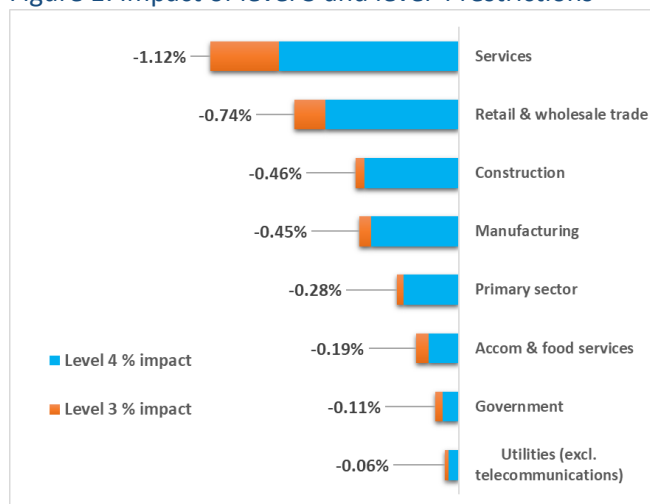


## Regional summary

The Manawatū-Whanganui economy is estimated to contract by 3.4% (↓\$382.5m) over 2020 as a direct result of level 3 and level 4 restrictions imposed in response to COVID-19<sup>1</sup>, compared to the national average of 3.7%. Overall, for levels 1 to 4, the region is estimated to contract by 6.2% over the remainder of 2020, compared to 6.4% across New Zealand. Figure 1 illustrates the impacts of level 3 and level 4 restrictions specific to the Manawatū-Whanganui region, by broad industry.

### Estimated impact on total annual GDP

Figure 1: Impact of level 3 and level 4 restrictions



Source: RBNZ industry economic impacts applied to the Horizons Region

This assessment estimates the direct impacts of COVID-19 on the regional economy and identifies industry strengths and vulnerabilities that will influence economic recovery over 2020.

Economic projections are subject to considerable uncertainty about how the impacts of COVID-19 will play out, both domestically and across different parts of New Zealand. The magnitude of the impact relative to projections will be influenced by a range of factors including whether we remain in alert level 1, any partial reopening of borders to support industry and enable skilled workers to enter the country, regional industry mix and the pace and scale of the global recovery from COVID-19. Another factor that will have a considerable influence on economic recovery is the impact of uncertainty on

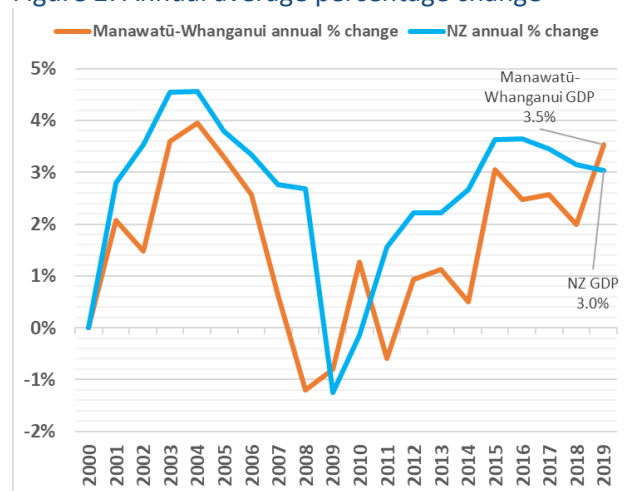
“One third of economic losses [from COVID-19] will be direct costs from loss of life, workplace closures, and quarantines. The remaining two-thirds will be indirect... decline in consumer and business behaviour and a tightening in financial markets – the impacts of uncertainty.”

The International Monetary Fund, 4 March, 2020

business and household activity. Limiting uncertainty will support economic activity and add pace to the regional recovery.

### Annual Gross Domestic Product growth

Figure 2: Annual average percentage change



Source: Infometrics

### The economy started from a position of strength

The regional economy grew by 3.5% to a total of \$11.2b to the year ended March 2019. This exceeds national growth of 3.0% over the same period. The industry mix of the regional economy will position the region well for economic recovery relative to other parts of New Zealand; however, there are industries that are vulnerable to the impacts of COVID-19. These factors are discussed later in the report. Individuals and households will also be impacted.

### Key findings

- Overall, the regional economy is estimated to contract by 3.4% (↓\$382.5m) over 2020 as a direct result of COVID-19 level 3 and level 4 restrictions. This compares with an estimated 3.7% contraction in the New Zealand economy.
- The additional impacts of level 1 and level 2 restrictions are estimated to contract both the regional and national economy a further 2.7%. This is an estimated reduction in GDP of \$306.1m in the region over 2020.
- The region’s primary and agri-food sector production is strong and, based on the assumption of continued global demand, will support the regional economic recovery relative to parts of New Zealand heavily dependent on services.

impacts for level 3 and level 4 restrictions have been applied to the Manawatū-Whanganui economy to estimate specific regional impacts.

<sup>1</sup> Estimates based on the ‘Reserve Bank of New Zealand Economic impacts of COVID-19 containment measures’ (May 2020). Industry

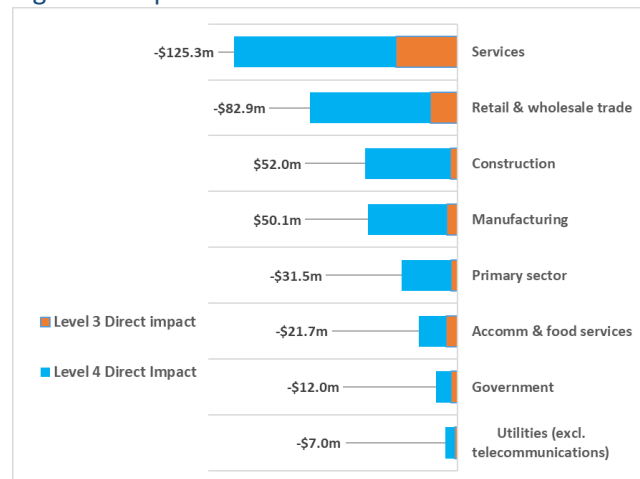
- Central government investment and the high concentration of employment within the public administration and health care and social assistance sectors will sustain regional employment levels and household incomes, and help to maintain jobs within the service sector.
- The regional construction sector experienced significant disruption as a result of the lockdown period. While the pipeline of construction projects exceeds planned investment in some parts of the region compared to the same time in 2019, some construction businesses will continue to be vulnerable due to impacts on cash flows and balance sheets. We anticipate that the strong pipeline of building projects and infrastructure investment in addition to central government investment in shovel ready projects, will support confidence in the sector and enable businesses to stay open. Maintaining and growing the construction sector capacity will be crucial to the regional recovery.
- The outlook for the manufacturing sector is mixed. While indicators show the continued strong demand for agri-food products produced in the region, supply chain disruptions and global demand conditions present some risk to the regional manufacturing sector overall.
- The retail sector, accommodation and food services sector, and the wider services sector are most vulnerable to the current economic shock. At the regional scale, the concentration of resilient employment in the region will help to maintain household incomes and support levels of demand for services. The move to level 1 will also enable domestic tourism, events and conferences to resume, adding support to the accommodation, retail and services sectors.
- COVID-19 was expected to have a significant impact on the tertiary education sector. While risks to the sector continue, so does the opportunity to capitalise on the reputational benefits of the elimination of COVID-19 in New Zealand. Assuming borders will relax to enable international students to resume study in New Zealand in 2020, the outlook for the tertiary sector looks far brighter. An upswing in demand for tertiary education from New Zealand citizens is also expected to support the sector in 2020.

## Regional impact of lockdown by sub-industries

As summarised, the lockdown period affected industries differently across the region. Identifying the impacts on each industry is important for understanding the vulnerabilities that exist within the regional economy. Figure 3 illustrates the estimated impact of level 3 and level 4 restrictions by industry across the region.

### Estimated impact \$m by Industry

Figure 3: Impact of level 3 and level 4 restrictions



The service industries were most affected, with accommodation and food services GDP falling an estimated 11.1% of annual GDP (↓\$21.7m). The percentage impact on service industries apart from accommodation and food services was smaller at 3.8%, but due to the size of the sector, the impact on GDP is estimated at \$125.3m. Evidence shows a significant rebound in demand for both groups of services post lockdown; however, the losses sustained over the lockdown period continue to make the industry vulnerable.

The impact on retail and wholesale trade is estimated at 6.6% of industry GDP. This assumes annual losses of \$82.9m for the sector. The affects were felt differently within the sector, as supermarket and grocery shopping expenditure increased substantially over the lockdown period while expenditure on non-essential items fell sharply. While evidence suggests a considerable rebound in demand for non-essential goods, the impacts on the sector of the lockdown period and any future softening of business and household spending render them vulnerable.

The construction and manufacturing sectors are estimated to have lost \$52m and \$50m from the lockdown period respectively. This is an estimated 7.7% decline in construction sector GDP and a 5.2% decline in manufacturing GDP. In terms of construction, these losses will impact on the sustainability of individual businesses in the region. However, building consent data and planned infrastructure investment suggests there will be a substantial pipeline of work available to support the

Table 1 provides a broad industry summary of economic impacts specific to the Manawatū-Whanganui regional economy. The industries are ranked based on the level of contribution to regional GDP.

Table 1: Broad industry summary

Industry sector	GDP \$m	Jobs	Impact summary
Agriculture, forestry & fishing	\$1,270	12,211	The sector makes up 11.4% of regional GDP and 11.7% of total employment. The region's strength in red meat production and dairy farming is expected to support the recovery of the regional economy.  Exposure to global demand conditions poses some ongoing risk to the sector.
Manufacturing	\$967.5	11,644	Manufacturing contributes 8.7% of regional GDP and 10.0% of total employment. Agri-food production makes up 52.0% of regional manufacturing GDP and 54.4% of manufacturing jobs. The concentration of agri-food production is a resilience factor. However, overall the sector remains vulnerable to supply chain disruptions and global demand factors.
Public Admin & Safety	\$933.6	9,386	The public administration and safety sector contributes 8.4% of total regional GDP and 8.1% of total employment. The contribution of the sector significantly exceeds the contribution at the national level. This is a particular strength as employment is not dependent on levels of demand, and are therefore more resilient to the economic fallout of COVID-19.
Health Care & Social Assistance	\$811.1	13,559	The healthcare sector contributes 7.3% to regional GDP and 11.7% of total employment. The concentration of health care and social assistance employment and economic activity in the region will provide considerable support to the regional recovery.  Impacts of the lockdown poses some risks for General Practice.
Rental, hiring and real estate services	\$758.5	2,370	The rental, hiring and real estate services sector contributes 6.8% of total regional GDP and 2.0% of total employment. The sector is vulnerable to the impacts of reduced business and household demand, however data to April 2020 indicates the sector is continuing to perform well.
Retail trade	\$683.1	11,079	The retail trade sector contributes 6.1% of regional GDP and 9.5% of total employment. Retail trade was heavily exposed to the impacts of the lockdown period and continues to be vulnerable to domestic demand conditions and supply chain disruptions. Protecting these businesses and jobs will rely on maintaining levels of business and household income and spending.
Construction	\$673.0	9,472	The construction sector contributes 6.0% of regional GDP and 8.1% of total employment. The region is particularly strong in the heavy and civil engineering and construction services sectors. The pipeline of regional construction projects will support recovery of the construction sector; however, the lockdown period is estimated to have wiped \$52.0m in GDP from the industry. This implies business level vulnerabilities within the sector.
Education & training	\$658.1	11,162	The education and training sector contributes 5.9% of regional GDP and 9.5% of total employment. While the sector overall is relatively resilient, the outlook for international education looked grim at the height of the lockdown. Prospects have brightened with the elimination of COVID-19 within New Zealand's borders. The sector is expected to be bolstered by growing domestic enrolments and the incremental recovery of international students returning to New Zealand due to the elimination of COVID-19.
Wholesale trade	\$576.8	5,482	The wholesale trade sector contributes 5.2% of regional GDP and 4.7% of total employment. Wholesale trade was heavily exposed to the impacts of the lockdown period and continues to be vulnerable to domestic demand conditions and supply chain disruptions.
Professional, Scientific & Technical services	\$536.7	5,750	The professional, scientific and technical services sector contributed 4.8% to regional GDP and 4.9% of total employment. Assuming the resilience of regional research institutes and demand for professional services, the sector is expected to support the regional recovery. Some vulnerability exists in the event of budget cuts for R&D and professional support services. Investment in research and innovation is needed to transition the regional economy.
Transport, postal & warehousing	\$378.1	3,902	The transport, postal and warehousing sector contributes 3.4% to regional GDP and 3.4% of total employment. Distribution is a crucial support sector to the regional economy. However, it will be impacted by border restrictions and the impacts on tourism of COVID-19 restrictions. Maintaining capacity in the sector is crucial to the regional economic recovery.

Electricity, gas, water & waste services	\$295.8	817	The electricity, gas, water and waste services sector contributes 2.6% to regional GDP and 0.7% of total jobs. The sector was affected by the lockdown period, with an estimated decline in GDP of \$7.0m. Post lockdown, the sector is expected to be resilient to the impacts.
Financial & insurance services	\$282.6	1,484	The financial & insurance service sector contributes 2.5% to regional GDP and 1.3% of total employment. The New Zealand financial system is well positioned to support the recovery <sup>2</sup> and there is little risk currently to the stability of New Zealand's financial institutions. Across finance and insurance some vulnerability exists from tightening financial conditions of businesses and households
Accommodation & food services	\$195.0	6,862	The accommodation and food services sector contributes 1.7% to regional GDP and 5.9% of total employment. The sector is estimated to have lost \$21.7m as a result of the level 3 and level 4 lockdown. Accommodation and food services remains highly vulnerable to the downturn in international and domestic tourism expenditure and the impacts of the downturn in business and consumer confidence.
Other services <sup>3</sup>	\$172.9	4,826	The other services sector contributes 1.5% to regional GDP and 4.1% of total employment. The broader service sector was most affected by the level 3 and level 4-lockdown period. Maintaining businesses and jobs will rely on levels of business and household income and confidence.
Administrative & support services	\$147.2	3,464	The administrative and support services sector contributes 1.3% to total regional GDP and 3.0% of total employment. The travel agency and tour arrangement services sector contributes \$8.62m in GDP and employs 202 people in the region. Tourism-related administrative and support service industries are particularly exposed to the risk of business closures and job losses.
Arts & recreation services	\$120.3	2,014	The arts and recreation sector contributes 1.1% of total regional GDP and 1.7% of total employment. Recovery of domestic tourism will aid recovery in the sector.
Information, media & telecommunications	\$111.7	775	The information, media and telecommunications sector contributes 1.0% of regional GDP and 0.7% of total jobs. With the exception of journalism, the regional information, media & telecommunications sector is not particularly exposed to the impacts of COVID-19. Over time, cash flows of businesses may influence the demand for media services.
Mining	\$11.1	101	The mining sector contributes 0.1% of regional GDP and 0.1% of jobs to the regional economy. Any vulnerabilities in the sector from exposure to global demand conditions pose a negligible risk to the regional economy.
Total	\$11.18b <sup>4</sup>	116,360	

<sup>2</sup> Reserve Bank of New Zealand Financial Stability Report, May 2020.

<sup>3</sup> Other services includes Repair and Maintenance, Personal and Other Services, and Private Households Employing Staff. Note, this sector is a sub-set of Services included in the assessment of economic impacts.

<sup>4</sup> The GDP total includes owner-occupied property operation and unallocated GDP therefore the total exceeds the sum of industry sector GDP.

recovery of the sector. Manufacturing is less certain, due to exposure to international supply chain and demand conditions and the uneven impacts of COVID-19 on the various subsectors within the manufacturing industry. International demand conditions, commodity prices, and jobs data by industry will help to understand the impacts on the regional manufacturing sector through the recovery period.

The government and utilities sectors (excluding the telecommunications sector) are also assumed to be affected by the lockdown period, with GDP falling an estimated \$12m and \$7m respectively. This assumes a 1.3% fall in government GDP over the year and a 2.3% fall in GDP generated from utilities. While some councils may opt to defer spending on 'nice-to-have' projects, both sectors are assumed to recover, with the government sector expected to expand due to the significant stimulus from central government spending on infrastructure and services.

The tertiary education sector has also been affected by the lockdown period and the border restrictions. Reopening the border to international students under quarantine conditions will support recovery of the sector. The reputational benefits of the elimination of COVID-19 within New Zealand's borders is expected to have a positive impact on demand for New Zealand tertiary education in addition to our exports of services.

**The tourism sector makes up 5.1% of total GDP and 6.2% of employment across the region. This compares with 55.6% of GDP and 63.5% of total employment in the Queenstown-Lakes District.**

Estimating the exact impact on the tourism sector is complex due to tourism being made up of a proportion of several industry sectors. Table 2 specifies these industry sectors in addition to the proportion of total industry spending contributed from tourism<sup>5</sup>. The greater the reliance on tourism as a proportion of total expenditure, the greater the vulnerability of that industry to the impacts of COVID-19.

Table 2: Tourism related industries and expenditure

Industry sector	Estimated proportion contributed from tourism
Accommodation	0.69
Food & beverage services	0.40
Road, rail & water transport	0.09
Air & space transport	0.87
Other transport, transport support & travel & tour services	0.22

<sup>5</sup> The Proportion of each sector contributed from tourism is from the Statistics New Zealand Tourism Satellite Accounts from 2017.

<sup>6</sup> Economic impacts of level 1 and level 2 restrictions have been calculated at the aggregate level based on the published estimates.

Rental & hiring services	0.31
Arts & recreation services	0.17
Retail trade	0.14
Education & trade	0.08
All non-tourism related industries	0.02

From table 2, Accommodation and food and beverage services will bear the brunt of the impact however the other tourism industries in addition to non-tourism related industries will also be affected by the cessation of international tourism and the shutdown of all domestic tourism over the period 26 March to 13 May. Getting domestic tourism up and running again will support the partial recovery of the industry however, the impacts are unavoidably substantial. The fact that the regional economy is so much less reliant on tourism for employment and economic activity supports the regional economic outlook relative to parts of New Zealand with greater dependency.

### Level 1 and level 2 impacts

The Reserve Bank of New Zealand (RBNZ) has estimated the aggregate impact of level 1 restrictions at 3.8% and level 2 restrictions at 8.8% nationally. Applying these estimates to the regional economy implies a further reduction in GDP of \$236m and \$70.1m respectively over the remainder of 2020 (↓2.7% GDP<sup>6</sup>). Including the estimates for level 1 and level 2, the combined impact of restrictions on the regional economy is estimated at 6.2% (-\$689m). This compares with a 3.7% decline for New Zealand from level 3 and 4 restrictions and a 6.4% decline overall from the combined impacts of level 1 to 4 restrictions.

The following section provides a detailed analysis of the structure, strengths and vulnerabilities in the regional economy. Appendix one provides a list of indicators for monitoring over 2020. Appendix Two provides a snapshot of industry differences by territorial authority across the region. For the purposes of economic reporting, the Manawatū-Whanganui Region includes the following territorial authorities<sup>7</sup>:

- Ruapehū District;
- Whanganui District;
- Rangitikei District;
- Manawatū District;
- Palmerston North City;
- Tararua District; and,
- Horowhenua District.

Level 2 restrictions are assumed to end 9 June with level 1 border restrictions assumed to last until the end of 2020.

<sup>7</sup> Regional reporting combines the results for the seven territorial authorities rather than the geographical area within Horizons Regional Council's boundary.

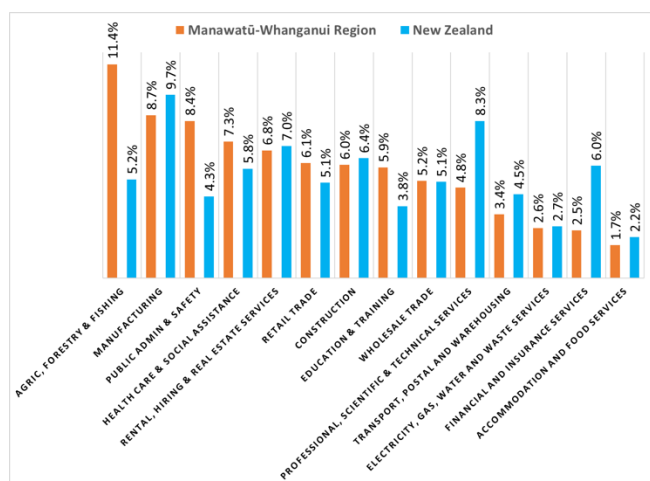
## Regional Economic Structure<sup>8</sup>

The Manawatū-Whanganui regional economy has particular strength in the agriculture, forestry and fishing, public administration and safety, health care and social assistance, retail trade, and education and training sectors. The region is also relatively strong in manufacturing and construction, with these sectors contributing a similar proportion to regional GDP as the national economy. Similarly, employment in the region is heavily weighted toward health care and social assistance, agriculture, forestry and fishing, manufacturing, education and training, retail trade, construction, and public administration and safety. The accommodation and food services sector is also a significant employer in the region.

Figure 4 and Figure 5 illustrate the proportion of GDP and employment generated by broad industry level in the Manawatū-Whanganui Region. Figure 4 is based on the 14 largest industry contributors to GDP, while Figure 5 illustrates the proportion of jobs generated from the 14 largest industry employer groups.

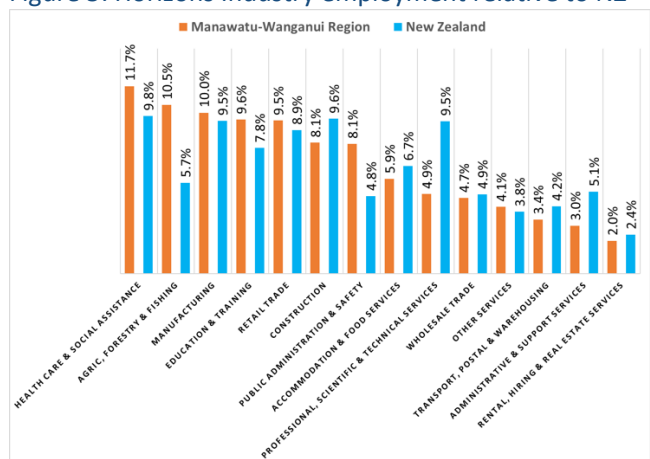
### Industry structure

Figure 4: Horizons Industry GDP relative to NZ



### Employment structure

Figure 5: Horizons Industry employment relative to NZ



Based on the contribution of industries to regional GDP and employment above, the following section summarises

the GDP contribution, employment and resource capacity of the following regional industries:

1. Agriculture, forestry and fishing;
2. Manufacturing;
3. Public administration and safety;
4. Health care and social assistance;
5. Rental, hiring and real estate services;
6. Retail trade;
7. Construction;
8. Education and training; and,
9. Accommodation and food services.

### Agriculture, forestry & fishing

The primary sector and support services industry \$1.27b to the regional economy and employs over 12,000 people. Global and domestic demand for agri-food products has remained strong despite the economic slowdown. The region's strength in red meat production and dairy farming is expected to support the recovery of the regional economy.

Table 3: The agriculture, forestry & fishing sector

Sub-industry	GDP contribution	Jobs
Sheep, beef & cattle grain farming	\$512.3m	4,959
Dairy farming	\$364.4m	2,762
Forestry & logging	\$145.7m	373
Agriculture, forestry & fishing support services	\$131.7m	2,005
Horticulture & fruit growing	\$67.2m	1,227
Poultry, deer, and other livestock farming	\$43.9m	853
Fishing & aquaculture	\$4.7m	31
<b>Total</b>	<b>\$1,270m</b>	<b>12,210</b>

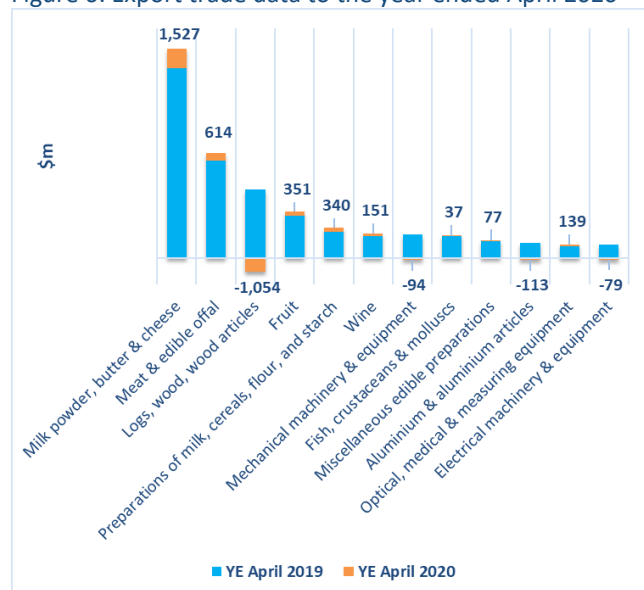
The agriculture, forestry and fishing sector is the largest industry contributor to GDP and the second largest regional employer, generating \$1,270m in GDP and employing 12,210 people across the region. Agricultural production and support services are also an area of significant strength in the regional economy relative to New Zealand. In particular, sheep, beef cattle and grain farming and dairy farming are major industries for the region, while the region also has considerable capacity in forestry and logging, agriculture, forestry and fishing support services, and poultry, deer, and other livestock farming. As indicated in Figure 6, export trade for goods produced in the region have held up well despite the global economic conditions. While forestry suffered a downturn in late 2019 and early 2020, recent data indicates some recovery within the sector.

<sup>8</sup> Industry data is for the Manawatū-Whanganui Region is sourced through Infometrics, year to March 2019.



Trade values and commodity prices of goods produced in the region over the coming months will reveal the longer-term outlook for the sector and identify any emerging vulnerabilities.

Figure 6: Export trade data to the year ended April 2020



## Manufacturing

The manufacturing sector contributes \$967.5m and 11,647 jobs to the regional economy. Agri-food production makes up 52.0% of total manufacturing GDP and 54.4% of manufacturing jobs. The concentration in agri-food production is a resilience factor; however, overall the sector remains vulnerable to supply chain disruptions and global demand factors. Industrial and chemical manufacturing also makes a significant contribution to the regional economy, generating \$465m in GDP and employing 5,312 people. Overall, the manufacturing industry has a higher concentration of employment in the region than across New Zealand as a whole.

Table 4: The manufacturing sector

Sub-industry	GDP contribution	Jobs
Meat and meat product manufacturing	\$176.4m	2,477
Machinery manufacturing	\$108.8m	1,100
Dairy product manufacturing	\$99.0m	704
Fabricated metal product manufacturing	\$93.1m	1,423
Fruit, oil, cereal, and other food product manufacturing	\$80.2m	1,231
Wood product manufacturing	\$56.1m	787
Polymer product and rubber product manufacturing	\$53.5m	531
Transport equipment manufacturing	\$49.1m	560

Pulp, paper, and converted paper product manufacturing	\$39.2m	241
Non-metallic mineral product manufacturing	\$36.9m	316
Electronic and electrical equipment manufacturing	\$28.1m	292
Basic chemical and basic polymer manufacturing	\$25.3m	157
Textile and leather manufacturing	\$25.1m	484
Furniture manufacturing	\$21.7m	402
Clothing, knitted products, and footwear manufacturing	\$15.8m	322
Primary metal and metal product manufacturing	\$14.2m	110
Printing	\$14.1m	231
Pharmaceutical, cleaning, and other chemical manufacturing	\$9.8m	65
Seafood processing	\$6.2m	69
Fertiliser and pesticide manufacturing	\$5.9m	35
Other manufacturing	\$4.9m	90
Beverage and tobacco product manufacturing	\$4.7m	20
<b>Total</b>	<b>\$967.5m</b>	<b>11,647</b>

The broad scope of manufacturing activities in the region and the uncertainty of international economic conditions present a mixed outlook for the regional manufacturing sector.

## Public administration and safety

The public sector contributes \$933.6m and 2,370 jobs to the regional economy. The region has a particular advantage in the concentration of central government, local government and defence force activities. These jobs and incomes are not dependent on levels of international and domestic demand, and are therefore resilient to the impacts of global and domestic economic disruption. The planned upgrades to Linton Military Camp and Ohakea Air Force base in addition to planned infrastructure spending will bring billions of dollars into the regional economy, driving demand for support services in the region and supporting jobs and incomes.

Table 5: The public administration & safety sector

Sub-industry	GDP contribution	Jobs
Defence	\$404.9m	3,830
Public order, safety, and regulatory services	\$244.9m	2,217
Central government administration services	\$202.7m	2,053
Local government administration services	\$81.2m	1,285
<b>Total</b>	<b>\$933.6m</b>	<b>9,385</b>

## Health care and social assistance

The healthcare and social assistance sector employs over 13,000 people across the region, exceeding the concentration of employment at the national level.

Similar to public sector strength, the concentration of health care and social assistance employment and economic activity in the region will provide considerable support to the regional recovery relative to areas with greater economic dependence on private sector activity.

Table 6: The health care & social assistance sector

Sub-industry	GDP contribution	Jobs
Residential care services and social assistance	\$330.4	5,500
Medical and other health care services	\$270.5	4,531
Hospitals	\$209.7m	3,528
<b>Total</b>	<b>\$811.1m</b>	<b>13,559</b>

## Rental, hiring and real estate services

The rental, hiring and real estate services sector contributes \$758.5m to the regional economy and generates over 2,000 jobs. The sector is vulnerable to the economic impacts of COVID-19; however, data to April 2020 indicates the sector is continuing to perform well. The full impact will not be known however for some time as any effects on levels of employment and household incomes flow through to levels of demand.

Table 7: The rental, hiring & real estate services sector

Sub-industry	GDP contribution	Jobs
Real estate services	\$335.3m	966
Non-residential property operation	\$249.5m	690
Rental and hiring services (except real estate); non-financial asset leasing	\$102.4m	510
Residential property operation	\$71.2m	204
<b>Total</b>	<b>\$758.5m</b>	<b>2,370</b>

## Retail trade

The retail sector contributes \$682.2m and 11,079 jobs to the regional economy. Retail trade was particularly exposed to the impacts of the lockdown period and continues to be vulnerable to domestic demand conditions and supply chain disruptions. As expected over the lockdown period, levels of retail spending fell sharply with the exception of supermarket spending. Weekly data since level 3 lockdown ended suggests a partial catch-up in spending; however, cumulatively expenditure is still down on the same period in 2019. On a positive note, the region has significant concentration of employment in the supermarket sector where revenues were bolstered as a result of the level 3 and level 4 lockdown. Overall, the level of employment in the retail sector highlights the importance of protecting business and household incomes to maintain spending in the local economy, to protect retail sector jobs.

Table 8: The retail trade sector

Sub-industry	GDP contribution	Jobs
Supermarket and grocery stores	\$178.0m	3,158
Furniture, electrical, and hardware retailing	\$124.0m	2,004
Other store based retailing; non-store and commission based retailing	\$114.0m	1,872
Motor vehicle and motor vehicle parts retailing	\$87.0m	1,191
Recreational, clothing, footwear, and personal accessory retailing	\$69.8m	1,136
Department stores	\$50.6m	815
Fuel retailing	\$34.6m	462
Specialised food retailing	\$24.2m	441
<b>Total</b>	<b>\$682.2m</b>	<b>11,079</b>

## Construction

The construction sector contributes \$673.4m and 9,472 jobs to the regional economy and has particular strength in the heavy and civil engineering construction and construction services. There is a significant pipeline of construction projects planned, consented and underway across the region. The lockdown period however is estimated to have wiped \$52.0m in GDP from the regional construction sector. This renders the industry vulnerable to losses sustained over this period. Maintaining capacity in the sector is crucial to the regional recovery as infrastructure and building projects are brought forward to stimulate the regional and national recovery.

Table 9: The construction sector

Sub-industry	GDP contribution	Jobs
Residential building construction	\$100.0m	1,913
Non-residential building construction	\$23.4m	451
Heavy and civil engineering construction	\$219.0m	1,770
Construction services	\$331.0m	5,338
<b>Total</b>	<b>\$673.4m</b>	<b>9,472</b>

## Education and Training

The education and training sector contributes \$658.5 in GDP and 5,677 jobs to the regional economy. While the outlook for international education looked grim at the height of the lockdown, the sector is expected to be bolstered by growing domestic enrolments and the incremental recovery of international students returning to New Zealand due to the elimination of COVID-19 within New Zealand borders. The tertiary education sector and private preschool education sector were particularly impacted by border closures and business closures over the lockdown period while the school education sector remained relatively protected. While



some risk from international conditions continues, there are also growing opportunities to capitalise on the reputational benefits of the elimination of COVID-19 in New Zealand. Due to the significant employment and output generated by the regional tertiary education sector, resilience of the sector is crucial to the regional recovery.

Table 9: The education and training sector

Sub-industry	GDP contribution	Jobs
School education	\$340.0m	5,677
Tertiary education	\$176.0m	3,086
Preschool education	\$88.2m	1,474
Adult, community, and other education	\$54.3m	926
<b>Total</b>	<b>\$658.5m</b>	<b>11,163</b>

### Accommodation and Food Services

**The accommodation and food services sector contributes \$195.2m in GDP and 6,862 jobs to the regional economy. The sector was most affected by the level 3 and level 4 lockdown and continue to be vulnerable to the cessation of international tourism and levels of domestic consumer demand.** The accommodation and food services sector is not a significant contributor to the regional economy when compared with New Zealand. However, its contribution to employment, in addition to providing employment and income for younger and less skilled workers, highlights the sector's importance to the regional economy. While, like service industries, the wage subsidy provided significant support to employment levels in the industry over the lockdown period, the outlook for the sector remains particularly vulnerable to declining business and household income and consumer demand. At the domestic scale, the sector is vulnerable to the lack of international tourism. While the regional industry is less vulnerable due to a greater dependence on domestic tourism, the reduction in conference and school sports events, as well as a possible change in the dynamics of domestic tourism, will impact on local tourism dependent industries as identified in table 2.

Table 10: The Accommodation and food services sector

Sub-industry	GDP contribution	Jobs
Accommodation	\$37.2m	1,291
Food and beverage services	\$158.0m	5,571
<b>Total</b>	<b>\$195.2</b>	<b>6,862</b>

## Conclusion

The impacts on industry of COVID-19 and are not equal and therefore the path of recovery across New Zealand and the region is unlikely to be equal. The industry structure of the region, however, provides some protection to the worst impacts of COVID-19. In particular, the concentration of economic activity and employment in primary production, agri-food manufacturing, public administration and safety, and healthcare and social assistance relative to New Zealand means the prospects for the region are better than for many parts of New Zealand. The region is also far less reliant on international tourism expenditure and far more dependent on friends and family tourism than other parts of the country.

While the industry mix of the region will support the economic recovery, there are sectors that continue to be vulnerable to the impacts of COVID-19. Service sectors continue to be particularly exposed, as are retail and wholesale trade. While the outlook is improving, some vulnerabilities persist in the tertiary sector. There are risks to the manufacturing and construction sectors due to the impacts of the lockdown period on the sustainability of individual businesses and uncertainty surrounding global demand and supply conditions.

Despite the current strong performance, primary production and agri-food manufacturing remain vulnerable to changes in global demand and supply dynamics, made more volatile by current global economic conditions. Rental, hiring and real estate services are exposed to changes in business and household wealth and income. Current data indicates house prices are continuing to grow; however, if unemployment levels rise above expectation and confidence slumps, this is likely to impact on the sector and on house prices.

Ongoing risks and uncertainty of the impacts of COVID-19 highlight the importance of monitoring and reporting specific to the region to identify vulnerabilities and opportunities to support economic recovery.

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## Appendix One: Economic Monitoring Indicators

Indicator	Frequency	Source
Retail spending	Weekly and monthly	Marketview
Job seeker benefits (region)	Weekly	MSD
Job seeker benefits (Territorial Authority)	Monthly	MSD
Job seeker benefits by region main type, age band and ethnicity	Quarterly	MSD
Benefits (other) by Territorial Authority	Monthly	MSD
Job ad indices by TA	Weekly	Trade Me
Job ads across broad industries (region, Horizons North and Horizons South)	Monthly	Trade Me
Import and export values	Weekly	Statistics New Zealand
Filled jobs	Monthly	Statistics New Zealand
Building consents – new dwellings	Monthly	Statistics New Zealand
Building consents - values	Monthly	Statistics New Zealand
Retail – breakdown by sector	Monthly	Marketview
Commodity price index	Monthly	ANZ
Merchandise import and export trade data by destination and main commodity	Monthly	Statistics New Zealand
QV average house prices	Monthly	QV/CoreLogic
Average annual weekly rent	Monthly	MBIE
Houses sold	Monthly	REINZ
Tourism spending	Monthly	MBIE
Car registrations by postal region	Monthly	NZTA
Traffic movements	Weekly	NZTA
Social housing register	Quarterly	MSD
Infometrics Quarterly Economic Updates	Quarterly	Infometrics

## Appendix Two: Largest industries by Territorial Authority

Table 10: The five largest sub-industries by Territorial Authority (TA) and the contribution of that sub-industry towards the %GDP for that TA, based on 106 Industry data<sup>1</sup>.

Territorial Authority	Industry 1	Industry 2	Industry 3	Industry 4	Industry 5
Ruapehū District	Sheep, beef cattle and grain farming	Defence	Pulp, paper, and converted paper product manufacturing	Sport and recreation services	Heavy and civil engineering construction
GDP %	11.8%	8.3%	4.1%	3.4%	3.4%
Whanganui District	Public order, safety and regulatory services	Residential care services and social assistance	School education	Hospitals	Construction services
GDP %	4.1%	4.0%	4.0%	3.6%	3.4%
Rangitīkei District	Sheep, beef cattle, and grain farming	Meat and meat product manufacturing	Dairy cattle farming	School education	Agriculture, forestry, and fishing support services
GDP %	17.1%	7.0%	6.8%	4.2%	3.7%
Manawatū District	Defence	Dairy cattle farming	Sheep, beef cattle, and grain farming	Meat and meat product manufacturing	Construction services
GDP %	7.6%	7.4%	6.1%	4.2%	3.9%
Tararua District	Sheep, beef cattle, and grain farming	Dairy cattle farming	Non-residential property operation	Dairy product manufacturing	Agriculture, forestry, and fishing support services
GDP %	13.0%	11.0%	4.9%	4.7%	3.8%
Horowhenua District	Electricity generation and on-selling	Dairy cattle farming	Residential care services and social assistance	Electricity transmission and distribution	School education
GDP %	6.6%	6.4%	4.5%	3.5%	3.5%

<sup>1</sup> Owner-occupied property operation sector is not included due to nil employment.

<sup>2</sup> Level 106 data for Palmerston North City has been excluded from this analysis.