

# While the figures show just a trickle of Kiwis now heading to Australia, history tells us the trickle tends to very quickly become a torrent

Posted in [Opinion](#) August 02, 2018 - 02:39pm, [David Hargreaves](#)



**By David Hargreaves**

It may seem utter madness to be raising the subject in the face of the recent enormous inbound migration figures - but watch out for talk fairly soon of an emerging brain drain again.

I think over the next couple of years the conversation is going to change markedly from what we've seen. And of course if there is a big switch in migration patterns, there's plenty of ramifications.

At the moment as a country we are looking to play catch up on infrastructure and particularly new housing based on recently rampant increases in population. What happens to this planning if the migration and population growth figures go into reverse?

As I say it may seem madness to be talking that way in the face of what's been very high levels of net migration, peaking fairly recently and for now continuing at high levels.

But these things are cyclical and they change faster than anybody tends to imagine.

I do recall when the migration numbers were seriously starting to move up in 2013 that economists and forecasters and the likes of the Reserve Bank were constantly under-estimating how fast the figures would grow and the sorts of levels they would reach.

Well, I reckon we are about to see things switch the other way.

The slackening of migration pressures is for a year or two going to be good. But there will be consequences if and when it really starts to gallop in the other direction - particularly if New Zealand citizens start voting with their feet again, as historically they have tended to do.

Against historical patterns, one surprisingly constant factor in the recent turbulent migration picture has been the stay-at-home mindset of Kiwis.

The low level of departures of New Zealand citizens, particularly to Australia, has been a significant factor in the net inbound migration figures hitting record annual highs of well in excess of 70,000.

A slight rise in the number of Kiwis now **deciding to shift across the ditch has been noted.**

But this is being talked about as a trickle, which at this stage it is. That the overall 'tide has now turned' is clear enough though. The extent to which that tide is turning is, when you dig under the surface, is much more so, and more suddenly, than is perhaps widely appreciated.

It's worth getting under the hood and digging through the figures.

Here's the overall picture (figures from Stats NZ's Infoshare) of New Zealand's net migration (actual figures) for the year to June going back to the start of the boom.

| Net migration June year |        |
|-------------------------|--------|
| 2012                    | -3,191 |
| 2013                    | 7,907  |
| 2014                    | 38,338 |
| 2015                    | 58,259 |
| 2016                    | 69,090 |
| 2017                    | 72,305 |
| 2018                    | 64,995 |

Within that overall picture, this is what the Kiwis have been doing. This is the overall net migration picture regarding NZ citizens over the same period.

| Net NZ citizen migration June year |         |
|------------------------------------|---------|
| 2012                               | -39,507 |
| 2013                               | -31,741 |
| 2014                               | -12,058 |
| 2015                               | -5,644  |
| 2016                               | -3,139  |
| 2017                               | -1,284  |
| 2018                               | -1,770  |

I thought it was worth having a bit of a closer crunch at the recent numbers and had a look at Statistics New Zealand's quarterly seasonally-adjusted figures.

Generally I usually prefer to look at 'actual' figures but of course migration patterns are extremely, well, seasonal. And if you look back historically the Stats NZ seasonally-adjusted figures, which do aim to take that seasonality out, do provide a very meaningful indication of the overall trend and of emerging trends - perhaps before the actual figures really start to reflect such trends. Starting from last year, here's the recent trend for quarterly total migration as captured by Stats NZ's seasonally-adjusted figures.

| <b>Seasonally-adjusted quarterly total net migration</b> |        |
|--|--------|
| 2017Q1   | 18,320 |
| 2017Q2   | 18,170 |
| 2017Q3   | 16,360 |
| 2017Q4   | 17,170 |
| 2018Q1   | 16,490 |
| 2018Q2   | 14,900 |

It shows the figures dropping quite quickly from very high levels.

A key component of that has been the numbers of non-NZers now leaving. In fact in the June quarter, on a seasonally adjusted basis, the number of non-NZers leaving the country was at a record high. Here's figures again since the start of last year.

| <b>Seasonally-adjusted non-NZ citizen departures</b> |       |
|--|-------|
| 2017Q1   | 6,570 |
| 2017Q2   | 6,920 |
| 2017Q3   | 7,270 |
| 2017Q4   | 7,550 |
| 2018Q1   | 7,960 |
| 2018Q2   | 8,090 |

So, that shows some of the pressure is coming off from the migration of non-NZers, though the inbound figures have to this point remained at high levels. But with more and more non-NZers now leaving and with various rules having been tightened, I think we can expect this trend to continue.

What about the recent pattern for NZ citizens though?

Here's the net migration information for the same period.

| <b>Seasonally-adjusted NZ citizen net migration</b> |        |
|---|--------|
| 2017Q1  | -180   |
| 2017Q2  | -410   |
| 2017Q3  | -490   |
| 2017Q4  | 40     |
| 2018Q1  | -260   |
| 2018Q2  | -1,110 |

Okay, that's quite a big jump at the end there, basically a more than four-fold increase in the net loss of Kiwis between the first and second quarters of this year - and remember these figures are adjusted to take out seasonal factors.

Next step, and it's the revealing one, is to look at the NZ citizen's net migration patterns with Australia over the same period.

| <b>Seasonally-adjusted NZ citizen net migration with Australia</b> |        |
|--|--------|
| 2017Q1   | -1,180 |
| 2017Q2   | -1,380 |
| 2017Q3   | -1,510 |
| 2017Q4   | -1,090 |
| 2018Q1   | -1,270 |
| 2018Q2   | -2,000 |

That's a 57.5% spike in the latest quarter, caused both by fewer Kiwis coming back from Aus and more going. And remember again this is seasonally adjusted, so, it's showing the trend without the normal seasonal migration patterns being reflected.

Now, yes, those figures are small when looked at in a historical perspective. For example, In the 2011-12 period there were net losses of Kiwis to Australia of over 10,000 per quarter. Now that's a brain drain.

But if you imagine we are light years away from seeing those sorts of figures, take a look at this example from the early 1980s. At the start of the period here the net loss of Kiwis to Australia was low - and see what happened. Here's the figures for a two-year period in that time.

| <b>Seasonally-adjusted NZ citizen net migration with Australia</b> |        |
|--|--------|
| 1983Q4   | -260   |
| 1984Q1   | -790   |
| 1984Q2   | -1,370 |
| 1984Q3   | -2,200 |
| 1984Q4   | -2,850 |
| 1985Q1   | -4,090 |
| 1985Q2   | -5,130 |
| 1985Q3   | -5,460 |
| 1985Q4   | -5,750 |

Yes, so basically that was an over 2000% increase in the rate of net loss of Kiwis to Australia in that two year period.

And while that's the most spectacular example of the way the tide moves, it's not completely untypical of the kinds of trends that have been seen historically. Generally the turnaround is very quick. It's the snow ball effect. Once some Kiwis decide to go, so a lot decide to go. "I've had it, I'm going." "Yeah, me too."

I think all the evidence is there that we might be about to see something similar. Now there will be questions about whether it's now as easy for NZers to go to Australia. Will the Australian economy improve from here? What about the fact that there has been large scale migration into Australia from other countries?

So, because something has happened before doesn't mean it will happen again. But having said that, I reckon now it will.

## A sour mood

The mood of New Zealand has soured. You can argue maybe we are talking ourselves into some sort of downturn. But the fact is that the knee-jerk, toys-out-of-the-pram reaction of business to a Labour-led government has now turned into a fully-fledged downswing in confidence levels that must have an impact on economic activity in the near term. People get down, they get nervous, they get uncertain, they put off investment decisions, they put off employment decisions.

It can become self-fulfilling and I think it is becoming so. And with frustration mounting about pay levels in this country and the fact the housing market is now flat, well, conditions are ripe for an exit in numbers.



**I thought the reported comments of former Prime Minister John Key this week** were extraordinary and the nearest thing I've seen to an explicit, if you will, manifesto or modus operandi, of the previous National Government - the thinking and the policy.

Specifically Key said: "...it was a significant increase in migration, a very strong housing market, a lot of confidence running around in the business community, what was very low interest rates, and over time globally a capacity for governments to spend a lot of money."

But now, however: "...Most of those factors that drove that very strong economy are either being taken off the table or are reducing. That's the right of the Government. I'm not criticising that, I'm just simply saying that if you want to continue to stimulate the New Zealand economy the question is what replaces those factors and that's the question the Government ultimately needs to answer."

So, there we have it. The way to make the New Zealand economy tick is apparently to pump up inflation (which by the way helps to keep wages down) and watch house prices go up. Remove those things and what do we replace them with and what happens next?

Now the tide's changed on migration and the housing market is no longer giving everybody the feelgood factor lift.

I mean sure, on an external level, people go tut tut when house prices are shooting up - but internally, if they own a house, it's 'yippee'. And why not. It's the biggest asset for most people.

So, anyway, all the ingredients are suddenly being put in place for an outbreak of national grumpiness, which will see the brain drain become an issue again.

### **A test for the Government**

And that's going to have all sorts of implications for the Government.

Does it hold its nerve with infrastructure plans and with the KiwiBuild 100,000 houses plan?

Look, I think it should. But its nerve I would say is going to be tested.

The fact is though these migration trends are always cyclical. And if in the next year or two we do start pulling back on building plans then that will come back to bite us in future.

As I say though, this will require perhaps more nerve and commitment than has been seen in the past. We've paid a price for not sticking with house building during the post-GFC period and we would pay the price again.

The flip side is though that if KiwiBuild does continue full steam ahead and the Kiwi brain drain starts in earnest, well maybe we may yet see a significant downturn in house prices.

I haven't believed that till now, but now do see it as possible in the next three to five years.

It's all conjecture, but the one thing I would say is the situation we are in right now needs watching very closely. If what looks like the start of a serious migration outflow really catches it will happen quickly. And adjustments may need to be made.