MINISTRY OF BUSINESS, INNOVATION & EMPLOYMENT
HĪKINA WHAKATUTUKI

SCIENCE, SKILLS AND INNOVATION

New Zealand tourism sector outlook

Forecasts for 2013-19

newzealand.govt.nz

MINISTRY OF BUSINESS,
INNOVATION & EMPLOYMENT
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Ministry of Business, Innovation and Employment (MBIE)

Hīkina Whakatutuki Lifting to make successful

MBIE develops and delivers policy, services, advice and regulation to support economic growth and the prosperity and wellbeing of New Zealanders.

MBIE combines the former Ministries of Economic Development, Science + Innovation, and the Departments of Labour and Building and Housing.

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These forecasts establish expectations of international tourism demand at the national level. They are based on econometric analysis of past data, current trends and the best available forecasts of international factors. The forecasts provide a rich body of information for tourism and related sectors, to be used in planning and decision making.

The forecasts summarised in this document are drawn from the full forecasting outputs prepared by NZIER Limited for the Ministry of Business, Innovation and Employment.

The full set of outputs is available at http://med.govt.nz/sectors-industries/tourism/tourism-research-data/forecasts

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Foreword

It is my great pleasure to launch the Ministry of Business, Innovation and Employment's tourism forecasts for the 2013-2019 period.

The global outlook remains mixed with disappointing data in Europe and some other countries, and more positive indicators in the United States and Japan. Growth in the New Zealand economy is picking up, supported by the re-build in Canterbury. However, the economic recovery remains uneven across sectors.

Despite this mixed picture, international visitor arrivals have continued to grow and are forecast to keep growing over the next six years. Total visitor expenditure appears to have turned a corner since the second quarter of 2012 and has now begun to increase. It is projected to continue increasing to $6.5 million by December 2019.

The forecasts are based on econometric modelling of past data, current trends and the best available forecasts of international factors. They provide a baseline for what will happen 'if things keep going this way'. The forecasts do not set targets nor are the numbers carved in stone. Rather, I hope that these forecasts will encourage strategic thinking and forward planning from the industry so that it can continue to provide visitors with the high-quality experiences, warm hospitality, and outstanding services they have come to expect.

The forecasts are subject to the global economic situation. They suggest that traditional markets like the United Kingdom will continue to decline. However, this decline will be off-set by strong growth from China and Australia. The US economy appears to be improving and visitor arrivals from the US are expected to improve. Overall, the average spend per day will increase particularly in the later years of the forecast period. The length of stay will trend downwards due to a shift to short-haul trips from Australian and Asian visitors.

This time round, the Ministry has made a deliberate effort to form a technical committee to moderate and ameliorate the forecast results. The technical committee consists of members from the Ministry, Air New Zealand, Tourism Industry Association, Auckland International Airport, the New Zealand Institute of Economic Research (NZIER) and Tourism New Zealand. We think that this is a better approach to combining quantitative modelling with industry knowledge. So far, we have received positive feedback that this process is working very well and delivering better results.

We believe that by working together, the Ministry, other government agencies and the tourism industry will be better placed to maximise the potential of the changing tourism industry, rapidly-growing China visitor market and to realise greater value from international visitors, in the face of declining lengths of stay.

Michael Bird
General Manager
Institutions and Systems Performance
Science, Skills and Innovation
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1. Introduction

The Ministry of Business, Innovation and Employment (MBIE) regularly produces tourism forecasts to support planning and investment processes in the tourism industry.

This year, MBIE commissioned the NZIER to prepare forecasts using a best practice tourism forecasting model combining macro-economic and socio-demographic data and expert judgment. The forecasts are based on two broad types of drivers: cyclical drivers relating to short term income, price and exchange rate effects; and longer term structural drivers that relate to demographic shifts over time. Confidence intervals have been used to quantify uncertainty and risk assumptions tested by creating two scenarios or 'what-if' questions.

The econometric model derived forecasts for New Zealand's eight key markets (Australia, China, UK, US, Japan, Germany, Canada, and Korea) plus 'others' for the calendar years 2013-2019. For each country, 'others', and for all markets combined, the model generates annual forecasts for:

- Total visitor arrivals
- Total visitor nights
- Total visitor expenditure
- Average length of stay per visitor
- Average spend per day per visitor
- Visitor mix by purpose of visit, namely holiday, visit friends and family, business (including convention/conference), and other (including education).

This time round, MBIE combined NZIER's leading edge tourism forecasting model with expert judgment from a small technical committee of industry participants. This collaborative approach, supported by one-on-one visits with industry, helped drive not just the forecasts but the story that underpinned the outlook.

This report was improved via productive conversations with industry. MBIE and NZIER would like to thank the following organisations for the high quality of engagement to produce this report:

- Air New Zealand
- Auckland International Airport
- China Southern Airlines
- Christchurch and Canterbury Tourism
- Statistics New Zealand
- Tourism Industry Association
- Tourism Research Australia.
- Tourism New Zealand

The 2013-2019 report provides a central outlook based on historical experience using data available at the end of 2012 and the macro-economic situation. The efforts and ambition of industry and policymakers also help shape outcomes. More ambitious marketing, such as the announced increase in Tourism New Zealand's budget to $158 million, the right set of policy reforms and extra industry investment will boost outcomes relative to the central outlook presented in this report.

The report also examines two scenarios that shows how visitor arrivals might differ if:

(i) The Australian economy is substantially weaker than expected;

(ii) The Japanese economy surges, which appreciates the Yen.

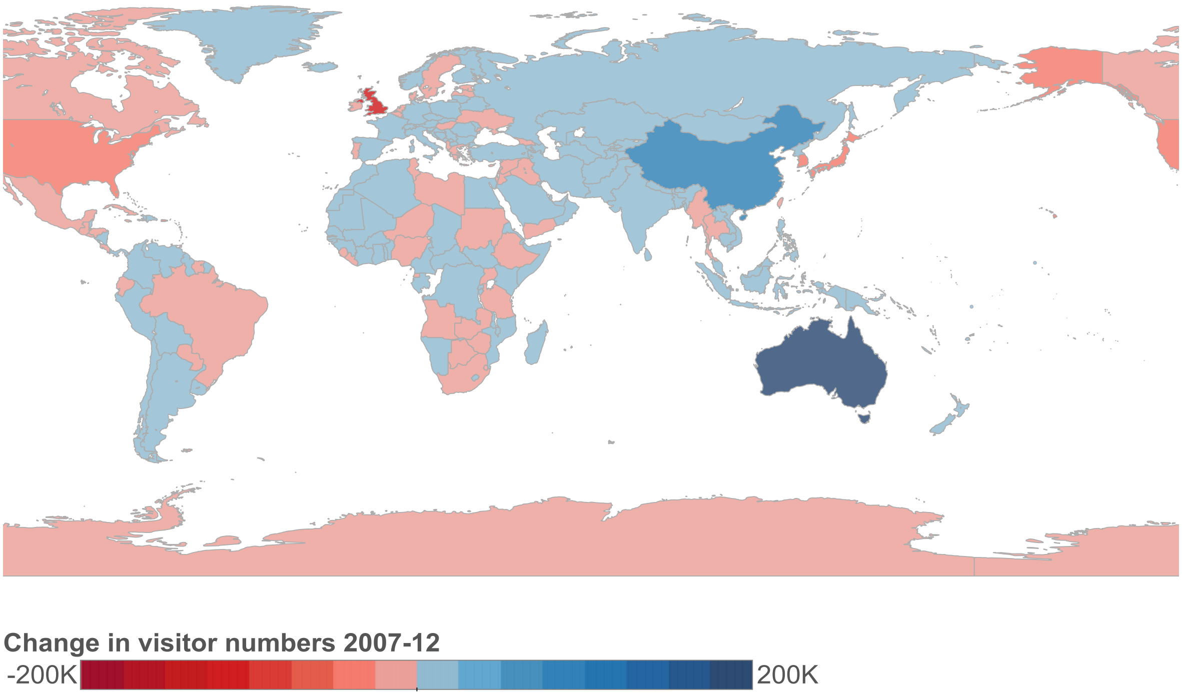
2. Key points

Visitor numbers and spending will grow between 2013 and 2019. There will be big shifts in the composition of visitors: in their age, which countries they come from, how long they stay and how much they spend. Tourism operators need to be mindful of cyclical risks, particularly from the lingering sovereign debt crisis in Europe. In the longer run, growth from emerging Asia will offset weaker demand from ageing developed markets such as the European Union, Japan and Korea.

- The global financial crisis (GFC) reduced visitor numbers and spending from most key markets, including US, Canada, UK, Germany, Japan and Korea. The number of Australian and Chinese visitors continued to grow (Figure 1)

Figure 1 Growth in Australian and Chinese markets offset declines in other markets

Change in visitor numbers 2007-12



Source: Statistics New Zealand

- Visitor spending will recover, following a sharp slowdown caused by a synchronised global recession during the GFC. Total spending will grow by 18% by December 2019, reaching a new high. China, Australia and new emerging markets will be the main drivers. Traditional markets like the UK, Japan and Korea will be flat to falling.
- There are some risks over the next 1-2 years. The European sovereign debt crisis is lingering. It is weighing on Asian exports and, in turn, it could also affect Australia. Australia and Canada are also grappling with overheated housing markets and over-indebted households. To reduce their debt positions these households will reduce consumption including cutting international travel.
- The long term outlook is positive. While ageing advanced economies will grow only slowly or even shrink, there is promise of strong growth from the bourgeoning middle classes in Asia,

Latin America and Africa. This growth also helps lift visitor arrivals from Australia, which stands to benefit from these countries' growing demand for resources.

- The mix of visitors will change dramatically – so industry operators need to be cognisant of these changes and actively align their strategies to capitalise on these shifts. The changes will be across a myriad of dimensions, including:
  - where they will come from
  - how old they are
  - why they visit
  - how long they stay
  - how much they spend per day.
- The mix of visitors has already changed. Box 1 shows that the centre of gravity of visitors to New Zealand is shifting eastwards, from Casablanca in 1979 to Jordan now. Strongly-growing emerging markets in Asia will be a lucrative source of visitors for New Zealand. The same pattern is happening for merchandise exports. In early 2013 China became our largest goods export destination, up from 10^{th} only 20 years earlier.
- Chinese visitors to New Zealand tend to be from the main centres of Beijing and Shanghai. Visitors from these cities are behind the doubling in Chinese visitor spending over the past five years. As China's interior develops and becomes better connected with the world, China will continue to be a strong source of visitors.
- Visitors from each country show distinctive characteristics. For example, most growth in German visitors over the past five years was from 15-19 year olds who come here on work visas. There are more 24-34 year olds and 50-54 year old holiday makers from Germany, but fewer 60-69 year olds compared with other markets. Visitors from Queensland are more likely to visit New Zealand to see friends and relatives whereas visitors from New South Wales and Victoria tend to come for holidays. Chinese visitors are more likely to be aged 40-59 than Japanese counterparts.
- The Australian market will grow only moderately in the next two to three years. The domestic economy is weaker, crimping holiday-maker visitor arrivals. Exchange rate effects make travelling to South-East Asia more attractive to Australians than holidaying in New Zealand or domestically. Family holiday-makers appear less likely to visit Christchurch after the earthquakes with a lack of accommodation and airline capacity also reducing inbound travel. Queenstown will pick up some but not all of these visitors so total visitor arrivals from Australia will be lower overall.
- The North American market has strengthened relative to other advanced economy markets. The US economy appears to be picking up and has made the adjustments in key areas – housing and labour – that other advanced economies are yet to make. The outbound New Zealand market is growing strongly, helping some carriers maintain additional capacity and routes that reduce the real cost of travel for the US inbound market.

Figure 2 Summary of forecasts: All markets

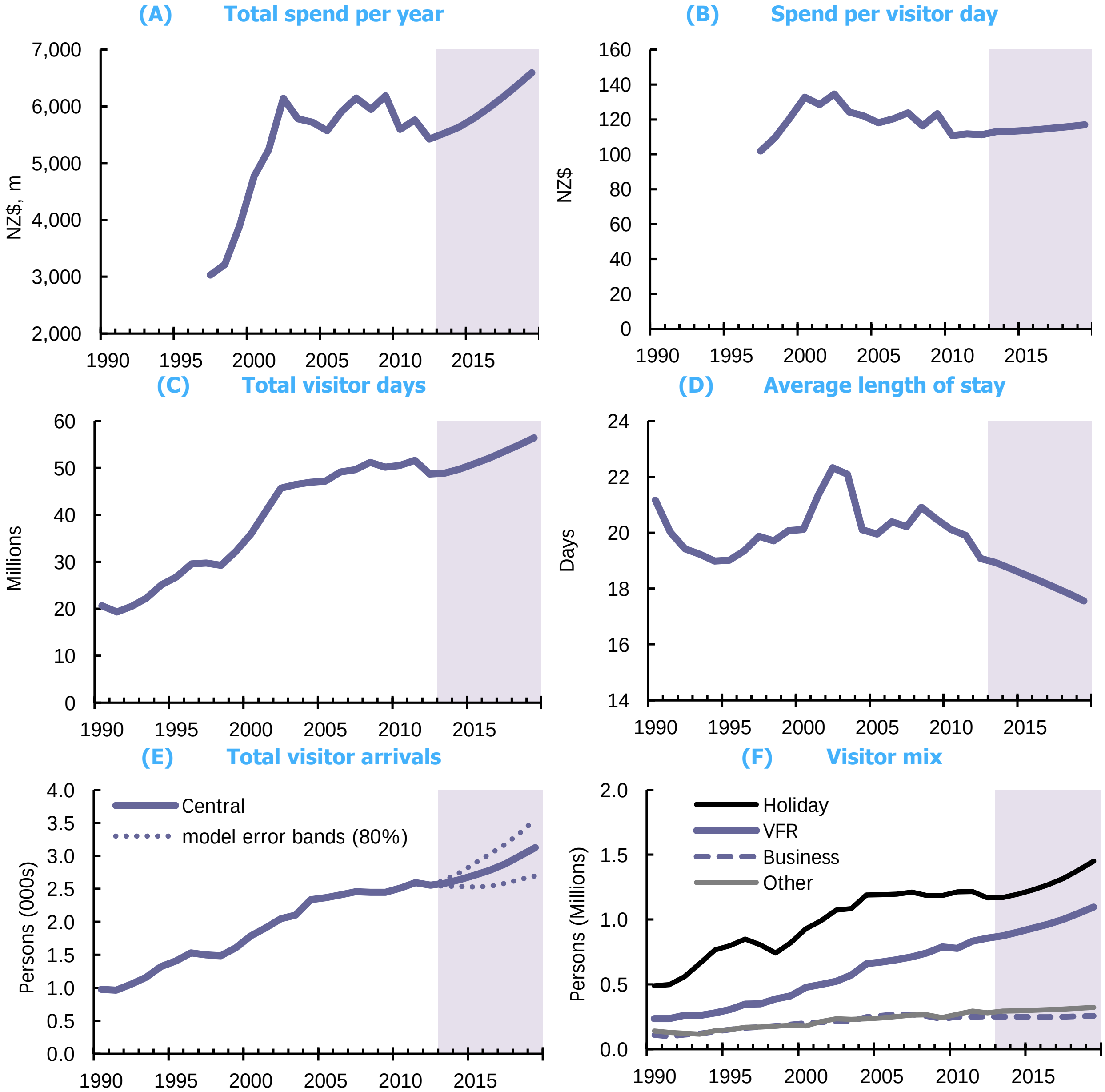


Table 1 Forecasts and growth rates: All markets

Year	2012	2013	2014	2015	2016	2017	2018	2019	Growth 05-12	Growth 12-19	Growth CAGR[1]
Total spend ($m)	5,423	5,539	5,620	5,743	5,888	6,062	6,277	6,507	-3%	20%	2.6%
Total visitors (000s)[2]	2,555	2,588	2,643	2,711	2,787	2,878	2,998	3,127	8%	22%	2.9%
Total Days (000s)	48,734	49,016	49,717	50,668	51,738	52,982	54,486	56,064	3%	15%	2.0%
Spend per day	111	113	113	113	114	114	115	116	-6%	4%	0.6%
Length of stay	19.1	18.9	18.8	18.7	18.6	18.4	18.2	17.9	-4%	-6%	-0.9%

Notes: 1. Compound Average Growth Rate per year (2012-19), 2 To ensure country totals sum to total visitors from all countries, “Total visitors” matches Statistics New Zealand’s “counts from a sample” measure.

Source: MBIE, Statistics New Zealand

3. Stocktake of recent experience

Visitor spending in New Zealand has trended lower over the five years to 2012. Visitor numbers have risen, but they are coming from closer countries, staying shorter periods and spending less. Many are also visiting friends and relatives, rather than coming on holiday or business. This has created a challenging environment for many tourism operators.

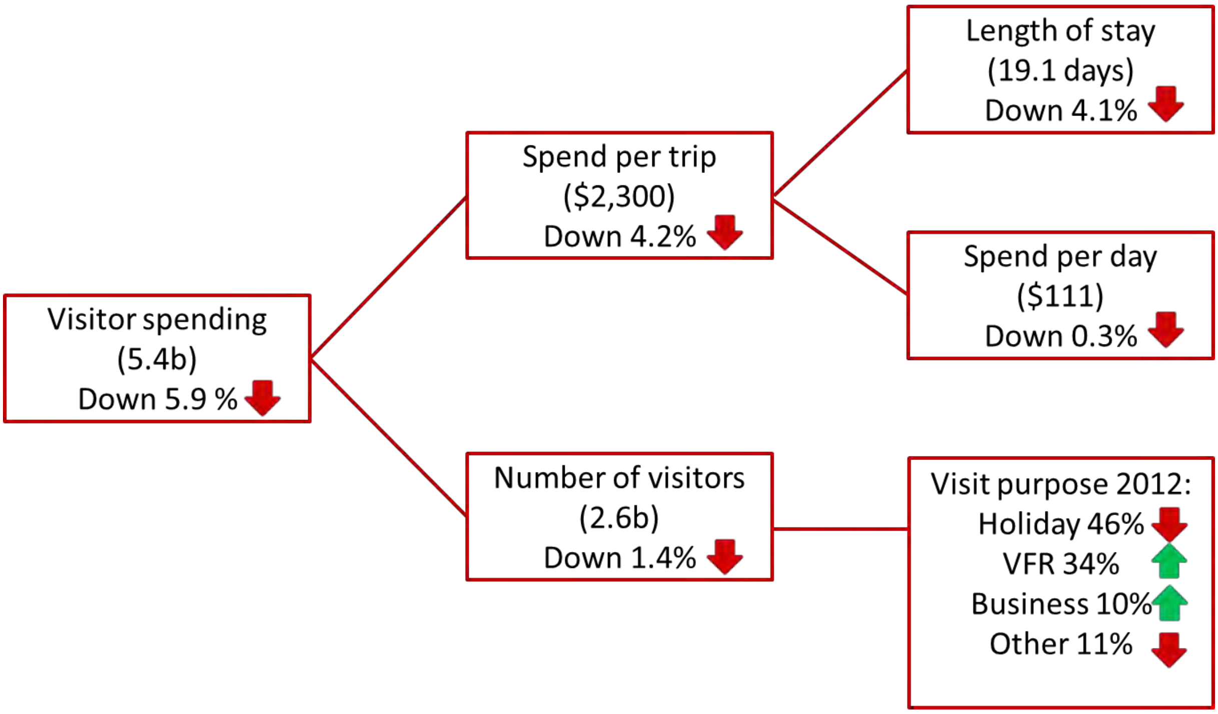
The composition of visitors has shifted considerably. There are many more visitors from Australia, China and other emerging economies. Many of our traditional markets like the UK, US, Canada and Europe have been weak and have been most affected by the GFC. This has reduced the number of high-spending visitors.

Visitors from emerging Asian countries like China tend to spend less than traditional long-haul markets. But this appears to be changing. Chinese visitors spent 67% more per day than US visitors in 2012; 15 years ago, they spent 40% less than US visitors.

Rising visitor numbers gives a base of support for the tourism sector. But a rapidly changing mix of visitors means that the sector has to adapt to fewer holidaying visitors, fewer visitor days and lower average spend per day.

Figure 3 Components of visitor spending compared to 2011

Year to December 2012



Source: MBIE, Statistics New Zealand

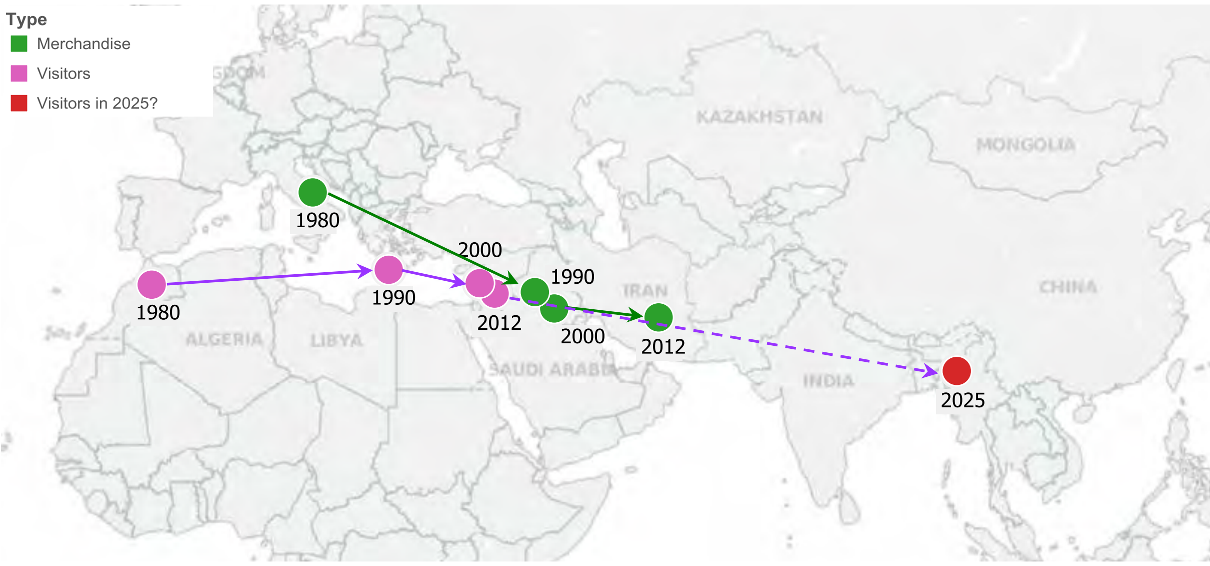
Box 1: Visitor centre of gravity drifting east

Visitors to New Zealand are coming from closer countries. Long haul travel became increasingly affordable during the 1980s; New Zealand was a key beneficiary. The rise of low-cost services has reduced flying costs further, particularly for regional short-haul travel. This has intensified intra-regional travel. This has been a risk for New Zealand, as many traditional long-haul markets have slowed, but it has also effectively pivoted New Zealand towards a re-emerging Asia.

Since the 1980s, the composition of visitors to New Zealand has changed markedly. The location of the average non-Australian visitor has shifted eastward. In 1980, it was in Casablanca. It has since moved eastward to Crete in 1990, Israel in 2000 and in the desert of Jordan in 2012. By 2025, it could be centred over Myanmar.

The centre of global economic gravity is shifting towards New Zealand. The McKinsey Institute reckons it will centre in Asia – cementing the re-emergence of Asia. The world is coming closer to New Zealand and visitors are increasingly travelling within their region. This opens up New Zealand to an opportunity to connect with strongly growing Asian economies with large and young populations.

Figure 4 Visitor and merchandise export centre of gravity (excluding Australia)



Source: Statistics New Zealand, NZIER

4. Fundamental drivers

The economic backdrop for the tourism sector is improving, but fragile. A lingering sovereign debt crisis in Europe is the main risk to the global economy, which could keep Europe in recession through 2013. A weak European economy would reduce exports and economic growth in Asia and in turn Australia. This would slow tourism flows to New Zealand. The longer term outlook is positive.

4.1. Cyclical outlook has risks

Many factors drive the decision to visit New Zealand. The key macro-economic factors are economic growth, the price of oil that drives airfares and the exchange rate. There are other factors that affect travel too, such as health scares (e.g. the SARS epidemic in 2002-2003) and terrorist attacks (e.g. the 9/11 attack in the US), but these are impossible to forecast.

The most important driver of visitors to New Zealand is economic growth in the home country. For example, if the economy in Australia is strong, more Australians will be in jobs and earning more, and will be more confident to travel and spend while away.

The global economy is recovering from the worst of the GFC, but the performance is patchy. The US economy is strengthening after a long recession. But Canada appears to be slowing and households are yet to deleverage balance sheets to the same extent as the US. House prices remain very elevated relative to income levels.

The UK and Europe are mired in recession or near recession. Asia is resilient, but not growing as strongly as before the recession. Australia's mining investment boom is fading, which will slow economic growth and travel to New Zealand.

Subdued global demand has kept most airfares to New Zealand low, but there are exceptions. The UK's Air Passenger Duty increased the cost of travel (by £94 or £188 depending on the class of travel) to long haul destinations like New Zealand over the past three years.

Visitor spending is affected by the exchange rate. Many visitors set a budget in their home currency, so how much they eventually spend in New Zealand depends on the exchange rate. The NZD has appreciated strongly since the beginning of 2009. The Trade Weighted Index, as published by the Reserve Bank of New Zealand, is near record highs. The tourism industry has felt this headwind, but to a smaller extent than goods exporters. When weighted by visitor numbers, the NZD is about 11% lower than that experienced by goods exporters on average and just below the high last seen in mid-2007. So the exchange rate matters but the key driver of low visitor spend has been weak economic growth.

Box 2: Visitor weighted exchange rate

The composition of visitors is not quite the same as the market composition of our goods exports. For example, the visitor market has a greater exposure to Australia and China, but lower exposure to the US, Korea and Japan. So the Trade-Weighted Index is not an ideal measure for tourism purposes – we need to weight exchange rates by visitor arrivals.

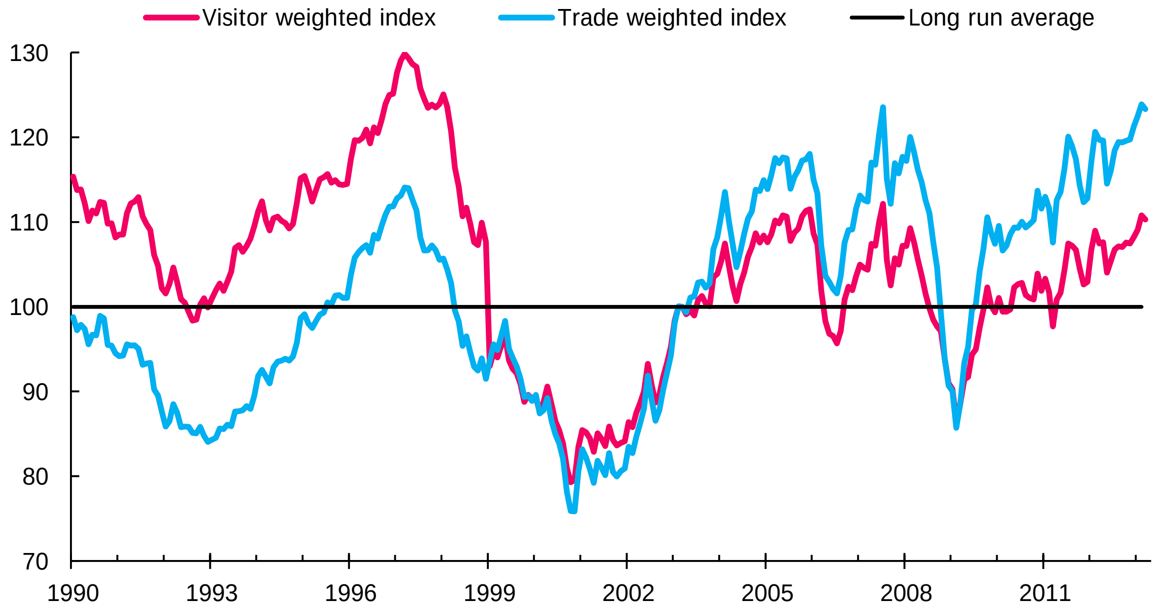
A visitor-weighted index (see Figure 5) is a reasonable summary of conditions facing the tourism sector as a whole. Our visitor-weighted index is high relative to history but not as high as the trade-weighted index. However, each operator may have a different exposure. For example, some operators may be more exposed to Japanese or UK visitors, rather than visitors from Australia.

An analysis of visitor spending suggests that much of the budget is set in the home currency. The Japanese Yen has fallen sharply over recent months. Japanese visitors spent a total of $273m in 2012, when the exchange rate was 65 Yen to NZ$1. In March, the Yen had depreciated sharply to 84. Holding all else constant, this depreciation has reduced Japanese spending by $58m to $215m.[1]

In another example, the average Briton spent £47 per day in 2012. Historically, £1 would translate to NZ$2.7, today it is just NZ$1.8. At the historical average exchange rate, the average Briton would be spending $124 per day, rather than NZ$85. Multiplied across around 190,000 visitors staying an average of 29 days, the difference due to the exchange rate would be NZ$216m in 2012.

Figure 5 Exchange rate: visitor and trade weighted

Index, Mar-03=100, long run average from 1990



Source: RBNZ, Statistics New Zealand, NZIER (calculated using RBNZ's 14 exchange rate method)

[1] This assumes no change in visitor arrivals but simply takes the changes in budget in New Zealand dollars based on that budget being first determined in Yen.

5. Long term outlook strong

Slow moving structural forces are very much in favour of New Zealand. The centre of the global economy is moving closer to New Zealand as Asia and Africa develop on the back of industrialisation and urbanisation, which will increase the income of a large and youthful population. They will spend more on discretionary and luxury products like tourism. The product offering and engagement for these markets needs to be well aligned to what these visitors want to maximise the potential for New Zealand's tourism sector.

People from advanced economies have been the main visitors to New Zealand. But these countries' populations are getting older and their populations and economies will grow slowly. Japan is an excellent case study of an ageing population. Japan is still an important market for New Zealand, but older people tend to travel less and there are fewer younger people, who do travel. This is a risk for the tourism sector.

The long term outlook is positive, particularly from emerging markets like India and Indonesia. Their populations are large and youthful; as their economies approach middle income, demand for travel to New Zealand will soar. These emerging markets present the largest long-term growth opportunities.

6. Outlook for key markets

6.1. Australia

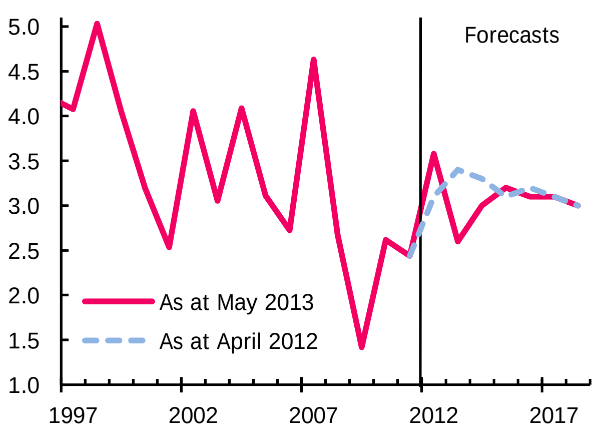
Australia is New Zealand's largest source of visitors. Australian visitors tend to stay for a short period, and are more likely to be visiting friends and relatives or here on business compared to other markets. These trends will intensify with weak growth in the Australian holidaymakers flat. Visitor numbers will grow slowly in the next 12-36 months, due to weakness in the Australian economy and supply constraints from the Christchurch earthquakes. Longer term, Australia will continue to be a key market for the tourism sector.

Forecasts and drivers

- Increasingly Australians are coming to visit friends and relatives and for business reasons, compared to mostly holiday makers from other countries. This is due to the strong and long historical ties through trade and migration between the two countries. Australians also tend to stay for half as long as most visitors, at around 10 days, because New Zealand is a short-haul destination for Australians.
- Visitor numbers from Australia will trend higher over time, although growth over the next 1-3 years will be more moderate. A slowing economy, as the peak of the mining investment boom passes and house prices soften, could dent near-term travel plans. But travel to New Zealand is short-haul, to visit friends and relatives – this tends to be less sensitive to economic cycles.
- Reduced hotel availability and flight capacity in Christchurch after the earthquakes will reduce visitor numbers. Queenstown will pick up some visitors but national visitor growth will be lower. Anecdotally, Australians holiday-making as families appear most affected.
- The medium-to-long run outlook is positive. Australia's long-run economic growth will remain resilient, supported by a broad economic base and a strong economic connection to the rising powerhouses in Asia.
- Australian visitor number forecasts are lower than in November 2012, mainly because there is growing consensus of a slower growth outlook for Australia (see Figure 6). Lower capacity and the risk of lower consumer demand for travel if commodities and house prices ease further led the technical committee to moderate the model-based forecasts (see section 7.2).

Figure 6 Weaker near-term outlook for the Australian economy

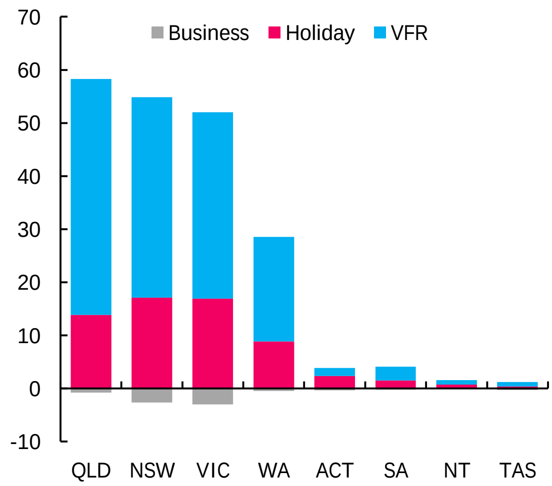
Annual % change in Australian GDP growth



Source: ABS, Consensus Economics

Figure 7 VFR has sustained growth

Change, 2007-2012, 000s of persons by purpose



Source: Statistics New Zealand

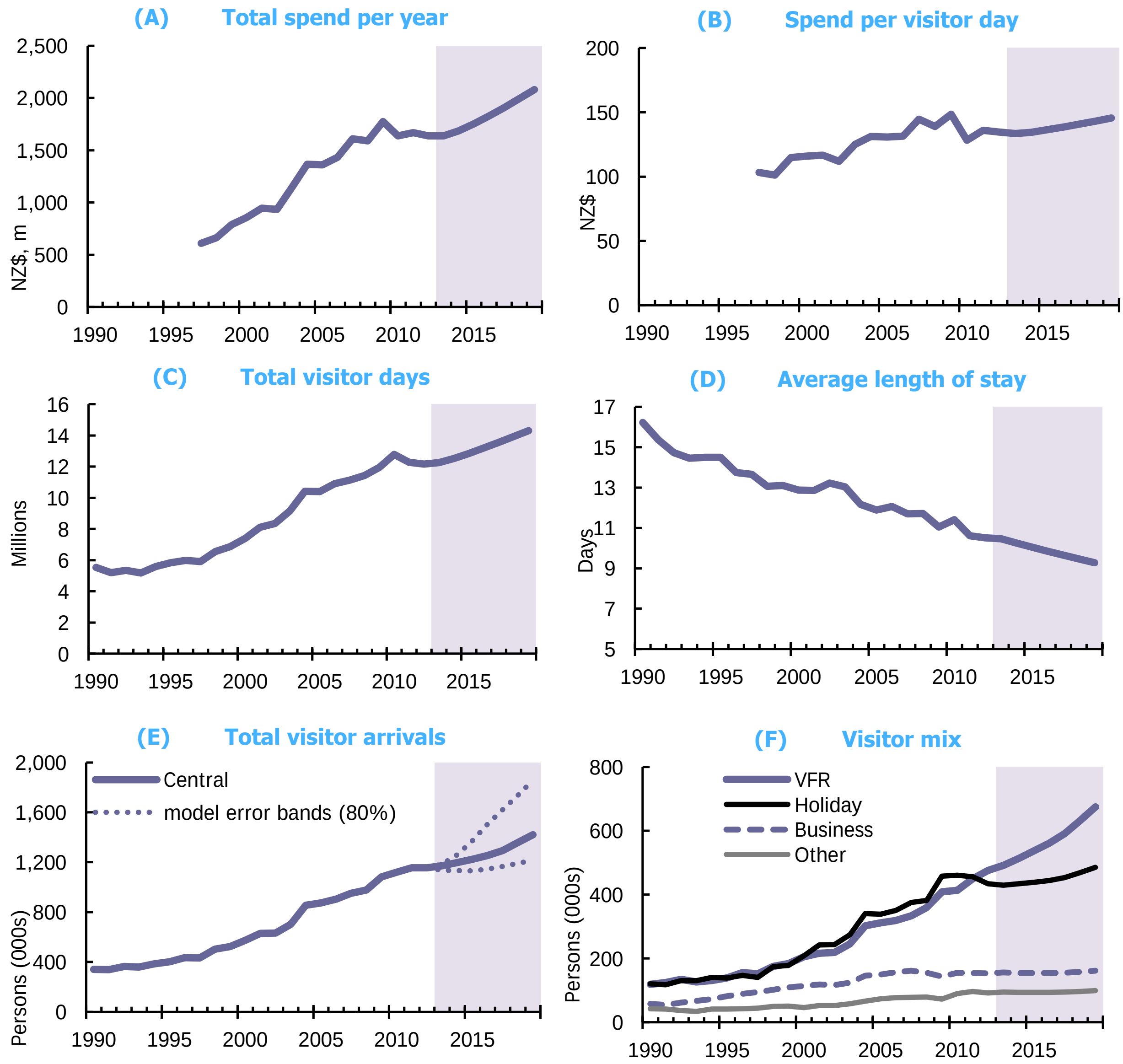
Forecasts	2012	2019	
Total spend ($m)	1,637	1,919	↑
Total Visitors (000s)	1,156	1,422	↑
Total Days (millions)	12.2	13.2	↑
Average stay days	10.5	9.3	↓
Ave. spend per day	$134.7	$145.5	↑

Key Market Characteristics	
GDP per capita:[1]	67,723
Population:	22.6m
Outbound market:[2]	6.6m
Global market ranking:[3]	10th
Distance to New Zealand:	2,153km

% NZ mkt (spend)

30%

Figure 8 Summary of forecasts: Australia



									Growth		
Year	2012	2013	2014	2015	2016	2017	2018	2019	2005-12	2012-19	CAGR[4]
Total spend ($m)	1,637	1,638	1,650	1,678	1,710	1,759	1,837	1,919	20%	17%	2.3%
Total visitors (000s)	1,156	1,171	1,196	1,224	1,254	1,294	1,356	1,422	32%	23%	3.0%
Total Days (000s)	12,154	12,265	12,268	12,303	12,347	12,491	12,834	13,186	17%	8%	1.2%
Spend per day	135	134	135	136	139	141	143	146	3%	8%	1.1%
Length of stay	10.5	10.5	10.3	10.0	9.8	9.7	9.5	9.3	-12%	-12%	-1.8%

Notes: 1. GDP per capita, constant USD; 2. 2011 outbound visitors; 3. Ranking according to global tourist expenditure; 4. Compound Average Growth Rate per year (2012-19).

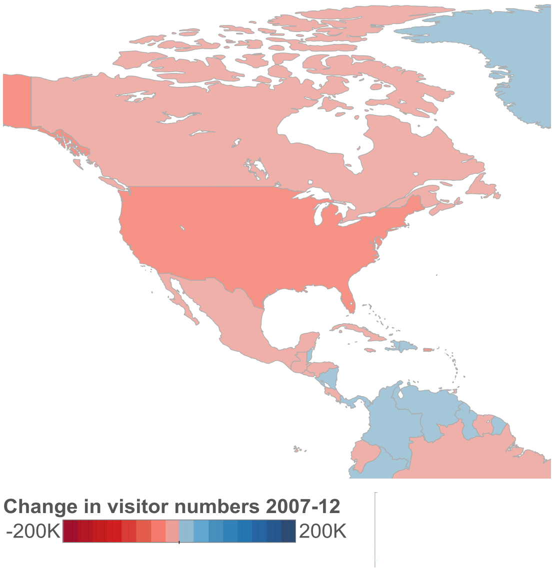
Source: MBIE, Statistics New Zealand, World Bank, World Tourism Organisation

6.2. Europe and Americas

There are fewer European and American visitors coming to New Zealand. There are signs of stabilisation and improvement in some markets following steep declines after the GFC (see Figures 9 and 10). There is considerable uncertainty around the outlook. As the European sovereign debt crisis grinds on, many European economies remain in recession and unemployment is high. The US is recovering from a deep recession and visitor numbers are showing strong growth.

Figure 9 Numbers of US and Canadian visitors declined over the past 5 years

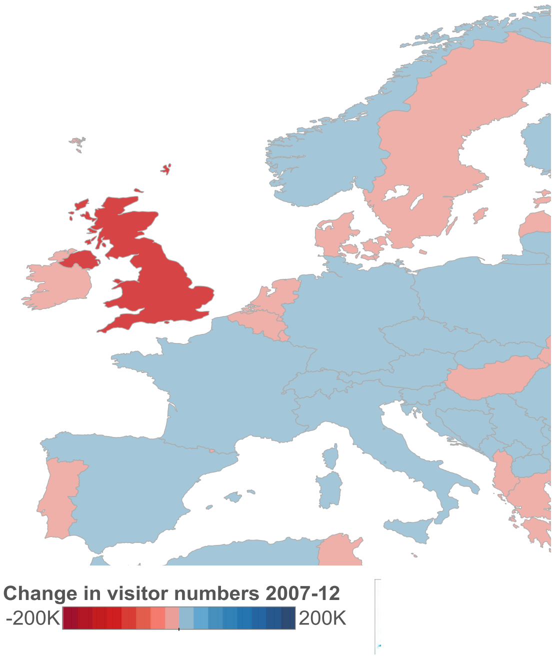
Change in visitor numbers 2007-12



Source: Statistics New Zealand

Figure 10 UK visitors fell over the past 5 years

Change in visitor numbers 2007-12



Source: Statistics New Zealand

6.2.1. United Kingdom

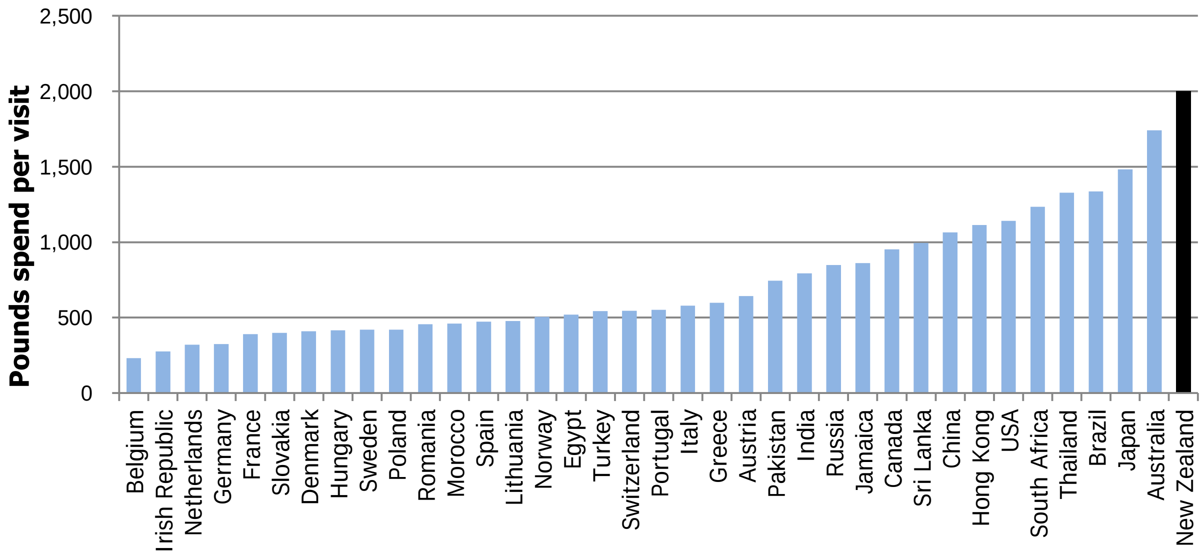
The UK is recovering slowly from a long and painful recession. The recession is past, but the recovery will take a long time. This will make Britons cautious about travel and spending. This will lower the number of UK visitors to New Zealand and spending will trend lower unless the British pound recovers from historic lows. Expect higher growth in the number of people visiting friends and relatives compared to holidaymaking visitors.

Forecasts and drivers

- The number of UK visitors has fallen sharply over the past eight years. This has coincided with greater intra-European travel and a painful recession in the UK and in Europe. Visitor numbers will soon hit a floor and recover slightly from these levels.
- Spending per day has fallen sharply, mainly because of a very weak British pound. In British pound terms, spending by UK visitors is broadly stable, after accounting for inflation. A slow recovery in the UK will keep the pound depressed, but a faster than expected recovery could boost visitor numbers, strengthen the pound and thus boost spending in New Zealand.
- The mix of visitors from the UK continues to change. An increasing share now comes to visit friends and relatives. This is not surprising given strong migration flows between the UK and New Zealand. In 2012, nearly 14,000 came from UK to live in New Zealand, although one-in-four were returning Kiwis. There will be further increases in those visiting friends and relatives.
- Holiday makers will continue to fall slowly. Travel by Britons to long-haul destinations like the US, Australia and New Zealand has fallen. Visits to some closer destinations like Italy, Spain, Belgium and Greece have grown – perhaps drawn by deep recession-induced discounting. Figure 11 shows right now visiting New Zealand is an expensive undertaking – Britons now spend more per visit in New Zealand than any other country.
- The next 1-2 years will be challenging, as the economy slowly climbs out of recession. Economic growth will eventually return to normal levels, but the lingering European sovereign debt crisis could hold back growth for a number of years to come.

Figure 11 Britons spend more per visit in New Zealand than any other country

Pounds spent per visit by country, 2012-13



Source: Office for National Statistics, NZIER

Forecasts	2012	2019	Key Market Characteristics		% NZ mkt (spend)
Total spend ($m)	469	367	GDP per capita:[1]	38,589	9%
Total Visitors (000s)	190	169	Population:	63.2m	
Total Days (millions)	5.7	4.9	Outbound market:[2]	55.6m	
Average stay	29.9	29.0	Global market ranking:[3]	2nd	
Ave. spend per day	$82.8	$74.8	Distance to New Zealand:	18,329km	

Figure 12 Summary of forecasts: UK

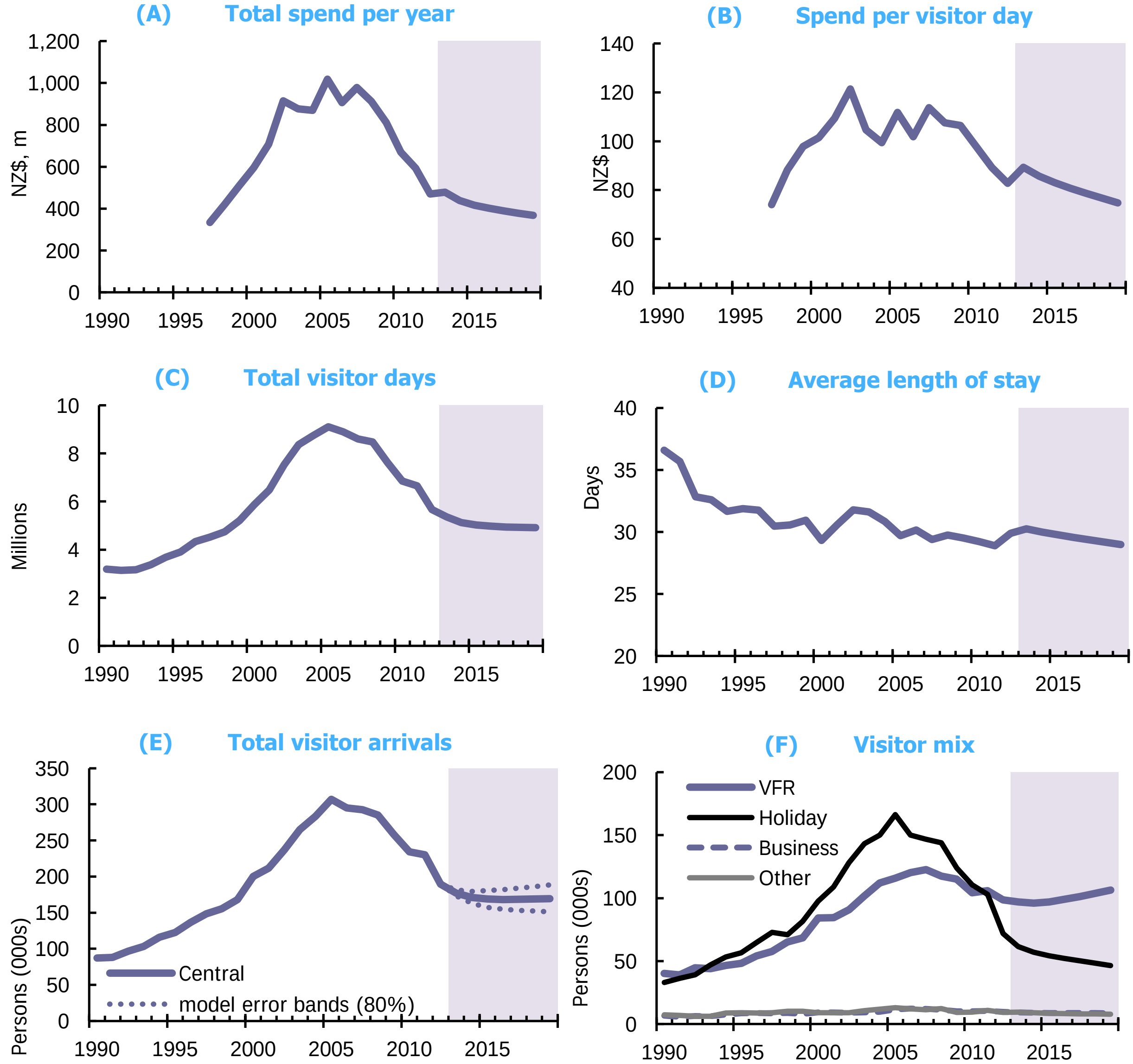


Table 2 Forecasts and growth rates: UK

									Growth		
Year	2012	2013	2014	2015	2016	2017	2018	2019	2005-12	2012-19	CAGR[4]
Total spend ($m)	469	479	439	417	401	389	378	367	-54%	-22%	-3.4%
Total visitors (000s)	190	177	171	169	168	168	169	169	-38%	-11%	-1.6%
Total Days (000s)	5,669	5,363	5,128	5,024	4,973	4,944	4,925	4,911	-38%	-13%	-2.0%
Spend per day	83	89	86	83	81	79	77	75	-26%	-10%	-1.4%
Length of stay	29.9	30.3	30.0	29.8	29.6	29.4	29.2	29.0	1%	-3%	-0.4%

Notes: 1. GDP per capita, constant USD; 2. 2011 outbound visitors; 3. Ranking according to global tourist expenditure; 4. Compound Average Growth Rate per year (2012-19).

Source: MBIE, Statistics New Zealand, World Bank, World Tourism Organisation

6.2.2. United States of America

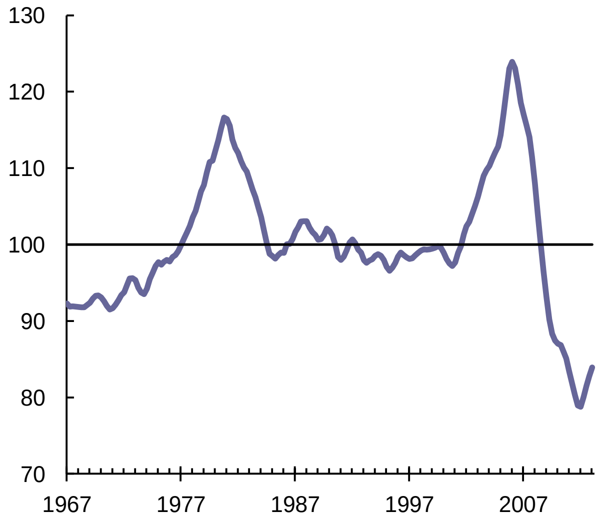
The US visitor market has shrunk over recent years. The economy is on the mend and optimism is translating to more spending by Americans. Visitor numbers will gradually pick up, but a weak US dollar relative to the New Zealand dollar will dampen spending.

Forecasts and drivers

- US visitor numbers and the economy have been hit hard by the GFC. Job losses and falling wealth slowed spending by Americans, particularly for discretionary spending like holidays to New Zealand. The economy is recovering, but it is still patchy across regions and sectors.
- Visitor numbers will grow although the recovery will be slow and gradual. The US economy is recovering, but the job market has been slow to lift and households are still spending cautiously. The Federal Reserve expects to keep interest rates exceptionally low until 2015. This could keep the US dollar low and dampen spending by Americans in New Zealand.
- The longer term outlook for the US is positive. Reviving manufacturing activity, reducing energy costs due to the shale oil boom and lifting house prices after a collapse during the GFC suggest a broad base for long term economic growth. High government debt (federal and local) is a risk – as a pullback in government services and welfare spending could weigh on economic growth.
- But the market for outbound New Zealanders travelling to the US is growing strongly. These visitor flows help airlines build capacity, increasing the frequency of service that helps reduce the time costs of travel for some inbound visitors who might otherwise choose alternative markets. Recent data after the forecasts were finalised are consistent with strengthening visitor arrivals since the end of 2012 so the technical committee increased the growth forecast for US visitors arrivals (see section 7.2).

Figure 13 US houses more affordable

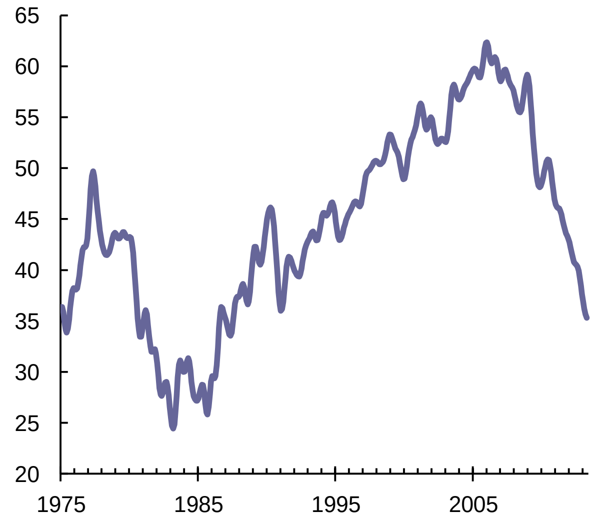
US house prices over incomes, Index, average = 100



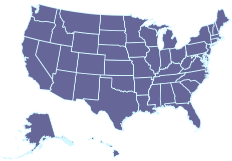
Source: Bureau of Economic Analysis, Census Bureau, DataStream

Figure 14 US now needs less oil

US petroleum imports % of production, trend



Source: Energy Information Administration, DataStream



Forecasts	2012	2019		Key Market Characteristics	
Total spend ($m)	416	480	↑	GDP per capita:[1]	49,922
Total Visitors (000s)	178	220	↑	Population:	49.8m
Total Days (millions)	3.3	4.3	↑	Outbound market:[2]	14.7m
Average stay	18.4	19.6	↑	Global market ranking:[3]	15th
Ave. spend per day	$127.3	$111.5	↓	Distance to New Zealand:	10478km

% NZ mkt (spend)

8%

Figure 15 Summary of forecasts: US

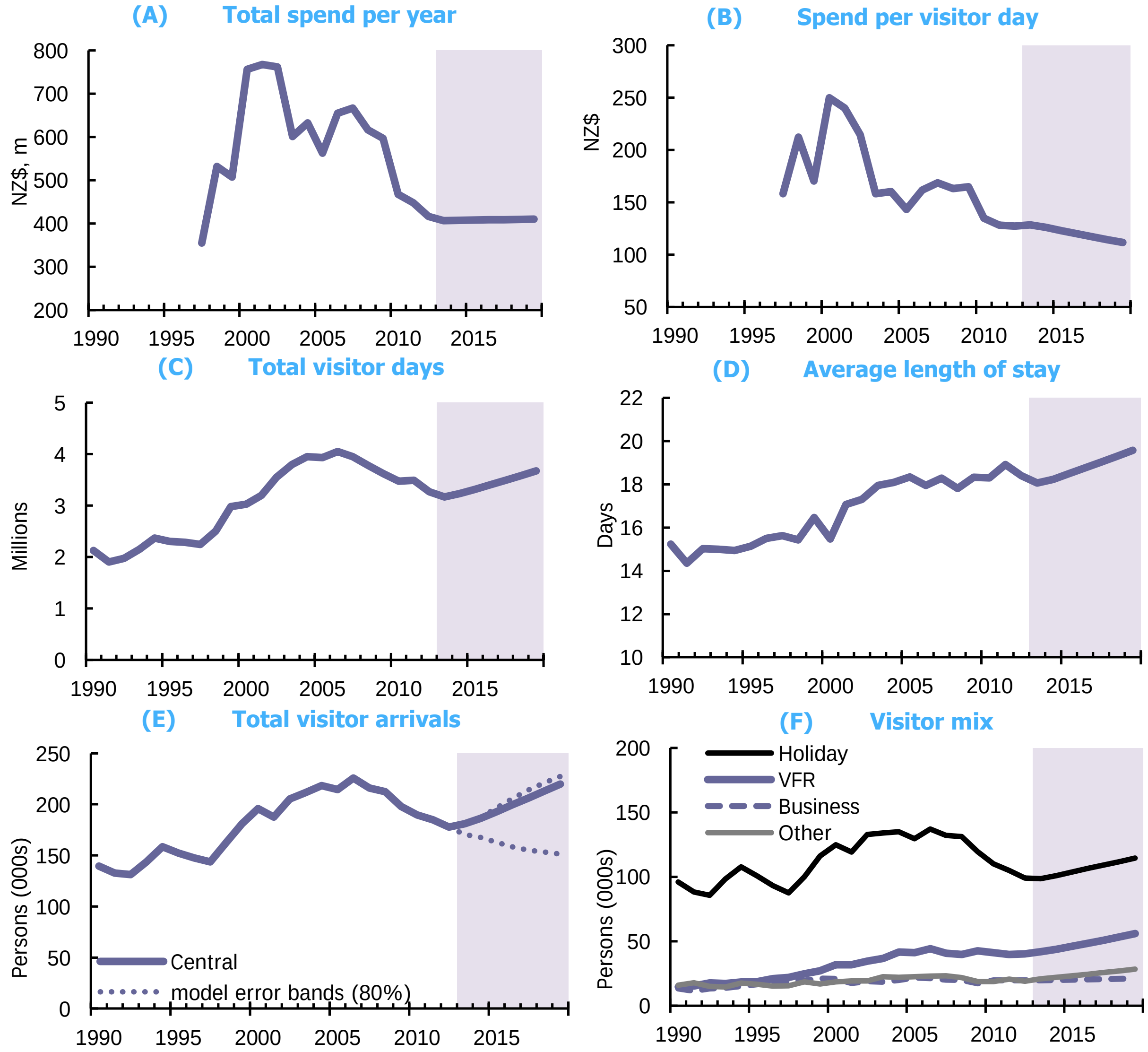


Table 3 Forecasts and growth rates: US

									Growth		
Year	2012	2013	2014	2015	2016	2017	2018	2019	2005-12	2012-19	CAGR[4]
Total spend ($m)	416	419	428	439	449	460	469	480	-26%	15%	2.0%
Total visitors (000s)	178	181	186	193	200	206	213	220	-17%	24%	3.1%
Total Days (000s)	3,269	3,269	3,397	3,568	3,743	3,923	4,107	4,299	-17%	32%	4.0%
Spend per day	127	128	126	123	120	117	114	112	-11%	-12%	-1.9%
Length of stay	18.4	18.1	18.2	18.5	18.8	19.0	19.3	19.6	0%	6%	0.9%

Notes: 1. GDP per capita, constant USD; 2. 2011 outbound visitors; 3. Ranking according to global tourist expenditure; 4. Compound Average Growth Rate per year (2012-19).

Source: MBIE, Statistics New Zealand, World Bank, World Tourism Organisation

6.2.3. Canada

Canada's economy is moderating. House prices are slowing after a sharp run-up and there are fears of a sharper slowdown. Visitor numbers have shrunk over the past year and will do so again in 2013. But beyond that, a recovering economy in the US will support the Canadian economy and visitor numbers.

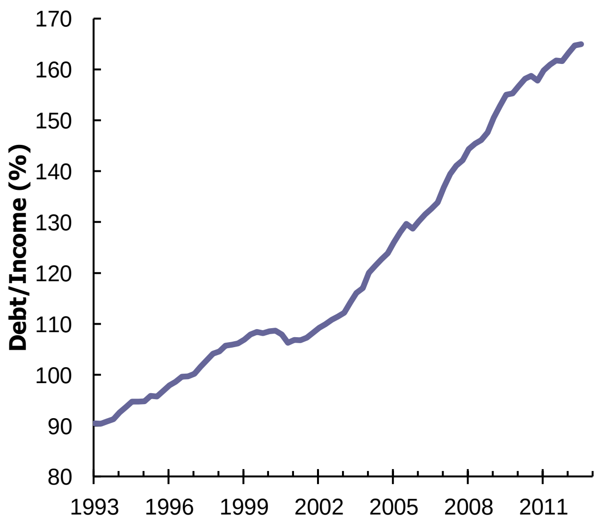
Forecasts and drivers

- Canadian visitor numbers have slowed over the past year. The Canadian economy is losing steam and a weak Canadian dollar has also curbed spending. There are risks a slowing Canadian economy will reduce visitor numbers over the next year, but they should recover in line with the broader economy thereafter.
- Canada's economic outlook is moderating. Household borrowing and house prices have risen to record highs, increasing the risk of a housing bust and recession. Canadians are spending more cautiously. The Bank of Canada will keep interest rates low to support the economy. After the near term weakness, a strengthening US economy will also revive the Canadian economy.
- Visitor spending fell away very sharply in 2012 to the lowest level since 2000. Spend per day has come off in recent years, due in large part to a high NZD and more younger travellers – who tend to spend less. Short term economic weakness will weigh on visitor numbers and spending over the next year although increased capacity is likely to reduce the time cost of travelling to New Zealand for some visitors.
- High household debt and falling house prices from very high levels are risks to the Canadian economy over the next few years. The US experience, where a collapse in house prices produced a sustained period of weak consumer spending, is a helpful case study.

  For similar reasons to the US (the likelihood of strong capacity and recent increases in visitor arrivals) the technical committee increased the forecast for visitor arrivals from the Canadian market. Imbalances associated with high debt implied a more moderate increase than for the US (see section 7.2).

Figure 16 Canadian debt very high

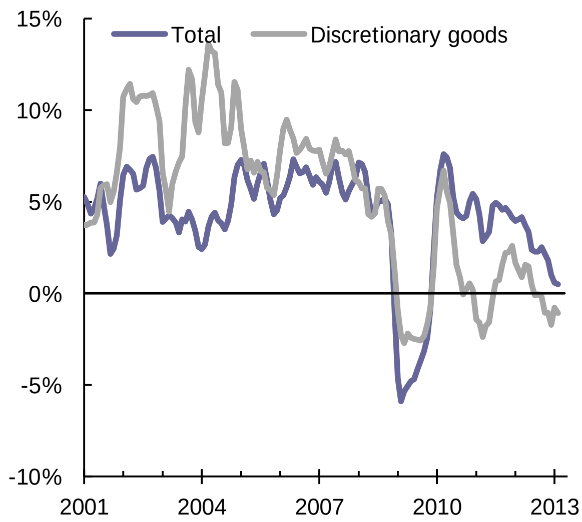
Household debt as a share of income, %



Source: Statistics Canada

Figure 17 Canadians spending less

Retail spending, Annual % change, 3 month average



Source: Statistics Canada

Forecasts	2012	2019	Key Market Characteristics	
Total spend ($m)	98	107	GDP per capita:[1]	52,232
Total Visitors (000s)	46	54	Population:	34.8m
Total Days (millions)	1.1	1.3	Outbound market:[2]	30.4m
Average stay days	24.1	24.6	Global market ranking:[3]	5th
Ave. spend per day	$87.6	$80.0	Distance to New Zealand:	11,331km

% NZ mkt (spend)

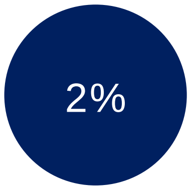


Figure 18 Summary of forecasts: Canada

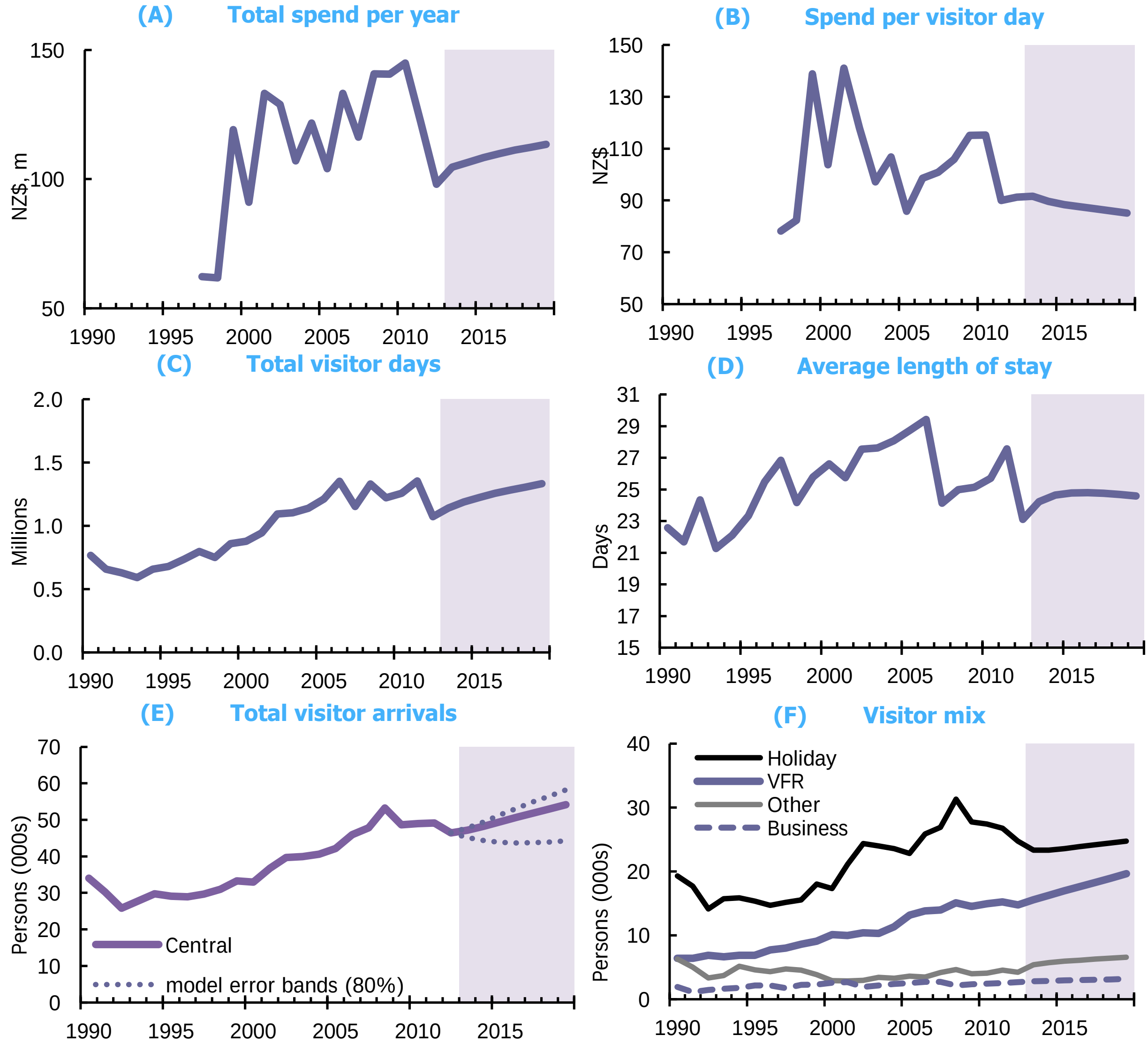


Table 4 Forecasts and growth rates: Canada

									Growth		
Year	2012	2013	2014	2015	2016	2017	2018	2019	2005-12	2012-19	CAGR[4]
Total spend ($m)	104	105	103	104	105	105	106	107	-6%	9%	1.2%
Total visitors (000s)	42	47	48	49	51	52	53	54	10%	17%	2.2%
Total Days (000s)	1,189	1,142	1,189	1,225	1,256	1,284	1,308	1,332	-6%	19%	2.5%
Spend per day	88	92	87	85	83	82	81	80	0%	-9%	-1.3%
Length of stay	28	24.2	24.6	24.8	24.8	24.8	24.7	24.6	-15%	2%	0.3%

Notes: 1. GDP per capita, constant USD; 2. 2011 outbound visitors; 3. Ranking according to global tourist expenditure; 4. Compound Average Growth Rate per year (2012-19).

Source: MBIE, Statistics New Zealand, World Bank, World Tourism Organisation

6.2.4. Germany

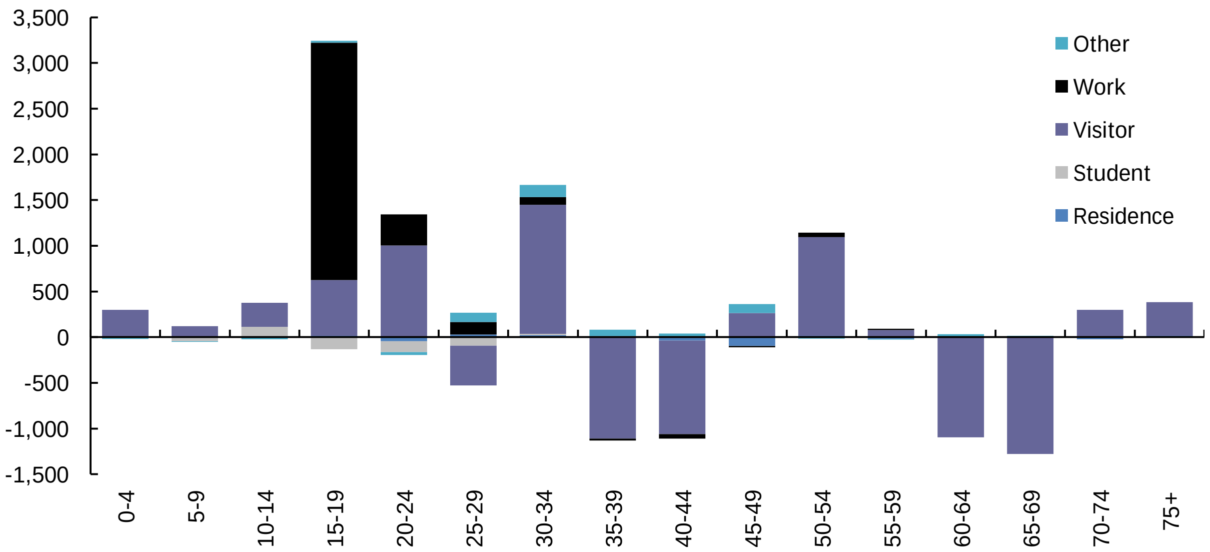
The German visitor market is quite different to other markets. Germans stay much longer than the typical visitor (50 versus 19 days); they can often be much younger and spend a lot less per day. The German economy has not been immune to the European recession, but has fared well to date. A weaker growth outlook means visitor numbers will grow, albeit slowly.

Forecasts and drivers

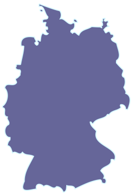
- Growth in German visitor numbers has slowed a little over the last two years, but only slightly. The composition of visitors has changed markedly. They are now much younger and they are staying for much longer. Two thirds of the growth in German visitors over the past decade has been in the 15-29 age group and many of the under 19 are here on a work visa.
- Despite the European sovereign debt crisis and recession, the German economy has been resilient. This has supported visitor numbers to New Zealand. But it is not immune to the European recession, and growth in German visitor numbers will be slow.
- The average spend per day by Germans is very low ($61 compared to $111 per day for all countries), but they stay much longer than the typical visitor (50 compared to 19 days). These very different characteristics mean the product offering to this market has to be crafted carefully.
- Visitor numbers will trend higher over the longer term. But the sector needs a strategy to lift the average spend per day to increase the economic impact of these visitors.

Figure 19 German visitors are increasingly younger tourists on working visas

German visitor growth by age and visa type, Change, 2007-2012, persons



Source: Statistics New Zealand, NZIER



Forecasts	2012	2019	Key Market Characteristics	
Total spend ($m)	196	379	GDP per capita:[1]	41,513
Total Visitors (000s)	64	77	Population:	81.9m
Total Days (millions)	3.2	5.4	Outbound market:[2]	48.9m
Average stay	50.1	70.0	Global market ranking:[3]	1st
Ave. spend per day	$61.4	$70.2	Distance to New Zealand:	18,163km

% NZ mkt (spend)

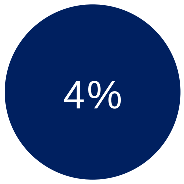


Figure 20 Summary of forecasts: Germany

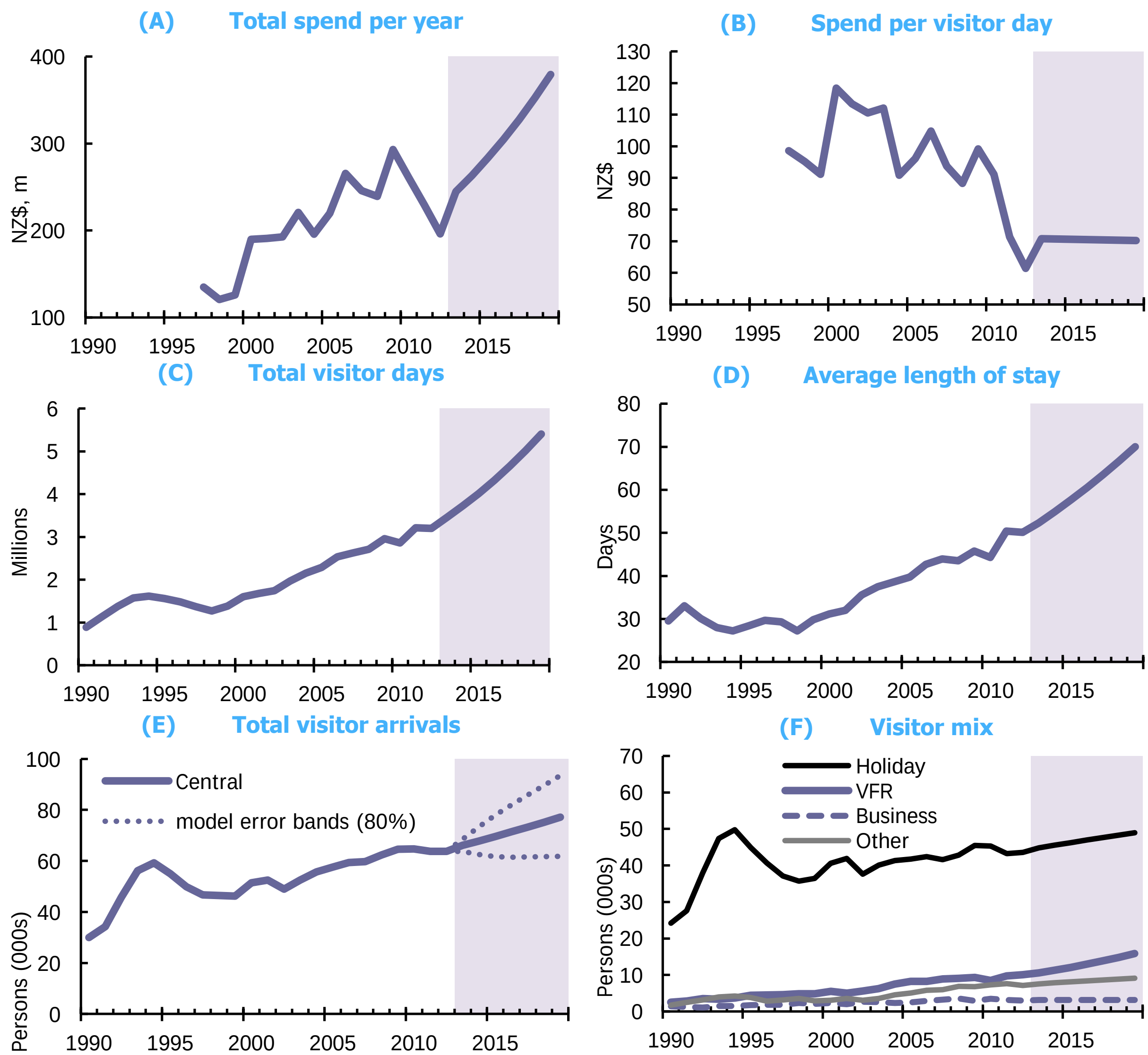


Table 5 Forecasts and growth rates: Germany

									Growth		
Year	2012	2013	2014	2015	2016	2017	2018	2019	2005-12	2012-19	CAGR[4]
Total spend ($m)	196	245	263	283	305	328	353	379	-26%	55%	9.9%
Total visitors (000s)	64	66	68	70	71	73	75	77	7%	17%	2.7%
Total Days (000s)	3,197	3,459	3,725	4,013	4,322	4,655	5,014	5,401	26%	56%	7.8%
Spend per day	61	71	71	71	70	70	70	70	-41%	-1%	1.9%
Length of stay	50.1	52.3	54.9	57.7	60.5	63.5	66.7	70.0	17%	34%	4.9%

Notes: 1. GDP per capita, constant USD; 2. 2011 outbound visitors; 3. Ranking according to global tourist expenditure; 4. Compound Average Growth Rate per year (2012-19).

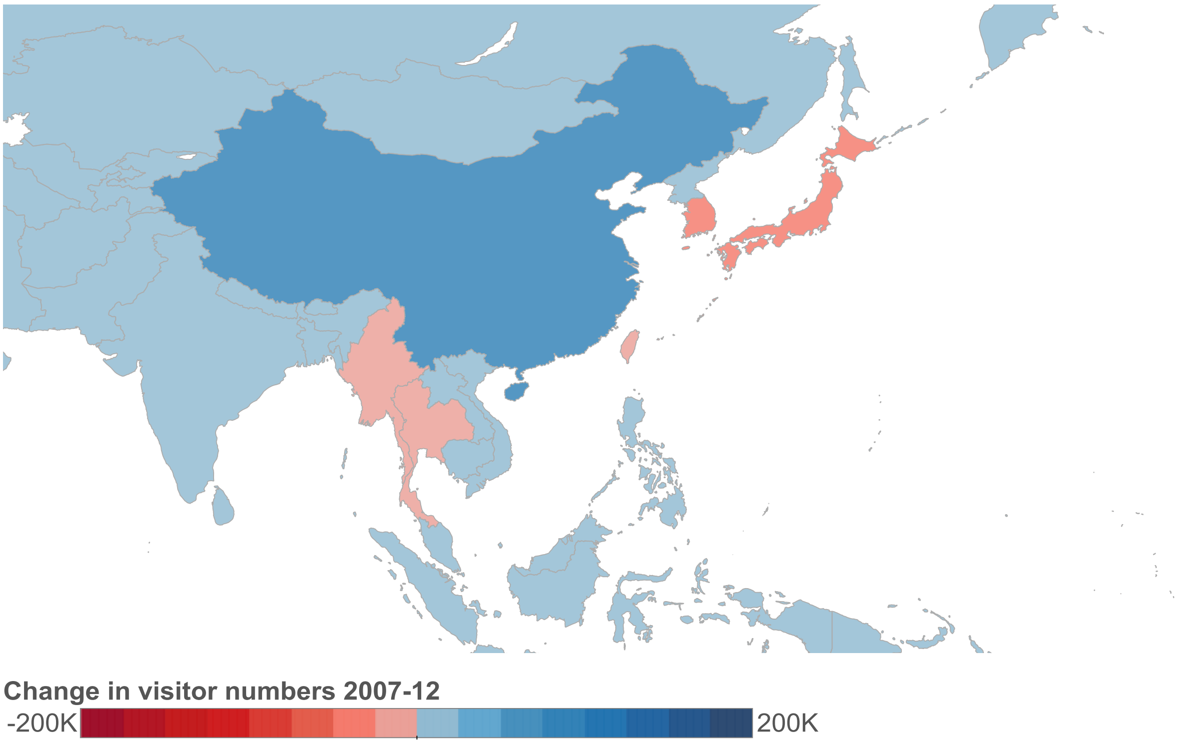
Source: MBIE, Statistics New Zealand, World Bank, World Tourism Organisation

6.3. Asia

The Asian economies are growing strongly – helped by trade in the region and a reviving US economy. China is growing rapidly and is now the second largest tourism market by spend. The traditional markets of Japan and Korea are stabilising after sharp falls in recent years. A number of other emerging economies like Malaysia, India and Indonesia are showing rapid growth.

Figure 21 Emerging markets growing strongly but advanced markets declining

Change in visitor numbers 2007-12



Source: Statistics New Zealand

6.3.1. China

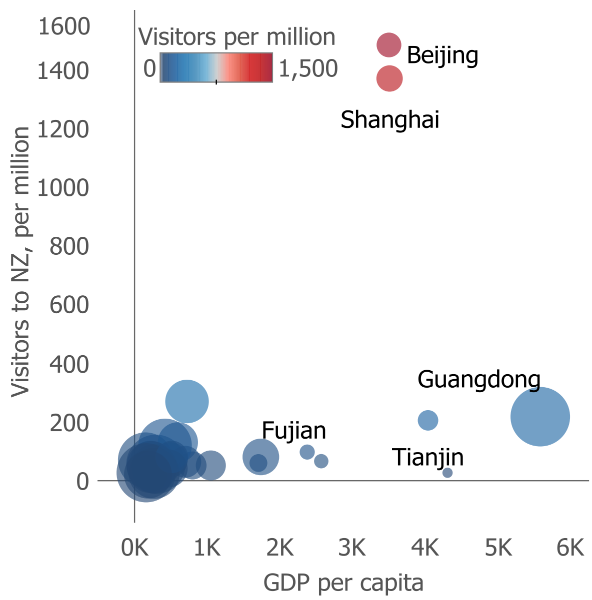
China's visitor market is growing strongly. Visitor spending rose by $194m to $651m in 2012. The increase alone is bigger than the total spending by Korean visitors. The total spend is now the second largest after Australia. There are some worries about near term growth as the European recession reduces demand for Chinese exports. The structural story is undoubtedly a positive one, underpinned by a growing middle class in a vast country.

Forecasts and drivers

- Chinese visitor numbers are soaring. This is the 'sweet spot' of income growth, previously seen with Japanese and Korean visitors. A swelling middle class will travel more. Visitor numbers will likely double by 2019 and spend per day is now forecast to grow strongly based on strong growth in spending by holidaymakers in the latter half of 2012. Recent data to March 2013 shows spending increased 42 percent compared to March 2012.
- The composition of visitors is quite different from mature markets like Japan. Visitors are more middle aged than Japan, where the visitors tend to be quite young or quite old.
- The Chinese economy is growing strongly. The pace of growth may not be as strong over the next 10 years, as the economy matures from export and investment driven growth, to internal consumption and services. Modernisation of the economy beyond the already developed coastal cities will drive long term economic growth in China.
- Visitor penetration in some relatively developed and large cities like Guangdong is still very low. Continued expansion of the middle class in China will be a key source of visitors for New Zealand for the foreseeable future.

Figure 22 Big opportunities for growth from Chinese provinces

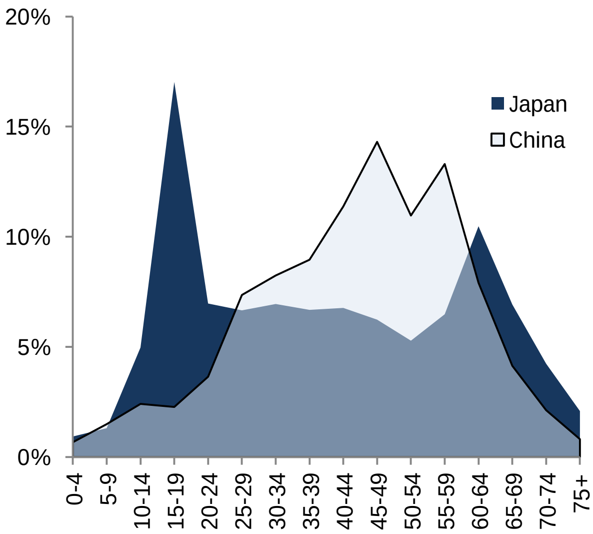
Number of visitors to NZ per million, vertical axis; GDP per capita, horizontal axis; bubble size = population



Source: Statistics New Zealand, National Bureau of Statistics of China

Figure 23 Compared with Japan visitors from China tend to be middle-aged

Visitors by age group, China and Japan, % of total in 2012



Source: Statistics New Zealand

Forecasts	2012	2019		Key Market Characteristics		% NZ mkt (spend)
Total spend ($m)	651	1,220	↑	GDP per capita:[1]	6,076	12%
Total Visitors (000s)	197	448	↑	Population:	1,354m	
Total Days (millions)	3.2	4.3	↑	Outbound market:[2]	15.4m	
Average stay days	16.0	9.7	↓	Global market ranking:[3]	3rd	
Ave. spend per day	$206.1	$280.6	↑	Distance to New Zealand:	9,346km	

Figure 24 Summary of forecasts: China

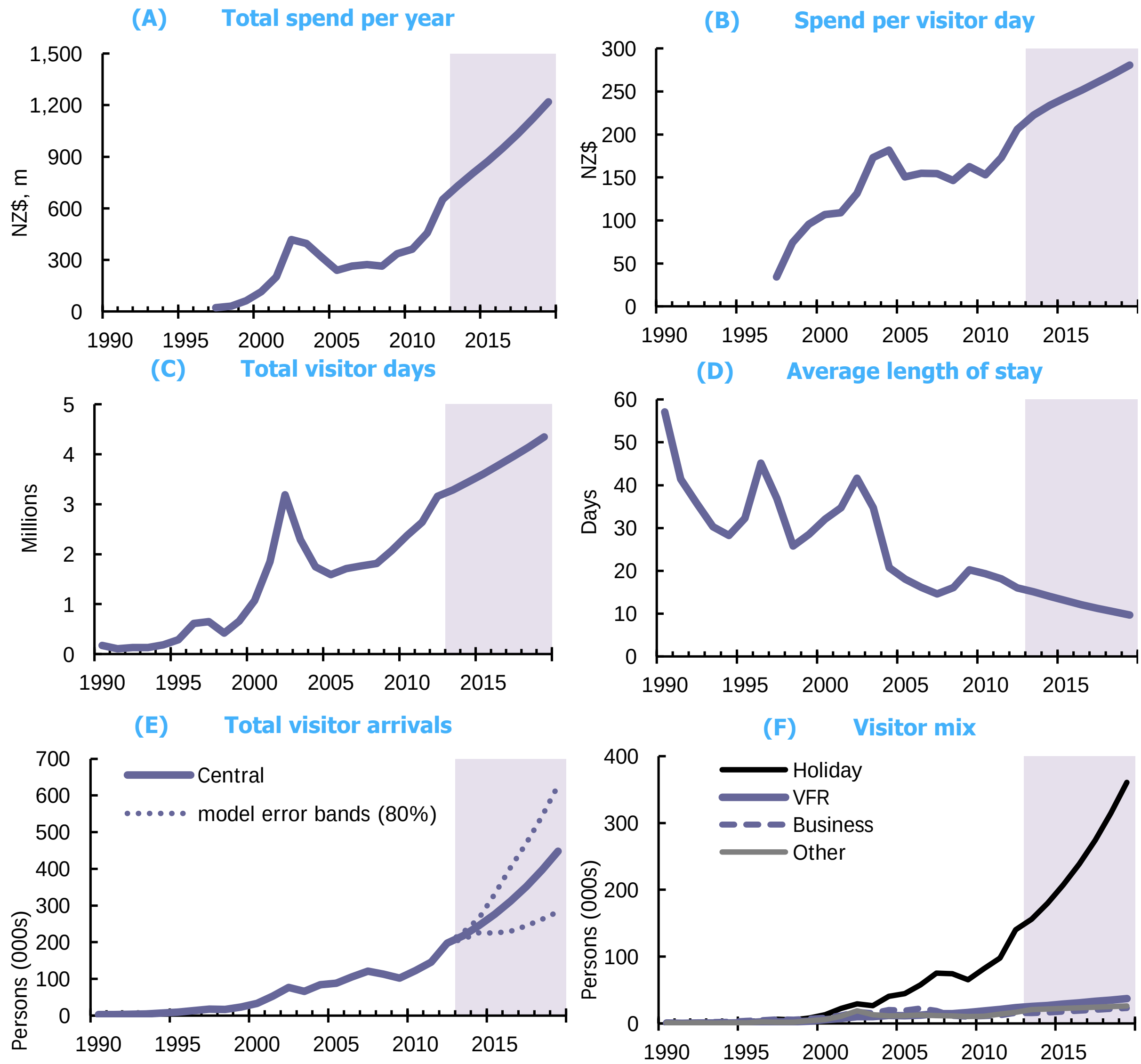


Table 6 Forecasts and growth rates: China

									Growth		
Year	2012	2013	2014	2015	2016	2017	2018	2019	2005-12	2012-19	CAGR[4]
Total spend ($m)	651	730	803	875	951	1,033	1,123	1,220	172%	87%	9.4%
Total visitors (000s)	197	217	245	276	312	352	397	448	124%	127%	12.4%
Total Days (000s)	3,159	3,283	3,440	3,605	3,778	3,959	4,149	4,347	99%	38%	4.7%
Spend per day	206	222	234	243	252	261	271	281	37%	36%	4.5%
Length of stay	16.0	15.1	14.0	13.0	12.1	11.3	10.5	9.7	-11%	-39%	-6.9%

Notes: 1. GDP per capita, constant USD; 2. 2011 outbound visitors; 3. Ranking according to global tourist expenditure; 4. Compound Average Growth Rate per year (2012-19).

Source: MBIE, Statistics New Zealand, World Bank, World Tourism Organisation

6.3.2. Japan

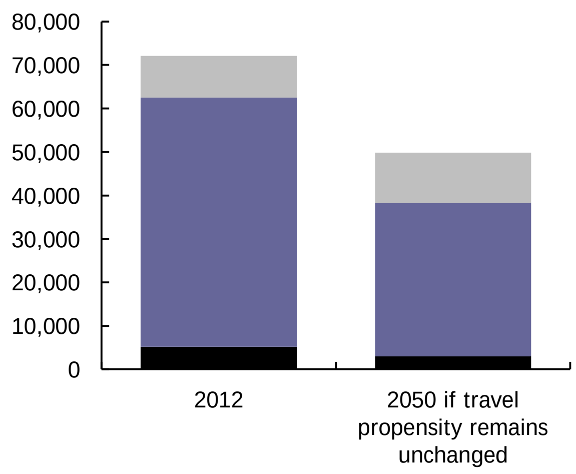
Japanese visitor numbers are stabilising. But the outlook is mixed. A re-energised government is actively devaluing the Yen and trying to reflate the economy. There are questions marks on how long it will take to spark a sustained revival in a long moribund economy. If the government is successful in creating inflation, it is not yet clear how savers, whose savings will be eroded, will react. In the meantime, the Yen is depreciating rapidly. So Japanese visitors may feel more optimistic about an economically focussed political leadership, but their Yen will not go as far if they come to New Zealand.

Forecasts and drivers

- Japanese visitor numbers have stabilised, after steep declines for many years. An ageing population, slow economic growth and an increase in intra-Asian travel reduced the number of travellers to New Zealand.
- The outlook is perhaps getting a little brighter. The new government is urgently trying to spark a sustained economic revival and generate inflation. They have rapidly increased the money supply. It is not yet clear what the new money will be used for and if it will create sustainable increases in jobs, incomes and inflation.
- There are question marks on the effectiveness of increasing inflation – which reduces the savings of retirees – to stimulate the economy with an old and ageing population.
- The most immediate reaction has been a sharp depreciation in the Yen. This will reduce the purchasing power of Japanese visitors. Japanese visitors spent a total of $273m in 2012, when the exchange rate was 65 Yen to NZ$1. In March, the Yen had depreciated to 84. Holding all else constant, the depreciation will reduce Japanese spending by $58m to $215m in 2013.
- Over the longer term, an ageing population is a risk for the Japanese market. Japan's older population (over 65) and visits to New Zealand will grow, but this will be more than offset by contraction in the under 65 population (nearly 40% by 2050) who are less likely to visit.

Figure 25 Demographics suggest the size of the Japanese market will decline

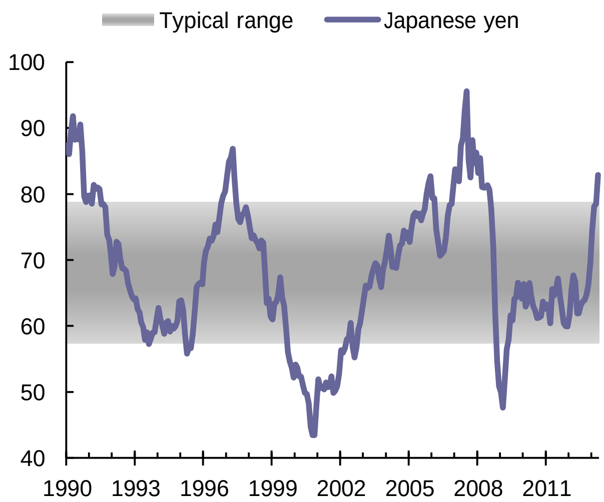
Number of visitors, current and possible impact of ageing



Source: Statistics New Zealand, Japan Statistics Bureau

Figure 26 Big Yen depreciation reduces spend

NZD/JPY exchange rate, JPY for NZ$1



Source: RBNZ

Forecasts	2012	2019	Key Market Characteristics	
Total spend ($m)	273	106	GDP per capita:[1]	46,736
Total Visitors (000s)	72	61	Population:	127.6m
Total Days (millions)	1.3	1.0	Outbound market:[2]	15.5m
Average stay	18.4	15.6	Global market ranking:[3]	6th
Ave. spend per day	$206.0	$111.1	Distance to New Zealand:	8,810km

% NZ mkt (spend)

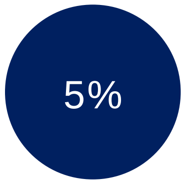


Figure 27 Summary of forecasts: Japan

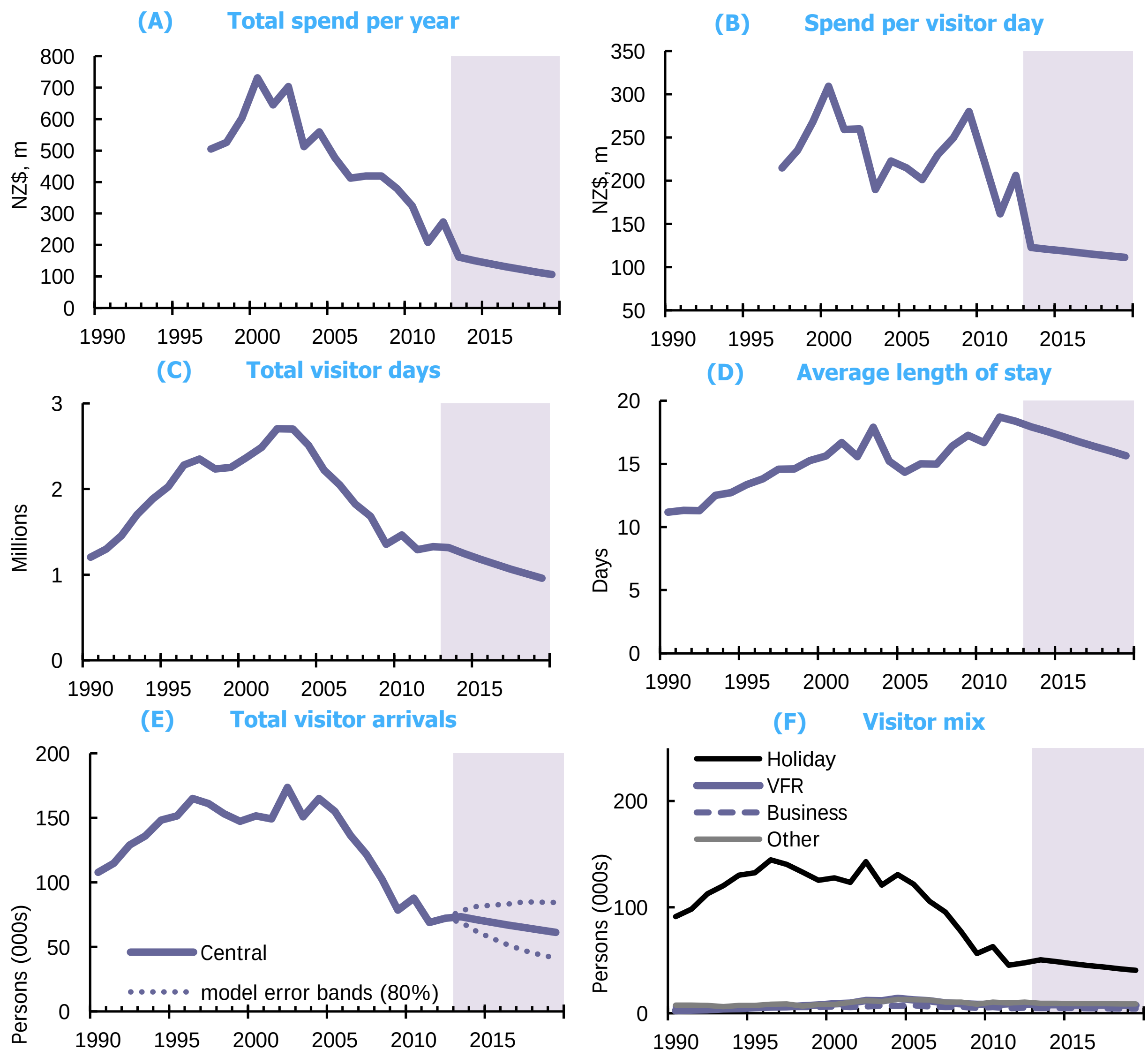


Table 7 Forecasts and growth rates: Japan

									Growth		
Year	2012	2013	2014	2015	2016	2017	2018	2019	2005-12	2012-19	CAGR[4]
Total spend ($m)	273	161	150	140	131	122	114	106	-34%	-34%	-12.6%
Total visitors (000s)	72	73	71	69	67	65	63	61	-47%	-17%	-2.3%
Total Days (000s)	1,325	1,314	1,247	1,182	1,122	1,064	1,009	957	-35%	-27%	-4.5%
Spend per day	206	123	121	119	117	115	113	111	2%	-9%	-8.4%
Length of stay	18.4	17.9	17.6	17.2	16.8	16.4	16.0	15.6	23%	-13%	-2.3%

Notes: 1. GDP per capita, constant USD; 2. 2011 outbound visitors; 3. Ranking according to global tourist expenditure; 4. Compound Average Growth Rate per year (2012-19).

Source: MBIE, Statistics New Zealand, World Bank, World Tourism Organisation

6.3.3. Korea

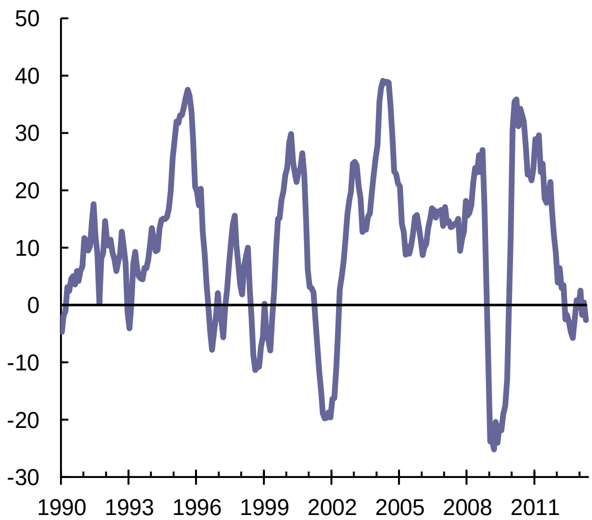
Korean visitor numbers have stabilised. The Korean economy has rebounded from the worst of the GFC. Exports – the mainstay of the Korean economy – have been growing, but not as strongly as before the GFC. Escalating tensions with North Korea could make Koreans reticent to travel.

Forecasts and drivers

- Korean visitor numbers have stabilised. The economic outlook is positive, but fragile. Exports, a key driver of the Korean economy, are barely growing after a strong rebound from the GFC. A weakening Korean Won is also making New Zealand a less affordable destination.
- Over the next 1-2 years visitor spending will stabilise around current levels. Over the medium to long term, the market will soften further, as the population ages.
- The Korean experience through the Asian financial crisis is interesting. Visitor numbers slumped through the crisis, but rebounded strongly afterwards. This is a lesson for analysing other strongly growing markets. Cyclical headwinds matter, but long run trends will reassert over time. In Korea, ageing is a structural force, while newly industrialising economies are about rising incomes.

Figure 28 Export growth declining

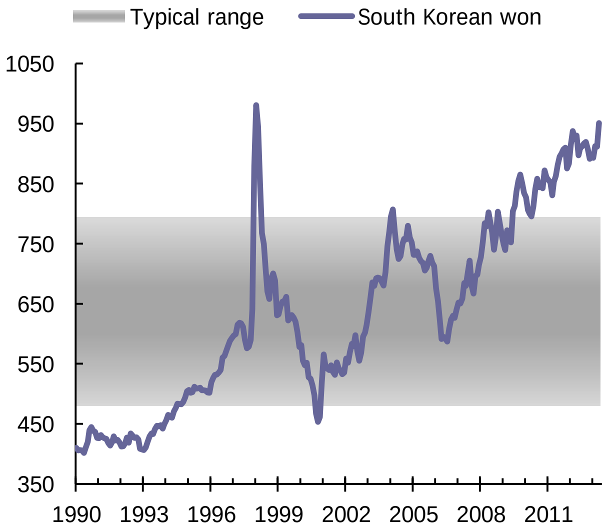
Korean export growth, annual % change, 3 month average



Source: DataStream

Figure 29 Despite a weakening won

Won per NZ$1



Source: RBNZ

Forecasts	2012	2019	Key Market Characteristics		% NZ mkt (spend)
Total spend ($m)	156	181	GDP per capita:[1]	23,113	3%
Total Visitors (000s)	53	56	Population:	50.0m	
Total Days (millions)	1.1	1.0	Outbound market:[2]	14.7m	
Average stay	20.2	17.2	Global market ranking:[3]	15th	
Ave. spend per day	$146.5	$189.0	Distance to New Zealand:	9,595km	

Figure 30 Summary of forecasts: Korea

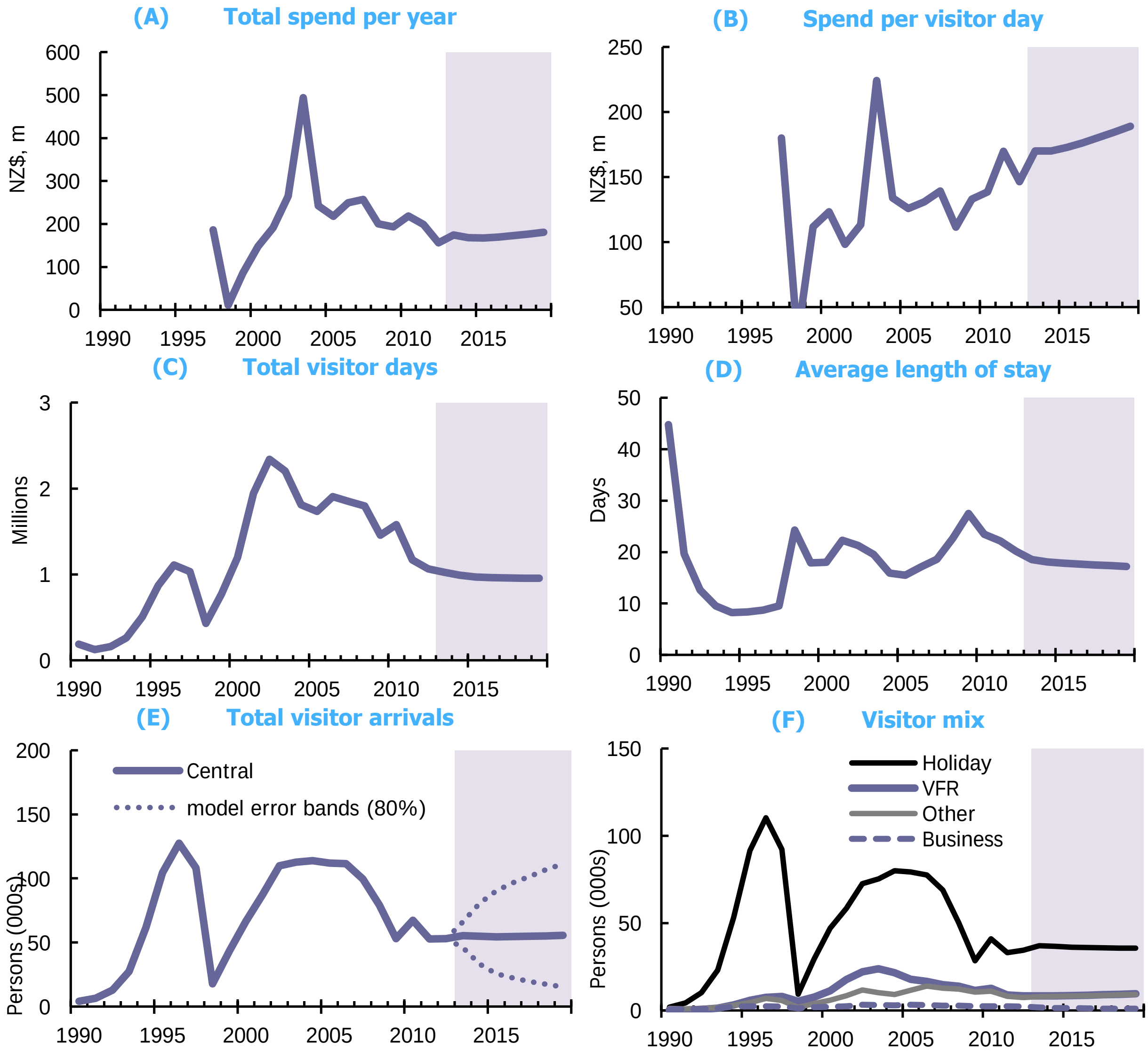


Table 8 Forecasts and growth rates: Korea

									Growth		
Year	2012	2013	2014	2015	2016	2017	2018	2019	2005-12	2012-19	CAGR[4]
Total spend ($m)	156	175	168	168	170	173	177	181	-28%	16%	2.1%
Total visitors (000s)	53	55	55	54	55	55	55	56	-53%	5%	0.7%
Total Days (000s)	1,066	1,027	990	971	962	958	957	956	-38%	-10%	-1.6%
Spend per day	146	170	170	173	176	180	185	189	16%	29%	3.7%
Length of stay	20.2	18.5	18.1	17.8	17.6	17.5	17.3	17.2	30%	-15%	-2.2%

Notes: 1. GDP per capita, constant USD; 2. 2011 outbound visitors; 3. Ranking according to global tourist expenditure; 4. Compound Average Growth Rate per year (2012-19.

Source: MBIE, Statistics New Zealand, World Bank, World Tourism Organisation

6.4. Other

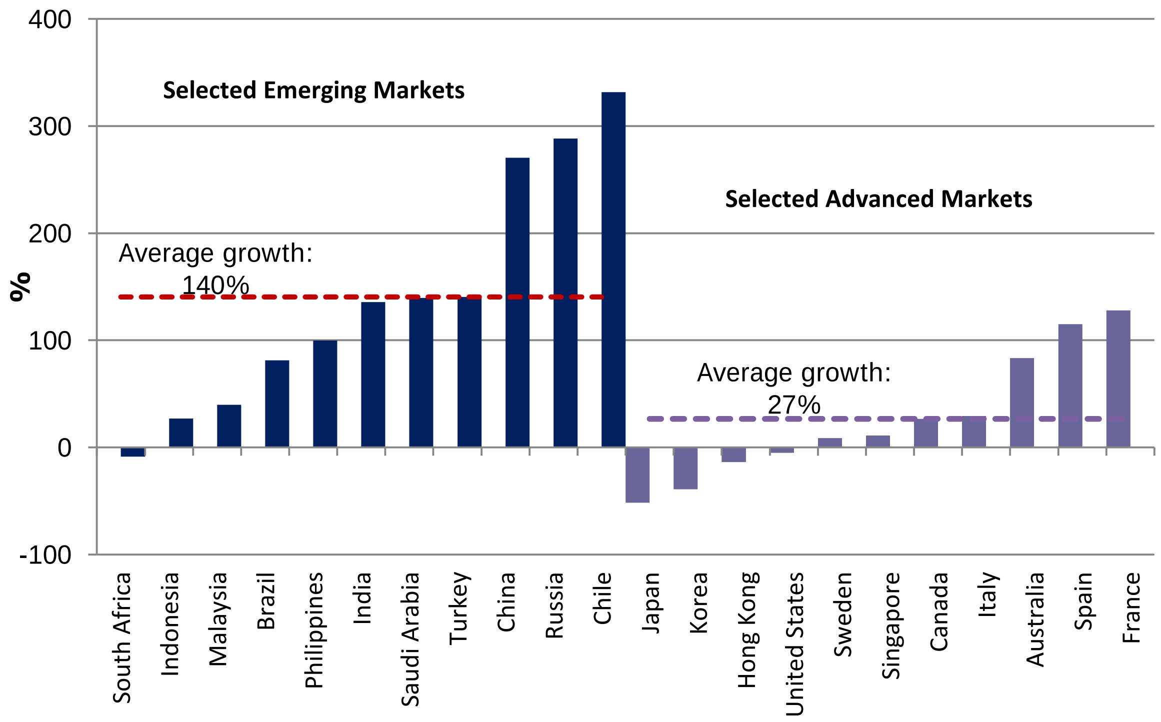
Visitor numbers from emerging markets have grown despite the GFC. Visitor numbers from China are soaring and others starting from a small base are growing strongly. India, Indonesia, Philippines and Vietnam have been strong in recent years. There is growth in visitor numbers from Latin America, also from a small base. Industrialising and urbanising economies, particularly in Asia, are a significant long term opportunity for New Zealand.

Forecasts and drivers

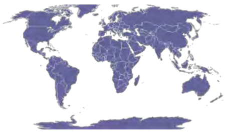
- Outside of the eight top markets, visitor spending has been volatile but relatively resilient through the GFC. The global economy has largely recovered from the GFC, but growth has been concentrated in emerging markets, while the advanced economies have been trapped in a slow grind. Figure 31 shows growth for emerging markets has been much stronger than advanced economies.
- The short term outlook for visitors can be broadly split into the emerging and advanced economies. The European sovereign debt crisis will lower visitor numbers and spending. This could dampen spending in emerging markets, which tend to be reliant on exports for economic growth.
- Over the longer term, the market drivers of visitor spending and numbers will be strongest from emerging markets like India, Malaysia and Vietnam, which are urbanising and industrialising, have expanding middle classes and a large and young population. Other examples also include Indonesia, Brazil and Mexico. Policy should focus on delivering the growth potential of these emerging markets.

Figure 31 Emerging markets growth trumps advanced markets over the past decade

Cumulative growth in visitors numbers 2003-12



Source: MBIE, World Bank



Forecasts	2012	2019	Next top 5 Visitors Markets, 2011		% NZ mkt (spend)
Total spend ($m)	1,526	1,749 ↑	Singapore	38,680	
Total Visitors (000s)	599	621 ↑	France	36,607	
Total Days (millions)	17.8	20.7 ↑	Malaysia	35,011	
Average stay	29.7	33.3 ↑	India	28,262	
Ave. spend per day	$85.9	$84.6 ↓	South Africa	26,286	

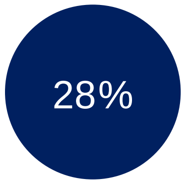


Figure 32 Summary of forecasts: Other

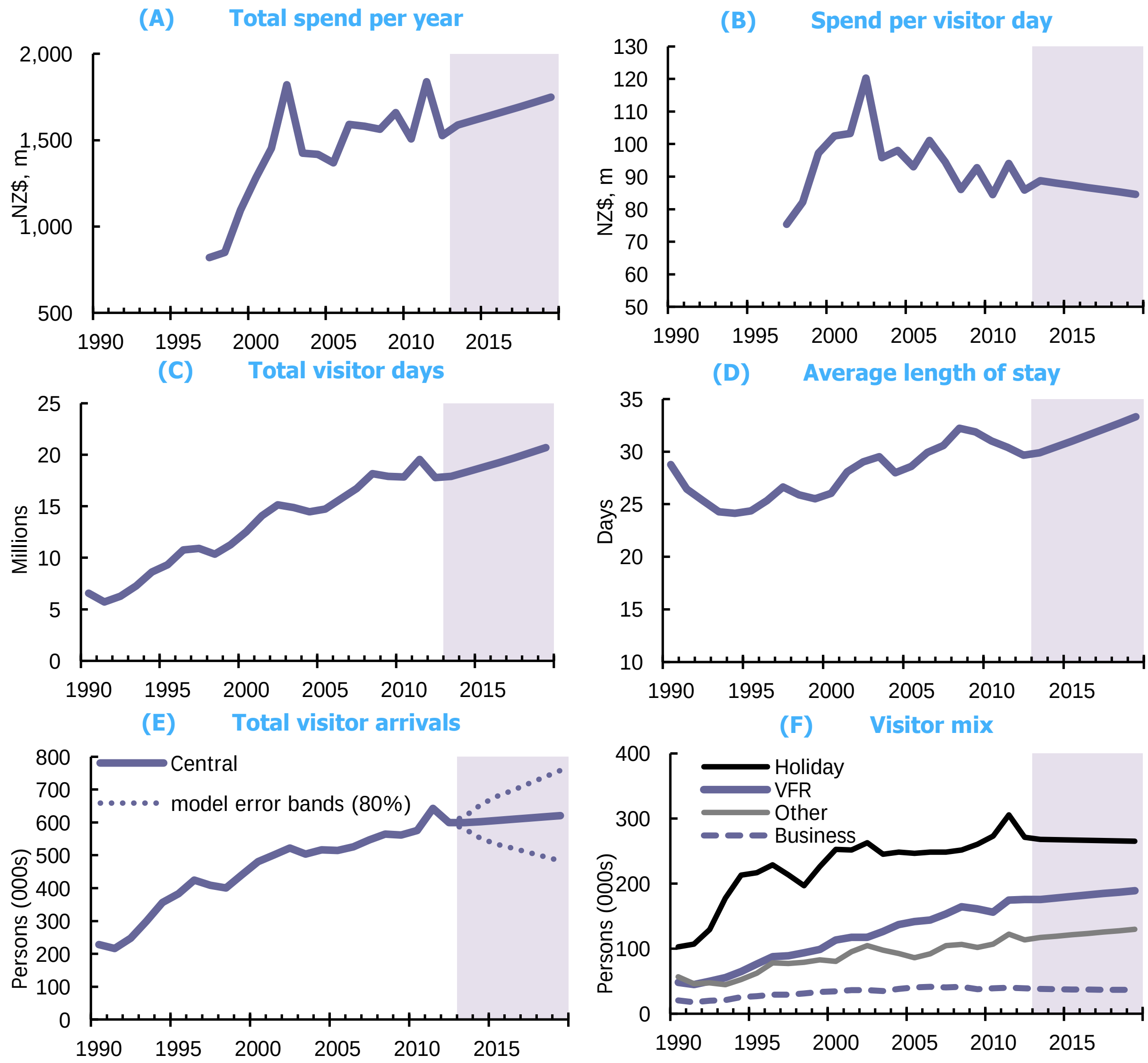


Table 9 Forecasts and growth rates: Other

									Growth		
Year	2012	2013	2014	2015	2016	2017	2018	2019	2005-12	2012-19	CAGR[4]
Total spend ($m)	1,526	1,587	1,614	1,640	1,667	1,694	1,721	1,749	11%	15%	2.0%
Total visitors (000s)	599	599	602	606	610	613	617	621	16%	4%	0.5%
Total Days (000s)	17,776	17,894	18,331	18,778	19,235	19,704	20,184	20,676	21%	16%	2.2%
Spend per day	86	89	88	87	87	86	85	85	-8%	-1%	-0.2%
Length of stay	29.7	29.9	30.4	31.0	31.5	32.1	32.7	33.3	4%	12%	1.7%

Notes: 1. GDP per capita, constant USD; 2. 2011 outbound visitors; 3. Ranking according to global tourist expenditure; 4. Compound Average Growth Rate per year (2012-19).

Source: MBIE, Statistics New Zealand, World Bank, World Tourism Organisation

7. Risks to the outlook

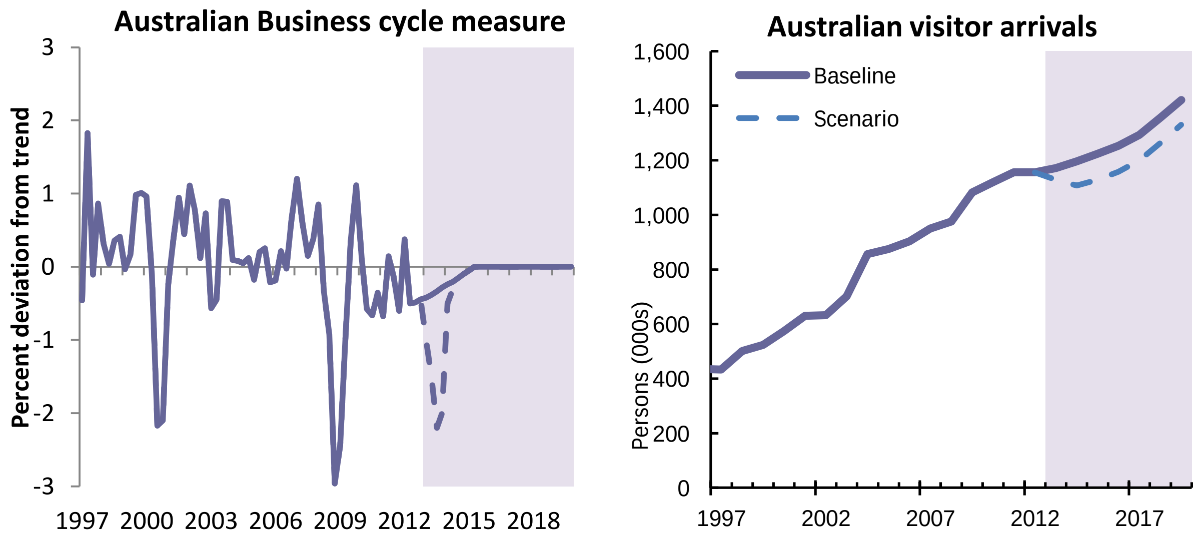
Developing scenarios helps explain the risks around the forecasts. Here we show the impact of two scenarios: (i) a much weaker Australian economy that reduces visitors from our largest market and (ii) a return to strong economic growth in Japan that comes with a much stronger Yen.

7.1. A weaker Australian economy

Deterioration in Australia's terms of trade has taken the gloss off Australia's recent growth performance and Australian house prices look overvalued. Any correction is likely to reduce consumer spending and also travel to New Zealand.

To test the possible impact of a weaker Australian economy our scenario assumes the domestic economy is much weaker than the baseline. How much weaker is the Australian economy in the scenario? The scenario assumes the domestic economy suffers a shock about two-thirds the impact of the GFC. Our model suggests that scenario results in a cumulative 600,000 fewer visits across 2013-2019 relative to the baseline.

Figure 33 A much weaker Australian economy significantly reduces visitors

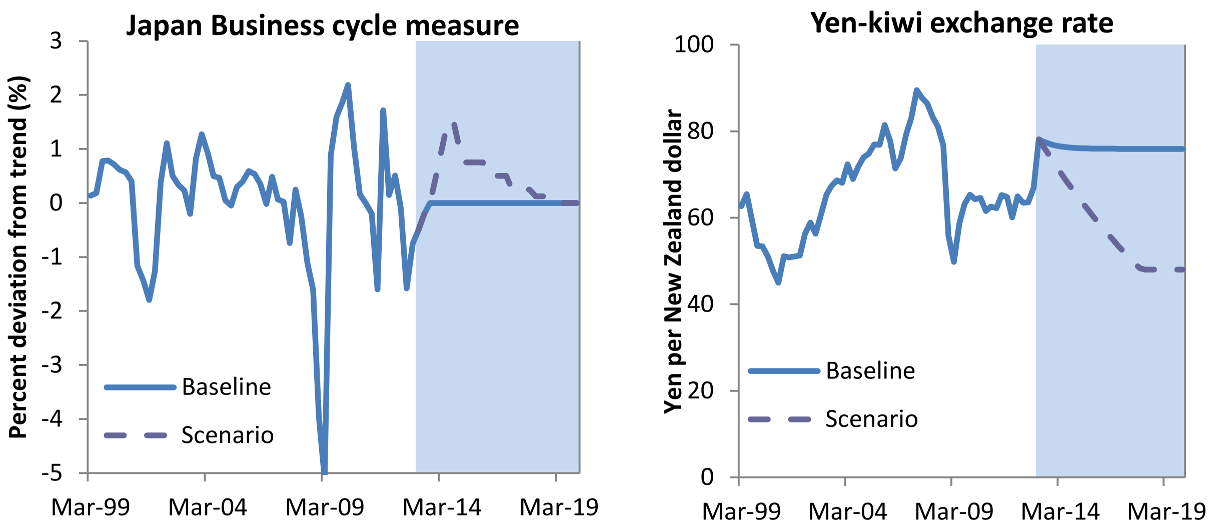


Source: NZIER, Statistics New Zealand

7.2. Recovery in the Japanese economy

Japan's economy has been on a roller-coaster ride. Aggressive monetary easing has carved 25 percent off the value of the Yen while the Nikkei has posted record gains as exporters benefit from improved competitiveness. There are many risks and possibilities for the Japanese economy. Here we consider a scenario where the Japanese economy posts above trend growth that lifts the Yen. The Yen rises to about 50 Yen to the New Zealand dollar – an exchange rate last seen in the late 1990s. Figure 34 shows the scenario in terms of both the domestic economy and the appreciation in the Yen.

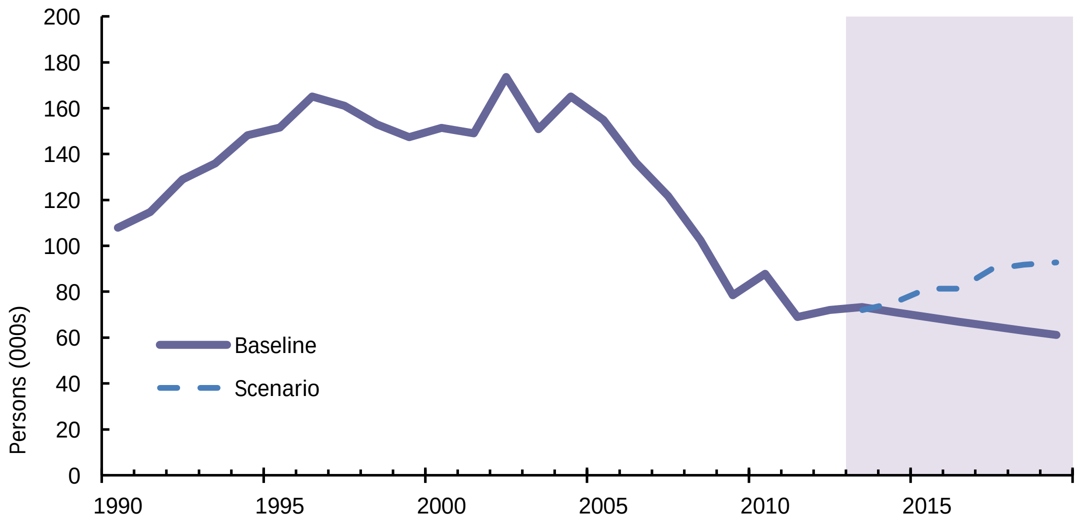
Figure 34 Our scenario combines a strong recovery with an appreciation in the Yen to levels last seen in the late 1990s



Source: Datastream, NZIER

Figure 35 shows that such a scenario produces much stronger growth in Japanese visitors arrivals. By the end of 2019 visitor arrivals are 30,000 higher than under the central scenario.

Figure 35 Recovery scenario would boost Japanese visitor arrivals



Source: Statistics New Zealand, NZIER

8. Technical Committee Adjustments

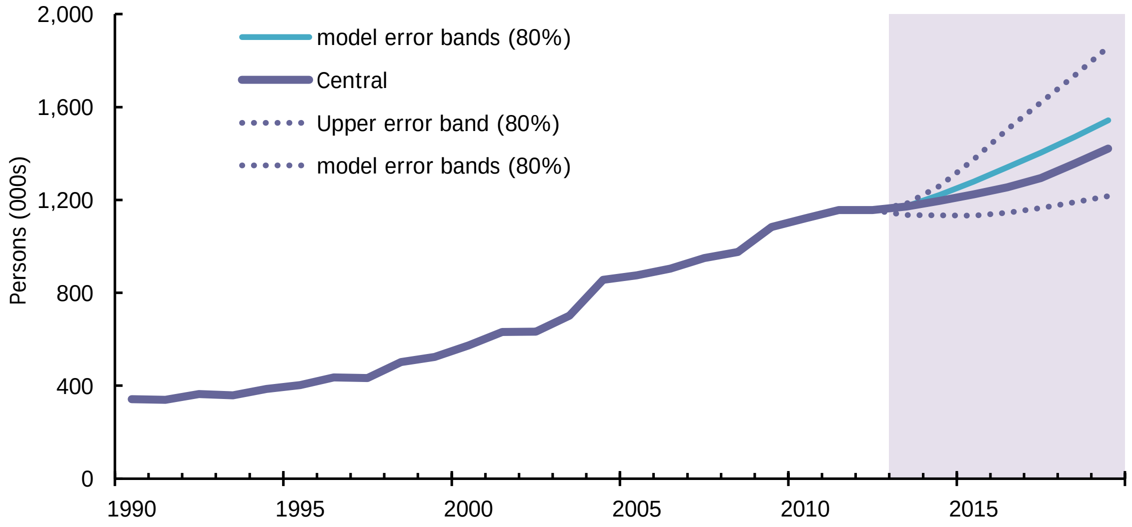
8.1. Australia

The technical committee decided to adopt a lower growth path for visitor numbers relative to NZIER's model shown in Figure 36. That decision reflected a number of factors.

- Capacity constraints exist in Christchurch after the earthquakes. These constraints primarily relate to reduced hotel and backpacker accommodation that is likely to persist for the next 2-3 years. Airline capacity, primarily on trans-Tasman routes has also been reduced. Anecdotally, Australian family holidaymakers appear less likely to visit the South Island after the earthquakes. These earthquake-related factors will reduce visitor arrivals for the region. Queenstown airport is picking up some visitors, offsetting some but not all of the fall in visitor numbers. These capacity constraints are not directly included within NZIER's forecasting model so the committee added judgment to moderate the forecasts.
- In recent years outbound Australian tourists have increased outbound travel to Europe, the US and South-East Asia. These destinations for international travel are at least partly driven by a high Australian dollar. To an extent, the New Zealand market is a competitor with Australian domestic markets for the Australian traveller. That means an appreciating Australian currency has made other international markets more appealing, a trend that is likely to continue.
- The Australian economy also faces the risk of house price declines that will moderate consumer spending. Commodity prices are also weakening with traditional markets like Victoria and New South Wales relatively soft.

Figure 36 Technical committee moderates down the Australian outlook

Error bounds are an 80 percent confidence interval from NZIER's model



Source: NZIER

Table 10 Committee and model-based Australian visitor arrivals forecasts

Year	2012	2013	2014	2015	2016	2017	2018	2019	Growth 12-19	CAGR
Model-based forecast (000s)	1,156	1,171	1,221	1,279	1,340	1,404	1,472	1,543	33%	4.2%
Committee-moderated (000s)	1,156	1,171	1,196	1,224	1,254	1,294	1,356	1,422	23%	3.0%

Source: NZIER

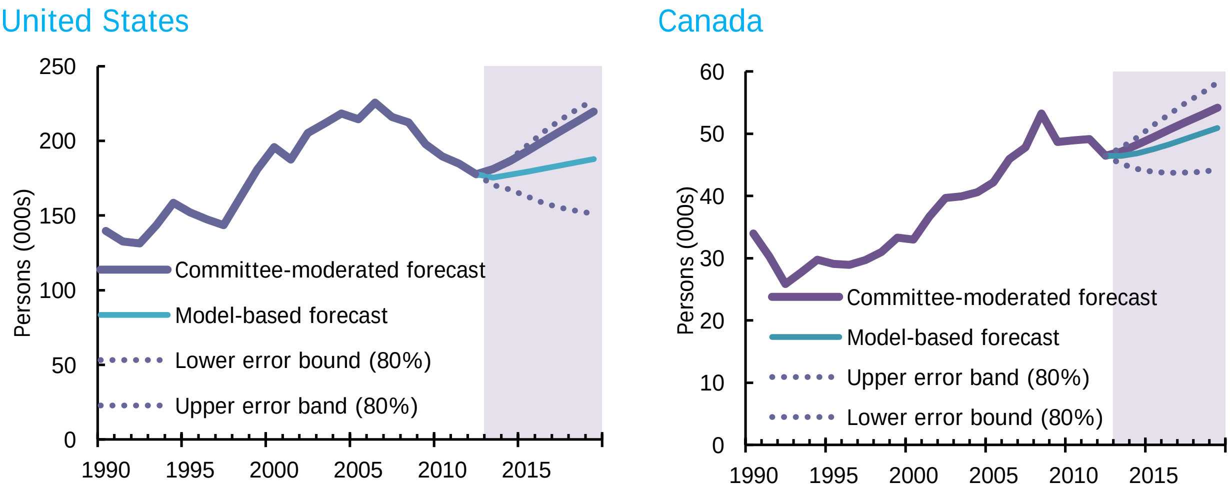
8.2. North America

The technical committee decided to revise up visitor numbers from the United States relative to NZIER's model. That decision reflected three key factors.

1. Stronger outbound flows of New Zealanders not captured in NZIER's model are likely to support capacity into the US market. That capacity increases the frequency of service, reducing the real costs of travel for some inbound visitors who might otherwise choose alternative markets.
2. Recent data after the model forecasts were finalised suggest strength in both the US economy and visitor arrivals. Relative to European peers, the US economy has gone through much of the structural adjustment in labour and housing markets that better positions the US economy for growth. The adjusted forecast track adopted by the technical committee more closely reflects the growth for the US economy in the IMF's April 2013 World Economic Outlook.
3. The technical committee also moderately increased forecast visitor arrivals growth for Canada. That decision reflects similar factors relating to increased capacity and growth in the US economy. Downside risks to the Canadian economy from an overheated housing market precluded a more aggressive revision of growth in Canadian visitor numbers.

Figure 37 Technical committee revised up visitors from the US and Canada

Error bounds are an 80 percent confidence interval from NZIER's model



Source: Statistics New Zealand, NZIER

Table 11 Committee and model-based North American visitor arrivals forecasts

United States									**Growth**	
Year	2012	2013	2014	2015	2016	2017	2018	2019	12-19	CAGR
Model-based forecast (000s)	178	175	177	179	181	184	186	188	6%	0.8%
Committee-moderated (000s)	178	181	186	193	200	206	213	220	24%	3.1%

Canada									**Growth**	
Year	2012	2013	2014	2015	2016	2017	2018	2019	12-19	CAGR
Model-based forecast (000s)	46	46	47	48	48	49	50	51	10%	1.3%
Committee-moderated (000s)	46	47	48	49	51	52	53	54	17%	2.2%

Source: NZIER

Appendix A: Comparison with 2012-2018 forecasts

The following are the key differences between the 2013-2019 forecasts and the 2012-2018 forecasts:

- Australian visitor number forecasts are lower than in the previous forecast. This is because there is growing consensus of a slower growth outlook for Australia.
- For UK, spend per day is forecast to be lower compared to the previous forecast due to the prolonged European sovereign debt crisis. It will take some time before growth returns to normal levels in the UK.
- US forecasts for visitor numbers, total expenditure and the total number of spend days are more optimistic than the previous forecast. This is because the macroeconomic situation in the US is expected to improve. However, spend per day is forecast to be lower than the previous forecast.
- More Chinese visitors are expected than previously forecast. This is likely to result in higher than previously forecast spend per day by Chinese visitors. The Chinese economy is expected to continue growing strongly. In addition, the New Zealand Government has undertaken a number of initiatives to encourage more Chinese visitors to New Zealand. The initiatives are the result of a high-level review of the China tourism market by a panel of New Zealand government and industry experts. While it may be difficult to quantify the impact of these initiatives on Chinese visitor numbers, they are likely to have a positive effect over the coming years.

Appendix B: Detailed tables (2001-2019)

Table 12 Total visitor spend ($million)

Year	Australia	Canada	China	Germany	Japan	Korea	Other	UK	US	Total
2000	858	91	115	190	731	148	1,283	596	756	4,767
2001	946	133	201	191	645	191	1,452	708	768	5,236
2002	934	129	419	193	703	265	1,821	914	762	6,141
2003	1,146	107	396	221	513	494	1,425	876	601	5,779
2004	1,367	122	318	196	559	242	1,417	870	633	5,723
2005	1,360	104	239	220	477	218	1,369	1,019	563	5,569
2006	1,434	133	264	266	412	250	1,591	906	655	5,911
2007	1,610	116	273	246	419	257	1,580	979	667	6,147
2008	1,591	141	265	239	419	200	1,563	912	617	5,947
2009	1,776	141	337	293	379	193	1,660	812	597	6,187
2010	1,639	145	363	261	324	219	1,507	670	468	5,595
2011	1,669	122	457	229	209	199	1,838	593	447	5,763
2012	1,637	98	651	196	273	156	1,526	469	416	5,423
2013f	1,638	105	730	245	161	175	1,587	479	419	5,539
2014f	1,650	103	803	263	150	168	1,614	439	428	5,620
2015f	1,678	104	875	283	140	168	1,640	417	439	5,743
2016f	1,710	105	951	305	131	170	1,667	401	449	5,888
2017f	1,759	105	1,033	328	122	173	1,694	389	460	6,062
2018f	1,837	106	1,123	353	114	177	1,721	378	469	6,277
2019f	1,919	107	1,220	379	106	181	1,749	367	480	6,507

Source: Statistics New Zealand, NZIER

Table 13 Total visitor days (thousands)

Year	Australia	Canada	China	Germany	Japan	Korea	Other	UK	US	Total
2000	7,389	889	1,074	1,604	2,364	1,198	12,517	5,874	3,028	35,936
2001	8,110	929	1,847	1,681	2,487	1,946	14,068	6,475	3,198	40,741
2002	8,359	1,092	3,187	1,743	2,704	2,340	15,142	7,532	3,552	45,651
2003	9,153	1,123	2,289	1,969	2,701	2,202	14,872	8,373	3,799	46,482
2004	10,412	1,147	1,747	2,153	2,511	1,811	14,460	8,750	3,949	46,939
2005	10,404	1,189	1,588	2,285	2,220	1,733	14,722	9,113	3,934	47,188
2006	10,901	1,332	1,709	2,533	2,047	1,907	15,733	8,895	4,049	49,106
2007	11,124	1,182	1,767	2,624	1,822	1,848	16,726	8,601	3,950	49,644
2008	11,439	1,308	1,811	2,710	1,681	1,796	18,168	8,482	3,783	51,177
2009	11,963	1,209	2,070	2,955	1,353	1,456	17,902	7,629	3,624	50,161
2010	12,779	1,275	2,372	2,862	1,464	1,578	17,850	6,849	3,472	50,501
2011	12,277	1,347	2,642	3,211	1,291	1,171	19,543	6,652	3,493	51,626
2012	12,154	1,118	3,159	3,197	1,325	1,066	17,776	5,669	3,269	48,734
2013f	12,265	1,142	3,283	3,459	1,314	1,027	17,894	5,363	3,269	49,016
2014f	12,268	1,189	3,440	3,725	1,247	990	18,331	5,128	3,397	49,717
2015f	12,303	1,225	3,605	4,013	1,182	971	18,778	5,024	3,568	50,668
2016f	12,347	1,256	3,778	4,322	1,122	962	19,235	4,973	3,743	51,738
2017f	12,491	1,284	3,959	4,655	1,064	958	19,704	4,944	3,923	52,982
2018f	12,834	1,308	4,149	5,014	1,009	957	20,184	4,925	4,107	54,486
2019f	13,186	1,332	4,347	5,401	957	956	20,676	4,911	4,299	56,064

Source: Statistics New Zealand, NZIER

Table 14 Total visitor arrivals (thousands)

Year	Australia	Canada	China	Germany	Japan	Korea	Other	UK	US	Total*
2000	574	33	34	51	151	67	481	200	196	1,787
2001	631	37	53	52	149	87	501	212	187	1,909
2002	632	40	77	49	174	110	522	237	205	2,045
2003	702	40	66	53	151	113	504	265	212	2,104
2004	856	41	84	56	165	114	517	284	218	2,334
2005	875	42	88	58	155	112	515	307	215	2,366
2006	904	46	106	59	136	111	526	295	226	2,409
2007	950	48	121	60	122	99	547	293	216	2,455
2008	976	53	112	62	102	79	564	285	212	2,447
2009	1,083	49	102	65	78	53	562	258	198	2,448
2010	1,120	49	123	65	88	67	576	234	190	2,511
2011	1,156	49	146	64	69	53	643	230	185	2,594
2012	1,156	46	197	64	72	53	599	190	178	2,555
2013f	1,171	47	217	66	73	55	599	177	181	2,588
2014f	1,196	48	245	68	71	55	602	171	186	2,643
2015f	1,224	49	276	70	69	54	606	169	193	2,711
2016f	1,254	51	312	71	67	55	610	168	200	2,787
2017f	1,294	52	352	73	65	55	613	168	206	2,878
2018f	1,356	53	397	75	63	55	617	169	213	2,998
2019f	1,422	54	448	77	61	56	621	169	220	3,127

Source: Statistics New Zealand, NZIER

* To ensure country totals sum to total visitors from all countries, "Total visitors" matches Statistics New Zealand's "counts from a sample" measure.

Table 15 Total business arrivals

Year	Australia	Canada	China	Germany	Japan	Korea	Other	UK	US	Total
2000	113,935	2,574	8,833	2,342	6,391	2,185	34,393	9,268	20,718	200,639
2001	118,942	2,699	12,488	1,993	5,669	2,473	36,486	9,239	17,631	207,620
2002	117,115	1,924	17,917	2,640	6,452	3,384	36,530	9,068	18,917	213,947
2003	124,395	2,187	15,460	2,590	7,106	3,117	34,789	9,392	18,524	217,560
2004	146,029	2,386	20,253	2,298	6,987	2,925	38,291	9,845	19,807	248,821
2005	150,133	2,548	19,508	2,492	7,522	3,301	40,411	11,607	21,649	259,171
2006	156,978	2,745	22,882	2,905	6,376	3,130	41,390	12,310	21,373	270,089
2007	161,868	2,755	18,929	3,244	5,658	2,792	40,479	12,030	20,120	267,875
2008	155,494	2,164	11,612	3,556	6,061	2,824	41,320	11,520	19,845	254,396
2009	143,277	2,344	10,124	2,933	5,014	2,408	37,891	10,208	17,188	231,387
2010	155,053	2,460	10,808	3,468	5,892	2,449	39,315	10,211	19,678	249,334
2011	154,317	2,562	12,474	3,135	4,685	2,518	40,125	10,398	19,589	249,803
2012	153,712	2,704	15,728	3,040	5,232	2,304	39,088	9,744	19,536	251,088
2013f	156,011	2,819	15,274	3,133	5,028	1,798	37,982	9,230	19,664	250,938
2014f	154,898	2,891	16,432	3,137	4,899	1,515	37,719	8,942	19,878	250,311
2015f	154,386	2,954	17,656	3,146	4,778	1,359	37,493	8,807	20,169	250,748
2016f	154,062	3,017	18,945	3,153	4,659	1,248	37,268	8,750	20,434	251,536
2017f	154,957	3,076	20,302	3,161	4,544	1,156	37,041	8,725	20,678	253,640
2018f	158,244	3,133	21,731	3,164	4,430	1,074	36,810	8,708	20,896	258,190
2019f	161,553	3,192	23,234	3,167	4,319	1,000	36,580	8,694	21,109	262,849

Source: Statistics New Zealand, NZIER

Table 16 Total holiday arrivals

Year	Australia	Canada	China	Germany	Japan	Korea	Other	UK	US	Total
2000	208,429	17,349	13,087	40,561	127,630	47,048	252,682	97,631	124,831	929,248
2001	242,130	21,120	22,487	41,927	123,539	58,518	251,847	108,801	119,057	989,426
2002	242,936	24,389	29,488	37,622	143,004	72,583	262,900	128,205	132,781	1,073,908
2003	274,099	23,987	26,907	40,107	120,846	75,363	245,119	143,238	134,020	1,083,686
2004	340,709	23,574	40,760	41,351	130,912	80,058	248,298	149,918	134,863	1,190,443
2005	338,984	22,822	44,915	41,764	121,796	79,260	246,721	166,362	129,377	1,192,001
2006	350,651	25,873	57,615	42,412	105,751	77,509	248,497	150,088	137,096	1,195,492
2007	375,464	26,895	75,396	41,618	95,552	69,024	248,333	146,741	132,017	1,211,040
2008	382,138	31,345	74,671	42,819	76,677	50,175	251,472	143,800	131,153	1,184,250
2009	457,958	27,767	65,287	45,458	56,402	28,550	260,664	123,949	119,399	1,185,434
2010	461,023	27,420	82,151	45,331	63,042	41,105	272,945	110,386	110,057	1,213,460
2011	456,425	26,791	97,923	43,246	45,423	33,095	305,763	103,064	104,791	1,216,521
2012	433,744	24,736	140,416	43,568	47,664	34,592	271,008	71,936	99,088	1,166,752
2013f	429,401	23,353	155,937	44,824	50,530	37,087	267,923	61,557	98,607	1,169,219
2014f	433,769	23,338	179,885	45,550	48,634	36,712	267,348	57,076	100,783	1,193,095
2015f	438,970	23,585	207,267	46,256	46,899	36,248	266,927	54,254	103,616	1,224,023
2016f	444,329	23,886	238,506	46,955	45,225	36,005	266,488	52,058	106,393	1,259,846
2017f	453,186	24,189	274,109	47,641	43,607	35,879	266,034	50,126	109,114	1,303,884
2018f	469,273	24,458	314,648	48,319	42,044	35,799	265,560	48,317	111,753	1,360,171
2019f	485,769	24,730	360,774	48,982	40,531	35,729	265,067	46,576	114,416	1,422,573

Source: Statistics New Zealand, NZIER

Table 17 Total VFR arrivals

Year	Australia	Canada	China	Germany	Japan	Korea	Other	UK	US	Total
2000	205,433	10,114	5,650	5,500	9,060	11,368	113,180	84,346	31,733	476,384
2001	216,542	10,005	7,336	5,003	9,696	17,712	117,327	84,473	31,636	499,730
2002	219,483	10,402	10,078	5,583	12,137	22,123	117,464	90,743	34,435	522,448
2003	245,569	10,334	10,267	6,263	11,719	23,920	126,279	101,602	36,540	572,493
2004	302,715	11,351	11,889	7,542	14,096	21,670	137,177	111,951	41,579	659,970
2005	311,552	13,171	11,691	8,228	12,691	17,855	141,544	115,722	41,118	673,572
2006	318,809	13,829	12,565	8,246	11,797	16,635	143,907	120,237	44,175	690,200
2007	334,072	13,969	14,710	8,951	9,817	14,778	153,386	122,534	40,737	712,954
2008	359,640	15,083	14,550	9,062	9,077	13,863	164,620	117,329	39,776	743,000
2009	408,910	14,553	16,374	9,330	8,446	11,436	161,380	115,026	42,508	787,963
2010	413,662	14,944	18,841	8,518	8,322	12,635	156,061	104,182	41,175	778,340
2011	449,334	15,240	21,216	9,711	9,048	8,998	174,532	105,872	39,706	833,657
2012	476,080	14,768	23,952	10,048	8,656	8,464	175,808	98,688	40,080	856,544
2013f	491,415	15,564	25,367	10,560	8,243	8,444	175,744	97,039	41,827	874,204
2014f	513,501	16,283	27,158	11,285	8,100	8,472	177,975	96,047	43,730	902,552
2015f	536,900	16,962	29,035	12,090	7,985	8,587	180,213	97,067	46,029	934,867
2016f	561,146	17,633	31,000	12,948	7,870	8,791	182,462	98,991	48,386	969,229
2017f	590,863	18,306	33,055	13,860	7,756	9,041	184,726	101,306	50,805	1,009,718
2018f	631,613	18,968	35,206	14,830	7,643	9,314	187,008	103,787	53,268	1,061,635
2019f	674,943	19,652	37,452	15,862	7,531	9,600	189,302	106,330	55,835	1,116,507

Source: Statistics New Zealand, NZIER

Table 18 Other arrivals

Year	Australia	Canada	China	Germany	Japan	Korea	Other	UK	US	Total
2000	46,065	2,934	5,932	3,048	8,292	5,980	80,739	9,005	18,499	180,494
2001	52,935	2,870	10,863	3,559	10,181	8,464	95,543	9,133	19,057	212,605
2002	52,936	2,954	19,051	3,106	11,974	11,846	104,768	8,970	19,156	234,761
2003	58,099	3,432	13,355	3,574	11,180	10,258	97,656	10,587	22,540	230,681
2004	66,480	3,291	11,466	4,545	13,028	9,255	92,772	11,986	22,096	234,919
2005	74,069	3,641	11,736	5,065	12,916	11,589	86,282	13,124	22,363	240,785
2006	77,066	3,508	12,654	5,790	12,477	14,087	92,363	12,177	22,985	253,107
2007	78,802	4,173	11,769	5,952	10,625	12,859	104,670	11,412	23,153	263,415
2008	78,928	4,675	11,565	6,863	10,667	12,199	106,611	12,445	21,636	265,589
2009	72,535	3,992	10,474	6,843	8,564	10,527	101,861	9,255	18,697	242,748
2010	90,141	4,118	10,912	7,331	10,479	11,120	107,190	9,535	18,799	269,625
2011	96,350	4,561	13,911	7,627	9,807	8,176	122,173	10,982	20,628	294,215
2012	92,256	4,240	16,928	7,120	10,528	7,536	113,536	9,280	18,976	280,400
2013f	94,671	5,402	20,744	7,585	9,535	8,058	117,295	9,427	20,871	293,587
2014f	94,273	5,751	21,628	7,848	9,368	8,162	119,360	8,944	21,916	297,249
2015f	94,172	5,965	22,513	8,093	9,250	8,296	121,412	8,631	23,130	301,461
2016f	94,154	6,139	23,403	8,339	9,135	8,490	123,487	8,404	24,376	305,927
2017f	94,872	6,298	24,297	8,590	9,021	8,718	125,589	8,210	25,659	311,253
2018f	97,056	6,445	25,197	8,845	8,907	8,962	127,719	8,030	26,972	318,133
2019f	99,260	6,596	26,101	9,102	8,793	9,218	129,875	7,854	28,341	325,140

Source: Statistics New Zealand, NZIER

Table 19 Spend per day

Year	Australia	Canada	China	Germany	Japan	Korea	Other	UK	US	Total
2000	116	102	107	118	309	123	103	101	250	133
2001	117	143	109	113	259	98	103	109	240	129
2002	112	118	131	111	260	113	120	121	215	135
2003	125	95	173	112	190	224	96	105	158	124
2004	131	106	182	91	223	134	98	99	160	122
2005	131	88	151	96	215	126	93	112	143	118
2006	132	100	155	105	201	131	101	102	162	120
2007	145	98	154	94	230	139	94	114	169	124
2008	139	108	146	88	249	111	86	108	163	116
2009	148	116	163	99	280	133	93	106	165	123
2010	128	114	153	91	221	139	84	98	135	111
2011	136	91	173	71	162	170	94	89	128	112
2012	135	88	206	61	206	146	86	83	127	111
2013f	134	92	222	71	123	170	89	89	128	113
2014f	135	87	234	71	121	170	88	86	126	113
2015f	136	85	243	71	119	173	87	83	123	113
2016f	139	83	252	70	117	176	87	81	120	114
2017f	141	82	261	70	115	180	86	79	117	114
2018f	143	81	271	70	113	185	85	77	114	115
2019f	146	80	281	70	111	189	85	75	112	116

Source: Statistics New Zealand, NZIER

Table 20 Average stay

Year	Australia	Canada	China	Germany	Japan	Korea	Other	UK	US	Total
2000	12.9	27.0	32.0	31.2	15.6	18.0	26.0	29.3	15.5	20.1
2001	12.9	25.3	34.7	32.0	16.7	22.3	28.1	30.6	17.1	21.3
2002	13.2	27.5	41.6	35.6	15.6	21.3	29.0	31.8	17.3	22.3
2003	13.0	28.1	34.7	37.5	17.9	19.5	29.5	31.6	18.0	22.1
2004	12.2	28.2	20.7	38.6	15.2	15.9	28.0	30.8	18.1	20.1
2005	11.9	28.2	18.1	39.7	14.3	15.5	28.6	29.7	18.3	19.9
2006	12.1	29.0	16.2	42.7	15.0	17.1	29.9	30.2	17.9	20.4
2007	11.7	24.7	14.6	43.9	15.0	18.6	30.6	29.4	18.3	20.2
2008	11.7	24.6	16.1	43.5	16.4	22.7	32.2	29.8	17.8	20.9
2009	11.0	24.8	20.2	45.8	17.2	27.5	31.9	29.5	18.3	20.5
2010	11.4	26.1	19.3	44.3	16.7	23.4	31.0	29.2	18.3	20.1
2011	10.6	27.4	18.2	50.4	18.7	22.2	30.4	28.9	18.9	19.9
2012	10.5	24.1	16.0	50.1	18.4	20.2	29.7	29.9	18.4	19.1
2013f	10.5	24.2	15.1	52.3	17.9	18.5	29.9	30.3	18.1	18.9
2014f	10.3	24.6	14.0	54.9	17.6	18.1	30.4	30.0	18.2	18.8
2015f	10.0	24.8	13.0	57.7	17.2	17.8	31.0	29.8	18.5	18.7
2016f	9.8	24.8	12.1	60.5	16.8	17.6	31.5	29.6	18.8	18.6
2017f	9.7	24.8	11.3	63.5	16.4	17.5	32.1	29.4	19.0	18.4
2018f	9.5	24.7	10.5	66.7	16.0	17.3	32.7	29.2	19.3	18.2
2019f	9.3	24.6	9.7	70.0	15.6	17.2	33.3	29.0	19.6	17.9

Source: Statistics New Zealand, NZIER

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