

COMMENTARY

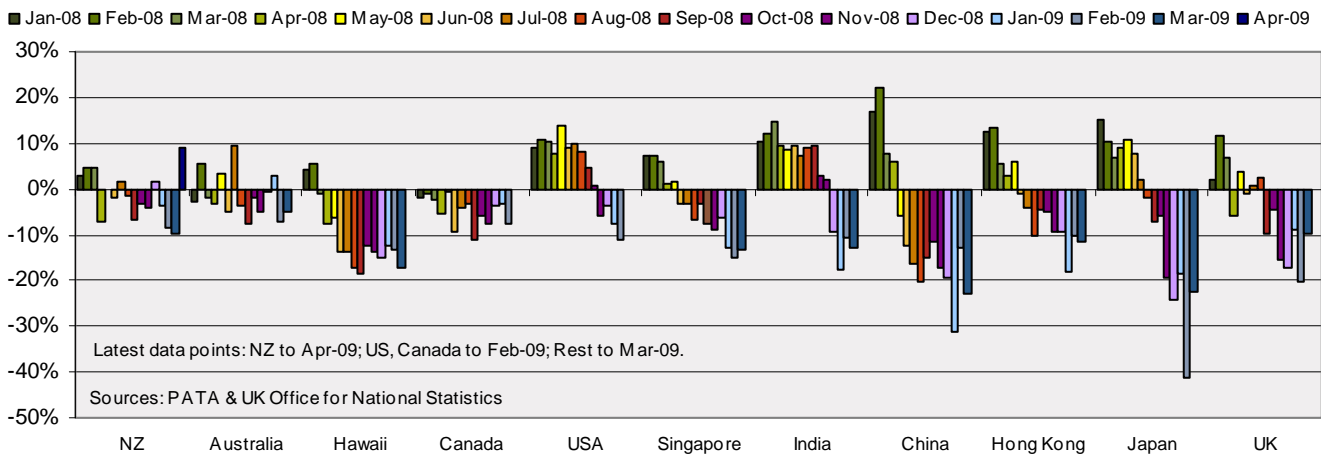
Tracking International Tourism Performance

The adverse impact of the global economic recession is being widely felt by the tourism industry around the world. Preliminary data from the United Nations World Tourism Organisation (UNWTO) showed that total international tourist arrivals were down by 8% over the Jan-Feb period of this year.

This decline is highly unusual and reflects the gravity of the current situation. Europe (down 8.4%), Asia-Pacific (down 6.7%), North America (down 3.4%) and the Middle East (down 28.2%) recorded decreasing international arrivals, but there were increases in South America (up 3.9%) and Africa (up 4.1%).

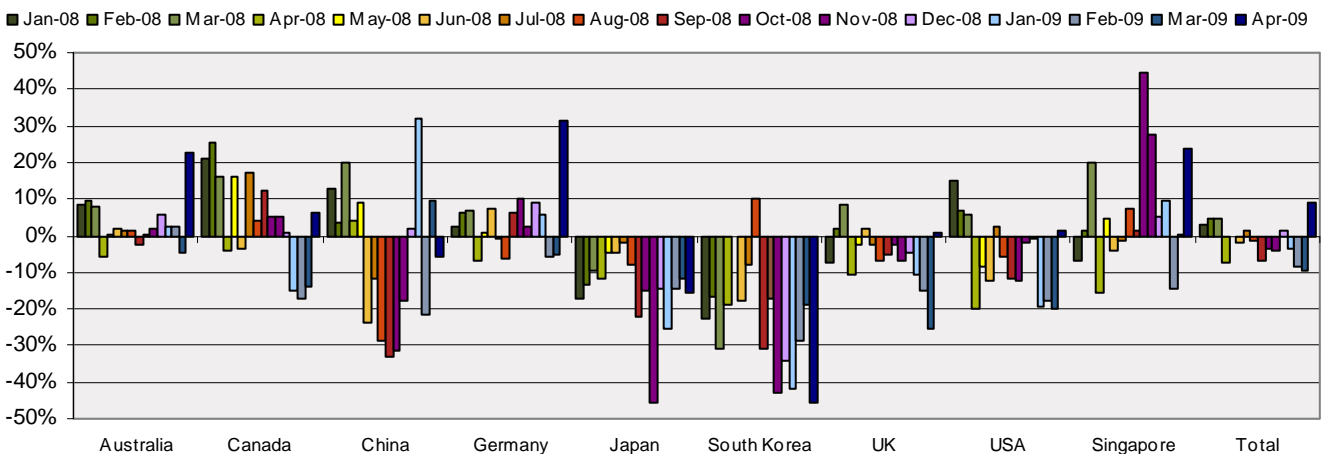
Comparisons of the UK and selected Asia/Pacific markets show a general picture of declining international arrivals over 2008/09. The decline was more noticeable in 2009 (refer Figure 1). Interestingly, the patterns of monthly growth rates over 2008/09 for New Zealand and Australia are quite similar. Their overall declines were relatively lower than most destinations. For some countries the drop in arrivals has been more dramatic with double digit rates of decrease.

Figure 1: International Comparison - Inbound Travel to Selected Countries - Monthly Growth Rates, Jan08-Apr09



In terms of international visitor arrivals to New Zealand, Figure 2 below highlights that many of our key markets are declining. The UK and USA markets have weakened considerably so far this year. The Japanese and South Korean have been particularly weak. Not all markets have declined and Australia, Germany and Singapore all recorded growth.

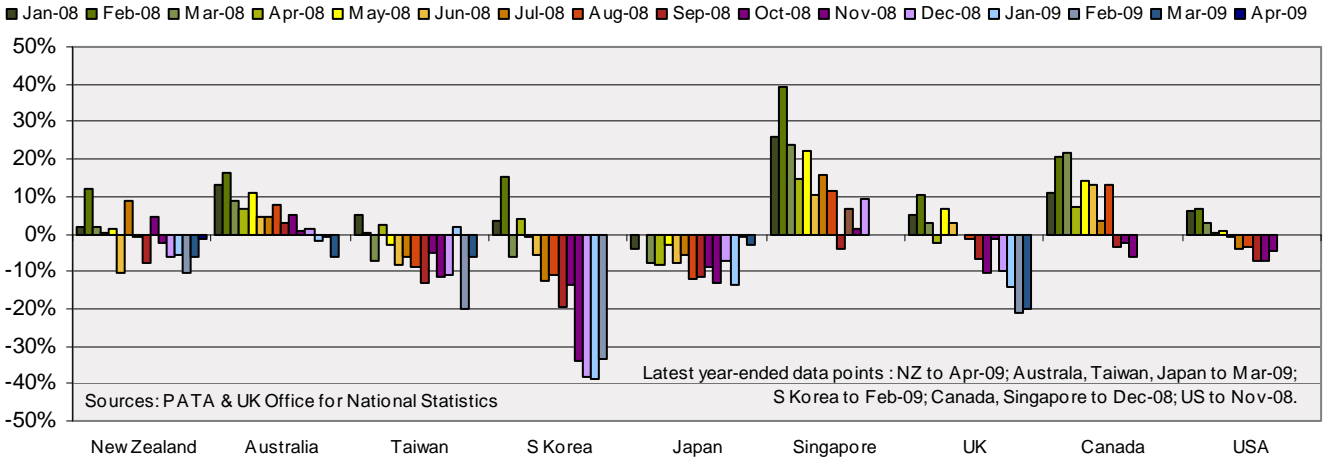
Figure 2: Inbound Travel to New Zealand by Key Market - Monthly Growth Rates, Jan08-Apr09



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Figure 3 below shows how some of our important visitor source markets are performing in terms of their outbound travel. For markets like Japan and South Korea their total outbound travel is very soft, and have severely impacted travel to New Zealand from these markets. The large decline in outbound travel from the UK in recent months is significant and is reflected in the large decrease in our inbound UK visitors.

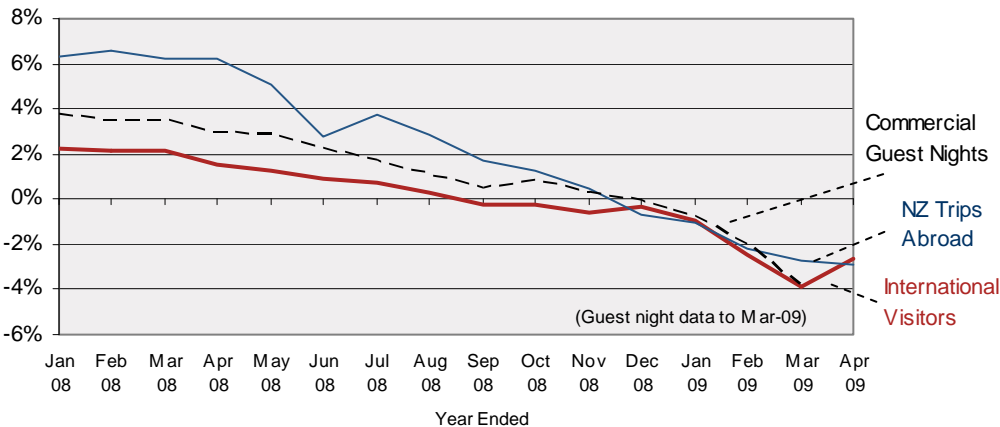
Figure 3: International Comparison - Outbound Travel from Selected Countries - Monthly Growth Rates, Jan08-Mar09



In contrast, although the Australian and Singaporean outbound travel has been slowing their arrivals to New Zealand have in fact been increasing. This suggests that New Zealand is gaining market share in these markets.

Overall, the main indicators for the New Zealand tourism sector continued to soften over the first four months of 2009 (Figure 4 below), pointing to an underlying decline of around 2-4% to the year ended April 2009.

Figure 4: NZ Inbound Travel, Outbound Travel and Commercial Guest Nights - Rolling Year Ended Growth Rates, Jan08-Apr09



In the first four months of this year, international visitors were down by 4.3%. This is the result of two quite different stories – firstly the strong Australian market (up 5.0%) and secondly the weakness of many of our important long-haul markets (e.g. UK, USA, Japan and South Korea) down by 9.1% overall.

The Ministry’s forecasts for 2009-2015 will be released in July which will provide a guide to the industry on both the short and long term expectations of tourism demand.

Short-haul travel from Australia remains strong while long-haul visitors have weakened significantly.