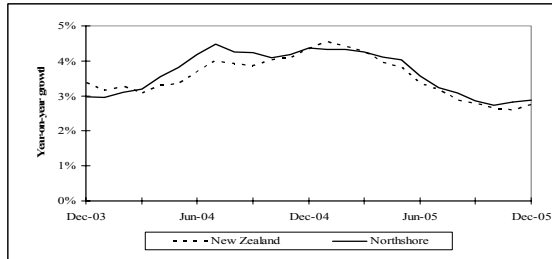


NORTH SHORE ECONOMIC MONITOR

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

Economic Growth



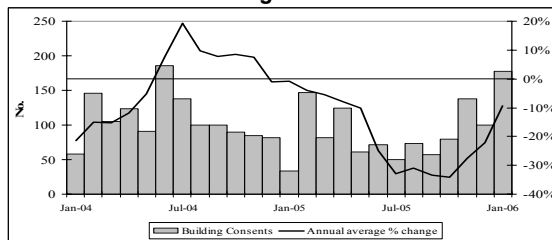
Source: APR Consultants

The APR index of economic growth is constructed from key indicators. The latest growth index shows that North Shore's economy has strengthened slightly over the past few months.

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.

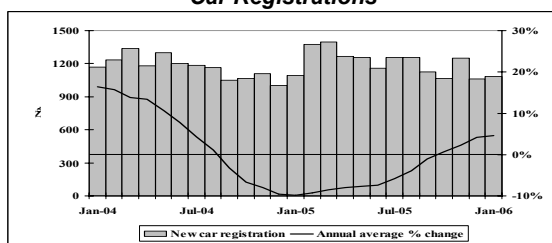
Building Consents



Source: Dept of Statistics Building Surveys and Vitals Section

North Shore's dwelling construction market improved in January 2006. There were 178 building consents issued for new dwellings in North Shore during the month, valued at around \$27.8 million. The number of consents issued in January 2006 was only eight consents less than the historical high of 186 consents issued in July 2004. The annual average growth rate in the number of new building consents issued in North Shore City has increased from -22% for year to December 2005 to -9.3% for the year to January 2006.

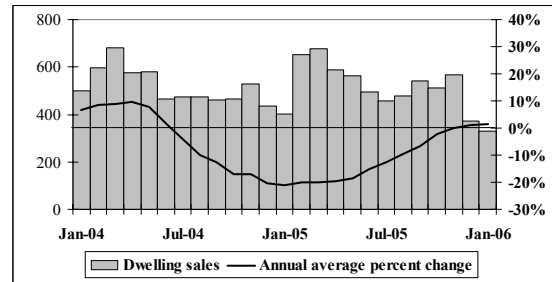
Car Registrations



Source: Land Transport Safety Authority

The number of car registrations recorded in the North Shore edged slightly higher in January 2006. Including both new and ex-overseas cars, the number of registrations totalled 1,085 during the month, 22 above the level of 1,063 recorded in December 2005, but marginally below the 1,094 recorded 12 months ago. The annual average growth rate in the number of car registrations was 4.6% for the year ended January 2006.

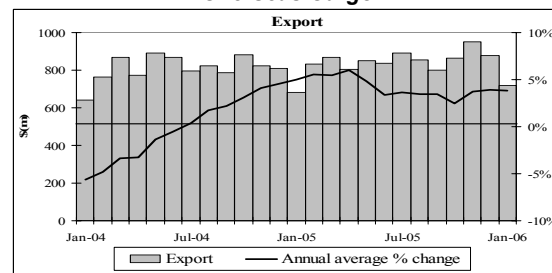
Residential Real Estate Sales



Source: Real Estate Institute of New Zealand

Seasonal factors impacted adversely on the local housing market in the first month of 2006. Only 329 houses were sold during the month, even worse than the recent low of 374 recorded in December 2005. However, the median sale price was firm, up from \$453,500 recorded in December to \$460,000 in January 2006. The annual average growth rate in the volume of residential real estate sales was 1.5% for the year to January 2006.

Overseas Cargo



Source: Statistics New Zealand

Export activity eased in the Auckland region in January 2006. There were a total of 163,573 tonnes of cargo conveyed overseas (via Auckland's sea and air ports) during the month, with a combined value of around \$720 million. This was the first time since February 2005 that the monthly value of exports fell below \$800 million. Comparatively, cargo conveyed abroad from Auckland in January last year was worth \$683.6 million. The annual average growth rate in the value of exports was 3.9% for the year ended January 2006.

Summary

Between the year ended December 2004 and the year ended December 2005 the local economy grew by 2.9% which was marginally above the national average growth rate of around 2.8% over the same period. North Shore's housing construction market strengthened and the number of car registrations edged slightly higher in January 2006. Annual average growth in the volume of real estate sales in North Shore was 1.5% for the year to January 2006 and has rebounded strongly from a low growth rate of around -20% for the year to January 2005.

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.

Labour Market Has Started to Ease

Statistics New Zealand [SNZ] released the December 2005 quarter Household Labour Force Survey [HLFS] results in February 2006. According to the HLFS, the level of seasonally adjusted employment decreased by 1,000 (or 0.1%) over the quarter. Unemployment dropped by 2,000 (or 1.9%) over the same period. The unemployment rate in the December quarter of 2005 is estimated to be 3.6%. On an annual basis, there was an increase of 31,000 (or 1.5%) in the number of people employed.

Underlying the latest HLFS results are a decrease of 0.6% in full-time employment (the first fall in four years) and a growth of 2.4% in part-time employment. While employment has been increasing on an annual basis since the March 1999 quarter, the annual growth rate in employment for the December 2005 quarter was the lowest rate achieved over the past three years, and was much lower than the 3.6% that occurred in the previous quarter.

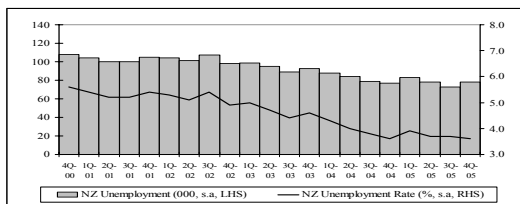
The number of males employed increased by 6,000 (or 0.5%) over the December quarter while the level of females employed moved in the opposite direction, with a fall of 7,000 (or 0.7%) woman employed. A breakdown of the data by Industry reveals that the service sector remained the key driver of job growth, while manufacturing and the primary industries were squeezed by the strong New Zealand dollar. There were job increases of nearly 34,000 in the service sector compared with a small increase of 2,000 in the primary sector over the December quarter.

In the December quarter employment in the manufacturing industry fell by 9,000. Consistent with a softer job market, the total number of actual working hours per week has fallen by 1.5%. There has been no annual growth in the number of hours worked per week.

During the December quarter of 2005, the number of people unemployed fell by 2,000 (or 1.9%) to 78,000. This can be attributed to a fall of 4.5% and an increase of 0.5% in male and female unemployment respectively over the quarter.

In the December quarter of 2005, the labour force participation rate decreased by 0.3 percentage points [pp] to 67.8%, largely caused by a fall in the female participation rate (0.6pp↓).

Overall, the December 2005 HLFS results suggest that the New Zealand economy has started to lose momentum.



Source: HLFS, Statistics NZ

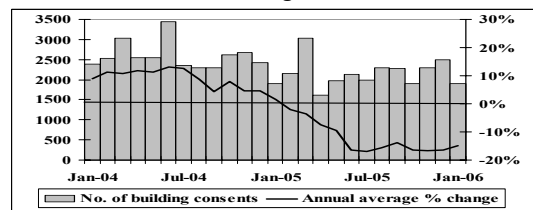
RBNZ Held the OCR in March 2006

As widely expected, the Reserve Bank of New Zealand [RBNZ] left the Official Cash Rate [OCR] unchanged at 7.25% in March 2006. However, compared with the previous Monetary Policy Statement [MPS], the tone in the latest MPS was mild, suggesting a neutral stance has been adopted.

The RBNZ acknowledged recent weak economic indicators by revising down its GDP forecast from 3.0% to 2.5% for the March 2006 year, and from 2.0% to 1.5% for the year after. The RBNZ also lowered its medium term inflation forecast to an average of 2.5% for the March 2007 and 2008 years. As a result, the RBNZ stated "we do not expect to raise interest rates again this cycle", but also added "we do not expect to be in a position to ease policy this year".

Key Indicator Trends

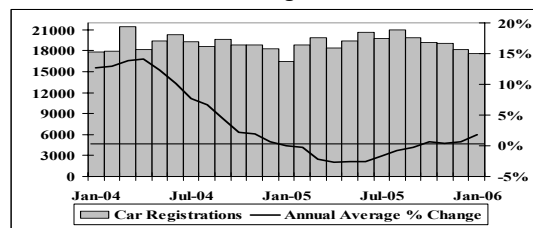
Building Consents



Source: Dept of Statistics Building Surveys and Vitals Section

A total of 1,900 permits were issued for new dwellings in New Zealand during the first month of 2006. These were worth around \$413.8 million. This was the lowest number of permits issued over the past 12 months, and was only two greater than the 1,898 issued in January 2005. The annual average growth rate in the number of new building permits issued in New Zealand was -15% for the year ended January 2006.

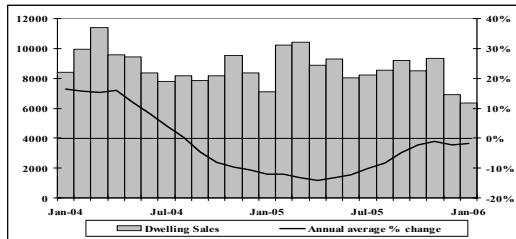
Car Registrations



Source: Land Transport Safety Authority

The number of car registrations recorded in New Zealand has continued to ease in recent months. There were 17,604 cars (including both new and ex-overseas car types) registered in January 2006, down from 18,139 recorded in December 2005, but greater than the 16,428 registered in January 2005. The annual average growth rate in the number of car registrations recorded in New Zealand was 1.8% for the year to January 2006.

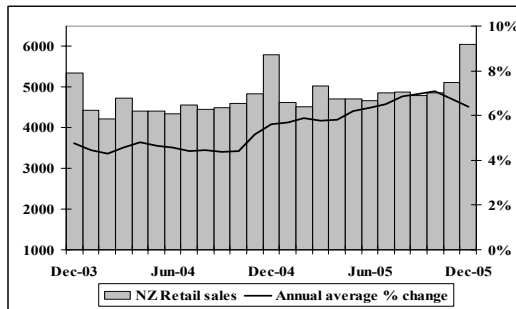
Residential Real Estate Sales



Source: Real Estate Institute of New Zealand

The residential real estate market remained flat in January 2006. The volume of real estate sales decreased to 6,360 during the month, which was the lowest level recorded in January months since 2001. The median sale price reached a high of \$300,000 in January 2006. The annual average growth rate in the volume of real estate sales in New Zealand was -1.7% for the year to January 2006.

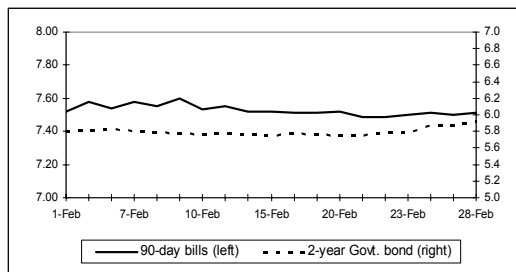
Retail Sales



Source: Business Statistics Section, Statistics New Zealand

In December 2005 for the first time in New Zealand's history, monthly retail sales exceeded \$6,000 million. The annual average growth rate in the value of national retail sales was 6.4% for the year to December 2005.

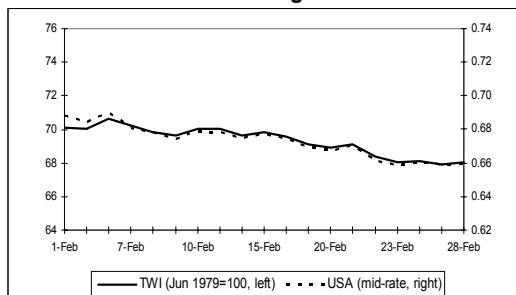
Interest Rates



Source: Reserve Bank of New Zealand

New Zealand's wholesale interest rate market eased during the first two weeks of February 2006, but stabilised afterwards. By the end of the month, 90-day bill rates stood at 7.51%.

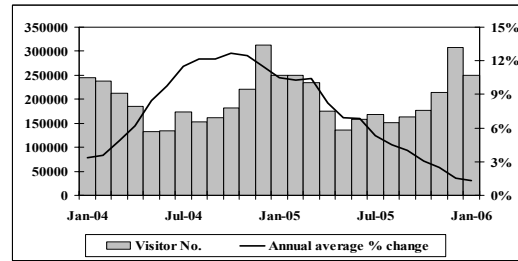
Exchange Rates



Source: Reserve Bank of New Zealand

It was clear that a downward trend was developing in the New Zealand exchange rate market, as the New Zealand economy slowed in recent months. By the end of the month, \$1.00 NZ traded against \$0.66 US, and the trade-weighted index [TWI] settled at 68 points.

International Arrivals



Source: Statistics New Zealand

Following a boom in December, New Zealand's international tourism industry eased in January 2006. There was a total of 250,554 short-term overseas arrivals to New Zealand during the month, down from a high of 307,100 recorded in December 2005, but marginally higher than the 249,933 recorded in January 2005. The annual average growth rate in the number of visitor arrivals to New Zealand was 1.3% for the year ended January 2006.

Summary

Weak labour market results, a cooling down of residential building and the housing markets along with the RBNZ's adoption of a relatively neutral monetary policy, all suggest that New Zealand is entering a period of slow economic growth.

According to the latest National Bank [NB] business confidence survey, confidence was low in February 2006. A net 62% of firms expected that overall economic conditions will deteriorate over the coming year. This result was similar to the business opinion expressed in the last survey where a net 61.7% of firms were pessimistic. The gloomy mood was spread across all New Zealand's industries. The agriculture sector was the most affected with a net 80% who were pessimistic. The construction sector was the least pessimistic group with a net 54% expecting general business conditions to deteriorate in 12 months' time.

A net 4.4% of firms expected a fall in their own business activity, down from a net 2.4% who possessed a similar negative opinion in December 2005.

Investment intentions have fallen into negative territory, with only a net 0.2% of businesses expecting to increase investment in the 12 months ahead. Employment intentions also declined with a net 8.8% of firms expecting to decrease staff levels over the next 12 months. Firms' expectations of inflation in 12 months' time have fallen from 3.4% in the NB's December 2005 confidence survey to 3.1% in the February survey.

■ The new AUT [Auckland University of Technology] Akoranga Campus Library was opened recently. AUT's North Shore campus is situated on Akoranga Drive and is steadily building up its postgraduate numbers, with a 13 per cent increase between 2004 and 2005. The new library adds a new element to the post-graduate experience with special facilities designed to cater for the needs of AUT's post-graduate students. The library has a number of advanced environmental design features including state of the art educational resources featuring the latest in information technology.

In a formal address to open the new AUT Akoranga Campus Library, the Hon Dr Michael Cullen said that one of the most important characteristics a university can have is a high quality library. Dr Michael Cullen said that the upgrading of the library was a "reflection of the extent to which AUT goes to provide its students with leading edge learning facilities, which underpin learning outcomes of quality and relevance".

The main focus of Dr Cullen's speech was an unambiguous statement of the government's desire for tertiary institutions to become more quality rather than quantity focussed in their approach to student throughputs. Dr Cullen emphasised the importance of the provision of tertiary education that is employment-targeted, learning-centred and focused on the individual student's needs. The deputy prime minister praised AUT for being a learning institution that tries to produce "well-rounded, skilled individuals that our communities and industries need" and for attempting "to marry academic excellence with an appreciation of the way in which the New Zealand economy is being transformed".

■ The Environment Courts has ruled in favour of the Sunnybrae Residents' Association appeal against a North Shore City Council resource consent. This consent allowed six special events at the North Shore Events Centre a year to exceed the district plan limits on noise levels. In 2005 the Events Centre was granted consent to host concerts with sound levels of up to 56 decibels. The district plan limits noise levels to 45 decibels. According to neighbours of the Events Centre, the noise during concerts can become unbearable, especially noise from bass and percussion instruments. Concerts will now be limited to four hours a day, between 10am and 11pm, and cannot be held on Sundays and public holidays. Within a five day period, no more than two events can exceed the district plan's noise limit. Limiting the number of concerts held will result in a loss of revenue for the Centre. Therefore, charges for hiring the facility are likely to increase unless more funding is received from the Council. The North Shore City Council currently gives the board of the Events Centre \$300,000 a year.

■ The 2011 Rugby World Cup will provide an opportunity for Auckland City Council to help Auckland's homeless population. The council has budgeted \$135,000 on a plan to help the city's homeless over the next three years. The Rev Wilf Holt is in charge of Auckland Rough Sleepers Initiative and says that the 2001 census recorded up to 300 homeless people in the central business district, many of whom have mental health problems, or were the victims of domestic violence or child abuse. The Rev Wilf Holt and Auckland city councillor, Dr Cathy Casey, recently went on a trip to Brisbane to learn about how that city had tackled the problem of homelessness.

■ The extension of Auckland International Airport's international terminal has now opened. The project cost \$47million and allows arriving and departing international passengers to be separated. A new level added to the existing international pier allows the two types of passenger to be separated for security reasons. In past years the international terminal had been operating with a waiver from the Civil Aviation Authority that allowed passengers to mix. In the new, tighter international security environment that waiver was withdrawn at the beginning 2006. The new additions to the international airport allow arriving passengers to leave the aircraft and travel along the original level to the arrivals processing area. The new level of the pier includes a more spacious retail area, a cafe, bar and fast food restaurant. Seating areas in the extension are provided beside floor-to-ceiling windows with views of the airfield and Manukau Heads.

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.