

Input to your Strategy for Adapting to Challenges

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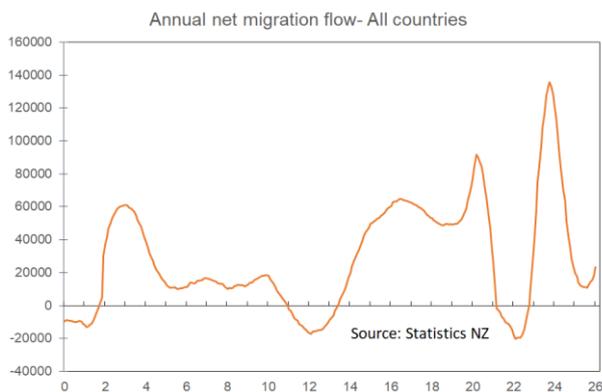
19 March 2026

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Improving migration but flat real estate

The monthly migration data just released by Statistics New Zealand came out surprisingly on the strong side this time around – though subsequent revisions often change things for this particular measure.

The net migration gain for the month came in at 4,800 compared with 100 in January last year and the net annual gain now stands at 23,200 from a low of 10,800 in August and 19,700 a year earlier. The annual result is the best since December 2024.



A cyclical recovery in the net migration flow is underway driven by improving flows inward and

decreasing flows outward. If we annualise net monthly flows for the past three months then we are running at an annual gain of around 36,000 so the actual annual result is likely to creep higher.

However, over three decades of experience looking at these numbers I can firmly say that it is impossible to predict how rapidly things will improve and to what level during the upswings and the downswings. Based especially on the forecasting experience for all of us late in 2022 when we were over 100,000 out picking 2023 flows, a year from now we could just as easily see a net gain of over 100,000 as exactly where we are now.

All we can reasonably say is that the worst period for slow population growth is behind us and the economy's rate of growth will receive a small boost this coming year from flows improving. There may be some extra mall lift as a result of new global uncertainty causing some Kiwis to delay shifting offshore while a few extra come back early. Maybe some of the miscreants who have fled to the current rat's bolt hole of choice – Dubai – may return discretely.



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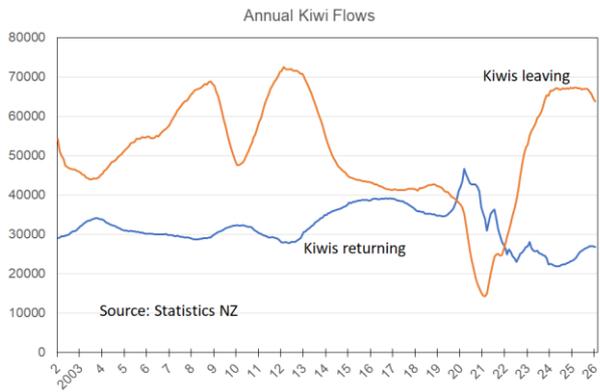


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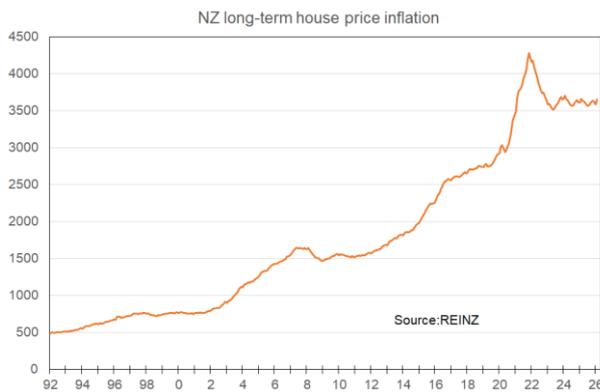
Note that over the past decade the average annual gain has been 47,000. So, if you need a number to slot into your reports for where the net annual flow will be a year from now, just use that. Good luck.

Note that the annual loss of Kiwis is slowly easing off courtesy mainly of fewer of us leaving.

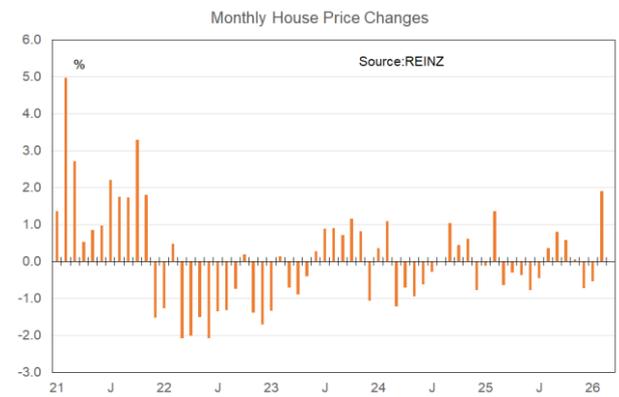


House prices flat

REINZ this week released their monthly numbers on residential real estate activity. With regard to prices their nationwide index rose by a strong 1.9% in February to sit 0.1% down from a year earlier.



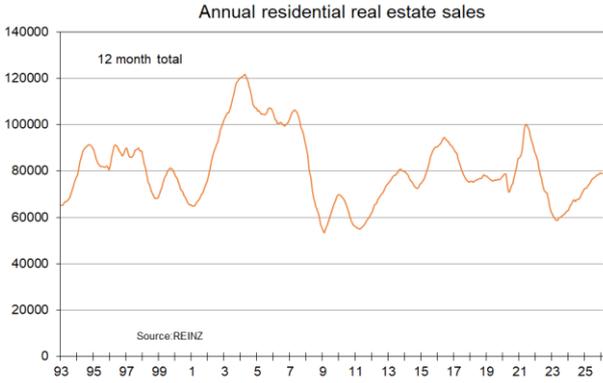
This monthly rise followed falls of 0.9% and 0.5% in December and January respectively and it is best to smooth monthly data in NZ over at least a three month period to get a good feel for what is truly happening.



Doing that we see that in the three months to February the House Price Index was down 0.2% after rising 1.3% in the three months to November and falling 1.3% in the three months to August.

Price are flat is the best thing one can say. In fact, as the graph earlier on shows, prices have been flat since early in 2023.

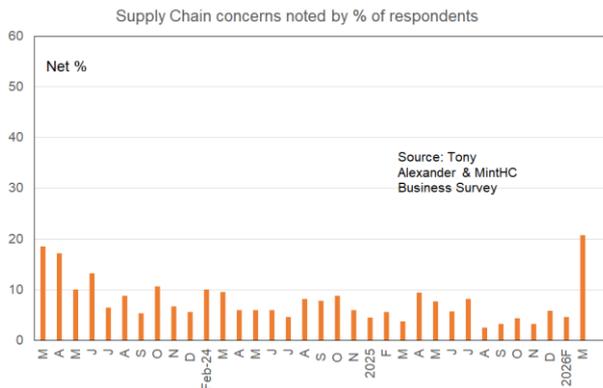
With regard to activity levels the annual sales total has climbed to almost exactly 79,000 from 73,000 a year ago but the peak was 79,100 in calendar 2025. Sales growth which had occurred predominantly over the period from June quarter 2023 has now flattened out.



From here the upturn in the economy and improving labour market in particular will likely see prices and sales eventually improve. However, uncertainty about the Iran war, newly rising cost of living pressures plus upward pressure on interest rates to a limited degree will likely see the extent of gains this year be very muted.

War impact on business sentiment

Tomorrow I will release the results of my latest monthly business survey undertaken with sponsorship from MintHC. In summary the results don't yet show a surge in pricing plans because of anticipated extra increases in input costs. But worries have lifted sharply about supply chain functioning, confidence about improved revenue flows has pulled back a bit, and worries have lifted about the country's political situation.



Overlaying everything is a feeling that just as the economy might have been getting set to have a good run the war in Iran has come along at the same time as attention turns to our general

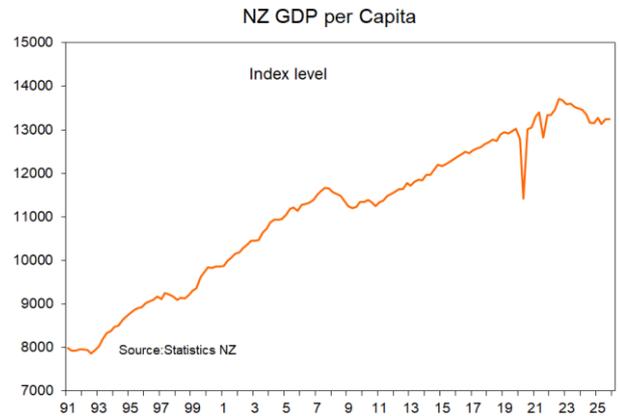
election, and this is causing some plans to be placed on hold – again.

Economic data out of date

This morning Statistics New Zealand released data on economic activity during the December quarter. The data in normal times are out of date when released representing as they do where we were at during the middle of the quarter some four months earlier.

This time around the data are even less relevant for gauging how we are really performing, where we seem to be heading, and what the inflationary pressures are and implications for monetary policy because of the Iran War shock now running through the world.

The December quarter rise was 0.2% which was bang on market expectations. Annual average growth through 2025 was also 0.2% following shrinkage of 0.3% over 2024, and growth of 2.2% over 2023. But per capita GDP shrank 0.5% over 2025 after falling 2% over 2024.



If I were a borrower, what would I do?

Last week I noted that increases in wholesale interest rates had reduced bank margins for fixed rate lending and increases would likely occur soon. They have started and it looks like the five year rate which previously sat around 5.29% is going back to sit 0.1% to 0.2% above the 5.49% level it was at up until about three weeks ago. That is, 5.59% - 5.69% or thereabouts versus 5.29% last week.

Not that anyone is really borrowing fixed for five years. The opportunity to pick up a good rate and gain oneself excellent insulation against the upside risks to inflation I've been highlighting since August 2024 has now gone. My survey of mortgage brokers with mortgages.co.nz shows that the three year rate gained in popularity last month while the two year rate also remained highly favoured by borrowers.

It looks like the three year rate is settling now near 5.29% from 4.99%. The two year rate seems to be settling for now near 4.89% from 4.69% though a wide range on offer exists.

Would I still opt to fix for three years at 5.29%? Yes. I remain concerned about underlying high inflation in New Zealand and that our central bank has underestimated the inflation risk. Now, with oil prices having soared businesses are presented with a golden opportunity to raise their prices to not only cover current fuel and plastics-related cost increases but recoup some earlier lost margin as well.

For the moment the evidence of widespread selling price increases is muted. The net proportion of businesses replying last week in my monthly survey with MintHC who said they would raise their selling prices has eased to 4% from 8% last month. But I expect that to change.

What is happening currently is that forecasters are taking the opportunity provided by this inflationary spike to adjust inflation predictions

upward which they might have been wanting to do anyway.

The environment we all operate in seems to get more and more uncertain as each month goes by and I don't envy a central bank trying to plot a monetary policy course through this. The Reserve Bank of Australia have just raised their cash rate for the second time this year after cutting as recently as August last year.

The evidence to date is that our central banks are biased towards driving high increases in the household cost of living (another way of describing inflation), and no longer understand how our economies work.

New Zealand's inflation rate for instance bottomed out most recently at 2.2% in the December quarter of 2024. In April 2025 Statistics NZ told us the rate had lifted to 2.5%. So, in May the Reserve Bank cut the cash rate from 3.5% to 3.25%.

Then in July SNZ said the inflation rate had risen further to 2.7%, so the RBNZ cut the cash rate in August to 3%. Then in October SNZ said inflation had risen again to 3%. 12 days earlier the RBNZ had cut our cash rate 0.5% to 2.5%. Then, knowing this rise in inflation they cut another 0.25% in November. Inflation has now climbed to 3.1%.

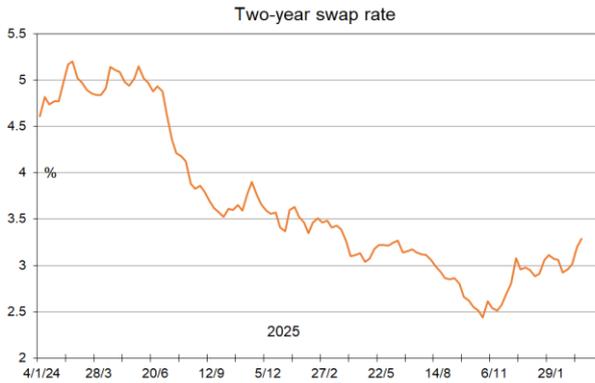
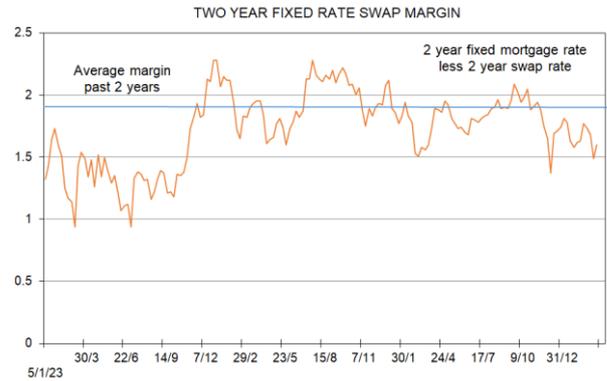
And these people still get paid. At the most recent policy committee meeting one member said no signal about a rise in the cash rate from 2.25% should be given in case it made businesses think the economy would be strong and they could increase their prices. Presumably then to fight inflationary urges they should warn of rate cuts.

The price for this performance displayed by our central bankers is paid not by them but by Kiwi households who have to live through strong increases in their cost of living. And now a new inflationary shock is running through the system. Guess who will still get paid?

Given the high uncertainty in our economy, geopolitics, supply chains, and monetary policy

implementation, borrowers need to focus a lot less on trying to be clever to minimise debt cost and instead focus on debt minimisation and certainty of interest expense outflows. That means being prepared to pay a premium for fixing long rather than riding the volatile short end (one year) through all that will come our way.

For the record, wholesale interest rates edged higher this week and margins for fixed rate lending are still looking compressed. Further rate rises look likely over coming weeks.



To see the interest rates currently charged by major lenders go to www.mortgages.co.nz

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