

FEBRUARY 2012

SKILLED MIGRANT CATEGORY POOL SELECTION

Since our final newsletter in 2011 there have been four draws from the Skilled Migrant Category (**SMC**) pool. One draw (11 January 2012) only selected applications from the Pool claiming over 140 points or applications claiming a minimum of 100 points including a full time offer of skilled employment. The pass mark for the remaining three draws on 1 December, 14 December and 25 January respectively was 115, 100, and 130 for all applications including a minimum claim of 15 points for work experience in an area of absolute skills shortage.

Traditionally, the lead into Christmas and following into the New Year has often seen reduction in the points total, or reduction in the factors included in order for an application to be selected without holding a full time offer of skilled employment. Certainly not the case this year, and it is the view of the writer that the draws throughout the year will remain at quite high levels. Whilst the demand for skilled labour in the Canterbury region is likely to start to accelerate and increase in either the third or fourth quarter this year, most likely an adjustment in relation to reducing the points mark and making it easier for overseas migrants to obtain selection from the SMC pool will only follow in 2013.

As it has been for the last three years, the “guaranteed” way to obtain New Zealand permanent residence under the SMC for most individuals is to source and obtain a full time offer of skilled employment. Whilst from a technical perspective this does of course make it much easier to obtain selection from the pool and obtain residence, this also does provide certainty to migrants before undertaking migration to New Zealand. As covered in previous newsletters, the Christchurch rebuild is likely to be a significant pull factor for migrants travelling to New Zealand due to the available jobs that will come online, and in addition to this (and most importantly) the fact that the outdoor lifestyle drawing most migrants to the region is still reasonably unaffected by the sequence of earthquakes that have caused damage to the Central Business District and the pockets of housing in Christchurch city area.

KIM DOTCOM – CHARACTER ISSUES

The recent saga with Kim Dotcom in relation to an immigration context has been very interesting to watch unfold. Whilst the full circumstances of his particular matter are not known, the writer presumes that Immigration New Zealand (**INZ**) considered Mr Dotcom’s conviction for insider trading as a “dishonesty offence”, and therefore, even though this offence was expunged, it meant that he technically was ineligible for the grant of New Zealand permanent residence unless granted a Character Waiver. In essence therefore, it appears, discretion was exercised and Mr Dotcom was granted New Zealand permanent residence as an exception to policy by obtaining a waiver.

It is therefore unfortunate that it appears (subject to conviction) that Mr Dotcom has undertaken illegal activity in New Zealand which has of course raised questions as to how he was able to obtain New Zealand permanent residence in the first place having a criminal record.

If Mr Dotcom is found guilty of offences, it is likely that we will see a knee jerk reaction by the New Zealand Immigration authorities by providing internal direction to tighten up on Character Waiver policy. It is hoped therefore that Character Waivers are still processed in a reasonable manner and consistent with decisions prior to Dotcom, especially so as minor convictions held by applicants, especially for historic offences that may be caught by the character requirements must be fairly considered when, especially in the case of Christchurch, individuals are looking to travel to New Zealand and apply their skills locally.

KIM DOTCOM – CHARACTER ISSUES (Con't)

Caution is therefore recommended for migrants who hold convictions due to the likely fallout due to the Dotcom saga. If there are any doubts in relation to eligibility for New Zealand permanent residence due to a conviction, seek a professional opinion before commencing the migration process.

IMMIGRATION IT CONTRACT – DATACOM

Tom Pullar-Strecker of Fairfax New Zealand reported on 30 January 2012 that Wellington Information Technology Company Datacom had been selected as prime contractor to build an \$80 million information technology system for INZ. This system will replace the outdated AMS currently being used.

The most important part however of this new system is that Immigration decisions will be centralised, and therefore made within New Zealand.

This position is supported by the writer, to allow for greater quality and consistency in decision making.

What this also means, is that lawyers and Licensed Immigration Advisers operating in New Zealand are subject to the full operation of New Zealand legislation and will be ultimately responsible for processing more visa applications. This is a logical consequence if processing is centralised in New Zealand, then professional service industry operating in New Zealand will have greater control and exposure to applications being submitted and dealt with in same jurisdiction and time zone, as the decision makers.

For further information or assistance with emigration please contact **Mark Williams** of **Lane Neave Lawyers** on **+64 3 379 3720** or email liveinnewzealand@laneneave.co.nz



Advertised electronic job vacancies across New Zealand are up 21% on a year ago but growth is slowing, according to an analysis of more than 38,000 jobs listed in the December quarter according to one prominent NZ job board. Whilst growth was very solid, there were signs it was softening. The job market nationally has clearly shifted down a gear when you compare this quarter's 21% growth in listings with last quarter's 30%.

IN THE REGIONS

The South Island is going strong. All regions of the Mainland demonstrated growth above the national average for the quarter, but Canterbury and Southland were the stand-outs, each with 61% growth in job listings compared to a year ago, followed by Otago with 40%. Canterbury's growth continued to be strongly connected to the rebuilding efforts in Christchurch, with the roles driving growth including builders, surveyors, project managers and engineers. The number of healthcare roles listed in Canterbury had also soared. There are signs of pressure here, with demand for caregivers and community and social services workers driving growth of more than 100%.

CANTERBURY AND NEW ZEALAND

We remain cautiously optimistic about New Zealand employment as a whole in 2012. All Enterprise Recruitment branches through out NZ are experiencing strong levels of enquiry from clients across all sectors, from traditional blue collar environments through to top end professional roles. The candidate market has tightened especially in Canterbury. The optimism levels in Canterbury are particularly high given the obvious needs across all sectors due to the earthquake recovery.

INDUSTRY FINDINGS

Specialist government and council roles led the way in terms of growth in the December quarter, with listings in this sector up 47% on a year ago. Demand for highly skilled civil and structural engineers remained "insatiable", with listings up 39% on the same period a year ago. There has been strong demand from employers seeking candidates with drafting experience, as well as sector-specific skills such as energy and the environment. Elsewhere, accountants remain in hot demand, with listings up 36% in the quarter and strong salary increases. Trades and services (up 41%), construction (up 33%), and retail (up 22%) also saw significant growth in listings compared to a year ago.

For further information on employment opportunities, please call **Steve Baker** of Enterprise Recruitment on **+64 3 353 0680** or email him at steve.baker@enterprise.co.nz



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COSTLY CONFIDENCE

A strange thing happens when international investors become more confident and that is precisely what we are seeing at the moment. We ended 2011 with nervousness permeating the markets and that is a very positive thing for anyone trying to buy New Zealand Dollars because nervous investors sell the Australasian Dollars and that weakens these currencies. A weakened NZD is just what you want to see when you are trying to establish your new life in New Zealand and seeking to secure as many New Zealand Dollars as you can to make the dream happen.

Things have changed since the turn of the year though; for a start the Euro didn't collapse (well not yet anyway) and what's more, the US economy looks like it may just be emerging from the doldrums and making some headway. The upshot of these twin images of strength is that international investors have become emboldened. They have even become quite bullish in some ways and that is not the outcome you want to see when you are holding Sterling and looking to exchange those Pounds for Kiwi Dollars.

Confidence in the minds of international investors and hedge fund managers means they are bold enough to sell their safe haven assets and venture out into higher yielding but perhaps less secure investments. New Zealand's base interest rate is 2.5%; well above those of the UK, EU, US, Switzerland and Japan. That makes it a very attractive place to lodge the funds of American, European, Japanese and Swiss investors who would otherwise receive little interest on deposited funds elsewhere and, in some cases would even be charged to deposit funds in some of those countries.

'When will it all end?' is the obvious question. No one knows for sure but the fact that the Sterling – NZ Dollar exchange rate is at the lowest it has ever been since the NZ Dollar was allowed to freely trade in the mid-1980s, would suggest we are near a bottom in this pair but there are no certainties in such volatile times. If I put my very pessimistic hat on for a second, I can see this exchange rate reaching the lowest level that I can chart and that happened in January 1974 when the market bottomed out at NZ\$ 1.5665. The optimist in me says that Sterling is nearing its weakest level against other currencies and has even started to make gains against some, so a rally in the Sterling – NZ Dollar exchange rate could also be on the cards.

Of course both scenarios could be true and it may be that a dip and spike or spike and dip are in the offing. No one can know because this is the largest financial market in the world, driven by millions or trades and tens of millions of participants around the world trading throughout the 24 hour trading day.

Thankfully, whatever the potential, there are ways to protect against the worst this market can throw at you whilst remaining prepared to take advantage of any positive movements. If you would like to discuss how this might best be done in your own circumstances, then please let me know and I will put you in touch with an experienced trader.

Of course the flip side of this very poor position is that anyone who has friends or relatives in New Zealand who want to donate funds towards your removal costs is getting a very attractive deal right now. I know it's not much of a silver lining but it might help. I'll get you started. Step 1, Find some wealthy Antipodean relatives. Step 2, Tell them how much you love and miss them. Step 3, persuade them

For a more thorough explanation of the current trends, please contact **David Johnson**; a Director of Halo Financial; specialist providers of foreign exchange for migration purposes on **+ 44 (0) 207 350 5474** or email him at **david.johnson@halofinancial.com**



The Christmas and Summer holiday period is nearly over for us and figures are not available for real estate activity. Prior to the break, with the distractions of the elections and Rugby World Cup out of the way, New Zealanders have been turning their focus to real estate in a manner not seen in 24 months.

Harcourts, New Zealand's largest real estate group, have seen figures reflect both settled and written sales numbers for the group at two year highs. The Northern region, Christchurch and South Island provincial markets all showed significant increases in activity while

HARCOURTS (Con't)

The Waikato and Wellington regions continue the trend of following Auckland and Christchurch with signs of confidence returning. The Waikato did see some strong rural activity returning with a number of large sales concluded including one for in excess of \$7.7 million. This does reflect the returning confidence in the rural sector and will have strong flow on effects into the rest of the economy. November in the Northern region saw new properties coming to market continuing to tighten while written sales rose as some were eager for results pre-Christmas.

The Central region's activity warmed and the summer months in the rural sector brought confidence. As insurance continues to be the main issue in Christchurch the average sale price still remains up and although listings are still scarce, property that is available, is selling. The remainder of the South Island continues to show positive times of strong activity in all areas and although the average sale price is down slightly on November 2010 it is the highest it's been since August 2011. Just before the Christmas break Christchurch residents experienced a large jolt on Friday the 23rd of December registering 5.8 on the richter scale. A series of earthquakes followed with a 6.0 magnitude aftershock at 3.18pm, centred 10km east of Christchurch in South New Brighton. There was also a 5.3 magnitude quake at 2.06pm and a 5.0 at 4.50pm. This is now of a fact of life for us here, and we are just accepting of it – the most significant reaction was that of the Government which reaffirmed its commitment to rebuild Christchurch and as part of that is committing at least \$600 million to fixing the hospitals. It was also most interesting to hear that The Lonely Planet guide is recommending Christchurch as one of the most exciting places to visit – come and feel an aftershock in relative safety!!!

For further information and advice about the general property market in New Zealand please contact **Tim Harris** of Harcourts on **+64 3 379 6596** or email him at tim@timharris.co.nz



CHANGING OF THE WATCH

Thoughts on the new era for the Reserve Bank of New Zealand (**RBNZ**).

- Reserve Bank Governor Bollard will step down when his term ends on 25 September.
- The changeover period is less likely to involve changes in the Official Cash Rate (**OCR**), so we have pushed out our call for the first hike to December.
- Broader changes to how the RBNZ operates have been discussed in the media. These are only options, and there is unlikely to be any significant change by September.

This week Dr Alan Bollard confirmed that he won't be seeking a third term as Reserve Bank Governor. His current term ends on 25 September, shortly after the September Monetary Policy Statement. During his tenure we've seen the OCR reach record highs and record lows, through a housing boom and a global financial crisis. Dr Bollard also led a major expansion of the RBNZ's roles in financial sector regulation and supervision, compared to the relatively light-touch approach that he inherited ten years ago.

Our initial thoughts are that the change of Governor will have only modest implications for monetary policy over the medium term. However, the timing of the changeover complicates our previous forecast of a September OCR hike, and is one of the reasons why we have now shifted our call to December.

There was some speculation that the change of Governor could be used as an opportunity to make broader changes to the RBNZ's duties and/or structure, although this has been largely dismissed by the Prime Minister and Finance Minister. Even a cursory read suggests that it would be prohibitively difficult to push through any such changes as early as September, and there's no obvious reason why they would need to coincide with a change of leadership anyway. That's not to rule out changes altogether, but anything that does happen is more likely to be in the first few years of the next Governor's tenure.

CHANGE OF GOVERNOR

The most immediate implications of Dr Bollard stepping down are around the monetary policy decisions in late 2012. It's well recognised that the next move in the OCR will be up, once reconstruction in Canterbury is underway and some of the risks around Europe's debt problems have been resolved. In the last week, the RBNZ has indicated that rate hikes are likely to resume later than the June start date that was implied in the December Monetary Policy Statement. Our previous pick was for a September hike; other analysts have been pushing out to December or beyond, and market pricing implies no hikes for over a year.

CHANGE OF GOVERNOR (Con't)

The change of governor complicates the matter at the margin, and is one reason why we've pushed our call out to December. It's not impossible that Dr Bollard could end his term by kicking off a tightening cycle, but it's not ideal either. Similarly, using the September review to signal hikes could be seen as committing his successor to an action. And the new Governor may look to bed themselves down at first, so an October hike seems unlikely as well. As a result, December looks like the earliest practical date for starting a tightening cycle. That said, we do expect some catching-up in the early stages of the cycle; we still see an OCR of 3.25% by March next year.

Beyond the issue of the starting date, the impact on monetary policy is likely to be modest. It's fair to say that Dr Bollard has taken a consistently dovish stance as governor (i.e. favouring easier policy settings), which led to some issues during his first five-year term but generally served him well during the second term. The odds are that any new appointee would be less dovish, given the same policy targets. This wouldn't necessarily mean higher interest rates over the longer term – ultimately, even a dovish governor has to do what's needed to meet the inflation target – but it could mean, for example, that rate hikes are signalled and delivered earlier in the cycle than otherwise, while rate cuts may tend to be more delayed.

CHANGES TO THE RBNZ

The speculation about changes to how the RBNZ operates stems from recently disclosed advice from the Treasury to the Finance Minister. The Minister and the new Governor will need to negotiate a new Policy Targets Agreement (**PTA**), and the Treasury normally conducts a review of the monetary policy framework in preparation for the negotiations. The Treasury advice noted that it planned to look at broader issues such as the type of price target, the use of macro-prudential tools, and shifting from a single decision-maker to a committee.

First, it's important to note that these are merely issues that Treasury has raised for discussion; there's no indication that the government favours any of these options – in fact, the Finance Minister has since dismissed any major changes to monetary policy. Second, our assessment is that these changes would require more than a new PTA, and it's very unlikely that they could be pushed through as early as September.

That's not to rule out these options altogether. But if there were an appetite for change, it's far more likely that the Board would appoint a new Governor who was amenable to the changes, and could shepherd them through in the first few years of their term. For the record, we review the options in order of least to most likely:

Change in the RBNZ's targets: The current government does not favour directing the RBNZ to target other economic measures such as employment or growth. We note that doing so would require more than a change to the PTA. The Reserve Bank of New Zealand Act is quite clear about what the PTA involves: it sets out how the RBNZ should achieve its "primary function", which in turn is defined as maintaining price stability. The PTA can direct the Governor to set policy with regard to wider economic issues (the list already includes output, interest rates, the exchange rate, commodity price spikes, government policies and natural disasters), but that would fall well short of a change of target.

Monetary policy committee: The RBNZ is in the minority of central banks in having a single decision maker for monetary policy, and is perhaps unique in its mechanisms for accountability: the Board can recommend to the Minister of Finance that the Governor be removed if he breaches the PTA. Given how much the inflation target has been watered down over the years, it's questionable whether this clause has any teeth these days. Nevertheless, switching to a committee with joint responsibility for monetary policy would involve rewriting a substantial chunk of the Act relating to governance and management issues. Past changes to the Act have taken years to complete.

Macro-prudential tools/goals: In recent years the RBNZ has sharpened its focus on macro-prudential issues such as asset prices and credit growth – where individuals may appear to be acting rationally, but could collectively endanger the stability of the financial system. This role is largely justified under section 68 of the Act, which refers to "promoting the maintenance of a sound and efficient financial system".

It's worth noting that this portion of the Act confers powers on "the Bank" rather than the Governor, so new policies need not coincide with the appointment of the Governor. For that matter, the RBNZ doesn't need to be 'given' new policy tools: the legislation sets out the RBNZ's goals and leaves it largely independent as to the means used to achieve them. (A notable exception is the tight conditions on foreign exchange intervention, probably due to its potential to generate billions of dollars of losses on behalf of the taxpayer.)

The RBNZ has been investigating macro-prudential tools for several years, and at this stage it seems inevitable that they will be adopted in some form in coming years.

CHANGES TO THE RBNZ (Con't)

The most likely candidates involve adjusting banks' minimum capital and funding requirements in a counter-cyclical manner (they are currently set at fixed levels throughout the cycle).

Even so, the November 2011 Financial Stability Report noted that there is still a substantial amount of work to be done, such as determining the criteria for intervention and the choice of policy tool. With the RBNZ driving this research agenda, there is no obvious reason for the government to rush something through in time for the change of Governor.

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