



**MINISTRY OF BUSINESS,
INNOVATION & EMPLOYMENT**
HĪKINA WHAKATUTUKI

Understanding variability in tourism spend

An analysis of the spending patterns of international
visitors to New Zealand from 2013 to mid-2018

October 2018





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Understanding variability in tourism spend

There is an expectation that growth in visitor numbers should result in comparative growth in visitor spend. While over the long term this is a reasonably consistent relationship, it is often not true in the short term. Visitor spend in the period from 2013 to mid-2018 was particularly variable. This report describes and explains why this variability occurred.

Key findings

1. International visitor number and spend growth diverged at certain points within the 2013 to mid-2018 period

- › International visitor spend grew at a slightly higher rate (10 per cent per year when adjusted for inflation) than visitor numbers (seven per cent per year)
- › Although growth in visitor numbers was largely steady, international visitor spend growth varied far more
- › While it would be logical for spend growth to follow visitor number growth, this does not always occur exactly due to changes in the average visitor spend

2. Many factors affect average visitor spend, and these often go beyond the tourism industry, Government and local economy

- › **Exchange rates** – These have a strong relationship with average spend as they can significantly alter the value in New Zealand dollars of international visitor budgets
- › **Composition of visitors** – The Government and tourism sector have worked strategically towards growing tourism value faster than volume, targeting higher-value visitors and segments. New Zealand attracted greater proportions of higher-spending markets in 2018 compared to 2013 (e.g. China and the US), reducing the Australian market share and increasing overall average spend. In addition, there have been changes in market segments, such as an increase in free and independent travellers (FITs) from China
- › **Other economic factors** –
 - **Airfares** – Increased competition and lower fuel costs have lowered airfares over time. This has likely increased average spend in New Zealand by reducing the proportion of budgets spent on airfares
 - **Fuel prices** – These likely affect the amount spent on fuel as well as a visitors' willingness to travel to regions generally accessed by road
 - **Goods and services prices** – Changes to prices in the goods and services used by visitors could affect their spending habits

3. These factors affect visitor spending in regions differently

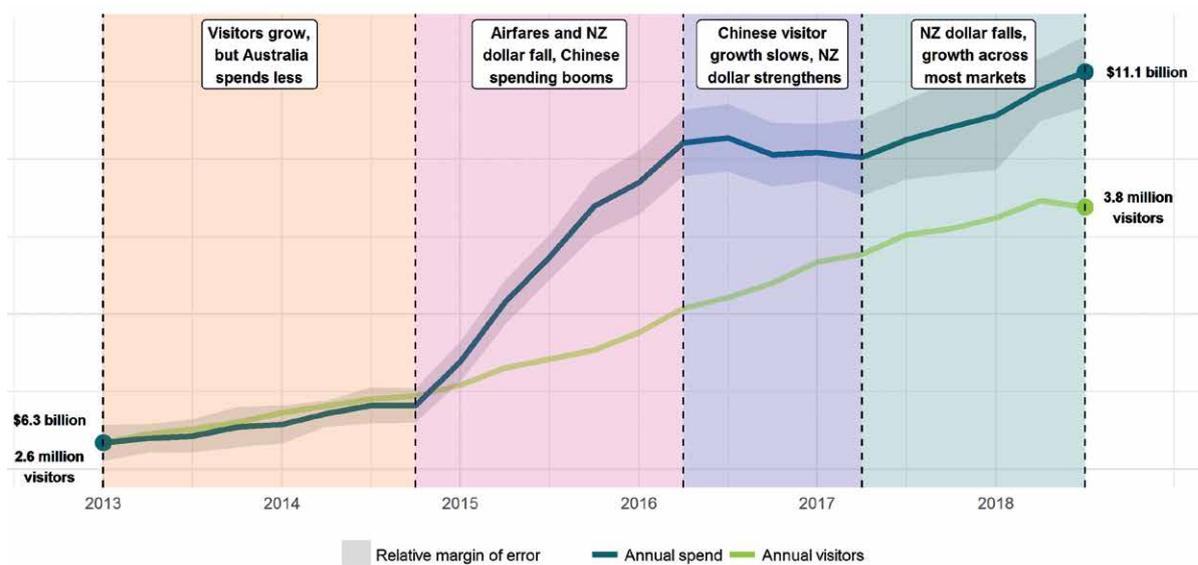
- › Regions have different compositions of visitors, so changes in a particular market may affect regions differently (e.g. changes in very short-term visitor spending may affect Auckland heavily but less so for more remote regions)
- › Changes in prices of products can also impact regions differently, as they have different spending profiles (e.g. an increase in petrol prices could have a more substantial impact on spending in more remote regions)

4. Tourism spend in New Zealand follows global trends

- › Growth in spend of Chinese visitors in New Zealand appears to follow the trend of global Chinese international tourism spend.
- › Growth in international tourism spend in Australia shows a similar pattern to New Zealand over the period.

5. Different economic trends and impacts on visitor spend were seen across four distinct periods since 2013

Figure 1: International visitor spend and visitors, 2013 to mid-2018



Period 1: Visitors grow, but Australia spends less

March quarter 2013 – September quarter 2014 (7 quarters)

Visitors grew faster than spend due to a fall in the value of Australian dollar

- › Visitor numbers grew stronger than total tourism spend due to a fall in the average spend per visitor
- › Decreases in Australian spending were the main reason for this, offsetting growth in the Chinese and US markets
- › The decrease was mainly due to a large fall in the value of the Australian dollar
- › This fall seemed to impact Australians visiting friends and family the most, who are a major part of the Australian travel market

Period 2: Airfares and NZ dollar fall, Chinese spending booms

December quarter 2014 – March quarter 2016 (6 quarters)

Large increases in arrivals and spend per day in higher-spending markets, driven by favourable economic conditions led to record spend growth

- › Strong growth in both arrivals and average spend resulted in record spend growth
- › A fall in the value of the New Zealand dollar and lower airfare costs contributed to a large rise in spending per day

- › All main tourism markets saw large spend increases, with China doubling over the period
- › Total spending of shorter-term visitors, visitors on packages and tours, and hotel stayers grew rapidly. Spending in retail also grew strongly over the period
- › Regions containing international airports had some of the highest levels of growth, suggesting visitors spent extra in the better connected cities.

Period 3: Chinese visitor growth slows, NZ dollar strengthens

June quarter 2016 – March quarter 2017 (4 quarters)

A strong New Zealand dollar and a decrease in spending in larger markets led to a small fall in spending overall

- › Spending fell while visitors numbers increased, driven by a strong New Zealand dollar
- › A fall was seen in the largest markets, with the largest decrease being China
- › Short-term visitor spending fell, as well as retail spending, suggesting a fall in the short-stay shopping tour market
- › Less-connected regions were not as affected by the falls in spending at a national level

Period 4: NZ dollar falls, growth across most markets

June quarter 2017 – June quarter 2018 (5 quarters)

Spending grew faster than arrivals due to economic growth in many of our markets and a fall in the New Zealand dollar

- › Improvements in international economic conditions, coupled with a weakened New Zealand dollar, helped international tourism spend to grow faster than visitor numbers
- › Most markets saw a rise in visitor spend, of which emerging markets made a large contribution
- › Increased spending by short-medium stayers made a large contribution to overall growth
- › Visitor spending on food and beverage servicing grew strongly, as well as on fuel

Implications for tourism industry and policy

- › Changes to economic factors (especially exchange rates) and market composition can significantly affect tourism spend in New Zealand. Being aware of these changes is important for industry planning
- › Changes in these factors affect regions differently, meaning that some regions may not experience the full effects of changes in spend seen nationally
- › Growth in the Chinese market shows no signs of slowing, and with 2019 being the Year of China New Zealand Tourism, market share is likely to continue to increase
- › The Chinese market has been a major contributor to variation in total visitor spend and it's spending patterns and behaviour continues to change, with visitors staying longer and becoming more regionally dispersed. Additional support for Chinese tourists may become increasingly important, such as facilitating preferred Chinese payments methods such as AliPay or WePay

