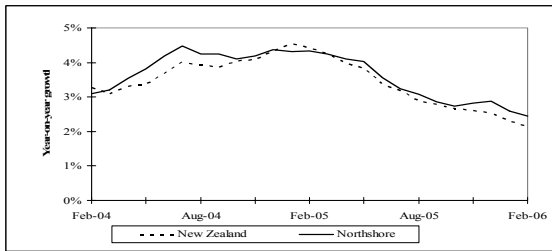




NORTH SHORE ECONOMIC MONITOR

The North Shore Economic Monitor is a monthly publication prepared Enterprise North Shore. This newsletter contains the latest trends in economic indicators and business confidence.

Economic Growth



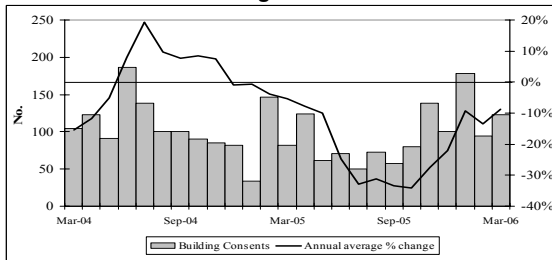
Source: APR Consultants

The APR index of economic growth is constructed from key indicators. The annual average percentage change in the index shows that the rate of growth of North Shore's economy for the year ended February 2006 was greater than that of national economy over the same period.

Key Indicator Trends

This section of the monitor examines trends in key indicators of North Shore's economic activity. In each case, a bar graph showing actual monthly totals has been overlaid with a line graph, showing the annual average percentage change for each key indicator.

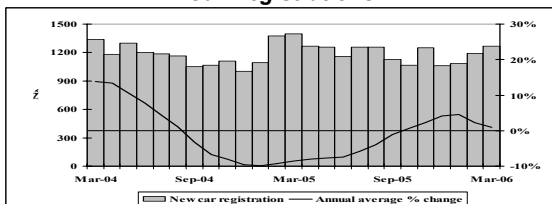
Building Consents



Source: Dept of Statistics Building Surveys and Vitals Section

There were a total of 123 consents issued for new dwellings in North Shore during March 2006, valued at around \$28.2 million. This was greater than the 94 consents issued in February 2006 and the 82 consents issued in March 2005. The annual average growth rate in the number of new building consents issued in North Shore City year-on-year was -8.7% for the year ended March 2006.

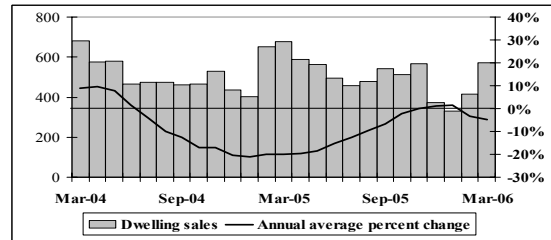
Car Registrations



Source: Land Transport Safety Authority

The number of car registrations recorded in the North Shore in March 2006 numbered 1,269 (including both new and ex-overseas car types). This was the highest number recorded in the last 12 months. The annual average growth rate in the number of car registrations recorded in North Shore City was 0.9% for the year ended March 2006.

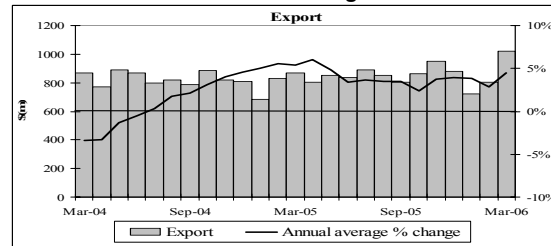
Residential Real Estate Sales



Source: Real Estate Institute of New Zealand

Activity in the housing market increased in North Shore in March 2006, in line with the national movement. A total of 571 homes changed hands during the month, with a median sale price of \$425,000. The volume of sales recorded in March was the second highest number recorded over the past 12 months and was only slightly below the 589 houses sold in April 2005. The annual average growth rate in the number of house sales recorded in North Shore was -4.9% for the year ended March 2006.

Overseas Cargo



Source: Statistics New Zealand

Exports boomed in March 2006. With a total of 229,734 tonnes of cargo conveyed overseas (via Auckland's sea and air ports) during the month. This tonnage was valued at around \$1,019.2 million. This was the second time that the value of exports has exceeded \$1,000 million. The annual average growth rate in the value of exports from Auckland was 4.5% for the year ended March 2006.

Summary

While domestic focused sectors such as the residential building market have slowed, export activity has started to gain momentum. Although a slowdown in both the local and the national economies is unavoidable in the short term, a gradual easing in monetary conditions will help the New Zealand economy rebound over the medium term.

NATIONAL ECONOMIC UPDATE

This section of North Shore Economic Monitor presents current information on recent national business events along with an update on key economic indicators.

Inflation Pressure Remained

According to Statistics New Zealand (SNZ), the Consumer Price Index (CPI) increased 0.6% in the March 2006 quarter. This followed the increases of 0.7% and 1.1% in the December 2005 and September 2005 quarters respectively. Annual inflation hit 3.3% for the March 2006 year, exceeding the upper limit of 3.0% set by the Reserve Bank of New Zealand's (RBNZ) Inflation Policy Targets Agreement but nevertheless commensurate with market expectations.

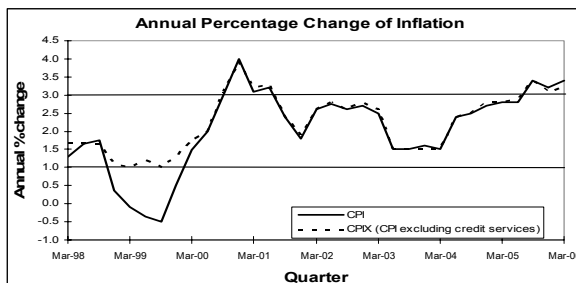
Price increases were widespread, with seven out of nine industry sectors recording price increases over the past three months. The housing group added 2.19 points to the CPI. Overall the CPI gained a total of 6.58 points. Driven by an increase of 1.0% in the prices of purchasing and construction of new dwellings, housing prices increased by 0.8% compared to the December 2005 quarter and 5.4% compared to March last year. Had construction prices remained unchanged over the year, on an annual basis the CPI would have increased by only 2.8%.

Food prices increased 1.0% on a quarterly basis and contributed 1.78 points to the increase in the CPI. There were significant quarterly price increases for grocery, soft drinks and confectionery (1.2%↑). The recreation and education group was the third largest contributor to increases in the CPI contributing 1.27 points. Due to higher tertiary tuition (+4.6%↑), prices in this group increased 1.2% over the quarter and 2.1% over the year.

Other price increases occurred in the personal and health care group (0.9%↑, +0.88 points to CPI), tobacco and alcohol (0.7%↑, +0.72 to CPI), household operation (0.3%↑, +0.56 to CPI), and credit services (0.7%↑, +0.04 to CPI). However, prices fell in the transportation (0.3%↓, -0.67 points to CPI) and apparel (0.4%↓, -0.18 points to CPI).

Petrol prices made the most significant individual upward contribution to the quarterly CPI increase rising by 5.1%. However, this was more than offset by a fall of 12.3% for international airfares.

Although inflation remained above the 3.0% threshold, the easing in non-tradable inflation allowed the RBNZ to hold the official cash rate in April 2006.



Source: RBNZ and SNZ

Merchandise Trade Balance Improved

In March 2006 New Zealand's merchandise exports reached a value of \$3,179 million, up by \$385 million (or 13.8%) from the value recorded in March 2005.

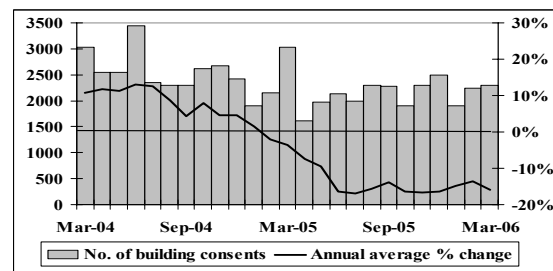
Meanwhile, imported goods were valued at \$3,120 million in March 2006, an increase of 4.6% on the level recorded in March 2005. As a result, the monthly trade balance attained a surplus of \$59 million (1.9% of exports). This was the first surplus recorded since May 2004.

A boost in dairy product exports was the main driver behind the trade surplus. Total exports in milk powder, butter and cheese were up \$130 million (or 31.7%) compared to March 2005. Increases that occurred in the value of imports largely came from increased demand for crude oil and petroleum products (↑\$101 million compared to March 2005), together with mechanical machinery and equipment (↑\$48 million).

Clearly we are now seeing the positive effects of the depreciation of the New Zealand currency on our export industries.

Key Indicator Trends

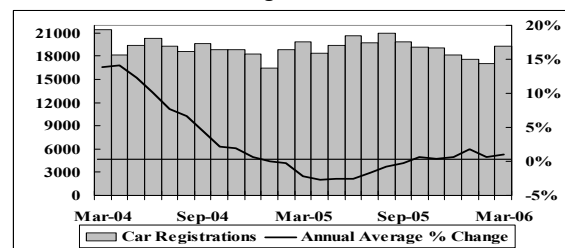
Building Consents



Source: Dept of Statistics Building Surveys and Vitals Section

There were a total of 2,299 consents issued for new dwellings during March 2006 valued at \$510.6 million. This number of consents was above the 2,237 consents issued in February 2006 but below the 3,027 recorded in March 2005. The annual average growth rate in the number of building consents issued was -16.0% for the year to March 2006.

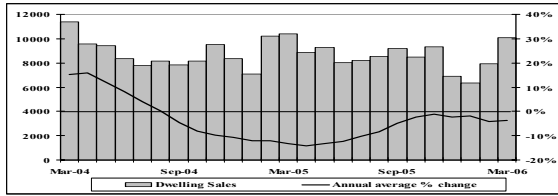
Car Registrations



Source: Land Transport Safety Authority

The number of national car registrations recorded increased significantly in March 2006. A total of 19,325 cars (including both new and ex-overseas car types) were registered during March 2006, the highest level recorded over the past six months. The annual average growth rate in the number of car registrations recorded in New Zealand was 1.1% for the year to March 2006.

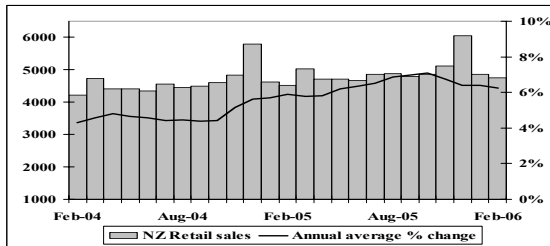
Residential Real Estate Sales



Source: Real Estate Institute of New Zealand

The median house sale price in New Zealand reached a new high in March 2006 of \$302,000. This value exceeded the old record of \$300,000 (recorded in November 2005). The volume of sales improved in March with 10,094 homes being sold during the month. This was the first time since April 2005 that monthly sales exceeded 10,000 houses. The annual average growth rate in the volume of residential sales in New Zealand was -3.5% for the year to March 2006.

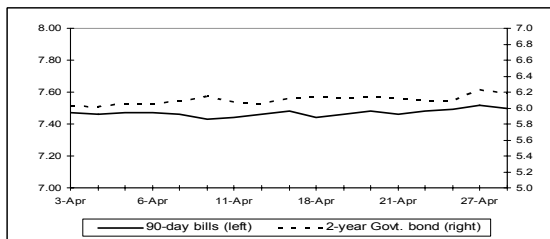
Retail Sales



Source: Business Statistics Section, Statistics New Zealand

National retail sales continued to ease in February 2006. The value of sales was down from \$4,849.8 million recorded in January 2006 to \$4,748.9 million recorded in February 2006. However, the value of retail sales recorded in February 2006 was an increase of \$222.7 million (or 4.9%) compared to the value of sales recorded in February 2005. The annual average growth rate in the value of national retail sales was 6.2% for the year ended February 2006.

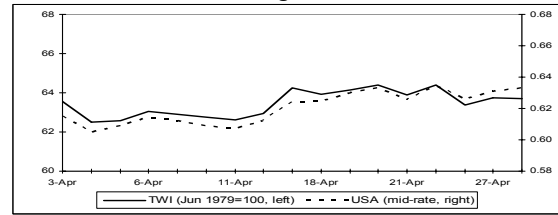
Interest Rates



Source: Reserve Bank of New Zealand

The New Zealand wholesale interest rate market was relatively stable in April 2006. By the end of the month, 90-day bill rates stood at 7.50%.

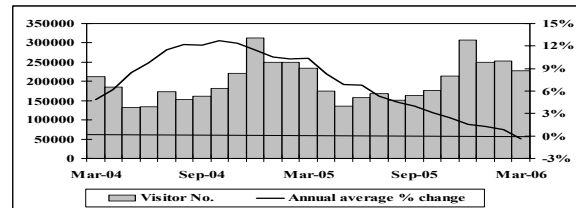
Exchange Rates



Source: Reserve Bank of New Zealand

After depreciating for the first ten trading days in April, the New Zealand dollar regained some ground against most of its trading partners. This was largely caused by a weaker US dollar. By the end of the month, NZ \$1.0 traded around US \$0.63 and the Trade-Weighted Index (TWI) stood at 63.7 points.

International Arrivals



Source: Statistics New Zealand

A total of 226,966 visitors entered New Zealand during March 2006. This number was below the 252,431 visitor arrivals recorded for February 2006, and a decrease of 3.0% compared to the number of arrivals recorded in March 2005. The annual average growth rate in the number of visitor arrivals to New Zealand was -0.4% for the year to March 2006.

Summary

According to NZIER's March 2006 Quarterly Survey of Business Opinion (QSBO), a net 41% of firms expected general economic conditions to deteriorate over the next six months. This was an improvement from a net 68% who took a similar gloomy view in the previous survey. A net 7% (seasonally adjusted) of firms surveyed reported a decline in their own business activity over the past three months. These survey results are suggestive that the New Zealand economy is already in mild recession. Capacity utilisation has declined marginally and currently sits at 91.4%. The difficulty firms had in finding skilled and unskilled labour has eased (down from 33% in the December 2005 quarter to a net 26% in the March 2006 quarter for skilled labour, and a fall from a net 17% to a net 9% for unskilled labour over the same period).

The latest National Bank Business Confidence Survey showed that business confidence rebounded in April 2006. A net 32.4% of firms surveyed in April expected that business conditions will worsen over the next 12 months compared to a net 51.0% who were pessimistic in March. In addition, firms were optimistic about their business future with a net 14.5% in the April's survey anticipating that their level of business activity will increase over the coming year compared to a net 5.2% in March's survey.



NORTH SHORE ECONOMIC MONITOR

■ Crime fell by 3.8 per cent on the North Shore last year, but the district was home to more than a quarter of New Zealand's drug labs. Police are concerned about an increase in serious violence and sexual attacks. North Shore/Waitakare/Rodney acting district commander inspector Janet Hope, says there has been a rise in drug use with the increasing availability of methamphetamine. Recorded violence in the district was down about two per cent and recorded disorder offending down by about eight per cent.

■ A small Takapuna camping ground dairy may be reborn as an upmarket cafe and store. The old camping ground dairy on the eastern end of The Promenade has closed and is under development by Takapuna Beach Kiosk. The kiosk company wishes to demolish the existing dairy and build a new store and takeaway shop/café. The store would have a deck with seating for up to 100 people, children's play area and a new public toilet. The company is awaiting resource consent to begin its planned works. The kiosk spokesman says the new toilet block will include a changing facility.

■ North Shore City Council is paying nearly \$150,000 to prevent Esmonde Road being littered with new five-metre power poles. The council has decided to pay to underground phone and power lines to homes to protect the road's look. At the infrastructure and environment committee meeting on April 4, councillors voted seven to six to support a resolution to pay the \$142,500 bill. The resolution came about after councillors realised residents were being asked to pay for the undergrounding of lines from the street to their property. If owners refused to pay, Esmonde Road would have been lined with five-metre timber poles on property boundaries. Councillor Chris Darby says he believes this is the right decision because of the work that has gone into landscaping Esmonde Road.

■ North Shore City Council plans to spend \$109m over the next ten years buying land for parks to preserve the city's green character. The council also intends to spend another \$255m maintaining, renewing and upgrading parks, including sports fields across the city. Over the past 18 months park land has been acquired at Browns Bay Beachfront Reserve, Birkenhead, Castor Bay, Takapuna beachfront and Albany. The council is also helping Chelsea Park Trust secure land surrounding the Chelsea Sugar refinery in Birkenhead. The money is earmarked in North Shore city's 2006-2016 draft city plan, which is out for public consultation. Key park projects in the coming year include the Sanders Reserve development in Paremoremo, Northborough Reserve playground at Hauraki, a car park at Marlborough Park and the Takapuna and Devonport coastal walkways.

■ A crackdown on staff carparking at Westfield's Glenfield mall is unfair and poses safety concerns, say workers. "Happy staff means happy customers," says an employee at the mall. There are 116 stores and an estimated 600 workers at the shopping centre. Westfield is not required to provide free carparks, but gives a parking permit for one car per store. A petition with hundreds of employee signatures has been circulating to present to mall management. Westfield's spokeswoman, Linda Trainer says the company has become aware that carparks at the shopping centre are being used for "non-shopping purposes" and they have had to enforce the parking policy.

■ In a major shake-up of housing regulations North Shore City Council is considering cutting the number of boarders per household and tightening rules governing property subdivision. Homeowners will be allowed to provide board and lodging without resource consent only if the total number of residents in the house is fewer than six. The minimum property size required to subdivide has increased from 350 square metres to 450 square metres in some places and owners of homes in heritage areas will not be allowed to build at the back of their properties. Another point in the proposed plan change will make it illegal to have more than one dwelling on a property, but a temporary second kitchen will be allowed for dependent relatives. Environmental policy and planning manager Trevor Mackie says the proposals come about because of concern about "overcrowding every spare inch" of land. He says the council's compliance and monitoring team has been dealing with an increasing number of complaints because of overcrowded homes.

Disclaimer: The North Shore Economic Monitor is produced monthly by APR Consultants for Enterprise North Shore. Although the monitor incorporates the most recent information available, many of the figures are provisional. Accordingly, no liability can be accepted for the accuracy of the material contained herein. Businesses and individuals are advised to seek professional advice before making major business decisions and any decisions based on the information contained in this report are made entirely at their own risk.