definitely seeing a noticeable lift in buyer activity. Enquiries have picked up, and a lot of clients who've had pre-approvals sitting for a while are now out there making offers. There's a sense of renewed confidence in the market, and it's great to see that energy returning. First home buyers are especially active, they never fully disappeared, but they've really come back strong this year. With interest rates and test rates dropping, many people are finding they can borrow more than they expected, even if their situation hasn't changed. Lenders are open for business, but with demand picking up, turnaround times are starting to slow, so getting pre-approval sorted early is key."

- Jen Taylor, Director, Taylored Mortgages

"We're seeing a softening in tenant demand overall, which means landlords are having to get a bit more creative with how they market their properties – sometimes including rent negotiations. That said, there's growing interest in smaller homes as people look to downsize and cut costs.

On the investment front, it's fairly stable; most landlords are holding tight, especially with the upcoming legislative changes, though we are seeing some new investors enter the market, likely encouraged by lower house prices. Rental prices are holding steady or trending slightly down in some cases."

– Victoria Liddicoat, Director, Diligence Property Management

While this report focuses on data to the March 2025 quarter, selected indicators include more recent data up to the end of May, to reflect the most current economic conditions.

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