

## MEMORANDUM

**TO:** Economic Growth Committee

**MEETING DATE:** 9 April 2025

**TITLE:** Palmerston North Quarterly Economic Update - April 2025

**PRESENTED BY:** Stacey Andrews, City Economist

**APPROVED BY:** David Murphy, General Manager Strategic Planning

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### RECOMMENDATION TO COMMITTEE

1. That Committee receive the Palmerston North Quarterly Economic Update – April 2025, including:
    - a. Palmerston North Economic Growth Indicators - April 2025 (Attachment 1), and
    - b. Palmerston North Quarterly Economic Card Spending Report – December 2024 (Attachment 2),
 presented to the Committee meeting on 9 April 2025.
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### 1. INTRODUCTION AND PURPOSE

- 1.1 This memorandum presents a summary of the key themes in the Palmerston North Quarterly Economic Update to April 2025, and the Palmerston North City Centre Quarterly electronic card spending (retail and selected tourism sectors) for the December quarter 2024.
- 1.2 The quarterly economic update is prepared in-house, using data from a range of sources to provide the most up-to-date information available on the city economy. This includes national and global data where appropriate, to inform us of broader conditions that are impacting on local economic conditions.
- 1.3 The quarterly economic update is organised under the categories of 'Gross Domestic Product (GDP) and national indicators', 'business and jobs', 'earnings and income', 'spending', and 'housing'. National data that influences the city economy, such as the Consumer Price Index (CPI) and the Official Cash Rate (OCR), are also included in the quarterly economic update. This update is attached as Appendix 1.
- 1.4 The Palmerston North City Centre Quarterly electronic card spending report is prepared in-house and provided as a resource to the city retail sector. This report includes information on retail spending across the city and by precinct,

as well as data on retail flows, customer loyalty, and the origin of customers who are spending in Palmerston North. The electronic card spending report for the city is included as Appendix 2.

- 1.5 Section 2 of this report includes a high-level summary of economic outcomes for the city to April 2025. A more in-depth analysis of economic performance, including the economic outlook for the city, is included within sections 3 to 5 of this report.

## 2. ECONOMIC SUMMARY

- 2.1 Economic activity is showing some early signs of recovery as inflation remains subdued, housing market indicators improve, commercial vehicle investment starts to recover, elevated returns to the agricultural sector continue, and business confidence remains relatively positive.
- 2.2 While an improvement in economic activity is signalled in the latest data, there is still considerable pressure on the New Zealand economy. Consumer confidence remains downbeat, weakness in construction activity continues, job numbers are down, and concerns over the global growth outlook are hindering confidence. These factors are weighing on consumer demand for goods and services and placing businesses under pressure. Falling interest rates and repricing from higher onto lower mortgage rates throughout 2025, are expected to support spending across the economy and support business activity. It will take time however, for lower interest rates to flow through to demand, with the Reserve Bank of New Zealand (RBNZ) anticipating that positive economic impacts will be felt in the second half of 2025.
- 2.3 The New Zealand economy is expected to continue to strengthen throughout 2025 as lower interest rates flow through to businesses and households, and elevated commodity prices and strong demand for New Zealand exports, boost the economic performance of regional New Zealand. Increasing trade barriers and the potential impacts on global economic growth, however, pose a risk to the pace of economic recovery here in New Zealand. At the time of writing the detail of trade tariffs, and how they may impact on the New Zealand economy, is unclear. Recent events would imply that U.S. trade tariffs may not be as onerous as previously signalled by the Trump administration, but much uncertainty remains. Events are being watched closely by the economics team, to understand impacts on the city, regional, and national economy.
- 2.4 The December quarter 2024 returned the New Zealand economy to positive growth after two consecutive quarters of negative growth, with national GDP rising +0.7% compared with the September quarter 2024. This was a welcome surprise, with forecasters estimating quarter on quarter growth of between +0.3% and +0.5%. Unsurprisingly, growth was particularly strong in the 'Agriculture, forestry and fishing' sector, rising by +1.4% year-on-year.
- 2.5 On an annual basis, national GDP remained in contraction, down -0.5% compared with the year ended December 2023. In the city, GDP fell a

relatively positive -0.2%. The 'relative strength' of the Palmerston North economy, has been driven, in-part, by our position at the heart of a strong rural economy.

- 2.6 Business numbers increased +0.6% in Palmerston North over the year to December, with an additional 47 businesses established. This was lower than national growth of +1.3%. At the same time, 903 jobs were lost in Palmerston North over the year (-1.9%). This compares with a -1.6% decrease in jobs, nationally. The unemployment rate in Palmerston North remains stable at 4.2% due, in part, to some people leaving the labour force in response to weaker labour market conditions. Increasing Jobseeker beneficiary numbers reflect the current labour market weakness with recipients in Palmerston North up +14.5% alongside a +12.4% increase in Jobseeker benefits, nationally.
- 2.7 Annual earnings growth has eased as expected in response to these weaker labour market conditions. Total earnings from salaries and wages increased 4.0% in the city over the year, compared with 4.5% growth nationally. These earnings figures exclude income from self-employment.
- 2.8 Tourism and consumer spending remains soft, with the exception of new commercial vehicle registrations which increased by +9.0% in Palmerston North over the December 2024 year. This compares with +4.4% growth nationally, over the same timeframe.
- 2.9 The housing market is showing signs of strengthening, with sales in the city up 10.6% over the year to February 2025 compared to an increase of 10.4% nationally. At the same time, house prices remain flat with the average price easing -0.7% over the year to a value of \$637,895. This compares with a -1.4% decrease in house prices nationally to an average value of \$912,904. Housing continues to be far more affordable in Palmerston North than at the national level, with the average property in the city equal to 5.0 times the average city income. This compares with the average house price of 6.7 times the average household income, nationally.
- 2.10 Weekly rental prices increased by +3.2% in the city over the year to January 2025, to an average price of \$482 per week. This compares with an average weekly price of \$596 nationally. There were 141 fewer properties rented in Palmerston North in January 2025 compared with January 2024. This may reflect spare capacity to cater for incoming demand for the academic year, an increase in houses sold as reflected in the annual house sales data for the city, and/or a decrease in demand. Further months of data will provide greater insight into rental property supply and demand conditions.
- 2.11 New dwelling consents increased +8.0% over the year to December 2024, to a total of 458. This compares to a -9.8% decline in dwelling consents, nationally. Of these 458 consents, a net 356 dwellings are expected to be added to the dwelling stock (77.7%). In contrast, non-residential consent values declined by -32.3% over the year as several large-scale public projects were completed in the city. Of note, construction values for 'hotels, motels and other short-term accommodation' increased to \$5.6 million over the

year, with investment in social, cultural and religious buildings' and 'storage buildings' also increasing substantially over the year.

- 2.12 Section 2 of this report includes a high-level summary of economic outcomes for the city to December 2024. A more in-depth analysis of economic performance, including the economic outlook for the city, is included within sections 3 to 5 of this report.

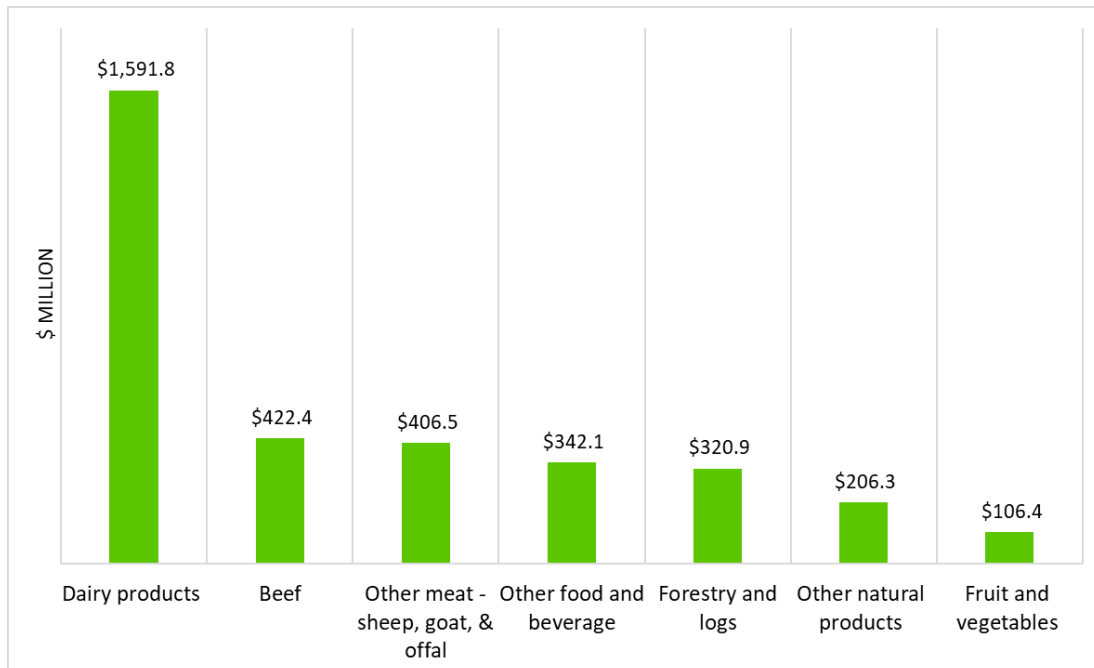
### 3. QUARTERLY ECONOMIC UPDATE

#### GROSS DOMESTIC PRODUCT AND NATIONAL INDICATORS

- 3.1 Infometrics reports that Palmerston North GDP fell by -0.2% over the year to December 2024 as economic activity remained subdued due to the lingering impacts of restrictive monetary and fiscal policy. This compares with a -0.5% contraction in the New Zealand economy over the same timeframe.
- 3.2 More recently, Statistics New Zealand has released the latest national GDP figures, revealing that GDP grew above expectation at +0.7% between the September quarter and the December quarter 2024. This result was a welcome surprise, with commentators estimating quarterly growth of between +0.3% and +0.5%. Unsurprisingly, growth was particularly strong in the 'Agriculture, forestry and fishing' sector, increasing +1.4% over the year. GDP growth was also supported by a lift in activity in distribution and logistics, health care and social assistance, and tourism related sectors. Despite the stronger than expected result in the December quarter, national GDP still contracted by -0.5% in the 2024 calendar year, compared with 2023.
- 3.3 The 'relative' strength of the city economy has been driven in-part, by our position at the heart of a strong rural economy. Commodity prices for goods produced in the wider region have increased strongly over the past 12-months while, at the same time, interest rate pressures have eased. Elevated returns for agricultural products alongside easing interest rates, are contributing to profitability in the agriculture sector and supporting the economic recovery of the regions.



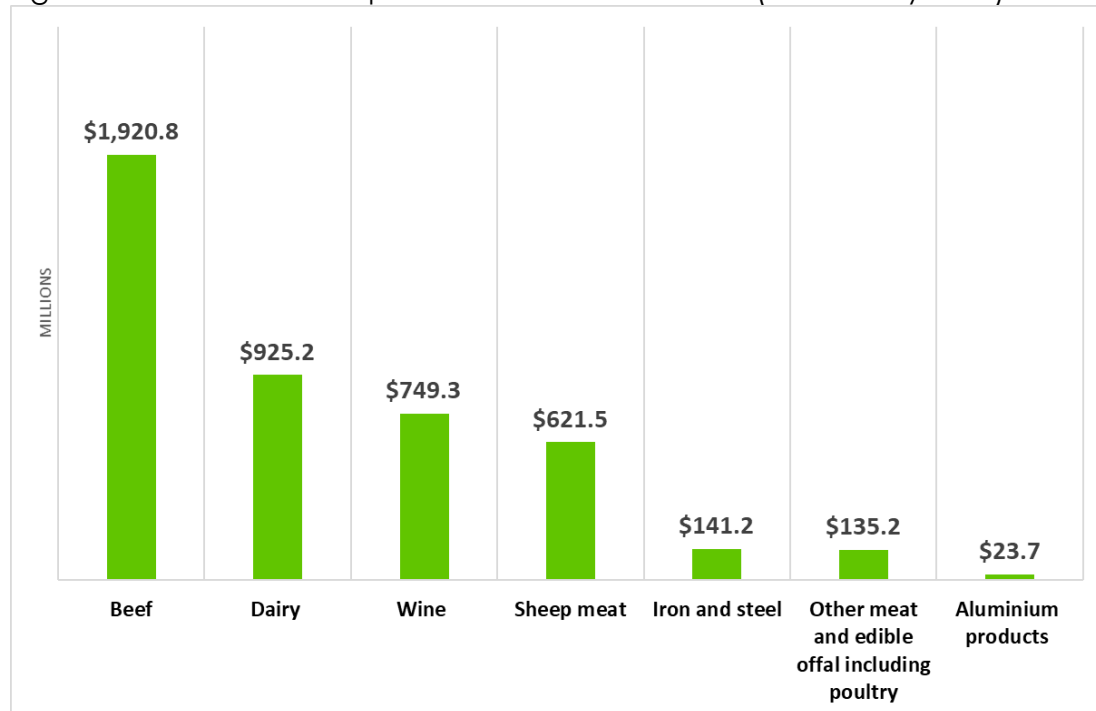
Figure 1: Manawatū-Whanganui export goods and values (2024)



Source: Infometrics, Regional Economic Profile, 2024

- 3.4 The latest ASB commodity price index reflects the rate of increase in prices for goods produced in our region, with dairy prices rising 13.5% over the year and sheep and beef prices up +20.7%. Supporting New Zealand Inc., fruit prices have also been well supported, rising by +16.8%, while forestry prices continue to come under pressure, down -7.4% over the year. Strong global demand and elevated pricing is benefiting our largest agricultural producers, supporting economic activity in the region amidst wider economic challenges. These favourable conditions are reflected in the latest Rabobank farmer confidence survey, with sentiment at its highest level since 2017.
- 3.5 Risks to global economic activity remain elevated as uncertainty from shifting United States (U.S.) policy, looks set to continue. How this will play out in reality is uncertain. On the one-hand, actual and threatened tariffs could redirect international demand to New Zealand products, boosting export returns to our producers. On the other hand, tariffs placed on our trading partners could slow economic growth within these countries, reducing incomes and weighing on demand for New Zealand products. More directly, if tariffs are placed on agricultural goods coming into the U.S., this would directly affect our producers with lower U.S. demand the likely outcome. It is worth noting that the U.S. is New Zealand's second largest export market, with a total of \$9.2 billion in exports to the U.S. over the year to January 2025. Beef is our largest export to the U.S., worth over \$1.9 billion in value over the year. This is approximately 40% of the total value of New Zealand's annual beef exports. The U.S. is also a substantial market for our wine producers with around 36% of total export values earned from exports to the US in the year to January 2025.

Figure 2: New Zealand exports into the United States (YE January 2025)



Source: Statistics New Zealand, harmonised trade exports, January 2025

- 3.6 Tariff concerns are also front of mind for central banks as they grapple with the potential for lower growth amidst higher inflation. The endgame for global interest rates is uncertain. Initial fears are that the added cost of tariffs to importers would be passed on to businesses and consumers, fuelling inflation and pushing up global interest rates. As risks have continued to elevate, concerns have shifted toward fears of lower global growth and higher unemployment alongside elevated inflation, as tariffs weigh on global confidence and economic activity. Amidst the increasing risk of weaker global growth, lower interest rates also become a possibility should suppressed demand and investment sufficiently weaken the global economy and inflation. This would require central banks to reduce interest rates to stimulate economic activity supporting the recovery of the global economy. The risk of lower global growth, as a result of U.S. tariffs, is reflected in the latest OECD interim global growth report, which has revised expectations of global growth down from 3.3% to 3.1% in 2025, and 3.3% to 3.0% in 2026.
- 3.7 What all this means for the New Zealand economy is unclear. One thing is for sure, uncertainty is never positive for investment and economic activity. New Zealand businesses exposed to these risks may sit on planned investment awaiting greater certainty while volatility in currency, equity and bond markets, are weighing on investment across the wider global economy and pushing up debt servicing costs for both governments and the private sector.
- 3.8 On the upside, back at home annual inflation (as measured by the Consumer Price Index) remained at 2.2% for the second consecutive quarter in December 2024, falling from its peak of 7.3% in the June quarter 2022. Declining prices for goods we import into the country has been driving much

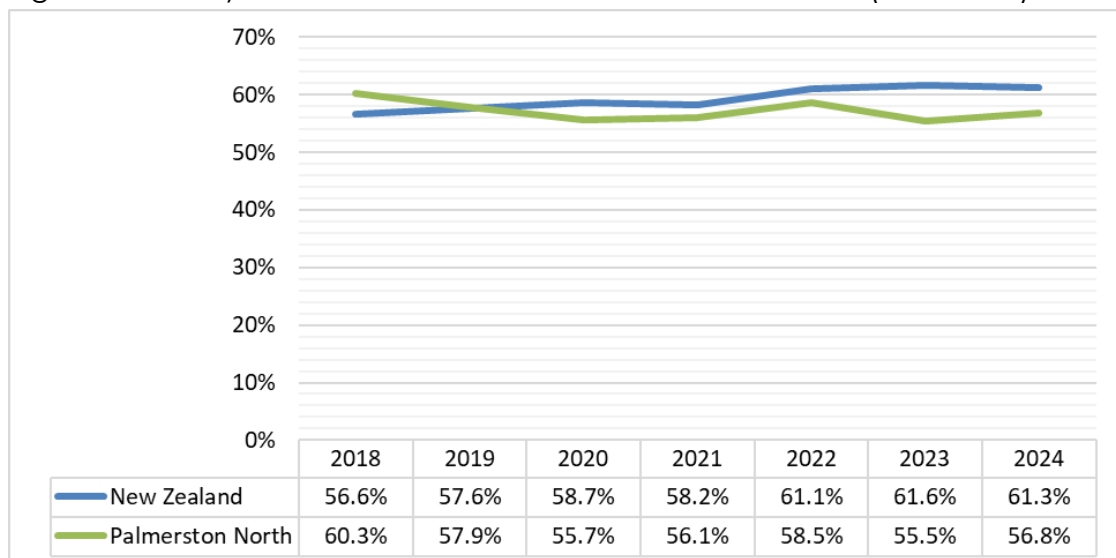
of the annual decrease in consumer inflation, with imported (tradeable) inflation falling by -1.1% over the 2024 calendar year. In contrast, domestic inflation has remained elevated, with prices for domestically produced goods and services rising 4.5% over the year. The largest contributors to the increase in domestic inflation were rental prices, followed by local authority rates, and prices for cigarettes and tobacco. The first two are set to ease pressure on domestic inflation in 2025.

- 3.9 In response to weaker than expected economic activity and lower inflation, the RBNZ has continued to cut the OCR, with an additional 50bp drop at the most recent monetary policy review in February 2025. At the time of writing, the OCR sits at 3.75% with the next rate review scheduled for 9 April. Further rate reductions are expected this year with a 25 basis points drop forecast for the April review. The OCR is currently forecast to fall to 3.1% in the first quarter of 2026.

### Business and jobs

- 3.10 There were 8,185 businesses in Palmerston North in December 2024; an increase of 47 businesses from the previous year. This is an increase of +0.6% over the year, compared with +1.3% growth in business counts, nationally.
- 3.11 The three-year business survival rate highlights the percentage of businesses that continue to operate after three-years, as an indicator of business resilience. The latest data to February 2024, indicates that 56.8% of businesses in operation in February 2021 continued to operate in February 2024. This is a slight increase in the percentage compared with the 2023 year, where 55.6% of businesses remained in operation after three-years. The previous five-years have been a period of elevated economic volatility, with survival rates ranging between 55.5% to 58.5% in the city over this period. National business survival rates have exceeded survival rates in the city since 2020.

Figure 3: Three-year business survival rate – Palmerston North (2021-2024)



Source: Statistics New Zealand, Business Demography

- 3.12 Non-residential consents totalled \$126.4m in the city in the 2024 calendar year, a decline in value of -32.3% compared with 2023. This compares with a -0.9% decline in non-residential consent values, nationally. The decline in non-residential consent values in the city was driven by the completion of a number of large-scale public infrastructure projects, with 'education' and 'healthcare' construction values falling by -78.7% and -96.0% respectively over the year. In contrast, construction values for 'hotels, motels and other short term accommodation' increased by 138.2% to \$5.6 million over the year. Strong growth in consent values for 'social, cultural and religious buildings' and 'factories, industrial and storage buildings' was also recorded in the city over the year, rising by 190.4% and 39.2% respectively.
- 3.13 The Seek Employment report for January 2025 showed a slight improvement in labour market conditions in the Manawātū Region in January 2025, with the number of jobs advertised increasing by +5% compared with the previous year. This compares with a +4% increase in jobs advertised nationally over the same time period. This improving trend follows a challenging year, where the number of jobs advertised fell by -29% in the region, compared with a -17% fall nationally. Nationally, 'banking and financial services', 'mining resources and energy' and 'government and defence' were the only three sectors where job ads increased year-on-year. Applications per job advertisement increased the most across 'education and training' (+18%), 'customer service' (+14%) and 'construction' (+12%) roles.
- 3.14 Excluding self-employment, there was a total of 46,925 jobs located in Palmerston North in December 2024. This is 903 fewer jobs than December 2023, down -1.9% from the previous year. This compares with a -1.6% decline in the number of jobs nationally over the same period. Filled jobs by place of residence followed a similar trend with people in employment in the city falling by -815 (-2.3%) to 35,118 over the year. This compares with a decrease in people employed nationally of 1.6%.
- 3.15 The annual average unemployment rate in the city remained at 4.2%, for the second consecutive quarter, falling from 4.4% in the first two quarters of 2024. This compares with an annual average unemployment rate of 4.7% nationally. For the December quarter, the unemployment rate in the city was 4.6% compared with a national unemployment rate of 5.0%. Statistics New Zealand estimated a national unemployment rate of 5.1% in the December quarter, with a total of 156,000 people unemployed.
- 3.16 The number of MSD jobseeker beneficiaries in Palmerston North increased by 447 over the year to September, to a total of 3,534. This is a +14.5% increase (+447) on the previous year, compared with a +12.4% increase, nationally. Of this increase, 312 people were receiving the benefit due to health conditions and disability, compared with an increase in work-ready jobseekers of 135 over the year.
- 3.17 The number of jobseekers increased across all age groups both in the city and nationally, in the 2024 calendar year. Jobseeker beneficiaries aged 18-24 increased by 138 in the city over the year (+18%), compared with a +19.6%

increase nationally. Over the same period, Palmerston North Jobseekers aged 25-39 rose by 141 (+13.3%) compared with a +12.0% increase nationally, with Jobseekers aged 40-54 rising by 87 (+11.1%) in the city, compared with a +9.4% increase nationally. Palmerston North Jobseekers aged 55-64 increased by 87 (+18.5%), compared with a +9.6% increase nationally.

### **Earnings and income**

- 3.18 Following high earnings growth over the period 2021 to early 2024, wage inflation is starting to ease with annual earnings growth falling back to 4.0% in the city in 2024. This compares with 4.5% growth in annual earnings, nationally. This period of high earnings growth coincided with public sector pay agreements and tight labour market conditions from 2021 to early 2024, where competition for labour was elevated, and wages were bid up to attract appropriately skilled workers.
- 3.19 Statistics New Zealand Linked Employer-Employee Data (LEED) measures median earnings from wages and salaries, including incomes from self-employment. This data has a twelve month lag and therefore estimates median earnings growth to December 2023; a period characterised by elevated wage growth due to pay agreements and higher wages being paid to attract scarce labour. Reflecting this elevated wage growth, median earnings in Palmerston North city increased by +8.3% over the year to December 2023 to a total of \$67,700. This compares with a +6.0% increase nationally to a median salary of \$68,590. The rate of growth in median incomes is expected to have eased in 2024, reflecting the more recent weakness in economic and labour market conditions.
- 3.20 Easing wage growth is reflected in the Quarterly Economic Survey (QES) for ordinary time hourly earnings, and the Labour Cost Index (LCI) for the December 2024 year. These measures of wage growth indicate that ordinary time hourly earnings increased by +4.2% over the 2024 calendar year, compared with a +6.9% increase in 2023. The LCI also reflects the easing of wage inflation with the increase in labour costs falling to 3.0% in 2024, compared with a 3.9% increase the previous year.

### **Spending**

- 3.21 Retail spending fell -1.8% in the city over the year to February 2025, to a total of \$1,480m (\$1.48b). This compares with a -1.1% decrease in retail spending nationally. It is worth noting that 2024 was a leap year, therefore February 2024 comprised of 29 days in comparison to 28 days in February 2025. Retail spending is also in dollar value and does not account for the impact of inflation on the purchasing power of consumers.
- 3.22 As discussed, the annual rate of inflation in 2024 was 2.2% with an increase in average household living costs of 3.0% over the year. The annual rate of spending growth continues to come in well below the rate of annual inflation, reflecting a decline in real spending across the economy. The contraction of demand driven by higher interest rates and fiscal policy has successfully

driven down inflation, but it has delivered challenges to the New Zealand economy, driving job losses and higher unemployment. Further relief from lower interest rates is expected to support an increase in spending across the national economy through 2025, but the recovery is expected to be gradual.

- 3.23 The pressure on household budgets is further reflected in the decrease in spending on discretionary items. 'Home and recreational retail' spending in the city fell by -13.9% over the year to February 2024, with spending on 'Arts, recreation and visitor transport' down -16.5% over the same period.
- 3.24 New car registrations in Palmerston North fell by -10.0% over the year to December 2024, compared with a -17.6% decrease nationally. Reflecting improving business confidence, the number of new commercial vehicle registrations increased by +9.0% in 2024 compared with the previous year. This compares with a +4.4% increase nationally. This uplift in expenditure on commercial vehicles in the city, is likely to have been supported by renewed confidence of our agriculture sector.
- 3.25 Annual tourism spending fell by -2.7% in Palmerston North in the year to January 2025, compared with the previous year. This compares with a +1.5% increase in tourism spending nationally. Tourism spending continues to be weighed down by a pullback in spending by domestic travellers, with domestic tourism spending falling by -3.5% over the year to January 2025 to a total of \$270.9m. This compares with a -2.3% fall nationally. International tourism spending continued to strengthen in the January 2025 year, with spending in the city up +6.5% and a 14.2% increase in national spending.
- 3.26 The annual change in guest nights is also a useful indicator of tourism activity. Over the year to January 2025, guest nights in the city fell by -3.1% to a total of 422,500. This compares with a +0.5% Increase nationally. Reflecting the downturn in domestic tourism, guest nights from domestic travellers fell by -3.1% in Palmerston North over the same period, compared with a -2.5% decrease nationally. Guest nights from international travellers to the city fell by -4.2%, compared with a +6.9% increase nationally.

## **Housing**

- 3.27 According to QV, house prices in Palmerston North fell by -0.7% over the year to February 2025 to an average price of \$637,895. This compares with a -1.4% fall nationally to \$912,904. The volume of houses sold in Palmerston North over the year reflects strengthening demand, with the number of houses sold up +10.6% over the year to a total of 1,278. This compares with a +10.4% increase in house sales, nationally. The February 2025 RBNZ Monetary Policy Statement reflects the expectation of a moderate strengthening of housing market conditions this year, with prices expected to increase by +3.8% in 2025, and a further +4.7% in 2026.
- 3.28 Total New Zealand mortgage lending increased to \$77.0 billion in the year to January 2025, compared with \$62.8 billion the previous year. This represents a +22.6% increase in mortgage lending in the January 2025 year. Mortgage

lending to owner-occupiers and investors increased the most, up \$7.9 billion (+21.8%) and \$4.8 billion (+45.2%) respectively. Lending to first home buyers lifted by \$1.3 billion (+8.9%) over the same period.

- 3.29 Home ownership continues to be far more affordable in the city than nationally, with the average house price equal to 5.0 times the average annual household income. This compares with the average house price of 6.7 times the average household income, nationally.
- 3.30 Rental prices increased 3.2% in the city over the year to January 2025, to an average price of \$482 per week. This compares with a +1.9% increase nationally, to \$596 per week. Over the same period, the number of properties rented in the city fell by -1.8% with 141 fewer properties rented in the city in January 2025 compared with January 2024. This compares with a +2.2% increase in rental properties nationally, over the same period. The fall in rented properties in the city in January, is possibly due to this data preceding the start of the academic year. Rental market conditions will be tracked closely to understand any changes to supply and demand conditions.
- 3.31 Renting a home in Palmerston North remains more affordable than across much of New Zealand, with annual average rent making up an estimated 19.8% of annual household income, compared with 22.0% nationally. Renting in the city is more affordable than both the Manawātū District and the wider Manawātū-Whanganui region, with average annual rent taking up 21.1% and 21.7% of the average household income, respectively.
- 3.32 The number of households on the public housing register in Palmerston North fell by -129 (-20.6%) over the year to December 2024. This compares with a -20.0% fall nationally. The number of families on the transfer register in Palmerston North sat at 147 in the December quarter 2024, down from 177 a year ago (-16.9%) compared with a 9.5% fall nationally.
- 3.33 Households in emergency housing in Palmerston North fell to 6 in December 2024, down from 63 in December 2023. The number of families in emergency housing, nationally, fell from 2,931 in December 2023 to 945 in December 2024. Some of the decrease in the number of families accessing housing support will be explained by the increased level of evidence required to prove housing need. Insights from MSD in the city also highlight an increase in tenancies available and stabilising rental prices in the city.
- 3.34 There were 458 consents for new dwellings issued in Palmerston North over the year to December 2024, an increase of 34 (+8.0%) compared with the previous year. This compares with a -9.8% decrease in new dwelling consents nationally. New dwelling consents have been trending down since the peak of the market in the city over the 2021 calendar year. Economic recovery and improving financial market conditions are expected to support levels of residential investment from 2026.
- 3.35 Provisional data estimates that a total of 356 of the 458 dwellings consented over the 2024 Calendar will add to the housing stock of Palmerston North. This

series removes 'relocates' moved outside the city, adds in 'relocates' coming into the city from other parts of New Zealand, and removes uplifted dwellings. This estimate compares with the housing demand forecast in the 2024-34 LTP of 328 dwellings per year from 2024-2027, with 399 dwellings per year on average over the 10-years to 2034<sup>1</sup>.

#### **4. PALMERSTON NORTH ELECTRONIC CARD SPENDING REPORT – DECEMBER 2024**

- 4.1 Total electronic card spending fell -1.1% in the December quarter 2024 compared to the December quarter 2023, to a total value of \$403m. This compares with a -0.7% decrease in spending nationally over the same period.
- 4.2 Over the year to December 2024, electronic card spending in Palmerston North fell by -0.8% to \$1.488 billion. This compares with a +0.1% increase in retail spending nationally over the same period. Of this total, 56.1% continues to be spent in the city centre.
- 4.3 In the city centre, spending in the December quarter 2024 increased by 0.2% compared with the December quarter 2023, to a total value of \$231 million. This compares with a -0.7% fall in retail spending, nationally.
- 4.4 Over the December 2024 year, electronic retail card spending in the city centre fell -0.2% compared to the previous year, to a total value of \$837 million. This compares with an increase in retail spending of 0.1%, nationally.
- 4.5 Discretionary spending has been most affected by the pullback in consumer demand with 'home & recreational retail' spending down -3.9% and 'arts, recreation & visitor transport' spending falling -6.5% in the city centre over the year. Spending on 'home & recreational retail' and 'arts, recreation & visitor transport' was down -4.0% and -4.4% respectively, in Palmerston North over the same timeframe. Nationally, spending on 'home & recreational retail' and 'arts, recreation & visitor transport' fell by -2.8%, and -4.2% over the year.
- 4.6 Spending on essential items continued to increase as households and businesses reduced spending on discretionary items. Spending on 'groceries and liquor' was the highest growth sector in Palmerston North, up +2.2% compared with the previous year. The trend for grocery spending was similar for the city centre and New Zealand, up by +4.0% and +2.7% respectively over the year.
- 4.7 Spending on 'cafes, restaurants, and bars' fell further over the December year, down -1.7% across the city and -1.3% in the city centre. This compares with a -0.2% fall in spending, nationally. Increasing demand for non-essential spending is expected to flow through to the city and national economy later

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<sup>1</sup> The annual housing forecasts include the 20% competitiveness margin required under the National Policy Statement for Urban Development. Actual forecast demand for housing over the first three years of the LTP is 273 per year, with average annual growth of 333 per year over the 10-years of the LTP. This series is subject to revision as more information becomes available.



in 2025, as relief from lower interest rates and improving business and consumer confidence boosts spending across the economy.

- 4.8 'Other consumer spending' continues to rebound in the city with spending in the sector increasing +71.2% in the city centre and +22.9% across Palmerston North over the year. This compares with a +1.7% increase nationally over the same period. While 'Other consumer spending' makes up just +0.1% of total spending in the city, the increase in spending on these non-essential items implies an improving appetite for discretionary spending.
- 4.9 Palmerston North consumers remain relatively loyal to local merchants. The loyalty rate, explained as the percentage of spending by Palmerston North residents at local retailers, was 81.5% over the year to December 2024. Across the Manawātū Region, the loyalty rate increases to 82.9% as consumers from the Manawātū District contribute to spending in the city.
- 4.10 The Quarterly Economic Card Spending Report for December 2024 is attached as Appendix 2.

## 5. ECONOMIC OUTLOOK

- 5.1 The latest round of economic data reflects some early and tentative signs of recovery in both the New Zealand and city economy, with annual GDP growth becoming less negative and business sentiment improving across key sectors such as agriculture. Palmerston North's position at the heart of a strong rural economy, was central to the stronger economic performance of the city, with elevated returns to agricultural production boosting the outlook for regional economies, relative to our larger metropolitan counterparts. Economic growth is expected to be positive as we progress through 2025.
- 5.2 The data also reflects the challenges that remain across our economy. Job losses and higher unemployment remains, and households continue to be hampered by the high cost of living and concerns over job and income security. While interest rates have been falling since August 2024, it is taking time for these lower rates to flow through and deliver relief to households and businesses. Combined with risk aversion from increasing job insecurity, and concerns over levels of demand by businesses, consumption has understandably been slow to respond to the easing interest rate environment.
- 5.3 Westpac estimates around half of all mortgages will come up for re-fixing in the next six-months, with the majority of these coming off higher interest rates onto lower rates. This is expected to boost disposable incomes in the second half of 2025, stimulating demand for goods and services across the New Zealand economy. This is expected to positively impact on demand for goods and services, and it follows, levels of employment across the country, with the number of people employed forecast to rise by 80,000 between March 2025 and December 2026. The unemployment rate is forecast to peak at 5.2% in the March and June quarters this year falling back to 4.5% by the end of 2026. New Zealand is in the early stages of economic recovery, but there is some way to go.

- 5.4 While projections reflect the expectation of strengthening economic conditions in 2025, there are external factors which may pose a risk to the economic recovery of the New Zealand economy. The potential impact of U.S. tariffs on economic growth is discussed in sections 3.5 to 3.7 of this report. The government is proactively strengthening relationships with countries where the mutual benefits of increased trade, are high. These efforts are reflected in recent Free Trade Agreements (FTAs) with the United Arab Emirates (UAE) and Vietnam, with FTA discussions currently underway with India. Building strong and mutually beneficial trade and security relationships with global partners, is critical to building the resilience of the New Zealand economy, in the face of mounting international challenges.
- 5.5 Assuming impacts on the New Zealand economy from trade tariffs are limited, pricing for commodities produced in our region such as dairy, are expected to remain elevated for the next two seasons, supporting the economic recovery of the city and the region. The repricing of the majority of mortgages from higher onto lower rates throughout 2025, will also support spending across the economy, and flow through to business investment and labour demand in time. The completion of large scale infrastructure projects such as Te Ahu a Turanga (the Manawatū Tararua Highway) will further support the regional economy, reducing transport costs and relieving travel times for businesses and residents.
- 5.6 The wellbeing of our people is also fundamental to achieving the economic objectives of our nation and our region, with a healthy, housed, and skilled workforce central to economic growth and prosperity.
- 5.7 Economic conditions remain challenging, but the New Zealand economy is moving in the right direction with inflation well back in range, interest rates falling and business confidence strengthening in 2025. Uncertainty from external factors look set to continue, with the impacts on the New Zealand and city economy, unclear. Factors that impact on the city, regional and national economy will be watched closely and reported back to Committee throughout 2025.

## **6. COMPLIANCE AND ADMINISTRATION**

Does the Committee have delegated authority to decide?	<b>Yes</b>
Are the decisions significant?	<b>No</b>
If they are significant do they affect land or a body of water?	<b>No</b>
Can this decision only be made through a 10 Year Plan?	<b>No</b>
Does this decision require consultation through the Special Consultative procedure?	<b>No</b>
Is there funding in the current Annual Plan for these objectives?	<b>Yes</b>
Are the recommendations inconsistent with any of Council's policies or plans?	<b>No</b>


<p>The recommendations contribute to: Whāinga 1: He tāone auaha, he tāone tiputipu</p> <p>Goal 1: An innovative and growing city</p>	
<p>The recommendations contribute to this plan:</p> <p>2. Mahere whakawhanake ohaoha</p> <p>2. Economic Development Plan</p> <p>The objective is: Support sustainable business activity and labour market development, in particular, providing information and education resources to city businesses.</p>	
<p>Contribution to strategic direction and to social, economic, environmental and cultural well-being</p>	<p>Reporting on economic trends in the city and the longer-term outlook for growth, is important for encouraging local business to invest, growing their business and attracting new businesses to the city. It is also important to support businesses to make informed decisions under the current economic conditions.</p>

## ATTACHMENTS






1. Palmerston North Economic Growth Indicators - April 2025 [↓](#) 
2. Palmerston North Retail Electronic Card Spending Report - December 2024 [↓](#) 

# PALMERSTON NORTH ECONOMIC GROWTH 2025

(as at March 2025)

	Palmerston North City*	New Zealand**
<b>GDP (Provisional)</b> <small>YE December 2024 Source: Infometrics</small>	<b>\$6,953M</b>  -0.2%	-0.5%
<b>Annual inflation</b> <small>December 2024 Source: Stats NZ</small>		2.2%
<b>Official cash rate</b> <small>February 2025 Source: RBNZ</small>		3.75%

## Business and Jobs

<b>Business counts</b> <small>December 2024 Source: Infometrics</small>	<b>8,185</b>  +0.6%	+1.3%
<b>Non-residential construction investment</b> <small>YE December 2024 Source: Stats NZ</small>	<b>\$126.4M</b>  -32.3%	-0.9%
<b>Filled jobs (Place of residence)</b> <small>As at December 2024 Source: Stats NZ</small>	<b>35,118</b>  -2.3%	-1.6%
<b>Filled jobs (Workplace location)</b> <small>As at December 2024 Source: Stats NZ</small>	<b>46,925</b>  -1.9%	-1.6%
<b>Unemployment rate</b> <small>As at December 2024 Source: Infometrics</small>	<b>4.2%</b>	<small>Average of four recent quarters</small> <b>4.7%</b>
<b>Change in MSD Jobseeker recipients</b> <small>December 2024 quarter Source: MSD</small>	<b>+447</b>  +14.5%	+12.4%

YE: Year ending

M: million, B: billion

\*Value and annual change, unless stated otherwise, \*\* Annual change, unless stated otherwise

Earnings		Palmerston North City*		New Zealand**
<b>Annual earnings</b> As at December 2024 Source: Stats NZ		\$2.596B	+4.0%	+4.5%
<b>Median earnings from salaries and wages</b> YE December 2023 Source: Stats NZ		\$67,700	+8.3%	+6.3%
Spending				
<b>Retail spending</b> YE February 2025 Source: Marketview		\$1.480B	-1.8%	-1.1%
<b>New car registrations</b> YE December 2024 Source: Infometrics		3,142	-10.0%	-17.6%
<b>Commercial vehicle registrations</b> YE December 2024 Source: Infometrics		1,133	+9.0%	+4.4%
<b>Tourism electronic card spending</b> YE January 2025 Source: MBIE	Domestic	\$270.9M	-3.5%	-2.3%
	International	\$26.6M	+6.5%	+14.2%
<b>Guest nights</b> YE January 2025 Source: ADP		422,500	-3.1%	+0.5%
Housing				
<b>Average House Price</b> February 2025 Source: QV		\$637,895	-0.7%	-1.4%
<b>House sales</b> YE February 2025 Source: REINZ		1,278	+10.6%	+10.4%
<b>Home ownership affordability</b> December 2024 quarter Source: Infometrics		5.0	Ratio of average house value to annual average household income	6.7
<b>Home rental affordability</b> December 2024 quarter Source: Infometrics		+19.8%	Percentage of average annualised rent to annual average household income	+22.0%
<b>New dwelling consents</b> YE December 2024 Source: Stats NZ		458	+8.0%	-9.8%
YE: Year ending      M: million, B: billion      * Value and annual change, unless stated otherwise, **Annual change, unless stated otherwise				



**Palmerston North**  
**Electronic card retail spending**  
**Quarterly Report**

December 2024

This report presents analysis of electronic card retail spending (i.e., total value of electronic card transactions made in person) in the city. The focus is on Palmerston North City Centre (consisting of CBD and Broadway Avenue precinct; and Outer CBD precinct); city as a whole (see map on page 9 for location of precincts); and comparison with New Zealand.

Data is obtained from Marketview and is based on information from Worldline (formerly known as Paymark) the largest electronic card payment network in New Zealand. Analysis covers eight retail sectors consisting of accommodation; apparel & personal; arts, recreation & visitor transport; cafes, restaurants, bars & takeaways; fuel & automotive; groceries & liquor; home & recreational retail; and other consumer spending (see retail sector classification on page 10).

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## Summary – December 2024

### Palmerston North: City at a glance

- For the quarter ending December 2024, total electronic card spending was \$403 million, a decrease of -1.1% from the same period the previous year. This compares with a -0.7 % decline in spending across New Zealand (NZ) in the same quarter.
- For the year ending December 2024, total electronic card spending in Palmerston North was \$1,488 million, a decline 0.8% decline compared with the previous year. In contrast, spending across NZ increased by 0.1% compared with the year ending December 2023. See graph on “Electronic Card Retail Spending Annual Change (%)” on page 4.
- The annual growth rate of retail spending in Palmerston North, as well as in NZ is lower than the annual inflation rate of 2.2% for the year ending December 2024. This indicates spending growth was below the rate of inflation, reflecting negative real growth in spending in both the city, and nationally in the 2024 calendar year.

### City Centre

- Electronic card retail spending in the City Centre in the December quarter was \$231 million, an increase of 0.2% compared to the December quarter 2023. This exceeds quarter on quarter growth of -0.7% across NZ in the December quarter 2024.
- Annual electronic retail spending in the City Centre was \$837 million, down -0.2% compared to the previous year. Nationally, retail spending increased by 0.1% over the same period. Over the 2024 calendar year, retail spending growth was below the rate of inflation across all retail precincts, indicating negative real growth across the city and nationally in 2024.
- The top three retails sectors were “Groceries and liquor” (34% share of City Centre spending), “Home and recreational retail” (30% of City Centre retail spending), and “Café, restaurants, bars and takeaways” (16% of City Centre spending). Together, spending across these sectors made up 80% of total retail electronic card spending in the City Centre in the 2024 Calendar year. Please see pages 5 and 6 for a breakdown of spending by retail sector.
- Since the November 2023 quarter, annual spending on “Groceries and liquor” has taken over from “Home and recreational retail” as the top retail category in the City Centre. This pullback in spending on non-essential goods and services is consistent with what is being observed nationally, as household and businesses across the country continue to spend cautiously in response to the economic downturn.



## Retail precincts

Retail Precincts	Dec 2024 quarter		Year ending Dec 2024		
	Value of spending (\$m)	Change from same quarter last year (%)	Value of spending (\$m)	Change from last year (%)	Precinct share (%)
Palmerston North Inner CBD and Broadway Avenue	138	0.0%	503	0.6%	33.7%
Palmerston North Outer CBD	93	0.5%	334	-1.3%	22.3%
<b>Palmerston North City Centre*</b>	<b>231</b>	<b>0.2%</b>	<b>837</b>	<b>-0.2%</b>	<b>56.0</b>
PNCC Terrace End	34	-2.0%	126	-0.7%	8.5%
Rest of Palmerston North	139	-2.8%	526	-1.8%	35.5%
<b>Total Palmerston North**</b>	<b>403</b>	<b>-1.1%</b>	<b>1,488</b>	<b>-0.8%</b>	<b>100</b>
Total New Zealand	<b>21,152</b>	<b>-0.7%</b>	<b>77,833</b>	<b>0.1%</b>	

### Notes:

\*Palmerston North City Centre spending consists of spending from: 1) CBD and Broadway Avenue (inner business zone) precinct, and 2) Outer CBD (outer business zones) precinct.

\*\*Total Palmerston North City spending consists of spending from the City Centre + Terrace End precinct + the rest of the city. See map on page 9 for location of the precincts.

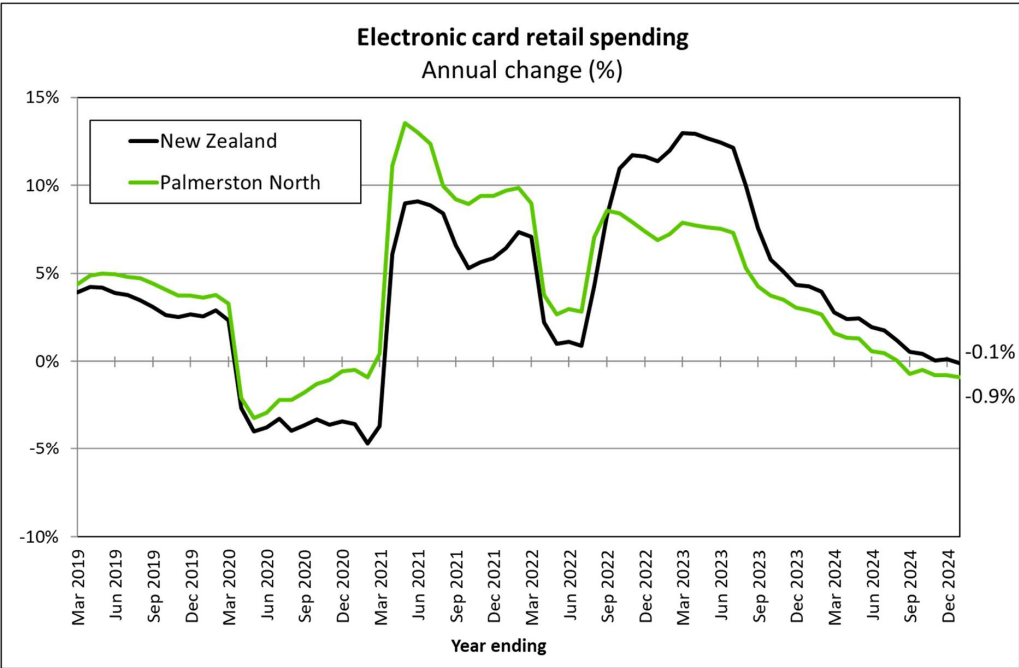
Annual retail spending in Palmerston North for the year ending December 2024 declined by -0.8%. This compares with an annual decrease in retail spending in the City Centre of -0.2%. The breakdown of the two City Centre precincts are as follows:

- Retail spending in the CBD and Broadway Avenue (inner business zone) precinct increased by 0.6% over the year to December 2024, exceeding the NZ annual growth rate of 0.1%.
- The Outer CBD precinct experienced a -1.3% decline in retail spending over the year.

The time series below shows the annual (i.e., rolling 12 months) change in electronic card spending (Mar 2019 – Dec 2024) for Palmerston North and New Zealand. Prior to October 2022, growth in retail spending in the City outperformed relative to national spending. This was due to the industry structure in the City and less exposure to the impact of border closures on international tourism. Since October 2022, the average NZ growth rate has caught up and exceeded the rate of growth in Palmerston North City.

Annual growth in retail spending across NZ and Palmerston North have been declining since April 2024 in response to the continuation of challenging economic conditions for both households and businesses. This is reflected in negative annual growth in retail spending in Palmerston North since the year ending September 2024. Lower interest rates in 2025 are expected to flow through to households and businesses, supporting demand for goods and services across the City and national economy.

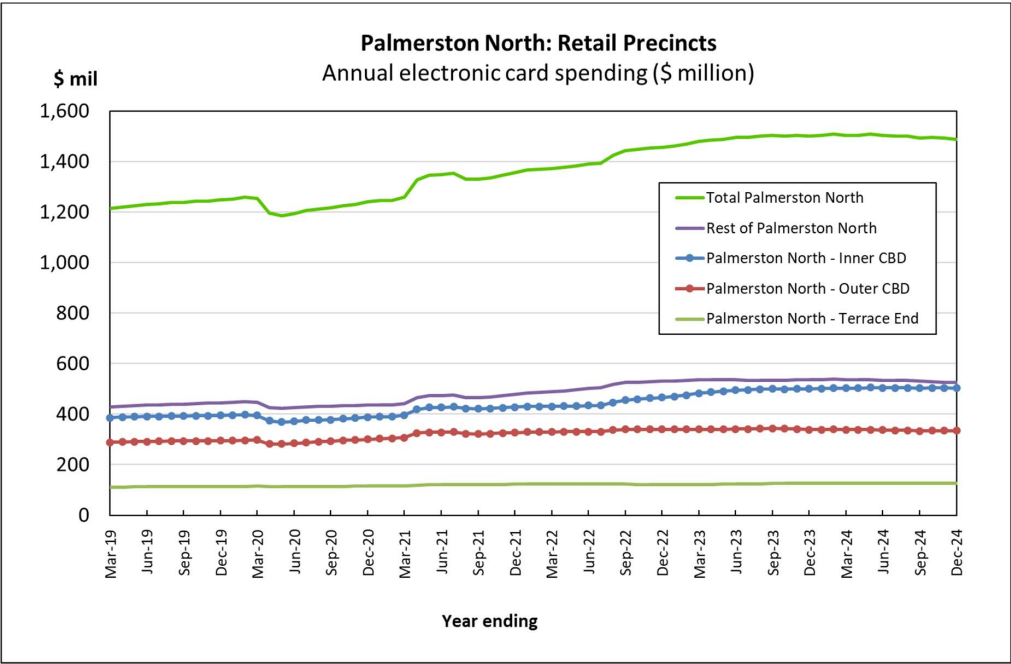
Time series: Annual Change (Mar 2019 – Dec 2024)



The time series below shows annual spending across retail precincts in the City over the period March 2019 to December 2024. Key findings are:

- On an annual rolling basis, total retail spending in Palmerston North fell between September to December 2024. This contraction in annual spend was driven predominantly by weaker spending in the “Outer CBD” precinct where rolling annual spending fell by between 1.1% and 2.8% between June to December 2024.
- In contrast, nominal growth in spending has been observed in the “Inner CBD” throughout the period March 2021 to December 2024.

Time series: Annual Electronic Card Spending (Mar 2019 – Dec 2024)



## Retail sectors

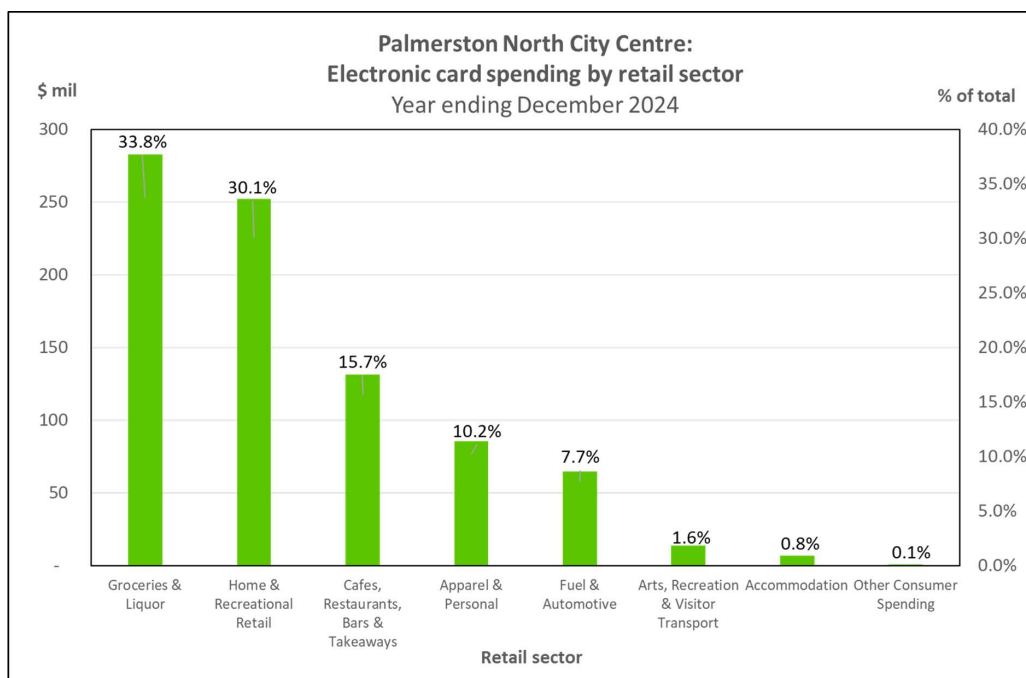
The table below shows the breakdown in spending by retail sector for the City Centre, Palmerston North, and New Zealand.

Retail sectors	Year ending Dec 2024						
	City Centre		Palmerston North		New Zealand		Palmerston North City Centre share of NZ
	Value of spending (\$m)	Change (from last year)	Value of spending (\$m)	Change (from last year)	Value of spending (\$m)	Change (from last year)	
Accommodation	7	-0.8%	24	-6.8%	1,740	-5.0%	0.38
Apparel & personal	85	-2.8%	100	-3.1%	4,491	-1.1%	1.90
Arts, recreation & visitor transport	14	-6.5%	26	-4.4%	2,218	-4.2%	0.62
Cafes, restaurants, bars & takeaways	131	-1.3%	196	-1.7%	11,523	-0.2%	1.14
Fuel & automotive	64	4.5%	254	0.2%	13,022	0.5%	0.50
Groceries & liquor	283	4.0%	528	2.2%	28,335	2.7%	1.00
Home & recreational retail	252	-3.9%	358	-4.0%	16,127	-2.8%	1.56
Other consumer spending	1	71.2%	3	22.9%	377	1.7%	0.23
<b>Total</b>	<b>837</b>	<b>-0.2%</b>	<b>1488</b>	<b>-0.8%</b>	<b>77,833</b>	<b>0.1%</b>	<b>1.08</b>

The top three retail sectors in the City Centre were

- “Groceries and liquor” (34% of total annual spend)
- “Home and recreational retail” (30% of total annual spend)
- “Café, restaurants, bars and takeaways” (16% of total annual spend)

Together, the top three retail sectors in the City Centre represent 80% of total retail electronic card spending. Since the November 2023 quarter, “Groceries and liquor” has taken the lead over “Home and recreational retail” as the top retail category in the City Centre. This is due to the contraction of spending on non-essential goods and services, as household and business budgets come under pressure due to the economic slowdown.



In the City Centre, annual growth in spending was supported by growth in retail sectors related to travel and tourism: -

- “Groceries and liquor” (+10.8 million of 4.0%)
- “Fuel and automotive” (+2.8 million or 4.5%)
- “Other consumer spending” (+0.4 million or 71.2%)

## City Centre: Customer origin

Year ending Dec 2024

Cardholder origin	Value of spending (\$m)	Change from last year (%)	Share of total spending (%)
Palmerston North City	539.6	0.6	64.5
Manawatu District	82.2	-0.4	9.8
Horowhenua District	41.9	0.3	5.0
Rest of New Zealand	41.5	-6.4	5.0
Tararua District	34.7	-0.2	4.1
Wellington Region	25.9	-5.9	3.1
Rangitikei District	24.2	-0.6	2.9
International	17.3	9.3	2.1
Auckland Region	13.6	-3.8	1.6
Whanganui District	13.3	-5.0	1.6
Ruapehu District	2.6	-5.7	0.3
<b>Total</b>	<b>836.9</b>	<b>-0.2</b>	<b>100.0</b>

For the year ending December 2024, 65% of retail spending in the City Centre was made by locals. The visitor (i.e. non-local) share of spending made up 35% of total spending. Spending from residents of Manawātū, Horowhenua, “Rest of New Zealand”, Tararua, and the Wellington region contributed the most to spending in the city. Together, these areas contributed 27% of total annual spending in the city over the year to December 2024.

International visitors recorded the highest annual growth in spending at 9%. Overall, international spending makes up just 2% of total annual spending in the city.

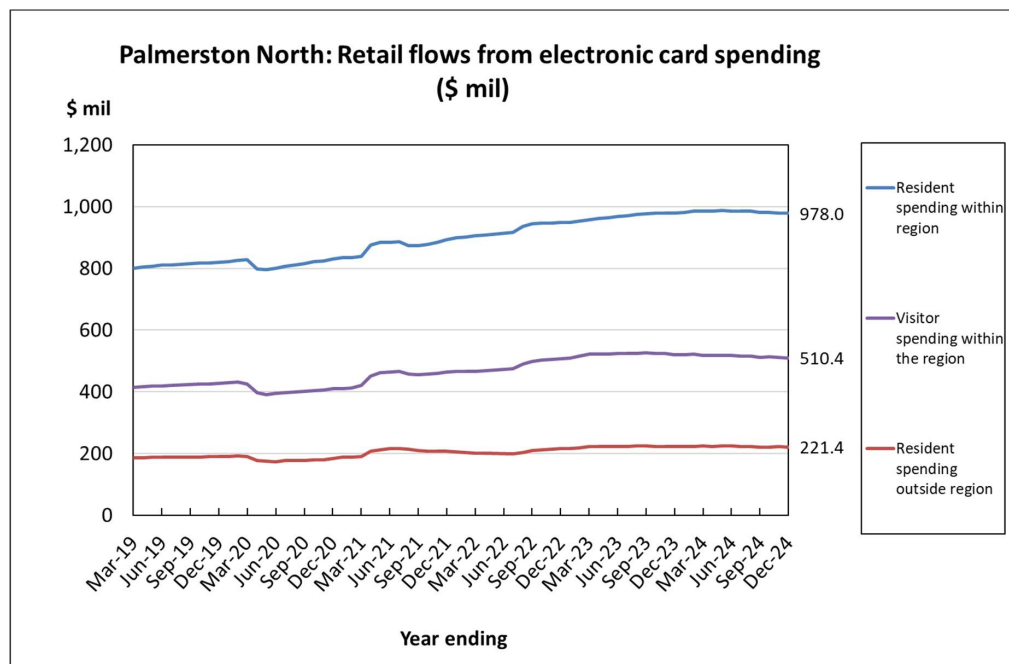
## Palmerston North: Retail flows

Year ending Dec 2024

Retail flow	Value of spending (\$m)	Change from last year (%)
Resident spending locally (A)	978	-0.1
Resident spending outside the city (B)	221	-0.2
<b>Total resident spending (A)+(B)</b>	<b>1,199</b>	<b>-0.2</b>
Visitor spending (C)	510	-2.0
<b>Total spending at Palmerston North merchants (A)+(C)</b>	<b>1,488</b>	<b>-0.8</b>
Net gain in spending for city (C)-(B)	289	-3.3
	Year ending Dec 2024	Year ending Dec 2023
Visitor share of Palmerston North spending	34.3%	34.7%
Palmerston North loyalty rate	81.5%	81.5%

For the year ending December 2024, Palmerston North residents spent \$978 million locally (-0.1%) compared to \$221 million outside the city (-0.2%). Total visitor spending was \$510 million (-2.0%), which consisted of \$484 million (-2.5%) from domestic visitors and \$27 million (+7.4%) from international visitors. See figure below for trend in annual spend over time.

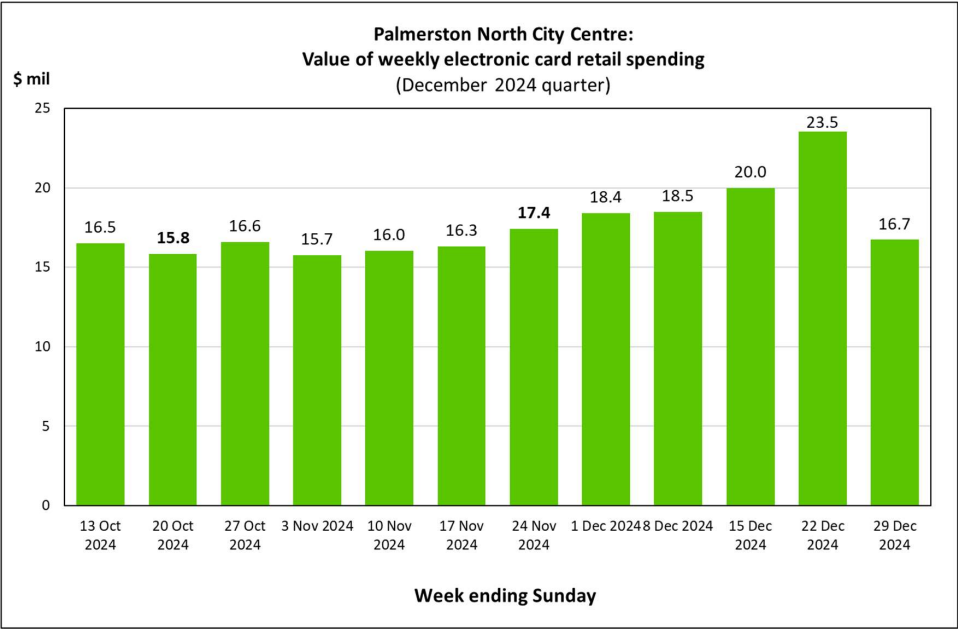
Time series: Retail flows – Annual Spending (March 2019 – December 2024)



The loyalty rate, described as the proportion of total spend by local residents at local merchants, remained stable at 81.5% in the December year 2024.

### City Centre: Weekly spending

Weekly spending in the City Centre in the December 2024 ranged between \$16-\$24 million, with an average weekly spend of \$18 million. Weekly spending gradually increased from \$16 million in the week ending 3 November to \$24 million in the week ending 22 December. This is consistent with the pre-Christmas increase in spending observed annually.





## Precinct Map



## Retail sector classification

### Accommodation

Accommodation

### Apparel & personal

Clothing retailing  
Footwear retailing  
Watch & jewellery retailing  
Other personal accessory retailing  
Hairdressing & beauty services

### Arts, recreation & visitor transport

Interurban & rural bus transport  
Urban bus transport (including tramway)  
Taxi & other road transport  
Rail passenger transport  
Water passenger transport  
Air & space transport  
Scenic & sightseeing transport  
Passenger car rental & hiring  
Other motor vehicle & transport equipment rental & hire  
Travel agency & tour arrangement services  
Museum operation  
Zoological & botanical gardens operation

### Fuel & automotive

Motor vehicle parts retailing  
Tyre retailing  
Fuel retailing  
Other automotive repair & maintenance

### Groceries & liquor

Supermarket & grocery stores  
Fresh meat, fish & poultry retailing  
Fruit & vegetable retailing  
Liquor retailing  
Other specialised food retailing

### Home & recreational retail

Sport & camping equipment  
Entertainment media retailing  
Toy & game retailing  
Newspaper & book retailing  
Marine equipment retailing  
Department stores  
Pharmaceutical, cosmetic & toiletry goods  
Stationery goods retailing  
Antique & used goods retailing

Nature reserves & conservation parks operation  
 Performing arts operation  
 Creative artists, musicians, writers & performers  
 Performing arts venue operation  
 Health & fitness centres & gymnasias operation  
 Sport & physical recreation clubs & sports professionals  
 Sports & physical recreation venues, grounds & facilities  
 Sport & physical recreation admin. & track operation  
 Horse & dog racing administration & track operation  
 Other horse & dog racing activities  
 Amusement parks & centres operation  
 Amusement & other recreation activities n.e.c  
 Casino operation  
 Lottery operation  
 Other gambling activities

**Cafes, restaurants, bars & takeaways**

Cafes & restaurants  
 Takeaway food services  
 Catering services  
 Pubs, taverns & bars  
 Clubs (hospitality)

Flower retailing  
 Other store-based retailing n.e.c.  
 Furniture retailing  
 Floor coverings retailing  
 Houseware retailing  
 Manchester & other textile goods retailing  
 Electrical, electronic & gas appliance retailing  
 Computer & computer peripheral retailing  
 Other electrical & electronic goods retailing  
 Hardware & building supplies retailing  
 Garden supplies retailing

**Other consumer spending**

Car retailing  
 Motor cycle retailing  
 Trailer & other motor vehicle retailing  
 Retail commission based buying & selling