



NEW ZEALAND ECONOMIC UPDATE

November 2006

NATIONAL ECONOMIC UPDATE

This New Zealand Economic Update is produced monthly and presents current information on recent national business events, along with an update of key economic indicators

Labour Market has Softened

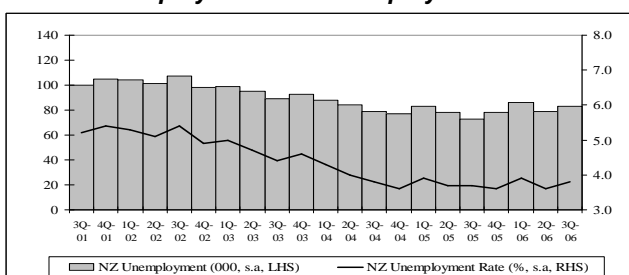
According to the Household Labour Force Survey (HLFS) published by Statistics New Zealand (SNZ), the level of activity in the labour market levelled off over the September 2006 quarter. The number of people employed as at the September 2006 quarter was 2,118,000 (on a seasonally adjusted basis). This represented a decrease of 0.4% compared to the number unemployed as at the June 2006 quarter. Annual employment growth has slowed from 3.1% as at the March 2006 quarter to 1.5% as at the September 2006 quarter.

The decline in employment over the September 2006 quarter was caused by the slowdown in both full-time (down 0.3%) and part-time (down 1.0%) jobs. While the number of male and female full-time jobs declined, the decrease in part-time jobs was driven entirely by a fall in the level of female employment. The number of males employed in part-time work increased by 3,000 to reach a total of 121,000. On an annual basis, full-time employment grew by 1.9% while part-time jobs showed little movement (up 0.1%).

Annual employment growth largely emanated from a boost in the level of activity in the construction and the services sectors. This reflected the fact that growth in the economy was predominantly driven by domestic-focused sectors. However, the level of employment in the manufacturing sector decreased significantly over the September 2006 quarter.

As at the September 2006 quarter the total number unemployed increased by 4,000 (5.5%) to reach 83,000. This was mostly due to 4,000 job losses by males. An increased influx of migrants to New Zealand helped the working-age population to increase by 10,000 and reach a total of 3.22 million. However, as more women moved out of the workforce, the labour force participation rate (which measures the size of the labour force) reduced by 0.4 percentage points to 68.3%. The net result was that the unemployment rate increased from 3.6% as at the March 2006 quarter to 3.8% as at the September 2006 quarter.

Unemployment and Unemployment Rate



Source: Statistics New Zealand, Household Labour Force Survey

Population Growth Overview, 2006 Census

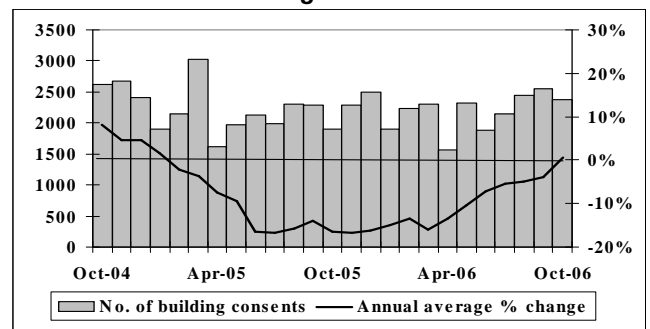
Statistics New Zealand recently released the 2006 census results. In the five years to 2006, New Zealand's usually resident population has increased by 7.8% to reach 4,027,947. This was the fastest population growth over any five-year period in New Zealand's history.

Almost all regions showed steady population growth, with the exception of Southland, which suffered a marginal decline. As expected, between 2001 and 2006 Auckland Region had the biggest population gain (up 12.4%), followed by Canterbury (up 8.4%).

'European' remains the largest ethnic group, reaching 2,609,592 (67.6%), followed by 'Maori' (565,329 or 14%), 'New Zealander' (429,429 or 11.1%), 'Asian' (354,552 or 8.8%), and 'Pacific Peoples' (265,974 or 6.6%).

Key Indicator Trends

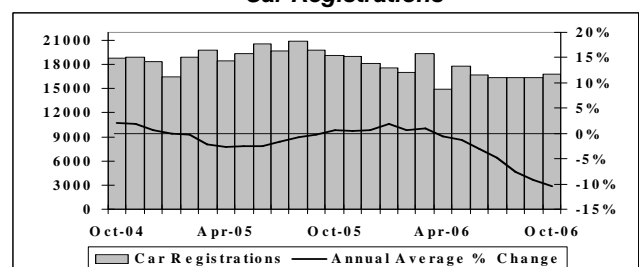
Building Consents



Source: Department of Statistics Building Surveys and Vitals Section

While the number of consents issued for new dwellings was down from 2,545 recorded in September 2006 to 2,377 recorded in October 2006, they were up strongly compared to the 1,901 consents issued in October 2005. For the first time since February 2005, the annual average growth rate in the number of new building consents issued in New Zealand was positive standing at 0.5% for the year ended October 2006.

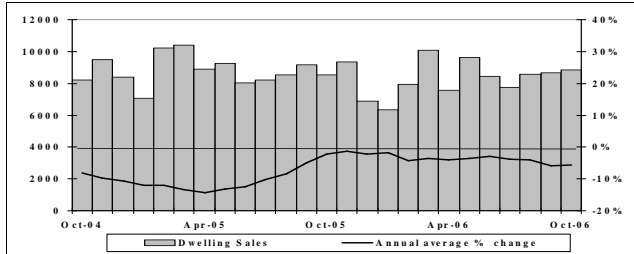
Car Registrations



Source: Land Transport Safety Authority

The number of New Zealand car registrations edged higher in October 2006. There was a total of 16,794 cars (including both new and ex-overseas car types) registered during October 2006. This was greater than the monthly average of 16,330 recorded over July to September 2006. However, October 2006's level was less than the 19,160 registrations recorded in October 2005. The annual average growth rate in the number of car registrations recorded in New Zealand was negative 10.4% for the year ended October 2006.

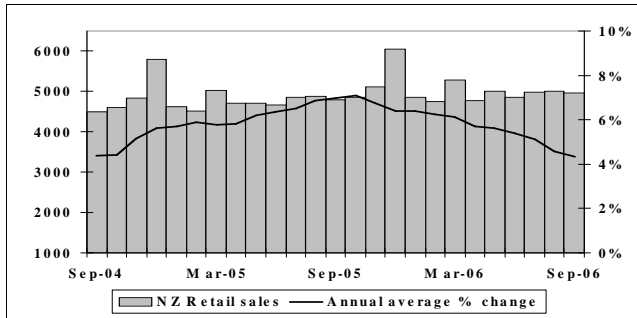
Residential Real Estate Sales



Source: Real Estate Institute of New Zealand

There was a total of 8,857 houses sold in New Zealand during October 2006, with the median sale price reaching a new high of \$324,000. The annual average growth rate in the number of house sales sold in New Zealand was negative 5.7% for the year ended October 2006.

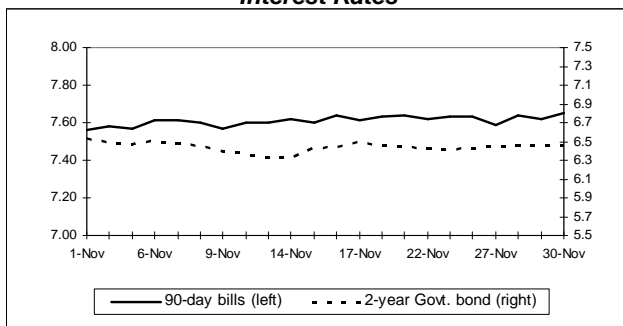
Retail Sales



Source: Business Statistics Section, Statistics New Zealand

The level of retail sales activity weakened in September 2006. Total sales were worth around \$4,968.8 million during the month, down from \$5,014.4 million recorded in August 2006, but an increase of \$177.5 million (3.7%) compared to the value of sales recorded in September 2005. The annual average growth rate in the value of New Zealand's retail sales was 4.4% for the year ended September 2006.

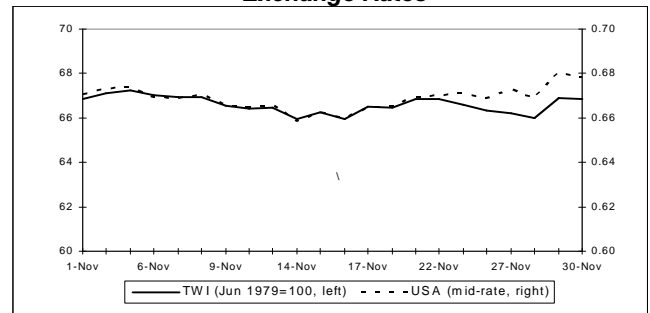
Interest Rates



Source: Reserve Bank of New Zealand

New Zealand's wholesale interest rates were mostly stable during November 2006. By the end of the month, the 90-day bill rate stood at 7.65%.

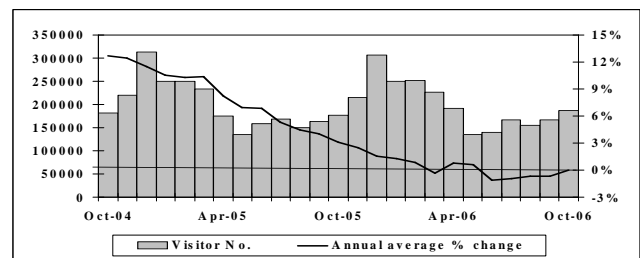
Exchange Rates



Source: Reserve Bank of New Zealand

New Zealand's exchange rates trended down for most of November 2006. However, worse than expected US manufacturing data triggered the Greenback to fall sharply in late November. By the end of the month, NZ \$1.0 dollar traded against US \$0.68 US and the Trade-Weighted Index (TWI) regained ground to stand at 66.8 points.

International Arrivals



Source: Statistics New Zealand

After being sluggish over the past six months, New Zealand's monthly international visitor arrivals have finally started to increase. Data for October 2006 showed that there was a total of 186,639 visitor arrivals to New Zealand, which was greater than 166,531 visitors recorded in September 2006 and 176,200 visitors recorded in October 2005. The annual average growth rate in the number of visitor arrivals to New Zealand was 0.0% for the year ended October 2006.

Summary

Overall, the job market remained very tight. In addition, a drop in fuel prices, lower than expected inflation, and stronger immigration, all bode well for the New Zealand economy going forward. According to the New Zealand Institute of Economic Research (NZIER), real gross domestic product will slow from 1.9% for the June 2006 year to 1.5% for the March 2007 year. The economy will then be largely dormant during the following March year, before re-gaining momentum at a growth rate of 3.5% from 2009 to 2011.

The National Bank's (NB) November 2006 Business Confidence Survey showed that a net 14% of firms expected the general economic conditions to worsen in 12 months' time. This was an improvement from a net 22% who took a pessimistic outlook in the NB's October 2006 Survey. While farmers were still the most pessimistic group (a net 47% expected a deterioration in the economy), builders felt optimistic, with a net 10% anticipating an improvement in the economy in 12 months' time. Firms' expectations of their own level of business activity (by volume) in 12 months' time improved, with those expecting an increase in their activity increasing from a net 18% in the October 2006 survey to a net 24% in November's survey.

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