



Tourism Industry Monitor

Tracking the Performance of the Tourism Sector

May 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 865 responses from a wide range of tourism businesses including hospitality establishments, transport operators, attraction and activity providers, and booking/wholesale agencies. The respondent base will grow further as the TIM establishes itself as a valuable source of information for the tourism industry.

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 2-8 June 2009.

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

NEW ZEALAND
HOTEL COUNCIL

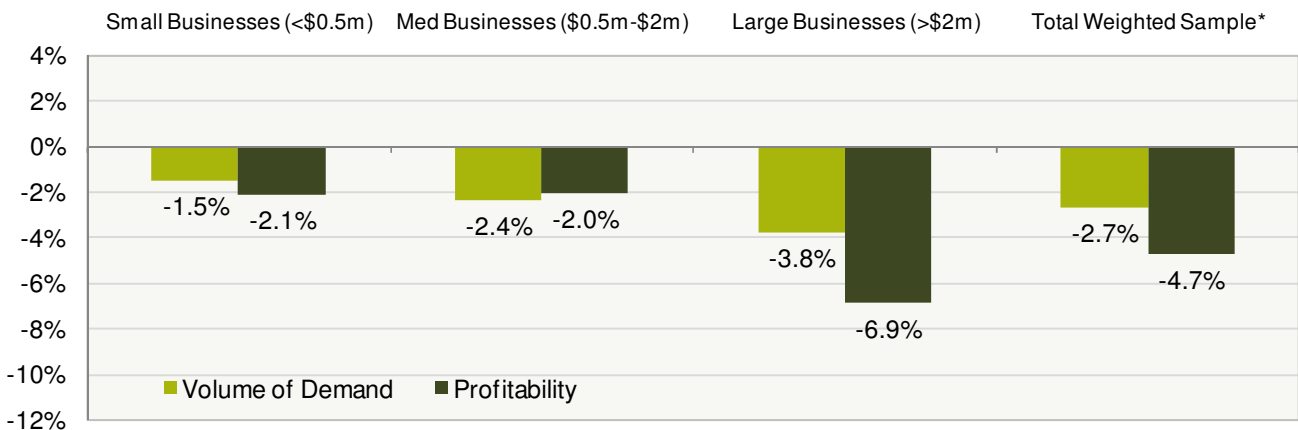
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Summary of Results

- Industry demand has fallen by 2.7% in the past 3 months relative to the same period last year, and industry profit has fallen by 4.7%. On average large businesses have experienced the biggest declines due mainly to their dependence on international tour and group activity.
- Industry demand is expected to fall by 5.6% in the next 3 months (relative to the same period last year), and industry profit is expected to fall by 6.6%.
- Only 15% of respondents expect demand to increase in the next 3 months (relative to the same period last year). However, the general outlook has improved relative to last month and there is growing optimism around the domestic and Australian markets.
- The majority of businesses performed in line with or above expectation in the past three months which indicates that the industry is quickly adjusting to the new trading conditions.
- Businesses in the central North Island expect a drop in demand of 10-12% over the next 3 months (relative to the same period last year). The anticipated declines in other regions are more moderate: Auckland/Northland down 5-7%; Lower North Island down 2-4%; West Coast/Upper South Island down 3-5%; Canterbury down 3-5%; Lower South Island down 4-6%.

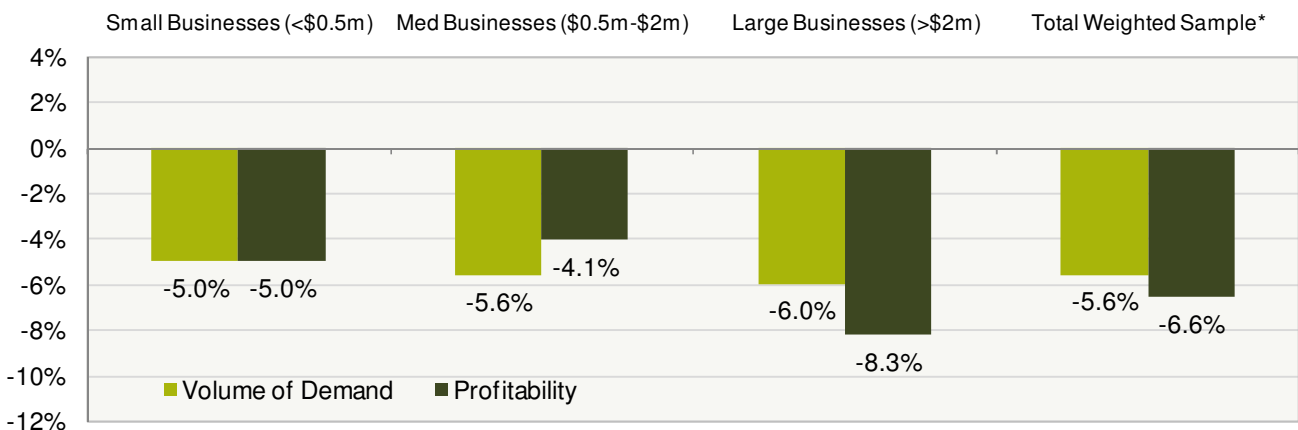
1. How have the following changed over the past 3 months relative to the same period last year?

- On average, small and medium-sized businesses experienced small declines in demand and profitability in the past 3 months. Average demand within large businesses fell by 3.8% and profit fell by 6.9%.



2. How do you expect the following to change over the next 3 months relative to the same period last year?

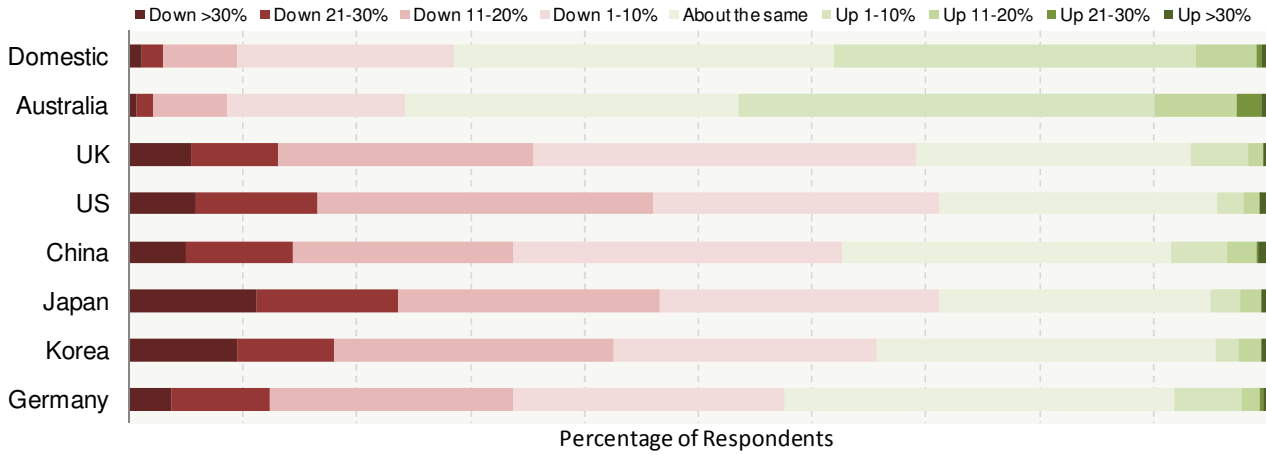
- On average, demand is expected to fall by 5-6% across businesses of all sizes in the next 3 months. Large businesses expect profitability to fall by an average of 8.3%, while small and medium-sized businesses expect an average drop of 4-5%.



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

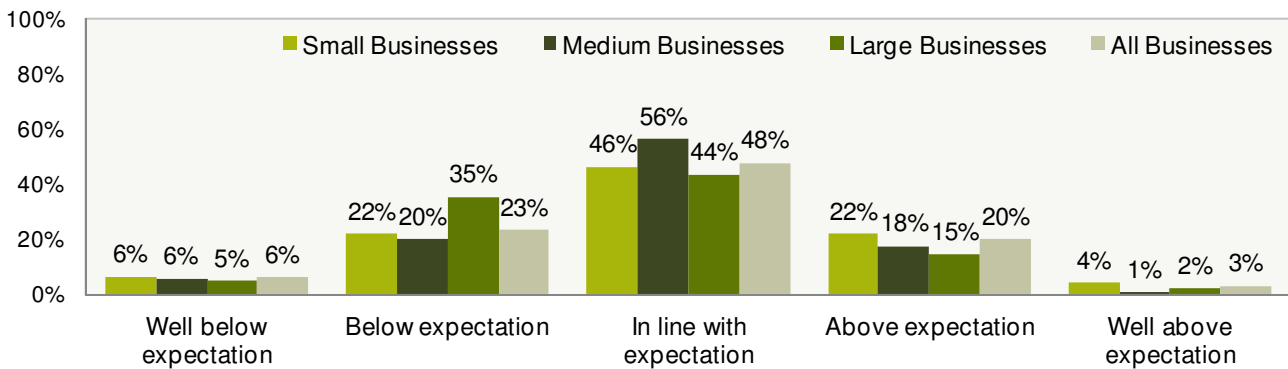
3. How do you expect demand from the following markets to change in the *next* 3 months relative to the same period last year?

- There is increasing optimism around the short-term performance of the domestic and Australian markets. However, the short-term outlook for long-haul tourism is still quite negative.
- Around 70% of businesses expect demand from the UK, US and Japan to fall in the next 3 months.



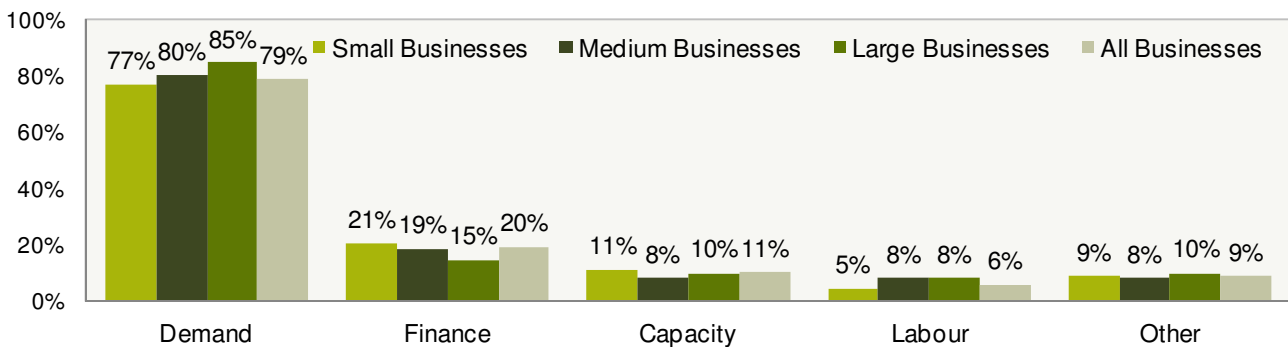
4. How does the performance of your branch/division over the past 3 months compare with prior expectation?

- 72% of small businesses, 75% of medium businesses and 61% of large businesses performed in line with or above expectation in the past three months.



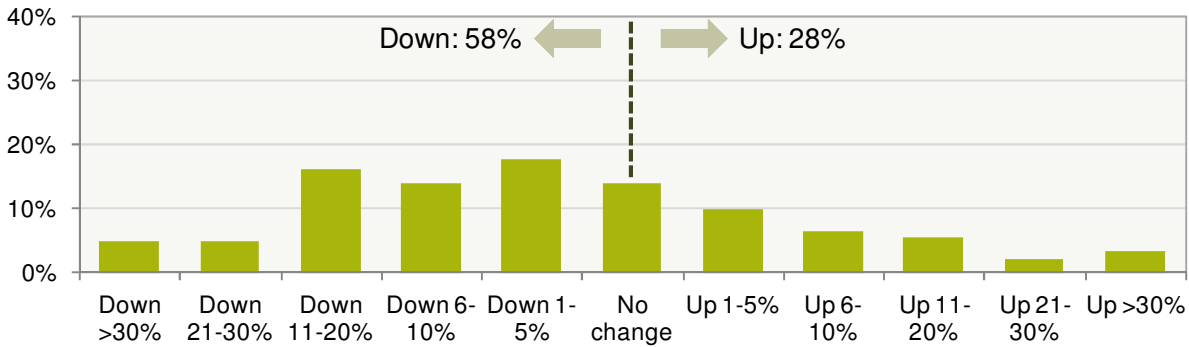
5. Which factors are limiting the ability of your branch/division to perform optimally? A shortage of...

- Demand continues to be the key factor affecting performance at present, and finance is a limiting factor for around 20% of small and medium-sized businesses.



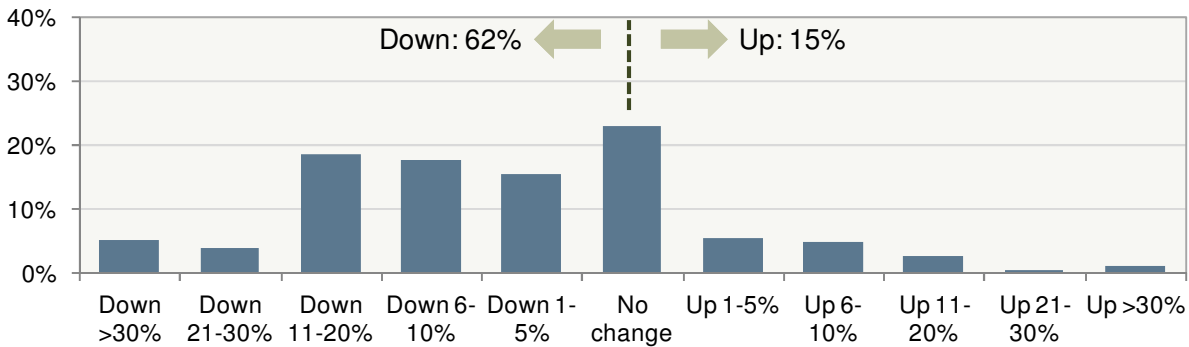
6. How has demand changed over the past 3 months relative to the same period last year?

- Demand increased for 28% of businesses in the past 3 months, and decreased for 58%. Around one quarter of businesses reported a drop in demand of more than 10%.



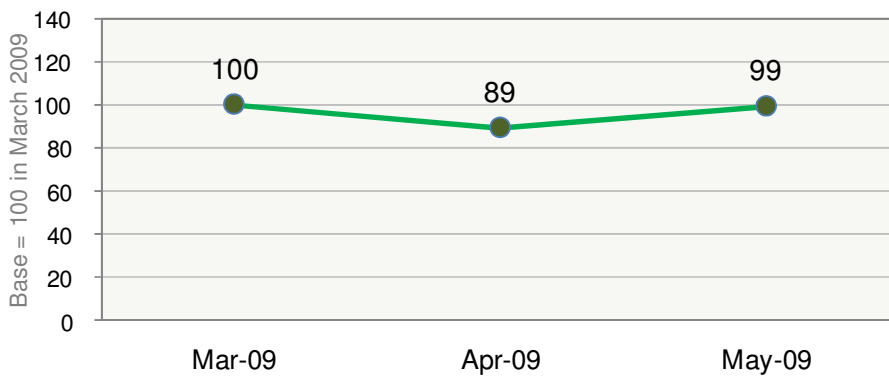
7. How do you expect demand to change over the next 3 months relative to the same period last year?

- The majority (62%) of businesses expect demand to fall in the next three months with only 15% expecting demand to rise. The percentage of businesses expecting no change or an increase in demand is up on last month.



8. Confidence index for tourism businesses¹

- The average confidence of tourism businesses increased between April and May but is still slightly below the level observed in the base month of March.



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 (in this case March 2009).

9. Sub-national breakdown (demand outlook for the next three months)

- On average, all regions expect a decline in demand in the next 3 months. Businesses in the central North Island expect a drop of 10-12%, while businesses in Auckland and Northland expect a drop of 5-7%.
- Businesses in the lower North Island expect an average drop in demand of 2-4%, while businesses in the South Island expect demand to fall by 3-6%.

