

# BNZ Weekly Overview

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## Mission Statement

To help Kiwi businesspeople and householders make informed financial decisions by discussing the economy and its implications in a language they can understand.

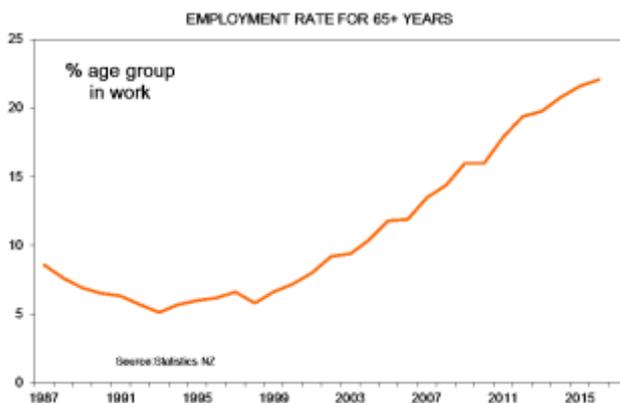
## Migration and Baby Boomers Helping Drive Growth

On average over the past two decades New Zealand's population has grown by 1.1% per annum. And over not just these two decades but the period before the mid-1990s people have repeatedly talked about the woe we will all soon be suffering because of the aging population with Baby Boomers leaving the workforce, selling their houses and causing prices to collapse, people flooding to the regions, and young people hopping across to Australia for opportunities there. Oh, and share prices are meant to be collapsing now also as the Boomers cash up and place their savings in bonds and term deposits.

Opps.

House prices are soaring because of many structural changes outlined here repeatedly these past few years. Share prices have soared because interest rates have plummeted anew following the GFC-induced decline and investors have sought yield in anything.

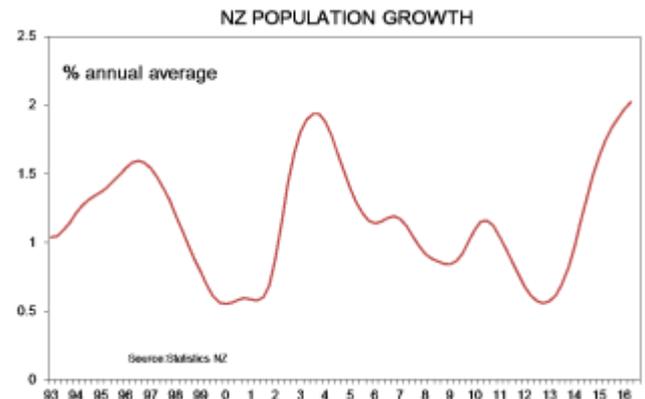
Boomers are increasingly choosing to stay in the workforce either because they need the money or they want the social contact or simply because they are still generally in good health.



In the year to June the employment rate for people 65 and over was 22%. This compares

with just 5.8% in 1998 and an employment rate across all age groups this past year of 65.2%.

And population growth in the most recent year calculated by Statistics NZ was 2% following growth the year before of 1.8% and before that the 1.1% average.



There was a record net migration gain for NZ in the year to September of 69,954 people. This compares with a gain of 61,234 a year ago and a loss of 3,280 four years back. In fact since September 2012 net migration flows have added 193,644 people to our population – a boost of about 7.7%. In the previous four years the boost was only 30,156 people or about 1.2%. That is a very big turnaround.

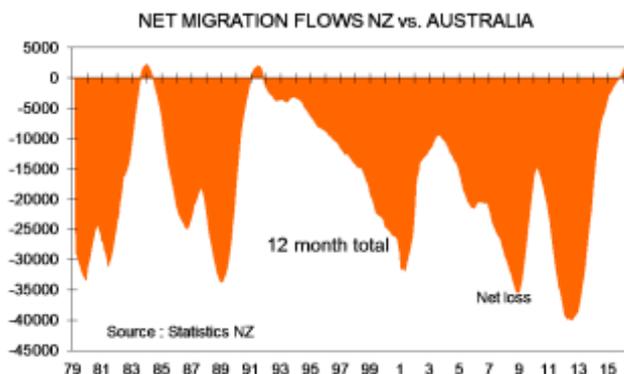
In the year to September a gross 125,642 people came into NZ as migrants (Kiwis, Aussies etc.) and only 55,688 left. No wonder our economy is strong and there is growing pressure for extra spending from the government on health, education, welfare, housing, policing, infrastructure etc. Next year's budget could be a very interesting one.

I was taking a look at the Australian economy ahead of a presentation this week and decided to delve into the labour market. Over the past year in Australia employment in total has grown by only 1.4%. NZ growth has been about 3.5% roughly allowing for some classification changes.

In Australia full-time employment the past year has fallen 0.4%. Here full-time job numbers have soared close to 5%. Part-time growth rates were 2.2% and 0.2% respectively. In fact 32% of people working in Australia are engaged part-time versus just 22% here in New Zealand.

Our labour market is in far better shape than Australia's (our unemployment rate is 5.1% versus their 5.6%) and there is no sign yet that this situation will be changing. In Australia there is a growing view that the residential construction peak has been reached (too many apartments in Sydney, Melbourne and Brisbane). Manufacturing continues to shrink especially with car production falling away. And cutbacks in the minerals sector continue although improving prices are a positive there.

Therefore although we don't expect the net flow of migrants across the Tasman to move much more in our direction, a change back to the net loss of 40,000 seen over four years ago is many years down the track. The gain in the year to September was 1,958. The following graph shows how rare this situation is.



The Weekly Overview is written by Tony Alexander, Chief Economist at the Bank of New Zealand. The views expressed are my own and do not purport to represent the views of the BNZ. To receive the Weekly Overview each Thursday night please sign up at [www.tonyalexander.co.nz](http://www.tonyalexander.co.nz) To change your address or unsubscribe please click the link at the bottom of your email. [Tony.alexander@bnz.co.nz](mailto:Tony.alexander@bnz.co.nz)

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### Housing

Nothing new this week. General media commentary is along the lines of markets slowing down. This is consistent with what happened after the LVR introduction then changes in October 2013 and 2015 respectively. The test will be whether things remain flat come early next year. We suspect now given the strong labour market, strong population growth, low interest rates and increasing realisation that because of shortages of either land, materials, staff, or finance, new dwelling construction in Auckland in particular will not quickly if at all reach targeted levels.

### NZ Dollar

Nothing much to report or comment on as the markets wait for US monetary policy potential action in December. The NZD sits close to US 71.3 cents compared with 72.3 cents last week. We are largely unchanged on the crosses.

### If I Were A Borrower What Would I Do?

Nothing new beyond an increasing feeling that fixed rates have bottomed out and shifting to slightly longer terms might suit myself were I a borrower currently.

### If I Were An Investor ...I'd see a BNZ Private Banker

The text at this link explains why I do not include a section discussing what I would do if I were an investor.

<http://tonyalexander.co.nz/regular-publications/bnz-weekly-overview/if-i-were-an-investor/>