



Tourism Industry Monitor

Tracking the Performance of the Tourism Sector

July 2009

About the Tourism Industry Monitor

The Tourism Industry Monitor (TIM) is an industry initiative led by the Ministry of Tourism with strong support from TIANZ, Tourism New Zealand, NZHC, MANZ, HAPNZ, YHA, NZLA, @Home New Zealand, ITOC, TAANZ, RTONZ, Bus & Coach, Rental Vehicle Association, Maori Tourism Council, Sea Kayaking Association and NZ Snowsports Council.

The purpose of the TIM is to provide individual tourism businesses with regular, up-to-date information on the performance of the tourism sector, including the outlook for the next three months. The information is designed to help individual businesses understand the current tourism environment, benchmark their performance against the wider market, and plan for the future with greater confidence.

This edition of the TIM is based on 578 responses from a wide range of tourism businesses including hospitality establishments, transport operators, attraction and activity providers, and booking/wholesale agencies.

The information is collected through a monthly online survey of tourism businesses that takes less than 5 minutes to complete. The survey can be viewed at www.covec.co.nz/TIM. Businesses submit data at the beginning of each month and receive the results a few days later. Results are only sent to businesses that complete the survey.

Covec (www.covec.co.nz) is contracted by the Ministry of Tourism to operate the TIM. All of the information submitted by tourism businesses is strictly confidential and will only be used to derive aggregated statistics.

The next data submission window is 3-9 August 2009.

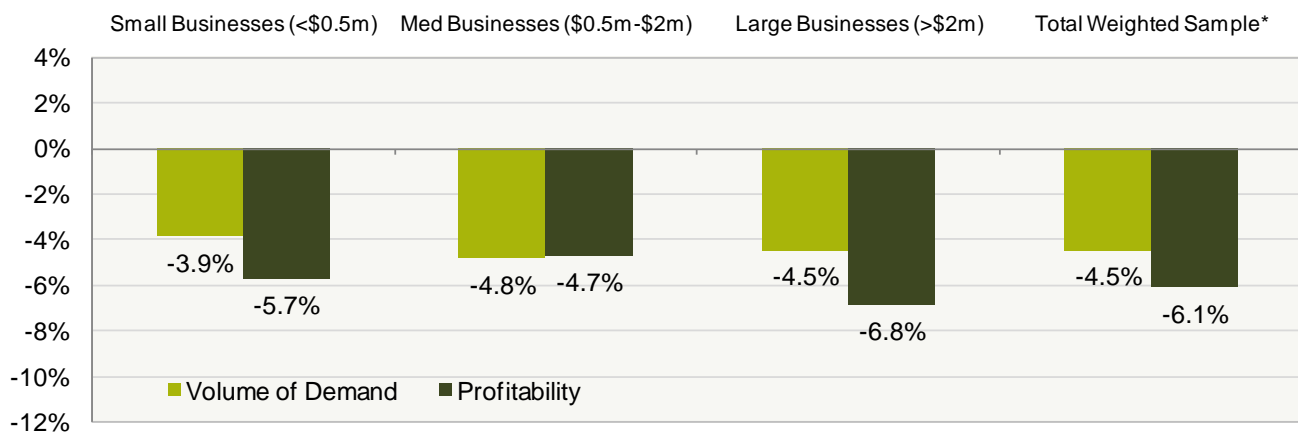
If you have any questions about the TIM please send an email to emily@covec.co.nz.

Summary of Results

- In the past 3 months industry demand has fallen 4.5% (seasonally adjusted) while profitability has fallen 6.1%. This is an improvement relative to last month. Performance over the next 3 months is expected to be similar.
- Strong demand from the domestic and Australian markets is helping to offset the weakness in long-haul markets. Businesses are becoming increasingly optimistic about the domestic and Australian markets.
- 23% of respondents expect seasonally adjusted demand to improve in the next 3 months compared with 17% last month and 15% the month before. However, 50% of respondents expect seasonally adjusted demand to fall in the next 3 months compared with 60% last month.
- The increase in optimism is being driven by two factors: (1) the expectation of a strong ski season; and (2) the natural drop off in international visitor arrivals in the next 3 months which allows the expected growth in the domestic and Australian markets to dominate.
- All regions expect seasonally adjusted demand to fall over the next 3 months. Demand in the Upper North Island region is expected to fall the most in the next 3 months (down 6-9%) while demand in the Lower South Island region is expected to fall the least (down 0-3%).

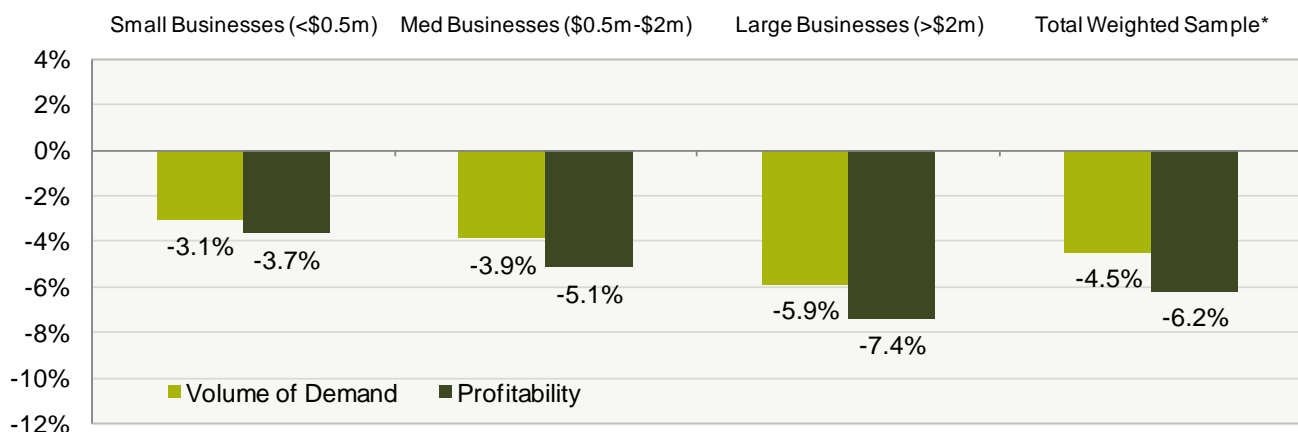
1. Change in seasonally adjusted demand and profitability over the past 3 months

On average businesses of all sizes experienced seasonally adjusted declines in demand and profitability in the past three months. The impact on demand was relatively even across all businesses but large businesses are still experiencing larger declines in profitability.



2. Expected change in seasonally adjusted demand and profitability in the next 3 months

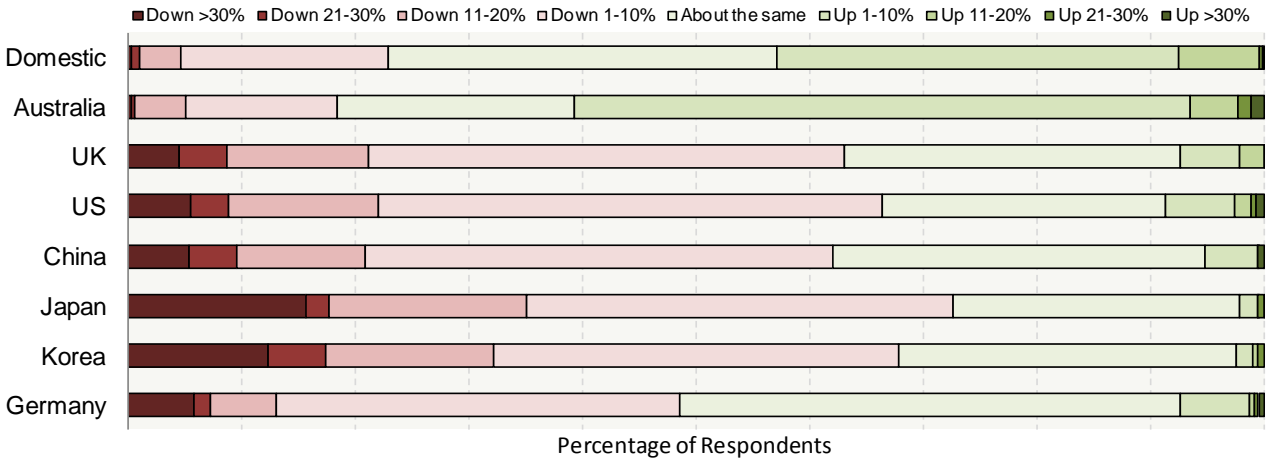
Small and medium-sized businesses expect the trading environment to improve in the next 3 months while large businesses expect a slight deterioration. Seasonally adjusted profitability is expected to fall by 3.7% for small businesses, 5.1% for medium-sized businesses and 7.4% for large businesses. The average expected decline for the industry is 6.2%.



*Total weighted sample means the weighted average of all responses submitted.

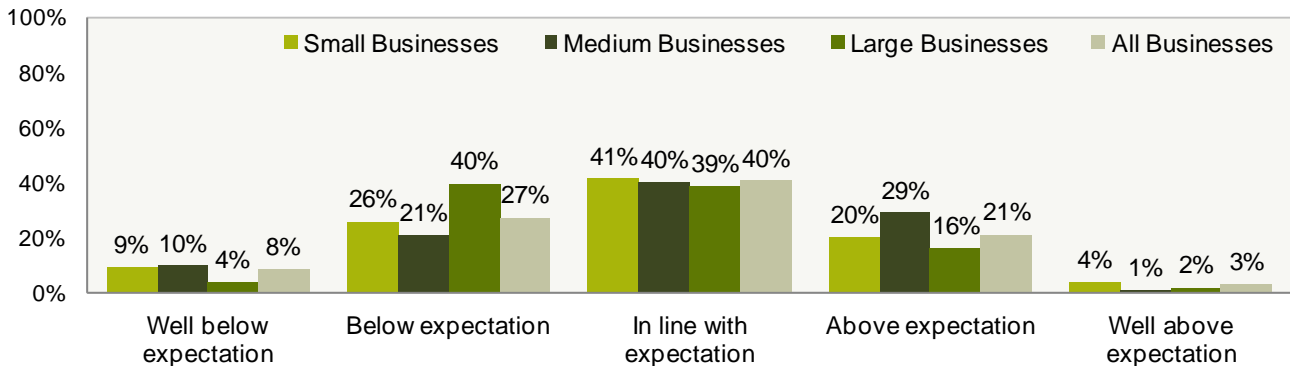
3. Expected changes in seasonally adjusted demand by market in the next 3 months

Around 43% of respondents expect seasonally adjusted domestic demand to grow in the next 3 months and more than 60% of respondents expect Australian demand to grow. The outlook for long-haul markets is much less optimistic with most respondents expecting sizeable drops in seasonally adjusted demand in the next 3 months.



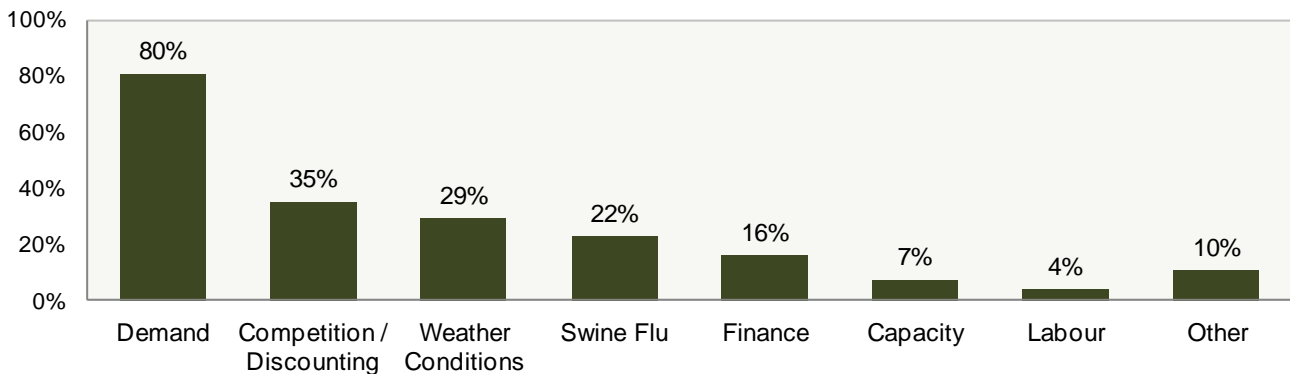
4. Performance in the past 3 months vs. prior expectation

Business performance in the past 3 months was in line with or above expectation for 64% of respondents. Only 8% of respondents performed well below expectation.



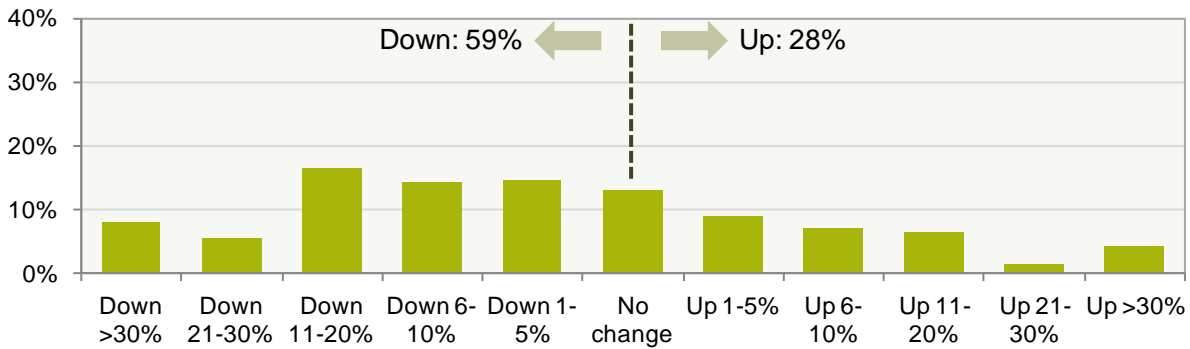
5. Factors limiting the ability of businesses to perform optimally

Demand continues to be the main factor limiting business performance. Competition and discounting is affecting 35% of businesses, adverse weather conditions 29% and swine flu 22%.



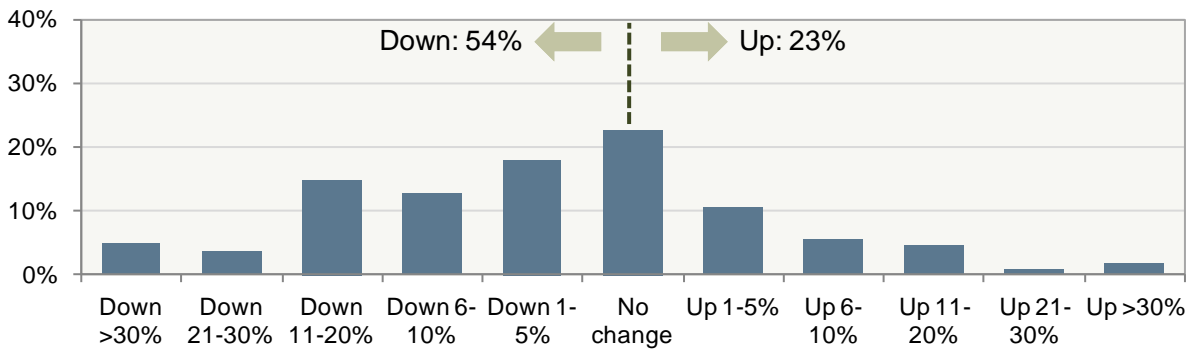
6. Change in seasonally adjusted demand over the past 3 months

28% of respondents experienced an increase in seasonally adjusted demand over the past 3 months (compared with 27% last month) while 59% experienced a decrease (the same as last month). Around 30% of businesses reported a fall in demand of more than 10%.



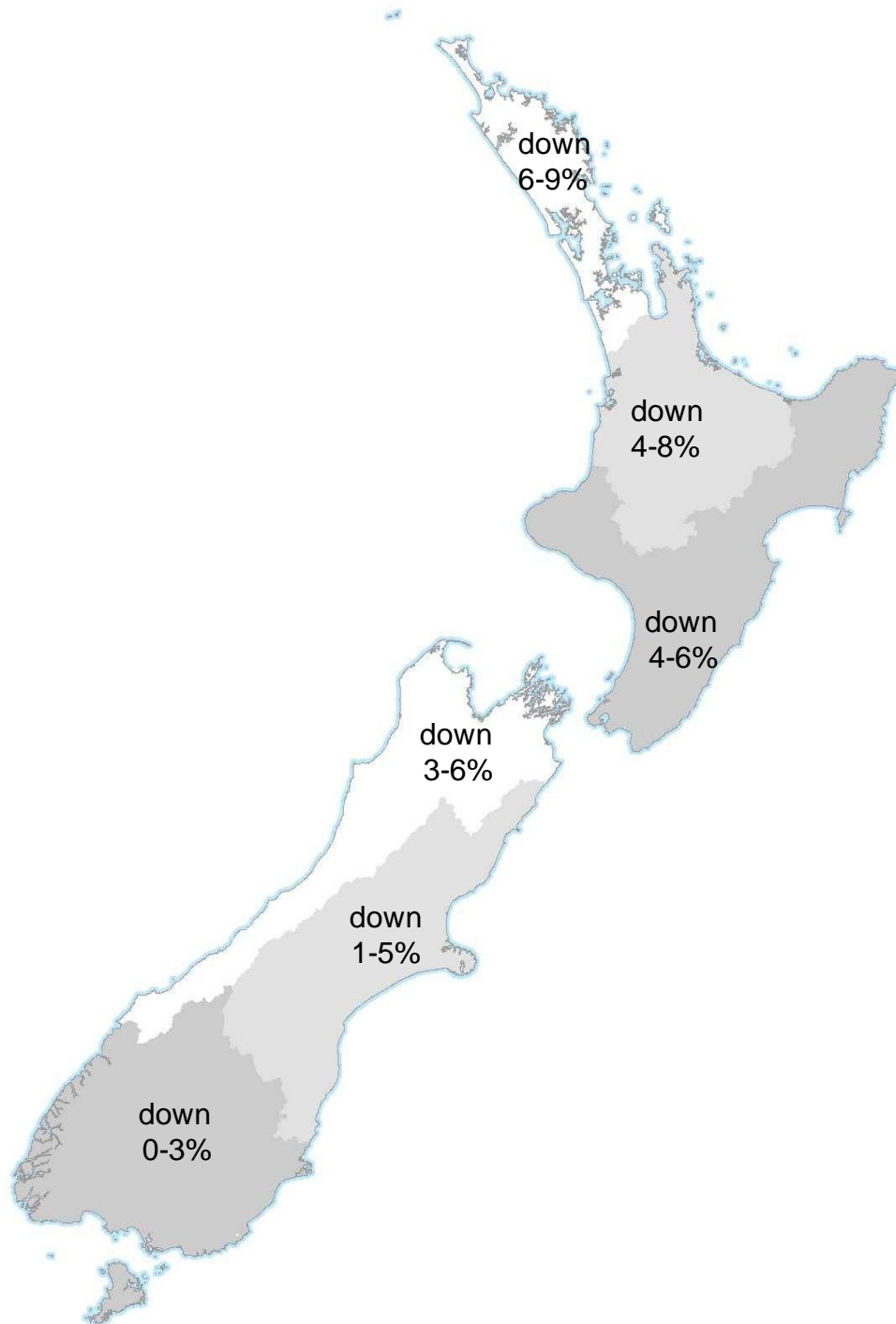
7. Expected change in seasonally adjusted demand in the next 3 months

23% of respondents expect seasonally adjusted demand to rise in the next 3 months (compared with 17% last month) while 54% expect demand to fall (compared with 64% last month). Around 23% of respondents expect seasonally adjusted demand to fall by more than 10% in the next 3 months.



8. Expected change in seasonally adjusted demand in the next 3 months – regional outlook

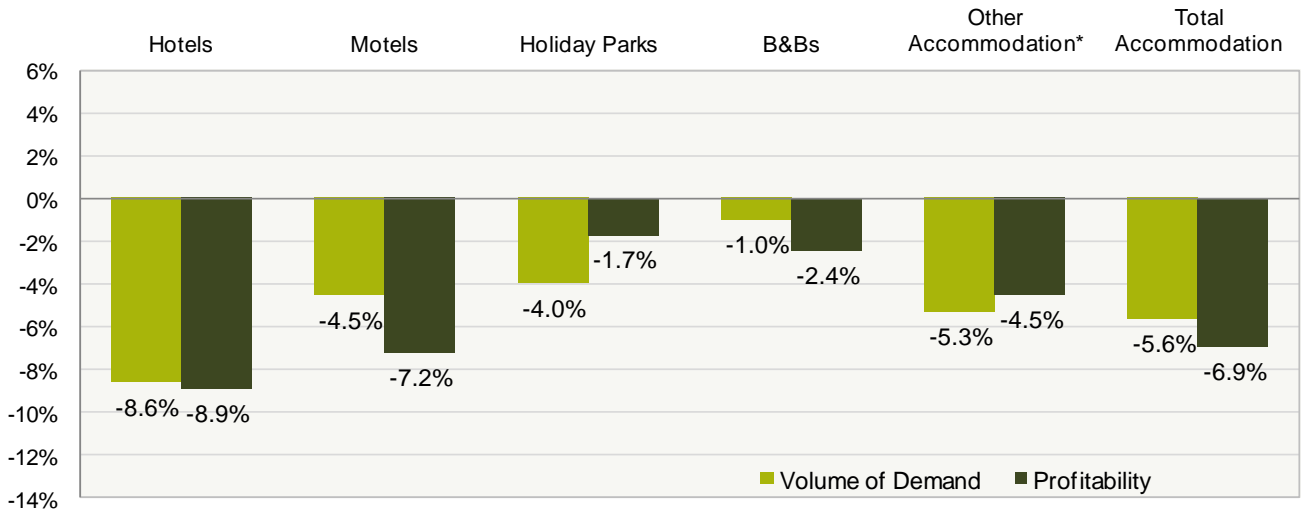
- All regions expect seasonally adjusted demand to fall over the next 3 months.
- A drop in seasonally adjusted demand of 6-9% is predicted for the Upper North Island (similar to last month).
- The Central and Lower North Island regions are expecting drops in demand of 4-8%.
- The expectation of a strong ski season has improved the outlook in all South Island regions, particularly in the Lower South Island where demand is expected to fall by a maximum of 3%.



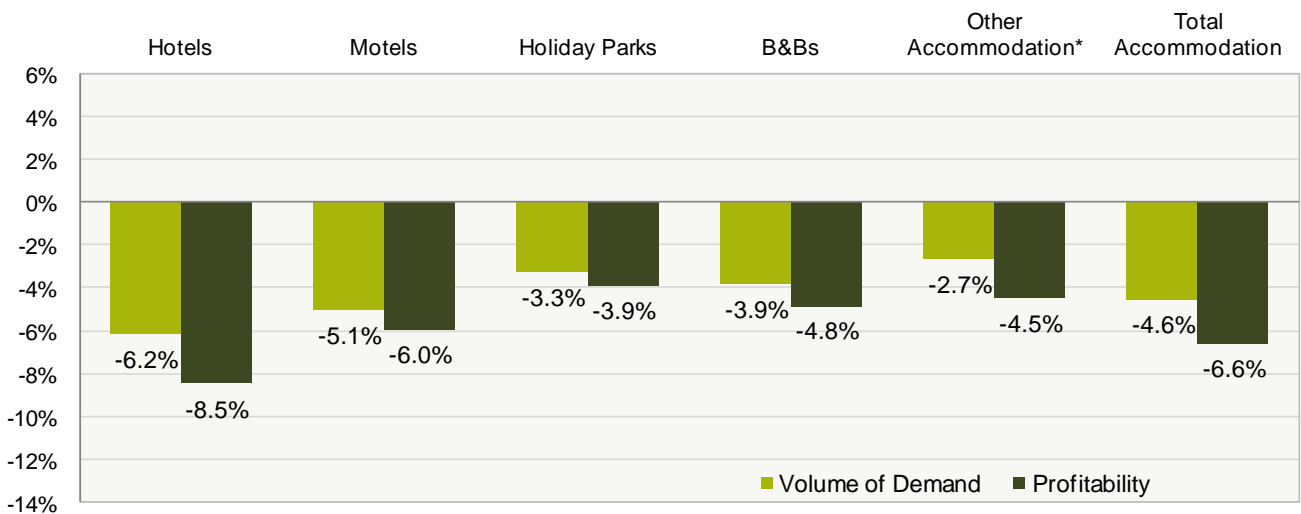
Accommodation Supplement

The results in this section are based on responses for accommodation providers only. Accommodation categories achieving less than 50 responses are included in “Other Accommodation”. If you would like your category presented separately please encourage more businesses in your category to respond to the survey.

9. Change in seasonally adjusted demand and profitability over the past 3 months

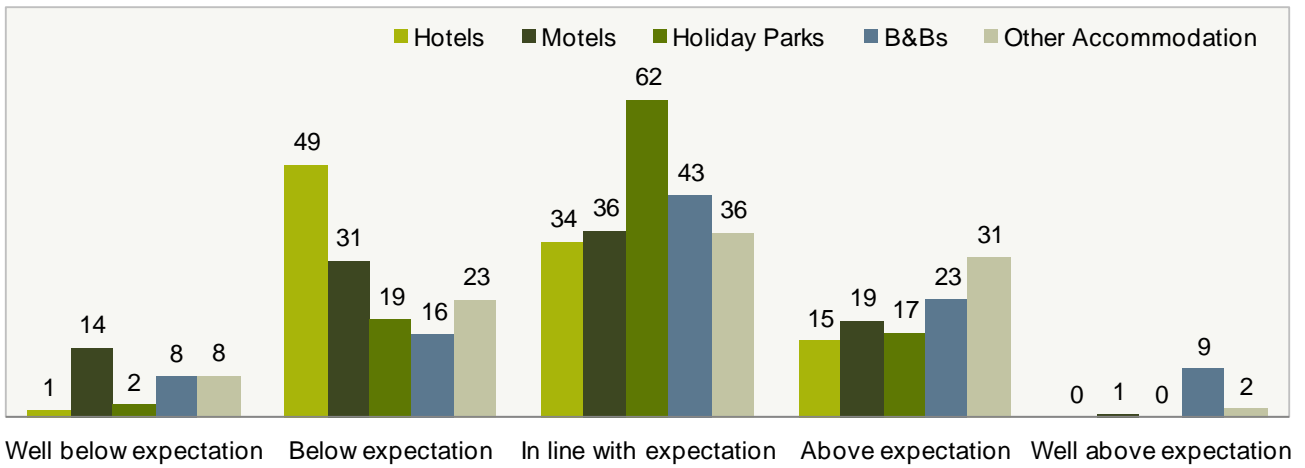


10. Expected change in seasonally adjusted demand and profitability in the next 3 months



*Other Accommodation this month includes backpackers, luxury lodges, serviced apartments and others.

11. Performance in the past 3 months vs. prior expectation



12. Factors limiting the ability of businesses to perform optimally

