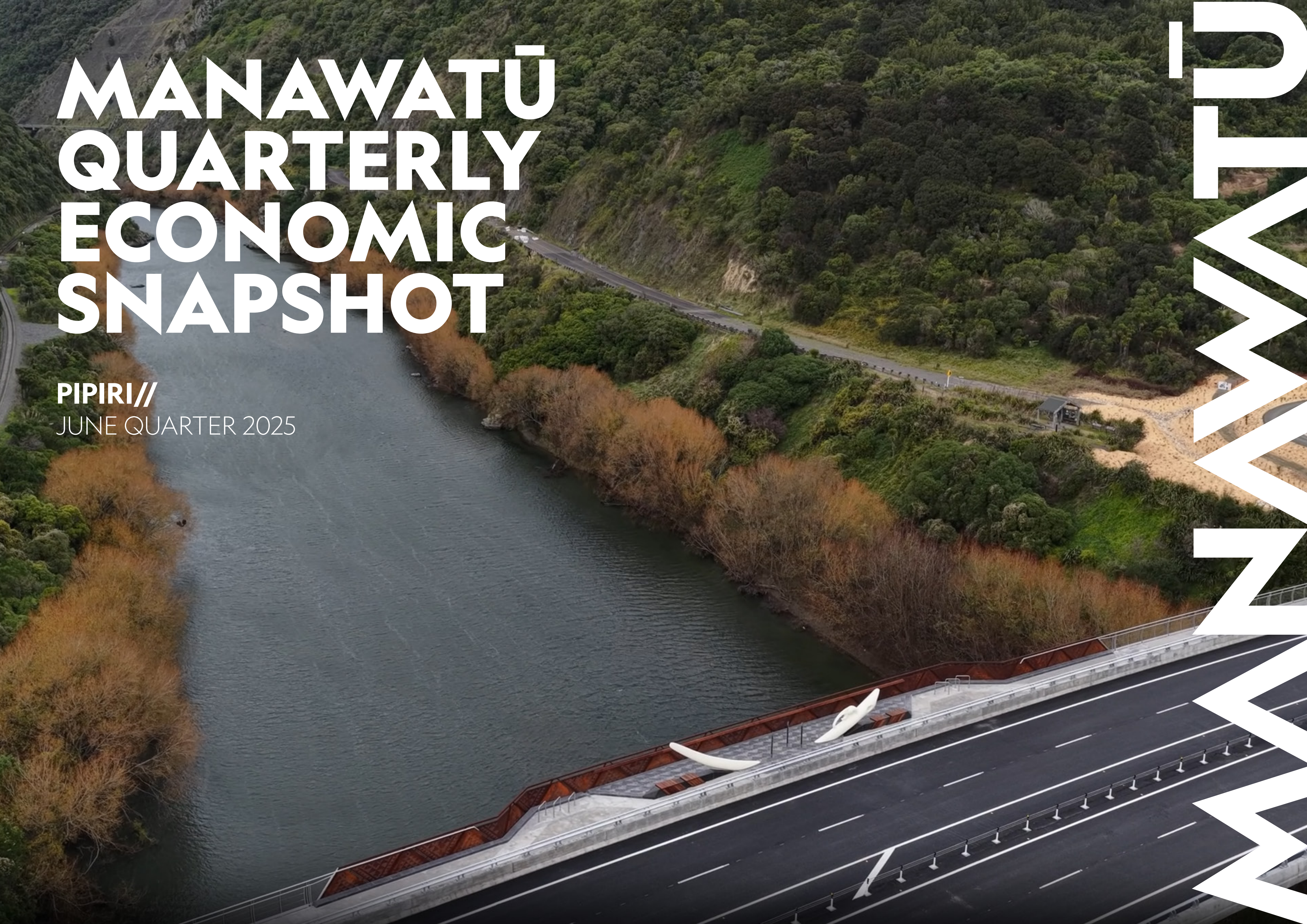


MANAWATŪ QUARTERLY ECONOMIC SNAPSHOT

PIPIRI//

JUNE QUARTER 2025

NĀU TE ROUROU, NĀKU TE ROUROU, KA ORA AI TE IWI.

WITH YOUR FOOD BASKET AND MY FOOD BASKET, THE PEOPLE WILL THRIVE.

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

THE JUNE QUARTER WAS MARKED BY A MIX OF LOCAL MILESTONES AND SHIFTING NATIONAL CONDITIONS.

The opening of Te Ahu a Turanga: Manawatū-Tararua Highway on 11 June strengthened connections across the region, while the Government's draft 30-year National Infrastructure Plan highlighted Manawatū's role in six nationally significant projects.

Locally, the economy shows signs of resilience amid ongoing national headwinds. Retail spending is gradually recovering, business confidence remains steady, and the agricultural sector maintains cautious optimism despite global trade uncertainties. The housing market is stable, with affordability supporting entry into home ownership. On the other hand, properties are tending to sell below expectations which is placing pressure on households that bought houses at market peak.

Nationally, subdued economic momentum persists. The Reserve Bank of New Zealand lowered the Official Cash Rate to 3% in August in response to soft demand and rising unemployment, while households continue to feel pressure from elevated living costs.

"Manawatū is stepping up at a critical time for New Zealand. Infrastructure milestones and sector resilience highlight the pivotal role our region plays in connecting communities, supporting national defence, and driving long term growth. While households and businesses navigate economic pressures, the scale of investment underway positions us strongly for the medium to long term future."

Jerry Shearman, Chief Executive of CEDA.

Five Year GDP

MANAWATŪ	NEW ZEALAND
▲ 11.1%	▲ 11.2%

% change in annual GDP compared to 5 years ago

NEW ZEALAND GDP

$415 BILLION

A decrease of 0.8% in the year to June 2025

MANAWATŪ GDP

$8.645 BILLION

▼

A decrease of 0.8% in the year to June 2025

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

GROSS DOMESTIC PRODUCT (GDP)

GDP IN THE MANAWATŪ REGION WAS $8.645 BILLION IN THE YEAR TO JUNE 2025, DOWN 0.8% COMPARED WITH THE PREVIOUS YEAR.

This is in line with the national trend, where GDP also fell by 0.8% to $415 billion. While the Reserve Bank's Kiwi-GDP 'nowcast' suggests a contraction of around 0.3% for the June 2025 quarter, bank forecasts remain mixed, ranging from a 0.2% decline to a growth of 0.3%.

Looking ahead, New Zealand's growth outlook is expected to outpace Australia's. The Reserve Bank of New Zealand moved earlier and more aggressively than the Reserve Bank of Australia, raising interest rates to tame inflation, and driving a sharper slowdown domestically. With inflation now contained,

New Zealand has seen a steeper fall in interest rates (300 basis points compared with just 75 in Australia), with two further cuts anticipated by early 2026. Lower borrowing costs are forecast to further stimulate household consumption, support employment, and lift GDP growth, with the RBNZ projecting annual growth to exceed 3% by September 2027.

CONSUMER SPENDING

RETAIL CARD SPENDING IN MANAWATŪ REACHED $432 MILLION IN THE JUNE 2025 QUARTER, DOWN 1.5% ON THE SAME PERIOD LAST YEAR COMPARED WITH A 1.3% FALL NATIONALLY.

Across the year, spending fell 1.8%, reflecting the ongoing squeeze on household budgets from inflation. Events and attractions continue to play a key role in supporting the retail sector, with major concerts, motorsport, and the opening of Te Ahu a Turanga Highway boosting activity in June.

Households remain cautious with big-ticket purchases as concerns about job security and finances weigh on confidence. However, lower interest rates are starting to ease pressure, with more mortgage holders shifting onto reduced rates and domestic spending showing early signs of recovery. Nationally, retail sales volumes rose 0.5% in the June 2025 quarter, with growth across industries such as electrical and electronic goods by 4.6%, supermarkets and grocery stores by 1.3%, and pharmaceuticals by 1.2%

Electronic card consumer spending in Manawatū

DECREASED BY

1.5%

To $1,773 million

In the year to July, compared to a year earlier

YoY Electronic card consumer spending in New Zealand

DECREASED BY

1.3%

To $77,478 million

In the year to July, compared to a year earlier

While most regions recorded weaker retail sales, particularly in the North Island, the overall lift suggests the beginning of a gradual turnaround. Looking ahead, further easing in interest rates is expected to support household consumption and contribute to a broader recovery in retail activity.

"Retail spending has been under pressure, but we're starting to see the tide turn. Lower interest rates are freeing up household budgets, and that's beginning to show in the data. With more households rolling onto lower mortgage rates throughout the year, we can expect to see a continued lift in spending across the economy, supporting a more broad-based recovery over the next year,"

Stacey Andrews, City Economist.

FOR MORE CONSUMER INSIGHTS SEE THE QUARTERLY RETAIL REPORT FOR JUNE 2025

BUSINESS COUNTS

THE NUMBER OF BUSINESS UNITS IN MANAWATŪ GREW BY 0.4% IN THE YEAR TO JUNE 2025, BELOW THE NATIONAL INCREASE OF 0.9%.

While growth has softened, the stability reflects resilience across the small and medium-sized enterprise sector, which continues to underpin regional employment and innovation.

Market dynamics, however, point to an increasingly competitive environment for buyers. According to ABC Business Sales, demand remains exceptionally strong, with a record 4,832 signed confidentiality agreements in the two months to May 2025 – up 11% on last year. Meanwhile, the number of new listings fell 11% as some business owners hold back from going to market, waiting for stronger financial performance. Despite this, completed sales surged 15% year-on-year, with the average business sale price dipping 8% as a larger share of activity occurred in the under $1 million bracket.

"On average, there are 39 active buyers per new listing – the highest ratio we've ever recorded. For business owners considering succession, this presents a unique window of opportunity, especially with recent visa changes set to open the market further to international buyers,"

Joanna Ochoa, ABC Business Sales.

The number of business units in Manawatū

INCREASED BY

0.4%

For the year ending June 2025

The number of business units nationally

INCREASED BY

0.9%

For the year ending June 2025

CONSTRUCTION

THE CONSTRUCTION SECTOR IS SHOWING A MIXED PICTURE, WITH RESIDENTIAL ACTIVITY REMAINING WEAK WHILE NON-RESIDENTIAL PROJECTS PROVIDE A WELCOME BOOST TO THE REGIONAL ECONOMY.

In Manawatū, new residential dwelling consents fell 7.8% in the year to July 2025, compared with a marginal 0.1% decline nationally. High costs, subdued confidence, and a large stock of existing homes on the market continue to weigh on residential activity.

In contrast, non-residential construction rose strongly, with the value of consents up 5.1% to $153.4 million. Growth was largely led by storage facilities, accommodation, and education buildings, alongside steady investment in shops, hospitality, and farm infrastructure. The rising farm building investment reflects strong export earnings, with gains in agrifood flowing through to construction activity.

"Non-residential construction is supporting growth, particularly in sectors like education, tourism, warehousing and agribusiness. But with over 12,000 jobs lost nationally in construction over the past year, securing skilled workers may be a challenge once recovery gains pace. Ensuring we have the capacity to deliver on future projects is going to be critical for the region and nationally."

Says Stacey Andrews, City Economist, who notes that the outlook highlights both progress and risk.

New residential dwelling consent numbers in Manawatū

DECREASED BY

7.8%

In the year to July 2025

Compared with a 0.1% decrease in New Zealand in the year to July 2025

Non-residential consent value in Manawatū

INCREASED BY

5.1%

In the year to July 2025

Compared with a 0.8% increase in New Zealand in the year to July 2025

Cameron and Tarsha, from Isles Construction, say that the construction sector in Manawatū is becoming increasingly active, with growing demand across both commercial and housing-related projects.

"While the forward pipeline is encouraging, we are seeing a noticeable reduction in government-funded projects from traditional markets such as the Ministry of Education, New Zealand Defence Force, and Ministry of Health. Project delivery, though not as volatile as the post-COVID period, continues to be challenged by rising material costs, longer lead times on specialist products and the ongoing shortage of skilled labour. The significant reduction in social housing construction has seen many experienced tradespeople move out of the industry, many to Australia, making attraction and retention a pressing issue. Encouragingly, funding constraints are beginning to ease, with some projects that were previously deferred now being brought back online as interest rates and financing conditions stabilise. This is contributing to renewed confidence across the region.

Once government investment in infrastructure and facilities regains momentum, it will further strengthen the industry's outlook. From our perspective, the growth in commercial consents highlights the underlying strength of the regional economy, supported by steady levels of enquiry for upcoming work."

WORKPLACE AND EMPLOYMENT

LABOUR MARKET CONDITIONS CONTINUE TO SOFTEN ACROSS NEW ZEALAND, WITH UNEMPLOYMENT RISING TO 5.2% IN THE JUNE 2025 QUARTER – THE HIGHEST SINCE SEPTEMBER 2020.

Nationally, employment has slipped 1.2% since its 2023 peak, with fewer full-time positions and more people moving into part-time work.

Hours worked have also declined, reflecting the weaker demand environment. The participation rate has dropped to 70.5%, down from 72.4% in mid-2023, as more people leave the labour force.

Younger New Zealanders are particularly affected, with migration data showing more than 71,800 citizens departed the country in the year to June 2025 – the highest in 13 years. Strikingly, over a third of those leaving were under 30, highlighting the pressure on younger workers amid a softer job market.

By comparison, the Manawatū region is performing more strongly, with an unemployment rate of 4.1%, sitting below the national average. This resilience reflects the region's diverse economy and the strength of key industries such as food production, research, and construction.

However, challenges remain in ensuring there is a pipeline of skilled workers to meet future demand and retain young talent within the region.

Total Annual Earnings

$4,069 Million

1.3%

Nationally this increased by 1.5%

Filled Jobs

(BY PLACE OF RESIDENCE)

Decreased by

2%

A decrease of 1,108

This decreased by 1.7% Nationally

Filled Jobs

(BY WORKPLACE LOCATION)

Increased by

0.7%

An increase of 421

This decreased by 1.7% Nationally

AGRICULTURE

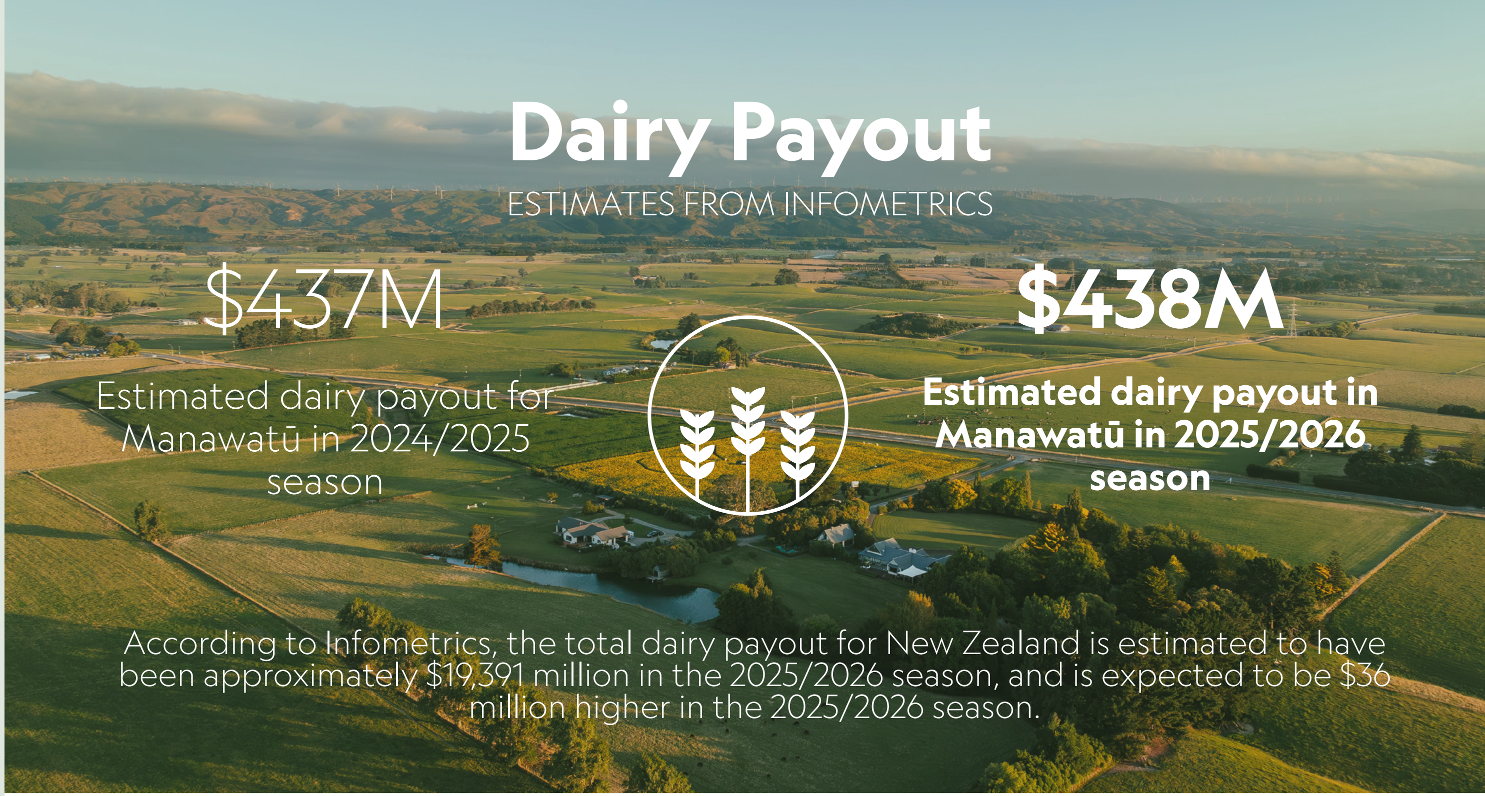
AGRICULTURE REMAINS A KEY DRIVER OF THE MANAWATŪ ECONOMY, THOUGH UNCERTAINTY AROUND INTERNATIONAL TRADE CONTINUES TO WEIGH ON THE SECTOR.

The recent increase in US tariffs, particularly on beef, has raised concerns among exporters, as New Zealand's rates are higher than many of our competitors. While the full impact on New Zealand's trade is yet to be seen, Treasury notes that the US accounts for only 12% of total goods exports, suggesting the overall effect may be limited.

Nevertheless, the wider tariff differential with some countries could create uneven outcomes across industries. Global growth is expected to slow as trade headwinds intensify, and while some of the more severe disruptions feared have not materialised, elevated uncertainty may continue to affect investment decisions.

Against this backdrop, there is cautious optimism within the sector. Many producers remain resilient and continue to explore opportunities in alternative markets, while keeping a close eye on global trade developments and pricing pressures.

From an industry perspective, Steph Hines, Director and Co-Founder of KS Agri, Feilding, says that there is an air of cautious optimism as we move out of winter.



"Farmers are cautiously optimistic as they head into the 2025 Spring. There is yet to be some definitive legislation surrounding environmental elements and GHG profiling, however the industry as a whole has been gearing up for this change for a while, and there continues to be pan-sector development surrounding how our meat, milk, wool and velvet is marketed outside of New Zealand with support from all sides."

Steph also highlights a widespread openness to alternative markets, saying,

"Whether it is the GHG emissions profiling within Fonterra, the Synlait lead with Pride, red meat GAP or Farm Assurance Plus, alongside the banking sector with its focus on green, sustainable long term lending partnerships, land owners are continuing to look for productivity while in parallel trying to hold their costs and their environmental footprint.

Looking ahead to the next 12-18 months, there is hope that the Freshwater Farm Plans will have a more cemented pathway for landowners following government legislation to flow into our local Horizons Regional Council.

Support for landowners on factors that are outside of their control yet are impacting on their environmental footprint are crucial to open these channels of communication, such as flood water protection along waterways within priority catchments for gravel extraction and prevention of further noxious weed spreading."

HOUSING

THE MANAWATŪ HOUSING MARKET CONTINUES TO SHOW SIGNS OF STABILITY, WITH AFFORDABILITY LEVELS PLATEAUING AND SUPPORTING ENTRY INTO HOME OWNERSHIP.

Property sales in Palmerston North have seen a lift in recent months, following a period of slow activity since early 2024. However, there remains a soft underbelly in the market - properties in poor condition or with limited presentation are selling at significant discounts, which could influence wider value trends over time. High-profile sales, such as a recent Hokowhitu property which sold for $3 million, have skewed some short-term statistics.

The higher cost of living and softer labour market continue to weigh on housing. However, the RBNZ has signalled two more rate cuts that would lower the OCR to 2.5% by early 2026. Along with lower house prices that make it easier to save for a deposit, these cuts will improve mortgage affordability and encourage would-be buyers back into the market.

Looking ahead, government reforms, including major changes to the Resource Management Act, signal potential opportunities for land development and, in the long term, could ease pressure on housing supply. Nevertheless, significant infrastructure investment will be required to support these changes.

General property revaluations for the Manawatū and Horowhenua districts indicate moderate reductions from 2022, with Feilding showing minor adjustments and some coastal and Horowhenua areas experiencing mild decreases.

House sales in the region
INCREASED BY

16.1%

In the year to July 2025 compared to the same period in 2024

Nationally, house sales
INCREASED BY

12.3%

In the year to July 2025 compared to the same period in 2024

AVERAGE HOUSE PRICES
AUGUST 2025

$628,766 (Decreased by 1.1%)
>> Average house prices in Palmerston North

$621,323 (Increased by 0.3%)
>> Average house prices in Manawatū district

$906,977 (Decreased by 0.2%)
>> Average house prices in New Zealand

While this report focuses on data to the June 2025 quarter, selected indicators include more recent data up to the end of August, to reflect the most current economic conditions. For questions get in touch: communications@ceda.nz

FOR MORE DATA AND INSIGHTS VISIT
CEDA.NZ/DATA-INSIGHTS

CEDA CENTRAL ECONOMIC DEVELOPMENT AGENCY

MANAWATŪ DISTRICT COUNCIL

PALMY PAPAIOEA PALMERSTON NORTH CITY

TE MAURI O MANAWATŪ