



# MANAWATŪ REGION RETAIL HEALTH CHECK

EXECUTIVE SUMMARY  
NOVEMBER 2021



# Executive Summary

**The purpose of these economic sector profiles for the Manawatū region is to describe the contribution of key sectors to the economic wellbeing of the region. Seven sectors are expected to contribute to a significant share of future growth in the number of jobs and incomes in the region over the next 25 years. They are healthcare, public administration (including defence), logistics, construction, tourism, professional, scientific and technical services, and manufacturing.**

Retailing isn't mentioned in the sectors above but is a major component of the region's tourism sector, and is an important factor in why people visit the region. A high share of retail spending comes from residents of the region, so the sector's growth is limited by the rate of population growth and growth in incomes in the region.

The retail sector in the Manawatū region (Palmerston North and Manawatū District) is performing strongly compared to national indicators. Retail spending at Manawatū region retailers increased by 13.0% over the 12 months ended June 2021, which was well ahead of the national increase in spending of 8.7%. The high rate of growth in spending in the year to June 2021 was due to COVID-19 restrictions on retailing between March and May 2020.

Growth in online spending has been suggested as a threat to physical retail stores, but Verisk/Marketview electronic card retail data shows physical stores in the region are continuing to experience growth in spending, despite the stronger growth in online spending.

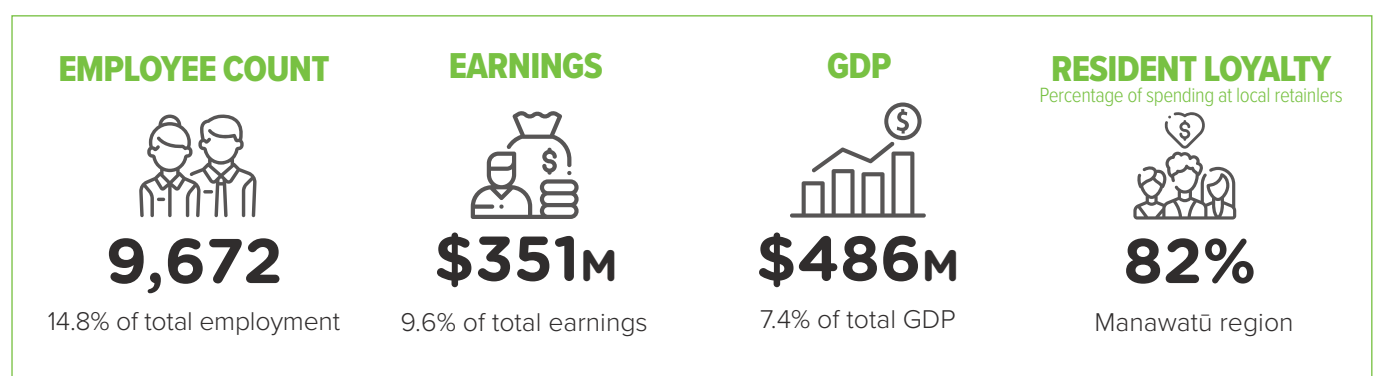
The sector is a significant contributor to regional GDP, with Infometrics estimates for the retail sector suggesting it contributed \$486 million to Manawatū region GDP in the year to March 2020, accounting for a 7.4% share of total GDP in the region. Palmerston North contributed

84% of retail GDP in the region, due to its role as a significant regional retail centre for the lower North Island.

The retail sector contributed 7.9% of Palmerston North GDP in the year to March 2020 and 5.4% of Manawatū District GDP. Statistics New Zealand GDP estimates for the year to March 2020 suggest the retail sector contributed \$18,161 million to national GDP, a 7.1% share of total GDP.

The sector is a significant contributor to regional employment, with a workforce of 9,672 people in February 2020, or 14.8% of the total workforce in the region. The workforce estimates produced by Infometrics include employees and the self-employed. Total earnings (salaries, wages and self-employment income) in the sector were \$351 million in the year ended March 2019, or 9.6% of total earnings in the region. Retail earnings in the region increased by 128% between 2000 and 2019. This regional increase was weaker than national retail earnings growth of 165%.

Infometrics long-term projections suggest the retail workforce is expected to increase to 10,138 people by 2043, an increase of 5% from 2018. That projection is much weaker than the 31% overall increase in workforce for the region, because Infometrics expects the sector will experience strong productivity growth during that period.





Visitor data shows Palmerston North is a significant domestic visitor destination, reflecting its central position in the lower North Island and its strong retail offering. The latest Verisk/Marketview data shows a significant share of electronic card retail turnover in the city is made with non-resident cards, accounting for 36% of total spending at retailers in the city.

Verisk/Marketview retail spending estimates for the year ended June 2021 show a high level of loyalty by Manawātū region residents, with 81.9% of their retail spending going to local retailers (excluding online spending).

Manawātū District is experiencing strong growth in retail spending, which increased by 14.9% in the year to June 2021. The District is also experiencing high population growth, which is supporting the increase in retail spending.

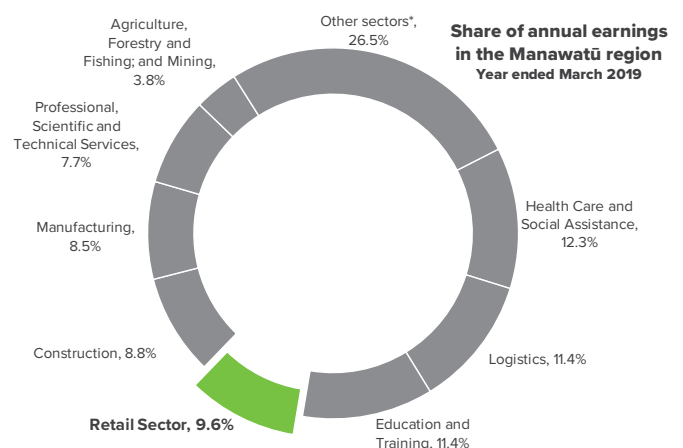
Over the last 10 to 15 years there have been major shifts in the retail sector in Palmerston North, which have resulted in growth in retail activity in some parts of the city and periods of decline or weak growth in others. A high level of investment in the construction of new retail floor space over the past 20 years has created significant additional competition for existing retailers in the city. The increase in the total number of retail stores means that individual retailers have not experienced the rates of growth reflected in the overall data for the city. The most recent retail data shows strong growth in the value of retail spending in the Inner Business Zone despite increased investment in retail activity in the Outer Business Zone.

The retail sector is a significant source of part-time employment in the region and employs a higher share of young people. Data from the 2018 Census shows that the 15 – 24 age group accounted for 33% of employment in the retail sector in the Manawātū region, while this group accounted for 16% of overall employment in the region. The sector also has an important role as the first paid job for many people, who go on to work in other sectors.

Councils have an important role to play in maintaining and supporting a healthy retail sector, particularly in the city or town centre, but retail property owners and retail businesses also play important roles in supporting the health of the sector. Palmerston North City Council centres-based planning policy has been successful in keeping the malls and large format retail developments close to the city-centre. Since 2013, there have been several large retailers move back closer to the city-centre and the further establishment of new businesses in the Outer Business Zone.

Both Palmerston North city-centre and Feilding town centre will face disruption due to the need to replace or strengthen earthquake prone buildings. This will result in the temporary loss of retail activity when buildings are demolished or closed temporarily during refurbishment and disruption for neighbouring retailers. However, this disruption will occur during a period of strong economic growth and expansion of retail activity in the region, providing increased impetus for redevelopment.

The development of new sources of data has provided significant improvements in the range of information available for the region. Further improvements in pedestrian data are being investigated along with new tools for estimating visitor numbers.



\* Other sectors includes: Public administration and safety services; Electricity, gas, water and waste services; Information media and telecommunications; Financial and insurance services; Rental, hiring and real estate services; Administrative and support services; Arts and recreation services; Other services

## Conclusion

The Manawatū region has experienced strong growth in retail sales over the period since the first Retail Health Check report was produced in 2013. Growth in spending has been supported by strong growth in incomes for residents, faster population growth and increased visitor spending, particularly from the rest of the Manawatū-Whanganui region.

Feilding has experienced stronger growth in spending than the Palmerston North city-centre. The rate of population growth in Manawatū District has been stronger than the growth rate for the city between 2013 and 2020, so is an important contributor to this growth. However, the city's growth rate has accelerated over the past four years, and this is being reflected in the strong retail growth now being recorded.

A focus of the 2013 report was on the health of retailing in Broadway Avenue, due to the impact of the 2010 expansion of the Plaza and the transfer of several retailers from Broadway to the Plaza. However strong growth in retailing in the region means vacancy rates are now low in the city centre, which is supporting redevelopment of low quality buildings in the city and in Feilding.

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demolished or closed temporarily during refurbishment and disruption for neighbouring retailers. However, this will be occurring during a period of strong economic growth and expansion of retail activity in the region, providing increased impetus for redevelopment. Low commercial vacancies rates in Palmerston North will further support redevelopment of earthquake prone buildings in the city-centre.

Growth in online spending has been seen as a threat to physical retail stores, but Verisk/Marketview electronic card retail data shows physical stores are continuing to experience growth in spending.

