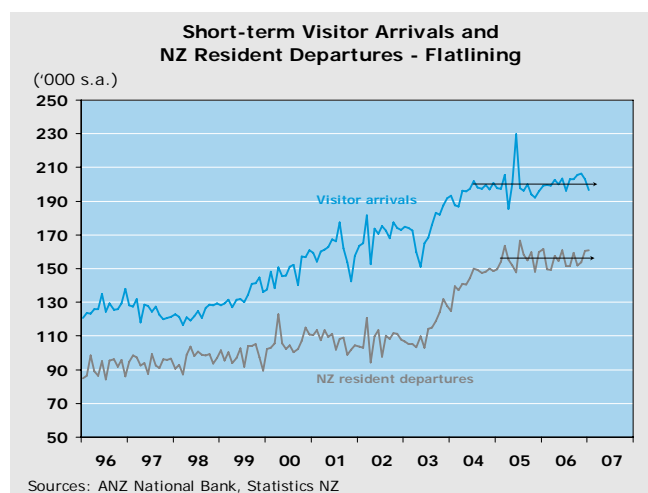
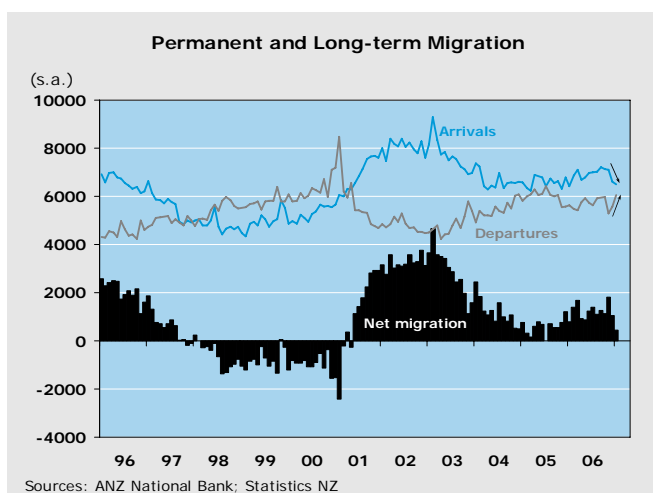


## EXTERNAL MIGRATION – JANUARY 2007

Key points

- The level of January permanent and long-term (PLT) net migration was the lowest recorded since mid-2005, largely due to a pick-up in PLT departures.
- Although we are not reading too much into the recent easing in net migration inflows, today's release nonetheless confirms that migration inflows are not accelerating. This will provide the RBNZ will some comfort that the housing market will not be fuelled by increased migration demand.
- However, at current levels it will still provide an amount of base support to the housing market and consumer spending.
- Today's release will have no influence on the Reserve Bank's OCR decision next week.

|   | Actual |
|---|--------|
| Net permanent and long term migration (monthly, s.a.) | 450    |
| Net permanent and long term migration (annual)        | 14,120 |
| Overseas visitor arrivals (monthly, s.a.)             | -3.2%  |
| NZ Resident short term departures (monthly, s.a.)     | 0.3%   |



**In seasonally adjusted terms, there was a net migration inflow of 450 in January.** This is the lowest monthly net inflow since July 2005 and was largely driven by an increase in PLT departures, which was at its highest level since October 2005. The annual net inflow of migrants fell slightly to 14,120 (from 14,160 in December). Given the volatile nature of this series, it is still too early to say that the increase in PLT departures will be sustained, or that this is the start of a declining trend in net migration.

**The high NZD continues to impact on short-term visitor arrivals.** Short-term visitor arrivals fell 3.2 percent in January (after a 2 percent fall in December), impacted by the appreciation in the NZD over the second half of 2006 making NZ a more expensive travel destination. NZ resident departures were flat in January after an increase of 4.3 percent in December. Both visitor arrivals and resident departures have virtually been flat-lining over the past few years (apart from the Lions tour induced spike in visitor arrivals in 2005).

**We are not reading the easing in net migration as the start of a trend down. However, it does confirm that migration inflows are not accelerating.** The 3-month moving average of migration inflows has eased recently, while the annual figure has fallen in the past two months. While it is too early to be confident that this trend will continue due to the volatile nature of this series, it will provide the RBNZ will some comfort that the housing market will not be given a boost by increased migration demand. Current migration levels of around 14,000 per annum though still provide a reasonable amount of base support to the housing market and consumer spending.

**We do not expect today's data release to have any influence on the RBNZ's OCR decision next week.** While we expect the Reserve Bank to hike interest rates next week, the tenor of data continues to print mixed, and suggests that a follow-up hike is still far from a cut and dry decision.

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