

Economic Note

NZ Migration and Tourism: June 2024

13 August 2024

Easing economic support suggests the OCR needs to be cut

- Net immigration inflows remain on a cooling trajectory, driven by cooling arrivals and rising departures.
- We expect the pace of net inflows to continue to cool, with the support from past migration strength fading. Annual tourism arrivals look to have plateaued well below pre-COVID peaks.
- The erosion of key legs of economic support suggests that the OCR needs to be cut.

June 2024	Actual	Previous
Migration		
Net PLT Migration (Monthly, s.a)	2,710	3,420
Annual Net Migration	73,268	83,742
Tourism		
Annual visitor arrivals ('000)	3,213	3,206

Implications

Annual net permanent and long-term migration inflows have cooled to an early 2023 low, driven by easing arrivals and rising departures. Inbound tourism inflows look to have plateaued well short of pre-COVID peaks. Net migration is a major swing variable in the NZ economy and lower net migration points to lower domestic spending and will weigh on domestic demand and wider economic activity. It will also reduce available capacity in the labour market and nationwide population growth, although the degree of labour market slack is still expected to grow. 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.

The improvement in tourism inflows into NZ looks to have stalled, with numbers well below pre-COVID peaks. **Easing economic support from lower net immigration and low tourism inflows will weigh on economic activity and translate into greater spare capacity.** The RBNZ needs to reduce the degree of monetary policy restraint if it wishes to see CPI inflation settle in the 1-3% target range and prevent significant economic scarring from overly restrictive OCR settings. We expect a 25bp OCR cut tomorrow.

Net immigration cools

June saw a net permanent and long-term (PLT) inflow of 2,710 persons in seasonally-adjusted terms, the lowest monthly inflow since August 2022. The 3-monthly pace of inflows cooled to 10k, the lowest since early 2023, with the annualised pace of inflows slowing to 40k persons in the June quarter. There still looks to be a discrepancy with the non-seasonally adjusted figures, which showed a net inflow of just 1,000 persons for June (and 2k for Q2). Figures for 2024 remain well below the seasonally-adjusted monthly net inflows of +13k to 17k in March-June 2023. **Annual net PLT inflows eased to 73,268 persons, the lowest**

since February 2023. It was driven by a pick-up in PLT departures, to a record high of 131,224 persons, with a modest cooling in annual PLT arrivals (to 204,492 persons).

Sizeable upward revisions had earlier been a constant theme with the data. **However, revisions are now to the downside.** Net PLT inflows have been revised down by about 3,300 persons despite the upward revision to the May figures. The peak annual net PLT inflow has remained about 136.6k in the October 2023 year. **Downward revisions are becoming more commonplace in various economic statistics in NZ, suggesting that we are in the downswing phase for the NZ cycle.**

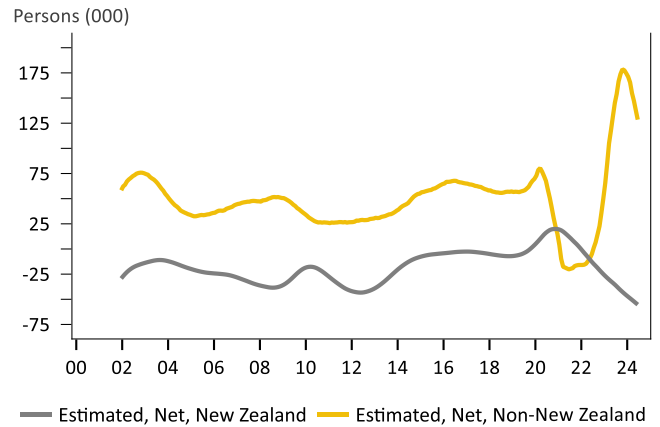
The non-NZ versus NZ citizen differences in migration remained stark. We are continuing to see a net outflow of NZ citizens, as kiwis seek greener pastures offshore. The June 2024 year saw a record 80,200 kiwis depart NZ. Taking NZ citizen arrivals into account (24,900), the result was a record net PLT outflow of circa 55,300 NZ citizens. Australia remains a magnet, with 44,500 migrant departures from New Zealand to Australia and the net PLT immigration balance with Australia firmly negative (-27,200). **It follows that departures will continue to pick up as kiwis seek better opportunities abroad.**

PLT arrivals of non-NZ citizens – at 204,500 annually – remain 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 66.3k 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 (34.2k annually) look to have plateaued. 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.

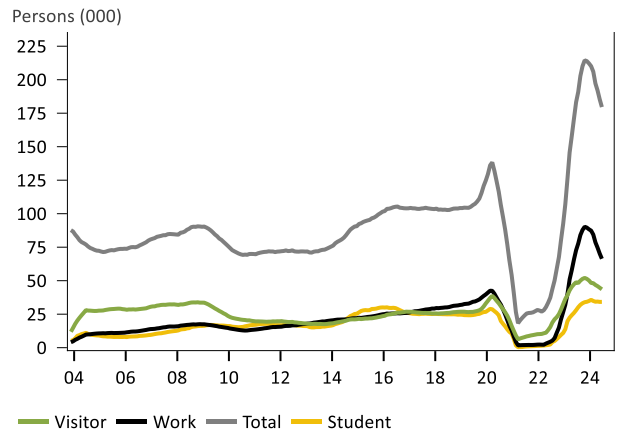
Annual tourism inflows level off

Visitor numbers were flat in seasonally-adjusted terms in June. Annual visitor numbers (3.21m) edged higher to a new post-COVID high, but the pace of increase is slowing. It is mostly offset by strengthening short-term departures of NZ citizens (3.07m over the June 2024 year), suggesting a considerably lower net tourism boost to the NZ economy. Gains in annual visitor numbers were driven by a pick-up in visitor numbers from most markets, but Chinese visitor numbers (231k) remain well below pre-COVID peaks. Annual arrival numbers look to be plateauing from the US and Australia and annual visitor numbers remain well below pre-COVID highs (3.9 million). **Our concern is that challenging economic times across the globe could cap tourism numbers to NZ and reduce a key leg of economic support.**

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

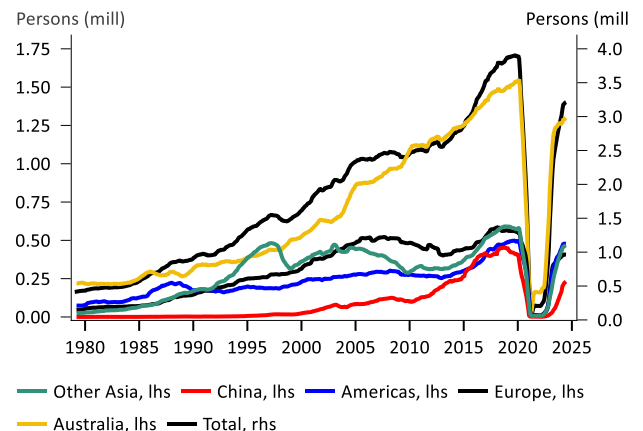


PLT Arrivals of non-NZ citizens by Visa Type



Source: Macrobond, ASB

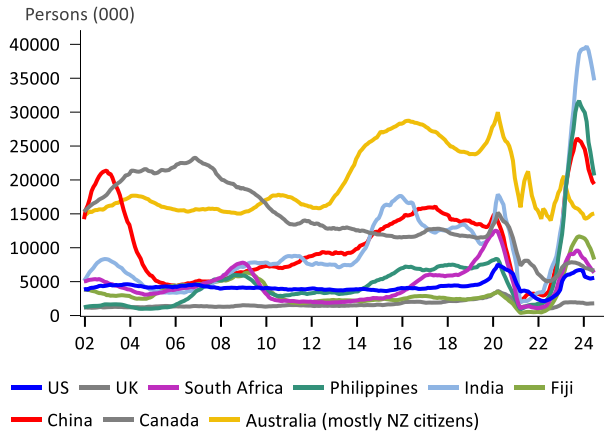
Annual NZ Visitor Arrivals



Source: Macrobond, ASB

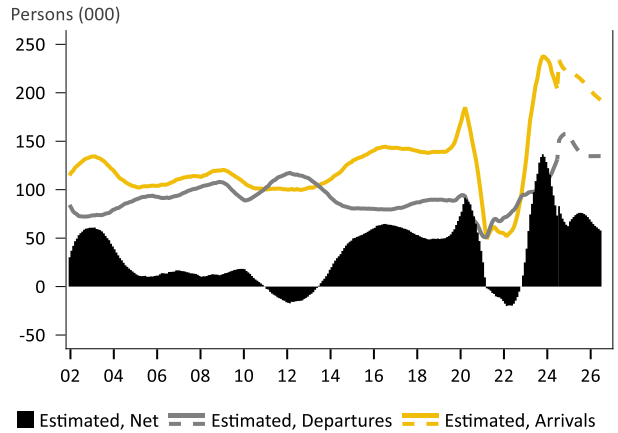
Other Charts

PLT Arrivals by Country (annual)



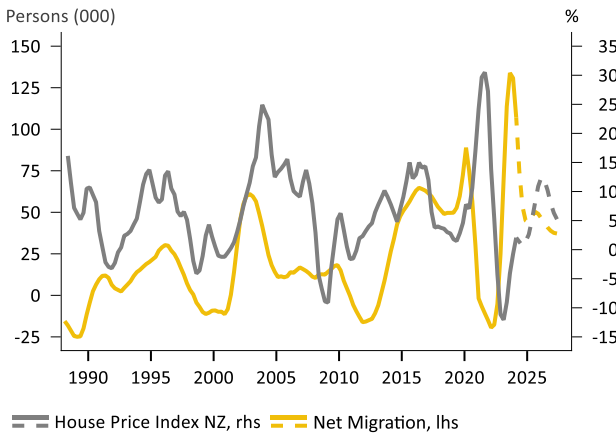
Source: Macrobond, ASB

NZ PLT Migration - Annual totals



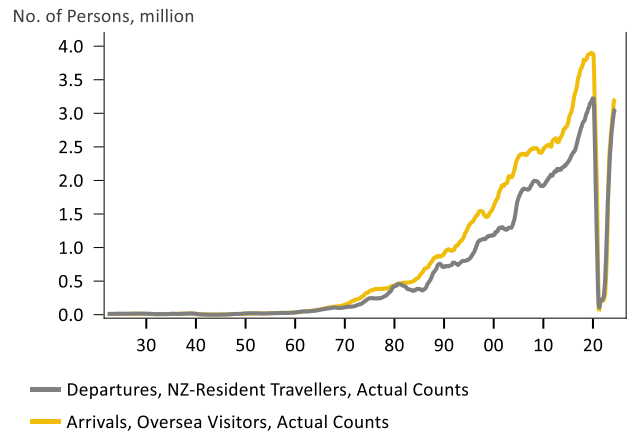
Source: Macrobond, ASB

NZ Annual Net PLT Immigration and House Prices



Source: Macrobond, ASB

NZ short-term arrivals and departures (Annual total)



Source: Macrobond, ASB

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