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This report was prepared by Jude Wilson and David Simmons (Centre for Land, Environment and People (LEaP) Research Centre, Lincoln University) with assistance from Statistics New Zealand, the Ministry of Business, Innovation and Employment (MBIE) and the Tourism Industry Association New Zealand (TIA).

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State of the Tourism Industry 2013

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This report examines the last 10 years of tourism in New Zealand and gives a snapshot of the current state and performance of the tourism industry. Understanding the current state of the industry is vital to provide a baseline from which we will be able to measure the impact and progress of the Tourism 2025 economic growth framework.

The State of the Industry 2013 presents a selection of tourism data drawn principally from Statistics NZ, the Ministry of Business, Innovation and Employment (MBIE) and Cruise NZ.

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Executive summary

New Zealand's tourism industry is a vital contributor to the New Zealand economy, however, we are growing less quickly than some of our international competitors. Trends across the last decade, and for the last five years in particular, show visitor arrivals, length of stay and expenditure are static or falling. The important 'economic value added' indicators show that while there is increasing downstream industry engagement, e.g. retail, food and wine, it's off a diminishing direct base.

International highlights

Positively, new markets are emerging, driven off the back of a growing middle class in Asia in particular, and in the shadow of the Global Financial Crisis. China has shot to second place in arrival numbers, but currently is relatively short stay and highly seasonal. The education market has declined in volume but less so in expenditure. The cruise sector is growing strongly and is now a major component of the industry. Niche markets such as cruise and education interact with various industry sub-sectors such as accommodation in different ways to more traditional visitor market segments. To date these have not been well examined. For example, commercial accommodation data does not capture these niche markets, nor does it fully capture the volume and value of domestic travel activity.

Domestic importance

The data serves as a reminder of the significance of the domestic traveller to the industry's overall sustainability. Domestic tourism contributes more visitor nights and higher expenditure and is characterised by differences in respect of seasonality and regional spread.

Recent events – for example the Christchurch earthquakes and the high value of the New Zealand dollar – highlight the need to mitigate risk by engaging multiple streams of markets and products to buffer against their various sources and regional effects.

Unite the industry

All of the above calls for an integrated 'all of industry' approach to improve our performance. It also reinforces the call for accurate and timely tourism insight to provide the evidence for strategy and practice.

The various trends reported above provide challenges to the industry, not just about its growth trajectory, but also about what are the most important and useful indicators against which to report that growth.

Tourism 2025 sets in place a framework of economic growth as a 'shot in the arm' for an industry that has weathered a tough ten years.

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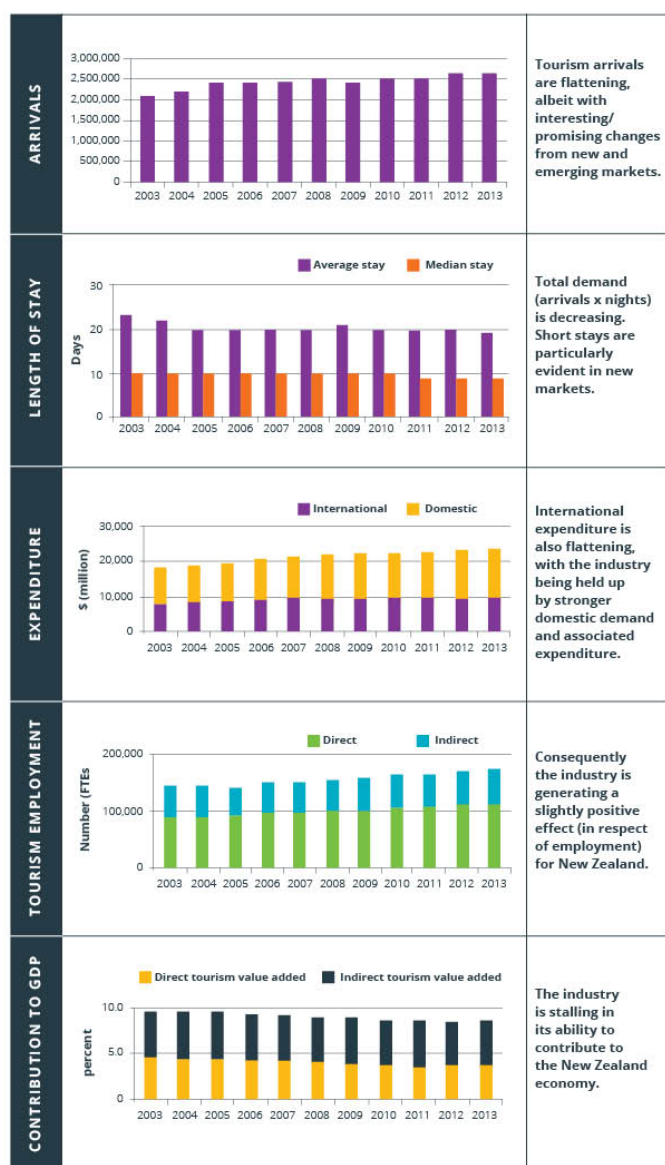
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The State of the Tourism Industry 2013

Tourism activity can be measured by a variety of yardsticks. This report focuses on measures of volume and activity, and the effects these have on our economy and society. Here are trends for five key indicators:

THE STATE OF THE TOURISM INDUSTRY 2013



SOURCE // Statistics New Zealand

[Link to graph source](#)

Tourism in context - what's at stake

History of tourism in New Zealand

New Zealand has a long and enviable history of tourism development. Our scenic grandeur and Maori culture have been recognised as core tourism attractions since the early 1900s, providing foundations that influenced the shape of early rail routes (e.g. via Rotorua and the Southern Lakes) and the establishment of national parks. Our pioneers were strong advocates for the development of a tourism industry, establishing the world's first national tourism office in 1901 (nestled within the Railways Department) and the world's second oldest system of national parks.

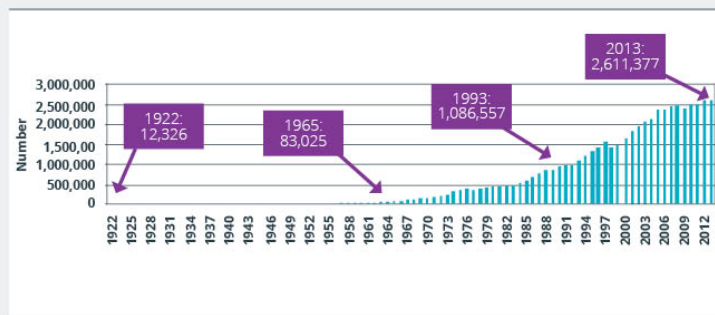
Because of the tyranny of distance, in this period from historical colonial markets, early growth in visitor arrivals was slow. Records show that visitor numbers took 35 years to double (from 12,326 reported arrivals in 1922) with small peaks in cruising recorded prior to both world wars. Some significant and innovative tourism development occurred in the mid-1950s. Early entrepreneurs such as Harry Wigley, for example, first landed his ski-equipped aircraft on the glaciers in 1955. Also in 1955, more formal government support for tourism development came with the establishment of the Tourist Hotel Corporation (THC). However, it was the arrival of jet-powered aircraft in early 1960s that finally broke the 'comfort and time' barriers. Since then, visitor arrivals have doubled just over every decade.

As the sector has grown in size and scope it has been faced with numerous external challenges. These range from fuel supply crises in the mid- and late 1970s, to disease outbreaks and various political crises, as well as natural crises, such as the 2010 Icelandic ash cloud interference to airline routes. In recent times, the Christchurch earthquakes have significantly challenged the sector. In spite of these challenges, growth in visitor arrivals has demonstrated remarkable resilience (Figure 1).

In the globalised world of travel and trade, tourism is an essential component of our wealth and wellbeing. Today tourism forms an important role in the economic and social activity of many regional communities, larger settlements and the nation itself. For the last decade tourism has vied with the dairy sector for top place as a foreign exchange earner. Throughout our tourism history one small set of features has remained constant: a focus on 'nature's marvels', the inclusion and promotion of Maori, and challenging questions of connectivity.

FIGURE 1

INTERNATIONAL VISITOR ARRIVALS (YEAR ENDED MARCH 1922-2013)



SOURCE // Statistics New Zealand

[Link to graph source](#)

The reach of tourism

The tourism industry is made up of a wide range of businesses from large stock exchange-listed companies through to small businesses such as bed and breakfast operators. More than 85% of tourism businesses are small-to-medium enterprises (SMEs) and many have fewer than five staff. These characteristics make the industry unique.

Tourism plays a significant role in the New Zealand economy in terms of production of goods and services. It creates employment. It generates travel spending by international visitors, resident New Zealanders, and business and government travellers.

International tourism expenditure also includes spending by foreign students who study in New Zealand for less than 12 months. Aside from specialised travel and accommodation providers, a number of diverse sectors gain benefit from tourism expenditure. The sector is reported as comprising 43% of all spending in the food and beverage sub-sector, 22% of fuel sales, 15% of

education and 8% of general retail sales.

The sector also adds value to industries within New Zealand that add tourism experiences to their product offering, such as farm stays, factory tours and wineries. Tourism helps drive regional economic growth and supports the revitalisation of towns and communities. This in turn creates employment opportunities and helps build regional pride.

Tourism provides Maori with important opportunities to nurture, to celebrate and to present New Zealand's indigenous culture to the world. Maori culture, in turn, adds a unique dimension to tourism in New Zealand.

External and internal risks

A review of key events impacting on New Zealand tourism over the last ten years highlights a range of external and internal risks or vulnerabilities. Key events include:

- Geological, e.g. earthquakes (Christchurch 2010-11), tsunami (Japan 2011), volcanic ash (Chile 2008, Iceland 2010)
- Atmospheric, e.g. flooding (Nelson 2013, Brisbane 2011)
- Biological, e.g. human (SARS 2003) and animal epidemics (foot and mouth UK 2001)
- Political, e.g. terrorism (9/11), political unrest (Fiji coups)
- Economic, e.g. Global Financial Crisis (2008)

The Christchurch earthquakes and exchange rate movements are useful examples of the range and degree of impact and the vulnerability of the tourism sector in the face of both internal and external risks.

The Christchurch earthquakes

"There is no event since World War II that has disrupted our Christchurch tourism industry by so much and for so long." Tim Hunter, Chief Executive, Christchurch & Canterbury Tourism

The Canterbury earthquake sequence of 2010-11 provided a significant shock to the sector – its reputation, infrastructure and development. At first, international arrivals fell by 46%, following the loss of 43% of commercial accommodation in Christchurch. In August 2013 there was still a 20% reduction in trans-Tasman air capacity and a 26% loss in total international arrivals to Christchurch compared with 2010. International guest nights in the South Island are still 18% behind the 2010 (pre-earthquake) levels, whereas the North Island has suffered no loss. The annual variance is equivalent to \$264 million of lost visitor expenditure.

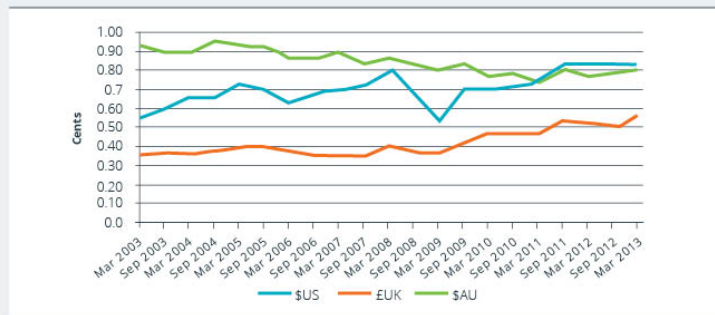
Positively, after two years of demolition in Christchurch the central city rebuild is underway and tourism infrastructure is being restored. During the 2013 winter, the reopening of four central city hotels improved hotel room capacity by 25%. New retail and hospitality business is being constantly developed and the larger public sector 'anchor projects', many of which support the tourism industry, are nearing construction stage. Other locations in the Canterbury region have generally prospered from the Christchurch displacement effect with increased visitor nights, especially from group travellers. The extent of devastation in Christchurch indicates it will be close to 2018 before key supply elements (i.e. a new convention centre, accommodation and attractions) are operating.

International exchange rates

The 2008 Global Financial Crisis precipitated some significant shifts in exchange rates over the last five years. As Figure 2 shows, the NZ\$ has risen against the UK£ and the US\$ (with the Japanese Yen and Chinese Yuan following a similar pattern to the US\$). These exchange rate movements cause a general (but lagged) dampening effect on visitor demand from these countries. The reverse is true for the AU\$ – it has appreciated in value against the NZ\$ and we have seen consistent visitor growth from Australia.

FIGURE 2

NEW ZEALAND EXCHANGE RATE MOVEMENTS 2003-2013



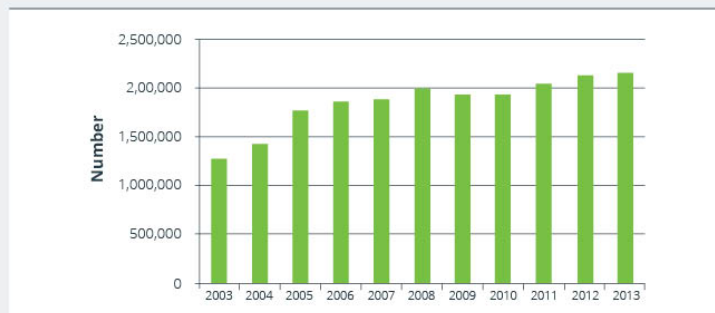
SOURCE // Reserve Bank of New Zealand

[Link to graph source](#)

Outbound travel

The effect of these changes in exchange rates is most clearly seen in the growth of outbound travel by New Zealanders (contributing factors are population growth and ageing, and increasing wealth). Between 2003 and 2013 the number of New Zealanders departing short term (less than 12 months) grew by 874,886 (a 68% increase) (Figure 3). Over the same period the NZ\$ increased 49% against the US\$ and 57% against UK£ (and fell 12.9% against the AU\$) (Figure 2).

FIGURE 3

NEW ZEALAND DOMESTIC DEPARTURES
(YEAR ENDED MARCH 2003-2013)

SOURCE // Statistics New Zealand

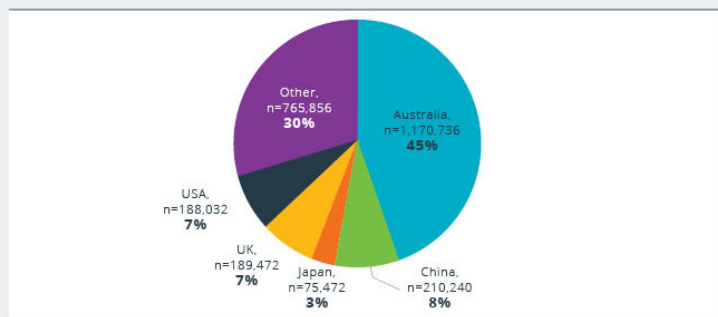
[Link to graph source](#)

International demand flat

International arrivals

The last ten years have seen international arrivals grow from 2,062,423 in 2003 to 2,611,377 in 2013 (a 26% increase).

FIGURE 4
VISITOR ARRIVALS BY KEY MARKET (YEAR ENDED MARCH 2013)

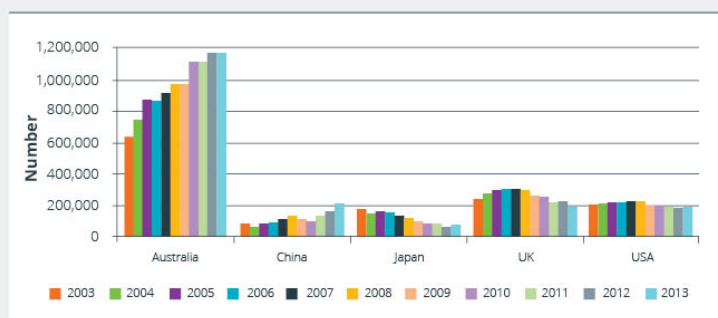


SOURCE // Statistics New Zealand

[Link to graph source](#)

The five key markets (combined) increased in share from 64.9% to 70.5% of all international arrivals between 2003 and 2013. In the year ended March 2013, Australia accounted for 45% of international arrivals (Figure 4). However, growth has not been consistent across the five key markets, as Figure 5 shows. Australian arrivals exceeded one million for the first time in 2009. In November 2012, China overtook the UK as our second largest visitor market. Meanwhile, UK and Japanese visitor numbers fell during this period. Outside these five key markets India is demonstrating strong growth, albeit from a small initial base.

FIGURE 5
VISITOR ARRIVALS BY TOP FIVE MARKETS (YEAR ENDED MARCH 2003-2013)

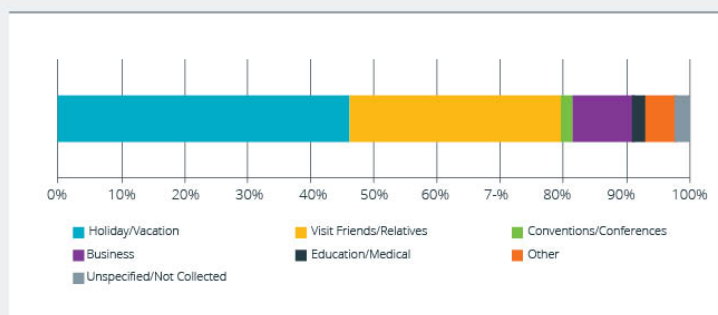


SOURCE // Statistics New Zealand

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International demand by purpose

FIGURE 6
VISITOR ARRIVALS BY PURPOSE OF VISIT (YEAR ENDED MARCH 2013)



SOURCE // Statistics New Zealand

[Link to graph source](#)

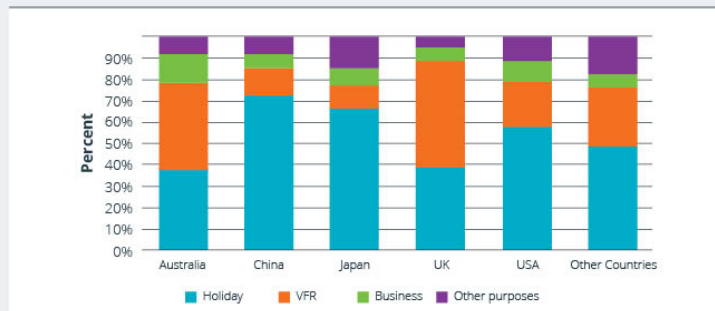
For the year ending March 2013 almost half (46%) of international arrivals were holiday visitors (53% in 2003) and a third (33%) were Visiting Friends/Relatives (VFR) (25% in 2003) (Figure 6).

Purpose by key market

Together, holiday and VFR visitors accounted for 79% of all international arrivals in 2013 (up slightly from 78% in 2003). The China (72%), Japan (67%) and USA (58%) markets had the highest proportion of holiday visitors, while the UK (52%) and Australian (41%) markets had the highest percentage of VFR visitors (Figure 7). Both UK and Australian visitors were split evenly between holiday and VFR. Of the five key markets, Australia had the highest proportion of business visitors (13%) followed by USA (10%).

FIGURE 7

VISITOR ARRIVALS BY KEY MARKET AND PURPOSE OF VISIT (YEAR ENDED MARCH 2013)



SOURCE // Statistics New Zealand

[Link to graph source](#)

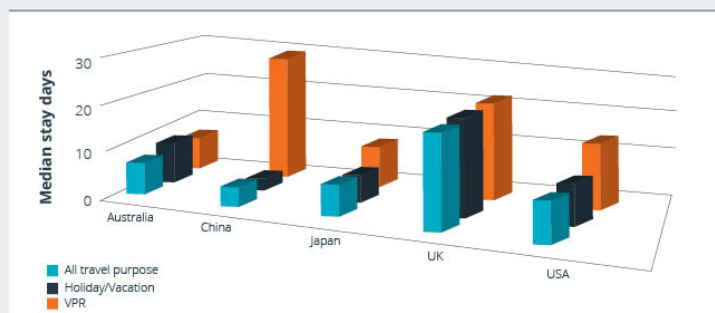
Length of stay for key markets

In 2013 the median stay days of visitors from each key market also varied. As Figure 8 shows, visitors from the UK and the USA had the longest median stay days (20 days and 9 days, respectively). Visitors from China had the shortest median stay days (4 days), although VFR Chinese visitors had the highest median stay days overall – this data describes only 12% of Chinese visitor arrivals (Figure 7). VFR visitors from the UK had a median stay of 21 days (compared with 20 days for holiday visitors); in comparison, Australian holiday visitors had a longer median stay than Australian VFR visitors.

For Australian visitors the median stay days have fallen since 2003 (from 11 to 9 days for holiday visitors, from 10 to 8 days for VFR visitors, and from 9 to 7 days for 'all travel purposes') and this has had a flow-on effect on total tourism activity. In the key markets with the highest proportion of business visitors, the median stay days have fallen over the last ten years (Australia from 4 days to 3 days and the USA from 6 days to 5 days).

FIGURE 8

MEDIAN STAY DAYS BY PURPOSE OF VISIT (YEAR ENDED MARCH 2013)



SOURCE // Statistics New Zealand

[Link to graph source](#)

International demand - niche markets

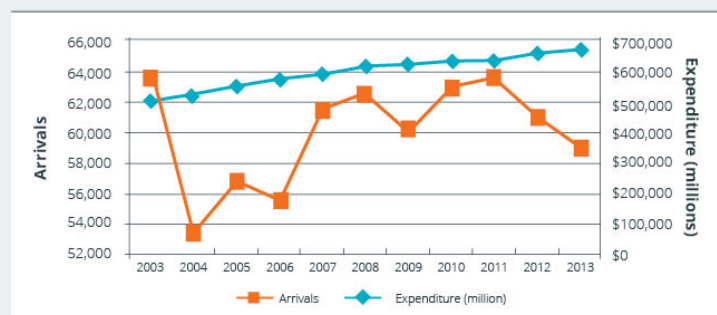
Among the larger visitor flows reported above, four niche markets can be highlighted because of their special characteristics and product characteristics.

Education

Education market data requires care in interpretation as formal tourism definitions do not record students who stay for more than one year. Education visitors arriving for less than 12 months represent only a small proportion of international arrivals. Education visitors peaked at 63,533 (2.6% of international arrivals) in 2003; in 2013 there were 59,068 education visitors (2.3% of international arrivals). The average spend per international student for the 2013 year was \$11,444 (an increase of 45% on the 2003 average spend of \$7868). Education visitor arrivals have been erratic over the last 10 years (with a significant fall of -19.1% in 2004). Significantly, expenditure of education visitors has maintained a gradual year on year increase (Figure 9).

FIGURE 9

STUDENT ARRIVALS AND EXPENDITURE (YEAR ENDED MARCH 2003-2013)



SOURCE // Statistics New Zealand

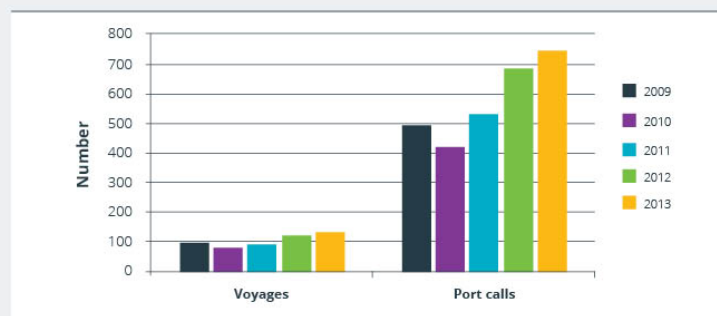
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Cruise

The cruise sector is a rapidly growing segment within the New Zealand holiday market. In the 2012/2013 season 211,430 passengers and 82,368 crew visited New Zealand on 129 separate cruises, making 750 port calls (Figures 10 & 11). These passenger figures represent a growth of 21.6% over the previous season, and a combined average growth of 13.6% over the past five years.

FIGURE 10

NUMBER OF CRUISE VOYAGES AND PORT CALLS (YEAR ENDED AUGUST 2009-2013)

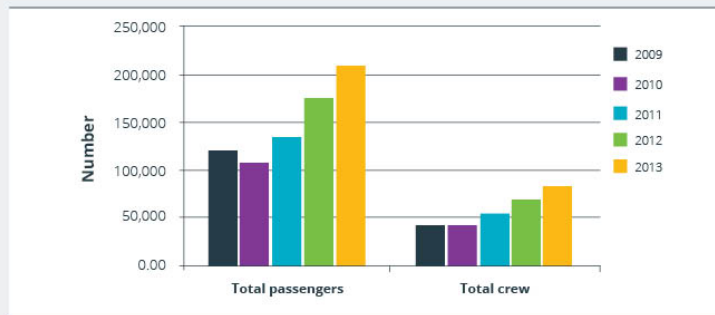


SOURCE // Cruise New Zealand

[Link to graph source](#)

FIGURE 11

NUMBER OF CRUISE PASSENGERS AND CREW (YEAR ENDED AUGUST 2009-2013)



SOURCE // Cruise New Zealand

[Link to graph source](#)

Important details within this growth trend are changing markets of origin (an increase in the proportion of Australian arrivals to 53.2% of the total) and increased regional spread. New ports visited in the last three years include Kaikoura, Timaru, Nelson, Whangarei and New Plymouth. Recent [survey data](#) from Akaroa indicates that the average cruise visitor spends \$118 in Akaroa on a port visit.

Events

Events and festivals are a significant component of community recreation, domestic and international travel experiences. Major events can generate specific international visits (e.g. Lions Tour 2005, Rugby World Cup 2011) and appear as small peaks in visitation while numerous small events (e.g. wine and food festivals) add colour and context to visitor experiences. Events generate a wide range of immediate and longer-term benefits for New Zealand. These include tourism revenue, new business opportunities, promoting high achievement in sports and arts, strengthening local and national pride, and enhancing the development of local infrastructure and amenities.

Eighteen events received investment from the Major Events Development Fund between February 2010 and April 2012 with the Government's investment of \$7.2 million in these events estimated to generate \$32.1 million of net benefit for the country.

Convention

Meetings, Incentives, Conferences and Exhibitions (MICE) are further valuable niche markets that generate domestic and international travel. Within the MICE visitor market multi-day conferences are likely to have the greatest impact on the tourism industry. A broad suite of activity is reported in the [Convention Activity Survey](#) (Ministry of Business, Innovation & Employment, July 2013), including single and multi-day duration events involving local, regional, Australian and other international markets. For multi-day conferences 387,411 delegates were reported, with 81% being 'regional' (presumably New Zealand attendees) in origin and 64% of the remaining 30,381 attendees originating from Australia. For the March 2013 year, 54,160 visitors (2%) reported their main reason for visiting New Zealand was to attend a convention/conference (either single or multi-day). Of these, 33,248 (61%) were Australian.

International demand - seasonality

Seasonality is the bane of productivity in virtually every tourism destination, and New Zealand is no exception. In the 2012 calendar year 34% of all arrivals were in the months of December, January and February, while the March and November shoulder months attracted a further 9% of arrivals each month. Arrivals were at their lowest in May and June at 6% of arrivals each month.

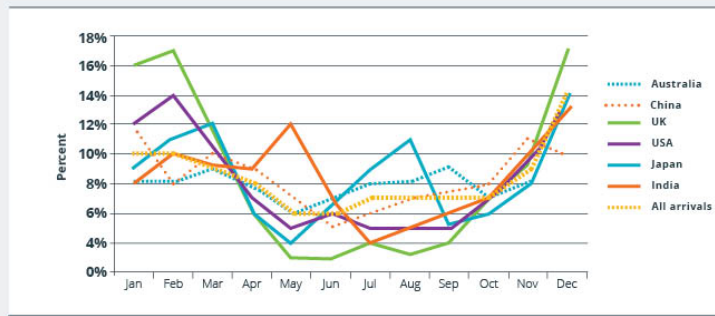
Figure 12 shows the monthly arrivals by key markets for the 2012 calendar year and clearly illustrates the overall summer peaks in visitation along with other market specific peaks and troughs. An early summer peak (December) is most pronounced for the UK market (based around the strength of their VFR component). Chinese visitors were concentrated in the summer months with peaks in January (12%) and November (11%) and slightly smaller peaks in March and December (both 10%). As might be expected of the largest arrival group, Australian visitors (45% of all arrivals in the 2012 year) closely mirrored overall seasonal arrival distribution, although they were slightly below the average in the summer months and slightly above during winter months (most likely related to skiing).

It is also important to note the alternate peaks in smaller markets shown in Figure 12. The Japan seasonal peak in August (again, related to the New Zealand ski season) and the Indian seasonal peak

in May (related to the Indian monsoon season) can assist with structural problems associated with seasonality. Although small in absolute numbers, emerging markets such as India, along with the growing China market, offer growth potential in the shoulder months.

FIGURE 12

VISITOR ARRIVALS BY KEY MARKET (YEAR ENDED DECEMBER 2012)



SOURCE // Statistics New Zealand

[Link to graph source](#)

International visitor spend by key market

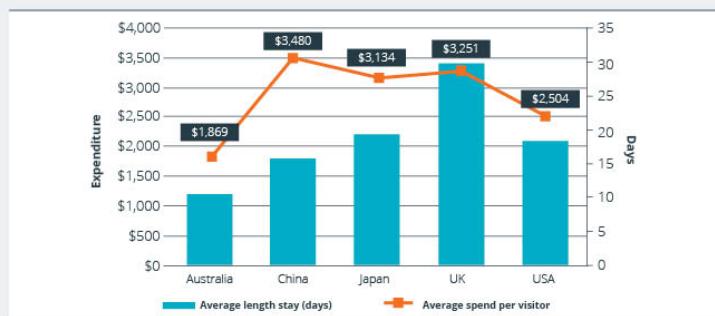
With the advent of [Regional Tourism Estimates](#) of expenditure, an alternative average spend per visitor by key market can be calculated than that provided by the [International Visitor Survey \(IVS\)](#). This calculation:

- takes the 2013 March year end expenditure values for each key market
- applies this against the 2013 March year end visitor arrivals
- and gives the resulting enhanced estimate of average spend per visitor

Figure 13 shows this spend data against the average length of stay for visitors from the five key markets.

FIGURE 13

AVERAGE LENGTH OF STAY AND SPEND* PER PERSON BY KEY MARKET (YEAR ENDED MARCH 2013)



SOURCE // Statistics New Zealand and MBIE

[Link to graph source](#)

When examined by spend category (year ended March 2013) the data shows that the largest proportion of spend for the Australia market is on food and beverage services (30%) while for China and Japan the largest proportion was on 'retail other' (34% and 30% respectively). Visitors from the UK and USA also spent the largest percentage of their money on food and beverage services.

Domestic activity creates half tourism demand

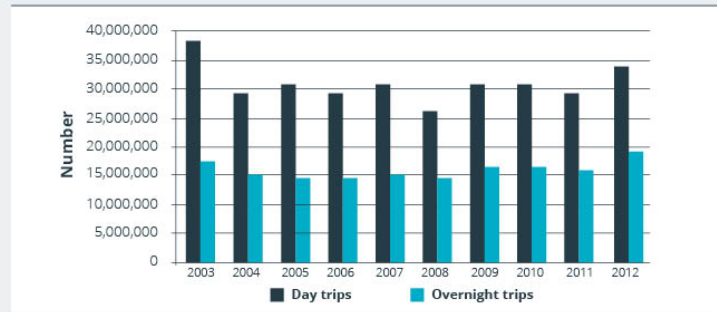
Domestic tourism activity accounts for more than half of the demand for overnight stays and makes a

substantial contribution to the industry's overall financial resilience and functioning. Many tourism businesses become 'export ready' on the domestic visitor trade.

Total domestic tourism comprises three components - overnight, day trips and outbound travel by New Zealanders (see Figure 3). In the year ended March 2012, New Zealanders took 34.1 million day and 18.6 million overnight trips. Over the ten years from 2003 to 2012 the number of overnight trips taken by New Zealanders increased and the number of day trips decreased (Figure 14).

FIGURE 14

NUMBER OF DOMESTIC DAY AND OVERNIGHT TRIPS (YEAR ENDED MARCH 2003-2012)



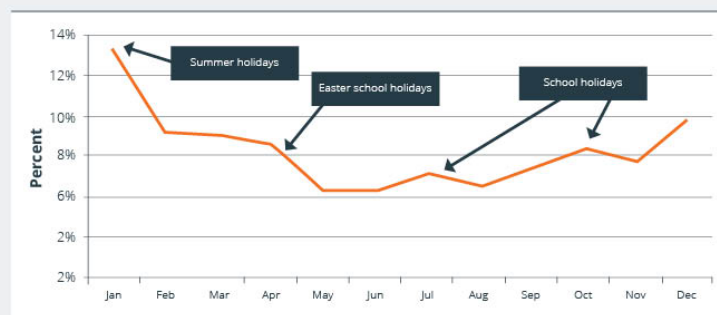
SOURCE // MBIE

[Link to graph source](#)

Domestic tourism shows a distinct seasonality pattern, with a significant peak around the summer holiday period and smaller peaks during Easter and school holiday periods (Figure 15). When these coincide with peaks in international demand it can lead to significant supply constraints.

FIGURE 15

NUMBER OF DOMESTIC DAY AND OVERNIGHT TRIPS (YEAR ENDED MARCH 2003-2012)



SOURCE // Statistics New Zealand and MBIE

[Link to graph source](#)

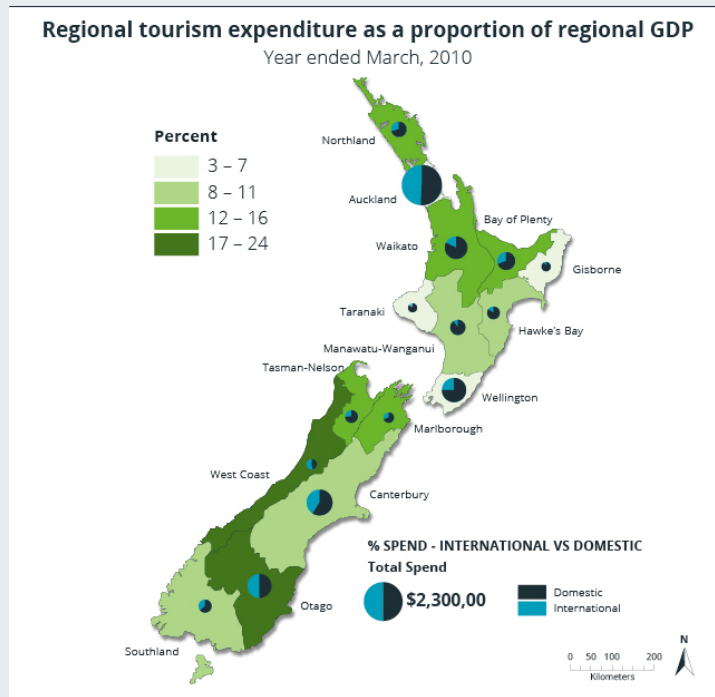
Because of their travel patterns domestic visitors are a particularly important contributor to regional economies.

Tourism activity widely dispersed through NZ

The tourism industry supports many regional communities and economies, generating wealth and vibrancy. In searching for an appropriate indicator of regional impact we have been able to create an indicator based on [Regional Gross Domestic Product data](#). In Figure 16 we demonstrate regional tourism expenditure as a proportion of regional GDP (year ended March 2010) to generate a crude measure of tourism's regional intensities. While regional tourism expenditure data are available to 2013 the regional GDP data are currently only modelled to the 2010 March year.

FIGURE 16

REGIONAL TOURISM EXPENDITURE AS A PROPORTION OF REGIONAL GDP (YEAR ENDED MARCH 2010)



SOURCE // Statistics New Zealand and MBIE

The pie charts in Figure 16 show both the proportion of international and domestic expenditure in each region as well as the relative expenditure size. While most expenditure occurs in the gateway cities (larger pies) the impact of expenditure is more marked (heavier shading) in more sparsely populated regions (e.g. West Coast, Otago, Northland, Marlborough). Domestic expenditure dominates in all regions except for West Coast and Otago.

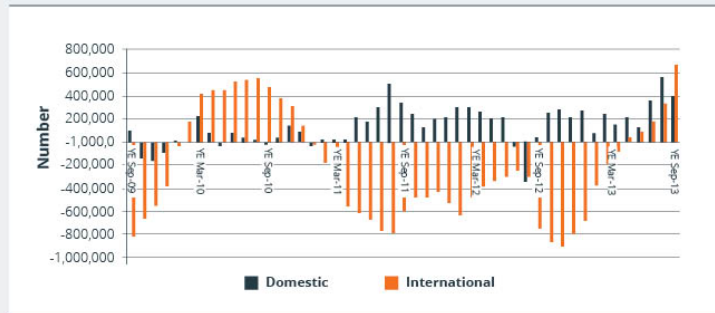
Domestic travel supporting commercial accommodation

While international visitors account for 40% of all commercial guest nights and domestic 60%, some 57% of domestic visitors stay in private accommodation and 33.1% of international visitors list their primary purpose of visit as VFR.

Figure 17 shows the volume change (from the same month in the previous year) in guest nights for both international and domestic visitors from September 2009 to September 2013. These data show for most months, domestic guest nights have held up better than international guest nights and thereby made an increasingly important contribution to accommodation operators' financial sustainability.

FIGURE 17

GUEST NIGHTS BY VISITOR TYPE - ABSOLUTE CHANGE (SEPTEMBER 2009 - SEPTEMBER 2013)



SOURCE // Statistics New Zealand

[Link to graph source](#)

Tourism outcomes - An incentive for action

Tourism's major contribution to exports

International visitor expenditure brings new money to the economy and has the equivalent effect to other export sectors. For the year ended March 2013, international tourism expenditure increased 2.2% (\$213 million) to \$9.8 billion and contributed 16.1% to New Zealand's total exports of goods and services. Over the last six years, despite good efforts on various fronts, tourism's export contribution has been flat. Tourism is one of the country's largest two export sectors, but over the last three years has been second to dairy. (Figure 18).

FIGURE 18

INTERNATIONAL TOURISM EXPENDITURE VERSUS DAIRY EXPORTS (YEAR ENDED MARCH 2003-2013)



SOURCE // Statistics New Zealand

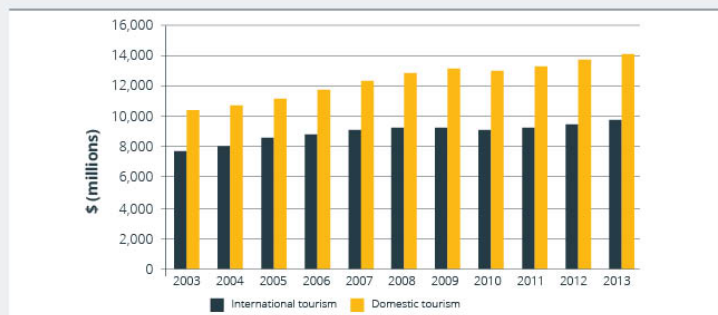
[Link to graph source](#)

Domestic tourism expenditure has outpaced international spending

Domestic tourism expenditure does not have the same export effect as international expenditure, but keeps spending within New Zealand and acts as a buffer to the lost revenue from outbound domestic travel. For the year ended March 2013, domestic tourism expenditure increased 2.4% (\$328 million) to \$14.2 billion (Figure 19). The growth in domestic visitor expenditure has outperformed international expenditure for the last seven years.

FIGURE 19

**TOURISM EXPENDITURE BY TYPE OF VISITOR
(YEAR ENDED MARCH 2003-2013)**



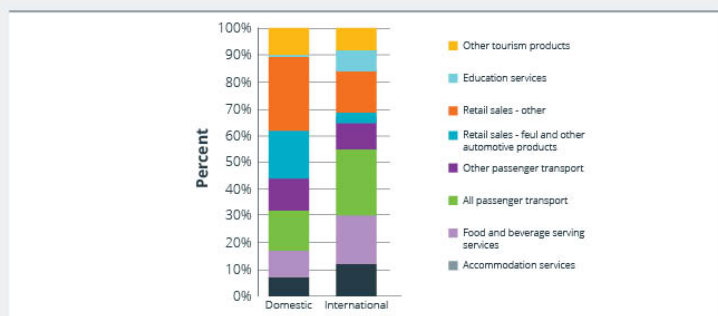
SOURCE // Statistics New Zealand

[Link to graph source](#)

Alongside the variations in regional patterns of domestic versus international travel already noted, there are also differences in expenditure patterns. The biggest share of domestic demand was retail (46%), while international tourism’s demand on retail was only 20% of total international spending (Figure 20). International visitors spent most of their budget on passenger transport (34%) and accommodation, food and beverage services (together 30%).

FIGURE 20

**TOURISM EXPENDITURE BY TYPE OF VISITOR
(YEAR ENDED MARCH 2003-2013)**



SOURCE // Statistics New Zealand

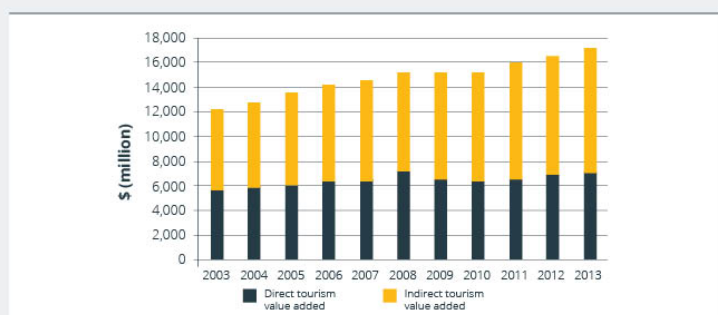
[Link to graph source](#)

Taken together, international and domestic expenditure give rise to flow on (indirect) expenditure to other sectors.

Tourism’s flow on effect within the economy has become more pronounced in absolute terms (Figure 21) but this needs to be seen in the wider context of the composition and growth of the overall New Zealand economy.

FIGURE 21

TOURISM VALUE ADDED (YEAR ENDED MARCH 2003-2013)

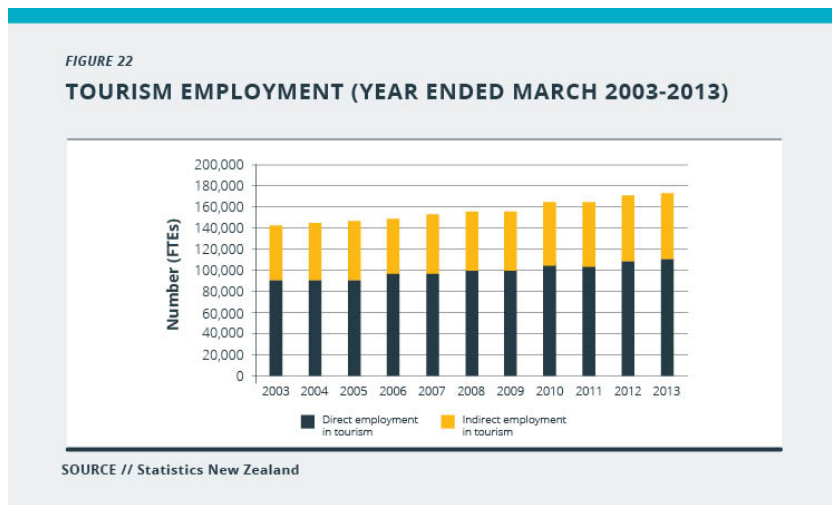


SOURCE // Statistics New Zealand

[Link to graph source](#)

Tourism employment – slight increase

Tourism employment is arguably the most important social benefit from tourism sector activities. Figure 22 shows the direct and indirect tourism employment (FTE) over the last decade, reflecting a slight increase in tourism employment.



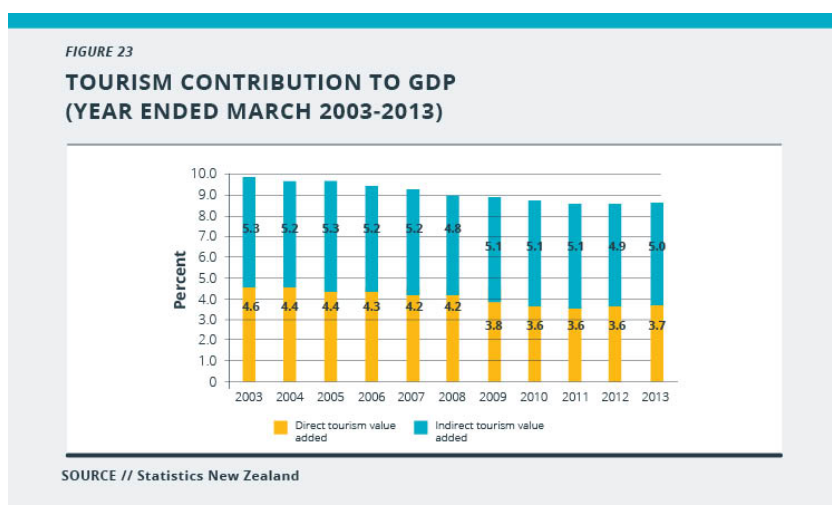
[Link to graph source](#)

The measure of employment as full-time equivalents (FTE) is a coarse measure. Each part-timer is recorded as 0.5 FTE, as is each seasonal worker. Set against the seasonality of tourism and the broad definitions of 'part-time', this aggregated indicator might be too loose a measure of either impact or productivity. Thus the number of FTEs employed in tourism does not necessarily correlate with movements in total tourism expenditure or direct value added. In 2013, for example, direct tourism value added increased 4.3%, while FTEs directly employed in tourism increased 1.8%. This difference may be the result of a number of factors. There may be a shift in the number of hours worked or in output for each FTE. Alternatively, there may be a lag between growth in a given industry and decisions to employ new staff.

Contribution to GDP has fallen

The most robust measure of any sector's contribution to an economy is its effect on GDP. Here the combined effects of expenditure, supply inputs and employment are recorded.

Tourism has been dropping as a proportion of foreign exchange earnings (from 17.9% in 2003 to 16.1% in 2013) and as a component of the national economy. As Figure 23 shows, the direct contribution to GDP declined from 4.6% to 3.7% for the same period, while the indirect contribution declined from 5.3% to 5.0%.



[Link to graph source](#)

Revisions to spending by international visitors

Recent upward revisions to the [International Visitors Survey \(IVS\)](#) series and estimates of export education will impact on a number of national tourism statistics currently published in the [Tourism Satellite Account \(TSA\)](#) and featured in this document.

The increase in each component will lead to an increase in the value of international tourism expenditure to the New Zealand economy. The extent of each component's value and the timespan covered that is to be incorporated into the revised international tourism expenditure estimate is as follows:

- the full value of the IVS revisions for each year back to year ended March 1999 (start of official TSA time series)
- the less than 12 month's component of the export education revisions (consistent with the definition of a tourist) from the year ended March 2004.

The overall revision to international tourism expenditure of \$1.9 billion per year on average will result in an increase in international tourism's contribution to total exports for each year of the official TSA time series.

Revisions to international tourism expenditure will also impact on domestic, specifically household, tourism expenditure. This stems from the allocation of household and international tourist expenditure within GDP changing, meaning an increase in international tourist expenditure will be offset by a similar decrease in household consumption expenditure and ultimately household tourist expenditure.

The expenditure impact on both international and household tourism expenditure has the potential to alter tourism industry ratios being the proportion of an industry's output consumed by tourists. These ratios are used in the calculation of employment and value added estimates and any ratio changes is likely to lead to revisions in these two components across some or all years of the official time series.

The exact impact of these revisions will be determined in the release of the Tourism Satellite Account: 2014, published in October 2014.

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