



NEW ZEALAND ECONOMIC UPDATE

August 2007

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.

NZ JOB MARKET REMAINED TIGHT

The June quarter Household Labour Force Survey (HLFS) published by Statistics New Zealand (SNZ) showed that seasonally adjusted employment grew by 14,000 (0.7%) people as at the March 2007 quarter to 2,158,000 people as at the June 2007 quarter. This is the highest level recorded since the HLFS began. Over the June 2007 quarter the unemployment rate decreased by 0.1 percentage points to 3.6%, which is on a par with the lowest rate ever recorded, and is the fifth lowest unemployment rate amongst OECD countries.

Almost all of the employment growth emanated from an increase in the numbers employed in part-time work. In fact, part-time employment increased by 28,000 (6.2%) people over the year ended June 2007, while full-time employment only increased by a meagre 3,000 (0.3%) people. Moreover, the total number of hours worked showed a mere 0.3% growth over the June 2007 quarter and just 0.7% over the year ended June 2007.

Possible reasons for the boom in part-time employment but slow growth in full-time employment are as follows:

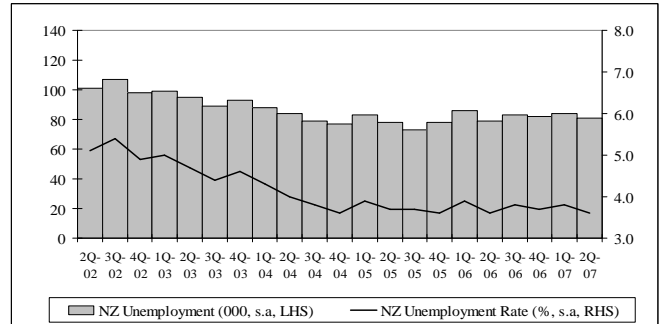
- a lack of labour supply has forced many employers to offer more flexible work contracts;
- the Working for Families (WFF) Scheme has discouraged middle income earners to work extra hours; and
- an additional one week's annual leave implies that employees, all things being equal, will work fewer hours than in previous years.

Over the year to June 2007, female employment grew by 16,000 (1.6%) people. Over this period full-time female employment grew by 2,000 people (0.3%), and part-time employment grew by 13,000 (3.8%) people. Over the year to June 2007 male full-time employment grew by only 1,000 people (0.1%) while part-time employment grew by 15,000 (12.9%) people.

Unemployment declined by 2,000 (2.9%) people over the June 2007 quarter to 81,000, which was fully due to a decline of 3,000 males unemployed. Over the June 2007 quarter the labour force participation rate increased by 0.2 percentage points to reach 68.8%, the highest rate ever recorded.

A lack of labour supply, compounded by strong labour demand implies higher wages, which in turn tells us that inflationary pressures are lurking.

Number Unemployed and Unemployment Rate



Source: Statistics New Zealand, Household Labour Force Survey (HLFS)

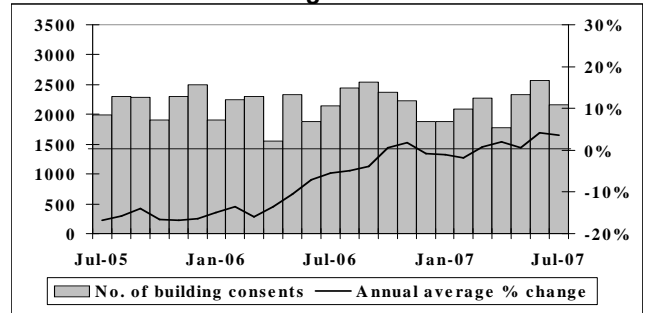
NZ'S POPULATION GROWTH OVER THE PAST 12 MONTHS

SNZ estimates that as at 30 June 2007, New Zealand residents totalled 4,228,000, an increase of 43,400 (or 1.0%) people on the number estimated for 30 June 2006. However, this was lower than the annual average growth of 60,800 (or 1.5%) people over the 2001 to 2006 five-year intercensal period. Annual average growth for the past year was close to the average increase of 43,800 people recorded over the 10-year period between June 1997 and June 2007.

The increase in the New Zealand population largely came from a natural increase (excess of births over deaths) of 33,000 people over the past 12 months. The natural increase accounted for 77% of the annual population increase, while a net gain of 10,100 was attributable to permanent and long-term migration. This is consistent with the long-term demographic population growth pattern which is dominated by natural growth. As at June 2007 there were 96 males for every 100 females in the New Zealand population and the median age of a New Zealander has increased from 33.2 years a decade ago to a current 36.1 years.

KEY INDICATOR TRENDS

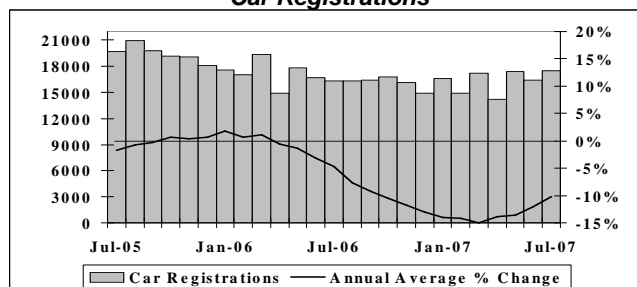
Building Consents



Source: Dept of Statistics Building Surveys and Vitals Section

There were a total of 2,160 consents issued for new dwellings nationwide during July 2007. These consents were valued at around \$566.7 million. The decline in the number of consents issued (down by 414 consents from the 2,574 consents issued in June 2007) was partly caused by more submissions in June 2007 to avoid annual increases in consent fees. The annual average growth rate in the number of new dwelling consents issued in New Zealand was 3.6% for the year ended July 2007.

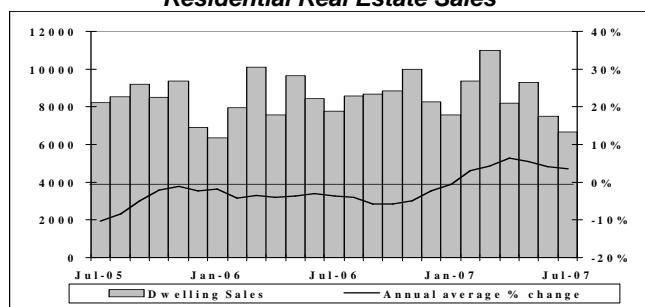
Car Registrations



Source: Land Transport Safety Authority

The number of car registrations recorded in New Zealand during July 2007 (including both new and ex-overseas car types) totalled 17,451. This was an increase from the 16,406 cars registered in June 2007, and an increase of 1,144 cars (or 7.0%) on the number of car registrations recorded in July 2006. The annual average growth rate in the number of cars registered in New Zealand was negative 10.2% for the year ended July 2007.

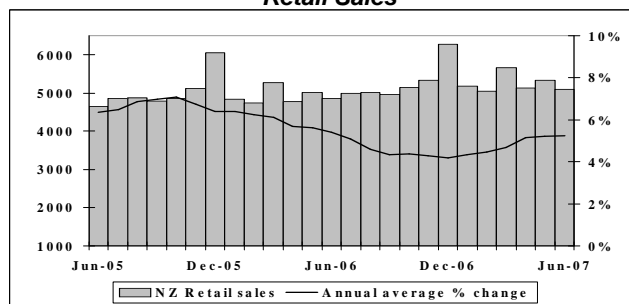
Residential Real Estate Sales



Source: Real Estate Institute of New Zealand

Only 6,660 New Zealand houses were sold in July 2007. This was less than the 7,474 sales recorded in June 2007 and the 9,285 sales recorded in May 2007. The median sale price declined by \$2,500 from the level as at June 2007 to \$345,000 as at July 2007. The annual average growth rate in the number of houses sold in New Zealand was 3.5% for the year ended July 2007.

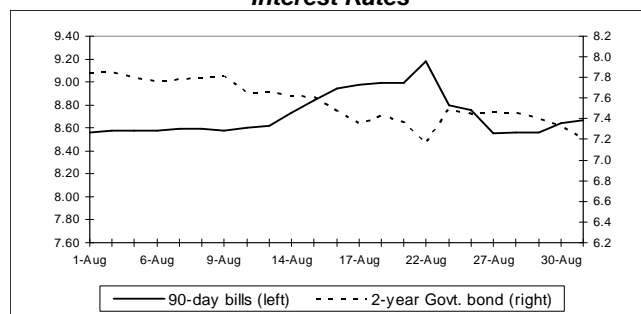
Retail Sales



Source: Business Statistics Section, Statistics New Zealand

New Zealand's total retail sales were valued at \$5,095.9 million in June 2007 which was a decrease of \$250.2 million on the value recorded in May 2007. The value of retail sales recorded in June 2006 was \$3,716.7 million. The annual average growth rate in the value of New Zealand's retail sales was 5.2% for the year ended June 2007.

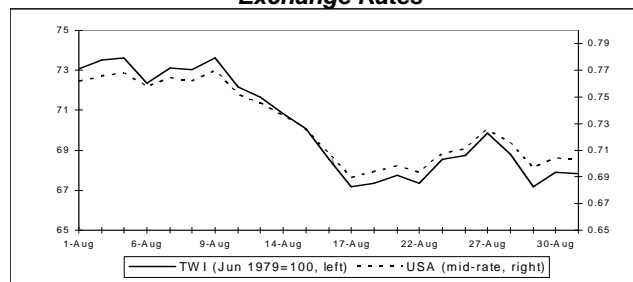
Interest Rates



Source: Reserve Bank of New Zealand

After reaching a high of 9.2% in mid August 2007, the 90-day bill rate fell sharply thereafter, before rebounding to 8.67% by the end of the month.

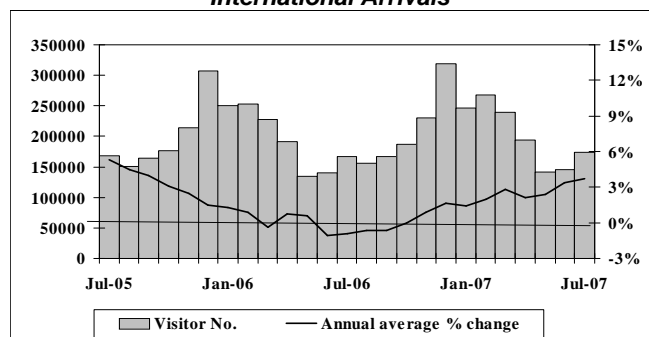
Exchange Rates



Source: Reserve Bank of New Zealand

The kiwi dollar was valued at around US\$0.76 at the beginning of the August 2007 before declining to US\$0.69 by around 17 August 2007. However, the New Zealand dollar appreciated slightly in late August 2007. The Trade-Weighted Index (TWI) stood at 67.8 points at the end of the month.

International Arrivals



Source: Statistics New Zealand

There was a total of 173,046 international visitors to New Zealand in July 2007, up from 145,498 visitors recorded in June 2007. July 2007's level represented an increase of 3.9% compared to July 2006's level when 166,970 overseas visitor arrivals were recorded. The annual average growth rate in the number of international visitors to New Zealand was 3.7% for the year ended July 2007.

SUMMARY

The US sub-prime mortgage market incurred huge losses in August 2007. This triggered an increase in investor risk adversity that negatively impacted on global share markets and exchange rate markets. The kiwi dollar depreciated sharply from its previous highs and by the end of August 2007 the Trade-Weighted Index (TWI) stood at 67.8 points thereby providing relief for some exporters and causing the price of petrol at the pump to increase.

The August 2007 edition of the National Bank's business confidence survey showed that a net 34% of firms expected that the general economic conditions will deteriorate in 12 months' time. This was slightly better than the net 39% who adopted a negative viewpoint in July 2007's business confidence survey. However, firms' expectations on their own business activity in 12 months' time increased from a net (positive) 12% in July 2007 to a net 17% in August 2007.

Disclaimer: This national economic update is produced monthly by APR Consultants. Although the update 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. 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.

