

The February earthquake in Canterbury came at a time when the New Zealand economy was already struggling to pull out of a drawn-out slowdown. This second quake will knock more than one percentage point off GDP growth in the March quarter. The sobering effect of the death toll and fears about the economic fallout will have

made many consumers around New Zealand less willing to spend in the couple of months following the event. However, the rebuilding effort may be the catalyst the New Zealand economy needs to help kick-start an economic recovery from early 2012.

Whangarei Overview

The Whangarei economy is battling to pull out of recession. GDP in the district declined by 0.4% in the year to March 2011. The district underperformed the national economy according to most indicators.

The labour market weakened over the year to March 2011 with employment declining by 1.3%, the number of unemployment beneficiaries increasing to 1,980 from 1,810 a year earlier and the unemployment rate reaching 9.7% from 9.1% in March 2010.

The housing market is very weak which will suppress confidence in the district. The number of residential consents has fallen to a level which is very low by historical standards and house sales and prices have slumped.

Although the value of non-residential consents increased for the full 12 month period to March 2011, the value of consents have been low in recent quarters.

On the positive side car and commercial registrations increased but are still far below pre-recession levels.

Table 1. Regional growth indicators (year to March 2011 compared with previous 12 months)

Indicator (annual average % change)	Whangarei	Northland	New Zealand
GDP	↓ -0.4%	↑ 0.2%	↑ 1.0%
Employment	↓ -1.3%	↓ -0.5%	↑ 0.8%
Unemployment beneficiaries*	↓ -9.2%	↓ -6.4%	↑ 0.5%
Unemployment rate* (% point change)	↓ -0.6%	↓ -0.5%	↓ -0.5%
Residential consents	↓ -28.3%	↓ -20.3%	↓ -5.0%
Non-residential consents	↑ 16.4%	↑ 1.3%	↓ -14.4%
House sales	↓ -20.4%	↓ -22.4%	↓ -19.9%
House prices	↓ -6.2%	↓ -6.9%	↓ -2.0%
Car registrations	↑ 5.0%	↑ 15.1%	↑ 26.2%
Commercial vehicle registrations	↑ 11.6%	↑ 10.7%	↑ 25.0%

Source: Infometrics, Statistics New Zealand, Ministry of Social Development, REINZ, QV and NZTA

* An increase in the number of registered job seekers and the unemployment rate is shown as a negative.

Gross Domestic Product

National economy

Annual economic growth is expected to be only 1.0% for the year to March 2011. Growth has been underwhelming over the last year due to the combined effects of two earthquakes and a drawn-out period of weakness in consumer spending. Disappointing growth over the second half of last year meant that the economy had little momentum heading into 2011. Consumer confidence was low under the pressure of falling house prices and a static labour market.

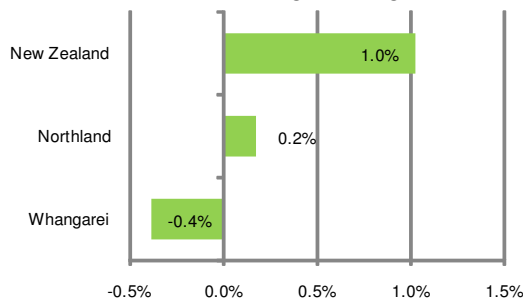
The second earthquake in Canterbury has delayed the economic recovery substantially, both by dampening confidence in the near-term and pushing back the timing of the rebuilding effort. A sustainable recovery in the New Zealand economy hinges heavily on export prices remaining high and

a boost in confidence from improvements in the housing and labour markets. It is likely to be early next year before we start to see evidence of this recovery. With some rebuilding in Canterbury likely to start next year, 2012 and 2013 could see this country's strongest GDP growth in a decade.

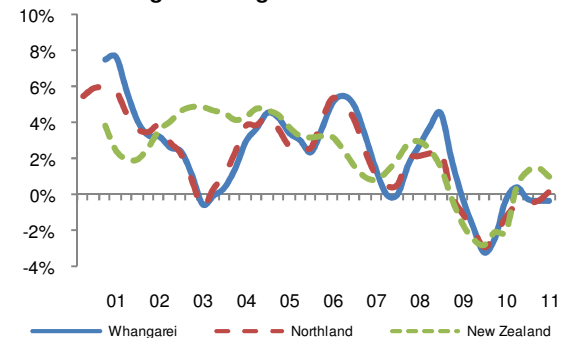
Whangarei

GDP in Whangarei decreased by 0.4% in the year to March 2011 compared to the previous 12 months. The area's growth was lower than in the Northland region (0.2%) and lower than in New Zealand (1%). Annual GDP growth in Whangarei peaked at 7.7% in the year to March 2001. The level of GDP was \$1,867 million in Whangarei during the year to March 2011. This accounted for 56.4% of GDP in the Northland region, and 1.4% of national GDP during the quarter.

Gross Domestic Product
Year to Mar 2011 annual average % change



Gross Domestic Product
Annual average % change



Employment

National economy

Total employment in New Zealand in the March 2011 quarter increased sharply, up 1.4% from December (seasonally adjusted). Although a greater number of people have been able to find work, the total number of hours worked declined by 0.9% during the quarter (seasonally adjusted). The decline in hours worked was partially the result of the Christchurch earthquake. However, it

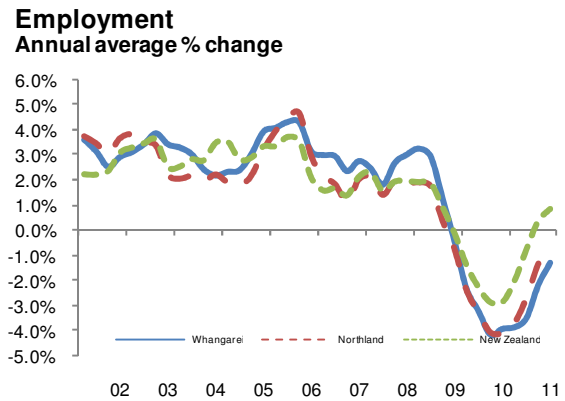
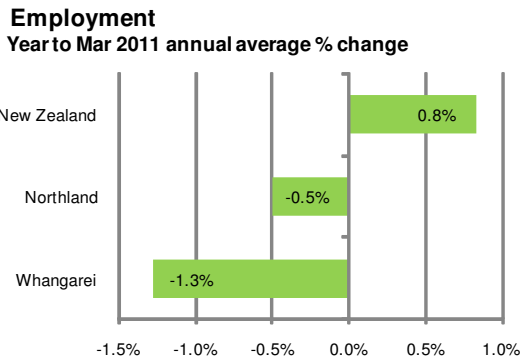
does suggest that the recent lift in employment may not be sustainable.

Whangarei

In the year to March 2011 employment in Whangarei decreased by 1.3% compared to the previous 12 months. Its growth was lower than in the Northland region (-0.5%) and lower than in New Zealand (0.8%). Approximately 33,900 people were employed in Whangarei during the

March 2011 quarter. This accounted for 54.8% of employment in the Northland region, and 1.6% of national employment for the quarter. Employment

growth peaked at 4.3% in the year to September 2005.



Unemployment beneficiaries

National economy

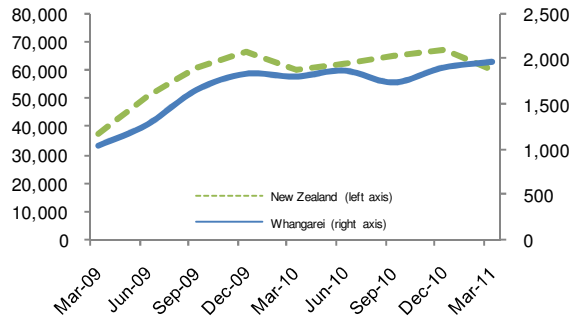
The average number of unemployment beneficiaries in New Zealand during the year to March 2011 increased marginally compared with the previous 12 months. We expect the number to stay high through the first half of 2011 with weak employment growth. A pickup in the labour market through the second half of the year should see the number of unemployment beneficiaries decline, albeit slowly.

1,810 twelve months earlier, an increase of 9%. This compares with growth at the national level of -.5%.

Whangarei

A total of 1,976 persons received an unemployment benefit in Whangarei during the March 2011 quarter. The number was up from

Unemployment beneficiaries



Unemployment

National economy

The unemployment rate fell slightly to 6.6% in March (seasonally adjusted), although the measurement excludes the effect of the Canterbury earthquake. The unemployment rate is likely to hold around current levels during the next couple of quarters as the after-effects of the quake limit economic growth. From early next year we expect unemployment to decline swiftly, as

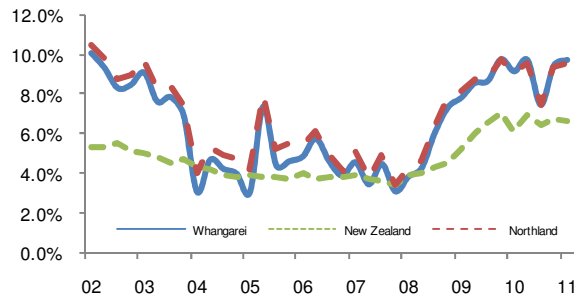
Christchurch begins to be rebuilt, and the income gains from high export prices begin to be spent.

Whangarei

The seasonally adjusted unemployment rate in Whangarei was 9.7% in the March 2011 quarter, up from 9.1% twelve months prior. The unemployment rate peaked at 10.0% in the March 2002 quarter. The rate in Whangarei was higher

than in Northland region (9.5%) and higher than in the national economy (6.6%).

**Unemployment rate
%, seasonally adjusted**



House sales

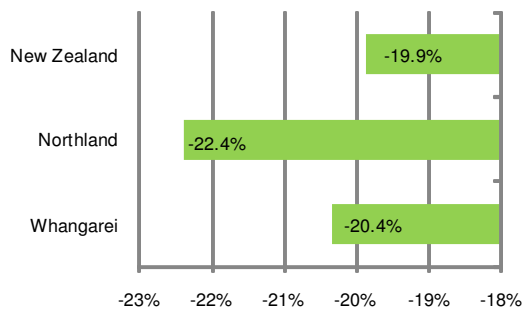
National economy

The housing market was sluggish over most of New Zealand during the March 2011 quarter with both buyers and vendors taking a cautious approach to transactions. The number of sales declined on an annual basis in most regions, with Auckland a notable exception. The Christchurch earthquake heavily reduced housing market activity in the region with sales declining to half their pre-quake level.

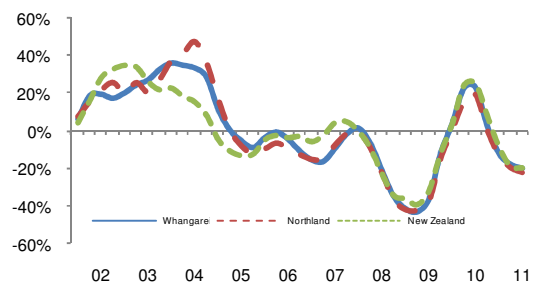
Whangarei

Annual house sales in Whangarei decreased by 20.4% compared with the previous 12 months. Growth was higher than in the Northland region (-22.4%) and lower than in New Zealand (-19.9%). A total of 188 houses were sold in Whangarei during the March 2011 quarter. This accounted for 66.2% of the total house sales in the Northland region, and 1.4% of the total national house sales during the quarter. House sales in Whangarei peaked in September 2003 when 609 houses were sold.

House Sales
Year to Mar 2011 annual average % change



House Sales
Annual average % change



House prices

National economy

House prices were 2.0% lower in March 2011 than in the same quarter in 2010. Downward pressure on house prices remains relatively modest because few buyers are under significant pressure to sell.

Tax changes have reduced the attractiveness of property investment, yet recent mortgage rate falls will have had a positive effect on the economics of owning rental property in the near

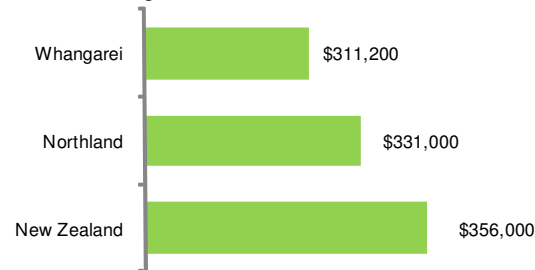
term. We still expect house prices to be flat, at best, throughout the rest of this year.

Whangarei

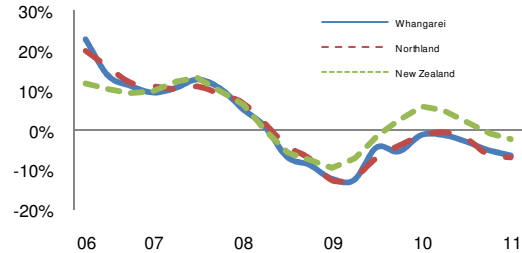
The average house price in Whangarei decreased by 6.2% in the year to March 2011 compared with the previous twelve months. The growth in

Whangarei was higher than in Northland region (-6.9%) and lower than for the country as a whole (-2%). Whangarei's average house price was \$311,200 in the year to March 2011, which was lower than the average for the Northland region (\$331,000) and lower than for New Zealand (\$356,000).

House prices, Mar 2011
Annual average



House prices
Annual average % change



Residential building

National economy

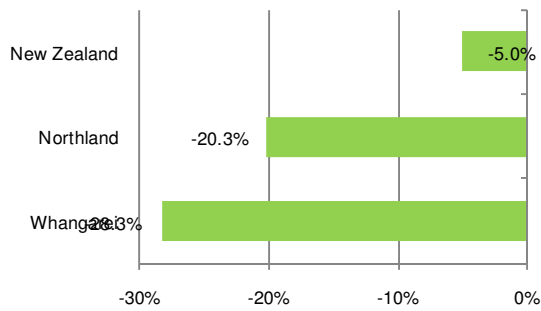
Residential building activity continued to slump in the March quarter and is extremely weak by historical standards. With funding still difficult to find for residential developments and continuing weakness in the housing market, building activity outside of Canterbury will remain constrained over the rest of 2011.

Whangarei

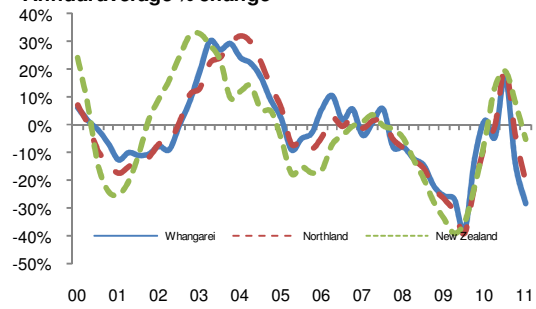
A total of 78 new residential building consents were issued in Whangarei during the March 2011 quarter. The number of consents in Whangarei

decreased by 28.3% during the year to March 2011 compared with the same period a year ago. Growth was lower than for the Northland region (-20.3%) and lower than in New Zealand (-5%). Consents in Whangarei accounted for 60% of the total number of consents in the Northland region, and 2.7% of the national number of consents during the quarter.

Residential consents
Year to Mar 2011 annual average % change



Residential consents
Annual average % change



Non-residential building

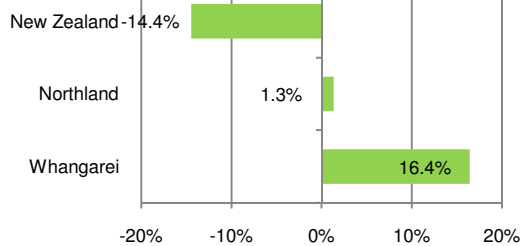
National economy

The total value of non-residential consents in the March 2011 quarter was at its lowest level since 2003. A contributor to the poor result was a 15% decline in private sector consents from the March quarter 2010. This was counter to a stabilising trend in private sector investment toward the end of last year. However, much of this drop may be a result of the earthquake. We continue to expect private sector building to gradually recover throughout the rest of this year.

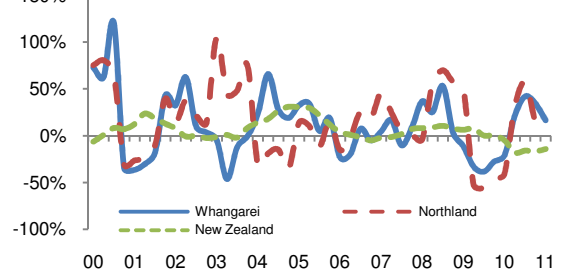
Whangarei

Non-residential building consents to the value of \$6.8 million were issued in Whangarei during the March 2011 quarter. The value of consents increased by 16.4% in the year to March 2011 compared with the same period the previous year. Growth was higher than in the Northland region (1.3%) and higher than in New Zealand (-14.4%). Consents peaked at \$129.7 million in the year to September 2009.

Non-residential consents
Year to Mar 2011 annual average % change



Non-residential consents
Annual average % change



Electricity consumption

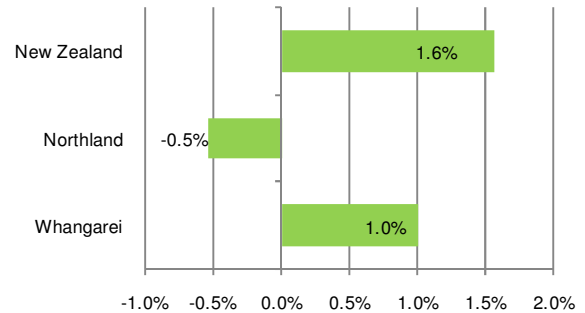
National economy

Total electricity consumption in New Zealand increased by 0.6% in the year to March 2011 reflecting a recovery in industrial production and commercial activity. Industry accounts for almost a half of electricity consumption in New Zealand.

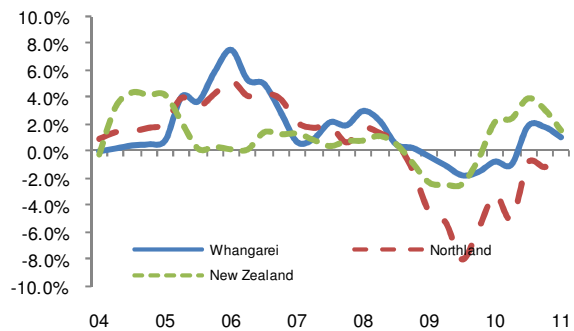
Whangarei

In the year to March 2011 electricity consumption in Whangarei increased by 1% compared to the previous 12 months. Its growth was higher than in the Northland region (-0.5%) and lower than in New Zealand (1.6%). Whangarei accounted for 71.3% of electricity consumption in the Northland region, and 2.3% of national consumption during the quarter.

Electricity consumption
Year to Mar 2011 annual average % change



Electricity consumption
Annual average % change



Vehicle sales

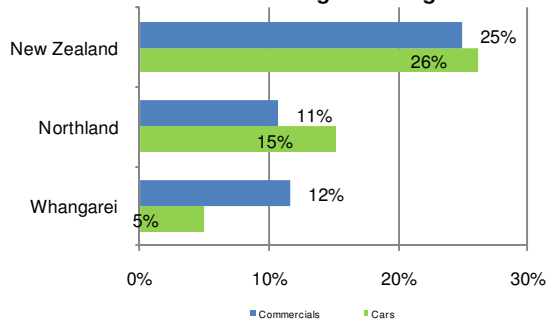
National economy

Car registrations increased by 19% in the year to March 2011. Despite the increase car sales are still well down on pre-recession levels. We expect new car sales to pick up further from the second half of 2011 as replacement demand from the business sector comes to the fore. Total commercial vehicle registrations increased by 10% in the year to March 2011. Rural demand will continue to drive sales in the near-term. By early 2012 an improving domestic economy will drive a further pick-up in light truck sales.

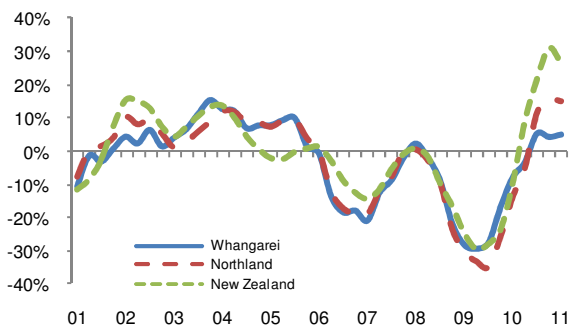
Whangarei

The number of cars registered in Whangarei increased by 5% in the year to March 2011 compared with the previous 12 months. Growth was lower than in the Northland region (15%) and lower than in New Zealand (26%). The number of commercial vehicles registered in Whangarei increased by 12% in the year to March 2011 compared with the previous 12 months. Growth was higher than in the Northland region (11%) and lower than in New Zealand (25%).

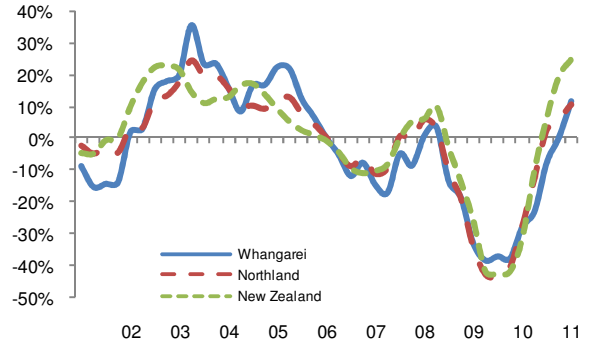
Car and commercial registrations
Year to Mar 2011 annual average % change



Car registrations
Annual average % change



Commercial vehicle registrations
Annual average % change



Technical notes

Gross Domestic Product

Gross Domestic Product is estimated by Infometrics. A top down approach breaks national industrial production (sourced from production based GDP measures published by Statistics New Zealand) is broken down to TA level by applying TA shares to the national total. Each TA's share of industry output is based on the number of people employed, the intensity at which they worked (hours worked per employee) and their productivity (output per hour worked).

Employment

This indicator measures the number of jobs as measured by Infometrics' Regional Industry Employment Model (RIEM). The model draws heavily on Linked Employer Employee Data (LEED) Quarterly and LEED Annual series as well as Business Demography (BD). RIEM differs from BD in that it is a quarterly series (BD is annual) and it includes both employees and self employed whereas BD only includes employees.

Unemployment beneficiaries

The number of unemployment beneficiaries is sourced from Ministry of Social Development (MSD).

Unemployment

Regional level unemployment rates are sourced from Statistics New Zealand's Household Labour Force Survey. Trends in the number of job seekers at TA level are used to break down regional unemployment rates to TA level.

Retail Sales

Retail sales are sourced from Statistics New Zealand's Retail Trade Survey. The estimates are core retail sales ie they exclude automotive. The Retail Trade Survey sample was changed in April 2010 which caused a break in the regional series. We have removed the break using econometric time series software, however this decreases the reliability of the data.

Accommodation

The number of guest nights is sourced from Statistics New Zealand's Accommodation Survey

House sales

The number of house sales is sourced from REINZ. The indicator measures the number of house sales at the point when the sale becomes unconditional. The unconditional date is the date when all the terms of an agreement have been satisfied and the sale and purchase can proceed to settlement.

House prices

House price *levels* (dollar value) are sourced from REINZ. The levels are based on median sale prices for the month when the sale and purchase becomes unconditional. REINZ publish house prices and number of sales for about 170 jurisdictions which are a mixture of suburbs, territorial authorities and regions. Infometrics have mapped each suburb to a territorial authority and estimated the average price for each territorial authority using the number of sales as weights. The *percentage growth* in house prices are sourced from Quotable Value. The indicator measures the change in the average prices of sales entered into QV's system in the three month period compared with the same period of the previous year.

Building consents

Building consents data are sourced from Statistics New Zealand. Non-residential consents include the value of both new buildings and alterations.

Electricity Consumption

Electricity consumption data are sourced from the Electricity Commission. Data is published by approximately 220 grid exit points (GXPs). Each GXP has been mapped to a TA.

Vehicle sales

Car and commercial vehicle sales data are sourced from New Zealand Transport Authority.