

BNZ Weekly Overview

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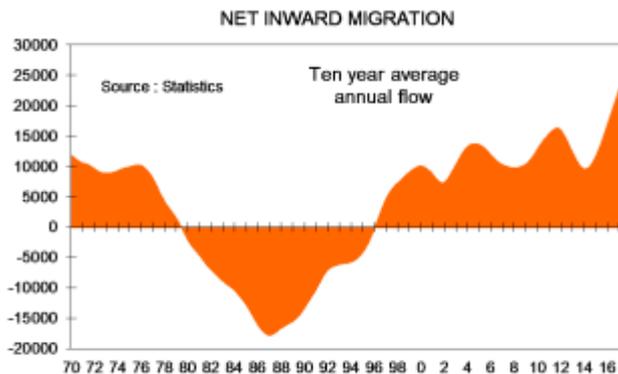
Mission Statement

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

Migration

This week we learnt that the net migration inflow into New Zealand remains as big as ever. The total net gain was 72,404 in the year to July compared with 72,307 in June and 69,015 a year ago. That is about a 1.6% boost to the population whereas the 20 year average is about 18,000 or 0.4%. If we look at the numbers closely enough we can see evidence of things starting to slowly turn. The trouble is we have seen such evidence for about two years now and been wrong every time in our forecast of things edging back slowly. But surely this time we will be right!

Will the turnaround be rapid? Probably not and it will certainly not be large enough to change the shortage dynamic present in the Auckland housing market or the overall stimulus to the NZ pace of business growth from the simple maths of more people sloshing around the place needing to eat etc.



New Zealand also continues to enjoy a boom in inward visitor numbers with growth of 9.5% for the entire past year and annualised growth of 10% in the three months to July.



These things are good for growth. One other thing good for growth is construction. However this is where we find something of interest from Treasury's Pre-Election Economic and Fiscal Update released yesterday. In the PREFU Treasury have cut their average forecast GDP growth rate over the next four years ever so slightly to 3% from 3.1%. Why? Because of a slightly less strong outlook for residential construction – house building.

And so to repeat what we have highlighted for many years now – demand for housing is growing at a faster pace than supply of housing – mainly in Auckland. The current lull in Auckland activity and prices which will be seen in the coming year in other parts of the country will not produce much average decline in prices over the medium-term.

But in the short-term young buyers face an opportunity in Auckland to maybe pick up something at less outrageous a price than a year ago as some over-stretched investors cash out.

But back to the PREFU. It left the projected fiscal surplus track close to what it was in the May budget. That means no more scope for tax cuts and/or extra spending promises by the people wanting us to give them power to rule over us (with our money) than was the case three months ago.

If I Were A Borrower What Would I Do?

Nothing new

NZ Dollar

No time sorry.

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/>

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. **This edition has been solely moderated by Tony Alexander.** To receive the Weekly Overview each Thursday night please sign up at www.tonyalexander.co.nz
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