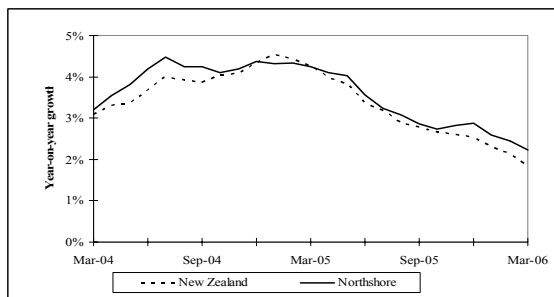


NORTH SHORE ECONOMIC MONITOR

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

Economic Growth



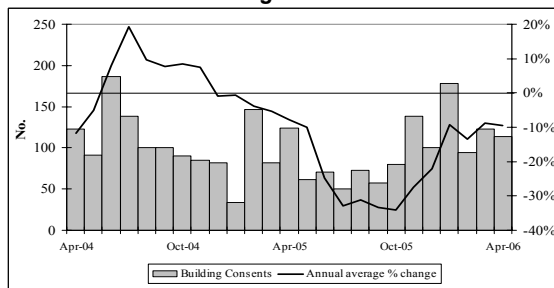
Source: APR Consultants

The APR index of economic growth is constructed from key indicators. The annual average growth rate in the provisional growth index shows that an easing trend has developed in North Shore's economy for the year ended March 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.

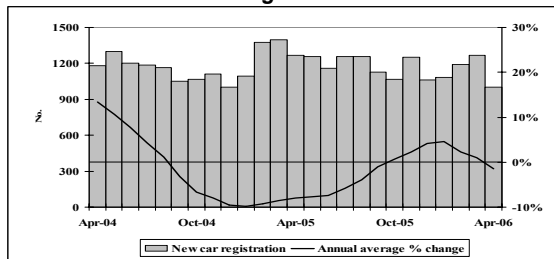
Building Consents



Source: Dept of Statistics Building Surveys and Vitals Section

The local dwelling construction market was flat in April 2006. The number of consents issued for new dwellings were down from 123 recorded in March 2006 to 114 in April 2006. Comparatively, there were 124 consents issued in April 2005. The annual average growth rate in the number of building consents issued in North Shore City was -9.5% for the year to April 2006.

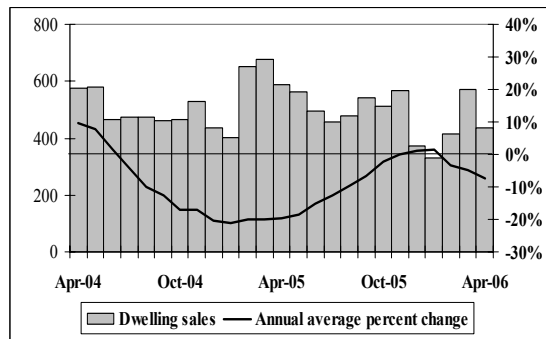
Car Registrations



Source: Land Transport Safety Authority

The number of motor vehicle registrations recorded for North Shore declined in April 2006. Around 1,000 cars (including both new and ex-overseas car types) were registered during the month, the lowest number recorded since January 2005. The annual average growth rate in the number of car registrations recorded for North Shore was -1.5% for the year ended April 2006.

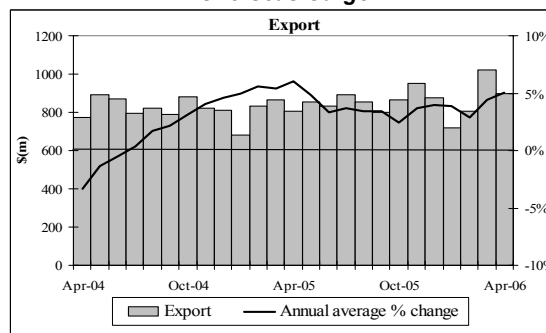
Residential Real Estate Sales



Source: Real Estate Institute of New Zealand

The local housing market has become volatile in recent months, mirroring the national movement. There were 435 houses sold during April 2006, with a median sale price of \$455,000. The volume of sales was lower than both the 571 and 589 recorded in March 2006 and April 2005 respectively. The annual average growth rate in the number of residential sales recorded for North Shore City was -7.5% for the year to April 2006.

Overseas Cargo



Source: Statistics New Zealand

Export activity remained strong in Auckland Region in April 2006. There was a total of 195,509 tonnes of cargo loaded abroad (via Auckland's sea and air ports) during the month. This tonnage was worth around \$897.1 million. While the value of exports was less than a high of \$1,019.2 million recorded in March 2006 it was an increase of \$94.2 million on the value recorded for April 2005. The annual average growth rate in the value exports conveyed abroad from Auckland Region was 5.1% for the year to April 2006.

Summary

Key business indicators clearly show that the local economy is slowing down in line with the national trend. The economic slowdown is mostly the result of the lagged impacts of the previous high level of the exchange rate, high petrol prices and past increases in interest rates. The effects of the current slowdown on private consumption will be attenuated in the short-term by increased government spending on family support, the healthy state of household balance sheets, a tight labour market and strong wage growth.

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 Labour Market Remained Buoyant

Statistics New Zealand released its March 2006 quarter Household Labour Force Survey (HLFS) results in mid May 2006. According to HLFS, the job market remained strong. On a seasonally adjusted basis, employment grew by 23,000 (or 1.1%) compared to the December 2005 quarter. This result was well above the 0.2% expected by the market. Total employment has risen to 2,108,000 due to an annual growth of 53,000 (or 2.6%) over the March year.

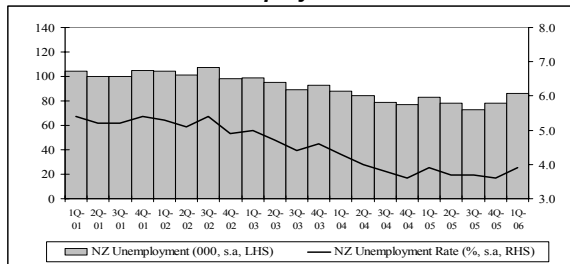
The quarterly employment growth mostly came from an improvement in full-time employment, which added 22,000 more jobs. However, the level of part-time employment was static with the level recorded similar to that recorded in the previous quarter.

Both male and female employment have increased over the past three months, with the former gaining +17,000 (+1.8 %↑) and the latter, +5,000 (+0.5 %↑). On an annual basis, female employment rose by 2.9%, and the number of males employed increased by 2.4%.

A sectoral breakdown showed that the service and the construction sectors were the driving forces behind the upward quarterly percentage change. The survey data showed that 15,000 more jobs were provided by service related industries, while 9,000 more jobs were due to the building industry. However, there was a decrease (on an annual basis) in employment in the transport, storage and communication groups.

The working age population (seasonally unadjusted) increased by 14,300 to reach 3,202,800 in the March 2006 quarter. Part of the growth was driven by a 3,924 net gain in permanent and long-term migration over the quarter. The labour force participation rate grew 0.6 percentage points to reach 68.5%, which was the highest rate ever recorded by the HLFS. Mostly due to increased participation the unemployment rate increased from 3.6% as at the December 2005 quarter to 3.9% as at the March 2006 quarter.

Unemployment



Source: RBNZ and SNZ

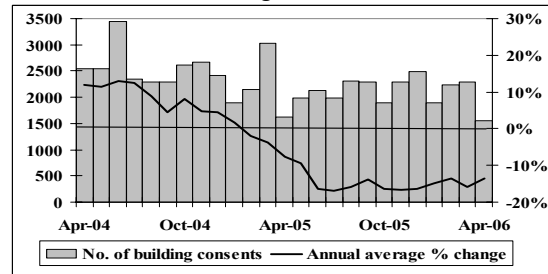
Brief Review of NZ Budget 2006

The contents of the May 2006 budget was no surprise. As widely expected, health, tertiary education, transport and family support were the main beneficiaries. A total of \$2.2 billion in 2006/07 has been allocated to new operating expenditure. This will increase to \$2.5 billion over the next four years. Capital expenditure will increase by \$2.7 billion over the next four years, with \$1.3 billion allocated to 2006/07.

New funding was directed to three priorities according to the Treasury; economic transformation, families, and national identity. New investment in transport and infrastructure totalled \$1.1 billion, while tertiary education will receive a boost of \$1.1 billion over the next four years. Health will receive \$3 billion and the Working for Families programme will receive \$1.9 billion. The surprising element, if any, was the cut in debt programme, from \$3 billion annually (in the half year fiscal update) to around \$2.5 billion.

Key Indicator Trends

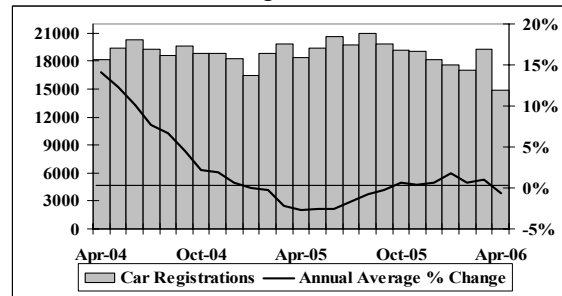
Building Consents



Source: Dept of Statistics Building Surveys and Vitals Section

The residential building market declined in April 2006. Only 1,558 consents were issued for new dwellings during the month, valued at around \$358.8 million. This was the lowest level recorded over the past four years. The annual average growth rate in the number of consents issued in New Zealand was -13.5% for the year ended April 2006.

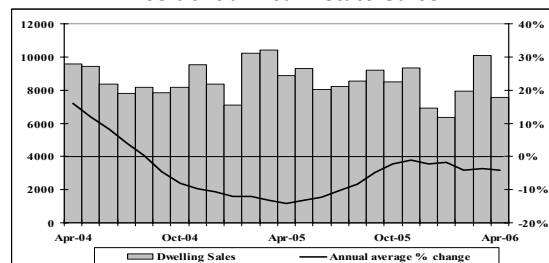
Car Registrations



Source: Land Transport Safety Authority

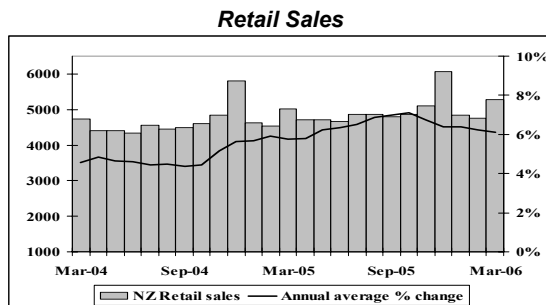
A boom in car registrations nationwide in March 2006 seemed to be short-lived. Only 14,914 cars (including both new and ex-overseas car types) were registered during April 2006, the lowest level recorded since February 2001. The annual average growth rate in the number of car registrations recorded in New Zealand was -0.6% for the year ended April 2006.

Residential Real Estate Sales



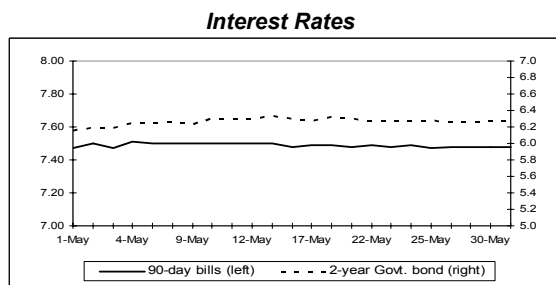
Source: Real Estate Institute of New Zealand

The New Zealand housing market has become quite volatile over the past few months. Following strong sales of 10,094 recorded in March 2006, the volume of sales decreased by 2,518 to 7,576 in April 2006. This was the third lowest level recorded over the past 12 months. The annual average growth rate in the number of houses sold in New Zealand was -4.1% for the year ended April 2006.



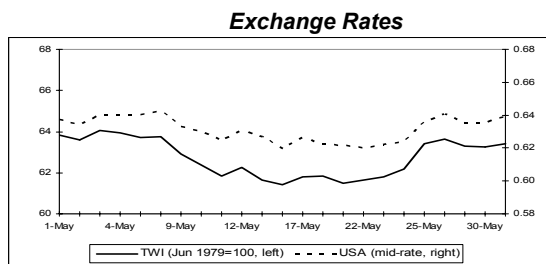
Source: Business Statistics Section, Statistics New Zealand

Stronger activity pushed up national retail sales in March 2006. Total sales reached \$5,277.6 million during the month, well above the \$4,748.9 million recorded in February 2006 and the \$5,023.6 million in March 2005. The annual average growth rate in the value of retail sales recorded in New Zealand was 6.1% for the year ended March 2006.



Source: Reserve Bank of New Zealand

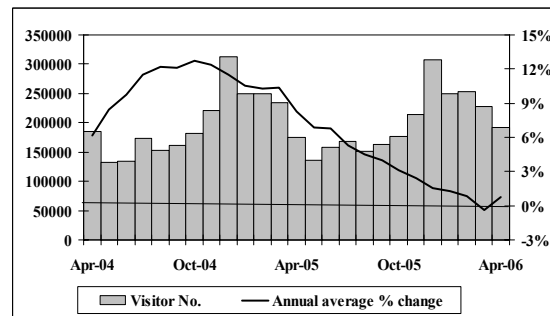
Wholesale interest rates were stable in New Zealand in May 2006, reflecting the RBNZ's 'no change policy' for the Official Cash Rate in the short-term. By the end of the May 2006 the 90-day bill rate stood at 7.48%.



Source: Reserve Bank of New Zealand

As the economy continued to slow the New Zealand dollar depreciated against its trading partners' currencies dollar over May. However, the Kiwi dollar strengthened in the last week of May. This saw NZ \$1.00 trade at around US \$0.64. The Trade-Weighted Index (TWI) stood at 63.4 points by the end of the month.

International Arrivals



Source: Statistics New Zealand

There was a total of 191,648 international visitors to New Zealand during April 2006, down from 226,966 arrivals recorded in March 2006, but up by 16,891 (or 9.7%) on the number of arrivals recorded for April 2005. The annual average growth rate in the number of visitor arrivals to New Zealand was 0.7% for the year to April 2006.

Summary

While the national job market remained solid in the March 2006 quarter HLFS results, other key indicators continued their easing trend. The weak level of economic activity was mirrored by the National Bank's Regional Trends (RT) report for the March 2006 quarter. According to the RT eight regions recorded a rise in business activity, while six regions showed a decrease. Otago led the country, with an increase of 1.5% in business activity over the quarter. In contrast, the Bay of Plenty registered the largest fall in activity (1.1%↓) among 14 regions over the same period.

The National Bank's (NB) latest Business Confidence Survey showed that a net 31% of firms expected the general economic conditions to deteriorate over the coming year. All sectors took a pessimistic view, with agriculture the most affected followed by service industries, builders, retailers and manufacturers. While firms were not particularly confident about their business future, optimists nevertheless outnumbered pessimists by 10%. Other positive factors in the economy are a high level of retail activity and an export sector that has started to rebound on the back of a lower valued New Zealand dollar.



NORTH SHORE ECONOMIC MONITOR

▪ Hibiscus Coast commuters are clogging up the Albany park-and-ride, prompting the North Shore City Council to provide an extra 400 car parks. Rodney District Council has no land put aside for park-and-ride and is not contributing money to the North Shore stations or car parks. But its residents are using nearly 17% of the available car parks at Albany, according to an Auckland Regional Transport Authority survey. The council plans to build two new car parks on land at Albany station, provided they can get funding from the transport authority.

▪ North Shore City Council is looking to ease the burden on elderly people by simplifying a process that lets their rates be paid after they die. A proposal before the council will mean people will no longer have to prove financial hardship if they choose to offset rates against their home's equity. The council already has a rates postponement scheme but only three people are signed up. One drawback is that it requires people to prove financial hardship, says councillor Chris Darby. Council chief financial officer Dale Lott says proving financial hardship is a turn-off. Public policy consultants McKinlay Douglas Ltd has developed the proposed scheme.

▪ North Shore mayor George Wood is angry that councils have to foot the bill for and enforce what he calls poorly thought-out prostitution legislation. Mr Wood says administering the Prostitution Reform Act 2003 is a mammoth task that has simply been "dumped" on councils. That is particularly true as unlicensed brothels have been popping up around the North Shore at an alarming rate, he says. The council is aware of nine or 10 at the moment. The situation has escalated. In line with the reform act. The council spent between \$50,000 and \$60,000 to prepare its brothel bylaw, which prohibits brothels within 250 metres of residential areas. Now the bylaw is vulnerable to challenge after Christchurch City Council and Auckland City Council had theirs overturned in the High Court. Mr Wood says the council will have to obtain legal help to get a successful conviction. To do so would cost between \$100,000 to \$200,000 depending on whether it goes to a higher court.

▪ A professional mediator has been appointed in yet another "last ditch" attempt to broker a deal over Birkenhead's cat colony. Mediator Trish Blyth recently met with reluctant business owners whose premises surround the Rawene car park and reserve where the cat colony is located. Council acting environmental protection team leader Duffy Visser says the owners "didn't want a bar of it". In March 2006 the council served the cat carers with a notice saying environmental health officers deemed the colony a health nuisance. The cat carers' plan presented options such as installing motion activated sprinklers at night to keep cats away, sealing the car park and placing tinfoil around fences and planting pyrethrum daisies along borders to discourage flies. The SPCA did not back the council's plan to remove the cats and more meetings between council officers and those for and against the colony took place.

▪ Resource consent has been granted for a major makeover of Beachfront Lane in Browns Bay. The \$3.5 million upgrade of Beachfront Lane will include a timber boardwalk on the beachside of the lane, a two-way concrete road designed for slow traffic, and specialist lighting, seating and picnic areas. The North Shore City Council says some car parks will be removed from the lane "in order to create a more pedestrian-friendly environment". Parallel parking at the northern end of Beachfront Lane will be retained to maximise the number of parking spaces near the playground. It will be a huge change for the lane which has been described in the past by the Browns Bay Business Association as a "scruffy access lane".

▪ Foodstuffs, parent company of Pak 'N Save, has lodged a second resource consent with North Shore City Council in a new bid to open the stalled supermarket. The new store has been sitting empty after rival chain Progressive Enterprises and Northcote Mainstreet retailers successfully challenged an original non-notified resource consent in the High Court. Pak 'N Save requested an adjournment because of the second resource consent application. Foodstuffs property development general manager Murray Jordan says the situation has "changed significantly" because the North Shore City Council, which was also appealing against the High Court decision, has reached an understanding with Transit. The High Court had ruled that the council should not have made the resource consent for the Pak 'N Save non-notified without allowing New Zealand Transit adequate time to consider the effect of the supermarket on the nearby motorway. The latest move mirrors Northcote's Fox Outlet, which also applied for a second resource consent and was able to continue operating after its first resource consent was ruled invalid. Pak 'N Save is awaiting a hearing date for the second application. Two council and three independent commissioners granted the original non-notified consent in 2004

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.