Tourism Industry Monitor

Tracking the Performance of the Tourism Sector

June 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, HPANZ, 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 618 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 1-8 July 2009.

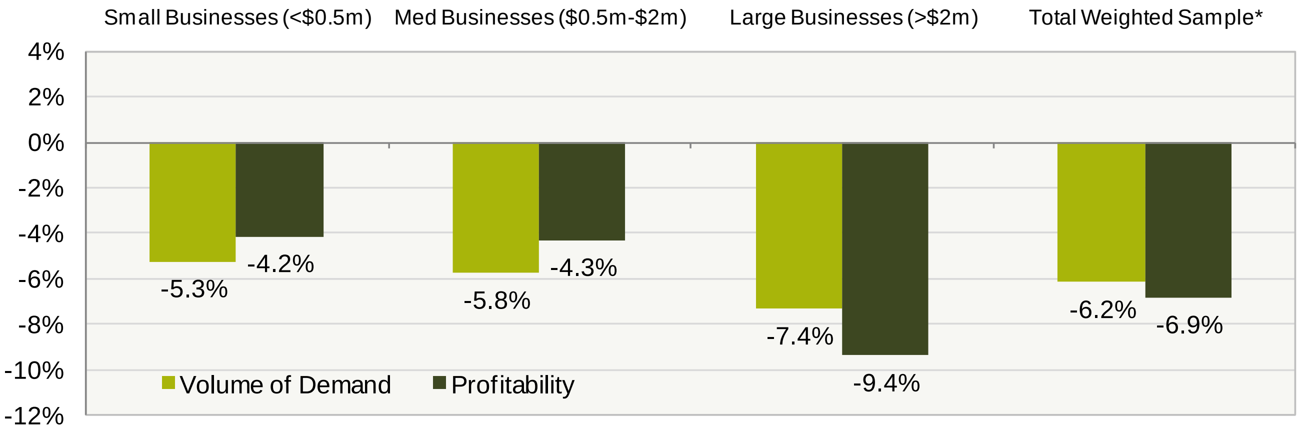
If you have any questions about the TIM please send an email to emily@covec.co.nz.

Summary of Results

- In the past 3 months industry demand has fallen 6.2% (seasonally adjusted) while profitability has fallen 6.9%. Large businesses have experienced the greatest declines in both demand and profitability.
- In the next 3 months industry demand is expected to fall by 7.3% (seasonally adjusted) and profitability is expected to fall 7.7%.
- Businesses are mildly optimistic about demand from the domestic and Australian markets. However, most tourism businesses are still very pessimistic about the prospects for major long-haul markets.
- The majority of businesses performed in line with or above expectation in the past three months, indicating that most businesses have accurately assessed the impact of the current operating environment on demand.
- All regions expect seasonally adjusted demand to fall over the next 3 months. Demand in the Central North Island region is expected to fall the most in the next 3 months (down 9-11%) while demand in the Lower South Island region is expected to fall the least (down 2-4%).

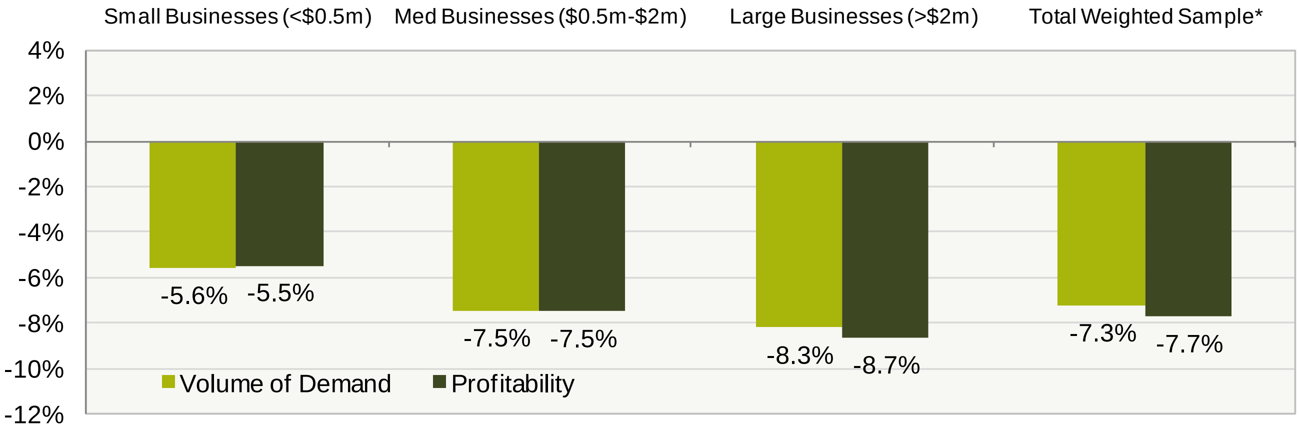
1. Change in seasonally adjusted demand and profitability over the past 3 months

On average businesses of all sizes experienced seasonally adjusted declines in demand and profitability in the past three months. Large businesses experienced greater declines in performance than small and medium-sized businesses, with demand falling 7.4% and profit falling 9.4%.



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

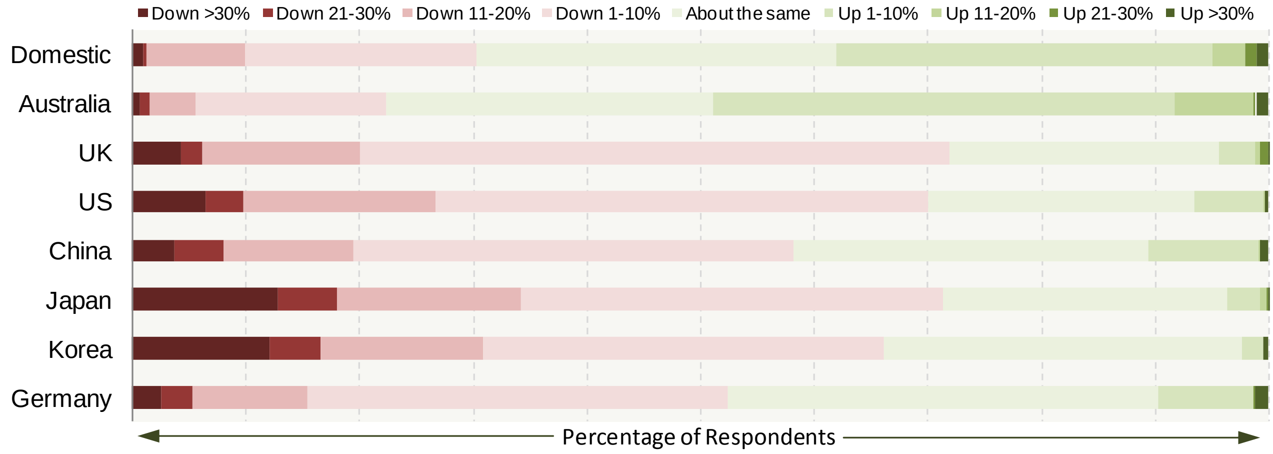
Businesses of all sizes expect the trading environment to deteriorate in the next 3 months. Seasonally adjusted profitability is expected to fall by 5.5% for small businesses, 7.5% for medium-sized businesses and 8.7% for large businesses. The average decline for the industry is 7.7%.



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

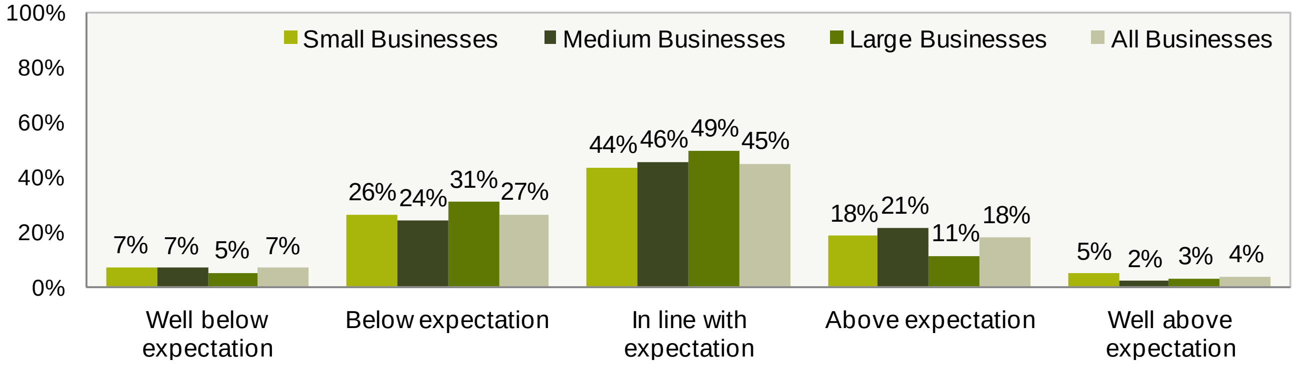
3. Expected changes in seasonally adjusted demand by market in the next 3 months

Around 70% of respondents expect seasonally adjusted domestic demand to stay the same or increase in the next 3 months. The outlook for Australian demand is even stronger with around 78% of respondents expecting demand to stay the same or increase on a seasonally adjusted basis. 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.



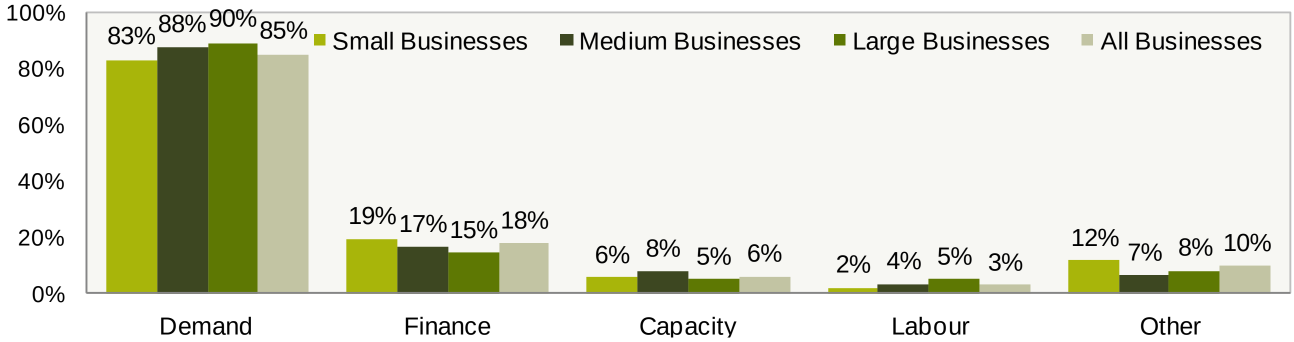
4. Performance in the past 3 months vs. prior expectation

Business performance in the past 3 months was in line with or above expectation for 67% of respondents. Only 7% of respondents performed well below expectation.



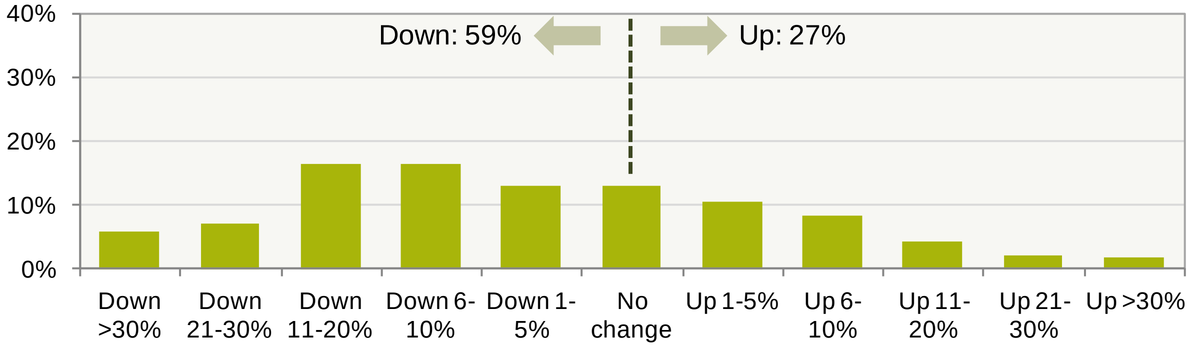
5. Factors limiting the ability of businesses to perform optimally

Demand continues to be the main factor limiting business performance. Access to finance is an issue for 18% of businesses.



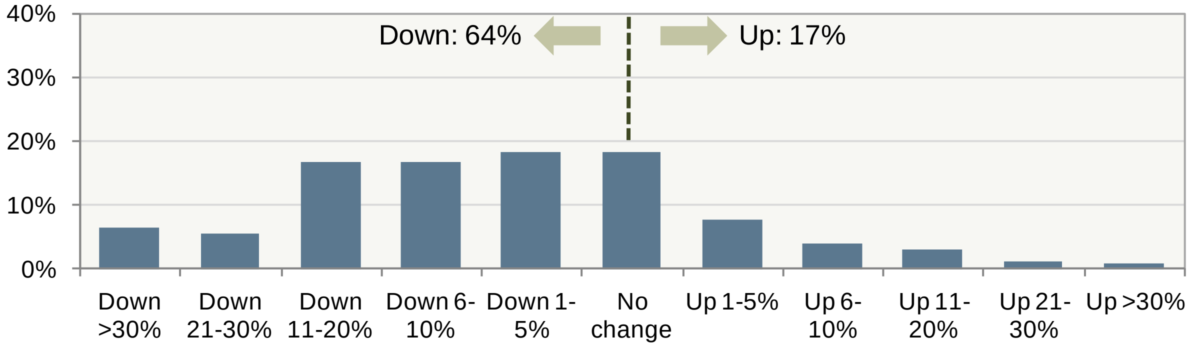
6. Change in seasonally adjusted demand over the past 3 months

27% of respondents experienced an increase in seasonally adjusted demand over the past 3 months while 59% experienced a decrease. Around one quarter of businesses reported a fall in demand of more than 10%.



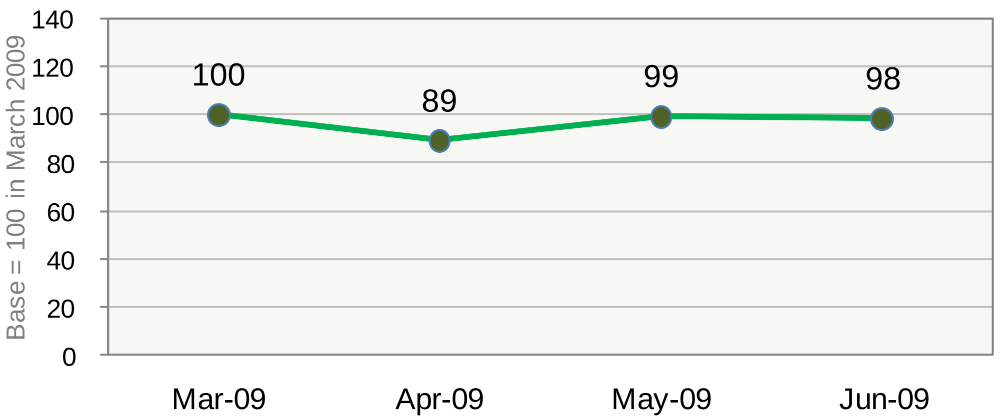
7. Expected change in seasonally adjusted demand in the next 3 months

17% of respondents expect seasonally adjusted demand to rise in the next 3 months while 64% expect demand to fall. Around one quarter of respondents expect seasonally adjusted demand to fall by more than 10%.



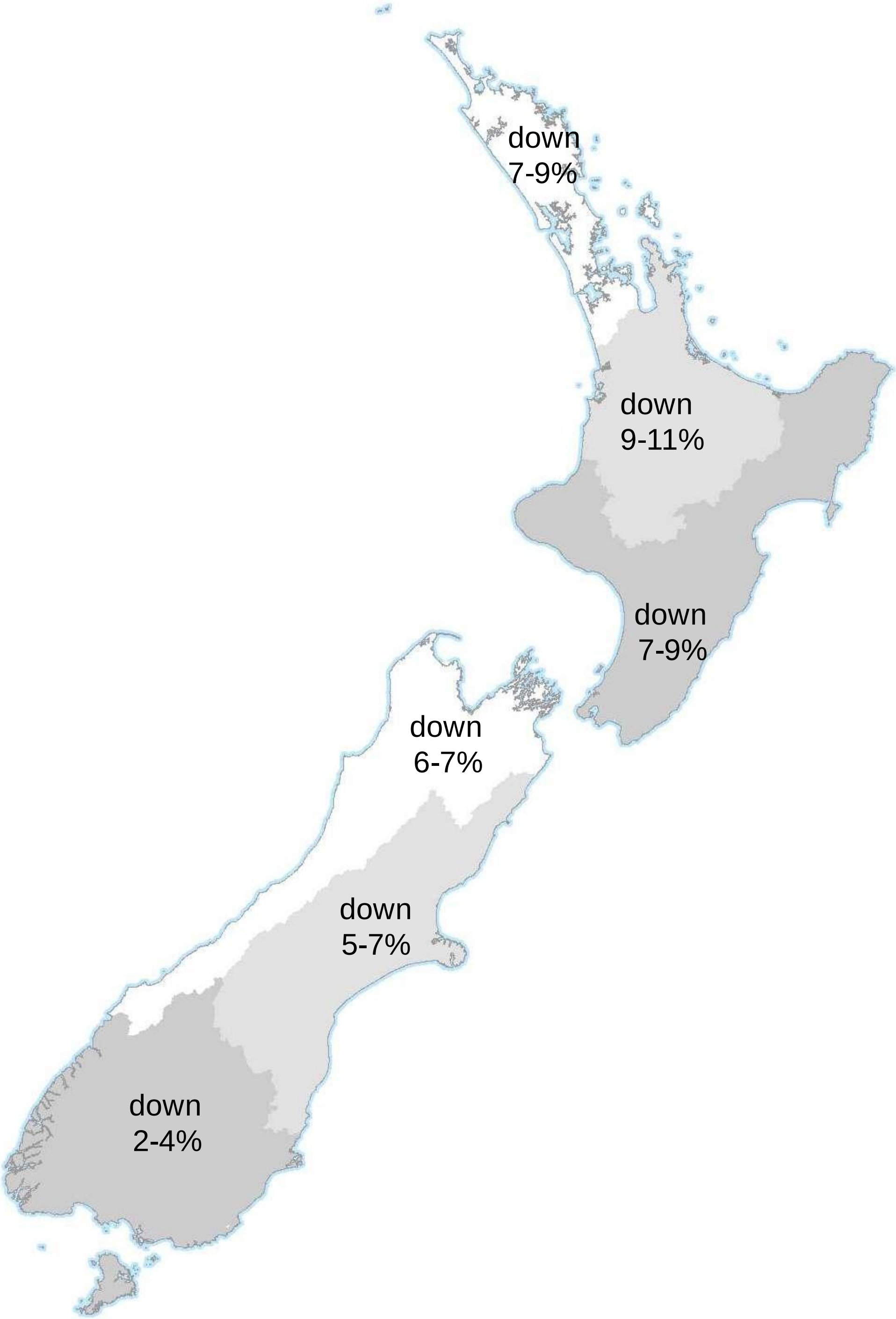
8. Tourism industry confidence index[1]

Confidence levels remain at similar levels to last month, and are slightly below levels observed in the base month of March 2009.



[1] Confidence levels in each month are calculated in two stages: (1) calculate the relative value for that month as *number of positive responses / (number of positive responses + number of negative responses)*; and (2) index the resulting value against the base month of March 2009.

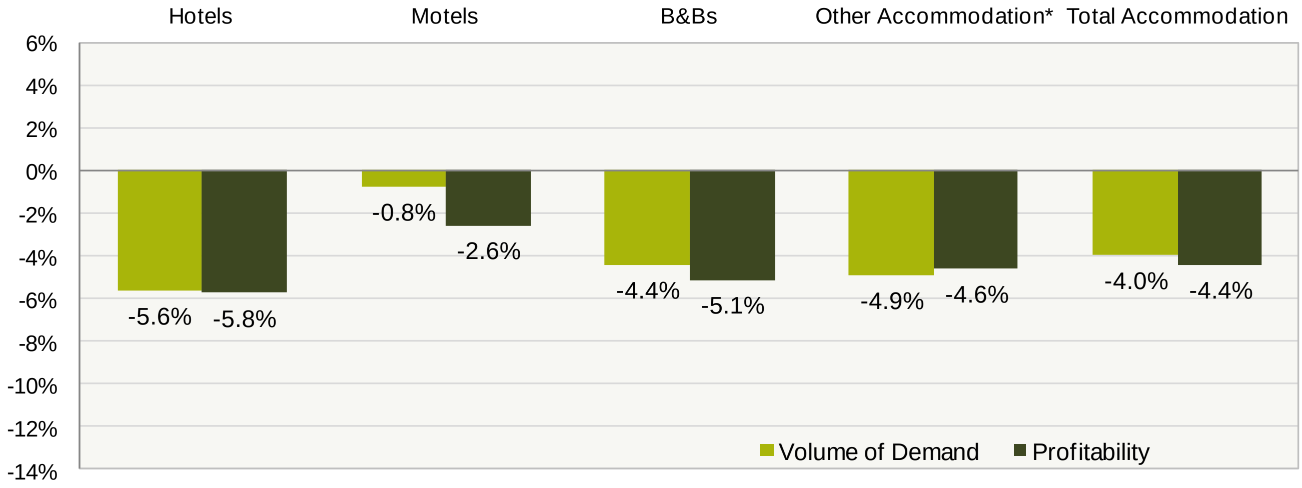
9. **Expected change in seasonally adjusted demand in the next 3 months – regional outlook**
   - All regions expect seasonally adjusted demand to fall over the next 3 months.
   - A drop in seasonally adjusted demand of 7-9% is predicted for the Upper North Island and Lower North Island regions in the next 3 months.
   - The Central North Island region is expecting the largest fall in demand (9-11%) while the Lower South Island region is expecting the smallest drop at 2-4%.
   - The Central and Upper South Island regions are expecting an average drop in seasonally adjusted demand of 5-7% in the next 3 months.



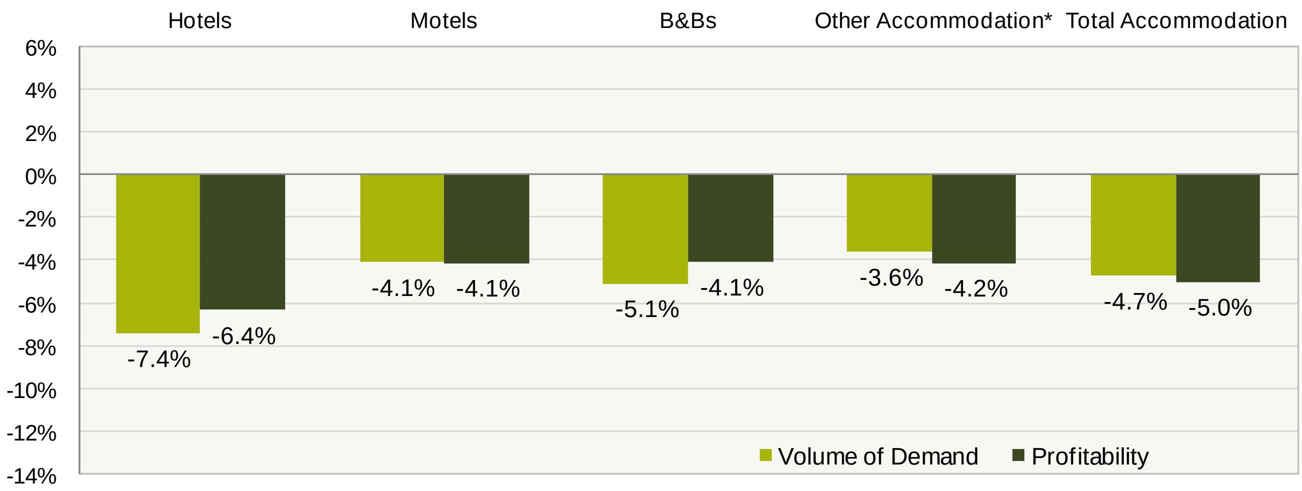
Accommodation Supplement

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.

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

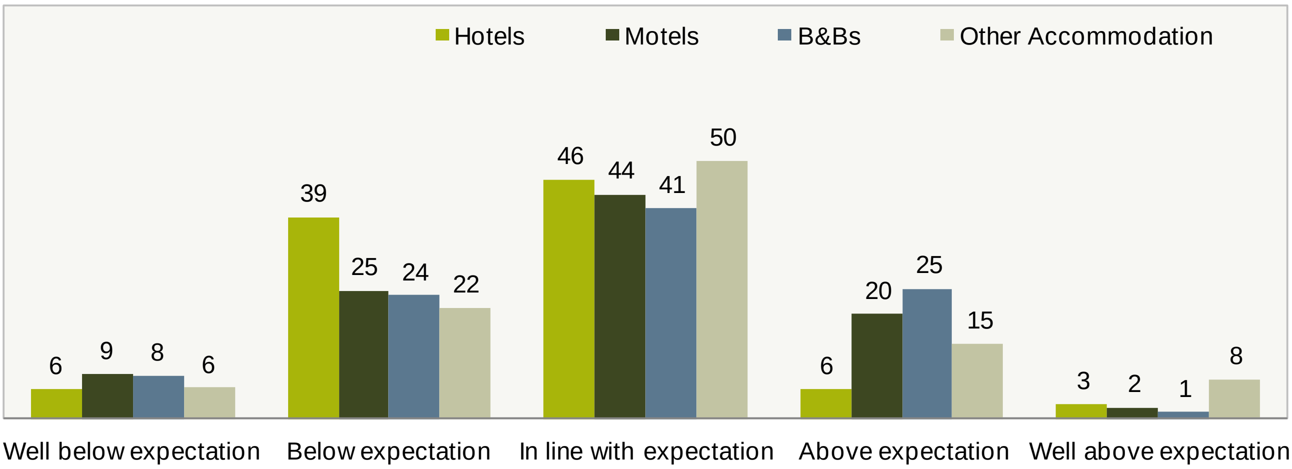


11. Expected change in seasonally adjusted demand and profitability in the next 3 months



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

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



13. Factors limiting the ability of businesses to perform optimally