

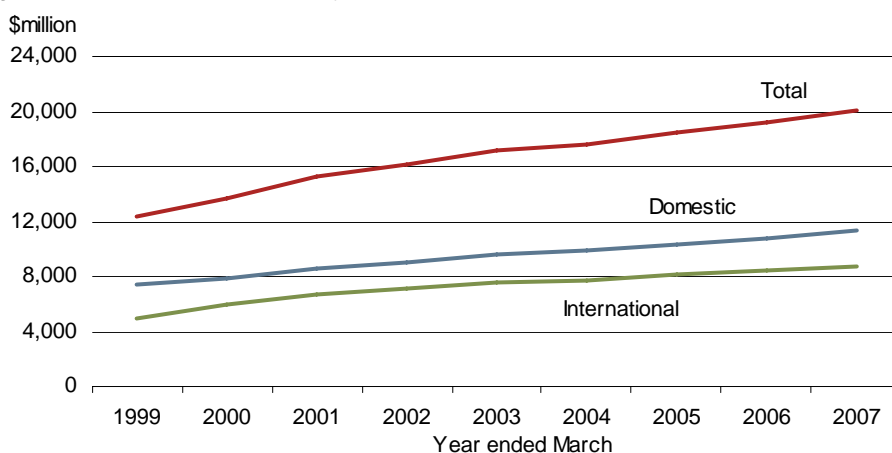
## COMMENTARY

### Tourism: a \$20 billion industry

The latest Tourism Satellite Account (TSA) for the year ended March 2007 shows that total tourism expenditure has continued to grow, reaching a record \$20.1 billion, up by \$896 million or 4.7% from the previous year. This was achieved by a 4.9% increase in domestic tourism spend and a 4.4% increase in international visitor spend (Figure 1).

While this data is now 15 months old, and the industry has experienced lower growth in the period since, the TSA does highlight the consistent growth pattern of the sector and its resilience to external influences that regularly affect the sector (e.g. SARS, Sept 11).

Figure 1: Tourism Expenditure by International and Domestic Tourists



In 2007, tourism expenditure surpassed \$20 billion, with 56% by domestic tourists and 44% by international tourists.

The Tourism Satellite Account also measures the economic contribution that tourism makes to the New Zealand economy. In 2007, tourism directly and indirectly contributed 9.2% of New Zealand's total GDP and supported 181,000 full-time equivalent jobs, representing 9.7% or one in ten jobs in the economy.

Over the last eight years (1999-2007), tourism industry GDP grew by 62% compared with a 60% growth in the total New Zealand GDP. Figure 2 below shows the growth indices (1999 base year) of direct and indirect tourism GDP and the GDP of the whole economy. What this highlights is that tourism has consistently been a positive contributor to the New Zealand economy since 1999 particularly in the early 2000s period.

Figure 2: Growth Indices of Tourism and Total GDP, Year Ended March 1999-2007

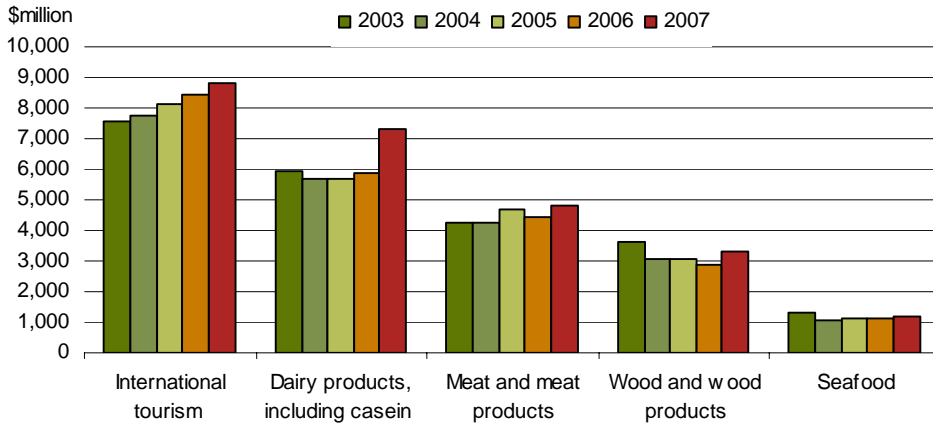


Tourism is a positive contributor to New Zealand's GDP growth.

# COMMENTARY

International tourism expenditure (\$8.8b) accounted for 18.3% of total export earnings and remains New Zealand's largest export earner. Figure 3 shows that over the last five years tourism export earnings continued to increase steadily, while other key export sectors were relatively flat, except in 2007 boosted by high commodity prices particularly in the dairy industry.

Figure 3: Export Earnings - Tourism and Selected Sectors, Year Ended March 2003-2007



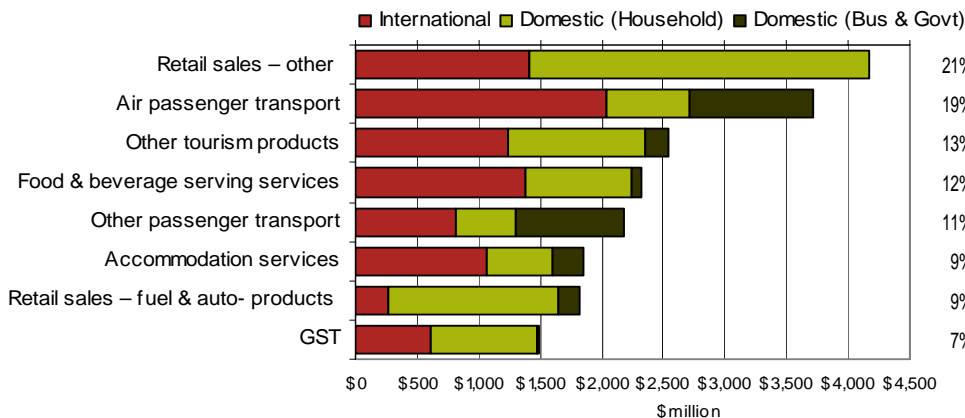
International tourism remains as New Zealand's largest export earner.

Figure 4 shows how tourists spent their money on various product types. Of the \$20.1 billion spent in 2007, the majority (38%) was spent on transport-related items such as air transport, other transport, fuel and automotive products. Tourists also spent 21% (\$4.2b) on general retail products, 12% (\$2.3b) on eating out, 9% (\$1.9b) on accommodation, 13% (\$2.5b) on other tourism products such as activities and attractions.

In 2007, tourists also paid \$1.5b in GST. Of this, \$605m was contributed by international tourists, which is a unique feature as international tourism is the only export sector that generates GST revenue for government. This is because most tourism products are sold and consumed in New Zealand whereas other export commodity products are sold overseas and therefore do not incur GST. Note also that domestic business and government travel incurred very little GST as it is usually reclaimed in business accounting.

International tourists spent more than domestic tourists on items such as air transport, eating out and accommodation products. In contrast, domestic tourists spent considerably more on items such as retail sales, fuel and automotive products. Business and government travel spent a substantial amount on air and other transport.

Figure 4: International and Domestic Tourist Expenditure by Product Type, 2007



International tourists spent more on air transport, eating out and accommodation.

Domestic tourists spent more on retail sales and fuel products.