

Input to your Strategy for Adapting to Challenges

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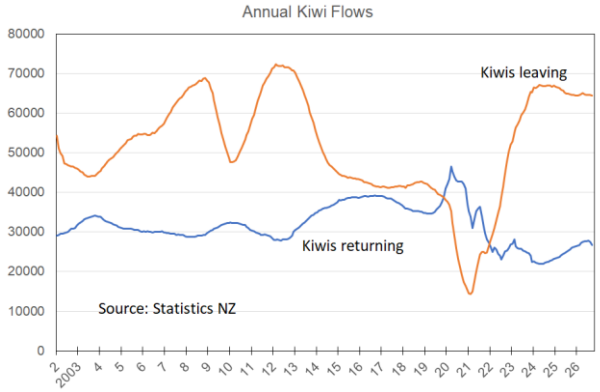
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Kiwis not for the return home

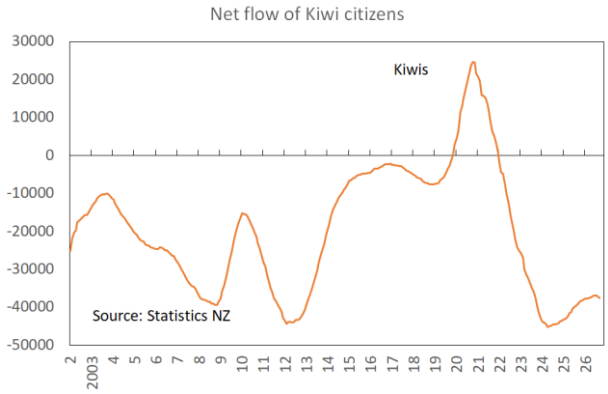
For your guide there is a narrative which some people are pushing along the lines that the net flow of Kiwis to other countries is turning. Sometimes they say fewer are leaving, sometimes that more are returning, and sometimes that the net flow specifically to Australia is going to vanish. They are not correct.

The net loss of Kiwis offshore has averaged 19,700 a year since the data became available in 2002. For a brief period from 2020-21 the flow turned positive – but only because Kiwis flocked home to sit out the pandemic here rather than offshore. Once the borders opened up again, they fled, as shown in this graph.



The second graph shows that the net loss of Kiwis peaked at 45,150 in the year to April 2024. It is currently 37,600 from 39,100 a year ago so we can say things have improved over the past two years.

But this 37,600 net loss is the largest since February and the net flow is up from 36,880 in the year to June. Things are newly getting worse, not better.



But are fewer Kiwis leaving? Not convincingly so. In the year to September the gross Kiwi outflow was 64,390 compared with 64,770 a year ago. The improvement is very small and not suggestive of something worth noticing going on.

What about Kiwis returning? In the year to September the gross Kiwi inflow was 26,780 from 25,660 a year ago. The improvement in returns is better than the improvement in outflows, but the change is still fairly small.

I do not see an improvement in the net flow as being underway and that is one small factor contributing to my view that the house price cycle this time around will be a very boring one.

Speaking of which, data released this week by REINZ tell us that average NZ house prices fell 0.1% in October after rising 0.2% in September and falling 0.2% in August. Prices are flat to falling

apart from in the likes of Canterbury, Southland, and Queenstown Lakes.

Those areas are being boosted by tourism, farming, and some internal migration.

If I were a borrower, what would I do?

I'm afraid I've nothing particularly insightful to add this week. Offshore worries continue to grow about high inflation getting locked in but that debate seems not to have gained legs here in NZ amidst (I think misplaced) expectations that inflation will nicely fall towards 2% over 2027 and stay there.

If I were borrowing at the moment, I would fix for two years but give thought to fixing for three years if I were offered a rate better than the 5.59% now commonly charged.

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