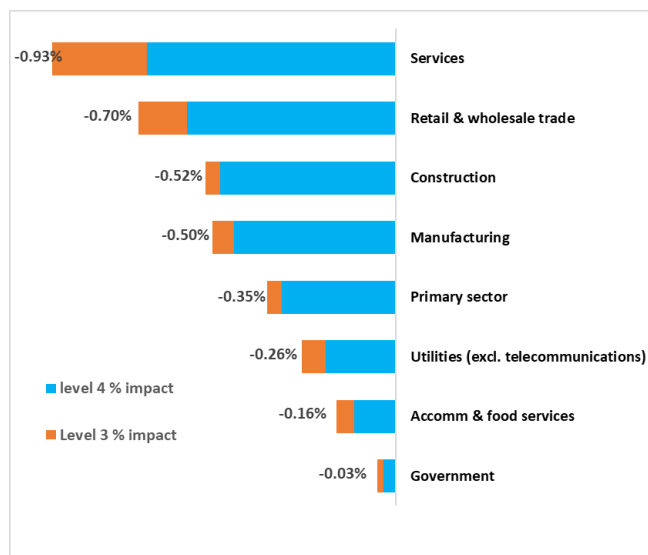


Horowhenua District summary

The Horowhenua District economy is estimated to contract by 3.5% (-\$38.2m) over 2020 as a direct result of level 3 and level 4 restrictions imposed in response to COVID-19¹, compared to the national average of 3.7%. Overall, for levels 1 to 4, the district 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 by broad industry.

Estimated impact on total annual Gross Domestic Product (GDP)

Figure 1: Impact of level 3 and level 4 restrictions



Source: Reserve Bank of New Zealand industry economic impacts applied to the Horowhenua District

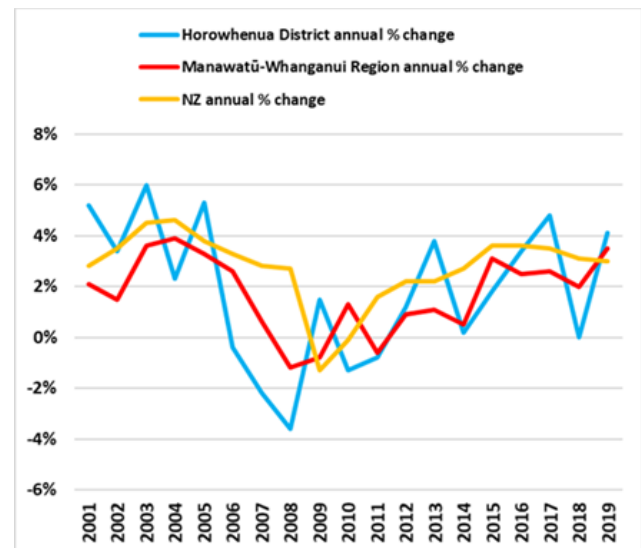
This assessment estimates the direct impacts of COVID-19 on the Horowhenua District economy and identifies industry strengths and vulnerabilities that will influence economic recovery over 2020.

Economic projections are subject to considerable uncertainty about how the impacts of COVID-19 will play out, both globally and across 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, industry mix by place, and the pace and scale of the global recovery from COVID-19. Another factor that will influence economic recovery is the impact of uncertainty on business and household activity. Limiting uncertainty will support economic activity and add pace to the local economic recovery.

The objective of this reporting series is to reduce the economic impacts of uncertainty on local businesses and households by providing up-to-date information and insights to inform decision-making and help sustain local economic activity.

Annual GDP growth

Figure 2: Annual average percentage change



Source: Infometrics

The Horowhenua District economy grew by 4.1% to the year ended March 2019 to a total of \$1,101.7m.

This growth rate significantly exceeded the national and regional growth rates of 3.5% and 3.0% respectively. Economic fortunes have fluctuated in Horowhenua District over time. The Global Financial Crisis saw a considerable contraction in the Horowhenua economy relative to regional and national performance. This volatility is due to the unique economic structure of the district, including substantial reliance on exports of agricultural products and value-added production. In contrast, global demand for goods and services produced in the Horowhenua economy are holding up well in the face of COVID-19. The economic structure of Horowhenua District, alongside local strengths and vulnerabilities, are discussed in detail in this report.

Key findings

- The district economy is estimated to contract by 3.5% (-\$38.2m) 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 the district

¹ Estimates based on the 'Reserve Bank of New Zealand Economic impacts of COVID-19 containment measures' (May 2020). Industry

impacts for level 3 and level 4 restrictions have been applied to the Horowhenua District economy to estimate specific local impacts.

economy a further 2.7%. This is an estimated decline in GDP of \$30.2m over 2020. The total impact of COVID-19 restrictions on the district is estimated at ↓6.2% over the 2020 calendar year.

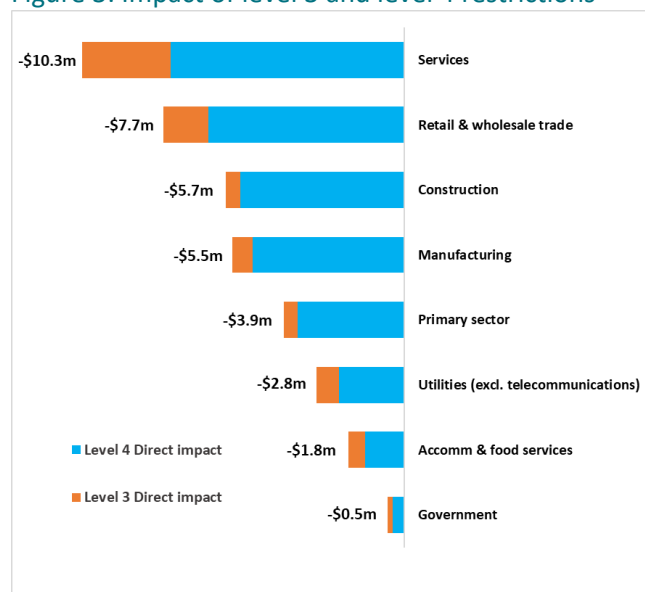
- Primary production and agri-food manufacturing in the district is strong and diverse. Based on the assumption of continued global demand for dairy and red meat products, and domestic demand for market garden produce, local strength in primary production will add significant support to local economic performance over 2020.
- The Horowhenua manufacturing sector is diverse and current indicators reflect continued demand for goods manufactured in the district. Some vulnerability does exist due to the global economic slowdown and supply chain disruptions. There is little indication of these effects to date.
- A strong electricity generation, transmission and distribution sector in the district adds significant resilience to the local economy. These jobs and economic activity are relatively resilient to the economic impacts of COVID-19.
- The retail sector, accommodation and food services sector and the wider services sector are most vulnerable to the economic disruption. The strength of primary sector production, the diverse manufacturing base and utilities sector, and substantial infrastructure and construction investment in the district will support employment and income levels and help to maintain levels of demand for services in the district.

Table 1 provides a broad industry summary of economic impacts specific to the Horowhenua District economy. The industries are ranked based on the level of contribution to district GDP.

Impact of lockdown by sub-industries

Estimated impact \$m by industry

Figure 3: Impact of level 3 and level 4 restrictions



As summarised, the lockdown period affected industries differently across the district. Identifying the impacts on

each industry is important for understanding both the strengths and vulnerabilities that exist within the Horowhenua District economy. Figure 3 illustrates the estimated impact of level 3 and level 4 restrictions by industry across the district.

The service industries were most affected, with accommodation and food services GDP falling an estimated 11.1% of annual GDP (↓\$1.8m). 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 \$10.3m. Evidence shows a significant rebound in demand for both groups of services post lockdown; however, the losses sustained over the lockdown period imply some business level vulnerability.

The impact on retail and wholesale trade is estimated at 6.6% of industry GDP. This assumes annual losses of \$7.7m for the sector. The effects were felt differently across the sector. Supermarket and grocery shopping expenditure increased substantially over the lockdown period while expenditure on non-essential items fell sharply. Current evidence indicates a strong rebound in demand for non-essential goods; however, the impacts of the lockdown and any future softening of business and household spending implies some vulnerability in the sector.

The construction and manufacturing sectors are estimated to have lost \$5.7m and \$5.5m from the lockdown period respectively. This is an estimated 7.7% decline in construction GDP and a 5.2% decline in manufacturing sector GDP. In the construction sector, losses may impact on the sustainability of individual businesses; however, building consent data and government sector spending on infrastructure indicates a strong pipeline of work to support the local sector. Manufacturing is also looking positive, supported by the diverse base of the local manufacturing sector. Vulnerability does remain due to global economic instability and the uneven impacts of COVID-19 on the various subsectors within the industry. International demand conditions, commodity prices, and jobs data by industry will help to understand the impacts on the local manufacturing sector throughout 2020.

Utilities (excluding the telecommunications sector) and the government sector are also assumed to be affected by the lockdown period, with GDP estimated to fall by \$2.8m and \$0.5m respectively. This assumes a 2.3% fall in GDP generated from utilities and a 1.3% fall in government GDP from the lockdown period. 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 Horowhenua education sector is dominated by school education (\$38.5m; 72.8%) with limited exposure to the international education sector. School education GDP and levels of employment are relatively resilient to the impacts of COVID-19.

Table 1: Broad industry summary

Industry sector	GDP \$m	Jobs	Impact summary
Agriculture, forestry & fishing	\$155.1	1,698	The agriculture, forestry and fishing sector makes up 14.1% of GDP and generates 15.4% of total employment. The Horowhenua District agriculture, forestry and fishing sector is strong across all subsectors with the exception of fishing and aquaculture. Dairy cattle farming is the largest sub-sector, contributing 45.1% (\$70.0m) to total agricultural GDP and 32.3% (531) of total jobs to the sector. Horticulture and fruit growing is also a substantial industry, contributing \$26.9m to GDP and generating 477 jobs. The diversity of the local sector in addition to the strength in demand for New Zealand dairy, meat and horticultural products will support the recovery of the district economy. The impact of drought, the volatility of global economic conditions, and depressed wool and forestry prices present some ongoing risks to the sector. Partial recovery of forestry commodity prices is positive for the Horowhenua economy.
Electricity, gas, water and waste Services	\$118.7	269	The utilities sector contributes 10.8% to district GDP and 2.4% to total employment. Sectoral activity is dominated by electricity transmission and distribution and electricity generation and on-selling. Collectively, the electricity sector contributes 93.9% (\$111.4m) in sectoral GDP and employs 77.8% (210) of total employees in the sector. The sector is resilient due to the delivery of essential services and strong government level participation and procurement in the sector.
Manufacturing	\$106.0	1,381	Manufacturing contributes 9.6% of total GDP and 12.5% of total employment in the district. Horowhenua has a diverse manufacturing sector with agri-food manufacturing making up 58.0% of total manufacturing GDP and 61.1% of sectoral employment. Machinery manufacturing, fabricated metal manufacturing and non-metallic mineral product manufacturing are also strong industries in the district. The sector remains vulnerable to the potential for weaker global demand as a result of the global economic downturn, but performance to date is positive. The diversity of the local manufacturing sector supports the economic outlook for the district.
Rental, hiring and real estate services	\$78.1	233	The sector contributes 7.1% of district GDP and 2.1% of total employment. Real estate services make up 44.0% of total activity in the sector and generates 42.5% of total sectoral employment. While the sector has some vulnerability to reduced business and household demand, there is no sign of these effects to date and the sector is continuing to perform well. Strong population growth supported by levels of infrastructure investment in the district, proximity to Wellington and relative housing affordability are anticipated to support the sector over 2020.
Construction	\$73.8	1,063	The construction sector contributes 6.7% of district GDP and 9.7% of total employment. Construction services and the heavy and civil engineering construction sector contribute \$34.7m and \$22.2m respectively to district GDP and generate 739 jobs. Levels of planned construction investment in addition to the continuation of elevated levels of investment in new dwellings will support the local construction sector.
Retail trade	\$73.3	1,211	The retail sector contributed 6.7% of district GDP and 11.0% of total employment. Supermarket and grocery store retail is the largest subsector, contributing 38.9% (\$28.5m) to sector GDP and creating 41.6% (504) of total jobs in the sector. 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. The positive outlook for the agriculture, forestry and fishing sector, the presence of a strong electricity sector, the diverse manufacturing base, and high levels of planned infrastructure and construction investment in the district will support demand in the retail sector over 2020. The recommencement of domestic travel along State Highway One will further support retail expenditure in the district.
Health care and social assistance	\$69.3	1,154	The healthcare and social assistance sector contributes 6.3% of local GDP and 10.5% of total employment. The district has a particularly strong residential care and social assistance sector, contributing \$49.5m to GDP and creating 822 jobs. This is 71.4% of sectoral GDP and 71.2% of sectoral employment. Health care and social assistance GDP and employment is resilient to the impacts of COVID-19 overall, however, some general practice business level vulnerability has been reported due to the impacts of level 3 and level 4 restrictions on individual practices. Central government support for general practice will provide some support for the sector over the remainder of 2020.
Education and training	\$52.9	885	The education and training sector contributes 4.8% of district GDP and 8.0% of total employment. School education contributes 72.8% (\$38.5m) to sector GDP and 72.5% (642) of jobs to the local sector. School education activity and employment are relatively resilient to the impacts of COVID-19.
Wholesale trade	\$43.6	418	The wholesale trade sector contributes 4.0% to district GDP and 3.8% to employment. Basic material wholesaling is particularly strong in the district, contributing \$18.5m in GDP and generating 174 jobs. 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. Current data however, does indicate the strong recovery of sectoral activity post lockdown.
Public administration & safety	\$41.9	465	The public administration and safety sector generates 3.8% of total district GDP and 4.2% of total employment. Public order, safety, and regulatory services is the largest sub industry, contributing \$19.2m to GDP and employing 175 people. The central and local government administration sectors also contribute significantly to the district economy, collectively generating \$22.8m in GDP and employing 289 people. The public administration and safety sector is less vulnerable to economic supply and demand conditions, and therefore relatively resilient to the economic impact of COVID-19.
Professional, scientific and technical services	\$32.1	342	The professional, scientific and technical services sector contributes 2.9% to district GDP and 3.1% to total employment. Legal and accounting services contributes \$11.7m to local GDP and generates 124 jobs, followed by scientific, architectural and engineering services which generates \$6.8m in GDP and employs 72 people. Demand for professional services is holding up well, and services generally are experiencing a stronger than expected recovery. The impact of the lockdown period implies some business level vulnerability, however.
Other services ²	\$21.3	592	The other services sector contributes 1.9% to district GDP and 5.4% to total employment. However, the service sector was most affected by the level 3 and level 4 lockdown period; indicators show that demand for services is recovering strongly. The sector remains vulnerable to changes in business and household demand.
Financial & insurance services	\$19.3	94	The financial and insurance service sector contributes 1.8% to district GDP and 0.8% to total employment. The New Zealand financial system is well positioned to support the recovery ³ and there is little risk currently to the stability of New Zealand's financial institutions. Across finance and insurance, some vulnerability exists from the possibility of tightening financial conditions of businesses and households.
Accommodation & food services	\$15.9	614	The accommodation and food services sector contributes 1.4% to district GDP and 5.6% to total employment. The sector was most affected by the lockdown period, with an estimated annual reduction in GDP of 11.1% (-\$1.8m) as a result of the level 3 and level 4 lockdown. The accommodation and food services sector is labour intensive relative to many other industry sectors and employment is particularly vulnerable to changes in levels of disposable income and demand. While accommodation and food services remain vulnerable to the downturn in tourism and business and consumer confidence, low reliance on tourism in Horowhenua will limit impacts on the local industry relative to areas of New Zealand dependent upon tourism for their economic performance. The elimination of community transmission of COVID-19 has enabled domestic travel to recommence, supporting transit routes and the local sector.
Transport, postal & warehousing	\$15.5	174	The transport, postal and warehousing sector contributes 1.4% to district GDP and 1.6% to total employment. Road transportation is the largest sub-industry in the district, making up 75.5% (\$11.7m) of sectoral GDP and generating 81.6% (142) of sector jobs. The transportation and distribution of goods is crucial to economic activity. While the sector was exposed to the impacts of lockdown, the opening up of the domestic economy is supporting the outlook for the sector.
Information, media & telecommunications	\$13.9	78	The information, media and telecommunications sector contributes 1.3% to district GDP and 0.7% to total employment. The local sector is not particularly exposed to the impacts of COVID-19. Over time, cash flows of businesses may influence the demand for media services.
Administrative & support services	\$9.0	211	The administrative and support services sector contributes 0.8% to local GDP and 1.9% to local employment. Tourism related administrative and support service industries are particularly exposed to the risk of business closures and job losses. In Horowhenua, 4.7% of total sector GDP and 4.7% of total sectoral employment is generated from travel agency and tour arrangement services.
Arts & recreation services	\$6.8	123	The arts and recreation sector contributes 0.6% to district GDP and 1.1% to total employment. Sports and recreation services is the largest contributor to the local sector, adding \$5.6m to local GDP and generating 101 jobs. This is 82.5% of sectoral GDP and 82.1% of sectoral employment. Recovery of domestic tourism will support levels of employment and economic activity in the arts and recreation services sector and the wider services sector.
Total	\$1,101.7 ⁴	11,009	

² 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.

³ Reserve Bank of New Zealand Financial Stability Report, May 2020.

⁴ The totals include industries with fewer than 6 employees and unallocated GDP, and therefore exceed the sum of industry sector GDP and job numbers.

The tourism sector makes up 4.1% of total GDP and 4.8% of employment across the district. For context, this compares with 55.6% of GDP and 63.5% of total employment in the Queenstown-Lakes District. Approximately 20.4% of the Horowhenua District tourism sector is generated from international tourism and 79.6% from domestic visitors. The structure of the local tourism sector will minimise impacts on the district economy of the closure of borders to international tourism.

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 tourism⁵. 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
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 halt to international tourism and the shutdown of domestic tourism over the period 26 March to 13 May. Minimal reliance on international tourism supports the local economic outlook relative to parts of New Zealand dependent upon international tourism.

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

⁶ The RBNZ estimates of economic impact under alert level 1 and 2 are based on the NZ average economic structure as opposed to the specific industry structure of the Tararua District. They are designed to provide an estimation of average impact.

Level 1 and level 2 impacts

The economic impact in the Horowhenua District is softer than national averages. Annual GDP estimates the value of all goods and services produced within an area over that year. Applying the Reserve Bank of New Zealand assessment of economic impacts to the Horowhenua District economy, the district's GDP is estimated to decline by 3.8% as a result of level 1 restrictions and 8.8% as a result of level 2 restrictions. Overlaying the length of time New Zealand spent in level 2 (14 May to 9 June), local GDP in 2020 is estimated to decline by \$6.9m (↓0.6%). Assuming New Zealand remains under alert level 1 for the remainder of 2020, local GDP is estimated to fall a further \$23.3m (↓2.1%) over the year⁶.

The combined impact of level 1 to level 4 restrictions on Horowhenua District GDP is estimated at 6.2% (↓\$68.4m) from the previous year. This compares with an estimated decline in New Zealand GDP of 6.4% over 2020 as a result of COVID-19 restrictions⁷.

The following section provides a detailed analysis of the structure, strengths and vulnerabilities of the Horowhenua District economy. Appendix one provides ranked GDP and employment figures for 106 industries in the district.

Horowhenua District economic structure⁸

Horowhenua District has a diverse manufacturing sector in addition to being a substantial producer of primary products. The local economy also boasts a significant utilities sector, in particular in the distribution, generation and transmission of electricity. The construction, education and training, retail trade, health care and social assistance, and accommodation and food services sectors are also significant employers across the district.

Figure 4 and Figure 5 illustrate the proportion of GDP and employment generated by broad industry level in the Horowhenua District. Figure 4 is based on the 13 largest industry contributors to GDP, while Figure 5 illustrates the proportion of jobs generated from the 13 largest industry employer groups. The following section details industry breakdown, GDP, employment and status of the following key local industry sectors:

1. Agriculture, forestry and fishing;
2. Electricity, gas, water and waste services
3. Manufacturing;
4. Construction;
5. Retail trade;
6. Rental, hiring and real estate services;

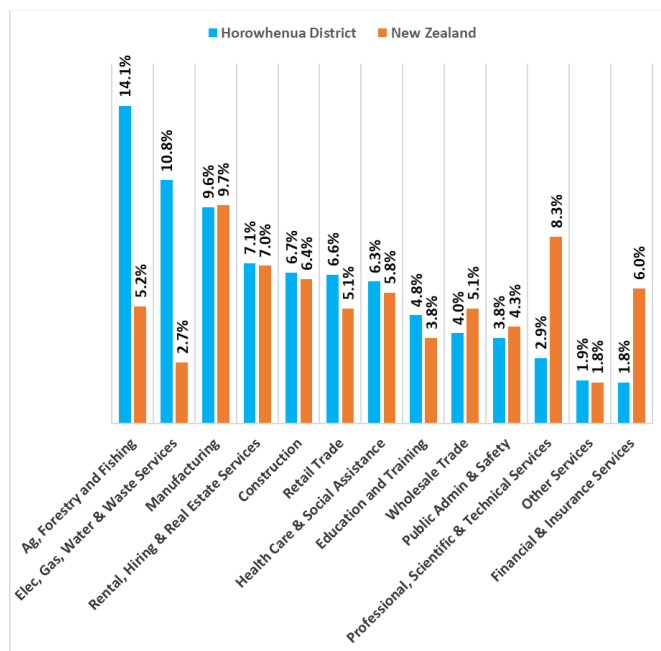
⁷ Please note, the RBNZ economic impact from level 1 and level 2 restrictions is based on the national industry mix and not on the specific industry structure of the Horowhenua District.

⁸ Industry data is for the Horowhenua District is sourced through Infometrics, year to March 2019.

7. Health care and social assistance; and,
8. Accommodation and food services.

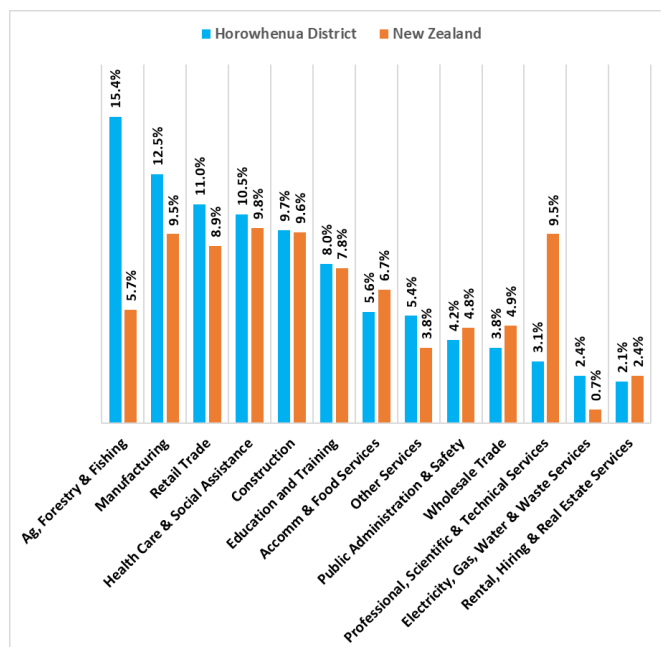
Industry structure

Figure 4: Horowhenua District industry GDP relative to New Zealand



Employment structure

Figure 5: Horowhenua District industry employment relative to New Zealand



Agriculture, forestry & fishing

Agriculture, forestry and fishing contributes \$155.1m to the local economy and employs 1,698 people. This is 14.1% of total GDP and 15.4% of total employment in the district. The Horowhenua District produces a diverse range of primary products. Dairy farming is the largest sub-sector, contributing \$70.0m in GDP and generating 531 jobs. The local horticulture sector is also substantial, contributing \$26.9m in GDP and generating 477 jobs. Market gardens contribute \$22.0m of this total to the local economy. Dairy farming and horticulture in the district will need to respond to the tightening of environmental regulations to manage the effects of runoff and pollution of waterways. While the Horowhenua sector is diverse, restrictions on these two industries could have a considerable impact on economic wellbeing and employment in the district. The importance of dairy and horticulture to the local economy highlights the need for resourcing to support the transition should environmental regulations substantially limit activities. Central Government has responded in part by providing funding contributions (through the Jobs for Nature programme) for projects for environmental improvement to Lake Horowhenua.

Based on the current economic structure, the strong outlook for red meat, dairy products and horticulture, alongside strengthening demand for New Zealand logs, supports the economic outlook for the Horowhenua economy throughout 2020.

Table 3: The agriculture, forestry & fishing sector

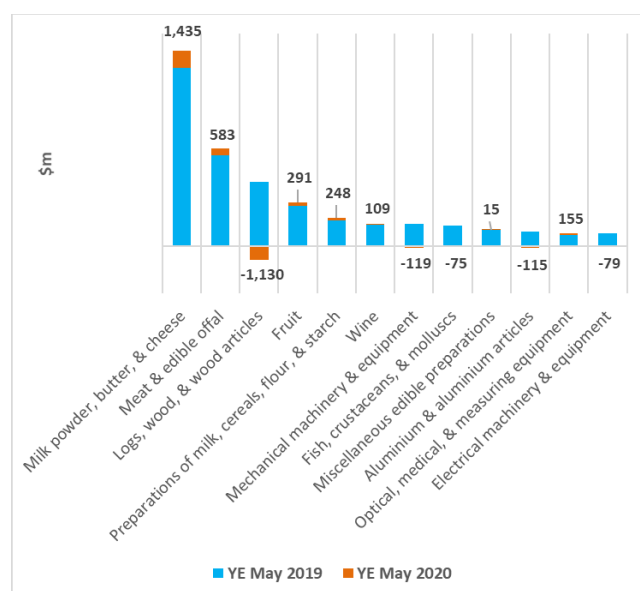
Sub-industry	GDP contribution	Jobs
Dairy cattle farming	\$70.0m	531
Horticulture and fruit growing	\$26.9m	477
Poultry, deer, and other livestock farming	\$17.8m	331
Sheep, beef cattle & grain farming	\$15.1m	152
Forestry and logging	\$13.3m	34
Agriculture, forestry & fishing support services	\$11.1m	167
Fishing & aquaculture	\$1.1	6
Total⁹	\$155.1m	1,698

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

⁹ Where totals differ from the sum of the individual industry groups, this may reflect that some industries with fewer than 6 jobs have been

removed, or rounding has occurred.

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



As indicated in Figure 6, export trade for dairy, red meat, fruit and value-added food products have held up well despite global economic conditions. Although the value of forestry and logging values have declined over the year to May, recent commodity price data and export volumes indicate some recovery within the sector. This is positive news for the Horowhenua economy.

Electricity, gas, water and waste services

The electricity, gas, water and waste services sector is an important sector to the Horowhenua economy, contributing \$118.7m in GDP and generating 269 jobs.

The electricity sector is particularly strong contributing \$111.4m (96.0%) of total sectoral GDP and generating 210 (77.8%) of total sector jobs. Electricity generation, distribution and transmission is critical infrastructure to the New Zealand economy and therefore benefits from central government prioritisation. The renewable energy sector is also established and unlikely to be subject to political risk. For these reasons, electricity sector GDP and employment in the district is considered resilient to the economic impacts of COVID-19.

Table 4: The Electricity, gas, water, and waste services sector

Sub-industry	GDP contribution	Jobs
Electricity generation and on-selling	\$72.4m	143
Electricity transmission and distribution	\$39.0m	67
Waste collection, treatment, and disposal services	\$6.9m	57
Total	\$118.7	269

Manufacturing

The manufacturing sector contributes \$106.0m in GDP and 1,381 jobs to the district economy. Manufacturing contributes 9.6% of total GDP and 12.5% of total employment in the district. Horowhenua has a diverse manufacturing sector, with agri-food manufacturing

making up 58.0% of total manufacturing GDP and 61.1% of sectoral employment. Machinery manufacturing, fabricated metal manufacturing, and non-metallic mineral product manufacturing are strong industries in the district, collectively contributing \$29.8m to the local economy and employing 363 people. Export industries are holding up well in the face of global economic decline, which is exceptionally positive for the New Zealand economy, and in particular economies such as Horowhenua. However, the sector remains vulnerable to volatile global demand conditions.

Table 5: The manufacturing sector

Sub-industry	GDP contribution	Jobs
Meat and meat product manufacturing	\$18.2	257
Fabricated metal manufacturing	\$13.3m	204
Pulp, paper, and converted paper product manufacturing	\$11.9m	82
Machinery manufacturing	\$11.4m	115
Wood product manufacturing	\$11.3m	158
Fruit, oil, cereal, and other food product manufacturing	\$10.7m	175
Non-metallic mineral product manufacturing	\$5.1m	44
Clothing, knitted products, and footwear manufacturing	\$4.5m	92
Basic chemical and basic polymer manufacturing	\$3.0m	19
Textile and leather manufacturing	\$3.0m	61
Printing	\$2.9m	48
Furniture manufacturing	\$2.2m	40
Electronic and electrical equipment manufacturing	\$1.9m	21
Fertiliser and pesticide manufacturing	\$1.8m	11
Transport equipment manufacturing	\$1.8m	20
Seafood processing	\$1.2m	14
Other manufacturing	\$0.7m	13
Total	\$106.0m	1,381

Construction

The construction sector contributes \$73.8m and 1,063 jobs to the district economy. The local sector is particularly strong in construction services, and heavy and civil engineering construction. Building consent data indicates that planned construction investment is holding up in the district and there is a significant pipeline of infrastructure projects planned for both the Horowhenua and the wider Manawatū-Whanganui and Wellington Regions. New dwelling consents also continue to indicate high levels of planned residential investment in the district. While the lockdown period placed pressure on the sector at the business level, planned construction investment and infrastructure projects supports the outlook for the sector and the district economy over 2020.

Table 6: The construction sector

Sub-industry	GDP contribution	Jobs
Construction services	\$34.7m	560
Heavy and civil engineering construction	\$22.2m	179
Residential building constructions	\$14.4m	274
Non-residential building construction	\$2.6m	50
Total	\$73.8m	1,063

Retail trade

The retail sector contributes \$73.3m and 1,211 jobs to the local economy. Over the lockdown period, levels of retail spending fell sharply with the exception of supermarket and pharmaceutical expenditure. Weekly data since level 3 lockdown ended indicates a strong recovery in retail spending in the district. This surge in retail expenditure is positive for the Horowhenua economy. The positive outlook for the agriculture, forestry and fishing sector, the presence of a strong electricity sector, the diverse manufacturing base, and high levels of planned infrastructure and construction investment in the district will support demand in the retail sector over 2020. The recommencement of domestic travel along State Highway One will further support retail expenditure in the district. The level of employment in the industry highlights the importance of protecting business and household incomes to maintain spending in the local economy, to protect retail sector jobs.

Table 7: The retail trade sector

Sub-industry	GDP contribution	Jobs
Supermarket and grocery stores	\$28.5m	504

Furniture, electrical, and hardware retailing	\$13.0m	209
Other store based retailing; non-store and commission based retailing	\$10.4m	168
Motor vehicle and motor vehicle parts retailing	\$6.8m	93
Department stores	\$5.5m	88
Recreational, clothing, footwear, and personal accessory retailing	\$4.3m	70
Specialised food retailing	\$2.7m	50
Fuel retailing	\$2.2m	30
Total	\$73.3m	1,211

Rental, hiring and real estate services

Rental, hiring and real estate services contributes \$78.1m to the district economy and employs 233 people.

Real estate services and non-residential property operation are the largest sub-sectors collectively, contributing 84.1% of total GDP in the sector and 79.8% of total employment. The non-residential property operation sector encompasses the renting or leasing of land or property for use by another business¹⁰. No separation is provided between land or property by industry. Considering population growth, continued house price growth, proximity to Wellington and the dominance of agriculture, the electricity sector and the diverse manufacturing base in the district, the sector is well supported over 2020. The sector does have some vulnerability to further disruption should demand fall for key goods and services produced in the district.

Table 8: The rental, hiring and real estate services sector¹¹

Sub-industry	GDP contribution	Jobs
Real estate services	\$34.4m	99
Non-residential property operators	\$31.3m	87
Residential property operators	\$7.2m	21
Rental and hiring services	\$5.2m	26
Total	\$78.1m	233

¹⁰ ANZSIC06, A guide to the coding of certain activities. Chapter 5.

Health care and social assistance

The healthcare and social assistance sector contributes \$69.3m to the district economy and employs 1,154 people. The local sector is concentrated in residential care services and social assistance but also includes a substantial medical and other health care services sector. The local industry is relatively resilient to impacts of COVID-19 due to the strength of their aged care sector. Some vulnerability exists due to the impacts on individual general practice as a result of the level 3 and level 4 lockdown. Sustaining capacity in general practice is crucial and may require further central government support.

Table 9: The health care & social assistance sector

Sub-industry	GDP contribution	Jobs
Residential care services and social assistance	\$49.5	822
Medical and other health care services	\$19.8m	332
Total	\$69.3m	1,154

Accommodation and food services

The accommodation and food services sector contributes \$15.9m in GDP and 614 jobs to the local economy. The sector was most affected by the level 3 and level 4 lockdown, and is estimated to contract by 11.1% over the 2020 year. The accommodation and food services sector is not a significant contributor to the local 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 local economy. The local sector is predominantly reliant on local spending and therefore less vulnerable to the halt in international tourism. The resumption of domestic travel will support the recovery of the sector over 2020; however, the sector does remain vulnerable to changing household and business demand.

Government policies such as the wage subsidy scheme will help to support individual businesses to recover from the lockdown period over 2020.

Table 10: The accommodation and food services sector

Sub-industry	GDP contribution	Jobs
Food and beverage services	\$14.2m	537
Accommodation	\$1.7m	77
Total	\$15.9m	614

Conclusion

The industry structure of Horowhenua District provides some protection from the worst impacts of COVID-19. In particular, the concentration of economic activity and employment in primary production, the diverse manufacturing base, the strong utilities sector and substantial volumes of infrastructure and construction investment planned and underway in the district supports the economic outlook for the district over 2020.

While the industry mix of the district will support the economy, there are sectors that continue to be vulnerable to the impacts of COVID-19. The tourism sector is not as dominant in Horowhenua District compared with areas such as Queenstown; however, it still creates employment and income for accommodation and food businesses in addition to the service sector. On the positive side, limited reliance on international tourism in addition to the resumption of domestic travel and tourism does support the outlook for the local tourism sector, although the impacts of the lockdown period and continued border closures will have some impact on tourism related businesses.

Service sectors also continue to be exposed, as are retail and wholesale trade. There are risks to the construction and manufacturing sectors due to the impacts of the lockdown period on the sustainability of individual businesses and uncertainty surrounding global demand and supply conditions.

Despite ongoing favourable conditions and performance, primary production and manufacturing remain vulnerable to changes in global demand and supply chain disruptions, made more volatile by current global economic conditions. Business and household wealth and consumption is vulnerable to changes in incomes and the potential of softening asset values. Current data indicates house prices are continuing to grow strongly; however, if economic conditions deteriorate, this may place downward pressure on property prices and impact on levels of household consumption. There is no evidence of these impacts to date.

Industry risk profiles and uncertainty of the impacts of COVID-19 highlight the importance of monitoring and reporting at the local level to identify vulnerabilities and opportunities to support local economic performance in response to COVID-19.

Author: Stacey Bell, Economist, Manawātū District Council
Contact: info@mwri.co.nz

Appendix One: Data for 106 industries, ranked by contribution to Horowhenua District GDP compared to NZ¹²

	<i>Horowhenua GDP \$m</i>	<i>Horowhenua % of total GDP</i>	<i>NZ % of total GDP</i>	<i>Horowhenua employment</i>	<i>Horowhenua % of total employment</i>	<i>NZ % of total employment</i>
<i>Electricity generation and on-selling</i>	72.4	6.6%	1.0%	143	1.3%	0.2%
<i>Dairy cattle farming</i>	70	6.4%	2.0%	531	4.8%	1.4%
<i>Residential care services and social assistance</i>	49.5	4.5%	2.0%	822	7.5%	3.4%
<i>Electricity transmission and distribution</i>	39	3.5%	1.1%	67	0.6%	0.2%
<i>School education</i>	38.5	3.5%	2.0%	642	5.8%	4.0%
<i>Construction services</i>	34.7	3.1%	3.3%	560	5.1%	5.5%
<i>Real estate services</i>	34.4	3.1%	3.2%	99	0.9%	1.0%
<i>Non-residential property operation</i>	31.3	2.8%	1.8%	87	0.8%	0.5%
<i>Supermarket and grocery stores</i>	28.5	2.6%	1.2%	504	4.6%	2.4%
<i>Horticulture and fruit growing</i>	26.9	2.4%	0.5%	477	4.3%	1.1%
<i>Heavy and civil engineering construction</i>	22.2	2.0%	1.8%	179	1.6%	1.5%
<i>Medical and other health care services</i>	19.8	1.8%	2.1%	332	3.0%	3.5%
<i>Public order, safety, and regulatory services</i>	19.2	1.7%	1.8%	175	1.6%	1.8%
<i>Basic material wholesaling</i>	18.5	1.7%	1.0%	174	1.6%	1.0%
<i>Meat and meat product manufacturing</i>	18.2	1.7%	0.7%	257	2.3%	1.0%
<i>Poultry, deer, and other livestock farming</i>	17.8	1.6%	0.2%	331	3.0%	0.3%
<i>Banking and financing; financial asset investing</i>	15.8	1.4%	4.0%	68	0.6%	1.5%
<i>Sheep, beef cattle, and grain farming</i>	15.1	1.4%	1.1%	152	1.4%	1.2%
<i>Residential building construction</i>	14.4	1.3%	1.1%	274	2.5%	2.1%
<i>Food and beverage services</i>	14.2	1.3%	1.7%	537	4.9%	5.3%
<i>Forestry and logging</i>	13.3	1.2%	0.6%	34	0.3%	0.3%
<i>Fabricated metal product manufacturing</i>	13.3	1.2%	0.9%	204	1.9%	1.1%
<i>Furniture, electrical, and hardware retailing</i>	13	1.2%	1.0%	209	1.9%	1.7%
<i>Central government administration services</i>	12.4	1.1%	1.6%	125	1.1%	1.6%

¹² Industries where employment is less than 6 have been removed, to maintain confidentiality.

<i>Pulp, paper, and converted paper product manufacturing</i>	11.9	1.1%	0.3%	82	0.7%	0.2%
<i>Legal and accounting services</i>	11.7	1.1%	1.5%	124	1.1%	1.7%
<i>Road transport</i>	11.7	1.1%	1.6%	142	1.3%	1.9%
<i>Machinery manufacturing</i>	11.37	1.0%	0.8%	115	1.0%	0.7%
<i>Wood product manufacturing</i>	11.3	1.0%	0.6%	158	1.4%	0.7%
<i>Agriculture, forestry, and fishing support services</i>	11.1	1.0%	0.7%	167	1.5%	1.2%
<i>Library and other information services - internet*</i>	11	1.0%	0.6%	44	0.4%	0.2%
<i>Fruit, oil, cereal, and other food product manufacturing</i>	10.7	1.0%	0.8%	175	1.6%	1.1%
<i>Repair and maintenance</i>	10.6	1.0%	0.7%	288	2.6%	1.6%
<i>Local government administration services</i>	10.4	0.9%	0.5%	164	1.5%	0.9%
<i>Other store based retailing; non-store and commission based retailing</i>	10.4	0.9%	0.8%	168	1.5%	1.4%
<i>Other goods and commission based wholesaling</i>	10.3	0.9%	1.3%	103	0.9%	1.2%
<i>Preschool education</i>	8.93	0.8%	0.6%	149	1.4%	1.1%
<i>Grocery, liquor, and tobacco product wholesaling</i>	7.47	0.7%	1.1%	71	0.6%	1.0%
<i>Residential property operation</i>	7.2	0.7%	0.9%	21	0.2%	0.3%
<i>Waste collection, treatment, and disposal services</i>	6.92	0.6%	0.4%	57	0.5%	0.3%
<i>Motor vehicle and motor vehicle parts retailing</i>	6.77	0.6%	0.5%	93	0.8%	0.8%
<i>Scientific, architectural, and engineering services</i>	6.75	0.6%	2.2%	72	0.7%	2.5%
<i>Advertising, market research, and management services</i>	5.93	0.5%	2.7%	64	0.6%	3.1%
<i>Veterinary and other professional services</i>	5.85	0.5%	0.4%	61	0.6%	0.5%
<i>Religious services; civil, professional, and other interest groups</i>	5.64	0.5%	0.5%	161	1.5%	1.1%
<i>Sport and recreation services</i>	5.61	0.5%	0.8%	101	0.9%	1.1%

<i>Building cleaning, pest control, and other support services</i>	5.57	0.5%	0.7%	131	1.2%	1.8%
<i>Department stores</i>	5.45	0.5%	0.4%	88	0.8%	0.7%
<i>Machinery and equipment wholesaling</i>	5.43	0.5%	1.4%	52	0.5%	1.3%
<i>Rental and hiring services (except real estate); non-financial asset leasing</i>	5.22	0.5%	1.2%	26	0.2%	0.6%
<i>Non-metallic mineral product manufacturing</i>	5.14	0.5%	0.5%	44	0.4%	0.4%
<i>Personal services; domestic household staff</i>	5.05	0.5%	0.6%	143	1.3%	1.2%
<i>Adult, community, and other education</i>	4.9	0.4%	0.4%	84	0.8%	0.9%
<i>Clothing, knitted products, and footwear manufacturing</i>	4.45	0.4%	0.1%	92	0.8%	0.0%
<i>Recreational, clothing, footwear, and personal accessory retailing</i>	4.28	0.4%	0.7%	70	0.6%	1.3%
<i>Basic chemical and basic polymer manufacturing</i>	3.01	0.3%	0.1%	19	0.2%	0.1%
<i>Employment and other administrative services</i>	2.98	0.3%	1.2%	70	0.6%	2.9%
<i>Textile and leather manufacturing</i>	2.96	0.3%	0.1%	61	0.6%	0.3%
<i>Printing</i>	2.9	0.3%	0.2%	48	0.4%	0.3%
<i>Specialised food retailing</i>	2.73	0.2%	0.3%	50	0.5%	0.5%
<i>Non-residential building construction</i>	2.59	0.2%	0.3%	50	0.5%	0.6%
<i>Postal and courier services</i>	2.34	0.2%	0.7%	19	0.2%	0.5%
<i>Auxiliary finance and insurance services</i>	2.23	0.2%	1.0%	19	0.2%	0.8%
<i>Fuel retailing</i>	2.21	0.2%	0.2%	30	0.3%	0.3%
<i>Furniture manufacturing</i>	2.2	0.2%	0.2%	40	0.4%	0.3%
<i>Electronic and electrical equipment manufacturing</i>	1.91	0.2%	0.6%	21	0.2%	0.5%
<i>Computer system design and related services</i>	1.89	0.2%	1.6%	21	0.2%	1.8%
<i>Motor vehicle and motor vehicle parts wholesaling</i>	1.89	0.2%	0.4%	18	0.2%	0.4%
<i>Fertiliser and pesticide manufacturing</i>	1.8	0.2%	0.1%	11	0.1%	0.0%
<i>Transport equipment manufacturing</i>	1.75	0.2%	0.6%	20	0.2%	0.6%
<i>Accommodation</i>	1.74	0.2%	0.5%	77	0.7%	1.4%

<i>Motion picture and sound recording activities</i>	1.69	0.2%	0.4%	24	0.2%	0.4%
<i>Seafood processing</i>	1.2	0.1%	0.2%	14	0.1%	0.2%
<i>Heritage and artistic activities</i>	1.16	0.1%	0.4%	22	0.2%	0.6%
<i>Fishing and aquaculture</i>	1.1	0.1%	0.1%	6	0.1%	0.2%
<i>Other manufacturing</i>	0.71	0.1%	0.1%	13	0.1%	0.2%
<i>Publishing (except internet and music publishing)</i>	0.61	0.1%	0.3%	8	0.1%	0.3%
<i>Other transport</i>	0.6	0.1%	0.1%	6	0.1%	0.1%
<i>Tertiary education</i>	0.59	0.1%	0.9%	10	0.1%	1.8%
<i>Travel agency and tour arrangement services</i>	0.42	0.0%	0.2%	10	0.1%	0.4%

Source: Infometrics