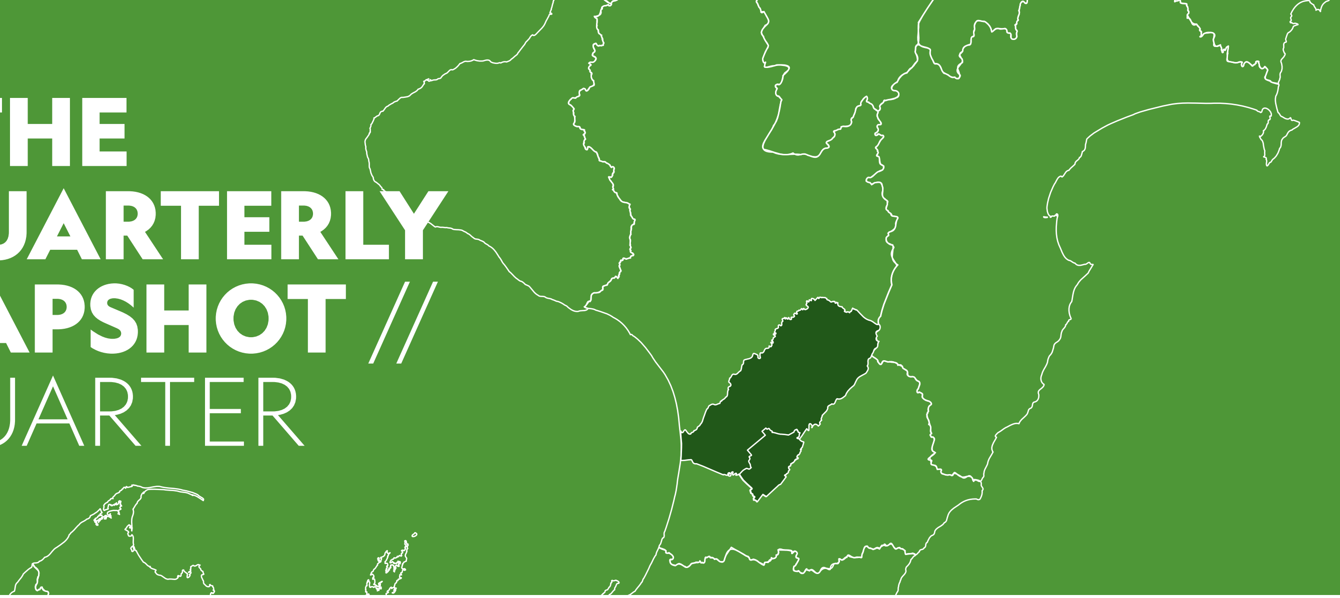
MANAWATŪ QUARTERLY ECONOMIC SNAPSHOT

POUTŪ-TE-RANGI //
MARCH QUARTER 2026

HE KAI KEI AKU RINGA.

THERE IS FOOD AT THE END OF MY HANDS.

WELCOME TO THE MANAWATŪ QUARTERLY ECONOMIC SNAPSHOT // MARCH 2026 QUARTER



THE MANAWATŪ ECONOMY ENTERED 2026 WITH CLEAR SIGNS OF RECOVERY EMERGING AFTER SEVERAL YEARS OF CHALLENGING CONDITIONS.

Growth returned across key indicators, business confidence improved, and activity began to strengthen across several parts of the regional economy.

However, this recovery has been tested by renewed global uncertainty. The escalation of conflict in the Middle East in early 2026 created a significant external shock, driving higher oil prices, increasing cost pressures, and impacting confidence among households and businesses. While the full impact continues to emerge, the disruption has introduced a new layer of uncertainty at a time when momentum was beginning to build.

Despite these challenges, Manawatū's diverse economic base continues to provide resilience.

The region's strong mix of government, defence, education, health, primary industries, logistics and professional services creates a more balanced economy and helps reduce exposure to downturns affecting individual sectors.

Primary industries remain a key source of strength. Strong global demand for high-quality New Zealand food products has supported dairy and red meat returns, with higher commodity prices providing a boost for rural communities and flow-on benefits for agricultural services across the region. The region's food and fibre strengths continue to reinforce Manawatū's role as a critical contributor to New Zealand's export economy.

Investment activity also remains a positive signal. Strong non-residential construction activity, a growing investment pipeline, and continued development across commercial, industrial and infrastructure projects highlight confidence in Manawatū's long-term growth outlook.

"The regional economic recovery continues, but the environment has become more complex. Manawatū's strength has always been its diversity, when one part of the economy faces pressure, other sectors continue to provide stability. That resilience is what gives us confidence in the region's ability to keep moving forward."

Jerry Shearman, Chief Executive, CEDA

While global conditions will continue to influence the pace of recovery, the underlying fundamentals of the Manawatū economy remain strong. Improving business activity, steady employment conditions, continued investment, and a resilient primary sector position the region well as uncertainty eases.

GROSS DOMESTIC PRODUCT (GDP)

THE MANAWATŪ ECONOMY CONTINUED ITS GRADUAL RECOVERY INTO 2026, WITH GDP RETURNING TO POSITIVE TERRITORY AFTER A PROLONGED PERIOD OF SUBDUED ACTIVITY.

Regional GDP reached $8.764 billion in the year to March 2026, up 0.1%, following several quarters of contraction. While growth remains modest compared with the national increase of 0.4%, the result confirms the early recovery signals identified in late 2025 are beginning to flow through into economic activity.

The recovery in early 2026 was supported by improving business confidence, easing interest rates from their 2024 highs, and stronger activity across key sectors. However, momentum remains fragile, with global events adding new uncertainty. Rising oil prices, renewed inflation pressures and concerns around global trade have the potential to slow the pace of recovery by increasing costs and impacting household and business confidence.

Despite these challenges, Manawatū's economic structure continues to provide a degree of resilience. The region's strong base in government, health and education accounts for 31.5% of regional GDP, compared with around 18% nationally, helping to cushion the impact of economic cycles.

NEW ZEALAND GDP

$433.416 BILLION

An increase of 0.4% in the year to March 2026

MANAWATŪ GDP

$8.764 BILLION

An increase of 0.1% in the year to March 2026

Services make up 56.4% of the region's GDP, while industries such as manufacturing and primary production continue to support broader economic activity.

The primary sector has been a particularly important source of stability, with strong global demand for New Zealand's high-quality food products supporting dairy and red meat returns. Higher commodity prices and improved farmgate returns have strengthened rural incomes, with flow-on benefits for agricultural services, suppliers and communities across the region.

April's Performance of Manufacturing Index (PMI) moved into expansion territory, reaching 51.4, driven by stronger new orders. While the April's Performance of Services Index (PSI) remained in contraction at 48.7. As of May, both indicators softened marginally.

"Manawatū's diverse economic base has helped us navigate a challenging period. While the recovery is underway, it is important to recognise that many businesses are still operating under pressure from higher costs and cautious consumer spending. The impacts of the war in the Middle East are now easing, but prices remain elevated compared with pre war levels, which has slowed the momentum we had begun to see earlier in the year. Even so, the return of growth is encouraging, and as confidence continues to rebuild, our region's resilience and ability to adapt will remain key drivers of future momentum."

Stacey Andrews, City Economist

Five Year GDP

Manawatū
INCREASED BY

7.8%

New Zealand
INCREASED BY

9.4%

% change in annual GDP compared to 5 years ago

BUSINESS COUNTS

BUSINESS ACTIVITY ACROSS MANAWATŪ REMAINS STEADY, WITH THE NUMBER OF REGISTERED BUSINESS UNITS INCREASING 0.6% IN THE YEAR TO MARCH 2026.

While growth remains modest, the region continues to show resilience through a period where many businesses have faced elevated costs, tighter household budgets and changing economic conditions.

March insights from ABC Business Sales indicate that confidence is beginning to return to the SME market, with completed business sales nationally increasing 21% over the past year. However, business sentiment surveys from May have shown that overall weaker confidence still remains prevalent.

These latest surveys reflect conditions before significant progress was made on the peace deal in the Middle East, so it is fair to say that confidence will likely continue to improve as cost and interest rate pressures ease.

"The market is showing signs of renewed confidence after two challenging years. We're seeing business owners move forward with greater certainty, while strong buyer demand and limited supply are supporting positive outcomes for well-prepared businesses."

Joanna Ochoa-Evans, ABC Business Sales

A key development supporting future business transition is the Government's Business Investor Visa, which opened in November 2025. The visa is designed to attract experienced investors who purchase and actively operate established New Zealand businesses, creating potential new pathways for ownership transition and succession planning. Eligible investors can invest $1 million or $2 million into an existing business, depending on their pathway.

In the Manawatū region, where many established businesses are approaching succession points, attracting new owners and investment could help protect local jobs, maintain capability and support continued economic activity.

The number of business units nationally
INCREASED BY

1.2%

For the year ending March 2026

The number of business units in the region
INCREASED BY

0.6%

For the year ending March 2026

CONSUMER SPENDING

CONSUMER SPENDING ACROSS MANAWATŪ SHOWED EARLY SIGNS OF RECOVERY IN THE MARCH 2026 QUARTER, WITH REGIONAL RETAIL CARD SPENDING INCREASING 2.1% COMPARED WITH THE SAME PERIOD LAST YEAR.

This outpaced national growth of 0.4%, marking a positive shift after an extended period of subdued household demand.

The improvement was broad-based, with four regional precincts recording annual spending growth between 0.4% and 2%. This follows the December 2025 quarter, when Feilding was the only precinct to record growth. The combined lift across precincts brought annual regional spending back into positive territory, with the latest result representing the first annual increase since August 2024.

However, the recovery remains uneven. Across retail categories, 'groceries and liquor' was the only sector to record growth, increasing 3%. With annual inflation sitting at 3.1%, this indicates households are still adjusting to higher living costs, with discretionary spending remaining under pressure.

The impact of global events also became increasingly visible during the quarter. The escalation of conflict in the Middle East and the resulting increase in fuel prices added further pressure to household budgets. In March, fuel and automotive spending rose sharply month-on-month, reflecting higher prices rather than increased discretionary activity.

April 2026 YoY annual electronic card consumer spending in Manawatū increased by

0.7% to $1.795 billion

compared to a year earlier

0.1% increase to $78.22 billion for New Zealand

The full impact of this shock on regional and national electronic card spending is still emerging. While annual spending remained relatively resilient, elevated fuel costs and ongoing uncertainty have influenced household behaviour. Although recent progress toward resolving the conflict has eased some immediate pressures, prices remain above pre-conflict levels, meaning households and businesses are likely to remain cautious in the near term. As broader economic conditions stabilise and confidence gradually improves, consumer spending is expected to recover.

Local spending patterns continue to highlight the importance of community events, hospitality and visitor activity in supporting the regional economy. The busiest spending days during the quarter aligned with key events and occasions, including Waitangi Day and the Central Districts Field Days, which generated some of the highest daily spending totals across the region.

"We're seeing a mix of caution and renewed confidence from customers. People are being selective about where and when they spend, but we've noticed an increase in bookings over the past six months, particularly for celebrations, group events and experiences. Our busiest periods continue to be driven by occasions like Mother's Day, while we're also seeing more visitors from across the wider region, including Whanganui, Levin and Wellington, choosing to create special experiences together. As confidence gradually returns, supporting local businesses and showcasing what's available in the Manawatū will be key to continued growth."

Steph Gadsby, Director, Country Road High Tea

WORKFORCE AND EMPLOYMENT

THE LABOUR MARKET IN MANAWATŪ HAS SHOWN RELATIVE RESILIENCE HEADING INTO 2026, WITH EMPLOYMENT CONDITIONS REMAINING STRONGER THAN MANY PARTS OF THE COUNTRY.

While businesses continue to navigate higher costs and uncertainty, the region's diverse economic base has helped provide stability through a challenging period.

Infometrics data shows the annual average unemployment rate in Manawatū was 4.2% in the March 2026 quarter, below the national average of 5.3%. While unemployment has increased from previous periods, this partly reflects a growing working-age population and more people entering the labour force. The participation rate has strengthened as more residents have either found work or actively looked for employment, which is also a nationwide phenomenon.

There are also early signs that businesses are continuing to plan for growth. SEEK data showed job advertising in Manawatū increased 3% month-on-month in April and was up 21.7% compared with the same period last year, placing the region among the stronger performers nationally.
This suggests businesses remain engaged with recruitment despite wider economic uncertainty, although the full impact of recent global cost pressures is still emerging.

Total Annual Earnings

INCREASED BY

$114 million

2.8%

Nationally this increased by 2.7%

Filled Jobs

(BY PLACE OF RESIDENCE)

54,957

Decreased by

0.6%

A decrease of 305

Nationally this decreased by 0.1%

Filled Jobs

(BY WORKPLACE LOCATION)

55,960

Decreased by

0.4%

A decrease of 236

Nationally this decreased by 0.1%

While solid recruitment intentions are positive, spare labour market capacity continues its upward trend. Jobseeker Support recipients increased by 4.6% over the year, with much of the increase driven by people receiving support due to health conditions or disabilities. The underutilisation rate also remains elevated, indicating a growing number of workers would prefer to work more hours.

Key sectors including health, education, agriculture, central government, defence, distribution and logistics continue to provide an important employment base for the region. These industries, combined with continued investment and export activity, are helping support employment resilience as the wider economy recovers.

"The latest employment indicators show that while the labour market is still adjusting, Manawatū continues to perform relatively strongly. Our diverse economic base provides an important buffer, and the resilience of sectors like agriculture, health, education, defence and government services continues to support the region through periods of uncertainty."

Stacey Andrews, City Economist

"We are seeing some local cost and confidence pressures, but the strength and diversity of the Manawatū economy continues to provide a solid foundation. While businesses remain cautious, there are positive signs that confidence is rebuilding and that employment momentum can continue as conditions stabilise."

Jerry Shearman, Chief Executive, CEDA

CONSTRUCTION

CONSTRUCTION ACTIVITY IN MANAWATŪ CONTINUES TO REFLECT THE CHANGING ECONOMIC ENVIRONMENT, WITH THE SECTOR INCREASINGLY BEING SUPPORTED BY COMMERCIAL, INDUSTRIAL AND INFRASTRUCTURE INVESTMENT WHILE RESIDENTIAL DEVELOPMENT REMAINS MORE SUBDUED.

Non-residential construction continues to be a standout area of growth. The value of non-residential consents in Manawatū increased by 12.4% in the year to April 2026, compared with a 0.4% decline nationally. This follows strong growth through 2025, with annual consent values rising to $197 million.

Growth has been broad-based, with significant investment across commercial buildings, health facilities, accommodation, and industrial developments. Major projects contributing to this activity include the Palmerston North Airport terminal upgrade, Safari Group's hotel development, health-related facilities, and new warehouse and industrial developments.

This level of investment reflects growing confidence in Manawatū's longer-term economic outlook, supported by a significant pipeline of projects across logistics, defence, business infrastructure and regional development.

Residential development in the region is now easing after an extended period of strong activity. Over the 10 years to April 2026, the rolling annual average of new dwellings consented in Manawatū doubled, far outpacing the 32% increase nationally. Residential development in the region is now easing from these historically elevated levels, while national consenting activity is lifting from a comparatively weak base.

The current shift away from residential-led construction does not indicate a lack of confidence in the region. Instead, activity is increasingly aligned with the industries driving future growth, including freight and distribution, defence, health, education and commercial services.

With borrowing conditions expected to gradually improve, residential development may strengthen over time, but in the short term the construction sector is being carried by investment that builds long-term productive capacity for the region.

New residential dwelling consent numbers in Manawatū

DECREASED BY

5.1%

In the year to April 2026

Compared with a 16.5% increase in New Zealand in the year to April 2026

Non-residential consent value in Manawatū

INCREASED BY

12.4%

In the year to April 2026

Compared with a 0.4% decrease in New Zealand in the year to April 2026

HOUSING

THE MANAWATŪ HOUSING MARKET HAS REMAINED RELATIVELY STEADY THROUGH EARLY 2026, WITH HOUSE SALES SHOWING MODEST GROWTH DESPITE CONTINUED UNCERTAINTY AROUND INTEREST RATES, INFLATION, AND WIDER ECONOMIC CONDITIONS.

House sales in the region increased by 3.2% in the year to April 2026 compared with the same period in 2025, slightly below the national increase of 5%. However, prices have remained stable, with average values showing only minor movement over the past year.

QV's Jason Hockly says the market has been stable overall, but inflation-adjusted property values continue to soften.

"Manawatū continues to be a stable market. We're not seeing large swings in values, but buyers are becoming more selective and affordability is playing a much bigger role in purchasing decisions."

First home buyers continue to support activity, with homes in the $550,000 – $650,000 range performing strongly, while higher-priced properties and older homes requiring significant modernisation are facing softer demand.

Investor activity remains subdued, despite rental yields improving, as buyers continue to weigh up interest rate expectations, regulatory settings and long-term capital growth prospects.

House sales in the region
INCREASED BY
3.2%

House sales in New Zealand
INCREASED BY
5%

In the year to April 2026 compared to the same period in 2025

Average house prices in Palmerston North
$631,848
Decreased by 0.4%

Average house prices in Manawatū District
$607,589
Decreased by 0.2%

Average house prices in New Zealand
$912,406
Decreased by 0.2%

The broader economic environment is also creating some additional challenges. Higher global costs, including fuel and transport pressures linked to geopolitical disruption, have added uncertainty around inflation and future borrowing costs. While these factors have not yet significantly affected the local housing market, ongoing pressure on household budgets and business costs will remain an important factor to watch.

Despite these challenges, Manawatū continues to benefit from relative affordability compared with the national market, population growth, and a steady economic base supported by government, defence, education, health and primary industries.

While this report focuses on data to the March 2026 quarter, selected indicators include more recent data up to the end of May 2026 to reflect the most current economic conditions. For questions get in touch: communications@ceda.nz

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