

Visitor Demand Mapping for Queenstown Update 3

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queenstownNZ.nz



This is an update to the Visitor Demand Mapping for Queenstown-Lakes (2020 to 2024) report published on Thursday, May 14, 2020. You can get the full version of the earlier report [here](#).

This edition carries the first major change in the scenarios since it was published in May 2020. Due to the increase in COVID-19 cases in New Zealand over the last two weeks, all coming across international borders, the optimistic view on the trans-Tasman bubble opening has been postponed from September 2020 to January 2021. This revision in the Australian market coming online, has in turn decreased the total spend in Queenstown by 12% for FY 2020-21 in the Optimistic scenario.

Recent developments to factors **that impact visitation to Queenstown**

New Zealand economy

Since our last update, New Zealand has recorded 22 new cases of COVID-19 infections. All of these have been recorded in managed isolation from overseas sources¹. With these new cases, it has become apparent that the road to overcoming the virus and all of its economic impacts will be long with many unpredictable setbacks.

The Reserve Bank has left the official cash rate at 0.25% and indicated that it is willing to provide additional stimulus as needed².

High frequency indicators like consumer spend and heavy traffic movement continue to pick up, however all are tracking below same time previous year and Treasury estimates that output is still reduced 5-10% under alert level one³ (exhibit 1).

Income support is on the rise with 196,700 receiving support either from the Jobseeker or COVID-19 Income Relied Payment (which was started on 8 June 2020). However, the current employment situation is far better than expected likely due to New Zealand's faster than expected de-escalation of alert levels enabling businesses to resume. Online job advertisements, which were tracking 75% down during lock down, are currently around 20% lower than the same time previous year and experimental employment data from NZ stats showed a recovery in paid job figures in the past few weeks⁴ (exhibit 2).

Australia economy

Victoria case numbers are escalating with double-digit numbers of new cases being recorded each day for two weeks now⁵. This is forcing lockdown restrictions again after two months of regulations slowly being rolled back. The economic impact of this resurgence is yet to be predicted but it is proof of how vulnerable we are to a resurgence in infections.

Australia is outperforming many economic predictions. In the IMF's revised GDP growth projection released last week Australia was the only developed country to have projections revised to be better than their April projections (-4.5%, up 2.2% percentage points)⁶. The Jobkeeper fund is scheduled to finish at the end of September and, like in New Zealand, is prompting concern a second wave of unemployment. Unemployment is currently reported at 8%, better than the expected 10%.

USA Economy

In the US, infection numbers continue to rise at record rates with over 2.5 million infections recorded in total. On 24 June, 36,880 new cases were recorded which is the most seen in a day in the US. The majority of these cases are in the South and West of the country which are the new outbreak hotspots⁷.

At the same time some economic metrics in the US are improving. Retail spend in May bounced back with a 17.7% increase from lows in March and April and spend for May was 6.1% lower than the previous year⁸ (exhibit 3).

Consumer sentiment is increasing as well, with an increase to 78.1% forecast for June compared to 72.3% recorded in May and a survey completed by Morning Consult (a global data intelligence company) found consumers are gradually feeling more comfortable in taking part in activities like going out to eat (18% felt conformable in April compared to 41% now)⁹.

Stock markets continue to be volatile, with the S&P 500 falling 2% on 24 June, likely linked to the increasing case numbers forcing restrictions in Texas and Florida to extend. However markets still continue on a general upward trajectory¹⁰.

China Economy

Economic indicators in China continue to show a recovery, albeit at a slower than predicted rate. Industrial production rose 4.4% in annual terms. Retail sales fell by -3% over the year to May, compared to a -7.9% decline in the year to April, but were 0.8% higher than the previous month. An outbreak in Beijing has caused lockdown restriction be reintroduced and geopolitical tensions with the US create a restrained and uncertain path to recovery¹¹.

Global Economy

This week we have passed the 10 million milestone of COVID-19 infections globally. As this number escalates the forecast for the economy becomes bleaker. Last week, the IMF issued a World Economic Outlook Update projecting a -4.9% contraction in global growth for 2020, -1.9 percentage points below the the April 2020 World Economic Outlook (WEO) forecast¹² (exhibit 4). It is calling the situation "a crisis like no other" stating that the pandemic has had a more negative impact on activity in the first half for 2020 than expected and the recovery is projected to be more gradual as well.

The IMF have not yet changed its "V" shaped recovery projections, it is now just a more gradual "V". In reference to other global bodies the IMF are predicting -4.9% reduction in global growth, the OECD are anticipating a -5.9% reduction and the World Bank are expecting a -5.2% reduction and all are predicting a return to positive growth in 2021 providing a single wave scenario (exhibit 5).

Queenstown Lakes Economy

The latest Westpac Regional Round up showed that Otago is one of the most affected economic regions in the country. A lot of this is due to the closure of borders meaning no international visitors in areas like Queenstown and no international students at education providers like Otago University¹³. Consumer confidence for Otago is the lowest in the country, down -33% from the March in the Westpac-McDermott Miller Regional Economic Confidence survey. For the Queenstown Lakes District unemployment currently sits at 11% (working age population)¹⁴.

For the week ending 21 June 2020 spend was down -16.4% total compared to the same week last year. The majority of this reduction was driven by a lack of international tourists (-82.5% reduction in international spend compared to same week last year), domestic spend however is around on par with the same week last year (0.5% increase compared to the same week last year)¹⁵.

Global Aviation

IATA figures show an -82% reduction in bookings globally compared to the same period last year as the spread of COVID shows no signs of slowing down globally¹⁶. There is a lack of forward bookings for the Northern Hemisphere winter is making scheduling nearly impossible.

Passengers are becoming more cautious, a recent survey found, with only 45% of those surveyed willing to fly within 1-2 months of restriction being eased compared to the previous survey finding of 60%. Uncertainty around border closures will further damage international aviation capacity and routes.

Domestic and Queenstown Aviation

There have been minimal changes in Domestic and Queenstown Aviation area in the past two weeks. As mentioned in the previous update Air New Zealand will start its July/ August schedules on 1 July which will see domestic capacity return to 55% of pre COVID levels. At the May Monthly Investor Update Air New Zealand released that for the month of May it was operating at a 34.2% passenger load factor compared to 84.2% in May 2019. Jetstar will resume some flights in July (Queenstown- Auckland flights resuming 1 July and Queenstown - Wellington from 1 August 2020).

During a Qantas press conference recently the airline's chief executive Alan Joyce warned that its likely that international travel won't resume fully until mid-2021, however Qantas is hopeful for a Trans-Tasman bubble in the coming months within 2020¹⁷.

Epidemiology

Currently there are 16 candidate vaccines in clinical evaluation, which is an increase of six from of last update and 125 candidates in preclinical evaluation according to the World Health Organisation showing progress in the creation of a vaccine. Oxford continue to expand their vaccine trials with another new vaccine starting testing last week and in China the Chinese military have had approval for use for a vaccine developed by its research unit after trials showed it was safe and showed some efficacy¹⁸.

On the treatment front, there have been positive developments as well with an inhalable version of Remdesivir a treatment that can only be administered intravenously starting trials of an inhalable format starting last week¹⁹.

Domestic Market

Population movement data gathered by Data Ventures shows that New Zealanders continue to move around the country²⁰. Kiwis are travelling more compared to the same week last year with holiday regions like the West Coast (with a 27% increase compared to same week previous year) and Otago (with a 7.4% increase) showing higher levels of movement (exhibit 6). This is likely due to people continuing to take advantage the freedom of Level 1 and take holidays or weekend breaks.

In contrast to this Westpac's Q2 Westpac McDermott Miller Leisure Survey has indicated that the likely lift in domestic tourism is not going to significantly offset the lack international tourists²¹. The survey showed that since December people are -33.6% less likely to take an overseas holiday in the coming 12 months but only 1.2% more likely to visit another region in New Zealand (exhibit 7).

Australia Market

The change in circumstances in Australia (the resurgence of community transition in Victoria) will likely push back hopes of a trans-Tasman bubble for winter. While some states like Queensland, South Australia and Northern Territories are containing the virus and are reopening, Victoria has reentered lockdown with 75 new cases recorded on Monday 29 June⁵.

State borders remain closed for many states limiting the ability to domestic travel. The government has proposed a cash incentive to travel domestically to certain areas, which have been hard hit first by bush fires and now the lack of international tourists²².

China

China has seen a resurgence in case numbers recording double digit figures every day since 13 June 2020. The majority of these cases are related to a Beijing outbreak and the area has reentered its lockdown restrictions²³.

Europe

The European Union aiming to reopen international borders from July 1 to a certain set of countries that have the virus 'under control'²⁴. Travelers from 15 countries will be able to enter the EU, including New Zealand and Australia, but excluding the US, Russia and Brazil. The EU is aiming to have borders opened in time to capture

peak summer holiday season. The EU has seen a decline in the number of COVID-19 cases over the past few weeks (exhibit 8) but is far from having the virus contained.

Global

ASB released an economic note focusing on the tourism industry in New Zealand which depicts the seasonally adjusted monthly arrivals since the COVID-19 pandemic started and compares them to other major global events like the GFC²⁵ (exhibit 9). This graph shows that arrivals were 44% in March compared to last year and 94% in April compared to last year.

The Economist's Intelligence Unit has published a new index which ranks the quality of policy response to COVID-19 across OECD countries, and New Zealand has ranked the highest scoring 3.67 out of 4 followed by countries like Australia, Denmark, Germany and Iceland (exhibit 10)²⁶. The index is based on the number of tests, provision of non-Covid-19 healthcare and the number of above-average death rates.

The United Nations World Tourism Organisation (UNWTO) is pushing for a cautious restart of tourism citing research that shows 22% of destinations worldwide have already reduced border restrictions up from just 3% on 18 May and are in support of the EU's decision to ease restrictions²⁷. UNWTO have modelled three scenarios that illustrate the impact of travel restrictions which range from a -58% reduction globally in international arrivals if restrictions are eased in July to -78% reduction if they aren't eased until December .

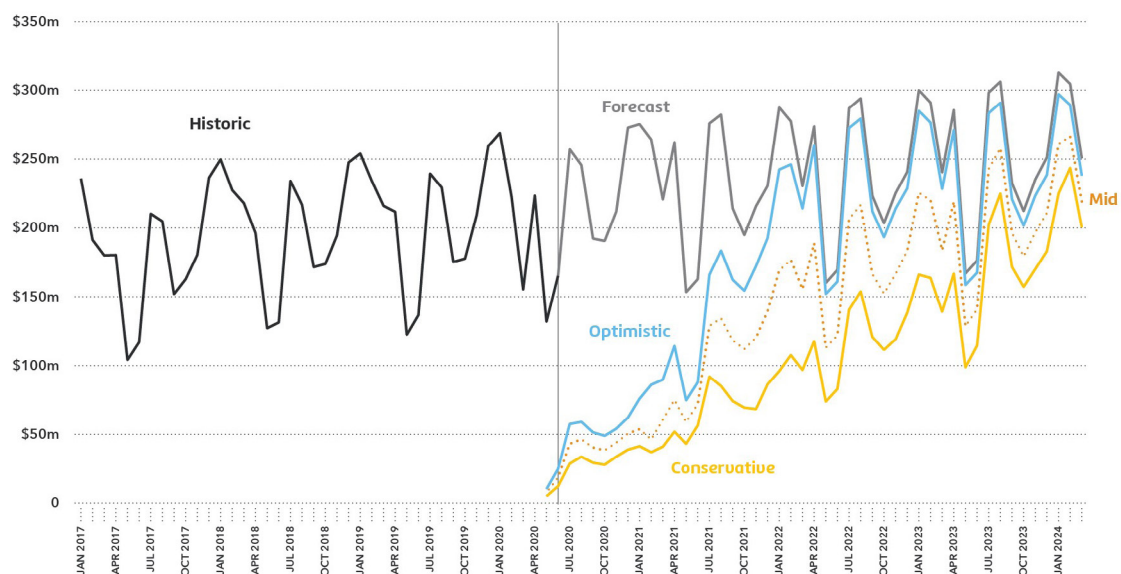
Updates in Destination Queenstown Assumptions

Scenario Updates

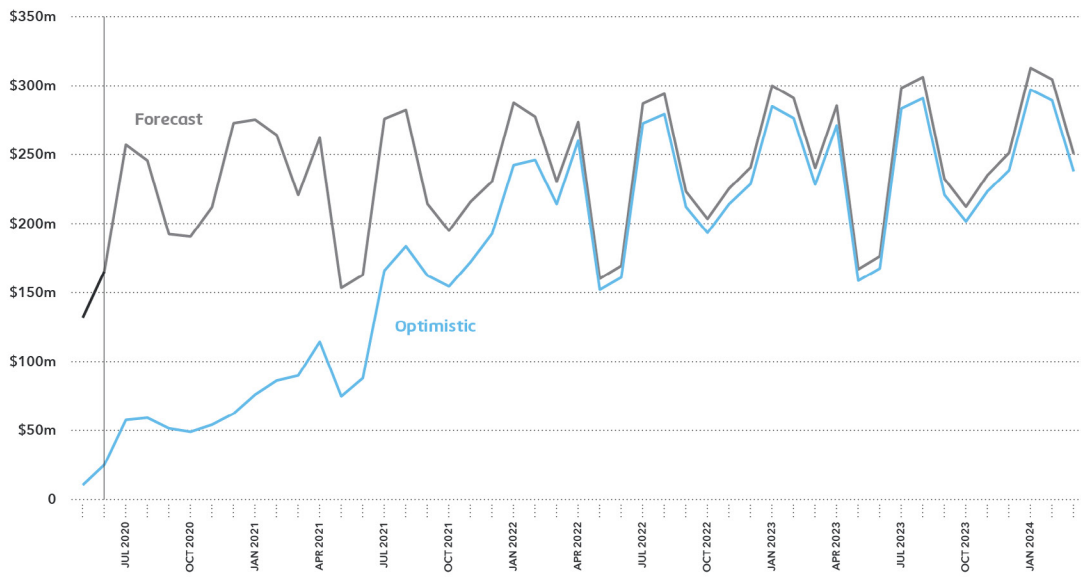
In line with the change in COVID containment in Australia DQ has revaluated our scenario start dates for the Australia market and moved the optimistic start date from September 2020 to January 2021. This will have a significant impact on the predicted spend for Queenstown, as a September start would have seen Australian tourist here for some of the ski season, when Queenstown traditionally receives the majority of our Australian visitors and when people spend the most in the region. For a dedicated chart of the impact that the change in border opening date will have on estimated spend from the Australian market in Queenstown region please see exhibit 12.

MARKETS	CONSERVATIVE	MID	OPTIMISTIC
HORIZON 1			
Regional Market, New Zealand Domestic Market	OPEN	OPEN	OPEN
HORIZON 2			
Trans-Tasman Australia	JUN 2021	MAR 2021	JAN 2020
HORIZON 3			
Set 1: China, Japan, South Korea	Q3-2021	Q2-2021	Q1-2021
Set 2: Germany, Singapore	Q1-2022	Q3-2021	Q2-2021
Set 3: Canada, US, UK, India, all others	Q1-2022	Q4-2021	Q3-2021

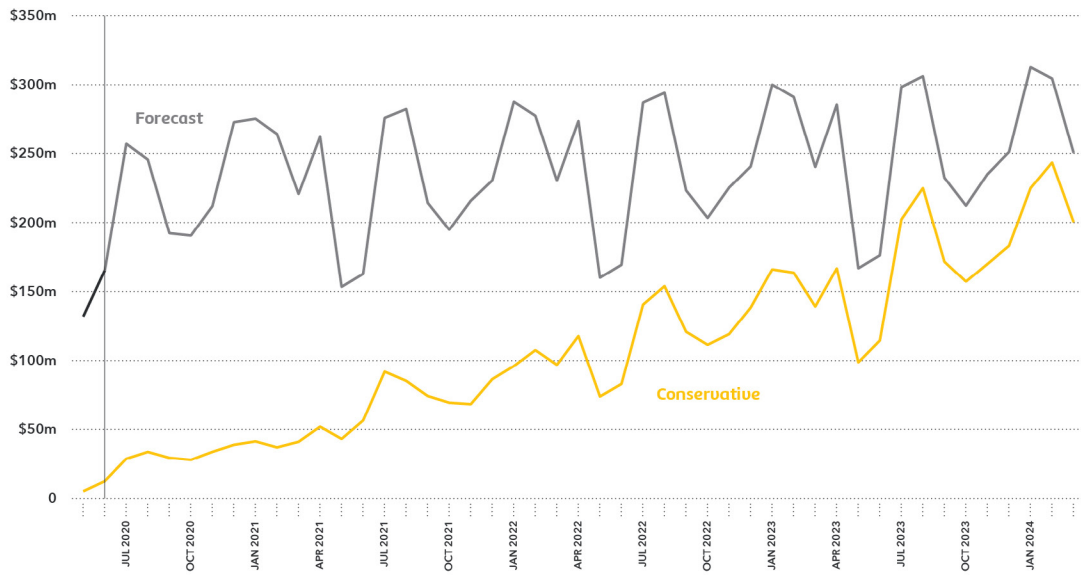
Scenarios Queenstown – All markets



Queenstown – All Markets Optimistic Scenario



Queenstown – All Markets Conservative Scenario



Percentage of Market Spend Recovery Compared to MBIE 2019 – 2024 Forecasts (Monthly, Queenstown Region)

	Optimistic				Conservative			
	Domestic	Australia	Long Haul	TOTAL	Domestic	Australia	Long Haul	TOTAL
2020 May	20%	0%	0%	8%	10%	0%	0%	4%
2020 May	40%	0%	0%	15%	20%	0%	0%	8%
2020 July	60%	0%	0%	22%	30%	0%	0%	11%
2020 August	70%	0%	0%	24%	40%	0%	0%	14%
2020 September	70%	0%	0%	27%	40%	0%	0%	15%
2020 October	70%	0%	0%	26%	40%	0%	0%	15%
2020 November	80%	0%	0%	26%	50%	0%	0%	16%
2020 December	80%	0%	0%	23%	50%	0%	0%	14%
2021 January	80%	20%	0%	28%	50%	0%	0%	15%
2021 February	90%	40%	10%	33%	60%	0%	0%	14%
2021 March	90%	50%	8%	41%	60%	0%	0%	19%
2021 April	90%	50%	12%	44%	60%	0%	0%	20%
2021 May	95%	60%	14%	49%	80%	0%	0%	28%
2021 June	95%	60%	11%	54%	80%	15%	0%	35%
2021 July	95%	70%	13%	60%	80%	15%	0%	33%
2021 August	95%	70%	39%	65%	80%	15%	3%	30%
2021 September	95%	70%	62%	76%	80%	20%	3%	35%
2021 October	95%	70%	70%	79%	80%	20%	4%	36%
2021 November	95%	80%	70%	80%	80%	20%	5%	32%
2021 December	95%	90%	72%	84%	80%	40%	5%	37%
2022 January	95%	95%	75%	84%	80%	40%	5%	33%
2022 February	95%	95%	85%	89%	80%	40%	24%	39%
2022 March	95%	95%	91%	93%	80%	40%	20%	42%
2022 April	95%	95%	95%	95%	80%	40%	20%	43%
2022 May	95%	95%	95%	95%	80%	40%	25%	46%
2022 June	95%	95%	95%	95%	80%	40%	23%	49%
2022 July	95%	95%	95%	95%	80%	40%	24%	49%
2022 August	95%	95%	95%	95%	80%	40%	40%	52%
2022 September	95%	95%	95%	95%	80%	40%	40%	54%
2022 October	95%	95%	95%	95%	80%	40%	40%	55%
2022 November	95%	95%	95%	95%	80%	40%	40%	53%
2022 December	95%	95%	95%	95%	80%	60%	40%	57%
2023 January	95%	95%	95%	95%	80%	60%	40%	55%
2023 February	95%	95%	95%	95%	80%	60%	47%	56%
2023 March	95%	95%	95%	95%	80%	60%	44%	58%
2023 April	95%	95%	95%	95%	80%	60%	44%	58%
2023 May	95%	95%	95%	95%	80%	60%	45%	59%
2023 June	95%	95%	95%	95%	80%	80%	43%	65%
2023 July	95%	95%	95%	95%	80%	80%	44%	68%
2023 August	95%	95%	95%	95%	80%	80%	65%	73%
2023 September	95%	95%	95%	95%	80%	80%	65%	74%
2023 October	95%	95%	95%	95%	80%	80%	66%	74%
2023 November	95%	95%	95%	95%	80%	80%	65%	72%
2023 December	95%	95%	95%	95%	80%	80%	65%	73%
2024 January	95%	95%	95%	95%	80%	80%	65%	72%
2024 February	95%	95%	95%	95%	80%	80%	80%	80%
2024 March	95%	95%	95%	95%	80%	80%	80%	80%

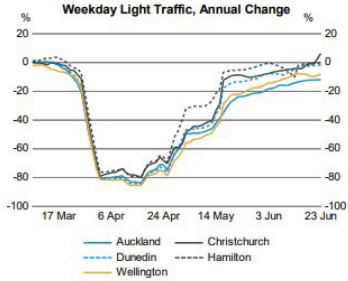
Exhibits

Exhibit 1.

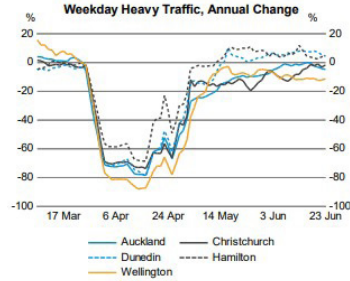
The New Zealand Treasury: Weekly Economic Update. 26th June 2020

High-Frequency Indicators

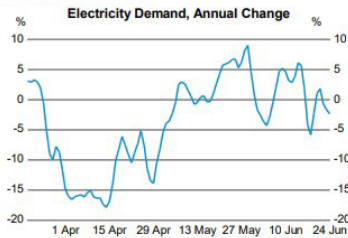
Traffic Movement



Freight Movement



Electricity Demand



Retail Spending

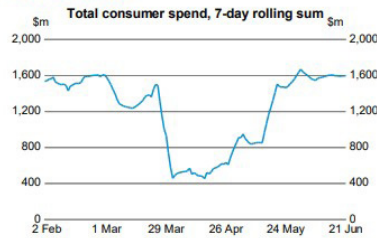


Exhibit 2.

The New Zealand Treasury. Weekly Economic Update. Published 26 June 2020 ([link](#))

Figure 2: Weekly paid jobs

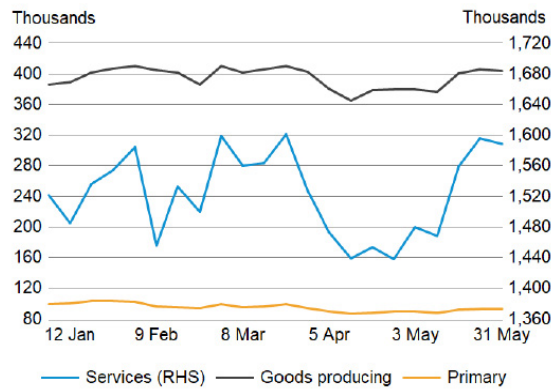


Exhibit 3.

Statista: U.S. Retail Sales Rebound After Historic Slump. Published 16 June 2020 ([link](#))

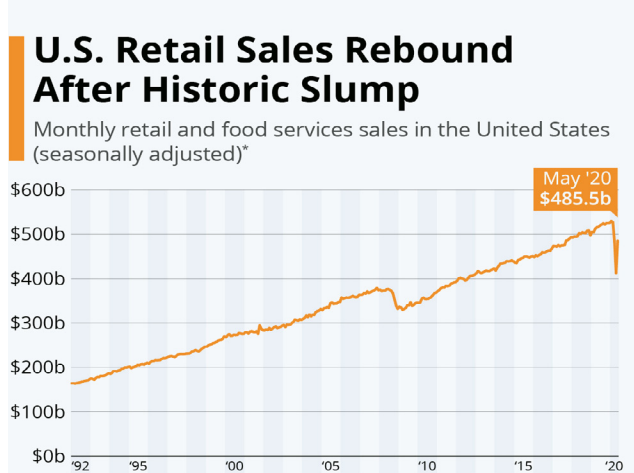


Exhibit 4.

Statista: IMF Slashes Forecast Amid "Crisis Like No Other". Published 25 June 2020 ([link](#))

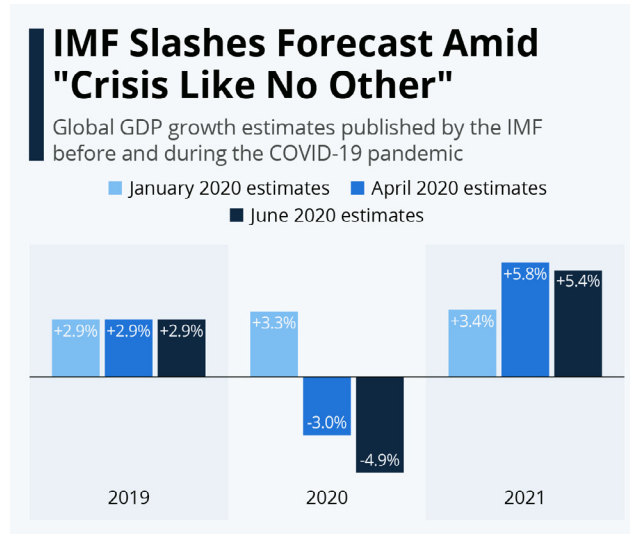


Exhibit 5.

The New Zealand Treasury. Weekly Economic Update. Published 26 June 2020 ([link](#))

Table 2: Global growth projections

	2019	Projections			
		2020		2021	
		IMF	OECD*	IMF	OECD*
World	2.8	-4.9	-5.9	5.4	5.5
OECD/Advanced economies	1.7	-8.0	-7.8	4.8	5.0
United States	2.3	-8.0	-6.3	4.5	4.2
Euro area	1.2	-10.2	-10.3	4.5	7.5
Japan	0.7	-5.8	-7.0	2.4	1.0
China	6.1	1.0	-2.9	8.2	6.7
India	4.8	-4.5	-2.3	6.0	9.0
Brazil	1.1	-9.1	-6.9	3.6	3.7

* Single-hit scenario

Sources: IMF World Economic Outlook, June 2020 Update; OECD Economic Outlook, June 2020.

Exhibit 6.

Data Ventures: COVID-19 Population Report. Published 22 June 2020 ([link](#))

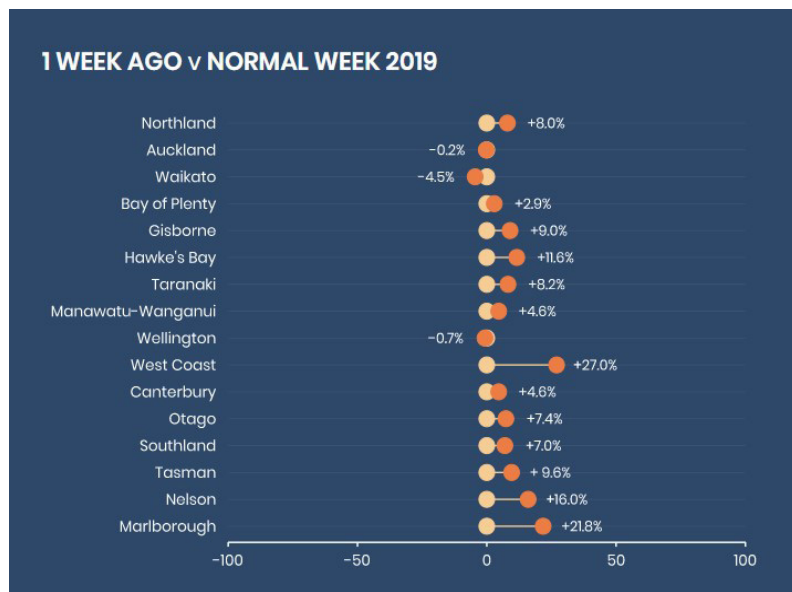


Exhibit 7.

Westpac: Economic Bulletin: New evidence on the outlook for household spending. Published 30 June 2020 ([link](#))

Change in travel plans since December

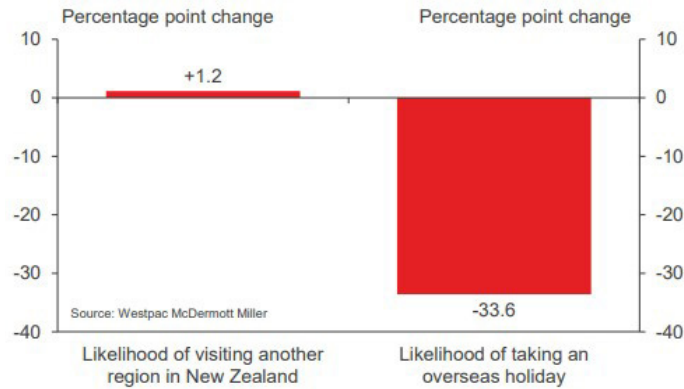


Exhibit 8.

Statsita: The State of the Unions. Published 29 June 2020 ([link](#))

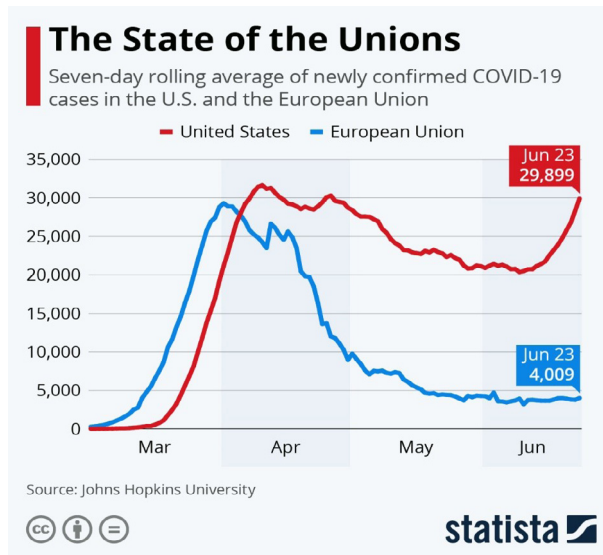


Exhibit 9.

ASB: Economic Note Impacts of COVID-19 on the NZ Tourism sector. Published 30 June 2020 ([link](#))

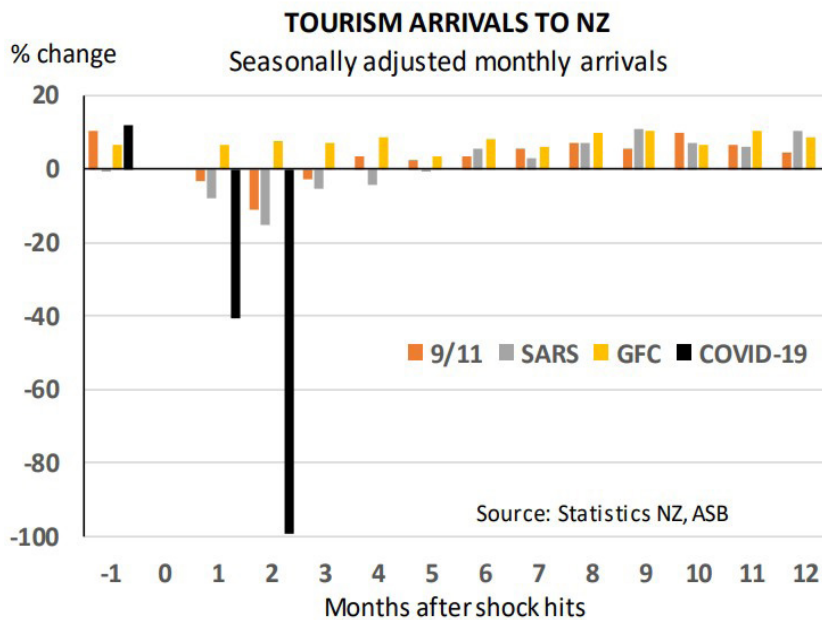


Exhibit 10.

The Economist Intelligence Unit: How well have OECD countries responded to the coronavirus crisis?
Published June 2020.

	Quality of response			Risk factors			Assessment	
	Tests	Provision of non Covid-19 healthcare	Death rate	Obesity prevalence	Share of population aged 65+	International arrivals	Score	Category
Australia	4	4	4	3	3	1	3.44	Very good
Austria	4	3	4	2	3	4	3.56	Very good
Belgium	4	3	1	2	3	3	2.11	Poor
Chile	3	3	4	3	2	1	3.11	Good
Denmark	4	3	4	1	3	4	3.44	Very good
France	3	3	3	2	4	4	3.11	Good
Germany	3	4	4	2	4	2	3.56	Very good
Iceland	4	3	4	2	2	4	3.44	Very good
Italy	4	3	1	1	4	4	2.22	Poor
Israel	4	4	4	3	2	2	3.44	Very good
Japan	1	3	4	1	4	1	2.89	Fair
Netherlands	2	3	2	2	3	3	2.44	Fair
New Zealand	4	3	4	4	3	3	3.67	Very good
Norway	3	3	4	2	3	4	3.44	Very good
Portugal	4	3	3	2	4	4	3.22	Good
South Korea	2	3	4	1	2	1	2.78	Fair
Spain	4	3	1	2	3	4	2.22	Poor
Sweden	3	3	2	2	4	3	2.56	Fair
Switzerland	3	3	3	1	3	4	2.89	Fair
UK	4	4	1	3	3	2	2.22	Poor
US	4	4	3	4	3	1	3.11	Good

Response to coronavirus vs. risk factors

(1 - worst response/lowest risk ; 4 - best response/highest risk)

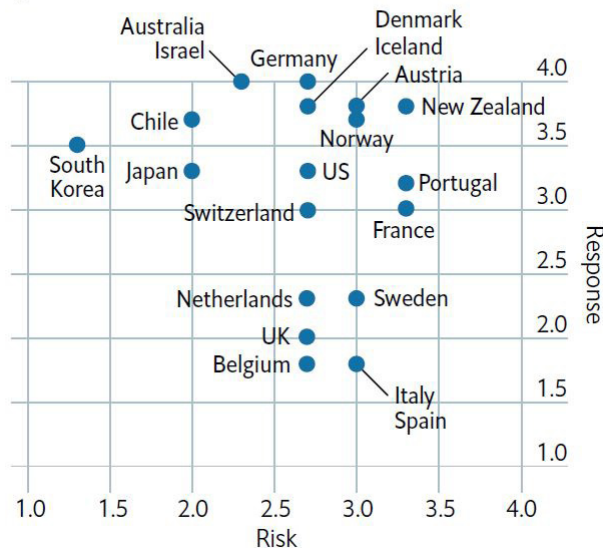


Exhibit 11.

Destination Queenstown Demand Mapping Scenarios - Trans Tasman MRTE spend

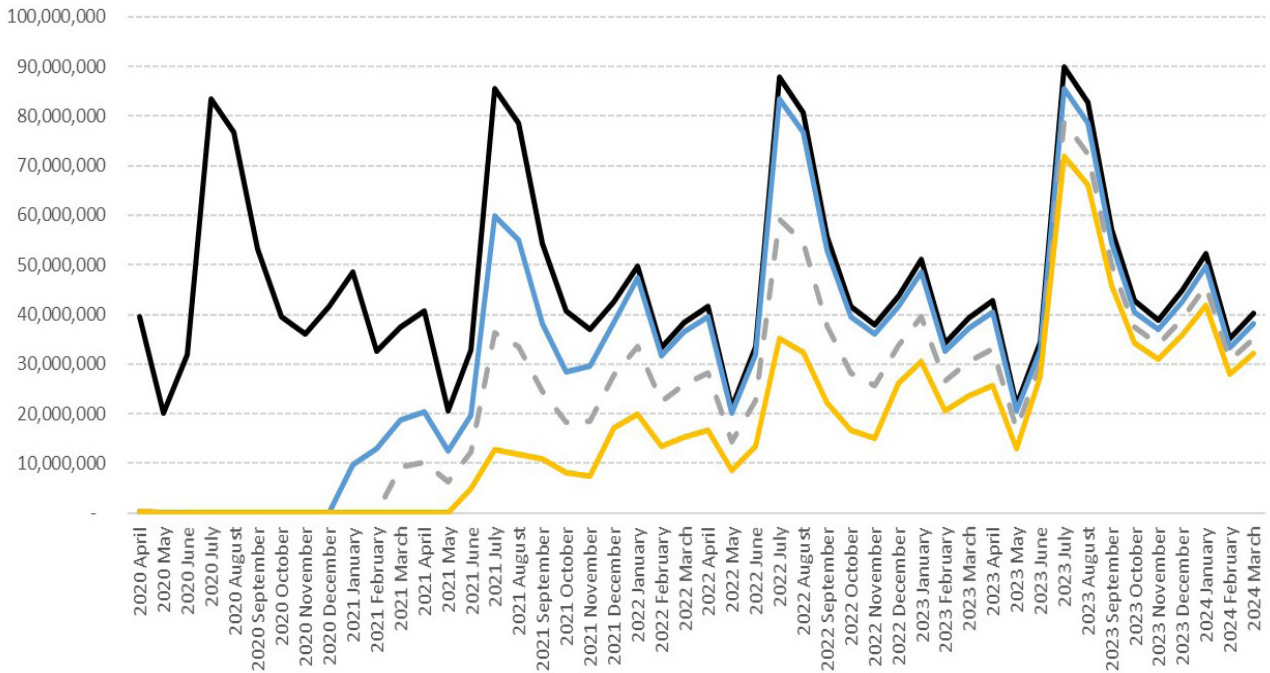


Exhibit 12.

Covid-19 WHO bell curves (Current as of 01-07-2020)

(World Health Organisation: WHO Coronavirus Disease (COVID-19) Dashboard. [Link](#))

Global

Global Situation

10,185,374

confirmed cases

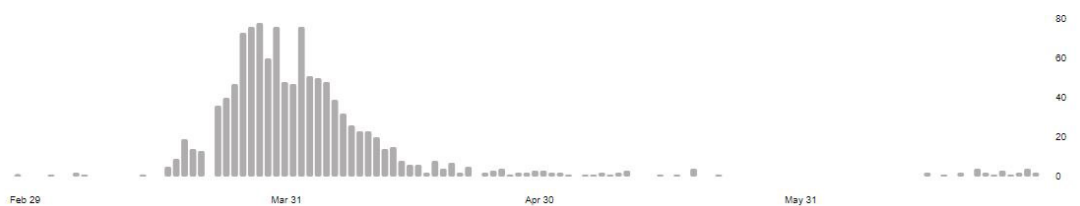


New Zealand

New Zealand Situation

1,178

confirmed cases



Australia

Australia Situation

7,767

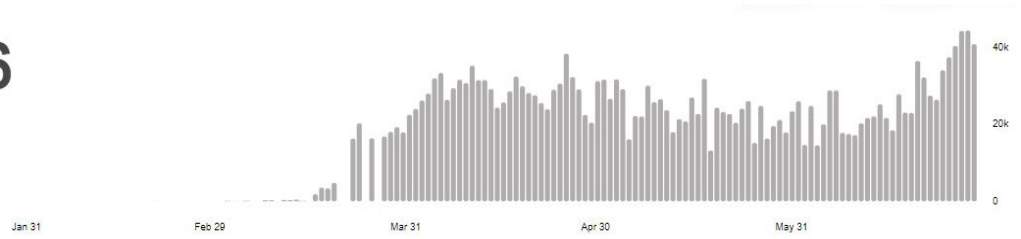
confirmed cases



United States

2,537,636

confirmed cases



China

85,227

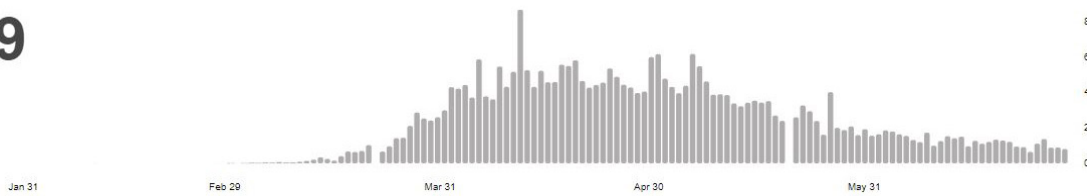
confirmed cases



United Kingdom

311,969

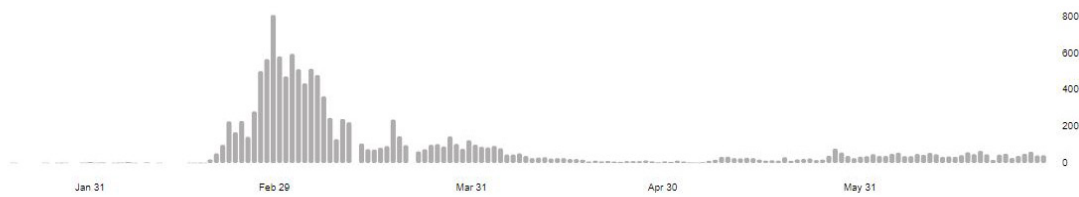
confirmed cases



South Korea

12,800

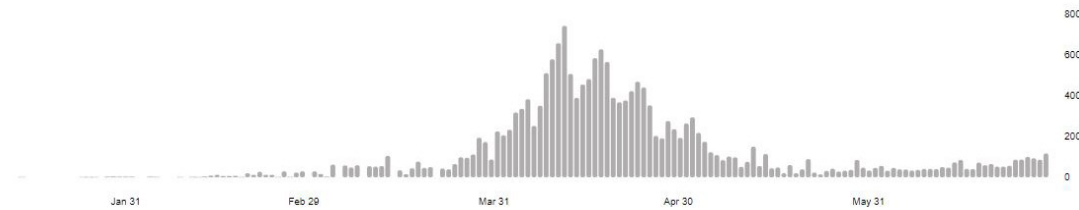
confirmed cases



Japan

18,593

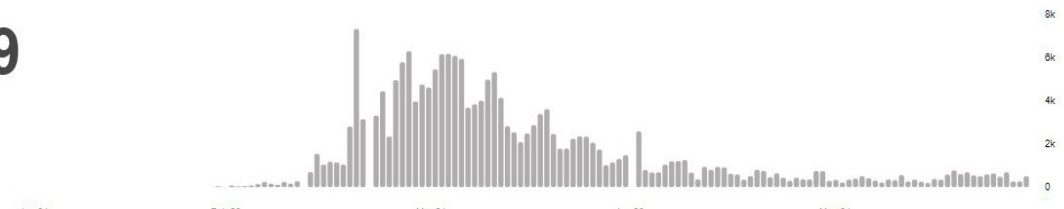
confirmed cases



Germany

194,259

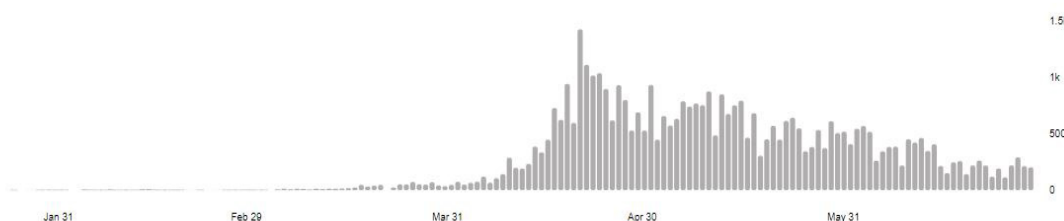
confirmed cases



Singapore

43,661

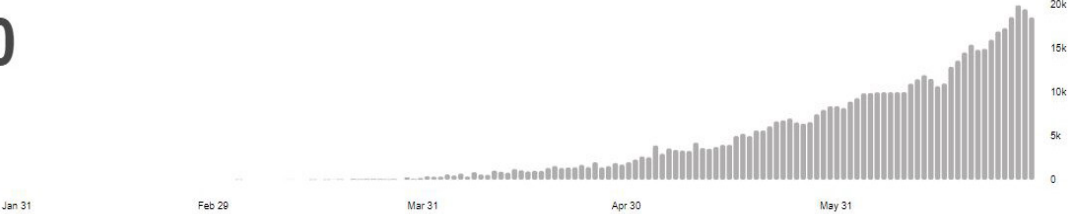
confirmed cases



India

566,840

confirmed cases



Sources and References

- 1 Ministry of Health: COVID-19 current cases. Pulled 1.07.2020 ([link](#))
- 2 The Reserve Bank of New Zealand: Monetary Policy easing to continue. Released 24 June 2020 ([link](#))
- 3 The New Zealand Treasury: COVID-19 Economic Dashboard – 26 June. Published 26 June 2020 ([link](#))
- 4 Westpac. Australia & New Zealand weekly week beginning 29 June 2020. Published 29 June 2020 ([link](#))
- 5 Australian Government Department of Health. Coronavirus (COVID-19) current situation and case numbers. Pulled 1 July 2020 ([link](#))
- 6 The New Zealand Treasury. Weekly Economic Update. Published 29 June 2020 ([link](#))
- 7 The New York Times. U.S. Sets Record for Daily New Cases as Virus Surges in South and West. Published 24 June 2020 ([link](#))
- 8 Statista: U.S. Retail Sales Rebound After Historic Slump. Published 16 June 2020 ([link](#))
- 9 Statista: Consumers Are Gradually Restoring a Sense of Safety. Published 19 June 2020 ([link](#))
- 10 CNBC Markets: Dow drops more than 700 points in worst day since June 11 as virus resurgence concerns grow. Published 23 June 2020 ([link](#))
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