Ruapehu District Economic Impact Assessment

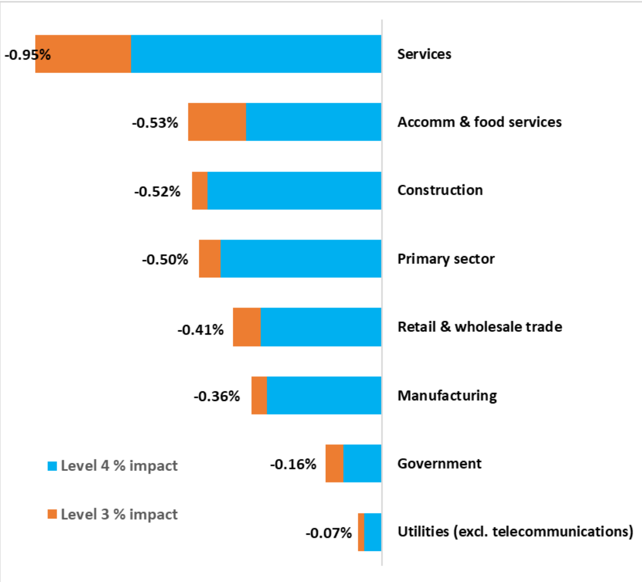
MWRI Manawatū-Whanganui Regional Indicators

Ruapehu District summary

The Ruapehu District economy is estimated to contract by 3.5% (-$23.4m) over 2020 as a direct result of level 3 and level 4 restrictions imposed in response to COVID-19[1], compared to the national average of 3.7%. Overall, for levels 1 to 4, the district is estimated to contract by 6.2% over the remainder of 2020, compared to 6.4% across New Zealand. Figure 1 illustrates the impacts of level 3 and level 4 restrictions by broad industry.

Estimated impact on total annual Gross Domestic Product (GDP)

Figure 1: Impact of level 3 and level 4 restrictions



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

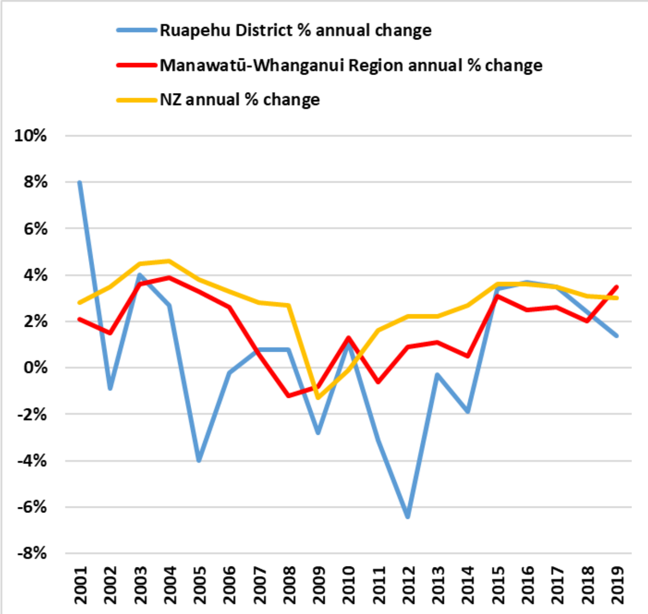
This assessment estimates the direct impacts of COVID-19 on the Ruapehu District economy and identifies industry strengths and vulnerabilities that will influence economic recovery over 2020.

Economic projections are subject to considerable uncertainty about how the impacts of COVID-19 will play out, both globally and across New Zealand. The magnitude of the impact relative to projections will be influenced by a range of factors including whether we remain in alert level 1, any partial reopening of borders to support industry and enable skilled workers to enter the country, industry mix by place, and the pace and scale of the global recovery from COVID-19. Another factor that will influence economic recovery is the impact of uncertainty on business and household activity. Limiting uncertainty will support economic activity and add pace to the local economic recovery.

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

Annual GDP growth

Figure 2: Annual average percentage change



Source: Infometrics

Ruapehu District grew by 1.4% to the year ended March 2019 to a total of $667.8m. Economic fortunes have fluctuated in Ruapehu District over time. From 2015 to 2018 economic growth in the district exceeded regional growth, while 2016 and 2017 saw growth rates higher than New Zealand. Growth in the district has been volatile relative to other parts of the region and the New Zealand economy. This is due to the unique economic structure of the district, including a strong tourism sector and substantial reliance on exports of agricultural products including forestry and value-added production. Economic structure is discussed in detail in this report, alongside local strengths and vulnerabilities.

Key findings

- The district economy is estimated to contract by 3.5% (↓23.4m) 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 $18.3m over 2020. The total

[1] Estimates based on the ‘Reserve Bank of New Zealand Economic impacts of COVID-19 containment measures’ (May 2020). Industry impacts for level 3 and level 4 restrictions have been applied to the Ruapehu District economy to estimate specific local impacts.

impact of COVID-19 restrictions on the district is estimated at ↓6.2% over the 2020 calendar year.

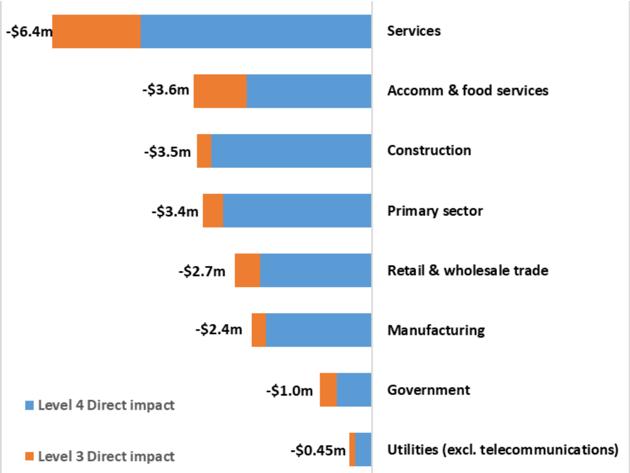
- Primary production in the district is particularly strong and diverse. Based on the assumption of continued global demand, agriculture will add significant support to the local economic recovery.
- High levels of defence force activity and employment in the district will support household incomes and help to sustain economic activity and levels of employment in support industries.
- The wider manufacturing sector remains vulnerable to supply side disruptions and changing global demand patterns. The structure of the Ruapehu economy indicates there is some exposure to these impacts, particularly in wood-based manufacturing. A downturn in global demand for red meat and dairy products would further impact on the local economy – there is no indication of this to date. Despite the substantial global economic downturn, levels of demand are holding up well with the exception of forestry products. The downturn in commodity prices for logs preceded COVID-19, with recent data indicating a strengthening in export values.
- Ruapehu District has a substantial tourism sector, generating 19.0% of total GDP and almost a quarter of total employment. Tourism is heavily dependent on the domestic market, which will insulate the local sector from the worst impacts of COVID-19; however, retail, accommodation and food services and the wider services sector remain most vulnerable to the economic shock. The strength of the domestic tourism market, in addition to the strength of the primary sector and the presence of defence force activity and employment in the district, should support levels of demand and protect jobs in the more vulnerable retail and service industries.

Table 1 provides a broad industry summary of economic impacts specific to the Ruapehu 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 Ruapehu 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 (↓$3.6m). 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 $6.4m. Evidence shows a significant rebound in demand for both groups of services post lockdown; however, the losses sustained over the lockdown period imply some business level vulnerability.

The impact on retail and wholesale trade is estimated at 6.6% of industry GDP. This assumes annual losses of $2.7m 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.

The manufacturing and construction sectors are estimated to have lost $2.4m and $3.5m 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 suggests there is a pipeline of work available to support the recovery of the local 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 $1.0m and $0.45m 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.

Ruapehu's education sector is dominated by the school education sector ($20.7m; 69.0%), with negligible exposure to international education. School education GDP and levels of employment are relatively resilient to the impacts of COVID-19.

Table 1: Broad industry summary

Industry sector	GDP $m	Jobs	Impact summary
Agriculture, forestry & fishing	$135.5	1,384	The agriculture, forestry and fishing sector makes up 20.3% of GDP and generates 21.5% of total employment. Sheep, beef cattle and grain farming is the largest sub-industry, contributing 58.4 % ($79.1m) to total agricultural GDP and 55.9% (774) of total jobs to the sector. Dairy cattle farming and forestry and logging are also significant industries for the district, contributing $15.7m and $12.3m to GDP respectively and generating 149 jobs. Horticulture and fruit growing is also a significant employer in the district, generating 140 jobs. The diversity of the local sector in addition to the strength in demand for New Zealand meat, dairy and horticultural products will support the recovery of the district's economy. The impact of drought, the volatility of global economic conditions, and depressed wool and forestry prices present some ongoing risks to the sector. Partial recovery of forestry commodity prices is positive for the Ruapehu economy.
Public administration & safety	$80.8	806	The public administration and safety sector generates 12.1% of total district GDP and 12.5% of total employment. Defence is the largest sub industry, contributing $55.7m to GDP and employing 527 people. This is 68.9% of sector GDP and 65.4% of sector employment. Collectively, central and local government administration and public order, safety and regulatory services contribute $25.1m to local GDP and employ 279 people. The contribution of the sector at the local level far exceeds the national average contribution (4.1%). The substantial government sector is a strength of the district economy. The sector is less vulnerable to economic supply and demand conditions, and therefore relatively resilient to the economic impacts of COVID-19.
Manufacturing	$46.3	382	Manufacturing contributes 6.9% of total GDP and 5.9% of total employment in the district. Agri-food manufacturing makes up 85.8% of total manufacturing GDP in the district and generates 79.5% of sectoral employment. Pulp, paper and converted paper product manufacturing is the largest sub-sector, contributing 59.1% of sector GDP and generated 41.7% of total manufacturing employment. Non-metallic mineral product manufacturing and machinery manufacturing are also relatively strong in the district, contributing $2.0m and $1.8m respectively to GDP and employing 40 people. The local manufacturing sector is vulnerable to demand conditions for forestry products, supply chain disruptions and changes in demand for durable manufactured goods.
Construction	$45.1	568	The construction sector contributes 6.8% of district GDP and 8.8% of total employment. The local sector is particularly strong in the heavy and civil engineering construction sector and the construction services sector; these contribute $22.5m and $15.7m respectively to district GDP and generate 436 jobs. Levels of planned construction investment and the strong pipeline of construction and infrastructure projects in surrounding districts will support the local construction sector.
Rental, hiring and real estate services	$42.6	131	The sector contributes 6.4% of district GDP and 2.0% of total employment. Non-residential property operation makes up 48.6% of total activity in the sector and generates 53.5% of total sectoral employment. While the sector has some vulnerability to reduced business and household demand, data to June indicates the sector is continuing to perform well. The strong agriculture sector in the district is expected to support demand in the sector over 2020.
Accommodation & food services	$32.0	660	The accommodation and food services sector contributes 4.8% to district GDP and 10.3% to total employment. The sector was most affected by the lockdown period, with an estimated annual reduction in GDP of 11.1% (-$3.6m) 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 upon international tourism spending. The elimination of community transmission of COVID-19 within New Zealand has enabled the recovery of domestic tourism, strongly supporting the outlook for the Ruapehu District economy.
Retail trade	$30.5	491	The retail sector contributed 4.6% of district GDP and 7.6% of total employment. Supermarket and grocery store retail is the largest subsector, contributing 35.0% ($10.7m) to sector GDP and creating 38.5% (189) of total jobs in the sector. Retail trade was heavily exposed to the impacts of the lockdown period and continues to be vulnerable to domestic demand conditions and supply chain disruptions. Protecting these businesses and jobs will rely on maintaining levels of business and household income and spending. The maintenance of incomes from the substantial defence sector, primary production and the recovery of domestic tourism in the district will support the retail sector over the remainder of 2020.
Education and training	$30.0	502	The education and training sector contributes 4.5% of district GDP and 7.8% of total employment. School education contributes 69.0% ($20.7m) to sector GDP and 68.7% (345) of jobs to the local sector. School education GDP and levels of employment are resilient to the impacts of COVID-19.
Arts & recreation services	$28.0	325	The arts and recreation sector contributes 4.2% to district GDP and 5.0% to total employment. Sports and recreation services is the largest contributor to the local sector, adding $22.7m to local GDP and generating 266 jobs. This is 81.1% of sectoral GDP and 81.8% of sectoral employment. Recovery of domestic tourism will help to drive levels of employment and economic activity in the arts and recreation services sector and the wider services sector.

Health care and social assistance	$21.7	363	The healthcare and social assistance sector contributes 3.3% of local GDP and 5.6% of total employment. Medical and other health care services is the largest contributor to the Ruapehu economy, generating $12.1m in GDP and 202 jobs. Health care and social assistance GDP and employment is resilient to the impacts of COVID-19 overall; however, some general practice business level vulnerability has been reported due to the impacts of level 3 and level 4 restrictions on individual practices. Central government support for general practice will provide some support for the sector over the remainder of 2020.
Electricity, gas, water and waste services	$18.9	34	The utilities sector contributes 2.8% to district GDP and 0.5% to total employment. Sectoral activity is dominated by electricity transmission and distribution, and electricity generation and on-selling. Collectively, the electricity sector contributes 97.2% ($18.4m) in sectoral GDP and employs 88.2% (30) of total employees in the sector. The sector is relatively resilient due to the delivery of essential services and strong government level participation and procurement in the sector.
Professional, scientific and technical services	$15.5	164	The professional, scientific and technical services sector contributes 2.3% to district GDP and 2.5% to total employment. Veterinary and other professional services contributes $5.4m to local GDP and generates 56 jobs, followed by legal and accounting services which generates $4.1m in GDP and employs 44 people. Demand for professional services is holding up well, and services generally are experiencing a stronger than expected recovery. However, the impact of the lockdown period implies some business level vulnerability.
Transport, postal & warehousing	$12.6	141	The transport, postal and warehousing sector contributes 1.9% to district GDP and 2.2% to total employment. Road transportation is the largest sub-industry in the district, making up 74.3% ($9.4m) of sectoral GDP and generating 80.9% (114) of sector jobs. The transportation and distribution of goods is crucial to economic activity. While the sector was exposed to the impacts of lockdown, the opening up of the domestic economy is supporting the outlook for the sector. The Ruapehu economy is also less exposed to the halt in international tourism than other tourist hotspots in NZ.
Wholesale trade	$11.0	101	The wholesale trade sector contributes 1.6% to both district GDP and employment. Basic material wholesaling is particularly strong in the district, contributing $4.7m in GDP and generating 41 jobs. Wholesale trade was heavily exposed to the impacts of the lockdown period and continues to be vulnerable to domestic demand conditions and supply chain disruptions. However, current data does indicate the strong recovery of sectoral activity post lockdown.
Financial & insurance services	$9.3	45	The financial & insurance service sector contributes 1.4% to district GDP and 0.7% 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.
Other services[3]	$6.8	188	The other services sector contributes 1.0% to district GDP and 2.9% to total employment. The service sector was most affected by the level 3 and level 4 lockdown period; however, indicators show that demand for services is recovering strongly. The sector remains vulnerable to changes in business and household demand.
Administrative & support services	$5.2	122	The administrative and support services sector contributes 0.8% to local GDP and 1.9% to local employment. Tourism-related administrative and support services are particularly exposed to the risk of business closures and job losses. In Ruapehu District, tourism related services make up 36.5% of administrative and support services GDP and 36.1% of sector jobs.
Information, media & telecommunications	$3.2	24	The information, media and telecommunications sector contributes 0.5% to district GDP and 0.4% 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.
Mining	$0.8	7	The mining sector contributes 0.1% to district GDP and 0.1% to total employment. Local activity in the sector is limited to metal ore and non-metallic mineral mining and quarrying. This sub-sector is predominantly dependent on domestic demand, which is expected to remain relatively strong. Any impact on mining activity is expected to have a negligible impact on the Ruapehu District economy.
Total	$667.8[4]	6,439	

[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 sub-set of Services included in the assessment of economic impacts.

[4] The GDP total includes owner-occupied property operation and unallocated GDP, therefore the total exceeds the sum of industry sector GDP.

Ruapehu District has a substantial tourism industry, contributing 19.0% of total GDP and 23.5% of employment across the district. This compares with 55.6% of GDP and 63.5% of total employment in the Queenstown-Lakes District.

To the year ended January 2020, $202.7m was spent by tourists to Ruapehu District. Of this, $154.2m (76.1%) was spent by domestic tourists. Auckland is the largest market, contributing $42.8m to spending over the period; the Manawatū-Whanganui, Waikato and Wellington Regions are also substantial markets, contributing $21.3m and $20.4m respectively to Ruapehu's local tourism sector. The sector employs close to a quarter of all workers in Ruapehu District. The strong domestic tourism market, in addition to the swift recovery of domestic tourism expenditure, will help to sustain jobs and income in the district.

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 tourism[5]. The greater the reliance on tourism as a proportion of total expenditure, the greater the vulnerability of that industry to the impacts of COVID-19.

Table 2: Tourism related industries and expenditure

Industry sector	Estimated proportion contributed from tourism
Accommodation	0.69
Food & beverage services	0.40
Road, rail & water transport	0.09
Air & space transport	0.87
Other transport, transport support & travel & tour services	0.22
Rental & hiring services	0.31
Arts & recreation services	0.17
Retail trade	0.14
Education & trade	0.08
All non-tourism related industries	0.02

From Table 2, accommodation and food and beverage services will bear the brunt of the impact. However, the other tourism industries (in addition to non-tourism related industries) will also be affected by the halt to international tourism and the shutdown of domestic tourism over the period 26 March to 13 May. Minimal reliance on international tourism supports the local economic outlook relative to parts of New Zealand dependent upon international tourism.

Level 1 and level 2 impacts

The economic impact in Ruapehu District is softer than national averages. Annual GDP estimates the value of all goods and services produced within an area over that year. Applying the Reserve Bank of New Zealand economic impacts by industry to the Ruapehu 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 $4.2m (↓0.6%). Assuming New Zealand remains under alert level 1 for the remainder of 2020, local GDP is estimated to fall a further $14.1m (↓2.1%) over the year.

The combined impact of level 1 to level 4 restrictions on Ruapehu District GDP is estimated at 6.2% (↓$41.7m) 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 Ruapehu District economy. Appendix one provides ranked GDP and employment figures for 106 industries in the district.

Ruapehu District economic structure[6]

Ruapehu District is a substantial producer of primary products and value-added agri-food manufacturing. Public administration and safety is also a significant sector in the district, alongside tourism related industries. The construction sector, education and training, retail trade, and health care and social assistance are also significant employers across the district.

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

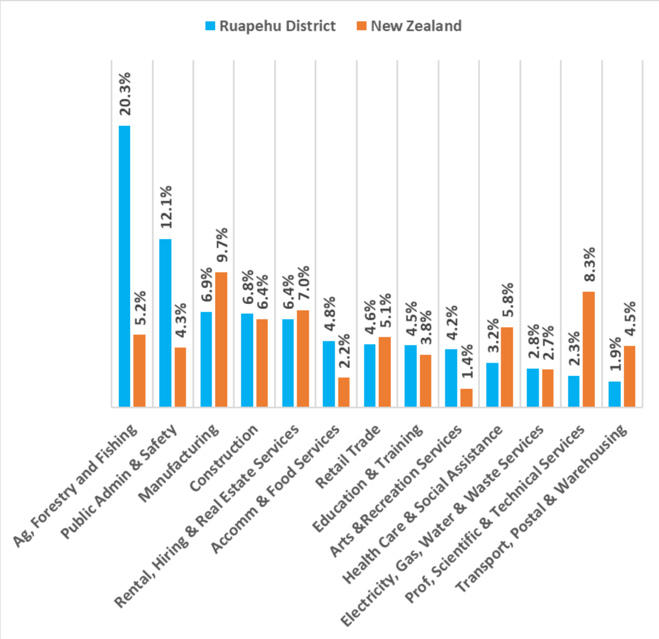
1. Agriculture, forestry and fishing;
2. Public administration and safety;
3. Manufacturing;
4. Construction;
5. Rental, hiring and real estate services;
6. Accommodation and food services; and,
7. Retail trade.

[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 Ruapehu District is sourced through Infometrics, year to March 2019.

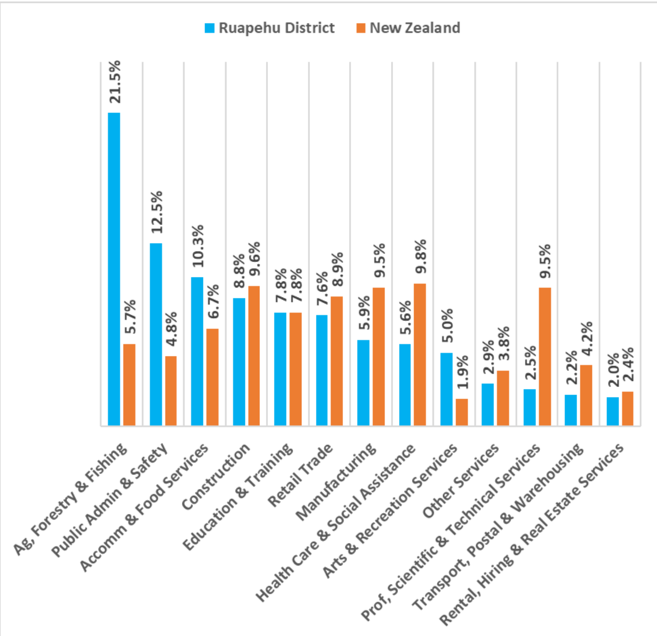
Industry structure

Figure 4: Ruapehu District industry GDP relative to NZ



Employment structure

Figure 5: Ruapehu District industry employment relative to NZ



Agriculture, forestry & fishing

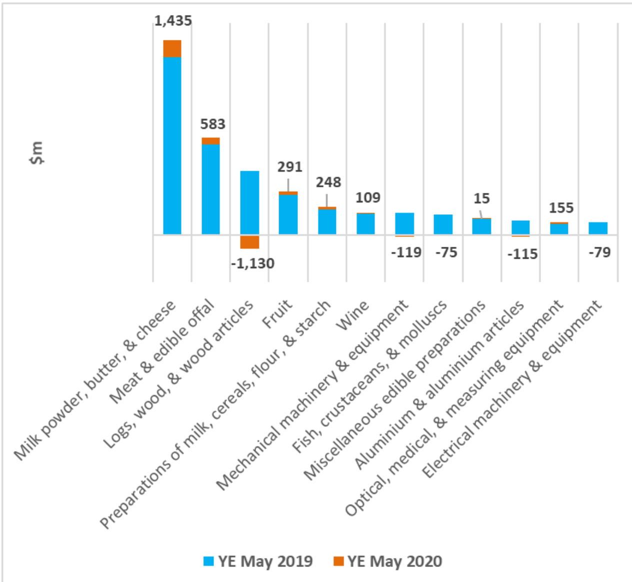
Agriculture, forestry and fishing contributes $135.5m to the local economy and employs 1,384 people. This is 20.3% of total GDP and 21.5% of total employment in the district. Ruapehu District produces a diverse range of primary products. Sheep, beef cattle and grain farming is the largest sub-sector, contributing $79.1m in GDP and generating 774 jobs. The local support service sector is also substantial while dairy production, forestry and logging, and vegetable growing are also strong industries for the district. Global and domestic demand for agri-food products has remained strong despite the economic slowdown, and the outlook for exports of red meat and dairy products remains favourable 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; however, export trade data shows some recovery in forestry commodity prices in 2020, predominantly driven by recovering demand from China. The strong outlook for red meat, dairy products and horticulture, alongside strengthening demand for New Zealand logs, supports the economic outlook for the Ruapehu economy.

Table 3: The agriculture, forestry & fishing sector

Sub-industry	GDP contribution	Jobs
Sheep, beef cattle & grain farming	$79.1m	774
Agriculture, forestry & fishing support services	$18.8m	287
Dairy cattle farming	$15.7m	118
Forestry and logging	$12.3m	31
Horticulture and fruit growing	$7.6m	140
Poultry, deer, and other livestock farming	$1.5m	31
Total[7]	**$135.5m**	**1,384**

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 May 2020



As indicated in Figure 6, export trade for red meat and dairy products have held up well despite global economic

[7] Where totals differ from the sum of the individual industry groups, this may reflect that some industries with fewer than 6 jobs have been removed, or rounding has occurred.

conditions. Although 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 Ruapehu economy.

Public administration and safety

The public sector contributes $80.8m to local GDP and generates 806 jobs. Local defence force GDP and employment dominates the sector, contributing $55.7m and 527 jobs locally. These jobs and incomes are not dependent on levels of international and domestic demand, and are therefore more resilient to the impacts of global and domestic economic disruption. Maintaining defence force activities in the district will help to sustain levels of household spending, and support service and retail sector demand and employment.

Table 4: The public administration and safety sector

Sub-industry	GDP contribution	Jobs
Defence	$55.7	527
Public order, safety, and regulatory services	$10.4	93
Central government administration services	$8.2m	83
Local government administration service	$6.5m	103
Total	**$80.8m**	**806**

Manufacturing

The manufacturing sector contributes $46.3m in GDP and 382 jobs to the district economy. Agri-food manufacturing dominates the sector, making up 85.8% of sectoral GDP and 79.3% of total sectoral employment. Forestry product manufacturing (including pulp, paper and converted product manufacturing and wood product manufacturing) is particularly strong, contributing $34.7m to GDP and employing 267 people. Like the forestry sector, manufacturing of wood products has come under some pressure over the last 12 months and uncertainty around international demand conditions continues to weigh on the industry. While there has been some recovery in the outlook for logs, manufacturing generally is vulnerable to global economic conditions. Factors that influence levels of demand for New Zealand manufactured products will be watched closely to identify any emerging vulnerabilities in the sector.

Table 5: The manufacturing sector

Sub-industry	GDP contribution	Jobs
Pulp, paper, and converted paper product manufacturing	$27.3m	159
Wood product manufacturing	$7.4m	98
Beverage and tobacco product manufacturing	$2.8m	12
Non-metallic mineral product manufacturing	$2.0m	17
Machinery manufacturing	$1.8m	18
Fabricated metal manufacturing	$1.5m	23
Fruit, oil, cereal, and other food product manufacturing	$1.4m	23
Textile and leather manufacturing	$0.44m	8
Printing	$0.37m	6
Total	**$46.3m**	**382**

Construction

The construction sector contributes $45.1m and 568 jobs to the district economy. The local sector is particularly strong in heavy and civil engineering construction. Building consent data indicates that planned construction investment is holding up in the district, and there is a significant pipeline of infrastructure projects planned for the Manawatū-Whanganui Region in addition to the neighbouring Waikato Region. While the lockdown period placed pressure on the sector at the business level, planned construction investment and infrastructure projects supports the outlook for the sector over 2020.

Table 6: The construction sector

Sub-industry	GDP contribution	Jobs
Heavy and civil engineering construction	$22.5m	182
Construction services	$15.7m	254
Residential building constructions	$6.6m	126
Non-residential building construction	$0.3m	6
Total	**$45.1m**	**568**

Rental, hiring and real estate services

Rental, hiring and real estate services contributes $42.6m to the district economy and employs 131 people. Non-residential property operation and real estate services are the largest sub-sectors collectively contributing 79.8% of total GDP in the sector and 72.5% of total employment. The non-residential property operation sector encompasses the renting or leasing of land or property for use by another business[8]. No separation is provided between land or property by industry.

[8] ANZSIC06, A guide to the coding of certain activities. Chapter 5.

Continued house price growth and the dominance of agriculture and defence force incomes in the district will support the local sector. Some impacts may be felt from effects on tourism, such as a reduction in demand for passenger car rentals. The sector is vulnerable to further disruption should demand fall for key goods and services produced in the district.

Table 7: The rental, hiring and real estate services sector

Sub-industry	GDP contribution	Jobs
Non-residential property operators	$20.7m	57
Real estate services	$13.3m	38
Residential property operators	$3.7m	11
Other goods and equipment, rental and hiring	$3.7m	19
Total	**$42.6**	**131**

Accommodation and food services

The accommodation and food services sector is a significant contributor to the Ruapehu economy, generating $32.0m in GDP and 660 jobs. The sector was most affected by the level 3 and level 4 lockdown, which is estimated to contract sectoral GDP by 11.1% (↓3.6m) over 2020. As indicated in the tourism section, the local sector is predominantly reliant on domestic tourism and is therefore less vulnerable to the halt in international tourism; however, the sector does remain vulnerable to domestic economic conditions and household demand for tourism experiences. Should the economic impacts of COVID-19 increase, the impact on the accommodation and food services sector, tourism and the wider services industry will be greater. Maintaining employment and household incomes is crucial to supporting the sector while international conditions worsen and the New Zealand border remains closed. Government policies such as the wage subsidy scheme will help to support individual businesses to recover from the lockdown period over 2020.

Table 8: The accommodation and food services sector

Sub-industry	GDP contribution	Jobs
Food and beverage services	$16.3m	351
Accommodation	$15.7m	309
Total	**$32.0m**	**660**

Retail trade

The retail sector contributes $30.5m and 491 jobs to the local economy. Over the lockdown period, levels of retail spending fell sharply with the exception of supermarket and pharmaceutical expenditure. Weekly data since level 3 lockdown ended indicates a strong recovery in retail spending in the district. This surge in retail expenditure is positive for the Ruapehu economy. While the current performance of the Ruapehu 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 9: The retail trade sector

Sub-industry	GDP contribution	Jobs
Supermarket and grocery stores	$10.7m	189
Fuel retailing	$5.0m	67
Other store based retailing; non-store and commission based retailing	$3.7m	61
Furniture, electrical, and hardware retailing	$3.7m	60
Motor vehicle and motor vehicle parts retailing	$3.2m	43
Recreational, clothing, footwear, and personal accessory retailing	$2.7m	43
Specialised food retailing	$1.6m	28
Total	**$30.5m**	**491**

Conclusion

The industry structure of Ruapehu District provides some protection to the worst impacts of COVID-19. In particular, the concentration of economic activity and employment in primary production and defence force activities supports the economic outlook.

The industry mix of the district will support the economic recovery; however, there are sectors that continue to be vulnerable to the impacts of COVID-19. While the tourism sector is not as dominant in Ruapehu District compared with areas such as Queenstown, it is still substantial. On the positive side, limited reliance on international tourism does support the outlook for the tourism sector over 2020, although the impacts of the lockdown period and border closures will affect the incomes of tourism related businesses. This softening income will impact on levels of economic growth in Ruapehu over 2020.

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

Despite ongoing favourable conditions and performance, primary production and 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 is vulnerable to changes in incomes and the potential of softening asset values. Current data indicates house prices are continuing to grow strongly; however, if economic conditions deteriorate, this may place downward pressure on property prices and impact on levels of household consumption. There is no evidence of these impacts to date.

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

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Appendix One: Data for 106 industries, ranked by contribution to Ruapehu District GDP compared to NZ[9]

GDP	*Ruapehu GDP $m*	*Ruapehu % of total GDP*	*NZ % of total GDP*	*Ruapehu employment*	*Ruapehu % of total employment*	*NZ % of total employment*
Sheep, beef cattle, and grain farming	79.1	11.8%	1.1%	774	12.0%	0.1%
Defence	55.7	8.3%	0.5%	527	8.2%	0.1%
Pulp, paper, and converted paper product manufacturing	27.3	4.1%	0.3%	159	2.5%	0.0%
Sport and recreation services	22.7	3.4%	0.8%	266	4.1%	0.1%
Heavy and civil engineering construction	22.5	3.4%	1.7%	182	2.8%	0.2%
School education	20.7	3.1%	2.0%	345	5.4%	0.2%
Non-residential property operation	20.7	3.1%	1.8%	57	0.9%	0.2%
Agriculture, forestry, and fishing support services	18.8	2.8%	0.7%	287	4.5%	0.1%
Food and beverage services	16.2	2.4%	1.7%	309	4.8%	0.2%
Construction services	15.7	2.4%	3.3%	254	3.9%	0.4%
Dairy cattle farming	15.7	2.4%	2.0%	118	1.8%	0.2%
Accommodation	15.7	2.4%	0.5%	351	5.5%	0.1%
Real estate services	13.3	2.0%	3.1%	38	0.6%	0.4%
Forestry and logging	12.3	1.8%	0.6%	31	0.5%	0.1%
Electricity transmission and distribution	12.2	1.8%	1.1%	21	0.3%	0.1%
Medical and other health care services	12.1	1.8%	2.0%	202	3.1%	0.2%
Supermarket and grocery stores	10.7	1.6%	1.2%	189	2.9%	0.1%
Public order, safety, and regulatory services	10.4	1.6%	1.8%	93	1.4%	0.2%
Road transport	9.36	1.4%	1.6%	114	1.8%	0.2%
Banking and financing; financial asset investing	8.31	1.2%	4.0%	36	0.6%	0.5%
Central government administration services	8.19	1.2%	1.6%	83	1.3%	0.2%
Horticulture and fruit growing	7.6	1.1%	0.5%	140	2.2%	0.1%
Wood product manufacturing	7.39	1.1%	0.6%	98	1.5%	0.1%
Residential building construction	6.58	1.0%	1.1%	126	2.0%	0.1%
Local government administration services	6.53	1.0%	0.5%	103	1.6%	0.1%
Preschool education	6.46	1.0%	0.6%	108	1.7%	0.1%

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

Electricity generation and on-selling	6.19	0.9%	1.0%	9	0.1%	0.1%
Residential care services and social assistance	5.7	0.9%	2.0%	95	1.5%	0.2%
Veterinary and other professional services	5.4	0.8%	0.4%	56	0.9%	0.0%
Heritage and artistic activities	5.3	0.8%	0.4%	59	0.9%	0.1%
Fuel retailing	4.99	0.7%	0.2%	67	1.0%	0.0%
Rental and hiring services (except real estate); non-financial asset leasing	4.89	0.7%	1.2%	25	0.4%	0.1%
Basic material wholesaling	4.71	0.7%	1.0%	41	0.6%	0.1%
Legal and accounting services	4.11	0.6%	1.5%	44	0.7%	0.2%
Repair and maintenance	3.95	0.6%	0.7%	106	1.6%	0.1%
Hospitals	3.92	0.6%	1.7%	66	1.0%	0.2%
Other store based retailing; non-store and commission based retailing	3.74	0.6%	0.8%	61	0.9%	0.1%
Furniture, electrical, and hardware retailing	3.73	0.6%	0.9%	60	0.9%	0.1%
Residential property operation	3.69	0.6%	0.9%	11	0.2%	0.1%
Motor vehicle and motor vehicle parts retailing	3.18	0.5%	0.5%	43	0.7%	0.1%
Scientific, architectural, and engineering services	3.17	0.5%	2.2%	34	0.5%	0.3%
Postal and courier services	3	0.4%	0.7%	24	0.4%	0.1%
Other goods and commission based wholesaling	2.98	0.4%	1.3%	29	0.5%	0.1%
Beverage and tobacco product manufacturing	2.8	0.4%	0.8%	12	0.2%	0.1%
Recreational, clothing, footwear, and personal accessory retailing	2.65	0.4%	0.7%	43	0.7%	0.1%
Advertising, market research, and management services	2.32	0.3%	2.7%	25	0.4%	0.3%
*Library and other information services - internet**	2.19	0.3%	0.6%	9	0.1%	0.1%
Non-metallic mineral product manufacturing	2.02	0.3%	0.5%	17	0.3%	0.1%
Religious services; civil, professional, and other interest groups	1.96	0.3%	0.5%	56	0.9%	0.1%
Travel agency and tour arrangement services	1.89	0.3%	0.2%	44	0.7%	0.0%
Adult, community, and other education	1.86	0.3%	0.4%	32	0.5%	0.1%
Employment and other administrative services	1.8	0.3%	1.2%	43	0.7%	0.1%
Machinery manufacturing	1.78	0.3%	0.8%	18	0.3%	0.1%
Motor vehicle and motor vehicle parts wholesaling	1.68	0.3%	0.4%	16	0.2%	0.0%
Specialised food retailing	1.56	0.2%	0.3%	28	0.4%	0.0%

Fabricated metal product manufacturing	1.51	0.2%	0.9%	23	0.4%	0.1%
Poultry, deer, and other livestock farming	1.5	0.2%	0.2%	31	0.5%	0.0%
Building cleaning, pest control, and other support services	1.49	0.2%	0.7%	35	0.5%	0.1%
Fruit, oil, cereal, and other food product manufacturing	1.4	0.2%	0.8%	23	0.4%	0.1%
Grocery, liquor, and tobacco product wholesaling	1.32	0.2%	1.1%	13	0.2%	0.1%
Auxiliary finance and insurance services	1.04	0.2%	1.0%	9	0.1%	0.1%
Tertiary education	0.98	0.1%	0.9%	17	0.3%	0.1%
Personal services; domestic household staff	0.94	0.1%	0.6%	26	0.4%	0.1%
Metal ore and non-metallic mineral mining and quarrying	0.83	0.1%	0.4%	7	0.1%	0.0%
Motion picture and sound recording activities	0.57	0.1%	0.4%	9	0.1%	0.0%
Furniture manufacturing	0.48	0.1%	0.2%	9	0.1%	0.0%
Textile and leather manufacturing	0.44	0.1%	0.1%	8	0.1%	0.0%
Printing	0.37	0.1%	0.2%	6	0.1%	0.0%
Non-residential building construction	0.32	0.0%	0.3%	6	0.1%	0.0%

Source: Infometrics