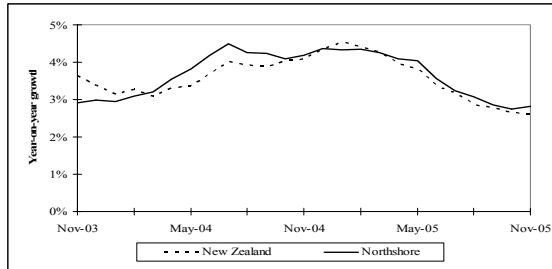


NORTH SHORE ECONOMIC MONITOR

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



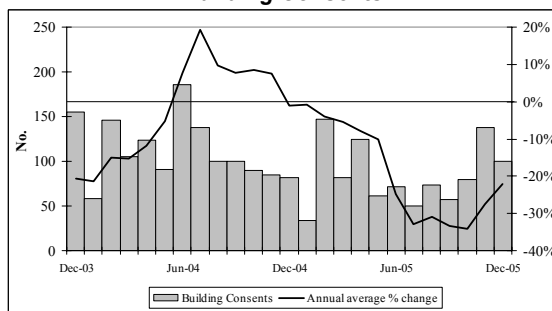
Source: APR Consultants

The APR index of economic growth is constructed from key indicators. The provisional growth index shows that the North Shore's economy has grown by 2.8% from the year ended year ended November 2004 to the year ended November 2005.

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.

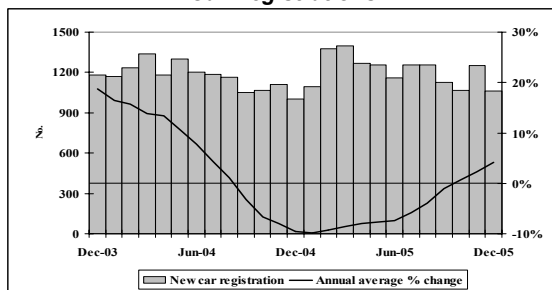
Building Consents



Source: Dept of Statistics Building Surveys and Vitals Section

While the number of building permits issued for new dwellings in North Shore was down from 138 recorded in November 2005 to 100 in December, this number of permits was higher than the 82 permits issued in December 2004. The annual average growth rate in number of new residential building permits issued in North shore was -22% for year to December 2005.

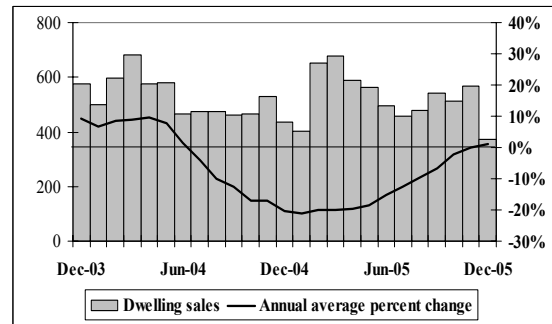
Car Registrations



Source: Land Transport Safety Authority

The 1,251 number of car registrations (including both new and ex-overseas car types) recorded in November decreased to 1,063 in December 2005. However, this figure was greater than the 1,001 car registrations recorded in December 2004. The annual average growth rate in the number of new and ex-overseas car registrations recorded in North Shore was 4.1% for the year to December 2005.

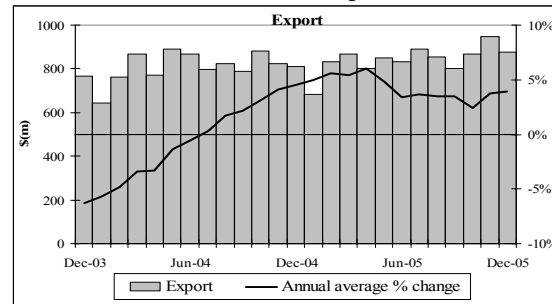
Residential Real Estate Sales



Source: Real Estate Institute of New Zealand

There were 374 homes sold during December 2005. This was the lowest number of sales recorded since October 2001. However, the median house sale price in the month of December 2005 remained high at a value of \$453,500. The annual average growth rate in the number of residential house sales was 1.0% for the year ended December 2005.

Overseas Cargo



Source: Statistics New Zealand

Auckland Region's exports edged lower in the last month of 2005. There was a total of 197,494 tonnes of cargo conveyed abroad during December 2005 (via Auckland's sea and air ports). The value of these exports was approximately \$878.2 million. This figure was below the \$948.8 million recorded in November 2005 but was an increase of \$68.4 million compared to December 2004 when \$809.7 million of goods was exported. The annual average growth rate in the value of exports from Auckland region was 3.9% for the year ended December 2005.

Summary

Auckland Region's exports edged lower in the last month of 2005. The number of house sales recorded in December 2005 in North Shore City was the lowest recorded since October 2001. However, the median house sale price in December was high at \$453,500. The number of new residential building consents issued in the December 2005 year decreased significantly compared to the number issued in the 2004 year. Overall, the rate of economic growth in the North Shore economy from the year ended year ended November 2004 to the year ended November 2005 was greater than the rate of economic growth that occurred in the national economy over the same time period.

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 Has Peaked

According to Statistics New Zealand, the Consumer Price Index [CPI] increased by 0.7% in the December quarter of 2005. This was lower than the estimates of 0.9% and 0.8% expected by the RBNZ and the market respectively. Quarterly movements for the last three quarters were 1.1%, 0.9% and 0.4% respectively. Annual inflation was 3.2% for the year to December 2005 whereas it was 3.4% for the September 2005 year.

All of the nine groups in the CPI recorded increases over the quarter. The housing, transportation and food groups made the largest contributions to the increase in the value of the index.

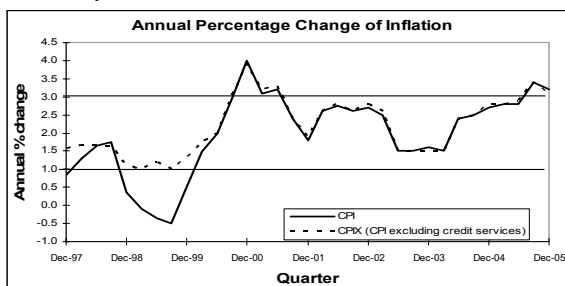
Over the last three months, prices in the housing group increased by 1.2%. In particular, prices for building and buying new dwellings rose by 1.6%. If construction prices had not increased, the CPI would have decreased by only 2.6%. Compared to a year ago, prices in the housing group increased by 5.8%. This was due to higher construction costs (6.4%↑), real estate agent fees (20.1%↑) and local authority rates (7.4%↑).

The quarterly index for the transportation group increased by 1.0% in the December quarter. The biggest upward contribution in this group came from international airfares. These prices increased by 12.3%. Notably this was the largest increase since the June quarter of 1981. This increase was predominantly caused by a seasonal lift in prices on Asian routes. Price falls on petrol (3%↓) and used cars (2%↓) partly offset the upward movements in the transportation group. Interestingly, on an annual basis petrol prices increased by 17.4% and international air travel dropped 3.2% whereas quarterly price movements for these moved in the opposite direction.

Led by an increase of 2.9% in the meat, fish and poultry subgroup, food prices were 0.5% higher than those three months ago. This brought annual food inflation to 1.5% for the year to December 2005.

Other groups, such as recreation and education (0.8%↑), personal and health care (0.4%↑) and apparel (0.5%↑) all showed small but positive movements over the quarter.

The fall of the annual CPI from 3.4% to 3.2% signals that inflation may have peaked. In response to this tentative signal the RBNZ did not increase the Official Cash Rate in January.



Source: RBNZ and Statistics NZ

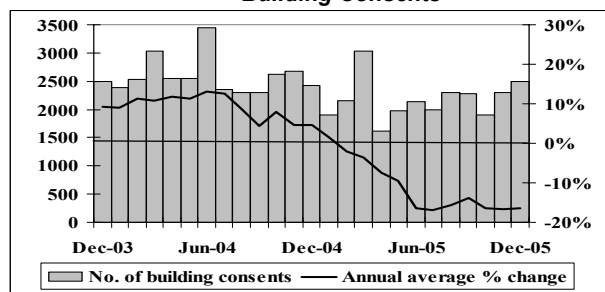
Exports Improved in December 2005

The latest statistics for the month of December 2005 showed that exports were valued at \$2,651 million. Exports of merchandise goods in December 2005 grew by \$110 million (or 4.3%) compared to the value of exports recorded in December 2004. Strong international demand for dairy products was the main driver behind the growth. Imports of merchandise goods were valued at \$2,943 million for December 2005. This figure was a decrease of \$124 million (or 4.0%) on the value of imports recorded in December 2004. The main causes of this decrease were falls in the importation of mechanical machinery and equipment, vehicles and fertilisers. This brought the monthly trade deficit to \$292 million. This result was slightly worse than the average deficit of \$279 million for December months during the last decade.

For the year to December 2005 merchandise exports totalled \$30,820 million, with a small growth of 0.4% (\$108 million) on the value of exports recorded in the year to December 2004. The value of imports however reached \$37,261 million for the year ended December 2005. This figure was an increase of \$2,345 million (or 6.7%) from the value of exports recorded for the year ended December 2004. As a result, the merchandise trade balance was a deficit of \$6,441 million. This deficit was the largest recorded for a calendar year.

Key Indicator Trends

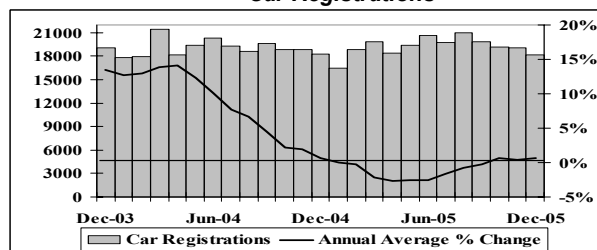
Building Consents



Source: Dept of Statistics Building Surveys and Vitals Section

There were a total of 2,491 permits issued for new residential dwellings nationwide during December 2005. The value of these permits was approximately \$484.6 million. This was the highest number of permits issued since April 2005, and was higher than the 2,416 new residential building permits issued in December 2004. The annual average growth rate in the number of new residential building permits issued in New Zealand was 16.3% for the year to December 2005.

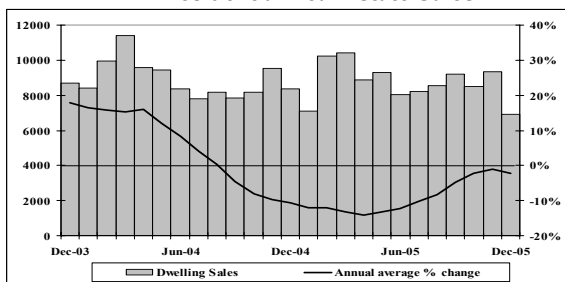
Car Registrations



Source: Land Transport Safety Authority

Since reaching a high in August of 2005, the number of car registrations has decreased. There were 18,139 cars (including new and ex-overseas car types) registered in the last month of 2005. This figure was down from 19,038 car registrations recorded in November, and was also lower than the 18,321 cars registered in December 2004. The annual average growth rate in the number of car registrations was 0.7% for the year ended December 2005.

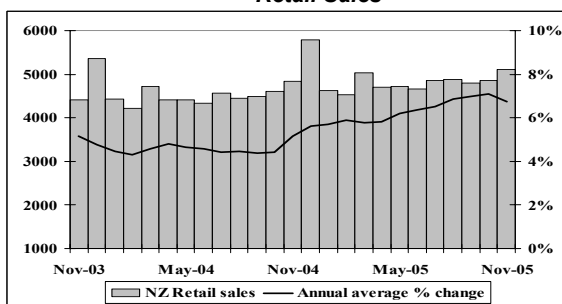
Residential Real Estate Sales



Source: Real Estate Institute of New Zealand

There were 6,906 house sales recorded in December compared with 9,357 recorded in November 2005. Comparatively, there were 8,377 house sales recorded in December 2004. The annual average percentage change in the number of residential house sales was -2.3% for the year ended December 2005.

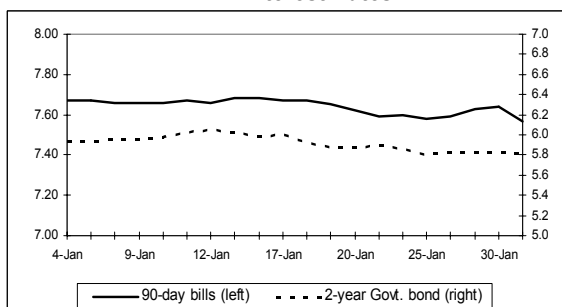
Retail Sales



Source: Business Statistics Section, Statistics New Zealand

National retail sales activity remained buoyant in November 2005. The value of sales totalled \$5,110.6 million during the month, up from \$4,895.5 million in October, and an increase of \$267.1 million (or 5.5%) compared to November 2004. The annual average growth rate in the value of national retail sales was 6.7% for the year to November 2005.

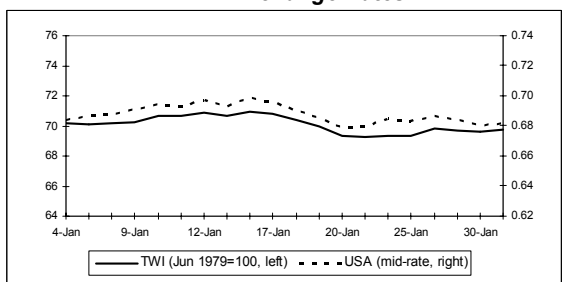
Interest Rates



Source: Reserve Bank of New Zealand

The statement released by the RBNZ in January 2006 indicated the end of monetary policy tightening for the current economic cycle. Consequently, wholesale interest rates fell. By the end of the month, 90-day bill rates had fallen to 7.57%.

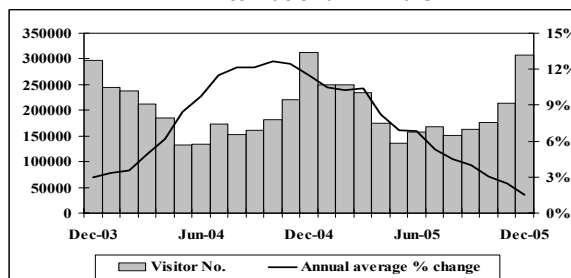
Exchange Rates



Source: Reserve Bank of New Zealand

The value of New Zealand dollar continued to depreciate against the value of our major trading partners' currencies during the first half of January 2006. However, the Kiwi dollar stabilised in the second half of January. By the end of the month the trade-weighted index stood at 69.8 points.

International Arrivals



Source: Statistics New Zealand

December is a peak season for the New Zealand's international tourism market. This was true for December 2005 when 307,100 short-term overseas tourists entered the country. Visitor numbers decreased by 5,957 (or 1.9%) on the number recorded in December 2004. The annual average growth rate in the number of international visitor arrivals to New Zealand was 1.5% for the year to December 2005.

Summary

Following flat GDP growth in the third quarter of 2005, the latest CPI figures suggest that inflation is beginning to abate. According to the New Zealand Institute of Economic and Research [NZIER], business confidence fell in the December 2005 quarter. A net 61% of firms expected general economic environment to deteriorate over the next six months. This is nearly double the number of firms who took a similar view in the previous quarterly NZIER opinion survey. This result was the most pessimistic since the March quarter of 1986.

The manufacturing sector was the most affected with a net 69% of firms expressing a negative opinion. Merchants were the least negative with a net 51% of firms feeling dismayed about the state of the economy compared with a net 26% who expressed a negative opinion in the September quarterly survey. Firms' investment intentions decreased from a net +3% in the previous survey to a net -15% in the latest survey. While firms are having difficulty finding employees, the ease at which they are able to find labour has improved. A net 33% of firms in the December quarter of 2005 reported having difficulty finding skilled labour compared with a net 61% in the same quarter last year. For unskilled labour a net 17% of firms had difficulty versus a net 40% in the December quarter of 2004. A net 4% of firms intend to reduce staff over the next three months whilst a net 5% have increased staff over the last three months.

■ The mayors of three Auckland cities have decided to send Auckland City Mayor Dick Hubbard to Wellington to present a case to Government ministers that Auckland councils should be given the power to toll motorists on existing roads to bridge a widening transport funding gap. Mr Hubbard has strong backing from the mayors of Waitakere and Manukau. However, North Shore Mayor George Wood believes the Government should not be allowed off the hook in taking the lead in introducing road tolls. Auckland Regional Council chairman Mike Lee, says that Aucklanders pay enough for new roads and other transport needs through taxes and should not have to carry an extra burden of tolls and costly infrastructure needed to collect them. The Auckland Mayoral Forum argues that tolling existing roads would let Auckland "take more responsibility for raising the funding needed to provide for the transport requirements of the region". Transit New Zealand bowed to pressure late in 2004 by agreeing to dig a one-way northbound tunnel under the Victoria Park area, one of the country's worst motorway bottlenecks, rather than a visually intrusive replacement viaduct over the park. However, Transit resisted building a two-way tunnel arguing that this was unaffordable. It is considering whether to toll parts or all of the route. The mayoral forum says collecting tolls for a national road-building account will not directly help Auckland to plug public transport funding gaps.

■ A recent report published by BERL [Business and Economic Research Ltd] says that North Shore was ranked eighth out of 73 local authorities, a leap from its 2004 placing of 15th. Overall rankings are based on how a region performs in residential population growth, Gross Domestic Product [GDP] growth, and growth in the number of businesses. The placing was established from a ranking of 17th in residential population growth, 10th in employment growth, 34th in GDP and third in business units growth. Employment growth and new business growth were two of the positive statistics, while North Shore's productivity rate was slightly disappointing. Rodney was second in residential population growth, 17th in employment growth, 28th in GDP growth and 21st for business units growth.

■ North Shore City Council is considering whether to buy the privately-owned Devonport Theatre. The value of theatre ownership lies in its heritage value. Three options have been proposed, including purchasing and leasing, not purchasing, or purchasing and placing a heritage covenant on, then selling Victoria Theatre. From 4,579 submissions received, 70 per cent favoured option one, buying the building then leasing it out. This option is estimated to involve \$2m - \$1.55m to purchase the building, \$495,000 to upgrade and \$122,000 a year for maintenance. Victoria Theatre was built in 1912. A major alteration in 1929 gave the building its current distinctive appearance.

■ The new principal of Rangitoto College David Hodge, 51, will officially take up his role on February 1 2006. Mr Hodge is currently principal of Tamaki College. Mr Hodge says his management style is to be authentic, honest, ethical and transparent. He also believes the principal sets the vision for the school. Mr Hodge says he hasn't yet made any decisions or changes to staff or management but says "Parents want a safe environment where their child can flourish, feel relaxed and accepted and get the best education".

■ The draw to find out which players will face off in the New Zealand versus Lebanon Davis Cup tennis tie will be held in North Shore City's council chamber on February 9, 2006. After a powhiri and welcome by the council and Tennis New Zealand the official draw will be made in Takapuna by North Shore City mayor, George Wood. This will occur under the watchful view of an International Tennis Federation representative. If New Zealand wins it will play either Kuwait or Kazakhstan in April.

■ The Department of Labour's Job Vacancy Index decreased by four per cent between December 2004 and December 2005. This was the lowest growth rate since the index was first published. In spite of the fact that growth is slowing the current number of vacancies is high compared to the number recorded in 2003 primarily due to a robust labour market. Regions with the highest year-on-year growth (based upon a 12 month moving average) were: West Coast (47%), Northland (29%) and Gisborne (27%), whereas those with lowest growth were Nelson/Tasman (-13%), Auckland (-4%) and Marlborough (0%). The decrease in the number of jobs advertised for Auckland is a major contributor to the overall national level slow-down in vacancy growth and symptomatic of an economy whose growth is starting to wane.

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.