



NEW ZEALAND ECONOMIC UPDATE

February 2009

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.

UNEMPLOYMENT RATE RISES

The New Zealand unemployment rate rose from 4.2% in the September 2008 quarter to 4.6% in the December 2008 quarter according to the Statistics New Zealand (SNZ) Household Labour Force Survey (HLFS). This was equivalent to a 10.8% increase in the number of people unemployed (or 10,000) more people unemployed compared with the September 2008 quarter. However, employment also increased over the December 2008 quarter, up by 21,000 (or 0.9%) compared to the September 2008 quarter.

There was an increase of 31,000 people in the labour force during the December 2008 quarter, resulting in the labour force participation rate increasing by 0.6%, from 68.7% in the September 2008 quarter to 69.3% in the December 2008 quarter.

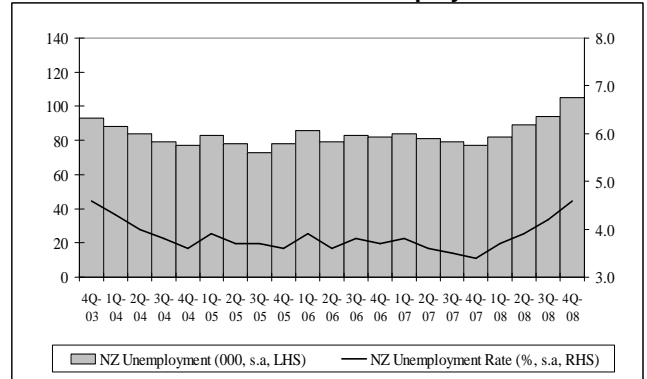
The number of hours worked per week decreased by 1.9% over the December 2008 quarter and decreased 2.8% on an annual basis. Given the link between hours worked and labour productivity, this result indicates that New Zealand's Gross Domestic Product (GDP) is likely to be weaker in the December 2008 quarter.

The majority of employment growth in the December 2008 quarter was attributable to part-time employment, which grew by 17,000 (or 3.5%). Full-time employment increased 6,000 (or 0.3%). Much of the growth in part-time employment resulted from an increase in male part-time employment which grew by 13,000 in the December 2008 quarter and by 11,000 (or 7.7%) on an annual basis.

Employment growth between the December 2008 and 2007 quarters has been concentrated in services industries such as education (up 6.8%), transport, storage and communication (up 5.7%) and health and community services (up 3.1%) industries, while the number of people employed has fallen in agriculture, construction and manufacturing industries.

The latest HLFS results indicate a rising trend in unemployment, which was consistent with the New Zealand Institute of Economic Research's (NZIER) December 2008 quarter survey showing that a net 32% of firms intend to cut staff over the next three months. NZIER's Consensus Forecasts for December expect the unemployment rate to increase to 5.7% in 2009/10 and to remain steady until 2010/11.

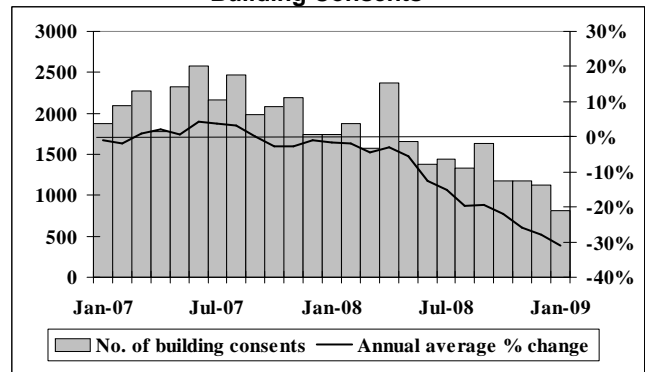
Number and Rate of Unemployment



Source: Household Labour Force Survey, Statistics New Zealand

KEY INDICATOR TRENDS

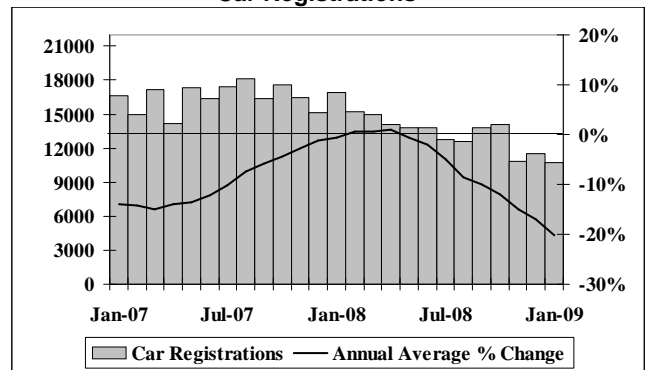
Building Consents



Source: Department of Statistics Building Surveys and Vitals Section

There was a total of 812 new building consents with a combined value of around \$233.0 million issued for residential dwellings during January 2009. This was the lowest number of monthly consents recorded over the past 15 years. The annual average growth rate in the number of new building consents issued for residential dwellings was negative 31.0% for the year ended January 2009.

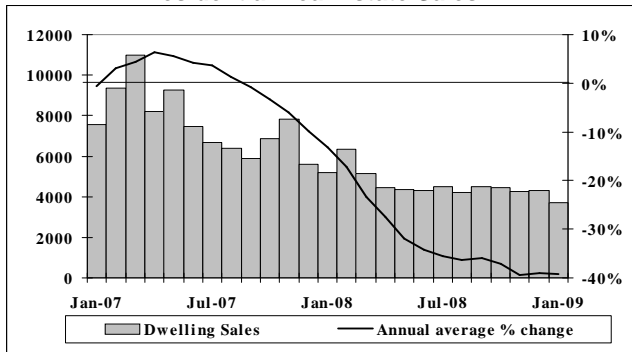
Car Registrations



Source: Land Transport Safety Authority

A total of 10,721 cars (including both new and ex-overseas car types) were registered in New Zealand in January 2009, the lowest monthly number of cars recorded since June 1998. The annual average growth rate in the number of new and ex-overseas cars registered in New Zealand was negative 20.2% for the year ended January 2009.

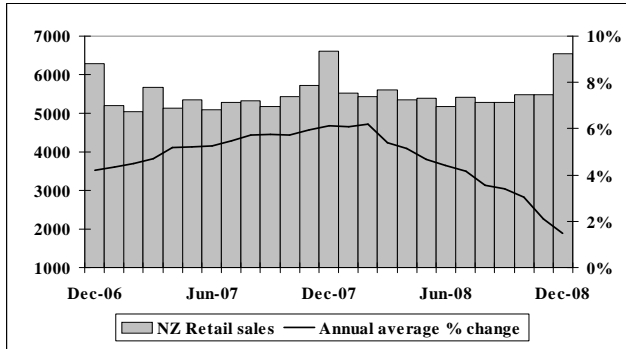
Residential Real Estate Sales



Source: Real Estate Institute of New Zealand

A total of 3,706 houses with a median sale price of \$325,000 were sold in New Zealand in January 2009. This was the lowest monthly number of houses recorded over the past 17 years. The annual average growth rate in the number of houses sold in New Zealand was negative 39.2% for the year ended January 2009.

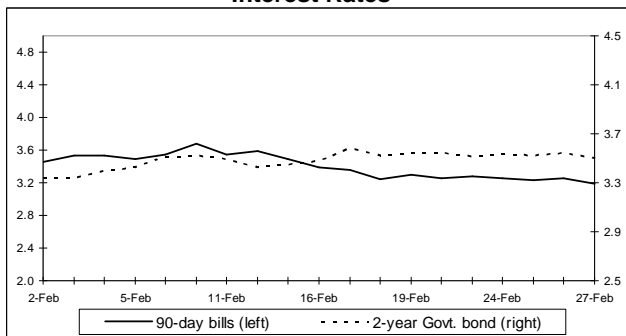
Retail Sales



Source: Business Statistics Section, Statistics New Zealand

The value of New Zealand's retail sales was \$6,551.8 million in December 2008. This was a decrease of \$61.1 million (or 0.9%) in the value recorded in December 2007. The annual average growth rate in the nominal value of New Zealand's retail sales was 1.5% for the year ended December 2008.

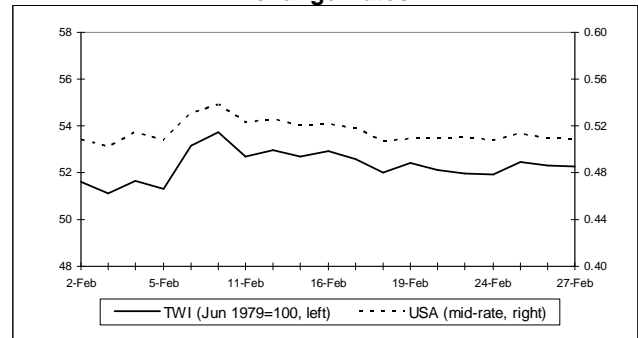
Interest Rates



Source: Reserve Bank of New Zealand

Wholesale interest rates continued to ease in February 2009. By the end of the month, the 90-day bill rate declined to 3.19%.

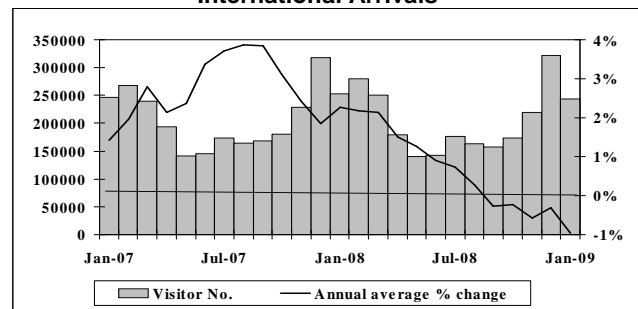
Exchange Rates



Source: Reserve Bank of New Zealand

Despite some appreciation of the New Zealand dollar in early February, the dollar remained relatively stable for the rest of the month. By the end of February 2009, NZ\$1.00 traded against US\$0.51 and the Trade-Weighted Index (TWI) stood at 52.3 points.

International Arrivals



Source: Statistics New Zealand

There was a total of 244,030 international visitor arrivals to New Zealand in January 2009. This was less than the 322,207 visitors recorded in December 2008 and the 253,500 visitors recorded in January 2008. The annual average growth rate in the number of international visitor arrivals to New Zealand was negative 1.0% for the year ended January 2009.

SUMMARY

According to the National Bank's February Business Outlook Survey, a net 41% of firms expect general economic conditions to deteriorate in 12 months' time, compared with a net 35% taking this view in December 2008. Expectations Firms had of their own level of business activity improved slightly from December 2008, yet there were still a net 20% who expect real business activity to decrease in 12 months' time. The employment outlook deteriorated with a net 29% of firms expecting employment in their own business to have decreased in 12 months' time, compared with a net 22% taking this view in December 2008. Investment intentions also worsened slightly with a net 15% of firms expecting their own level of investment in buildings, plant and equipment to have decreased in 12 months' time.

With the outlook suggesting less investment and jobs over the year ahead, the New Zealand economy may not yet have experienced the worst of this recession.

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.