



NEW ZEALAND TOURISM FORECASTS 2008-2014

SUMMARY DOCUMENT | NEW ZEALAND | AUGUST 2008

www.tourismresearch.govt.nz

These forecasts establish expectations of international and domestic tourism demand at the national level. Regional level forecasts will be provided in a separate publication later in 2008. This is a rich body of information for the tourism sector, and related sectors, to utilise in planning and decision making processes.

The forecasts summarised in this document are drawn from the full forecasting outputs prepared by Covec Limited for the Ministry of Tourism.

The full set of outputs including pivot tables is available at www.tourismresearch.govt.nz/forecasts.

The Ministry of Tourism would like to thank all individuals and organisations that have contributed images to this publication.

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Foreword

It is with great pleasure that I announce the 9th edition of the Ministry of Tourism's forecasts.

I am encouraged by a projected growth in average annual arrivals of 3.3% over the next seven years.

However, we are unlikely to remain unscathed by a number of negative influences in the short-term. Demand for New Zealand as a tourism destination is affected by a multitude of factors beyond our control, which sometimes work in our favour, and other times work against us. After a period of positive influences we are now experiencing the latter. Slow economies in key markets such as the UK and US, rising oil prices and consequently rising air fares, increases in intra-Asian travel at the expense of long-haul travel are all reducing travel to the Pacific region, affecting not only us, but also our Australian neighbours.



Hon Damien O'Connor,
Minister of Tourism

We expect these conditions to persist in the short-term. Beyond this, we anticipate a recovery. Tourism is a remarkably resilient industry; in fact, we have only twice recorded negative growth in arrivals since World War II.

The forecasts have proven to be an essential tool in planning for future demand. Users come from many different spheres and include tourism operators, Regional Tourism Organisations, consultants, property developers, banks, government departments, and many more. The forecasts are generated from expert industry knowledge blended with hard economic analysis, and they provide the closest thing to a tourism crystal ball available.

In accordance with our ongoing commitment to reducing our environmental impact, this booklet has been printed on state of the art 100% recycled paper using vegetable based inks. A good proportion of the paper pulp is even sourced from recycled milk cartons!

Despite the soft short-term outlook, I urge you to remain optimistic about an industry that always bounces back. Take the opportunity to create greater efficiencies in your business and raise quality levels. Using the forecasts to plan will assist you to prepare for a great future in this dynamic industry.

A handwritten signature in black ink, appearing to read 'Damien O'Connor'. The signature is fluid and cursive, with a long horizontal stroke at the end.

Damien O'Connor
Minister of Tourism

Forecasting Context

Tourism has become an essential part of a modern lifestyle. For many people it is no longer a question of whether to travel, but rather where and how to travel, and for how long? The answers to these questions usually depend on three key factors: the relative *cost* of competing destinations, the relative *convenience* of competing destinations, and the relative *attractiveness* of competing destinations. Actual travel patterns reflect well-reasoned consumer responses to these factors.

Travel has become more accessible in recent years due to greater capacity, efficiency and connectivity in the aviation sector and the emergence of value-based carriers. These changes have reduced the financial barriers to practically all forms of travel, while greatly expanding the range of destinations available to travellers. Accordingly, global tourism has increased rapidly, as has competition between destinations.

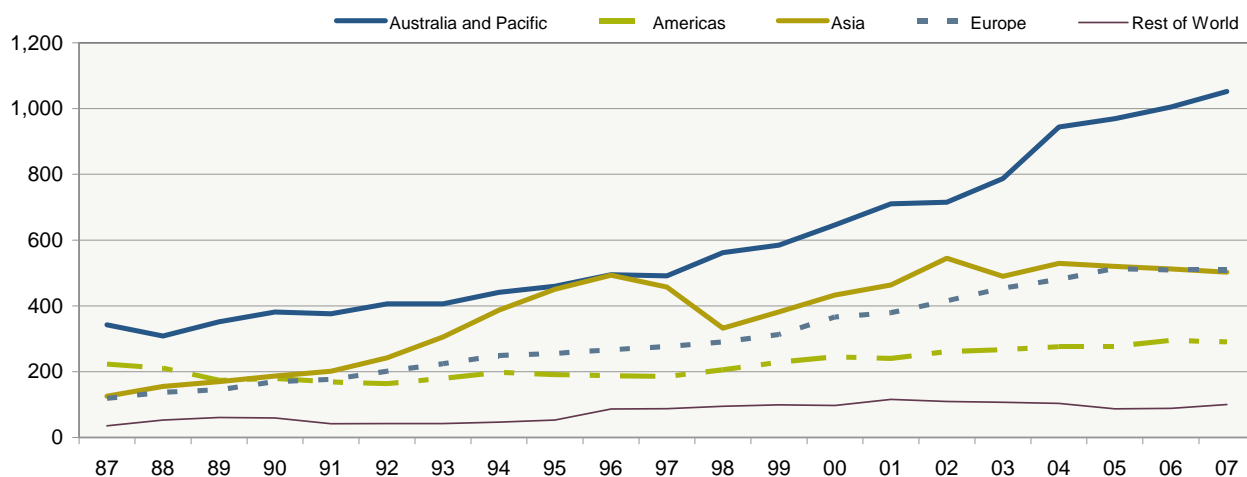
The current period, however, is complex from a tourism forecasting perspective. On one hand, global tourism is growing as a lifestyle activity and New Zealand is well positioned as an attractive and high quality destination. On the other hand, we are facing some adverse challenges such as higher fuel prices and weaker economic performance in key markets that will continue to affect demand levels. This section sets out these factors and explains how they were taken into account in the forecasting process.

Short-Haul/Long-Haul Relationship

Global aviation has grown most markedly on short-haul routes, driven by the expansion of value-based airlines which have reduced the cost and increased the convenience of air travel. The result has been a sharp increase in travel volumes. The value-based model has made short-haul travel relatively *less* expensive than long-haul travel, and consumers have responded accordingly. The implication for destinations like New Zealand and Australia, which are long-haul destinations for virtually all of the world's major tourism generating markets, is that short-haul travel volumes are up, and long-haul travel volumes less so.

This impact is highlighted in Figure 1 below which shows the moderate growth of our long-haul markets and strong growth of our only short-haul markets (Australia and Pacific). The performance of the Asian market over recent years coincides with the rapid development of value-based short-haul capacity operating mainly within Asia. This has led to very strong growth in outbound travel, but with most of this growth occurring within the region. Australia's inbound performance has been similar to New Zealand's in recent years, suggesting that the trends observed in New Zealand are part of a wider regional effect.

Figure 1: Visitor Arrivals to New Zealand (000s)



Forecasting Context

Cost of Travel and Economic Performance of Origin Markets

The current macroeconomic environment is challenging for New Zealand tourism. Household and business confidence is low in all of our major inbound markets due to financial instability and higher costs brought about by the credit crisis, high commodity prices and high fuel prices. These conditions naturally lead to conservative consumption behaviour, and this is likely to be a comparative disadvantage for New Zealand which is a long length of stay destination that is relatively expensive and inconvenient to get to for most major markets. The high relative cost of travelling to New Zealand is further magnified by the strength of the New Zealand dollar (a trip to New Zealand from the US or Japan costs almost twice as much as it did five years ago) *and* record fuel prices (the *nominal* impact of high fuel prices on airfares is much higher for long-haul destinations like New Zealand).

Taken together, these factors set out a situation where consumers making travel decisions will have good reasons to travel to destinations other than New Zealand e.g. to take advantage of the relative cost advantage of short-haul travel, to spend less on fuel costs on long flights, and to defer the 'big' trip to New Zealand to a time when the financial situation at home is more secure. These influences will apply differently across our markets. For instance, the economic weaknesses are most apparent in Western markets (US, UK and Europe), whereas parts of the Australian economy are strong and many emerging markets are performing well, particularly China.

Setting the 2008 Forecasts

The forecasting programme has balanced the various influences in play to establish a reasonable set of expectations for the forecast period. It has done this based on some broad assumptions: that the current economic climate will persist until the middle of 2009; that fuel prices will not rise substantially above existing levels; and that many of the new, more fuel-efficient wide body aircraft currently on order will be used to replace old aircraft, rather than expand existing air capacity.

The outlook also depends on New Zealand's underlying attractiveness as a tourism destination with its unique mix of environmental, cultural and activity attributes. New Zealand is a niche destination in the global sense; it does have a compelling proposition and its focus is on attracting higher yielding visitors rather than just attracting more visitors. As such, volume growth is not a major objective in itself; rather, it is the *quality* of those visitors that is more important.

Industry feedback received during the forecasting process suggests that New Zealand is lacking presence/energy in several of its key inbound markets, particularly the US and the UK. In an environment where New Zealand is competitively disadvantaged with respect to both cost and convenience, the positioning of New Zealand as a highly attractive destination is critical. This has implications for the way that New Zealand is perceived as a destination in terms of both its product offering *and* its environmental credentials.

Finally, the forecasts recognise that the New Zealand tourism industry has been exposed to many adverse factors in the past, and it has demonstrated remarkable resilience to these events. For instance, in recent years the industry has experienced major shocks such as the Asian Financial Crisis, 9/11 and SARS, and in each case visitor arrivals recovered, often surprisingly quickly, and growth reverted to the long-term trend.

This year's forecasting process has tried to take these often contradictory influences into account. The major question is whether the current influencing factors are of a different type, or significance, and so will affect the sector differently in the long-term. It is the general view that the current influences will play an important role in the short-term, but over time the underlying growth pattern of the global tourism system will reassert itself resulting in stronger growth in the mid-to-latter stages of the forecast period.

Introduction

Purpose

The Ministry of Tourism's annual forecasting programme has been in place since 1999. The purpose of the programme is to produce reliable forecasts of national and regional tourism activity that can be used with confidence by the New Zealand tourism industry. Accurate forecasts are an essential input to medium and long-term planning and investment processes in the tourism industry, characterised by large capital outlays and long lead times on key infrastructure such as airports and hotels.

Scope

The forecasting programme includes all measurable forms of tourism activity in New Zealand, including activity generated by persons under 15 years of age¹, and is therefore exhaustive. The national programme produces forecasts of international visitor arrivals, nights and expenditure² for 28 individual markets; domestic trips, nights and expenditure; and short-term New Zealand resident departures to our ten major outbound markets. The inbound forecasts are also broken down by month and port of arrival across a short-term horizon of two years. The regional programme, the results of which will be presented later in the year, produces forecasts of international and domestic visits, nights and expenditure for each of New Zealand's 30 Regional Tourism Organisations (RTOs). The forecasts are segmented across five purposes of travel: holiday, visiting friends and family (VFR), business, education and other.

The forecasts are developed using a combination of best-practise quantitative techniques and market intelligence provided by industry experts. All available information up to May 2008 has been used to produce the forecasts. A full methodology document is available at www.tourismresearch.govt.nz/forecasts.

Assumptions

The forecasts are based on a series of assumptions, some of which have a major bearing on the projected levels of tourism activity. The key assumptions used to develop the 2007-base forecasts are:

- Improving global economic conditions from the second half of 2009 onwards
- Fuel prices not substantially above current levels across the forecast period
- No major expansion in air capacity in the next 2-3 years (fleet replacements are expected rather than fleet expansions)
- A drop in the value of the New Zealand dollar, particularly against the US and Japanese currencies
- Sustained growth in the Australian economy

The forecasts are based on a series of demand models. It is assumed that key supply variables will adjust to meet the projected changes in demand.

More Information

The forecasts are available at a more disaggregated level in the Ministry of Tourism's pivot tables which can be downloaded from www.tourismresearch.govt.nz/forpivot.

¹ Some data published by the Ministry of Tourism is only reported for persons aged 15 years and older e.g. the Domestic Travel Survey and the International Visitor Survey.

² The expenditure forecasts will be released with the regional forecasts later in 2008.

Introduction

Pivot Tables on the Website

There is a significant body of research underlying the Ministry of Tourism’s forecasting programme that generates a large range of outputs. To increase the accessibility and relevance of the programme the Ministry of Tourism has designed several easy-to-use pivot tables which can be used to find and analyse the information you’re looking for. A pivot table is an Excel table that allows you to view and analyse large amounts of data in simple tables and graphs. The real power of pivot tables is the ability to change the data that is displayed using a series of standard “point and click” drop-down menus.

All of the outputs generated by the forecasting programme are accessible through pivot tables and graphs that can be downloaded from www.tourismresearch.govt.nz/forpivot. These tables, examples of which are shown below, provide access to a wide variety of historical and future tourism data.

Forecasts of International Tourism by Purpose, 2008-2014

Origin: United Kingdom
 Measure: Visitor Arrivals ← Click on the drop-down menu to select an **origin/market**
 ← Click on the drop-down menu to select a **measure**

Table 2	Purpose	VFR	Business	Education	Other	TOTAL
Year	Holiday					
2001	108,801	84,473	9,239	1,030	8,103	211,646
2002	128,205	90,743	9,068	923	8,047	236,986
2003	143,238	101,602	9,392	1,432	9,155	264,819
2004	149,918	111,951	9,845	1,250	10,736	283,700
2005	166,362	115,722	11,607	950	12,174	306,815
2006	150,088	120,237	12,310	1,398	10,779	294,812
2007	146,741	122,534	12,030	1,522	9,890	292,717
2008f	148,220	120,530	11,580	1,300	10,190	291,820
2009f	149,670	120,270	11,830	1,310	10,240	293,320
2010f	152,230	121,980	12,210	1,330	10,410	298,160
2011f	171,400	124,800	13,770	1,380	12,200	323,550
2012f	163,110	128,240	13,300	1,390	11,090	317,130
2013f	168,820	132,040	13,670	1,430	11,460	327,420
2014f	174,700	136,100	14,070	1,450	11,860	338,180

Purpose: Holiday Measure: Visitor Nights ← Click on the drop-down menus to select a **purpose** and a **measure**



Executive Summary

Inbound Tourism

The current macroeconomic environment is challenging for New Zealand tourism. The outlook suggests:

- Only nominal growth in visitor arrivals in the short-term.
- That the global tourism system will reassert itself in the longer-term, resulting in stronger growth in the mid-to-latter stages of the forecast period.

The short-term factors that are expected to suppress demand for travel to New Zealand include:

- An adverse economic climate which is likely to lead to conservative consumption behaviour over the next 1-2 years.
- An increase in the cost of travelling to New Zealand relative to other destinations, particularly short-haul and domestic destinations (attributable mainly to the rising cost of fuel).
- New Zealand's persistently strong dollar, particularly relative to the Japanese and US currencies.

Visitor arrivals from all countries are forecast to increase by 1.2% to 2.49 million in 2008, increasing further to 3.08 million by 2014. This represents a total increase over the forecast period of 26% (628,000 arrivals) and an average increase of 3.3% per annum. The key growth markets over the forecast period are expected to be:

- Australia - increasing by 31% (298,000 arrivals) over the forecast period, representing an average increase of 4.0% per annum. Arrivals from Australia are forecast to reach 1 million in 2009.
- China - increasing by 80% (96,000 arrivals) over the forecast period, representing an average increase of 8.7% per annum.
- United Kingdom - increasing by 16% (45,000 arrivals) over the forecast period, representing an average increase of 2.1% per annum.

The Asian markets (excluding China and India) are expected to perform quite poorly over the forecast period due to the opening up of new aviation capacity and destinations within the Asia region. This is a continuation of the trend that has emerged in recent years.

Several of New Zealand's secondary markets have good growth potential, particularly those with established air links to New Zealand. Markets that New Zealand could leverage further include:

- Canada - growth of 4.9% per annum forecast over the next seven years.
- Euro-7³ - growth of 4.0% per annum forecast over the next seven years.
- India - growth of 9.0% per annum forecast over the next seven years.
- South America - growth of 8.8% per annum forecast over the next seven years.

Travel by New Zealand Residents

The combination of New Zealand's slowing economy and rising airfares is likely to result in some consumers substituting domestic travel for outbound travel in the next 1-2 years. This is expected to result in:

- Practically no growth in the number of outbound trips in 2008 and 2009.
- A small increase in domestic travel activity as unsatisfied outbound travel is converted into domestic demand.

Both of these outcomes are positive for the New Zealand tourism industry in the short-term.

³ Euro-7 includes France, Spain, Italy, Luxembourg, Portugal, Austria and Belgium.

Executive Summary

Table 1: Forecasts of Visitor Arrivals to New Zealand (000s)

Inbound Market	Actual		Forecast							Growth 2008-2014		
	2006	2007	2008	2009	2010	2011	2012	2013	2014	Change	Total	Annual
Australia	904	950	978	1,016	1,059	1,123	1,159	1,203	1,248	298	31.4%	4.0%
United States	226	216	212	210	212	217	224	230	237	21	9.7%	1.3%
Canada	46	48	54	57	59	61	63	65	67	19	40.1%	4.9%
South America	19	21	25	27	29	31	33	36	38	17	80.2%	8.8%
Americas nec	5	5	6	6	6	6	7	7	7	2	31.2%	4.0%
Japan	136	122	108	101	100	103	105	107	110	-12	-9.8%	-1.5%
Taiwan	28	26	23	23	24	24	25	26	27	1	4.9%	0.7%
Hong Kong	24	23	22	22	22	22	22	23	23	0	1.6%	0.2%
South Korea	111	99	87	83	83	85	87	89	92	-8	-8.0%	-1.2%
China	106	121	131	143	156	170	185	200	217	96	79.6%	8.7%
North-East Asia nec	0	0	0	0	1	1	1	1	1	0	25.3%	3.3%
Singapore	28	27	27	28	28	29	30	31	31	4	16.6%	2.2%
Malaysia	20	20	20	20	20	21	22	22	23	3	16.0%	2.1%
Thailand	18	20	18	19	19	19	20	20	20	0	-0.7%	-0.1%
Indonesia	7	8	8	8	8	8	8	8	9	1	11.4%	1.6%
India	20	22	25	26	28	31	33	36	40	18	83.1%	9.0%
Rest of Asia nec	13	15	16	17	17	18	19	19	20	5	30.7%	3.9%
United Kingdom	295	293	292	293	298	324	317	327	338	45	15.5%	2.1%
Northern Europe	30	31	32	33	34	35	36	38	39	8	26.0%	3.4%
Ireland	20	21	22	22	23	27	25	27	28	7	32.8%	4.1%
Germany	59	60	61	63	64	66	67	69	70	11	17.9%	2.4%
Netherlands	27	26	26	26	27	27	28	28	29	3	12.4%	1.7%
Switzerland	15	14	15	15	15	16	16	16	16	2	13.6%	1.8%
Euro 7	47	49	51	53	55	58	59	62	64	15	31.7%	4.0%
Rest of Europe nec	16	17	20	21	23	25	27	30	33	15	88.9%	9.5%
South Africa	18	22	24	25	26	28	28	29	30	8	38.7%	4.8%
Pacific Islands	101	102	104	106	109	112	113	116	119	17	16.7%	2.2%
Rest of World nec	70	79	79	83	86	91	96	102	108	30	37.5%	4.7%
TOTAL WORLD	2,409	2,455	2,485	2,546	2,633	2,778	2,854	2,966	3,083	628	25.6%	3.3%

Table 2: Forecasts of Travel Activity by New Zealand Residents (000s)

Outbound and Domestic	Actual		Forecast							Growth 2008-2014		
	2006	2007	2008	2009	2010	2011	2012	2013	2014	Change	Total	Annual
Outbound Trips	1,861	1,978	1,990	1,992	2,036	2,093	2,159	2,230	2,304	326	16.5%	2.2%
Domestic												
Day Trips	34,342	31,752	32,671	32,956	33,240	33,519	33,779	34,038	34,298	2,547	8.0%	1.1%
Overnight Trips	17,561	17,740	17,818	18,198	18,327	18,382	18,383	18,373	18,358	617	3.5%	0.5%
Visitor Nights	52,548	52,105	52,865	54,005	54,387	54,543	54,543	54,509	54,460	2,355	4.5%	0.6%
Av. Nights per Trip	2.99	2.94	2.97	2.97	2.97	2.97	2.97	2.97	2.97	0.03	1.0%	0.1%

Total World

Growth in visitor arrivals has slowed considerably in the past three years but has remained positive due mainly to strong growth out of Australia and China. If growth in these two markets is excluded arrivals have actually declined by 1.3% over the past three years, and have only grown by 3.6% since 2002. The strong performance of Australia and China has masked a significant slowdown in some of New Zealand's major inbound markets, particularly those in Asia where arrivals have fallen by almost 8% since 2002 despite China's rapid growth. There are now concerns for the short-term prospects for both the US and the UK, which suggests that New Zealand needs to pursue growth in some of its less developed secondary markets.

The fact that Australia is experiencing similar growth trends suggests that the slowdown is part of a wider South Pacific effect, attributable in part to the price competitiveness and convenience of short-haul travel relative to long-haul travel, particularly in Asia. The current environment highlights the challenges that both New Zealand and Australia will face in the future if fuel prices remain high and long-haul travel becomes less attractive or accessible. This emphasises the importance of trans-Tasman tourism to both markets, particularly benefiting New Zealand which has a potential short-haul market of over 15 million on Australia's east coast.

Visitor Arrivals

Visitor arrivals from all countries are forecast to reach 2.49 million in 2008, increasing further to 3.08 million by 2014. This represents a total increase over the forecast period of 25.6% (628,000 arrivals) and an average increase of 3.3% per annum.

Figure 2: Visitor Arrivals to New Zealand

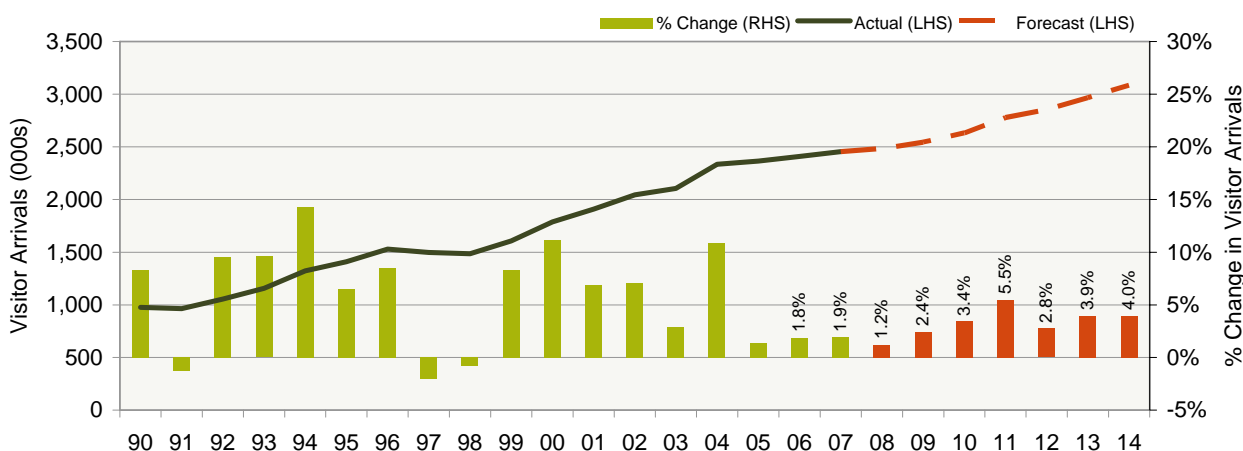


Table 3: Forecasts of Visitor Arrivals and Nights (000s)

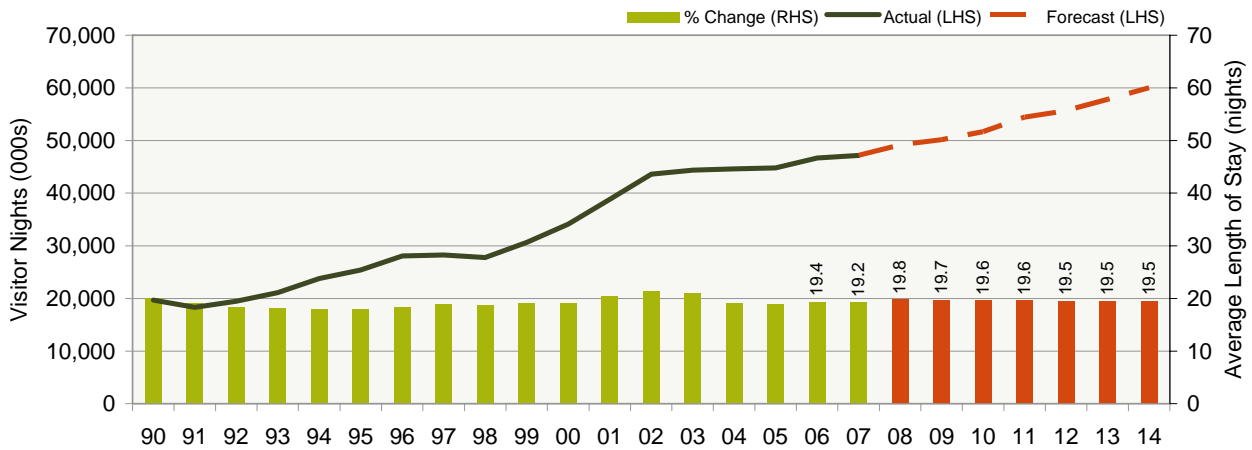
Visitor Arrivals and Nights	Actual		Forecast							Growth 2008-2014		
	2006	2007	2008	2009	2010	2011	2012	2013	2014	Change	Total	Annual
Visitor Arrivals	2,409	2,455	2,485	2,546	2,633	2,778	2,854	2,966	3,083	628	25.6%	3.3%
Holiday	1,195	1,211	1,215	1,240	1,281	1,365	1,398	1,457	1,520	309	25.5%	3.3%
VFR	690	713	742	765	791	819	848	878	910	197	27.6%	3.5%
Business	270	268	263	269	282	298	307	317	328	60	22.4%	2.9%
Education	51	54	54	55	56	58	60	62	64	10	19.3%	2.6%
Other	202	209	211	216	223	238	242	251	261	52	24.7%	3.2%
Visitor Nights	46,698	47,189	49,175	50,171	51,697	54,429	55,678	57,793	60,006	12,817	27.2%	3.5%
Av. Length of Stay	19.4	19.2	19.8	19.7	19.6	19.6	19.5	19.5	19.5	0.2	1.3%	0.2%

Total World

Visitor Nights

Visitor nights are expected to increase at a slightly higher rate than visitor arrivals across the forecast period, reaching 49.2 million in 2008 (average stay of 19.8 nights) and increasing further to 60.0 million by 2014 (average stay of 19.5 nights). This represents a total increase in visitor nights over the forecast period of 27.2% (12.8 million nights) and an average increase of 3.5% per annum.

Figure 3: Visitor Nights in New Zealand



Market Characteristics

Visitors in the 15-24 year age group generated around 23% of all visitor nights in New Zealand in 2007, while accounting for less than 13% of all arrivals. There are two reasons for this disparity: (1) some of the arrivals in this age group are here for education, which tends to be a long-stay activity; and (2) a relatively high percentage of long staying travellers (e.g. backpackers) tend to fall into this age group. Conversely, travellers aged 35-54 years generated 45% of visitor nights while accounting for 54% of arrivals.

Almost 50% of all visitors to New Zealand cited **holiday** as their main reason for visiting in New Zealand in 2007; the next most popular reason was to **visit friends and relatives** (29%). Holiday visitors generated 41% of all visitor nights in 2007, while those visiting friends and relatives generated 33%.

Figure 4: Shares of Arrivals and Nights by Age

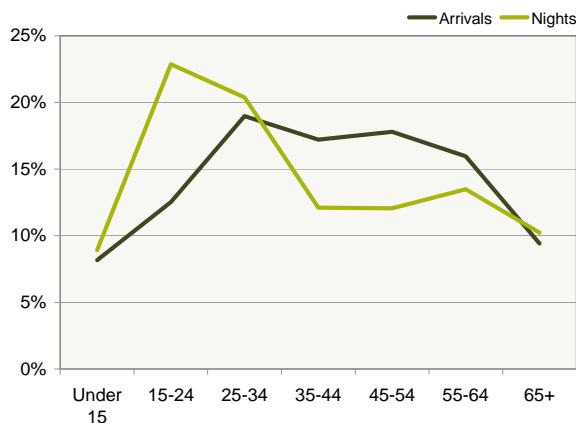
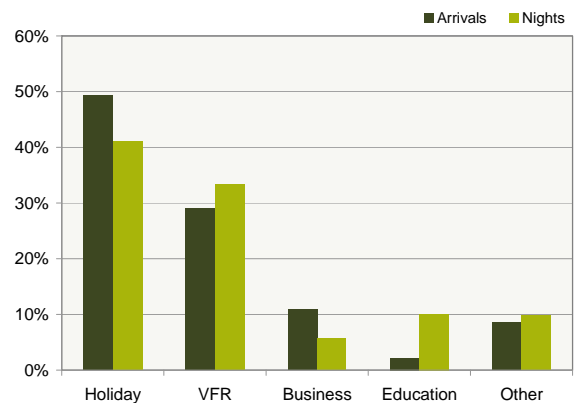


Figure 5: Shares of Arrivals and Nights by Purpose



Australia

Visitor arrivals from Australia have continued to grow strongly, even after the unprecedented surge in activity in 2003/04 created by greater capacity and cheaper airfares on trans-Tasman routes. The number of seats on trans-Tasman routes fell by 5% in 2007, and further cuts are possible in 2008 and 2009 if aircraft production delays result in some capacity being redeployed to more profitable routes. Demand for travel to New Zealand remained strong in 2007 despite the reduction in capacity, with arrivals increasing by 5.2%. However, figures published by the Pacific Asia Travel Association (PATA) suggest that the number of outbound trips by Australians increased by 10.6% over the same period; hence New Zealand's share of Australian outbound travel actually fell from 18.3% to 17.4% in 2007.

Australian visitor arrivals look set to increase further in 2008 with winter forward bookings sitting well ahead of 2007 levels. This, combined with the growing popularity of short-haul travel, should lead to further growth in Australian visitor arrivals in 2008. In the longer-term the expected increase in world-wide aviation capacity is likely to stimulate further growth, especially if low cost airlines become more active on trans-Tasman routes (low cost carriers currently operate on only eight of 21 city pairs).

Visitor Arrivals

Australia is expected to be New Zealand's fastest growing market in terms of volume in the next seven years. Visitor arrivals from Australia are forecast to exceed 1 million in 2009 (1.02 million for the calendar year), increasing further to 1.25 million by 2014. This represents a total increase over the forecast period of 31.4% (298,000 arrivals) and an average increase of 4.0% per annum.

Figure 6: Visitor Arrivals to New Zealand

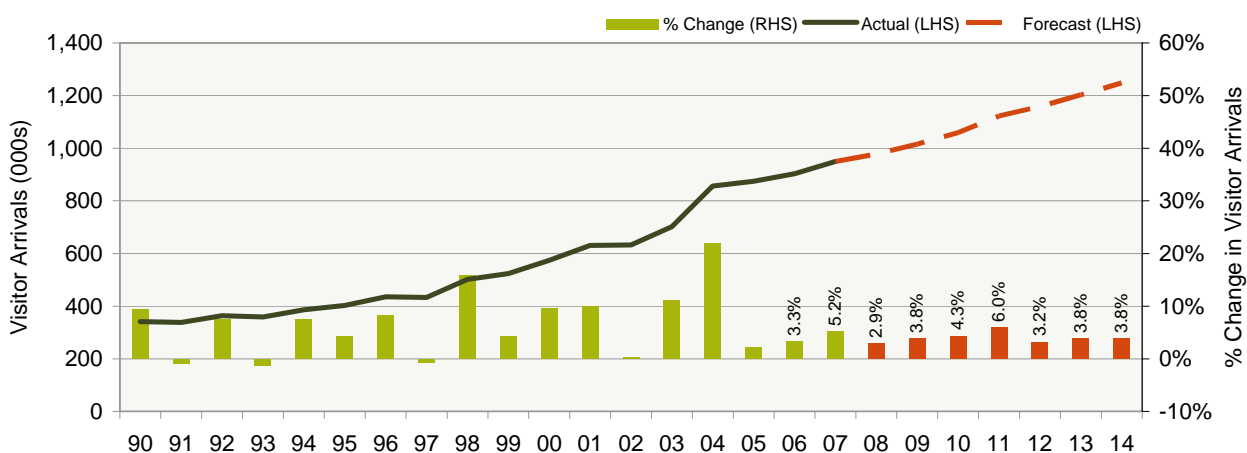


Table 4: Forecasts of Visitor Arrivals and Nights (000s)

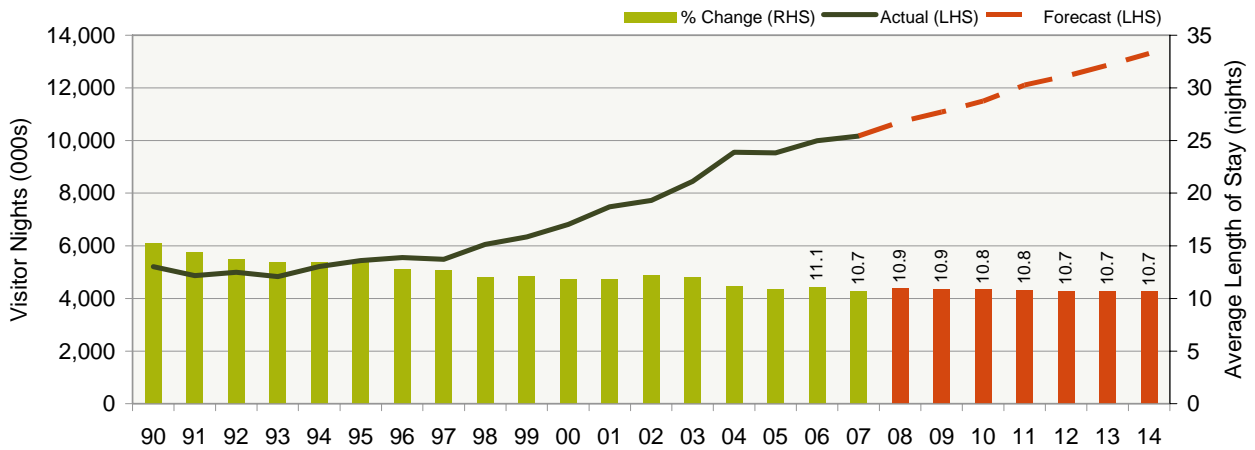
Visitor Arrivals and Nights	Actual		Forecast							Growth 2008-2014		
	2006	2007	2008	2009	2010	2011	2012	2013	2014	Change	Total	Annual
Visitor Arrivals	904	950	978	1,016	1,059	1,123	1,159	1,203	1,248	298	31.4%	4.0%
Holiday	351	375	389	405	421	451	464	482	502	126	33.6%	4.2%
VFR	319	334	353	369	386	402	419	436	453	119	35.7%	4.5%
Business	157	162	157	160	170	182	187	194	200	38	23.4%	3.0%
Education	6	6	6	6	7	7	7	7	7	1	15.6%	2.1%
Other	71	73	72	74	76	81	82	84	87	14	18.9%	2.5%
Visitor Nights	9,997	10,174	10,702	11,081	11,495	12,109	12,447	12,867	13,301	3,127	30.7%	3.9%
Av. Length of Stay	11.1	10.7	10.9	10.9	10.8	10.8	10.7	10.7	10.7	-0.1	-0.5%	-0.1%

Australia

Visitor Nights

Visitor nights are expected to increase at a similar rate to visitor arrivals across the forecast period, reaching 10.7 million in 2008 (average stay of 10.9 nights) and increasing further to 13.3 million (average stay of 10.7 nights) by 2014. This represents a total increase in visitor nights over the forecast period of 30.7% (3.1 million nights) and an average increase of 3.9% per annum.

Figure 7: Visitor Nights in New Zealand



Market Characteristics

Around 58% of visitors from Australia were aged between 25 and 54 in 2007, although these visitors only accounted for 49% of visitor nights. Visitors under 24 years of age had the highest average length of stay, accounting for 21% of arrivals and 27% of nights.

Around 40% of visitors from Australia cited **holiday** as their main reason for visiting, and a further 35% cited **visiting friends and relatives**. These two segments collectively generated 83% of all Australian visitor nights in New Zealand in 2007.

Figure 8: Shares of Arrivals and Nights by Age

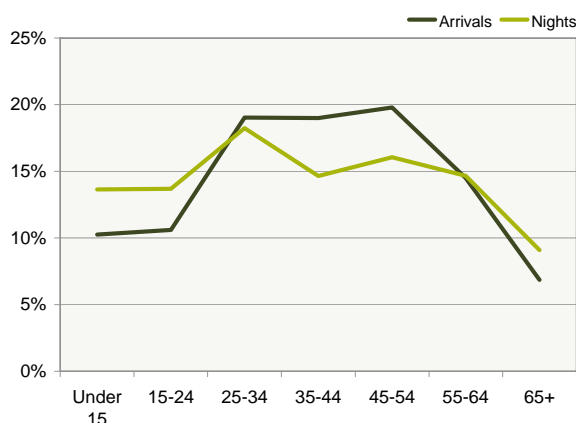
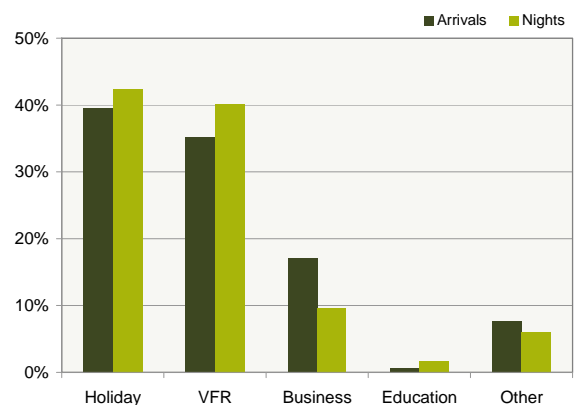


Figure 9: Shares of Arrivals and Nights by Purpose



United Kingdom

Arrivals from the UK fell for a second consecutive year in 2007 after more than 20 consecutive years of growth. The poor performance of this market can be attributed in part to the 2007 Rugby World Cup in France, which diverted more travellers away from New Zealand than expected, but there are also some more general issues affecting the performance of this market. Consumer confidence is currently low due to financial instability, higher mortgage costs and falling house prices, and this is likely to result in a temporary shift in preferences towards cheaper forms of travel e.g. domestic and short-haul.

The issue of carbon is also gaining momentum in the UK, although it seems to be a popular topic of conversation rather than a catalyst for behavioural change at this stage. More generally, New Zealand does not have much presence/energy in the UK market at present. This can be attributed to a variety of factors including competition from emerging destinations; low share of voice in the UK market; the strength of the GBP against the USD which reduces the relative cost of travel to both North and South America; a general lack of profile and media coverage; and higher airfares due to rising fuel prices. Many of these factors are expected to persist well into 2009.

Visitor Arrivals

Visitor arrivals from the UK are forecast to fall for a third consecutive year in 2008 to 292,000, before gradually recovering to 338,000 by 2014. The Rugby World Cup is expected to generate around 20,000 additional arrivals out of this market in 2011. Visitor arrivals are expected to increase by 15.5% (96,000 arrivals) over the forecast period, representing an average increase of 2.1% per annum.

Figure 10: Visitor Arrivals to New Zealand

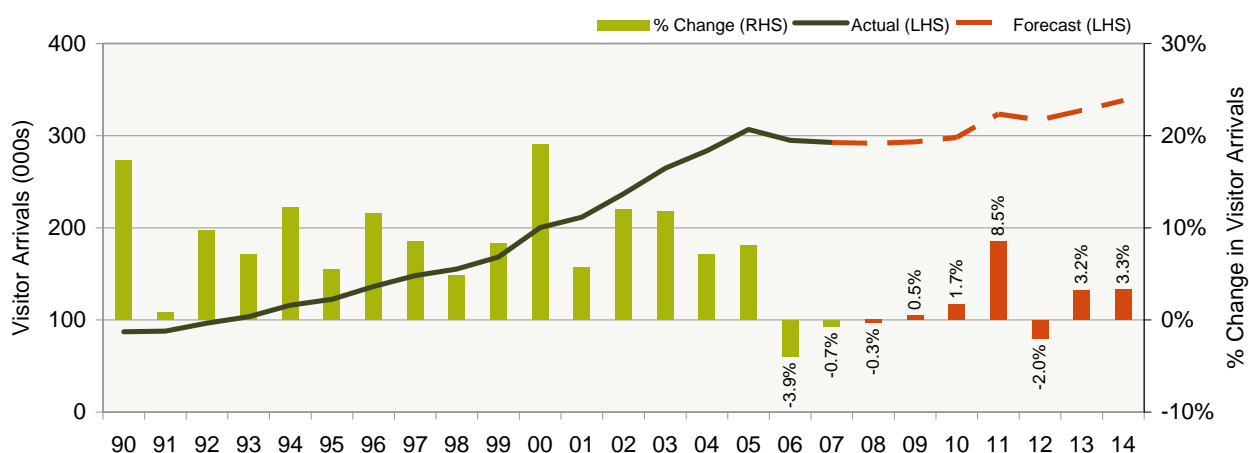


Table 5: Forecasts of Visitor Arrivals and Nights (000s)

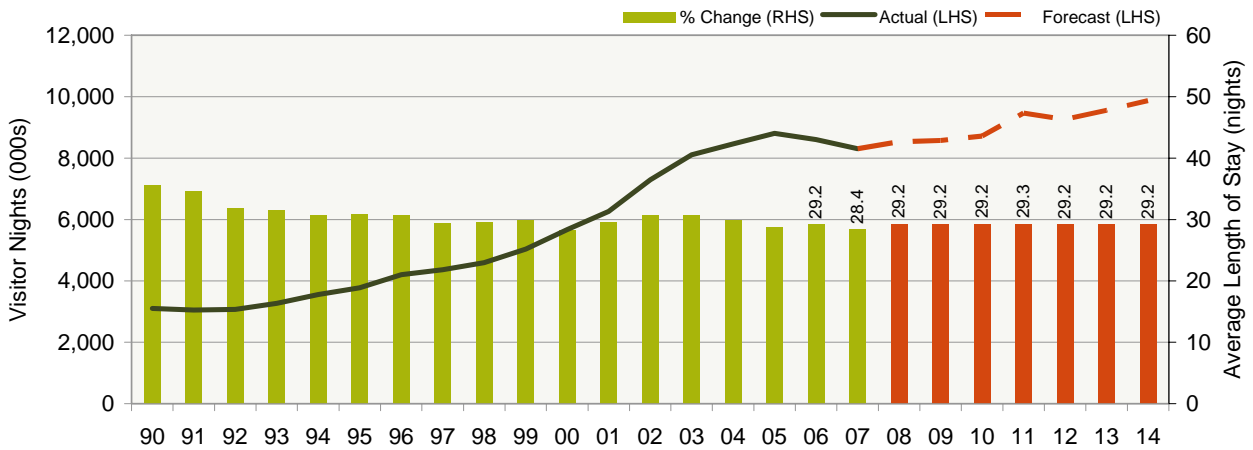
Visitor Arrivals and Nights	Actual		Forecast							Growth 2008-2014		
	2006	2007	2008	2009	2010	2011	2012	2013	2014	Change	Total	Annual
Visitor Arrivals	295	293	292	293	298	324	317	327	338	45	15.5%	2.1%
Holiday	150	147	148	150	152	171	163	169	175	28	19.1%	2.5%
VFR	120	123	121	120	122	125	128	132	136	14	11.1%	1.5%
Business	12	12	12	12	12	14	13	14	14	2	17.0%	2.3%
Education	1	2	1	1	1	1	1	1	1	0	-4.7%	-0.7%
Other	11	10	10	10	10	12	11	11	12	2	19.9%	2.6%
Visitor Nights	8,600	8,309	8,535	8,571	8,720	9,464	9,259	9,554	9,867	1,559	18.8%	2.5%
Av. Length of Stay	29.2	28.4	29.2	29.2	29.2	29.3	29.2	29.2	29.2	0.8	2.8%	0.4%

United Kingdom

Visitor Nights

Visitor nights are expected to increase at a slightly higher rate than visitor arrivals across the forecast period, reaching 8.54 million in 2008 (average stay of 29.2 nights) and increasing further to 9.87 million by 2014 (average stay of 29.2 nights). This represents a total increase in visitor nights over the forecast period of 18.8% (1.56 million nights) and an average increase of 2.5% per annum.

Figure 11: Visitor Nights in New Zealand



Market Characteristics

The age profiles for UK arrivals and nights are broadly similar in shape, which indicates that average length of stay does not vary greatly by age group for this market. Around 21% of UK arrivals and 23% of nights are generated by 25-34 year olds, and a further 20% of arrivals and 18% of nights by 55-64 year olds. There is a significant reduction in activity among the 35-54 age group. Half of all UK visitors to New Zealand cited **holiday** as their main reason for visiting in 2007, and a further 42% cited **visiting friends and relatives**.

Figure 12: Shares of Arrivals and Nights by Age

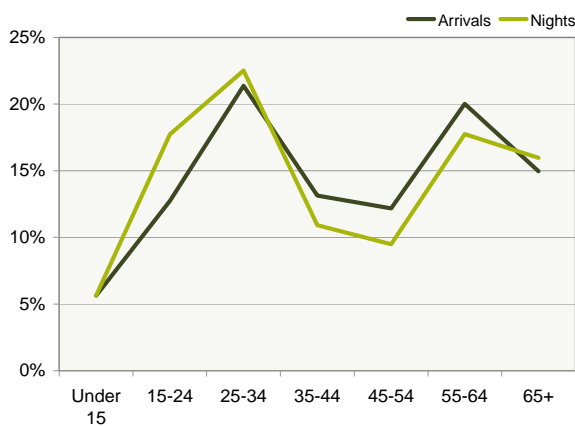
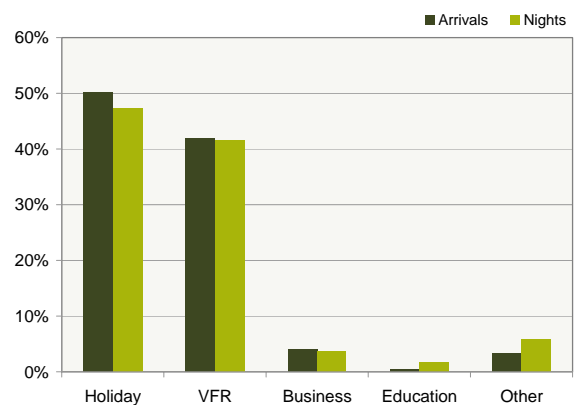


Figure 13: Shares of Arrivals and Nights by Purpose



United States

Arrivals from the US fell by 4.3% in 2007 even though US outbound travel increased by 3.9% in the first nine months of 2007 (excluding travel to Mexico and Canada). The fact that US visitor arrivals to Australia increased by 0.8% in 2007 suggests that the decline in US arrivals to New Zealand is a local effect rather than a general trend. US forward booking levels fell significantly at the end of 2007 and are showing no signs of recovery. Industry experts attribute a lack of presence/energy in the US, weak distribution channels and a strong New Zealand dollar for the recent poor performance, and believe that strong growth out of the US will not be achieved until all of these factors are addressed.

The impact of the credit crisis on consumer confidence combined with a probable US recession *and* an election year is undoubtedly having an impact on current consumer spending patterns. In the longer-term the Open Skies agreement has the potential to reduce airfares between the US, Australia and New Zealand which would help to stimulate growth. In addition, the entry of V Australia in November 2008 will generate more capacity and competition on US-Australia routes. This will benefit both Australia and New Zealand as more than 50% of US arrivals to New Zealand also visit Australia on the same trip.

Visitor Arrivals

Visitor arrivals from the United States are forecast to fall to 212,000 in 2008 and further to 210,000 in 2009, before gradually recovering to 237,000 by 2014. This represents a total increase over the forecast period of 9.7% (21,000 arrivals) and an average increase of 1.3% per annum.

Figure 14: Visitor Arrivals to New Zealand

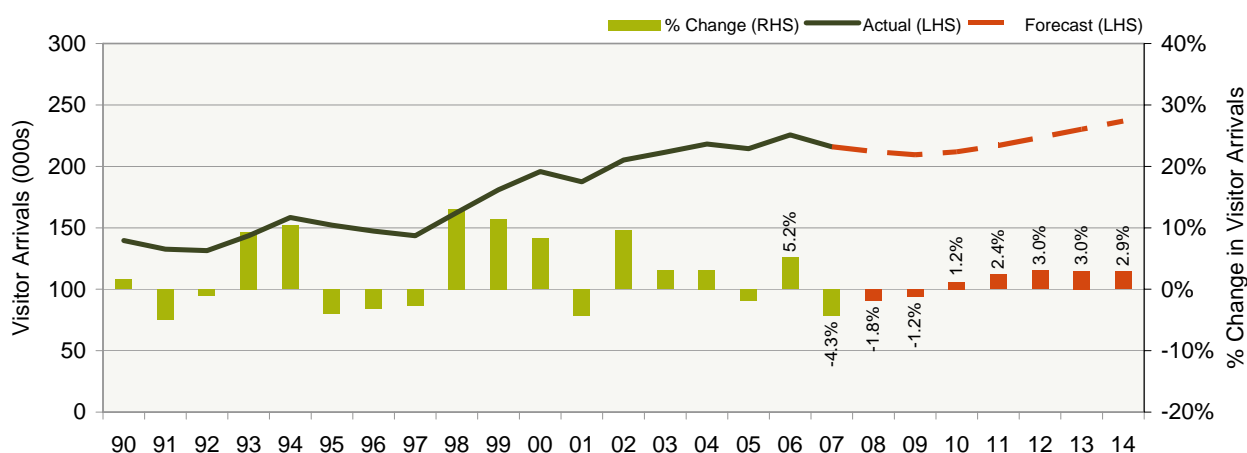


Table 6: Forecasts of Visitor Arrivals and Nights (000s)

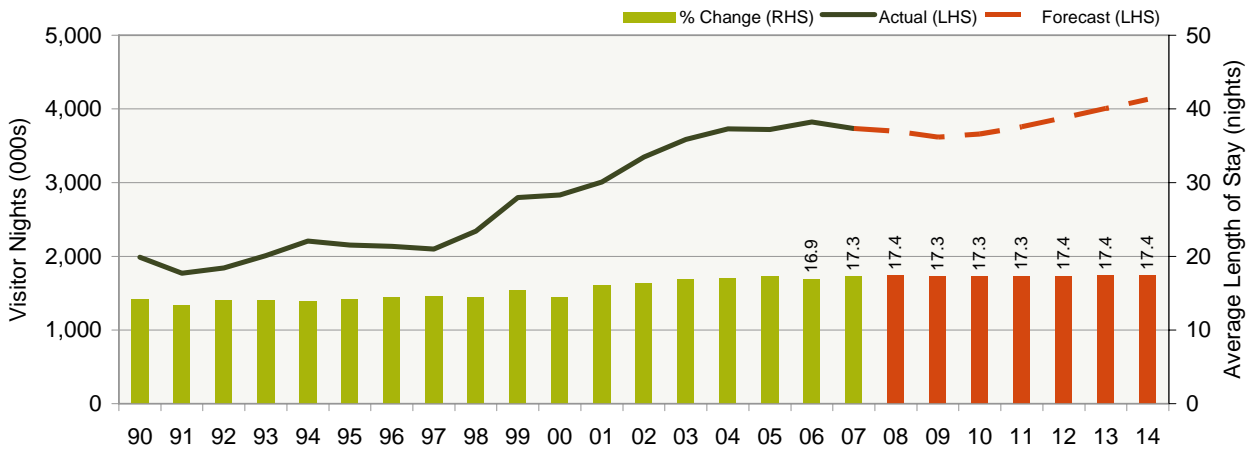
Visitor Arrivals and Nights	Actual		Forecast							Growth 2008-2014		
	2006	2007	2008	2009	2010	2011	2012	2013	2014	Change	Total	Annual
Visitor Arrivals	226	216	212	210	212	217	224	230	237	21	9.7%	1.3%
Holiday	137	132	129	126	128	130	135	139	144	12	8.7%	1.2%
VFR	44	41	42	43	44	45	47	48	49	8	20.1%	2.7%
Business	21	20	20	20	20	20	21	21	22	2	9.3%	1.3%
Education	9	8	8	7	7	8	8	8	8	0	-2.7%	-0.4%
Other	14	15	13	13	13	13	14	14	14	0	-2.7%	-0.4%
Visitor Nights	3,824	3,734	3,697	3,617	3,661	3,757	3,881	4,006	4,130	396	10.6%	1.4%
Av. Length of Stay	16.9	17.3	17.4	17.3	17.3	17.3	17.4	17.4	17.4	0.1	0.8%	0.1%

United States

Visitor Nights

Visitor nights are expected to move broadly in line with arrivals, falling to a recent low of 3.62 million in 2009 (average stay of 17.3 nights) before gradually recovering to 4.13 million by 2014 (average stay of 17.4 nights). This represents a total increase in visitor nights over the forecast period of 10.6% (396,000 nights) and an average increase of 1.4% per annum.

Figure 15: Visitor Nights in New Zealand



Market Characteristics

The age profiles for US arrivals and nights are generally similar in shape with one major exception - the 15-24 age group which generates 13% of visitor arrivals and 27% of nights. This is driven largely by the education sector which generates 4% of visitor arrivals and 15% of visitor nights.

The 61% of US visitors that cited **holiday** as their main reason for visiting in 2007 generated 48% of visitor nights, while the 19% that cited **visiting friends and relatives** generated 22% of visitor nights.

Figure 16: Shares of Arrivals and Nights by Age

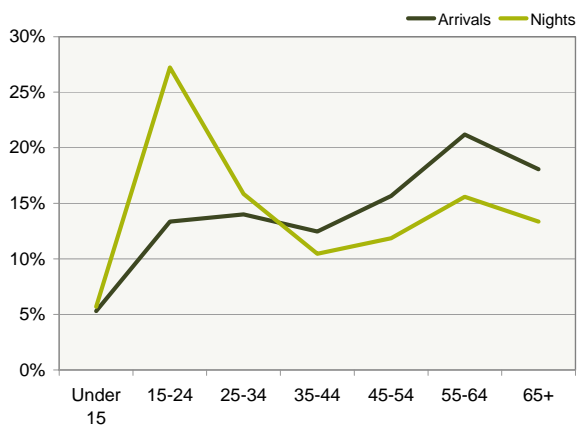
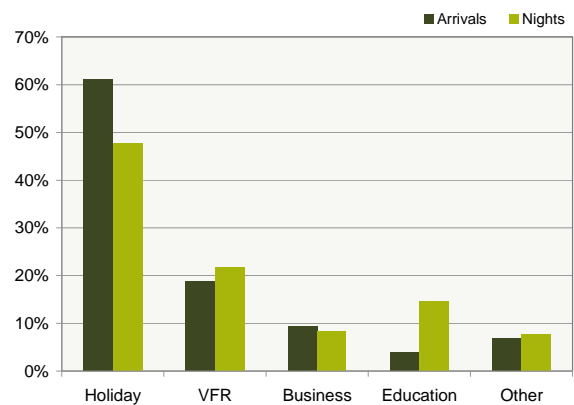


Figure 17: Shares of Arrivals and Nights by Purpose



China

China recently surpassed South Korea and Japan to become New Zealand's fourth largest inbound market. The main driver of growth out of China is income growth, with the Chinese economy growing by an estimated 10% per annum, although air capacity has also played a role with most major airlines trying to get a foothold in this high growth market. Air New Zealand's Auckland-Shanghai service has undoubtedly enhanced New Zealand's attractiveness as a mono-destination, as will the new Auckland-Beijing service which began operating in July 2008. The 14.3% increase in arrivals to New Zealand in 2007 was similar to the 15.9% increase in arrivals to Australia, which is not surprising since 65% of Chinese visitors visit Australia before coming to New Zealand. The outlook for the Chinese market is favourable, at least in terms of visitor arrivals, although short-term growth could be affected by financial instability and the Olympic Games. One countervailing factor is the granting of Approved Destination Status⁴ to the US. Outbound agents in China expect this to result in a surge in demand for US tours which is likely to have an impact on the growth experienced in Australia and New Zealand. The main challenge for New Zealand is to ensure that Chinese tourism is both profitable and sustainable in the long-term.

Visitor Arrivals

China is expected to be New Zealand's fastest growing market in percentage terms in the next seven years. Visitor arrivals from China are forecast to reach to 131,000 in 2008, increasing further to 217,000 by 2014. This represents a total increase over the forecast period of 79.6% (96,000 arrivals) and an average increase of 8.7% per annum.

Figure 18: Visitor Arrivals to New Zealand

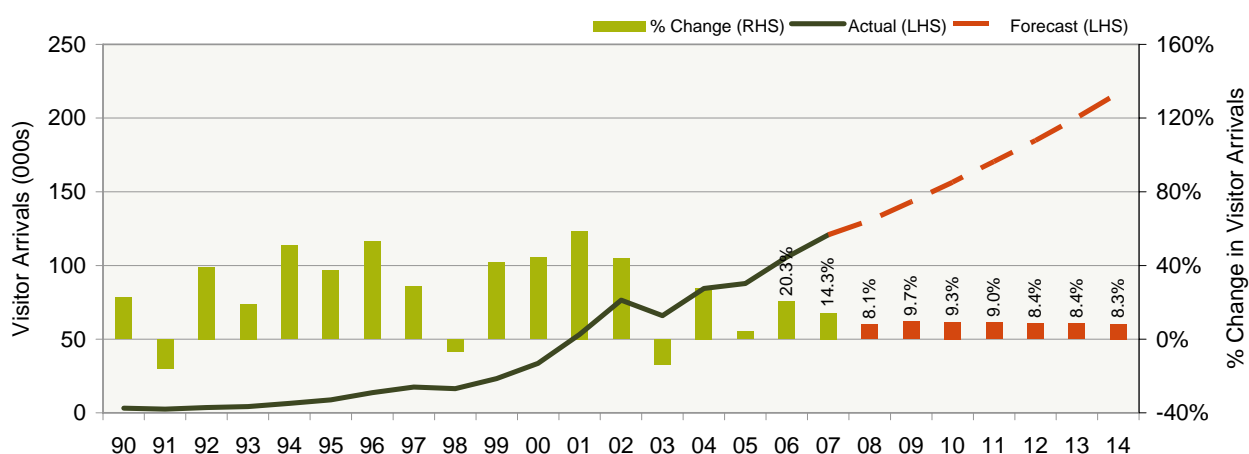


Table 7: Forecasts of Visitor Arrivals and Nights (000s)

Visitor Arrivals and Nights	Actual		Forecast							Growth 2008-2014		
	2006	2007	2008	2009	2010	2011	2012	2013	2014	Change	Total	Annual
Visitor Arrivals	106	121	131	143	156	170	185	200	217	96	79.6%	8.7%
Holiday	58	75	84	94	104	115	125	137	150	74	98.7%	10.3%
VFR	13	15	15	16	17	19	20	21	22	8	51.7%	6.1%
Business	23	19	19	20	21	23	24	26	28	9	45.8%	5.5%
Education	3	3	3	3	3	3	3	3	3	0	14.8%	2.0%
Other	10	9	10	10	11	11	12	13	14	5	58.2%	6.8%
Visitor Nights	1,603	1,646	1,678	1,784	1,899	2,020	2,147	2,284	2,430	784	47.6%	5.7%
Av. Length of Stay	15.2	13.6	12.9	12.5	12.1	11.8	11.6	11.4	11.2	-2.4	-17.8%	-2.8%

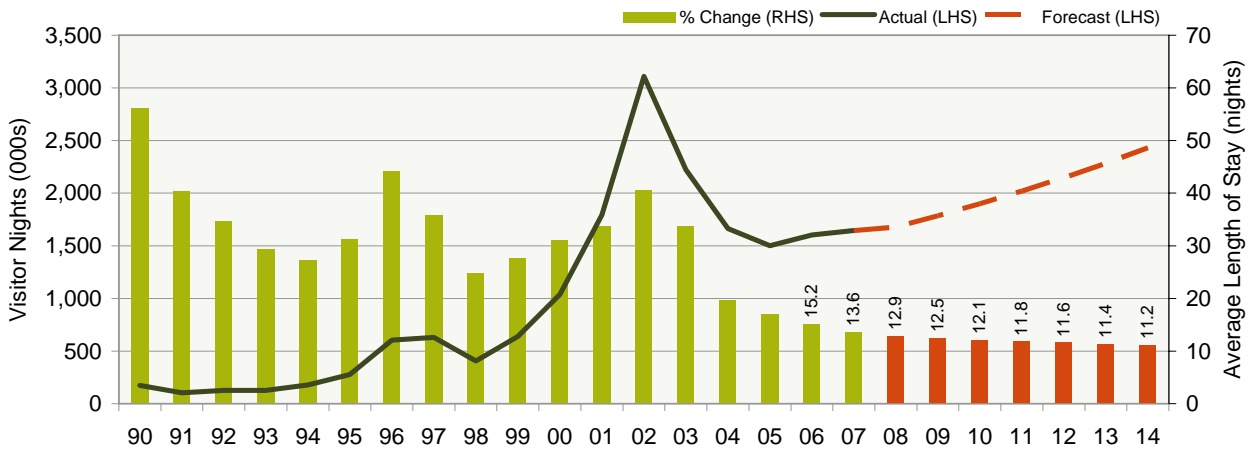
⁴ Approved Destination Status is a bilateral agreement with the Chinese government that allows destination countries to open a tourist office in China and market to tourists and organised group leisure tours of five or more people.

China

Visitor Nights

Visitor nights are expected to increase at a lower rate than visitor arrivals across the forecast period, reaching 1.68 million in 2008 (average stay of 12.9 nights) and increasing further to 2.43 million by 2014 (average stay of 11.2 nights). This represents a total increase in visitor nights over the forecast period of 47.6% (784,000 nights) and an average increase of 5.7% per annum.

Figure 19: Visitor Nights in New Zealand



Market Characteristics

Visitors in the 15-24 year age group generated almost 21% of all Chinese visitor nights in New Zealand in 2007, while accounting for only 5% of all arrivals. The main cause of this disparity is the high percentage of arrivals in this age group that are engaged in long stay education activities. Conversely, travellers aged between 35 and 54 generated 36% of visitor nights while accounting for 60% of arrivals (many of these visitors were short-stay holiday and business travellers).

Over 60% of all Chinese visitors to New Zealand cited **holiday** as their main reason for visiting in 2007; the next most popular reason was to conduct **business** (16%). The 12% of visitors that cited **visiting friends and relatives** as their main reason for visiting generated 46% of all Chinese visitor nights.

Figure 20: Shares of Arrivals and Nights by Age

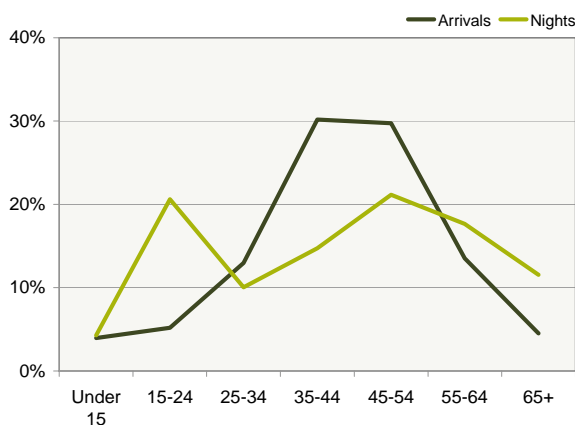
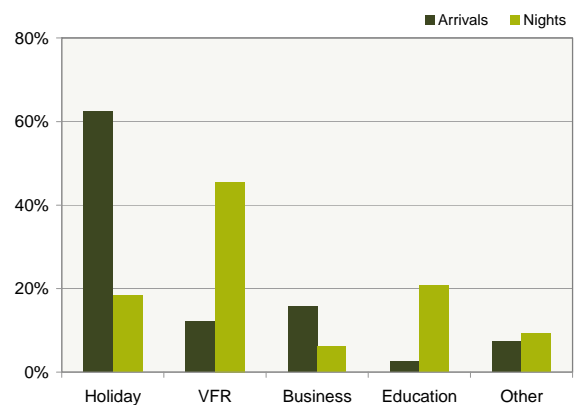


Figure 21: Shares of Arrivals and Nights by Purpose



Japan

Japanese arrivals fell for a third consecutive year in 2007, bringing the decline since 2004 to 26% or more than 43,000 arrivals. Japanese outbound travel has been relatively flat in recent years, increasing by 0.8% in 2006 and decreasing by 1.3% in 2007. However, the decline of 10.8% in Japanese arrivals in 2007 far outweighs the decline in outbound travel, confirming that New Zealand has lost market share. The decline in Australia was even worse, with 12.0% fewer Japanese visitors in 2007 compared with 2006 while the decline in Hawaii, where around 18% of all visitor arrivals are from Japan, was more moderate at 2.6%.

It is clear from the data that Japanese residents are still travelling in large numbers – they are simply choosing to travel to destinations other than New Zealand and Australia. This is largely related to the price of a trip to New Zealand (relative to the price of visiting other destinations) which has increased significantly in recent years due to: (1) relatively low levels of airline competition; (2) the strength of the New Zealand dollar relative to the Japanese yen; and (3) the emergence of value-based airlines in Asia which have greatly reduced the cost of travelling within Asia.

Visitor Arrivals

Visitor arrivals from Japan are forecast to fall further to a low of 100,000 in 2010, before gradually recovering to 110,000 by 2014 as long-haul aviation capacity increases and the Japanese yen strengthens against the New Zealand dollar. This represents a total fall over the forecast period of 9.8% (12,000 arrivals) and an average decline of 1.5% per annum.

Figure 22: Visitor Arrivals to New Zealand

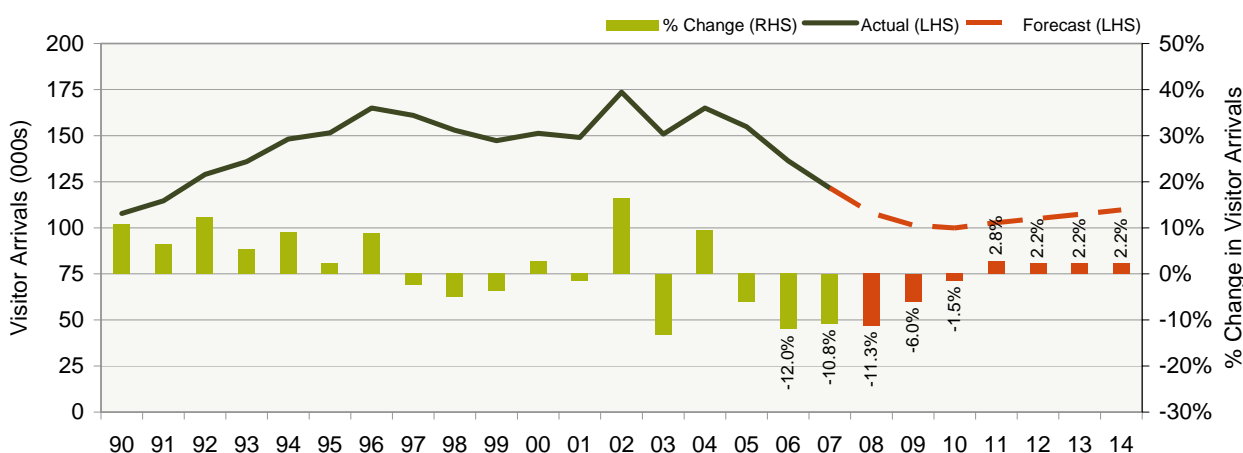


Table 8: Forecasts of Visitor Arrivals and Nights (000s)

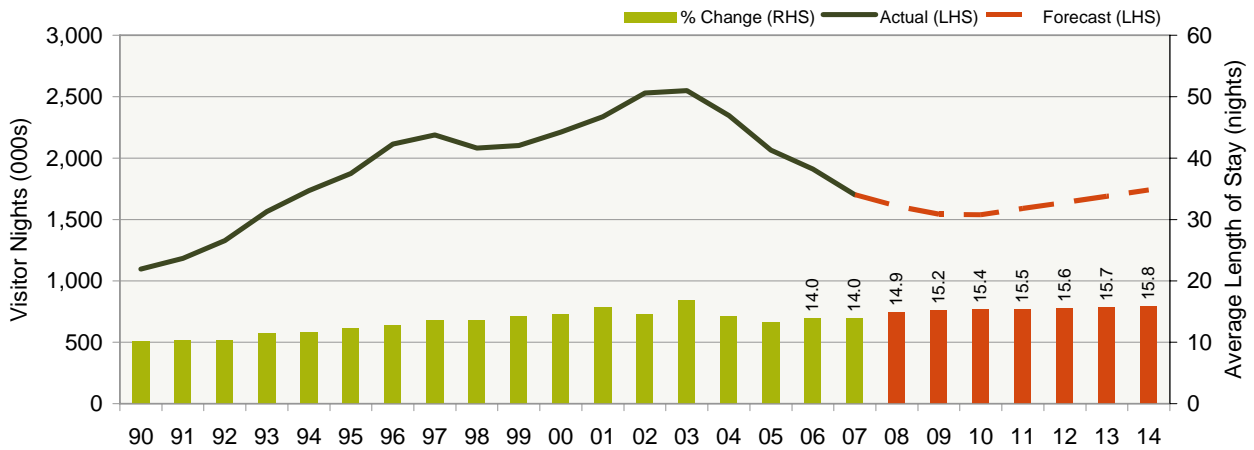
Visitor Arrivals and Nights	Actual		Forecast							Growth 2008-2014		
	2006	2007	2008	2009	2010	2011	2012	2013	2014	Change	Total	Annual
Visitor Arrivals	136	122	108	101	100	103	105	107	110	-12	-9.8%	-1.5%
Holiday	106	96	82	76	75	77	79	80	82	-14	-14.1%	-2.2%
VFR	12	10	10	9	9	10	10	10	10	1	5.8%	0.8%
Business	6	6	6	6	6	6	6	6	6	1	9.0%	1.2%
Education	5	4	4	4	4	4	4	5	5	0	5.3%	0.7%
Other	7	6	6	6	6	6	6	6	7	0	5.2%	0.7%
Visitor Nights	1,910	1,701	1,609	1,544	1,538	1,589	1,639	1,689	1,740	39	2.3%	0.3%
Av. Length of Stay	14.0	14.0	14.9	15.2	15.4	15.5	15.6	15.7	15.8	1.9	13.4%	1.8%

Japan

Visitor Nights

Visitor nights are expected to decrease in 2008, 2009 and 2010, but not as sharply as visitor arrivals. Visitor nights are expected to fall to a low of 1.54 million in 2010 (average stay of 15.4 nights) before gradually recovering to 1.74 million by 2014 (average stay of 15.8 nights). This represents a total increase in visitor nights over the forecast period of 2.3% (39,000 nights) and an average increase of 0.3% per annum.

Figure 23: Visitor Nights in New Zealand



Market Characteristics

The age profiles for Japanese arrivals and nights are generally similar in shape with one major exception - the 15-24 age group which generates 22% of visitor arrivals and 44% of nights. This is driven largely by the education sector which generates 4% of visitor arrivals and 24% of visitor nights.

The almost 80% of Japanese visitors that cited **holiday** as their main reason for visiting in 2007 generated 53% of visitor nights, while the 8% that cited **visiting friends and relatives** generated 10% of visitor nights.

Figure 24: Shares of Arrivals and Nights by Age

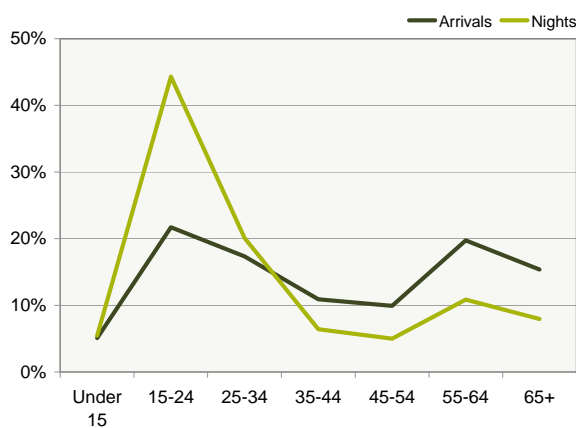
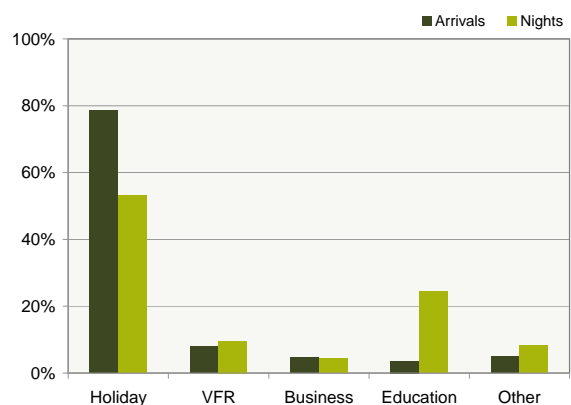


Figure 25: Shares of Arrivals and Nights by Purpose



South Korea

Arrivals from South Korea fell sharply in the latter months of 2007 due to unexpected changes in shopping commission arrangements. These arrangements, common in both New Zealand and Australia, kept the headline price of a trip very low, with tour operators generating a significant percentage of their income through shopping commissions. Without these arrangements the headline price of a trip to New Zealand has effectively doubled, resulting in an immediate drop in visitor numbers.

In addition, there was a 16% decline in direct air capacity between South Korea and New Zealand in 2007 as Korean Air reduced both aircraft size and frequency on the Seoul-Auckland route. Korean Air has also indicated that it will be withdrawing the Seoul-Christchurch service which it has typically operated three times per week in Jan-Feb each year. The recent change in the South Korean market is likely to represent a structural shift. This could actually be positive from an industry perspective because the most affected segment of the market arguably delivers little value to New Zealand i.e. they tend to stay less than 5 days and spend their money in a very narrow range of stores.

Visitor Arrivals

Visitor arrivals from South Korea are forecast to fall further to 87,000 in 2008 and 83,000 in 2009 and 2010, before gradually recovering to 92,000 by 2014 as the market adjusts to changes in commission arrangements, long-haul aviation capacity increases and the South Korean won strengthens against the New Zealand dollar. This represents a total fall over the forecast period of 8.0% (8,000 arrivals) and an average decline of 1.2% per annum.

Figure 26: Visitor Arrivals to New Zealand

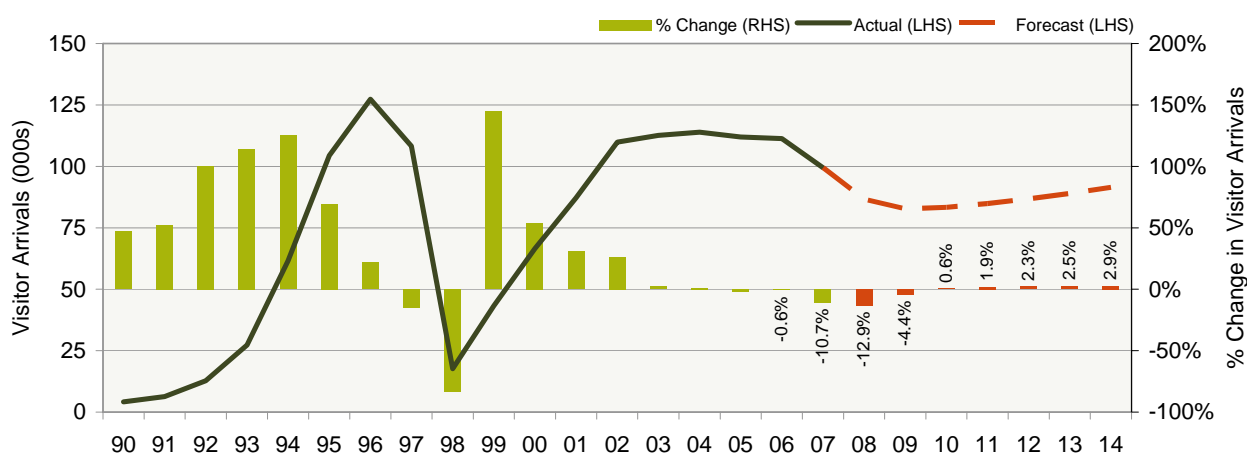


Table 9: Forecasts of Visitor Arrivals and Nights (000s)

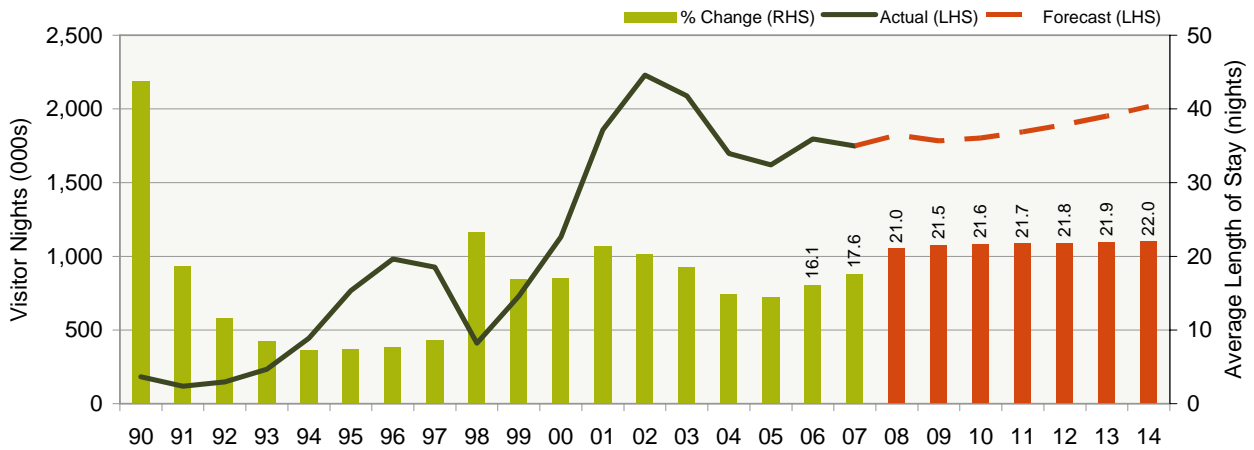
Visitor Arrivals and Nights	Actual		Forecast							Growth 2008-2014		
	2006	2007	2008	2009	2010	2011	2012	2013	2014	Change	Total	Annual
Visitor Arrivals	111	99	87	83	83	85	87	89	92	-8	-8.0%	-1.2%
Holiday	78	69	57	54	54	55	56	57	59	-10	-14.9%	-2.3%
VFR	17	15	15	16	16	16	17	17	18	3	19.5%	2.6%
Business	3	3	2	2	2	3	3	3	3	0	0.6%	0.1%
Education	4	4	4	4	4	5	5	5	5	0	9.6%	1.3%
Other	10	8	7	7	7	7	7	7	7	-1	-11.1%	-1.7%
Visitor Nights	1,796	1,748	1,823	1,783	1,803	1,845	1,895	1,952	2,016	268	15.3%	2.1%
Av. Length of Stay	16.1	17.6	21.0	21.5	21.6	21.7	21.8	21.9	22.0	4.4	25.3%	3.3%

South Korea

Visitor Nights

Visitor nights are expected to increase to 1.82 million in 2008 even though arrivals are expected to decline quite sharply. The increase is attributable to a projected increase in the average length of stay, which is caused by the recent structural shift in short stay shopping activity. Visitor nights are expected to increase by 15.3% to 2.02 million by 2014, representing an average increase of 2.1% per annum.

Figure 27: Visitor Nights in New Zealand



Market Characteristics

South Korean visitors under 25 years of age accounted for 20% of visitor arrivals and 50% of visitor nights in 2007. This disparity can be attributed mainly to the 4% of visitors engaging in education activities collectively generating 25% of South Korean visitor nights. Visitors aged between 35 and 64 generated 58% of South Korean arrivals but only 27% of visitor nights.

The 70% of South Korean visitors that cited **holiday** as the main reason for visiting in 2007 generated 38% of visitor nights, while the 15% that cited **visiting friends and relatives** generated 26% of visitor nights.

Figure 28: Shares of Arrivals and Nights by Age

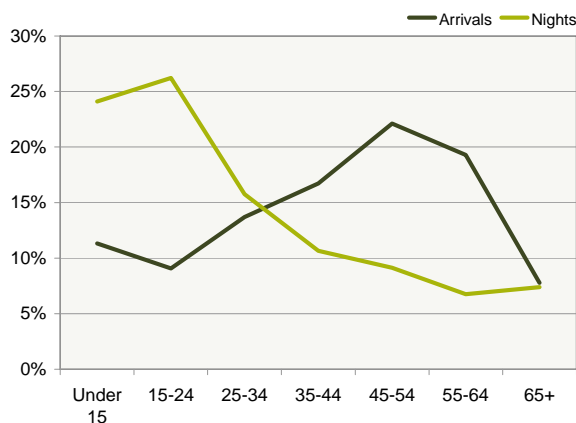
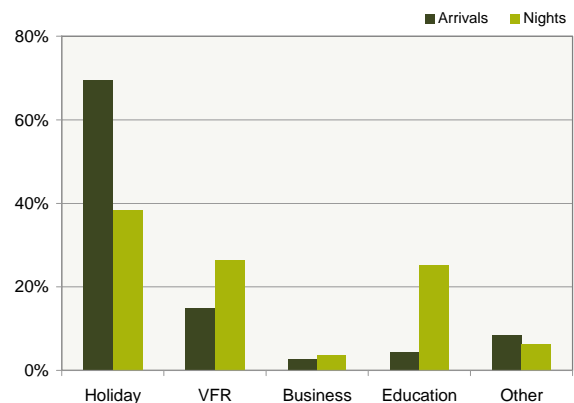


Figure 29: Shares of Arrivals and Nights by Purpose



Germany

Germans are the world's most prolific travellers on a per capita basis and are often described as "early adopters" or "new frontier travellers" in the context of tourism. Competition from emerging destinations such as South America, India, China and Africa has suppressed demand for travel to New Zealand in recent years and it is widely accepted that this trend will continue. However, New Zealand is still an attractive destination for Germans, and this is reinforced by the steady growth in arrivals in recent years and the significant increase in average length of stay.

Despite most Germans having a strong environmental awareness, they tend to regard travel as an essential aspect of modern life and are prepared to make sacrifices in other aspects of their lives so that they can continue to enjoy the benefits of travel. This is positive for New Zealand, particularly in the current environment of heightened environmental awareness, but it is acknowledged that New Zealand needs to demonstrate its environmental credentials more effectively to remain popular with the German market. There are no obvious impediments to further growth out of Germany except higher airfares due to rising fuel prices.

Visitor Arrivals

Visitor arrivals from Germany are forecast to reach an all-time high of 61,000 in 2008, increasing further to 70,000 by 2014. This represents a total increase over the forecast period of 17.9% (11,000 arrivals) and an average increase of 2.4% per annum.

Figure 30: Visitor Arrivals to New Zealand

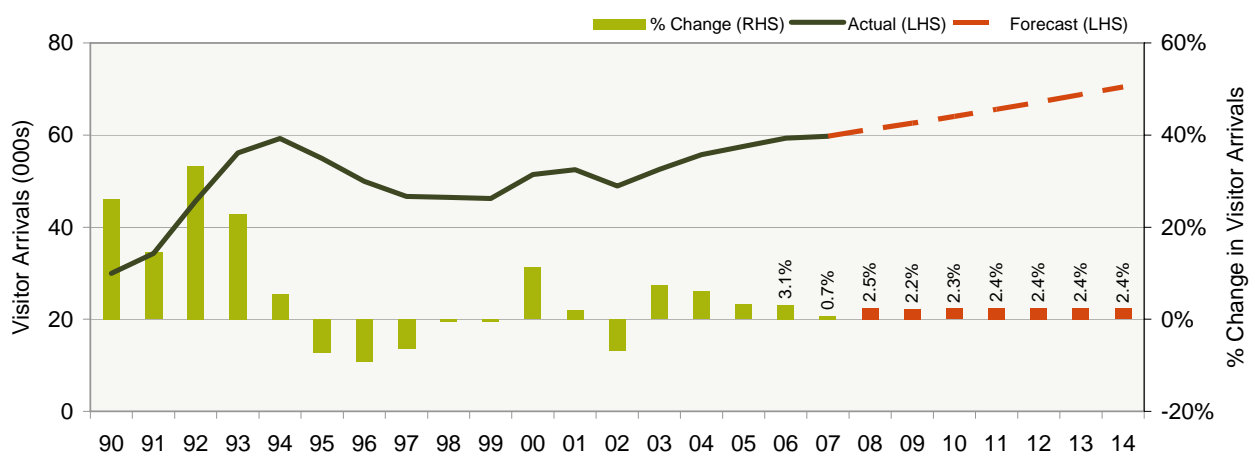


Table 10: Forecasts of Visitor Arrivals and Nights (000s)

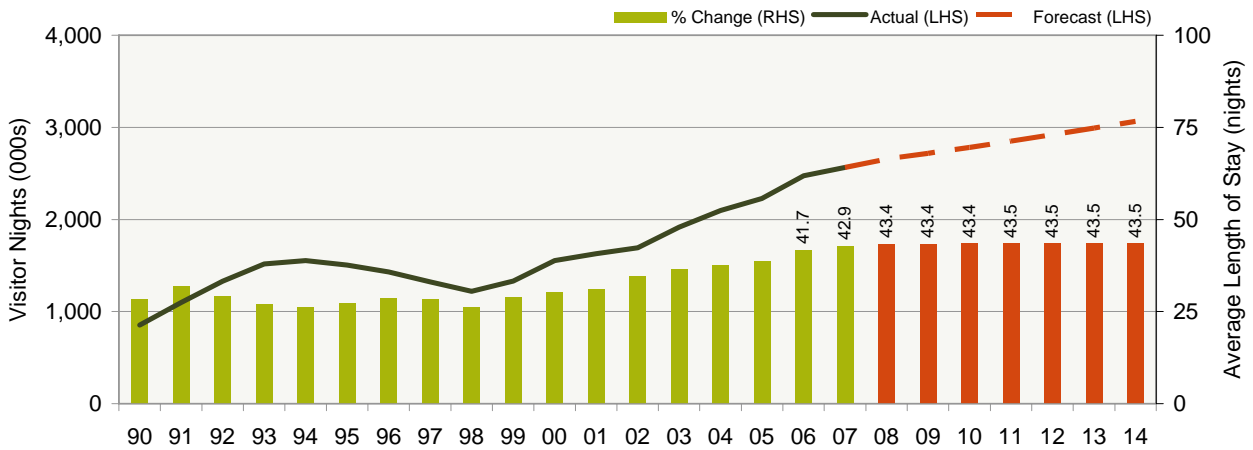
Visitor Arrivals and Nights	Actual		Forecast							Growth 2008-2014		
	2006	2007	2008	2009	2010	2011	2012	2013	2014	Change	Total	Annual
Visitor Arrivals	59	60	61	63	64	66	67	69	70	11	17.9%	2.4%
Holiday	42	42	42	43	44	45	46	48	49	7	17.2%	2.3%
VFR	8	9	9	9	9	10	10	10	10	1	14.8%	2.0%
Business	3	3	3	3	4	4	4	4	4	1	20.8%	2.7%
Education	3	3	4	4	4	4	4	4	4	1	25.1%	3.2%
Other	3	3	3	3	3	3	3	3	3	1	25.3%	3.3%
Visitor Nights	2,474	2,564	2,657	2,718	2,782	2,850	2,922	2,994	3,066	501	19.6%	2.6%
Av. Length of Stay	41.7	42.9	43.4	43.4	43.4	43.5	43.5	43.5	43.5	0.6	1.4%	0.2%

Germany

Visitor Nights

Visitor nights are expected to increase at a slightly higher rate than visitor arrivals across the forecast period, reaching 2.66 million in 2008 (average stay of 43.4 nights) and increasing further to 3.07 million by 2014 (average stay of 43.5 nights). This represents a total increase in visitor nights over the forecast period of 19.6% (501,000 nights) and an average increase of 2.6% per annum.

Figure 31: Visitor Nights in New Zealand



Market Characteristics

The age profiles for German arrivals and nights are generally similar in shape with one major exception - the 15-24 age group which generates 21% of visitor arrivals and 41% of nights. This is driven partly by the education sector which generates 5% of visitor arrivals and 18% of visitor nights, and partly by young backpackers who spend long periods of time in New Zealand. The latter has been stimulated by an increase in the number of one year work visas issued to German travellers.

The 70% of German visitors that cited **holiday** as their main reason for visiting generated 59% of visitor nights in 2007, while the 15% that cited **visiting friends and relatives** generated 13%.

Figure 32: Shares of Arrivals and Nights by Age

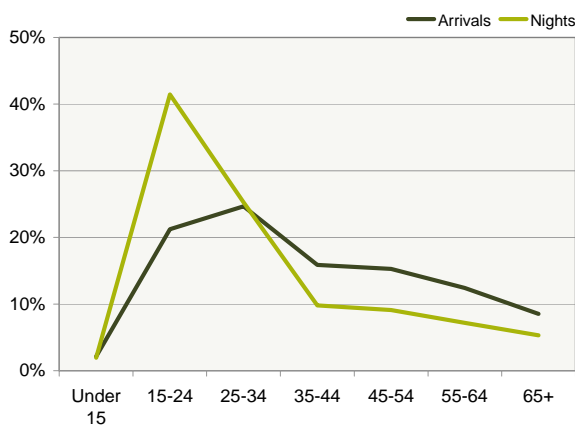
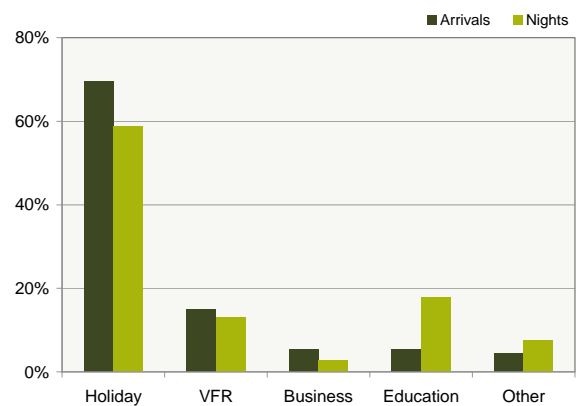


Figure 33: Shares of Arrivals and Nights by Purpose



Secondary Markets

The forecasts suggest that the growth rates out of several of New Zealand's primary inbound markets will be lower over the next seven years than they have been in the past. The reasons for this are varied, but include market maturation, competition from new destinations and structural changes in aviation markets. Fortunately some of New Zealand's secondary markets have strong growth potential, and these are discussed in more detail below.

Canada

Canada is a good long-term prospect for New Zealand, and Air New Zealand's direct Auckland-Vancouver service has already had a major impact on visitor exchanges between the two countries. Canada has a stable economy, strong affinity with the environment and major oil reserves, all of which should ensure that consumer demand remains strong in the foreseeable future.

Euro-7

The Euro-7 group (Italy, France, Spain, Portugal, Luxembourg, Austria and Belgium) includes some of the world's largest and wealthiest countries. The main barrier to growth out of these markets is distance and the cost of destination marketing. These markets are already well serviced in terms of air capacity, although the most direct flight to New Zealand still involves at least two stopovers which may deter some travellers.

India

India has a population of over 1 billion and a rapidly growing middle class. It has the potential to be a very good inbound market for New Zealand because the Indian arrival peak is in May/June, and most travellers are familiar with Western culture. The main constraint at this stage is air capacity, although Air New Zealand may be able to fly direct to India once it takes delivery of its long-range 787s.

South America

South America is another huge market with significant pockets of wealth that are relatively untapped. There are already direct air services operating between New Zealand and several South American cities (including Buenos Aires and Santiago), and both Qantas and Air New Zealand are reportedly taking a greater interest in South America.

Figure 34: Visitor Arrivals from Canada (000s)

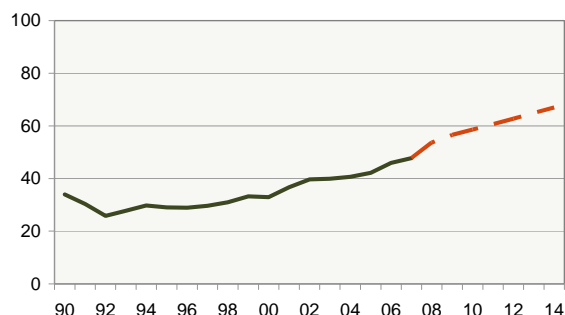


Figure 35: Visitor Arrivals from Euro-7 (000s)

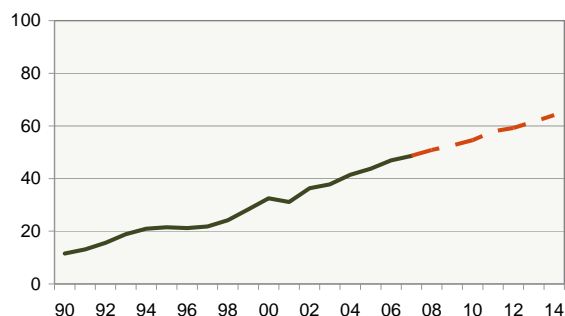


Figure 36: Visitor Arrivals from India (000s)

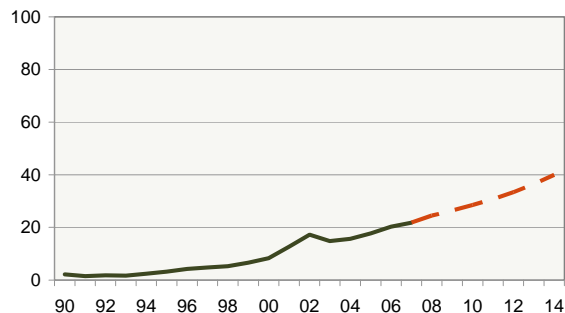
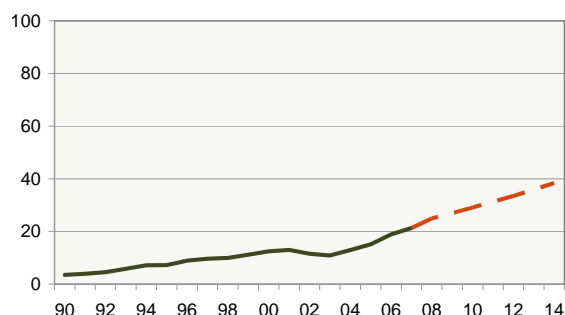


Figure 37: Visitor Arrivals from South America (000s)



Secondary Markets

There is still good growth potential in some of New Zealand's smaller secondary markets. The forecasts indicate a positive outlook for the majority of New Zealand's secondary markets, particularly those outside Asia. More detail on these markets can be found in Table 1 on Page 7.

Figure 38: Arrivals from the Pacific Islands (000s)

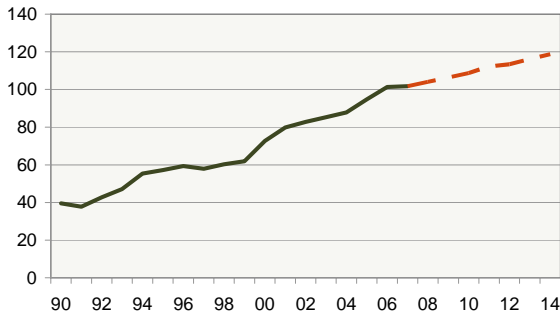


Figure 39: Arrivals from Northern Europe (000s)

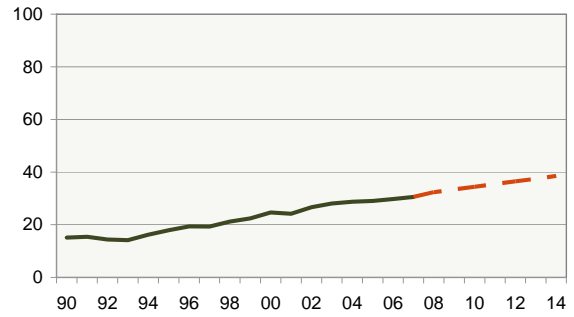


Figure 40: Arrivals from Singapore (000s)

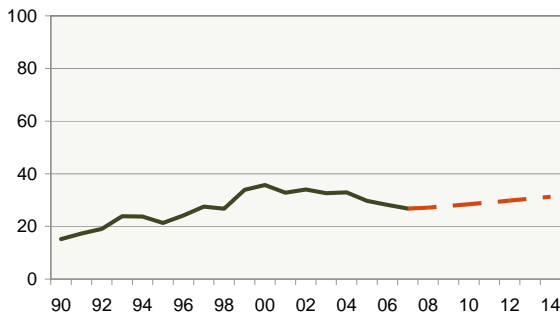


Figure 41: Arrivals from the Netherlands (000s)

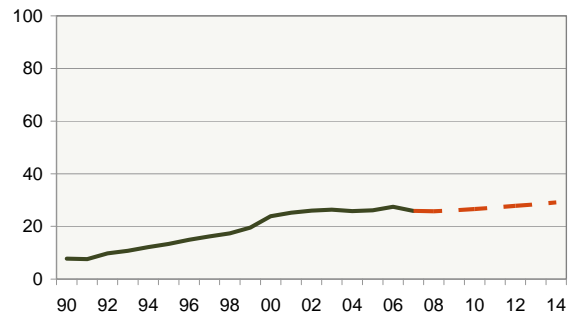


Figure 42: Arrivals from Taiwan (000s)

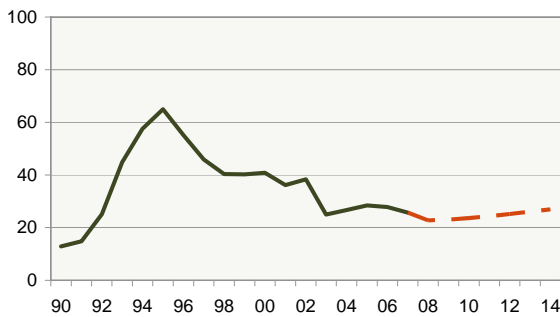


Figure 43: Arrivals from Hong Kong (000s)

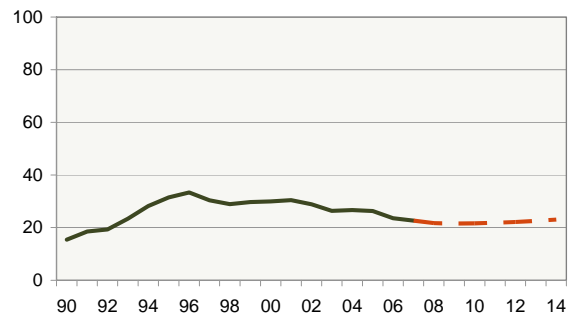


Figure 44: Arrivals from South Africa (000s)

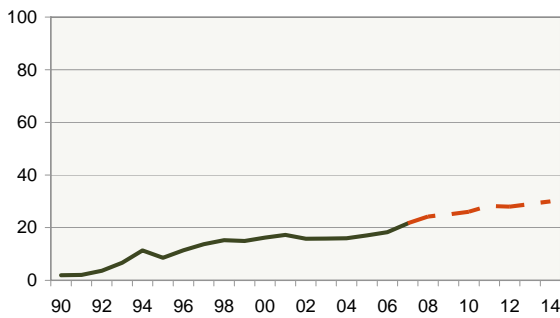
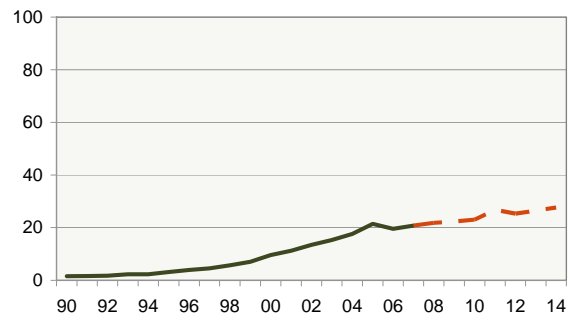


Figure 45: Arrivals from Ireland (000s)



Travel by New Zealand Residents

Travel by New Zealand residents encompasses both outbound travel (overseas trips by New Zealand residents) and domestic travel (trips taken within New Zealand). A study conducted by the Ministry of Tourism suggests that on average each New Zealander spends around 21 nights away from home each year. When the economy is strong and international travel becomes more affordable a higher percentage of these nights are spent overseas, and when the economy is weak and international travel becomes less affordable the converse is true. This implies a high degree of substitution between outbound and domestic travel.

New Zealand appears to be entering a period of economic difficulty, caused by high domestic prices, high interest rates, turmoil in the financial sector and falling house prices. The current conditions are expected to persist well into 2009. It is therefore likely that outbound travel activity will slow in 2008/09, and domestic travel activity will increase.

Outbound Travel

Outbound trips by New Zealand residents are forecast to remain flat in 2008 and 2009 at 1.99m, before gradually increasing to 2.30 million by 2014. This represents a total increase over the forecast period of 16.5% (326,000 trips) and an average increase of 2.2% per annum.

Figure 46: Outbound Trips by New Zealand Residents

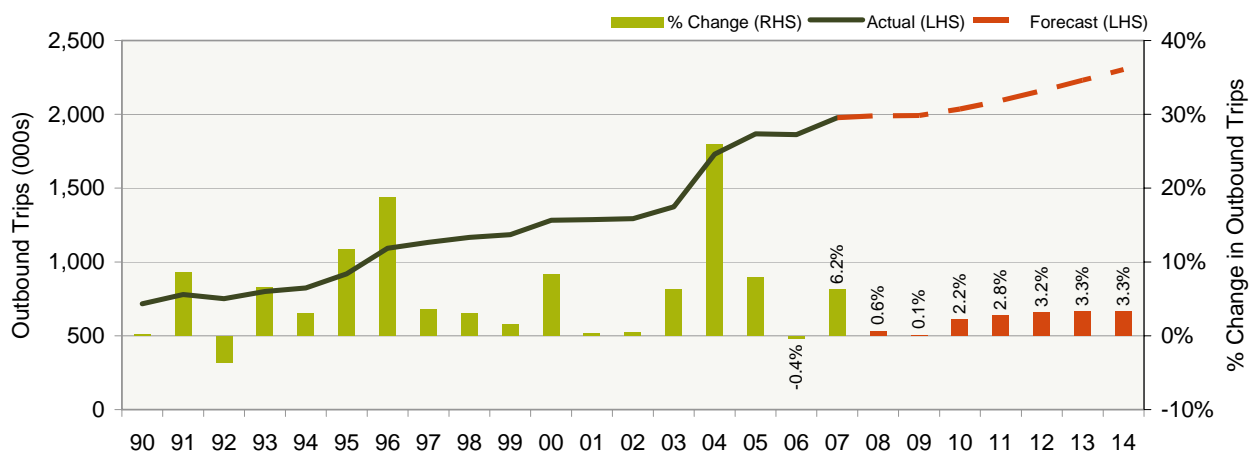


Table 11: Forecasts of Outbound Trips by New Zealand Residents (000s)

Destination Market	Actual		Forecast							Growth 2008-2014		
	2006	2007	2008	2009	2010	2011	2012	2013	2014	Change	Total	Annual
Australia	929	978	963	958	975	997	1,028	1,062	1,097	119	12.2%	1.7%
United States	87	92	92	91	93	94	96	98	100	8	8.5%	1.2%
Canada	16	18	20	21	22	22	23	23	23	5	28.9%	3.7%
China	51	58	66	67	69	72	76	79	82	25	42.4%	5.2%
Thailand	29	31	31	31	32	33	34	35	36	5	16.2%	2.2%
India	24	26	27	27	28	29	30	31	32	6	22.2%	2.9%
United Kingdom	89	96	94	93	94	96	99	101	103	7	7.8%	1.1%
Fiji	106	97	94	93	96	100	103	108	112	15	14.9%	2.0%
Cook Islands	45	52	55	56	58	60	62	64	66	15	28.8%	3.7%
Samoa	31	37	37	37	38	40	41	42	44	7	19.8%	2.6%
Rest of World	453	493	511	516	532	550	569	588	607	114	23.2%	3.0%
TOTAL	1,861	1,978	1,990	1,992	2,036	2,093	2,159	2,230	2,304	326	16.5%	2.2%

Travel by New Zealand Residents

Domestic Travel

New Zealanders generated 17.7 million domestic overnight trips in 2007, and 52.1 million visitor nights. Domestic overnight trips are expected to increase to 18.2 million by the end of 2009 as growth in outbound stalls, before levelling off at around 18.4 million nights per annum thereafter. Visitor nights are expected to follow a similar growth profile, increasing to 54.0 million by the end of 2009 and then levelling off at around 54.5 million nights per annum thereafter.

Figure 47: New Zealand Domestic Overnight Trips

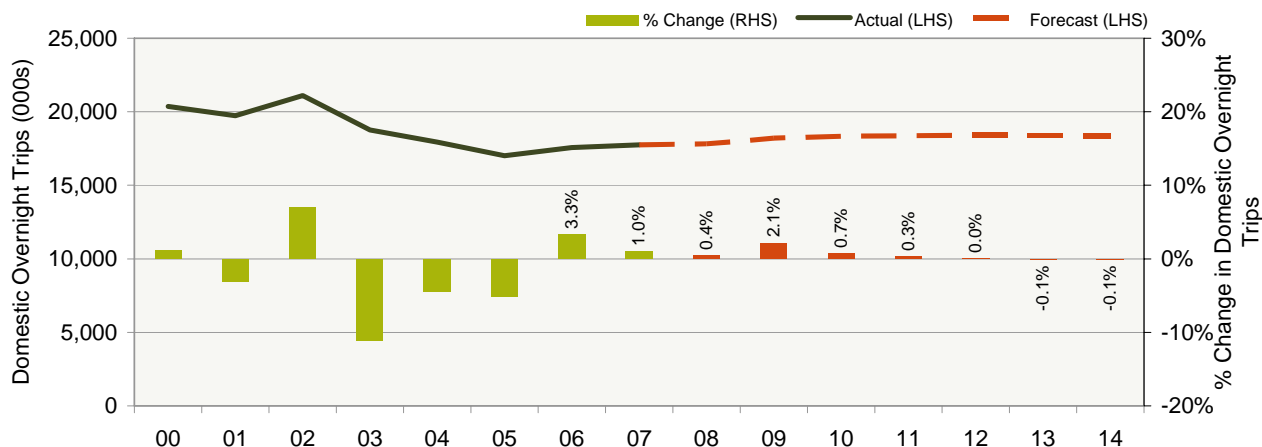


Figure 48: New Zealand Domestic Visitor Nights

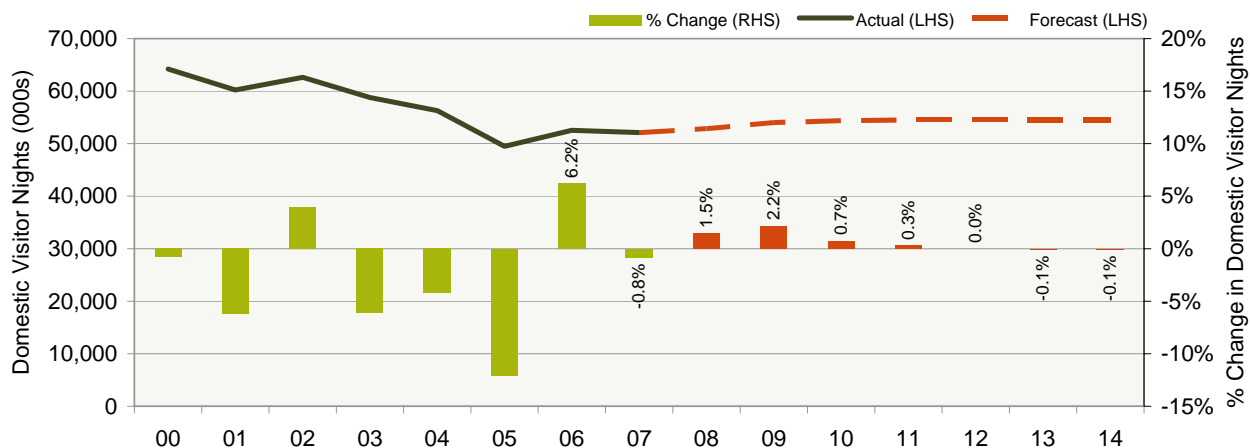


Table 12: Forecasts of Domestic Travel by New Zealand Residents

Domestic Travel Indicator*	Actual		Forecast							Growth 2008-2014		
	2006	2007	2008	2009	2010	2011	2012	2013	2014	Change	Total	Annual
Day Trips (000s)	34,342	31,752	32,671	32,956	33,240	33,519	33,779	34,038	34,298	2,547	8.0%	1.1%
Overnight Trips (000s)	17,561	17,740	17,818	18,198	18,327	18,382	18,383	18,373	18,358	617	3.5%	0.5%
Visitor Nights (000s)	52,548	52,105	52,865	54,005	54,387	54,543	54,543	54,509	54,460	2,355	4.5%	0.6%
Av. Nights per Trip	2.99	2.94	2.97	2.97	2.97	2.97	2.97	2.97	2.97	0.03	1.0%	0.1%

* Domestic travel by all persons, including children under 15 years of age.

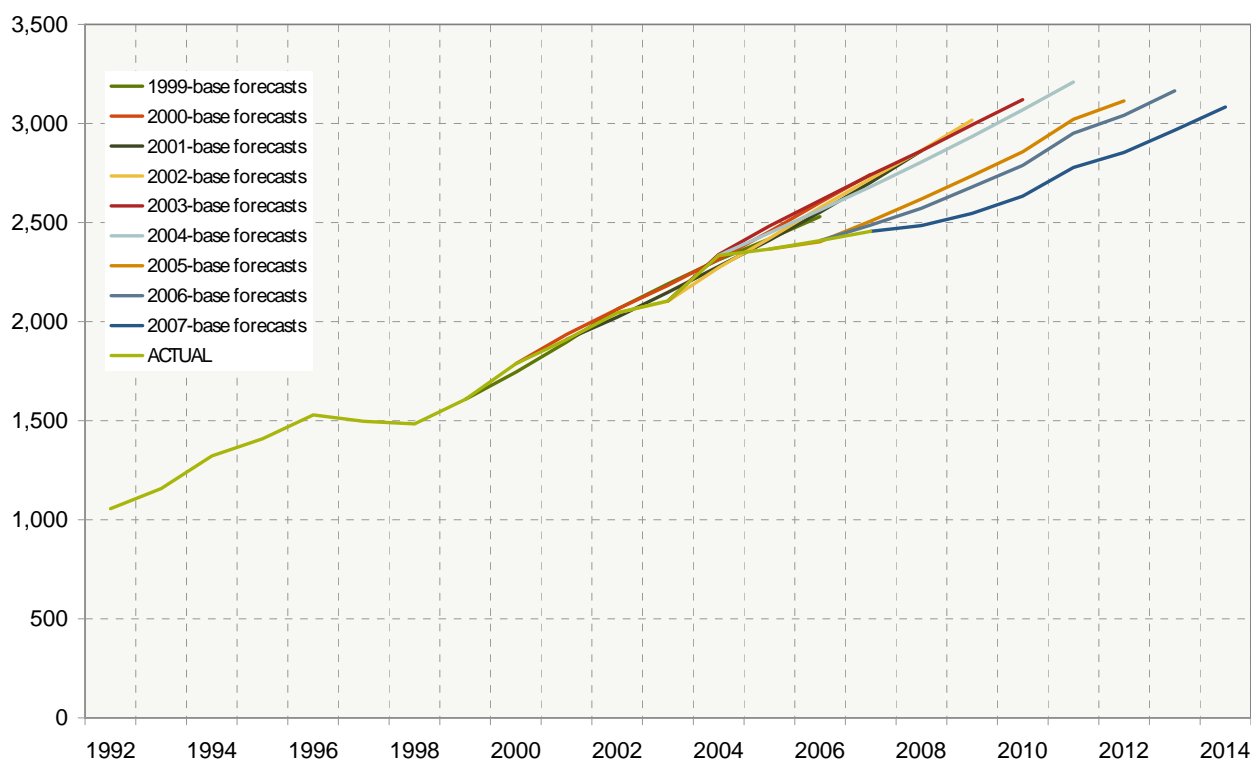
Performance of Past Forecasts

The Ministry of Tourism's forecasts of visitor arrivals to New Zealand are updated annually to reflect the latest information and changing market conditions. This responsiveness has helped to establish the forecasting programme as a highly credible source of information since its inception in 1999.

Table 13: Performance of Past Forecasts of International Visitor Arrivals

Forecasts ('000s)	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
1999-base forecasts	1,607	1,745	1,897	2,063	2,190	2,311	2,418	2,530								
2000-base forecasts		1,787	1,935	2,063	2,183	2,315	2,454	2,601	2,744							
2001-base forecasts			1,909	2,023	2,148	2,278	2,411	2,552	2,703	2,862						
2002-base forecasts				2,045	2,272	2,420	2,576	2,721	2,864	3,017						
2003-base forecasts					2,104	2,338	2,482	2,611	2,741	2,862	2,992	3,120				
2004-base forecasts						2,334	2,448	2,563	2,681	2,805	2,934	3,069	3,209			
2005-base forecasts							2,366	2,403	2,508	2,619	2,736	2,857	3,021	3,114		
2006-base forecasts								2,409	2,487	2,573	2,679	2,789	2,951	3,041	3,165	
2007-base forecasts									2,455	2,485	2,546	2,633	2,778	2,854	2,966	3,083
ACTUAL	1,607	1,787	1,909	2,045	2,104	2,334	2,366	2,409	2,455							
Deviations from Actual																
1999-base forecasts		-2.3%	-0.6%	0.9%	4.1%	-1.0%	2.2%	5.0%								
2000-base forecasts			1.4%	0.9%	3.8%	-0.8%	3.7%	8.0%	11.7%							
2001-base forecasts				-1.1%	2.1%	-2.4%	1.9%	5.9%	10.1%							
2002-base forecasts					0.0%	-2.7%	2.3%	6.9%	10.8%							
2003-base forecasts						0.2%	4.9%	8.4%	11.6%							
2004-base forecasts							3.5%	6.4%	9.2%							
2005-base forecasts								-0.3%	2.1%							
2006-base forecasts									1.3%							

Figure 49: Summary of Visitor Arrivals Forecasts 1999-2007 (000s)



Performance of Past Forecasts

The 2006-base forecasts for 2007 were relatively accurate in all high level measures.

Total international visitor arrivals were overstated by 1.3%, total visitor nights were overstated by 1.6%, outbound trips were understated by 2.8% and domestic nights were overstated by 0.9%.

Table 12: Performance of Past Forecasts

Key Tourism Indicators	2006 Actual	2007 Actual	2007 Forecast	Deviation from Actual	Direction Picked?
Visitor Arrivals (000s)					
Australia	904	950	933	-1.8%	Yes
United States	226	216	222	2.9%	Yes
Japan	136	122	124	1.7%	Yes
South Korea	111	99	114	14.2%	No
China	106	121	127	5.5%	Yes
United Kingdom	295	293	309	5.5%	No
Germany	59	60	59	-1.0%	No
Rest of World	572	595	599	0.7%	Yes
Total World	2,409	2,455	2,487	1.3%	Yes
Visitor Nights (000s)					
Australia	9,997	10,174	9,993	-1.8%	No
United States	3,824	3,734	3,920	5.0%	No
Japan	1,910	1,701	1,687	-0.8%	Yes
South Korea	1,796	1,748	1,858	6.2%	No
China	1,603	1,646	1,717	4.3%	Yes
United Kingdom	8,600	8,309	8,643	4.0%	No
Germany	2,474	2,564	2,590	1.0%	Yes
Rest of World	16,493	17,313	17,539	1.3%	Yes
Total World	46,698	47,189	47,946	1.6%	Yes
Outbound (000s)					
Australia	929	978	967	-1.1%	Yes
United States	87	92	88	-5.2%	Yes
Hong Kong	16	18	18	-0.1%	Yes
China	51	58	57	-2.1%	Yes
Thailand	29	31	30	-0.7%	Yes
India	24	26	26	-0.6%	Yes
United Kingdom	89	96	90	-6.6%	Yes
Fiji	106	97	91	-6.3%	Yes
Cook Islands	45	52	52	0.9%	Yes
Samoa	31	37	35	-4.7%	Yes
Rest of World	453	493	468	-5.1%	Yes
Total World	1,861	1,978	1,922	-2.8%	Yes
Domestic					
Trips (000s)	51,902	49,492	52,144	5.4%	No
Visitor Nights (000s)	52,548	52,105	52,594	0.9%	No
Average Stay (nights)	3.0	2.9	3.0	1.9%	Yes

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