

APRIL 2013



Ambition 2020: High Opportunity Target Markets

Insights, Trends & Opportunities
Ambition 2020
Asia

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Why Asia?

ASIA IS NEW ZEALAND'S MOST VALUABLE INBOUND TOURISM MARKET.

In 2012 the Asia inbound market contributed \$1.67 billion to the New Zealand economy. By 2020, this market has the potential to contribute \$3.61 billion annually.

New Zealand will experience faster arrivals growth from Asia than any other market. In 2020, Asia visitor arrivals are estimated at 1,073,778, 114% higher than 2012, whereas other arrivals growth are estimated at 44% for this same period.

Vast populations reaching middle incomes, particularly China, India, Vietnam and increasingly Indonesia is the main driver for these potential visitors numbers. Awareness of New Zealand (for example through promotions, movies, and word of mouth), air travel connections and capacity on routes are important supply side drivers.

\$3.6 billion

Potential spend by visitors from Asia in 2020

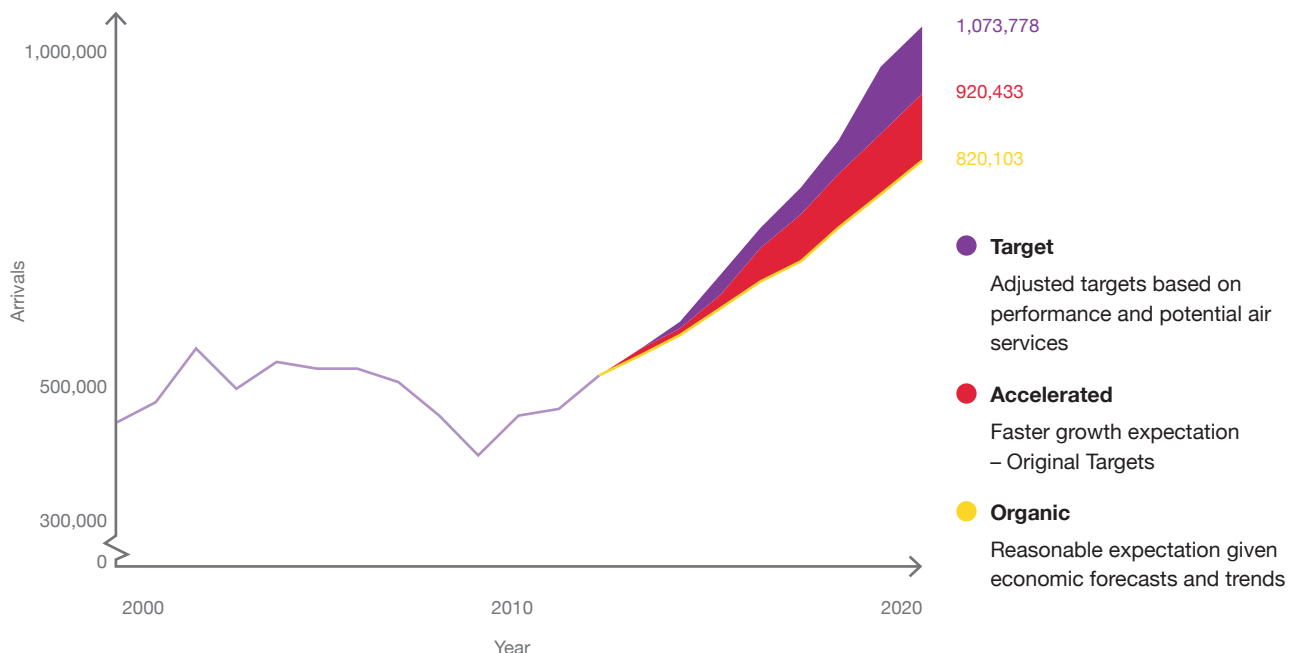
1.07 million

Potential visitors to New Zealand from Asia in 2020

9.98%

Potential year-on-year growth 2012–2020

POTENTIAL ARRIVALS INTO NEW ZEALAND FROM ASIA 2000–2020



Forecast highlights

THE MARKETS OFFERING THE BEST GROWTH PROSPECTS ARE CHINA, AUSTRALIA, GERMANY AND EMERGING MARKETS.

Australia will continue to grow strongly, building on the strong ties between New Zealand and Australia. Air capacity development in North America combined with improving economic growth conditions will also see a rebound in visitors. Germany will rebound once the worst of the Eurozone sovereign debt crisis has passed. But China and other emerging markets are the greatest source of opportunity. Their economies are industrialising, urbanising and rapidly growing the number of middle-class households. Higher incomes will lead to international travel, including to New Zealand.

Asia will boast

66%

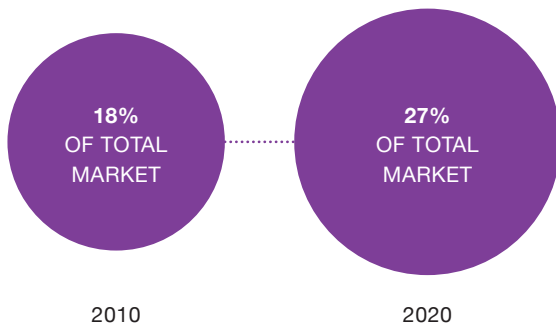
of the world's middle class by 2030

2012 saw

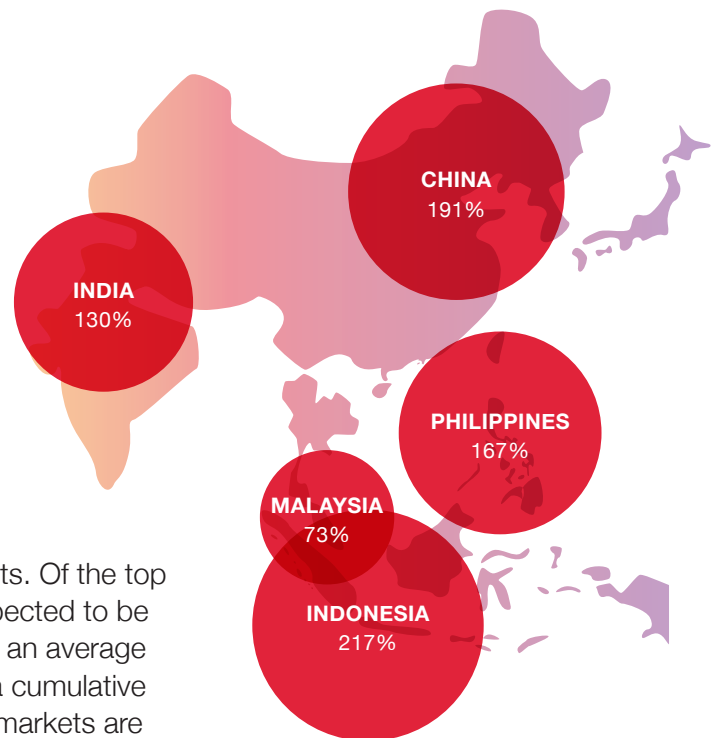
501,360

visitor arrivals from Asia

POTENTIAL GROWTH IN VISITOR ARRIVALS 2010–2020



TOP FIVE COUNTRIES IN ASIA BY GROWTH 2010–2020



The strong growth of Asia will outstrip that of other markets. Of the top five countries by percentage growth, four of these are expected to be from Asia (the other being South America). Asia will boast an average percentage growth of 114.17% between 2012-2020, or a cumulative average growth rate (CAGR) of 9.98%, whereas all other markets are expected to grow by 44.39% with a CAGR of 4.7%.

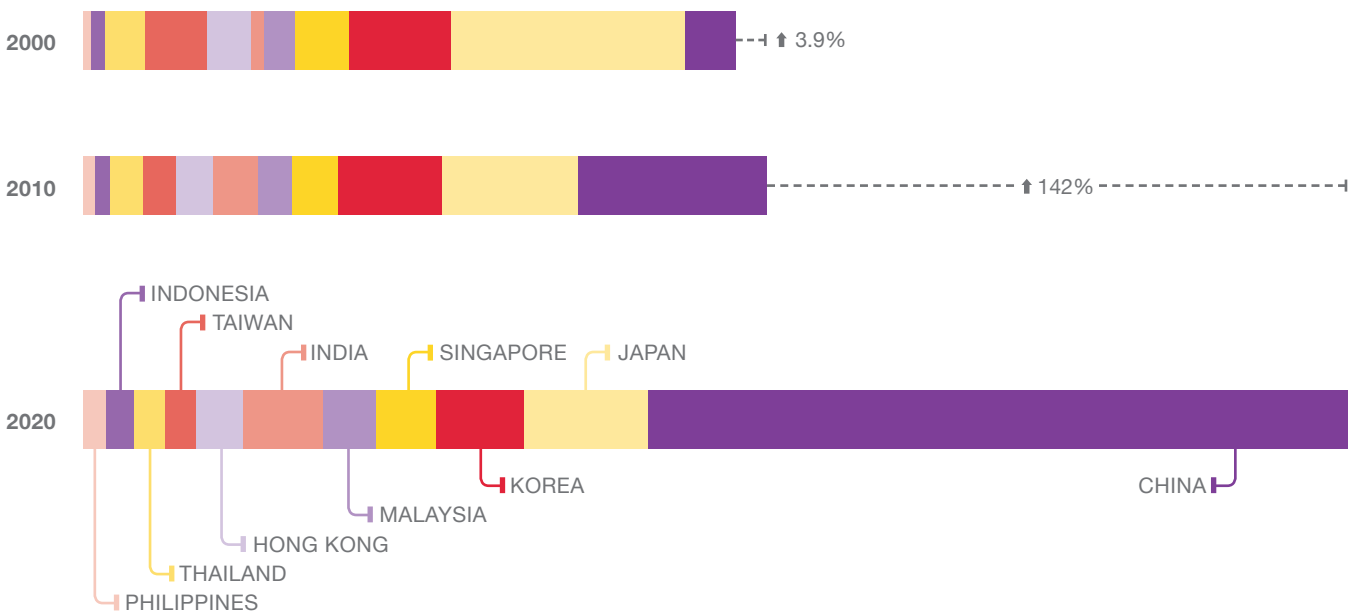
Japan and Korea are expected to show relatively slow growth, but are expected to be offset by strong increases in visitors from China and the other emerging Asian markets

Our outlook is optimistic

THE INCREASE IN VISITORS FROM ASIA IS EXPECTED TO CONTINUE FOR THE FORESEEABLE FUTURE.

While long haul visitors from USA, UK and Europe tend to stay longer and spend more than the average visitor, Asian visitors spend more per night stay and offer high potential for growth in value by securing greater length of stay. For the tourism sector, a rising trend in visitor numbers provides a base of demand but the key will be to secure a higher share of fast growing and high value markets from Asia.

VISITOR ARRIVALS BY COUNTRY 2000–2020



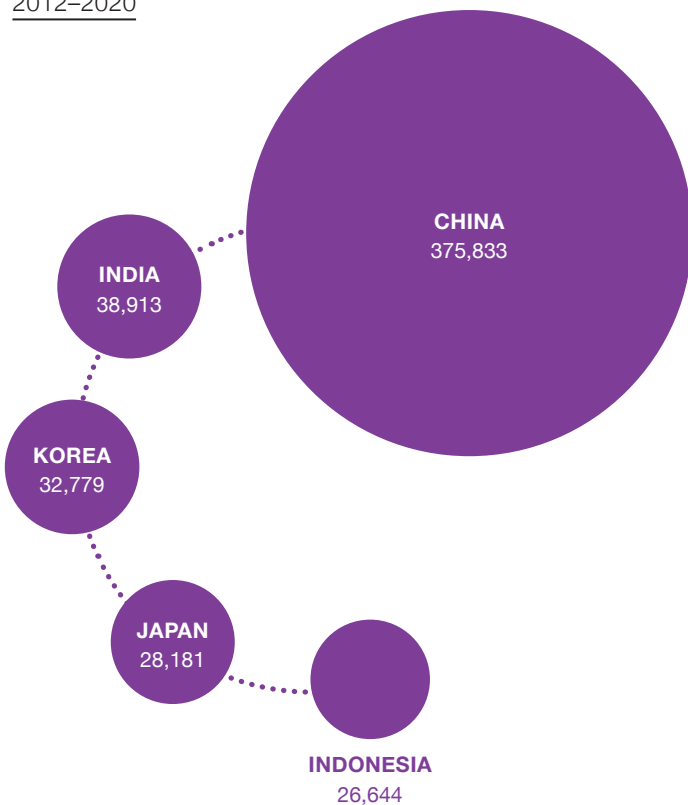
As can be seen above, China will dominate the growth. Chinese Nationals are travelling internationally in increasing numbers. In 2012 China's outbound travel exceeded 80 million trips. This figure is expected to reach 100 million by 2015.

Currently the majority of these trips are captured by destinations close to mainland China that have relaxed policy restrictions - with Hong Kong, Japan, South Korea and Taiwan as the largest markets for Chinese travel. However, as the Chinese travel market emerges, Europe, the United States, Australia and New Zealand are growing as popular destinations. Arrivals by Chinese tourists in New Zealand have doubled on average every five years since 1998 to a projected 572,857 by 2020.

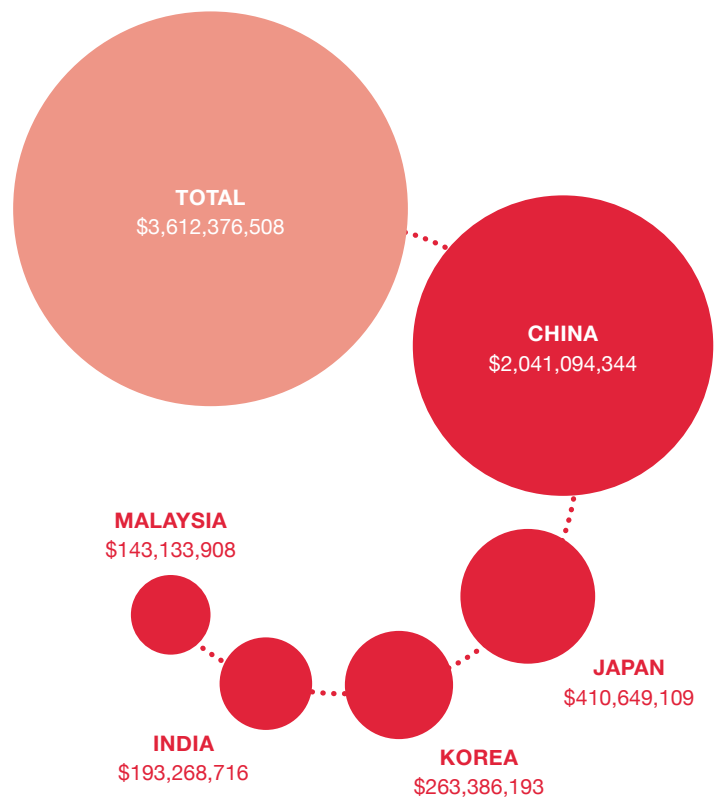
A market summary

TOP FIVE MARKETS BY REAL VISITOR GROWTH

2012–2020



TOP FIVE MARKETS BY VISITOR SPEND* 2020



CONSUMER CONFIDENCE

The Nielsen global survey of consumer confidence and spending intentions was conducted in November 2012. The survey polled more than 29,000 online consumers in 58 countries throughout Asia-Pacific, Europe, Latin America, the Middle East, Africa and North America.

The survey showed that developing Asian markets show growth in consumer confidence and willingness to spend outstripping much of the developed world. Of the five nations with the highest growth in consumer confidence, four are in the Asia region.

Source: 2012 consumer confidence series, 4th edition, Nielsen.

Developing Asian countries such as Indonesia, China, Philippines and India show improving levels of optimism which outstrips that of other developed Asian countries. These markets are growth markets for New Zealand tourism and represent a significant opportunity for New Zealand to capture the growth that follows growth in consumer confidence.

TOP TEN COUNTRIES BY CONSUMER CONFIDENCE






- | | |
|------------------------|----------------|
| 1 India | 6 Saudi Arabia |
| 2 Philippines | 7 Brazil |
| 3 Indonesia | 8 China |
| 4 Thailand | 9 Malaysia |
| 5 United Arab Emirates | 10 Norway |

Something to Aim For



THERE ARE VAST POPULATIONS REACHING MIDDLE INCOMES IN ASIA, PARTICULARLY CHINA, INDIA, VIETNAM AND INCREASINGLY INDONESIA.

These and other emerging markets will be significant opportunities for tourism growth. How many visitors eventually come to New Zealand will depend on the level of income, how large the market is (i.e. the size of the population) and awareness of New Zealand (for example through promotions, movies and word of mouth), air travel connections and capacity on routes are also important supply side drivers.

A CHANGING MIX OF VISITORS MAKES FOR DIFFERENT VISITOR NEEDS

	2012 VISITOR ARRIVALS	2012 SHARE OF MARKET	2020 ARRIVALS (ORGANIC)	2020 ARRIVALS (ACCELERATED)	2020 ARRIVALS (TARGET)	2020 MARKET SHARE (TARGET)	2020 CAGR* (TARGET)
TOTAL WORLD	2,554,784	-	3,417,901	3,673,627	3,038,776	-	5.89%
 CHINA	197,024	7.71%	452,126	482,735	572,857	14.18%	14.27%
 HONG KONG	26,272	1.03%	30,013	33,801	34,649	0.86%	3.52%
 INDIA	29,856	1.17%	52,517	58,278	68,769	1.70%	10.99%
 INDONESIA	12,256	0.48%	18,140	32,952	38,900	0.96%	15.53%
 JAPAN	72,080	2.82%	80,637	96,578	100,261	2.48%	4.21%

*Cumulative Average Growth Rate 2012–2020

	2012 VISITOR ARRIVALS	2012 SHARE OF MARKET	2020 ARRIVALS (ORGANIC)	2020 ARRIVALS (ACCELERATED)	2020 ARRIVALS (TARGET)	2020 MARKET SHARE (TARGET)	2020 CAGR (TARGET)
 KOREA	52,896	2.07%	57,422	67,216	85,675	2.12%	6.21%
 MALAYSIA	29,424	1.15%	34,626	41,828	50,930	1.26%	7.10%
 PHILIPPINES	9,568	0.37%	15,064	20,510	25,518	0.63%	13.05%
SINGAPORE	36,400	1.42%	39,329	44,802	49,816	1.23%	4.00%
 TAIWAN	18,640	0.73%	20,095	21,880	24,074	0.60%	3.25%
 THAILAND	16,944	0.66%	20,134	19,853	22,329	0.55%	3.51%

Outlook for our markets

CHINA 2020

China has rapidly become one of New Zealand’s top visitor markets and will account for 14% of visitor spending in 2020.

Visitor numbers will continue to grow strongly, driven by an expanding middle class while High Net Worth Individuals are anticipated to grow by over 130% in the next decade indicating strong growth at the high value end of the market. New Zealand receives 24% of the visitors to Australasia but has 31% share of the growing holiday market. Tourism Australia is forecasting low average CAGR of 6.5% off a large base of arrivals and air capacity. It is anticipated this is a low side target and that continued growth of long-haul travel will accelerate and the Australasian seasonal advantage for Chinese New Year will continue to see New Zealand well positioned for growth. There is some near-term risk from the economic conditions in West affecting growth in exports from China and therefore consumption. Over the longer-term, the continued industrialisation and growing consumption driver of China will deliver increasing economic prosperity and more visitors to New Zealand however increasing competition for value will require constant evolution of product, appropriate supply, policy, industry capacity, air connections and marketing to hold and grow position.

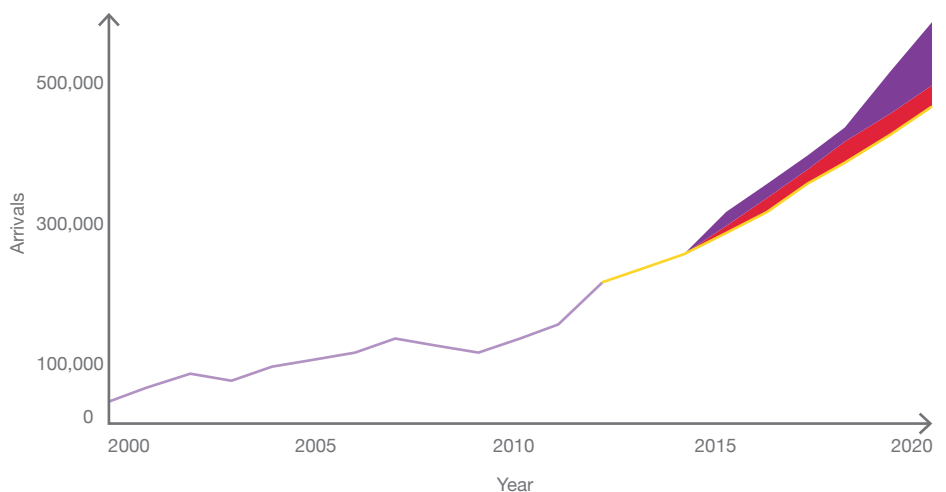
KEY DRIVERS

- Structural economic growth path
- An expanding middle class
- Rapid growth from visitor spending

14.27%

average annual growth between 2012-2020 or a total of 191.75%

POTENTIAL VISITOR ARRIVALS FROM CHINA TO NEW ZEALAND 2000–2020



2020 ORGANIC

Forecast visitor arrivals **452,126**
 Average annual growth **10.94%**
 Forecast market share **13.23%**
 Forecast market value **\$1,611m**

2020 ACCELERATED

Forecast visitor arrivals **482,735**
 Average annual growth **11.85%**
 Forecast market share **13.14%**
 Forecast market value **\$1,720m**

2020 TARGET

Forecast visitor arrivals **572,857**
 Average annual growth **14.27%**
 Forecast market share **14.18%**
 Forecast market value **\$2,041m**



HONG KONG 2020

Visitors from Hong Kong have been stable at around 25,000 to 30,000 visitors throughout recent history while total resident departures by air increased by 9.5% during 2012 from 7.1 to 7.8 million (and up from 6.1 million five years earlier).

Economic growth is improving despite some external challenges and Tourism Australia is forecasting growth of 2.6% per annum off a base of 185,000 arrivals. New Zealand currently attracts 12% market share of Australasian arrivals; air capacity agreements between Cathay Pacific and Air NZ should consolidate air capacity and with a reshaping away from European traffic will enable further growth from the Hong Kong market.

28%

is the growth in departures over the last 5 years (9.5% in 2012)

Hong Kong has remained stable at around

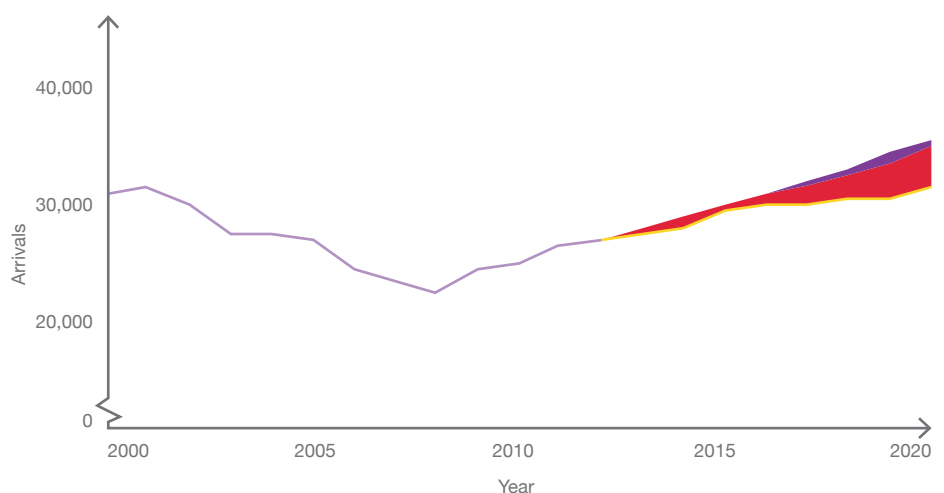
25,000–30,000

visitors each year

KEY DRIVERS

- Vital to enabling the growth of the Chinese market
- Re-orientation of carrier capacity towards China and Asia

POTENTIAL VISITOR ARRIVALS FROM HONG KONG TO NEW ZEALAND 2000–2020



2020 ORGANIC

Forecast visitor arrivals **30,013**
 Average annual growth **1.68%**
 Forecast market share **0.88%**
 Forecast market value **\$84m**

2020 ACCELERATED

Forecast visitor arrivals **33,801**
 Average annual growth **3.20%**
 Forecast market share **0.92%**
 Forecast market value **\$95m**

2020 TARGET

Forecast visitor arrivals **34,649**
 Average annual growth **3.52%**
 Forecast market share **0.86%**
 Forecast market value **\$97m**



INDIA 2020

With Indian outbound travel forecast to grow from approximately 14 million departures to 50 million by 2020 the Indian market offers significant opportunity for growth.

With a middle class of 300 million, an economy growing at 8% per annum and High Net Worth Individuals forecast to grow by 100% over the next decade the economic drivers for increased long haul travel are strong. The Australasian market is forecast to grow to 370,000 plus, with New Zealand increasing its share to almost 70,000 (19%) over the period as holiday travel increases at an accelerated rate.

300 million

is the size of India's middle class

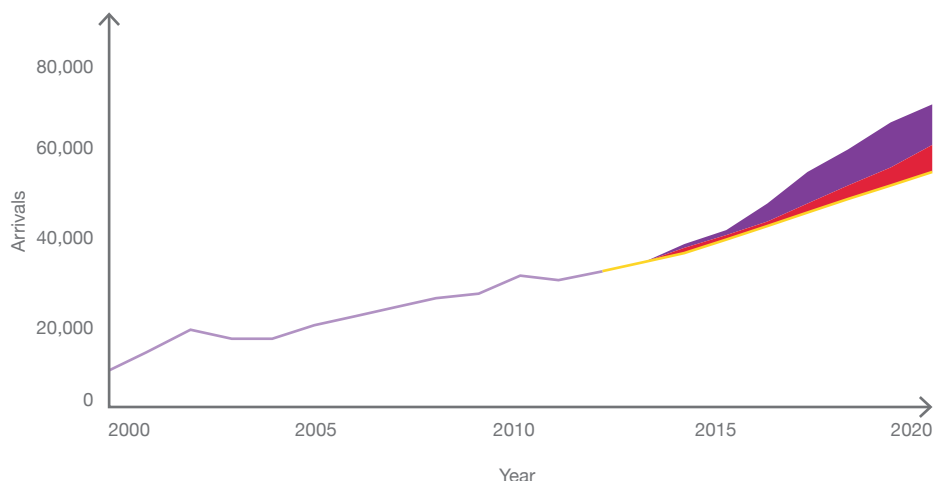
8% per annum

is India's year-on-year economic growth

KEY DRIVERS

- Rapidly growing middle class
- Potential for education and business demand growth from Visa policy development

POTENTIAL VISITOR ARRIVALS FROM INDIA TO NEW ZEALAND 2000–2020



● 2020 ORGANIC

Forecast visitor arrivals **52,517**
 Average annual growth **7.31%**
 Forecast market share **1.54%**
 Forecast market value **\$148m**

● 2020 ACCELERATED

Forecast visitor arrivals **58,278**
 Average annual growth **8.72%**
 Forecast market share **1.59%**
 Forecast market value **\$164m**

● 2020 TARGET

Forecast visitor arrivals **68,769**
 Average annual growth **10.99%**
 Forecast market share **1.70%**
 Forecast market value **\$193m**



INDONESIA 2020

With an existing 1.7m long haul travel market from a population of 240 million, 7%+ GDP growth and a growing middle class the Indonesian market offers a significant opportunity for growth.

Currently New Zealand attracts less than 10% market share of Indonesian arrivals to Australasia but new direct air services and expanding connections across Asian hubs will open the market for further expansion. Holiday traffic while coming from a small base has increased over 110% in the last 5 years at a CAGR above 20% while air-capacity has been constrained and airfares have increased over 40% in real terms offering significant opportunity for stimulation. High net worth individuals are forecast to grow by 400% over the next decade.

15.53%

average annual growth between 2012-2020 or a total of 217.40%

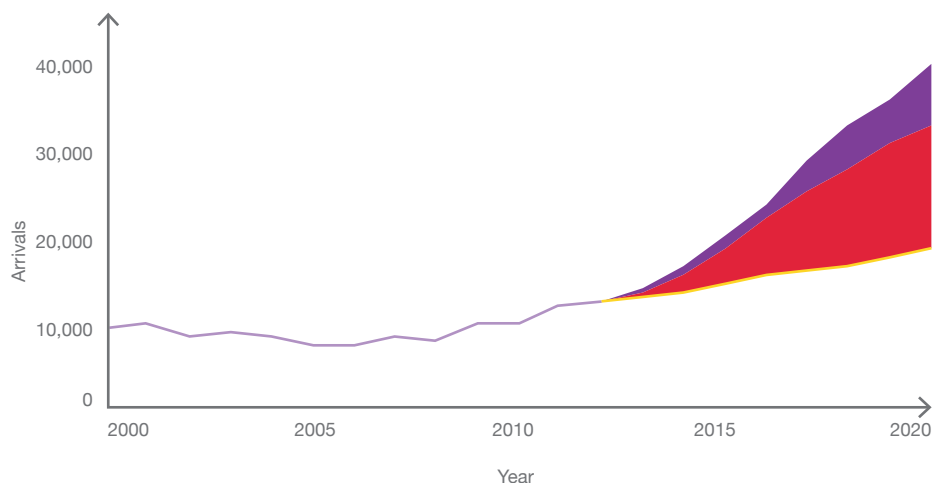
400%

forecast growth of high net worth individuals over the next decade

KEY DRIVERS

- Increase in domestic consumption and investment
- Sharp increase in outbound departures

POTENTIAL VISITOR ARRIVALS FROM INDONESIA TO NEW ZEALAND 2000-2020



● 2020 ORGANIC

Forecast visitor arrivals **18,140**
 Average annual growth **5.02%**
 Forecast market share **0.53%**
 Forecast market value **\$51m**

● 2020 ACCELERATED

Forecast visitor arrivals **32,952**
 Average annual growth **13.16%**
 Forecast market share **0.90%**
 Forecast market value **\$93m**

● 2020 TARGET

Forecast visitor arrivals **38,900**
 Average annual growth **15.53%**
 Forecast market share **0.96%**
 Forecast market value **\$109m**

JAPAN 2020

The Japanese market to New Zealand has been declining over the past decade but is anticipated to recover to approximately 100,000 arrivals with air capacity development and an improving economy.

Outbound travel from Japan increased for the 3rd consecutive year to surpass previous highs of 2000 and hit 18.5 million outbound trips. New Zealand receives just 16% of the total 430,000 plus arrivals into Australasia and will need to improve competitiveness to attract long haul markets with the development of low cost airlines in Asia driving growth in short haul. We anticipate Japanese visitors who choose to fly to New Zealand as oppose to short-haul Asia will remain high value visitors, as they spend a relatively high amount per day. With low growth of 28% over the next decade Japan will slip to from #1 to #3 market for High Net Worth Individuals in Asia behind China and India. The size of the HNWI market in Japan however still presents significant opportunity for growth at the high value end of the market.

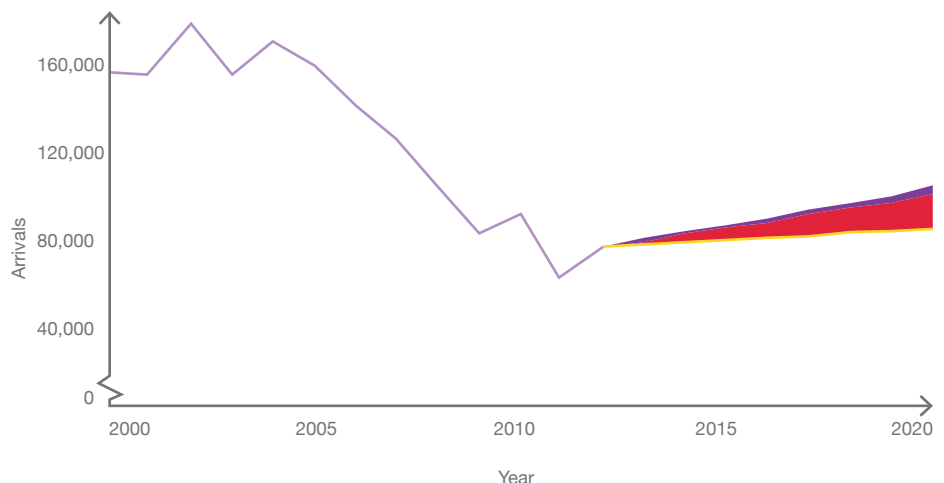
KEY DRIVERS

- Sizeable source of high spending visitors
- Stable growth in visitor arrivals
- Strong historical economic ties

39%

solid recovery in arrivals fuelled by aircraft capacity and market change

POTENTIAL VISITOR ARRIVALS FROM JAPAN TO NEW ZEALAND 2000–2020



2020 ORGANIC

Forecast visitor arrivals **80,637**
Average annual growth **1.41%**
Forecast market share **2.36%**
Forecast market value **\$330m**

2020 ACCELERATED

Forecast visitor arrivals **96,578**
Average annual growth **3.72%**
Forecast market share **2.63%**
Forecast market value **\$396m**

2020 TARGET

Forecast visitor arrivals **100,261**
Average annual growth **4.21%**
Forecast market share **2.48%**
Forecast market value **\$411m**

KOREA 2020

The Korean visitor market to New Zealand has almost halved over the last decade to 53,000 arrivals while over the same period Korean arrivals to Australia have increased by 4% indicating a significant issue in the development of the New Zealand proposition in Korea.

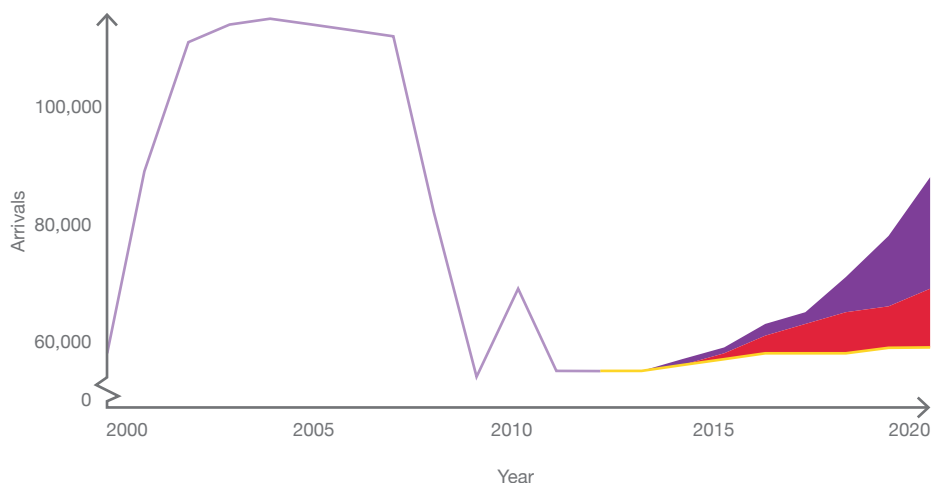
The market remains strongly dual destination orientated with 75% of all arrivals also visiting Australia indicating an opportunity to improve visitor flows to NZ from traffic already visiting Australia and development of Mono NZ. The Korean economic performance is expected to be relatively strong with forecast GDP growth of 4% and it is anticipated visitor numbers will rebound as economic conditions improve and airlines re-orientate away from European driven to Asian driven markets. Total outbound trips from Korea grew 8% in 2012 to reach a record 13.7 million departures indicating strong potential for growth. An ageing population and maturing consumer demand will also favour further development for New Zealand but value propositions must match Korean market conditions. High Net Worth Individuals are anticipated to grow by 46% over the next decade also indicating opportunity at the high value end of the market.

KEY DRIVERS

- Strong rebound of visitors post GFC
- Strong growth in GDP per capita

Total outbound trips grew
8%
 in 2020 to reach a record
13.7 million

POTENTIAL VISITOR ARRIVALS FROM KOREA TO NEW ZEALAND 2000-2020



2020 ORGANIC

Forecast visitor arrivals **57,422**
 Average annual growth **1.03%**
 Forecast market share **1.68%**
 Forecast market value **\$177m**

2020 ACCELERATED

Forecast visitor arrivals **67,216**
 Average annual growth **3.04%**
 Forecast market share **1.83%**
 Forecast market value **\$207m**

2020 TARGET

Forecast visitor arrivals **85,675**
 Average annual growth **6.21%**
 Forecast market share **2.12%**
 Forecast market value **\$263m**



MALAYSIA 2020

While Malaysian visitor arrivals fell 16% in 2012 due to the exit of Air Asia, the arrivals number remains 35% higher than 2010 as Malaysia Airlines has reshaped capacity to Asian markets.

The holiday visitor market has grown 82% or CAGR of 16.2% over the last five years while airfares have risen 45% in real terms thus indicating strong destination opportunity. With a population of 29 million, resilient economy, outbound travel of approximately 50 million trips per annum and improving airline yields the market remains a strong opportunity for growth.

16.2%

is the cumulative average annual growth rate over the last five years

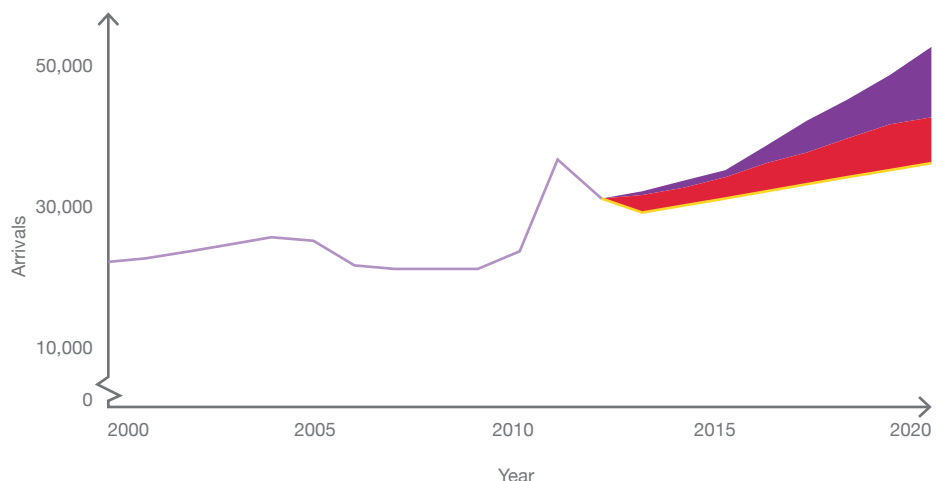
50 million +

trips of outbound travel per annum

KEY DRIVERS

- Malaysian economy resilient through recent economic downturns
- Sharp increase in outbound departures

POTENTIAL VISITOR ARRIVALS FROM MALAYSIA TO NEW ZEALAND 2000–2020



● 2020 ORGANIC

Forecast visitor arrivals **34,626**
 Average annual growth **2.06%**
 Forecast market share **1.01%**
 Forecast market value **\$97m**

● 2020 ACCELERATED

Forecast visitor arrivals **41,828**
 Average annual growth **4.50%**
 Forecast market share **1.14%**
 Forecast market value **\$118m**

● 2020 TARGET

Forecast visitor arrivals **50,930**
 Average annual growth **7.10%**
 Forecast market share **1.26%**
 Forecast market value **\$143m**



PHILIPPINES 2020

With a population of 110 million by 2020 and GDP growth of 5% the Philippines offers significant market development potential in the near term.

Currently New Zealand attracts 10,000 visitor arrivals or 11% of the total 82,000 arrivals to Australasia presenting significant opportunity to grow market share. With organic growth we anticipate the market to increase to 15,000 arrivals but with the development of improved air connections the market could be stimulated to over 25,000. Further stimulation would be available with the introduction of market development and promotional programs in the market. High Net Worth Individuals are anticipated to grow by 60% plus over the next decade and therefore offer opportunities to develop product for the high value end of the market

13.05%

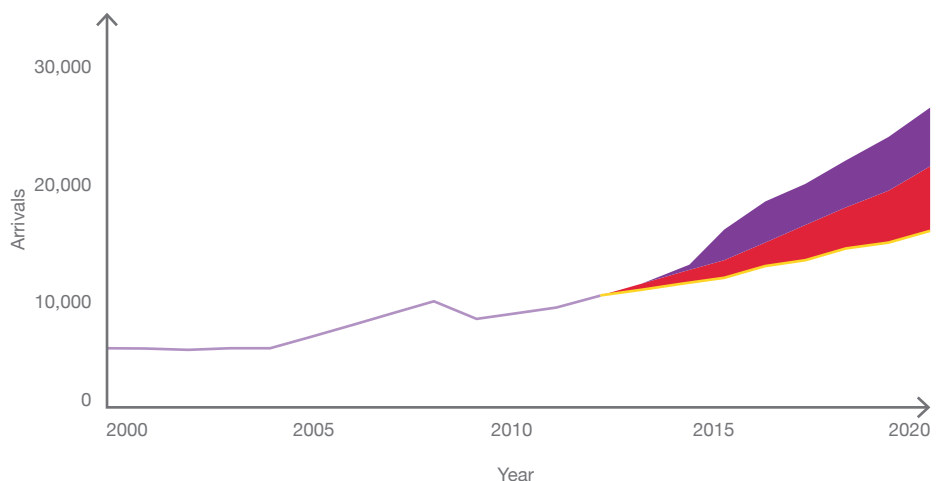
average annual growth between 2012-2020 or a total of 166.70%

Significant opportunity to grow market share in the Australasian market

KEY DRIVERS

- Average annual growth over past five years of 1.7%
- Strong growth in gross domestic product

POTENTIAL VISITOR ARRIVALS FROM PHILIPPINES TO NEW ZEALAND 2000-2020



2020 ORGANIC

Forecast visitor arrivals **15,064**
 Average annual growth **5.84%**
 Forecast market share **0.44%**
 Forecast market value **\$42m**

2020 ACCELERATED

Forecast visitor arrivals **20,510**
 Average annual growth **10.00%**
 Forecast market share **0.56%**
 Forecast market value **\$58m**

2020 TARGET

Forecast visitor arrivals **25,518**
 Average annual growth **13.05%**
 Forecast market share **0.63%**
 Forecast market value **\$72m**

SINGAPORE 2020

Despite slower economic growth the 5.3 million Singapore population has one of world's highest GDP per capita (based on purchasing power parity) and travel outside of South East Asia has doubled in the last decade to 3.4 million.

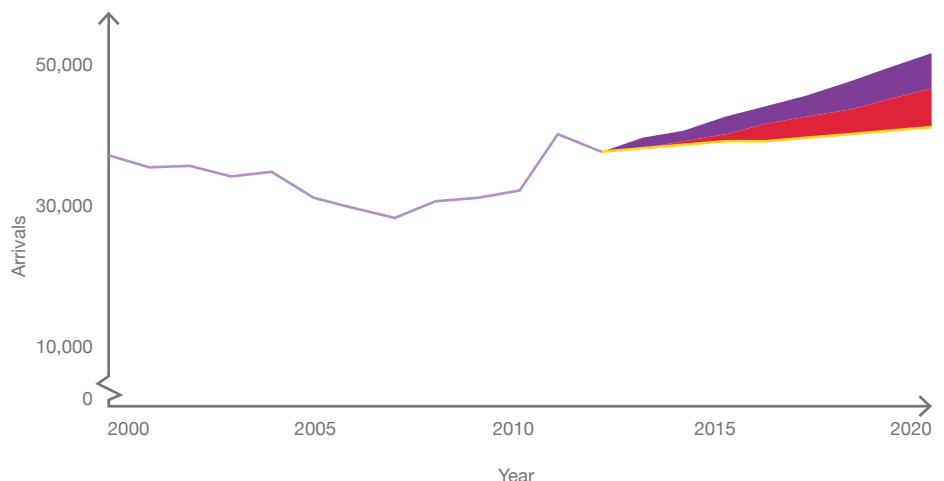
Australia has dominated the share of arrivals to Australasia over 90% share of the 400,000 arrivals while New Zealand has languished at 9% of arrivals. New Zealand will need to grow at 4% to maintain share of its competitive set, with potential low cost carrier development between Singapore and Australia, New Zealand will have to grow both its high value and low cost propositions to develop share. The number of High Net Worth Individuals in Singapore is expected to grow by 44% over the next decade and represents a high proportion of the population base suggesting further opportunities to target the higher end value segment.

KEY DRIVERS

- Strong economy with 5th largest GDP in the OECD
- New Air Capacity development
- Low Cost Carrier development

Singapore has one of the world's
highest
GDP per capita

POTENTIAL VISITOR ARRIVALS FROM SINGAPORE TO NEW ZEALAND 2000–2020



● 2020 ORGANIC

Forecast visitor arrivals **39,329**
Average annual growth **0.97%**
Forecast market share **1.15%**
Forecast market value **\$107m**

● 2020 ACCELERATED

Forecast visitor arrivals **44,802**
Average annual growth **2.63%**
Forecast market share **1.22%**
Forecast market value **\$122m**

● 2020 TARGET

Forecast visitor arrivals **49,816**
Average annual growth **4.00%**
Forecast market share **1.23%**
Forecast market value **\$135m**



TAIWAN 2020

Despite the recent decline in arrivals from Taiwan, the introduction of a Visa waiver and growing air capacity from China Airlines across Australia, it is anticipated that the market will continue to rejuvenate.

With a population of 24 million, outbound departures from Taiwan increased 6.8% to over 10 million and economic growth closely linked to China there is still significant opportunity for growth in the market. Equally High Net Worth Individuals are expected to grow by 50% over the next decade indicating value opportunities at the higher end of the market.

Taiwan arrivals to New Zealand

3%

decline in the last 5 years
vs. 22% growth to Australia

Outbound departures increased

6.8%

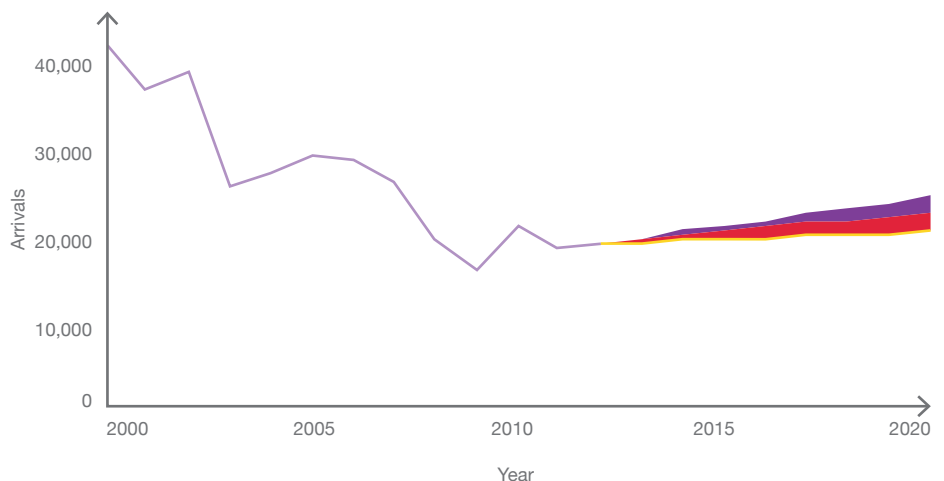
to over 10 million in 2012

KEY DRIVERS

- Economy is closely linked to China
- Sharp increase in outbound departures

POTENTIAL VISITOR ARRIVALS FROM TAIWAN TO NEW ZEALAND

2000–2020



2020 ORGANIC

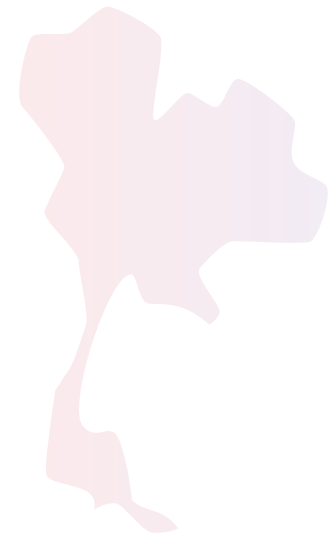
Forecast visitor arrivals **20,095**
 Average annual growth **0.94%**
 Forecast market share **0.59%**
 Forecast market value **\$70m**

2020 ACCELERATED

Forecast visitor arrivals **21,880**
 Average annual growth **2.02%**
 Forecast market share **0.60%**
 Forecast market value **\$77m**

2020 TARGET

Forecast visitor arrivals **24,074**
 Average annual growth **3.25%**
 Forecast market share **0.60%**
 Forecast market value **\$84m**



THAILAND

Economic growth in 2012 bounced back sharply, led by reconstruction and investment after floods of Oct-11.

Forward growth is dependent on export recovery and strength in private demand. Thailand ranked 4th most Consumer Confident market in the Nielsen Global Survey of Consumer Confidence and Spending, close ties with China and a population of 70 million the market represents still an opportunity to grow. New Zealand currently attracts 17,000 visitors or 16% share of the total 109,000 strong visitor market to Australasia. Tourism Australia is forecasting a growth CAGR of 3.4% per year to 2020 and at similar growth levels New Zealand.

Ranked 4th

in the Nielsen Global Survey of Consumer Confidence

12% growth

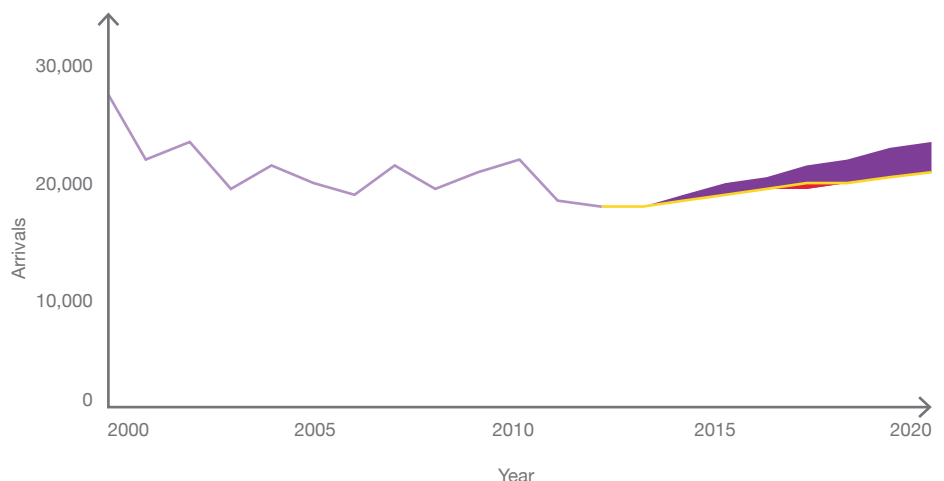
in visitor arrivals since 2000

KEY DRIVERS

- Economic growth has bounced back since Oct-11
- Export recovery and strength in private demand
- Recovery in Asian financial crisis

POTENTIAL VISITOR ARRIVALS FROM THAILAND TO NEW ZEALAND

2000–2020



● 2020 ORGANIC

Forecast visitor arrivals **20,134**
 Average annual growth **2.18%**
 Forecast market share **0.59%**
 Forecast market value **\$57m**

● 2020 ACCELERATED

Forecast visitor arrivals **19,853**
 Average annual growth **2.00%**
 Forecast market share **0.54%**
 Forecast market value **\$56m**

● 2020 TARGET

Forecast visitor arrivals **22,329**
 Average annual growth **3.51%**
 Forecast market share **0.55%**
 Forecast market value **\$63m**

