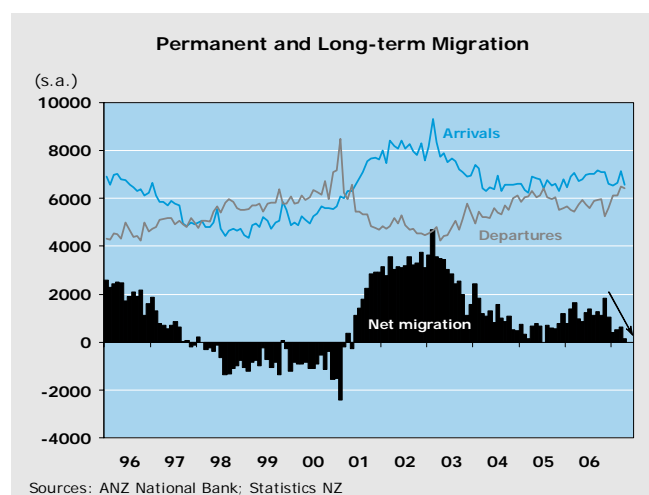


## EXTERNAL MIGRATION – APRIL 2007

Key points

- Migration recorded a net inflow of 140 (s.a.) in April, the lowest monthly net inflow since July 2005, taking the annual total to 11,222.
- Short-term visitor arrivals fell 2.2 percent in April but remain 0.8 percent higher compared to a year ago. Short-term departure of New Zealand residents fell by 0.9 percent in April but is up slightly compared to a year ago.
- The Reserve Bank will take some comfort from the slowing in migration inflows as it will eventually provide less support to the housing market and consumer spending. But it is a double-edged sword as easing migration inflows will not alleviate skill shortages in the economy.

|        | Net Migration |              | Visitor Arrivals |       | NZ Short-term Departures |      |
|--------|---------------|--------------|------------------|-------|--------------------------|------|
|        | Month (sa)    | 12-mth Total | MoM              | YoY   | MoM                      | YoY  |
| Apr-06 | 980           | 10075        | 2.4              | 9.7   | 6.0                      | 2.0  |
| May-06 | 880           | 10192        | -1.3             | -0.3  | -2.3                     | 0.9  |
| Jun-06 | 1,230         | 10688        | 1.8              | -11.2 | 4.1                      | 8.9  |
| Jul-06 | 1,380         | 12143        | -3.5             | -0.9  | -5.9                     | -9.0 |
| Aug-06 | 1,110         | 12490        | 3.4              | 3.3   | 0.1                      | -4.6 |
| Sep-06 | 1,270         | 13200        | -0.2             | 1.7   | 5.1                      | 3.1  |
| Oct-06 | 1,140         | 13757        | 1.4              | 5.9   | -4.6                     | -5.5 |
| Nov-06 | 1,830         | 14757        | 0.4              | 7.1   | 1.2                      | 2.3  |
| Dec-06 | 1,040         | 14609        | -1.4             | 3.9   | 4.3                      | 1.1  |
| Jan-07 | 420           | 14116        | -3.0             | -1.5  | 0.4                      | 1.3  |
| Feb-07 | 520           | 13151        | 6.5              | 6.0   | -1.5                     | 5.7  |
| Mar-07 | 640           | 12081        | -1.1             | 5.4   | 0.8                      | 7.1  |
| Apr-07 | 140           | 11222        | -2.2             | 0.8   | -0.9                     | 0.5  |



**Net migration inflows continue to ease.** There was a monthly net inflow of just 140 people (s.a.) in April, the lowest monthly net increase since July 2005. This took the annual total to 11,222, down from its recent peak of 14,757 in November 2006. On a quarterly annualised basis, net migration is down to 5,200, from 6,320 in March. The low monthly migration inflow in April was driven by a fall in the number of PLT (permanent and long-term) arrivals. However, over the past few months, there has been an increasing trend in the number of PLT departures, which have driven the decline in net migration. Australia remains the main destination for New Zealanders departing overseas on a permanent basis and has seen growth of 10 percent in the past 12 months.

**Support for the tourism sector looks sound, despite the high NZD.** Although visitor arrivals fell in seasonally adjusted terms in April, they remain up in annual terms. Tourist numbers have been surprisingly resilient despite the high currency. This suggests that New Zealand remains a popular destination even though it is more expensive to visit than in the past. Visitors also do not appear to be cutting back on the time they spend in the country. We note that the average length of stay in the month, at 17 days, was unchanged from April 2006, even though the TWI has increased by over 12 percent since. The number of days visitors intend to stay has also increased, up 2 percent from 12 months ago.

**The softer migration numbers removes one source of inflationary pressure.** A rebound in migration inflows over the second half of 2006 is one factor behind the housing market's 'third wind' over the start of this year. The fact that migration flows have softened should eventually see this support to the housing market and consumer spending ease. However, this will take some time to eventuate.

**However, it is a double-edged sword for the Reserve Bank.** While it will reduce the demand for housing and provide less impetus for spending, it will not help alleviate labour and skill shortages in the economy. This will see the labour market continue to remain tight for some time, placing upward pressure on wages. But with the Reserve Bank's main concern at the moment focused on trying to slow down the housing market and domestic demand, the easing in net migration will come as some welcome relief.

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