

FEBRUARY 2009

Australia

Australian bookings are holding up for now.

United States

Are things looking up in the US?

United Kingdom

Backpackers provide a ray of sunshine in the UK.

KIA ORA

This edition of *Tourism News* provides updates on New Zealand's major tourism markets.

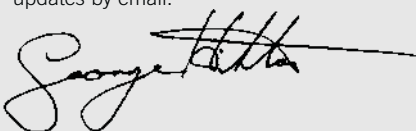
Tourism New Zealand is uniquely placed to comment on the international markets, with regional managers in nine offshore offices collecting industry information on a monthly basis. The information picks up emerging trends in visitor behaviour including changes in booking patterns, economic indicators and forward booking trends.

The latest arrivals figures for December were a pleasant surprise, with an overall upswing in arrivals. We hope the same picture will be repeated for January and that current campaign activity will help contribute to a second month of positive growth.

Regardless, Tourism New Zealand is concerned about the upcoming winter months. One positive is that a serious decline in visitor numbers over winter should be less financially damaging than one during New Zealand's busy peak months.

We are using the information we have to find opportunities and to plan where we will spend our money in the coming year. So far the focus has been on our major markets, but we will also look at the viability of emerging markets like Central Europe, South America and Northern Europe.

With the situation offshore changing so quickly, Tourism New Zealand is working to ensure we get information out to you as quickly as possible. If you have not already done so, please email comms@tnz.govt.nz to sign-up to receive regular *Tourism News* updates by email.



George Hickton
Chief Executive
Tourism New Zealand

International airlines are suffering from lower passenger loadings, despite cheaper airfares. In Singapore (pictured), travellers are benefiting from increased capacity on a number of routes as fewer British and American travellers pass through Changi Airport.



CREDIT: ROSALAN RAHMAN / GETTY IMAGES

Taking the Good with the Bad

2009 will be a year of looking for opportunities to gain a bigger slice of the declining travel pie, Tourism New Zealand Chief Executive George Hickton says.

While the global economic situation continues to dominate headlines, Tourism New Zealand – like tourism boards around the world – is getting on with the job of promoting New Zealand as a tourist destination. Campaigns are currently running in four major markets: the US, UK, Australia and China.

George Hickton says December arrivals figures from Australia and the UK were particularly pleasing.

“The ‘What do You Say UK?’ campaign has been running since September and we went into Australia over summer with the ‘What’s On’ campaign, and both strategies appear to have paid off,” he says.

Arrivals from Australia were up 5.6% in December and while the UK was down by 4.5%, “that is a good outcome considering the market conditions,” George Hickton says.

Good capacity and competitive airfares have helped boost trans-Tasman arrivals. Behind the scenes, Auckland Airport has been working with all of its airline partners to encourage them to add to their existing Auckland services or add New Zealand to their flight itineraries.

Auckland Airport Chief Executive Simon Moutter says there have been a number of new products and service options developed with existing airlines, such as major partner Air New Zealand, that have helped to stimulate and grow markets.

“Similarly, passenger volumes from the short-haul and trans-Tasman markets have been stimulated by the arrival of new entrants like Pacific Blue, JetStar, and the new Emirates A380 service,” he says. “The team at

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Auckland Airport have worked hard to encourage airlines to grow their services in a way that suits their marketing and route network strategies.”

Tourism New Zealand is also using online social networking to reach potential visitors from across a number of markets. Over 400 video diaries have been collected in the ‘Have Your Say’ mobile studio, which will be on the road until the end of April. As at mid-February, the videos had received around 37,000 views.

A new campaign – based around ‘The New Zealand LifeBack Promise’ – has just been launched in the US, and China is seeing a fresh burst of 100% Pure New Zealand advertising activity.

Tourism New Zealand’s work in China is focused around the Shanghai region, which George Hickton says remains a city in a positive frame of mind despite growing predictions of an economic slowdown and growing unemployment for China as a whole.

Overall, total arrivals for December were up 1.6%, which held the annual decline for 2008 to 0.3%.

Despite the work being done, Tourism New Zealand is predicting a drop in total visitor arrivals of around 5 to 10% between December 2008 and March 2009, held up largely by an expected slight increase in arrivals from New Zealand’s largest market, Australia.

Late last month, the World Tourism Organisation said it expected international tourism to be in a range of 0 to 2% down in 2009.



CREDIT: ANDREW HAYES / GETTY IMAGES

ABOVE: The slowdown is now impacting economies around the world, with the UK among one of the hardest hit. Retail sales at Christmas were the worst they've been in 14 years.

“The picture after March is a lot less clear,” says George Hickton. “Many in the industry are telling us that forward bookings after March are soft and it is hard to get a read on things because people are holding off booking holidays till the last minute.

“One thing is clear though: while New Zealand will not avoid the global economic downturn, Tourism New Zealand will continue to find marketing opportunities and to maximise those.”

to receive email updates please contact comms@tnz.govt.nz.

Also see our corporate website – www.tourismnewzealand.com – for regular news updates and other information including market guides, which feature market intelligence and ongoing campaign work in each of our markets.

Tourism New Zealand Chief Executive George Hickton will be on the road around New Zealand with members of our local and offshore management teams in late February and early March updating the tourism industry on activity in each of our key markets. Presentations will be held in Wellington (26 February), Auckland

Clearer Skies in Canada

Although it's still a relatively small market, Canada has the potential to offer a ray of sunshine amidst a cloudy economic outlook.

The Canadian economy is more robust than big brother neighbour the US. With a less negative outlook than some of our markets, Canadians will batten down the hatches and ride out the economic blues.

From a travel perspective the Canadian dollar is strong against New Zealand – making us an attractive destination.

Read more at www.tourismnewzealand.com.

Japan: A Waiting Game

For a market that has not performed well for New Zealand since 2004, the recession couldn't be worse news.

Officially entering the recession in late 2008, it is predicted that the downturn in Japan will be long and harsh. GDP growth is expected to be negative – worse than during the Asian financial crisis in 1998.

While there is nothing left to cut out of the official cash rate, which is sitting at 0.1%, the Japanese have slowed their spending with retail sales falling by the largest amount in four years in December.

All and all the picture isn't promising for New Zealand's fifth biggest and one of our highest spending markets. Australia is also forecasting a dismal 19% drop in Japanese arrivals, although, like New Zealand, this is with a clear directive to hang on in there in the hope of brighter days to come.

Read more at www.tourismnewzealand.com.



**TOURISM New Zealand
SHARING WHAT WE KNOW**

Keep Up to Date

www.tourismnewzealand.com

Tourism New Zealand has revamped its communications to make sure the information we are collecting is getting through to the industry as quickly as possible.

Tourism News is now supported with regular email bulletins, which keep the industry informed about our offshore markets, campaigns and initiatives, awards and events. If you have not already registered

(2 March), Rotorua and Christchurch (5 March) and Queenstown (6 March). These are being organised through the RTOs in each region as well as ITOC in Auckland. Invitations will go out shortly.

“We are collecting comprehensive market information both onshore and offshore every month and these updates are an opportunity to pass that information through to the industry directly and to get your feedback on how you see the situation developing in the coming months,” says George Hickton.

“These presentations will also be an opportunity to discuss which markets offer some ray of hope for 2009 and how we can work to stimulate them.”

Australian Bookings Holding Up

Our neighbours across the Tasman aren't in recession yet, but their economy is unwinding fast and it's expected to get worse before it gets better. Warnings are mounting that the global situation and, particularly, China's slow-down will lead to recession this year in Australia.

If it happens, this will be Australia's first recession in 17 years. The Australian dollar weakened in the last nine months, owing to poorer economic conditions, lower commodity prices and falling domestic interest rates.

With a weak dollar against most other currencies aside from the New Zealand and Canadian dollars, New Zealand is a good holiday option for Australians. There are also more seats available on the trans-Tasman

route this year and fares are dropping. Despite these positives, New Zealand has been losing its share in the Australian travel market for some time.

Tourism New Zealand is working to halt this decline, running our first summer campaign in several years and launching a ski season television campaign in early February.

The summer campaign saw a 45% increase in hits on www.newzealand.com/travel/australia in January, with visits up by over 28,000 to 92,250 on the same time last year.

The campaign has also had great support from the industry, with 90 separate deals listed online.

Overall the Australian travel trade says there has been strong interest and bookings for New Zealand although they're being confirmed late.

For example, in early January most wholesalers were expecting to be down by 10 to 15% on last year, but by the end of the month sales were holding up at similar levels to January 2008.

BELOW LEFT: As well as an earlybird campaign targeting ski and snowboard fanatics, Tourism New Zealand ran advertising in Australia over summer for the first time in several years.



US: Looking Up?

If Barack Obama's rescue package proves successful, we might just see Americans starting to travel again. This market has been quiet for some time with the election gluing potential travellers to their couches and the recession hitting early.

But a new president and a US\$800 billion rescue package are generating some optimism in New Zealand's third biggest tourist market. With house prices down 18%, retail sales down almost 20% and 524,000 jobs lost in December alone, it is a dollop of hope that can't come soon enough.

So why would Americans choose to holiday in New Zealand in 2009? Great deals for a

start – there are many hitting the market such as the US\$760 return airfares offered by Qantas. Then there's our weak Kiwi dollar.

The cruise industry is faring well out of this market, with almost half of our cruise ship visitors so far this summer coming from the US. Early bookings for next summer are also indicating that overall – at the very least – next year's cruise season will be as good as summer 2007/08.

Tourism New Zealand is currently running a \$3 million campaign in the US targeting *Discovery Channel's* audience of hard-core travellers. Under the tagline 'The New Zealand LifeBack Promise',

Discovery Channel presenter Dhani Jones has filmed a series of short documentaries showcasing the revitalising experiences US travellers can have in New Zealand.

It is hoped the campaign will help raise awareness of New Zealand among our target market in the US and help New Zealand emerge from the current downturn in a stronger position than we went in.



KOREA: IN IT FOR THE LONG-HAUL

There's no good news coming out of Korea at the moment. With numbers taking a steep decline after shopping commission incentives were removed last year, the economic downturn has just added to the ailments of this market.

Facing negative GDP growth, fourth quarter economic indicators were the worst since the Asian financial crisis. The negativity is reflected in consumer confidence, which is reported to be as low as 1998 crash levels.

Exports were down 33% in January and there have been large job losses, with more expected. Electronics giant Samsung, which accounts for about 20% of Korea's annual exports, posted its first ever quarter loss since listing in 2000.

This market is expected to be down 20% in 2009. New Zealand is suffering as a high-cost destination for Koreans, with limited access and cheaper competition from Australia and other short-haul destinations.

Most Koreans will pull spending on perceived luxuries as they try to be frugal in the face of the economic storm. But there will be some who continue to travel.

Tourism New Zealand is focused on building trade capability in the higher end/luxury FIT market, working with airlines on promoting mono-New Zealand travel, family activity and maintaining a media presence. These efforts will help to ensure we are well positioned to quickly rebuild a better market when the economic turnaround eventually happens.



Introducing the
Associate Minister of Tourism

Dr Jonathan Coleman

Kia Ora and New Year's Greetings

I am delighted to be able to deliver my first address to readers of *Tourism News* as the Associate Minister of Tourism. At a time when much of the media is focused on doom and gloom in the economy, I view tourism as an industry which will be vital to sparking economic growth.

As I'm sure you are all well aware, tourism provides one in ten New Zealand jobs, is our largest industry and one of our largest earners of foreign exchange. The vital place of tourism in the New Zealand economy is highlighted by the fact that the Prime Minister himself is the Minister of Tourism.

It's extremely positive to see events like the Louis Vuitton Pacific Series taking place and the Wellington Sevens attracting thousands of visitors to the capital in February. Events like these keep New Zealand on the radar giving us the sort of coverage that money just can't buy.

I am aware that many tourism operators will be feeling nervous heading into 2009, but I can assure you that this Government remains firmly focused on the issues facing your industry. We don't believe this portfolio had the attention it deserved under the previous administration.

We remain confident that there is still real potential for growth within the industry. This Government's door is always open and we want to be a partner with your industry ensuring it gets the support it requires. I wish all of you a prosperous and enjoyable 2009.

Dr Jonathan Coleman
Associate Minister of Tourism

China: Cautious Optimism in Year of the Ox

The Chinese Government is still being cautiously optimistic and focusing on stability, as China's wellbeing will rely heavily on consumer confidence at home in the coming year.

GDP growth is still positive but slumped 7% in the last quarter, below the Chinese Government's stated 8% growth goal, which it says is necessary to maintain jobs and social stability.

China's economy is now the world's third-largest behind the US and Japan. Chinese stock markets fell dramatically in 2008, ripping a hole in savings and nest-eggs. Real estate prices have flattened in Beijing and Shanghai and urban unemployment rose to 4.2% in December, the first rise in five years.

The Government has pledged four trillion yuan over two years to building projects, many of which are already underway as a result of the 2008 Sichuan earthquake.

Tourism New Zealand is currently running a third round of 100% Pure New Zealand advertising activity in Shanghai. Shanghai has been described as an optimistic city, with people still shopping and eating out and flights full to places like the US, Europe, Australia and New Zealand.

Anecdotal feedback suggests we have gained market share from the Australian holiday market both in dual – and mono-destination visits. Mono-New Zealand Approved Destination Status applications are up, as is semi group travel.

Read more at www.tourismnewzealand.com.



Tourism New Zealand hosted the co-chairman of China Team (the first ever Chinese boat to enter the America's Cup) while he was in New Zealand for the Louis Vuitton Pacific Series. Wang Chaoyong and his wife Li Yi Fen's visit to New Zealand will be covered in several high-profile lifestyle magazines in China, as well as online. Pictured above at Millbrook in Queenstown.

TOURISM NEWS MARKET HIGHLIGHTS

VISITOR ARRIVALS



United Kingdom

December 08: 39,177 **-4.5%**
 YE Dec 08: 285,094 **-2.6%**

- The UK economy has entered recession after contracting for six months in a row
- Interest in non-European destinations is increasing and NZ may benefit from a favourable exchange rate against the pound
- The backpacker market may present an opportunity as younger people and newly unemployed look to travel as an alternative to finding work in a tight job market
- The second phase of the 'What Do You Say UK?' campaign is underway, with the television commercials returning to air and hundreds of visitors sending home video messages from the 'Have Your Say' mobile film studio
- Tourism New Zealand is forecasting visitor arrivals from this market will be down 10% between January and March

Australia

December 08: 132,867 **5.6%**
 YE Dec 08: 976,200 **2.7%**

- Australia is not yet in recession but the economy is worsening and recession has been predicted
- NZ is in a good position with a favourable exchange rate and increased airline capacity on the Tasman route
- Booking lead times have decreased to as little as two weeks and consumers are looking for deals
- A 'What's On' summer campaign has been running in market since December and an early-bird ski campaign is targeting winter sports fans
- Tourism New Zealand is forecasting visitor arrivals from this market will be up 0-3% between January and March

United States

December 08: 23,625 **-0.9%**
 YE Dec 08: 212,410 **-1.7%**

- Americans are feeling optimistic, despite significant drops in house prices and retail sales, and rising unemployment
- A \$US800 billion stimulus package covering public spending and tax cuts was approved in February
- NZ is offering good value for money with the weak Kiwi dollar and lower airfares
- A new Tourism New Zealand campaign with the tagline 'The New Zealand LifeBack Promise' will help raise awareness of NZ in the US
- Tourism New Zealand is forecasting visitor arrivals from this market will be down 10-15% between January and March

Japan

December 08: 9,342 **-14.4%**
 YE Dec 08: 102,482 **-15.8%**

- The financial crisis in Japan is considered worse than in the US. The recession may be the longest since WWII
- Travel agency JTB has predicted total outbound travel from Japan will be down 4.4% in 2009
- Fuel surcharges are decreasing and NZ has become 'cheaper' due to the depreciating dollar. This may stimulate demand
- Group bookings for later this year are up, assisted by price decreases that will take effect from April 2009
- Tourism New Zealand is forecasting visitor arrivals from this market will be down 15% between January and March

China

December 08: 13,959 **+1.8%**
 YE Dec 08: 112,398 **-7.0%**

- The economic crisis has hit China, although its economy is still in growth and the Government is cautiously optimistic
- Semi-FIT and mono-NZ travel is increasing in popularity and NZ is gaining market share in these areas
- Government and business travel is likely to remain down as spending on public servant travel is curbed
- A third round of 100% Pure New Zealand campaign activity started in February using online, television and outdoor advertising
- Tourism New Zealand is forecasting visitor arrivals from this market will be up by 10-15% in January due to Chinese New Year, but down 15% in February and March

South Korea

December 08: 5,184 **-34.2%**
 YE Dec 08: 79,061 **-20.5%**

- The Korean economy is in bad shape, with job losses, high inflation and a continually weakening currency
- Total outbound travel is down, although enquiries from younger FITs are increasing
- Historical evidence suggests that Koreans will return to travel quickly when the economic situation eases
- Tourism New Zealand is focusing on building trade capability in higher end/luxury FIT development
- Tourism New Zealand is forecasting visitor arrivals from this market will be down 20% between January and March

Germany

December 08: 9,315 **+8.8%**
 YE Dec 08: 62,300 **+4.2%**

- Consumer confidence in Germany is low, with low spending and the highest rate of savings since 1990
- Prices to NZ remain fairly high. Many airlines are reducing capacity due to a decline in demand in Europe
- Forward bookings to NZ after February are slow
- The youth market is strong with good enquiry levels
- Tourism New Zealand is forecasting visitor arrivals from this market will be down 2-3% between January and March

Singapore

December 08: 5,562 **+5.1%**
 YE Dec 08: 28,836 **+7.5%**

- The economy is expected to remain weak in 2009 with increased unemployment and the worst ever quarterly contraction recorded in the first quarter of 2009
- Singaporeans are opting to control spending on luxuries while they wait for the economic situation to settle
- Decreased demand for seats via Singapore from the UK and Europe is freeing up airline seats, but cheaper fares to China, Australia, Europe and Japan may divert some traffic from NZ
- A follow up 'New Zealand On Wheels' campaign will launch in February to generate interest during the NATAS travel fair

India

December 08: 2,862 **0.0%**
 YE Dec 08: 23,860 **+9.2%**

- The global financial crisis is being felt, with the stock exchange shrinking, the rupee falling and high inflation – all affecting travel
- General elections are expected in April/May, which may also decrease outbound travel
- Bookings to NZ are dropping. However, many bookings that are being made are at the high-end, keeping value and yields high for operators
- Tourism New Zealand activity around the Indian Cricket Tour to NZ in March is expected to influence holiday decisions for April to June 2009

Other Markets Month of Dec 08: Canada: 6,615 **+0.8%** The Netherlands: 4,347 **-4.7%** Thailand: 1,188 **-10.2%** Hong Kong: 3,024 **-12.5%** Taiwan: 1,539 **+3.6%**

FOR FULL MARKET INFORMATION VISIT WWW.TOURISMNEWZEALAND.COM KEYWORD: MARKET GUIDES



CREDIT: TRACEY ROBINSON

UK: BACKPACKERS BACK-UP VISITOR ARRIVALS

The British Government's declaration in January that the country is formally in recession has done nothing for the English psyche.

Now people know exactly where they stand and are substantially more pessimistic than they were at the end of last year. Their concerns? Almost half say they are worried about job losses. And with unemployment already at a ten-year-high who'd blame them? Retail sales at Christmas were the worst in 14 years and house prices are down 9% compared with last year. The British Government has announced a recovery package but it's not expected to result in any positive indicators this year.

So in this environment are Brits likely to even think about long-haul travel? Those with secure jobs still have cash in an environment where mortgage rates and other retail prices are falling. There are also plenty of prices

falling in the tourism sector, which could stimulate more interest in New Zealand.

With a declining market share, Tourism New Zealand's 'What Do You Say UK?' campaign, which is currently finishing its second phase, is designed to arrest the decline in market in the hope of putting New Zealand in a better position for the future.

One ray of light is the backpacker market, with this sector reporting healthy increases in visitor numbers over summer. This is expected to continue.

With no clear employment opportunities in sight, young British adults are looking at an indefinite OE and they are a group worth targeting. And remember not all of these travellers are straight out of school; many people who have lost their jobs are choosing to see the world from a backpacker perspective.

Through the 'What Do You Say UK?'

campaign, Tourism New Zealand has been working with the industry to focus on deals to attract more people to New Zealand. In its first phase the campaign hit the top 10 for most recalled television commercials, coming up against big spending giants such as Tesco, Marks and Spencer, and Boots.

Since then, we have seen strong website traffic and high levels of interest in New Zealand. However, in uncertain times people are not always turning that interest into purchasing and, if they are, they are booking at the very last minute.

Overall, with no clear end to the recession in sight, this market's performance is not expected to improve in the short term. However, while we expect numbers will be down (particularly with no sports tours to rustle up extra visitors), New Zealand is one of the few places being singled out by the media as good value because of the exchange rate and airfares, and we all know how the Brits love a bargain and a holiday.

UPCOMING EVENTS

2009

More information on Tourism New Zealand events can be found at www.tourismnewzealand.com

Upcoming Events

- TTAA International Travel Fair** 26 February – 1 March 2009, Bangkok, Thailand
- NATAS Travel Fair** 27 February – 1 March 2009, Singapore
- MATTA Travel Fair** 13 – 15 March 2009, Kuala Lumpur, Malaysia
- Kiwi Link North America** 27 March – 5 April 2009, Vancouver & Los Angeles
- TRENZ 2009** 8 – 11 June 2009, ASB Showgrounds, Auckland, www.trenz.co.nz

New-Look Trade Website

Have you seen our new-look travel trade website? The new and improved website has more information targeted to the markets we work in, as well as a full destination guide and tools for international travel sellers.

www.newzealand.com/travel/trade

Tourism New Zealand Manaakitanga Aotearoa

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