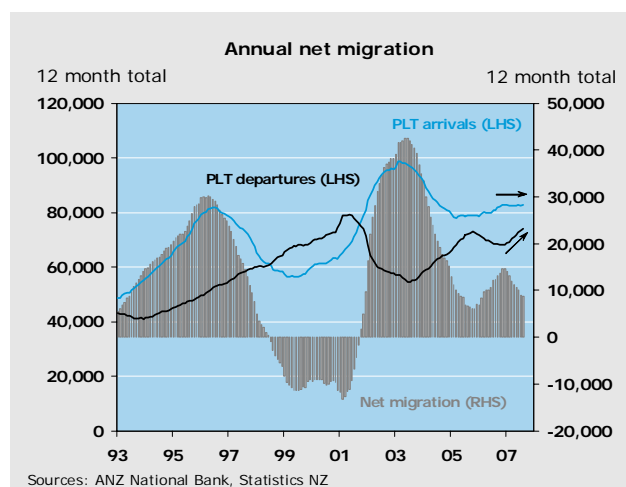


Key points

- Annual net migration inflows continue to trend lower as more NZ residents depart.
- Visitor arrivals continue to trend higher, showing limited impact from a previously high NZD.
- One-offs look to have contributed to a rebound in NZ residents departing on overseas trips.
- The continual easing in net migration will take pressure off the housing market and see slower consumer demand growth, a development that will be welcomed by the Reserve Bank.

	Net Migration		Visitor Arrivals		NZ Short-term Departures	
	Month (sa)	12-mth Total	MoM	YoY	MoM	YoY
Aug-06	1030	12490	2.0	3.3	-2.5	-4.6
Sep-06	1230	13200	0.4	1.7	5.2	3.1
Oct-06	1100	13757	1.5	5.9	-4.7	-5.5
Nov-06	1840	14757	0.5	7.1	1.9	2.3
Dec-06	1020	14609	-1.3	3.9	4.0	1.1
Jan-07	400	14116	-3.0	-1.5	0.1	1.3
Feb-07	530	13151	6.5	6.0	-1.5	5.7
Mar-07	620	12081	-1.1	5.4	0.8	7.1
Apr-07	220	11222	-2.2	0.8	-0.3	0.5
May-07	400	10682	1.9	4.0	8.3	15.8
Jun-07	590	10078	0.8	4.0	-1.0	10.9
Jul-07	470	8966	-1.7	3.6	-8.8	-0.7
Aug-07	750	8730	3.8	5.8	5.9	8.6



Assessment

Annual net migration inflows continue to ease. There was a net inflow of 750 people (s.a.) in August. Although slightly higher than the 470 net inflow from July, the annual total continues to ease, currently at 8,730 people. On a three-monthly annualised basis, the net migration inflow is running at 7,240 and remains well below the 13,000 annualised total early this year. The slowdown in net migration is largely due to a rise in the number of permanent and long-term departures, particularly to Australia. In the year ended August, there was a net outflow of 25,940 to Australia, an increase from the 20,447 net outflow in the year to August 2006. Permanent and long-term arrivals to New Zealand remain relatively stable.

The lagged impact of a high NZD has not dented overseas visitors' appetite to travel here. Although the NZD recorded a substantial fall in August, it is likely that visitors had planned their trips in the months prior (when the NZD was still elevated and rising). In this regard, the resilience in the visitor arrivals numbers (up 3.8 percent in August and 5.8 percent for the year) has been surprising. Recent Balance of Payments data also suggests that visitors were spending more on average while in the country, again counter to our expectations. This all bodes very well for the NZ tourism industry, which shows that it is able to remain competitive despite a high currency.

Some one-offs look to have contributed to the 5.8 percent rebound in NZ residents departing on overseas trips. Statistics NZ notes that the number of NZ departures to the Pacific Islands could have been boosted by the South Pacific Games held in Samoa (despite NZ not taking part, it could be NZ based competitors and their supporters attending) and a New Caledonia Tourism South two-for-one travel deal. If so, we can expect a pullback in NZ tourist departures in September.

The continued easing in net migration inflows will be welcomed by the Reserve Bank. Net migration is now providing less impetus to housing demand than at the start of the year and is one of the contributing factors behind the recent slowing in housing market activity. While further moderation in domestic demand due to an easing in net migration will be welcomed by the Reserve Bank, the Bank will be alert to upward pressure on wages from ongoing skill shortages in the labour market.

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