MINISTRY OF BUSINESS,
INNOVATION & EMPLOYMENT
HĪKINA WHAKATUTUKI

SCIENCE, SKILLS
AND INNOVATION

New Zealand tourism sector outlook

Forecasts for 2014-2020

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MINISTRY OF BUSINESS,
INNOVATION & EMPLOYMENT
HĪKINA WHAKATUTUKI

Ministry of Business, Innovation and Employment (MBIE)

Hīkina Whakatutuki Lifting to make successful

MBIE develops and delivers policy, services, advice and regulation to support economic growth and the prosperity and wellbeing of New Zealanders.

MBIE combines the former Ministries of Economic Development, Science + Innovation, and the Departments of Labour and Building and Housing.

These forecasts establish expectations of international tourism demand at the national level. They are based on econometric analysis of past data, current trends and the best available forecasts of international factors. The forecasts provide a rich body of information for tourism and related sectors, to be used in planning and decision making.

The forecasts summarised in this document are drawn from the full forecasting outputs prepared by NZIER Limited for the Ministry of Business, Innovation and Employment.

The full set of outputs is available at **http://med.govt.nz/sectors-industries/tourism/tourism-researchdata/forecasts**

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Foreword

It is my pleasure to release the Ministry of Business, Innovation and Employment's tourism forecasts for the 2014-2020 period.

The global economic outlook is generally positive. Economies have recovered from the worst of the Global Financial Crisis and are growing. Reflecting this more positive outlook, visitor expenditure is projected to increase 25 per cent to $8.3 billion by 2020.

The forecasts are based on econometric modelling of past data, current trends and best available forecasts of international factors. They provide a baseline for what will happen 'if things keep going this way'. The forecasts do not set targets and are not numbers carved in stone. Rather, I hope that these forecasts will encourage strategic thinking and planning from the industry so that it can continue to provide visitors with the high-quality experiences whilst striving toward the aspirational goals set out in the Tourism 2025 framework.

The forecasts are subject to the global economic situation. They suggest that the North American and German economies will produce reliable growth in arrivals and overall spend. China and Australia will remain key markets in the coming years, with arrivals from these two countries projected to make up eighty per cent of visitors by 2020. Overall, the average spend per day is expected to drop in early forecast years before stabilising. Length of stay is projected to peak in the early years of the forecast period before declining in the later years.

The Ministry has continued to use a technical committee to moderate and ameliorate the forecast results. The technical committee consists of members from the Ministry, Air New Zealand, Tourism Industry Association, Auckland International Airport, the New Zealand Institute of Economic Research (NZIER) and Tourism New Zealand. We think this approach of combining quantitative modelling with industry knowledge has worked well to deliver better results.

We believe that by working together, the Ministry, other government agencies and the tourism industry will be better placed to maximise the potential of the changing tourism industry and to realise greater value from international visitors.

Michael Bird
General Manager
Institutions and Systems Performance
Science, Skills and Innovation
Ministry of Business, Innovation and Employment

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1. Background to the report

Each year, the Ministry of Business, Innovation and Employment (MBIE) produces tourism forecasts to support planning and investment processes in the tourism industry.

This year MBIE combines NZIER's leading edge tourism forecasting model with expert judgment from a small technical committee of industry participants. This approach, supported by one-on-one visits with industry, will help develop the outlook.

The forecasts are based on macroeconomic drivers, such as exchange rates, oil prices, the global economy and the economies of our key visitor markets.

The industry-led Tourism 2025 framework is uniting New Zealand's tourism industry. Success from that initiative would increase international visitor arrivals and promote value growth that takes the tourism sector closer to the Tourism 2025 aspirational goal of a $41 billion to the New Zealand economy by 2025.

Other work across the industry has the potential to improve outcomes relative to these forecasts. For example, Tourism New Zealand and Air New Zealand are seeking to revitalise the Japan market. These exciting projects could produce upside possibilities to the central forecasts in this report.

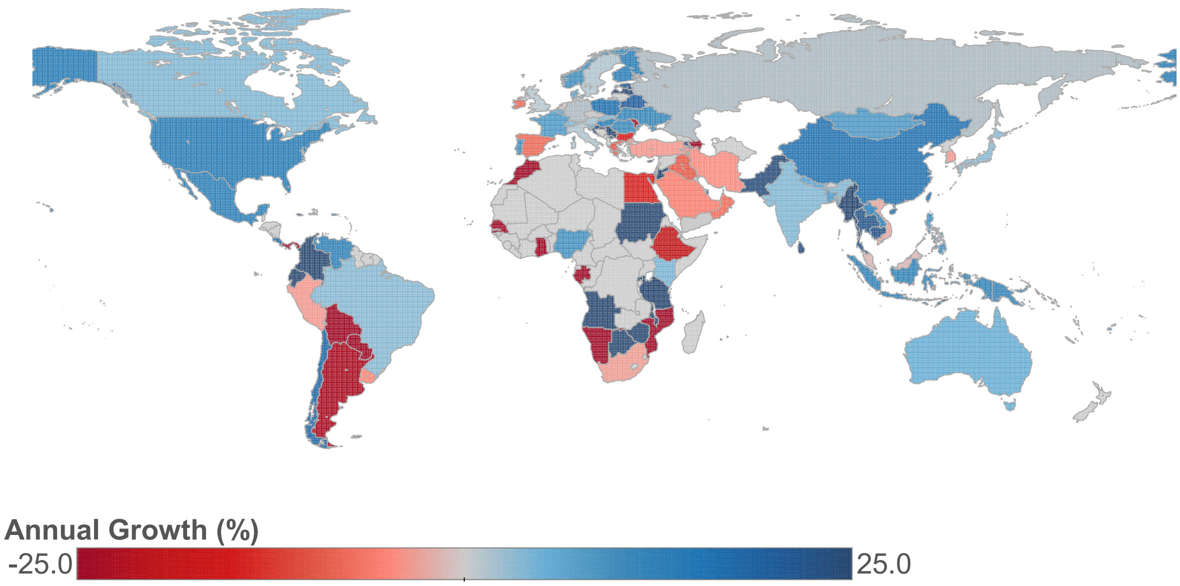
2. Key points

The number of visitors, the amount of days they stay in New Zealand and what they spend are all set for robust growth to 2020. Growth from both advanced and emerging markets supports the outlook but industry needs to be wary. There is a material short-term risk to the outlook from over-stretched credit markets in China that could be challenging. But the medium-term emerging outlook is sound – operators should take notice of opportunities from the blossoming middle classes.

Historical performance

- 2013 was a solid year with the number of international visitors up 6.5 per cent (or 155,632 extra visitors).
- Most advanced and emerging markets posted strong growth (see Figure 1) although the drivers are different. Strengthening economies and effective marketing helped lift visitor growth from advanced economies while emerging market strength builds on urbanisation and industrialisation and burgeoning middle-class incomes.

Figure 1 Advanced and emerging markets boost visitor arrivals in 2013



Source: Statistics New Zealand

- The story of 2013 is the excellent growth performance of the US market. Visitor arrivals from the US into New Zealand jumped 13.4 per cent. New Zealand outperformed most of its competitors – the total US outbound market grew just 1.8 per cent in 2013.

Outlook to 2020

- The outlook to 2020 is promising. Visitor numbers are expected to grow from 2.71 million to 3.55 million with spending up from $6.7 billion to $8.3 billion.
- China is our next biggest market after Australia. Across all markets we expect about 850,000 extra visitors by 2020. Eighty per cent of the extra visitors will come from Australia (385,000) and China (280,000).

- The long-term outlook is very positive. Industrialisation and urbanisation in emerging markets will foster a blossoming middle class with the economic muscle to lift growth in visitor arrivals. As a result, the mix of visitors coming to New Zealand is changing. Operators need to be alert to these opportunities.
- In China alone, middle-class demand is forecast to add the equivalent of another US tourism market by 2020. We expect a continuation of recent robust growth in the number of Chinese visitors coming to New Zealand.
- Emerging market growth, from countries traditionally considered to have some way to becoming a developed market, helps lift visitor arrivals from Australia. Australia stands to benefit from these countries' growing demand for resources. Traditional ties and Australia's higher wages have lifted the number of kiwis living in Australia in recent years, supporting strong growth in the number of kiwis coming home to visit friends and relatives.
- Provided sufficient capacity can be developed, we anticipate Australian visitor arrivals growth of around 5 per cent a year in the next 1-2 years with shorter trip duration and declining spend per day limiting growth in spending to around 2.5 per cent a year.
- Japan posted a second year of modest growth in visitor arrivals but the weak yen eroded spending which declined in 2013. Prime Minister Abe's structural reform programme is ambitious but the risk of a failure to implement the wide ranging changes increase near-term risks for Japan. Both Japan and Korea would be strongly affected by any downturn in the Chinese economy. We expect moderate growth in Korean visitor numbers in the next 18 months to 3 years.
- The 2015 Cricket World Cup will help lift demand from the UK temporarily but we expect moderate growth in the long-run.
- There are risks to our central outlook. On the downside, these risks centre on a severe slowdown in the Chinese economy. Many firms are stretched and cannot access the same lines of credit that helped stabilise the Chinese economy during the great recession that rocked advanced economies.
- On the upside, visitor numbers from many advanced economies have fared much better than might be expected, given their slow recoveries after the GFC and the strong New Zealand dollar. This indicates that previous marketing campaigns may be creating shifts in consumer preferences in favour of New Zealand that our models do not necessarily pick up.

Figure 2 Summary of forecasts: All markets

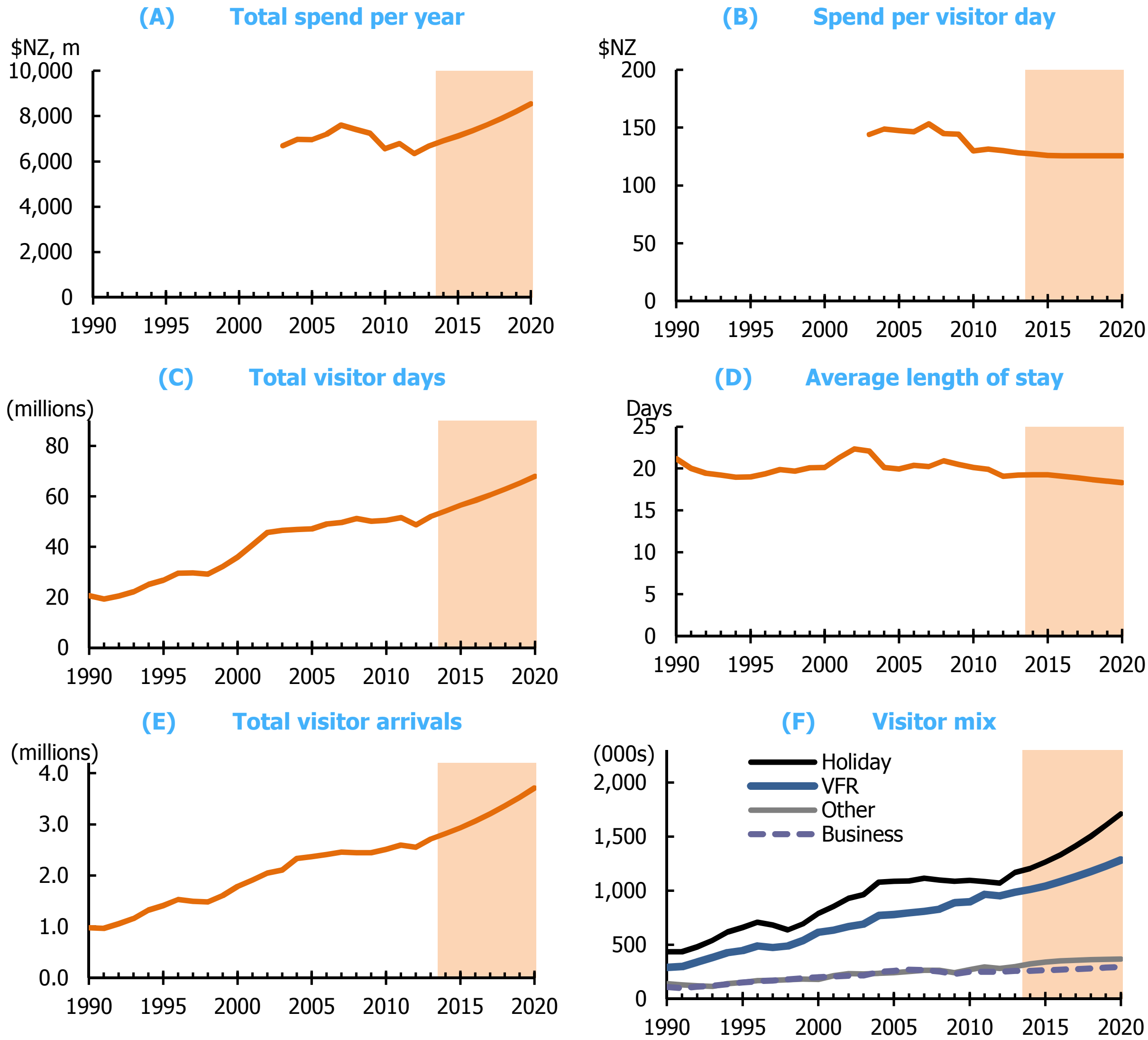


Table 1 Forecasts and growth rates: All markets

									Growth	
Year	2013	2014	2015	2016	2017	2018	2019	2020	2013-20	CAGR[3]
Total spend ($m)[1]	6,673	6,885	7,157	7,300	7,528	7,777	8,047	8,337	25%	3.2%
Total visitors (000s)[2]	2,710	2,805	2,932	3,013	3,134	3,265	3,404	3,553	31%	3.9%
Total Days (000s)	52,061	55,207	57,947	58,997	60,826	62,894	65,124	67,483	30%	3.8%
Spend per day	128	125	123	124	124	124	124	124	-4%	-0.5%
Length of stay	19.2	19.7	19.8	19.6	19.4	19.3	19.1	19.0	-1%	-0.2%

Notes: 1. From the International Visitor Survey, revised in 2013 for 2012 and earlier years; 2. Visitor arrivals are from the IVA that excludes education visitors, 3. Compound Average Growth Rate per year (2013-2020).

Source: MBIE, Statistics New Zealand

3. Stocktake of recent experience

Visitor spending in New Zealand increased markedly in 2013 – up 5.2 per cent to $6.7 billion or almost $1,600 for every New Zealander. More visitors from both advanced and emerging markets lifted total spending, but spend per visitor fell slightly compared to 2012.

Visitor arrivals from most advanced economies rose in 2013. Visitor growth from the US was 13.4 per cent – the highest rate of growth since 1987. Japan, the UK and Germany also posted stronger visitor growth than in recent years.

The recovery in visitor numbers was partly driven by improved economic growth in advanced economies. The US economy, in particular, is stronger than expected. Other economic factors, including the exchange rate and air capacity matter but effective marketing is likely to have boosted visitor arrivals from advanced economies (see Box 1).

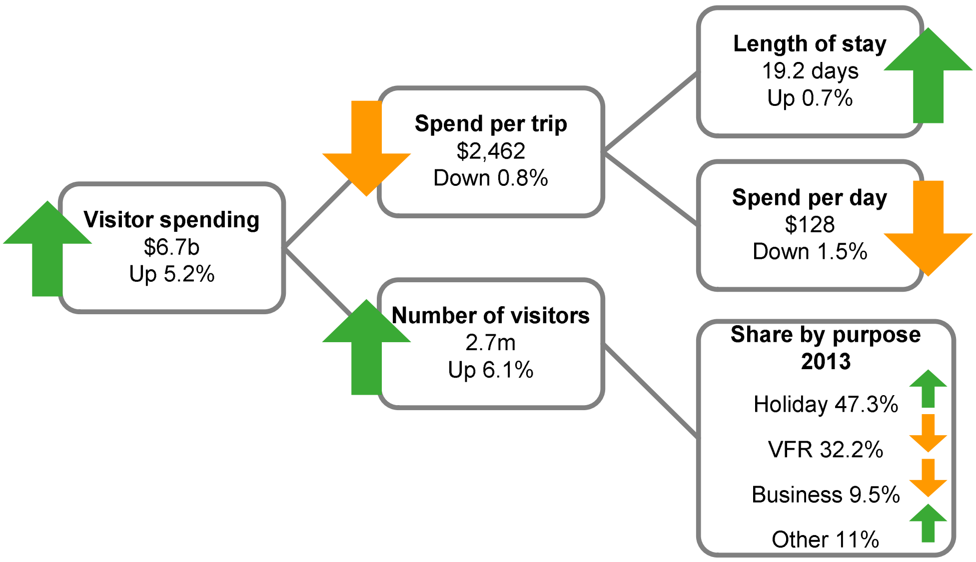
Closer to home, the number of visitors from Australia was up 5.4 per cent despite the Australian economy being weaker than expected. Growth in holidaymakers was strongest – up 8.1 per cent.

The China market again expanded rapidly, at a rate of 16.2 per cent or an additional 31,904 visitors in 2013. China's new travel law came into effect from October 1, 2013.[1] Visitor arrivals from China doubled in the three years to October 2013. However, in the first half of 2014, visitor arrivals have been flat compared to the same period a year ago, suggesting the legislation may be dampening growth.

While volume growth is boosting overall spending, spend per trip is flat at best. A number of factors continue to grind down spend per day including taxes that relate to tourism expenditures such as airport duties and the United Kingdom's Air Passenger Duty, the strong New Zealand dollar that makes New Zealand's tourism product less price competitive and domestic costs of supplying tourism services such as restaurant meals, that can make New Zealand products feel expensive relative to the costs of services in the home country. Figure 3 decomposes spending into key drivers.

Figure 3 More visitors lift total international spending compared to 2012

Year to December 2013



Source: MBIE, Statistics New Zealand

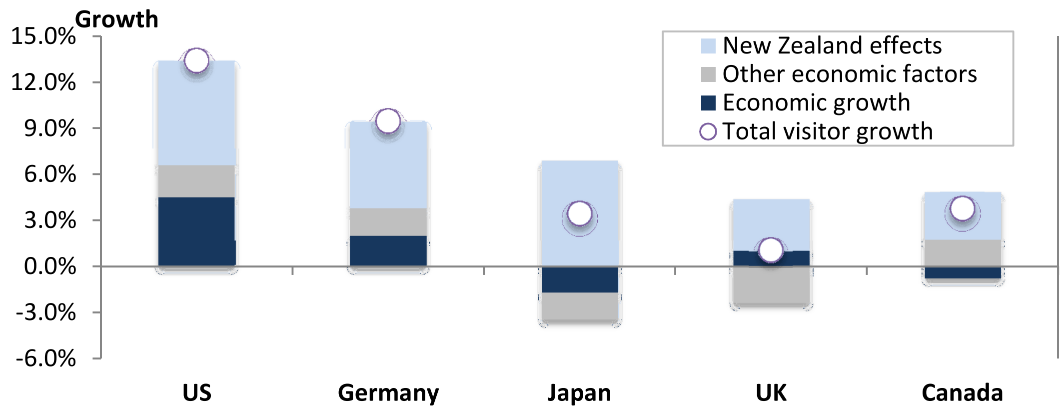
[1] Officially the "Tourism Law of the People's Republic of China". This law stops the sale of tour packages at below cost prices with agents recouping losses through commissions received from shopping visits in the destination country.

Box 1: Marketing lifted visitor growth from advanced economies in 2013

The economic picture in advanced economies was much stronger in 2013, but some earlier work[2] shows this does not account for all the visitor growth to New Zealand. Other economic factors such as additional capacity also matter. But we also need to examine New Zealand specific factors to explain why visitor growth was so strong relative to our peers.

Figure 4 breaks down visitor growth by advanced economy markets into growth driven by (i) Economic growth in the source country; (ii) Other economic factors like exchange rates and changes in airline capacity; (iii) New Zealand specific factors that explain most of the growth.

Figure 4 We need NZ factors to explain visitor growth from advanced economies



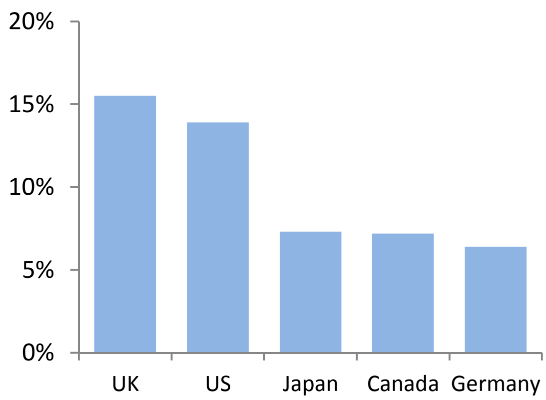
Source: Statistics New Zealand, NZIER

What drives the New Zealand specific factors? We explored three key propositions: (i) Changing competitive structure of the US-New Zealand route; (ii) Expansion of cruise capacity over a number of years; and (iii) Marketing campaigns that last year included Middle-earth themes.

We only have partial indicators, but the Middle-earth marketing looks like a key driver. We can trace the impact of the Middle-earth campaign from generating consideration of a New Zealand trip, to self-reported measures of New Zealand trip drivers (Figure 5) through to spending in the territorial authority that includes the "Hobbiton" tourism attraction (Figure 6).

Figure 5 Hobbit marketing drives consideration of a New Zealand visit

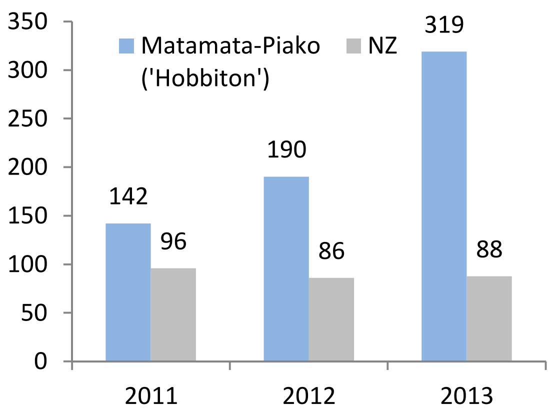
Was "The Hobbit" a factor in consideration of visiting NZ? Response Q3 2013



Source: International Visitor Survey, MBIE

Figure 6 Demand for local "Hobbiton" product evident in credit card data

Index of spend, "Hobbiton" vs New Zealand



Source: Regional Tourism Indicators, MBIE

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[2] See '2013 Western market visitor growth: What explains the increase in advanced-economy visitors?' at http://nzier.org.nz/sites/nzier.org.nz/files/Understanding%20Western%20market%20growth.pdf

4. Fundamental drivers

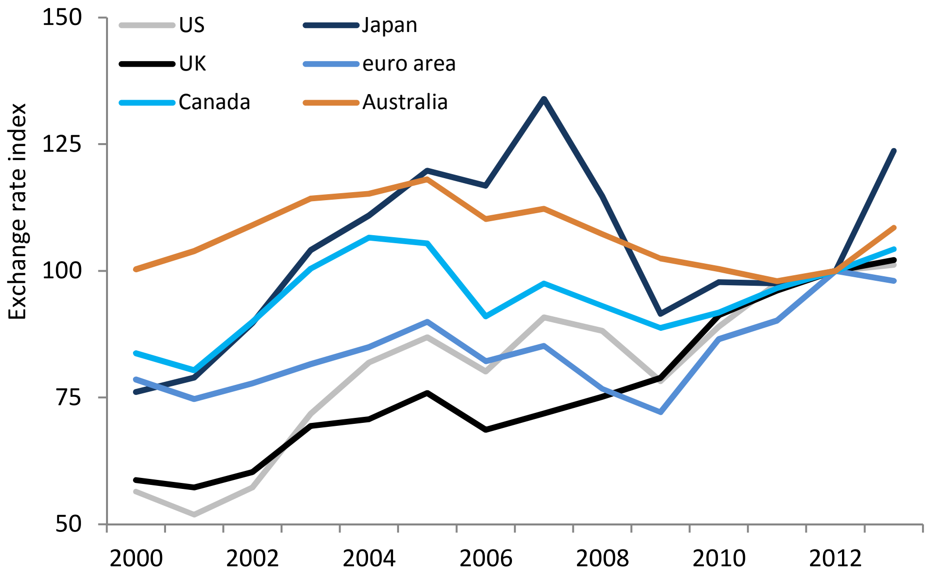
The economic backdrop for tourism is improving but carries material cyclical risks. The economic outlook for advanced economies is brighter but needs the next big thing to take over from the success of Middle-earth marketing across 2013. The Chinese and Australian economies are at risk of slowing from a China credit shock – over-extended debt positions that cannot continue to fuel the investment that drives the Chinese economy.

4.1. Cyclical outlook contains risks

Many factors help determine the decision to visit New Zealand, such as income growth in the source country, the price of oil that drives airfares, and the exchange rate. Figure 7 shows the New Zealand dollar has appreciated against the currencies of key advanced economies.

Figure 7 Strong New Zealand dollar provides a headwind for most visitors

Index, foreign currency per $NZ, 2012=100



Source: Reserve Bank of New Zealand, NZIER

Other factors also affect travel too, including air capacity that can reduce the real cost of travel if additional services make it easier to connect to and visit New Zealand from a wider range of markets.

Over a long period of time, the most important driver of visitors to New Zealand is economic growth in the home country. Economic growth lifts the size of the potential market that can visit New Zealand. For example, powerful forces of globalisation, industrialisation and urbanisation have lifted the size of the middle class in China opening a new type of visitor to the New Zealand market.

The global economy has recovered from the worst of the GFC, but incomes in a number of key advanced economies such as the United Kingdom, Japan and Korea have been hit hard. Once we adjust for the strong New Zealand dollar, a New Zealand visit is a costly proposition. So visitors demand a premium experience.

The US economy has recovered from the GFC. Incomes are rising and most importantly for the tourism sector, rising asset prices (stocks and real estate) are restoring the balance sheets of wealthy individuals. Consumer confidence is climbing and US households are spending again. Demand that has been pent-up over the GFC is being released now that times are turning for the better. The Canadian economy is also improving, but lags the US a little.

The outlook for the United Kingdom is more moderate but the recovery is gaining momentum, output is growing quickly and unemployment is moving lower after ballooning in the wake of the GFC. Confidence is slowly returning and monetary policy is likely to continue to support the economic recovery with very low interest rates over the next eighteen months.

The euro area is returning to growth but the outlook remains modest. Consumers and firms need to pay down debt and fiscal consolidation restricts how much households want to spend. Consumer sentiment is improving in Germany. The European Commission expects German economic growth of 1.8 per cent in 2014 and 2 per cent in 2015, resulting in only modest growth in German arrivals.

Japan's reform programme has stimulated consumption but a lack of structural change across labour, industrial and migration policies looks set to offset the gains. Japan's consumption tax is set to increase from 5 per cent to 8 per cent. This will weigh on the cyclical outlook and reduce growth in visitor numbers.

Korea is expected to post a better growth performance in 2014 than in 2013. This should translate into modest growth in visitor arrivals. But the Korean economy is particularly exposed to two key risks: (i) a slowdown in the Chinese economy; (ii) appreciation of the won against the yen that erodes the competitiveness of Korean exports.

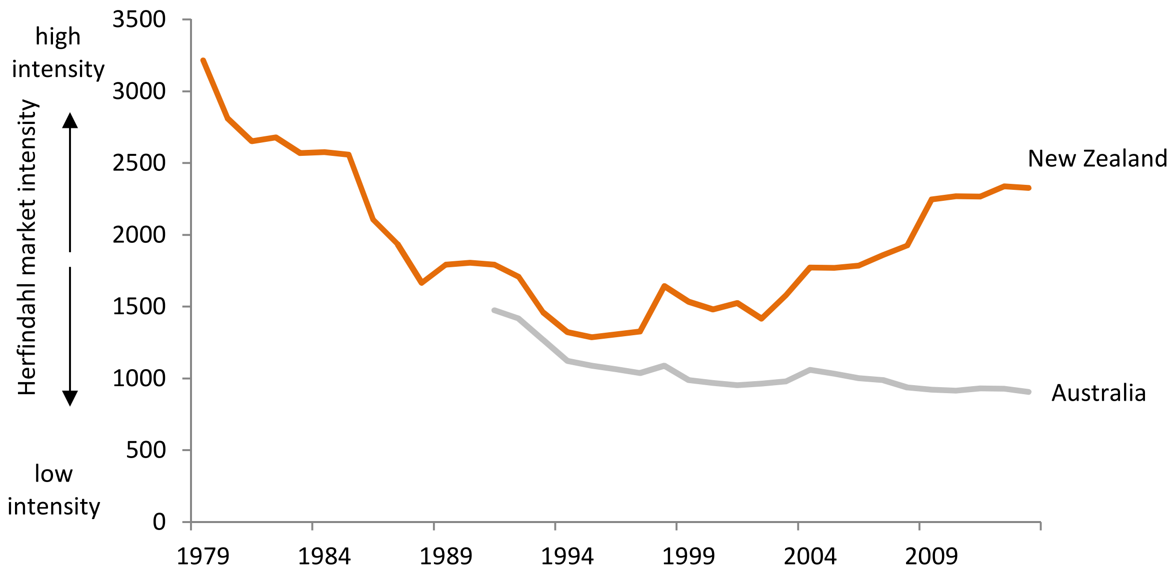
4.2. Emerging markets drive the long-term outlook

While the short-term outlook shows risks from some emerging markets that are not yet fully developed markets, long-term structural forces – globalisation, industrialisation and urbanisation – shape a positive outlook for New Zealand. If emerging market demand slows in the short-term, the tourism industry should continue to focus on the longer-term opportunity.

New young and rich people in the region will soon demand luxury products. New Zealand tourism operators need to be ready. The same products will not meet necessarily meet the demand of the new travellers. Figure 8 shows New Zealand's visitor mix is more concentrated than Australia's and has become more so since the late 1990s. Visitor arrivals from China and Australia drive this trend. We expect our traditional Australian ties to also support the long-term outlook (see Box B).

Figure 8 New Zealand's visitor mix is increasingly concentrated

Herfindahl market intensity index



Source: Reserve Bank of New Zealand, NZIER

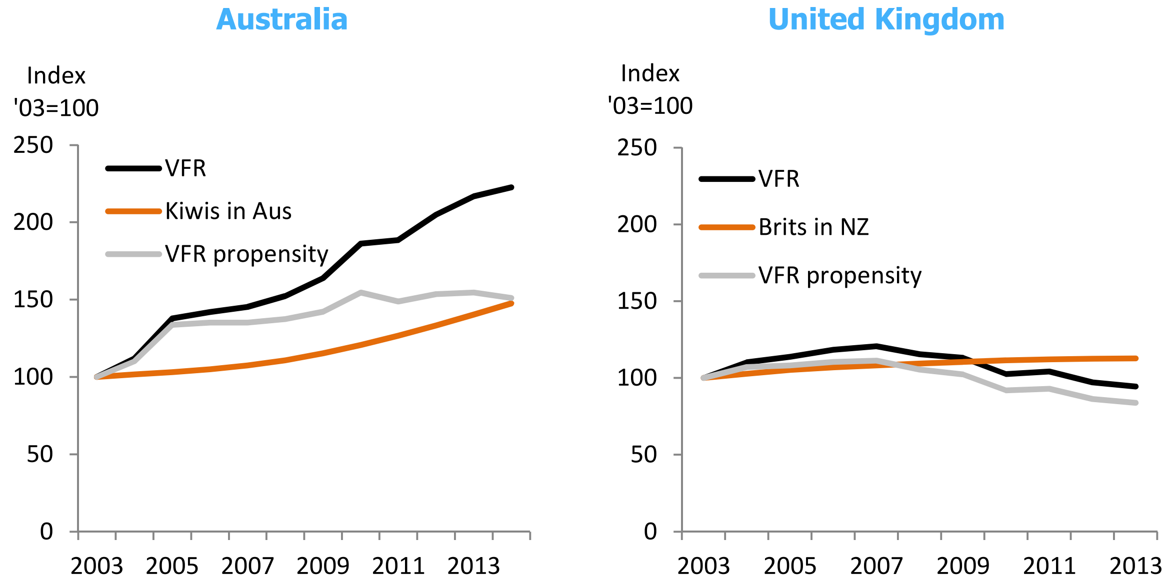
Box 2: Traditional ties that bind

The ups and downs of our key visitor markets help determine much of the demand for holidaymaking in New Zealand. But behind the scenes, the Visiting Friends and Relatives (VFR) category makes up a third of New Zealand's visitor arrivals. This market is less sensitive to the economic cycle since the drivers are different to those of the holiday market.

Our traditional ties to Australia – with many kiwis making the move to live and work in Australia – help drive visits to New Zealand when they return to meet up again with family. Over recent years migration to Australia has been particularly robust with higher wages creating a strong incentive to move across the ditch. Since 2009, over 100,000 extra kiwis have moved to live in Australia. Very few Australians bucked the trend and chose to locate in New Zealand.

Migration flows can also boost VFR travel when family travel to see recent migrants. New Zealand also has strong traditional ties with the United Kingdom. Even before the GFC fewer New Zealanders were migrating to the UK. Rather, many Brits have opted to shift to New Zealand for lifestyle and income reasons. These immigration flows will help lift visitor numbers a little over the next decade but Figure 9 shows that migration flows make VFR from the Australian market a much stronger proposition.

Figure 9 Kiwi diaspora to lift Visiting Friends and Relatives (VFR)



*NB. VFR propensity index is the number of VFR trips for every kiwi living in Australia or Brit living in New Zealand.

Source: Statistics New Zealand, Australian Bureau of Statistics, NZIER

5. Outlook for key markets

5.1. Australia

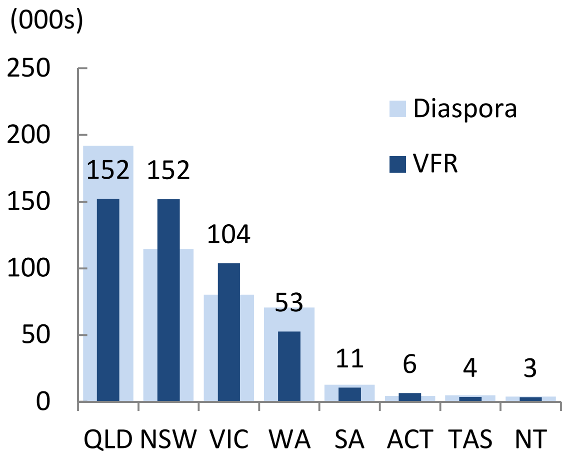
Australia is New Zealand's largest source of visitors. Compared to other markets, Australian visitors tend to stay for a short period, and are more likely to be visiting friends and relatives, or here on business. Visitor numbers are expected to grow slowly in the next 12-36 months, due to weakness in the Australian economy and supply constraints from the Christchurch earthquakes. Longer term, Australia will continue to be a key market for the New Zealand tourism sector.

Forecasts and drivers

- Growth in arrivals from Australia hit 5.4 per cent in 2013, returning growth towards the growth numbers prior to the GFC. Total spend by Australian visitors grew 1 per cent in 2013 with the high New Zealand dollar paring back spending decisions by Australian visitors.
- New Zealand is a short haul market and shares many characteristics with domestic travel for Australian travellers. Visitors tend to make much shorter trips to New Zealand than to other markets. Length of stay has been declining but stabilised between 10-11 days in 2013.
- Growth from holidaymakers is expected to ease a little in 2014 relative to 2013. The Australian economy has slowed and is shifting from building and installing mining infrastructure to using infrastructure for production. We expect some additional Cricket World Cup visitors in 2015.
- A shift down in house prices, which have become increasingly stretched relative to incomes, particularly in Sydney and other parts of New South Wales, presents a risk to the Australia outlook. Rising interest rates could trigger such a shift, reducing wealth and making Australians reluctant to get the wallet out for a New Zealand holiday.
- Reduced accommodation in Christchurch, particularly in the backpacker segment, reduces the sector's capacity to accommodate demand. The number of Australian visitors to Christchurch in 2013 was 100,000 (or 33 per cent) lower than before the earthquakes.
- The longer-term outlook for Australia is cautiously optimistic. If sufficient trans-Tasman capacity can be put in place holidaymaker growth will continue and the kiwi diaspora will lift VFR. Travel from New South Wales and Victoria is stronger than from Queensland where most kiwis live.
- While New Zealand shares some characteristics of domestic Australian tourism (shorter stays, strong VFR travel), visits to New Zealand have outstripped Australian state visits (Figure 11).

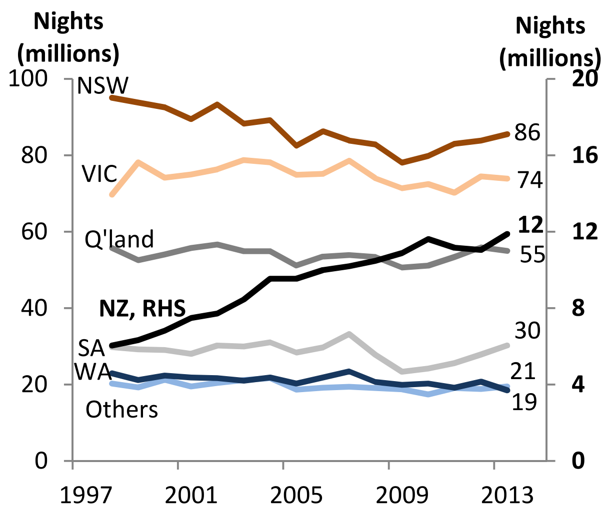
Figure 10 NSW drives VFR growth

2013 VFR arrivals vs Kiwi population by state (2011)



Source: SNZ, Australian Bureau of Statistics

Figure 11 NZ outstrips state tourism



Source: SNZ, Australian Bureau of Statistics

Forecasts	2013	2020	Key Market Characteristics	
Total spend ($m)	2,247	2,495	GDP per capita:[1]	78,279
Total Visitors (000s)	1,218	1,603	Population:	22.6m
Total Days (millions)	13.1	15.8	Outbound market:[2]	6.6m
Average stay days	10.7	9.9	Global market ranking:[3]	9th
Ave. spend per day	171.9	157.9	Distance to New Zealand:	2,153km

% NZ mkt (spend)

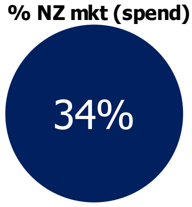


Figure 12 Summary of forecasts: Australia

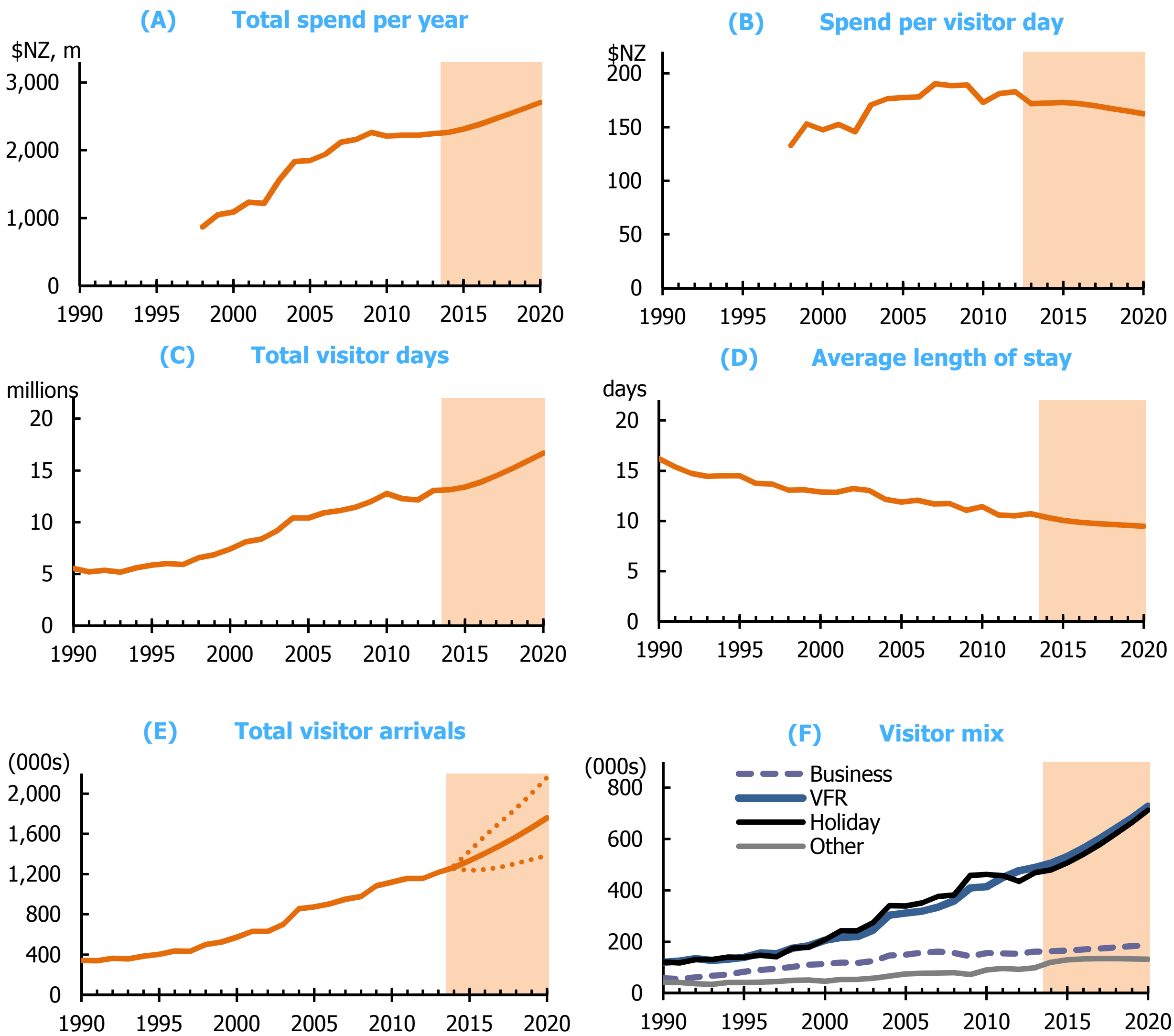


Table 2 Forecasts and growth rates: Australia

									Growth	
Year	2013	2014	2015	2016	2017	2018	2019	2020	2013-20	CAGR[3]
Total spend ($m)[4]	2,247	2,241	2,304	2,323	2,363	2,406	2,450	2,495	11%	1.5%
Total visitors (000s)[5]	1,218	1,255	1,318	1,356	1,414	1,474	1,537	1,603	32%	4.0%
Total Days (000s)	13,069	14,053	14,231	14,066	14,383	14,808	15,289	15,806	21%	2.8%
Spend per day	172	159	162	165	164	162	160	158	-8%	-1.2%
Length of stay	10.7	11.2	10.8	10.4	10.2	10.0	9.9	9.9	-8%	-1.2%

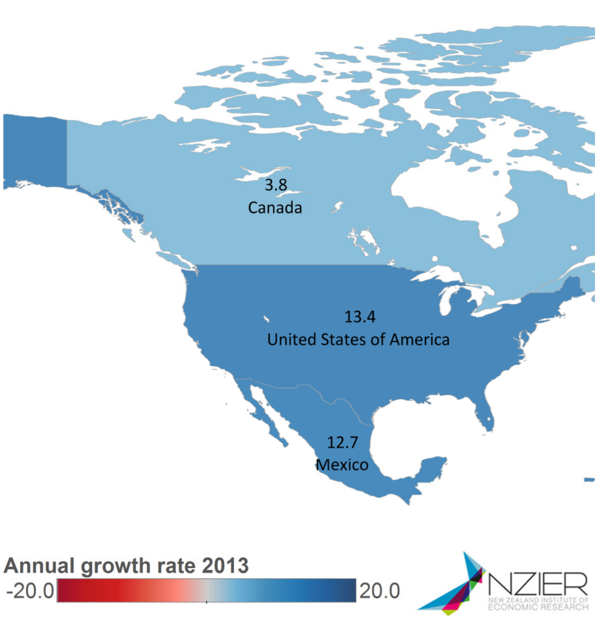
Notes: 1. GDP per capita, constant USD; 2. 2012 outbound visitors; 3. Ranked by global tourist expenditure; 4 IVS Spend (excludes education), 5. Visitor arrivals (IVA), 6. Compound Average Growth Rate per year ('13-'20).

Source: MBIE, Statistics New Zealand, World Bank, World Tourism Organisation

5.2. Europe and Americas

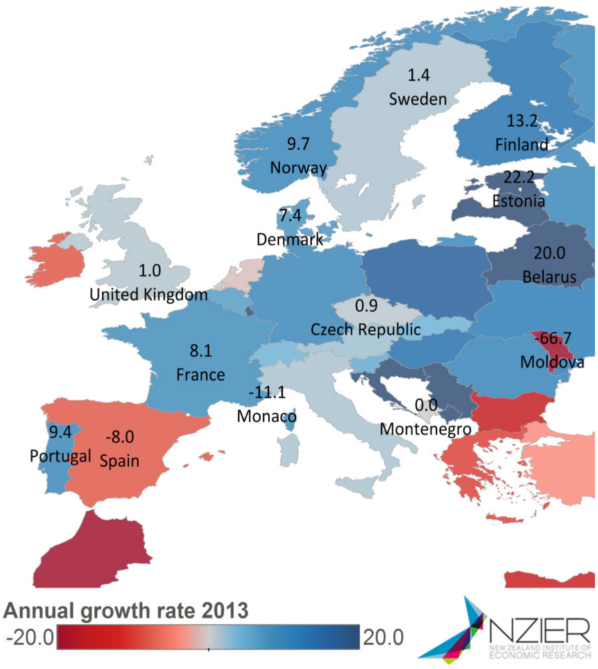
Visitor growth from advanced economies in Europe and North America rose in 2013. Against a backdrop of economies that are still emerging from deep recessions and a strong New Zealand dollar, visitor growth has outperformed expectations. New Zealand has gained market share. Very strong growth from the US market came in at 13.4 per cent – the highest growth rate since 1987.

Figure 13 North American markets boom



Source: Statistics New Zealand

Figure 14 European performance mixed



Source: Statistics New Zealand

5.2.1. United Kingdom

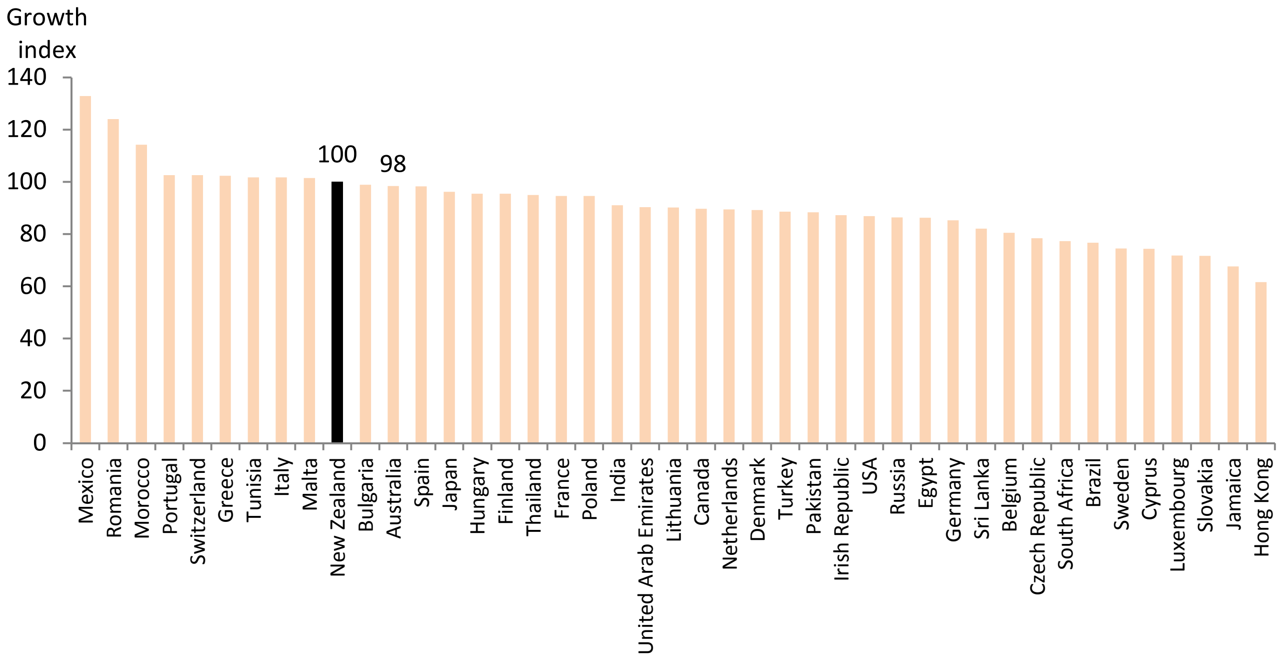
Consumers in the United Kingdom (UK) are making headway, building wealth and reducing debt after a trying recession that wiped out the spending power of the pound and demand for international travel. But recovery will take a long time. Against that challenging background, visitor growth of 1 per cent in 2013 is a good outcome. We expect moderate growth to continue.

Forecasts and drivers

- Visitor numbers from the UK grew a modest 1 per cent in 2013, arresting seven straight years of declining visitor arrivals. That modest growth was better than in most competing markets (see Figure 15).
- Holidaymakers grew 5.7 per cent to 76,016 visitors, many of whom were likely drawn to New Zealand in part by the effective Middle-earth marketing campaigns. The UK holiday market has halved since 2005 when 166,362 holidaymakers came to New Zealand.
- The UK economy is improving. Years after the depths of the crisis, the recovery remains prolonged and painful. Consumers are rebuilding balance sheets that were hit hard by declining stock and housing prices. Unemployment is slowly reducing but interest rates – and the pound – will remain at very low levels for several years.
- That economic outlook suggests slow growth that reverses years of declines from the British market. Spending is likely to be constrained.
- The UK government announced reductions in its Air Passenger Duty from April 2015 in the March 2014 budget. That is expected to have a small positive impact on visitor arrivals. But New Zealand remains a costly undertaking for British travellers who spend more in New Zealand than any other destination.
- 2015 promises more visitors to New Zealand from the Cricket World Cup which will provide a temporary boost to the market in early 2015.

Figure 15 New Zealand punched above its weight in the UK market

Annual growth total visitor arrivals (benchmarked to 100)



Source: Office for National Statistics, NZIER

Forecasts	2013	2020	Key Market Characteristics		% NZ mkt (spend)
Total spend ($m)	608	548 ↓	GDP per capita:[1]	47,644	9%
Total Visitors (000s)	192	195 ↑	Population:	63.2m	
Total Days (millions)	5.8	7.6 ↑	Outbound market:[2]	55.6m	
Average stay	30.0	38.7 ↑	Global market ranking:[3]	4th	
Ave. spend per day	105.7	72.4 ↓	Distance to New Zealand:	18,329km	

Figure 16 Summary of forecasts: UK

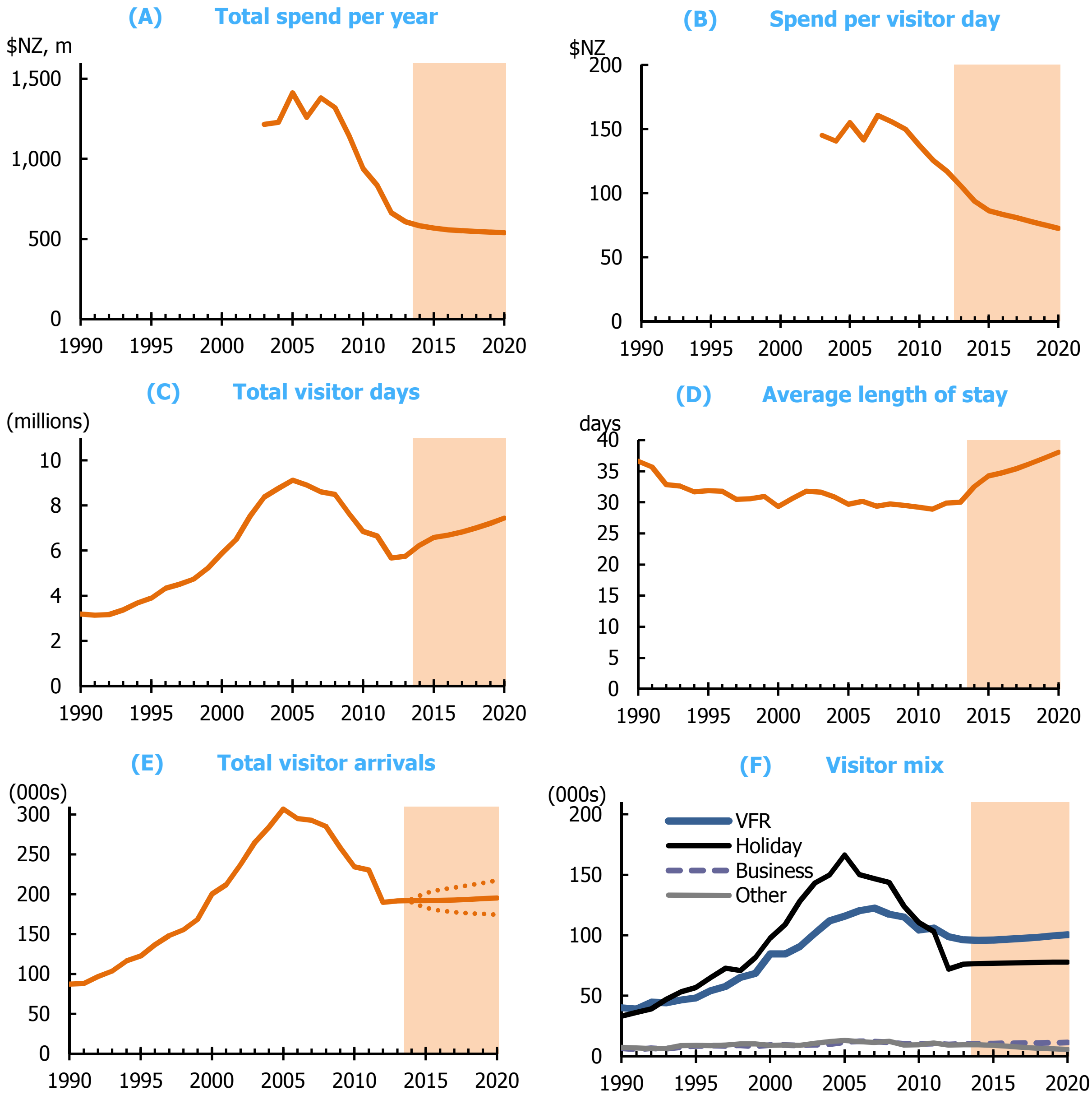


Table 3 Forecasts and growth rates: UK

Year	2013	2014	2015	2016	2017	2018	2019	2020	Growth 2013-20	CAGR[3]
Total spend ($m)[1]	608	583	589	568	561	556	552	548	-10%	-1.5%
Total visitors (000s)[2]	192	192	196	192	193	194	194	195	2%	0.3%
Total Days (000s)	5,752	6,237	6,847	6,689	6,827	7,009	7,214	7,433	29%	3.7%
Spend per day	106	93	86	85	82	79	76	74	-30%	-5.0%
Length of stay	30.0	32.5	34.9	34.8	35.4	36.2	37.1	38.0	27%	3.4%

Notes: 1. GDP per capita, constant USD; 2. 2012 outbound visitors; 3. Ranked by global tourist expenditure; 4 IVS Spend (excludes education), 5. Visitor arrivals (IVA), 6. Compound Average Growth Rate per year ('13-'20).

Source: MBIE, Statistics New Zealand, World Bank, World Tourism Organisation

5.2.2. United States of America

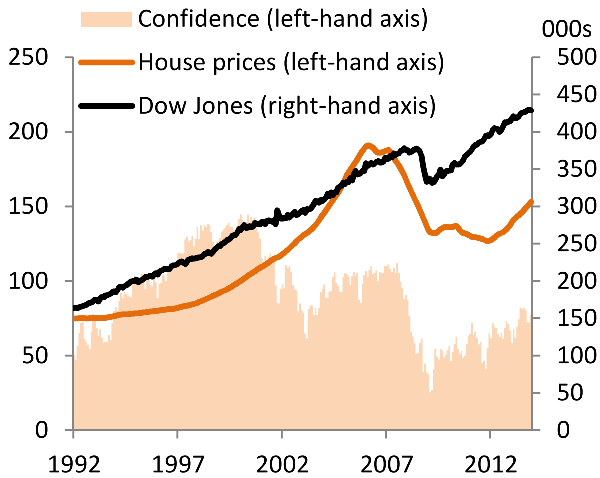
The US visitor market posted very strong growth of 13.4 per cent for 2013 – the highest rate of expansion since 1987. The holidaymaker market increased 21 per cent, outperforming other countries on the back of effective marketing. We expect visitor growth to return to more durable growth rates after this surge in growth.

Forecasts and drivers

- Very strong visitor growth from the United States of 13.4 per cent outpaced competitor markets in 2013. Total outbound visitor growth from the United States grew 1.8 per cent.
- The US economy is recovering more quickly than many advanced economies. In 2013, we saw a continuation of improvement in assets markets including stock prices and real estate prices (see Figure 17). Interest rates remain at very low levels, supporting asset price growth and a weak US dollar that impacts negatively on the New Zealand tourism sector.
- The labour market is improving on the back of consumer sentiment. Consumers are now implementing pent-up spending decisions put on hold through the GFC.
- However, the economy alone cannot account for all the visitor growth from the US market. Other economic factors also matter, but the effectiveness of the 100 per cent Middle-earth, 100 per cent pure New Zealand campaign is likely to have been the key growth driver (see Figure 4).
- Capacity has grown on the US-New Zealand leg with the entry of Hawaiian airlines (after Qantas earlier pulled out of the route) and an increase in scheduled flights by Air New Zealand. Increased capacity means more choice over timing of days and routes, reducing the real time cost of travelling to New Zealand, helping to boost visitor numbers.
- The cruise segment of the market has picked up. This market is expected continue growing over the next decade after years of declining share of the market.
- Since the forecasts were prepared based on 2013 data, US visitor spend in the first quarter of 2014 has proven to be very strong, suggesting that end of year spend estimates for 2014 may exceed forecasts.

Figure 17 Wealth lifts pent-up demand

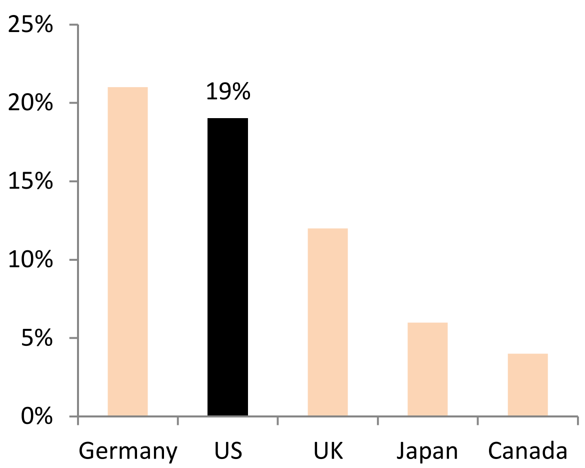
House and stock prices increasing consumer confidence



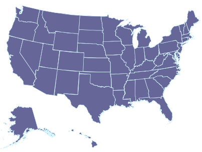
Source: University of Michigan, Case-Shiller House prices, Dow-Jones Industrial

Figure 18 Marketing leads US visitors

Was "The Hobbit" a factor in consideration of visiting NZ? Response Q4 2013?



Source: Tourism New Zealand



Forecasts	2013	2020	Key Market Characteristics		% NZ mkt (spend)
Total spend ($m)	582	644 ↑	GDP per capita:[1]	64,470	9%
Total Visitors (000s)	201	247 ↑	Population:	49.8m	
Total Days (millions)	3.6	4.6 ↑	Outbound market:[2]	14.7m	
Average stay	17.7	18.6 ↑	Global market ranking:[3]	3rd	
Ave. spend per day	163.4	140.0 ↓	Distance to New Zealand:	10478km	

Figure 19 Summary of forecasts: US

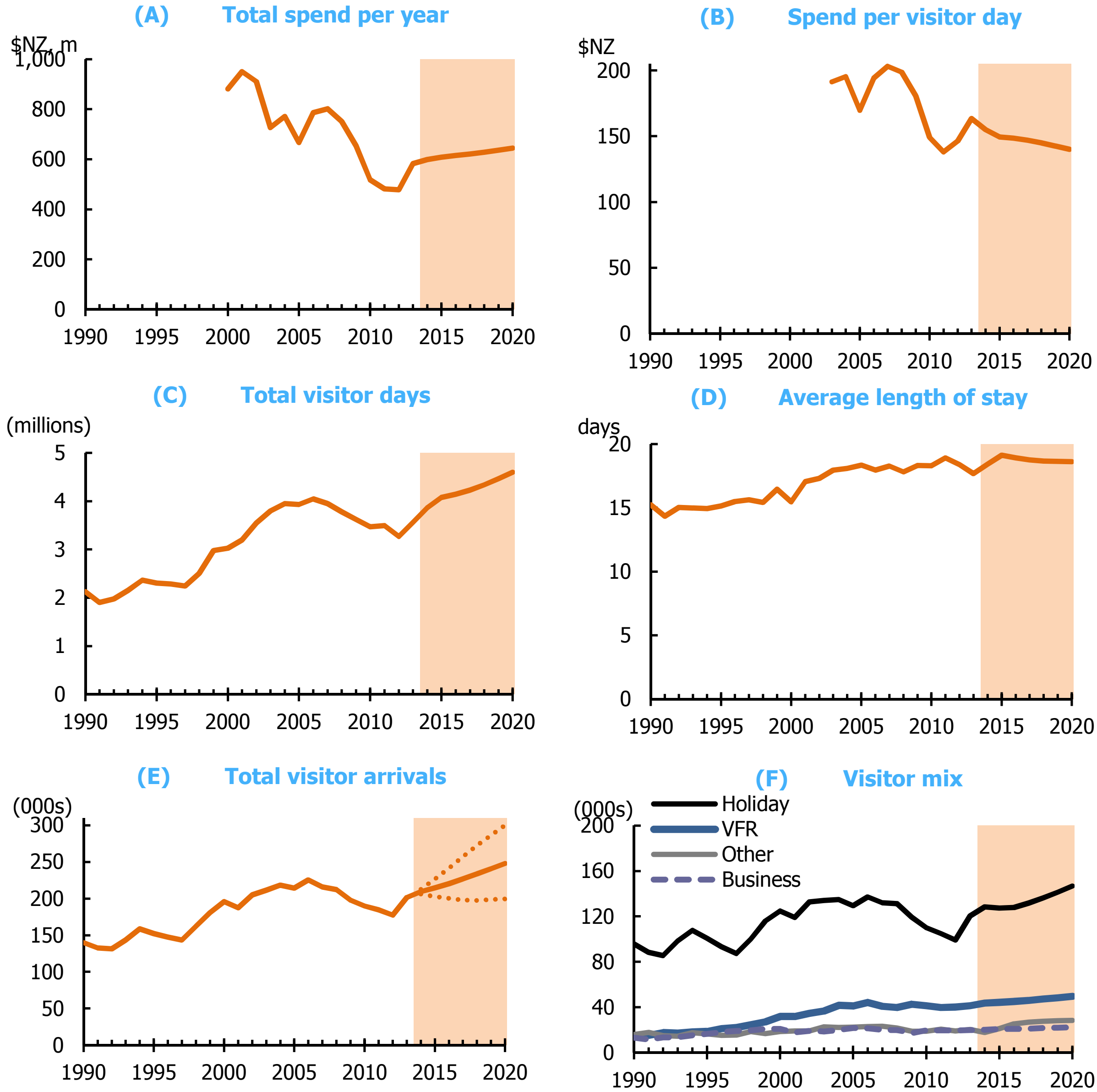


Table 4 Forecasts and growth rates: US

									Growth	
Year	2013	2014	2015	2016	2017	2018	2019	2020	2013-20	CAGR[6]
Total spend ($m)[4]	582	599	609	615	621	629	636	644	11%	1.5%
Total visitors (000s)[5]	201	210	213	219	225	232	240	247	23%	3.0%
Total Days (000s)	3,562	3,862	4,075	4,142	4,227	4,340	4,467	4,603	29%	3.7%
Spend per day	163	155	149	148	147	145	142	140	-14%	-2.2%
Length of stay	17.7	18.4	19.1	18.9	18.8	18.7	18.6	18.6	5%	0.7%

Notes: 1. GDP per capita, constant USD; 2. 2012 outbound visitors; 3. Ranked by global tourist expenditure; 4 IVS Spend (excludes education), 5. Visitor arrivals (IVA), 6. Compound Average Growth Rate per year ('13-'20).

Source: MBIE, Statistics New Zealand, World Bank, World Tourism Organisation

5.2.3. Canada

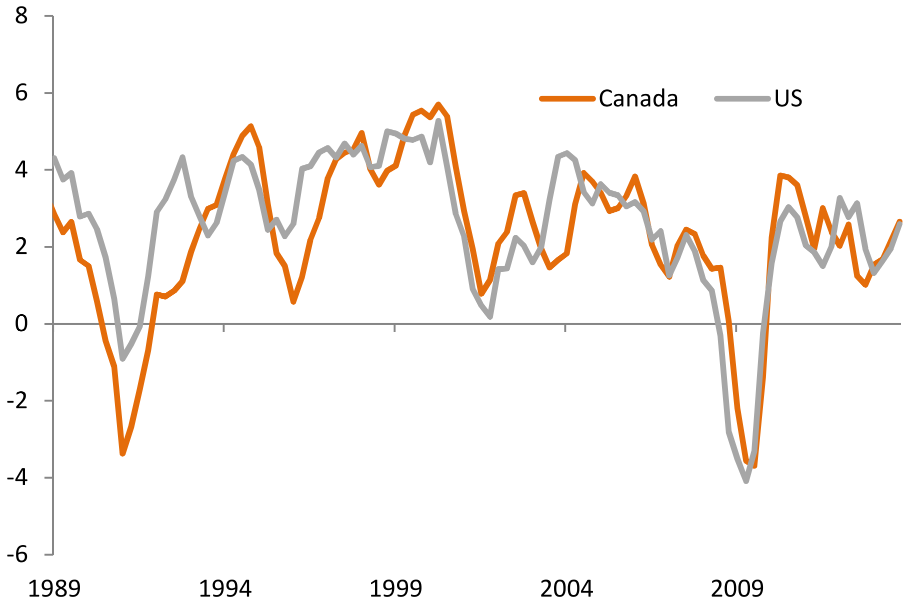
Canada's economy is also recovering from the GFC but lags the US a little. We expect Canada to catch up and for there to be moderate growth in visitor arrivals to 2020. A downwards correction in house prices that would impact wealth and spending power is a material risk to the Canadian economy.

Forecasts and drivers

- Visitor numbers from Canada grew 3.8 per cent in 2013 turning around a 5.8 per cent decline from the previous year.
- Canada exhibits a similar visitor profile to many markets. We continue to expect modest visitor growth offset by declining length of stay and weaker growth in spend per day that reduces overall growth in spending.
- There are some risks to the Canadian economy, primarily from a step lower in house prices but also from exposure to commodity trade that will be impacted by any slowdown in the Chinese economy. Consumer spending has been a little more constrained to date than in the United States.
- Canada's economic outlook is positive and closely tied to the US economy (see Figure 20).

Figure 20 Canadian economy closely follows US experience

Annual GDP growth (%)



Source: Datastream

Forecasts	2013	2020	
Total spend ($m)	186	214	↑
Total Visitors (000s)	48	56	↑
Total Days (millions)	1.1	1.2	↑
Average stay days	23.7	21.4	↓
Ave. spend per day	162.7	177.5	↑

Key Market Characteristics	
GDP per capita:[1]	63,289
Population:	34.8m
Outbound market:[2]	30.4m
Global market ranking:[3]	7th
Distance to New Zealand:	11,331km

% NZ mkt (spend)

3%

Figure 21 Summary of forecasts: Canada

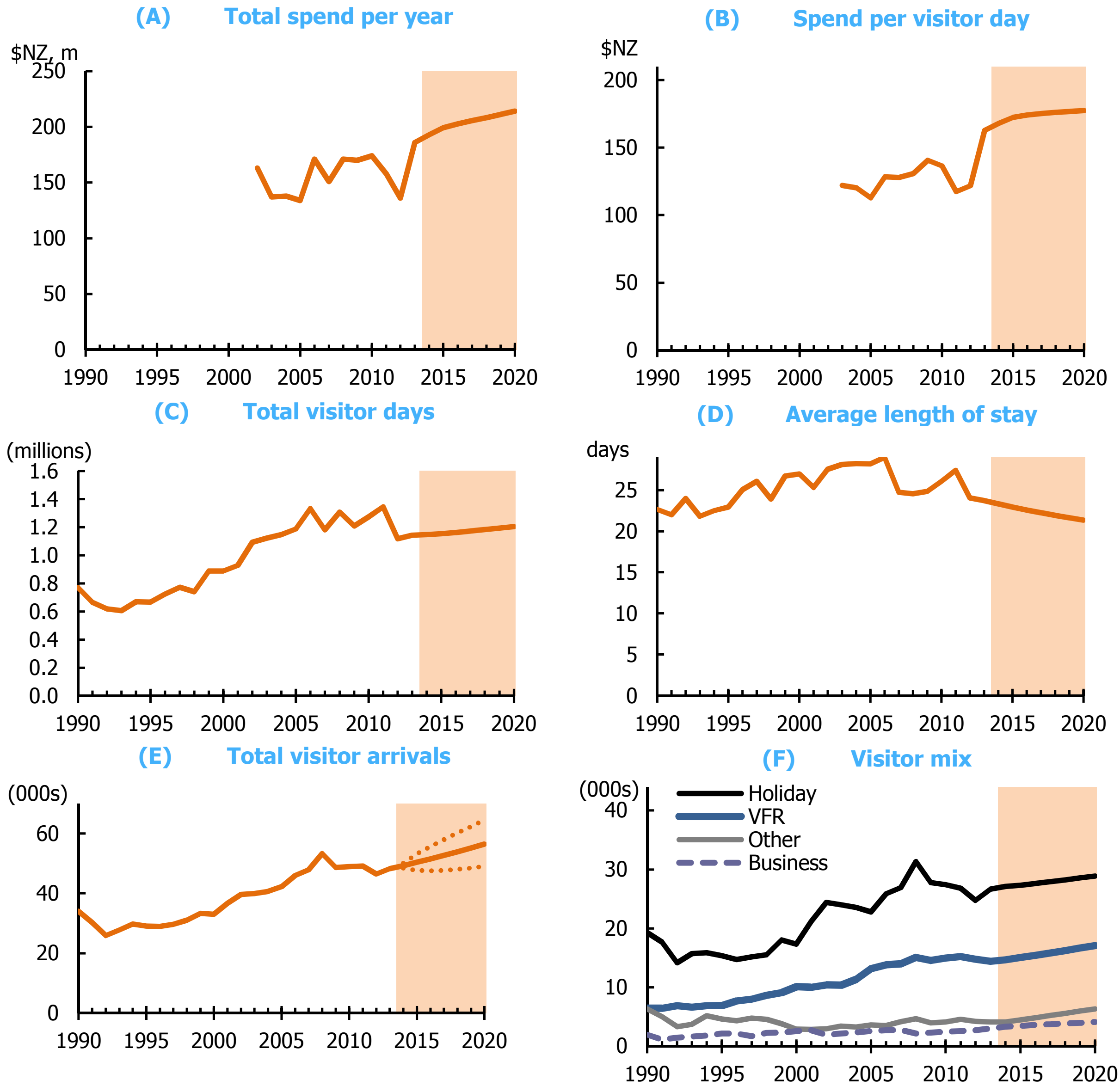


Table 5 Forecasts and growth rates: Canada

Year	2013	2014	2015	2016	2017	2018	2019	2020	Growth 2013-20	Growth CAGR[3]
Total spend ($m)[1]	186	193	199	203	205	208	211	214	15%	2.0%
Total visitors (000s)[2]	48	49	50	52	53	54	55	56	17%	2.3%
Total Days (000s)	1,143	1,148	1,154	1,163	1,172	1,183	1,194	1,206	6%	0.8%
Spend per day	163	168	173	174	175	176	177	177	9%	1.2%
Length of stay	23.7	23.3	22.9	22.6	22.2	21.9	21.6	21.4	-10%	-1.5%

Notes: 1. GDP per capita, constant USD; 2. 2012 outbound visitors; 3. Ranked by global tourist expenditure; 4 IVS Spend (excludes education), 5. Visitor arrivals (IVA), 6. Compound Average Growth Rate per year ('13-'20).

Source: MBIE, Statistics New Zealand, World Bank, World Tourism Organisation

5.2.4. Germany

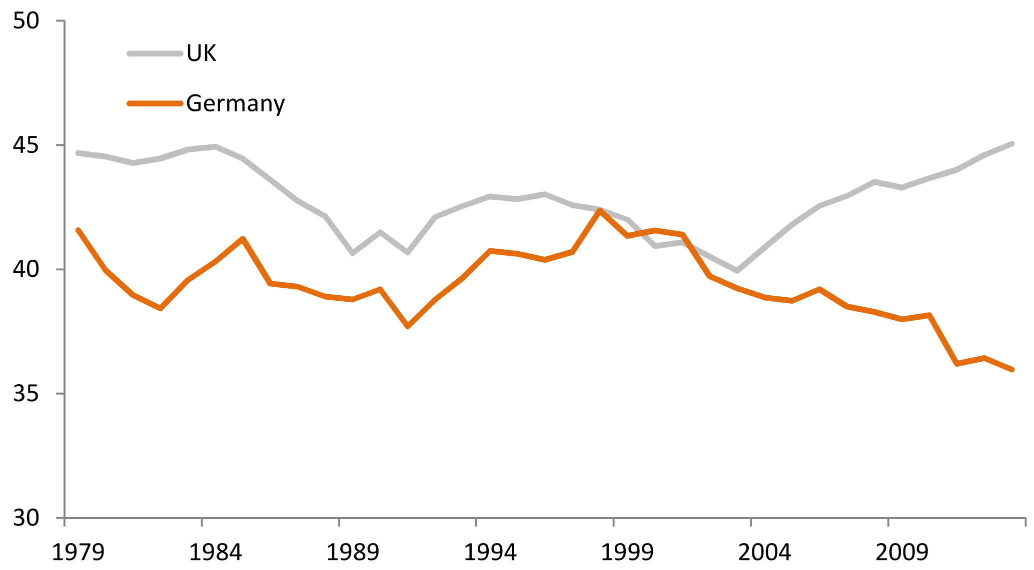
Germans are very different to other visitors to New Zealand. Today Germans typically enter on a working visa, stay for longer and spend much less per day than the typical visitor. Many are much younger and engage in a different range of activities than most other advanced economy visitors. German arrivals grew 9.5 per cent in 2013. The German economy is faring better than other euro-area peers but a slowdown in China would have a marked impact on the German outbound visitor market.

Forecasts and drivers

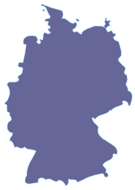
- German visitor arrivals lifted 9.5 per cent in 2013– surging much higher than economic growth (0.4 per cent) and despite the weak euro.
- The euro area is returning to growth but the outlook remains modest. Consumers and firms need to pay down debt and fiscal consolidation restricts how much households want to spend. However, consumer sentiment is improving in Germany and the European Commission expects economic growth of 1.8 per cent in 2014 and 2 per cent in 2015. We anticipate modest growth in German arrivals.
- The strength of the German economy will drive visitor growth after the Hobbit campaign passes. The economy has been stronger than euro area peers with exports of high tech machinery to China preserving export growth. Supply-side factors including labour market reform have helped Germany grow more than others in the euro area.
- Political instability in the Ukraine and the risk of a slowdown in China present material risks to the outlook.
- A reduction in the school leaving age will continue to bring many younger Germans on working visas, who will stay longer than other visitors, but spend less per day. Figure 22 shows that over the past decade the average German visitor has been getting much younger than the average visitor from the UK.

Figure 22 German visitors getting younger while British travellers are older

Average visitor age, all visitors



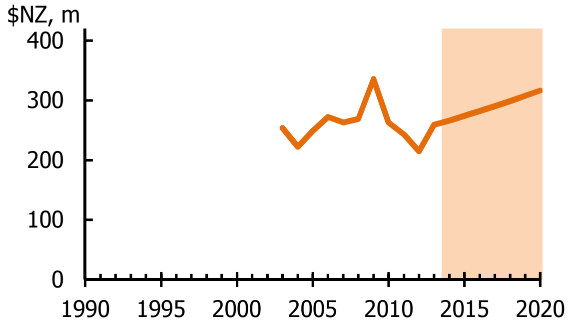
Source: Statistics New Zealand, NZIER



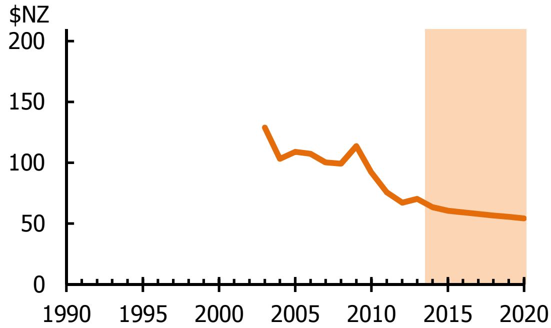
Forecasts	2013	2020	Key Market Characteristics		% NZ mkt (spend)
Total spend ($m)	259	317 ↑	GDP per capita:[1]	53,627	4%
Total Visitors (000s)	70	89 ↑	Population:	81.9m	
Total Days (millions)	3.7	5.8 ↑	Outbound market:[2]	48.9m	
Average stay	52.8	65.4 ↑	Global market ranking:[3]	2nd	
Ave. spend per day	70.2	54.3 ↓	Distance to New Zealand:	18,163km	

Figure 23 Summary of forecasts: Germany

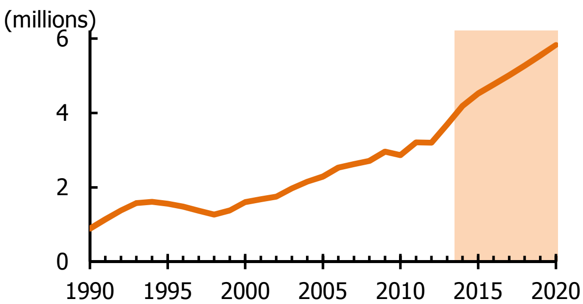
(A) Total spend per year (NZ$, m)



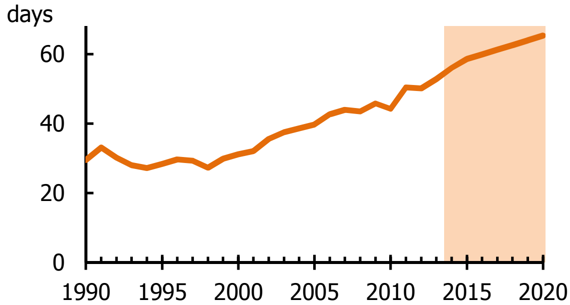
(B) Spend per visitor day



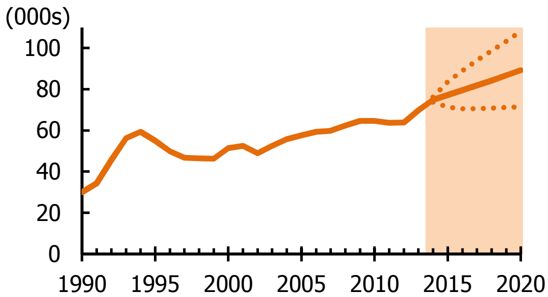
(C) Total visitor days



(D) Average length of stay



(E) Total visitor arrivals



(F) Visitor mix

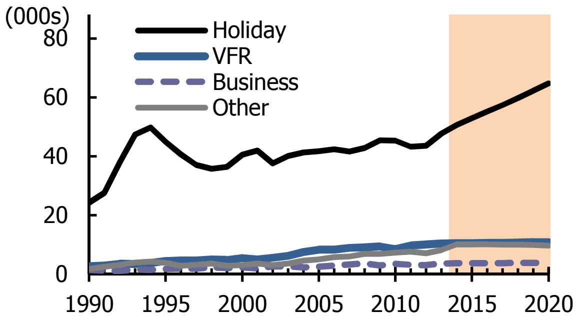


Table 6 Forecasts and growth rates: Germany

									Growth	
Year	2013	2014	2015	2016	2017	2018	2019	2020	2013-20	CAGR
Total spend ($m)	259	266	274	282	291	299	308	317	22%	2.9%
Total visitors (000s)	70	75	77	80	82	84	87	89	28%	3.6%
Total Days (000s)	3,687	4,192	4,526	4,765	5,013	5,272	5,544	5,830	58%	6.8%
Spend per day	70	64	61	59	58	57	56	54	-23%	-3.6%
Length of stay	52.8	56.0	58.6	59.9	61.2	62.6	64.0	65.4	24%	3.1%

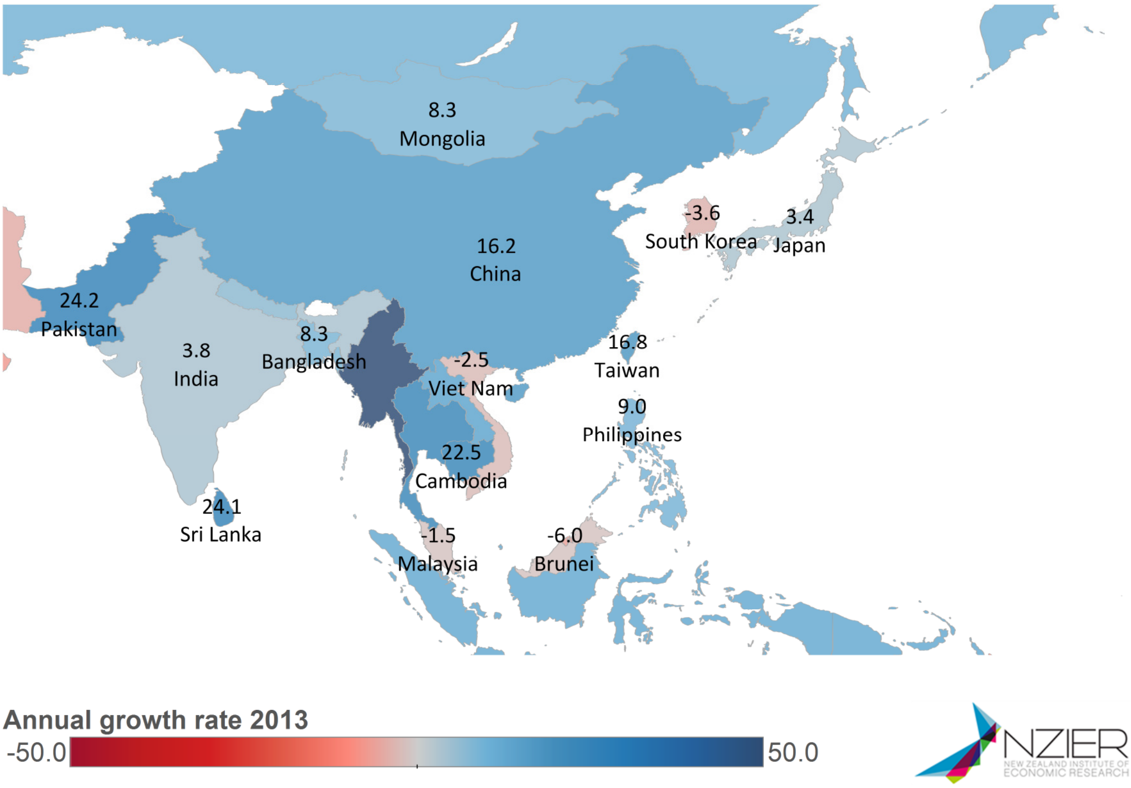
Notes: 1. GDP per capita, constant USD; 2. 2012 outbound visitors; 3. Ranking according to global tourist expenditure; 4. Compound Average Growth Rate per year (2013-20).

Source: MBIE, Statistics New Zealand, World Bank, World Tourism Organisation

5.3. Asia

Emerging Asia is rapidly transforming New Zealand's – and indeed the world – tourism market. China is the largest consumer of international tourism. Many tourism destinations are seeing exceptional growth in Chinese visitor numbers. After long periods of decline, Japan grew more strongly in 2013 than in previous years.

Figure 24 China's rapid growth leading the region



Source: Statistics New Zealand

5.3.1. China

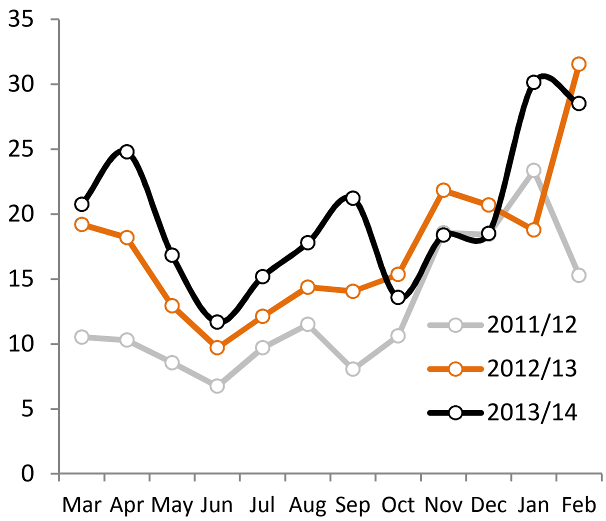
China presents the biggest challenge and opportunity for the New Zealand tourism industry. Over the last three years New Zealand has attracted an extra 200,000 visitors – half of which came from China. The short-run risk centres on a sharp correction from a credit crunch that will reduce spending and visitor arrivals by Chinese consumers who will instead look to rebuild wealth domestically – echoing the experience of advanced economies after the GFC. But, in the longer term, growth from a middle class blossoming from globalisation, industrialisation and urbanisation will bring many more Chinese visitors. A great strategy for the China market helps shape outcomes for New Zealand as a whole.

Forecasts and drivers

- The number of Chinese visitors rose sharply – again – in 2013, lifting 16.2 per cent. Spending was up 6.7 per cent and length of stay increased a little, reversing a long-run trend of decreasing stay days.
- There are material risks from the Chinese economy that threaten not just the outlook for Chinese visitor arrivals but for the global economy as a whole. China has been responsible for most of the global growth over the past five years and is now a major exporting partner for the US and euro area.
- China's debt looks very high – the unofficial shadow banking system cannot continue to provide the credit that has fuelled now debt-racked investments. The prices of commodities like copper and iron, often used as collateral to repay loans, have moved lower (Figure 26).
- China's Purchasing Managers' Index (PMI) also posted readings consistent with economic contraction although the PMI has previously produced false reads. The government now looks unwilling and unable to provide the stimulus that helped China weather the GFC.
- A second risk stems from restrictions imposed by the no-shopping-tours policy. That restricts a business model that offered cheaper package holidays on the ticket in return for compulsory shopping tours. Visitor growth has been flat since the policy was introduced in October 2013, (see Figure 25).

Figure 25 No-shopping-tour policy keeps arrivals flat for past 5 months

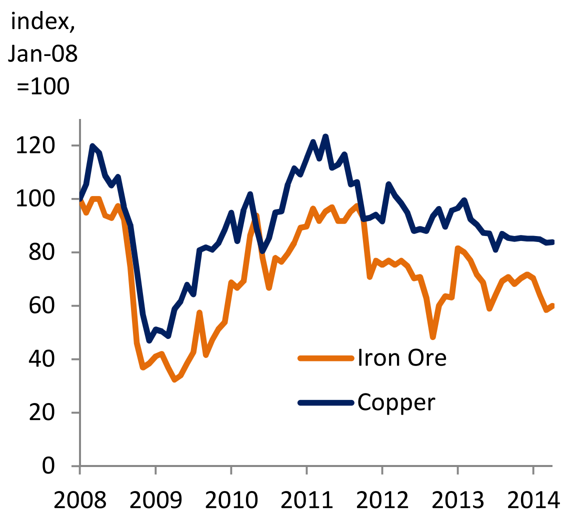
Total visitor arrivals by month, last three years



Source: Statistics New Zealand

Figure 26 Credit crunch risk – watch for declines in key commodities

Iron and copper price, index



Source: Datastream

Forecasts	2013	2020	Key Market Characteristics		% NZ mkt (spend)
Total spend ($m)	732	1,699	GDP per capita:[1]	8,015	11%
Total Visitors (000s)	229	509	Population:	1,354m	
Total Days (millions)	3.9	8.9	Outbound market:[2]	15.4m	
Average stay days	17.1	17.5	Global market ranking:[3]	1st	
Ave. spend per day	187.4	191.1	Distance to New Zealand:	9,346km	

Figure 27 Summary of forecasts: China

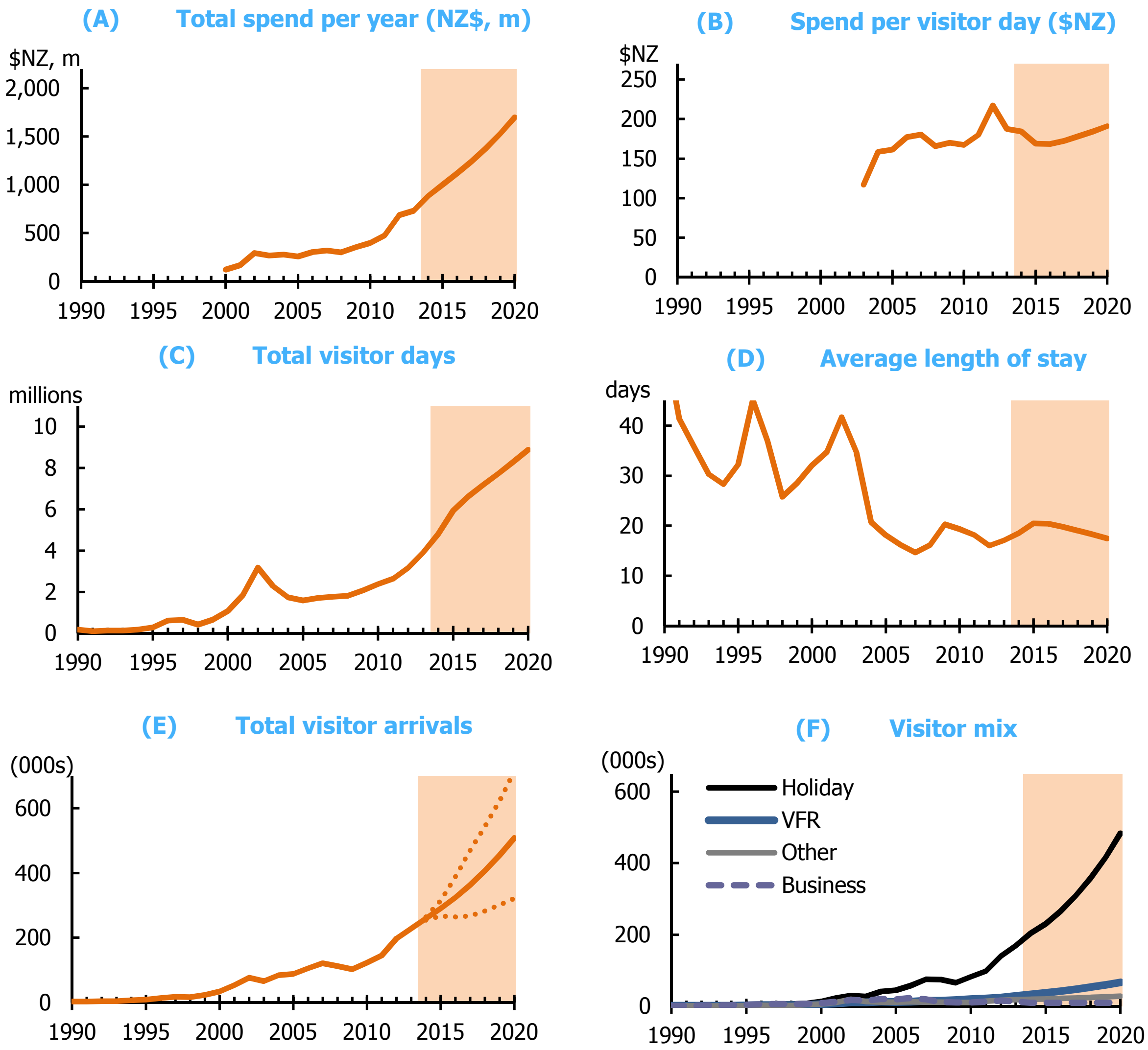


Table 7 Forecasts and growth rates: China

Year	2013	2014	2015	2016	2017	2018	2019	2020	Growth 2013-20	CAGR
Total spend ($m)	732	885	1,002	1,117	1,241	1,378	1,530	1,699	132%	12.8%
Total visitors (000s)	229	259	290	325	363	406	455	509	122%	12.1%
Total Days (000s)	3,906	4,802	5,938	6,632	7,191	7,732	8,294	8,889	128%	12.5%
Spend per day	187	184	169	168	173	178	184	191	2%	0.3%
Length of stay	17.1	18.5	20.5	20.4	19.8	19.0	18.2	17.5	2%	0.3%

Notes: 1. GDP per capita, constant USD; 2. 2012 outbound visitors; 3. Ranking according to global tourist expenditure; 4. Compound Average Growth Rate per year (2013-20).

Source: MBIE, Statistics New Zealand, World Bank, World Tourism Organisation

5.3.2. Japan

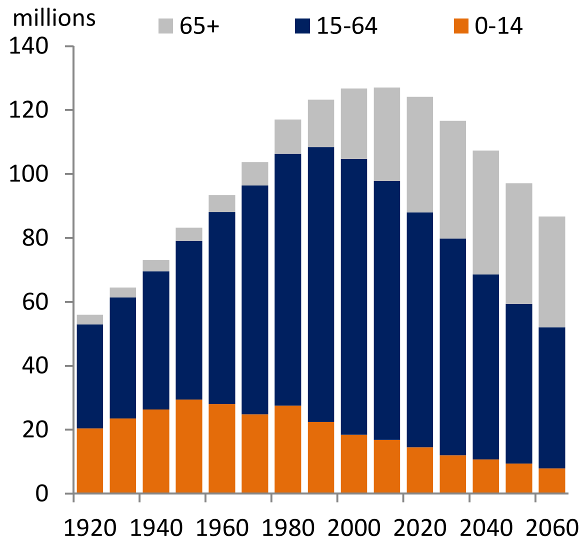
The outlook is mixed. A re-energised government is actively devaluing the yen and trying to reflate the economy. There are question marks on how long it will take to spark a sustained revival in theeconomy. If the government is successful in creating inflation, it is not yet clear how savers, whose savings will be eroded, will react. In the meantime, the yen is depreciating rapidly. So Japanese visitors may feel more optimistic about an economically focussed political leadership, but their yen will not go so far if they come to New Zealand.

Forecasts and drivers

- Japanese visitor numbers ticked up in 2013, building on moderate growth in 2012. The first two legs of the Abe government's ambitious economic stimulus package have been relatively successful. A weak yen has boosted export growth and improved consumer confidence.
- But the final piece of the puzzle – structural reform of labour and industrial policy – remains unfinished. That leaves a narrow range of fiscal options such as raising consumption taxes to finance the stimulus. We expect weaker growth in the Japanese economy in the next eighteen months.
- The weaker yen has eroded the spending power of visitors from Japan. Even though visitor arrivals grew 3.4 per cent, spending fell 5.7 per cent.
- In the near term, the risk of a slowdown in China hangs over the Japanese visitor outlook and the Government's debt position continues to look over-extended.
- In the long term, Japan's ageing population reduces the potential size of this market every day (see Figure 28). The 'Sofubo' or grandparents are more likely to travel than the 15-64 age group, but are increasingly less likely to venture abroad (see Figure 29).

Figure 28 Size of market is declining

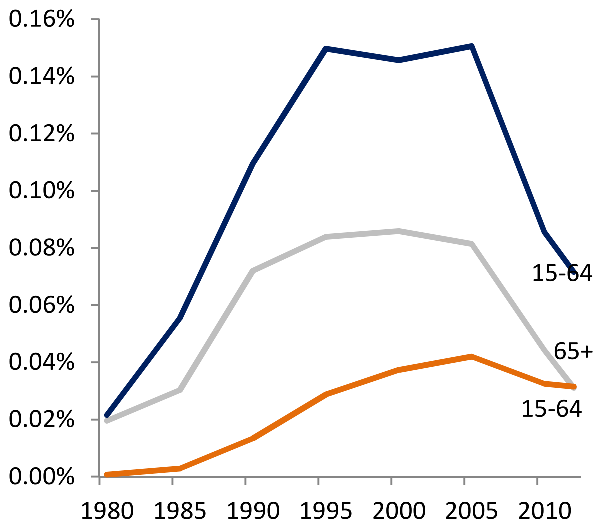
Japanese population by key demographic cohort



Source: National Institute of Population and Social Security Research (Japan)

Figure 29 'Sofubo' don't visit NZ much and are increasingly likely to stay home

Propensity to travel to New Zealand, 65+



Source: Statistics New Zealand

Forecasts	2013	2020
Total spend ($m)	214	200
Total Visitors (000s)	75	77
Total Days (millions)	1.3	1.2
Average stay	17.8	16.0
Ave. spend per day	161.3	161.6

Key Market Characteristics	
GDP per capita:[1]	47,977
Population:	127.6m
Outbound market:[2]	15.5m
Global market ranking:[3]	8th
Distance to New Zealand:	8,810km

% NZ mkt (spend)

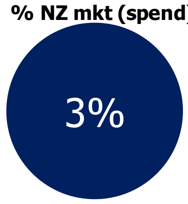


Figure 30 Summary of forecasts: Japan

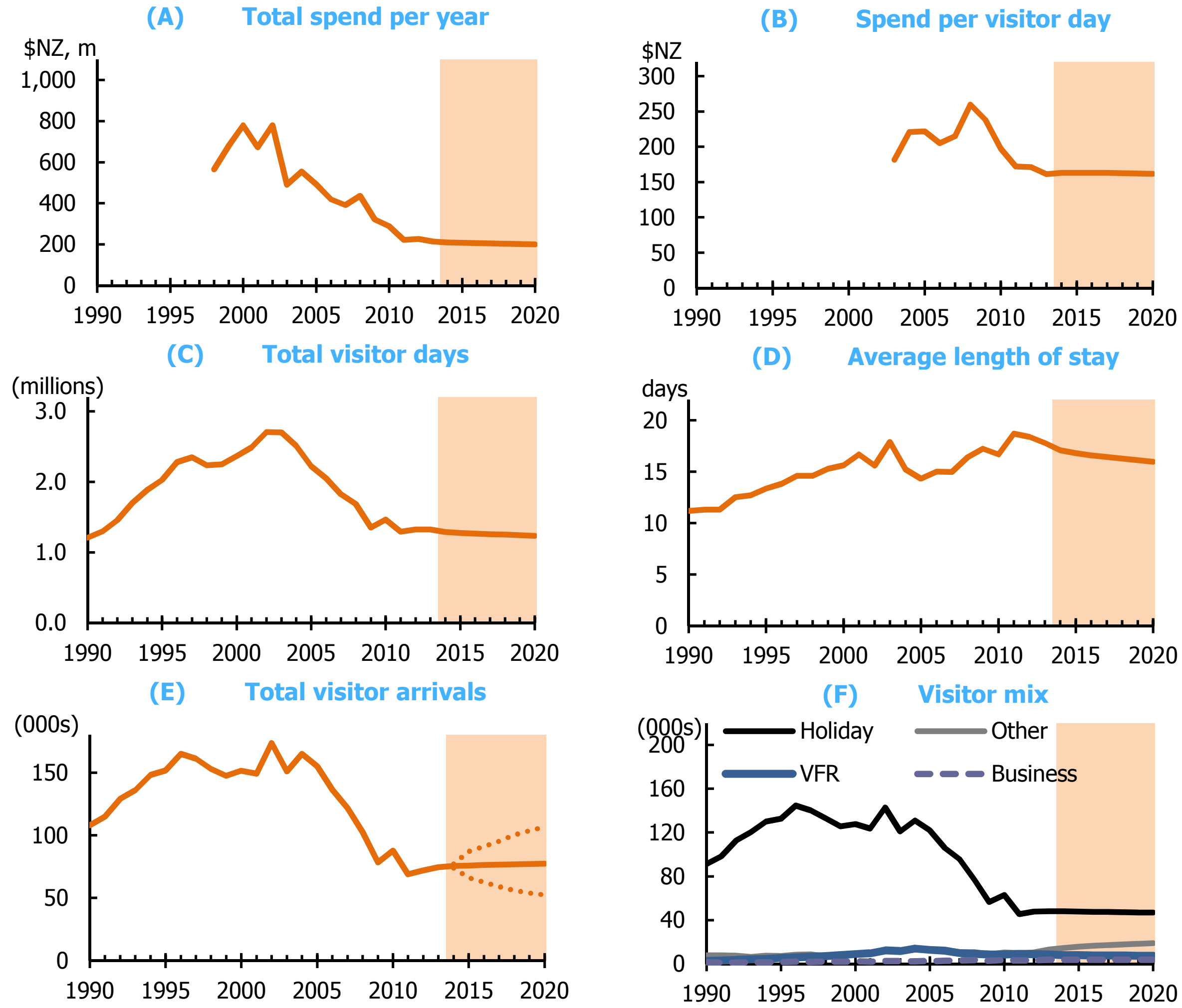


Table 8 Forecasts and growth rates: Japan

Year	2013	2014	2015	2016	2017	2018	2019	2020	Growth 2013-20	Growth CAGR
Total spend ($m)	214	210	208	206	205	203	201	200	-7%	-1.0%
Total visitors (000s)	75	75	76	76	77	77	77	77	4%	0.5%
Total Days (000s)	1,326	1,288	1,275	1,265	1,257	1,250	1,243	1,236	-7%	-1.0%
Spend per day	161	163	163	163	163	162	162	162	0%	0.0%
Length of stay	17.8	17.1	16.8	16.6	16.4	16.3	16.1	16.0	-10%	-1.5%

Notes: 1. GDP per capita, constant USD; 2. 2012 outbound visitors; 3. Ranking according to global tourist expenditure; 4. Compound Average Growth Rate per year (2013-20).

Source: MBIE, Statistics New Zealand, World Bank, World Tourism Organisation

5.3.3. Korea

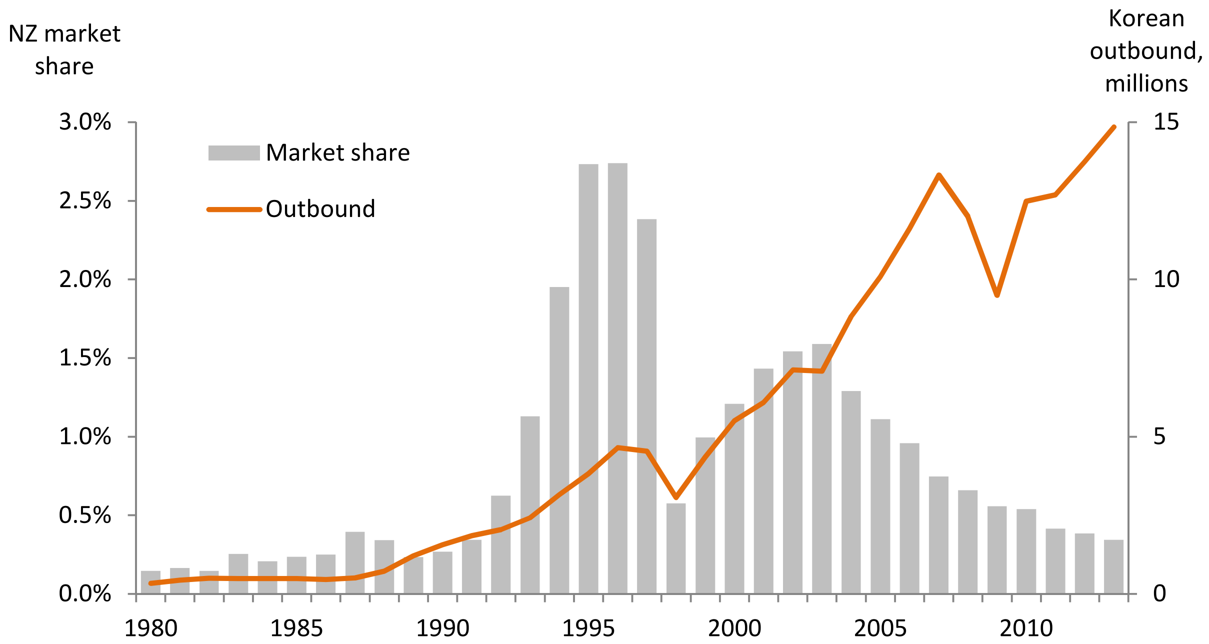
Korean visitor numbers fell 3.6 per cent in 2013 but overall spend increased by 8.1 per cent driven by an increased spend per day (up to $130 from $116). The Korean economy is growing modestly and has passed through the GFC when export markets were hit hard at the height of the crisis. The Korean market is notoriously volatile, but for now, we anticipate moderate growth in visitor arrivals.

Forecasts and drivers

- Korea is expected to post a better economic growth performance in 2014 (3.8 per cent) than in 2013 (3 per cent). This should translate into modest growth in visitor arrivals.
- But the Korean economy is particularly exposed to two key risks: (i) a slowdown in the Chinese economy; (ii) further weakening in the yen that erodes the competitiveness of Korean exports.
- Over the next 1-2 years, visitor spending will stabilise around current levels. Over the medium to long term, the market will soften further, as the population ages.
- Deepening our understanding of the Korean market will inform industry about what can happen when other Asian markets mature. Figure 31 shows the global Korean outbound market was hit hard by the Asian financial crisis. New Zealand's share of the global market improves but then slumps and never recovers.

Figure 31 The 'won' that got away

Market share versus international outbound



Source: Statistics New Zealand, Korean statistical agency, NZIER

Forecasts	2013	2020	Key Market Characteristics	
Total spend ($m)	134	126	GDP per capita:[1]	29,085
Total Visitors (000s)	51	62	Population:	50.0m
Total Days (millions)	1.0	1.1	Outbound market:[2]	14.7m
Average stay	20.3	17.6	Global market ranking:[3]	15th
Ave. spend per day	129.6	116.5	Distance to New Zealand:	9,595km

% NZ mkt (spend)

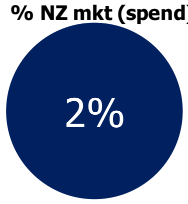


Figure 32 Summary of forecasts: Korea

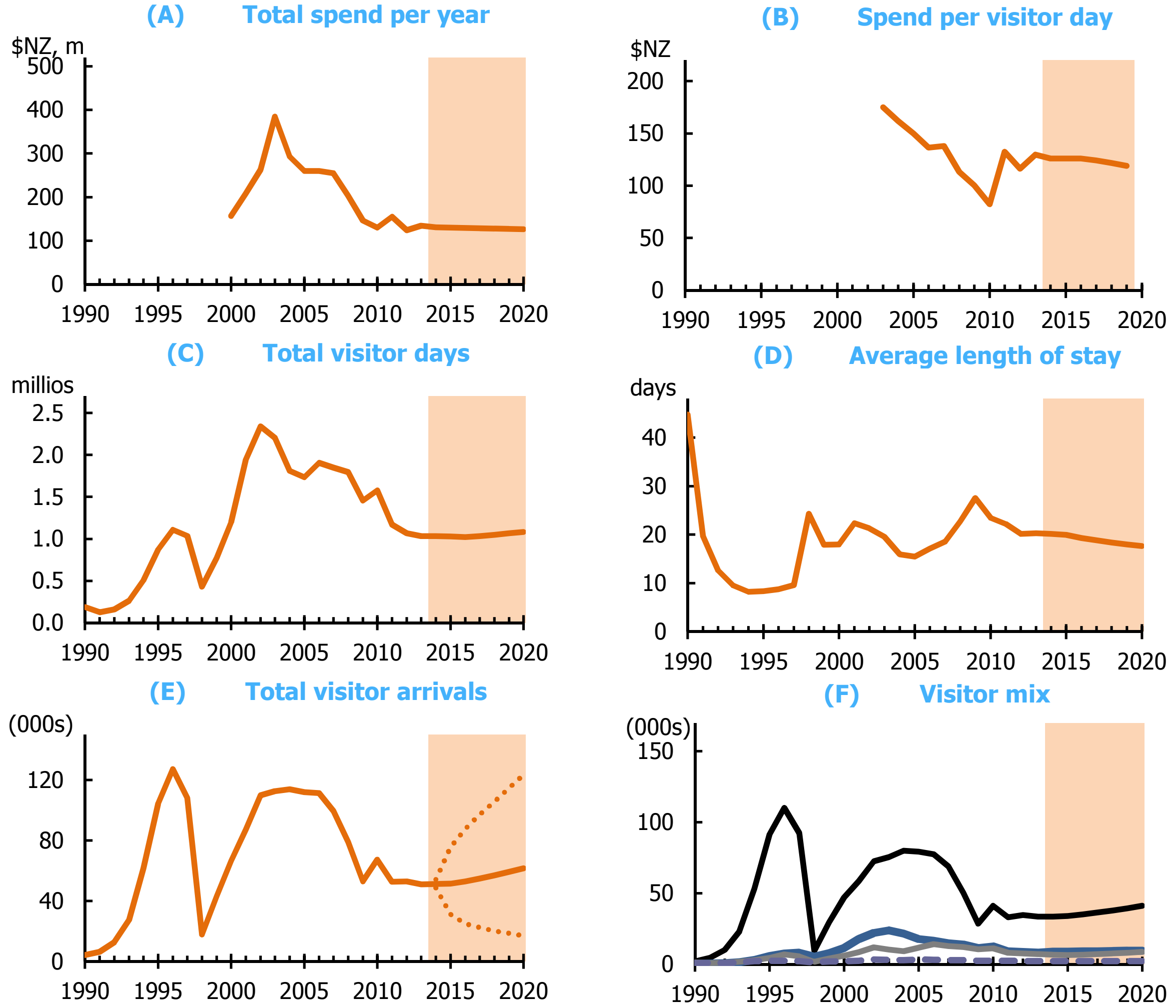


Table 9 Forecasts and growth rates: Korea

									Growth	
Year	2013	2014	2015	2016	2017	2018	2019	2020	2013-20	CAGR
Total spend ($m)	134	130	130	129	128	128	127	126	-6%	-0.8%
Total visitors (000s)	51	51	52	53	55	57	59	62	21%	2.7%
Total Days (000s)	1,034	1,034	1,029	1,023	1,032	1,048	1,066	1,084	5%	0.7%
Spend per day	130	126	126	126	124	122	119	117	-10%	-1.5%
Length of stay	20.3	20.2	20.0	19.3	18.8	18.4	18.0	17.6	-13%	-2.0%

Notes: 1. GDP per capita, constant USD; 2. 2012 outbound visitors; 3. Ranking according to global tourist expenditure; 4. Compound Average Growth Rate per year (2013-20).

Source: MBIE, Statistics New Zealand, World Bank, World Tourism Organisation

5.4. Other

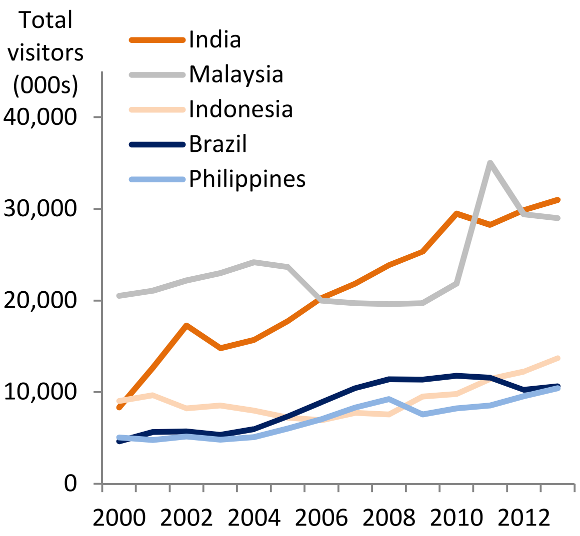
Visitor numbers from emerging markets are going to post solid and in some cases double-digit growth. These markets, with rapidly growing middle classes represent the long-term potential for New Zealand tourism. Keeping sight of the long-term opportunity may be challenging with many short-term risks in play for emerging markets.

Forecasts and drivers

- All other markets make up just a quarter of New Zealand's total market. Collectively, visitor arrivals from these markets grew 4.6 per cent over 2013. Spend grew 7.5 per cent ($120 million), reversing declines in spending over recent years. Figure 33 shows the recent experience of selected markets.
- The outlook for other visitors can be broadly split into the emerging and advanced economies. The outlook for the euro area should dampen expectations for growth from countries in this region. The outlook for emerging markets is more promising but carries greater risks.
- Over the longer term, the market drivers of visitor spending and numbers will be strongest from emerging markets like India, Malaysia and Vietnam, which are urbanising and industrialising, have expanding middle classes and a large and young population. Other examples include Indonesia, Brazil and Mexico. Policy should focus on delivering the growth potential of these emerging markets.

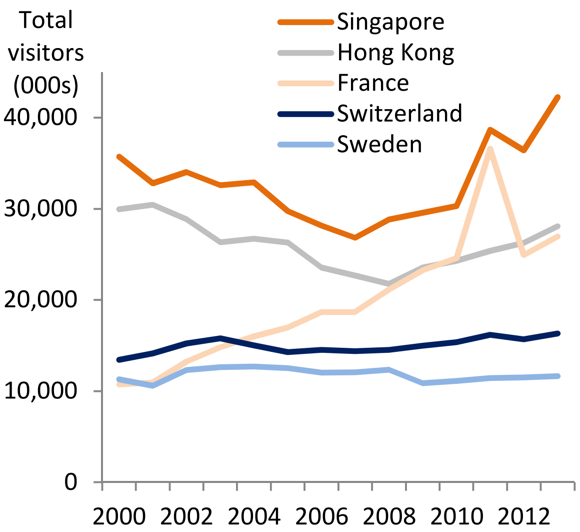
Figure 33 Other markets are mixed – India, France, Singapore perform well

Selected emerging markets: 2000-13



Source: Statistics New Zealand, NZIER

Selected advanced markets: 2000-13



Source: Statistics New Zealand, NZIER

Figure 34 Summary of forecasts: Other

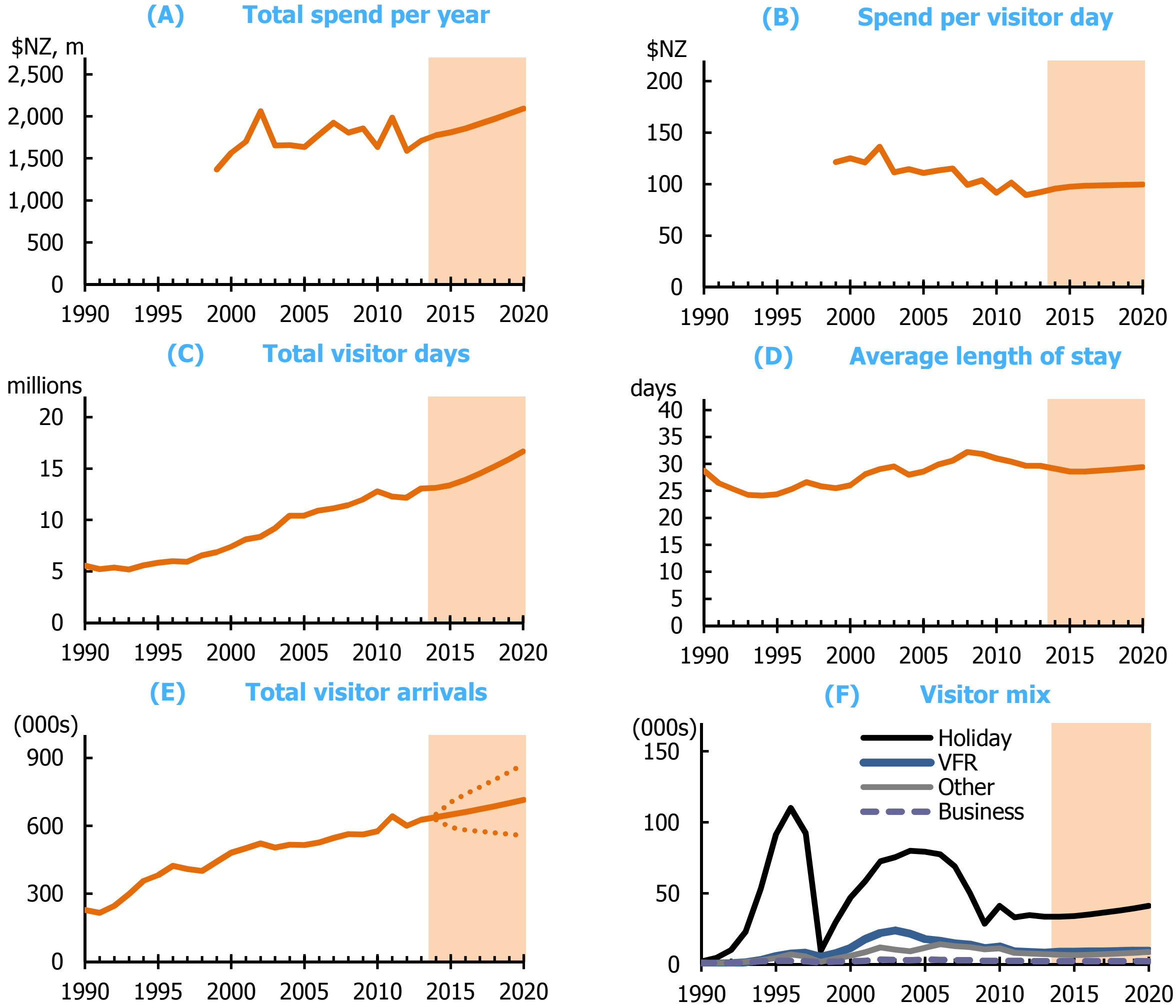


Table 10 Forecasts and growth rates: Other

									Growth	
Year	2013	2014	2015	2016	2017	2018	2019	2020	2013-20	CAGR[3]
Total spend ($m)[1]	1,711	1,778	1,843	1,858	1,913	1,971	2,031	2,094	22%	2.9%
Total visitors (000s)[2]	627	639	660	660	673	687	700	715	14%	1.9%
Total Days (000s)	18,581	18,591	18,872	19,253	19,723	20,252	20,813	21,397	15%	2.0%
Spend per day	92	96	98	97	97	97	98	98	6%	0.9%
Length of stay	29.6	29.1	28.6	29.2	29.3	29.5	29.7	29.9	1%	0.1%

Notes: 1. GDP per capita, constant USD; 2. 2012 outbound visitors; 3. Ranking according to global tourist expenditure; 4. Compound Average Growth Rate per year (2013-20).

Source: MBIE, Statistics New Zealand, World Bank, World Tourism Organisation

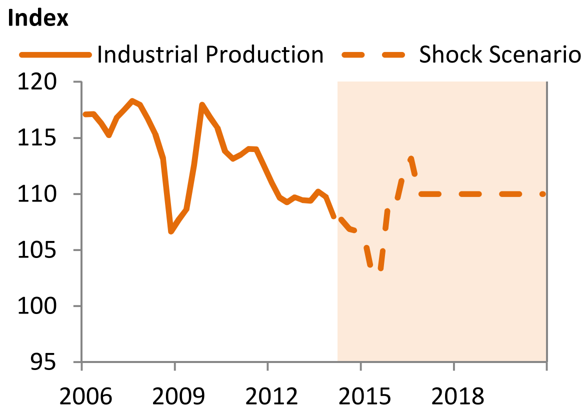
6. Scenario: China shock

6.1. China risks a sharp correction

- China's growth is slowing from the double-digit growth numbers from the past twenty years to growth at about 7-8 per cent per year.
- But China is at risk of a sharp economic correction. Early boom years were fuelled by a credit boom that has extended the balance sheets of private and local governments into risky territory.
- Many balance sheets are laden with debt. Shadow banking – the informal lending system for borrowers without access to standard bank lending channels – is now roughly 40 per cent of GDP and has risen rapidly since the GFC.
- Extended balance sheets matter for two reasons. First, such high debt positions risks default on a wide scale that would seize up investment across China. Second, high debt means any new capital that can be raised is put towards repaying debt rather than new investment projects. That crimps the growth outlook for the Chinese economy.
- To date both the government and monetary authorities have stopped a sharp economic recession. While not our central scenario there is a risk China stumbles since debt is so high.
- We mimic a correction in the Chinese economy by setting up a scenario for a decline in industrial production that enters our model as a proxy for GDP growth in the economy. That scenario (see Figure 35a) lowers the index of industrial production by about three-quarters of the decline in production through the GFC.
- Under this scenario, Figure 35b shows that visitor arrivals are flat for 2015 and 2016, but the strong expected levels of growth prevent outright falls in visitor numbers – in our constructed scenario. In subsequent years, visitor arrivals return to strong growth but never recover the lost arrivals from the sharp economic correction.
- While operators should recognise the possibility of weaker growth from China, urbanisation, industrialisation and a burgeoning middle-class are fundamental reasons to expect growth in visitors from China in the medium-term.

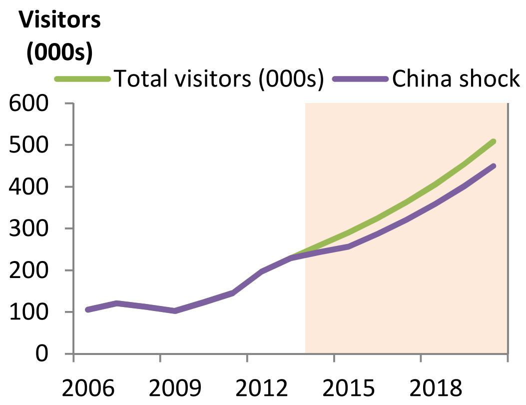
Figure 35 A sharp correction to China's economy brings fewer near-term visitors

Scenario: Industrial production falls…



Source: Statistics New Zealand, NZIER

…bringing fewer visitors in 2014-15



Source: Statistics New Zealand, NZIER

7. Technical Committee Adjustments

As part of the forecast process each round a small technical committee with representation from key industry organisations meets to discuss the forecasts and recommend changes to the forecasts where required.

This round the committee recommended the forecasts for all markets be retained for the report with two exceptions. The committee asked that forecast visitor arrivals for the Cricket World Cup are included in the report and that visitor arrivals from the Australian market are revised down slightly.

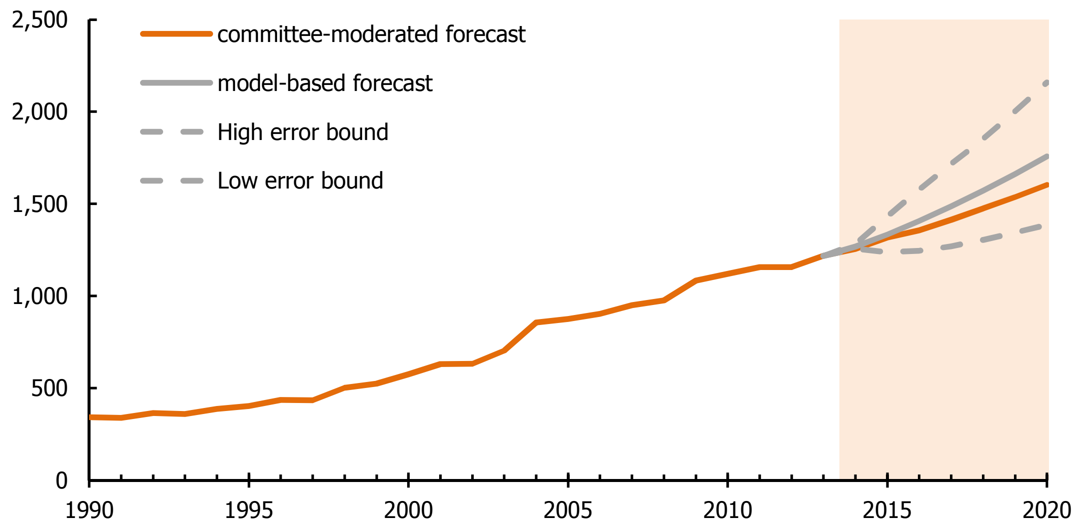
The committee decided to adopt a lower growth path for visitor numbers relative to NZIER's forecast. That decision reflected a number of factors.

- Additional airline capacity on trans-Tasman routes is unlikely to reach the rates of increase observed in early decades.
- The Australian economy has been weaker than expected over the past twelve months.

On balance the committee opted to reduce NZIER's forecasts for growth of 5.4 per cent per year to 4.0 per cent per year. The report and total visitor arrival numbers reflect that view.

Figure 36 Technical committee moderate down the Australian outlook

Error bounds are an 80 per cent confidence interval from NZIER's model



Source: NZIER

Table 11 Committee and model-based Australian visitor arrivals forecasts

Australia

									Growth	
Year	2013	2014	2015	2016	2017	2018	2019	2020	2013-20	CAGR[3]
Model-based forecast	1,218	1,268	1,333	1,406	1,486	1,571	1,662	1,758	44%	5.4%
Committee-moderated	1,218	1,255	1,318	1,356	1,414	1,474	1,537	1,603	32%	4.0%

Source: NZIER

Appendix A Detailed tables (‘01-‘20)

Table 12 Total visitor spend ($million)

Year	Australia	Canada	China	Germany	Japan	Korea	Other	UK	US	Total
2001	1,236	191	166	232	672	208	1,702	954	951	6,312
2002	1,218	163	294	226	780	263	2,064	1,233	911	7,152
2003	1,563	137	268	254	491	385	1,656	1,215	727	6,696
2004	1,836	138	277	222	555	293	1,657	1,229	771	6,978
2005	1,849	134	256	249	492	260	1,634	1,412	667	6,953
2006	1,942	171	303	272	420	260	1,784	1,258	786	7,196
2007	2,118	151	319	263	392	255	1,926	1,381	802	7,607
2008	2,160	171	300	269	437	203	1,808	1,320	751	7,419
2009	2,263	170	352	336	322	146	1,856	1,143	654	7,242
2010	2,210	174	397	263	289	130	1,635	939	518	6,555
2011	2,225	158	475	243	222	155	1,986	834	482	6,780
2012	2,224	136	686	215	227	124	1,591	663	478	6,344
2013	2,247	186	732	259	214	134	1,711	608	582	6,673
2014f	2,241	193	885	266	210	130	1,778	583	599	6,885
2015f	2,304	199	1,002	274	208	130	1,843	589	609	7,157
2016f	2,323	203	1,117	282	206	129	1,858	568	615	7,300
2017f	2,363	205	1,241	291	205	128	1,913	561	621	7,528
2018f	2,406	208	1,378	299	203	128	1,971	556	629	7,777
2019f	2,450	211	1,530	308	201	127	2,031	552	636	8,047
2020f	2,495	214	1,699	317	200	126	2,094	548	644	8,337

Source: Statistics New Zealand, NZIER

Table 13 Total visitor days (thousands)

Year	Australia	Canada	China	Germany	Japan	Korea	Other	UK	US	Total
2001	8,110	929	1,847	1,681	2,487	1,946	14,068	6,475	3,198	40,741
2002	8,359	1,092	3,187	1,743	2,704	2,340	15,142	7,532	3,552	45,651
2003	9,153	1,123	2,289	1,969	2,701	2,202	14,872	8,373	3,799	46,482
2004	10,412	1,147	1,747	2,153	2,511	1,811	14,460	8,750	3,949	46,939
2005	10,404	1,189	1,588	2,285	2,220	1,733	14,722	9,113	3,934	47,188
2006	10,901	1,332	1,709	2,533	2,047	1,907	15,733	8,895	4,049	49,106
2007	11,124	1,182	1,767	2,624	1,822	1,848	16,726	8,601	3,950	49,644
2008	11,439	1,308	1,811	2,710	1,681	1,796	18,168	8,482	3,783	51,177
2009	11,963	1,209	2,070	2,955	1,353	1,456	17,902	7,629	3,624	50,161
2010	12,779	1,275	2,372	2,862	1,464	1,578	17,850	6,849	3,472	50,501
2011	12,277	1,347	2,642	3,211	1,291	1,171	19,543	6,652	3,493	51,626
2012	12,154	1,118	3,159	3,197	1,325	1,066	17,776	5,669	3,269	48,734
2013	13,069	1,143	3,906	3,687	1,326	1,034	18,581	5,752	3,562	52,061
2014f	14,053	1,148	4,802	4,192	1,288	1,034	18,591	6,237	3,862	55,207
2015f	14,231	1,154	5,938	4,526	1,275	1,029	18,872	6,847	4,075	57,947
2016f	14,066	1,163	6,632	4,765	1,265	1,023	19,253	6,689	4,142	58,997
2017f	14,383	1,172	7,191	5,013	1,257	1,032	19,723	6,827	4,227	60,826
2018f	14,808	1,183	7,732	5,272	1,250	1,048	20,252	7,009	4,340	62,894
2019f	15,289	1,194	8,294	5,544	1,243	1,066	20,813	7,214	4,467	65,124
2020f	15,806	1,206	8,889	5,830	1,236	1,084	21,397	7,433	4,603	67,483

Source: Statistics New Zealand, NZIER

Table 14 Total visitor arrivals

Year	Australia	Canada	China	Germany	Japan	Korea	Other	UK	US	Total
2001	630,549	36,694	53,174	52,482	149,085	87,167	501,203	211,646	187,381	1,909,381
2002	632,470	39,669	76,534	48,951	173,567	109,936	521,662	236,986	205,289	2,045,064
2003	702,162	39,940	65,989	52,534	150,851	112,658	503,843	264,819	211,624	2,104,420
2004	855,933	40,602	84,368	55,736	165,023	113,908	516,538	283,700	218,345	2,334,153
2005	874,738	42,182	87,850	57,549	154,925	112,005	514,958	306,815	214,507	2,365,529
2006	903,504	45,955	105,716	59,353	136,401	111,361	526,157	294,812	225,629	2,408,888
2007	950,206	47,792	120,804	59,765	121,652	99,453	546,868	292,717	216,027	2,455,284
2008	976,200	53,267	112,398	62,300	102,482	79,061	564,023	285,094	212,410	2,447,235
2009	1,082,680	48,656	102,259	64,564	78,426	52,921	561,796	258,438	197,792	2,447,532
2010	1,119,879	48,942	122,712	64,648	87,735	67,309	575,511	234,314	189,709	2,510,759
2011	1,156,426	49,154	145,524	63,719	68,963	52,787	642,593	230,316	184,714	2,594,196
2012	1,155,792	46,448	197,024	63,776	72,080	52,896	599,440	189,648	177,680	2,554,784
2013	1,218,016	48,192	228,928	69,808	74,560	50,992	626,864	191,632	201,424	2,710,416
2014f	1,254,869	49,228	259,334	74,865	75,396	51,296	638,570	191,898	209,628	2,805,083
2015f	1,317,647	50,359	290,285	77,257	75,861	51,546	659,867	196,176	212,942	2,931,939
2016f	1,356,252	51,504	324,696	79,534	76,206	52,965	660,455	192,455	218,875	3,012,941
2017f	1,413,578	52,691	363,229	81,849	76,511	54,893	673,215	192,815	225,415	3,134,197
2018f	1,473,889	53,916	406,361	84,226	76,806	57,010	686,602	193,553	232,378	3,264,741
2019f	1,536,984	55,169	454,631	86,673	77,098	59,238	700,408	194,450	239,618	3,404,269
2020f	1,602,857	56,455	508,634	89,191	77,389	61,559	714,548	195,414	247,156	3,553,203

Source: Statistics New Zealand, NZIER

Table 15 Total business arrivals

Year	Australia	Canada	China	Germany	Japan	Korea	Other	UK	US	Total
2001	118,942	2,699	12,488	1,993	5,669	2,473	36,486	9,239	17,631	207,620
2002	117,115	1,924	17,917	2,640	6,452	3,384	36,530	9,068	18,917	213,947
2003	124,395	2,187	15,460	2,590	7,106	3,117	34,789	9,392	18,524	217,560
2004	146,029	2,386	20,253	2,298	6,987	2,925	38,291	9,845	19,807	248,821
2005	150,133	2,548	19,508	2,492	7,522	3,301	40,411	11,607	21,649	259,171
2006	156,978	2,745	22,882	2,905	6,376	3,130	41,390	12,310	21,373	270,089
2007	161,868	2,755	18,929	3,244	5,658	2,792	40,479	12,030	20,120	267,875
2008	155,494	2,164	11,612	3,556	6,061	2,824	41,320	11,520	19,845	254,396
2009	143,277	2,344	10,124	2,933	5,014	2,408	37,891	10,208	17,188	231,387
2010	155,053	2,460	10,808	3,468	5,892	2,449	39,315	10,211	19,678	249,334
2011	154,317	2,562	12,474	3,135	4,685	2,518	40,125	10,398	19,589	249,803
2012	153,712	2,704	15,728	3,040	5,232	2,304	39,088	9,744	19,536	251,088
2013	161,664	3,024	12,912	3,600	4,912	2,224	39,920	10,000	19,760	258,016
2014f	166,555	3,344	9,343	3,662	4,698	2,221	39,043	10,277	20,089	259,232
2015f	172,897	3,481	9,293	3,705	4,617	2,211	39,044	10,436	20,484	266,168
2016f	180,012	3,604	9,400	3,734	4,545	2,199	39,365	10,615	20,860	274,335
2017f	187,620	3,729	9,561	3,760	4,482	2,213	39,751	10,808	21,214	283,138
2018f	195,625	3,860	9,739	3,788	4,425	2,231	40,166	11,010	21,557	292,402
2019f	204,000	3,995	9,927	3,815	4,368	2,253	40,595	11,215	21,901	302,068
2020f	212,743	4,134	10,119	3,842	4,312	2,277	41,033	11,425	22,248	312,132

Source: Statistics New Zealand, NZIER

Table 16 Total holiday arrivals

Year	Australia	Canada	China	Germany	Japan	Korea	Other	UK	US	Total
2001	242,130	21,120	22,487	41,927	123,539	58,518	251,847	108,801	119,057	989,426
2002	242,936	24,389	29,488	37,622	143,004	72,583	262,900	128,205	132,781	1,073,908
2003	274,099	23,987	26,907	40,107	120,846	75,363	245,119	143,238	134,020	1,083,686
2004	340,709	23,574	40,760	41,351	130,912	80,058	248,298	149,918	134,863	1,190,443
2005	338,984	22,822	44,915	41,764	121,796	79,260	246,721	166,362	129,377	1,192,001
2006	350,651	25,873	57,615	42,412	105,751	77,509	248,497	150,088	137,096	1,195,492
2007	375,464	26,895	75,396	41,618	95,552	69,024	248,333	146,741	132,017	1,211,040
2008	382,138	31,345	74,671	42,819	76,677	50,175	251,472	143,800	131,153	1,184,250
2009	457,958	27,767	65,287	45,458	56,402	28,550	260,664	123,949	119,399	1,185,434
2010	461,023	27,420	82,151	45,331	63,042	41,105	272,945	110,386	110,057	1,213,460
2011	456,425	26,791	97,923	43,246	45,423	33,095	305,763	103,064	104,791	1,216,521
2012	433,744	24,736	140,416	43,568	47,664	34,592	271,008	71,936	99,088	1,166,752
2013	468,896	26,640	169,232	47,664	48,208	33,456	290,528	76,016	120,224	1,280,864
2014f	483,083	27,116	197,546	50,628	48,189	33,538	295,057	76,498	128,238	1,339,893
2015f	516,476	27,335	223,042	52,957	47,865	34,070	309,172	80,880	127,334	1,419,131
2016f	522,112	27,611	251,479	55,168	47,624	35,052	301,412	77,132	127,864	1,445,454
2017f	544,181	27,916	283,339	57,434	47,410	36,411	305,043	77,330	131,588	1,510,652
2018f	567,399	28,232	319,010	59,788	47,205	37,910	308,862	77,506	136,205	1,582,117
2019f	591,688	28,558	358,936	62,237	47,002	39,491	312,785	77,672	141,336	1,659,705
2020f	617,047	28,887	403,608	64,786	46,802	41,141	316,777	77,835	146,818	1,743,701

Source: Statistics New Zealand, NZIER

Table 17 Total VFR arrivals

Year	Australia	Canada	China	Germany	Japan	Korea	Other	UK	US	Total
2001	216,542	10,005	7,336	5,003	9,696	17,712	117,327	84,473	31,636	499,730
2002	219,483	10,402	10,078	5,583	12,137	22,123	117,464	90,743	34,435	522,448
2003	245,569	10,334	10,267	6,263	11,719	23,920	126,279	101,602	36,540	572,493
2004	302,715	11,351	11,889	7,542	14,096	21,670	137,177	111,951	41,579	659,970
2005	311,552	13,171	11,691	8,228	12,691	17,855	141,544	115,722	41,118	673,572
2006	318,809	13,829	12,565	8,246	11,797	16,635	143,907	120,237	44,175	690,200
2007	334,072	13,969	14,710	8,951	9,817	14,778	153,386	122,534	40,737	712,954
2008	359,640	15,083	14,550	9,062	9,077	13,863	164,620	117,329	39,776	743,000
2009	408,910	14,553	16,374	9,330	8,446	11,436	161,380	115,026	42,508	787,963
2010	413,662	14,944	18,841	8,518	8,322	12,635	156,061	104,182	41,175	778,340
2011	449,334	15,240	21,216	9,711	9,048	8,998	174,532	105,872	39,706	833,657
2012	476,080	14,768	23,952	10,048	8,656	8,464	175,808	98,688	40,080	856,544
2013	488,672	14,416	28,608	10,336	8,288	8,064	177,168	96,048	41,232	872,832
2014f	503,457	14,661	33,281	10,436	7,918	8,779	181,757	95,667	43,607	899,564
2015f	522,626	15,058	37,679	10,477	7,691	8,786	188,108	95,872	44,042	930,339
2016f	544,133	15,437	42,306	10,538	7,568	8,883	194,888	96,546	44,890	965,189
2017f	567,132	15,829	47,430	10,606	7,478	9,021	202,137	97,433	45,946	1,003,011
2018f	591,329	16,235	53,157	10,677	7,399	9,173	209,746	98,412	47,111	1,043,242
2019f	616,643	16,651	59,568	10,748	7,323	9,329	217,681	99,437	48,345	1,085,725
2020f	643,072	17,077	66,749	10,819	7,250	9,490	225,931	100,486	49,625	1,130,498

Source: Statistics New Zealand, NZIER

Table 18 Other arrivals

Year	Australia	Canada	China	Germany	Japan	Korea	Other	UK	US	Total
2001	52,935	2,870	10,863	3,559	10,181	8,464	95,543	9,133	19,057	212,605
2002	52,936	2,954	19,051	3,106	11,974	11,846	104,768	8,970	19,156	234,761
2003	58,099	3,432	13,355	3,574	11,180	10,258	97,656	10,587	22,540	230,681
2004	66,480	3,291	11,466	4,545	13,028	9,255	92,772	11,986	22,096	234,919
2005	74,069	3,641	11,736	5,065	12,916	11,589	86,282	13,124	22,363	240,785
2006	77,066	3,508	12,654	5,790	12,477	14,087	92,363	12,177	22,985	253,107
2007	78,802	4,173	11,769	5,952	10,625	12,859	104,670	11,412	23,153	263,415
2008	78,928	4,675	11,565	6,863	10,667	12,199	106,611	12,445	21,636	265,589
2009	72,535	3,992	10,474	6,843	8,564	10,527	101,861	9,255	18,697	242,748
2010	90,141	4,118	10,912	7,331	10,479	11,120	107,190	9,535	18,799	269,625
2011	96,350	4,561	13,911	7,627	9,807	8,176	122,173	10,982	20,628	294,215
2012	92,256	4,240	16,928	7,120	10,528	7,536	113,536	9,280	18,976	280,400
2013	98,784	4,112	18,176	8,208	13,152	7,248	119,248	9,568	20,208	298,704
2014f	101,773	4,107	19,164	10,140	14,592	6,759	122,713	9,455	17,693	306,395
2015f	105,648	4,484	20,271	10,118	15,688	6,479	123,544	8,988	21,082	316,300
2016f	109,995	4,851	21,511	10,094	16,469	6,830	124,790	8,161	25,261	327,963
2017f	114,645	5,218	22,899	10,049	17,142	7,248	126,283	7,244	26,668	337,396
2018f	119,536	5,589	24,455	9,973	17,777	7,695	127,827	6,625	27,504	346,981
2019f	124,653	5,966	26,200	9,873	18,405	8,165	129,346	6,126	28,036	356,771
2020f	129,996	6,357	28,158	9,744	19,026	8,651	130,808	5,667	28,465	366,872

Source: Statistics New Zealand, NZIER

Table 19 Spend per day

Year	Australia	Canada	China	Germany	Japan	Korea	Other	UK	US	Total
2001	152.4	205.6	89.9	138.0	270.2	106.9	121.0	147.3	297.4	154.9
2002	145.7	149.3	92.2	129.7	288.5	112.4	136.3	163.7	256.5	156.7
2003	170.8	122.0	117.1	129.0	181.8	174.8	111.4	145.1	191.4	144.1
2004	176.3	120.3	158.6	103.1	221.0	161.8	114.6	140.5	195.2	148.7
2005	177.7	112.7	161.2	109.0	221.6	150.0	111.0	154.9	169.5	147.3
2006	178.1	128.4	177.3	107.4	205.2	136.3	113.4	141.4	194.1	146.5
2007	190.4	127.7	180.5	100.2	215.1	138.0	115.2	160.6	203.0	153.2
2008	188.8	130.7	165.7	99.3	260.0	113.0	99.5	155.6	198.5	145.0
2009	189.2	140.6	170.0	113.7	238.0	100.3	103.7	149.8	180.5	144.4
2010	172.9	136.5	167.4	91.9	197.4	82.4	91.6	137.1	149.2	129.8
2011	181.2	117.3	179.8	75.7	172.0	132.4	101.6	125.4	138.0	131.3
2012	183.0	121.6	217.2	67.3	171.3	116.3	89.5	117.0	146.2	130.2
2013	171.9	162.7	187.4	70.2	161.4	129.6	92.1	105.7	163.4	128.2
2014f	159.5	168.1	184.3	63.5	163.1	126.2	95.6	93.4	155.0	124.7
2015f	161.9	172.5	168.7	60.6	163.2	126.2	97.6	86.2	149.4	122.5
2016f	165.1	174.2	168.4	59.2	163.1	126.1	96.5	84.9	148.4	123.7
2017f	164.3	175.3	172.6	58.0	162.8	124.3	97.0	82.2	147.0	123.8
2018f	162.5	176.1	178.2	56.7	162.4	121.8	97.3	79.3	144.8	123.7
2019f	160.2	176.8	184.5	55.5	162.0	119.1	97.6	76.5	142.4	123.6
2020f	157.9	177.4	191.1	54.3	161.7	116.6	97.9	73.7	140.0	123.5

Source: Statistics New Zealand, NZIER

Table 20 Average stay

Year	Australia	Canada	China	Germany	Japan	Korea	Other	UK	US	Total
2001	12.9	25.3	34.7	32.0	16.7	22.3	28.1	30.6	17.1	21.3
2002	13.2	27.5	41.6	35.6	15.6	21.3	29.0	31.8	17.3	22.3
2003	13.0	28.1	34.7	37.5	17.9	19.5	29.5	31.6	18.0	22.1
2004	12.2	28.2	20.7	38.6	15.2	15.9	28.0	30.8	18.1	20.1
2005	11.9	28.2	18.1	39.7	14.3	15.5	28.6	29.7	18.3	19.9
2006	12.1	29.0	16.2	42.7	15.0	17.1	29.9	30.2	17.9	20.4
2007	11.7	24.7	14.6	43.9	15.0	18.6	30.6	29.4	18.3	20.2
2008	11.7	24.6	16.1	43.5	16.4	22.7	32.2	29.8	17.8	20.9
2009	11.0	24.8	20.2	45.8	17.3	27.5	31.9	29.5	18.3	20.5
2010	11.4	26.1	19.3	44.3	16.7	23.4	31.0	29.2	18.3	20.1
2011	10.6	27.4	18.2	50.4	18.7	22.2	30.4	28.9	18.9	19.9
2012	10.5	24.1	16.0	50.1	18.4	20.2	29.7	29.9	18.4	19.1
2013	10.7	23.7	17.1	52.8	17.8	20.3	29.6	30.0	17.7	19.2
2014f	11.2	23.3	18.5	56.0	17.1	20.2	29.1	32.5	18.4	19.7
2015f	10.8	22.9	20.5	58.6	16.8	20.0	28.6	34.9	19.1	19.8
2016f	10.4	22.6	20.4	59.9	16.6	19.3	29.2	34.8	18.9	19.6
2017f	10.2	22.2	19.8	61.2	16.4	18.8	29.3	35.4	18.8	19.4
2018f	10.0	21.9	19.0	62.6	16.3	18.4	29.5	36.2	18.7	19.3
2019f	9.9	21.6	18.2	64.0	16.1	18.0	29.7	37.1	18.6	19.1
2020f	9.9	21.4	17.5	65.4	16.0	17.6	29.9	38.0	18.6	19.0

Source: Statistics New Zealand, NZIER

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