

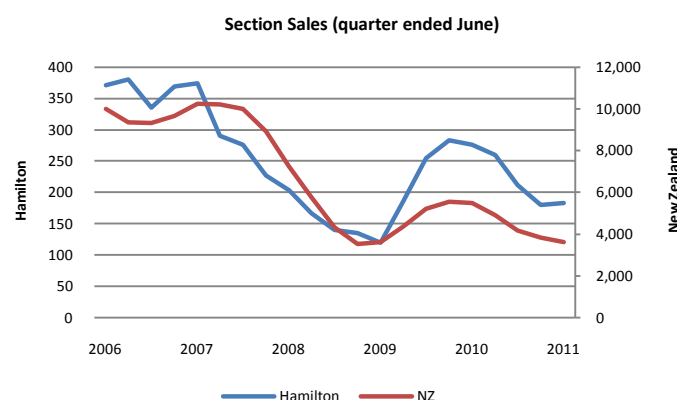
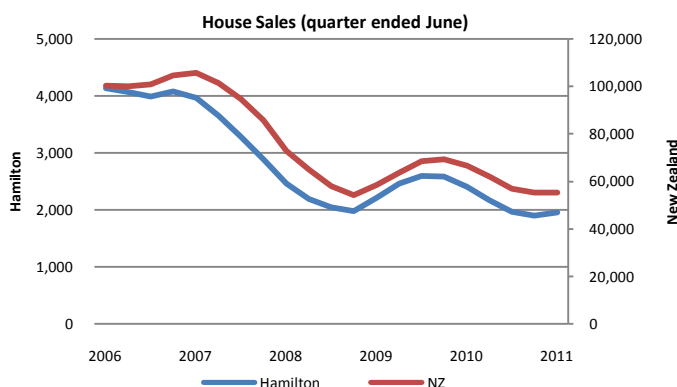
ECONOMIC UPDATE FOR HAMILTON

This publication reports on a selection of key economic indicators that have the potential to impact on Council’s business. It provides an analysis of the current trends occurring in Hamilton and the impact they may have on Council services and facilities.

The information is sourced mainly from Statistics New Zealand, Infometrics, and the Real Estate Institute of New Zealand (REINZ).

BUILDING AND HOUSING ACTIVITY

1. HOUSE AND SECTION SALES - HAMILTON



Source: Real Estate Institute of New Zealand

What Does This Indicator Show?

- House and section sales are leading indicators of building consent activity. House sales provide an indication of demand for housing. Section sales show how quickly land is being purchased, usually with the intention of constructing residential dwellings.
- The trends in house and section sales indicate the trend in building consents likely to occur 3 to 6 months in the future.

House Sales

- In Hamilton, the number of houses sold increased by 3% between the quarters ended March 2011 (1,898) and June 2011 (1,954).
- There was a 19% decrease between the June 2010 quarter (2,411) and June 2011 quarter (1,954).

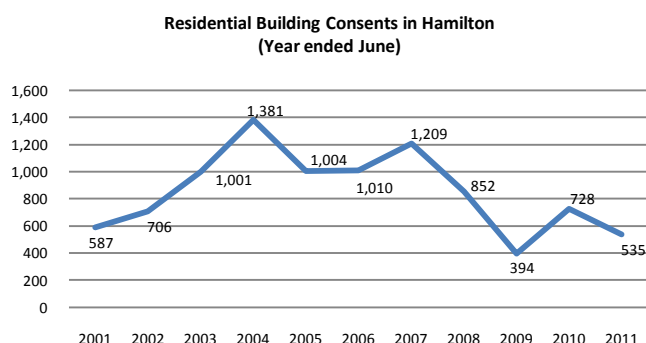
Section Sales

- Section sales in Hamilton increased 1.7% between the March 2011 quarter (180) and the June 2011 quarter (183).
- There was a 33.7% decrease between the June 2010 quarter (276) and the June 2011 quarter (183).

What Does This Mean For Hamilton And HCC?

- The modest increase in both house and section sales indicates that building consents for new houses may follow suit and increase over the next few months.
- For the quarter ended June 2011 a total of 1,954 houses and 190 sections were sold in Hamilton.

2. BUILDING CONSENTS - HAMILTON



Source: Statistics New Zealand

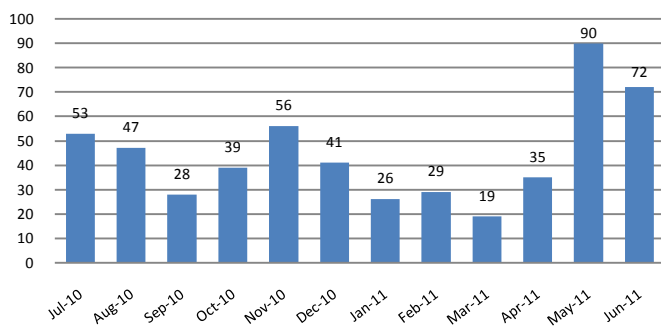
What Does This Indicator Show?

- Indicates the level of housing and commercial/industrial building activity occurring within the city.

Residential Building Consents

- The total number of residential building consents for new houses issued for the year ended June 2011 was 535, down 193 or 26.5% on the year ended June 2010 (728 consents issued).
- May and June 2011 accounted for 30.3% of all residential building consents for the year ended June 2011 (refer graph overleaf).

Residential Building Consents per month in Hamilton (year ended June 2011)



Source: Statistics New Zealand

Value And Floor Area Of Commercial/Industrial Buildings In Hamilton (Year Ended June)



Source: Statistics New Zealand

Commercial/Industrial Buildings

- The value of consents issued for the year ended June 2011 for commercial/industrial buildings was \$130,495,286 (a 9.78% decrease over the \$144,640,141 recorded for the year ended June 2010).
- The floor area of these buildings was 51,828m² for the year ended June 2011, a decrease of 40% over the 86,462m² recorded for the year ended June 2010.
- Recent commercial/industrial buildings (either newly completed or where the building consent has recently been issued) include:
 - Cascades retirement apartments -2,622m², with a project value of \$4,500,000.
 - Dining lane Centreplace, Bryce St - existing footprint with a value of \$1,546,750.
 - Centreplace food court - existing footprint with a value of \$1,400,000.
 - 2 story motel, Lorne St - 900m², with a project value of \$1,500,000.
 - 2 story office complex, Maui St, 1,245m², with project value of \$2,500,000.

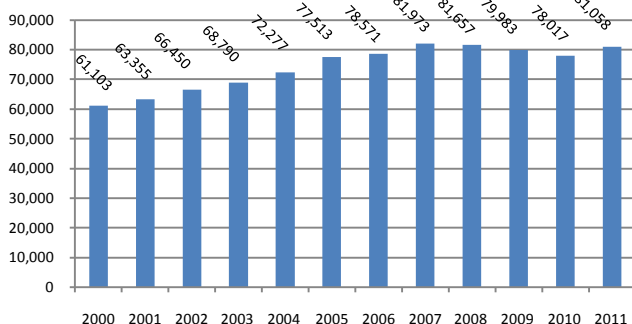
In addition, Hamilton International Airport has achieved a major milestone with the announcement in August 2011 that the airport has secured approvals to extend the runway to almost 3,000 metres.

This extension will give the Airport the ability to accommodate for long haul international connections for the central North Island. While there is no immediate timetable, the option to extend the runway has now been approved (as a consent) for the next 15 years.

WORKFORCE AND POPULATION

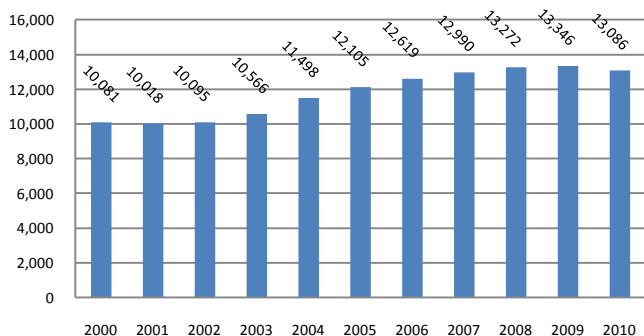
3. NUMBER OF BUSINESSES AND EMPLOYEES

Employee Count for Hamilton (Quarter ended March)



Source: Statistics New Zealand

Business Counts for Hamilton (February)



Source: Statistics New Zealand

What Does This Indicator Show?

- Employment data is measured quarterly using data from Infometrics. Business data is measured from Statistics New Zealand Annual Business Demography Survey.

Employment:

- Hamilton had a total of 81,058 people employed in the March 2011 quarter.
- Between 2010 and 2011 (March quarters) Hamilton recorded an increase of 3,041 jobs, with the largest net gain of 554 jobs occurring in the 'Retail Trade' sector. However, the 'Finance and Insurance' sector recorded a net loss of 40 jobs.

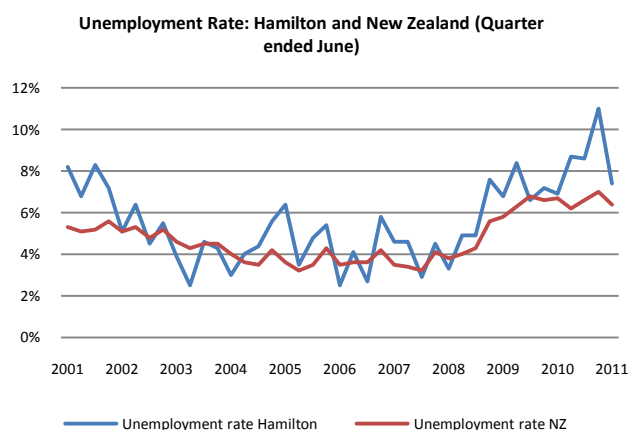
Business

- Hamilton had a total of 13,086 businesses at February 2010 (February 2011 statistics are due for release late October 2011).
- The number of businesses in Hamilton decreased by 260 (1.95%) between February 2009 (13,346) and February 2010 (13,086).
- In this same period there was a net decrease of 137 businesses in the 'construction' sector, while the 'financial and insurance services' sector recorded the biggest net gain with 28 businesses.

What Does This Mean For Hamilton And HCC?

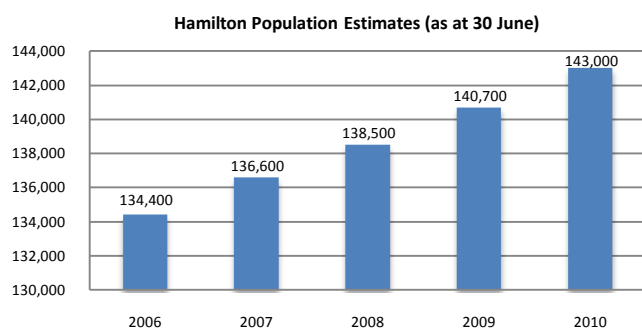
- The number of jobs available affects migration to the city and therefore growth. It also affects residents' income, which affects their ability to spend (including the ability to pay rates and other Council services).

4. UNEMPLOYMENT RATE

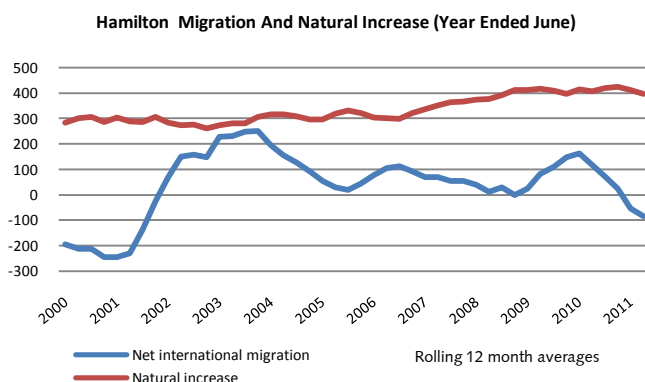


Source: Statistics New Zealand

5. POPULATION AND MIGRATION



Source: Statistics New Zealand



Source: Statistics New Zealand

What Does This Indicator Show?

- The unemployment rate is the number of people unemployed expressed as a percentage of the total labour force.
- The number of people unemployed in Hamilton in the June 2011 quarter was estimated at 5,400 or 7.4% (compared to 4,600; 6.9% unemployed for the June 2010 quarter).
- The number of residents receiving the unemployment benefit stood at 1,834 for the quarter ended June 2011, compared with 2,354 for the quarter ended June 2010 (a 22.1% decrease).

What Does This Mean For Hamilton And HCC?

- The decrease in the unemployment rate reflects the job increases shown in Indicator 3 above.

What Does This Indicator Show?

- This indicator shows population estimates (at 30 June) from Statistics New Zealand since the 2006 Census of Population and Dwellings.
- Hamilton's population was estimated at 143,000 at June 2010, an increase of 2,300 (or 1.6%) on the previous year's figure of 140,700.
- Between July 2010 and June 2011 Hamilton recorded a natural population increase (births minus deaths) of 1,587 and a total net international migration decrease of 338.

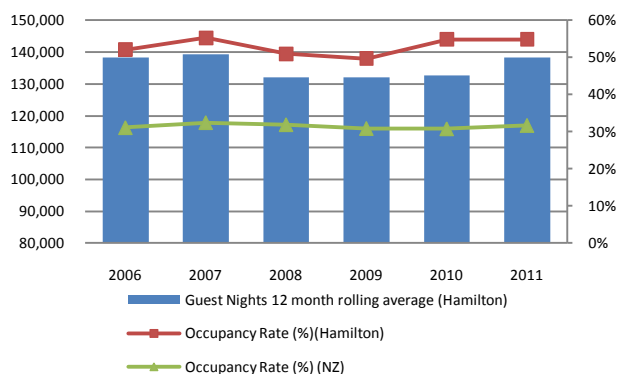
What does this mean for Hamilton and HCC?

- The population increase between 2009 and 2010 (2,300) is relatively consistent with the increase that Council has anticipated through the detailed population projections used as a basis for Future Proof (2,600). Future Proof sets out how Hamilton City Council, Waikato District Council, Waipa District Council and Waikato Regional Council will manage land use for the sub-region over the next 50 years.
- The rate at which a population grows can place additional pressure on existing Council infrastructure and services, as well as requiring new infrastructure and services.

OTHER INDICATORS

6. ACCOMMODATION OCCUPANCY RATE

Occupancy Rate: Hamilton and New Zealand (year ended June)



Source: Statistics New Zealand

What Does This Indicator Show?

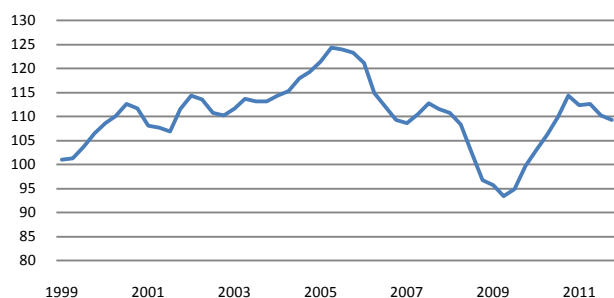
- The 'guest nights at commercial accommodation' indicator allows us to see if there are any major fluctuations in visitor numbers.

What Does This Mean For Hamilton And HCC?

- The number of nights spent in Hamilton's commercial accommodation totalled 138,390 for the quarter ended June 2011, up 4.2% on the previous year's figure of 132,754.
- Hamilton is fortunate in that it is not affected to the same extent by seasonal variations as many other places; therefore the occupancy rate remains relatively consistent throughout the year.

7. CONSUMER CONFIDENCE – WAIKATO

Consumer Confidence Index - 12 Month Moving Average (Year Ended June)



Source: Infometrics

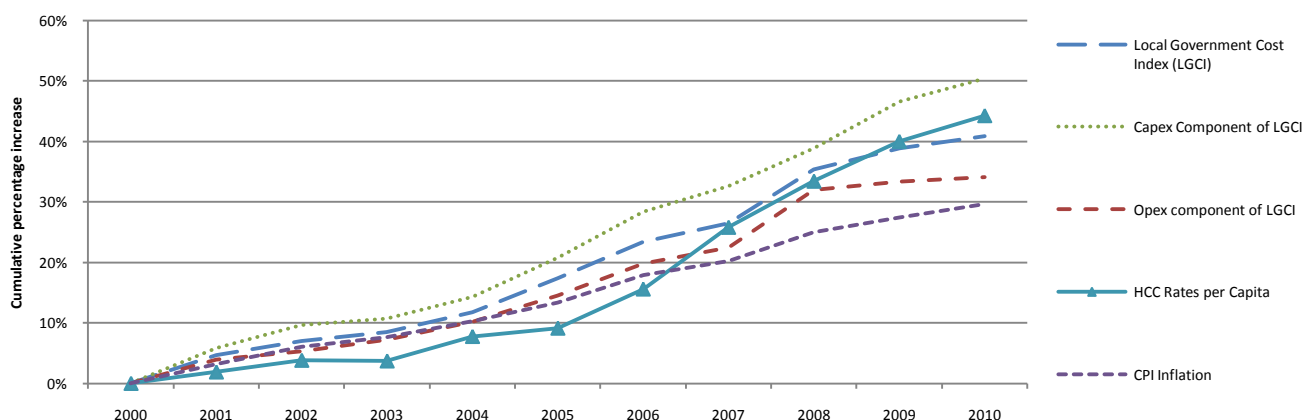
What Does This Indicator Show?

- This is an indicator of how the market perceives the economic climate and how confident consumers are about the next 12 months.
- An index number over 100 indicates that there are more optimists than pessimists, while a number under 100 indicates that pessimists outnumber optimists.

What Does This Mean For Hamilton And HCC?

- When consumer confidence is up, people tend to spend more. As the Waikato's consumer confidence is relatively low (112.5 for the year ended June 2011), people may be inclined to spend less in Hamilton. This is down 3% from the June 2010 figure of 116.

8. CPI, LOCAL GOVERNMENT COST INDEX AND HCC RATES PER CAPITA



Source: Infometrics, HCC and BERL

What Does This Indicator Show?

- The Local Government Cost Index (LGCI) indicates changes in the major costs faced by local government in New Zealand.
- The Consumer Price Index (CPI) is used to measure the changes in the price of goods and services purchased by New Zealand households. It is an indicator of the relative value of the dollar at any point in time.

What Does This Mean For Hamilton And HCC?

- The graph shows that Council's rates per capita increases were for many years less than the Local Government Cost Index. Due to growth and development pressures, a relatively high proportion of Council's costs have been focused on capital expenditure.

9. GROSS DOMESTIC PRODUCT (GDP)

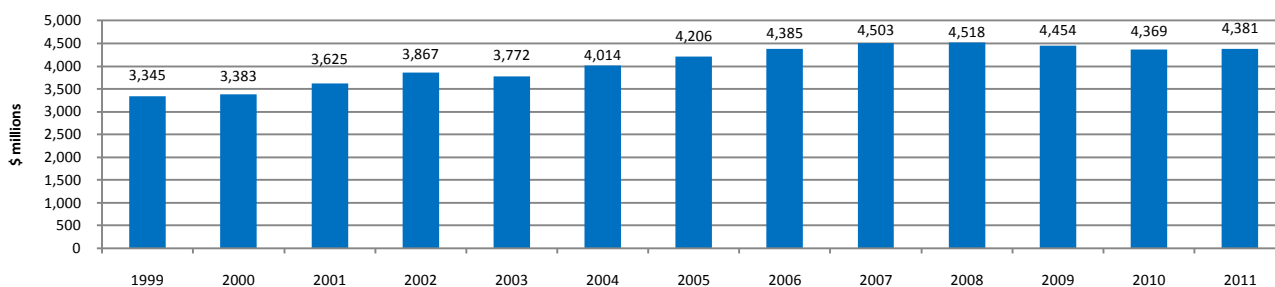
What Do These Indicators Show?

- Gross Domestic Product (GDP) is an indicator of overall economic performance. It is the value of goods and services produced within a particular country, city or region. If goods are manufactured elsewhere but sold within the city only the retailer's gross profit margin contributes to GDP. If goods are manufactured within the city but transported by a local company to be sold elsewhere, the wholesale and transport costs contribute to its GDP.

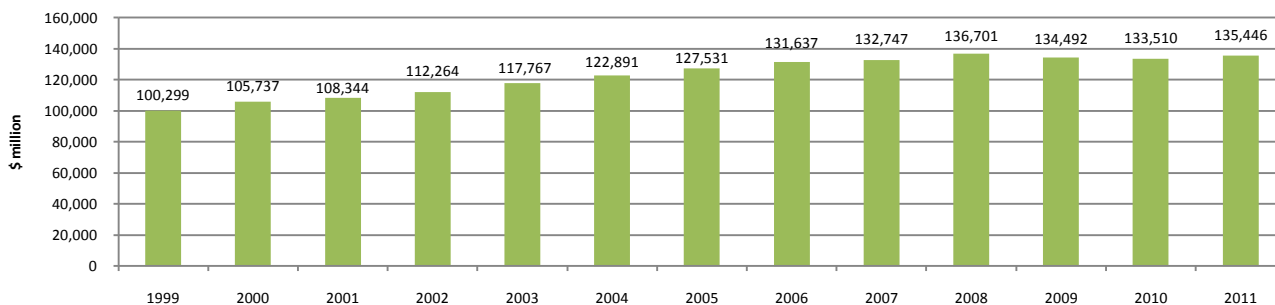
What Does This Mean For Hamilton And HCC?

- The following graphs show that there has been a small decrease in Hamilton's GDP since 2008, although there has been a slight improvement in both the Hamilton GDP and the national GDP over the last 12 months. For the year ended March 2011, Hamilton's total GDP was estimated as \$4,381.4 million, a decrease of 3% from the \$4,518.1 million for the year ended March 2008. This situation is reflected in the current reduction in the number of businesses and negative migration indicator.

Total Annual GDP Hamilton (\$m) (Year ended March)

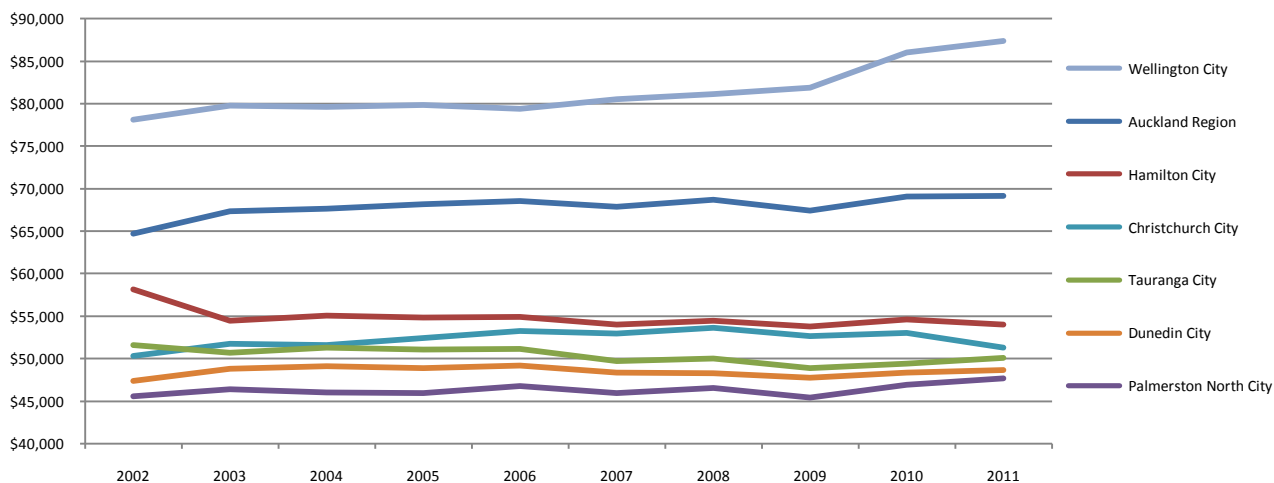


Total Annual GDP NZ (\$m) (Year ended March)



- GDP per worker for Auckland and Wellington is relatively high due to their large finance sectors and significant numbers of high income employees in other sectors. While Hamilton's GDP per worker is significantly lower than Auckland and Wellington, it is still higher than for the other main cities in New Zealand.

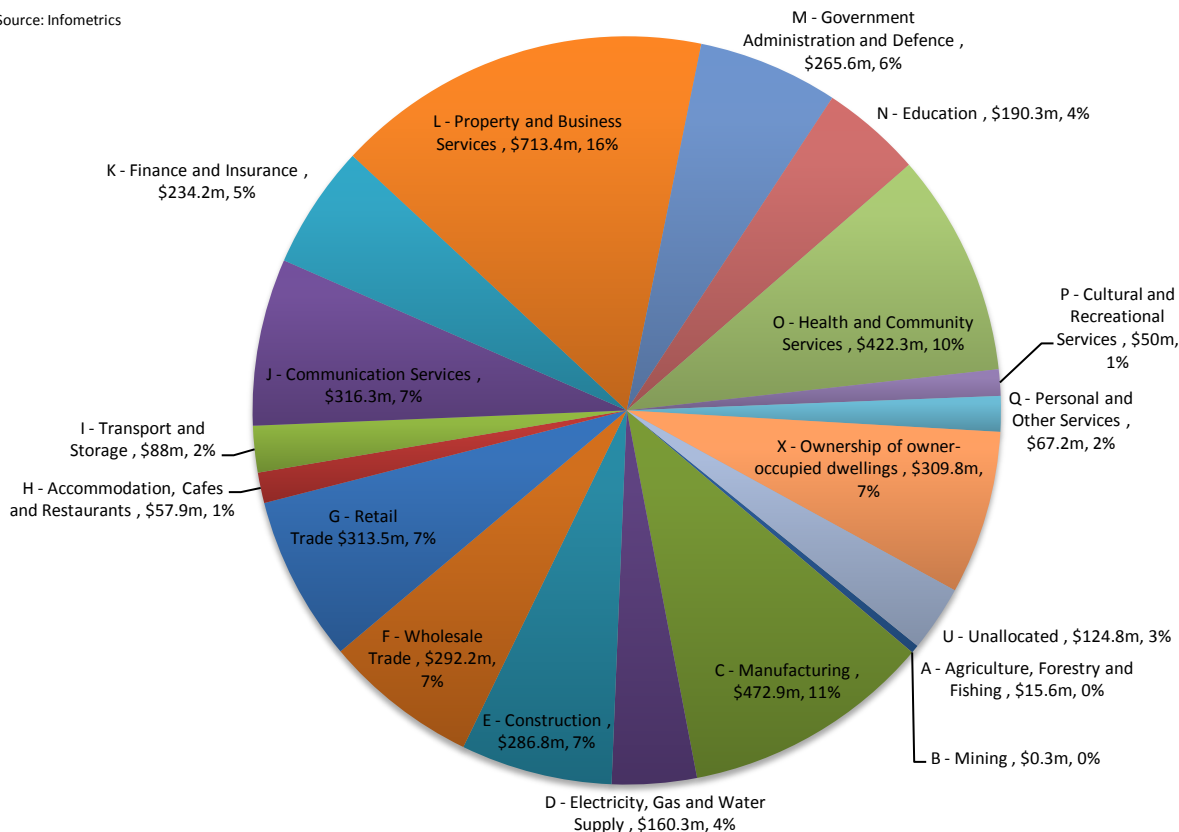
GDP per Worker (Year ended March)



- The 'Property and Business Services', 'Manufacturing' and 'Health and Community Services' sectors accounted for 37% of Hamilton's total GDP for the year ended March 2011.

Hamilton GDP by Sector (ANZSIC 96) - \$m - 1995/1996 base - Annual Total March 2011

Source: Infometrics



- The main sector movements between 2008 and 2011 accounting for the 3% decrease in Hamilton's GDP are:
 - Manufacturing (-17.6% i.e. \$573.9m down to \$472.9m, a decrease of \$101m).
 - Construction (-14.5% i.e. \$335.5m down to \$286.8m, a decrease of \$48.7m).
 - Wholesale Trade (-15% i.e. \$343.8m down to \$292.2m, a decrease of \$51.6m).