Tourism Industry Monitor

Tracking the Performance of the Tourism Sector

April 2009

About the Tourism Industry Monitor

The Tourism Industry Monitor (TIM) is an industry initiative led by the Ministry of Tourism, the Tourism Industry Association, Tourism New Zealand and the New Zealand Hotel Council. It is strongly supported by all of New Zealand's major tourism organisations.

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. It will be topical and relevant to tourism businesses in a rapidly changing market. 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 350 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 main results for March 2009 are presented in the following pages.

The information is collected through a monthly online survey of tourism businesses that takes less than 5 minutes to complete. Businesses submit data within the first three working days of the month at www.covec.co.nz/TIM and receive the results at the end of the sixth working day. 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 4-7 May 2009.

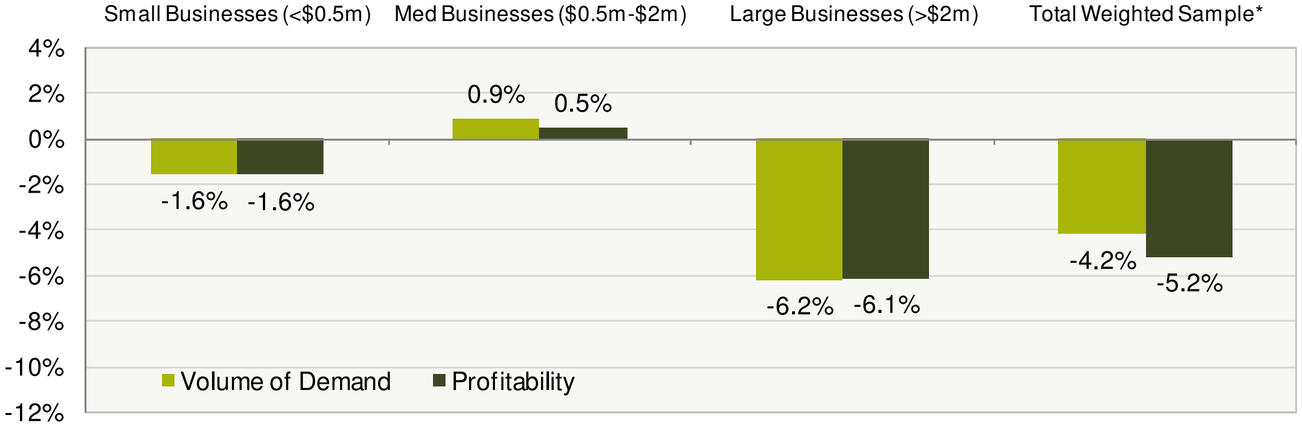
If you have any questions about the TIM please send an email to emily@covec.co.nz.

Summary of Results

- On average, the businesses that responded to the survey reported a 4.1% fall in demand in the past three months (relative to the same period last year), and a 5.2% fall in profit. Large tourism businesses experienced a drop in demand and profitability of around 6%.
- Demand is expected to fall by 7.5% in the next three months (relative to the same period last year), and industry profits are expected to fall by 8.8%.
- The outlook is relatively neutral for both domestic and Australian inbound tourism. There is wide expectation that visitor arrivals from all of our major long-haul markets will fall in the next three months (relative to the same period last year). The greatest pessimism is around the UK, US, Japanese and Korean markets.
- 73% of small businesses, 80% of medium businesses and 58% of large businesses performed in line with or above expectation in the past three months. This suggests that the majority of tourism businesses have quickly come to terms with the current trading environment.
- Regions with a heavy reliance on long-haul markets are more pessimistic about their performance over the next three months than regions hosting high proportions of domestic and/or Australian visitors.

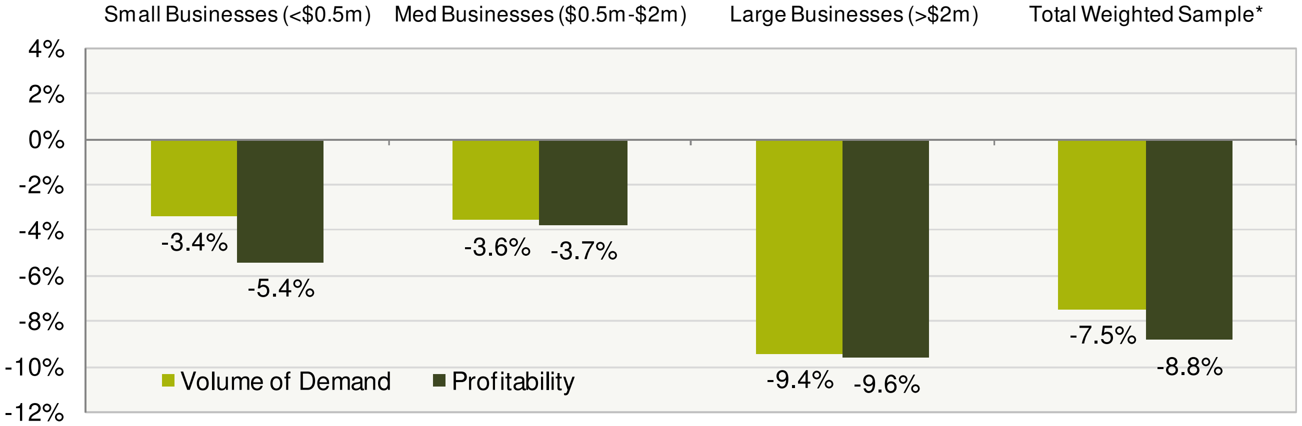
1. How have the following changed over the past 3 months relative to the same period last year?

- On average, small businesses experienced a small decline in demand and profit in the past 3 months, and medium businesses experienced a slight increase. Large business demand fell by 6.2% and profit fell by 6.1% (relative to the same period last year).



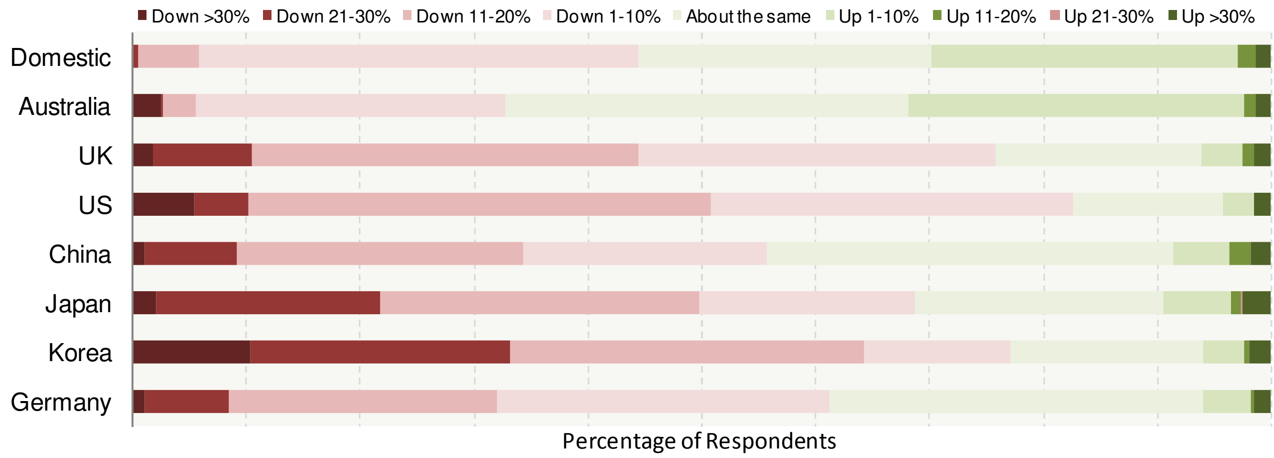
2. How do you expect the following to change over the *next* 3 months relative to the same period last year?

- Businesses with annual turnover of less than $2m expect demand to fall by around 3.5% in the next 3 months. Large businesses expect demand to fall by around 9.4%. Demand across the entire industry is expected to fall by 7.5% over the next 3 months.

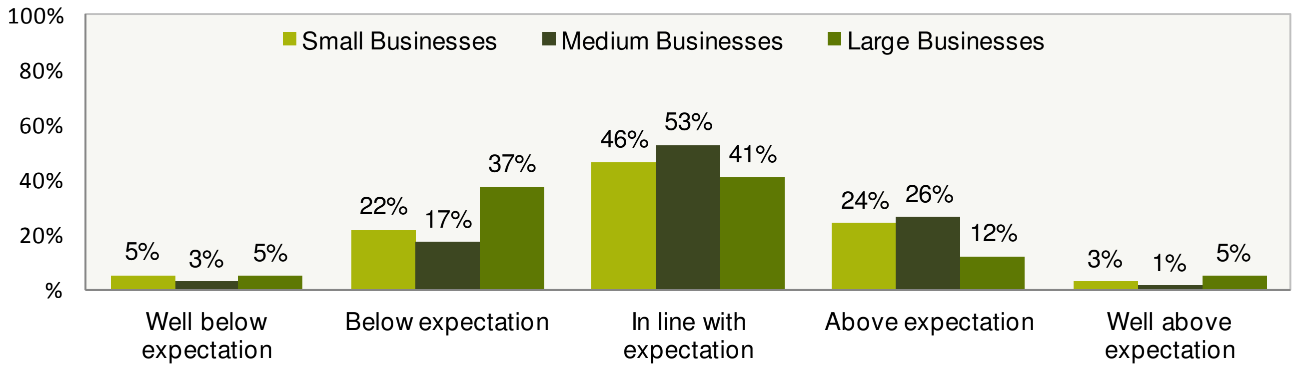


*Total weighted sample means the weighted average of all responses submitted. The weights are based on annual turnover.

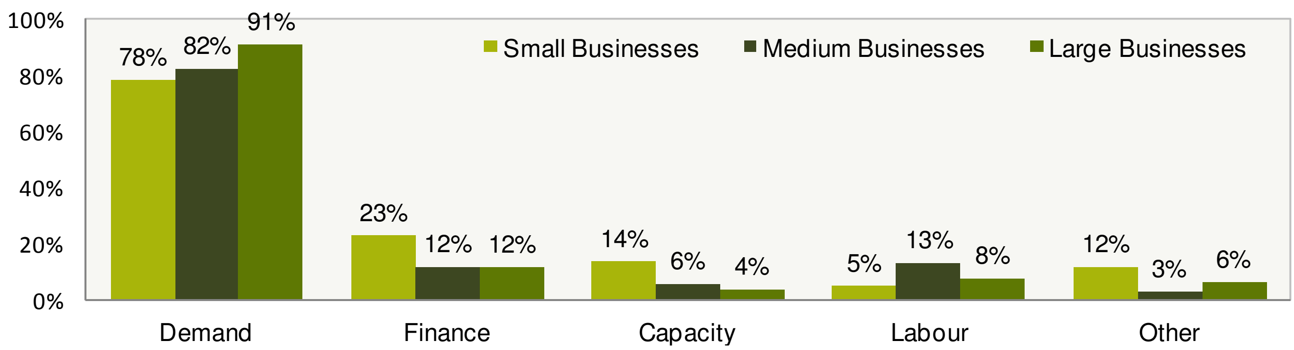
3. **How do you expect demand from the following markets to change in the *next* 3 months relative to the same period last year?**
   - There is still a reasonable degree of optimism around the domestic and Australian markets, with around 30% of businesses expecting demand from these markets to increase.
   - Around 80% of businesses expect demand from the UK and US 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?**
   - 73% of small businesses, 80% of medium businesses and 58% 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 is the key factor affecting performance at present. Finance is also an issue, particularly for businesses with annual turnover of less than $500,000.

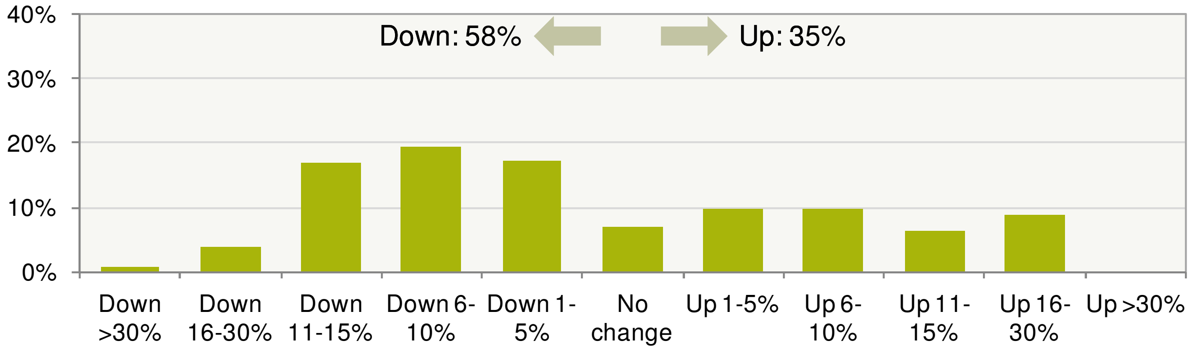


6. How has demand changed over the past 3 months relative to the same period last year?

- On average, small and medium-sized businesses performed better than large businesses in the past 3 months. 57-58% of small and medium-sized businesses experienced a fall in demand, compared with 74% of large businesses.

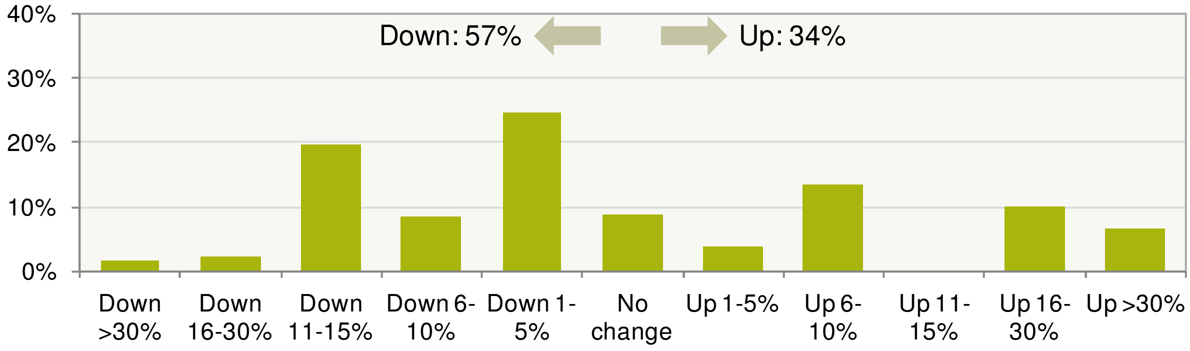
(a) Small businesses (less than $0.5m)

- 35% of small businesses experienced an increase in demand over the past 3 months, while 58% experienced a decrease.



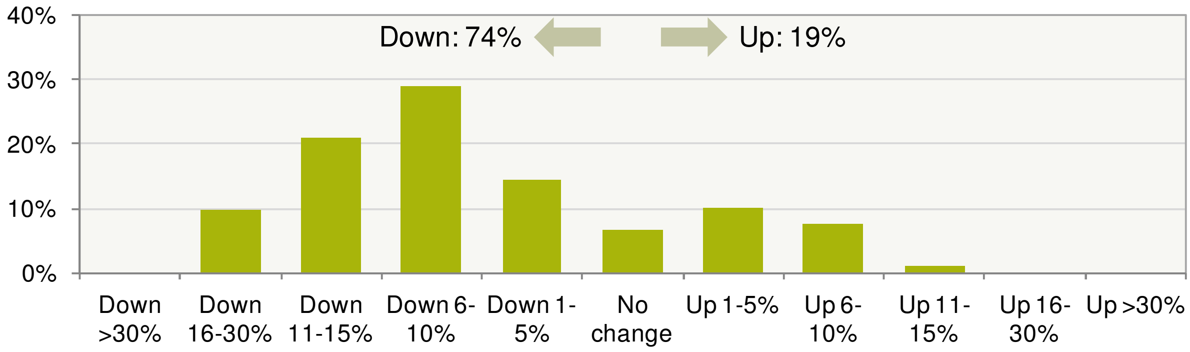
(b) Medium businesses ($0.5m-$2m)

- 34% of medium-sized businesses experienced an increase in demand over the past 3 months, while 57% experienced a decrease.



(c) Large businesses (more than $2m)

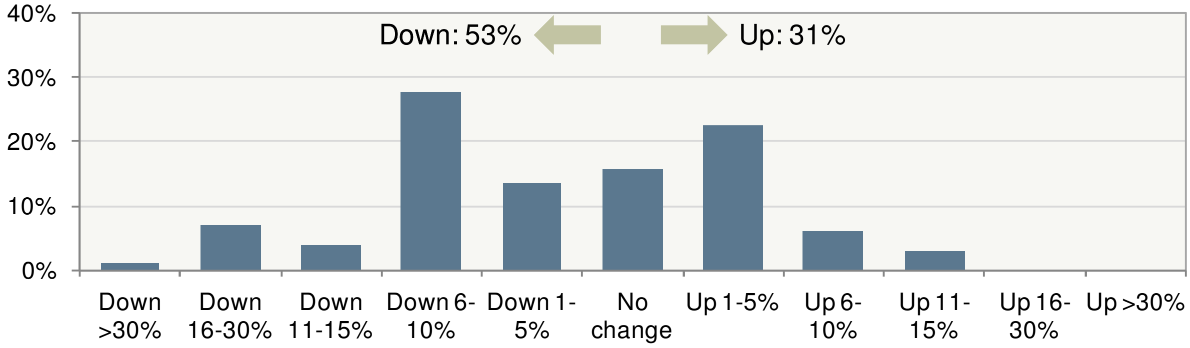
- 19% of large businesses experienced an increase in demand over the past 3 months, while 74% experienced a decrease.



7. **How do you expect demand to change over the *next* 3 months relative to the same period last year?**
   - On average, small businesses expect to perform better than medium and large businesses over the next 3 months. Around 31% of small businesses expect an increase in demand (relative to the same period last year) compared with 17% of medium businesses and only 4% of large businesses.

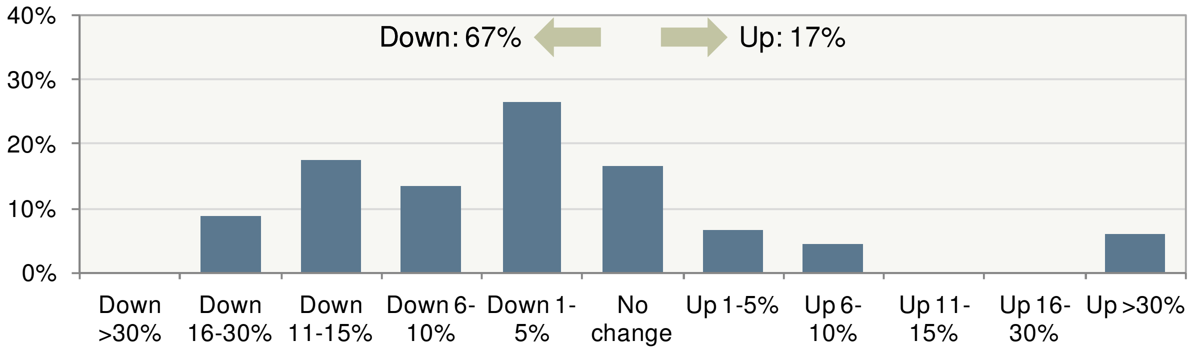
(a) Small businesses (less than \$0.5m)

- 31% of small businesses expect demand to increase over the next 3 months, while 53% expect a decrease.



(b) Medium Businesses (\$0.5m-\$2m)

- 17% of medium-sized businesses expect demand to increase over the next 3 months, while 67% expect a decrease.



(c) Large Businesses (more than \$2m)

- 4% of large businesses expect demand to increase over the next 3 months, while 86% expect a decrease.