

Economic surveys indicate that the New Zealand economy has turned a corner. Having spent most of 2009 out of recession, and with our global trading partners all showing signs of growth, business confidence has increased markedly.

Improved confidence, has seen the economic recovery gain momentum in the final quarter of 2009. Although the labour market will remain weak during 2010, economic growth will strengthen significantly.

Manukau Overview

Manukau City's economic output decreased by 4.3% in the year to December 2009, compared to the previous 12 months. This contraction was significantly worse than New Zealand as a whole (-1.7%).

Employment in Manukau City decreased by 2.1% in the year to December 2009, compared to the previous 12 months. Manukau's seasonally adjusted unemployment rate rose to 8.8% in December 2009.

Manukau City's retail sector outperformed both that of the Auckland region and the New Zealand economy during 2009. Over the year to December 2009, the retail sector in Manukau increased by 4.2% compared to the previous 12 months.

Annual house sales in Manukau City increased by 31.5% compared with the previous 12 months. House prices rose 4.8% over the same period but the volume of residential consents fell 24%.

Table 1. Regional growth indicators (year to December 2009 compared with previous 12 months)

Indicator (annual average % change)	Manukau City	Auckland	New Zealand
GDP	-4.3%	-2.3%	-1.7%
Employment	-2.1%	-2.0%	-1.5%
Job Seekers*	-79%	-103%	-89%
Unemployment rate* (% point change)	-1.9%	-2.7%	-2.6%
Retail Sales	4.2%	3.8%	2.1%
Residential Consents	-24.3%	-19.5%	-21.8%
Non-residential Consents	-45.4%	-3.7%	0.2%
Electricity consumption	1.9%	0.7%	-0.5%
House Sales	31.5%	35.7%	24.2%
House Prices	4.8%	4.2%	2.8%
Guest Nights	-4.9%	-4.0%	-1.4%

Source: Infometrics and Statistics New Zealand

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

Gross Domestic Product

National economy

In the December quarter the New Zealand economy experienced its third successive quarter-on-quarter growth. But despite the improvement, activity for the 12 months to December was still 1.7% below the previous calendar year.

Economic growth will accelerate as we head into 2010, reaching 4.0%pa by March 2011. The lift in economic activity will primarily be the result of a sharp rebound in private investment as firms make up for deferred investment over the past year. Consumption spending is expected to continue to pick up during 2010, spurred on by the strong New Zealand dollar and a recovery in household wealth.

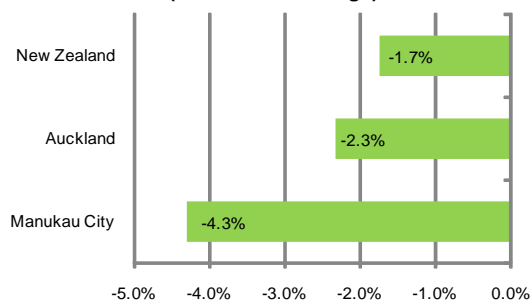
12 months. The area's growth was lower than in the Auckland region (-2.3%) and lower than in New Zealand (-1.7%). Annual GDP growth in Manukau City peaked at 8.5% in the year to March 2003. The level of GDP was \$9,034 million in Manukau City during the year to December 2009. This accounted for 18.8% of GDP in the Auckland region, and 6.8% of national GDP during the quarter.

Further details of the industry structure of the Manukau City economy and analysis of the industries that have contributed most to the growth of the economy are provided in Appendix A.

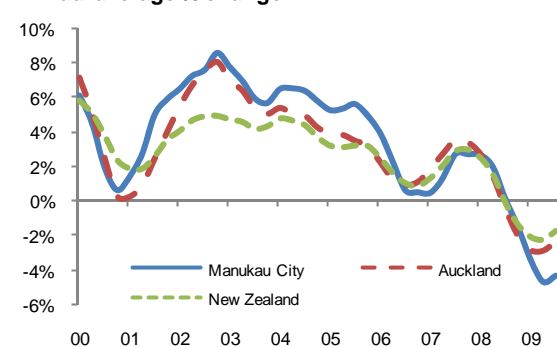
Manukau City

GDP in Manukau City decreased by 4.3% in the year to December 2009 compared to the previous

Gross Domestic Product
Year to Dec 2009 (annual av. % change)



Gross Domestic Product
Annual average % change



Employment

National economy

Employment declined for the fourth consecutive quarter in December (seasonally adjusted) and is now 2.4% below its December 2008 peak. A decline in manufacturing employment has been a major contributor to this overall decline, having fallen 13% from its September 2008 peak. Hours worked have now declined for six straight quarters, and in December were 4.7% below their June 2008 peak. With economic activity recovering the number of hours worked is expected to increase

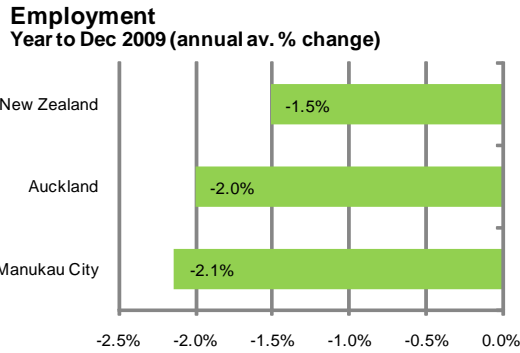
through 2010. However, employment growth will remain low as firms increase the hours of their existing staff before hiring new employees.

Manukau City

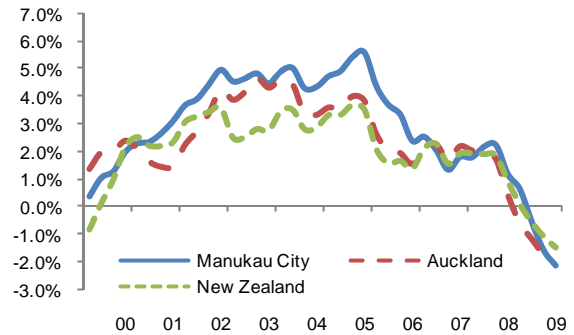
In the year to December 2009 employment in Manukau City decreased by 2.1% compared to the previous 12 months. Its growth was lower than in the Auckland region (-2%) and lower than in New Zealand (-1.5%). Approximately 134,500 people were employed in Manukau City during the

December 2009 quarter. This accounted for 18.9% of employment in the Auckland region, and 6.2% of national employment for the quarter.

Employment growth peaked at 5.6% in the year to December 2005.



Employment Annual average % change



Job seekers

National economy

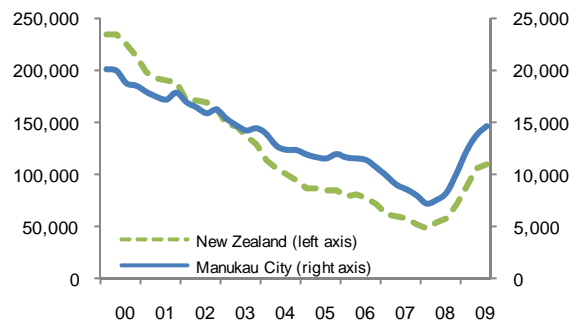
The number of unemployed job seekers registered at WINZ exceeded 110,000 in the September quarter, almost double the level measured in December 2008. We expect the number to increase slowly as the labour force grows and businesses avoid taking on new staff.

79%. Over the past ten years the number of job seekers peaked at 20,401 in the March 2000 quarter.

Manukau City

A total of 14,581 job seekers were registered with Work and Income in Manukau City during the December 2009 quarter. The number was up from 8,152 twelve months earlier, an increase of

Registered unemployed job seekers



Unemployment

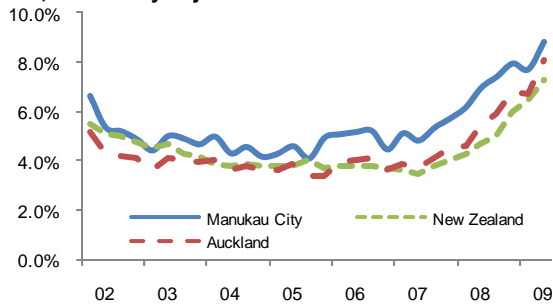
National economy

The unemployment rate rose to 7.3% in December, its highest level since September 1999 and well up on its low of 3.4% in December 2007. The increase in the unemployment rate was significantly higher than expected, which indicates that the New Zealand labour market remains fragile. We believe that unemployment has now peaked. However, the unemployment rate will not start to decline at a significant pace until 2011.

Manukau City

The seasonally adjusted unemployment rate in Manukau City was 8.8% in the December 2009 quarter, up from 7.0% twelve months prior. The unemployment rate peaked at 8.8% in the December 2009 quarter. The rate in Manukau City was higher than in Auckland region (8.1%) and higher than in the national economy (7.3%).

Unemployment rate
%, seasonally adjusted



Retail sales

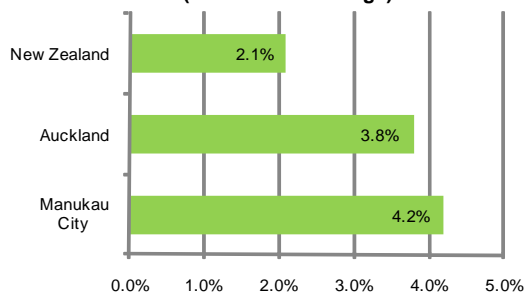
National economy

The volume of retail sales rose 1.0% in the December quarter compared with the September quarter (seasonally adjusted), the largest quarterly increase since March 2007. An increase in appliance retailing (up 3.2%) and café and restaurant retailing (up 5.6%) were the main contributors to the total increase. Despite the strong increase in the December quarter, retail sales remain 5.4% below their March 2007 peak. As credit conditions normalise and economic growth returns retail sales will pick up. However, sales volumes are not expected to reach their March 2007 peak until September 2011.

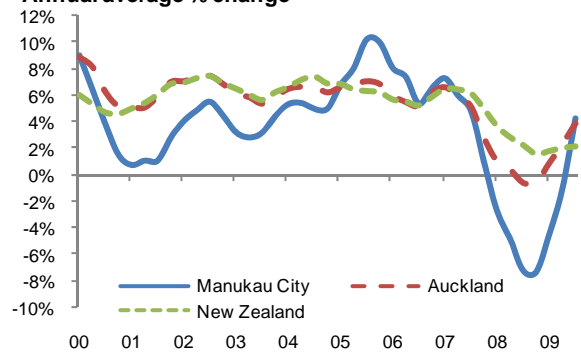
Manukau City

Core retail sales measured \$936 million in Manukau City during the December 2009 quarter. This accounted for 19.9% of retail sales in the Auckland region, and 6.6% of national retail sales. In the year to December 2009 annual retail spending in Manukau City increased by 4.2% compared to the previous 12 months. Its growth was higher than in the Auckland region (3.8%) and higher than in New Zealand (2.1%). Annual retail spending in Manukau City peaked at \$3,323 million in the year to December 2007. Spending in the current year was 3.4% lower than at the peak.

Retail sales
Year to Dec 2009 (annual av. % change)



Retail sales
Annual average % change



Accommodation

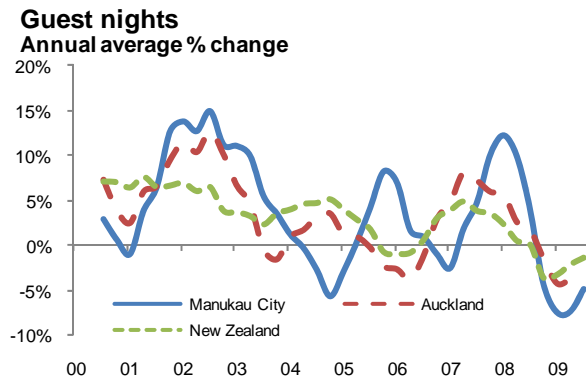
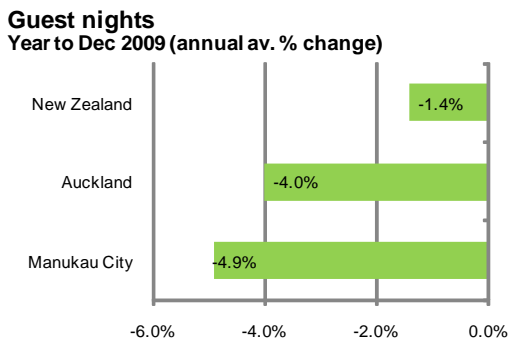
National economy

In the December quarter, seasonally adjusted tourist arrivals rose to their highest level on record as arrivals from Australia increased and arrivals from Asia continued to recover. Compared to December 2008, arrivals were up 4.6%. The recovery in arrivals has resulted in international guest nights increase by 4.5% compared with the same quarter in 2008. However, due to declines earlier in the year total guest nights during the 12 months to December were 1.4% lower than the 2008 calendar year. With tourist numbers continuing to recover over the next year we expect

to see further growth in tourist guest night over the next 12 months.

Manukau City

Total guest nights in Manukau City decreased by 4.9% during the year to December 2009 compared with the previous twelve months. The change in Manukau City was lower than in the Auckland region (-4%) and lower than in the country as a whole (-1.4%). Visitors stayed 734,000 guest nights in Manukau City during the year to December 2009. This accounted for 13.5% of total guest nights in the Auckland region, and 2.3% of the national total.



House sales

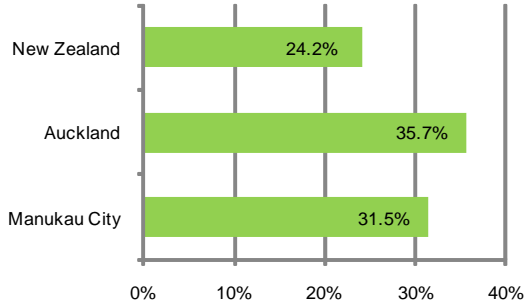
National economy

Recovery in the volume of house sales stalled in the December quarter with sales declining by 14% compared with September (seasonally adjusted). Even so, house sales were 31% higher than their December 2008 levels. Concerns regarding changes in tax policy are likely to be the main contributor to this reduction in sales activity. With uncertainty likely to remain until the May budget, house sales activity will be restrained during the first half of the year

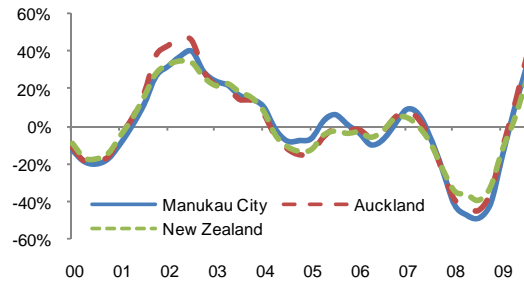
Manukau City

Annual house sales in Manukau City increased by 31.5% compared with the previous 12 months. Growth was lower than in the Auckland region (35.7%) and higher than in New Zealand (24.2%). A total of 1,063 houses were sold in Manukau City during the December 2009 quarter. This accounted for 18.6% of the total house sales in the Auckland region, and 6.2% of the total national house sales during the quarter. House sales in Manukau City peaked in September 2003 when 2,187 houses were sold.

House Sales
Year to Dec 2009 (annual av. % change)



House Sales
Annual average % change



House prices

National economy

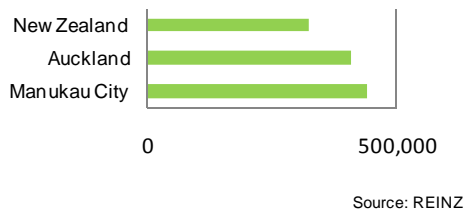
The average house price increased by 2.8% in the year to December 2009 compared with the previous 12 months, up from 1% in the year to November. The acceleration in the annual average house price occurred despite uncertainty about the tax treatment of property and rising mortgage rates. Almost 80% of the country's territorial authorities recorded faster house price growth in December compared to the previous month, maintaining the trend of improvement since the market's low point in April last year. The main urban areas continue to lead the housing market's recovery – six of the eight best performers were urban areas, with the four "traditional" cities of Auckland, Wellington, Christchurch, and Dunedin

dominating. Annual house price inflation in the urban areas is now running at 4.4%pa, the fastest since April 2008.

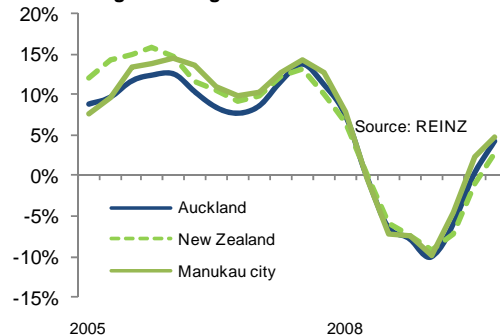
Manukau City

The average house price in Manukau City increased by 4.8% in the year to December 2009 compared with the previous twelve months. The growth in Manukau City was higher than in Auckland region (4.2%) and higher than for the country as a whole (2.8%). Manukau City's average house price was \$439,600 in the year to December 2009, which was higher than the average for the Auckland region (\$407,500) and higher than for New Zealand (\$325,000).

House prices, December 2009
Annual average (\$)



House prices
Annual average % change



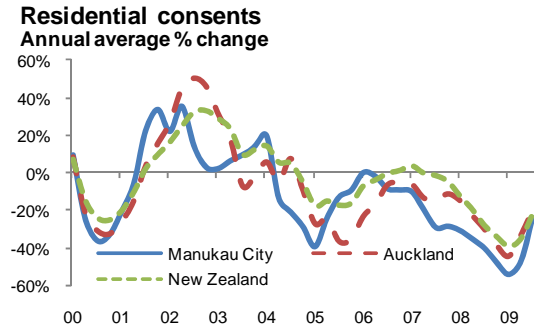
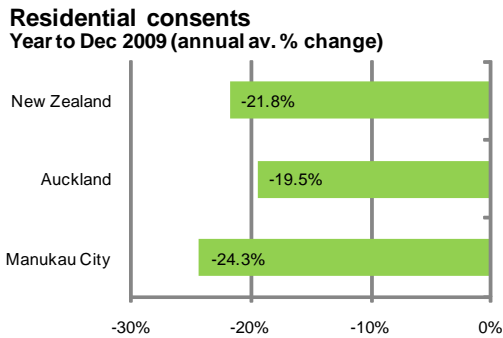
Residential building

National economy

Residential consent numbers (excluding apartments) stalled at around 1,300 per month in the December quarter. Apartment building remains weak, with apartments accounting for just 5.6% of total consents over the last three months - the weakest result in two years. Although there has been definite upward momentum in residential construction activity since May 2009, the latest figures suggest growth will taper off in 2010. Potential tax changes around investment property may dampen house price inflation and slow the current recovery in residential construction.

Manukau City

A total of 167 new residential building consents were issued in Manukau City during the December 2009 quarter. The number of consents in Manukau City decreased by 24.3% during the year to December 2009 compared with the same period a year ago. Growth was lower than for the Auckland region (-19.5%) and lower than in New Zealand (-21.8%). Consents in Manukau City accounted for 17.5% of the total number of consents in the Auckland region, and 3.9% of the national number of consents during the quarter.



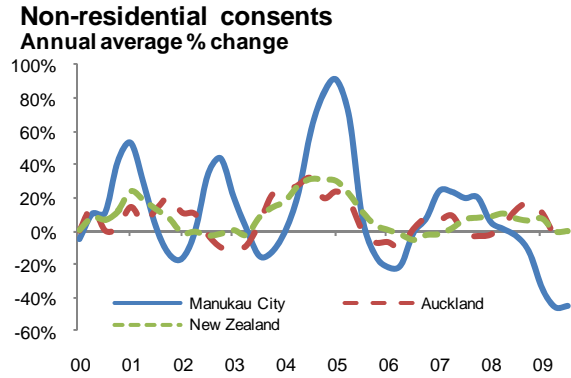
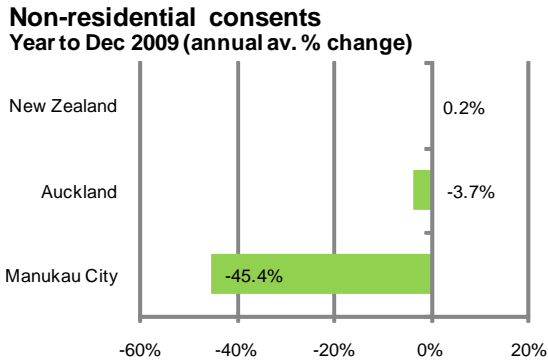
Non-residential building

National economy

Public sector spending on non-residential building over the year to December was up 55% from the previous 12 months, a four-year high. Private sector work declined 16%. Although the latest nationwide consent figures were more upbeat than any since mid-2009, the weak property market and tight lending conditions suggest there should be some caution about the potential for a turnaround in non-residential construction just yet.

Manukau City

Non-residential building consents to the value of \$94.3 million were issued in Manukau City during the December 2009 quarter. The value of consents decreased by 45.4% in the year to December 2009 compared with the same period the previous year. Growth was higher than in the Auckland region (-3.7%) and lower than in New Zealand (0.2%). Non-residential building consents peaked in the year to June 2008 when consents to the value of \$502.3 million were issued. Consents in the current year were 47.9% lower than at the peak.



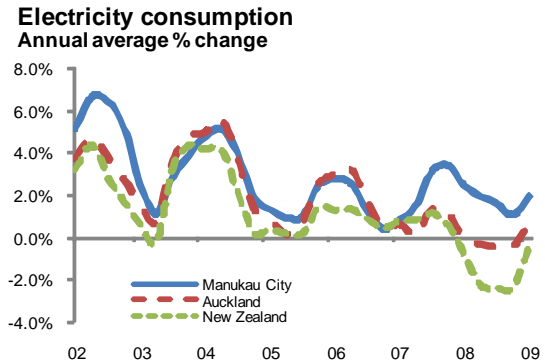
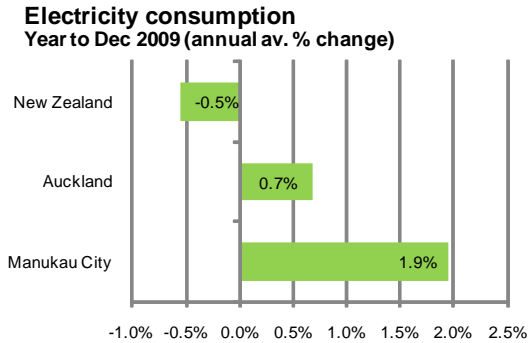
Electricity consumption

National economy

Total electricity consumption in New Zealand declined by 0.5% in the year to December 2009 as a consequence of falling industrial production and commercial activity. Industry accounts for almost a half of electricity consumption in New Zealand.

Manukau City

In the year to December 2009 electricity consumption in Manukau City increased by 1.9% compared to the previous 12 months. Its growth was higher than in the Auckland region (0.7%) and higher than in New Zealand (-0.5%). Manukau City accounted for 15.7% of electricity consumption in the Auckland region, and 3.8% of national consumption during the quarter.



Appendix A. Structure and growth of the Manukau City economy and labour market

Structure of the economy

Manufacturing was the largest industry in Manukau City in the year to December 2009, accounting for 19% of the territorial authority's economic output. Property and Business Services was the second

largest (13%) followed by Transport and Storage (13%). Together the three largest industries accounted for 45% of total GDP.

Table 2. GDP (\$m, 95/96 prices) by industry in Manukau City, year to December 2009

Rank	Industry	GDP	% of total GDP
1	Manufacturing	1713	19.0%
2	Property and Business Services	1181	13.1%
3	Transport and Storage	1169	12.9%
4	Wholesale Trade	940	10.4%
5	Communication Services	605	6.7%
6	Retail Trade	596	6.6%
7	Health and Community Services	474	5.3%
8	Education	340	3.8%
9	Finance and Insurance	318	3.5%
10	Government Administration and Defence	244	2.7%
11	Construction	213	2.4%
12	Personal and Other Services	132	1.5%
13	Cultural and Recreational Services	104	1.2%
14	Accommodation, Cafes and Restaurants	103	1.1%
15	Electricity, Gas and Water Supply	73	0.8%
16	Agriculture, Forestry and Fishing	30	0.3%
17	Mining	5	0.1%
	Owner occupied dwellings	569	6.3%
	Not Elsewhere Included	225	2.5%
	Total	9034	100.0%

Source: Infometrics and Statistics New Zealand

Growth industries

Property and Business Services was the largest contributor to growth in Manukau City's economy between December 2004 and December 2009, contributing 0.4% of the total 0.9% growth in GDP. The industry grew by 3.5% per annum over the five year period. The second largest contributor to growth was Communication Services (0.4% point contribution to growth) followed by

Health and Community Services (0.3%). The fastest growing industries over the five year period were Communication Services (5.8%pa), Government Administration and Defence (5.3%pa) and Health and Community Services (5.3%pa). The largest detractor from growth was Manufacturing which declined by -3.2% per annum between December 2004 and December 2009.

Table 3. Industries ranked by absolute growth in GDP, December 2004 to December 2009

Rank	Industry	GDP (\$m)		Change Dec 04 to Dec 09		% point contribution to growth
		Dec 04	Dec 09	Absolute (\$m)	Annual average %	
1	Property and Business Services	996	1181	185	3.5%	0.4%
2	Communication Services	456	605	150	5.8%	0.4%
3	Health and Community Services	367	474	107	5.3%	0.3%
4	Transport and Storage	1067	1169	102	1.9%	0.2%
5	Government Administration and Defence	188	244	56	5.3%	0.1%
6	Retail Trade	548	596	48	1.7%	0.1%
7	Finance and Insurance	274	318	44	3.0%	0.1%
8	Wholesale Trade	908	940	31	0.7%	0.1%
9	Personal and Other Services	110	132	23	3.8%	0.1%
10	Electricity, Gas and Water Supply	55	73	17	5.6%	0.0%
11	Cultural and Recreational Services	90	104	15	3.1%	0.0%
12	Education	328	340	12	0.7%	0.0%
13	Accommodation, Cafes and Restaurants	101	103	2	0.5%	0.0%
14	Agriculture, Forestry and Fishing	31	30	-1	-0.7%	0.0%
15	Mining	13	5	-8	-17.5%	0.0%
16	Construction	250	213	-37	-3.1%	-0.1%
17	Manufacturing	2017	1713	-304	-3.2%	-0.7%
	Not Elsewhere Included	852	794	-57	-1.4%	-0.1%
	Total	8649	9034	385	0.9%	0.9%

Source: Infometrics and Statistics New Zealand

Structure of employment

Manufacturing was the largest employer in Manukau City in the year to December 2009, accounting for 18% of the territorial authority's employment. Property and Business Services was

the second largest (13%) followed by Retail Trade (12%). Together the three largest industries accounted for 43% of total employment.

Table 4. Employment by industry in Manukau City, year to December 2009

Rank	Industry	Employment	% of total
1	Manufacturing	24,720	18.2%
2	Property and Business Services	17,290	12.8%
3	Retail Trade	15,680	11.6%
4	Transport and Storage	14,560	10.7%
5	Wholesale Trade	12,210	9.0%
6	Health and Community Services	11,880	8.8%
7	Education	11,720	8.6%
8	Construction	8,110	6.0%
9	Accommodation, Cafes and Restaurants	5,090	3.7%
10	Personal and Other Services	4,820	3.6%
11	Government Administration and Defence	2,630	1.9%
12	Cultural and Recreational Services	2,170	1.6%
13	Finance and Insurance	1,780	1.3%
14	Communication Services	1,680	1.2%
15	Agriculture, Forestry and Fishing	980	0.7%
16	Electricity, Gas and Water Supply	250	0.2%
17	Mining	50	0.0%
	Total	135,620	100.0%

Source: Infometrics and Statistics New Zealand

Employment creating industries

Health and Community Services created the largest number of jobs in Manukau City between December 2004 and December 2009, contributing 2,530 of the total 11,200 total jobs created. Employment in the industry grew by 4.9% per annum over the five year period. The second largest contributor to growth was Transport and Storage (2100 new jobs) followed by Education

(1660 new jobs). The fastest growing industries over the five year period were Health and Community Services (4.9%pa), Personal and Other Services (4.7%pa) and Government Administration and Defence (4.4%pa). The largest detractor from employment growth was Manufacturing which shed 590 jobs between December 2004 and December 2009.

Table 5. Industries ranked by absolute employment growth, December 2004 to December 2009

Rank	Industry	Persons employed		Change Dec 04 to Dec 09		% point contribution to growth
		Dec 04	Dec 09	Number	Annual average %	
1	Health and Community Services	9,350	11,880	2,530	4.9%	0.4%
2	Transport and Storage	12,460	14,560	2,100	3.2%	0.3%
3	Education	10,060	11,720	1,660	3.1%	0.3%
4	Property and Business Services	15,930	17,290	1,360	1.7%	0.2%
5	Wholesale Trade	11,010	12,210	1,200	2.1%	0.2%
6	Personal and Other Services	3,830	4,820	990	4.7%	0.2%
7	Construction	7,400	8,110	710	1.8%	0.1%
8	Government Administration and Defence	2,120	2,630	510	4.4%	0.1%
9	Cultural and Recreational Services	1,780	2,170	390	4.0%	0.1%
10	Retail Trade	15,530	15,680	150	0.2%	0.0%
11	Accommodation, Cafes and Restaurants	4,980	5,090	110	0.4%	0.0%
12	Electricity, Gas and Water Supply	170	250	80	8.0%	0.0%
13	Finance and Insurance	1,700	1,780	80	0.9%	0.0%
14	Communication Services	1,660	1,680	20	0.2%	0.0%
15	Mining	90	50	-40	-11.1%	0.0%
16	Agriculture, Forestry and Fishing	1,040	980	-60	-1.2%	0.0%
17	Manufacturing	25,310	24,720	-590	-0.5%	-0.1%
	Total	124,420	135,620	11,200	1.7%	1.7%

Source: Infometrics and Statistics New Zealand

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.

Job Seekers

The number of registered unemployed job seekers is sourced from Ministry of Social Development (MSD). The data is presented by WINZ Service Centre. Each Service Centre has been mapped to a territorial authority by Infometrics. Where a service centre serves more than one TA the number of job seekers is split across TAs using TA level unemployment beneficiary data provided by 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.

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