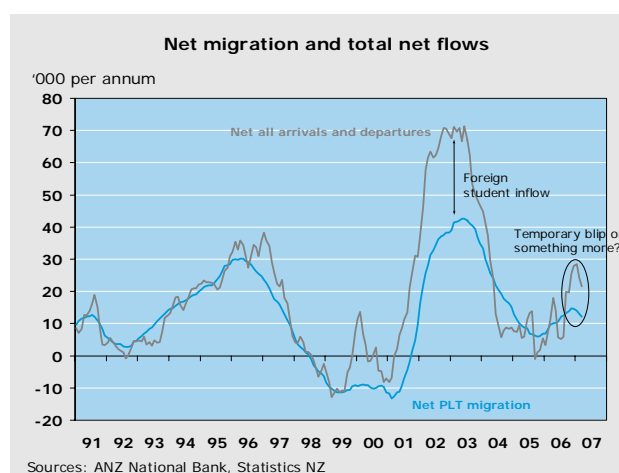
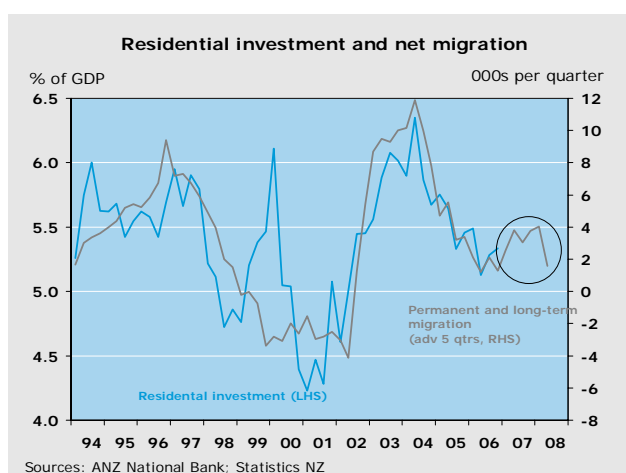


## EXTERNAL MIGRATION – MARCH 2007

## Key points

- Migration recorded a net inflow of 630 (s.a.) in March, taking the annual total to 12,080.
- On a quarterly annualised basis, net migration inflows have slowed to 6,400 from the 16,000 recorded in the December 2006 quarter.
- The number of short-term visitors fell 1.0 percent in March, a small pullback from the 6.6 percent increase from the previous month. On a year ago visitor arrivals are up 5.2 percent. The short-term departure of New Zealand residents increased by 0.9 percent to be up 3.8 percent from a year ago.
- The downward trend in net migration inflows will provide little comfort to the Reserve Bank given that this is not expected to translate into an easing in residential investment until 2008. With inflation pressures building and signs that domestic demand is still strong, the Bank's focus will be much more on addressing near-term strength.

	Actual
Net permanent and long term migration (monthly, s.a.)	630
Net permanent and long term migration (annual)	12,080
Overseas visitor arrivals (monthly, s.a.)	-1.0%
NZ Resident short term departures (monthly, s.a.)	-0.9%



**Annual net migration continues to ease.** In seasonally adjusted terms, there was a monthly inflow of 630 people in March. This took the annual total to 12,080, down from 13,150 in February, and is over 2,500 people below its recent peak of 14,757 in November last year. The recent drivers of this downward trend in net migration inflows appear to be a slight increase in the number of New Zealand residents departing, while the number of permanent arrivals has been steady (although they did increase in March). Despite the slight softening trend in net migration flows, given the volatile nature of this data, it is still too early to be confident that it has definitely turned. In addition, the gap between net PLT migration and net total migration (which includes both long-term and short-term arrivals and departures) suggests the population gain from migration could be larger, providing more support to near-term spending.

**NZD still looks like a popular destination for overseas tourists despite the high NZD.** Short-term visitor arrivals fell by 1.0 percent in March, but this is after a large 6.6 percent increase in February. There are clear signs that an upward trend in visitor arrivals has developed over the past 18 months and this is at a time of a high currency making NZ a more expensive place to visit. It suggests that New Zealand remains a popular destination for overseas tourists. However, Balance of Payments data reveal that while the NZD is not discouraging tourists from visiting, it does have an impact on the amount of time and money they spend while in the country.

**The easing in migration flows will be of little comfort for the Reserve Bank.** Migration inflows are below the Reserve Bank's projections, and based on its historical relationship with residential investment, an easing in residential construction activity can be expected in 2008. However, given that there are signs that inflation

pressures are building and domestic demand and the housing market remain strong, the Reserve Bank's focus will be more on the upside risks to inflation.

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