



NEW ZEALAND ECONOMIC UPDATE

June 2009

NATIONAL ECONOMIC UPDATE

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

NZ'S ECONOMIC ACTIVITY STILL IN DECLINE

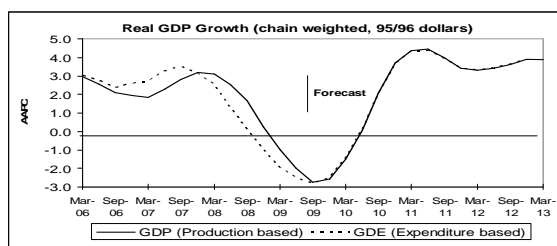
New Zealand's Gross Domestic Product (GDP; seasonally adjusted and measured in 95/96 prices) declined by 1.0% in the March 2009 quarter in line with the Reserve Bank of New Zealand's (RBNZ) expectations. This decline was the fifth consecutive quarterly decline pulling year-on-year GDP growth down to negative 1.0% for the year to March 2009, the largest decrease recorded since the year ended March 1992 when GDP contracted by 1.3%.

The goods producing industries made the biggest contribution to the March 2009 quarter GDP decline, contracting by 4.9%. The manufacturing industry was the main driving force within this group. Internationally, the financial crisis which started in mid-2008 has impacted adversely on the global demand for durable goods. The domestic market has also mirrored this trend.

New Zealand's manufacturing production decreased 7.2% in the March 2009 quarter, the largest decline since June 1986. Activity in almost all the manufacturing sub-groups declined, with the metal sub-group's production decreasing by 16%. This drove the total manufacturing production down by 5.4% for the year to March 2009. Energy industries declined by 2.9% in the March 2009 quarter.

While construction activity increased by 0.4% in the March 2009 quarter, the driving force behind this did not come from the building side of the sector (which fell by 1.4% for dwellings and 0.8% for non-residential sectors), but from the non-building side of the sector, in terms of infrastructure activity on structures such as roads and bridges.

Activity in primary industries was static, while the service industries declined by 0.1% in the March 2009 quarter. This was the net result of a decline recorded in transport and communication (down 4.5%) and wholesale trade (down 3.8%), contrasted against growth in finance, insurance and business services (up 2.3%).



Source: NZIER and Statistics New Zealand

RBNZ LEFT OCR UNCHANGED IN LATEST REVIEW

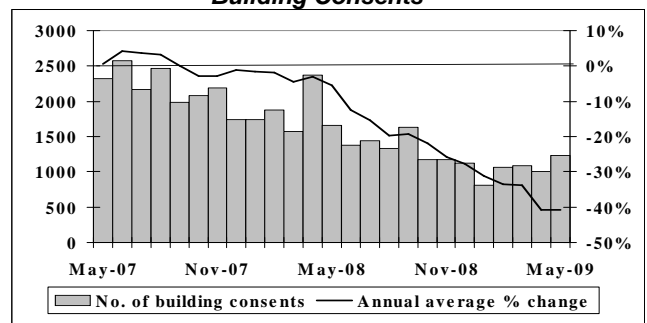
The RBNZ left the Official Cash Rate (OCR) unchanged at 2.5% in its June Monetary Policy Review. While the domestic economy remains sluggish, the RBNZ has noticed that there are tentative signs that the global economy has started to stabilise.

A strengthening in the housing sector, together with an increase in net immigration, influenced the RBNZ's decision to leave the OCR unchanged.

The RBNZ reiterated that short-term interest rates will be remain low over a sustained period (i.e. estimated to rise from 2.8% currently to only 4.0% by early 2012). This gives a strong signal that the easing cycle of the monetary policy will be long in duration and therefore, puts pressure on commercial banks who may wish to increase their wholesale rates.

KEY INDICATOR TRENDS

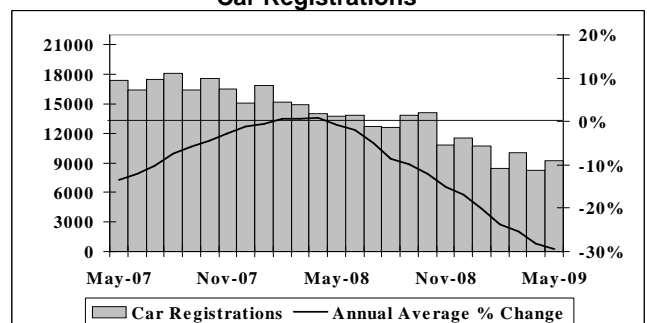
Building Consents



Source: Statistics New Zealand, Building Surveys and Vitals Section

There was a total of 1,238 new building consents issued in New Zealand for residential buildings during May 2009. This was the first time since October 2008 that monthly consent numbers exceeded 1,200. Notably, May 2009's level was still less than the 1,653 consents issued in May 2008. The annual average growth rate in the number of new building consents issued for residential dwellings in New Zealand was negative 40.8% for the year ended May 2009.

Car Registrations

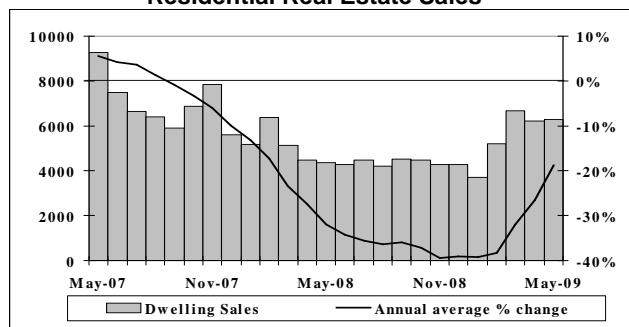


Source: Land Transport Safety Authority

The number of car registrations recorded in New Zealand has fluctuated over the past few months standing at 8,421 in February 2009, 10,015 in March

2009, 8,284 in April 2009 and 9,190 cars in May 2009. However, all of these figures were less than the 13,783 cars registered in May 2008. The annual average growth rate in the number of new and ex-overseas cars registered in New Zealand was negative 29.3% for the year ended May 2009.

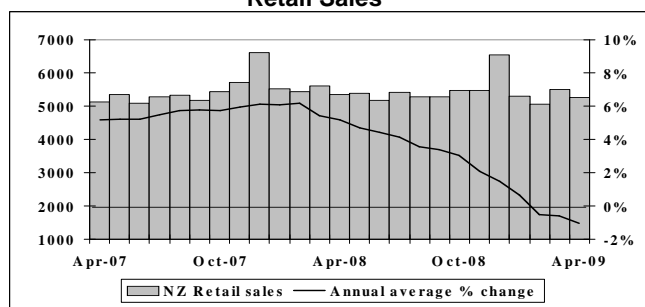
Residential Real Estate Sales



Source: Real Estate Institute of New Zealand

The number of houses sold in New Zealand totalled 6,291 in May 2009. This was a slight increase from the 6,210 houses sold in April 2009 and greater than the 4,373 houses sold in May 2008. This was the third consecutive month that the number of house sales exceeded 6,000. The annual average growth rate in the number of houses sold in New Zealand has improved from negative 26.4% for the year ended April 2009 to negative 18.7% for the year ended May 2009.

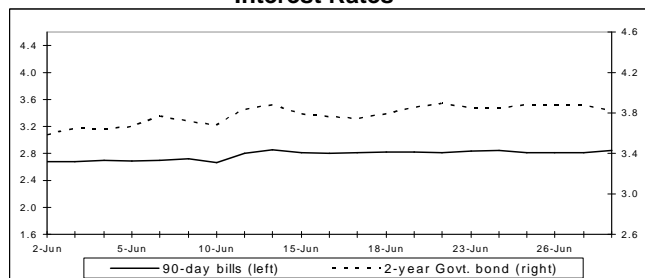
Retail Sales



Source: Business Statistics Section, Statistics New Zealand

The nominal value of New Zealand's retail sales totalled \$5,255 million in April 2009 which was less than the \$5,505 million sold in March and the \$5,347 million sold in April 2008. The annual average growth rate in the nominal value of New Zealand's retail sales was negative 1.0% for the year ended April 2009.

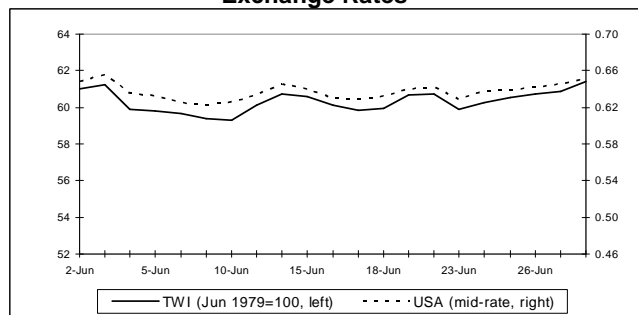
Interest Rates



Source: Reserve Bank of New Zealand

The fact that the RBNZ did not change the OCR in June 2009 resulted in a slight upward movement in wholesale interest rates. By the end of June 2009, the 90-day bill rate had climbed to 2.84%.

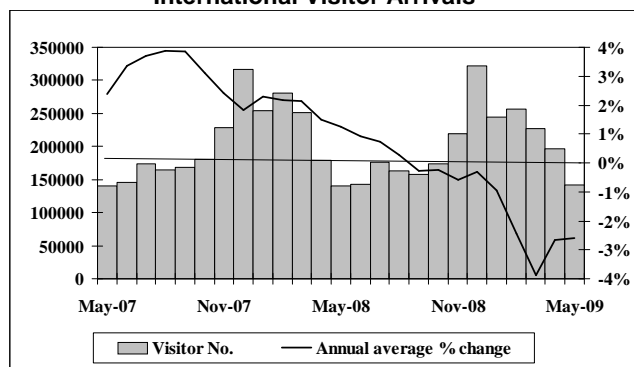
Exchange Rates



Source: Reserve Bank of New Zealand

While New Zealand's exchange rates fluctuated during June 2009, the underlying trend was an appreciation of the currency, largely due to a weak US dollar. By the end of the month, one NZ\$1.00 traded against US\$0.65 and the Trade-Weighted Index (TWI) exceeded 61 points.

International Visitor Arrivals



Source: Statistics New Zealand

There was a total of 141,916 visitor arrivals to New Zealand during May 2009, down from 195,883 visitors recorded in April 2009, but greater than the 140,483 visitors recorded in May 2008. The annual average growth rate in the number of visitor arrivals to New Zealand was negative 2.6% for the year ended May 2009.

SUMMARY AND COMMENTARY

Both firms and consumers are starting to become more optimistic about the economy's mid-term outlook. A net 6% of firms surveyed in the National Bank's (NB) Business Outlook Survey for June 2009, expected that general business conditions would improve in 12 months' time, up from a net 2% who took a similar view in the NB's previous survey.

Builders were the most optimistic group surveyed with a net 46% expecting a better time ahead, while farmers were less optimistic. Firms' expectations about their own level of business activity in 12 months' time also improved from a net 4%, to a net 8% between May and June 2009. However, some indicators remained subdued such as firms profit expectations (a net negative 24%), employment intentions (a net negative 17%) and capacity utilisation (a net negative 5%).

The Westpac McDermott Miller Consumer Confidence Index for the June 2009 quarter showed, that consumers have regained some of their confidence with the index standing at 106, up from 96 recorded in the March 2009 quarter (an index value greater than 100 means optimists outnumbered pessimists).

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.