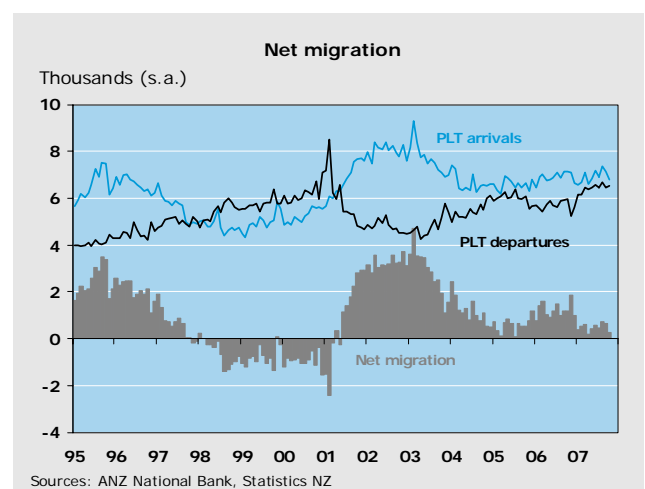


Key points

- Monthly net migration inflows eased in October after appearing to have found a reasonable base over previous months.
- Visitor arrivals fell for the second consecutive month, but this could reflect a lack of airline capacity rather than an indication of a developing trend.
- While slowing net migration will continue to take pressure off the housing market and consumer spending, it will also add to the level of labour shortages within the economy.

	Net Migration		Visitor Arrivals		NZ Short-term Departures	
	Month (sa)	12-mth Total	MoM	YoY	MoM	YoY
Nov-06	1850	14757	-0.4	7.1	2.3	2.3
Dec-06	1010	14609	-1.4	3.9	4.1	1.1
Jan-07	390	14116	-3.0	-1.5	0.0	1.3
Feb-07	520	13151	6.5	6.0	-1.5	5.7
Mar-07	620	12081	-1.1	5.4	0.9	7.1
Apr-07	220	11222	-2.1	0.8	-0.3	0.5
May-07	410	10682	1.9	4.0	8.4	15.8
Jun-07	590	10078	0.7	4.0	-0.9	10.9
Jul-07	470	8966	-1.8	3.6	-9.0	-0.7
Aug-07	720	8730	3.6	5.8	6.1	8.6
Sep-07	660	8309	-3.4	1.4	-0.3	3.2
Oct-07	260	7517	-2.6	-3.6	1.5	10.3



Assessment

Monthly net migration inflows softened in October. After appearing to have found a reasonable base over the previous few months, a seasonally adjusted net inflow of just 260 people was recorded in October. This is below the average monthly net inflow of the past six months of around 520 people. The 12-month net total is now sitting at 7,517 people – the lowest level since the start of 2006. Australia remains the preferred destination for long-term departures, accounting for 53 percent of departures in October. In the year to October 2007, a net 26,500 people permanently migrated to Australia. This is up from 20,700 in the year to October 2006. The largest source of long-term arrivals is from the UK, accounting for 24 percent of arrivals.

Short-term visitor arrivals fell again in October, but a lack of airline capacity may have played a role. Seasonally adjusted visitor arrivals fell 2.6 percent in October, following a 3.4 percent decline in September. Visitor arrivals are now down 3.6 percent on the October 2006 level. However, Statistics NZ noted that that the impact of NZ residents returning from the 2007 Rugby World Cup could have affected the number of airline seats available for overseas visitors in the month. The number of NZ residents returning from short-term trips rose 2.4 percent in October. Hence, the decline in visitor arrivals over the past two months may not be the start of a downward trend in tourist arrivals, but merely reflecting the lack of airline capacity to get to NZ. The level of overseas visitor arrivals remains elevated, particularly given the level of the NZD. The impact of the Rugby World Cup was also evident in the number of NZ residents departing on overseas trips in October, which rose 1.5 percent in the month and are up 10.3 percent compared with October 2006.

There are limited monetary policy implications from today's release. While slowing net migration will continue to take pressure off the housing market and consumer spending – a welcome development for the Reserve Bank – it will also add to the level of labour shortages within the economy and portends of continued wage pressures. The outlook for migration remains one of uncertainty. It is far too early to say whether the softening that occurred over October will continue, although we see the risks to migration as skewed to the downside, particularly as the diverging paths for the NZ and Australian economies over the next 12-18 months could see an increase in long-term departures across the Tasman.

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