

# NZ Forecast Update: Weak migration outlook

15 June 2020



This is not personal advice. It does not consider your objectives or circumstances. Please refer to the Important Notice.



## Contact

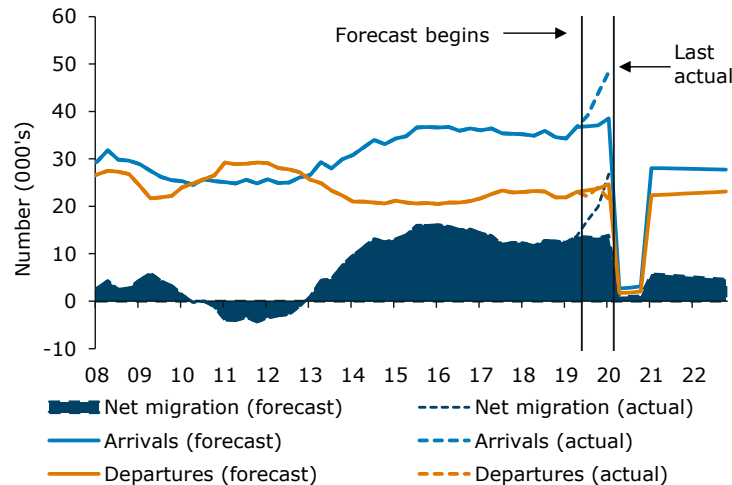
Miles Workman for more details.

## Slower population growth ahead

### Key points

- This crisis has turned New Zealand's recent model of migration-driven growth on its head.
- The data is **typically noisy**. But in the **near term**, inflows will be extremely low so long as our borders remain closed. Recent policy tweaks are not a game changer. Once borders reopen, we expect net inflows to rebound, but to lower levels than before the crisis (figure 1). Quarantine requirements could present a significant headwind if capacity is not addressed.
- Over the **medium term**, weaker economic fundamentals will see fewer arrivals of overseas citizens. Providing an offset, kiwis are more likely to stay home (or return), but they will not have a strong impetus to spend.
- It'll be a long time before we know where the trend in migration is settling and there are **risks** to the outlook on both sides. How kiwis living abroad are affected by the unfolding crisis, policy, virus developments, the timing of border openings, and quarantine capacity will all be influential.

Figure 1. Net migration outlook (quarterly)

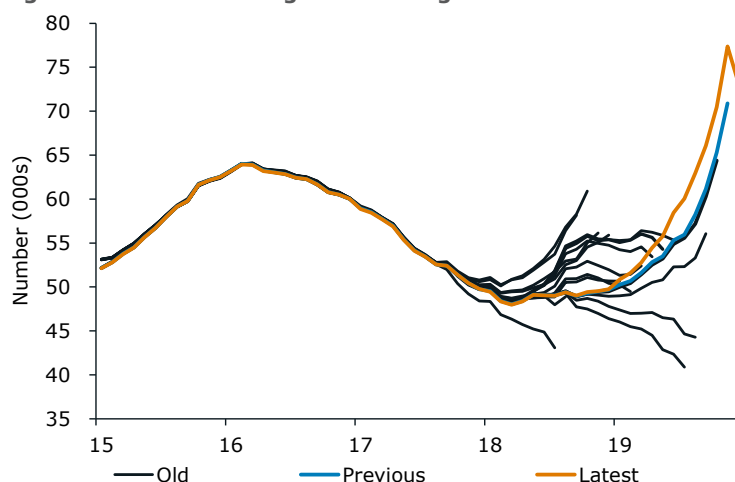


Source: Statistics NZ, ANZ Research

### Finding a starting point

The outlook for migration is highly uncertain, and this won't be helped by the fact that these data are prone to wild revisions (figure 2). Looking through the noise, we have taken to forecasting migration with a 3-quarter lag. But that's not to say that the migration pulse won't have some bearing on how the economy evolves over coming years; it just means these data are only really capable of providing historical context to activity that's already been observed.

**Figure 2. Annual net migration vintages**

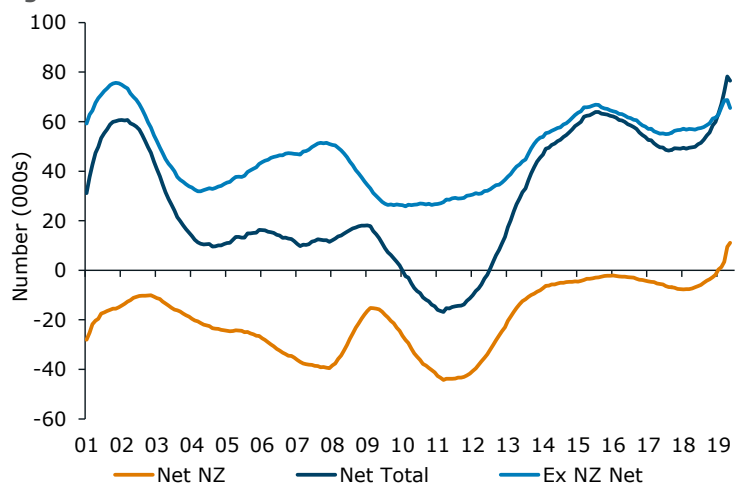


Source: Statistics NZ, ANZ Research

That said, the noise in these data should be temporarily silenced while borders remain closed and short-term visitors (mostly tourists) remain at home. That’s because data volatility is a result of Statistics NZ attempting to extract net migration (which we put at around 50k in 2019) from almost 14 million total passenger movements over the year (in normal times that is). But during the months when total arrivals and departures are very low, the room for measurement error will be significantly reduced. For the preceding months, passport monitoring means we’ll eventually get an accurate read on migration (ie. those who reside in NZ for at least 12 of the past 16 months).

But there’s still pre-crisis data volatility we need to look through. The most recent release (April 2020) shows annual migration accelerating to an all-time high in March 2020. While fewer kiwi departures and increased kiwi arrivals probably were taking place in February and March, we don’t think that would be enough to skew the annual profile by this magnitude.

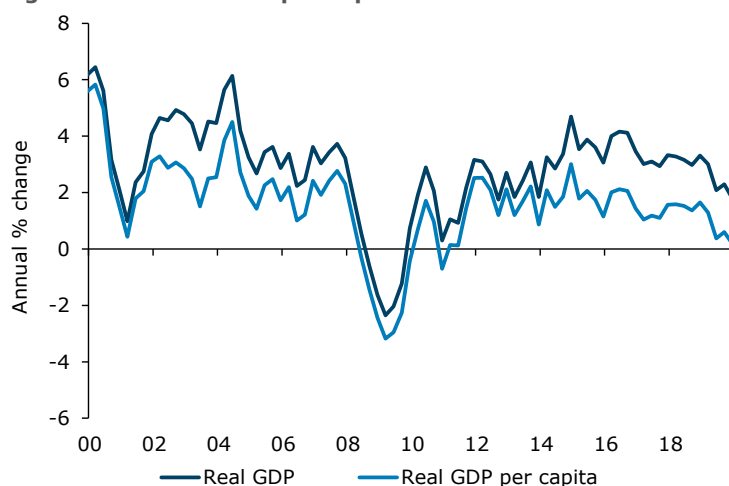
**Figure 3. NZ and other citizen annual net inflows**



Source: Statistics NZ, ANZ Research

Migration-induced population growth has been one of the most dominant drivers of economic activity in recent years, with per capita GDP growth trailing well below the headline measure (figure 4). This was never a sustainable source of growth.

**Figure 4. Headline and per capita GDP**



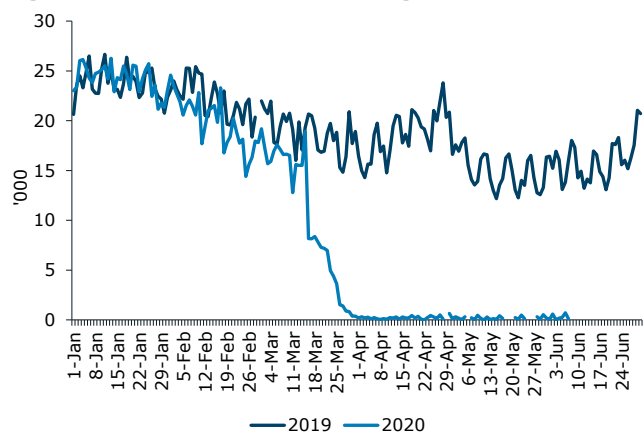
Source: Statistics NZ, ANZ Research

It just doesn't pass the sniff test that economic momentum was slowing before this crisis hit, while net migration was accelerating to new highs. Rather, we suspect the lift in the tail of these data is estimation error that will be revised lower in time.

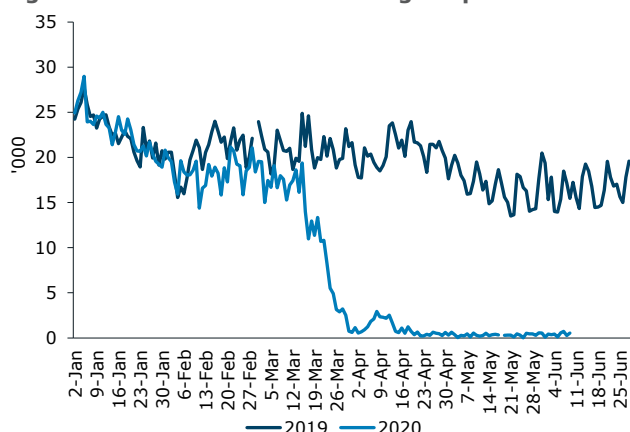
### Near-term outlook: NZ is closed

Turning to the near-term outlook, net migration is expected to remain at very low levels for as long as our borders remain closed (figures 5 and 6). Pretty intuitive really.

**Figure 5. Total NZ border crossings arrivals**



**Figure 6. Total NZ border crossings departures**



Source: Statistics NZ

Our current assumption is that borders will begin to reopen from Q1 2021, and that will see an immediate, but partial, recovery in net inflows (figure 1). Quarantine requirements and the capacity for that could have a significant influence on arrivals, but so too could the development of a vaccine. We have not made any specific assumption about either. Rather, we have simply assumed that by the time our borders are open, economic fundamentals will be the driving force for net inflows.

## Medium-term outlook: The fundamentals

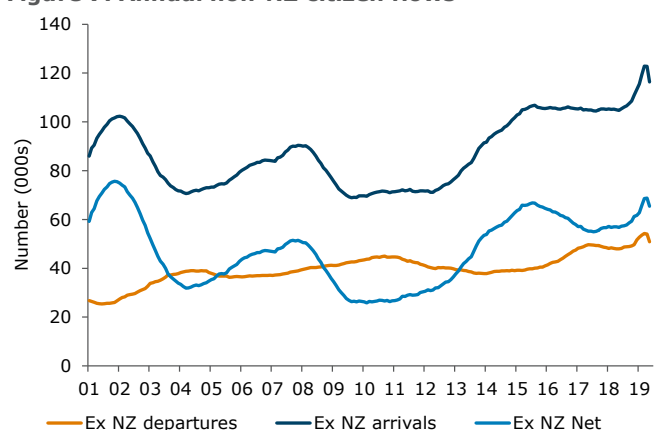
The medium-term economic fundamentals in both NZ and abroad will have different implications for different people.

There will be fewer jobs available in NZ to attract non-NZ citizen arrivals. This will be particularly true in industries like tourism, construction and hospitality. Further, the slow recovery and persistent spare capacity in the labour market will mean that firms previously reliant on migrant labour may be more easily able – or at least will more likely be expected – to find domestic workers, although in some cases retraining will be required.

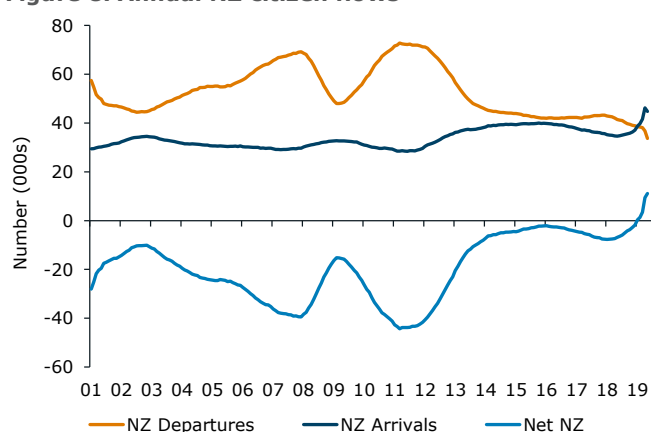
Given above, we don't think [recent policy announcements](#) to have a significant impact on the migration cycle.

Migrant job losses in NZ (and the lack of a social safety net for many) are also likely to see non-NZ citizen departures lift. This, together with significantly lower non-NZ citizen arrivals, is expected to be the main driver of a significantly reduced migration pulse on the other side of this crisis.

**Figure 7. Annual non-NZ citizen flows**



**Figure 8. Annual NZ citizen flows**



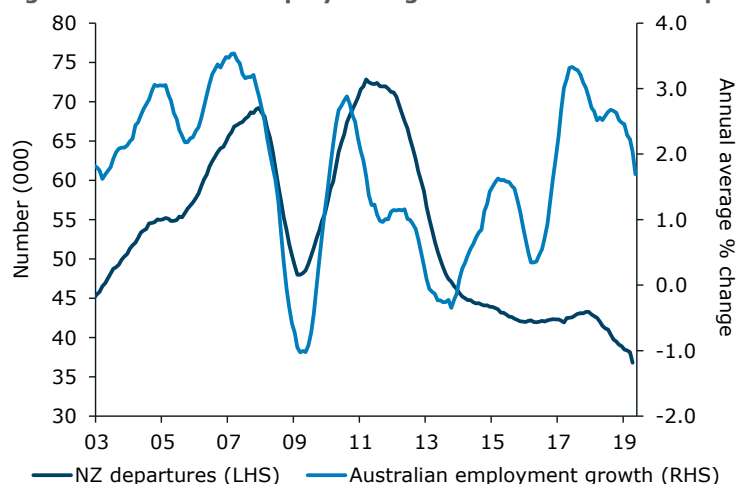
Source: Statistics NZ, ANZ Research

Conversely, net NZ citizen inflows could hit new highs and provide some offset. In fact, they might already be doing so (figure 8), but we'll have to wait for the data to settle down to be sure.

As is typical during a global crisis, fewer job opportunities abroad are expected to keep more kiwis at home. That dynamic is likely to be amplified if health risks associated with travel remain elevated, and the threat of fresh NZ border closures remains. Bottom line: Kiwi departures are expected to fall off a cliff in the near term, and only partially recover once border restrictions are eased. All else equal, that will help put a floor under the decline in net migration.

However, it will pay to keep a close eye on the recovery across the Tasman. A rebound in Australian employment growth has been associated with higher NZ-citizen departures in the past (figure 9). And a trans-Tasman bubble will make the relative economic performance of these two economies a more influential driver than otherwise.

**Figure 9. Australian employment growth and NZ citizen departures**



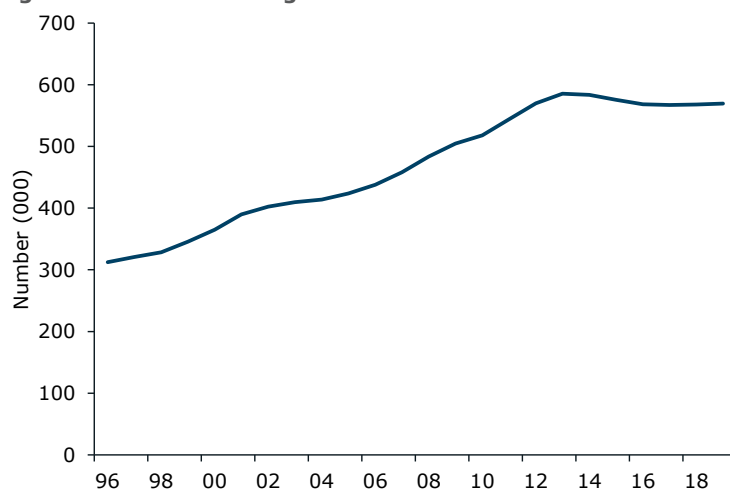
Source: Macrobond

Kiwis losing their jobs overseas and the call of NZ’s welfare system should see NZ-citizen arrivals lift. This presents an upside risk to the outlook, but our central forecast isn’t for an overwhelmingly large inflow. That said, while we’re looking through the tail of these data for now, it’s possible there is some signal there.

The exact number of Kiwis living overseas is unknown, but recent communications from Statistics NZ suggest it could be between 600,000 and a million (depending on how you define a kiwi).

A hefty chunk of these kiwis reside in Australia. The Australian Bureau of Statistics estimates that the Australian resident population includes almost 570,000 people who were born in NZ. This figure excludes children born to kiwi parents in Australia, and non-NZ born partners. So the possible inflow is actually much larger. However, we’re not forecasting a huge spike in returning kiwis. As figure 10 shows, the number of NZ born in Australia has been pretty stable in recent years, lifting by just 65k over the past 10 years. That means a significant portion of the NZ-born Australian population has probably put down roots. Provided they remain employed, or have the balance sheet to endure the economic pain ahead, they’re likely to stay put. There is, after all, around a 25% wage gap between the two countries.

**Figure 10. NZ-born living in Australia**



Source: Macrobond

## Risks on both sides

Should net migration surprise on the upside, it will likely be owing to stronger-than-expected NZ-citizen arrivals. However, we don't expect this will translate into a significantly stronger activity and housing pulse. After all, [they will be coming home to an economy with very weak labour demand](#), so the boost to activity (and the housing market) will be less than is typical.

Downside risks to net migration are closely related to Australia's recovery. Like the mining-investment boom that attracted a lot of kiwi workers, an infrastructure-led boom in Australia could do the same – making it increasingly difficult for the NZ Government to implement its stimulus plans over the coming years. We'll be watching this space closely – or as closely as we can, now there is no departure card information available anymore.

For non-NZ arrivals and departures, it's all going to come down to the domestic skills gaps, and labour market capacity. Given the macro-economic backdrop, it's hard to see non-NZ citizen net migration surprising on the upside. But lengthy retraining processes could keep a few pockets of arrivals elevated.

Overall, the weaker outlook for migration means that the prospect of a population-led recovery is slim. That will put the burden on domestic stimulus and productivity. So far, we've seen nothing on the policy front to convince us that productivity is about to take the reins, so expect a pretty ho-hum performance on the other side. Cutting the fat in the near term does boost productivity – at the unfortunate cost of jobs – but long-run productivity growth requires investment, innovation and risk taking. The Government has certainly stepped up on the infrastructure investment front – which is great to see – but we don't see this more than offsetting prolonged weak business investment.

## The details: Quarterly migration forecasts (000s)

	Jun-19	Sepr-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21
Actual net migration (as at April 2020)	13.7	17.0	19.9	26.8	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Actual arrivals (as at April 2020)	36.7	39.1	43.8	48.3	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Actual departures (as at April 2020)	23.0	22.1	24.0	21.5	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Forecast net migration	13.7	<b>13.5</b>	<b>13.4</b>	<b>13.9</b>	<b>0.9</b>	<b>1.0</b>	<b>1.0</b>	<b>5.7</b>	<b>5.6</b>	<b>5.5</b>	<b>5.3</b>
Forecast arrivals	36.7	<b>36.9</b>	<b>37.1</b>	<b>38.6</b>	<b>2.7</b>	<b>2.8</b>	<b>3.1</b>	<b>28.1</b>	<b>28.1</b>	<b>28.0</b>	<b>27.9</b>
Forecast departures	23.0	<b>23.3</b>	<b>23.7</b>	<b>24.6</b>	<b>1.7</b>	<b>1.8</b>	<b>2.0</b>	<b>22.3</b>	<b>22.4</b>	<b>22.5</b>	<b>22.7</b>

Seasonally adjusted. Figures in bold are forecasts.



## Contact us

---

### Meet the team

We welcome your questions and feedback. Click [here](#) for more information about our team.



**Sharon Zollner**  
Chief Economist

Follow Sharon on Twitter  
[@sharon\\_zollner](#)

Telephone: +64 27 664 3554  
Email: [sharon.zollner@anz.com](mailto:sharon.zollner@anz.com)

General enquiries:  
[research@anz.com](mailto:research@anz.com)

Follow ANZ Research  
[@ANZ\\_Research](#) (global)



**David Croy**  
Senior Strategist

Market developments, interest rates, FX, unconventional monetary policy, liaison with market participants.

Telephone: +64 27 432 2769  
Email: [david.croy@anz.com](mailto:david.croy@anz.com)



**Susan Kilsby**  
Agricultural Economist

Primary industry developments and outlook, structural change and regulation, liaison with industry.

Telephone: +64 21 633 469  
Email: [susan.kilsby@anz.com](mailto:susan.kilsby@anz.com)



**Liz Kendall**  
Senior Economist

Research co-ordinator, publication strategy, property market analysis, monetary and prudential policy.

Telephone: +64 27 240 9969  
Email: [elizabeth.kendall@anz.com](mailto:elizabeth.kendall@anz.com)



**Miles Workman**  
Senior Economist

Macroeconomic forecast co-ordinator, fiscal policy, economic risk assessment and credit developments.

Telephone: +64 21 661 792  
Email: [miles.workman@anz.com](mailto:miles.workman@anz.com)



**Kyle Uerata**  
Economic Statistician

Economic statistics, ANZ proprietary data (including ANZ Business Outlook), data capability and infrastructure.

Telephone: +64 21 633 894  
Email: [kyle.uerata@anz.com](mailto:kyle.uerata@anz.com)



**Natalie Denne**  
PA / Desktop Publisher

Business management, general enquiries, mailing lists, publications, chief economist's diary.

Telephone: +64 21 253 6808  
Email: [natalie.denne@anz.com](mailto:natalie.denne@anz.com)



## Important notice

---

**This document is intended for ANZ's Institutional, Markets and Private Banking clients. It should not be forwarded, copied or distributed. The information in this document is general in nature, and does not constitute personal financial product advice or take into account your objectives, financial situation or needs.**

This document may be restricted by law in certain jurisdictions. Persons who receive this document must inform themselves about and observe all relevant restrictions.

**Disclaimer for all jurisdictions:** This document is prepared and distributed in your country/region by either: Australia and New Zealand Banking Group Limited (ABN11 005 357 522) (**ANZ**); or its relevant subsidiary or branch (each, an **Affiliate**), as appropriate or as set out below.

This document is distributed on the basis that it is only for the information of the specified recipient or permitted user of the relevant website (**recipients**).

This document is solely for informational purposes and nothing contained within is intended to be an invitation, solicitation or offer by ANZ to sell, or buy, receive or provide any product or service, or to participate in a particular trading strategy.

Distribution of this document to you is only as may be permissible by the laws of your jurisdiction, and is not directed to or intended for distribution or use by recipients resident or located in jurisdictions where its use or distribution would be contrary to those laws or regulations, or in jurisdictions where ANZ would be subject to additional licensing or registration requirements. Further, the products and services mentioned in this document may not be available in all countries.

ANZ in no way provides any financial, legal, taxation or investment advice to you in connection with any product or service discussed in this document. Before making any investment decision, recipients should seek independent financial, legal, tax and other relevant advice having regard to their particular circumstances.

Whilst care has been taken in the preparation of this document and the information contained within is believed to be accurate, ANZ does not represent or warrant the accuracy or completeness of the information. Further, ANZ does not accept any responsibility to inform you of any matter that subsequently comes to its notice, which may affect the accuracy of the information in this document.

Preparation of this document and the opinions expressed in it may involve material elements of subjective judgement and analysis. Unless specifically stated otherwise: they are current on the date of this document and are subject to change without notice; and, all price information is indicative only. Any opinions expressed in this document are subject to change at any time without notice.

ANZ does not guarantee the performance of any product mentioned in this document. All investments entail a risk and may result in both profits and losses. Past performance is not necessarily an indicator of future performance. The products and services described in this document may not be suitable for all investors, and transacting in these products or services may be considered risky.

ANZ expressly disclaims any responsibility and shall not be liable for any loss, damage, claim, liability, proceedings, cost or expense (Liability) arising directly or indirectly and whether in tort (including negligence), contract, equity or otherwise out of or in connection with this document to the extent permissible under relevant law. Please note, the contents of this document have not been reviewed by any regulatory body or authority in any jurisdiction.

ANZ and its Affiliates may have an interest in the subject matter of this document. They may receive fees from customers for dealing in the products or services described in this document, and their staff and introducers of business may share in such fees or remuneration that may be influenced by total sales, at all times received and/or apportioned in accordance with local regulatory requirements. Further, they or their customers may have or have had interests or long or short positions in the products or services described in this document, and may at any time make purchases and/or sales in them as principal or agent, as well as act (or have acted) as a market maker in such products. This document is published in accordance with ANZ's policies on conflicts of interest and ANZ maintains appropriate information barriers to control the flow of information between businesses within it and its Affiliates.

Your ANZ point of contact can assist with any questions about this document including for further information on these disclosures of interest.

**Country/region specific information:** Unless stated otherwise, this document is distributed by Australia and New Zealand Banking Group Limited (**ANZ**).

**Australia.** ANZ holds an Australian Financial Services licence no. 234527. For a copy of ANZ's Financial Services Guide please [click here](#) or request from your ANZ point of contact.

**Brazil, Brunei, India, Japan, Kuwait, Malaysia, Switzerland, Taiwan.** This document is distributed in each of these jurisdictions by ANZ on a cross-border basis.

**Cambodia.** This document is distributed in Cambodia by ANZ Royal Bank (Cambodia) Limited (**ANZ Royal Bank**). The recipient acknowledges that although ANZ Royal Bank is a subsidiary of ANZ, it is a separate entity to ANZ and the obligations of ANZ Royal Bank do not constitute deposits or other liabilities of ANZ and ANZ is not required to meet the obligations of ANZ Royal Bank.

**European Economic Area (EEA): United Kingdom.** ANZ is authorised in the United Kingdom by the Prudential Regulation Authority (**PRA**) and is subject to regulation by the Financial Conduct Authority (**FCA**) and limited regulation by the PRA. Details about the extent of our regulation by the PRA are available from us on request. This document is distributed in the United Kingdom by Australia and New Zealand Banking Group Limited ANZ solely for the information of persons who would come within the FCA definition of "eligible counterparty" or "professional client". It is not intended for and must not be distributed to any person who would come within the FCA definition of "retail client". Nothing here excludes or restricts any duty or liability to a customer which ANZ may have under the UK Financial Services and Markets Act 2000 or under the regulatory system as defined in the Rules of the Prudential Regulation Authority (**PRA**) and the FCA. ANZ is authorised in the United Kingdom by the PRA and is subject to regulation by the FCA and limited regulation by the PRA. Details about the extent of our regulation by the PRA are available from us on request.

**Fiji.** For Fiji regulatory purposes, this document and any views and recommendations are not to be deemed as investment advice. Fiji investors must seek licensed professional advice should they wish to make any investment in relation to this document.

**Hong Kong.** This publication is issued or distributed in Hong Kong by the Hong Kong branch of ANZ, which is registered at the Hong Kong Monetary Authority to conduct Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities. The contents of this publication have not been reviewed by any regulatory authority in Hong Kong.

**India.** If this document is received in India, only you (the specified recipient) may print it provided that before doing so, you specify on it your name and place of printing.

**Myanmar.** This publication is intended to be general and part of ANZ's customer service and marketing activities when implementing its functions as a licensed bank. This publication is not Securities Investment Advice (as that term is defined in the Myanmar Securities Transaction Law 2013).





## Important notice

**New Zealand.** This document is intended to be of a general nature, does not take into account your financial situation or goals, and is not a personalised adviser service under the Financial Advisers Act 2008 (**FAA**).

**Oman.** ANZ neither has a registered business presence nor a representative office in Oman and does not undertake banking business or provide financial services in Oman. Consequently ANZ is not regulated by either the Central Bank of Oman or Oman's Capital Market Authority. The information contained in this document is for discussion purposes only and neither constitutes an offer of securities in Oman as contemplated by the Commercial Companies Law of Oman (Royal Decree 4/74) or the Capital Market Law of Oman (Royal Decree 80/98), nor does it constitute an offer to sell, or the solicitation of any offer to buy non-Omani securities in Oman as contemplated by Article 139 of the Executive Regulations to the Capital Market Law (issued vide CMA Decision 1/2009). ANZ does not solicit business in Oman and the only circumstances in which ANZ sends information or material describing financial products or financial services to recipients in Oman, is where such information or material has been requested from ANZ and the recipient understands, acknowledges and agrees that this document has not been approved by the CBO, the CMA or any other regulatory body or authority in Oman. ANZ does not market, offer, sell or distribute any financial or investment products or services in Oman and no subscription to any securities, products or financial services may or will be consummated within Oman. Nothing contained in this document is intended to constitute Omani investment, legal, tax, accounting or other professional advice.

**People's Republic of China (PRC).** This document may be distributed by either ANZ or Australia and New Zealand Bank (China) Company Limited (**ANZ China**). Recipients must comply with all applicable laws and regulations of PRC, including any prohibitions on speculative transactions and CNY/CNH arbitrage trading. If this document is distributed by ANZ or an Affiliate (other than ANZ China), the following statement and the text below is applicable: No action has been taken by ANZ or any affiliate which would permit a public offering of any products or services of such an entity or distribution or re-distribution of this document in the PRC. Accordingly, the products and services of such entities are not being offered or sold within the PRC by means of this document or any other document. This document may not be distributed, re-distributed or published in the PRC, except under circumstances that will result in compliance with any applicable laws and regulations. If and when the material accompanying this document relates to the products and/or services of ANZ China, the following statement and the text below is applicable: This document is distributed by ANZ China in the Mainland of the PRC.

**Qatar.** This document has not been, and will not be:

- lodged or registered with, or reviewed or approved by, the Qatar Central Bank (**QCB**), the Qatar Financial Centre (**QFC**) Authority, QFC Regulatory Authority or any other authority in the State of Qatar (**Qatar**); or
- authorised or licensed for distribution in Qatar,

and the information contained in this document does not, and is not intended to, constitute a public offer or other invitation in respect of securities in Qatar or the QFC. The financial products or services described in this document have not been, and will not be:

- registered with the QCB, QFC Authority, QFC Regulatory Authority or any other governmental authority in Qatar; or
- authorised or licensed for offering, marketing, issue or sale, directly or indirectly, in Qatar.

Accordingly, the financial products or services described in this document are not being, and will not be, offered, issued or sold in Qatar, and this document is not being, and will not be, distributed in Qatar. The offering, marketing, issue and sale of the financial products or services described in this document and distribution of this document is being made in, and is subject to the laws, regulations and rules of, jurisdictions outside of Qatar and the QFC. Recipients of this document must abide by this restriction and not distribute this document in breach of this restriction. This document is being sent/issued to a limited number of institutional and/or sophisticated investors (i) upon their request and confirmation that they understand the statements above; and (ii) on the condition that it will not be provided to any person other than the original recipient, and is not for general circulation and may not be reproduced or used for any other purpose.

**Singapore.** This document is distributed in Singapore by the Singapore branch of ANZ solely for the information of "accredited investors", "expert investors" or (as the case may be) "institutional investors" (each term as defined in the Securities and Futures Act Cap. 289 of Singapore). ANZ is licensed in Singapore under the Banking Act Cap. 19 of Singapore and is exempted from holding a financial adviser's licence under Section 23(1)(a) of the Financial Advisers Act Cap. 100 of Singapore.

**United Arab Emirates (UAE).** This document is distributed in the UAE or the Dubai International Financial Centre (**DIFC**) (as applicable) by ANZ. This document does not, and is not intended to constitute: (a) an offer of securities anywhere in the UAE; (b) the carrying on or engagement in banking, financial and/or investment consultation business in the UAE under the rules and regulations made by the Central Bank of the UAE, the Emirates Securities and Commodities Authority or the UAE Ministry of Economy; (c) an offer of securities within the meaning of the Dubai International Financial Centre Markets Law (DIFCML) No. 12 of 2004; and (d) a financial promotion, as defined under the DIFCML No. 1 of 200. ANZ DIFC Branch is regulated by the Dubai Financial Services Authority (**DFSA**) ANZ DIFC Branch is regulated by the Dubai Financial Services Authority (**DFSA**). The financial products or services described in this document are only available to persons who qualify as "Professional Clients" or "Market Counterparty" in accordance with the provisions of the DFSA rules. In addition, ANZ has a representative office (**ANZ Representative Office**) in Abu Dhabi regulated by the Central Bank of the UAE. The ANZ Representative Office is not permitted by the Central Bank of the UAE to provide any banking services to clients in the UAE.

**United States.** Except where this is a FX-related document, this document is distributed in the United States by ANZ Securities, Inc. (**ANZ SI**) which is a member of the Financial Regulatory Authority (**FINRA**) ([www.finra.org](http://www.finra.org)) and registered with the SEC. ANZSI's address is 277 Park Avenue, 31st Floor, New York, NY 10172, USA (Tel: +1 212 801 9160 Fax: +1 212 801 9163). ANZSI accepts responsibility for its content. Information on any securities referred to in this document may be obtained from ANZSI upon request. This document or material is intended for institutional use only – not retail. If you are an institutional customer wishing to effect transactions in any securities referred to in this document you must contact ANZSI, not its affiliates. ANZSI is authorised as a broker-dealer only for institutional customers, not for US Persons (as "US person" is defined in Regulation S under the US Securities Act of 1933, as amended) who are individuals. If you have registered to use this website or have otherwise received this document and are a US Person who is an individual: to avoid loss, you should cease to use this website by unsubscribing or should notify the sender and you should not act on the contents of this document in any way. Non-U.S. analysts: Non-U.S. analysts may not be associated persons of ANZSI and therefore may not be subject to FINRA Rule 2242 restrictions on communications with the subject company, public appearances and trading securities held by the analysts. Where this is an FX-related document, it is distributed in the United States by ANZ's New York Branch, which is also located at 277 Park Avenue, 31st Floor, New York, NY 10172, USA (Tel: +1 212 801 916 0 Fax: +1 212 801 9163).

**Vietnam.** This document is distributed in Vietnam by ANZ or ANZ Bank (Vietnam) Limited, a subsidiary of ANZ.

This document has been prepared by ANZ Bank New Zealand Limited, Level 26, 23-29 Albert Street, Auckland 1010, New Zealand, Ph 64-9-357 4094, e-mail [nzeconomics@anz.com](mailto:nzeconomics@anz.com), <http://www.anz.co.nz>