

# MANAWATŪ QUARTERLY ECONOMIC SNAPSHOT

POUTŪ-TE-RANGI //  
MARCH QUARTER 2024

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

**CEDA**  
CENTRAL ECONOMIC  
DEVELOPMENT AGENCY

 **MANAWATU**  
DISTRICT COUNCIL

**PALMY**  
PUNANGI  
BALMERSTON  
NORTH  
CITY

TE MAURI O  
**MANAWATŪ**  


REPORT





# WELCOME TO THE MANAWATŪ QUARTERLY ECONOMIC SNAPSHOT // MARCH 2024 QUARTER



## **RIDING OUT THE HIGH INTEREST RATE ENVIRONMENT REMAINS THE KEY THEME WITH BETTER TIMES FOR HOUSEHOLDS AND BUSINESSES IN THE FIRST HALF OF 2025.**

For now, the economy remains downbeat, with a real decline in spending and levels of investment easing further in 2024. Spending growth remains below inflation with the high cost of living continuing to weigh on discretionary spending. At the same time, the population of the country is growing, masking further weakness in per capita spending across the economy.

It's not all doom and gloom, however. The Reserve Bank of New Zealand (RBNZ) projects inflation will fall to within their 1-3% range by the September quarter this year, with interest rates starting to ease by mid-2025. ASB is optimistic, forecasting a 25-basis point drop in the OCR by February 2024.

Internationally, interest rate pressures are easing

as both the Canadian and European Central Banks lowered their rates in June, indicating global efforts to reduce inflation are working. Most significantly, US inflation was lower than expected in May, which reduced bond yields and increased the likelihood of US interest rate cuts in 2024 and 2025. While reflecting the economic challenges in our own country, domestic economic activity is weaker than previously forecast by the RBNZ, with the potential to prompt an easing of domestic interest rates earlier than forecast.

Year-end economic growth has slowed back to 0.2% over the 12 months to March 2024, the slowest year-end growth since the original COVID-19 lockdown. Despite these challenges, exports look to have provided a slightly improved result at the start of 2024, with Lunar New Year delivering a bump in international tourism and better dairy and horticulture returns are supportive too. Other parts of the primary sector remain weak, with falling meat and forestry prices.

**"While things have definitely cooled, it's important to look ahead and ensure we're still future proofing the region through key infrastructure projects and investment, setting our future work force up for success and keeping our eye on the long-term outlook."**

**For now, shopping locally and supporting our community businesses is a small but meaningful action we can all take to foster positive impact and lead us towards better times ahead."**

-Jerry Shearman, CEDA's Tumuaki - Chief Executive

# GROSS DOMESTIC PRODUCT (GDP)

**SIMILAR TO THE DECEMBER 2023 QUARTER, THE MARCH 2024 QUARTER AGAIN SHOWS THE REGIONAL ECONOMY CONTINUES TO COOL.**

This is due to the wider economic pressures with GDP in Manawatū provisionally down 0.6% for the year to March 2024, compared to a year earlier.

Our region's decline exceeded the national growth rate of 0.2%. Despite our economy currently contracting as anticipated, we are emerging from several years of steady growth, and with lower interest rates anticipated in the near future improvement is expected soon.

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

# MANAWATŪ GDP

## \$7.92 Billion

IN THE YEAR TO MARCH 2024



DOWN 0.6%

## NEW ZEALAND GDP

### \$378.6 BILLION



UP 0.2%

## Five Year GDP

MANAWATŪ

NEW ZEALAND



13.3%



11.2%

# BUSINESS COUNTS

IN THE YEAR LEADING UP TO MARCH 2024, THE NUMBER OF BUSINESS UNITS IN MANAWATŪ GREW SLIGHTLY BY 0.3%.

Which is lower than the 1% growth seen across New Zealand. Manawatū had an annual average of **12,192 business units**, up from **12,158 the previous year**. This modest growth follows a peak annual increase of 3.3% in the year to September 2022.

For our region, this data suggests a period of stabilisation after rapid expansion. While growth has slowed, the steady number of business units indicates resilience amid economic challenges. This stability can foster a more sustainable environment for local businesses, allowing them to adapt and thrive despite broader economic pressures.

**Annual growth in the number of business units in Manawatū peaked at 3.3% in the year to September 2022.**

THE NUMBER OF BUSINESS UNITS IN MANAWATŪ



For the year to March 2024

THE NUMBER OF BUSINESS UNITS NATIONALLY



For the year to March 2024





# CONSUMER SPENDING



**ELECTRONIC CARD CONSUMER SPENDING IN MANAWATŪ, INCREASED BY 1.7% OVER THE YEAR TO MARCH 2024, COMPARED TO A YEAR EARLIER.**

We're seeing the ongoing impacts of reduced discretionary spending as a result of high living costs across food, insurance, rates, and home ownership costs. Spending on 'home and recreational retail' declined by 8% over the year, with 'arts, recreation and visitor transport' down 2% compared with the year ending March 2023.

This is consistent with the contraction of spending on big ticket household and business goods that is being seen nationally, as household and business budgets come under pressure due to higher borrowing and living costs. At the national level, spending on 'home and recreational retail' fell by 4%, followed by spending on 'accommodation' which was down 1%, and spending on 'apparel and personal spending' falling 1%.

## **Decline in home and recreational spending:**

>> **Manawatū -8%**

>> **New Zealand -4%**

## YoY Electronic card consumer spending in Manawatū

INCREASED BY

# 1.7%

To \$1,791 million



**Compared to a year earlier**

## **INDUSTRY RECKONS // VERONICA JAMES // MUNCH**

**"January 2024 was notably quieter compared to the same period last year, but the number of customers hasn't significantly decreased. Instead, there's a noticeable shift in spending habits. For example, larger groups such as a table of 20 might come in for breakfast but opt not to order drinks, indicating a preference for lower-value items like cabinet food, which is generally cheaper.**

Despite the steady stream of customers, the increasing food costs and the recent minimum wage hike have significantly impacted business. Instead of raising prices drastically, we focus on

## YoY Electronic card consumer spending in New Zealand

INCREASED BY

# 2.8%



**Increase of \$78,263 million**

cost-effective measures and regularly revise the menu—about four times a year—to align with seasonal changes and subtly adjust prices.

Regardless of these challenges, Munch Cafe benefits from its niche market, which continues to attract customers even in tough times. We remain committed to keeping the team optimistic and focused, recognising that a motivated staff is key to weathering economic pressures and maintaining customer satisfaction."



**FOR MORE CONSUMER INSIGHTS SEE THE QUARTERLY RETAIL REPORT FOR MARCH 2024**

# CONSTRUCTION

**BOTH RESIDENTIAL AND NON-RESIDENTIAL CONSTRUCTION ACTIVITY IS WEAKENING AS PUBLIC SECTOR PROJECTS NEAR COMPLETION, GOVERNMENT CUTS REDUCE SPENDING, AND PRIVATE INVESTMENT DECLINES DUE TO ECONOMIC CONDITIONS.**

We anticipate a recovery in construction activity in 2025, driven by population growth, increasing capital values, and improving financial conditions.

Recent announcements from the government indicate an increase in funding to some of our biggest industries which will have a positive impact for our region in the coming years. The Defence sector is set to receive a \$571 million boost over four years, with \$163 million budgeted to increase remuneration and support recruitment and a further \$408 million for the upgrade of equipment and infrastructure.

## NON-RESIDENTIAL CONSENTS:

In the year leading up to March 2024, a total of \$167.6 million in non-residential consents were issued in the Manawatū, marking a 24.7% decrease from the previous year.

This decline is attributed to the exceptionally strong growth in 2023, with values now returning to more typical levels of investment. This trend is expected to continue throughout 2024.

Looking ahead to 2025 and 2026, lower interest rates, high population growth, and more favourable tax settings for residential developers are forecast to boost investment.

Despite the decrease in the March 2024 quarter, Manawatū's non-residential consents remain above the ten-year average, following several years of strong growth and capital development. In comparison, the value of consents decreased in New Zealand by just 1.1% over the same period.

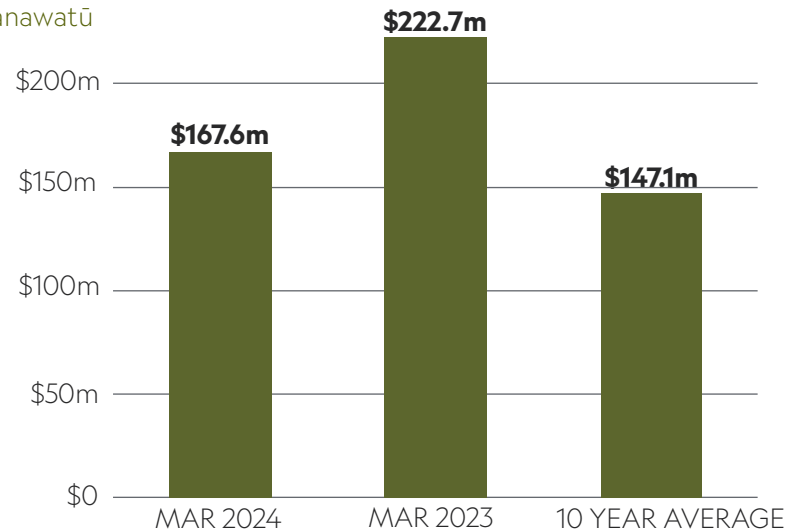
## RESIDENTIAL CONSENTS:

A total of 157 new residential building consents were issued in Manawatū in the March 2024 quarter, compared with 169 in the same quarter last year. On an annual basis the number of consents in Manawatū decreased by 9.8% compared with the same 12-month period a year before. This compares with a decrease of 24.9% in New Zealand over the same period.



## Non-residential consents

Annual value, Manawatū



# HOUSING

**WEAK SENTIMENT AND HIGH INTEREST RATES HAVE KEPT THE HOUSING MARKET SUBDUED. THE HIGHER NUMBER OF LISTINGS, JOB INSECURITY, AND DIFFICULTY ACCESSING MORTGAGE FINANCE HAVE DECREASED DEMAND AND STALLED HOUSE PRICE GROWTH.**

The FOMO (fear of missing out) that drove the market in 2021-2022 has vanished, as potential buyers now have ample choices and stable prices remove any urgency to buy. However, high population growth and greater certainty regarding government spending cuts and interest rates are expected to revive the market in spring.

House sales in Manawatū increased by 0.7% in the year to March 2024, compared to a year earlier. This compares with an increase of 10.2% in New Zealand. A total of 1,499 houses were sold in Manawatū in the 12 months ending March 2024. This compares with the ten-year annual average of 1,833. Nationally, annual house sales in March 2024 hit their highest level (66,196pa) since the year to September 2022. Sales volumes remain at historically low levels, well below pre-pandemic averages of above 76,000pa, as high mortgage rates continue to constrain activity.

We expect sales to remain steady or improve moderately at best over 2024 as the government's reintroduction of interest deductibility rules are likely offset by moderating net migration and continued pressure from high mortgage rates

House sales in the region were up by



**0.7%**

**IN THE YEAR TO MARCH 2024 COMPARED TO THE SAME PERIOD IN 2023.**

**Nationally house sales rose by 10.2% in the year to March 2024, compared to the same period in 2023.**

Real estate listings in Manawatū decreased by 3.6% in the year to March 2024, compared to a year earlier. The decline was greater than in New Zealand (0.7% growth). There was an average of 1,976 new real estate listings in Manawatū in the 12 months ending March 2024. This compares with the ten-year annual average of 2,380 new real estate listings.

Nationally, annual real estate listing numbers in the March 2024 quarter reached their highest level since December 2022. High listing numbers while house prices remain subdued reflects more households looking to test the market and downsize as high interest rates continue to hamper households' ability to meet mortgage payments.

**Average house prices in Manawatū**



In March 2024, compared to a year earlier

**UP 1.3%**

**Average house prices nationally**



In March 2024, compared to a year earlier

**UP 1.9%**

**\$641,509**

>> **Average house prices in Manawatū**

**\$933,633**

>> **Average house prices in New Zealand**



# AGRICULTURE

**ON THE LOCAL AND DOMESTIC FRONT, DAIRY PRICES ARE INCREASING AS FAVOURABLE DOMESTIC SUPPLY CONDITIONS AND WEAK PRODUCTION IN THE NORTHERN HEMISPHERE BOOST PRICES FOR OUR DAIRY PRODUCERS.**

Red meat producers remain under pressure as a seasonal increase in beef production weighs on prices. In saying that, we did see a 0.9% increase in the price of beef and sheep at the end of May, influenced by an increase in unsustainably low sheep and lamb prices. Overall, sheep and beef prices remain 6.9% lower than a year ago.

From the Governments budget, research and development are set to get a boost as the government funds investment in the mitigation of greenhouse gas emissions from the agriculture sector. Additionally, the Ministry of Foreign Affairs and Trade (MFAT) is also getting a boost from the budget, with the government focused on boosting trade opportunities with the rest of the world. With exports from our region valued at \$1.3b (Infometrics, REP) in the year to March, 2023, opening up further trade opportunities can only be good for our region.

**Our agri-food sector generated \$679m in GDP for the region and employed almost 6,300 people in the year to March 2023. Of this total, scientific research services contributed \$108m in GDP and employed over 900 people.**

## DAIRY PAYOUT Estimates from Infometrics

# \$368M

Estimated dairy payout for  
Manawatū in 2022/2023  
season

# \$353M

Estimated dairy payout for  
Manawatū in 2023/2024  
season



According to Infometrics, the total dairy payout for New Zealand is estimated to have been approximately \$15,396 million in the 2022/2023 season, and is expected to be \$625 million lower in the 2023/2024 season

### INDUSTRY RECKONS // MARK LAURENCE // REGIONAL MANAGER FOR LOWER NORTH ISLAND AT DAIRYNZ

#### RECENT TRENDS AND FARM GATE PRICES

"Despite recent gains in farm gate prices, Manawatū farmers continue to face high working costs and interest rates, compounded by a difficult climate and feed shortages, particularly in Central Manawatū. Improved reproduction results and stable milk production have come at the expense of winter feed reserves or increased spending on supplements. Consequently, many farmers remain cautious, focusing on minimising farm working expenses (FWE) and viewing the payout forecast with scepticism. The overall mood among farmers is 'mixed,' with financial strains overshadowing positive developments."

#### KEY CHALLENGES IN THE INDUSTRY

"Manawatū's dairy industry faces significant challenges, including compliance with environmental regulations, inflation, and high interest rates. Prolonged dry weather has strained pasture growth, and retaining skilled workers remains difficult, with high turnover and challenges in attracting new talent."

#### FOCUS FOR THE COMING SEASON

"Farmers will focus on increasing efficiency, particularly regarding greenhouse gas (GHG) emissions and overall farm system outcomes. Workforce management will also be critical, aiming to improve the resilience and satisfaction of farm workers. Despite positive trends in dairy prices, the overall sentiment remains subdued due to ongoing environmental, financial, and operational challenges."



# WORKFORCE & UNEMPLOYMENT

**EMPLOYMENT FOR RESIDENTS LIVING IN MANAWATŪ WAS UP 0.9% FOR THE YEAR TO MARCH 2024, COMPARED TO A YEAR EARLIER.**

Growth was lower than in New Zealand (2%). 56,269 people living in Manawatū were employed in March 2024. Annual employment growth for Manawatū residents peaked at 3.6% in the year to December 2019.

The annual average unemployment rate in Manawatū was 4.2% in the year to March 2024, up from 3.2% in the previous 12 months. Over the last ten years the annual average unemployment rate in Manawatū reached a peak of 6.9% in September 2015.

Jobseeker Support recipients in Manawatū in the year to March 2024 increased by 8.3% compared to a year earlier. Growth was higher than in New Zealand (7.8%).

# 56,269

PEOPLE LIVING IN MANAWATŪ



**WERE EMPLOYED IN MARCH 2024**



**INDUSTRY RECKONS // DYLAN RIGBY //  
AWF NATIONAL MANAGER FOR REGIONAL  
BRANCHES**

"AWF has observed a cooling job market this quarter, with employers adopting a more cautious approach, likely due to economic uncertainties. The numbers show that demand is far outweighing supply, with approximately 450 applications processed through our regional office per week. This is about 75% more than the same time last year. To put this into perspective, our average year-on-year growth in job seekers is 50%. While this puts significant pressure on us as a recruitment agency, it highlights the importance of our role in the recruiting process. Businesses are leaner and managers are struggling to find the time to screen and respond to the large volumes of applicants they have for their vacancies.

Despite the cooling trend, AWF is experiencing increased demand for temporary workers because clients are hesitant to commit to permanent staff. Employers are prioritising critical roles essential for their operations and future growth. Entry-level roles still exist, but clients are now much less inclined to hire candidates without driver's licenses compared to during the recent labour shortage. In addition, rather than seeing large numbers in single clients we're seeing smaller numbers with an increasingly larger pool of clients.

Looking ahead, AWF anticipates the labour market will remain subdued over the next quarter. However, there will still be opportunities for job seekers, particularly in specialised fields and with businesses that may have been too heavy handed with their redundancies. Here at AWF, we have a focus on training for industry needs and expect the roads of national significance and other infrastructure capital expenditure to be particularly good for the future of work in the region."

**Employment for residents living in  
Manawatū increased by**

**1.7%**

FOR THE YEAR TO MARCH 2024



**COMPARED TO A YEAR EARLIER**

**NEET:**

The annual average NEET rate in Manawatū was 12.4% in the year to March 2024, up from 9.7% in the previous 12 months. In the year to March 2024, the annual average NEET rate in Manawatū was higher than in New Zealand (12.1%). Over the last ten years the annual average NEET rate in Manawatū reached a peak of 13.6% in December 2018.

As labour market conditions weaken and filled jobs for 15- to 19-year-olds continue to fall, we expect further rises in the NEET rate over the coming year.

\* The NEET rate indicates the proportion of 15-24-year-olds residents who are Not engaged in Education, Employment, or Training.

The annual average NEET rate in  
Manawatū

**Was higher than in New Zealand's**

**12.1%**







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