



NEW ZEALAND ECONOMIC UPDATE

May 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.

Unemployment Rate Reaches 5%

Statistics New Zealand's Household Labour Force Survey (HLFS), showed that the number of people employed in New Zealand decreased by 24,000 (or 1.1%) in the March 2009 quarter. However, employment increased by 17,000 (or 0.8%) persons compared to the March 2008 quarter.

The number of people unemployed reached 115,000, driving the unemployment rate up from 4.7% in the December 2008 quarter, to 5.0% in the March 2009 quarter. This was the highest unemployment rate recorded since the March 2003 quarter.

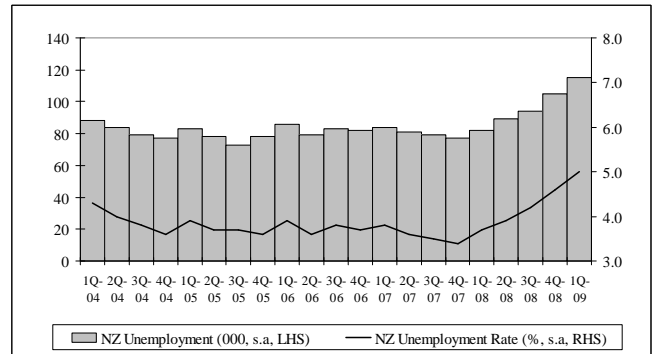
Both full-time and part-time employment decreased over the March 2009 quarter, with 11,000 (or 0.7%) less full-time and 16,000 (or 3.1%) less part-time persons employment. Male and female employment fell by 12,000 persons each in the March 2009 quarter. Interestingly, about half of the decline in employment during the March 2009 quarter was attributable to persons under 25 years old.

Regionally, there has been a significant annual decrease in employment in the Auckland region, while there was a significant increase in the Wellington Region.

Of the additional 7,000 persons unemployed in the March 2009 quarter, the majority (6,000 persons) of them were male. Annually, unemployment increased by 30,000 persons (or 35.1%), with males accounting for 19,000 persons and females for 11,000 persons unemployed. Although the unemployment rate reached a six year high, it is still less than other OECD countries such as Australia (5.4%), Great Britain (6.7%), U.S.A (8.5%), and the European Union (8.9%).

Positive net permanent and long-term migration resulted in the working age population growing by 11,500 (0.3%) over the March 2009 quarter. However, with 24,000 people dropping out of the labour force, the labour force participation rate declined by 0.7 percentage points to 68.4%.

Results of the HLFS confirmed a weak job market in the March 2009 quarter, and that employment is likely to remain subdued for the rest of the year.



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

A Brief Review of Budget 2009

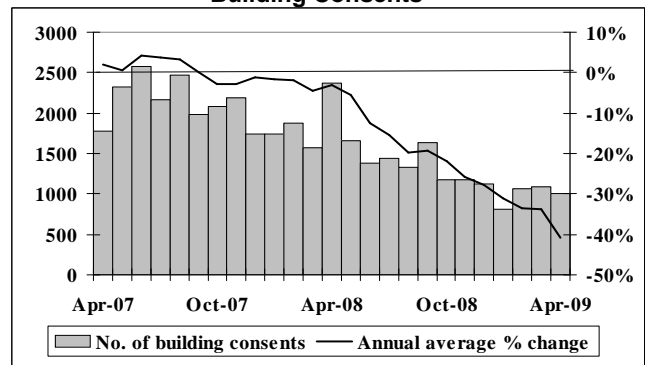
The Treasury released 'Budget 2009' on the 28th of May 2009. The key initiatives included assisting New Zealanders through the current recession and supporting jobs, increasing productivity and strengthening New Zealand's global competitiveness and keeping government debt under control.

The budget showed a reasonable balance between fiscal stimulus and the long term debt level. Fiscal stimulus would be largely unchanged for 2009, but revised up from 1.6% of GDP to 3.3% for 2010. The Treasury forecasts much lower tax revenues due to the recession, with the operating deficit increasing from \$7.7 billion in year 2010 to a high of \$9.6 billion (equivalent to 5% of GDP) in 2012, before easing a bit to \$8.4 billion in 2013.

In order to control the deficit and stabilise the country's sovereign debt rating, tax cuts were deferred indefinitely and the government's contribution to the Superannuation Fund will be frozen over the next ten years. Meanwhile, the bond programme will seek \$15 billion for 2012 to help fill the funding gap.

KEY INDICATOR TRENDS

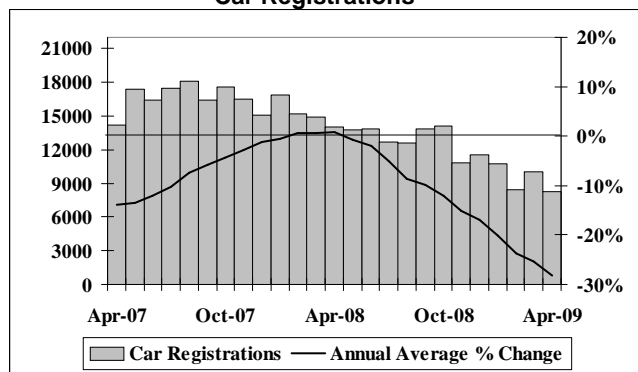
Building Consents



Source: Department of Statistics Building Surveys and Vitals Section

There was a total of 1,009 new building consents, with a combined value of around \$260.3 million, issued for residential dwellings during April 2009. This was less than the 1,091 consents issued in March 2009 and much less than the 1,567 consents issued in April 2008. The annual average growth rate in the number of new building consents was negative 40.7% for the year ended April 2009.

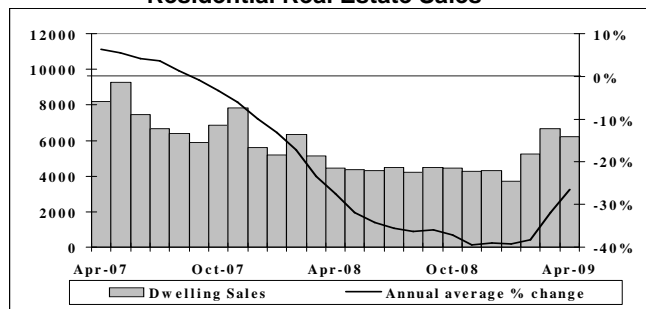
Car Registrations



Source: Land Transport Safety Authority

There were 8,284 cars (including both new and ex-overseas car types) registered in New Zealand in April 2009. This was less than the 15 year low of 8,421 recorded in March 2009. The annual average growth rate in the number of new and ex-overseas cars registered in New Zealand was negative 28.2% for the year ended April 2009.

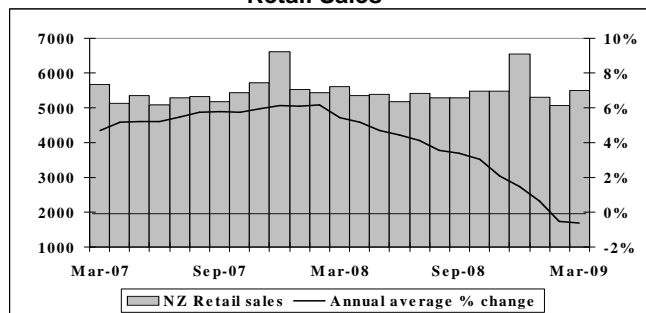
Residential Real Estate Sales



Source: Real Estate Institute of New Zealand

While the number of houses sold in New Zealand declined from 6,694 houses in March 2009 to 6,210 houses in April 2009, the number of houses sold in April 2009 increased by 1,746 (or 39.1%) on the number of houses sold in April 2008. The median sales price increased \$5,000 from March 2009, to record \$340,000 in April 2009. The annual average growth rate in the number of houses sold in New Zealand was negative 26.5% for the year ended April 2009.

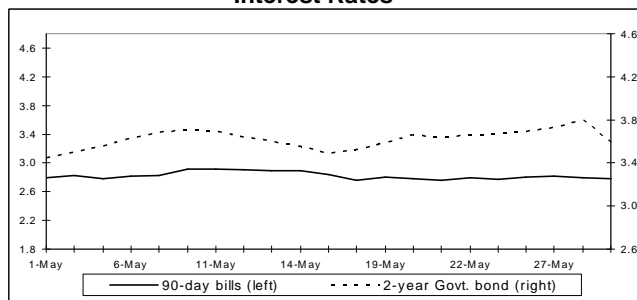
Retail Sales



Source: Business Statistics Section, Statistics New Zealand

The value of retail sales in New Zealand rose from \$5,065.9 million in February 2009 to \$5,504.8 million in March 2009. However, this was still below the \$5,612 million retail sales value recorded in March 2008. The annual average growth rate in the nominal value of New Zealand's retail sales was negative 0.6% for the year ended March 2009.

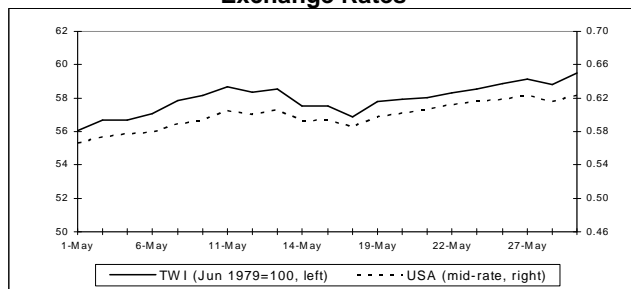
Interest Rates



Source: Reserve Bank of New Zealand

New Zealand wholesale interest rates fell slightly during the first half of May 2009, but stabilised during the remainder of May 2009. By the end of May 2009, 90-day bill rates had settled at 2.7%.

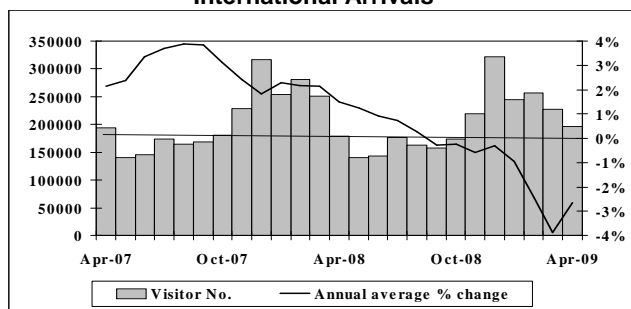
Exchange Rates



Source: Reserve Bank of New Zealand

The New Zealand dollar appreciated throughout May 2009. By the end of May 2009, the \$NZ was worth \$US0.6232, and the Trade-Weighted Index (TWI) reached 59.5 points.

International Arrivals



Source: Statistics New Zealand

There was a total of 195,883 international visitor arrivals to New Zealand in April 2009, less than the 226,461 international visitor arrivals in March 2009. However, this was an increase of 16,495 international visitor arrivals compared with April 2008. The annual average growth rate in the number of international visitor arrivals was negative 2.7% for the year ended April 2009.

SUMMARY

According to the National Bank's Business Outlook Survey, business confidence rebounded in May 2009. A net 2% of firms expected general business conditions to have improved in 12 months time, which was in contrast to April 2009's result where a net 15% of firms expected general business conditions to deteriorate in 12 months time. This was the first month since September 2008 that optimists outnumbered pessimists in terms of expectations surrounding general business conditions.

Firms' expectations of their own activity also recovered in May 2009, with a net 4% anticipating an improvement in their own business activity in 12 months time, compared to April 2009's result, where a net 4% expected deterioration in 12 months time.

Confidence was up across all industry sectors, with the exception of the retailing sector expecting reduced activity in 12 months time. While the outlook for profit, investment and employment intentions remain in negative territory, they all showed some improvement from April 2009. Exporters lost some confidence compared to April 2009, but a net 6% of firms still expected to increase exports in 12 months time. This may be partly impacted by the weakening world demand

which dragged commodity prices down and the appreciation of the New Zealand dollar during May 2009.

These business confidence indicators signal that the New Zealand economy may have approached the bottom of this current recession. However, it is expected to be a long slow recovery with 2011 being predicted as a time where economic growth might return to 2007 levels.

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.