

Economic Note

NZ Migration and Tourism: August 2024

11 October 2024

Net migration rapidly slowing

- Annual net immigration inflows fell to the lowest level since January 2023. There is a real risk inflows fall faster than earlier envisaged and that we see net PLT outflows in 2025.
- Annual tourism arrivals remain well below pre-COVID peaks and shows few signs of pushing higher.
- Falling net migration and a plateauing in tourism arrivals is consistent with our view that the OCR needs to return towards neutral relatively quickly. Another 50bp cut in November remains our base case.

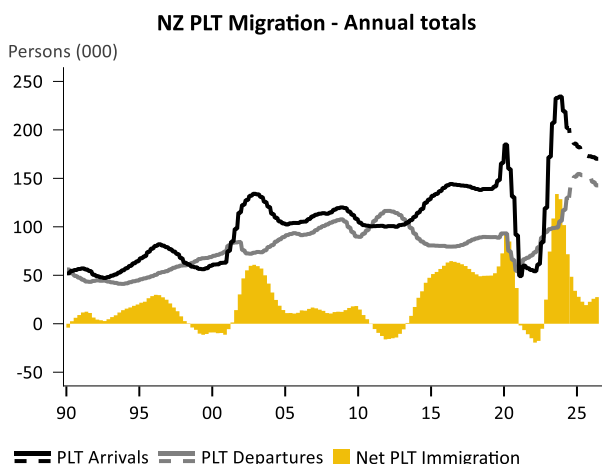
August 2024	Actual	Previous
Migration		
Net PLT Migration (Monthly, s.a)	1,850	2,990
Annual Net Migration	53,844	65,096
Tourism		
Annual visitor arrivals ('000)	3,229	3,221

Implications

Annual net permanent and long-term migration inflows have fallen to their lowest level since January 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, and the risk is 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 higher any time soon. Easing economic support from net immigration and tourism inflows will weigh on economic growth and translate into greater spare capacity. It is one of the reasons we think the RBNZ needs to reduce the degree of monetary policy constraint sooner rather than later. We continue to expect another 50bp cut in November.

Net immigration continues to ease

August saw a net permanent and long-term (PLT) inflow of just 1,850 persons in seasonally-adjusted terms. The lowest monthly net inflow since June 2022. July inflows were revised slightly lower to 2,990. Monthly arrivals fell 7.1% while



Source: Macrobond, ASB

departure numbers rose 1%. The 3-monthly pace of inflows cooled to 7,250 persons, the lowest since August 2022. **Annual net PLT inflows eased to 53,800 persons, the lowest since January 2023.** The slowing trend continues to be driven by rising PLT departures (a fresh record high of 134,247 persons), and a cooling in annual PLT arrivals (to 188,118 persons – the lowest since April 2023). **Historical revisions for the series remain to the downside.**

Strong outflows of NZ citizens remained evident as kiwis seek greener pastures offshore. The August 2024 year saw a record 81,200 kiwis depart NZ. Taking NZ citizen arrivals into account (25,100), the result was a record net PLT outflow of circa 56,100 NZ citizens. We anticipate 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 109,900 persons.

PLT arrivals of non-NZ citizens – at 163,000 annually – remains high, but the annual pace is cooling, meanwhile departures of non-NZ citizens

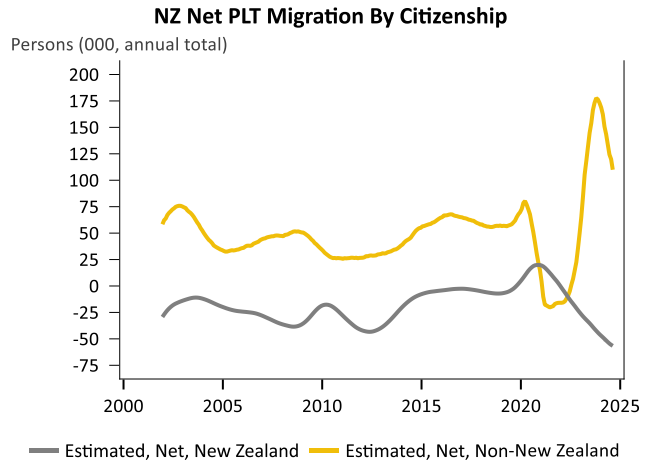
continue to rise (53,100 annually). **Work visa arrivals continue to ease** (down to 57k annually, the lowest since March 2023), likely reflective of the increased difficulty in finding work in NZ. **Overall, we expect PLT arrivals to cool over the next few years as the weak economy reduces NZ’s allure.**

Today’s data highlights the risk that we may see a sharper decline in net migration than we had earlier envisaged. **We now expect net migration inflows into NZ to slow to around 30,000 persons by year end.** There is also a very real risk that net inflows fall faster and 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.

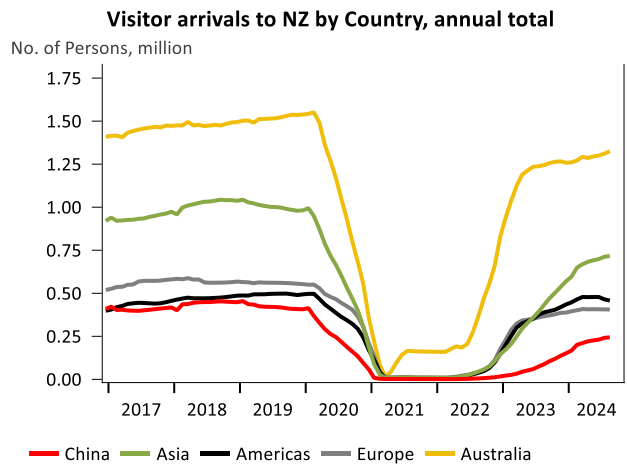
Annual tourism inflows remain flat

Visitor numbers fell 4.3% in seasonally-adjusted terms in August. Annual visitor numbers remain sticky near 3.2 million and remain well below the circa 4 million pre-COVID highs. Australia continues to comprise the largest proportion of international arrivals.

Annual tourist inflows climbed in most markets, except for the US and UK. In our view, October increases in the NZ international visitor levy (to \$100 from \$35) are unlikely to significantly impact visitor numbers.



Source: Macrobond, ASB



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