Capital Outflows, Remittances and New Zealand Dollar Depreciation

FIXNZ DATA & TRUTH

English Edition

Published: June 2026
Version: 1.0
Publisher: FIXNZ
Website: www.fixnz.org

DISCLAIMER

This publication is an independent research and policy discussion document prepared for public-interest debate. It is not legal, financial, medical, tax or other professional advice. Data, laws and public policies may change after publication. Readers should verify material facts against the primary sources cited in the report. Views and policy proposals are those of FIXNZ and do not represent any government agency, public body, employer or cited organisation. Citation of a source does not imply endorsement. Reasonable care has been taken in compilation, but FIXNZ does not warrant that every statement is complete, current or error-free.

Capital Outflows, Remittances and New Zealand Dollar Depreciation

1. Labour Remittances and the Main Countries of Origin

According to analysis by Kiwibank economists, a visible pattern has emerged among New Zealand's newer migrant communities: people earn New Zealand dollars locally but send part of their income back to their countries of origin rather than spending it in New Zealand. Statistics cited in the source report indicate that personal remittances sent overseas by New Zealand residents first exceeded NZ$1 billion in 2023.

The same analysis states that this high level of remittance outflow is closely connected to the changing composition of recent migration. India, China and the Philippines have become major source countries for new migrants, and migrants from these countries are more likely than average to remit part of their income to relatives abroad. The resulting flow of wages through remittance channels helps explain why population growth does not translate fully into equivalent domestic consumption.

2. Scale and Trend of Personal Overseas Remittances

The broad statistical trend is upward. Remittances declined after the 2021 pandemic disruption and were around 10 percent below the 2019 level, but they recovered rapidly in 2023. Overseas remittances exceeded NZ$1 billion for the first time that year, setting a new record.

The main recipient countries were India, China, the Philippines and several Pacific Island countries. Among the five to ten largest destinations, the value of transfers generally increased. Remittances weakened around 2020 because of pandemic disruption, then rebounded as migration resumed and workers continued to support relatives overseas.

3. How Capital Outflows Affect the New Zealand Dollar

Large-scale outward transfers increase the domestic supply of New Zealand dollars and the demand for foreign currencies, creating depreciation pressure on the New Zealand dollar. Persistent external deficits intensify this effect because more New Zealand dollars must be exchanged for foreign currency to settle overseas obligations.

Capital Economics has argued that New Zealand's current-account deficit has remained large by G10 standards. As domestic demand recovered and the fiscal deficit widened, the external deficit was expected to remain elevated, leaving the currency exposed to downward pressure. Personal remittances and population-related capital outflows are therefore one component of a broader mechanism: they increase the offshore supply of New Zealand dollars and weaken support for the currency.

4. Economic Effects of Remittance Outflows

Capital sent abroad has an obvious dampening effect on domestic consumption and inflation. When migrants remit income overseas, the same income is no longer available to purchase New Zealand goods and services. Kiwibank economists noted that remittance activity may partly explain why strong population growth did not generate consumption growth of the same magnitude. It may also help explain why inflationary pressure was weaker than population growth alone might suggest.

Most employment income is taxed at source, so remittances do not normally avoid income tax. However, they reduce consumption-tax receipts such as GST and weaken domestic investment and retail demand. In aggregate, this can reduce demand-side inflation while also slowing activity and putting downward pressure on the currency.

5. Migration from New Zealand to Australia: Trend and Impact

In recent years, large numbers of New Zealand citizens and permanent residents have moved to Australia for work and settlement. The source report states that 73,900 New Zealand citizens left the country in 2024, a record at the time, and that 58 percent moved to Australia. Net migration to Australia was estimated at roughly 30,000 people in 2024, the highest level in more than a decade.

Australia's demand for New Zealand labour can partly address shortages in sectors such as healthcare and construction. For New Zealand, however, the loss of working-age people reduces domestic consumption and tax revenue. The loss is especially costly when those leaving work in high-demand occupations, because it can deepen shortages of technical and professional workers.

New Zealanders who settle overseas also redirect spending and investment away from the New Zealand-dollar economy. Although some may retain retirement savings or assets in New Zealand, a sustained outflow of talent weakens the tax base, domestic demand and long-term economic vitality.

6. Other Sources of Persistent Depreciation Pressure

Remittances and outward migration are not the only sources of pressure on the currency. New Zealand has also run persistent current-account deficits. Trade imbalances and large offshore interest payments create continuing demand for foreign currency and can place the New Zealand dollar under pressure.

Additional factors include increased offshore investment by New Zealand businesses and households, weaker foreign direct investment, and shifts in global capital flows. When foreign investors become less interested in New Zealand assets while domestic capital moves offshore, the demand for foreign currency rises.

New Zealand's dependence on commodity exports also makes foreign-exchange earnings sensitive to movements in agricultural prices. A stronger US dollar, widening international interest-rate differentials and changes in domestic monetary policy can add further downward pressure. The exchange rate therefore reflects a combination of external deficits, capital outflows, investment attractiveness, terms of trade and global financial conditions.

7. Conclusions and Policy Directions

The report concludes that migrant remittances and the outward movement of people can suppress domestic consumption growth, widen the external deficit and add depreciation pressure to the New Zealand dollar. A policy response should address the structure of migration, domestic investment incentives, macroeconomic balance, retention of skilled workers and the attractiveness of New Zealand to productive capital.

First, migration policy could give greater priority to technically skilled migrants and combine entry policy with settlement measures that encourage long-term participation in the New Zealand economy. Career development, housing stability and stronger pathways into productive employment may increase the likelihood that migrants invest and spend locally.

Second, financial products and investment programmes could encourage migrants and overseas New Zealanders to retain or reinvest more capital in New Zealand. Possibilities include New Zealand equities, bonds, infrastructure investment and other transparent vehicles that recycle savings into domestic productive activity.

Third, stronger export competitiveness, more diversified markets and better control of the current-account deficit would reduce dependence on external financing. Stable fiscal and monetary policy would also support the long-term attractiveness of the New Zealand dollar.

Fourth, retaining skilled workers requires better wages and career opportunities, especially in sectors where young people and professionals are leaving for Australia. Tax policy should also be designed to protect the domestic revenue base without creating arbitrary or unworkable burdens on cross-border income.

Finally, improved conditions for productive foreign investment could partly offset private capital outflows. Taken together, these measures could reduce the negative effects of outward flows on domestic demand and the currency while supporting long-term economic stability.

References

1. Kiwibank / interest.co.nz, 'The workers are flying into NZ...and the money's flying out of the country.'
2. Capital Economics, 'The risks from New Zealand's large external deficit.'
3. The Guardian, 'As record numbers leave New Zealand, why are most people choosing Australia?'
4. Reserve Bank of New Zealand, Stats NZ and related economic reports cited in the source-language edition.

EDITORIAL NOTE

This English edition is a faithful editorial translation of the cleaned source-language report. It preserves the original argument and cited source list. Numerical claims and time-sensitive policy statements should be checked against the cited primary sources before republication or quotation.