



Tourism: 100% Pure New Zealand

Global growth rate
3.88%



NZ advantage score
12.3



The future of New Zealand’s tourism industry looks bright

Brand New Zealand plays off its stunning alpine scenery, sheer physical beauty, vibrant Polynesian culture, extreme sport, quality and freshness of cuisine, and its personable and relaxed residents to attract visitors from all over the world.¹³

Tourism is a major contributor to New Zealand’s economic prosperity. It is the nation’s largest export industry and has been responsible for one fifth of growth in New Zealand’s GDP since 2011.¹⁴

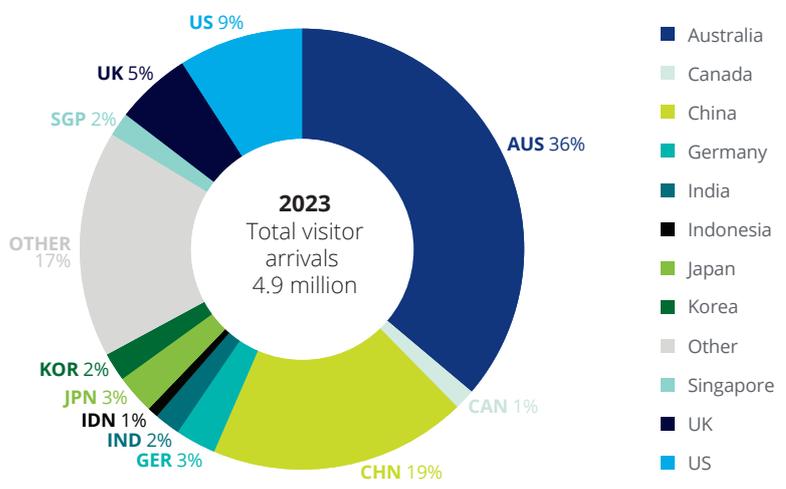
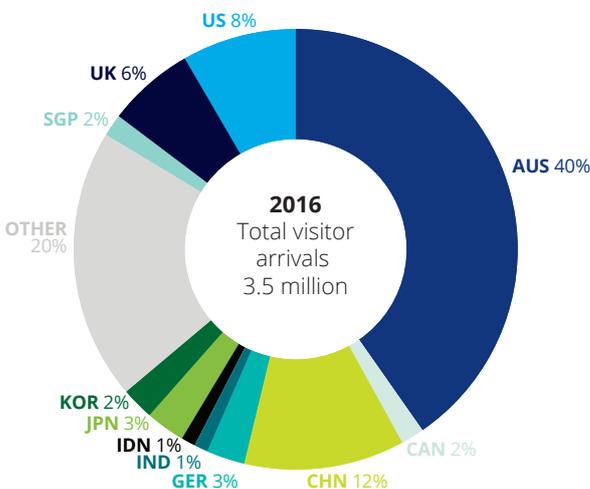
Over the last two years alone, the size of the sector has grown 24 percent.¹⁵ Growth of this magnitude brings with it substantial economic opportunity.

Tourism is projected to be among the world’s fastest growing industries, meaning there is more potential growth in the pipeline for New Zealand. As illustrated in Figure 6 and Figure 7, according to MBIE, tourist numbers in New Zealand are forecast to reach 4.9 million in 2023, up 39% from 2016 – a growth rate of 4.8% per year. This would inject \$15.3 billion into the economy in 2023, up 52% from 2016.

China is expected to overtake Australia as our largest market by spend, however Australia should remain the largest source of visitor arrival numbers.¹⁶ The percentage of total visitor arrivals in New Zealand coming from Australia is forecast to decrease from 41% in 2016 to 36% by 2023, while visitors coming from China are forecast to increase from 12% in 2016 to 19% by 2023.

Figure 6: **Share of visitor arrivals by international source market (2016)**

Figure 7: **Projected share of visitor arrivals by international source market (2023)**



Source: MBIE International tourism forecasts 2017 to 2023

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This growth can also present challenges. It can stretch capacity and the ability to consistently offer a high quality tourism experience that delivers on New Zealand's brand promise. These pressures can be particularly acute when it comes to tourism infrastructure, so the adequacy and appropriateness of investment is critical to the industry's continued growth.

Opportunities to take full advantage of future growth in tourism

Opportunities to take full advantage of future growth in tourism include the sharing economy, increasing demand for tourism out of Asia, unique visitor experiences and more affordable, direct flights to and from New Zealand.

Understand how the sharing economy is likely to change tourism

Technologies and business models referred to collectively as the sharing economy are changing the tourism landscape by giving people new options for where to stay, what to do and how to get around. Leading examples include Uber and Airbnb. New Zealand needs to continue to adapt and embrace the changes resulting from the sharing economy to effectively influence the choices available to tourists.

Increasing tourism from Asia

New Zealand is well positioned to capitalise on the burgeoning Asian middle class and its growing demand for international travel. With Chinese tourists forecast to overtake Australians in terms of tourist spend, our strengthening relationship with Asia will be at the forefront of tourism growth in New Zealand. While only 4% of China's population held passports in 2015, this percentage will reach 12% by 2025, increasing opportunities for New Zealand to attract Chinese tourists.¹⁷

New Zealand offers a unique visitor experience

New Zealand has a varied natural environment, including mountains, lakes, beaches, forests and farmlands. Whether it is visiting Milford Sound, the Tongariro Alpine Crossing, Waitomo Caves, Fox Glacier or many other Kiwi tourist attractions, New Zealand continues to attract visitors from all over the world. In addition, New Zealand has a reputation as a safe destination, largely free of any strife that marks many other tourist destinations around the world.

Cheaper and more direct flights to New Zealand

Increased air access, greater levels of competition and low-cost carriers offering more flights into New Zealand have created many more affordable options for tourists and business travellers. The overall direct flight capacity to New Zealand increased by 15% in 2015, and a further 8% in 2016.¹⁸ More direct and affordable flights improve tourist access to New Zealand, which will contribute to New Zealand's growing industry.

The challenges for the tourism industry

Renew infrastructure

To capture the maximum benefit from sustainable tourism growth, while maintaining community support, all aspects of the industry and the infrastructure that supports it need to scale up accordingly. Businesses need to invest in new capacity, products and services, just as the providers of infrastructure need to increase the capacity and quality of their offerings.¹⁹

Visitor accommodation is the most needed type of tourism infrastructure in New Zealand with the highest potential impact for the sector. Additional supply of visitor accommodation can relieve constraints and facilitate additional visitation. While developers are likely to increase accommodation supply in metropolitan areas to capture the surplus demand without government intervention, more coordination is required for regional areas. The most acute gaps are in Auckland, Queenstown-Wanaka, Wellington, Canterbury and Dunedin.²⁰

Airports and related facilities are required for a successful tourism industry. The regions where infrastructure gaps are most acute are Gisborne, Wellington, West Coast and Northland. Auckland is the entry point for the vast majority of visitors, and this may create a bottleneck.

More international visibility

To ensure differentiation from other tourism destinations, New Zealand must increase its visibility beyond the traditional clean green image. New Zealand can increase global awareness to include its culture, adventure tourism offerings, cuisine, political stability and safety.

Positioning for prosperity

To make the most of this current and potential opportunity, New Zealand needs to maintain the attractiveness of its unique tourism offerings and understand the impact of the sharing economy.

In light of the likely challenges to renewing the infrastructure that supports tourism, there are important questions to address.

1. How can we ensure investment is aligned with what tourists want – especially those from Asia's growing middle class?
2. How can we ensure we invest in infrastructure that supports tourism in the most effective and efficient way?
3. How can we increase visibility of New Zealand's attractive tourist brand worldwide?

