

COMMENTARY

Forecasts of International Visitor Arrivals 2009-2015

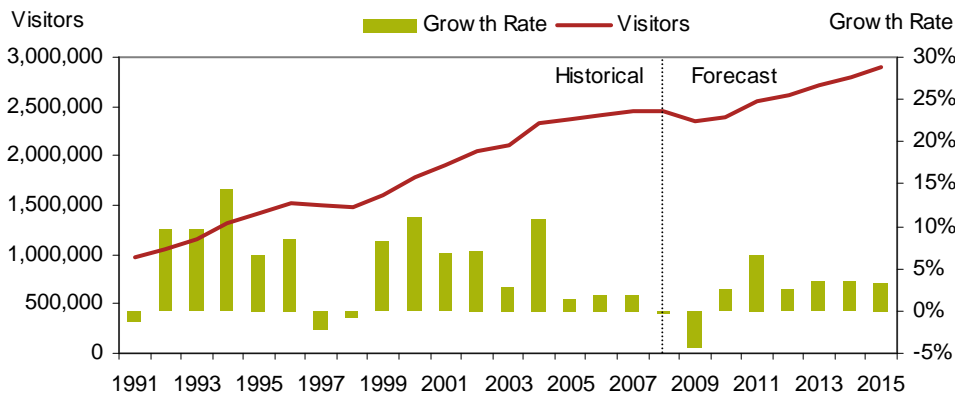
Forecasts released by the Ministry of Tourism expect international visitor arrivals to increase by 455,000 to reach 2.9 million in 2015. This represents a growth of 18.6% over the next seven years, or an average annual growth rate of 2.5% (refer Figure 1).

The performance will be weak in the short term, with international visitor arrivals expected to decline by 4.2% in 2009. This would be the largest annual decrease in the last six decades and reflects the impact of the recent global recession and Influenza A (H1N1) pandemic.

New Zealand's expected performance in 2009 is in line with global tourism that is expected to be down by 4-6%, unprecedented in the last six decades (United Nations World Tourism Organisation).

Visitor arrivals to New Zealand are forecast to recover slowly in 2010, increasing by 2.5% as global economies gradually recover. 2011 is expected to see a stronger growth of 6.5% as economies further improve and with New Zealand hosting the Rugby World Cup. For the balance of the forecast period, annual growth of 3.4% is expected.

Figure 1: Forecast International Visitor Arrivals, 2009-2015

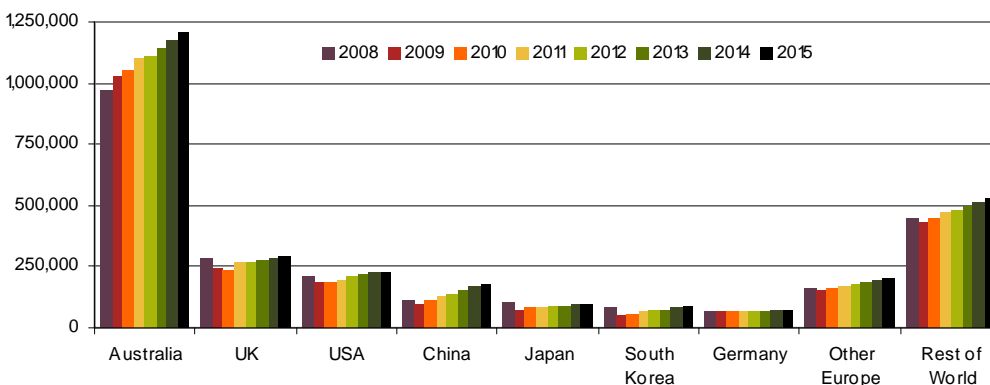


International visitors are forecast to revert to growth trend after the downturn in 2009.

The performance of inbound visitor markets will vary considerably. Most of the growth over the next seven years is expected to come from Australia (up 230,000 or 24%) and China (up 70,000 or 63%) with these two markets contributing two-thirds of the total increase in visitors (refer Figure 2).

A number of New Zealand's other major markets are expected to contribute more modest growth. For example, the UK, USA, Japan, South Korea and Germany are expected to grow more slowly (under 16%). Of note is that significant growth is forecast from a number of other markets, with those in 'Other Europe' expected to increase by 37,000 or 22%, and 'Rest of World' by 76,000 or 17%.

Figure 2: Forecast International Visitor Arrivals by Key Market, 2008(base) - 2015



Australia is expected to contribute half of the total increase in international visitors over the next seven years.

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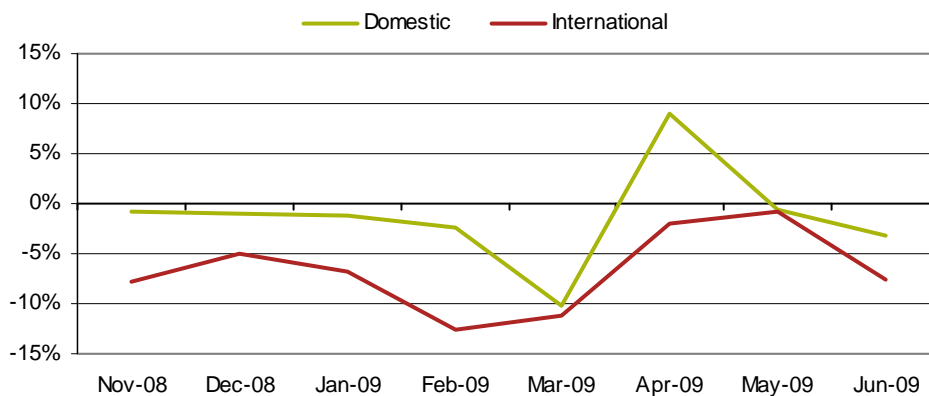
Lower Demand for Commercial Guest Nights

The latest year-ended indicators for tracking tourism performance are down by around 2-4% at present (to June/July), e.g. international arrivals down 2.8%, New Zealand outbound down 3.9%, international spend down 2.6% and commercial accommodation nights down 3.5%.

While these indicators present a picture of modest weakness at the macro level, it is clear that international guest nights in the commercial accommodation have fallen considerably more than domestic guest nights. In the first half of 2009, international guest nights fell by 633,000 or 8% while domestic guest nights fell by 163,000 or 1.6% (refer Figure 3).

This highlights that parts of the tourism sector are being more affected by the current downturn than the overall indicators would suggest.

Figure 3: Monthly Growth Rates of Accommodation Guest Nights by International and Domestic Guests, Nov08-Jun09



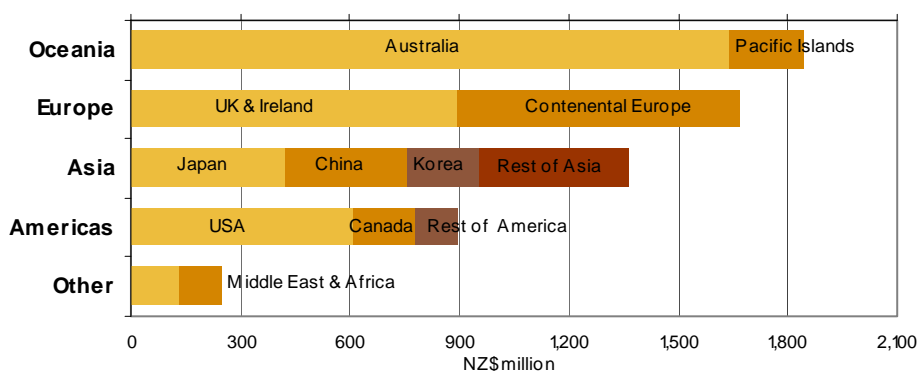
The recent tourism downturn affected international guest nights more severely than domestic guest nights.

International Visitor Spend

In the year to June 2009, international visitors spent a total of \$6,016 million while in New Zealand, at an average \$16.5 million per day.

The largest regional market is Oceania, that is dominated by Australia; Oceania contributed \$1.84 billion or 31% of the total spend. Europe was the second largest contributing region with spending of \$1.67 billion or 28% of total spend. Within this region, the UK and Ireland contributed \$894 million, with Continental Europe not far behind at \$775 million.

Figure 4: International Visitor Spend by Source Market, Year Ended June 2009



Visitors from Continental Europe are amongst the highest spenders, on average at \$4,087 per person, 49% higher than for all visitors.

International visitors spent on average \$2,750 per person in New Zealand. Generally visitors from Continental Europe spent most on average at \$4,087, compared with around \$3,500 for visitors from UK/Ireland, Asia and Americas, and \$1,793 from Australia. These differences are influenced by the length of stay and the purpose of visits of different markets.