

The Economy Hub: NZ immigration three times Brexit Britain

2:30 PM Thursday Jun 30, 2016 NZ Herald

New Zealand's migration gain per capita is currently running nearly three times as high as the UK where the issue has divided the public and driven sentiment in the Brexit referendum.

Record immigration flows have been propping up our economic growth but run the risk of becoming a destabilising force if we don't have a strong sustainable framework in place, JBWere investment strategist Bernard Doyle told *The Economy Hub* show today. Since the Global Financial crisis New Zealand has being seen as a desirable place to live.

"That's a great thing for us," Doyle said. "But one of the lessons from Brexit and the troubles in Europe and the political uncertainty in the US is that if you have a poor immigration framework that doesn't work well for a long time it will have unforeseen consequences."

Migration was definitely a hot political topic, said Westpac senior economist Satish Ranchhod.

But it was important to recognise that in New Zealand's case a lot of the inflow was due to New Zealanders returning home.

"That's a much tougher situation to tackle," he said.

Unlike new immigrants those numbers can't be controlled by policy changes.

The record inflow was starting to put pressure on monetary policy and fiscal policy as we looked to deal with issues like house prices and infrastructure, he said.

The Economy Hub: How does Britain's migration compare to NZ's?

New Zealand had a net migration gain of 68,400 in the year to May.

Britain's total net migration gain has been running at an annualised rate of about 368,000 (in the year to November).

Given the relative population size this represents a considerably more significant economic and social trend in this country.

As a percentage Britain's population gained at 0.57 per cent in that period as compared to a 1.5 per cent gain in New Zealand.

"The concern for us is: is this good quality growth? is this generating long-term sustainable growth outcomes?" Doyle said.

"You can't control commodity prices, immigration you have some control over. But the volatility of it at the moment is probably getting to the point where it is more hinderance than a help."

In the last few months the migration gains appeared to be peaking, Ranchhod said.

Watch: The full episode of The Economy Hub below:

That was partly because we were starting to see fewer student arrivals and it was likely to continue trending down over the next two years, he said.

Seasonally adjusted figures for May showed a net gain (more arrivals than departures) of 5,500 migrants. Since reaching a peak of 6,200 in November 2015, the seasonally adjusted net gain in migrants has averaged 5,700 a month.

Much of the migration gain has come from a reversal of the historically more normal trend of Kiwis departing for Australia.

Despite annual GDP growth coming in at a relatively healthy 2.4 per cent for the year to March, economists have noted that is underpinned by New Zealand's growing population.

When population growth is factored in GDP per capita growth increased at just 0.1 per cent in the first quarter of the year. On that basis annual GDP growth per capita would be less than half a per cent.

There was a risk that we could see the trend heading into reverse just as the Christchurch rebuild winds down.

"So without those migrations flows we could see growth dropping off sharply in the later part of the decade."

- [NZ Herald](#)