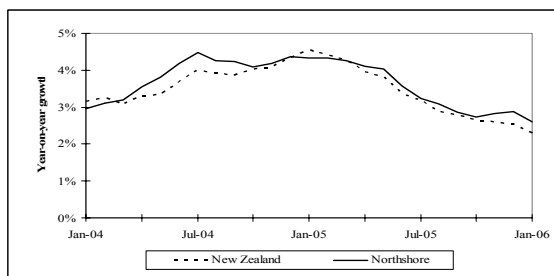




NORTH SHORE ECONOMIC MONITOR

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



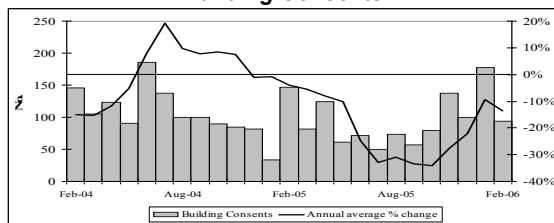
Source: APR Consultants

The APR index of economic growth is constructed from key indicators. The annual average growth rate in the provisional index shows that growth in North Shore's economy for the year ended January 2006 was slightly above that which occurred in the 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.

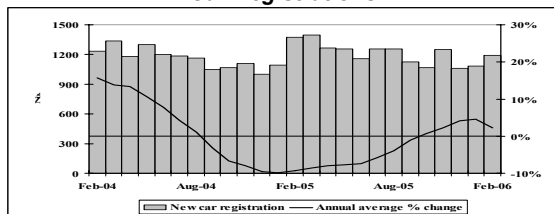
Building Consents



Source: Dept of Statistics Building Surveys and Vitals Section

The local residential building market worsened in February 2006. Only 94 consents were issued for new dwellings during the month, worth around \$22.7 million. The number of consents issued in February 2006 was below the 178 and 147 recorded in January 2006 and February 2005 respectively. The annual average growth rate in the number of new building consents issued in North Shore City was -13.5% for the year to February 2006.

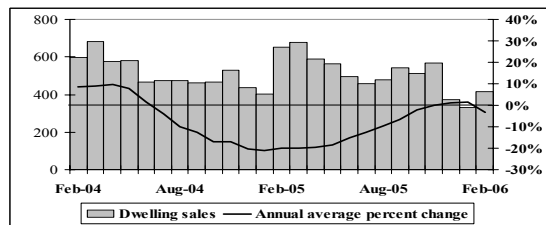
Car Registrations



Source: Land Transport Safety Authority

Compared with 1,085 cars registered in January 2006, local car registrations increased to 1,194 (including both new and ex-overseas car types) in February 2006. There were 1,374 cars registered in February 2005. The annual average growth rate in the number of car registrations recorded in North Shore City was 3.3% for the year ended February 2006.

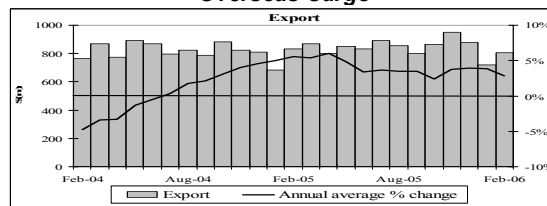
Residential Real Estate Sales



Source: Real Estate Institute of New Zealand

North Shore's dwelling property sector has been flat over the past few months. While the volume of sales rose from 329 in January 2006 to 415 in February 2006, this number was significantly lower than the 650 sold in February 2005. The median house sale price in North Shore City has fallen from \$460,000 in January 2006 to \$432,000 in February 2006. The annual average growth rate in the volume of house sales in North Shore was -3.2% for the year to February 2006.

Overseas Cargo



Source: Statistics New Zealand

There was total of 181,681 tonnes of cargo conveyed abroad (via Auckland's sea and air ports) during February 2006. This tonnage was valued at around \$804.5 million. The value of exports exceeded January's level by \$84.5 million, but was below the \$831.2 million exported in February 2005. The annual average growth rate in the value of exports from Auckland Region was 2.9% for the year to February 2006.

Summary

The annual average growth rate in the number of car registrations recorded in North Shore City was 3.3% for the year to February 2006 whereas for New Zealand growth in car registrations over the same period was 0.6%. Annual average growth in housing market activity for North Shore was -3.2% for the year to February 2006 whereas for New Zealand as a whole, annual average growth in residential house sales was slightly less at -4.1% over the same period. Annual average growth rates in the number of new residential building consents issued in North Shore City and New Zealand were -13.5 and -13.6% respectively for the year to February 2006. Overall, economic growth in the North Shore economy for the year to January 2006 was slightly above that which occurred in the national economy over the same 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.

New Zealand's GDP Growth has Slowed

Growth in the New Zealand economy has slowed. Gross Domestic Product (GDP) shrank by 0.1% over the December 2005 quarter and was below the expectations of 0.2% and 0.4% held by the market and the Reserve Bank of New Zealand (RBNZ) respectively. GDP growth for the year ended December 2005 was 2.2% whereas growth for the year ended December 2004 was 4.3%. Key drivers of the slowdown in GDP growth were a decline in activity in the service sector, tight monetary conditions (i.e. high interest rates) and the high value of the New Zealand dollar.

Wholesale trade has fallen 2.0% over the past three months, partly due to a decline in motor vehicle wholesaling. Retail sales fell 0.5%, but increased by 5.2% compared to the volume of sales recorded in the December 2004 quarter. Transport and communication services decreased by 1.5% over the quarter, largely caused by low volumes of domestic and international air travel.

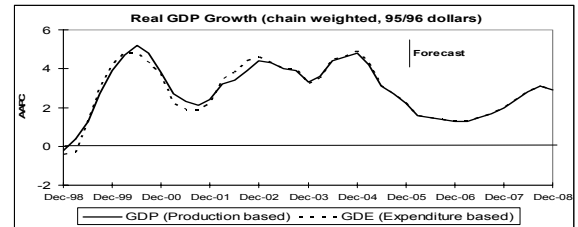
Activity in the finance, insurance and business services group was flat (only up 0.3%) over the past quarter. The manufacturing industries also played a role in dragging down quarterly GDP growth. The major contributors in this group were petroleum, chemicals and plastics production (3.6%↓), machinery and equipment output (1.5%↓), metal product (1.5%↓) and food, beverage and tobacco manufacturing (0.5%↓). Utility groups fell by 1.2% over the quarter.

While electricity generation rose by 1.1%, its "value added" decreased by 0.7%. This result was mostly due to a shift from less expensive hydro to more expensive thermal generation. The volume of gas supplied fell by 10.5%, reflecting a movement from gas to coal fuelled production.

The construction sector rose by 3.2% over the quarter largely led by an increase of 3.7% in the residential building industry. The residential building sector's contribution to quarterly GDP growth was partly offset by a decrease of 0.2% in non-residential construction.

Other sectors which showed positive quarterly growth included primary industries (0.9%↑), government administration and defence (3.7%↑), and personal and community services (0.7%↑).

Expenditure based GDP statistics show that domestic demand has fallen by 1.9%, but export volumes were up 1.6%. In summary, the latest GDP figures confirm that growth in the economy has slowed.



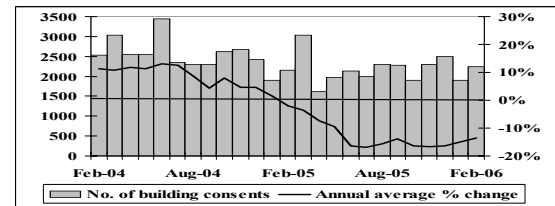
Source: Statistics New Zealand and New Zealand Institute of Economic Research

Current Account Deficit Remained High

According to Statistics New Zealand, the Current Account Deficit (CAD) was \$13.7 billion for the year ended December 2005 (8.9% of GDP). The strong New Zealand currency over 2005 adversely affected manufacturing exports, however a recovery of pastoral exports in the December 2005 quarter helped the CAD improve. The services balance, while remaining in surplus (\$142 million), has nearly halved from the levels (\$278 million) recorded in the December 2004 quarter. This result is not surprising given the slowdown in international tourism and student arrivals. The investment income deficit worsened by \$182 million, falling to \$2,828 million over the quarter. This was a result of increased dividends paid to foreign owned companies.

Key Indicator Trends

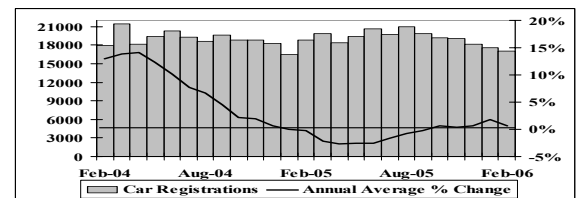
Building Consents



Source: Dept of Statistics Building Surveys and Vitals Section

The national dwelling construction industry improved in February 2006. There were a total of 2,237 new consents issued for dwellings during the month. These were valued at around \$469 million. The number of consents issued was better than the 1,900 and 2,145 consents issued in January 2006 and February 2005 respectively. The annual average growth rate in the number of new building consents issued in New Zealand was -13.6% for the year to February 2006.

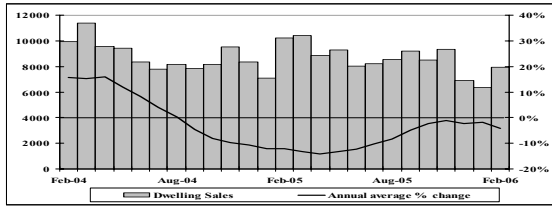
Car Registrations



Source: Land Transport Safety Authority

There were 17,052 cars (including both new and ex-overseas car types) registered in January 2006. This number was 552 less than January's level, and was down 3.1% on the number recorded in February 2005. The annual average growth rate in the number of car registrations recorded in New Zealand was 0.6% for the year ended February 2006.

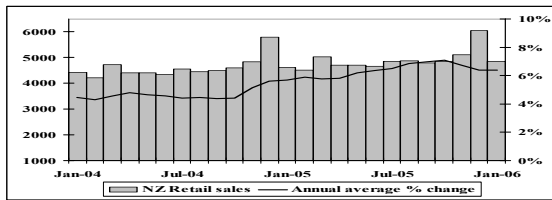
Residential Real Estate Sales



Source: Real Estate Institute of New Zealand

The volume of house sales increased from 6,360 in January 2006 to 7,930 in February 2006. Comparatively, in February 2005, 10,230 homes changed hands. The median sale price in February 2006 was \$295,000. This was a decrease of \$5,000 from January's median sale price. The annual average growth rate in the volume of house sales in New Zealand was -4.1% for the year ended February 2006.

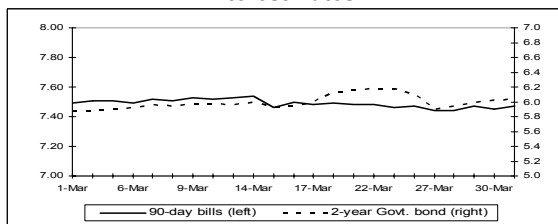
Retail Sales



Source: Business Statistics Section, Statistics New Zealand

Growth in the value of retail sales has slowed. The monthly value of sales totalled \$4,849.8 million in January 2006, down from a high of \$6,059.8 million recorded in December 2005. Comparatively, the value of national retail sales in January 2005 was \$4,624.8 million. The annual average growth rate in the value of national retail sales was 6.4% for the year to January 2006.

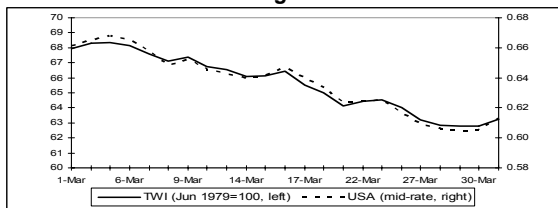
Interest Rates



Source: Reserve Bank of New Zealand

The wholesale interest rate market started to wane in March, suggesting that the Reserve Bank of New Zealand (RBNZ) may cut the Official Cash Rate (OCR) as early as mid 2006. At the end of March 90-day bill rates stood at 7.47%.

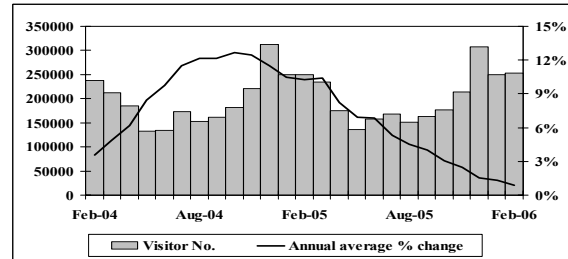
Exchange Rates



Source: Reserve Bank of New Zealand

New Zealand's currency sharply depreciated in March 2006. This was in line with market expectations that took into account the dismal December quarter GDP growth statistics and the huge current account deficit. By the end of the month NZ \$1.00 was worth around US \$0.66, and the Trade-Weighted Index (TWI) decreased to 63.3 points.

International Arrivals



Source: Statistics New Zealand

A total of 252,431 overseas visitors entered New Zealand during February 2006. This number was slightly above the 250,554 visitor arrivals recorded a month earlier and the 250,070 arrivals recorded in February 2005. The annual average growth rate in the number of international visitor arrivals to New Zealand was 0.9%. This result was the combination of increases in the number of Australian arrivals and a decrease in the number of short-term Asian visitors.

Summary

Recent developments in the New Zealand economy are a worsening of the current account deficit, an easing in the labour market, and the depreciation of the Kiwi dollar.

According to the National Bank's (NB) monthly business confidence survey, the majority of firms were pessimistic about the economy's outlook for the 12 months ahead. For March 2006 business confidence remained subdued, with a net 51% of firms expecting general business conditions to deteriorate in 12 months time. While this result was an improvement from a net 62% of firms who took a gloomy view in the NB's February survey, pessimism was widespread. Farmers were the most pessimistic, with a net 74% expecting business conditions to worsen. A net 53% of manufacturers expected that general business conditions will have deteriorated in 12 months time. A net 51% of retailers were pessimistic about conditions ahead while the construction sector was the least pessimistic group with a net 36% of firms possessing a negative opinion.

Firms outlook about their own business was less negative in the latest NB survey. A net 5% of firms expected to increase their own business activity over the next 12 months. This figure was up from a net 4.4% who took a contrary viewpoint in the previous NB confidence survey.

The Westpac McDermott confidence survey revealed that consumer confidence has fallen over the past quarter. The Confidence Index fell from 110.1 in the December quarter to 109 in the first quarter of 2006 (>100 indicates more optimists than pessimists).



NORTH SHORE ECONOMIC MONITOR

Recently Northcote MP Dr Jonathan Coleman protested at proposed Auckland Harbour Bridge tolls by holding up a sign on Northcote's congested Onewa Road. The message written on the sign opposed the Transport Ministry's proposal for a \$6 daily charge to cross the Auckland Harbour Bridge. Dr Coleman was pleased that around 98% of motorists who witnessed his protest honked their car horns in support. Dr Coleman noted that "Congestion charges are designed to motivate commuters to change from one mode of transport to another. For the people of Northcote, there are limited alternatives to getting into their cars". According to Dr Coleman "Roading in Northcote is in crisis. Tolling residents for crossing the harbour bridge is not going to help that". Dr Coleman is in favour of a second major harbour crossing because he believes this will ultimately relieve congestion on Onewa Road.

The government is preparing to review water and wastewater legislation for Auckland. One possible outcome is that North Shore could be forced to accept sewage from other Auckland cities at its Rosedale treatment plant. Shore ratepayers have already paid for multi-million dollar upgrades of the sewerage network and treatment plant. These upgrades have ensured that there are less sewage overflows on its beaches. North Shore is the only council in the region with its own wastewater treatment plant and it has control over a wastewater network through the North Shore Drainage Act. The rest of the Auckland region's sewage is treated at Manukau by Watercare Services. North Shore's plant has been upgraded and was built to cope with future population growth of more than 300,000 residents.

A number of cars have been illegally towed from the Takapuna Hurstmere Road car park by over enthusiastic tow truck drivers. The cars towed away have displayed valid parking passes. According to North Shore councillor Kevin Schwass who owns the Sin Bin and a number of other bars in the area, there have been a number of complaints from patrons about the towing problem. Notably, tow truck drivers generally only give five minutes grace after a pass has expired before towing a car away. Although the towing business is clearly lucrative for the tow truck drivers this heavy-handed approach is detrimental to Takapuna. The Takapuna Beach Business Association has recently discussed the problem and has asked the Takapuna Community Board to look into the issue.

An escalation of antisocial behaviour prompted a major police operation that targeted youth offenders in the Glenfield area in March 2006. The operation was called Operation Sudden Impact. The operation included educational visits at both Glenfield and Birkenhead colleges, liaison with school principals and business leaders, high visibility police patrols and criminal investigations. According to Glenfield police the problems are mainly located around the Glenfield shopping centre. In the future the police will be intensifying their efforts to educate the youths who are causing the problems that their behaviour is totally unacceptable.

Finding parking in Takapuna for those who work there is an ongoing problem. One Takapuna company, MSC Consulting Group has taken an innovative approach and has installed a new vertical car stacking machine to provide ten car parks for staff and visitors. According to company director Bob McGuigan, the machine has been imported from Australia and cost around \$200,000. The machine operates in a similar way to boat stacking devices used in marinas. Motorists drive their car onto a platform in the morning, enter their key into the control box and then enter the number of a free space in the keypad. The car is then hoisted up and locked into the free position.

North Shore City Council is delaying a decision on whether to buy Devonport's historic Victoria Theatre until April. If the council buys the theatre and sticks to its present spending plans it will push rates up by just over nine per cent in 2006-07. That would mean that the average residential ratepayer's bill would increase from \$1456 to \$1590. The council is considering whether to pay \$2 million to buy, maintain and upgrade the theatre. A recommendation is expected to be considered at the full council meeting on April 26. Three options have been proposed for Victoria Theatre, including buying the theatre and leasing it out, not buying, or buying and placing a heritage covenant on it, then selling it.

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.