



Tourism Industry Monitor

Tracking the Performance of the Tourism Sector

September 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 790 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 1-9 October 2009.

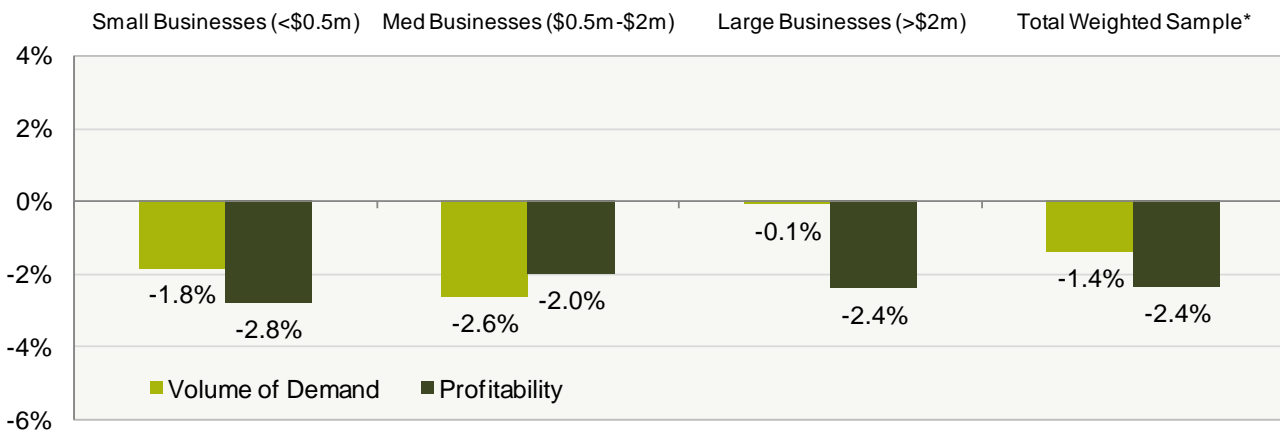
If you have any questions about the TIM please send an email to emily@covec.co.nz.

Summary of Results

- In the past 3 months (Jun-Aug) industry demand has fallen 1.4% (seasonally adjusted) while profitability has fallen 2.4%. This is an improvement in performance relative to May-Jul. In the next 3 months (Sep-Nov) industry demand is expected to fall by 0.4% (seasonally adjusted) and profitability is expected to fall 1.3%.
- 44% of respondents expect seasonally adjusted demand to improve in the next 3 months compared with 38% last month and 23% the month before. 41% of respondents expect seasonally adjusted demand to fall in the next 3 months compared with 42% last month and 50% the month before. This is the first time since the monitor began in March 2009 that the number of optimists has exceeded the number of pessimists.
- The increase in optimism is being driven by three factors: (1) a strong and long ski season; and (2) the natural drop off in international visitor arrivals during this period which allows the growth in the domestic and Australian markets to dominate (2) tourism activity began to decline towards the end of 2008; hence the predicted changes are coming off a low base.
- The outlook for the next 3 months is neutral/mildly positive for the upper and lower regions of the South Island, and neutral/mildly negative for the Canterbury RTO. The pattern is reversed in the North Island with a neutral/mildly positive outlook for the central region and a neutral/mildly negative outlook for the upper and lower regions.

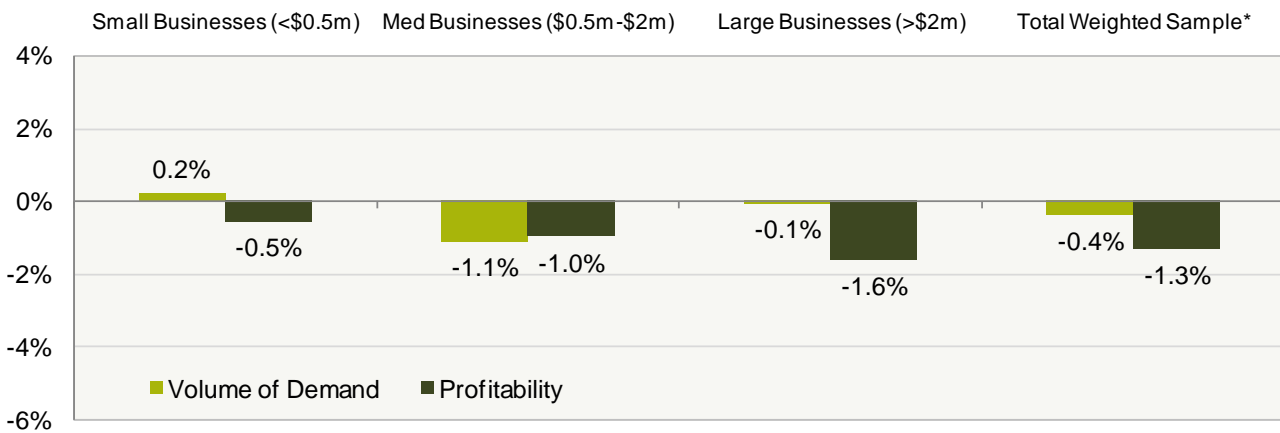
1. Change in seasonally adjusted demand and profitability over the past 3 months

On average businesses of all sizes experienced seasonally adjusted declines in demand and profitability in the past three months. The declines in profitability were similar across businesses of all sizes.



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

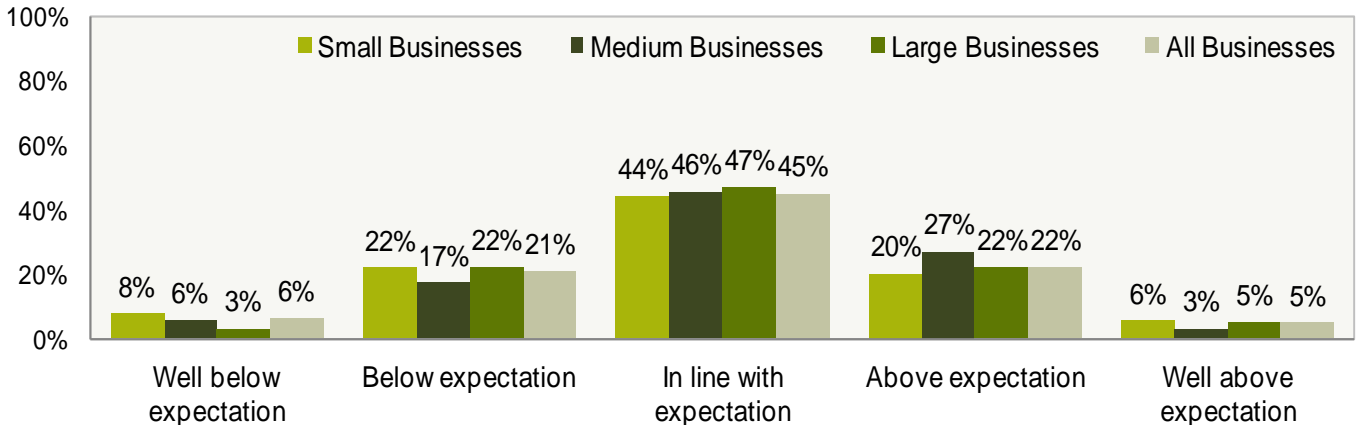
Businesses of all sizes are expecting a flat/mildly negative trading environment in the next 3 months relative to the same period last year. The average expected decline in profitability for the industry is 1.3% - an improvement on the 3.6% reported last month.



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

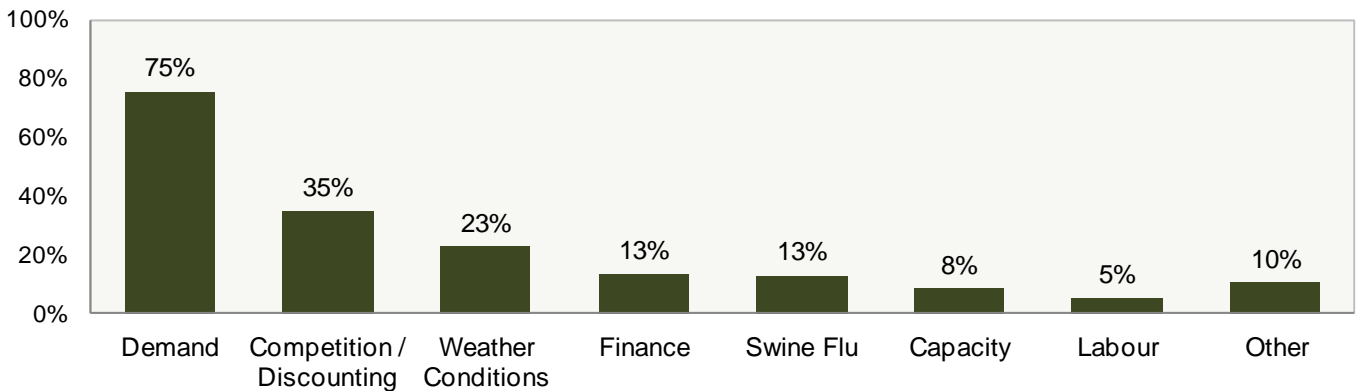
3. Performance in the past 3 months vs. prior expectation

Business performance in the past 3 months was in line with or above expectation for 72% of respondents. Only 6% of respondents performed well below expectation.



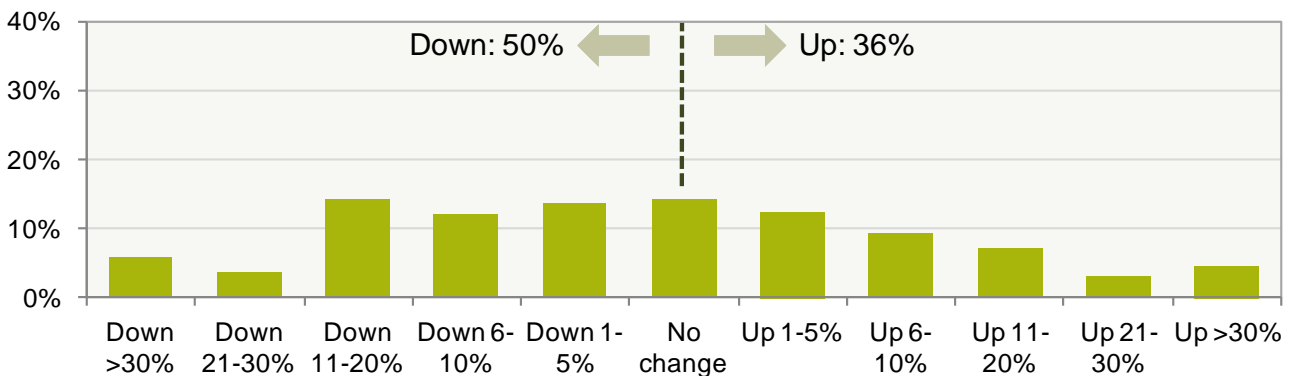
4. Factors limiting the ability of businesses to perform optimally

Demand continues to be the main factor limiting business performance. Competition and discounting is affecting 35% of businesses, adverse weather conditions 23% and swine flu 13% (down from 21% last month).



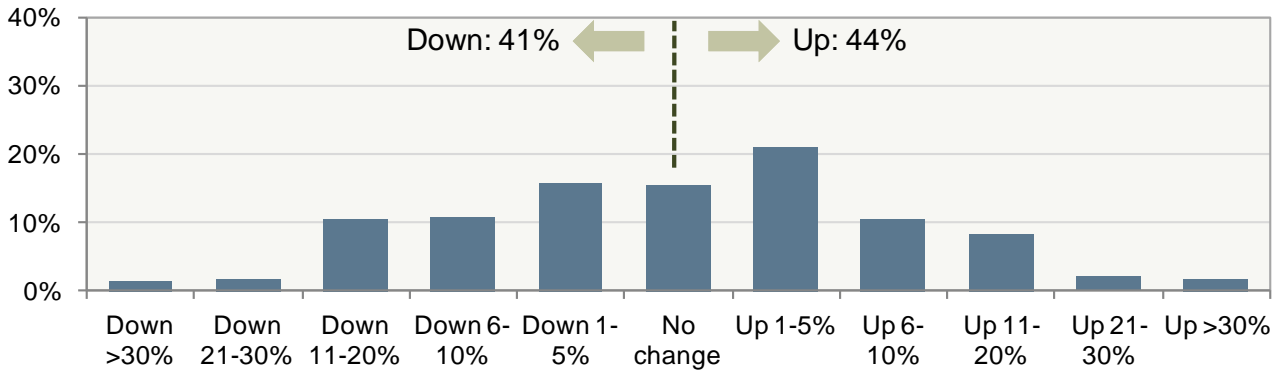
5. Change in seasonally adjusted demand over the past 3 months

36% of respondents experienced an increase in seasonally adjusted demand over the past 3 months (compared with 34% last month) while 50% experienced a decrease (compared with 49% last month).



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

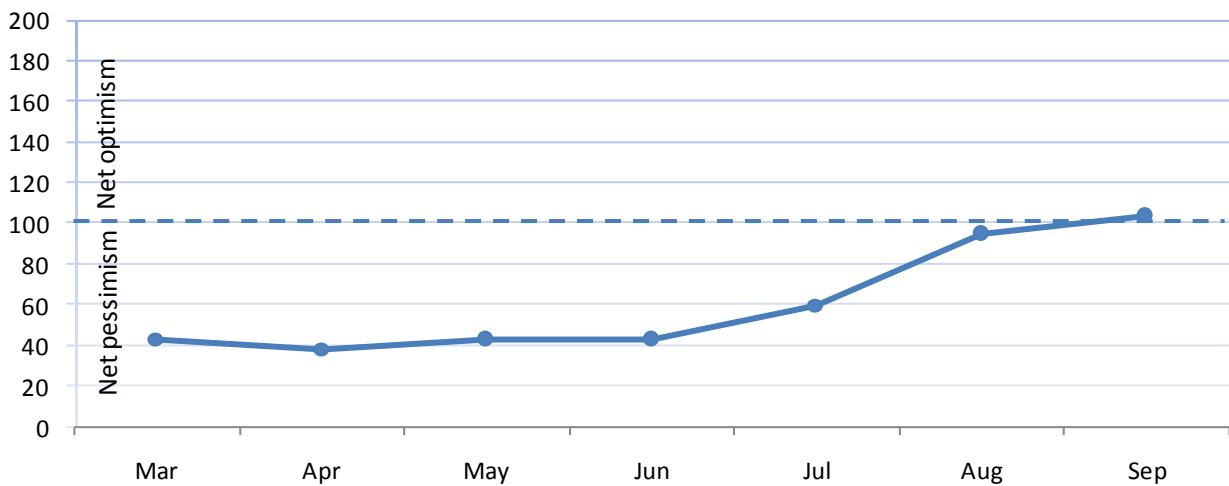
44% of respondents expect seasonally adjusted demand to rise in the next 3 months (compared with 38% last month) while 41% expect demand to fall (compared with 42% last month).



7. Business Confidence

The performance expectations of tourism businesses described above can be used to generate a business confidence index. The base value for the index of 100 represents a “neutral month” in which the number of optimists equals the number of pessimists.¹ Index values of greater than 100 indicate more optimists than pessimists, while index values of less than 100 indicate more pessimists than optimists.

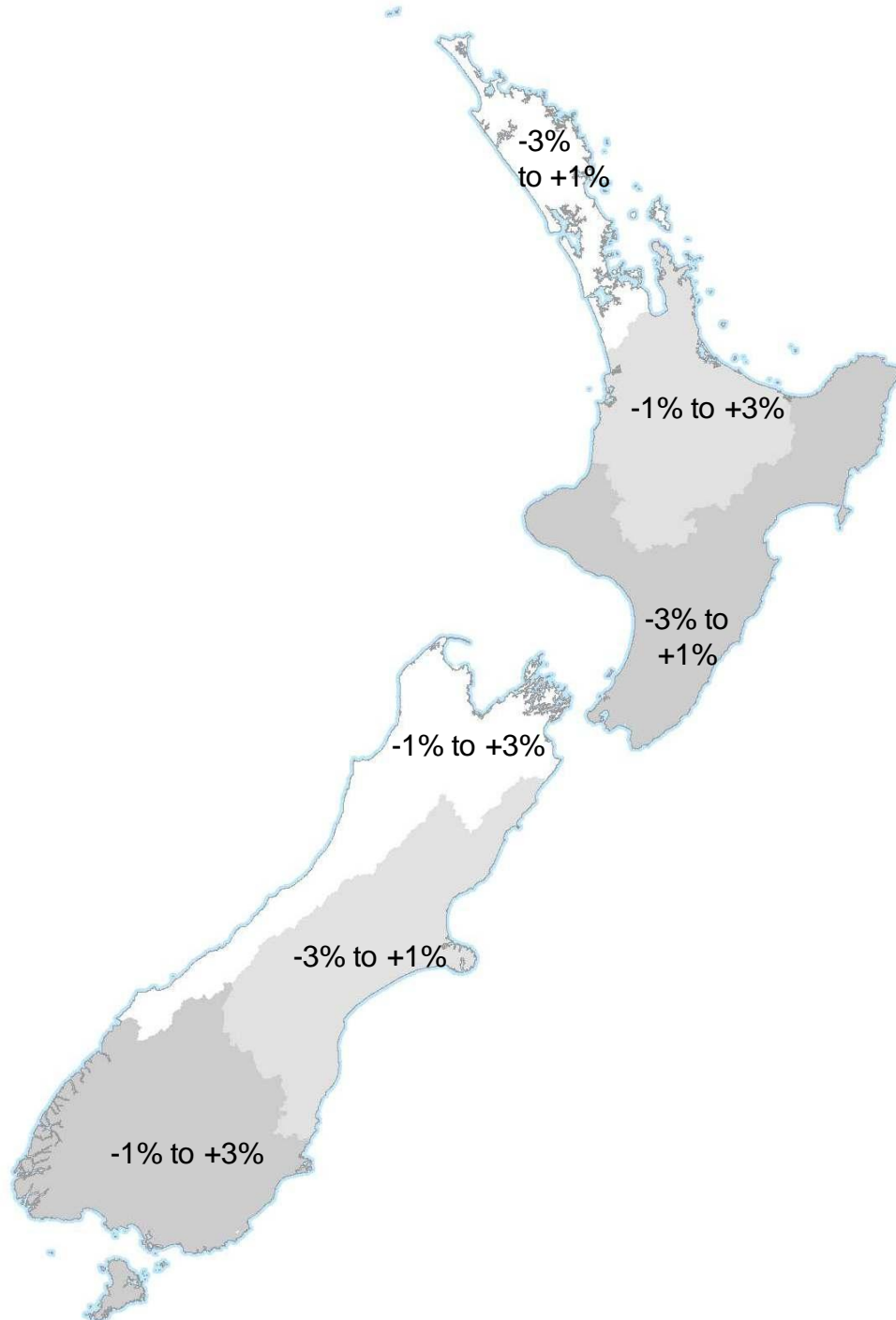
Recent performance expectations indicate that confidence within the tourism industry is gradually being restored. The business confidence index exceeded 100 this month for the first time since the inception of the TIM in March 2009. This indicates that the number of optimists in the tourism industry now slightly outweighs the number of pessimists, and could suggest that overall industry performance has moved past its lowest point.



¹ Note that the index has been re-based using this revised base month methodology since it was last published.

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

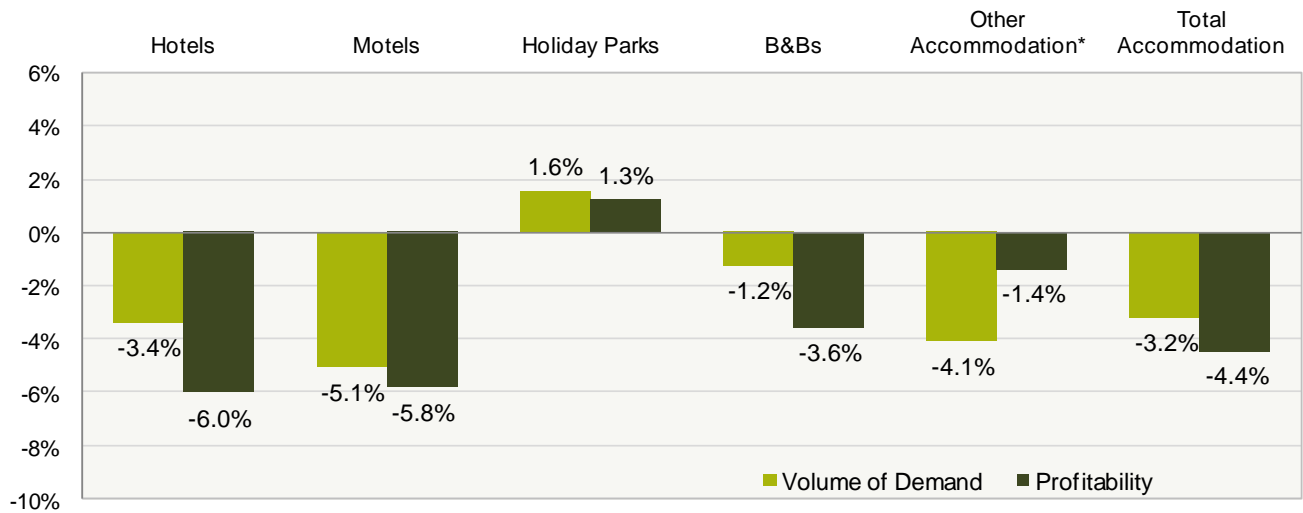
There is the possibility of an increase in seasonally adjusted demand in all regions over the next 3 months, particularly in the upper and lower regions of the South Island, and the central North Island region.



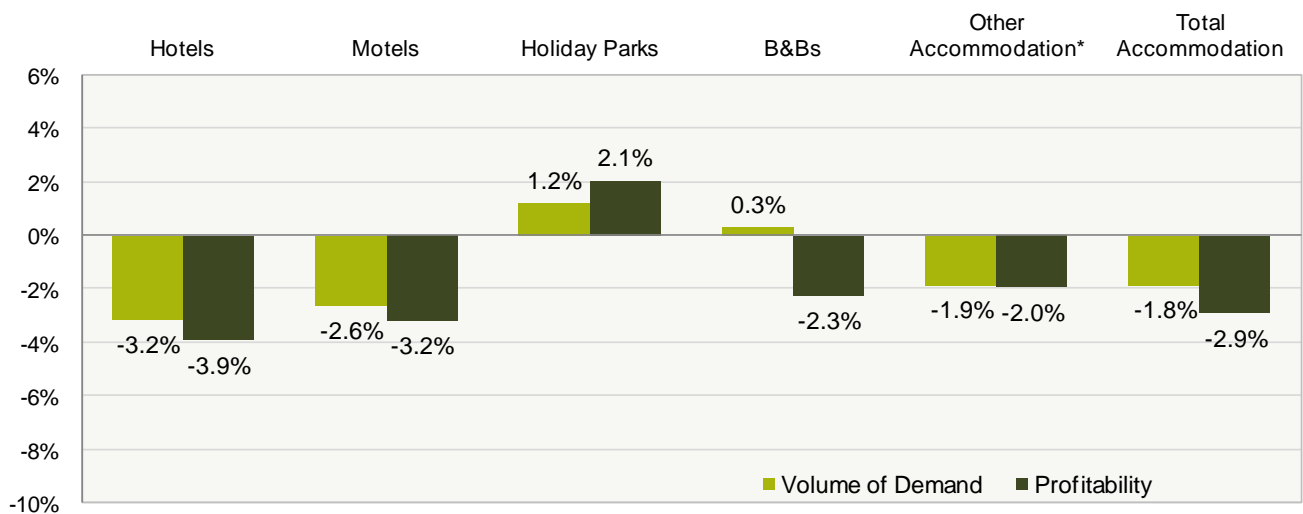
Accommodation Supplement

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

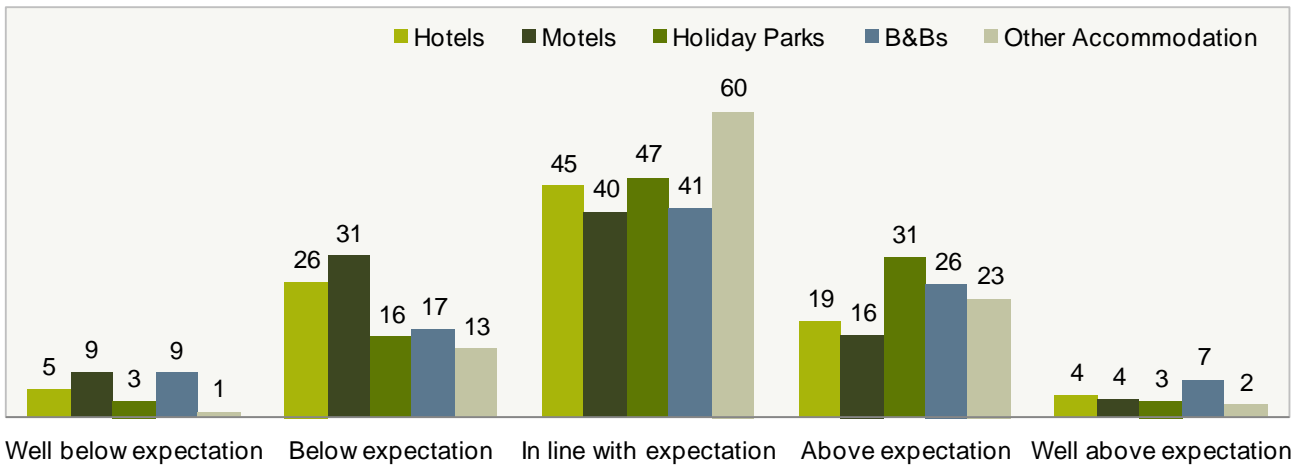


10. Expected change in seasonally adjusted demand and profitability in the next 3 months



*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

