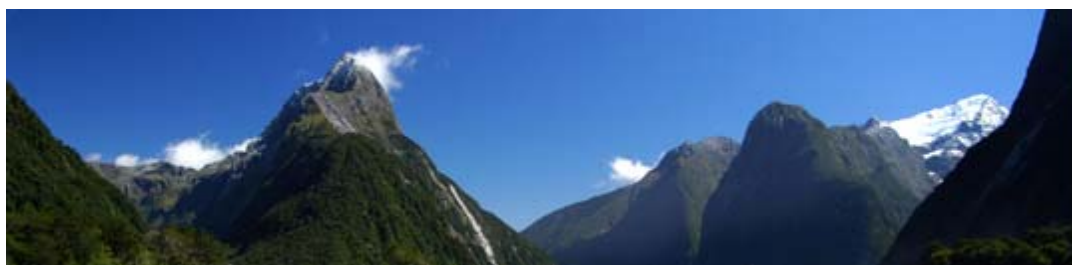




NEW ZEALAND TOURISM FORECASTS 2008-2014 **EXPENDITURE SUPPLEMENT**

OCTOBER 2008 | www.tourismresearch.govt.nz



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This report is one of a series of reports produced within the Ministry of Tourism's annual forecasting programme. The main report titles within the 2008 programme are:

- New Zealand Tourism Forecasts 2008-2014 – Summary Document
- New Zealand Tourism Forecasts 2008-2014 – Expenditure Supplement
- New Zealand Regional Tourism Forecasts 2008-2014 (these are individual RTO reports)

Pivot tables can be viewed and downloaded from www.tourismresearch.govt.nz/forpivot.

All of the forecasting reports are prepared for the Ministry of Tourism by Covec Limited.

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Introduction

This expenditure supplement should be read together with the Ministry of Tourism's annual forecasting report *New Zealand Tourism Forecasts 2008-2014* which can be downloaded from www.tourismresearch.govt.nz/forecasts.

Ongoing Improvement

The expenditure forecasts have been presented as a supplement this year because the expenditure data was not available at the time the arrival forecasts were produced. The late release of the expenditure data is a one-off event caused by the Ministry of Tourism's ongoing commitment to improving the core tourism dataset. In particular, the Ministry has revised the way that tourism expenditure is measured so that New Zealand's methods align with international best practice.

The revision incorporates two enhancements aimed at improving the quality and reliability of the International Visitor Survey (IVS). The revised data excludes expenditure on capital items such as property and land which is not representative of tourism expenditure. The previously published data included capital expenditure which can misrepresent the level of tourism expenditure. The revised data also includes changes to the weighting method so that the sample reflects the key characteristics of international visitors travelling to New Zealand. The new weighting method includes extra weighting variables for purpose of visit and length of stay in addition to the current variables of country of residence, age and gender. The changes have been applied to the data for 2003 onwards. A full technical note is available at www.tourismresearch.govt.nz/ivs.

Caveat on the Forecasts - Economic Climate

The global credit crisis has deepened considerably since the main forecasting report was published in August 2008. This year's forecasts already signalled a difficult 1-2 years ahead for the New Zealand tourism industry; but recent economic events are likely to make the 2008/2009 season worse than expected. The massive economic losses being experienced worldwide, which will show themselves as reduced spending power by potential visitors, will have a significant impact on tourism globally, resulting in fewer trips, nights and expenditure. New Zealand is already feeling the effects with visitor arrivals in September and the first week of October sitting well below last year's levels. The only positive for New Zealand at present is the steep decline in the value of the New Zealand dollar against the currencies of most of our major inbound markets. Previous research suggests that a weaker New Zealand dollar will promote higher spending by international visitors; hence while visitor numbers are likely to be lower than expected in 2008/09, the impact on expenditure may be moderated by higher average spend rates.

At this stage it is unclear when the full impact of the credit crisis will be realised or how long the economic recovery will take; however it is clear that the 2008/09 season is going to be challenging for the New Zealand tourism industry. It is too early to revise the forecasts in the current environment as there is still considerable uncertainty about the global economic situation and the long-term implications for tourism. As such, the forecasts presented in this supplement are based on the forecasts of international and domestic tourism activity published in August 2008. **The forecasts for 2010-14 are considered to be a fair representation of the long-term outlook for tourism in New Zealand, but based on the current economic environment it is likely that the 2008 and 2009 forecasts will overstate the actual level of tourism activity in New Zealand. A review and update of the forecasts will be conducted and released in early 2009.**

Interpretation

All expenditure values presented in this supplement are expressed in nominal New Zealand dollar terms and therefore include the effects of inflation. The stated expenditures are inclusive of GST. International visitor expenditure includes all expenditure by international visitors in New Zealand, but excludes international airfares. Domestic expenditure includes all expenditure associated with trips made by New Zealand residents within New Zealand.

Executive Summary

The current macroeconomic environment is challenging for New Zealand tourism. One of the few positives is the steep decline in the value of the New Zealand dollar since August 2008, which will make New Zealand a more price competitive international destination and is likely to result in greater spend per visitor night. International visitor spend is forecast to increase by 55.8% over the forecast period from \$6.15 billion in 2007 to \$9.57 billion by 2014, representing an average increase of 6.5% per annum. Domestic visitor spend is forecast to increase by 24.9% over the forecast period from \$7.59 billion in 2007 to \$9.47 billion by 2014, representing an average increase of 3.2% per annum.

Total tourism expenditure (international plus domestic) is forecast to increase from \$13.73 billion in 2007 to \$19.05 billion in 2014. This represents a gross increase of \$5.31 billion (38.7%) over the forecast period, and an average increase of 4.8% per annum.

Table 1: Forecasts of International Visitor Spend in New Zealand (\$NZm)

Inbound Market	Actual		Forecast							Growth 2008-2014		
	2006	2007	2008	2009	2010	2011	2012	2013	2014	Change	Total	Annual
Australia	1,434	1,585	1,724	1,833	1,952	2,131	2,223	2,354	2,492	907	57.2%	6.7%
United States	655	667	678	730	777	822	870	921	975	308	46.2%	5.6%
Canada	133	116	125	137	146	156	166	177	188	72	61.5%	7.1%
South America	108	112	129	147	167	189	214	243	274	163	145.7%	13.7%
Americas nec*	24	22	26	26	27	29	31	33	34	12	54.1%	6.4%
Japan	412	409	413	434	455	483	510	537	567	158	38.6%	4.8%
Taiwan	95	73	78	83	90	96	102	108	114	41	56.5%	6.6%
Hong Kong	66	69	72	75	79	82	85	89	93	24	34.2%	4.3%
South Korea	250	247	264	265	275	288	303	319	337	89	36.0%	4.5%
China	264	273	292	340	383	429	479	535	598	325	119.3%	11.9%
Singapore	56	61	66	76	81	85	89	93	98	36	59.5%	6.9%
Malaysia	53	72	75	73	75	79	83	87	91	19	26.4%	3.4%
Thailand	46	47	47	50	52	55	58	61	64	17	35.3%	4.4%
Indonesia	13	16	16	17	18	19	20	21	22	6	37.2%	4.6%
India	68	72	81	88	97	107	118	131	146	74	103.5%	10.7%
Rest of Asia nec	40	51	60	64	69	73	78	83	88	37	72.1%	8.1%
United Kingdom	931	974	1,020	1,071	1,114	1,261	1,245	1,319	1,396	423	43.4%	5.3%
Northern Europe	97	95	108	114	120	127	134	141	148	53	56.1%	6.6%
Ireland	55	52	55	59	63	77	73	79	84	32	61.2%	7.1%
Germany	266	247	262	275	288	303	318	334	351	104	42.1%	5.1%
Netherlands	114	106	110	114	120	126	133	139	146	40	38.0%	4.7%
Switzerland	44	49	52	54	56	58	61	63	66	16	33.4%	4.2%
Euro 7**	180	180	188	200	215	235	248	265	284	104	58.1%	6.8%
Rest of Europe nec	43	42	49	53	59	65	72	80	90	47	112.5%	11.4%
South Africa	81	87	102	109	117	130	133	142	151	64	72.8%	8.1%
Pacific Islands	245	270	313	327	342	362	377	395	414	144	53.4%	6.3%
Rest of World nec	137	151	155	167	181	198	216	238	262	111	73.1%	8.2%
TOTAL WORLD	5,911	6,147	6,560	6,981	7,418	8,065	8,438	8,988	9,574	3,427	55.8%	6.5%

* The term 'nec' stands for 'not elsewhere classified'

** Euro 7 includes France, Spain, Italy, Luxembourg, Portugal, Austria and Belgium

Table 2: Forecasts of Domestic Visitor Spend in New Zealand (\$NZm)

Domestic Segment	Actual		Forecast							Growth 2008-2014		
	2006	2007	2008	2009	2010	2011	2012	2013	2014	Change	Total	Annual
Overnight Spend	4,843	5,038	5,240	5,488	5,665	5,821	5,964	6,107	6,250	1,213	24.1%	3.1%
Day Spend	2,626	2,550	2,684	2,769	2,857	2,946	3,036	3,129	3,224	674	26.4%	3.4%
Total Spend	7,468	7,587	7,924	8,257	8,521	8,767	9,001	9,235	9,474	1,887	24.9%	3.2%

Total World

Spend by international visitors increased 6.2% to \$5.91 billion in 2006 and a further 4.0% to \$6.15 billion in 2007 despite relatively low growth in visitor numbers and a strong New Zealand dollar. The current economic climate is likely to curb growth in international visitor activity in the short-term, and may even result in a short-term decline, but the steep decline in the value of the New Zealand dollar against the currencies of most of our major inbound markets is likely to at least partially offset this effect.

International visitor expenditure is forecast to increase to \$9.57 billion by 2014, representing a total increase over the forecast period of 55.8% (\$3.43 billion) and an average increase of 6.5% per annum. Average spend per arrival is forecast to increase from \$2,503 to \$3,105 over the same period, and average spend per night is forecast to increase from \$130 to \$160.

Figure 1: Visitor Spend in New Zealand

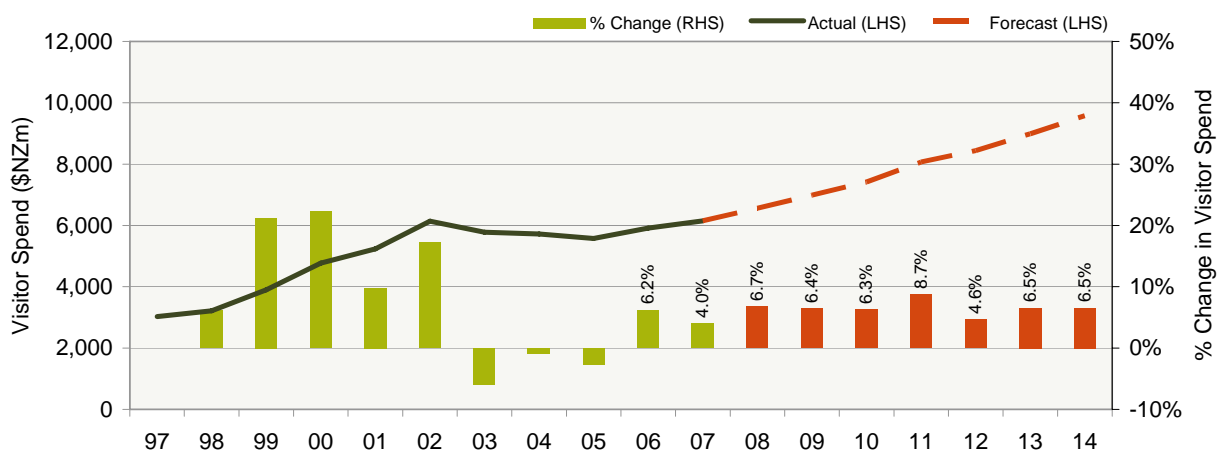


Figure 2: Spend per Night and Spend per Arrival (\$NZ)

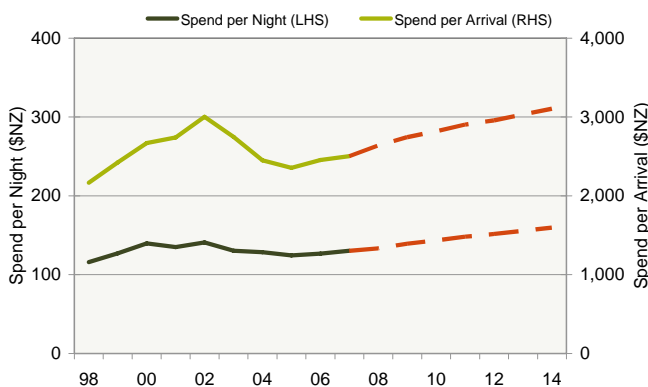
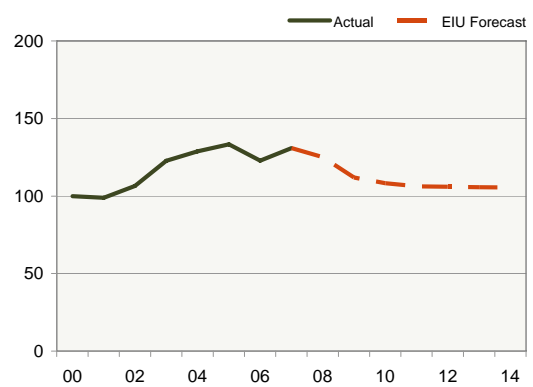


Figure 3: Exchange Rate (tourism weighted index)*



Source: Economist Intelligence Unit (EIU)

Table 3: Forecasts of Visitor Spend in New Zealand

Measure of Spend	Actual		Forecast							Growth 2008-2014		
	2006	2007	2008	2009	2010	2011	2012	2013	2014	Change	Total	Annual
Total Spend (\$NZm)	5,911	6,147	6,560	6,981	7,418	8,065	8,438	8,988	9,574	3,427	55.8%	6.5%
Spend per Night (\$NZ)	127	130	133	139	143	148	152	156	160	29	22.5%	2.9%
Spend per Arrival (\$NZ)	2,454	2,503	2,640	2,743	2,818	2,904	2,956	3,030	3,105	601	24.0%	3.1%

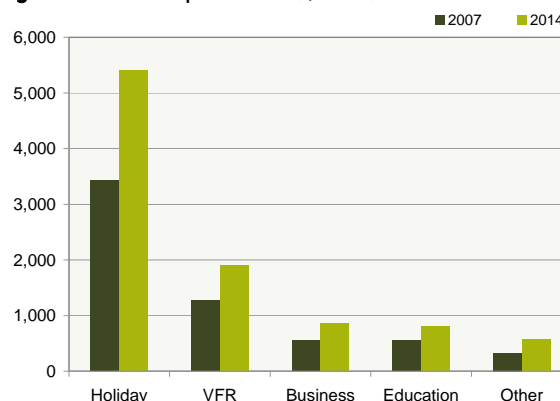
* A tourism weighted index is an exchange rate index for a representative group of international visitors to New Zealand. The weights are based on the gross expenditure levels of each major inbound market.

Total World

Total Expenditure

The holiday segment generated 56% of expenditure in New Zealand in 2007 at \$3.43 billion, followed by VFR at \$1.27 billion and business at \$553m. Spend by holiday visitors is expected to increase by 57% (\$1.98 billion) over the forecast period to reach \$5.43 billion, while VFR spend is expected to increase by 50% (\$629m) to \$1.90 billion. The increases in expenditure are driven by increases in visitor arrivals and nights, and increases in spend per visitor (which are in turn driven by increases in household wealth and a weaker New Zealand dollar).

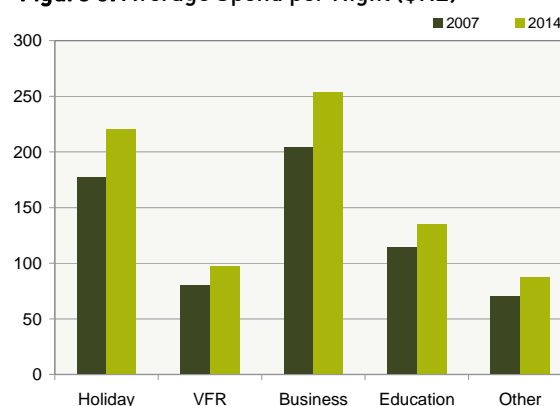
Figure 4: Total Expenditure (\$NZm)



Average Spend per Night

Business travellers spent the most money per night in 2007 at \$205, followed by holiday travellers (\$178) and short-term students (\$115). VFR travellers spent less than other segments (\$81 per night) because some of their costs were subsidised by the friends and relatives they were visiting. Spend per night by holiday travellers is expected to increase by 24% (\$43) over the forecast period to reach \$221 by 2014, VFR spend is forecast to increase by 21% (\$17) to \$98, and business spend is forecast to increase by 24% (\$48) to \$253.

Figure 5: Average Spend per Night (\$NZ)



Average Spend per Visit

Short-term education visitors spent the most money per visit in 2007 at \$10,148 due to their long average stay in New Zealand (88 nights). Each holiday visitor spent an average of \$2,852 in New Zealand, each VFR visitor \$1,779 and each business visitor \$2,063. Spend per holiday arrival is expected to increase by 25% (\$717) over the forecast period to reach \$3,569 by 2014, VFR spend is forecast to increase by 17% (\$307) to \$2,086, and business spend is forecast to increase by 27% (\$567) to \$2,630.

Figure 6: Average Spend per Arrival (\$NZ)

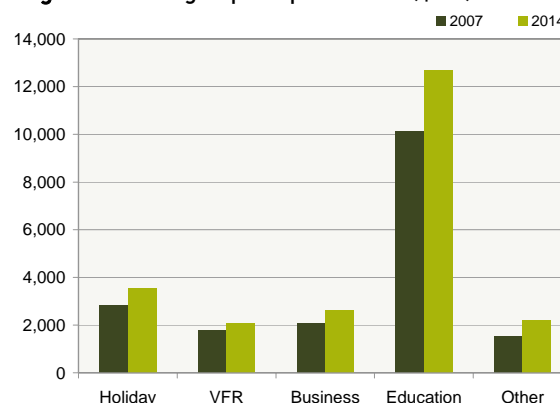


Table 4: Forecasts of Visitor Spend in New Zealand by Purpose of Travel

Purpose of Travel	Total Spend (\$NZm)				Average Spend per Night (\$)				Average Spend per Arrival (\$)			
	2007	2014	Change	Total	2007	2014	Change	Total	2007	2014	Change	Total
Holiday	3,453	5,426	1,972	57%	178	221	43	24%	2,852	3,569	717	25%
VFR	1,268	1,898	629	50%	81	98	17	21%	1,779	2,086	307	17%
Business	553	862	309	56%	205	253	48	24%	2,063	2,630	567	27%
Education	547	815	268	49%	115	135	20	18%	10,148	12,665	2,517	25%
Other	325	573	248	76%	70	87	17	24%	1,550	2,194	644	42%
TOTAL	6,147	9,574	3,427	56%	130	160	29	22%	2,503	3,105	601	24%

Australia

Australian visitor spend increased by 10.5% in 2007 to reach a new high of \$1.58 billion, with each visitor spending an average of \$1,668 during their visit to New Zealand (\$156 per night). The strong business and family connections between New Zealand and Australia have mitigated the impact of the strong New Zealand dollar in recent years, resulting in a relatively minor impact on average expenditure per night.

Expenditure by visitors from Australia is forecast to increase to \$2.49 billion by 2014, representing a total increase over the forecast period of 57.2% (\$907m) and an average increase of 6.7% per annum. Average spend per arrival is forecast to increase by 19.7% from \$1,668 to 1,996 over the forecast period, and average spend per night is forecast to increase by 20.3% from \$156 to \$187.

Figure 7: Visitor Spend in New Zealand

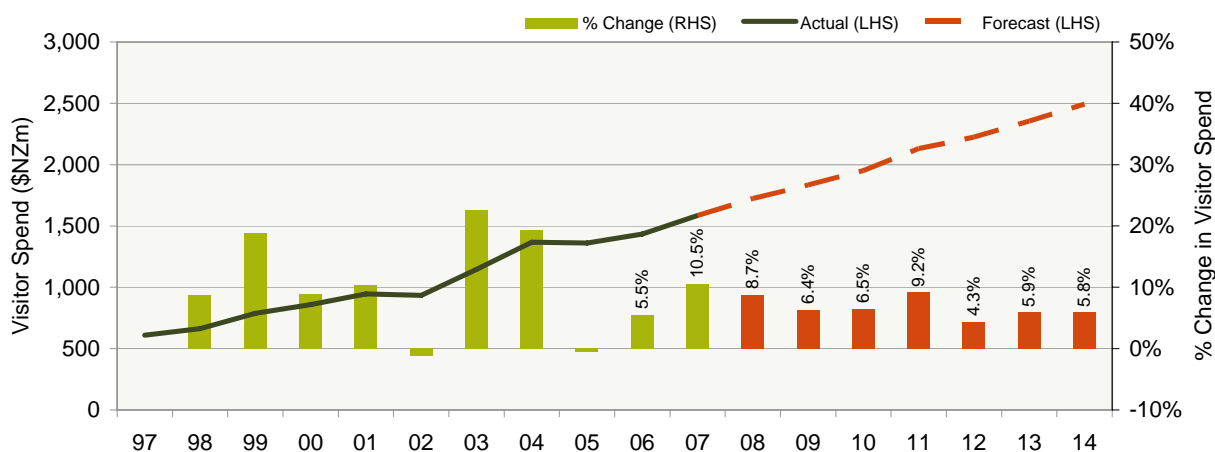


Figure 8: Spend per Night and Spend per Arrival (\$NZ)

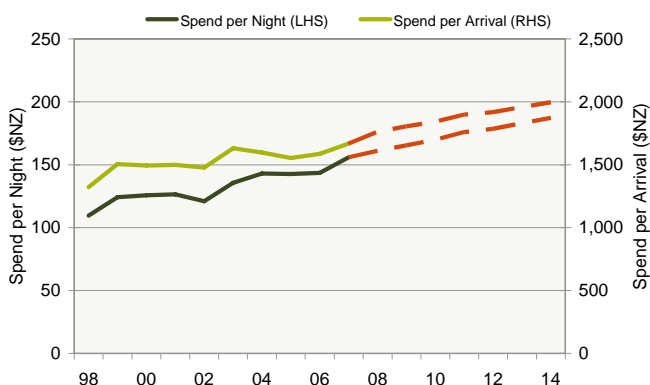
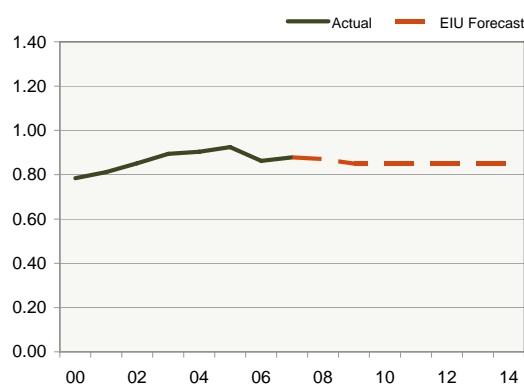


Figure 9: Exchange Rate (\$AU/\$NZ)



Source: Economist Intelligence Unit (EIU)

Table 5: Forecasts of Visitor Spend in New Zealand

Measure of Spend	Actual		Forecast							Growth 2008-2014		
	2006	2007	2008	2009	2010	2011	2012	2013	2014	Change	Total	Annual
Total Spend (\$NZm)	1,434	1,585	1,724	1,833	1,952	2,131	2,223	2,354	2,492	907	57.2%	6.7%
Spend per Night (\$NZ)	143	156	161	165	170	176	179	183	187	32	20.3%	2.7%
Spend per Arrival (\$NZ)	1,587	1,668	1,762	1,805	1,843	1,898	1,919	1,958	1,996	328	19.7%	2.6%

United Kingdom

Aggregate spend by visitors from the UK grew by 4.6% (\$43m) in 2007 despite a small decrease in both visitor arrivals and nights. The combination of well established family and social connections and the strong buying power of the British Pound has largely mitigated the impact of the high New Zealand dollar in recent years, with average spend per night increasing from \$103 in 2004 to \$117 in 2007. The recent drop in the value of the New Zealand dollar will help stimulate further growth in average spend per night.

Expenditure by visitors from the UK is forecast to increase from \$974m in 2007 to \$1.40 billion in 2014, representing a total increase over the forecast period of 43.4% (\$423m) and an average increase of 5.3% per annum. Average spend per arrival is forecast to increase by 24.2% from \$3,326 to \$4,129 over the forecast period, and average spend per night is forecast to increase by 20.8% from \$117 to \$142.

Figure 10: Visitor Spend in New Zealand

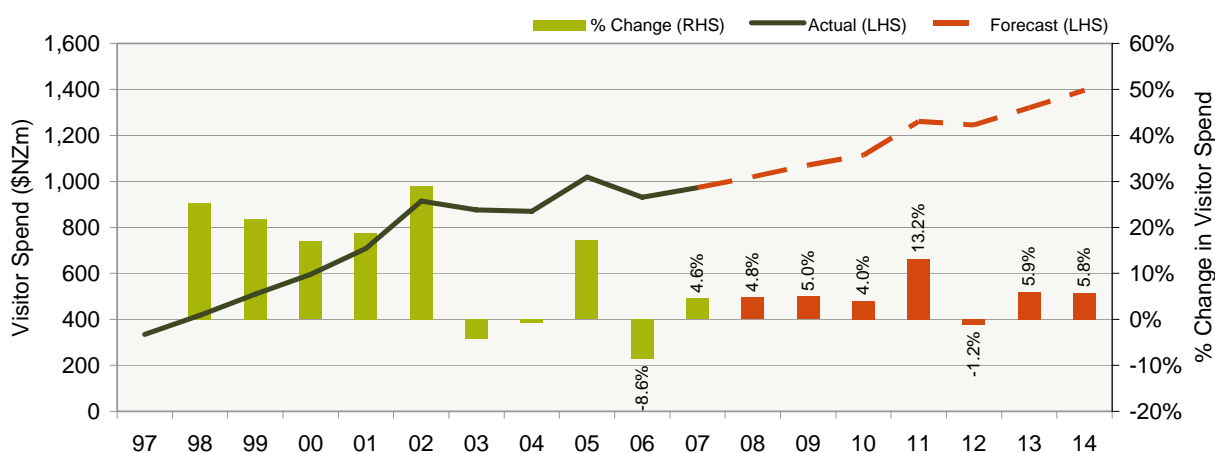


Figure 11: Spend per Night and Spend per Arrival (\$NZ)

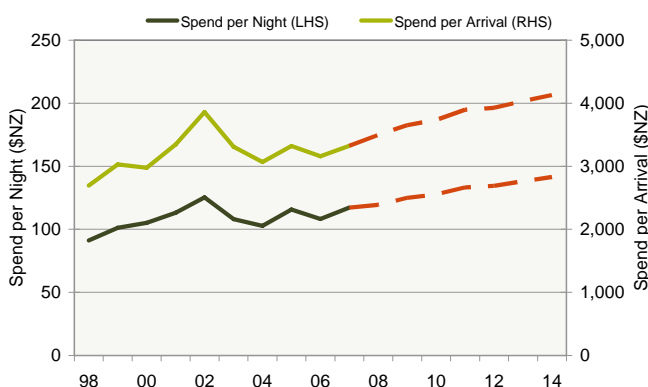
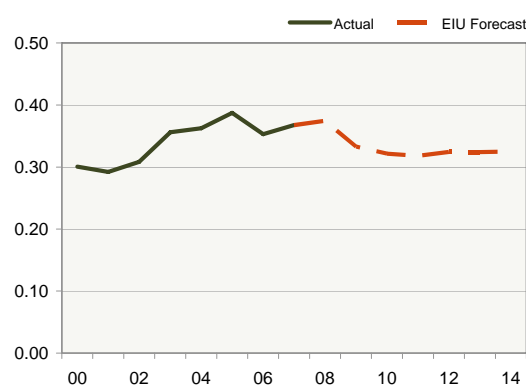


Figure 12: Exchange Rate (GBP/\$NZ)



Source: Economist Intelligence Unit (EIU)

Table 6: Forecasts of Visitor Spend in New Zealand

Measure of Spend	Actual		Forecast							Growth 2008-2014		
	2006	2007	2008	2009	2010	2011	2012	2013	2014	Change	Total	Annual
Total Spend (\$NZm)	931	974	1,020	1,071	1,114	1,261	1,245	1,319	1,396	423	43.4%	5.3%
Spend per Night (\$NZ)	108	117	119	125	128	133	135	138	142	24	20.8%	2.7%
Spend per Arrival (\$NZ)	3,158	3,326	3,495	3,650	3,736	3,897	3,927	4,030	4,129	803	24.2%	3.1%

United States

Spend by visitors from the United States increased by 1.8% to \$667m in 2007, with each visitor spending an average of \$3,085 during their visit to New Zealand. The combination of a strong New Zealand dollar and a weak US dollar has resulted in the price of a trip to New Zealand almost doubling for US visitors between 2001 and 2007. The significant change in the exchange rate in the past seven years has reduced average expenditure per night from \$255 in 2001 to \$178 in 2007. Even with this large reduction US visitors are still spending more in US dollar terms than they were in 2001. The strong New Zealand dollar has therefore hurt both the New Zealand tourism industry and US visitors; however although the recent appreciation of the US dollar will have a positive impact on visitor spend.

Expenditure by visitors from the United States is forecast to increase to \$975 million by 2014, representing a total increase over the forecast period of 46.2% (\$308m) and an average increase of 5.6% per annum. Average spend per arrival is forecast to increase by 33.3% from \$3,085 to \$4,113 over the forecast period, and average spend per night is forecast to increase by 32.2% from \$178 to \$236.

Figure 13: Visitor Spend in New Zealand

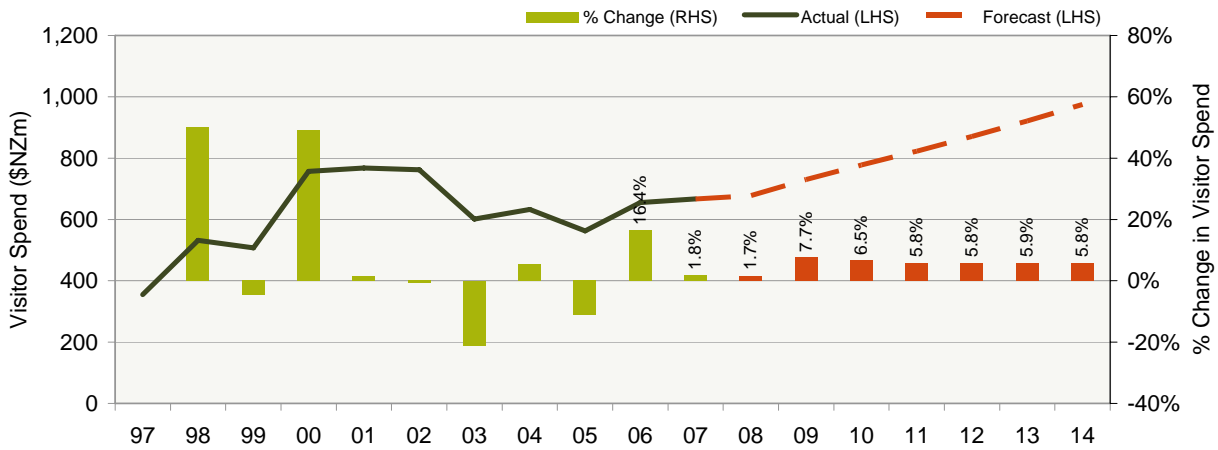


Figure 14: Spend per Night and Spend per Arrival (\$NZ)

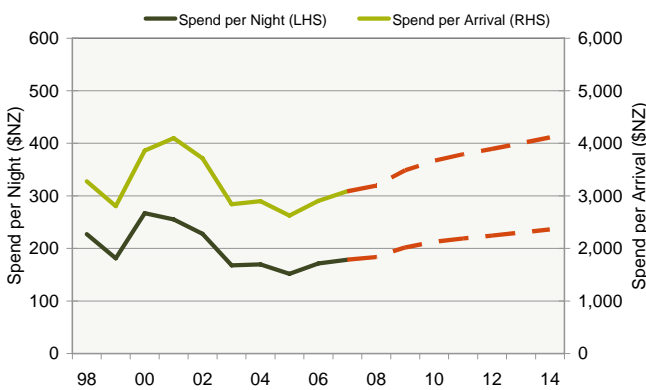
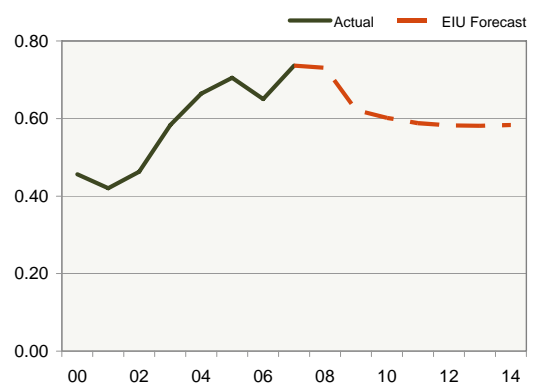


Figure 15: Exchange Rate (\$US/\$NZ)



Source: Economist Intelligence Unit (EIU)

Table 7: Forecasts of Visitor Spend in New Zealand

Measure of Spend	Actual		Forecast							Growth 2008-2014		
	2006	2007	2008	2009	2010	2011	2012	2013	2014	Change	Total	Annual
Total Spend (\$NZm)	655	667	678	730	777	822	870	921	975	308	46.2%	5.6%
Spend per Night (\$NZ)	171	178	183	202	212	219	224	230	236	58	32.2%	4.1%
Spend per Arrival (\$NZ)	2,903	3,085	3,195	3,483	3,667	3,790	3,893	4,001	4,113	1,027	33.3%	4.2%

Japan

The Japanese Yen depreciated significantly against the New Zealand dollar between 2000 and 2007, almost doubling the cost of a trip to New Zealand. This reduction in buying power has reduced average expenditure per night from \$330 in 2000 to \$240 in 2007. Even with this large reduction Japanese visitors are still spending significantly more in their own currency than they were in 2000. The Japanese Yen has appreciated significantly against the New Zealand dollar in recent weeks which should provide some relief for both Japanese visitors and the New Zealand tourism industry.

Expenditure by visitors from Japan is forecast to increase to \$567 million by 2014, representing a total increase over the forecast period of 38.6% (\$158m) and an average increase of 4.8% per annum. Average spend per arrival is forecast to increase by 53.6% from \$3,362 to \$5,164 over the forecast period, and average spend per night is forecast to increase by 35.5% from \$240 to \$326.

Figure 16: Visitor Spend in New Zealand

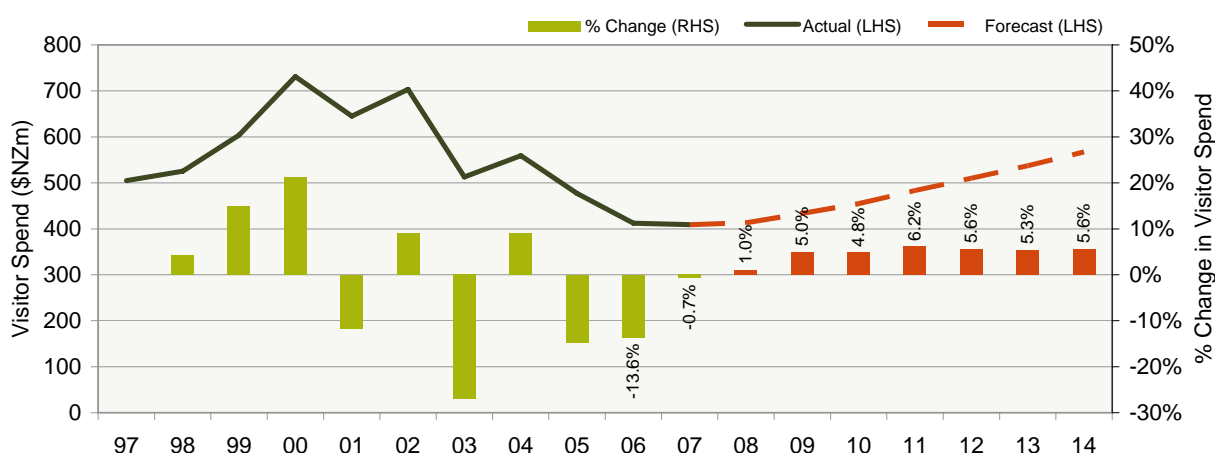


Figure 17: Spend per Night and Spend per Arrival (\$NZ)

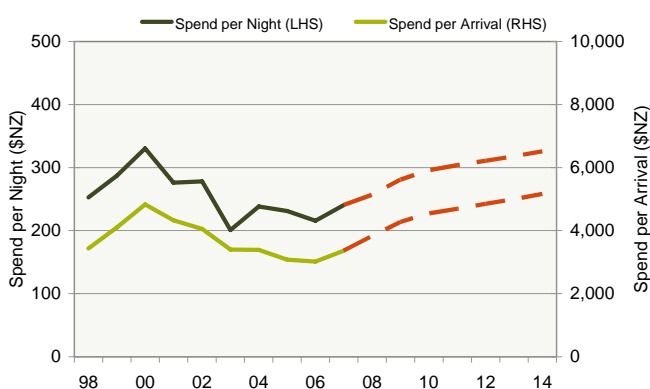
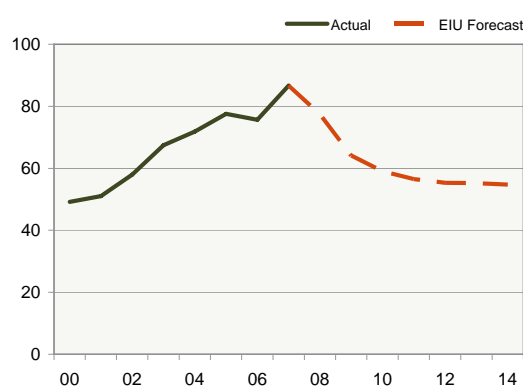


Figure 18: Exchange Rate (Yen/\$NZ)



Source: Economist Intelligence Unit (EIU)

Table 8: Forecasts of Visitor Spend in New Zealand

Measure of Spend	Actual		Forecast							Growth 2008-2014		
	2006	2007	2008	2009	2010	2011	2012	2013	2014	Change	Total	Annual
Total Spend (\$NZm)	412	409	413	434	455	483	510	537	567	158	38.6%	4.8%
Spend per Night (\$NZ)	216	240	257	281	296	304	311	318	326	85	35.5%	4.4%
Spend per Arrival (\$NZ)	3,020	3,362	3,829	4,274	4,548	4,696	4,852	4,998	5,164	1,803	53.6%	6.3%

China

Chinese visitor spend peaked at over \$400m in 2002 at the height of the export education boom before falling away sharply as student numbers dropped. Since 2005 spend by Chinese visitors has increased at a similar rate to visitor arrivals, rising by 10.5% to \$264m in 2006 and a further 3.1% to \$273m in 2007. The Chinese inbound market is still in its infancy and is expected to grow strongly as household wealth and per capita travel rates continue to increase.

Expenditure by visitors from China is forecast to more than double from \$273m in 2007 to \$598m in 2014, representing a total increase over the forecast period of 119.3% (\$325m) and an average increase of 11.9% per annum. Average spend per arrival is forecast to increase by 22.1% from \$2,256 to \$2,754 over the forecast period, and average spend per night is forecast to increase by 48.6% from \$166 to \$246.

Figure 19: Visitor Spend in New Zealand

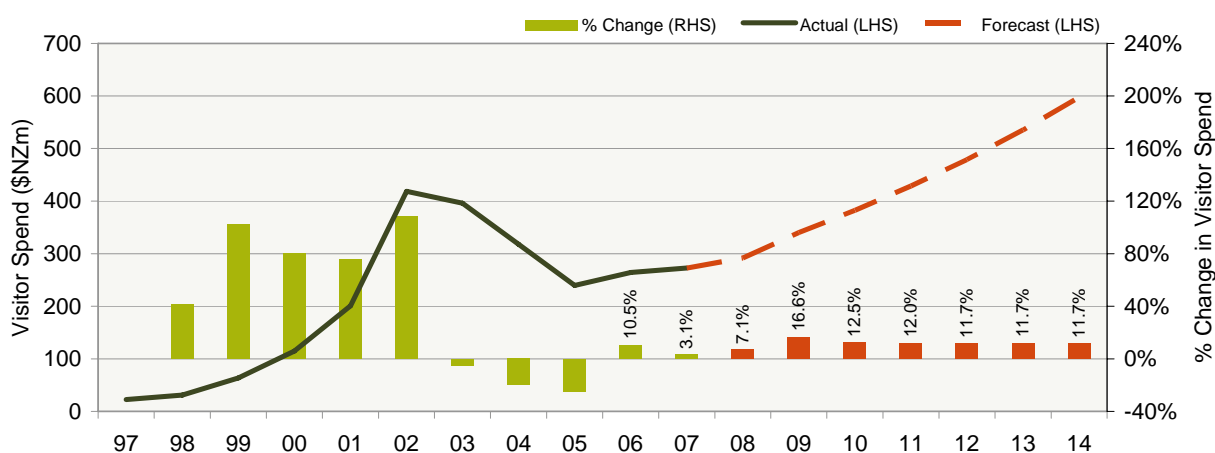


Figure 20: Spend per Night and Spend per Arrival (\$NZ)

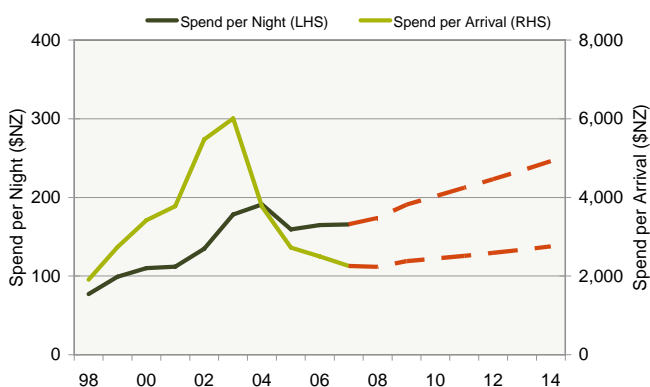
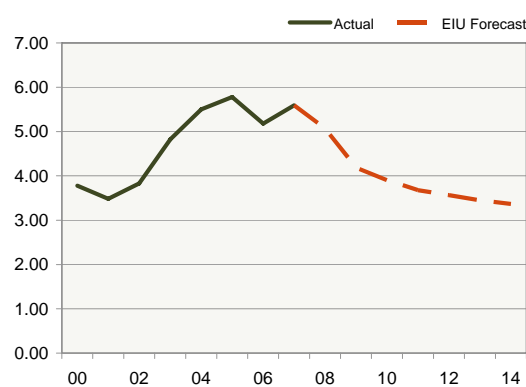


Figure 21: Exchange Rate (CNY/\$NZ)



Source: Economist Intelligence Unit (EIU)

Table 9: Forecasts of Visitor Spend in New Zealand

Measure of Spend	Actual		Forecast							Growth 2008-2014		
	2006	2007	2008	2009	2010	2011	2012	2013	2014	Change	Total	Annual
Total Spend (\$NZm)	264	273	292	340	383	429	479	535	598	325	119.3%	11.9%
Spend per Night (\$NZ)	165	166	174	191	202	212	223	234	246	80	48.6%	5.8%
Spend per Arrival (\$NZ)	2,500	2,256	2,236	2,378	2,446	2,515	2,592	2,671	2,754	498	22.1%	2.9%

South Korea

Spend by South Korean visitors has varied between \$11m in 1998 in the midst of the Asian Financial Crisis and \$500m in 2003 during the peak of the export education boom. Since then spend by South Korean visitors has been more stable, falling slightly from \$250m in 2006 to \$247m in 2007. The number of visitors from South Korea is forecast to fall by 13% in 2008 but each visitor is expected to stay 3.5 nights longer, resulting in an increase in visitor nights of 4.2% and an increase in aggregate spend of 6.9% (\$17m).

Average spend per night is forecast to increase from \$142 in 2007 to \$167 in 2014 as the number of low yielding visitors declines (due to changes in tour commission practices) and the New Zealand dollar continues to weaken. This is expected to raise aggregate expenditure by \$89m to \$337m by 2014, representing a total increase of 36% and an average increase of 4.5% per annum. Average spend per arrival is forecast to increase from \$2,488 to \$3,677 over the forecast period – an increase of \$1,189 per visit or 47.8%.

Figure 22: Visitor Spend in New Zealand

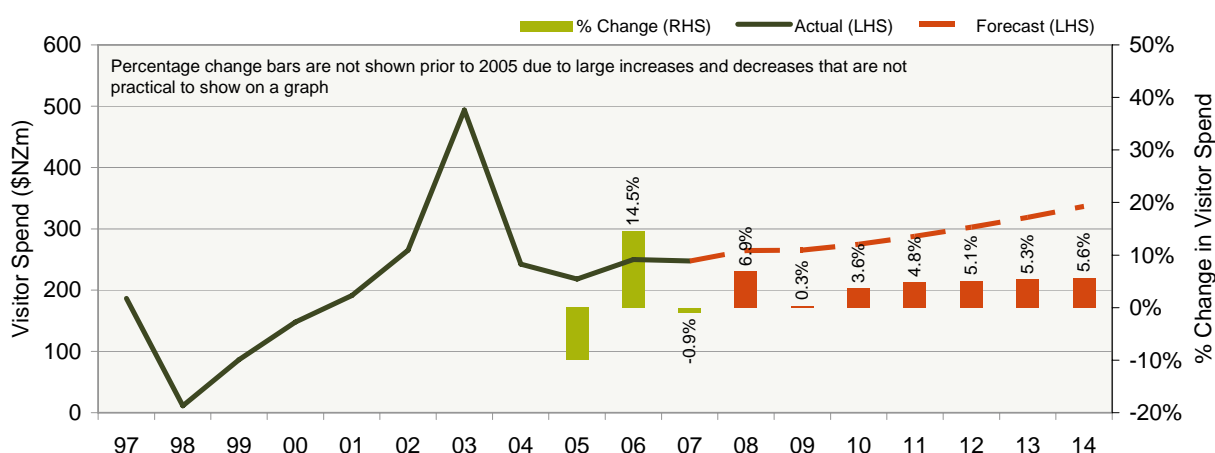


Figure 23: Spend per Night and Spend per Arrival (\$NZ)

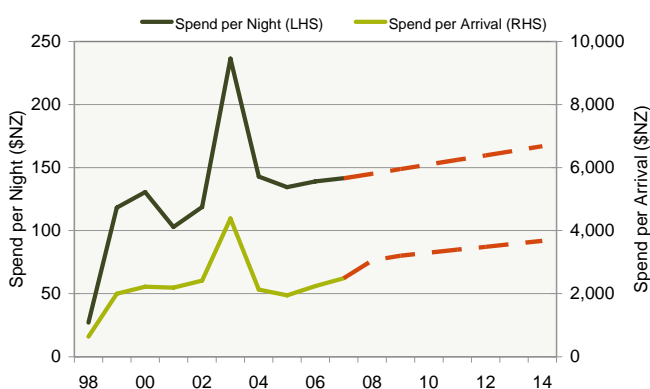
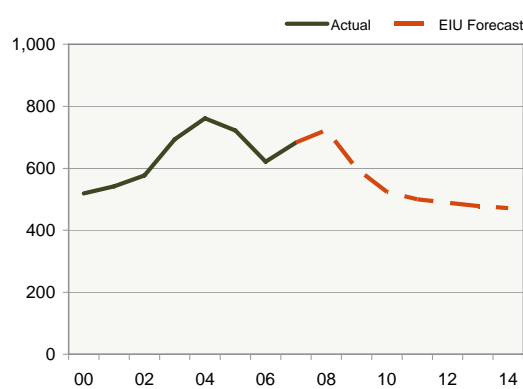


Figure 24: Exchange Rate (Won/\$NZ)



Source: Economist Intelligence Unit (EIU)

Table 10: Forecasts of Visitor Spend in New Zealand

Measure of Spend	Actual		Forecast							Growth 2008-2014		
	2006	2007	2008	2009	2010	2011	2012	2013	2014	Change	Total	Annual
Total Spend (\$NZm)	250	247	264	265	275	288	303	319	337	89	36.0%	4.5%
Spend per Night (\$NZ)	139	142	145	149	152	156	160	163	167	25	17.9%	2.4%
Spend per Arrival (\$NZ)	2,242	2,488	3,053	3,204	3,299	3,393	3,486	3,582	3,677	1,189	47.8%	5.7%

Germany

Spend by German visitors fell 7.1% to \$247m in 2007 following an increase of 21% in 2006. Each German visitor spent an average of 43 nights in New Zealand in 2007, and while this long duration resulted in a high average spend per visit (\$4,130), the average spend per night was relatively low at just \$96. This reflects the fact that many German visitors travel as backpackers and tend to use low cost facilities (e.g. backpacker hostels) and engage in low cost activities (e.g. tramping).

Expenditure by German visitors is forecast to increase to \$351m by 2014, representing a total increase over the forecast period of 42.1% (\$104m) and an average increase of 5.1% per annum. Average spend per arrival is forecast to increase by 20.6% to \$4,980 over the forecast period, and average spend per night is forecast to increase by 18.9% to \$114.

Figure 25: Visitor Spend in New Zealand

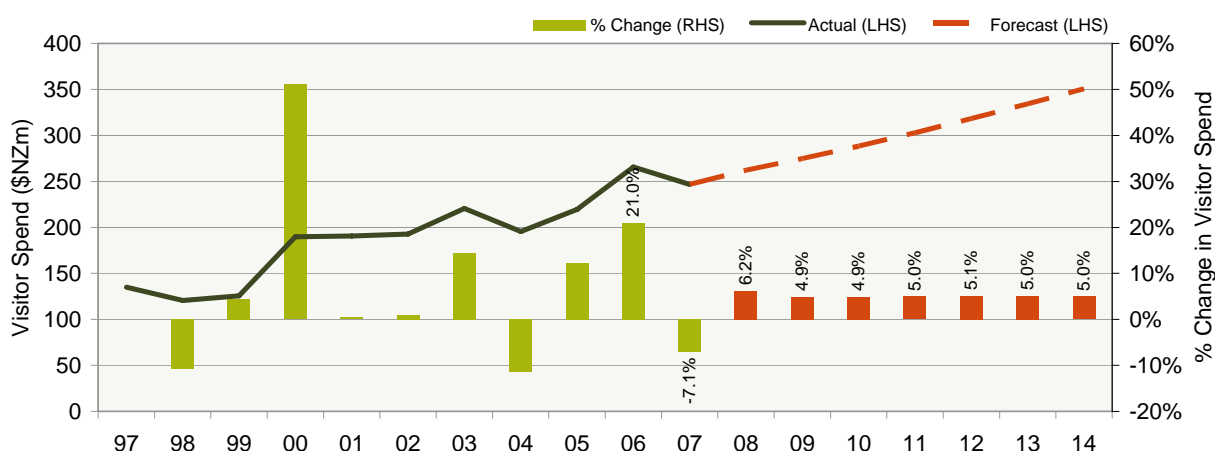


Figure 26: Spend per Night and Spend per Arrival (\$NZ)

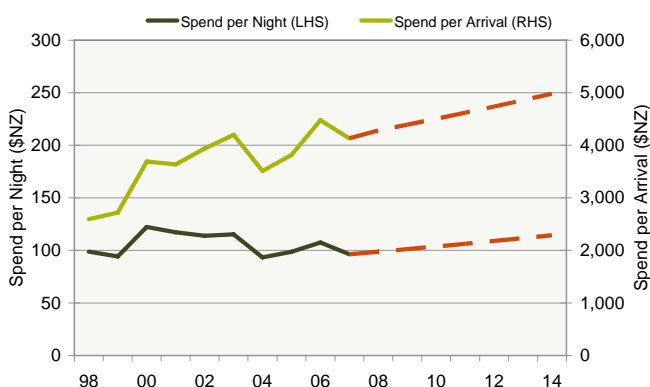
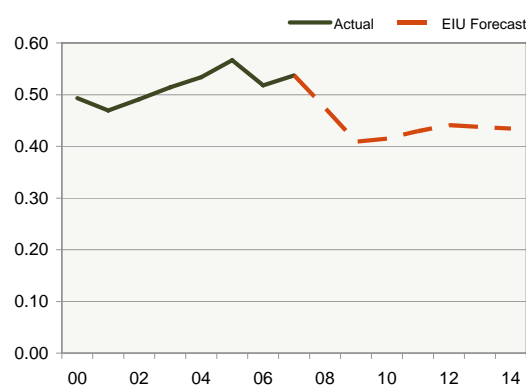


Figure 27: Exchange Rate (Euro/\$NZ)



Source: Economist Intelligence Unit (EIU)

Table 11: Forecasts of Visitor Spend in New Zealand

Measure of Spend	Actual		Forecast							Growth 2008-2014		
	2006	2007	2008	2009	2010	2011	2012	2013	2014	Change	Total	Annual
Total Spend (\$NZm)	266	247	262	275	288	303	318	334	351	104	42.1%	5.1%
Spend per Night (\$NZ)	107	96	99	101	104	106	109	112	114	18	18.9%	2.5%
Spend per Arrival (\$NZ)	4,475	4,130	4,280	4,391	4,503	4,617	4,736	4,856	4,980	850	20.6%	2.7%

Domestic Expenditure

Domestic visitor spend is gradually recovering from the fall between 2002 and 2005 caused by the large increase in international outbound travel. The sharp fall in the value of the New Zealand dollar since August 2008 will result in some New Zealanders substituting domestic travel for international travel, although the tough economic conditions expected over the next 1-2 years could lead to a drop in both international and domestic travel. Another factor to consider is the easing petrol price, which will be a welcome relief for domestic travellers and may encourage more New Zealanders to engage in day and overnight trips.

Domestic visitor expenditure is forecast to increase from \$7.59 billion in 2007 to \$9.47 billion in 2014 representing a total increase of 24.9% (\$1.89 billion) and an average increase of 3.2% per annum. Average spend per night is forecast to increase by 18.7% from \$97 to \$115 over the same period and average spend per day trip is forecast to increase by 17.0% from \$80 to \$94.

Figure 28: Domestic Visitor Spend in New Zealand

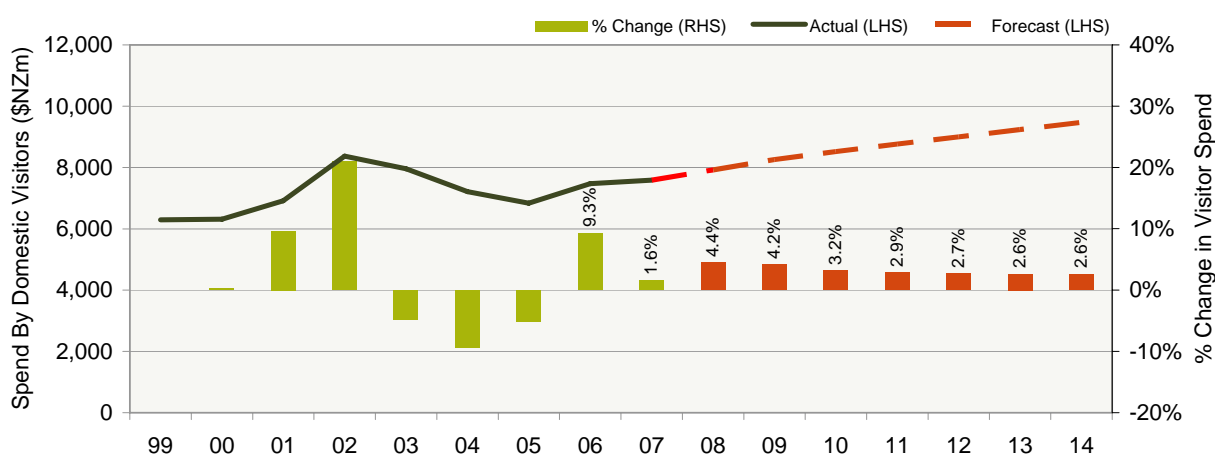


Figure 29: Spend by Overnight and Day Visitors (\$NZ)

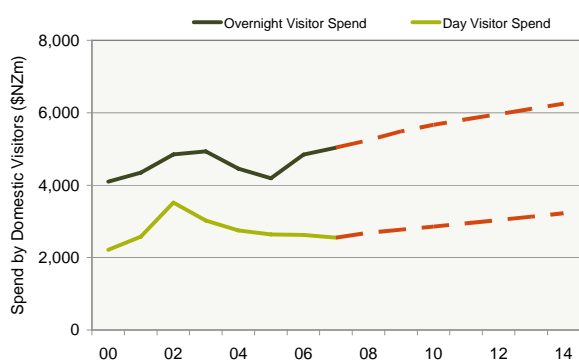


Figure 30: Spend per Night and Spend per Day Trip (\$NZ)

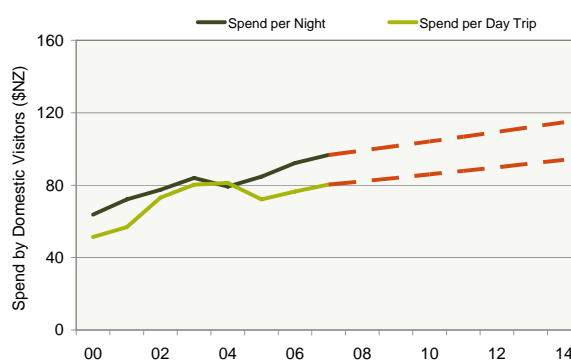


Table 12: Forecasts of Domestic Visitor Spend in New Zealand

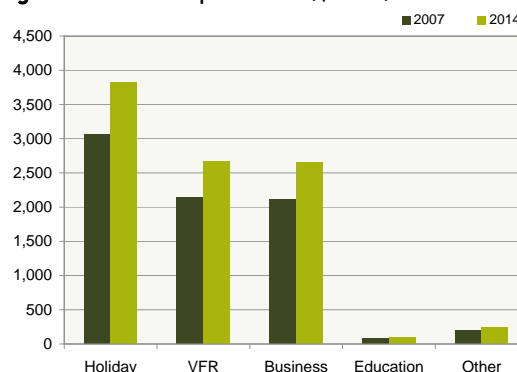
Measure of Spend	Actual			Forecast						Growth 2008-2014		
	2006	2007	2008	2009	2010	2011	2012	2013	2014	Change	Total	Annual
Spend on Overnight Trips (\$m)	4,843	5,038	5,240	5,488	5,665	5,821	5,964	6,107	6,250	1,213	24.1%	3.1%
Average Spend per Night (\$)	92	97	99	102	104	107	109	112	115	18	18.7%	2.5%
Average Spend per Overnight Trip (\$)	276	284	294	302	309	317	324	332	340	57	19.9%	2.6%
Spend on Day Trips (\$m)	2,626	2,550	2,684	2,769	2,857	2,946	3,036	3,129	3,224	674	26.4%	3.4%
Average Spend per Day Trip (\$)	76	80	82	84	86	88	90	92	94	14	17.0%	2.3%
Total Spend by Domestic Visitors (\$m)	7,468	7,587	7,924	8,257	8,521	8,767	9,001	9,235	9,474	1,887	24.9%	3.2%

Domestic Expenditure

Total Expenditure

The holiday segment generated 40% of total domestic expenditure in New Zealand in 2007 at \$3.06 billion, followed by VFR at \$2.14 billion and business at \$2.10 billion. Spend by holiday visitors is expected to increase by 25% (\$760m) over the forecast period to reach \$3.82 billion in 2014, VFR spend by 25% (\$527m) to \$2.67 billion, and business spend by 26% (\$542m) to \$2.65 billion. The increases in expenditure are driven by the combined effect of a small increase in domestic trips and a small increase in average spend per trip.

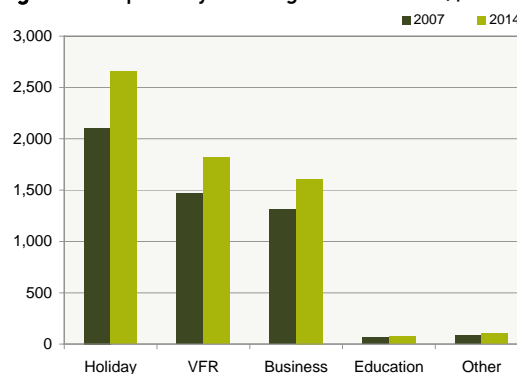
Figure 31: Total Expenditure (\$NZm)



Spend by Overnight Travellers

Domestic overnight travellers spent a total of \$5.04 billion in New Zealand in 2007. Holiday travellers generated \$2.11 billion (42% share), followed by VFR travellers at \$1.47 billion (29%) and business travellers at \$1.31 billion (26%). Total domestic overnight spend is forecast to increase by 24% (\$1.21 billion) to \$6.25 billion by 2014. Overnight holiday spend is expected to increase by 26% to \$2.65 billion over the forecast period, VFR spend by 24% to \$1.82 billion and business spend by 22% to \$1.61 billion.

Figure 32: Spend by Overnight Travellers (\$NZm)



Spend by Day Travellers

Domestic day travellers spent a total of \$2.55 billion in New Zealand in 2007. Holiday travellers generated \$953m (37% share), followed by business travellers at \$795m (31%) and VFR travellers at \$672m (26%). Total domestic day spend is forecast to increase by 26% (\$674m) to \$3.22 billion by 2014. Holiday spend by day travellers is expected to increase by 22% to \$1.17 billion over the forecast period, business spend by 31% to \$1.04 billion and VFR spend by 27% to \$851m.

Figure 33: Spend by Day Travellers (\$NZm)

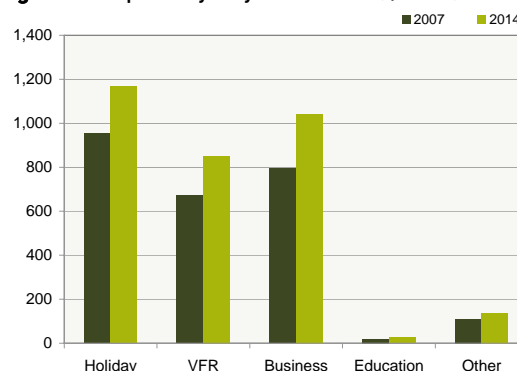


Table 13: Forecasts of Domestic Visitor Spend by Purpose of Travel

Purpose of Travel	Total Spend (\$m)				Overnight Spend (\$m)				Day Spend (\$m)			
	2007	2014	Change	Total	2007	2014	Change	Total	2007	2014	Change	Total
Holiday	3,060	3,820	760	25%	2,106	2,652	546	26%	953	1,168	214	22%
VFR	2,141	2,668	527	25%	1,469	1,817	348	24%	672	851	179	27%
Business	2,109	2,652	542	26%	1,315	1,610	295	22%	795	1,041	247	31%
Education	82	98	16	19%	62	72	10	15%	20	26	6	32%
Other	196	237	41	21%	86	100	14	16%	110	138	27	25%
TOTAL	7,587	9,474	1,887	25%	5,038	6,250	1,213	24%	2,550	3,224	674	26%