New Zealand’s market share of international tourism

Report to NZ Tourism Board

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Preface

The New Zealand Institute of Economic Research (NZIER), based in Wellington, was founded in 1958 as a non-profit making trust to provide economic research and consultancy services. Best known for its long-established Quarterly Survey of Business Opinion and forecasting publications, Quarterly Predictions and the annual Industry Outlook with five-yearly projections for 25 sectors, the Institute also undertakes a wide range of consultancy activities for government and private organisations. It obtains most of its income from research contracts obtained in a competitive market and trades on its reputation for delivering quality analysis in the right form, and at the right time, for its clients. Quality assurance is provided on the Institute’s work:

- by the interaction of team members on individual projects;
- by exposure of the team’s work to the critical review of a broader range of Institute staff members at internal seminars;
- by providing for peer review at various stages through a project by a senior staff member otherwise disinterested in the project;
- and sometimes by external peer reviewers at the request of a client, although this usually entails additional cost.

Authorship

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1. OVERVIEW

The NZ Tourism Board asked NZIER to determine and discuss New Zealand’s market share of tourism demand from different origins. This report presents the results of this analysis in nine chapters, by origin. Each chapter follows the same structure for ease of comparison. They are however, designed to be stand-alone. This section is intended to provide an overview of the method used in the analysis. It also presents some global trends based on regional analysis. It goes on to discuss some issues with the data used and concludes by considering what further analysis might be useful.

1.1 Method

The major origin markets that we concentrated on were Australia, US, UK, Japan, Germany, Hong Kong, Singapore, Taiwan and Korea. The greatest demand for New Zealand tourism comes from these countries.

The next step was to identify the main destinations with which New Zealand competes for tourists. We identified 14-15 destination markets for each origin. These were selected on the basis of one of three criteria. First, we selected eight regional “attractors”, that is countries that were representative of a particular region of the world. These were UK, US, France, China, Brazil, Thailand, South Africa and Japan. The second group consists of the three destinations that we judged could be important local competitors or complements. These countries were Fiji, Indonesia and Australia. These two groups were common to all nine origin markets. One exception was made as no data was available on arrivals of Australians into France. For that reason, Greece was substituted as a regional attractor for Australia. Finally, we selected three countries specific to each origin that were common tourist destinations on the basis of departure data.

Table 1 outlines the major tourist destinations for travellers leaving the nine origin markets that we considered. The table below denotes with a 1 those destinations that have been analysed for each origin market (with origins across the columns and destinations down the rows).
Table 1 Destinations of key origin market travellers

<table>
<thead>
<tr>
<th>Destination</th>
<th>Australia</th>
<th>Germany</th>
<th>Hong Kong</th>
<th>Japan</th>
<th>Singapore</th>
<th>South Korea</th>
<th>Taiwan</th>
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Source: NZIER

So, for example, the share of Japanese tourists going to Australia, Brazil, China, Fiji, France, Hawaii, Hong Kong, Indonesia, South Africa, South Korea, Thailand, the UK, and the US is compared to New Zealand’s market share of Japanese tourists.

Once the origin markets and the relevant destinations were identified, data collection was begun. One of the issues in tourism analysis is the tension between arrival data and departure data.

It is important to remember when analysing departure data that a tourist can give only one country on a departure card. This will usually be the one in which they plan to spend most of their time. This is likely to be significant for a country like New Zealand where a number of tourists arrive through other countries, particularly Australia. This means that if departure data is used exclusively a conservative picture of tourism is likely to be presented. In particular, destinations that are typically stop-overs may appear less popular than in reality.

Exclusively using data based on arrivals presents different problems. Although a more accurate picture is given of the number of places visited it is not possible to distinguish an individual’s movements. In addition, it is impractical to use arrival data as the denominator in a market share analysis. Data on arrivals from a particular origin would have to be collected for every destination. Given the lack of a comprehensive tourism database this is not realistic.

In order to circumvent the practical problems with using only arrivals data and avoid the under-reporting inherent in departures data, the market shares are constructed using a mixture of the two.

A destination’s annual market share is defined as the number of arrivals in a particular year as a percentage of the total departures from the relevant origin market in that year. The implication is that the market share describes the proportion of travellers from a particular origin country that visit a destination. The sum of all destination
countries’ market shares will consequently exceed 100% to the extent that travellers visit more than one country in a single trip.

One residual issue with this measure is the potential for a delay between the period in which a person departs and the period in which they arrive in a particular destination. Consider, for example, a traveller from the UK to New Zealand who spends six months travelling through America before arriving in New Zealand. This lag will distort the market share to some degree. However, the trends analysed here will still be valid.

A market share was calculated on this basis for each of the 14-15 relevant destination countries for each origin. The two factors most likely to affect demand are income and relative price. Changes in the average potential tourist’s income are measured by GDP growth. Movements in the relative price of various destinations are captured by relative movements in the real exchange rate of the origin currency against those destination currencies. (The real exchange rate is the nominal exchange rate, adjusted for differences in price movements between the two countries being considered. Alternatively it can be thought of as relative price movements, adjusted for exchange rate changes. Hence, it can be used as a measure of price competitiveness).

A correlation matrix is also set out for each origin market. This illustrates whether destinations are in synch with New Zealand, in terms of growth in the market share of tourists from that origin. Specifically, it measures the extent to which a linear relationship exists between the relative tourism demand for New Zealand and for the other country. The sign of the coefficient indicates whether the relationship is positive or negative. A positive relationship suggests that destinations may be complementary. This is likely where people tend to visit two countries in the same trip. A negative relationship suggests that people substitute between the destinations, so as relative demand for one increases, relative demand for the other declines.

These correlations do not provide conclusive evidence of complementary or substitute destinations, in a strict economic sense, they are only suggestive. Strictly, two destinations are said to be complementary if an increase in the relative price of one increases demand for the other, other things remaining equal. However, everything else was not constant in this analysis. This means that changes in other, non-price factors also affected market shares. So, a positive correlation between the market share of two destinations may reflect similarity in the impact of a non-price factor, such as income, on demand for travel to those countries relative to other countries. This means that two destinations could be substitutes in the strict “cross-price effect” sense, yet show a positive correlation. More analysis is required to determine what is driving the relationship between the market shares of two destinations.

1.2 Global trends

The purpose of this section is to give a short overview of recent global trends in tourism. First, some summary data on New Zealand’s market share is presented. The second part of the section focuses on regional trends.
1.2.1 New Zealand summary

Figure 1 NZ market share of key countries

Figure 1 depicts New Zealand’s share of all departures from the nine origin markets considered in this report. In effect this is a weighted average of the market share of the nine origins, where the weights are the proportion of total departures that originate in that country. In other words, a relatively higher weight is given to countries with large tourism demand. The graph has two interesting characteristics:

- There is a very strong seasonal pattern to our market share. Our market share is twice as large in the summer as in the winter season. (In all other charts on market share in this report we have used rolling annual totals, thereby avoiding presentation problems due to seasonality).
- Despite fluctuations in market share of tourism demand from individual origin countries, New Zealand’s overall market share has remained remarkably stable, at around 0.45%.

It is worth noting that this graph depicts only those nine countries that we chose to analyse. Recall that we selected those origins that contributed the largest number of tourist arrivals to New Zealand. To the extent that a significant number of tourists originate in other countries and that a lower proportion of them visit New Zealand, the graph overstates New Zealand’s share of total world tourism.

As a check on the figures presented, we calculated the total number of arrivals to New Zealand as a percentage of the total number of arrivals worldwide, as estimated by the WTO. In 1997, arrivals to New Zealand accounted for 0.25% of total international arrivals. This figure will understate New Zealand’s market share in the meaning it is given here. Recall from section 1.1 that the number of arrivals recorded is greater than the total number of trips made as people may visit more than one country in a single trip. This means that the true market share of New Zealand tourism of worldwide demand probably lies somewhere between 0.25-0.45%.
1.2.2 Regional analysis

Figure 2 illustrates the flow of visitors between regions based on arrival data. The number inside the circle represents the international flow of tourists within each region, for example between Canada and the US in America, or Australia and NZ in the Pacific. The number at the arrowhead indicates the volume of tourists arriving in that region.

Although this is a useful way of getting a feel for regional tourism flows, it is prone to over-counting. Consider a Japanese tourist who travels to Germany and then to France before returning to Japan. This is one inter-regional trip – from Asia to Europe. By using arrival data, we count this person twice, once when they arrive in Germany and again on arrival in France. Bearing this caveat in mind though, the World Tourism Organisation’s arrival data is the most complete data set available and therefore presents the best way of getting some understanding of regional trends.

The largest flow occurs within Europe. This is not surprising as there are many countries within a relatively small geographic area; it is relatively easy to travel between them and there are significant trade and other relations due to the European Union.

Like Europe, America has a relatively large population on a single continental land mass. In 1998, an estimated 808.7 million people lived in North and South America. These people are relatively mobile both within the American continent and to overseas destinations. In comparison, the 3,629 million people who live in Asia and the Pacific are much less likely to travel. This is attributable to many factors, including the difficulty of obtaining travel documents in some countries including China and the cost of travel.

In general, intra-regional travel is more likely than travel to another region. This reflects lower costs and the accessibility of geographically close countries. Cultural, familial and trade links also tend to be stronger within a region.

Table 2: Regional populations

<table>
<thead>
<tr>
<th>Region</th>
<th>Population, 1998 est.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Africa</td>
<td>76.8m</td>
</tr>
<tr>
<td>America</td>
<td>808.7m</td>
</tr>
<tr>
<td>Asia</td>
<td>3,604.4m</td>
</tr>
<tr>
<td>Europe</td>
<td>727.5m</td>
</tr>
<tr>
<td>Oceania</td>
<td>25.1m</td>
</tr>
</tbody>
</table>

Source: CIA (www.stats.demon.nl)
Figure 2: Regional tourism flows

Source: World Tourism Organisation
Figure 3 shows the share for each region of total international arrivals. This figure is dominated by Europe, which is driven by the intra-regional arrivals.

New Zealand is in the East Asia/Pacific region. This region receives 14% of global international arrivals. As for other regions, most of this tourism is intra-regional. Europe is the dominant overseas origin market. This may be related to the European roots of some of the ex-colonial nations. Europe is a traditional market for many Pacific nations. Asia has been growing in popularity as a destination in recent years, capturing an increasing percentage of international arrivals at the expense of the more traditional markets of America and Europe.

**Figure 3: Regional share of total international arrivals**

<table>
<thead>
<tr>
<th>Region</th>
<th>Percent</th>
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<tbody>
<tr>
<td>Europe</td>
<td>60%</td>
</tr>
<tr>
<td>America</td>
<td>19%</td>
</tr>
<tr>
<td>East Asia/Pacific</td>
<td>14%</td>
</tr>
<tr>
<td>South Asia</td>
<td>1%</td>
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<tr>
<td>Africa</td>
<td>4%</td>
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<td>Middle East</td>
<td>2%</td>
</tr>
</tbody>
</table>

Source: World Tourism Organisation

### 1.3 Data problems

Finding adequate data has been a major problem. Generally, we have based arrivals data on monthly figures from the WTO, assembling this into quarterly series. But the WTO database is far from complete, and for some countries we have had to use annual WTO data, interpolated to give quarterly figures. We have also supplemented the WTO data with data from other sources, such as the Australian Bureau of Statistics, which provided data on Australian resident departures from Australia and arrivals into Australia from key origin markets. Most of the departure data was obtained from PATA. The sources of data series are fully documented in the spreadsheets we have assembled.

Data was obtained from a number of sources in order to present the most complete and accurate picture possible. Some aspects of the data that are unusual to specific countries are noted below.

- Where annual data was able to be obtained from a different source than the quarterly data the two were compared to check their consistency. Inconsistencies remain for:
  - Germany to France
  - Germany to Indonesia
- Hong Kong to Taiwan
- Japan to France
- UK to Thailand
- Singapore to Thailand
- US to France

- Japan collects arrivals data on the basis of nationality. This creates a problem for Hong Kong, as the nationality of residents changed when it was returned to China.
- The number of Hong Kong visitors arriving in China is greater than the total number of Hong Kong residents leaving Hong Kong. This could happen occasionally because of the timing of the collection of arrival and departure data. But China’s average market share for 1997-1999 is greater than 100%.
- The number of UK arrivals in Spain in 1996 and 1997 is extremely low. This is not able to be explained by economic, social or political events in either country and is likely to be a data error at the source.
- The number of departures from the UK is not collected. The number of UK residents returning to the UK is used instead. The only impact this will have is that the delay between a particular person being recorded in the origin country as a departure and being recorded in the destination country as an arrival will reverse. The trends will still be meaningful.
- The number of visitors to the UK is collected on departure from the UK rather than on arrival in the UK.
- No quarterly data were available for the number of US tourists arriving in Mexico. The figures used (rolling annual data) were interpolated from annual data.

1.4 Further development

There are two possible paths for developing this work. Firstly, it would be possible to refine the analysis in this report if more data were available. Secondly, the work could be extended by modelling the relationships mooted here.

This work has shown that there is no adequate single database of international tourism data. The next step therefore would be to approach individual country’s statistical or tourism agencies. Some preliminary contact during the course of this work has shown that there are likely to be language barriers in communicating with some of these agencies. Additional assistance would therefore need to be sought to overcome these.

The next step in terms of development is to formally model tourism flows. This analysis has shown that prices (exchange rates) and income (GDP) are likely to have some effect on tourist flows. In order to formalise that relationship, econometric modelling should be undertaken. This would give an understanding of the relative influences of each of these factors on tourism flows. It would also support an understanding of the structure of the decision-making process tourists follow, through the lag structure of the equation, particularly with respect to exchange rates. It will also give us a clearer understanding of whether, and how, exchange rate movements between the origin country and New Zealand’s competitors affect flows into New Zealand.
2. AUSTRALIAN TOURISTS

The market share analysis is based on arrivals data collected in the destination country and departures data collected in Australia. To the extent that travellers visit more than one destination on each trip abroad then the sum of the market shares will be greater than 100%.

Countries were chosen for analysis on three bases. First, we selected eight regional “attractors”, that is countries that were representative of particular regions around the world. These were UK, US, France, China, Brazil, Thailand, South Africa and Japan. The second group consists of the three destinations that we judged could be important local competitors or complements. These countries were Fiji, Indonesia and Australia. These two groups are common to all nine market analyses. Finally, we selected three countries specific to each origin that, on the basis of departure data, were popular tourist destinations.

No data was available for arrivals of Australians in France. For Australia only, we substituted Greece as a regional attractor.

The three specific countries chosen for Australia were:

- Hong Kong;
- Malaysia;
- Singapore.

2.1 Trends in tourism to New Zealand

Figure 4 shows the number of Australian tourists that arrived in New Zealand between 1979 and 2000. It also presents this information as a percentage of the total number of tourists who left Australia in the relevant year. This is New Zealand’s market share of the Australian tourist market.

The graph shows that the number of Australians travelling to New Zealand has steadily climbed. By presenting this figure as a percentage of the total number of departures we are able to ascertain whether New Zealand is becoming relatively more
or less popular as a destination. In this case, we see that up until 1988 the proportion of Australian tourists visiting New Zealand declined from 19.7% to around 17%. At the end of 1988, at the time of the sharemarket crash, there was a sharp drop to 15%. The level subsequently stabilised at around 16%.

This indicates that there have been an increasing number of Australians travelling abroad, of whom a fairly constant proportion come to New Zealand.

2.2 Alternative destinations

2.2.1 Relative market share

Figure 5 illustrates the market share of all 14 countries analysed. The data runs from 1989 up to the most recent available. Because of the variety of data sources some series are longer than others.
This graph should be interpreted with caution as it is presented on a log scale. This means that each tick mark up the vertical axis indicates an increase in market share by a factor of ten. The benefit of presenting information in this way is that it is possible to show all markets on the same graph. The disadvantage is that the interpretation of a particular slope changes depending on the level of the market share. For example, Brazil has the smallest market share of outbound Australian tourists. The size of Brazil’s market share fluctuates from 0.5% in 1989, down to a low of 0.1% in 1993, before bouncing back to 0.3% by 1997. Contrast this with the seemingly small movements in the largest market, the UK. In 1989, 28.4% of outbound Australian tourists visited the UK. This fell significantly in the early 1990s, finishing 1998 at a low for the period of 19.1%.

Clearly, the figures show that the fluctuation in the UK’s share of outbound tourism have been significantly greater than that of Brazil. This relativity is not as obvious from the graph.

Figure 11, at the end of the chapter, shows each country’s market share on a separate graph. These graphs more clearly illustrate trends in market share.

New Zealand’s share of Australian outbound tourism placed it consistently in the top four performers from 1989 to 1999. During this time, New Zealand has had a fairly constant share at around 16%.

### 2.2.2 Trends in market share

*Figure 6 Trend in share of outbound tourism*

<table>
<thead>
<tr>
<th>Percent change</th>
<th>Indonesia</th>
<th>China</th>
<th>South Africa</th>
<th>Japan</th>
<th>Brazil</th>
<th>New Zealand</th>
<th>Malaysia</th>
<th>Thailand</th>
<th>Fiji</th>
<th>Hong Kong</th>
<th>Greece</th>
<th>UK</th>
<th>US</th>
<th>Singapore</th>
</tr>
</thead>
<tbody>
<tr>
<td>-8.0%</td>
<td>0.0%</td>
<td>-1.0%</td>
<td>-2.0%</td>
<td>-3.0%</td>
<td>-4.0%</td>
<td>-5.0%</td>
<td>-6.0%</td>
<td>-7.0%</td>
<td>-8.0%</td>
<td>-9.0%</td>
<td>-10.0%</td>
<td>-11.0%</td>
<td>-12.0%</td>
<td>-13.0%</td>
</tr>
<tr>
<td>Source: NZIER</td>
<td></td>
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</tr>
</tbody>
</table>

Figure 6 shows the trend in the average share in Australian tourists of each of the 14 markets considered. This graph shows the difference between the average market share of a country in 1988-1991 and its average market share in 1996-1999. Where data on all the years is not available the average is taken over the years known.

This graph shows that Indonesia experienced the greatest growth in tourism from Australia over the last decade. From an average market share at the start of the 1990s of 8.6%, Indonesia had grown in popularity by the end of the decade to capture 14.1% of the market. Singapore experienced the greatest fall, plunging from a market share of 20.6% to 13.5%.
For New Zealand, this graph reiterates the point made above that there was little fluctuation in the proportion of Australian tourists that came to New Zealand in the 1990s.

2.2.3 Substitutes and complements

Figure 7 shows the correlation between the share of Australian tourists coming to New Zealand and the share going to each of the other destinations considered. A strong positive relationship could suggest that two destinations are complementary, or that the factors that influence people to visit one influence them in a similar way to visit the other. A negative coefficient could suggest competing destinations, or that the factors that influence a traveller to visit one country influence them in the opposite way to visit the other.

Little correlation is shown with any other destination. This is unsurprising for three reasons:

- There was little variation in the proportion of tourists coming from Australia to New Zealand; it is difficult to find a relationship between two variables when one varies little.
- Australians are probably more likely to come to New Zealand for family or business reasons rather than for a holiday. Neither of these reasons is likely to change much with the availability of alternatives (i.e. there is little real scope for substitution).
- Because New Zealand is not directly en route to anywhere from Australia it is unlikely that New Zealand is a complementary destination to other countries.
2.3 Factors affecting tourism demand

2.3.1 Economic growth

Figure 8 Economic growth and tourism

![Graph showing economic growth and tourism](image)

Source: NZIER

Figure 8 shows growth in the Australian economy compared with growth in the number of tourists from Australia visiting New Zealand. The graph shows that there is, in general, some correlation between higher income in Australia and increasing tourism from Australia to New Zealand.

2.3.2 Exchange rates

Figure 9 Real exchange rates, Australia

![Graph showing real exchange rates](image)

Note: A rise in the index indicates an appreciation of the home currency, or lower price movements in the destination country than the origin country. A higher index therefore indicates an increase in spending power for the tourist. The all country index is a weighted average of the specific countries analysed.

Source: NZIER
Figure 9 shows an index comprised of the real currency of each of the 14 countries analysed, weighted by their 1993 share of the outbound Australian tourist market compared to the Australian dollar. This is compared to indexes with the same base for the real exchange rate between New Zealand and Australia and between the US and Australia.

Significant features of this graph include:

- The devaluations of the Singaporean dollar and the Chinese yuan in 1994.
- The rapid depreciation of the Asian currencies during the 1997 financial crisis and their subsequent bounce-back.
- The depreciation of the Australian dollar through 1996-1998 against both the UK pound and the US dollar.

In general, an appreciation of the traveller’s currency against the foreign currency would drive an increase in tourism to that destination, as it became cheaper. This increase in market share is likely to lag the change in the value of the currency as it takes time to reach a decision to travel.

During the Asian crisis, this effect may have been dampened by some uncertainty and lack of confidence, particularly with respect to whether the Australian economy would be immune from the recession. There is some evidence that an increasing number of people travelled to Asian destinations after the crisis. However, this may also be explained partly by the existing trend to holiday in Asia, and partly by the depreciation of the Australian dollar against the US and UK currencies. This latter observation also helps explain the reduction in long-haul trips apparent over the last decade.

The increase in arrivals to New Zealand in 1998 coincides with the appreciation of the Australian dollar against the kiwi. This suggests that some visitors to New Zealand from Australia are sensitive to price, or currency, fluctuations. This relationship is illustrated in Figure 10.

![Figure 10 Real exchange rate and tourism growth, Australia](image)

**Source:** NZIER
Figure 11 Shares of Australian tourism market by country
Percent of total Australian departures

Source: NZIER
3. US TOURISTS

The market share analysis is based on arrivals data collected in the destination country and departures data collected in the US. To the extent that travellers visit more than one destination on each trip abroad then the sum of the market shares will be greater than 100%.

Countries were chosen for analysis on three bases. First, we selected eight regional “attractors”, that is countries that were representative of particular regions around the world. These were UK, US, France, China, Brazil, Thailand, South Africa and Japan. The second group consists of the three destinations that we judged could be important local competitors or complements. These countries were Fiji, Indonesia and Australia. These two group are common to all nine market analyses. Finally, we selected three countries specific to each origin that, on the basis of departure data, were popular tourist destinations.

The three specific countries chosen for US were:

- Mexico;
- Canada;
- Bahamas.

3.1 Trends in tourism to New Zealand

Figure 4 shows the number of US tourists that arrived in New Zealand between 1979 and 2000. It also presents this information as a percentage of the total number of tourists who left the US in the relevant year. This is New Zealand’s market share of US tourism demand.

The graph shows that the number of US tourists visiting New Zealand rose in the mid-1980s to peak at over 180,000 in December 1987, before settling back to between 130,000 and 150,000 in the 1990s. Only in the December quarter 1999, after seven consecutive quarters of strong growth, did the number of US visitors to New Zealand reach the same level as in late 1987.
By presenting this figure as a percentage of the total number of departures we are able to ascertain whether New Zealand is becoming relatively more or less popular as a destination. In this case, the percentage of US tourists coming to New Zealand has fluctuated with the number of arrivals. This means that the New Zealand growth pattern does not mirror growth in total tourist departures. It suggests that New Zealand is a substitute destination for at least one other country.

### 3.2 Alternative destinations

#### 3.2.1 Relative market share

**Figure 13 Outbound tourism by destination**

Percent of total

![Figure 13 Outbound tourism by destination](image)

Source: NZIER

Figure 13 illustrates the market share of all 14 countries analysed. The data runs from 1989 up to the most recent available. Because of the variety of data sources some series are longer than others.

This graph should be interpreted with caution as it is presented on a log scale. This means that each tick mark up the vertical axis indicates an increase in market share by
a factor of ten. The benefit of presenting information in this way is that it is possible to show all markets on the same graph. The disadvantage is that the interpretation of a particular slope changes depending on the level of the market share.

Figure 19, at the end of the chapter, shows each country’s market share on a separate graph. These graphs more clearly illustrate trends in market share.

Canada and Mexico are the key destinations of US tourists. Around a quarter of US travellers visit Canada, while between 30-40% go to Mexico. The UK and France are also major markets, each having a market share of over 5%.

3.2.2 Trends in market share

Figure 14 shows the trend in the average share in US tourists of each of the 14 markets considered. This graph shows the difference between the average market share of a country in 1988-1991 and its average market share in 1996-1999. Where data on all the years is not available the average is taken over the years known.

This graph shows that over the period Mexico gained in popularity at the expense of Canada. It shows that New Zealand’s average market share changed little over the period considered here.
3.2.3 Substitutes and complements

Figure 15 shows the correlation between the share of US tourists coming to New Zealand and the share going to each of the other destinations considered. This chart shows some apparently strong relationships. A strong positive relationship could suggest that two destinations are complementary, or that the factors that influence people to visit one influence them in a similar way to visit the other. A negative coefficient could suggest competing destinations, or that the factors that influence a traveller to visit one country influence them in the opposite way to visit the other.

The strong positive relationship between the proportion of tourists visiting New Zealand and the proportion visiting Fiji and Australia suggests that these are complementary destinations. This is quite plausible as New Zealand is within relatively easy reach of these other countries for long haul travellers.

The Bahamas’ market share also has a fairly strong positive relationship with New Zealand’s share. This is likely to be a function of the similarities in drivers for visits to these two countries. Both are likely to be holiday destinations that people visit when they feel relatively well-off.

On the other side, Indonesia appears to be a competing destination with New Zealand for US tourists. This is illustrated by the negative coefficient. This is an interesting contrast with the Fiji. It implies that US tourists choose between New Zealand and Indonesia, whereas they may choose to visit both Fiji and New Zealand in one trip.

The coefficients with France and South Africa and, to a lesser extent, the UK illustrate that long haul travellers must make a choice. New Zealand competes with these destinations for US tourists.
3.3 Factors affecting tourism demand

3.3.1 Economic growth

**Figure 16 Economic growth and tourism**

Figure 16 shows growth in the US economy compared with growth in the number of tourists from the US visiting New Zealand. The graph shows that over recent years there has been some relationship between economic growth in the US and growth in tourist demand for New Zealand.

3.3.2 Exchange rates

**Figure 17 Real exchange rates, US**

Note: A rise in the index indicates an appreciation of the home currency, or lower price movements in the destination country than the origin country. A higher index therefore indicates an increase in spending power for the tourist. The all country index is a weighted average of the specific countries analysed.

Source: NZIER
Figure 17 shows an index comprised of the real currency of each of the 14 countries analysed, weighted by their 1993 share of the outbound US tourist market compared to the US dollar. This is compared to indexes with the same base for the real exchange rate between New Zealand and US and between Australia and US.

Significant features of this graph include:

- The sharp depreciation of the Australian and New Zealand currencies at the time of the Asian crisis.
- The Mexican devaluation in 1995, which shows up in the all countries index. Prior to 1995, Mexico had let its currency fluctuate only within a band against the US dollar. In 1995, this mechanism was abandoned, and the exchange rate was floated.

In general, an appreciation of the traveller’s currency against the foreign currency would drive an increase in tourism to that destination, as it became cheaper. This increase in market share is likely to lag the change in the value of the currency as it takes time to reach a decision to travel.

This relationship has held fairly well for the US, as shown in Figure 18. After the New Zealand dollar depreciated in the early 1990s, the decline in the number of tourists visiting New Zealand slowed. The latest depreciation has also been followed by increasing numbers of visitors.
Figure 19 Shares of US tourism market by country
Percent of total US departures

Source: NZIER
4. JAPANESE TOURISTS

The market share analysis is based on arrivals data collected in the destination country and departures data collected in Japan. Because travellers may visit more than one destination on each trip abroad, the sum of the market shares maybe greater than 100%.

Countries were chosen for analysis on three bases. First, we selected eight regional “attractors”, that is countries that were representative of particular regions around the world. These were the UK, US, France, China, Brazil, Thailand, South Africa and Japan. The second group consists of the three destinations that we judged could be important local competitors or complements. These countries were Fiji, Indonesia and Australia. These two groups are common to all nine market analyses. Finally, we selected three countries specific to each origin that, on the basis of departure data, were popular tourist destinations.

The three specific destinations chosen for Japan were:

- Hong Kong
- Hawaii
- South Korea

4.1 Trends in tourism to New Zealand

Figure 1 shows the number of Japanese tourists that arrived in NZ between 1979 and 2000. It also presents this information as a percentage of the total number of tourists who left Japan in the relevant year; this is New Zealand’s market share of the Japanese tourism market. By depicting the market share, we are able to ascertain whether NZ is becoming relatively more or less popular as a destination.

![Figure 20 Japanese visitor arrivals to New Zealand](image)

The number of visitor arrivals to New Zealand from Japan increased steadily from 1979 to 1996. 15,724 Japanese tourists visited New Zealand in the year ended December 1979. By the year ended December 1996, this number had increased to 165,014, more than ten times the 1979 level. Since 1997, however, the number of Japanese tourists has declined.
The share of Japanese visitors to New Zealand increased from 0.37% in the March year 1979 to 1.13% in the September year 1988. Since then, however, New Zealand’s market share has followed a declining trend. This occurred despite the rise in tourist numbers up until 1997. This indicates that between 1988 and 1997 total number of tourists leaving Japan increased at a faster pace than Japanese visitor arrivals to New Zealand. Currently, 0.9% of Japanese tourists visit New Zealand.

4.2 Alternative destinations for Japanese tourists

4.2.1 Relative market share

Figure 21 Outbound tourism by destination

Figure 21 illustrates the market share of all 14 countries analysed. The data runs from 1989 up to the most recent available. Because of the variety of data sources some series are longer than others.
This graph should be interpreted with caution as it is presented on a logarithmic scale. This means that each tick mark up the vertical axis indicates an increase in market share by a factor of ten. The benefit of presenting information in this way is that it is possible to show all markets on the same graph. The disadvantage is that the interpretation of a particular slope changes depending on the level of the market share. When the market share is small (e.g. below 1%), even small changes are evident. On the other hand, larger changes are not obvious when the market share is large (e.g. greater than 10%).

Figure 27, at the end of the chapter, shows each country’s market share on a separate graph. These graphs more clearly illustrate trends in market share.

The major tourist destination for Japanese tourists is the US. In 1989, 30.2% of total Japanese outbound tourists went to the US. The US’s market share has decreased slightly in recent years. In the year ended December 1999, however, the US still enticed 29.5% of total outbound Japanese tourists. Hawaii alone has attracted about 13% of total outbound Japanese tourists in recent years.

The next most important tourist destinations for Japanese tourists are neighbouring Asian countries. In particular, China and South Korea have both attracted over 10% of total outbound Japanese visitors. Hong Kong is also a popular destination for Japanese visitors, although its market share has decreased from 14.7% in the December year 1988 to 7.2% in the December year 1999. Outside Asia, France is a major tourist destination for Japanese visitors. Australasia is a moderately popular destination for Japanese tourists. In the calendar year 1999, the market share of Australia was 4.3%, while that of New Zealand was 1.1%.

### 4.2.2 Trends in market share

Figure 22 depicts the trend in the average share of Japanese tourists in each of the 14 markets considered. This graph shows the difference between the average market share of a country in 1988-1991 and its average market share in 1996-1999. Where data on all the years is not available the average is taken over the years known.

Japanese tourist destinations have undergone compositional changes over the last decade. From the late 1980s to the late 1990s, Hong Kong’s market share fell 3.8% - the highest decline among the 14 destinations considered. The market shares of South Korea, the UK, and France have also fallen. Despite continued popularity, the market share of Hawaii decreased by 0.4%. New Zealand maintained a relatively stable market share from the late 1980s to the late 1990s. The average market share of 1996-1999 was 0.1% lower than that of 1988-1991.

The market share of several other destinations picked up. The average market share of China increased from 2.6% in 1988-1991 to 4.8% in 1996-1999. Indonesia’s market share increased 1.6%. The market shares of Thailand, the US, Fiji, and South Africa all registered slight increases. Australia’s average market share increased by 0.4% over the past decade.
4.2.3 Substitutes and complements

Figure 23 shows the correlation between the share of UK tourists coming to NZ and the share going to each of the other destinations considered. It plots the 'correlation coefficient', which measures the degree to which two data series move in conjunction with each other. A strong positive relationship could suggest that two destinations are complementary, or that the factors that influence people to visit one influence them in a similar way to visit the other. A negative coefficient could suggest competing destinations, or that the factors that influence a traveller to visit one country influence them in the opposite way to visit the other.

The correlation coefficients presented in Figure 23 show that:
• Japanese tourist flows to Australia, France, and Hong Kong are correlated with flows to New Zealand. While the complementarity of Australia and Hong Kong may lie in their geographical proximity to New Zealand, the reason why France has a relatively high positive correlation is not obvious.

• Thailand, South Africa, and Brazil seem to be competitors of New Zealand for Japanese visitors.

4.3 Factors affecting tourism demand

4.3.1 Economic growth

Figure 24 shows growth in the Japanese economy compared with growth in the number of tourists from Japan visiting New Zealand. It is evident from the chart that economic performance is a factor in determining tourist flows. The growth of Japanese visitor arrivals to New Zealand has been trending downward since the early 1990s, largely as a result of the Japan’s low economic growth over the same period.

![Figure 24 Economic growth and tourism](image-url)

Source: NZIER
4.3.2 Exchange rates

Figure 25 shows an index comprised of the real exchange rate between the Japanese Yen and currency of each of the 14 countries analysed. The component for each country is weighted by its 1993 market share. The figure also presents indexes of the real exchange rate between the NZ dollar and the Japanese yen, and the US dollar and the Japanese yen.

Significant features of the graph are as follows:

- From 1990 to 1995, the New Zealand dollar depreciated against the Japanese currency. The New Zealand dollar then appreciated, before depreciating again in 1999.

- The exchange rate between the US dollar and the yen, and the weighted average and the yen, generally moved in line with each other. This is partly because of the large weight given to the US currency due to its large market share.

In general, an appreciation of the traveller’s currency against the foreign currency will result in an increase in tourism to that destination, as it becomes cheaper. This increase in market share is likely to lag the change in the value of the currency as it takes time to reach a decision to travel. Changes in the number of Japanese tourist arrivals to New Zealand are broadly in line with exchange rate movements between the Kiwi dollar and the Japanese yen (Figure 26). A lower Kiwi dollar coincides with higher tourist growth from Japan. An exception is the period since 1997, where the lower Kiwi dollar has not induced a higher inflow.
Figure 26  Real exchange rate and tourism growth, Japan
Annual average percent change

Source: NZIER
Figure 27 Shares of Japanese tourism market by country
Percent of total Japanese departures

Source: NZIER
5. HONG KONG TOURISTS

The market share analysis is based on arrivals data collected in the destination country and departures data collected in Hong Kong. To the extent that travellers visit more than one destination on each trip abroad then the sum of the market shares will be greater than 100%.

Countries were chosen for analysis on three bases. First, we selected eight regional “attractors”, that is countries that were representative of particular regions around the world. These were UK, US, France, China, Brazil, Thailand, South Africa and Japan. The second group consists of the three destinations that we judged could be important local competitors or complements. These countries were Fiji, Indonesia and Australia. These two groups are common to all nine market analyses. Finally, we selected three countries specific to each origin that, on the basis of departure data, were popular tourist destinations.

The three specific countries chosen for Hong Kong are:

- Macau
- Singapore
- Taiwan

5.1 Trends in tourism to NZ

Figure 4 shows the number of Hong Kong tourists that arrived in New Zealand between 1979 and 2000. It also presents this information as a percentage of the total number of tourists who left Hong Kong in the relevant year. This is New Zealand’s market share of the Hong Kong tourism market.

The graph shows that the number of Hong Kong tourists visiting New Zealand grew strongly between 1986 and 1996, rising from around 5,000 to over 32,000.

By presenting this figure as a percentage of the total number of departures we are able to ascertain whether New Zealand is becoming relatively more or less popular as a destination. In this case, it is apparent that the explosion of visitors to New Zealand
was not unique. The total number of departures from Hong Kong more than doubled from 16.3 million to 36.0 million between 1986 and 1996. Although New Zealand’s market share rose sharply in 1989, from 0.04% to 0.07%, it has never risen above 0.1%.

5.2 Alternative destinations

5.2.1 Relative market share

Figure 29 Outbound tourism by destination

Figure 5 illustrates the market share of all 15 countries analysed. The data is from 1989 up to the most recent available. Because of the variety of data sources some series are longer than others.

This graph should be interpreted with caution as it is presented on a log scale. This means that each tick mark up the vertical axis indicates an increase in market share by a factor of ten. The benefit of presenting information in this way is that it is possible to show all markets on the same graph. The disadvantage is that the interpretation of a particular slope changes depending on the level of the market share.
Figure 35, at the end of the chapter, shows each country’s market share on a separate graph. These graphs more clearly illustrate trends in market share.

One of the main reasons for New Zealand’s apparently poor showing on the basis of market share is that the vast majority of Hong Kong travellers go to China. In fact, the data that is available shows that China’s market share was at a low in the September quarter 1999 at 98.5%. Macau is also an important destination for Hong Kong travellers. The share of tourists visiting Macau fell from above 20% in the early 1990s to 7.9% in 1999.

Figure 30 Trend in share of outbound tourism
Percent change

<table>
<thead>
<tr>
<th>Source: NZIER</th>
</tr>
</thead>
</table>

Figure 30 shows the trend in the average share in Hong Kong tourists of each of the 15 markets considered, excluding Macau. This graph shows the difference between the average market share of a country in 1988-1991 and its average market share in 1996-1999. Where data on all the years is not available the average is taken over the years known. The reason that Macau’s market share is excluded from the chart is that it fell 11.6% between the two periods, so putting it on the same graph makes the other changes indistinguishable from zero.

This graph shows that New Zealand’s market share changed little over the period, in comparison to other countries. Indonesia and Australia, two markets that might be thought of as complements to New Zealand each increased their market shares by 0.1%. Thailand suffered a relatively large fall in its share, down 0.5%.

Arrivals data for France, Fiji and Brazil were not available for this analysis.

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1 There are some data problems with the Hong Kong arrivals to China. For the period December 1997 to September 1998, China’s market share was over 100%, indicating that Hong Kong tourists make more than one stop in China, on average, per trip. This is unlikely to be accurate over a long period.
5.2.2 Substitutes and complements

Figure 31 shows the correlation between the share of Hong Kong tourists coming to New Zealand and the share going to each of the other destinations considered. This chart shows some apparently strong relationships. A strong positive relationship could suggest that two destinations are complementary, or that the factors that influence people to visit one influence them in a similar way to visit the other. A negative coefficient could suggest competing destinations, or that the factors that influence a traveller to visit one country influence them in the opposite way to visit the other.

Figure 31 shows a strongly positive coefficient with the UK, Indonesia and Australia.\(^2\) It is not particularly compelling that the UK is complementary destination, given that Hong Kong lies between New Zealand and UK. To visit both countries in one trip seems too circuitous to be as popular as is suggested by the coefficient. However, both trips are long haul, and the countries are a similar distance from Hong Kong. This suggests that the factors that influence trips to the UK may be the same as those that influence trips to New Zealand. These may include such things as the strength of economic growth in Hong Kong. Indonesia and Australia are more likely to be complementary destinations to New Zealand from Hong Kong. In particular, a person coming to New Zealand from Hong Kong can opt to stop in Sydney.

\[^2\] Because of uncertainty about the data on arrivals to China, we do not have much confidence in the correlation coefficient with China.
5.3 Factors affecting tourism demand

5.3.1 Economic growth

Figure 32 Economic growth and tourism

![Graph showing economic growth and tourism](image)

Figure 32 shows growth in the Hong Kong economy compared with growth in the number of tourists from Hong Kong visiting New Zealand. The graph shows that there is some relationship between stronger GDP growth and growth in arrivals to New Zealand.

5.3.2 Exchange rates

Figure 33 Real exchange rates, Hong Kong

![Graph showing real exchange rates](image)

Note: A rise in the index indicates an appreciation of the home currency, or lower price movements in the destination country than the origin country. A higher index therefore indicates an increase in spending power for the tourist. The all country index is a weighted average of the specific countries analysed.

Source: NZIER
Figure 33 shows an index comprised of the real currency of each of the 14 countries analysed, weighted by their 1993 share of the outbound Hong Kong tourist market compared to the Hong Kong dollar. This is compared to indexes with the same base for the real exchange rates between New Zealand and Hong Kong, the US and Hong Kong.

Significant features of this graph include:

- The Hong Kong dollar has been fixed to the US dollar via a currency board since October 1983. This explains the fairly flat real exchange rate between the two countries.
- Hong Kong experienced disinflation in 1999, in the wake of a contraction of the economy. This resulted in a fall in the indexes toward the end of the period.
- The sharp depreciation of the New Zealand currency against the Hong Kong dollar in 1997-98 at the time of the Asian crisis, is reflected in the real exchange rate between the two countries.

In general, an appreciation of the traveller’s currency against the foreign currency would drive an increase in tourism to that destination, as it became cheaper. This increase in market share is likely to lag the change in the value of the currency as it takes time to reach a decision to travel.

Figure 10 shows that there was a drop in the number of people travelling to New Zealand in 1998/99, despite the lower kiwi dollar. This indicates that the contraction in the Hong Kong economy dominated the effect of the exchange rate movement.

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**Figure 34 Real exchange rate and tourism growth, Hong Kong**

Annual average percent change

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Source: NZIER

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3 The rate is HK$7.80=US$1.
Figure 35 Shares of Hong Kong tourism market by country
Percent of total Hong Kong departures

Source: NZIER
6. SINGAPORE TOURISTS

The market share analysis is based on arrivals data collected in the destination country and departures data collected in Singapore. Because travellers may visit more than one destination on each trip abroad, the sum of the market shares maybe greater than 100%.

Countries were chosen for analysis on three bases. First, we selected eight regional “attractors”, that is countries that were representative of particular regions around the world. These were the UK, US, France, China, Brazil, Thailand, South Africa and Japan. The second group consists of the three destinations that we judged could be important local competitors or complements. These countries were Fiji, Indonesia and Australia. These two groups are common to all nine market analyses. Finally, we selected three countries specific to each origin that, on the basis of departure data, were popular tourist destinations.

The three specific countries chosen for Singapore were:

- Hong Kong
- Malaysia
- Taiwan

6.1 Trends in Singaporean tourism

Figure 36 shows the number of Singaporean tourists that arrived in NZ between 1979 and 2000. It also presents this information as a percentage of the total number of tourists who left Singapore in the relevant year; this is New Zealand’s market share of the Singapore tourism market. By depicting the market share, we are able to ascertain whether NZ is becoming relatively more or less popular as a destination.

![Figure 36 Annual Singapore arrivals to NZ and NZ’s market share](image)

Source: NZIER

The number of visitor arrivals to New Zealand from Singapore has been increasing over the last two decades. Only 3,076 Singapore visitors arrived in New Zealand in the
year ended March 1979. This number had risen to 28,011 twenty years later, representing an increase of more than eightfold.

New Zealand’s market share of outbound tourists from Singapore rose from 1979 to 1987. Singaporean visitors to New Zealand accounted for 0.12% of total outbound tourists from Singapore in the March year 1979. This share increased to 0.34% in the June year 1987. Since then, however, it has declined slightly, falling to 0.21% in the December year 1990. New Zealand’s market share fluctuated between 0.2% and 0.3% in the 1990s, registering 0.28% in the December year 1999.

6.2 Alternative destinations for UK tourists

6.2.1 Relative market share

Figure 37 Outbound tourism by destination
Percent of total

Source: NZIER
Figure 37 illustrates the market share of all 15 countries analysed. The data runs from 1989 up to the most recent available. Because of the variety of data sources, some series are longer than others.

This graph should be interpreted with caution as it is presented on a logarithmic scale. This means that each tick mark up the vertical axis indicates an increase in market share by a factor of ten. The benefit of presenting information in this way is that it is possible to show all markets on the same graph. The disadvantage is that the interpretation of a particular slope changes depending on the level of the market share. When the market share is small (e.g. below 1%), even small changes are evident. On the other hand, larger changes are not obvious when the market share is large (e.g. greater than 10%).

Figure 43, at the end of the chapter, shows each country’s market share on a separate graph. These graphs more clearly illustrate trends in market share.

The most popular destination for Singapore tourists is Malaysia, which attracts about 40% of total outbound tourists from Singapore. Malaysia is followed by Indonesia, which attracts over 10% of outbound Singapore tourists. The fact that most Singapore visitors travel to Malaysia and Indonesia is not surprising. Kuala Lumpur is only 30 minutes’ drive from Singapore, while Jakarta is only 45 minutes away by car. Distance, after all, is still a major determining factor for tourism. By the same token, Thailand and Hong Kong are also important tourist destinations for Singapore tourists. In Australasia, New Zealand’s market share is 0.3%, while the market share of Australia is 2.2% in the year ended December 1999.

6.2.2 Trends in market share

Figure 38 depicts the trend in the average share in Singaporean tourists of each of the 15 markets considered. This graph shows the difference between the average market share of a country in 1988-1991 and its average market share in 1996-1999. Where data on all the years is not available the average is taken over the years known. Data was not available for Fiji and Brazil.
The market share of most of the 15 destinations considered did not change significantly from the late 1980s to the late 1990s. The market share of New Zealand, for example, only increased by 0.01%. There was, however, redistribution of market share among different destinations. The average market share of Malaysia fell from 48.9% in 1988-1991 to 32.6% in 1996-99, while the market share of Indonesia increased from 7.6% to 12.3%. The market share of China and Australia increased by 1.6% and 1.0% respectively over the past decade.

6.2.3 Substitutes and complements

Figure 39 shows the correlation between the share of Singaporean tourists coming to NZ and the share going to each of the other destinations considered. It plots the correlation coefficients, which measure the degree to which two data series move in conjunction with each other.

A strong positive relationship could suggest that two destinations are complementary, or that the factors that influence people to visit one influence them in a similar way to visit the other. A negative coefficient could suggest competing destinations, or that the factors that influence a traveller to visit one country influence them in the opposite way to visit the other.

From Figure 39, we can see that:

- There is a positive correlation between Singaporeans visiting New Zealand, and those visiting Hong Kong, China, Thailand, Japan, Taiwan and Australia. This suggests that trips to New Zealand are driven by similar factors as trips to most other south-east Asian destinations, including Australia.

- Destinations such as the UK, South Africa, and the US act as substitutes for New Zealand as tourist destinations for Singapore visitors. Indonesia also appears to be a substitute for trips to New Zealand.
6.3 Factors affecting tourism demand

6.3.1 Economic growth

Figure 40 shows growth in the Singapore economy compared with growth in the number of tourists from Singapore visiting New Zealand. In general, an economic upturn spurs on a greater number of outbound tourists, while an economic downturn depresses outbound tourism growth. The correlation between the performance of the Singapore economy and Singapore tourists visiting New Zealand is evident in the chart.

Figure 40 Economic growth and tourism
Annual average percent change

Source: NZIER

6.3.2 Exchange rate

Figure 41 shows an index comprised of the real exchange rate between the Singapore dollar and currency of each of the 15 countries analysed. The components of the index are weighted by the 1993 market share of each country. The figure also presents indexes of the real exchange rate between the NZ dollar and the Singapore dollar, and the US dollar and the Singapore dollar.

The significant features are as follows:

- The Singapore dollar is pegged to the US dollar. Hence changes in the real exchange rate between Singapore and the US reflect changes in relative prices between the two countries. Changes in other real exchange rates tend to reflect changes of the other currency against the US dollar.
- The Singapore dollar was devalued in 1993. It remained stable from 1994 through to 1997.
In general, an appreciation of the traveller’s currency against the foreign currency will result in an increase in tourism to that destination, as it becomes cheaper. This increase in market share is likely to lag the change in the value of the currency as it takes time to reach a decision to travel. There is some evidence that Singaporean tourists respond to the strength of the Singapore currency. A stronger Singapore dollar relative the New Zealand dollar tends to induce more Singaporean visitors to New Zealand (Figure 42).
Figure 43 Shares of the Singapore tourism market by country
Percent of total Singaporean departures

Source: NZIER
7. SOUTH KOREAN TOURISTS

The market share analysis is based on arrivals data collected in the destination country and departures data collected in South Korea. To the extent that travellers visit more than one destination on each trip abroad then the sum of the market shares will be greater than 100%.

Countries were chosen for analysis on three bases. First, we selected eight regional “attractors”, that is countries that were representative of particular regions around the world. These were UK, US, France, China, Brazil, Thailand, South Africa and Japan. The second group consists of the three destinations that we judged could be important local competitors or complements. These countries were Fiji, Indonesia and Australia. These two groups are common to all nine market analyses. Finally, we selected three countries specific to each origin that, on the basis of departure data, were popular tourist destinations.

The three specific countries chosen for South Korea were:

- Hong Kong;
- Singapore;
- Philippines.

7.1 Trends in tourism to NZ

Figure 44 shows the number of South Korean tourists that arrived in New Zealand between 1979 and 2000. It also presents this information as a percentage of the total number of tourists who left South Korea in the relevant year. This is New Zealand’s market share of the South Korean tourism market.

![Figure 44 Annual South Korean arrivals to NZ and NZ’s market share](chart.png)

The graph shows that the number of South Koreans visiting New Zealand sky-rocketed in the mid-1990s prior to the Asian crisis.

By presenting this figure as a percentage of the total number of departures we are able to ascertain whether New Zealand is becoming relatively more or less popular as a destination. New Zealand’s market share of South Korean tourists grew as the number...
of tourists grew. This means that the tourists substituted New Zealand for alternative holiday destinations. One interesting feature of the market share data is that the proportion of travellers visiting New Zealand remained fairly constant between mid-1995 and 1997, while the total number of arrivals continued to burgeon. This indicates that the total number of travellers was also rising strongly prior to the Asian crisis. At the time of the crisis, not only did the number of South Koreans coming to New Zealand fall, but the proportion of total tourists coming here declined, as travellers substituted toward other destinations.

7.2 Alternative destinations

7.2.1 Relative market share

Figure 45 illustrates the market share of all 15 countries analysed. The data runs from 1989 up to the most recent available. Because of the variety of data sources some series are longer than others.
This graph should be interpreted with caution as it is presented on a log scale. This means that each tick mark up the vertical axis indicates an increase in market share by a factor of ten. The benefit of presenting information in this way is that it is possible to show all markets on the same graph. The disadvantage is that the interpretation of a particular slope changes depending on the level of the market share.

Figure 51, at the end of the chapter, shows each country’s market share on a separate graph. These graphs more clearly illustrate trends in market share.

One stark feature is the apparent plunges in various market shares in 1997-98 at the time of the Asian crisis. Although the declines look substantial, it is important to remember that the axis distorts, and may exaggerate changes. Japan and China were the exceptions; they gained market share through the Asian crisis.

### 7.2.2 Trends in market share

**Figure 46 Trend in share of outbound tourism**

This graph shows the trend in the average share in South Korean tourists of each of the 14 markets considered. This graph shows the difference between the average market share of a country in 1988-1991 and its average market share in 1996-1999. Where data on all the years is not available the average is taken over the years known.

This graph shows that Japan’s market share, which appeared to decline only slowly in Figure 46, in fact dropped from nearly 50% in the late 1980s to less than a quarter by the mid-1990s. This may be a reflection of the broadening of South Korea’s trade links. At the time of the Asian crisis there is some evidence that Korean travellers reverted to this more traditional market, withdrawing from destinations which had recently become more popular.

China has become an increasingly popular destination. From less than 3% in December 1988, China’s share of South Korean outbound tourists had increased to nearly 23% by December 1999.
7.2.3 Substitutes and complements

Figure 47 shows the correlation between the share of South Korean tourists coming to New Zealand and the share going to each of the other destinations considered. A strong positive relationship could suggest that two destinations are complementary, or that the factors that influence people to visit one influence them in a similar way to visit the other. A negative coefficient could suggest competing destinations, or that the factors that influence a traveller to visit one country influence them in the opposite way to visit the other.

- Japan has a strongly negative coefficient. This reinforces the idea that the last ten years has seen a movement away from Japan as a destination toward a more diverse range of markets including New Zealand.

- The positive coefficients for Australia, Indonesia and Fiji suggest that these are predominantly complementary destinations to New Zealand. In particular, Australia is likely to be a destination for many business people and holidaymakers from Korea who are visiting New Zealand.
7.3 Factors affecting tourism demand

7.3.1 Economic growth

*Figure 48 Economic growth and tourism*

Annual average percent change

![Graph showing economic growth and tourism](image)

Source: NZIER

Figure 48 shows growth in the economy compared with growth in the number of tourists from South Korea visiting New Zealand. The graph shows that in general, when GDP growth is stronger, tourist arrivals also grow more strongly.

7.3.2 Exchange rates

*Figure 49 Real exchange rates, South Korea*

Index, March 1990 = 1000

![Graph showing exchange rates](image)

Note: A rise in the index indicates an appreciation of the home currency, or lower price movements in the destination country than the origin country. A higher index therefore indicates an increase in spending power for the tourist. The all country index is a weighted average of the specific countries analysed.

Source: NZIER
Figure 49 shows an index comprised of the real currency of each of the 14 countries analysed, weighted by their 1993 share of the outbound South Korean tourist market compared to the Won. This is compared to indexes with the same base for the real exchange rate between New Zealand and South Korea and the US and South Korea.

Significant features of this graph include the following:

- The devaluations of the Chinese yuan and the Singaporean dollar in 1994 drove the rise in the all country index in that year. This may explain some of the increase in the popularity of China.

- The depreciation of the Won against all currencies and particularly the US dollar in 1997-98, and the subsequent high inflation in 1998 that drove the index back up.

In general, an appreciation of the traveller’s currency against the foreign currency would drive an increase in tourism to that destination, as it became cheaper. This increase in market share is likely to lag the change in the value of the currency as it takes time to reach a decision to travel.

Figure 50 suggests that for the most part, income effects dominated price effects in terms of motivating travel to New Zealand. However, in 1999 the appreciation of the Won appears to have assisted New Zealand to regain some competitiveness and market share.

*Figure 50 Real exchange rate and tourism growth, South Korea*

*Annual average percent change*

Source: NZIER
Figure 51 Shares of South Korean tourism market by country
Percent of total South Korean departures

Source: NZIER
8. TAIWANESE TOURISTS

The market share analysis is based on arrivals data collected in the destination country and departures data collected in Taiwan. Because travellers may visit more than one destination on each trip abroad, the sum of the market shares maybe greater than 100%.

Countries were chosen for analysis on three bases. First, we selected eight regional “attractors”, that is countries that were representative of particular regions around the world. These were the UK, US, France, China, Brazil, Thailand, South Africa and Japan. The second group consists of the three destinations that we judged could be important local competitors or complements. These countries were Fiji, Indonesia and Australia. These two groups are common to all nine market analyses. Finally, we selected three countries specific to each origin that, on the basis of departure data, were popular tourist destinations.

The three specific countries chosen for Taiwan were:

- Hong Kong
- Malaysia
- Singapore

8.1 Trends in tourism to New Zealand

Figure 52 shows the number of Taiwanese tourists that arrived in NZ between 1979 and 2000. It also presents this information as a percentage of the total number of tourists who left Taiwan in the relevant year; this is New Zealand’s market share of the Taiwanese tourism market. By depicting the market share, we are able to ascertain whether NZ is becoming relatively more or less popular as a destination.

![Figure 52 Annual Taiwanese arrivals to NZ and NZ’s market share](image)

The pattern of Taiwanese visitor arrivals to New Zealand over the past two decades can be divided into three distinctive stages. The first stage was from 1979 to 1990, when the number to Taiwanese visitor arrivals grew slowly, but steadily. Annual visitor
arrivals increased from a mere 776 in the year ended March 1979 to 14,939 in the year ended March 1990. The second stage, from 1991 to 1995, witnessed a period of accelerated growth. Annual visitor arrivals increased from 11,049 in the year ended March 1991 to 64,971 in the December year 1995. The number of Taiwanese visitors, however, plummeted in 1995, falling to a low of 39,127 in the year ended March 1999. This downward trend has reversed only recently. In the year ended December 1999, the number of annual visitor arrivals to New Zealand from Taiwan was 40,228.

New Zealand’s share of outbound visitors from Taiwan has exhibited a similar pattern to changes in the number of Taiwanese visitor arrivals. From a low share of 0.4% in the December year 1985, New Zealand’s market share increased to 1.3% in the year ended December 1995. The market share has been falling ever since. In the December year 1999, New Zealand accounted for 0.6% of total outbound tourists from Taiwan.

### 8.2 Alternative destinations

#### 8.2.1 Relative market share

Figure 53 illustrates the market share of all 14 countries analysed. The data runs from 1989 up to the most recent available. Because of the variety of data sources some series are longer than others.

This graph should be interpreted with caution as it is presented on a logarithmic scale. This means that each tick mark up the vertical axis indicates an increase in market share by a factor of ten. The benefit of presenting information in this way is that it is possible to show all markets on the same graph. The disadvantage is that the interpretation of a particular slope changes depending on the level of the market share. When the market share is small (e.g. below 1%), even small changes are evident. On the other hand, larger changes are not obvious when the market share is large (e.g. greater than 10%).

Figure 59, at the end of the chapter, shows each country’s market share on a separate graph. These graphs more clearly illustrate trends in market share.

Figure 53 shows that Taiwanese tourists tend to travel to neighbouring destinations in East and Southeast Asia. China enticed nearly 40% of total outbound tourists from Taiwan, while the market share of Hong Kong was about 30%. Not only do China, Hong Kong and Taiwan share geographical proximity, the common Chinese culture and language also constitutes an important attraction for Taiwanese visitors. There are also close trade and investment relations between the three economies, and they are often characterised as the ‘Greater China Region’. A large number of Taiwanese visit China and Hong Kong for business purposes.

Other important destinations for Taiwanese tourists include Japan, whose market share is about 14%, and Thailand, with a market share of 8%. Outside Asia, the US is a popular destination, with a market share of around 7%. Australia attracts about 2% of total Taiwanese visitors.
8.2.2 Trends in market share

Figure 54 depicts the trend in the average share in Taiwanese tourists of each of the 14 markets considered. This graph shows the difference between the average market share of a country in 1988-1991 and its average market share in 1996-1999. Where data on all the years is not available the average is taken over the years known.

The relative popularity of tourist destinations favoured by Taiwanese visitors has changed substantially over the past decade. The destinations that have experienced significant increases are Indonesia and China, with market share increases of 7.1% and 5.8% respectively. The market share of Australia experienced a moderate 1.5% increase. New Zealand’s market share peaked at 1.3% in 1995. The average market share of New Zealand was 0.8% in 1996-1999, 0.3% higher than that of 1989-1991.
The largest decline in market share occurred in Hong Kong. From a destination which attracted over 50% of Taiwanese outbound tourists in 1988-1991, Hong Kong now accounts for only about one third of total outbound Taiwanese visitors. The market shares of Japan and Thailand have also registered significant decreases.

8.2.3 Substitutes and complements

Figure 55 shows the correlation between the share of Taiwanese tourists coming to NZ and the share going to each of the other destinations considered. It plots the correlation coefficients, which measure the degree to which two data series move in conjunction with each other.

A strong positive relationship could suggest that two destinations are complementary, or that the factors that influence people to visit one influence them in a similar way to visit the other. A negative coefficient could suggest competing destinations, or that the
factors that influence a traveller to visit one country influence them in the opposite way to visit the other.

The destinations that appear to complement visits to New Zealand include Australia, Fiji, Indonesia, and Singapore. The correlation coefficient is also positive for the US and the UK. This suggests that similar factors drive Taiwanese travellers to visit New Zealand, the UK, and the US. The destinations that appear to act as substitutes to New Zealand for Taiwanese tourist arrivals include China, Japan, Thailand, and Hong Kong.

8.3 Factors affecting tourism demand

8.3.1 Economic growth

Figure 56 shows growth in the Taiwanese economy compared with growth in the number of tourists from Taiwan visiting New Zealand. In the early part of the period we are looking at, economic performance seemed to have some implications for the number of Taiwanese tourists visiting New Zealand. This link, however, has become weak in recent years. Taiwanese tourist arrivals declined significantly despite the relatively robust GDP growth of the Taiwanese economy. The decline of Taiwanese tourists to New Zealand is partly a result of diversion to other destinations. In particular, the opening up of China to the outside world has diverted many Taiwanese from destinations such as New Zealand.

Figure 56  Economic growth and tourism

Annual average percent change

Source: NZIER
8.3.2 Exchange rates

Figure 57 shows an index comprised of the real exchange rate between the Taiwanese dollar and currency of each of the 15 countries analysed. The components of the index are weighted by the 1993 market share of each country. The figure also presents indexes of the real exchange rate between the NZ dollar and the Taiwanese dollar, and the US dollar and the Taiwanese dollar.

Significant features of this graph are as follows:

- Both the weighted average index and the US index have declined since the early 1990s.

In general, an appreciation of the traveller’s currency against the foreign currency will result in an increase in tourism to that destination, as it becomes cheaper. This increase in market share is likely to lag behind the change in the value of the currency as it takes time to reach a decision to travel.

The changes in the number of Taiwanese tourist arrivals to New Zealand over the past decade are broadly in line with exchange rate movements. From 1992 to 1997, when the Kiwi dollar strengthened, tourist arrivals from Taiwan decreased. As noted earlier, the change in arrivals is probably also due to the increased popularity of other destinations, especially China.
Figure 58  Real exchange rate and tourism growth, Taiwan

Annual average percent change

Source: NZIER
Figure 59 Shares of Taiwanese tourism market by country
Percent of total Taiwanese departures

Source: NZIER
9. UK TOURISTS

The market share analysis is based on arrivals data collected in the destination country and departures data collected in the UK. Because travellers may visit more than one destination on each trip abroad, the sum of the market shares may be greater than 100%.

Countries were chosen for analysis on three bases. First, we selected eight regional “attractors”, that is countries that were representative of particular regions around the world. These were the UK, US, France, China, Brazil, Thailand, South Africa and Japan. The second group consists of the three destinations that we judged could be important local competitors or complements. These countries were Fiji, Indonesia and Australia. These two groups are common to all nine market analyses. Finally, we selected three countries specific to each origin that, on the basis of departure data, were popular tourist destinations.

The three specific countries chosen for the UK were:
- The Bahamas
- Greece
- Spain

9.1 Trends in British tourism to New Zealand

Figure 1 shows the number of UK tourists that arrived in NZ between 1979 and 2000. It also presents this information as a percentage of the total number of tourists who left the UK in the relevant year; this is New Zealand’s market share of the UK tourism market. By depicting the market share, we are able to ascertain whether NZ is becoming relatively more or less popular as a destination.

![Figure 60 Annual UK arrivals to NZ and NZ’s market share](image)

The number of visitor arrivals to New Zealand from the UK has been steadily increasing over the last two decades (Figure 60). In the year ended March 1979, 28,664 UK visitors arrived in New Zealand. In the year ended March 1999, 160,514 tourists arrived in New Zealand, representing a 460% increase on the 1979 figure.
New Zealand’s market share of outbound tourists from the UK has also increased, albeit at a very gradual pace. In the December year 1986, UK visitor arrivals to New Zealand accounted for 0.2% of total outbound UK tourists. In the December year 1999, this share increased to 0.3%.

9.2 Alternative destinations

9.2.1 Relative market share

Figure 61 illustrates the market share of all 14 countries analysed. The data runs from 1989 up to the most recent available. Because of the variety of data sources some series are longer than others.
This graph should be interpreted with caution as it is presented on a logarithmic scale. This means that each tick mark up the vertical axis indicates an increase in market share by a factor of ten. The benefit of presenting information in this way is that it is possible to show all markets on the same graph. The disadvantage is that the interpretation of a particular slope changes depending on the level of the market share. When the market share is small (e.g. below 1%), even small changes are evident. On the other hand, larger changes are not obvious when the market share is large (e.g. greater than 10%).

Figure 67, at the end of the chapter, shows each country’s market share on a separate graph. These graphs more clearly illustrate trends in market share.

The major tourist destinations for UK tourists are Spain, France, and the US. Both Spain and France have maintained a market share of greater than 20% for most of the years over the last decade. Another important destination is the US, with a market share of about 8%. All other destinations are relatively small. Australia attracted about 1% of UK tourists, while UK tourists to Fiji made up about 0.1% of total outbound visitors. The market share of New Zealand is about 0.3%.

9.2.2 Trends in market share

Figure 62 depicts the trend in the average share in UK tourists of each of the 14 markets considered. This graph shows the difference between the average market share of a country in 1988-1991 and its average market share in 1996-1999. Where data on all the years is not available the average is taken over the years known.

The market share of Spain and France declined significantly between 1988-91 and 1996-1999. Spain’s share fell by 6.6%, while France’s declined by 5.6%. Greece and Japan’s market shares have also decreased, although by a smaller amount.

The market share of the US increased by 0.7%. The market shares of South Africa, and China have also picked up, each rising by about 0.2%. New Zealand’s market share has increased by 0.1% over the past decade.
9.2.3 Substitutes and complementary relationships

Figure 63 Correlation with NZ tourism

Correlation coefficient

![Correlation Coefficient Chart]

Source: NZIER

Figure 63 shows the correlation between the share of UK tourists coming to NZ and the share going to each of the other destinations considered. It plots the ‘correlation coefficients, which measure the degree to which two data series move in conjunction with each other.

A strong positive relationship could suggest that two destinations are complementary, or that the factors that influence people to visit one influence them in a similar way to visit the other. A negative coefficient could suggest competing destinations, or that the factors that influence a traveller to visit one country influence them in the opposite way to visit the other.

Figure 63 shows that:

- There is a positive correlation between UK tourists visiting New Zealand and those visiting Fiji, China, South Africa, the US, and Indonesia. Most of these countries are either Asian Pacific destinations, or are located in the southern hemisphere, and involve long haul flights.

- There is a complementary relationship between UK tourists visiting Australia and New Zealand. However, the correlation coefficient is small, indicating that the complementary relationship is weak. This is somewhat surprising. It could be that a relatively large proportion of UK tourists are visiting family and friends in either Australia or New Zealand, and are less likely than other travellers to visit both countries.

- Destinations such as Spain, Greece, Bahamas, and Japan act as substitutes for New Zealand.

9.3 Factors affecting tourism demand

9.3.1 Economic growth

Figure 64 shows growth in the UK economy compared with growth in the number of tourists from the UK visiting New Zealand. The number of UK tourists visiting New Zealand fluctuates more than economic activity in the UK. However, there is a broad correlation between higher income growth in the UK and increasing tourism from the
UK to New Zealand. The reason for this is straightforward: overseas travel is more feasible with higher income.

**Figure 64 Economic growth and tourism**

![Graph showing economic growth and tourism](image)

Source: NZIER

### 9.3.2 Exchange rates

Figure 65 shows an index comprised of the real exchange rate between the UK pounds and the currency of each of the 15 countries analysed. The components of the index are weighted by the 1993 market share of each country. The figure also presents indexes of the real exchange rate between the NZ dollar and the UK pound, and the US dollar and the UK pound.

The chart shows that:

- The New Zealand dollar depreciated against the pound from 1990 to 1992, appreciated from 1992 to 1996, then depreciated again from 1996 to 1998. This is reflected in the real exchange rate movement.

- The weighted average real exchange rate largely moved in tandem with the New Zealand rate against the pound.

- The real exchange rate between the US dollar and the pound has been relatively stable since 1994, although the pound has depreciated in 1999.
In general, an appreciation of the traveller’s currency against the foreign currency will result in an increase in tourism to that destination, as it becomes cheaper. This increase in market share is likely to lag the change in the value of the currency as it takes time to reach a decision to travel. Exchange rate movements may be a factor in determining tourist numbers from the UK to New Zealand. In the early 1990s, a stronger pound relative to the Kiwi dollar tended to coincide with higher tourist growth from the UK to New Zealand. However this relationship broke down in the mid 1990s, when it seems that economic growth in the UK was the main driver of travel to New Zealand.
Figure 67 Shares of UK tourism market by country
Percent of total UK departures

Source: NZIER
10. GERMAN TOURISTS

The market share analysis is based on arrivals data collected in the destination country and departures data collected in Germany. Because travellers may visit more than one destination on each trip abroad, the sum of the market shares may be greater than 100%.

Countries were chosen for analysis on three bases. First, we selected eight regional “attractors”, that is countries that were representative of particular regions around the world. These were the UK, US, France, China, Brazil, Thailand, South Africa and Japan. The second group consists of the three destinations that we judged could be important local competitors or complements. These countries were Fiji, Indonesia and Australia. These two groups are common to all nine market analyses. Finally, we selected three countries specific to each origin that, on the basis of departure data, were popular tourist destinations.

The three specific countries chosen for Germany were:

- Austria
- Italy
- Spain

10.1 Trends in tourism to New Zealand

Figure 68 shows the number of German tourists that arrived in NZ between 1979 and 2000. It also presents this information as a percentage of the total number of tourists who left Germany in the relevant year. This is New Zealand’s market share of the German tourism market. By depicting the market share, we are able to ascertain whether NZ is becoming relatively more or less popular as a destination.

The number of visitor arrivals to New Zealand from Germany has fluctuated over the past two decades. In the year ended March 1979, only 5,024 German tourists visited New Zealand. During the decade from the late 1970s to the late 1980s, the number of
German visitor arrivals increased steadily, albeit at a moderate rate. In the year ended March 1989, 21,199 German tourists visited New Zealand.

The early to mid 1990s witnessed an accelerated increase in German tourist arrivals. From 1990 to 1995, tourist arrivals from Germany increased at an annual rate of over 20%. In the year ended June 1994, the number of German tourist arrivals reached 60,241. This was the peak of the German tourist flow to New Zealand. Since 1994, the number of German visitor arrivals has declined steadily. In the year ended December 1999, 46,243 German tourists visited New Zealand.

New Zealand’s market share of total German outbound tourists demonstrates a similar pattern. Overall, New Zealand accounts for a very small share of outbound visitor numbers from Germany. The market share was about 0.06% in 1990. It increased from 1990 to 1994. At its peak in the year ended June 1994, New Zealand’s share of the German tourist market was around 0.1%. The market share has declined since then. Currently, New Zealand’s market share of German tourism is back to around 0.06%.

10.2 Alternative destinations

10.2.1 Relative market share

Figure 69 illustrates the market share of all 15 countries analysed. The data runs from 1989 up to the most recent available. Because of the variety of data sources some series are longer than others.

This graph should be interpreted with caution as it is presented on a logarithmic scale. This means that each tick mark up the vertical axis indicates an increase in market share by a factor of ten. The benefit of presenting information in this way is that it is possible to show all markets on the same graph. The disadvantage is that the interpretation of a particular slope changes depending on the level of the market share. When the market share is small (e.g. below 1%), even small changes are evident. On the other hand, larger changes are not obvious when the market share is large (e.g. greater than 10%).

The main regional destination for German tourists is Europe. In particular, Austria attracted nearly 20% of German tourists in the early 1990s. Austria’s share has fallen in recent years, however. In the year ended December 1999, only 12.8% of outbound German tourists went to Austria. Spain and Italy are also major tourist destinations for German tourists, attracting over 10 percent of German visitors respectively. France and the UK are the next most important destinations. Outside Europe, the US has been an important destination, although visitor arrivals to the US still only represent less than 3% of the total outbound visitors from Germany.

All other destinations concerned attracted less than 1% of German visitor arrivals. The market share of Australia is about 0.3%, while New Zealand’s market share is about 0.1%.

The reasons that German visitor arrivals tend to go to neighbouring European countries include both the ease of access to continental European countries, as well as the rich tourism resources of Europe.
10.2.2 Trends in market share

Figure 70 shows the trend in the average share in German tourists of each of the 15 markets considered. This graph shows the difference between the average market share of a country in 1988-1991 and its average market share in 1996-1999. Where data on all the years is not available the average is taken over the years known.

The largest decline in the market share of German tourists occurred for Austria, Spain and Italy, despite their relative importance as tourism destinations. Several other countries have picked up the falling market share. The market shares of the UK, the US, South Africa, Brazil, China, and Indonesia have all increased. Overall, it appears that short haul tourism has become less popular, while long haul travel to Asia, South America, and South Africa has picked up in Germany. This may be due to the availability of cheaper travel options.
Australasia has not benefited significantly from the diversification of outbound German tourism. The market share of Australia increased only slightly (0.04%), while that of New Zealand remained virtually unchanged. In fact, few destinations included in our study seems to have pick up a large share of tourists from Germany. This suggests that the market share of some destination outside our sample has increased. However, there is no readily available information to indicate which country or countries these may be.

10.2.3 Substitutes and complements

Figure 71 shows the correlation between the share of German tourists coming to NZ and the share going to each of the other destinations considered. A strong positive relationship could suggest that two destinations are complementary, or that the factors that influence people to visit one influence them in a similar way to visit the other. A negative coefficient could suggest competing destinations, or that the factors that
influence a traveller to visit one country influence them in the opposite way to visit the other.

Figure 71 shows there is a high positive correlation between New Zealand and Fiji. The correlation is also positive between New Zealand and Australia, Indonesia, Thailand and the US. These relationships indicate the complementarity between New Zealand and its Asian Pacific neighbours. However, there is also a positive correlation between New Zealand and several European countries, such as France, Austria, and Spain. No reason for this relationship is immediately apparent.

Japan, South Africa, Brazil, and China appear to compete with New Zealand for German tourists.

10.3 Factors affecting tourism demand

10.3.1 Economic growth

Figure 72 shows growth in the German economy compared with growth in the number of tourists from Germany visiting New Zealand. The graph shows that there is some correlation between higher income growth in Germany and increasing tourism from Germany to New Zealand. This correlation has been more evident since 1995. Since then the number of outbound tourists from Germany visiting New Zealand has become more closely linked to fluctuations in economic growth.
10.3.2 Exchange rate

Figure 73 Real exchange rates, Germany

Index, March 1990 = 1000

![Graph showing real exchange rates for Germany](image)

Note: A rise in the index indicates an appreciation of the home currency, or lower price movements in the destination country than the origin country. A higher index therefore indicates an increase in spending power for the tourist. The all country index is a weighted average of the specific countries analysed.

Source: NZIER

Figure 73 shows an index comprised of the real exchange rate between the German mark/euro⁴ and the currency of each of the 15 countries analysed. The components of the index are weighted by the 1993 market share of each country. The figure also presents indexes of the real exchange rate between the NZ dollar and the German currency, and the US dollar and the German currency.

Changes in the value of German currency relative to the New Zealand dollar, the US dollar, and the weighted average exchange rate index were as follows:


- The US dollar depreciated against the Deutsche mark from 1994 to 1995, and appreciated from 1995 to 1999. In January 1999, Germany became a member of the European Monetary Union and adopted the Euro. The US dollar has been strengthening against the Euro in recent months.

- The weighted average exchange rate depreciated against the German currency from 1992 to 1995, appreciated from 1995 to 1996, and has been stable in recent years.

In general, an appreciation of the traveller’s currency against the foreign currency will result in an increase in tourism to that destination, as it becomes cheaper. This increase in market share is likely to lag the change in the value of the currency as it takes time to reach a decision to travel. However, exchange rate movements do not seem to explain changes in German tourist arrivals to New Zealand in recent years. While the exchange rate has fluctuated since 1995, the number of German visitor arrivals has

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⁴ Germany joined the European Monetary Union in January 1999. A fixed exchange rate between the German mark and the euro has been operating since that time.
steadily declined. The exchange rate is only one of many factors that affects visitor arrivals. The effect of exchange rate fluctuation may be offset by changes in other factors, such as income growth. This pattern also indicates that German tourists are not particularly sensitive to exchange rate movements in New Zealand.

**Figure 74  Real exchange rate and tourism growth, Germany**

Annual average percent change

Source: NZIER
Figure 75  Shares of German tourism market by country

Percent of total German departures

Source: NZIER
APPENDIX A: DESTINATION SELECTION

In order to identify the main destinations with which New Zealand competes for tourists, we initially gathered data on outbound tourism from the origin markets. Our interest in outbound flows reflected the difficulties in obtaining accurate arrivals data. Our aim was to make the selection of specific destinations without having to obtain an unwieldy amount of arrivals data. This section sets out our initial analysis of the outbound flows.

A.1 Australia

Figure 76: Australian outbound tourism, 1997

Market share, percent

<table>
<thead>
<tr>
<th>Country</th>
<th>Market Share (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>NZ</td>
<td>16</td>
</tr>
<tr>
<td>US</td>
<td>14</td>
</tr>
<tr>
<td>UK</td>
<td>12</td>
</tr>
<tr>
<td>Indonesia</td>
<td>10</td>
</tr>
<tr>
<td>HK</td>
<td>9</td>
</tr>
<tr>
<td>Singapore</td>
<td>7</td>
</tr>
<tr>
<td>Malaysia</td>
<td>4</td>
</tr>
<tr>
<td>Thailand</td>
<td>2</td>
</tr>
</tbody>
</table>

Source: Australian Bureau of Statistics

New Zealand takes the largest share of Australian outbound tourists of any single market. Likely explanations for this include the close trading relationship, free trade agreements, which have existed since 1965, and the relative proximity of the two countries.

The number of people visiting the UK can be explained partly by the British roots of many Australians. This encourages tourism both to visit friends and family, and on business, since the UK is a traditional market for Australian exports, as it is for New Zealand.

Indonesia is primarily a holiday destination, with Bali being a popular resort island off the north coast of Australia. The other major destinations are likely to be a visited for a mix of reasons, including trade and going on holiday. As the Asian population becomes more significant in Australasia, outbound tourism to visit friends and relatives in Asia is likely to grow.
A.2 United States

Figure 77: US outbound tourism over time

* Other overseas includes all outbound tourists visiting countries other than Mexico and Canada.

Source: International Trade Administration, US Department of Commerce

As was clear from the analysis of regional flows, the important markets for the US outbound tourist are within the American continent. Canada and Mexico consistently captured around 65% of outbound traffic between 1988 and 1998. All overseas countries captured a similar proportion to Mexico.

Oceania, attracted a consistent, but small percentage of American tourists. The Caribbean is also a popular holiday destination for Americans.
Figure 78: US outbound tourism, 1998

Market share, percent

Source: International Trade Administration, US Department of Commerce

A.3 United Kingdom

Figure 79: UK outbound tourism, 1998

Market share, percent

Source: UK Office of National Statistics

Figure 79 shows the importance of political and trade relations in a European context. The US is the biggest single non-European market for outbound UK tourists. The biggest Asian market is India, which accounted for 0.9% of outbound tourism in 1998. This is probably a reflection of the growing Indian population in Britain. New Zealand has a 0.2% share of UK tourism. Distance, and by corollary cost, is probably a factor in this small share.
A.4 Japan

Japanese tourists are most likely to visit the US on an overseas trip. Las Vegas is a very popular destination, as is Hawaii, which is particularly popular for honeymooners. Other popular destinations are located in Asia.

Hong Kong is a popular destination for Japanese travellers, both in itself and as a gateway to Macau, as there are no direct flights from Japan to Macau. Hong Kong suffered as a destination when it was returned to China. There was a 43% decline in the number of Japanese visiting Hong Kong in 1997. The Asian crisis is likely to have compounded this impact.

Singapore is a very cheap destination for Japanese tourists as there are direct air connections from several cities. The devaluation of the Singaporean dollar at the end of 1993 also boosted this market.

About 150,000 travellers, or 0.9% of the Japanese outbound market, visited New Zealand in 1994.

Figure 80: Japanese outbound tourism, 1994

![Japanese outbound tourism, 1994](chart.png)

Source: Bureau of Transportation Statistics, US Department of Transportation

A.5 Germany

Like the British, Germans do the majority of their travel within the European Union. Austria alone, accounted for nearly 40% of international travel in 1996.
A.6 Hong Kong SAR

Tourism to the People’s Republic of China dominates outbound travel from Hong Kong. Nearly 80% of tourists nominated PR China as their principal destination in 1996. Europe takes a similar sized proportion of travellers as the US.

Note: PR China has been excluded from the graph, it accounted for 77.5% of outbound tourism from Hong Kong in 1996.

Source: Hong Kong Immigration Department
A.7 Singapore

The Singaporean government does not collect statistics on the destinations of overseas travellers to foreign countries. This means that no outbound market analysis can be undertaken. The graph below shows arrivals into Singapore. Data for New Zealand arrivals was not available. We assumed that a high proportion of arrivals from a particular country was indicative of a high proportion of Singaporean tourists visiting that country.

Figure 83: Singapore arrivals, January 2000

Market share, percent

Source: Government of Singapore

A.8 Taiwan

Taiwan does not count people travelling to PR China as international tourists. These are considered compatriot traffic. We expect that a great number of tourists will be visiting PR China. Hong Kong is now administered by China and it is unlikely that figures will continue to be collected for outbound tourists to Hong Kong.
Figure 84: Taiwan outbound tourism, 1995
Market share, percent

A.9 Korea

Japan and China are popular destinations for the Korean tourist. New Zealand has a market share of about 0.8%.

Figure 85: Korean outbound tourism, 1999
Market share, percent

Source: Bureau of Transportation Statistics, US Department of Transportation

Source: Korean National Tourism Organisation