

APRIL 2013

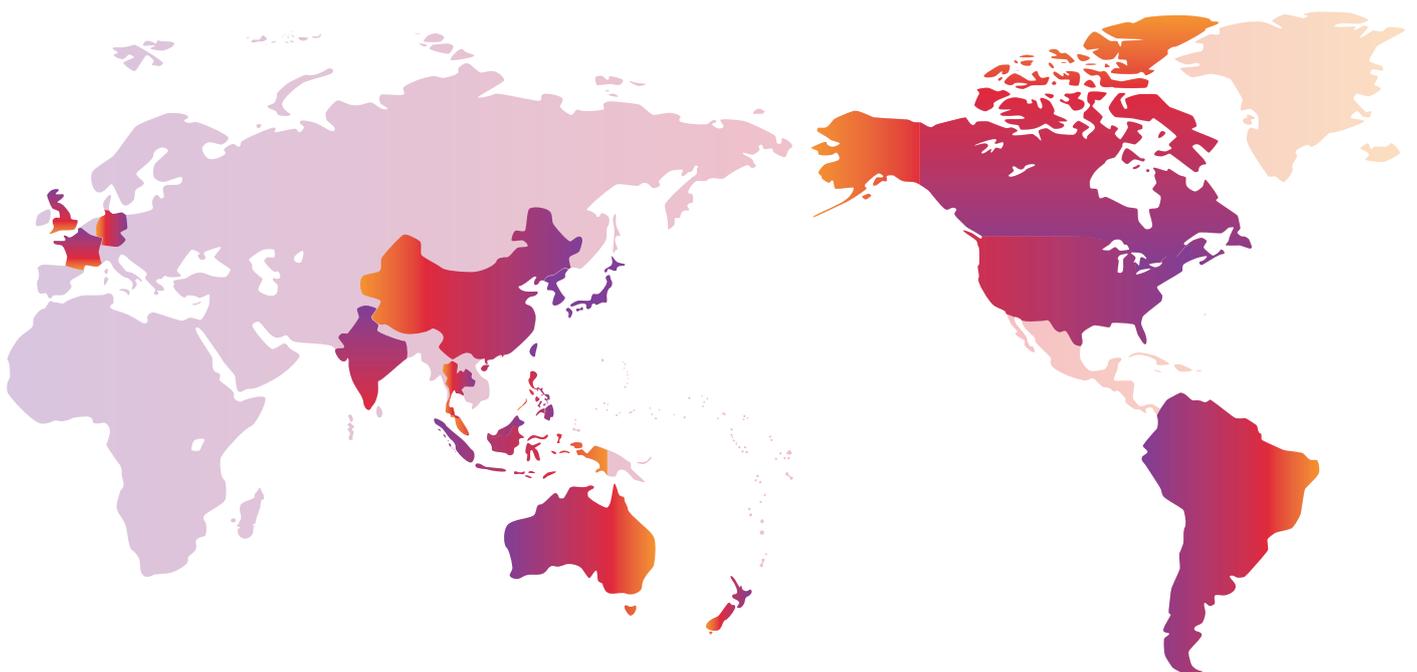


Ambition 2020: High Opportunity Target Markets

Insights, Trends & Opportunities
Ambition 2020

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A growing sense of change

THERE IS A GROWING SENSE OF CHANGE IN THE NEW ZEALAND TOURISM INDUSTRY.

New Zealand's visitor portfolio is evolving in response to market conditions, emerging market growth, adjustments to booking patterns, new marketing and distribution channels, and aviation sector reorientation.

The global financial crisis of the late 2000s saw a significant slowdown in the New Zealand tourism market. However, demand will increase as the global economy enters a phase of recovery. As growth accelerates, a new positive picture of tourist arrivals will emerge.

Debt-encumbered Western markets will grow more slowly than in previous years. Strong economic performances from Australia and emerging Asian markets, in particular China, will offset a less than stellar growth in traditional Western markets and will contribute to the highest numbers of visitors to New Zealand.

\$9.7 billion

the potential spend of
visitors in 2020

4 million

the number of potential visitors
to New Zealand in 2020



A changing visitor composition

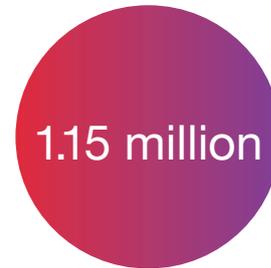
NEW ZEALAND'S VISITOR COMPOSITION HAS CHANGED SIGNIFICANTLY OVER THE PAST DECADE.

This has been driven by changes in economic performance, exchange rates, aviation capacity and pricing, competition from other destinations, and general travel preferences.

The major trends that have influenced New Zealand's visitor composition in recent years include:

- Continued growth in the Australian inbound market, which now accounts for 45% of total arrivals (up from 31% in 2002).
- Moderate growth in European arrivals since 2002 (no change in market share).
- New Zealand's share of voice has been enhanced by promotional pedestals such as the Rugby World Cup and The Hobbit.
- Low cost carriers have magnified the price differential between short and long-haul travel, reducing demand for travel to long-haul destinations.
- A sharp incline in Asian inbound market share despite a recent decline in visitor numbers. Asian arrivals now account for 20% of total arrivals (up from 16% in 2009).

The number of Australian visitor arrivals in 2012



This rapid evolution of visitor composition has led to changes in booking patterns and lead times, booking channels, and the general travel and expenditure patterns of visitors to New Zealand.

The impact of these changes has been felt directly by tourism businesses, in terms of demand and profitability, and is evident in the aggregate expenditure figures which, until recently, have been relatively flat despite growing visitor numbers.

RESPONDING TO MARKET CONDITIONS

As outlined in *New Zealand Tourism Forecasts 2010–2016*, two key messages remain strong:

1. The visitor portfolio will continue to evolve in response to market conditions, creating opportunities for businesses that understand and adapt to changes.
2. “Business as usual” is a moving target - tourism is being reshaped by structural shifts in aviation and technology that are permanently changing the dynamics of the industry.

Our outlook is optimistic

THE OUTLOOK FOR THE NEW ZEALAND TOURISM INDUSTRY IS MORE OPTIMISTIC THAN IT HAS BEEN FOR SOME TIME.

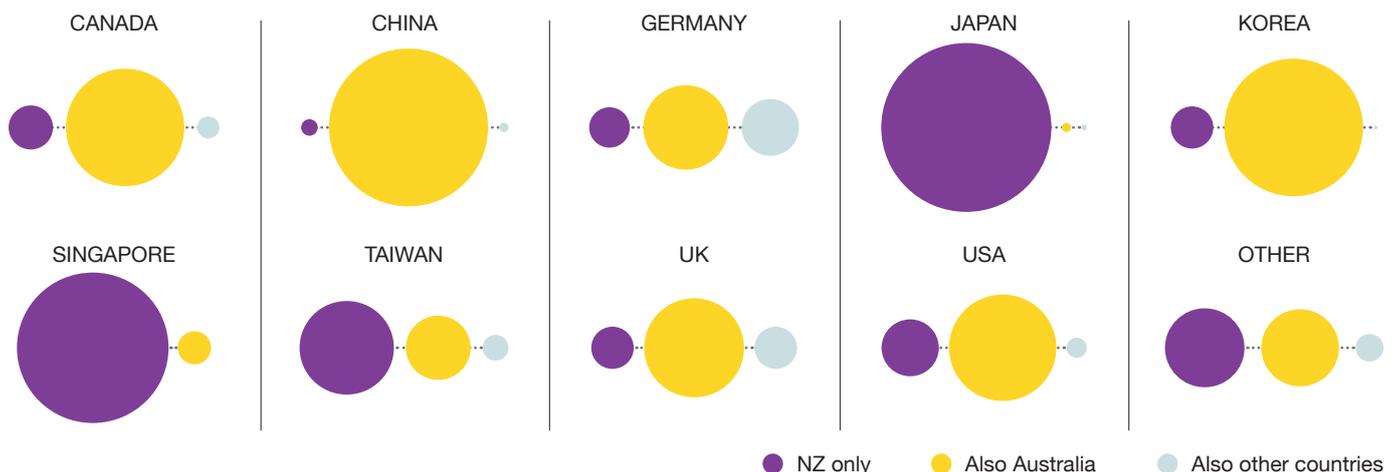
However, the upswing is not expected to gain full momentum until 2016. The current view is the worst is over for most major economies; low cost carriers are reshaping value propositions and will continue to develop in the short haul and medium-haul markets and this will likely see other carriers seek opportunities in long haul, ultra long-haul and alliance arrangements to boost network traffic. High growth potential from Asia and existing revenue streams from traditional markets are expected to see a significant boost in both the number of visitor arrivals and the value they contribute to the economy. Key drivers of this growth include:

- Low cost carriers have reshaped the value proposition for short, medium and long-haul travel, effecting the value differential and yield positions for travel to ultra-long-haul destinations such as New Zealand.
- The overall market will be driven by continued growth in China and emerging markets in Asia and South America such as India, Indonesia and Brazil. Growth in arrivals from these markets is expected to far outperform those of other markets.
- Policy change in air services and visa will improve New Zealand's competitive position and with further development can become a significant enabler of tourism growth from emerging markets.
- Further penetration into Australia and the Americas also has the potential to stimulate significant growth and help foster air-links with Auckland as a hub between Australasia, Asia and the Americas further shifting our potential visitor growth profile.

DUEL DESTINATION HOLIDAY VISITORS

Highlights include the relatively low proportion of Japanese and Singaporean holiday visitors also visiting Australia and the high proportion visiting Australia and New Zealand from China, Korea and long haul markets.

HOLIDAY VISITORS TO NEW ZEALAND WHO ALSO VISITED AUSTRALIA, OTHER DESTINATIONS OR NEW ZEALAND ONLY



Visitor arrivals to New Zealand

STRONG GROWTH IS EXPECTED TO CONTINUE ACROSS THE INDUSTRY, AND THE ASIAN MARKETS IN PARTICULAR.

Visitor arrivals can potentially increase by 58.1% across the period 2012–2020 to reach a total of 4,038,776 by the end of 2020; based on a reasonable expectation given economic forecasts, air capacity development, market changes and securing an appropriate share of growth. This represents a total increase of 1,484,317 arrivals and an annual cumulative average growth rate (CAGR) of 5.89%.

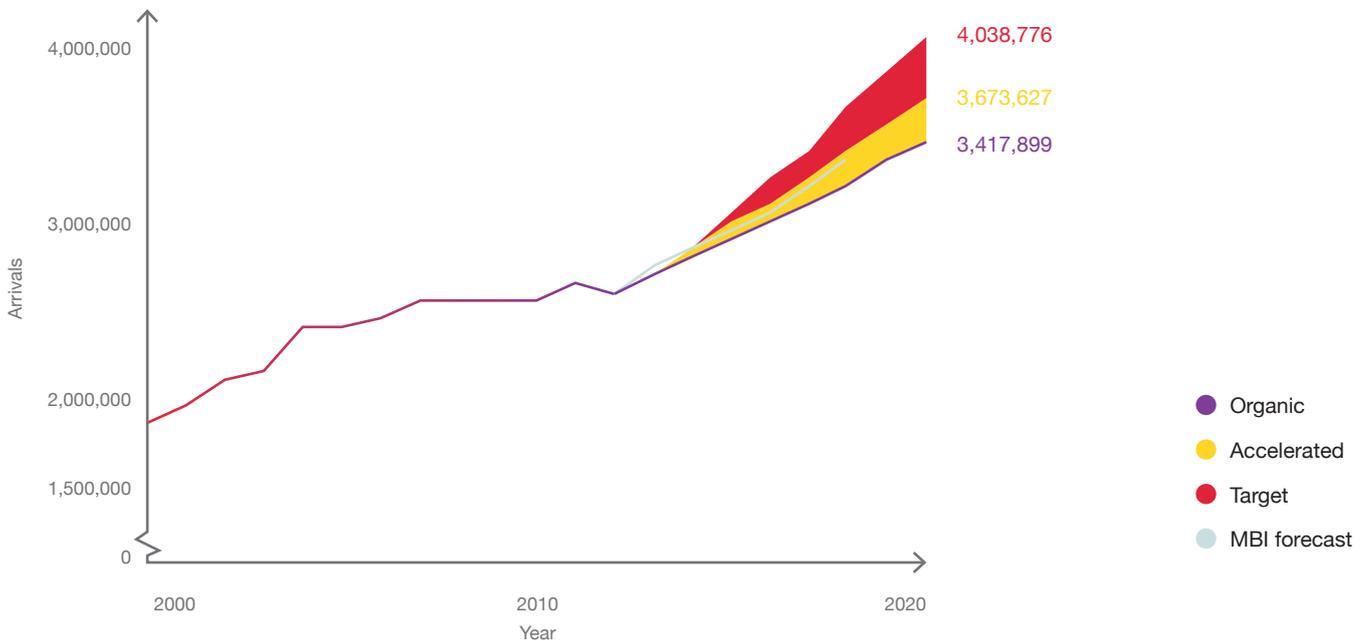
5.89%

forecast average annual visitor growth for 2012–2020

\$2,300

forecast average spend per visitor in 2020

POTENTIAL VISITOR ARRIVALS TO NEW ZEALAND 2000–2020



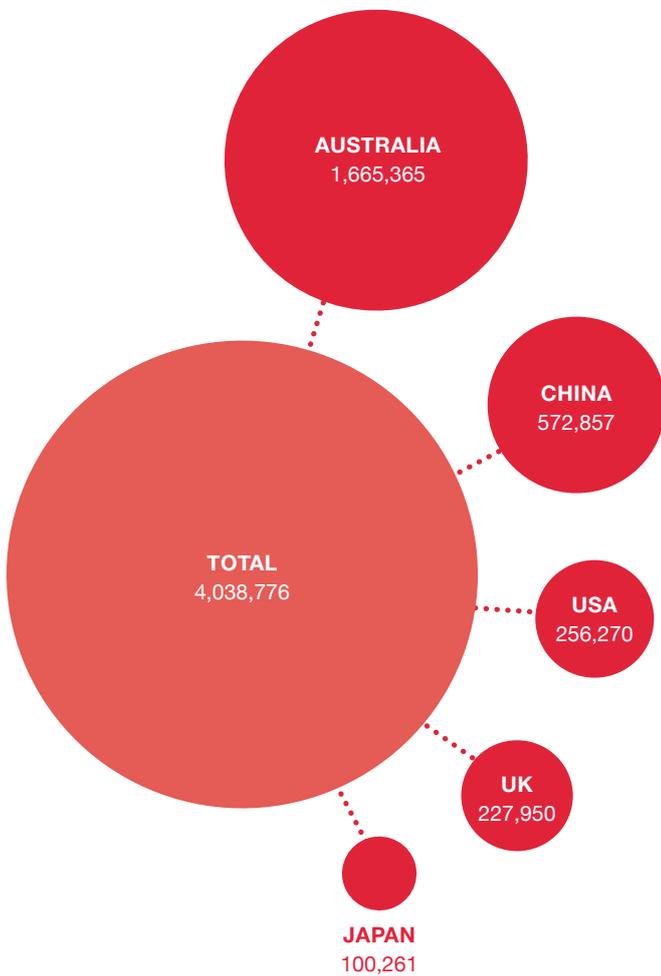
FORECAST DRIVERS

The forecast has been shaped by New Zealand's ability to respond quickly and effectively to change, developing new markets improving air-links and capacity as demonstrated in the global financial downturn, and gradually improving circumstances for long-haul travel.

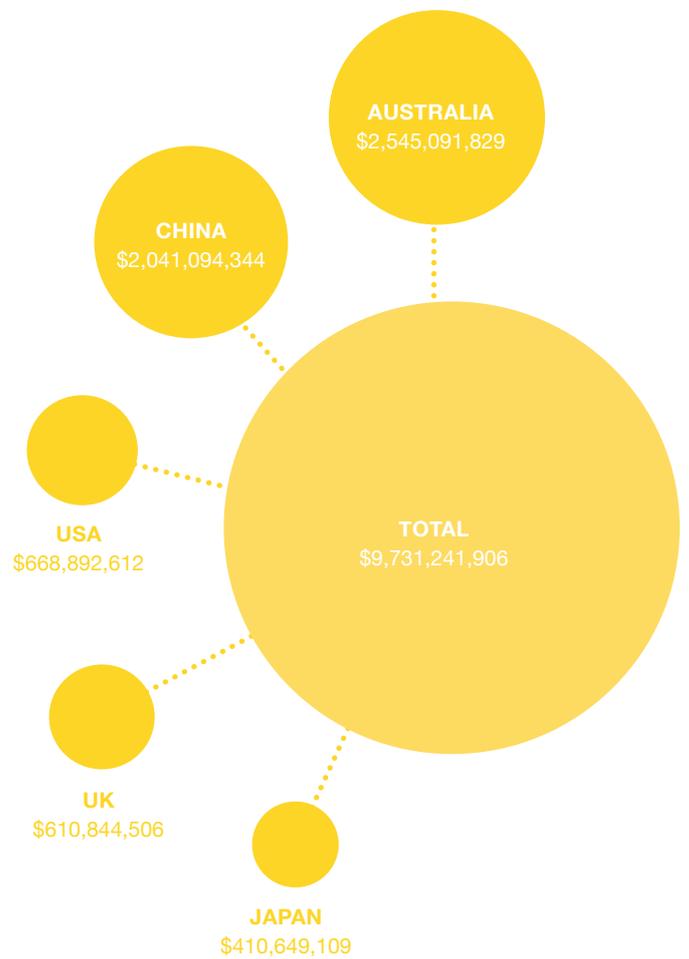
These factors, combined with New Zealand's enviable range of tourism assets, its proactive approach to promotion, re-orientation to Asia development would provide a sound platform for growth to 2020 in the tourism economy.

A market summary

TOP FIVE MARKETS BY VISITOR ARRIVALS 2020

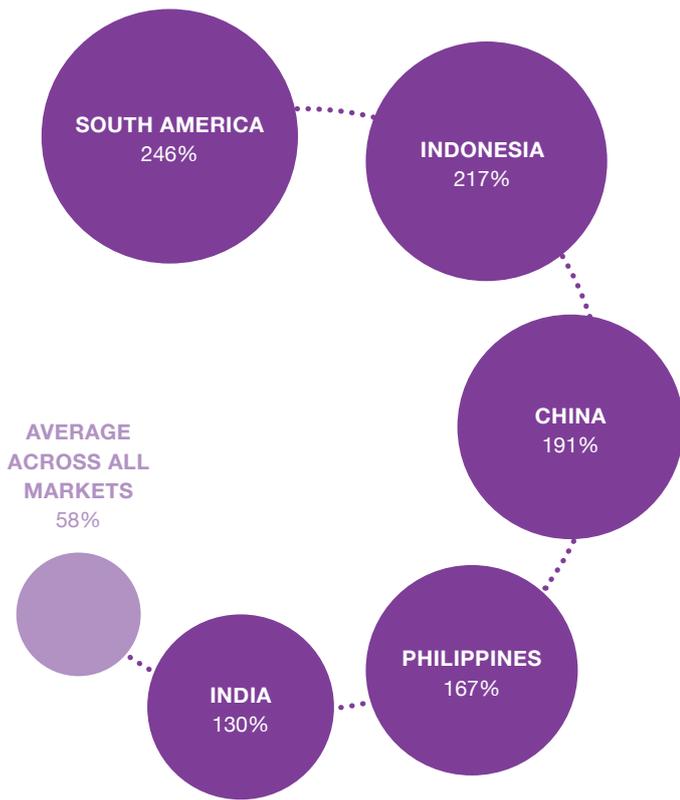


TOP FIVE MARKETS BY VISITOR SPEND* 2020



* Using YE Dec 2012 Average Expenditure. Source: International Visitor Arrivals (IVA), Statistics New Zealand, International Visitor Survey (IVS).

TOP FIVE MARKETS BY VISITOR GROWTH 2020



TOP FIVE MARKETS BY REAL VISITOR GROWTH 2020



GROWTH MARKETS FOR NEW ZEALAND REFLECT THE CHANGING FACE OF THE WORLD ECONOMY.

Booming Asian economies contribute to high growth rates from countries such as China, India and the Philippines. Even growth in established markets such as Korea and Japan will outstrip the average growth rate of New Zealand's other markets.

Something to aim for

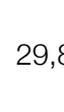
A NUMBER OF EMERGING ECONOMIES ARE REACHING MIDDLE INCOMES IN ASIA.

This particularly applies to China, India, Indonesia and, increasingly, Vietnam. Combined with some of the highest levels of consumer confidence in the world being in India, Philippines, Indonesia, Thailand, UAE, Brazil, China and Malaysia then it is easy to see that these emerging markets provide significant opportunities for tourism growth. How many visitors eventually come to New Zealand will depend on understanding the in-depth demand shifts in these markets to build product offerings and growing awareness of the New Zealand experience in market. Full development of air 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 | 4,038,776 | - | 5.89% |
|  AUSTRALIA | 1,115,792 | 45.24% | 1,486,849 | 1,565,711 | 1,665,365 | 41.23% | 4.67% |
|  CANADA | 46,448 | 1.82% | 55,579 | 56,152 | 63,556 | 1.57% | 4.00% |
|  CHINA | 197,024 | 7.71% | 452,126 | 482,735 | 572,857 | 14.18% | 14.27% |
|  FRANCE | 24,944 | 0.98% | 30,705 | 32,955 | 34,117 | 0.84% | 3.99% |
|  GERMANY | 63,776 | 2.50% | 75,818 | 76,202 | 83,173 | 2.06% | 3.38% |

*Cumulative Annual Growth Rate 2012–2020

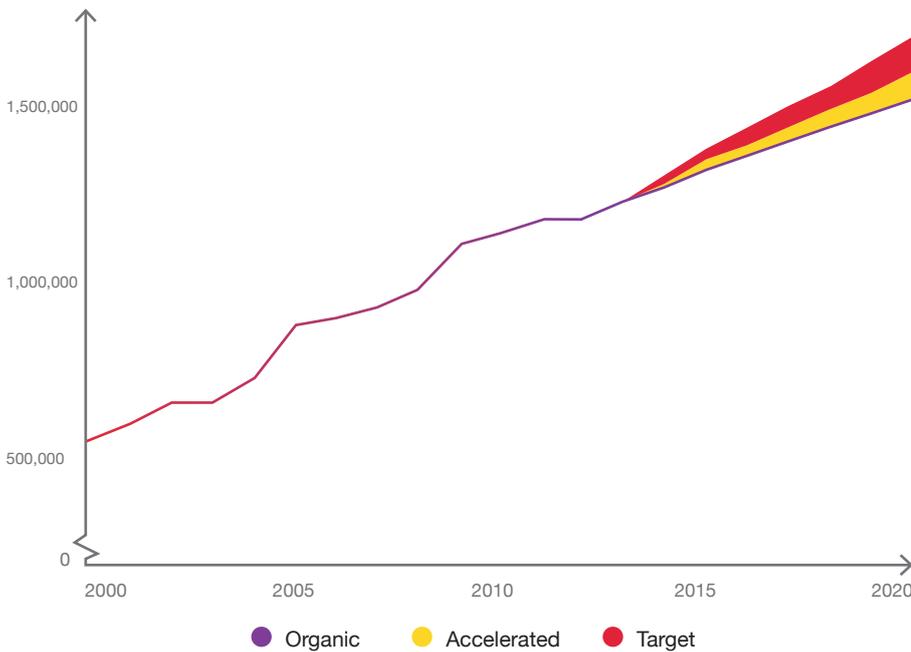
| | 2012 VISITOR ARRIVALS | 2012 SHARE OF MARKET | 2020 ARRIVALS (ORGANIC) | 2020 ARRIVALS (ACCELERATED) | 2020 ARRIVALS (TARGET) | 2020 MARKET SHARE (TARGET) | 2020 CAGR* (TARGET) |
|--|-----------------------|----------------------|-------------------------|-----------------------------|------------------------|----------------------------|---------------------|
|  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% |
|  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% |
|  SOUTH AMERICA | 21,168 | 0.83% | 40,414 | 50,452 | 73,230 | 1.81% | 16.78% |
|  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% |
|  UNITED KINGDOM | 189,648 | 7.42% | 205,938 | 212,910 | 227,950 | 5.64% | 2.33% |
|  UNITED STATES | 177,680 | 6.95% | 229,517 | 243,111 | 256,270 | 6.34% | 4.68% |

Outlook for our markets

AUSTRALIA 2020

The Australian visitor market is the major source of revenue for the tourism sector. It will remain the dominant market for the foreseeable future. Visitor numbers will continue to grow but people may increase the shorter period stay. New Zealand currently receives just over 13% out of the 8.2 million Australian outbound trips abroad. To build demand we will need to drive further growth and connections from regional market, increase our share of outbound holiday traffic against price competitive Asian offerings and convert Australian domestic travel to short haul New Zealand. High Net Worth Individuals are due to increase 35% over the decade indicating low steady growth at the higher value end of the market.

POTENTIAL VISITOR ARRIVALS



TARGETS

- Average annual growth **4.67%**
- Forecast visitor arrivals **1,665,365**
- Forecast market share **41.23%**
- Average visitor spend **\$1,528**
- Growth in arrivals 2012-2020 **509,573**

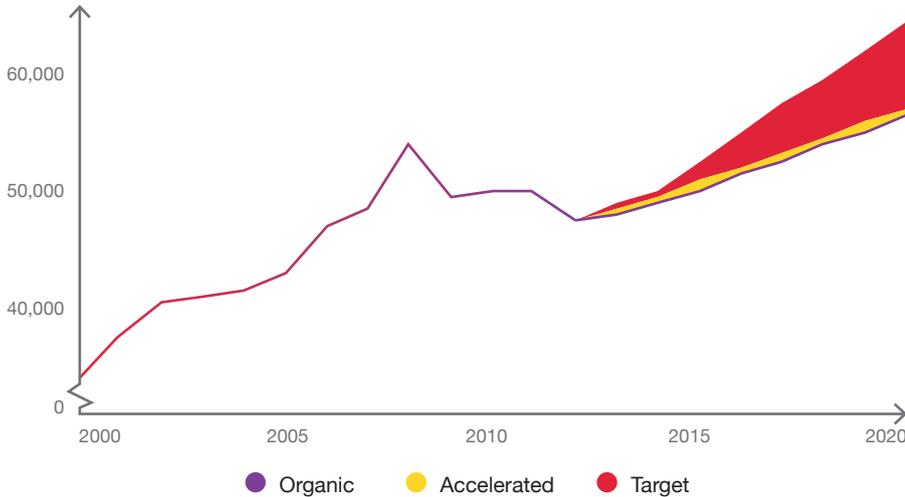
DRIVERS

- Relative closeness to New Zealand
- Need to increase share of outbound holiday
- Historical economic, migration and cultural ties
- Australia remains in a strong economic position
- Increasing regional connections
- Growing dual destination traffic increasing air capacity opportunity

CANADA 2020

Arrivals have increased 17% in the last decade while outbound travel beyond US and Caribbean has grown 77% over the same period. Growth to Australasia has been affected by the GFC but with improving economic conditions and development of air capacity is expected to return to 2008 levels and a CAGR of 4% for later years. Currently New Zealand receives 46,448 arrivals or 27% of the 170,000 plus Australasian market and 2.5% share of its reference set. Growth in High Net Worth Individuals is expected to grow 35% over the next decade, which is higher than the US market but slower than Asian markets, but still suggest potential in higher value segments.

POTENTIAL VISITOR ARRIVALS



TARGETS

Average annual growth **4.00%**
 Forecast visitor arrivals **63,556**
 Forecast market share **1.57%**
 Average visitor spend **\$2,274**
 Growth in arrivals 2012-2020 **17,108**

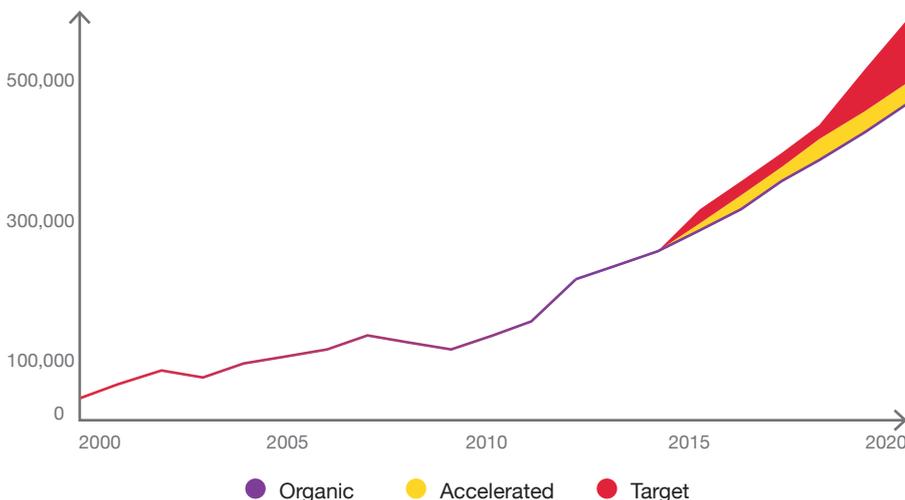
DRIVERS

- Long-term positive trend in visitor arrivals
- New air capacity development
- Confident consumer market

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.

POTENTIAL VISITOR ARRIVALS



TARGETS

Average annual growth **14.27%**
 Forecast visitor arrivals **572,857**
 Forecast market share **14.18%**
 Average visitor spend **\$3,563**
 Growth in arrivals 2012-2020 **375,833**

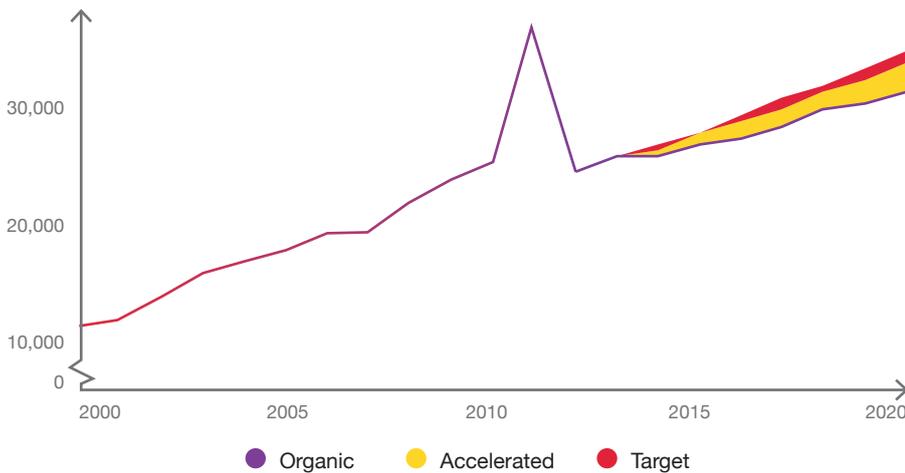
DRIVERS

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

FRANCE 2020

Despite decreasing to 25,000 post Rugby World Cup arrivals have increased by 88% over the last decade. Currently New Zealand receives 19.5% share of the total Australasian market of 128,000. Outbound travel to markets outside Europe, North Africa, French Territories and Israel increased over the decade by 75% to 7.7 million trips. The market penetration will be effected by supply of air capacity but with new network carriers and development of capacity across Middle East and Asia we anticipate initial growth options. High Net Worth market growth of 28% over the decade is at the low end of the scale but the size of the market suggests opportunity for growth.

POTENTIAL VISITOR ARRIVALS



TARGETS

Average annual growth **3.99%**
 Forecast visitor arrivals **34,117**
 Forecast market share **0.84%**
 Average visitor spend **\$2,810**
 Growth in arrivals 2012–2020 **9,173**

DRIVERS

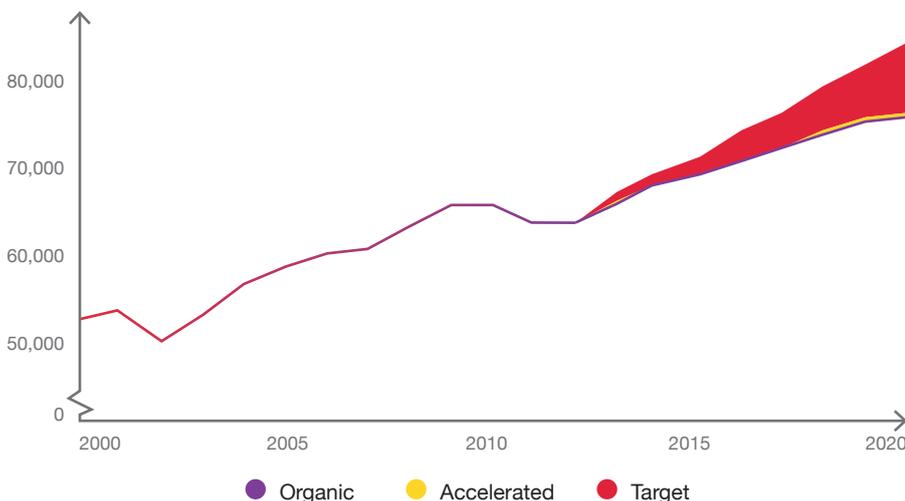
- Gradual recovery from recession
- Increase in discretionary household spending

GERMANY 2020

The German tourist market while relatively stagnant since 2008 has grown by 30% over the last decade to 64,000 visitor arrivals.

While we anticipate recovery in arrivals a key uncertainty is how much they will spend per day given the European sovereign debt crisis is a risk and strong New Zealand dollar. The market is strongly dual destination by nature (78%) with 46% of travellers also choosing to visit Australia. Tourism Australia is forecasting a 2.6% CAGR over the period while New Zealand Ministry forecasts are 3.9% to the period ending 2018. We anticipate growth rates to be just above 3% as airlines likely limit seat availability on ultra-long haul markets like Germany to the higher value end of the air travel market or as top ups during lower seasonal periods. Germany will continue to be the largest European market for High Net Worth Individuals but experience relatively low growth of 25% over the decade. To this extent New Zealand will have to target increased market share to grow its overall volume at a higher rate.

POTENTIAL VISITOR ARRIVALS



TARGETS

Average annual growth **3.38%**
 Forecast visitor arrivals **83,173**
 Forecast market share **2.06%**
 Average visitor spend **\$3,249**
 Growth in arrivals 2012–2020 **19,397**

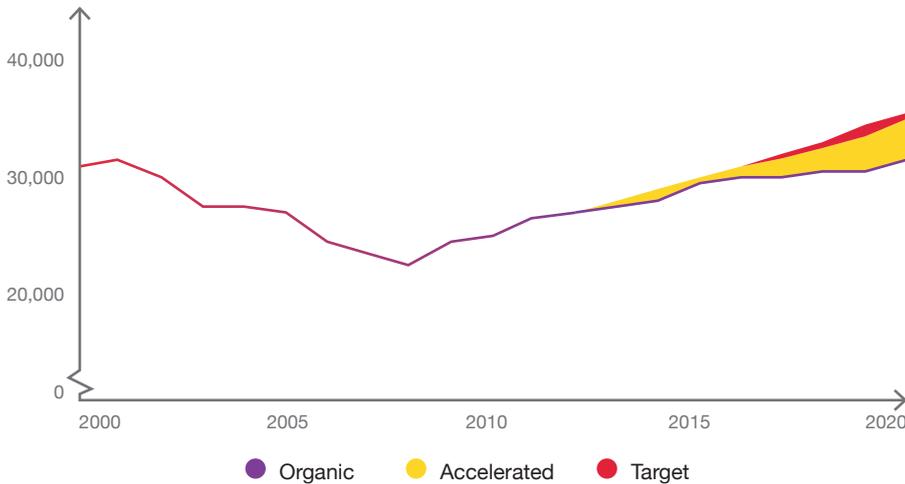
DRIVERS

- Highest length of stay in New Zealand
- A growing younger visitor market
- High growth of visitor arrivals

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.

POTENTIAL VISITOR ARRIVALS



TARGETS

Average annual growth **3.52%**
 Forecast visitor arrivals **34,649**
 Forecast market share **0.86%**
 Average visitor spend **\$2,810**
 Growth in arrivals 2012-2020 **8,337**

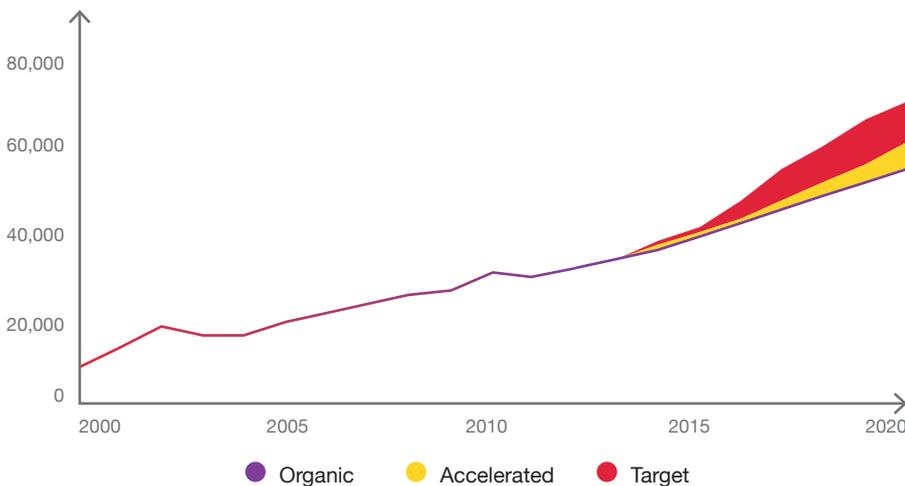
DRIVERS

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

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.

POTENTIAL VISITOR ARRIVALS



TARGETS

Average annual growth **10.99%**
 Forecast visitor arrivals **68,769**
 Forecast market share **1.70%**
 Average visitor spend **\$2,810**
 Growth in arrivals 2012-2020 **38,913**

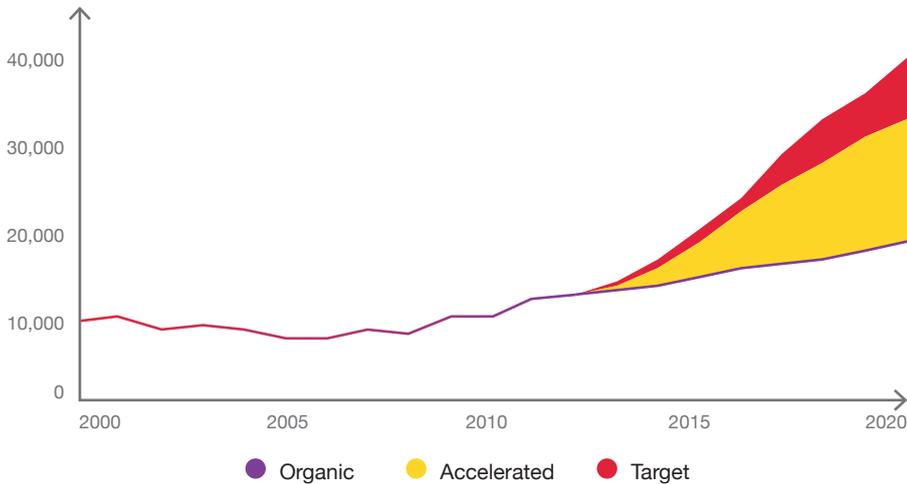
DRIVERS

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

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.

POTENTIAL VISITOR ARRIVALS



TARGETS

Average annual growth **15.53%**
 Forecast visitor arrivals **38,900**
 Forecast market share **0.96%**
 Average visitor spend **\$2,810**
 Growth in arrivals 2012-2020 **26,644**

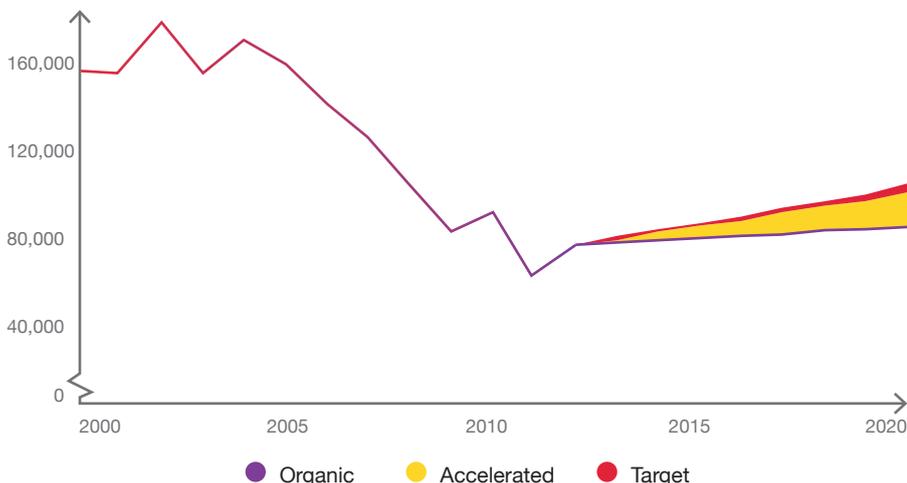
DRIVERS

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

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.

POTENTIAL VISITOR ARRIVALS



TARGETS

Average annual growth **4.21%**
 Forecast visitor arrivals **100,261**
 Forecast market share **2.48%**
 Average visitor spend **\$4,096**
 Growth in arrivals 2012-2020 **28,181**

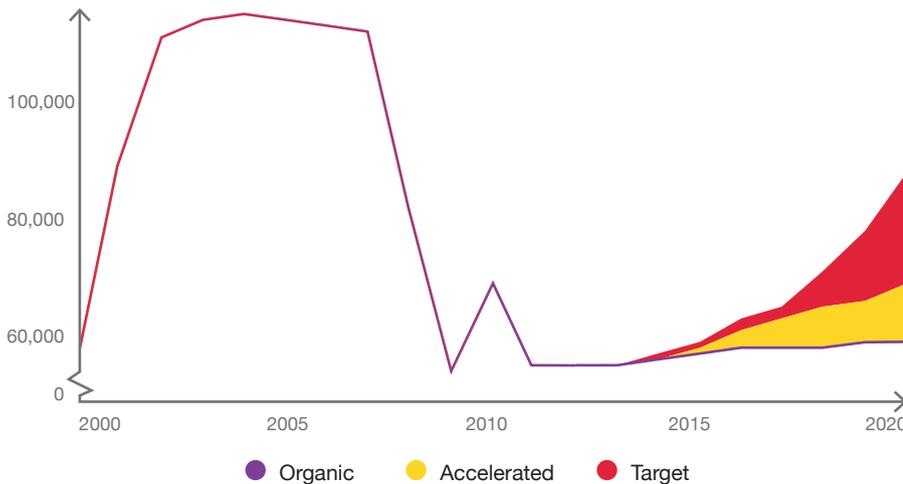
DRIVERS

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

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.

POTENTIAL VISITOR ARRIVALS



TARGETS

Average annual growth **6.21%**
 Forecast visitor arrivals **85,675**
 Forecast market share **2.12%**
 Average visitor spend **\$3,074**
 Growth in arrivals 2012-2020 **32,779**

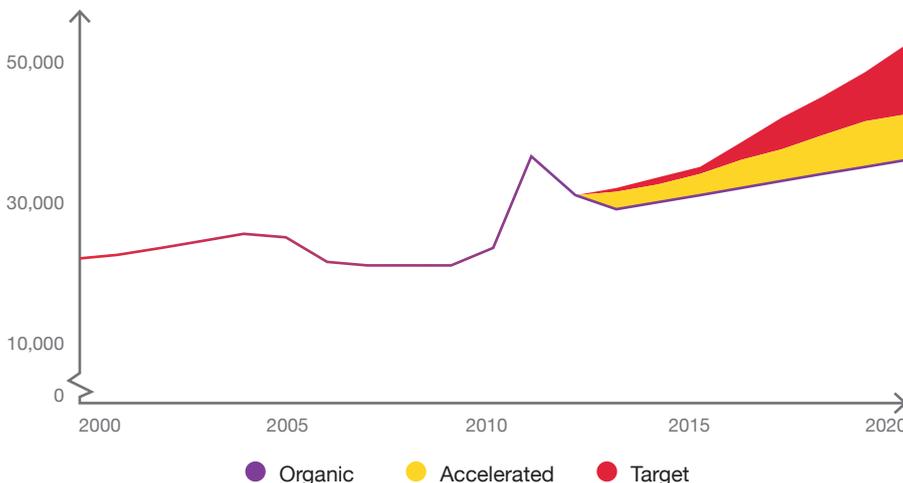
DRIVERS

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

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.

POTENTIAL VISITOR ARRIVALS



TARGETS

Average annual growth **7.10%**
 Forecast visitor arrivals **50,930**
 Forecast market share **1.26%**
 Average visitor spend **\$2,810**
 Growth in arrivals 2012-2020 **21,506**

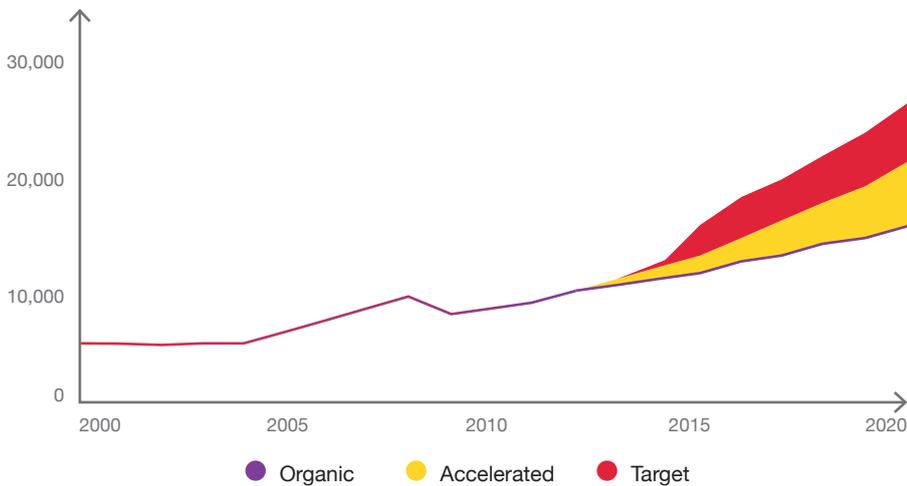
DRIVERS

- Resilient through recent economic downturns
- Sharp increase in outbound departures

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.

POTENTIAL VISITOR ARRIVALS



TARGETS

Average annual growth **13.05%**
 Forecast visitor arrivals **25,518**
 Forecast market share **0.63%**
 Average visitor spend **\$2,810**
 Growth in arrivals 2012-2020 **15,950**

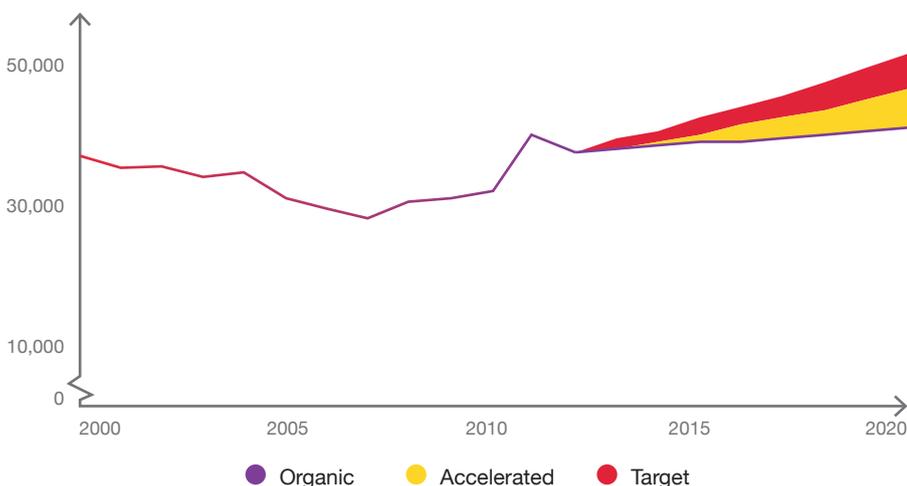
DRIVERS

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

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.

POTENTIAL VISITOR ARRIVALS



TARGETS

Average annual growth **4.00%**
 Forecast visitor arrivals **49,816**
 Forecast market share **1.23%**
 Average visitor spend **\$2,717**
 Growth in arrivals 2012-2020 **13,416**

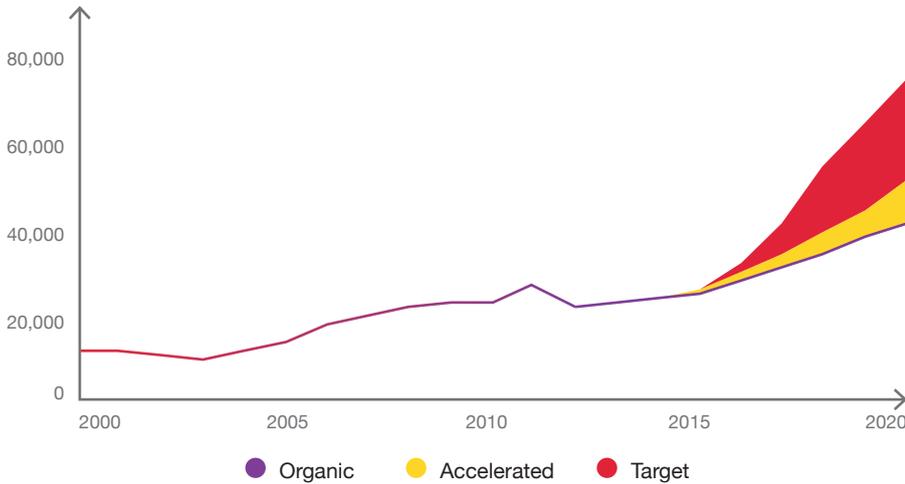
DRIVERS

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

SOUTH AMERICA 2020

With population due to grow from 250 million to over 270 million by 2020 and GDP growth of 4% plus this emerging market is considered to offer high growth potential, however this will be highly linked to growth in air capacity. Currently New Zealand attracts 21,000 arrivals from Brazil, Chile and Argentina or 25% share of the total visitors to Australasia. As the market matures there is further opportunity for additional daily services and connections to the large market of Brazil stimulating a potential market of 73,000 potential arrivals. Brazil is anticipated to experience one of the highest growth rates of High Net Worth Individuals in the world at 138% and coupled with Argentinean growth of 74% and Chile at 55% the market provides significant opportunity in the higher value segment of the market.

POTENTIAL VISITOR ARRIVALS



TARGETS

Average annual growth **16.78%**
 Forecast visitor arrivals **73,230**
 Forecast market share **1.81%**
 Average visitor spend **\$2,810**
 Growth in arrivals 2012-2020 **52,062**

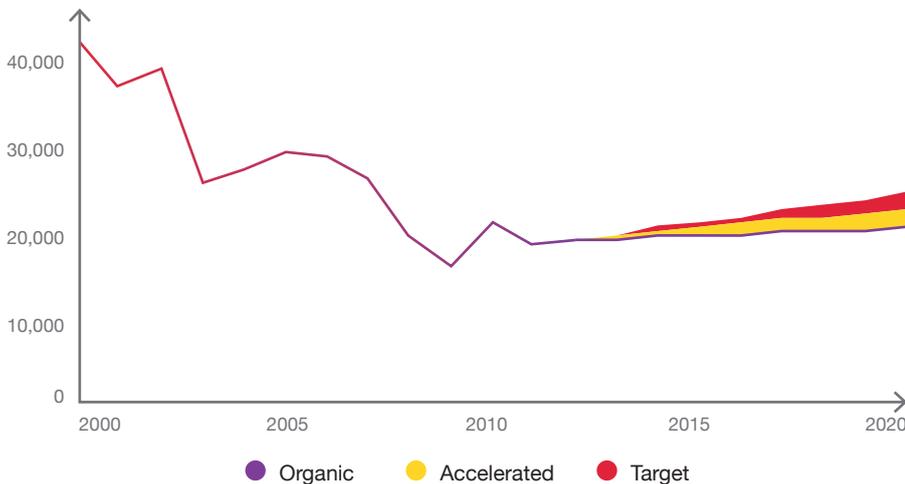
DRIVERS

- High growth potential linked to air capacity
- Increase in outbound departures

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.

POTENTIAL VISITOR ARRIVALS



TARGETS

Average annual growth **3.25%**
 Forecast visitor arrivals **24,074**
 Forecast market share **0.60%**
 Average visitor spend **\$3,502**
 Growth in arrivals 2012-2020 **5,434**

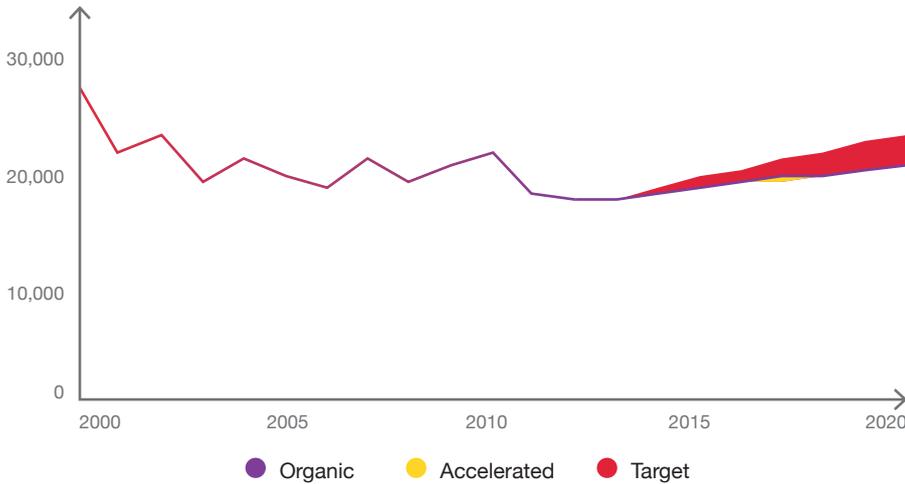
DRIVERS

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

THAILAND 2020

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.

POTENTIAL VISITOR ARRIVALS



TARGETS

Average annual growth **3.51%**
 Forecast visitor arrivals **22,329**
 Forecast market share **0.55%**
 Average visitor spend **\$2,810**
 Growth in arrivals 2012-2020 **5,385**

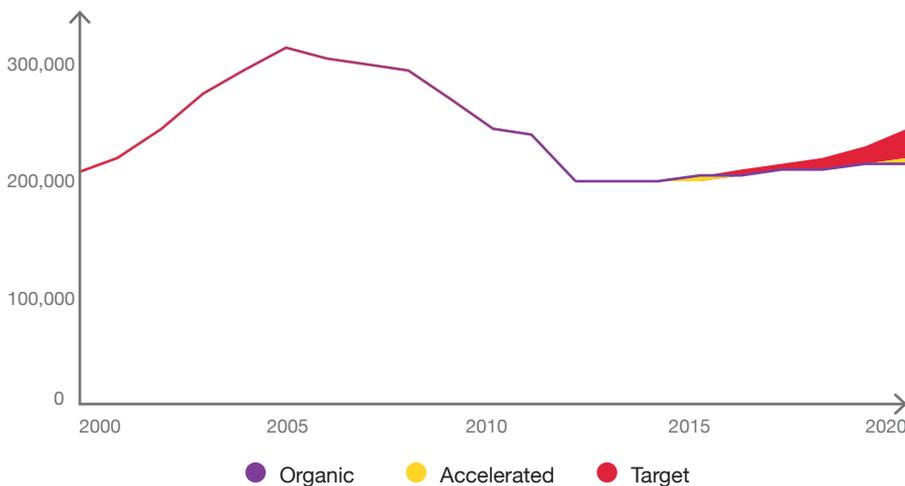
DRIVERS

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

UNITED KINGDOM 2020

Visitor numbers from the United Kingdom will contract further over the coming years, due to a weak economy. Historical, cultural, family and other ties will keep it an important market, but growth will be difficult to achieve. Network development from Asian and Middle East Carriers will continue to assist demand from a supply side as aviation shifts towards an Asian growth century.

POTENTIAL VISITOR ARRIVALS



TARGETS

Average annual growth **2.33%**
 Forecast visitor arrivals **227,950**
 Forecast market share **5.64%**
 Average visitor spend **\$2,680**
 Growth in arrivals 2012-2020 **38,302**

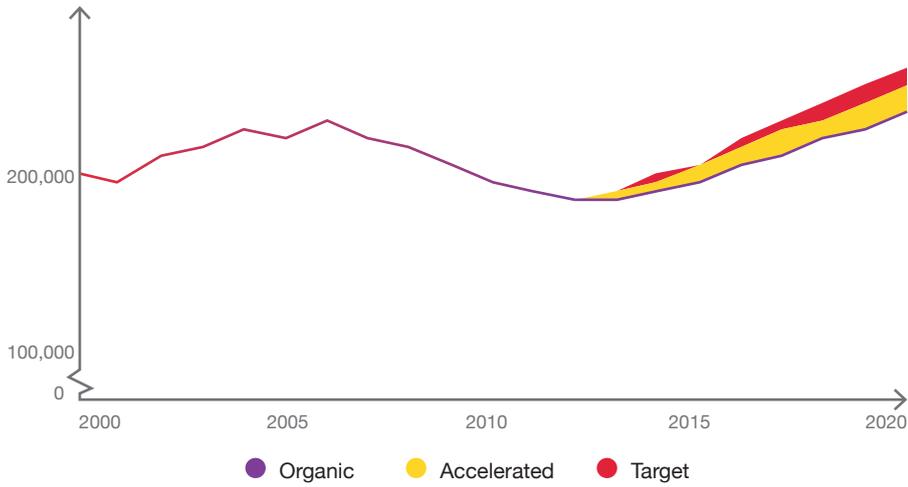
DRIVERS

- Strong historical and cultural ties
- Growth in those visiting friends and family

UNITED STATES 2020

The USA visitor market has shrunk 15% over the last decade to 178,000 compared with 10% growth into Australia over the same period. It is anticipated expanding air capacity from airlines such as Air New Zealand and Hawaiian Airlines coupled with increased market penetration into secondary regions will stimulate strong demand. Growth in visitor numbers from the USA has been soft because of a protracted recovery in the economy however GDP is forecast to grow at 3% per annum. As by far the largest market for High Net Worth Individuals, which will still experience a 30% plus growth rate, it will remain an important market for development, growth and value.

POTENTIAL VISITOR ARRIVALS



TARGETS

Average annual growth **4.68%**
Forecast visitor arrivals **256,270**
Forecast market share **6.34%**
Average visitor spend **\$2,610**
Growth in arrivals 2012-2020 **78,590**

DRIVERS

- Remains a high spending market
- Gradual rising economic activity
- Increase in discretionary spending over time



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.

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

AMBITION 2020

Understanding and responding to these changes

Tourism is now a major industry in most countries and the competitive environment is constantly evolving as new destinations emerge, marketing budgets increase, policies change, markets open and aviation technologies and business models evolve.

New Zealand has a range of unique and highly desirable tourism assets but, in a constantly evolving global market, New Zealand's position must be frequently monitored and assessed to anticipate and respond to competitive trends. In most markets New Zealand is priced towards the high end of the market and as such our product must deliver value to higher value consumer segments and shifts in their demand.

Markets will naturally ebb and flow as the competitive environment changes however there has been a significant global shift in economic power and consumer development and as such we have developed a more detailed view of Asian markets in particular in a supporting document Asia 2020.

Please note these forecasts and trends are views developed by Auckland Airport utilising market knowledge and forecast consultants and are designed to provide an insight as to where we see market opportunity. We believe there is further market potential through the development of market strategies and step change in demand/supply side levers.

