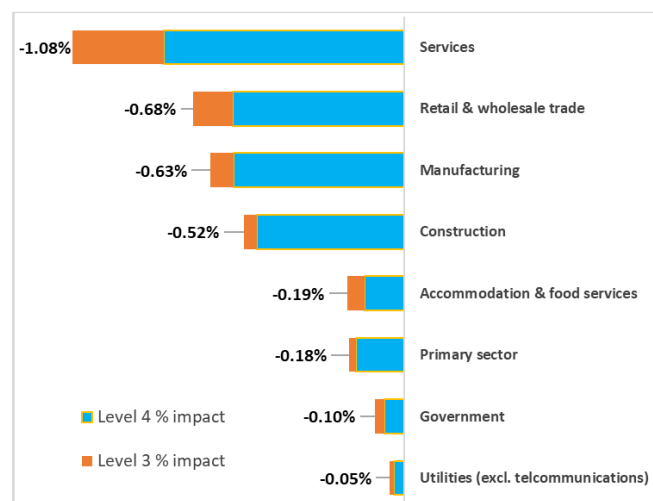


Whanganui District summary

The Whanganui District economy is estimated to contract by 3.4% (-\$62.8m) 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 6.1% 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 Whanganui District

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

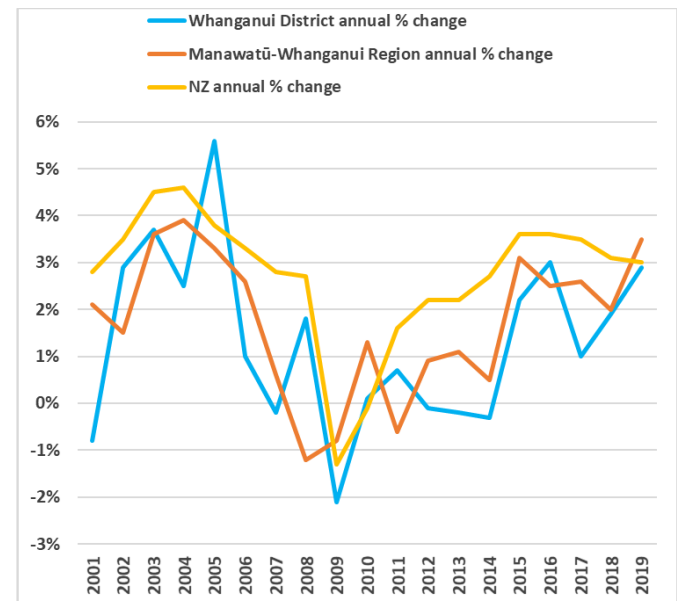
Economic projections are subject to considerable uncertainty about how the impacts of COVID-19 will play out, both globally and across New Zealand. The magnitude of the impact relative to projections will be influenced by a range of factors including whether we remain in alert level 1, any partial reopening 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. Central government funding for the Serjeant Gallery redevelopment and the Whanganui Port revitalisation project will add significant stimulus to the local economy and support levels of employment throughout the recovery. 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.

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

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

Economic growth has been accelerating since 2017.

The Whanganui District economy grew by 2.9% to a total of \$1.84b to the year ended March 2019. While this is slightly behind the national growth rate of 3.0%, indicators show a surge in economic activity in the city relative to economic growth over the period 2009 to 2014. The industry mix of the district will support the economic recovery relative to other parts of New Zealand dependent upon international tourism and demand for services. Local strengths and vulnerabilities are discussed in detail in this report.

Key findings

- The district economy is estimated to contract by 3.4% (↓\$62.8m) 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 economy a further 2.7%. This is an estimated decline in GDP of \$50.4m over 2020. The total impact of COVID-19 restrictions on the district is estimated at ↓6.1% over the 2020 calendar year.
- Primary production and agri-food manufacturing

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

activity in the district is strong and, based on the assumption of continued global demand, will add significant support to the local economic recovery.

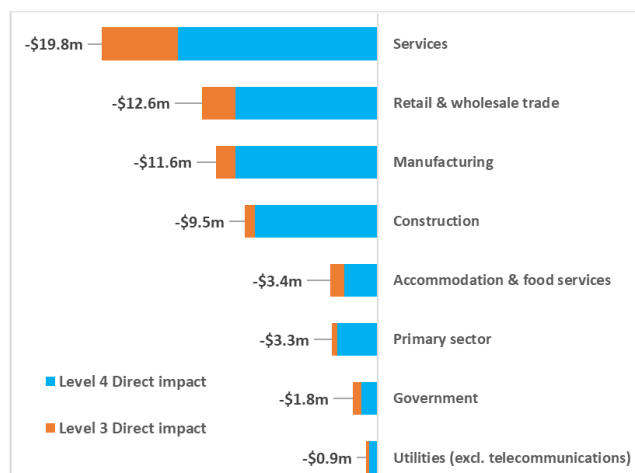
- Strong domestic and global demand for medical grade facemasks will support expansion of the local medical and surgical equipment manufacturing sector, creating jobs and boosting employment opportunities. The wider manufacturing sector remains vulnerable to supply side disruptions and changing global demand patterns due to economic conditions.
- Significant public sector employment in the health care and social assistance, public administration and safety, and education and training sectors will support levels of economic activity and household incomes, and help to maintain jobs within the more vulnerable service sector.
- The construction sector experienced significant disruption as a result of the lockdown period. However, the strong pipeline of work across the region in addition to significant central government investment in the city supports the outlook for the sector over 2020. Maintaining construction sector capacity is crucial to resource infrastructure investment and support the local recovery.
- The retail sector, accommodation and food services sector and the wider services sector are most vulnerable to economic disruption. The concentration of public sector employment and the district's strength in agri-food production will support household incomes and levels of employment in the district, and help to maintain levels of demand for goods and services.

Table 1 provides a broad industry summary of economic impacts specific to the Whanganui 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 Whanganui 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 (↓\$3.4m). 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 \$19.8m. Evidence shows a significant rebound in demand for both groups of services post lockdown; however, the losses sustained over the lockdown period continue to make the industry vulnerable.

The impact on retail and wholesale trade is estimated at 6.6% of industry GDP. This assumes annual losses of \$12.6m for the sector. The effects were felt differently within the sector. Supermarket and grocery shopping expenditure increased substantially over the lockdown period while expenditure on non-essential items fell sharply. While evidence indicates a considerable rebound in demand for non-essential goods, the impacts on the sector of the lockdown period and any future softening of business and household spending render the sector vulnerable. Current indicators confirm a strong recovery in consumer spending which will support the economic recovery of these sectors.

The manufacturing and construction sectors are estimated to have lost \$11.6m and \$9.5m from the lockdown period respectively. This is an estimated 5.2% decline in manufacturing sector GDP and a 7.7% decline in construction GDP. In the construction sector, losses may impact on the sustainability of individual businesses; however, building consent data and planned infrastructure investment suggest there will be a pipeline of work available to support the recovery of the sector. Manufacturing is less certain, due to exposure to international supply chain and demand conditions and the uneven impacts of COVID-19 on the various subsectors within the industry. International demand conditions, commodity prices, and jobs data by industry will help to understand the impacts on the local manufacturing sector throughout the recovery period.

The government and utilities sectors (excluding the telecommunications sector) are also assumed to be affected by the lockdown period, with GDP estimated to fall by \$1.8m and \$0.9m respectively. This assumes a 1.3% fall in government GDP over the year and a 2.3% fall in GDP generated from utilities. While some councils may opt to defer spending on 'nice-to-have' projects, both sectors are assumed to recover, with the government sector expected to expand due to the significant stimulus from central government spending on infrastructure and services.

The education sector includes tertiary and adult, community and other education. The outlook for this sector is mixed due to border closures; however, the magnitude of the anticipated increase in domestic tertiary students may exceed losses from international education. Like other parts of the region, school education makes by far the largest contribution to the sector in the district, adding 65.4% (\$73.2m) of total education and training GDP and 65.0% (1,221) of jobs. School education employment is resilient to the impacts of COVID-19.

Table 1: Broad industry summary

Industry sector	GDP \$m	Jobs	Impact summary
Manufacturing	\$223.5	2,728	Manufacturing contributes 12.2% of total GDP and 13.5% of total employment in the district. Agri-food production makes up 58.8% of district manufacturing GDP and manufacturing jobs. Whanganui is also a priority manufacturer of medical facemasks. This concentration of agri-food production and medical grade facemasks will support local economic activity and household incomes. The district also manufactures a range of durable goods such as metal products, machinery and equipment, and polymer and rubber products. Agri-food manufacturing is proving resilient to the current shock; however, the wider sector remains vulnerable to supply chain disruptions and changes in global demand.
Health care and social assistance	\$197.2	3,296	The healthcare and social assistance sector contributes 10.7% of local GDP and 16.3% of total employment. Residential care services and social assistance contributes \$73.7m to the local economy and employs 1,225 people; hospital care contributes \$65.9m to the economy and employs 1,106 people; and medical and other health care services adds a further \$57.6m to the economy and creates an additional 965 jobs. This strong concentration of health care services in the district is an area of particular strength for the Whanganui economy, due to the lack of exposure of employment to economic supply and demand conditions. While the healthcare and social assistance sector is not considered to be vulnerable to the impacts of COVID-19 overall, 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.
Public administration & safety	\$137.7	1,362	The public administration and safety sector contributes 7.2% of total district GDP and 5.9% of total employment. Public order, safety and regulatory services are the largest sub-industry, contributing 55.1% of total GDP and 49.8% of total sector employment. Of this, \$42.6m and 372 jobs are generated from correctional and detention services. Central government administration is also a significant industry for the district, contributing \$30.1m in GDP and employing 305 people. A strong public administration and safety sector is a particular strength as expenditure and employment is not directly dependent on economic supply and demand conditions, and is therefore relatively resilient to the economic fallout of COVID-19.
Agriculture, forestry & fishing	\$133.2	1,183	The sector makes up 7.2% of district GDP and 5.9% of total employment. Sheep, beef cattle and grain farming is the largest sub-industry, contributing 31.6% (\$42.1m) to total agricultural GDP and 35.3% (418) of total jobs to the sector. The forestry sector is also significant, making up 30.7% of sectoral GDP and 9.0% (106) of jobs. Strength in demand for NZ meat products and recovery in global demand for forestry products is expected to add significant support to the recovery of the district economy. The impact of drought, the volatility of global economic conditions and falling wool prices present some ongoing risks to the sector.
Retail trade	\$128.5	2,081	The retail sector contributed 7.0% of district GDP and 10.3% of total employment. Supermarket and grocery store retail is the largest subsector, contributing 27.5% (\$35.4m) to sector GDP and creating 30.1% (626) of total jobs. 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 maintenance of incomes from the substantial government sector and agri-food production in the district will support retail demand in the district.
Construction	\$123.7	1,792	The construction sector contributes 6.7% of district GDP and 8.9% of total employment. The local sector is particularly strong in the construction services sector, contributing 51.1% (\$63.2m) to sectoral GDP and employing 57.0% (1,020) of total construction sector employees. The sector includes trade services, land development, subdivision services, landscaping etc. Some business level vulnerability exists as a result of losses incurred from the lockdown period. The strong pipeline of construction and infrastructure projects in the district and wider region will support recovery of the local construction sector.
Education and training	\$111.9	1,879	The education and training sector contributes 6.1% of district GDP and 9.3% of total employment. School education contributes 65.4% (\$73.2m) to sector GDP and 65.0% (1,221) jobs to the local sector. The local sector has some vulnerability to the impact of border closures on international student numbers. On the other side of the equation, increased enrolments from NZ citizens due to redeployment to key industries is anticipated. This will support tertiary sector activity.
Rental, hiring and real estate services	\$100.5	318	The sector contributes 5.5% of district GDP and 1.6% of total employment. The sector is vulnerable to the impacts of reduced business and household demand; however, data to May indicates the sector is continuing to perform well. The substantial government sector and agri-food production is expected to support demand in the sector over 2020.
Professional,	\$89.2	955	The professional, scientific and technical services sector contributes 4.9% to district GDP and 4.7% to total employment. The district has particular strength in

scientific and technical services			the delivery of legal and accounting services, making up 36.7% (\$32.7m) of sectoral GDP and generating 36.4% (348) of jobs. Demand for services is experiencing a stronger than expected recovery. However, the impact of the lockdown period implies some business level vulnerability.
Transport, postal & warehousing	\$72.9	744	The transport, postal and warehousing sector contributes 4.0% to district GDP and 3.7% to total employment. Distribution is a crucial support sector to the local, regional and national economy. Road transportation is the largest sub-industry in the district, making up 52.9% (\$38.5m) of sectoral GDP and generating 62.3% (465) of sector jobs. While sectoral GDP is estimated to decline by 3.9% as a direct result of level 3 and 4 lockdown restrictions, the outlook for the sector is improving and investment in projects to support Whanganui Port activities will boost activity in the local sector. The local economy is less exposed to the halt in international tourism than other parts of NZ.
Wholesale trade	\$62.4	604	The wholesale trade sector contributes 3.4% to district GDP and 3.0% to total employment. Wholesale trade is relatively strong across all sub-industries, with machinery and equipment wholesaling contributing 25.4% of sector GDP; other goods and commission based wholesaling contributing 21.2%; grocery, liquor, and tobacco wholesaling contributing 20.0%; motor vehicle and motor vehicle parts wholesaling contributing 18.1%; and basic material wholesaling contributing 15.4% of sectoral GDP. 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. However, current data indicates strong recovery of sectoral activity post lockdown.
Financial & insurance services	\$40.4	225	The financial & insurance service sector contributes 2.2% to district GDP and 1.1% to total employment. The New Zealand financial system is well positioned to support the recovery ² and there is little risk currently to the stability of New Zealand's financial institutions. Across finance and insurance, some vulnerability exists from tightening financial conditions of businesses and households.
Electricity, gas, water and waste services	\$36.8	123	The utilities sector contributes 2.0% to district GDP and 0.6% to total employment. Sectoral activity is dominated by gas supply which contributes 75.3% (\$27.7m) in sectoral GDP and employing 44.4% (55) of total employees in the sector. While services were restricted over the level 4 lockdown period, the sector is relatively resilient due to the delivery of essential services and strong government level participation and procurement in the sector.
Other services ³	\$31.4	879	The other services sector contributes 1.7% to district GDP and 4.4% to total employment. The service sector was most affected by the level 3 and level 4 lockdown period. Indicators show that demand for services is recovering; however, the sector remains vulnerable to changes in business and household demand.
Accommodation & food services	\$30.7	1,184	The accommodation and food services sector contributes 1.7% to district GDP and 5.9% to total employment. The sector was most affected by the lockdown period with an estimated annual reduction in GDP of 11.1% (-\$3.4m) as a result of the level 3 and level 4 lockdown. While accommodation and food services remain vulnerable to the downturn in tourism expenditure and business and consumer confidence, low reliance on international tourism will limit impacts on the local industry relative to areas of New Zealand dependent on international tourism spending.
Arts & recreation services	\$19.6	359	The arts and recreation sector contributes 1.1% to district GDP and 1.8% to total employment. Sports and recreation services is the largest contributor to the local sector, making up 68.5% (\$13.4m) of sectoral GDP and generating 67.5% (243) of jobs. The district also has a strong museum operation subsector, contributing 13.9% to sector GDP versus 6.3% for NZ. The \$24m investment by central government in the redevelopment of the Sarjeant Gallery will support the contribution of the sector to the Whanganui economy for current and future generations. Recovery of domestic tourism will also help to drive levels of employment and economic activity in both the arts and recreation services sector and the wider services sector.
Administrative & support services	\$14.9	351	The administrative and support services sector contributes 0.8% to local GDP and 1.7% to local employment. Tourism-related administrative and support services are particularly exposed to the risk of business closures and job losses. In the Whanganui District, tourism related services make up 8.2% of administrative and support services GDP and 8.3% of sector jobs.
Information, media & telecommunications	\$13.4	103	The information, media and telecommunications sector contributes 0.7% to district GDP and 0.5% 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.
Total	\$1,837.6 ⁴	20,168	

² Reserve Bank of New Zealand Financial Stability Report, May 2020.

³ Other services includes Repair and Maintenance, Personal and Other Services, and Private Households Employing Staff. Note, this sector is a subset of Services included in the assessment of economic impacts.

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 4.0% of total GDP and 4.9% 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 17% of Whanganui District tourism expenditure is generated from international tourism and therefore 83% of spending from domestic visitors. This relative reliance on domestic tourism will minimise impacts on the local tourism sector of border closures and the pause in 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 cessation of international tourism and the shutdown of all domestic tourism over the period 26 March to 13 May. As above, minimal reliance on international tourism supports the local economic outlook relative to parts of New Zealand dependent on international tourism.

Level 1 and level 2 impacts

The economic impact in the Whanganui District is softer than national averages. GDP estimates the value of all goods and services produced within an area

over an annual period. Applying the Reserve Bank of New Zealand economic impacts by industry to the Whanganui District industry structure, 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 \$11.5m (-0.6%). Assuming New Zealand remains under alert level 1 for the remainder of 2020, local GDP is estimated to fall a further \$38.8m (-2.1%) over the year to December. Combined, the impacts of level 1 and levels 2 restrictions is estimated at -2.7%.

The combined impact of level 1 to level 4 restrictions on Whanganui District GDP is estimated at 6.2% (↓\$113.2m) 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 restrictions.

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

Whanganui District economic structure⁶

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

Figure 4 and Figure 5 illustrate the proportion of GDP and employment generated by broad industry level in the Whanganui 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 (based on these sectors' combined contribution to GDP and employment):

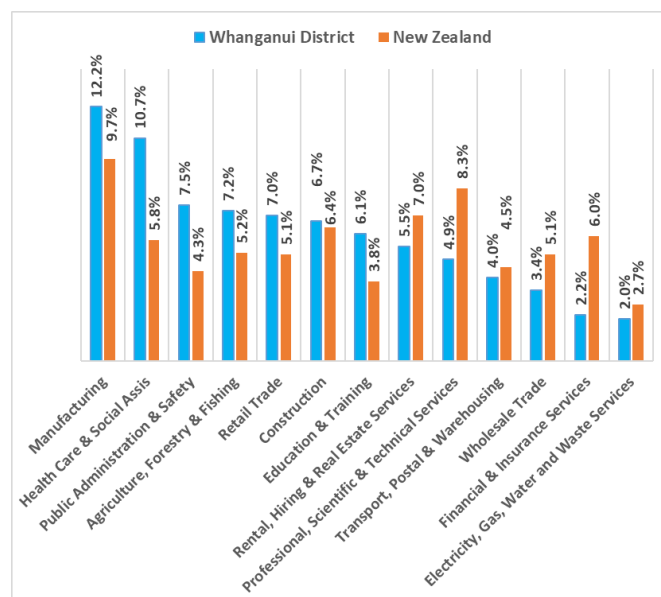
1. Manufacturing;
2. Health care and social assistance;
3. Public administration and safety;
4. Agriculture, forestry and fishing;
5. Retail trade;
6. Construction;
7. Education and training; and
8. Accommodation and food services.

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

⁶ Industry data is for the Manawātū District is sourced through Infometrics, year to March 2019.

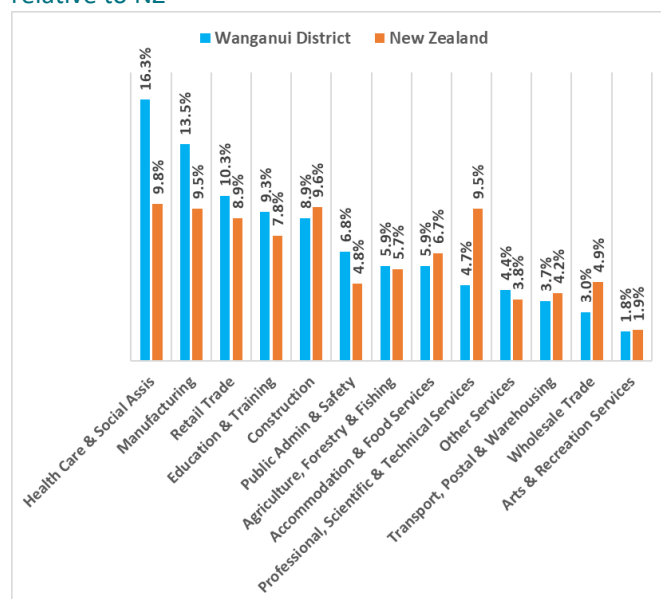
Industry structure

Figure 4: Whanganui District industry GDP relative to NZ



Employment structure

Figure 5: Whanganui District industry employment relative to NZ



Manufacturing

The manufacturing sector contributes \$223.5m and 2,729 jobs to the district economy. Agri-food production makes up 58.0% of both manufacturing GDP and jobs in the sector. The district also has a substantial non-agri-food manufacturing sector, specifically in the production of fabricated metal products, textile and leather goods, machinery manufacturing, polymer and rubber products, wood products, and non-metallic mineral product manufacturing. A strong agri-food manufacturing sector in addition to the diverse manufacturing base of the Whanganui economy will support economic activity over the recovery period; however, manufacturing remains vulnerable to supply chain disruptions and global demand factors outside the control of local producers.

On an optimistic note, strong growth in both domestic demand and export values of optical, medical and

measuring equipment is positive for the local economy due to the dominance of the Whanganui company QSi in the production of N95 pandemic masks and surgical ASTM level 2 facemasks.

Table 3: The manufacturing sector

Sub-industry	GDP contribution	Jobs
Meat and meat product manufacturing	\$44.5m	616
Dairy product manufacturing	\$27.8m	32
Fruit, oil, cereal, and other food manufacturing	\$24.4m	362
Fabricated metal product manufacturing	\$20.0m	308
Textile and leather manufacturing	\$16.8m	317
Machinery manufacturing	\$14.6m	148
Polymer product and rubber product manufacturing	\$13.8m	136
Wood product manufacturing	\$13.6m	195
Non-metallic mineral product manufacturing	\$10.5m	90
Furniture manufacturing	\$9.8m	182
Transport equipment manufacturing	\$8.2m	96
Electronic and electrical equipment manufacturing	\$5.0m	55
Clothing, knitted products, and footwear manufacturing	\$3.8m	79
Printing	\$3.6m	58
Pharmaceutical, cleaning, and other chemical	\$2.6m	18
Fertiliser and pesticide manufacturing	\$2.5m	15
Primary metal and metal product manufacturing	\$1.2m	9
Other manufacturing	\$0.5m	10
Total	\$223.5m	2,729

Health care and social assistance

The healthcare and social assistance sector contributes \$197.2m to the district economy and employs 3,296 people. The Whanganui District is a central provider of health care and social assistance services. As Table 4 below shows, economic activity and employment is strong across all subsectors. General practice did come under some pressure as a result of the lockdown period. While general practice may require additional financial support from central government, economic activity and employment is considered resilient to the economic impacts of COVID-19 due to the concentration of resources in the local sector.

Table 4: The health care & social assistance sector

Sub-industry	GDP contribution	Jobs
Residential care services and social assistance	\$73.7m	1,225
Hospitals	\$65.9m	1,106
Medical and other health care services	\$57.6m	965
Total	\$197.2m	3,296

Public administration and safety

The public sector contributes \$137.7m and adds 1,362 jobs to the district economy. Public order, safety and regulatory services dominates the sector, contributing \$75.9m and 678 jobs to the local economy. Jobs and incomes in the public administration and safety sector are not dependent on levels of international and domestic demand, and are therefore resilient to the impacts of global and domestic economic conditions. Alongside the health care and social assistance sector, the substantial public administration and safety sector in the Whanganui District adds to the resilience of the local economy and will support levels of business and consumer spending, and jobs in the services sector.

Table 5: The public administration & safety sector

Sub-industry	GDP contribution	Jobs
Public order, safety, and regulatory services	\$75.9m	678
Central government administration services	\$33.4m	339
Defence	\$16.4m	155
Local government administration services	\$12.0m	190
Total	\$137.7	1,362

Agriculture, forestry & fishing

Agriculture, forestry and fishing contributes \$133.1m to the local economy and employs 1,183 people. Whanganui District is particularly strong in logging (\$37.6m; 98 jobs) and sheep-beef cattle farming (\$26.5m; 252 jobs). Global

and domestic demand for agri-food products has remained strong despite the economic slowdown and the outlook for exports of red meat remain solid due to international supply conditions. The forestry sector was subject to sharp falls in commodity prices and global demand in the later part of 2019. Export trade data shows some recovery in forestry commodity prices in 2020, predominantly from recovering demand from China. Recovering forestry and logging demand, in addition to the favourable outlook for red meat demand, supports the economic outlook for the local sector.

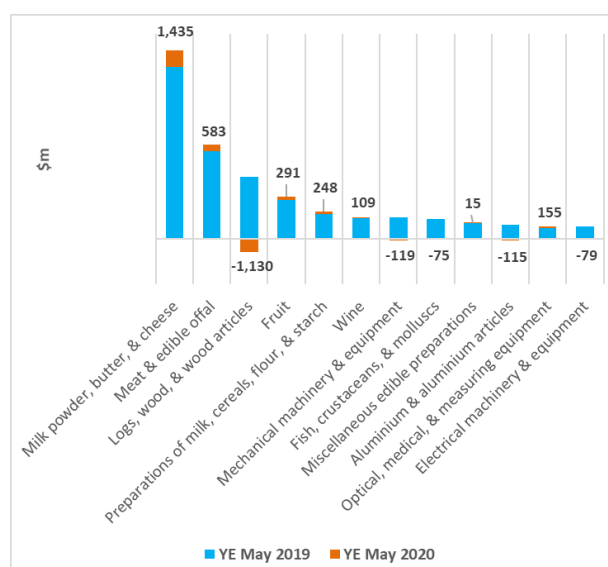
Table 6: The agriculture, forestry & fishing sector

Sub-industry	GDP contribution	Jobs
Sheep, beef cattle & grain farming	\$42.1m	418
Forestry and logging	\$40.8m	106
Dairy cattle farming	\$18.4m	139
Agriculture, forestry & fishing support services	\$15.6m	234
Horticulture and fruit growing	\$7.5m	137
Poultry, deer, and other livestock farming	\$7.2m	138
Fishing and aquaculture	\$1.5m	11
Total	\$133.1m	1,183

As indicated in Figure 6, export trade for dairy products and red meat has 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 Whanganui economy.

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.

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



Retail trade

The retail sector contributes \$128.5m and 2,081 jobs to the local economy. Whanganui is an important retail and service centre for the northern Manawatū-Whanganui Region. As expected, 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 is positive for the Whanganui economy as retail trade was particularly exposed to the impacts of the lockdown period. While the current performance of the local retail sector is favourable, the sector is vulnerable to domestic demand conditions and supply chain disruptions. 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	\$35.4m	626
Furniture, electrical, and hardware retailing	\$24.5m	395
Motor vehicle and motor vehicle parts retailing	\$17.5m	241
Other store based retailing; non-store and commission based retailing	\$15.5m	251
Recreational, clothing, footwear, and personal accessory retailing	\$13.0m	211
Department stores	\$12.2m	196
Fuel retailing	\$6.1m	82
Specialised food retailing	\$4.4m	79
Total	\$128.5m	2,081

Construction

The construction sector contributes \$123.7m and 1,791 jobs to the district economy. Locally, the sector is concentrated in construction services and heavy and civil engineering construction. While the lockdown period has impacted on construction sector activity, there is a significant pipeline of construction projects planned and underway in the district and wider Manawatū-Whanganui Region. This strong pipeline will support the recovery of the industry where business level vulnerabilities may have existed. Maintaining capacity in the sector to enable planned infrastructure and building projects to get underway is crucial to the local and national recovery.

Table 8: The construction sector

Sub-industry	GDP contribution	Jobs
Construction services	\$63.2m	1,020
Heavy and civil engineering construction	\$34.9m	283
Residential building constructions	\$21.3m	406
Non-residential building construction	\$4.3m	82
Total	\$123.7m	1,791

Education and Training

Education and training contributes \$111.9m and 1,879 jobs to the district economy. As is typical across the country, school education is by far the largest sector, followed by pre-school education. A strong state school sector is a resilience factor for the local economy as economic activity and jobs are not dependent on levels of international and domestic demand. Some vulnerability exists in terms of tertiary education and, in particular, the Commercial Pilot Academy located in Whanganui. While an anticipated increase in domestic demand for tertiary training will benefit the local industry, support may be required to protect aviation training in the district.

Table 9: Education and training sector

Sub-industry	GDP	Jobs
School education	\$73.2m	1,221
Pre-school education	\$18.3m	306
Adult, community, and other education	\$10.6m	181
Tertiary education	\$9.9m	171
Total	\$111.9m	1,879

Accommodation and Food Services

The accommodation and food services sector contributes \$30.7m in GDP and 1,185 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 sector is a significant employer in the Whanganui District, providing both skilled employment opportunities and employment for younger or less skilled workers. As indicated in the tourism section, the local sector is predominantly reliant on domestic tourism and is therefore less vulnerable to the pause in international tourism. The wage subsidy scheme and strongly rebounding demand will support the recovery of the sector over 2020; however, the sector does remain vulnerable to changing patterns in the frequency and scale of events, as well as domestic tourism trends and changes to business and household incomes. The magnitude of employment in the sector, in addition to the value the sector adds to the vibrancy and reputation of Whanganui City, highlights its importance to

the local economy.

Table 10: The accommodation and food services sector

Sub-industry	GDP contribution	Jobs
Food and beverage services	\$26.4m	994
Accommodation	\$4.3m	191
Total	\$30.7m	1,185

Conclusion

The industry structure of the Whanganui District provides some protection to the worst impacts of COVID-19. In particular, the concentration of economic activity and employment in health care and social assistance, public administration and safety, education and training and agri-food production means the outlook for the local economy is better than for many parts of New Zealand. The local economy is also far less vulnerable to the impact of border closures on service sector activity relative to most other parts of New Zealand.

While the industry mix of the district will support the

economic recovery, there are sectors that continue to be vulnerable to the impacts of COVID-19. Service sectors continue to be particularly exposed, as are retail and wholesale trade. There are risks to the manufacturing and construction sectors due to the impacts of the lockdown period on the sustainability of individual businesses and uncertainty surrounding global demand and supply conditions.

Despite ongoing favourable conditions and performance, primary production and agri-food 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 are vulnerable to changes in income and the potential of softening asset values. Current data indicates house prices are continuing to grow strongly; however, if unemployment levels rise above expectation and confidence slumps, this will place downward pressure on property prices and levels of consumption. There is no sign 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 economic recovery.

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

Appendix One: Data for 106 industries, ranked by contribution to Whanganui District GDP compared to NZ⁷

106 Industry sector	Whanganui GDP \$m	Whanganui % of total GDP	NZ % of total GDP	Whanganui District employment	Whanganui % of total employment	NZ % of total employment
<i>Public order, safety, and regulatory services</i>	75.9	4.1%	1.8%	678	3.4%	1.8%
<i>Residential care services and social assistance</i>	73.7	4.0%	2.0%	1,225	6.1%	3.4%
<i>School education</i>	73.2	4.0%	2.0%	1,221	6.1%	4.0%
<i>Hospitals</i>	65.9	3.6%	1.8%	1,106	5.5%	3.0%
<i>Construction services</i>	63.2	3.4%	3.3%	1,020	5.1%	5.5%
<i>Medical and other health care services</i>	57.6	3.1%	2.1%	965	4.8%	3.5%
<i>Meat and meat product manufacturing</i>	44.5	2.4%	0.7%	616	3.1%	1.0%
<i>Sheep, beef cattle, and grain farming</i>	42.1	2.3%	1.1%	418	2.1%	1.2%
<i>Forestry and logging</i>	40.8	2.2%	0.6%	106	0.5%	0.3%
<i>Real estate services</i>	40.7	2.2%	3.2%	117	0.6%	1.0%
<i>Road transport</i>	38.5	2.1%	1.6%	465	2.3%	1.9%
<i>Supermarket and grocery stores</i>	35.4	1.9%	1.2%	626	3.1%	2.4%
<i>Heavy and civil engineering construction</i>	34.9	1.9%	1.8%	283	1.4%	1.5%
<i>Central government administration services</i>	33.4	1.8%	1.6%	339	1.7%	1.6%
<i>Legal and accounting services</i>	32.7	1.8%	1.5%	348	1.7%	1.7%
<i>Non-residential property operation</i>	32.0	1.7%	1.8%	88	0.4%	0.5%
<i>Dairy product manufacturing</i>	27.8	1.5%	0.5%	32	0.2%	0.5%
<i>Gas supply</i>	27.7	1.5%	0.1%	55	0.3%	0.0%
<i>Banking and financing; financial asset investing</i>	26.9	1.5%	4.0%	115	0.6%	1.5%
<i>Food and beverage services</i>	26.4	1.4%	1.7%	994	4.9%	5.3%
<i>Furniture, electrical, and hardware retailing</i>	24.5	1.3%	1.0%	395	2.0%	1.7%
<i>Fruit, oil, cereal, and other food product manufacturing</i>	24.4	1.3%	0.8%	362	1.8%	1.1%
<i>Scientific, architectural, and engineering services</i>	21.9	1.2%	2.2%	235	1.2%	2.5%
<i>Postal and courier services</i>	21.4	1.2%	0.7%	172	0.9%	0.5%
<i>Residential building construction</i>	21.3	1.2%	1.1%	406	2.0%	2.1%
<i>Advertising, market research, and management services</i>	21.2	1.2%	2.7%	229	1.1%	3.1%

⁷ Industries where employment is less than 6 have been removed, to maintain confidentiality.

<i>Fabricated metal product manufacturing</i>	20.0	1.1%	0.9%	308	1.5%	1.1%
<i>Dairy cattle farming</i>	18.4	1.0%	2.0%	139	0.7%	1.4%
<i>Preschool education</i>	18.3	1.0%	0.6%	306	1.5%	1.1%
<i>Motor vehicle and motor vehicle parts retailing</i>	17.5	1.0%	0.5%	241	1.2%	0.8%
<i>Textile and leather manufacturing</i>	16.8	0.9%	0.1%	317	1.6%	0.3%
<i>Defence</i>	16.4	0.9%	0.5%	155	0.8%	0.5%
<i>Machinery and equipment wholesaling</i>	15.9	0.9%	1.4%	153	0.8%	1.3%
<i>Rental and hiring services (except real estate); non-financial asset leasing</i>	15.6	0.8%	1.2%	77	0.4%	0.6%
<i>Agriculture, forestry, and fishing support services</i>	15.6	0.8%	0.7%	234	1.2%	1.2%
<i>Other store based retailing; non-store and commission based retailing</i>	15.5	0.8%	0.8%	251	1.2%	1.4%
<i>Machinery manufacturing</i>	14.6	0.8%	0.8%	148	0.7%	0.7%
<i>Repair and maintenance</i>	14.3	0.8%	0.7%	389	1.9%	1.6%
<i>Polymer product and rubber product manufacturing</i>	13.8	0.8%	0.5%	136	0.7%	0.5%
<i>Wood product manufacturing</i>	13.6	0.7%	0.6%	195	1.0%	0.7%
<i>Sport and recreation services</i>	13.4	0.7%	0.8%	243	1.2%	1.1%
<i>Other goods and commission based wholesaling</i>	13.2	0.7%	1.3%	132	0.7%	1.2%
<i>Recreational, clothing, footwear, and personal accessory retailing</i>	13.0	0.7%	0.7%	211	1.0%	1.3%
<i>Grocery, liquor, and tobacco product wholesaling</i>	12.5	0.7%	1.1%	120	0.6%	1.0%
<i>Residential property operation</i>	12.3	0.7%	0.9%	35	0.2%	0.3%
<i>Department stores</i>	12.2	0.7%	0.4%	196	1.0%	0.7%
<i>Local government administration services</i>	12.0	0.7%	0.5%	190	0.9%	0.9%
<i>Auxiliary finance and insurance services</i>	11.5	0.6%	1.0%	100	0.5%	0.8%
<i>Motor vehicle and motor vehicle parts wholesaling</i>	11.3	0.6%	0.4%	110	0.5%	0.4%
<i>Adult, community, and other education</i>	10.6	0.6%	0.4%	181	0.9%	0.9%
<i>Non-metallic mineral product manufacturing</i>	10.5	0.6%	0.5%	90	0.4%	0.4%
<i>Tertiary education</i>	9.9	0.5%	0.9%	171	0.8%	1.8%
<i>Furniture manufacturing</i>	9.8	0.5%	0.2%	182	0.9%	0.3%

<i>Basic material wholesaling</i>	9.6	0.5%	1.0%	89	0.4%	1.0%
<i>Religious services; civil, professional, and other interest groups</i>	8.9	0.5%	0.5%	255	1.3%	1.1%
<i>Personal services; domestic household staff</i>	8.3	0.5%	0.6%	234	1.2%	1.2%
<i>Transport equipment manufacturing</i>	8.2	0.4%	0.6%	96	0.5%	0.6%
<i>Library and other information services - internet*</i>	8.1	0.4%	0.6%	32	0.2%	0.2%
<i>Warehousing and storage services</i>	7.9	0.4%	0.3%	65	0.3%	0.3%
<i>Horticulture and fruit growing</i>	7.5	0.4%	0.5%	137	0.7%	1.1%
<i>Building cleaning, pest control, and other support services</i>	7.3	0.4%	0.7%	171	0.8%	1.8%
<i>Poultry, deer, and other livestock farming</i>	7.2	0.4%	0.2%	138	0.7%	0.3%
<i>Veterinary and other professional services</i>	7.2	0.4%	0.4%	75	0.4%	0.5%
<i>Employment and other administrative services</i>	6.4	0.3%	1.2%	151	0.7%	2.9%
<i>Computer system design and related services</i>	6.2	0.3%	1.6%	69	0.3%	1.8%
<i>Fuel retailing</i>	6.1	0.3%	0.2%	82	0.4%	0.3%
<i>Heritage and artistic activities</i>	5.6	0.3%	0.4%	104	0.5%	0.6%
<i>Waste collection, treatment, and disposal services</i>	5.4	0.3%	0.4%	43	0.2%	0.3%
<i>Electronic and electrical equipment manufacturing</i>	5.0	0.3%	0.6%	55	0.3%	0.5%
<i>Specialised food retailing</i>	4.4	0.2%	0.3%	79	0.4%	0.5%
<i>Accommodation</i>	4.3	0.2%	0.5%	191	0.9%	1.4%
<i>Non-residential building construction</i>	4.3	0.2%	0.3%	82	0.4%	0.6%
<i>Clothing, knitted products, and footwear manufacturing</i>	3.8	0.2%	0.1%	79	0.4%	0.0%
<i>Printing</i>	3.6	0.2%	0.2%	58	0.3%	0.3%
<i>Transport support services</i>	3.4	0.2%	1.0%	28	0.1%	0.8%
<i>Water supply</i>	3.3	0.2%	0.1%	25	0.1%	0.1%
<i>Publishing (except internet and music publishing)</i>	3.1	0.2%	0.3%	40	0.2%	0.3%
<i>Pharmaceutical, cleaning, and other chemical manufacturing</i>	2.6	0.1%	0.4%	18	0.1%	0.2%
<i>Fertiliser and pesticide manufacturing</i>	2.5	0.1%	0.1%	15	0.1%	0.0%

Source: Infometrics