

Economic Note

NZ Migration and Tourism: July 2024

11 September 2024

Key supports eroding

- Annual net immigration inflows fall to an early 2023 low, with the risk that net inflows fall faster than earlier envisaged and that net PLT outflows become more of the norm for 2025.
- Annual tourism arrivals look to have plateaued well below pre-COVID peaks and shows few signs of pushing higher.
- Less economic support from net migration and tourism point to further OCR cuts being needed.

June 2024	Actual	Previous
Migration		
Net PLT Migration (Monthly, s.a)	3,030	2,870
Annual Net Migration	67,199	71,708
Tourism		
Annual visitor arrivals ('000)	3,221	3,213

Implications

Annual net permanent and long-term migration inflows have fallen to their lowest level since early 2023, driven by easing arrivals and rising departures. We now expect annual net migration inflows into NZ to approach 30,000 persons by year end, a sharper pace of decline than earlier envisaged. **There is the risk that net inflows fall faster than this and the possibility that net PLT outflows become more of the norm for 2025.** Inbound annual tourism inflows into NZ appears to have topped out well below pre-COVID peaks, and there looks to be few signs that inbound tourism numbers will push concertedly higher, even though we don't expect October increases in the international visitor levy to significantly dampen visitor numbers. Easing economic support from net immigration and tourism inflows will weigh on economic growth and translate into greater spare capacity. It will provide yet another reason for the RBNZ to dial back the degree of monetary policy restraint. We expect a further 50bps of OCR cuts by year end and a 3.25% OCR endpoint but note that the speed and magnitude of cuts remains heavily conditional on the economic outlook.

Net immigration cools

July saw a net permanent and long-term (PLT) inflow of 3,030 persons in seasonally-adjusted terms, a tick up on the upwardly-revised 2,880 persons June net inflow. Both monthly arrivals (-3.8%) and departure numbers fell (-5.9%). The 3-monthly pace of inflows cooled to 8,730 persons, the lowest since August 2022. Figures for 2024 remain well below the peak seasonally-adjusted monthly net inflows of +14k to 17k persons in March-June 2023. **Annual net PLT inflows eased to 67,199 persons, the lowest since**

February 2023. It was driven by a pick-up in PLT departures, to a record high of 133,602 persons, with a modest cooling in annual PLT arrivals (to 200,801 persons).

Historical revisions remained to the downside despite the **June monthly figures being revised up**. Net PLT inflows have been revised down by about 1,670 persons, reflecting greater downward revisions for arrivals. Downward revisions are becoming more commonplace in various economic statistics in NZ, suggesting that we are well into the downswing phase for the NZ cycle.

The non-NZ versus NZ citizen differences in migration remained stark. Strong outflows of NZ citizens remained evident as kiwis seek greener pastures offshore. The July 2024 year saw a record 81,000 kiwis depart NZ. Taking NZ citizen arrivals into account (25,200), the result was a record net PLT outflow of circa 55,800 NZ citizens. It follows that departures will continue to pick up as kiwis seek better opportunities abroad.

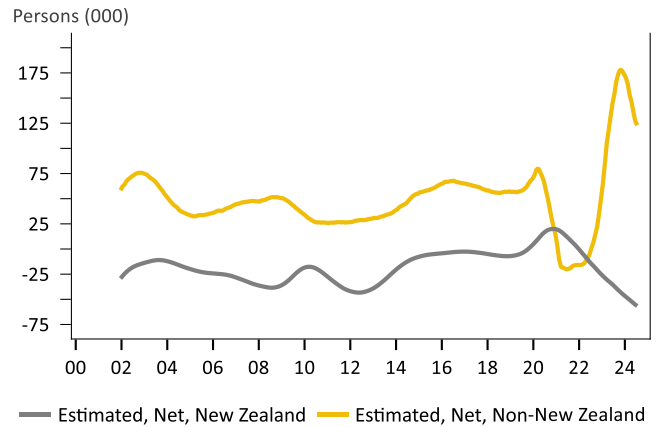
Rising departures and slower arrivals saw net inflows of non-NZ citizens cool to 123,000 persons. **PLT arrivals of non-NZ citizens – at 175,600 annually – remains high, but the annual pace is cooling, albeit with still sizeable inflows from India, the Philippines, China and Fiji. Work visa arrivals are sharply cooling (down to 62.5k annually, the lowest in more than a year), likely reflective of the increased difficulty in finding work in NZ as the economic slowdown dampens the demand for labour and as the competition for jobs hots up.** Student visa numbers (35.6k annually) ticked up, which is encouraging for export incomes. **We expect PLT arrivals to cool over the next few years as the slowing economy reduces the attractiveness of NZ as a place to live and work.**

We had expected the pace of net immigration to concertedly slow, but the figures point to a sharper decline than we had earlier envisaged. **We now expect net migration inflows into NZ to slow to around 30,0000 persons by year end. However, there is the risk that net inflows fall faster than this, with the possibility that net PLT outflows become more of the norm for 2025. This will erode a key leg of support for the NZ housing market, domestic demand and labour market capacity.**

Annual tourism inflows level off

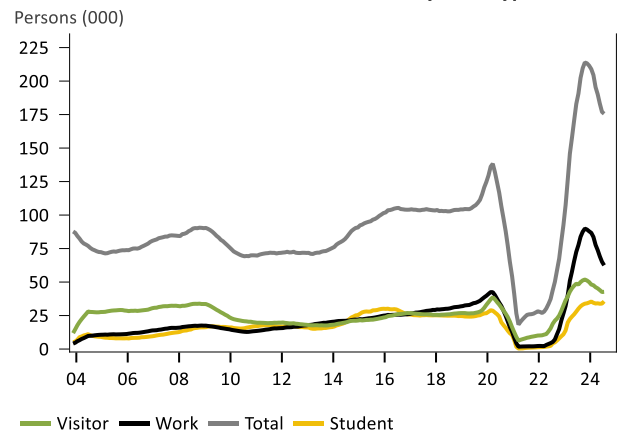
Visitor numbers were up 2.2% in seasonally-adjusted terms in July. However, annual visitor numbers barely budged, and (at 3.22m) are well below circa 4 million pre-COVID highs. This is largely balanced by an increase in short-term departures of New Zealand citizens (3.01m over the year ending July 2024), indicating a significantly smaller net tourism benefit to the New Zealand economy.

New Zealand, Net PLT Migration, By Citizenship (Annual totals)



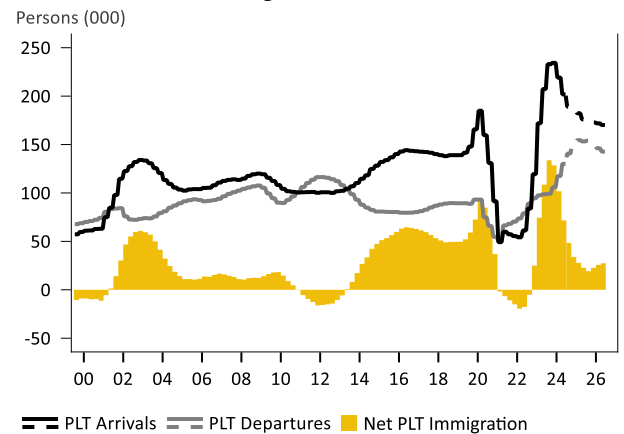
Source: Macrobond, ASB

PLT Arrivals of non-NZ citizens by Visa Type



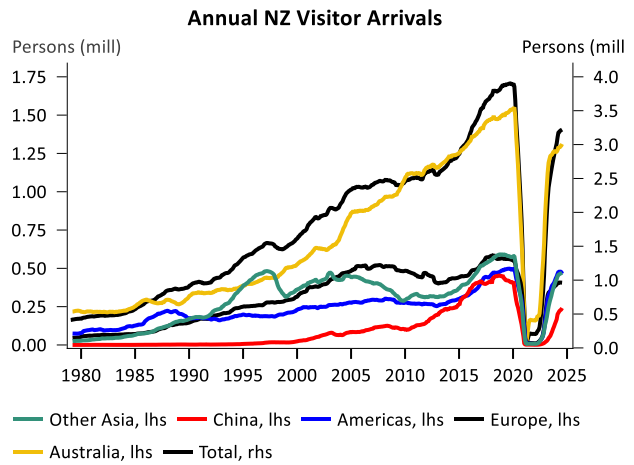
Source: Macrobond, ASB

NZ PLT Migration - Annual totals



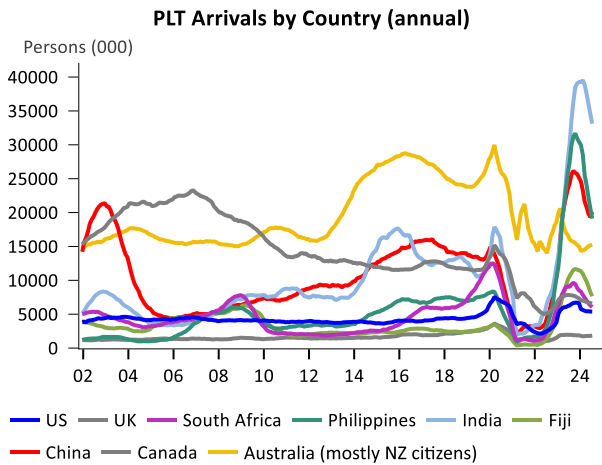
Source: Macrobond, ASB

Annual tourist inflows climbed in most markets, including China and Australia, but remained 47% and 15% (respectively) below pre-COVID highs. Of concern was the slowing in numbers from the high spending US market (down to 365k), with little improvement in Japanese, South Korean, UK and German visitor numbers. October increases in the NZ international visitor levy (to \$100 from \$35) are unlikely to significantly impact visitor numbers. However, **our concern is that challenging economic times across the globe could cap tourism numbers to NZ.**

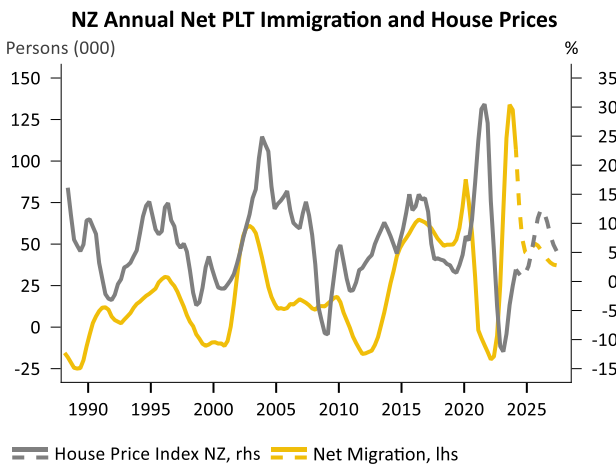


Source: Macrobond, ASB

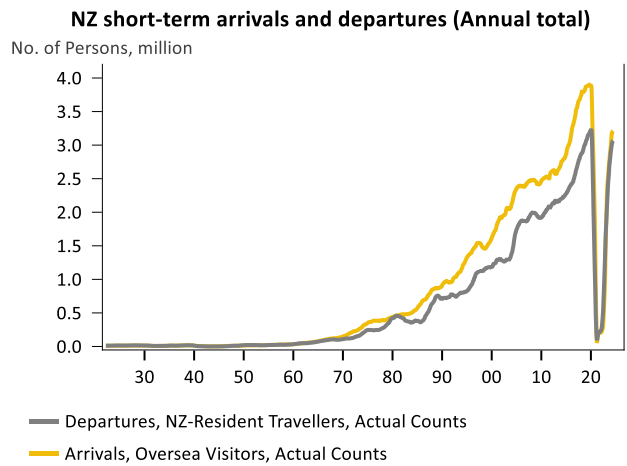
Other Charts



Source: Macrobond, ASB



Source: Macrobond, ASB



Source: Macrobond, ASB

ASB Economics & Research

Chief Economist
Senior Economist
Senior Economist
Senior Economist
Economist
Administration Manager

Nick Tuffley	nick.tuffley@asb.co.nz
Mark Smith	mark.smith4@asb.co.nz
Chris Tennent-Brown	chris.tennent-brown@asb.co.nz
Kim Mundy	kim.mundy@asb.co.nz
Yen Nguyen	yen.nguyen@asb.co.nz
Caro Phillips	caro.phillips@asb.co.nz

Phone
(649) 301 5659
(649) 301 5657

www.asb.co.nz/economics

 [@ASBMarkets](https://twitter.com/ASBMarkets)

Disclaimer

This document is published solely for informational purposes. It has been prepared without taking account of your objectives, financial situation, or needs. Before acting on the information in this document, you should consider the appropriateness and suitability of the information, having regard to your objectives, financial situation and needs, and, if necessary, seek appropriate professional or financial advice. We believe that the information in this document is correct, and any opinions, conclusions or recommendations are reasonably held or made, based on the information available at the time of its compilation, but no representation or warranty, either expressed or implied, is made or provided as to accuracy, reliability or completeness of any statement made in this document. Any opinions, conclusions or recommendations set forth in this document are subject to change without notice and may differ or be contrary to the opinions, conclusions or recommendations expressed elsewhere by ASB Bank Limited. We are under no obligation to, and do not, update or keep current the information contained in this document. Neither ASB nor any person involved in the preparation of this document accepts any liability for any loss or damage arising out of the use of all or any part of this document. Any valuations, projections and forecasts contained in this document are based on a number of assumptions and estimates and are subject to contingencies and uncertainties. Different assumptions and estimates could result in materially different results. ASB does not represent or warrant that any of these valuations, projections or forecasts, or any of the underlying assumptions or estimates, will be met.