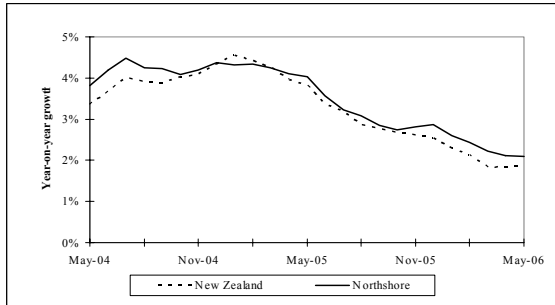


The North Shore Economic Monitor is a monthly publication prepared for Enterprise North Shore. This newsletter contains the latest trends in economic indicators and business confidence.

Economic Growth



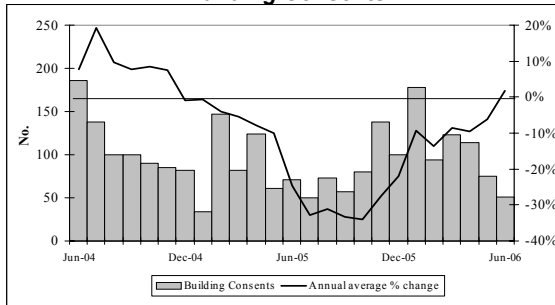
Source: APR Consultants

The APR index of economic growth is constructed from key indicators. The annual average growth rate in North Shore's provisional growth index was 2.1% for the year ended May 2006.

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.

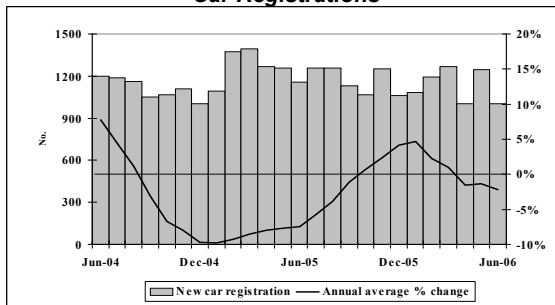
Building Consents



Source: Dept of Statistics Building Surveys and Vitals Section

There were 51 consents issued for new dwellings in North Shore during June 2006, the lowest number issued since August 2005. The annual average growth rate in the number of new building consents issued in North Shore was 1.7% for the year to June 2006.

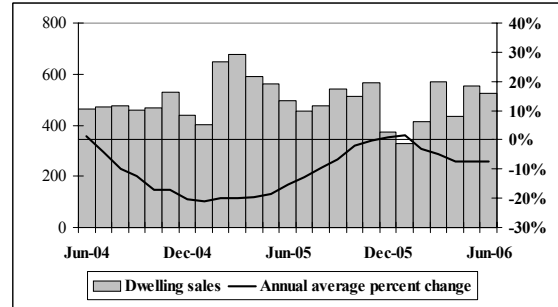
Car Registrations



Source: Land Transport Safety Authority

A total of 1,003 cars (including both new and ex-overseas car types) were registered in local postal offices during the month, down by 241 on the number recorded in May 2006, but almost the same number as recorded in April 2006. The number of car registrations recorded in June 2005 was 1,159. The annual average growth rate in the number of car registrations recorded in North Shore City was negative 2.2% for the year ended June 2006.

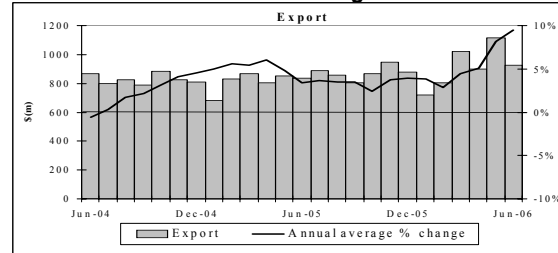
Residential Real Estate Sales



Source: Real Estate Institute of New Zealand

The level of activity in North Shore's housing market eased slightly in June 2006. There were a total of 527 houses sold during the month, with a median sale price of \$475,000. The number of sales dipped slightly from the 553 sales recorded in May 2006, but represented an increase on the 495 sales recorded in June 2005. The annual average growth rate in the number of house sales in North Shore was negative 7.3% for the year ended June 2006.

Overseas Cargo



Source: Statistics New Zealand

Following a boom in May 2006, the export sector ebbed down in the Auckland Region in June 2006. There were a total of 203,200 tonnes of cargo conveyed abroad via Auckland's sea and air ports during the month, with a combined value of around \$925.6 million. This value was lower than the high of \$1,116.9 million recorded in May 2006 but nevertheless exceeded the \$834.6 million of cargo conveyed abroad in June 2005. The annual average growth rate in the value of exports abroad from Auckland Region was a robust 9.5% for the year ended June 2006.

Summary

The annual average growth rate in North Shore's provisional growth index was 2.1% for the year ended May 2006. Growth rates for many of North Shore's key economic indicators for the year ended June 2006 mirrored the current slowdown in the growth of New Zealand's economy. As the lagged effects of exchange rate depreciation manifest over the next two years, the New Zealand economy will rebalance with GDP growth switching from being driven by domestic consumption to being led by returns from exporting.

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.

NZ Inflation Remained High

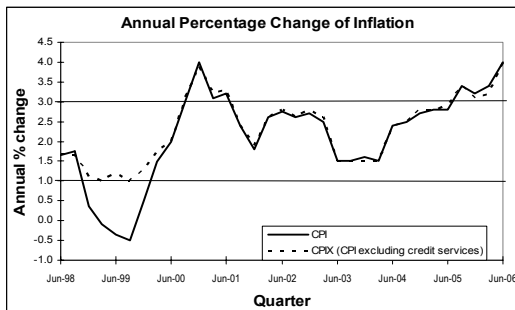
According to Statistics New Zealand (SNZ), the Consumer Price Index (CPI) rose by 1.5% over the June 2006 quarter. This was above the market and the Reserve Bank of New Zealand's (RBNZ) expectations. This followed an increase of 0.6% recorded in the March 2006 quarter and 0.7% recorded in the December 2005 quarter. From the June 2005 quarter to the June 2006 quarter the CPI rose 4.0%.

Prices in seven out of nine CPI groups increased over the June 2006 quarter. The transportation group made the biggest contribution to the CPI surge. It alone accounted for 10.4 points out of a total CPI index increase of 18.0 points. Prices in this group were 5.5% higher than three months ago and represented the largest quarterly increase recorded since the December 1986 quarter. Not surprisingly, the price of petrol was the culprit. The price at the petrol pump rocketed 14.7% between the March 2006 and June 2006 quarters, the largest quarterly percentage increase since the year to September 1984. If this item was excluded, the overall CPI would have increased by only 2.9%. On an annual basis petrol prices increased by 32.2%.

International airfares were up 7.1% (and 8.7% annually), adding 0.2 percentage points to the CPI. Backed by sales and construction prices for new dwellings (1.4%↑), the housing group increased by 1.2% over the June 2006 quarter and took the annual percentage increase in this group to 4.8%. The third contributor to the quarterly CPI increase came from the household operation group, which recorded 1.4% growth over the June 2006 quarter. More expensive electricity bills (3.0%↑) and telephone rental and connection costs (4.5%↑) made significant contributions to the quarterly price increases in this group.

Price falls in meat, fish and poultry (2.2%↓) and accommodation and board (3.7%↓) partly offset the upward quarterly percentage CPI growth over the June 2006 quarter.

The June 2006 quarterly increase in the CPI was greater than that forecast by the New Zealand Treasury and confirms that inflation pressures will be high in the short-term. A continuing slowdown in domestic demand should gradually ease inflation pressures.



Source: Reserve Bank of New Zealand and Statistics New Zealand

OCR On Hold at 7.25%

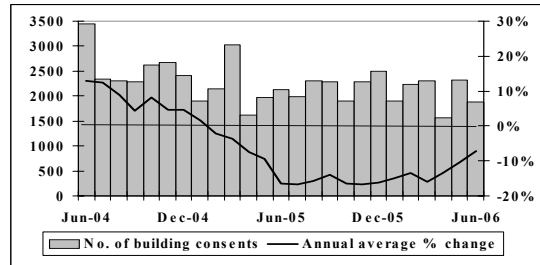
Despite New Zealand inflation exceeding the one to three percent target range, the RBNZ left the Official Cash Rate (OCR) unchanged at 7.25% in its latest review. This outcome was consistent with market expectations.

The larger than expected increase in the June 2006 quarter CPI has not changed the RBNZ's opinion about 'holding' the OCR. There is little chance that oil prices will fall in the short-run, given the ongoing troubles in the Middle East and the US's persistent nuclear related issues with Iran. In addition, the renewed strength in house price appreciation, together with large price increases for fresh fruit and vegetables this winter (due to cold weather) all suggest that headline inflation will remain strong over the September 2006 quarter.

The RBNZ predominantly focuses on second round price effects and medium-term inflation expectations. The RBNZ expects economic growth to remain subdued over 2006 and 2007 and is therefore unlikely to further increase the OCR beyond its present rate.

Key Indicator Trends

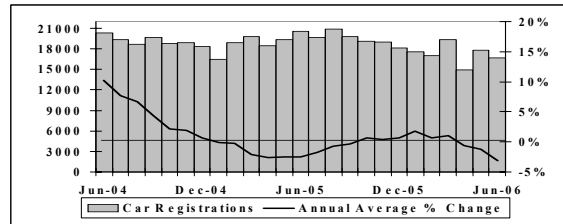
Building Consents



Source: Dept of Statistics Building Surveys and Vitals Section

New Zealand's residential construction market was flat in June 2006. The number of consents issued for new dwellings dropped below 2,000 during the month. These had a combined value of \$448.6 million. The number of consents issued in June 2006 was well below the 2,328 consents issued in May 2006 and the 2,129 consents issued in June 2005. The annual average growth rate in the number of new building consents issued in New Zealand was negative 7.2% for the year ended June 2006.

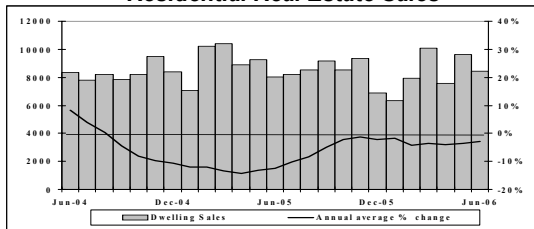
Car Registrations



Source: Land Transport Safety Authority

There has been a degree of volatility in the number of national car registrations recorded over the past three months. A total of 16,657 cars (including both new and ex-overseas car types) were registered during June 2006, down from 17,805 registered one month earlier. Interestingly, this was greater number than a recent low of 14,914 car registrations recorded in April 2006 but less than the 20,604 registrations recorded in June 2006. The annual average growth rate in the number of New Zealand car registrations was negative 3.1% for the year ended June 2006.

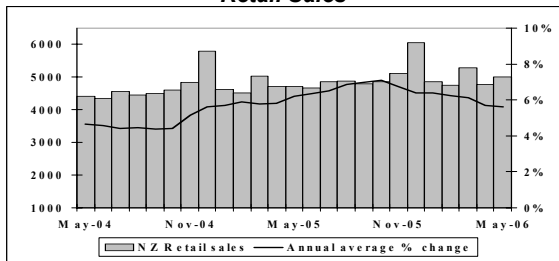
Residential Real Estate Sales



Source: Real Estate Institute of New Zealand

New Zealand's median house sale price reached a new high in June 2006 (\$310,000) and the volume of sales increased by 5.0% between June 2005 and June 2006. The annual average growth rate in the volume of New Zealand house sales was negative 2.9% for the year ended June 2006.

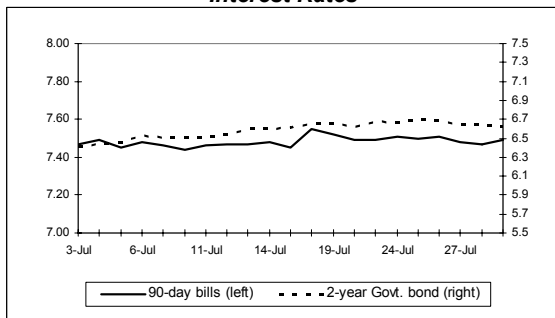
Retail Sales



Source: Business Statistics Section, Statistics New Zealand

Retail sales activity remained buoyant nationwide in May 2006. The value of sales reached \$5,011.6 million during the month, sitting above the levels of \$4,781.8 million and \$4,716.4 million recorded in April 2006 and May 2005 respectively. The annual average growth rate in the value of retail sales in New Zealand was 5.6% for the year ended May 2006.

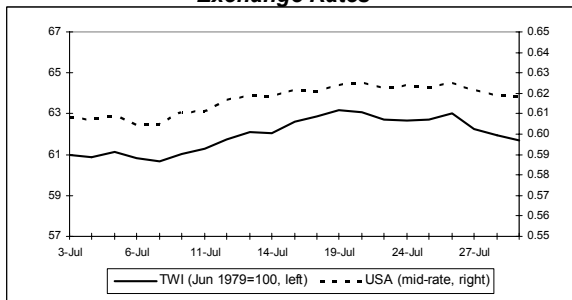
Interest Rates



Source: Reserve Bank of New Zealand

Concern about New Zealand's short-run inflation outlook caused wholesale interest rates to increase in mid-July 2006. However, 90-day interest rates fell after the RBNZ's OCR Review, and stood at 7.5% by the end of the month.

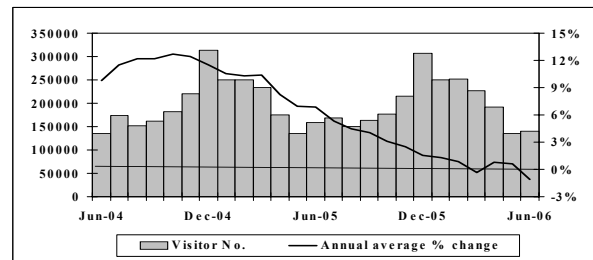
Exchange Rates



Source: Reserve Bank of New Zealand

New Zealand's exchange rate appreciated for the first three weeks of July 2006 largely due to a weak US dollar. However, the fact that the RBNZ held the OCR at 7.25% caused the Kiwi dollar to slide in the last week of July. By the end of the month, NZ \$1.00 was worth around US \$0.62 and the Trade-Weighted Index (TWI) stood at 61.7 points.

International Arrivals



Source: Statistics New Zealand

The number of New Zealand international visitor arrivals remained subdued in June 2006. While international arrivals rose from 135,279 recorded in May 2006 to 139,891 recorded in June 2006, they decreased by 11.1% compared to the number recorded in June 2005. The annual average growth rate in the number of visitor arrivals to New Zealand was negative 1.1% for year ended June 2006.

Summary

The National Bank's (NB) Business Confidence Survey for July 2006, showed that a net 31% of firms surveyed expected the general business environment to deteriorate in 12 months time. In June's NB Confidence Survey a net 32% of firms took a similar viewpoint.

A high level of pessimism was present in all business sectors. Farmers were the most pessimistic with a net 38% of those surveyed expecting the general economic situation to have deteriorated in 12 months time. Both retailers and farmers were pessimistic with a net 37% and a net 34% respectively expecting conditions to worsen in a years time. Manufacturers and services firms were less pessimistic; nevertheless pessimists outnumbered optimists by 28% and 26% respectively. However, firms remained positive about their own level of business activity with a net 15% of firms surveyed expecting to increase their level of activity (by volume) and a net 2% expecting to have employed more staff in a years time.

Westpac's Employment Confidence Survey Index (ECSI) for the June 2006 quarter stood at 127.3 points. This was the same value as that measured in the March 2006 quarter (>100 indicating more optimists than pessimists). The level of optimism amongst workers surveyed reflects a tight labour market which continues to provide a basis for steady wage growth.



NORTH SHORE ECONOMIC MONITOR

▪ North Shore City Council has bought Victoria Theatre in Devonport for \$1.55m, and temporarily closed it to make safety improvements. The \$1.55m purchase price was made up of \$1m of council loan funding and \$495,000 from the Narrowneck Endowment fund. Until the council owned the building, work including re-wiring and repairing a leak in the roof could not be carried out. North Shore City community liaison manager, Lisa Tocker, says the urgent work on the building had already been budgeted for. North Shore City Council decided to buy Victoria Theatre to preserve the building's heritage value, and after public consultation showed support for its purchase.

▪ An appeal to the Environment Court which would allow Birkenhead Library and Civic Centre to be re-built on Nell Fisher Reserve, will delay the project by months. There has been a library on Nell Fisher Reserve for more than 50 years with this location being an ideal for situating a library as well as other community facilities such as Plunket rooms and the Citizens Advice Bureau. The old Birkenhead Library building has been demolished and Nell Fisher Reserve fenced off for public safety. The temporary library premises remain at Birkenhead Leisure Centre.

▪ A call from police for a boy racers' bylaw covering the North Harbour industrial estate is getting a lukewarm reception from North Shore City Council. Council officers are concerned the problem could be pushed from the industrial area into residential neighbourhoods. Council's transport project manager Ken Lee-Jones says there could be a problem proving people don't have a "legal reason" to be in an area. Moving the problem out of the industrial estate might push the street racing into residential areas. Council officers will present a report looking at the pros and cons of a boy racer bylaw to the council later this year.

▪ Four councillors have rebelled against North Shore City Council's decision to increase the average rates bill by 9.5% from July 2006 onwards. Councillors Julia Parfitt, Andrew Eaglen, Callum Blair and Heather Brown also oppose the council's spending plans for the next ten years. Shore ratepayers are now locked into significant rate rises for the next ten years, warns Mr Eaglen. Rates will increase an average of 8% a year over the ten-year city plan. Mr Eaglen is disappointed the council voted for numerous major projects in the city plan that Shore residents don't want. A prime example is spending \$60 million on a "city library" at Albany, says Mr Eaglen. The council had the option of building a smaller library and the public didn't support a city library being built, he says. Increased spending on economic development projects, despite the lack of public support, is another example says Mr Eaglen. Mrs Brown also strongly opposes the rates rise. Mrs Brown is against the \$784m spending on transport projects. Mayor George Wood strongly defends the need to increase rates so substantially. North Shore needs a comprehensive infrastructure programme to take advantage of subsidies for roading projects from Land Transport New Zealand and development contributions, he says. People want a high standard of infrastructure in the North Shore city and the \$1.7 billion spending on capital projects over 10 years will soon dissipate, says Mr Wood.

▪ The council has paid \$3.1 million for the house and land at 511 and 511A Beach Rd, behind Murrays Bay Sailing Club. Situated on a hillside, the property overlooks the sailing club facing the beach. The council hopes the sailing club, which is a breeding ground for world-class sailors, will agree to move into the property so it can extend the beachfront reserve.

▪ House prices in parts of the North Shore could fall by up to 20% because of noise from a planned commercial airport at Whenuapai, protesters say. Opponents say homes in Rothesay Bay, Greenhithe and Paremoremo would be affected, but North Shore mayor George Wood says the claims are speculative. The Whenuapai Airport Action Group told this month's strategic management committee that aeroplanes over the North Shore will cause too much noise. It could lower house prices by 15 to 20 percent," group president Russell Stewart said. "North Shore residents would bear the brunt of aircraft landing noise and with a flight every 15 to 20 minutes, noise disruption will be unacceptable and people will sell up," said Mr Stewart. North Shore City Council has to consult residents in the proposed flight path before supporting Waitakere City Council's plan, says Roger Hadfield, a member of the group. North Shore City Council is yet to make a submission on Waitakere City Council's proposed plan change for the Whenuapai airbase.

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.