

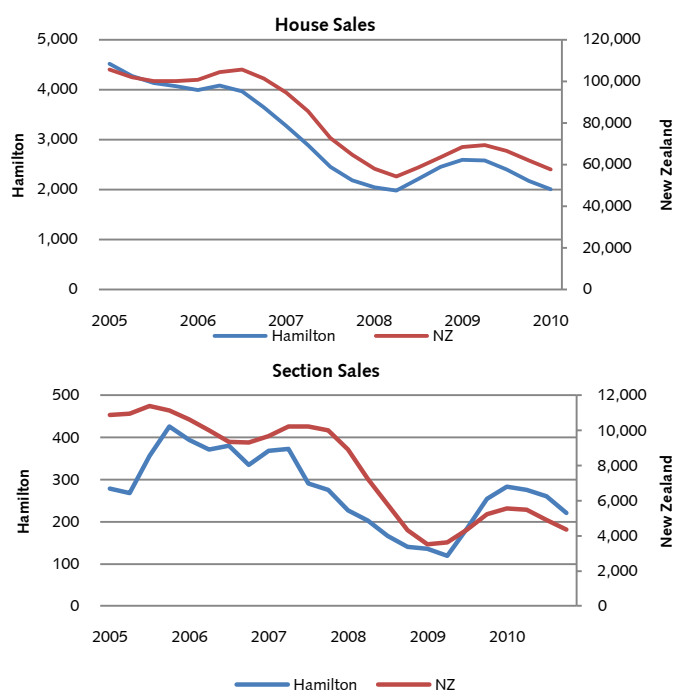
ECONOMIC UPDATE FOR HAMILTON

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: REINZ

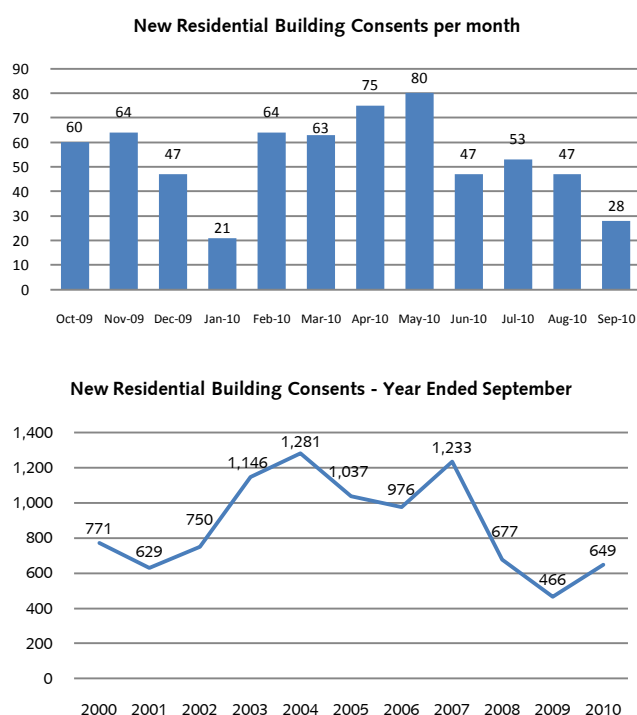
What does this Indicator show?

- House and section sales are leading indicators of building consent activity. House Sales give an indication of demand for housing. Section sales show how quickly land is being purchased, usually with the intention of building 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.

What does this mean for Hamilton and HCC?

- The decrease in both house and sections sales indicates that building consent for new houses is likely to follow suit and decline over the next few months.
- For the quarter ended September 2010 a total of 2,174 houses and 260 sections were sold.
- The number of houses sold decreased by 10% between June 2010 and September 2010. However house sales have increased 12% from this time last year.
- Although section sales decreased 6% between June 2010 and September 2010, they have increased by 85% from this time last year.

2. BUILDING CONSENTS - HAMILTON



Source: Statistics New Zealand

What does this Indicator show?

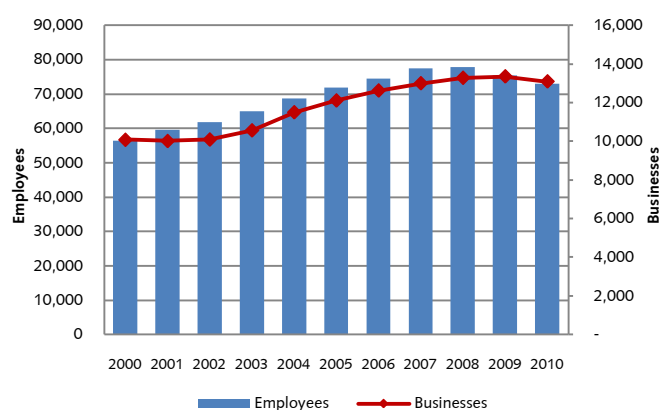
- Indicates the level of housing growth occurring within the city.

What does this mean for Hamilton and HCC?

- The total number of residential building consents for new houses issued for the year ended September 2010 was 649, up 183 or 39.2% on the year ended September 2009.
- The total number of non-residential building consents (i.e. commercial/industrial) issues for the year ended September 2010 was 64, down 20 or -23.8% on the previous year.
- However, the value of the non-residential building consents has increased by 15,817,135 or 10.0% during this same period.
- Building consents issued for new houses have declined in the past four months, in line with the general slowing of house and section sales outlined in Indicator 1 above.

WORKFORCE AND POPULATION

3. NUMBER OF BUSINESSES AND EMPLOYEES - HAMILTON



Source: Statistics New Zealand

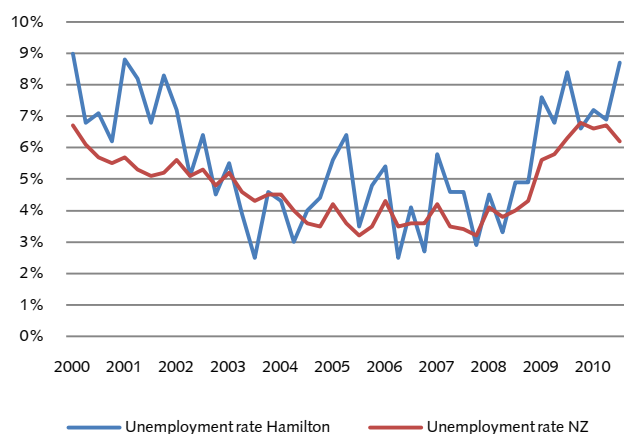
What does this indicator show?

- Hamilton had a total of 73,060 people employed and 13,086 businesses at February 2010.
- The number of businesses and jobs in Hamilton peaked in 2008 and has slowly declined since then (Hamilton lost 186 businesses and 4,790 jobs between 2008 and 2010).
- Between 2009 and 2010 Hamilton lost 1,010 jobs in the manufacturing industry and 780 jobs in the accommodation and food services industry. However, 990 jobs were gained in the health care and social assistance industry.
- Between 2009 and 2010 Hamilton lost 142 businesses in the construction industry and gained 37 in the financial and insurance services industry.

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 in turn affects their ability to spend (including their ability to pay for rates and other Council services).

4. UNEMPLOYMENT RATE - HAMILTON



Source: Statistics New Zealand

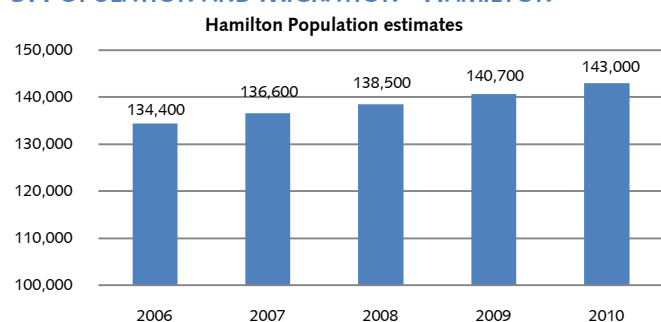
What does this indicator show?

- 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 September 2010 was estimated at 6,600 or 8.7%.
- The number of residents receiving the unemployment benefit stood at 2,357 for the quarter ended September 2010, compared with 2,652 for the quarter ended September 2009.

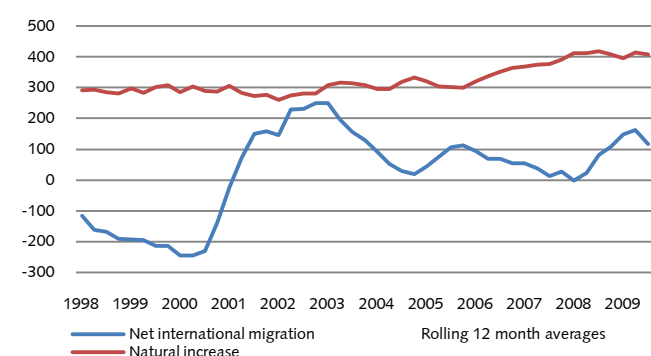
What does this mean for Hamilton and HCC?

- The increase in the unemployment rate reflects the job losses shown in Indicator 3 above, and also shows that people who have lost their jobs have not left Hamilton, but have opted to remain in Hamilton to look for work or receive the unemployment benefit.
- These people may continue to use Council discretionary services (e.g. libraries, pools), although their ability to pay for such services will be diminished.

5. POPULATION AND MIGRATION - HAMILTON



Source: Statistics New Zealand and Infometrics



What does this Indicator show?

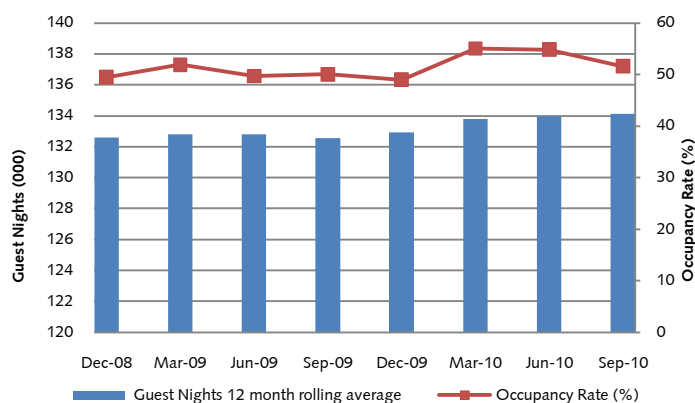
- Hamilton's population was estimated at 143,000 at June 2010 and has risen by 2,300 or 1.6% on the previous year. Over the past year, Hamilton has recorded a natural population increase (births minus deaths) of 413 for the quarter ended June 2010 and total net international migration decrease of 126.

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).
- The rate at which a population grows can place pressure on existing Council infrastructure and services, as well as requiring new infrastructure and services.

OTHER INDICATORS

6. ACCOMMODATION OCCUPANCY RATE - HAMILTON



Source: Statistics New Zealand

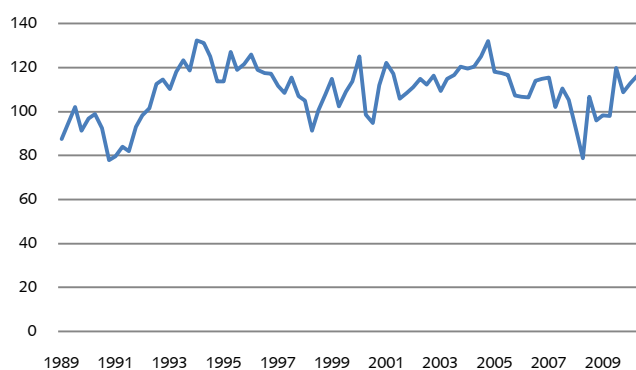
What does this Indicator show?

- Guest nights at commercial accommodation allows us to see if there are any fluctuations.

What does this mean for Hamilton and HCC?

- The number of nights spent in Hamilton's commercial accommodation totalled 133,132 for the quarter ended September 2010, up 0.5% on the previous year.
- 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



Source: Infometrics

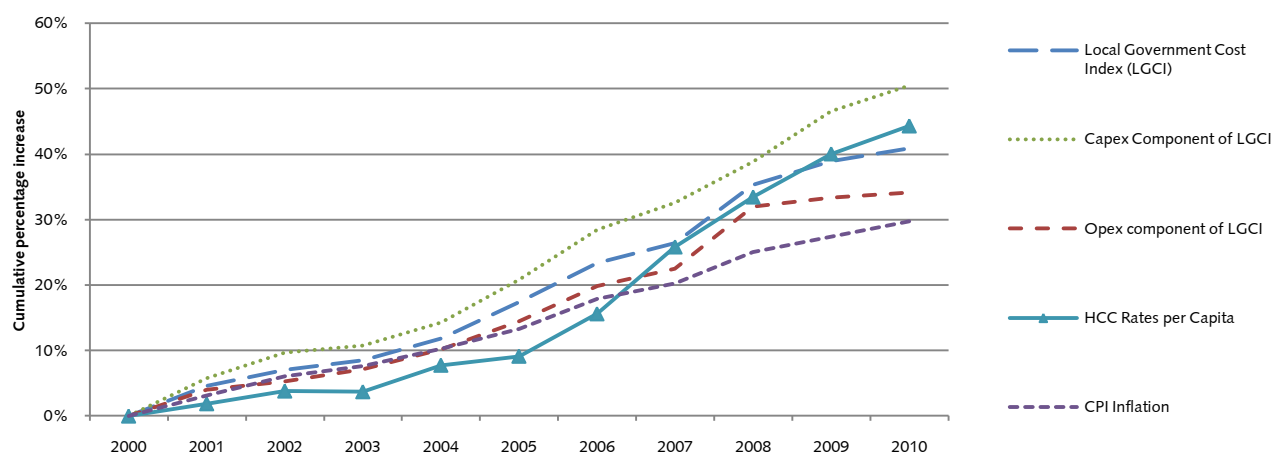
What does this Indicator show?

- This is an indicator of how the market perceives the economic climate and how confident they 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 (116.0, compared to 132.2 in December 2004), people may be inclined to spend less in Hamilton.

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



Source: Infometrics, HCC and BERL

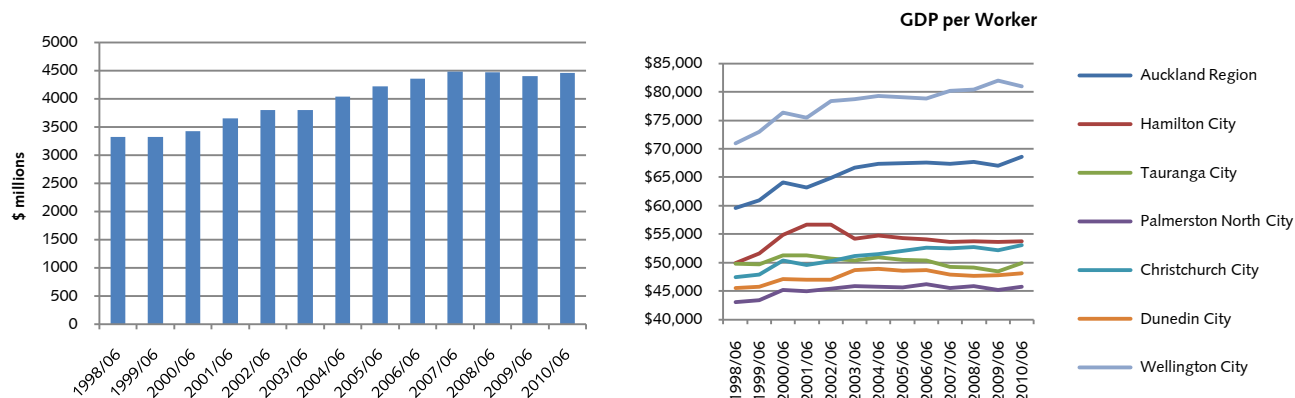
What does this Indicator show?

- The Local Government Cost Index (LGCI) indicates changes in the major costs faced by local government in NZ.
- 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 (capex).

9. GROSS DOMESTIC PRODUCT (GDP) FOR HAMILTON



Source: Infometrics

What does this Indicator 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 graphs show that there has been no significant growth in Hamilton's GDP since 2007, and if this continues it will most likely have negative implications for employment and migration to Hamilton, with corresponding impacts on Council. GDP for Auckland and Wellington is 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.