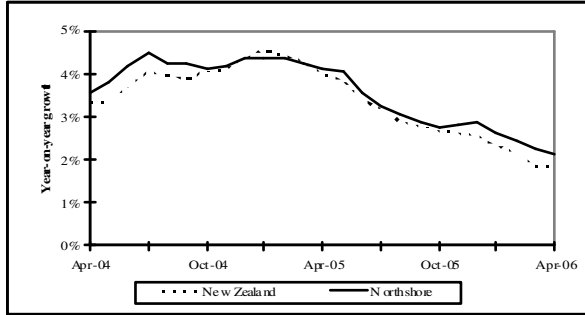


NORTH SHORE ECONOMIC MONITOR

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



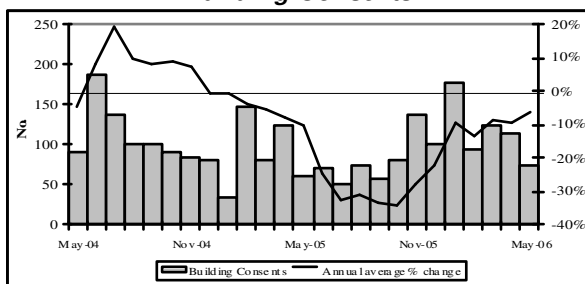
Source: APR Consultants

The APR index of economic growth is constructed from key indicators. The annual average growth rate in the index for New Zealand and the index for North Shore shows that North Shore's economy has grown at a faster rate than the national economy between the year ended April 2005 and the year ended April 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.

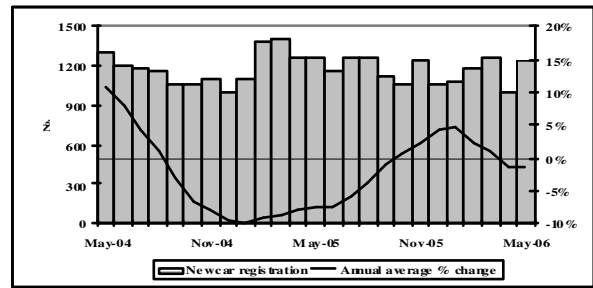
Building Consents



Source: Dept of Statistics Building Surveys and Vitals Section

The residential building sector remained sluggish in North Shore in May 2006. Only 75 consents were issued for new dwellings during the month, down significantly from 114 consents issued in April 2006. This exceeded the 61 consents issued in May 2005. The annual average growth rate in the number of new building consents issued in North Shore was negative 6.2% for the year ended May 2006.

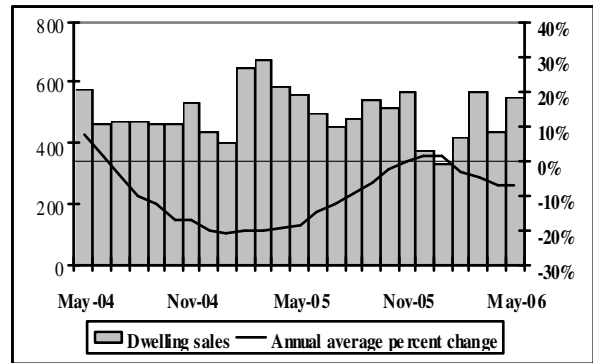
Car Registrations



Source: Land Transport Safety Authority

A dip in the number of car registrations recorded in North Shore over the past few months 2006 was short-lived. There were 1,244 cars (including both new and ex-overseas car types) registered in local postal offices during May 2006, up from 1,002 cars registered in April 2006. However, this was slightly below the 1,258 car registered in May 2005. The annual average growth in the number of car registrations recorded for North Shore was negative 1.3% for the year to May 2006.

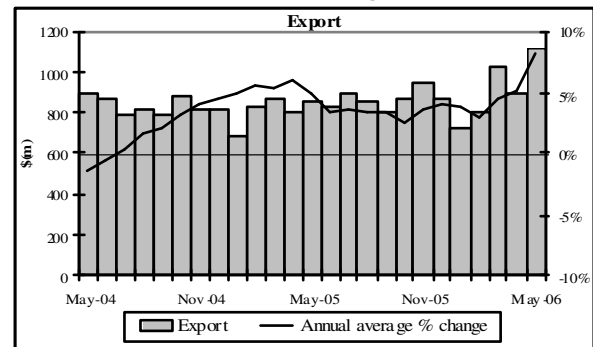
Residential Real Estate Sales



Source: Real Estate Institute of New Zealand

The level of activity in North Shore's residential property market rebounded in May 2006. A total of 553 homes were sold during the month, with a median sale price of \$470,000. The volume of sales was close to the 571 sales recorded in March 2006 and the 562 sales recorded in May 2005 but greater than the 435 houses sold in April 2006. The annual average growth rate in the volume of house sales in North Shore was negative 7.4% for the year ended May 2006.

Overseas Cargo



Source: Statistics New Zealand

Helped by the weaker New Zealand dollar, regional exports boomed in May 2006. A total of 233,110 tonnes of cargo were conveyed overseas (via Auckland's sea and air ports) during the month. This tonnage was worth around \$1,116.9 million and was a

new high (note the old high of \$1,019.2 million was recorded only two months ago). The annual average growth rate in the value of exports conveyed abroad from Auckland Region was a robust 8.2% for the year ended May 2006.

Summary

North Shore's economy has grown at a faster rate than the national economy between the year ended April 2005 and the year ended April 2006. Key economic indicators for May 2006 suggest that activity in most areas of North Shore's economy have rebounded mirroring a national trend.

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.

Moderate GDP Growth

In contrast to a fall of 0.1% that occurred over the December 2005 quarter, Gross Domestic Product (GDP) increased 0.7% over the March 2006 quarter. This result was in line with market expectations, but was slightly better than the 0.5% expected by the Reserve Bank of New Zealand (RBNZ). Annual GDP increased by 2.2% for the year ended March 2006, down from the 3.7% growth recorded for the March 2005 year.

Ten of out of 11 main industry sectors recorded growth over the quarter. The service industries grew by 0.9% and remained the driving force behind the growth in GDP. Driven by a 2.2% growth in the finance industry, activity in the finance, insurance and business services group grew by 0.7% over the past three months. This area made the biggest contribution to the services sector as a whole. Personal and community services helped by strong activity in cultural and recreational services (+3.9%↑), also showed robust growth, up 1.5% quarterly and 2.3% for the March 2006 year. Thanks to the central government's role (+3.9%↑), government administration and defence rose 3.2% in the first quarter and a massive 12% over the year ended March 2006.

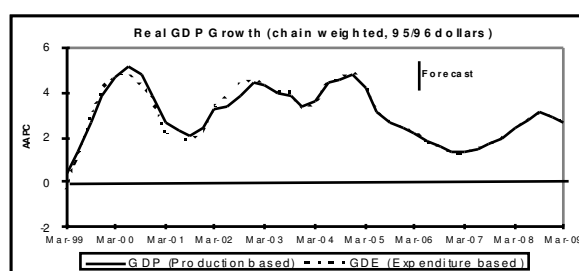
Primary industries grew by 1.3% over the March 2006 quarter. Key drivers of growth were agricultural production (+1.5%↑) and mining (+6.2%↑), together with growth in dairy farming (+1.7%↑) and wool output (+5.6%↑). However, quarterly percentage decreases of 15.3% in fishing and 0.4% in forestry and logging partly offset the positive trend.

The goods-producing industries recorded moderate growth of 0.5% over the March 2006 quarter.

Specifically, manufacturing production rose by 0.3%, a mixed result largely caused by increases in food, beverage and tobacco (+1.8%↑), with falls in metal, machinery and equipment products.

Driven by non-residential building, growth in construction was up 1.7% over the March 2006 quarter. Growth in the electricity, gas and water group decreased by 0.7% over the March 2006 quarter. A shift from hydro (cheaper cost) to thermal (more expensive cost) generation, dragged down the 'value added' within the industry and led to a decrease of 4.6% for the year to March 2006.

Overall, economic activity improved slightly over the March 2006 quarter which was in line with the RBNZ's expectations. Therefore, the RBNZ will likely continue with its neutral monetary policy in the short-term.



Source: NZIER and Statistics New Zealand

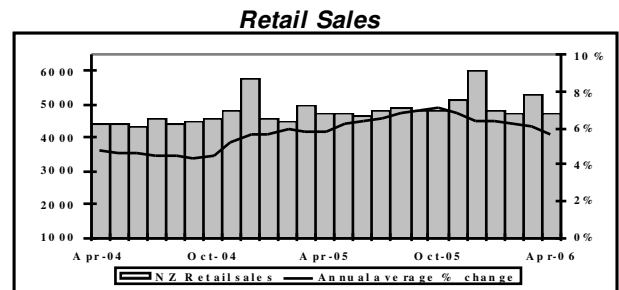
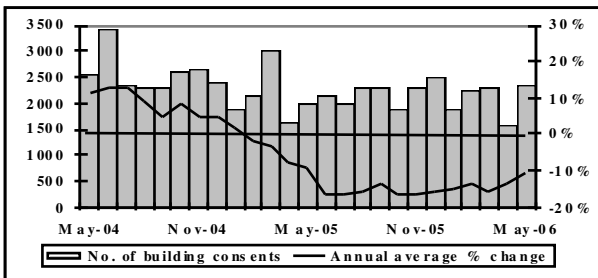
Current Account Deficit Worsened

New Zealand's Current Account Deficit (CAD) reached \$2,688 million (not seasonally adjusted) in March 2006, which was worse than the market median forecast of \$2,200 million. This pushed the annual CAD to \$14.5 billion which is equivalent to 9.3% of GDP. New Zealand now has the largest CAD since the mid-1970s and has the third largest CAD amongst OECD countries.

A worsening in the investment income balance, unfortunately cancelled out an improved net balance for goods and services exports. Lower income for New Zealand investments overseas and higher earnings for foreigners who have invested in New Zealand saw the investment deficit rise from 2,852 million in the December 2005 quarter to 3,093 million (partly due to increased interest payments) in the latest quarter. However, the balance in goods and services changed from a deficit of \$1,245 million in the December 2005 quarter to a surplus of \$332 million in the March 2006 quarter.

Key Indicator Trends

Building Consents

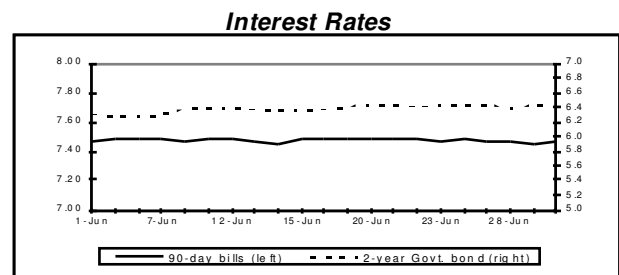
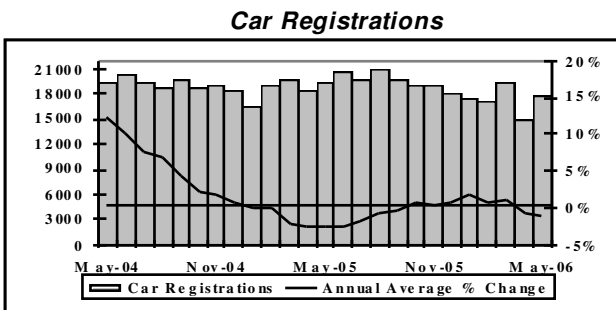


Source: Dept of Statistics Building Surveys and Vitals Section

Source: Business Statistics Section, Statistics New Zealand

Activity in the New Zealand dwelling construction market strengthened in May 2006. Compared to April 2006, the number of consents issued for new dwellings increased from 1,558 to 2,328. The value of consents was \$548.4 million and was the second highest level recorded over the past 12 months. The annual average growth rate in the volume of consents issued in New Zealand increased from negative 13.5% for the year ended April 2006 to negative 10.6% for the year ended May 2006.

Following strong sales in March 2006, retail sales activity levelled off in April 2006. The value of sales fell from \$5,277.6 million in March 2006 to \$4,781.8 million in April 2006. However, this figure was greater than the \$4,710.1 million of sales recorded for April 2005. The annual average growth rate in the value of retail sales recorded for New Zealand was 5.7% for the year ended April 2006.

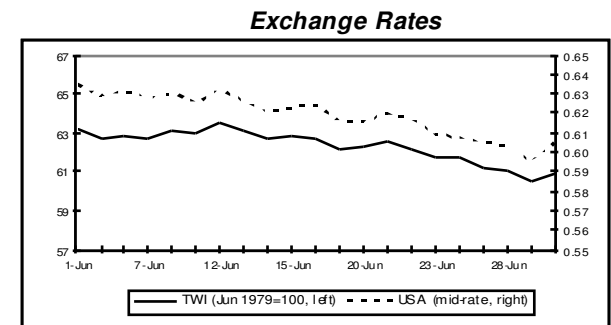
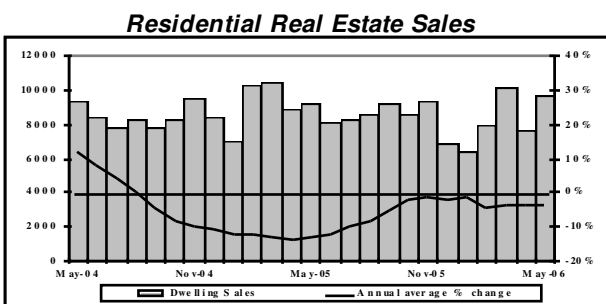


Source: Land Transport Safety Authority

Source: Reserve Bank of New Zealand

The number of national car registrations rebounded in May 2006. There were a total of 17,805 cars (including both new and ex-overseas types) registered during the month, up from 14,914 cars registered in April 2006, but still below the 19,377 car registrations recorded in May 2005. The annual average growth rate in the number of car registrations recorded for New Zealand was negative 1.3% for the year to May 2006.

The New Zealand wholesale interest rate market remained stable in June 2006, with little response to information released concerning modest GDP growth over the March 2006 quarter. This saw the 90-day bill rates settle at 7.46% by the end of the month (in comparison with 7.48% at the end of May 2006).



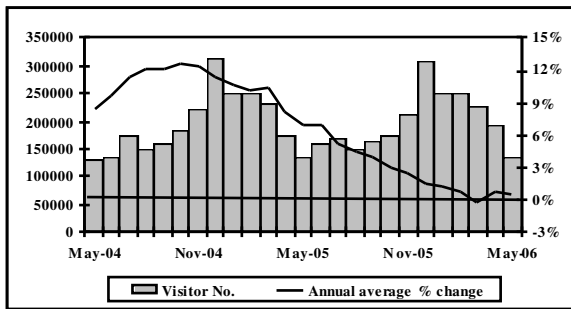
Source: Real Estate Institute of New Zealand

Source: Reserve Bank of New Zealand

Activity in the residential property market improved nationwide in May 2006. The number of house sales reached 9,642 during the month, an increase of 2,066 on the number recorded in April 2006, and 3.9% greater compared to the number recorded in May 2005. The annual average growth rate in the volume of house sales in New Zealand was negative 3.7% for the year ended May 2006.

Weaker than expected New Zealand trade data, together with a rise of 25 basis points in the US fund rate briefly drove the New Zealand dollar below US \$ 0.6 near the end of June 2006. However, by the end of the month the Trade-Weighted Index (TWI) stood at 61.0 points.

International Arrivals



Source: Statistics New Zealand

A total of 135,279 international short-term visitors entered New Zealand during May 2006, the lowest number recorded since July 2004 (largely due to a decrease in European visitors). The annual average growth rate in the number of international visitor arrivals to New Zealand was 0.6% for the year ended May 2006.

Summary

According to National Bank's (NB) Business Confidence Survey for June 2006, business confidence was largely unchanged in June 2006 compared to May 2006. A net 32% of firms expected that the overall economic situation will deteriorate in 12 months time. A net of 46% of farmers surveyed expected that conditions will get worse. Not quite as pessimistic were builders (a net -33%), retailers (a net -32%) and manufacturers (a net -32%). The least pessimistic group were those in the services industries where a net 28% of respondents believed that conditions will be worse in 12 months time. When considering their own business activity firms were more optimistic with a net 17% expecting their level of activity (in terms of volume) to have increased in 12 months time.

The Westpac McDermott Miller Consumer Confidence Survey for the June 2006 quarter showed that consumer confidence has decreased from 109.3 as at March 2006 to 106.0 as at June 2006 (>100 indicates more optimists than pessimists). This was the lowest level of confidence measured since September 2000.

NORTH SHORE ECONOMIC MONITOR

▪ A spat over funding for a proposed Orewa community arts centre has been resolved. Twelve forum members attended the Rodney District Council deliberations in June. Some councillors wanted to see a loan of \$100,000 to the arts centre instead of a grant, says council spokesman Mike Isle. A draft floor plan for the building has been drawn up and includes two galleries, a workshop and lecture space. The building on Orewa's Western Reserve is owned by the council and its future use will be decided as part of the Western Reserve Management Plan. The draft Western Reserve Management Plan, which includes the KFC building, goes out for public consultation in July 2006.

▪ A decision to introduce new 40-litre rubbish bags in addition to the existing 60 litre bags is not a money-making exercise, North Shore City Council says. Waste minimisation team leader Bradley Nolan says the decision to dump the coupon system and introduce the smaller bags was well considered. Mr Nolan's comments came after concerns by North Shore residents that the council may be planning to introduce the smaller rubbish bags as a money-making scheme. Some residents have also raised concerns the new bags signal a plan to stop the production of the larger existing bags. Mr Nolan says there will be no change to the 60 litre bags as the council has signed a three-year contract with the bags' manufacturer.

▪ Takapuna and Browns Bay are likely candidates for ferry terminals in the future, says a report commissioned by the Auckland Regional Transport Authority on possible new ferry sites in the Auckland region. A terminal at Browns Bay ranks second in the Auckland region as a possible site based on the route, ferry berth and geography of the proposed site. Takapuna ranks ninth. A second table based on suitability and investment return, places Takapuna fourth and Browns Bay eighth.

▪ Police removed two men from the North Shore City Council chamber before councillors voted to increase rates by about 9.6%. The figures are part of the draft city plan that must be independently audited before it is formally adopted by the North Shore City Council at the end of this month. Former army major Bob Pope and Marcus Coverdale were ejected from the chamber by three police officers after Mr Coverdale took to his feet and addressed councillors in the middle of a speech by Mayor George Wood. Mr Wood called for order before declaring the meeting adjourned. He left the chamber but three councillors remained while Mr Coverdale continued speaking.

▪ More buses and high occupancy lanes are being looked at to solve roading woes through the North Harbour industrial estate. A traffic demand implementation plan has been drawn up by the Auckland Regional Transport Authority, North Shore City Council, Transit, Enterprise North Shore, the Albany Basin Business Association and others. In the morning the roads are congested the same as other parts of Auckland and the problem is diabolical between 4pm and 6pm. Especially since traffic on William Pickering and Bush Road backs up. The problem emanates from the fact that North Harbour is not a heavy industrial area but contains predominantly warehouse and office space. Therefore many workers travel out of the area at around 4.30pm causing congestion.

▪ North Shore has a brand new policing centre located at 52 Parkway Drive in Mairangi Bay, near Constellation Drive, Park and Ride. The North Shore Policing Centre will provide a base for CIB, Youth Aid, and Prosecutions. The location of this modern, purpose built policing centre reflects changing demographic and population trends occurring on the Shore and is designed to better meet community and policing needs. The North Shore Policing Centre is located close to state highway one and to state highway 18 leading to Waitakere city, enabling quick deployment of police vehicles. Planning for the North Shore Policing Centre began in 1999 and is designed to serve the accommodation needs of the North Shore police for the next 20 years.

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.*