

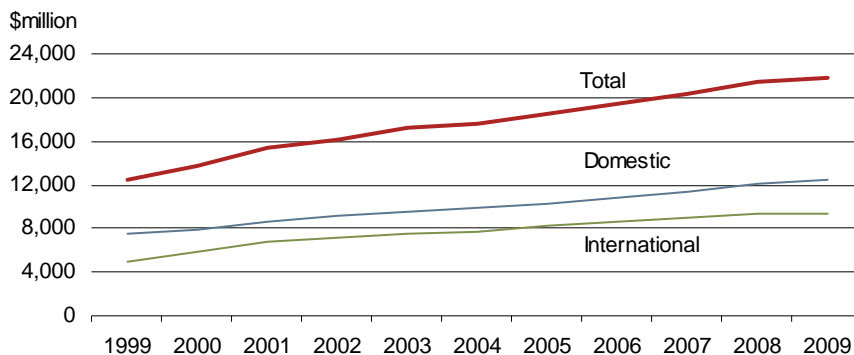
COMMENTARY

New Zealand Tourism - \$21.7 billion industry in 2009

The latest Tourism Satellite Account (TSA) for the 2009 March year, released by Statistics New Zealand, shows that total tourism expenditure continued to grow, reaching \$21.7 billion, up by \$226 million or 1.1% from the previous year. This was achieved by a 2.6% increase in domestic tourism spend which more than offset a 0.9% decrease in international visitor spend (Figure 1).

This is a reasonable result in light of the severe global recession and a very challenging time for tourism businesses. It demonstrates the resilience of tourism, and highlights the importance of domestic tourism in compensating for the downturn in international tourism.

Figure 1: Tourism Expenditure by International and Domestic Tourists
Year ended March 1999-2009

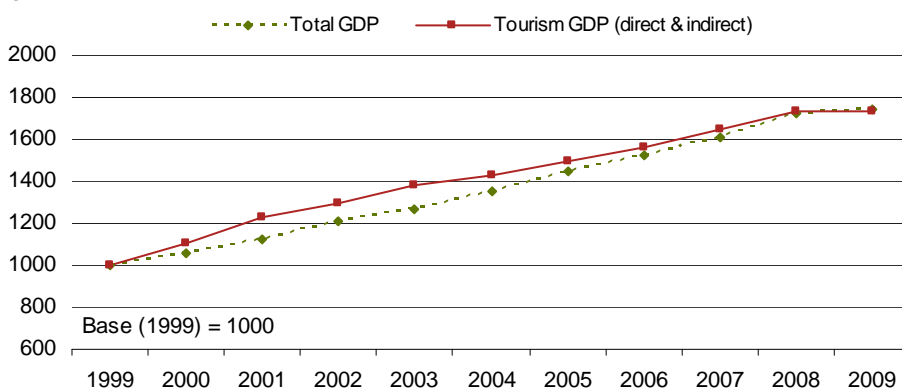


\$21.7 billion of tourism expenditure in 2009, 57% by domestic tourists and 43% by international tourists.

Tourism plays an important role in the New Zealand economy. It directly and indirectly contributes 9.1% to total Gross Domestic Product (GDP) and 9.6% of employment (185,000 full-time equivalent jobs). Tourists contributed \$1.6 billion in GST revenue to government.

Over the last ten years, tourism industry GDP grew by 73% (average of 5.8% per annum) similar to total New Zealand GDP growth. Figure 2 shows indices of direct and indirect tourism GDP and the GDP of the whole economy. This highlights that tourism has consistently been a positive contributor to the New Zealand economy, particularly in the early 2000s period.

Figure 2: Growth Indices of Tourism and Total GDP, Year Ended March 1999-2009

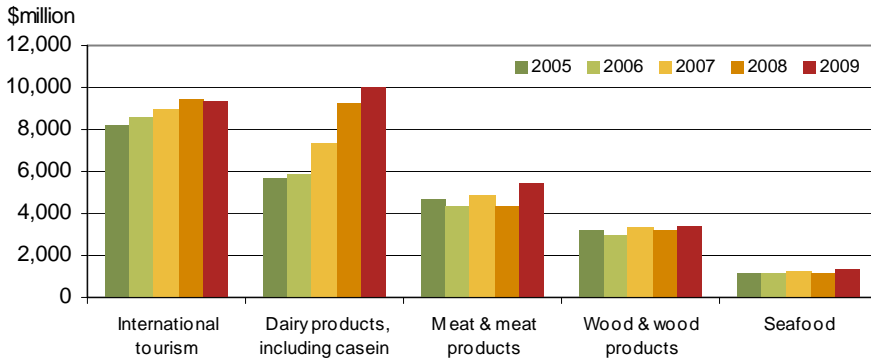


Tourism is a positive contributor to New Zealand's GDP growth.

International tourists spent \$9,313 million in New Zealand, or 16.4% of total export earnings (Figure 3). It is now the second largest export earner, surpassed only by dairy exports at \$9,975 million (17.6% of total export). This reversal of position was due to the dairy exports having experienced a sharp increase in revenue over the last two years (up by 36% or \$2,642 million) driven by a large increase in export commodity prices of dairy products (up by 63%), despite lower export volumes.

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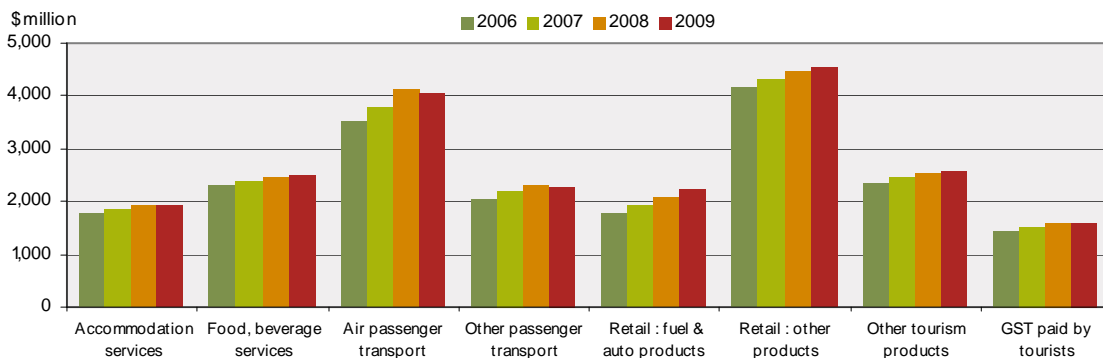
Figure 3: Export Earnings - Tourism and Selected Sectors, Year Ended March 2005-2009



16.4% of New Zealand's export earnings are from international tourism.

Figure 4 shows how tourists spent their money on various product types. Of the \$21.7 billion spent in 2009, the majority (\$8.6b or 39%) was spent on transport-related items such as air transport, other transport, fuel and automotive products. Tourists also spent \$4.6b (21%) on general retail products, \$2.5b (11.5%) on eating out, \$1.9b (8.9%) on accommodation, and \$2.6b (11.9%) on such tourism products as activities and attractions. Most product groups increased in 2009, except for 'air transport' and 'other passenger transport' which decreased by 1.4% and 1.1% respectively, due to lower international demand and sharp pricing.

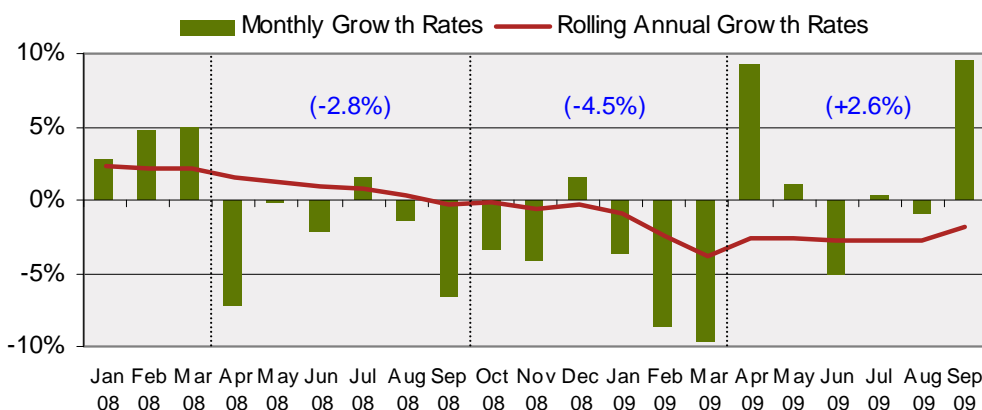
Figure 4: Tourism Expenditure by Product Type, 2006-2009



Transport activity accounted for 39% of tourism expenditure.

The outlook for international visitor arrivals is looking more positive. For the six months to September 2009, international arrivals increased by 2.6%, and it is likely that there will be a gradual improvement over the next six months as key markets move out of recession. However, significant risks continue to exist, including overall economic conditions, exchange rates and the potential outbreaks of Influenza A (H1N1) in the northern hemisphere winter that may affect travel demand, including to New Zealand.

Figure 5: International Visitor Arrivals – Monthly and Annual Growth Rate



Inbound tourism to New Zealand increased by 2.6% over the past six months.