

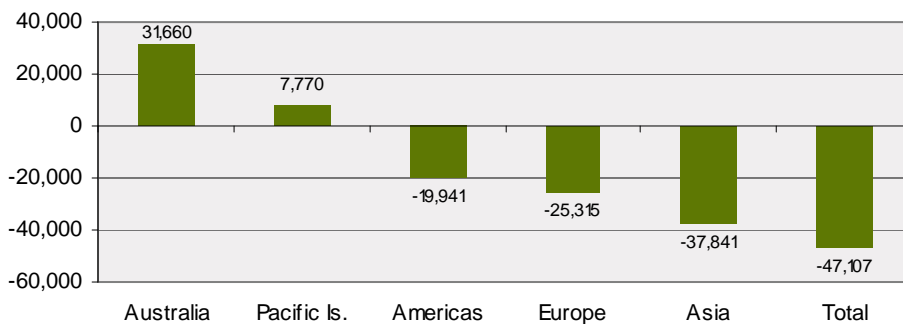
COMMENTARY

Australian visitor arrivals defying recession in 2009

The global economic recession has adversely impacted on international visitor arrivals to New Zealand with total arrivals for the first six months of 2009 having decreased by 3.8%.

Most affected have been the long-haul markets: Asia (-16%), Americas (-12%) and Europe (-9%). By contrast, short-haul markets such as Australia (+7%) and the Pacific Islands (+13%) have increased (refer Figure 1).

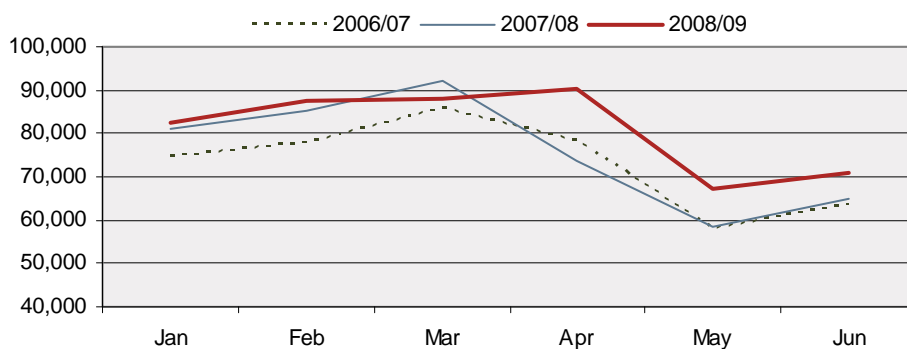
Figure 1: Change in Visitor Arrivals by Market, between Jan-Jun08 and Jan-Jun09



Australian visitor arrivals continue to grow strongly in spite of the current recession.

The majority of Australian visitor growth in the first half of 2009 occurred over the last three months, with a dramatic lift in arrivals in April (+23%), May (+16%) and June (+9%) (refer Figure 2). Part of the strong growth in April was due to different timing of Easter.

Figure 2: Australian Visitor Arrivals by Month, Jan-Jun 2006-2009



Australian visitor arrivals jumped by 16% in the Apr-Jun 2009 period.

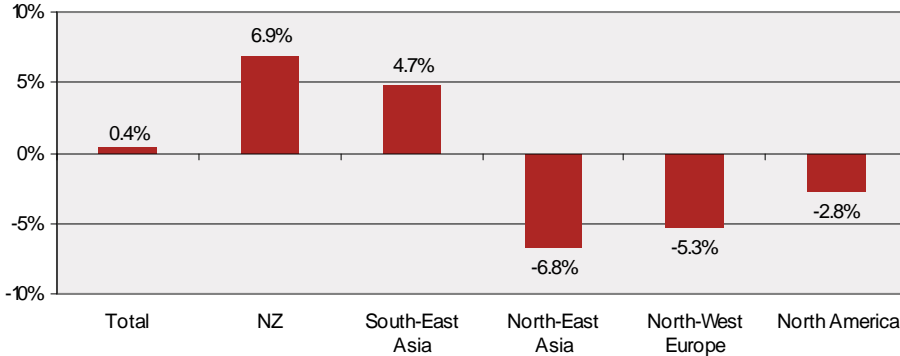
The growth in Australian arrivals over this period has been driven by a number of positive influences that occurred around the same time:

- A competitive trans-Tasman aviation environment with attractive airfares and offers.
- Higher levels of marketing activities in Australia (by Tourism New Zealand, Air New Zealand and a number of operators and regions).
- A favourable ski season with early snow and strong bookings.
- The Australian government stimulus package that provided a windfall for Australian consumers (one-off tax bonus payment to Australian taxpayers and families up to \$900 commencing from March).
- Australian travellers switching towards short-haul travel.

While New Zealand has benefited from this strong Australian growth, the overall Australian outbound performance has been modest (refer Figure 3). Over Jan-May 2009, short-haul destinations like New Zealand and South East Asia (e.g. Indonesia/Bali up 31%) have grown, but clearly at the expense of some long-haul destinations that have generally declined.

COMMENTARY

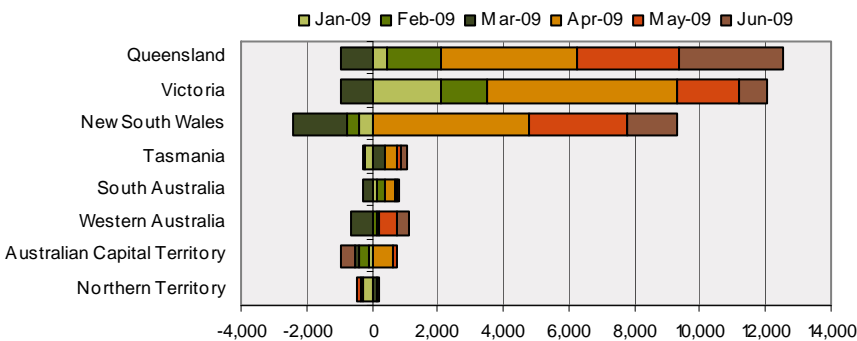
Figure 3: Percentage Change in Australian Outbound Travel by Market, between Jan-May08 and Jan-May09



Australian travellers showed strong preference for short-haul destinations in 2009.

Over the last six months, Queensland contributed the largest growth in Australian visitors, followed by Victoria and New South Wales (refer Figure 4). These three states are the largest sources providing 85% of Australian visitors to New Zealand.

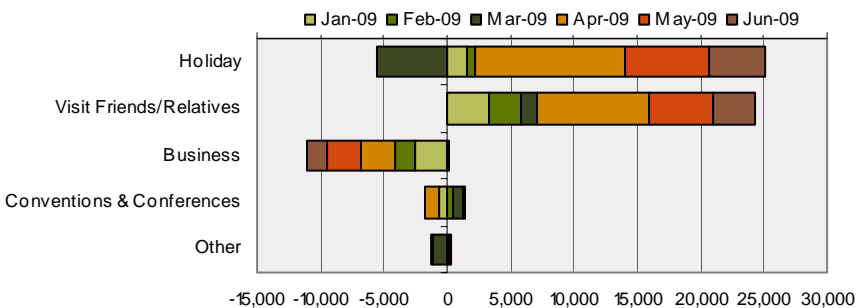
Figure 4: Change in Australian Visitor Arrivals by State of Residence, Jan-Jun 2008-09



Queensland, Victoria and New South Wales contributed over 90% of the growth in Australian visitors over the last six month.

In terms of travel purpose of Australian visitors over the last six months, 40% were on Holiday, 39% Visiting Friends or Relatives (VFR), 14% on Business and 3% attended Conferences and Conventions. VFR arrivals contributed the largest growth, followed by Holiday. Business visitors decreased significantly reflecting the soft economic conditions (refer Figure 5).

Figure 5: Change in Australian Visitor Arrivals by Purpose, Jan-Jun 2008-09



Holiday and VFR travel are the key growth segments of Australian visitors.

The slowdown in tourism caused by the recession and latterly by the Influenza A (H1N1) pandemic will continue to impact on inbound travel to New Zealand over the next 12 months. In this environment, the Australian market will clearly play an important role in offsetting weaknesses in our key long-haul markets.

The Ministry of Tourism's new tourism forecasts for 2009-2015 will be released on 4 August and will provide further information on the outlook for the tourism industry.