Quarterly Economic Monitor, Infometrics, March 2025: NRDA commentary

The latest Quarterly Economic Monitor (QEM) from Infometrics released 22 May (data to March 2025) continues to tell the story of a lengthy recovery from economic difficulties, with conditions in Nelson Tasman remaining challenging through the early stages of 2025. Provisional estimates of regional GDP show a 1.3% decline in the year to March 2025, similar to the 1.1% decline estimated for average NZ.

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1. Consumer Spending and Housing

The economic weakness continues to be driven by discretionary expenditure, with consumer spending in the region slipping 1.5%pa across the past year in line with the national fall of 1.4%. This would come as no surprise as consumer prices continue to rise out of proportion to low inflation, and unavoidable expenses rise faster than wages, including rental costs which saw an increase locally of 3.4% for the year. On a positive note however, the QEM highlights an expectation of things easing for home-owning households as mortgages start to roll over to lower rates over the coming period.

In more encouraging news for the region, emergency housing grants are down 65%, housing register applicants are down 4.2% and public housing stock is up 5.1%. In combination, this suggests some small easing of the critical housing shortage in the region. House prices are still extremely high but are moving in the right direction for affordability, with a 0.9% decrease in values and a very modest reduction in the house affordability index (from 7.5 x average salary to buy an averagely priced house to 7.2 x).

2. Employment and Unemployment

Job numbers in Nelson Tasman fell 1.8% over the past year. However, despite the challenging economic environment, it is important to put these job losses in perspective – Nelson Tasman's unemployment rate climbed from 2.9% to 3.8% over the past year, which remains much lower than the New Zealand average (4.9%). Infometrics expect that the national unemployment figures will peak mid-2025 and then reduce.

A larger concern for Nelson Tasman is unemployment among young people, both JobSeekers and those not participating in the labour market, and also NEET youth (not engaged in education, employment or training). Young people continue to bear the brunt of a weaker labour market, with the number of filled jobs held by 15-24 year-olds falling 6.5% in the year to March 2025, compared to a 0.9% fall across all age groups, noting also that young people are highly exposed to industries affected by lower discretionary spending such as retail, hospitality and construction. The annual average NEET rate in Nelson-Tasman was 9.8% in the year to March 2025, up from 7.3% in the previous 12 months.

3. Construction and Infrastructure

A key industry (and GDP) detractor for Nelson Tasman over the past year has been a pullback in large construction activity, both regionally and nationally, with the sector's activity levels falling about 10% over the March 2025 year. However, the outlook for construction is a little brighter over the year ahead; there was a 47% pa increase to the value of **non-residential consents** over the past year, with a large value of storage and warehousing consents coming through. Consents valued at $182.8m were issued in the year which is substantially higher than the 10-year average of $105.5m and notably higher than the previous peak in December 2022. It is reassuring to see such business investment occurring as an indicator of confidence in the long-term future of the Nelson Tasman economy, despite challenging conditions over the past year.

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Residential building consents were down slightly by 2.3% this year, compared to a 3.3% decline nationally. The decrease was driven by Nelson figures down 11.8% of which the majority was a reduction in multi-unit homes, which saw peak numbers in 2023 and 2024. Tasman saw a 6.5% increase which was entirely represented by single dwellings. Again, good news for the construction industry.

4. Visitor Sector

The QEM highlights a decrease in total guest nights in Nelson-Tasman, decreasing by 7.5% in the year to March 2025 compared to a year earlier and compared with decreases of 2.7% in New Zealand. While recorded nights are down, total visitor spend levels have held up slightly better, declining by 2.3% in the region in the year to March 2025. Within these totals, the regional figure for international expenditure (adjusted for inflation) has now reached 97% of pre-Covid levels compared to 92% for NZ, while Domestic spend was at 86% of pre-Covid (vs 87% for NZ), this slower recovery aligning with the decrease in overall consumer spending (NRDA/Statistics NZ Tourism Spend).

5. Exports

The QEM highlights national seafood and horticultural export volumes both ahead of export levels a year ago, which will be encouraging news for Nelson Tasman's primary sector, although forestry demand and activity remains subdued. And despite ongoing geopolitical challenges, especially those related to US trade policies, many of Nelson Tasman's key exporters are seeing improved returns at present, as evidenced by ANZ's April 2025 Commodity Price Index (March figures) which shows that meat and dairy prices are up over 20% compared to a year ago. While data is not yet available for horticultural prices for the current season, ANZ notes that kiwifruit and apples have had a particularly strong start to the export season.

These stronger export prices, coupled with increases to construction activity, are likely to help stabilise the Nelson Tasman economy over the second half of 2025. What's now needed is a sustained period of rebuilding profit margins within our key industries.

Commentary on the Infometrics Nelson Tasman March 2025 QEM.
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