

# Visitor Demand Mapping for Queenstown Update 4

*Published on Wednesday, July 29, 2020*



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*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](#).*

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# Recent developments to factors that impact visitation to Queenstown

## New Zealand economy

The New Zealand economy appears to be inching in the positive direction. Activity indicators from the BNZ-BusinessNZ Performance of Manufacturing and Services Indexes and Performance of Services Index (PSI) rebounded into positive figures, the New Zealand Activity Index (NZAC) (exhibit 1) shows a continuing recovery down just 0.9% compared to June 2019, housing sales rebounded to January 2020 level and high level indications of retail spending, traffic movements and electricity demand have all nearly returned to pre-COVID levels during July (exhibit 2)<sup>1</sup>.

In contradiction to the positive signs, employment indicators remain negative with the numbers of income support still increasing to now stand at 211,000 people in week-ending 24 July, up 2,300 on the previous week (17 July 2020) (exhibit 3)<sup>2</sup>. It is likely that many economic indicators listed above are supported by government and bank support measures, including the Wage Subsidy Scheme, the Small Business Cash Flow scheme, mortgage repayment holidays and the Reserve Bank of New Zealand's (RBNZ) large scale asset purchase program.

The New Zealand Government's total financial commitment to handling the pandemic to date has reached NZ\$62bn<sup>3</sup>. In The Economist's latest July Country Report it is predicted that the government's fiscal account will record a 12.2% deficit of GDP in 2020 and by 2024 it will gradually narrow to 3.1%.

The closure of Tiwai Point will have an impact on the New Zealand economy and in particular the Southland region<sup>4</sup>. The production of basic aluminium adds about \$500 million to Southland's economy annually which is around 10% of Southland's total GDP. This will directly impact Queenstown's drive market.

The Farm Gate Milk Price season forecast was upgraded for the coming 20-21 season to a lower limit of \$5.90 per kg from the previous \$5.40 per kg due to dairy consumption in China increasing and the general Chinese economy recovering<sup>1</sup>.

## Australia economy

Like New Zealand, many of Australia's economic indicators are showing positive signs with retail sales up 7.1% on pre-COVID levels<sup>2</sup>. Employment is slowly rebounding with a 1.7% increase in June partially reversing the 6% drop experienced in the preceding three months (exhibit 4). The Treasurer's July Economic and Fiscal Update revealed expected fiscal deficits of AU\$85.8 billion (4.3% of GDP) in 2019/20 and AU\$184.5 billion (9.7% of GDP) in 2020/21.

The most significant development in the Australian Economy in July was the announcement of the extension of the wage subsidy (JobKeeper scheme) which was due to end at the end of September to now finish 28 March 2021 in the hopes that it will prevent a "fiscal cliff". It's expected that these extensions represent additional spending of around AU\$20 billion or 1% of GDP.

## USA Economy

The USA is still firmly in the grasp of the virus outbreak and this has curtailed the general optimism in the economy. Spend is continuing to perform strongly with a 7.5% increase since May to be just 1% behind their value at the start of the year before the outbreak and the stock markets appear to be impervious, finishing its best quarters performance in more than two decades<sup>2</sup>. The stock market rally that was experienced is causing concern about the disparity between the markets and economic reality and was likely buoyed by the largest stimulus package in history. The Nasdaq rose 30.63%, S&P 500 rose 19.95% and the Dow Jones rose 17.7% (exhibit 5)<sup>5</sup>. Housing construction is also recovering to be fractionally behind figures last year with 1.19 million houses being

started in June 2020 compared to the 1.23 million in June 2019 indicating that companies are getting back to work (exhibit 6).

Conversely US jobless claims remain high with over 32 million claims on record at week ending 24 June, marginally down from the prior week. Consumer sentiment has dived likely on the back of forced re introduction of lock downs, postponements of reopening in many states as infection numbers sore and waning pent up demand driven purchasing, all likely to create a slower pace of growth in the coming months.

## China Economy

The Chinese economy is performing better than predicted. In the June quarter GDP rebounded 11.5% from the March quarters 10% fall to be 3.2% higher than the June 2019 quarter<sup>1</sup>. This is largely driven by the recovery of industrial recovery, which is up on last year's figures, and strong performances in investment and retail spend, although these are still below previous year's figures and fiscal stimulus is having a huge role in driving this faster than expected recovery.

While the June quarter showed strong performance, flooding in the south of China, isolated outbreaks of COVID-19, protest in Hong Kong and escalating tensions between Australia and the USA will make the road to full economic recovery difficult.

## Global Economy

The underlying theme in all the above economic updates is that the majority of positive economic recovery has been supported by government subsidy and therefore is masking the true economic fallout of the pandemic<sup>6</sup>. The International Monetary Fund (IMF) estimates that governments have devoted \$11 trillion to pandemic fiscal responses so far and as fiscal stimulus packages begin to end over the coming months the true economic impact will begin to be felt.

## Queenstown Lakes Economy

The winter school holidays drove an increase in consumer spend compared to the same week in 2019. Total spend (both domestic and international) for week ending 12 July was down just 4.7% and week ending 19 July was down 12.11%<sup>7</sup>. Domestic spend for week ending 12 July was up 37.7% and week end 19 July was up 21.8% vs same week previous year (exhibit 7)<sup>7</sup>. The Queenstown Lakes District experienced the fourth largest growth in domestic spend in the country for the school holiday period vs the same period previous year.

## Global Aviation

The International Air Transport Association (IATA) has released its May - June 2020 Airlines Financial Monitor indicating that the airline industry will post its worst quarterly financial performance ever recorded, as COVID-19 became widespread across all regions (exhibit 8)<sup>8</sup>. In May, both passenger and cargo demand picked up from record low levels in April which is expected to continue as countries ease restrictions.

Global airline share price indexes lifted in June driven by Northern American airlines share prices increasing however this was offset by falling prices across Europe and Asian Pacific. Actual operating revenue for North American airlines is a different story with four major airlines (American Airlines, United, Delta and South West) all down between 83%-86% in Q2 2020 vs Q2 2019 (exhibit 9). The fact that a majority of passengers are currently travelling on credit/exchanged tickets means that airlines are operating on no or very little new revenue<sup>9</sup>.

Aircraft have gradually been reintroduced of out of storage into service, as restrictions ease, with a further 4,109 back in operation globally, an additional 32% of seat capacity vs the previous month. The majority of the world's borders still remain either partially or totally restricted (exhibit 10) though which is prohibiting a return to usual capacity and the total seat capacity is still 35% lower than June last year<sup>8</sup>.

Oil and jet fuel prices have increased in July following the rebound from the dip in June (exhibit 11). While supply cuts of OPEC+ continue to be supportive for oil prices, the recovery in oil demand is hampered by the surge in COVID-19 cases, especially in the United States and Latin America<sup>8</sup>.

## Domestic Aviation

There have been minimal changes to the immediate New Zealand aviation situation with connections between major airports continuing to be serviced.

Air New Zealand has limited its capacity on inbound international flights with a temporary hold on bookings starting on 7 July 2020 until 29 July 2020 in order to manage the demand on isolation units in New Zealand<sup>11</sup>.

Air New Zealand has also introduced an online credit tool to refund customers. Within 24 hours \$1.36 million in credits had been issued with popular rebooking destinations being Queenstown and Auckland<sup>12</sup>.

## Queenstown Aviation

Although not COVID-19 related, on 22 July Christchurch International Airport announced that they have begun discussions around the potential of building a world-class sustainable airport on 750 hectares of land near Tarras in Central Otago<sup>13</sup>. The Christchurch International Airport has secured land and now “long term thinking” can take place. So far \$45 million has been spent on the project.

## Epidemiology

As of 24 July 2020, there are 25 candidate vaccines in clinical evaluation - 19 are in phase one, 13 in phase two, four in phase three and one has been approved for use in limited capacities (in the Chinese Army)<sup>14</sup>. Several of the vaccines in clinical evaluation are showing promising results - two potential vaccines against the virus from Oxford University and the Chinese company CanSino have both triggered immune responses in hundreds of humans without dangerous side effects. Pfizer and BioNtech’s early trials have received similar results with antibodies being produced after immunisation and no significant side effects.

There is a further 141 candidate vaccines in preclinical evaluation (not yet for trial in humans).

## Domestic Market

All regions saw an increase in domestic tourism compared to last year’s school holidays with the number of kiwis travelling around the country peaking on 11 July at 550,000 people travelling outside their home region, the highest levels of domestic tourism since lockdown<sup>15</sup>. The Queenstown area experienced this peak on 11 July with more tourists in the region than Queen’s Birthday Weekend (exhibit 12) and a 43.2% increase in domestic tourist numbers in the school holiday period compared to the 2019 winter school holidays.

Research commissioned by Tourism New Zealand around Domestic Audience Sentiment found that 64% of those surveyed intend to holiday with NZ in the next 12 months and 43% intend to spend more than they typically would on a domestic holiday<sup>16</sup>. 70% believe that there was good or excellent value for money in a domestic holiday while only 28% believed it was expensive and lacked value for money. Most New Zealanders were intending to take more frequent domestic holidays rather than longer breaks and a stronger intent to holiday was found in Aucklanders, new migrants and high income groups.

Colliers released a report showing that in Q2 2020 the New Zealand hotel market had rebounded to be “one of the best of the world”<sup>17</sup>. The 29 hotels and 6,000 rooms currently in use as managed isolation are contributing to this strong performance (close to 40% of all Auckland hotel rooms are being utilised for isolation, followed by Christchurch (31%), Rotorua (20%) and Wellington (3%)). Domestic leisure travel has also contributed to this performance though with monthly occupancy increasing to between 20% to 35% by the end of June and indications the July school holidays will lift occupancy in many main regions to over 50%.

## Australia Market

As COVID-19 infections in Australia continue to increase it seems the bubble has been firmly put on hold until the situation can be brought under control.

The trans-Tasman bubble is still in the pipeline though with confirmation from both Australia and New Zealand at

the annual Closer Economic Relations discussions last week noting that the travel bubble would be a “positive step for both economies” and that the bubble would be introduced “as soon as it is safe to do so”<sup>18</sup>.

## **China**

In China, airline passenger levels have grown steadily and now sit at 50 percent of pre-crisis levels. Hotel occupancy rates have also improved since the depths of the crisis and are now back to 60 percent of last year’s levels <sup>19</sup>.

Domestic travel is now positioned to accelerate with the summer season and national holidays approaching. Research conducted by McKinsey has found that the more risk adverse groups are now planning holidays (like families) and in general there is more positive sentiment across all geographies and demographics surveyed.

## **Europe**

Border restrictions eased throughout the Europe with the EU’s recommendation to reopen EU internal borders on 15 June 20. This has resulted in an increase in short haul intra Europe flights (exhibit 13) with most travel being related to a holiday (coinciding with summer holidays) and visiting friends and family rather than business <sup>20</sup>.

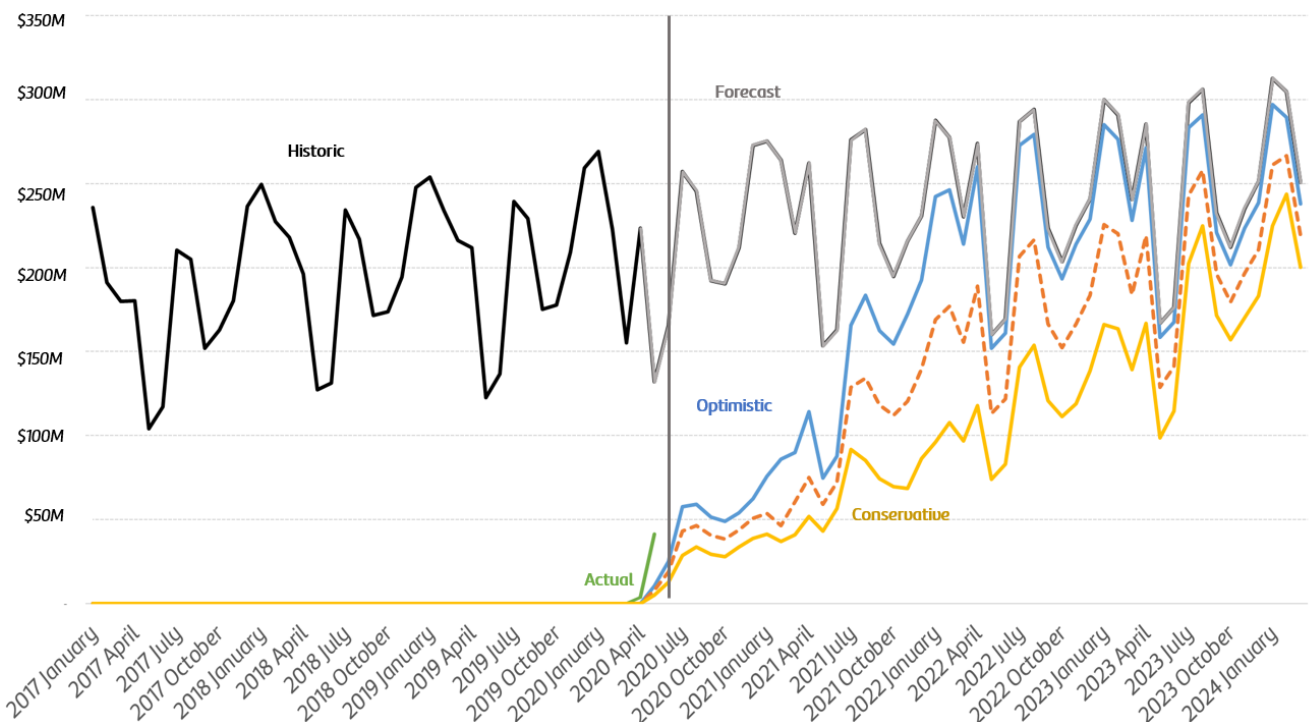
# Updates in Destination Queenstown Assumptions

## Scenario Updates

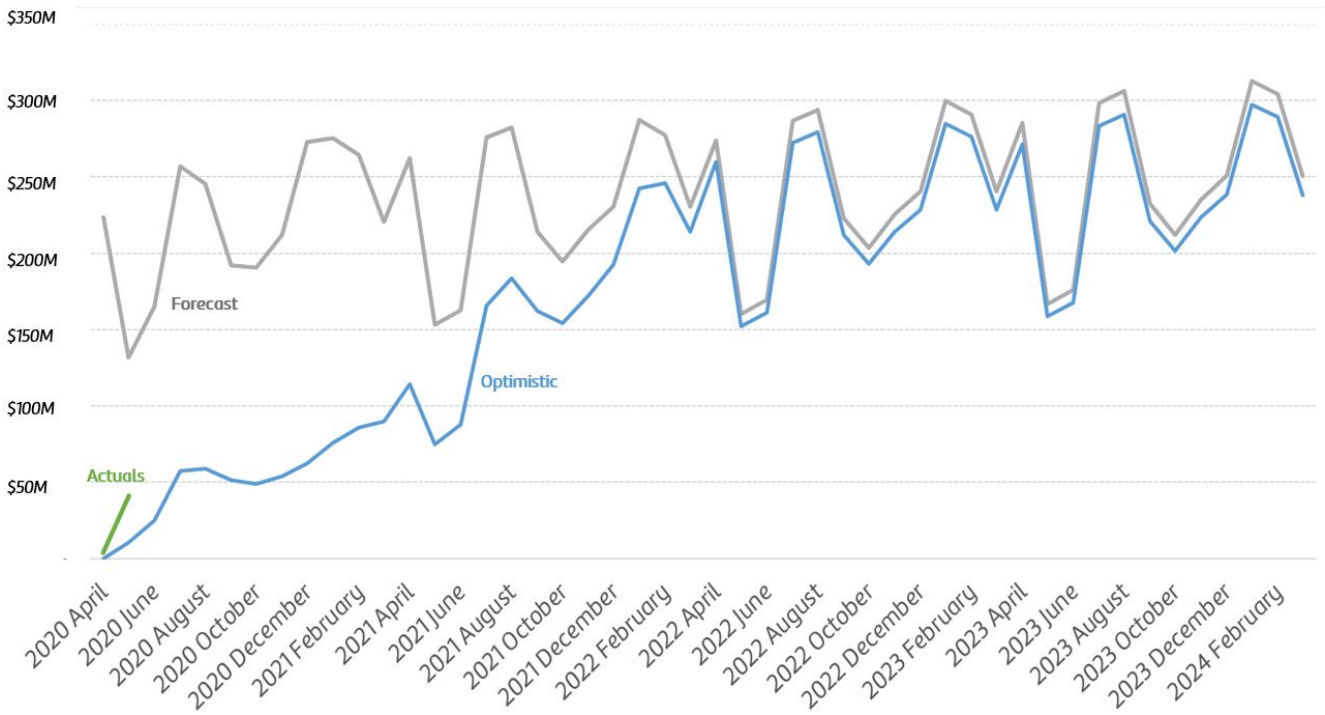
There have been no changes to the expected scenario situations. It should be noted however that we have included our first “actual” line of tourism spend based on the April and May 2020 MRTE data release which has become part of the green “actual” line. Tourism spend in Queenstown was a lot better than expected due to the earlier than predicted move down the alert levels and the change to allow travel at alert level two.

MARKETS	CONSERVATIVE	MID	OPTIMISTIC
<b>HORIZON 1</b>			
Regional Market, New Zealand Domestic Market	OPEN	OPEN	OPEN
<b>HORIZON 2</b>			
Trans-Tasman Australia	JUN 2021	MAR 2021	JAN 2021
<b>HORIZON 3</b>			
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

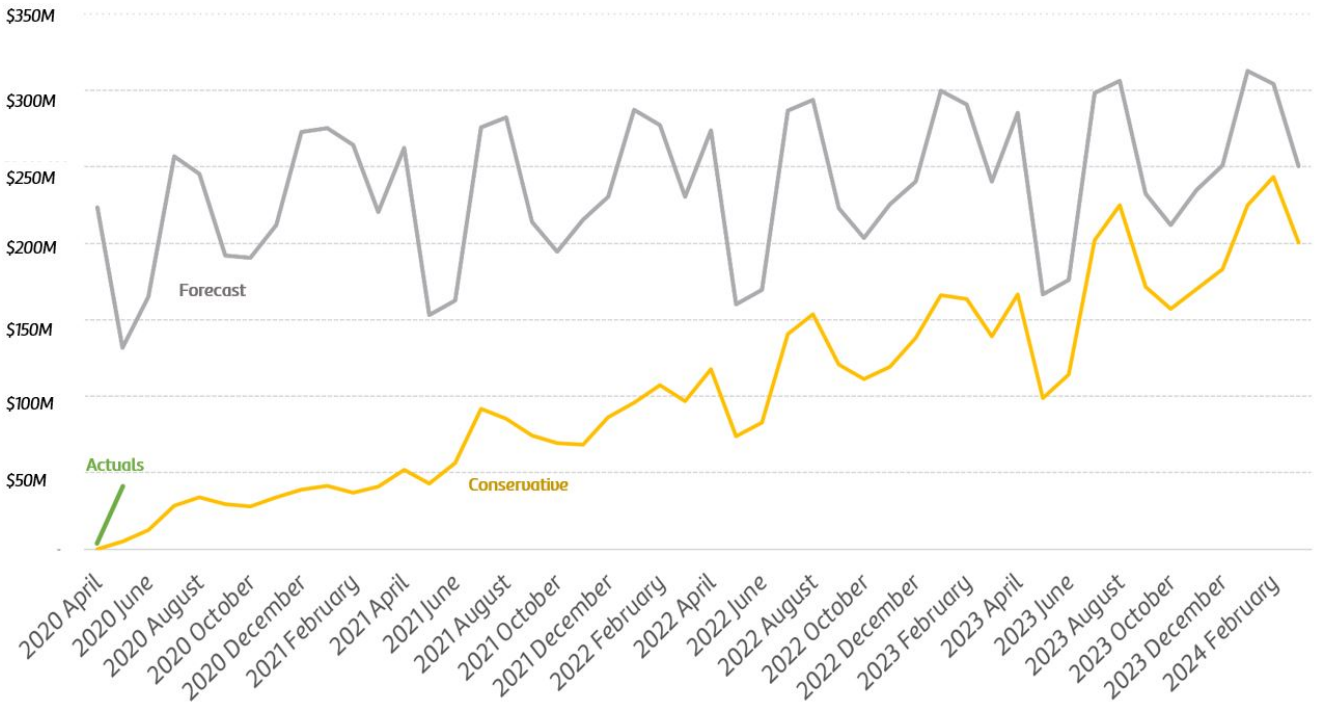
## Scenarios Queenstown – All markets



### 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				Mid				Conservative			
	Domestic	Australia	Long Haul	TOTAL	Domestic	Australia	Long Haul	TOTAL	Domestic	Australia	Long Haul	TOTAL
2020 May	36%	0%	0%	36%	15%	0%	0%	15%	10%	0%	0%	10%
2020 June	46%	0%	0%	46%	30%	0%	0%	30%	20%	0%	0%	20%
2020 July	66%	0%	0%	66%	45%	0%	0%	45%	30%	0%	0%	30%
2020 August	76%	0%	0%	76%	55%	0%	0%	55%	40%	0%	0%	40%
2020 September	76%	0%	0%	76%	55%	0%	0%	55%	40%	0%	0%	40%
2020 October	76%	0%	0%	76%	55%	0%	0%	55%	40%	0%	0%	40%
2020 November	86%	0%	0%	86%	65%	0%	0%	65%	50%	0%	0%	50%
2020 December	86%	0%	0%	86%	65%	0%	0%	65%	50%	0%	0%	50%
2021 January	86%	20%	0%	106%	65%	0%	0%	65%	50%	0%	0%	50%
2021 February	96%	40%	10%	146%	75%	0%	0%	75%	60%	0%	0%	60%
2021 March	96%	50%	25%	171%	75%	25%	0%	100%	60%	0%	0%	60%
2021 April	96%	50%	12%	158%	75%	25%	0%	100%	60%	0%	0%	60%
2021 May	95%	60%	14%	169%	85%	30%	7%	122%	70%	0%	0%	70%
2021 June	95%	60%	11%	166%	88%	38%	5%	131%	80%	15%	0%	95%
2021 July	95%	70%	13%	178%	88%	43%	7%	138%	80%	15%	0%	95%
2021 August	95%	70%	10%	175%	88%	43%	21%	152%	80%	15%	2%	100%
2021 September	95%	70%	6%	171%	88%	45%	22%	155%	80%	20%	3%	103%
2021 October	95%	70%	7%	172%	88%	45%	27%	160%	80%	20%	4%	104%
2021 November	95%	80%	7%	182%	88%	50%	37%	175%	80%	20%	5%	105%
2021 December	95%	90%	7%	192%	88%	55%	39%	182%	80%	20%	5%	105%
2022 January	95%	90%	7%	192%	88%	58%	40%	186%	80%	20%	5%	105%
2022 February	95%	90%	8%	193%	88%	60%	40%	188%	80%	20%	5%	105%
2022 March	95%	90%	9%	194%	88%	62%	40%	190%	80%	20%	5%	105%
2022 April	95%	90%	9%	194%	88%	62%	40%	190%	80%	20%	5%	105%
2022 May	95%	90%	9%	194%	88%	62%	40%	190%	80%	20%	5%	105%
2022 June	95%	90%	9%	194%	88%	62%	40%	190%	80%	20%	5%	105%
2022 July	95%	90%	9%	194%	88%	62%	40%	190%	80%	20%	5%	105%
2022 August	95%	90%	9%	194%	88%	62%	40%	190%	80%	20%	5%	105%
2022 September	95%	90%	9%	194%	88%	62%	40%	190%	80%	20%	5%	105%
2022 October	95%	90%	9%	194%	88%	62%	40%	190%	80%	20%	5%	105%
2022 November	95%	90%	9%	194%	88%	62%	40%	190%	80%	20%	5%	105%
2022 December	95%	90%	9%	194%	88%	62%	40%	190%	80%	20%	5%	105%
2023 January	95%	90%	9%	194%	88%	62%	40%	190%	80%	20%	5%	105%
2023 February	95%	90%	9%	194%	88%	62%	40%	190%	80%	20%	5%	105%
2023 March	95%	90%	9%	194%	88%	62%	40%	190%	80%	20%	5%	105%
2023 April	95%	90%	9%	194%	88%	62%	40%	190%	80%	20%	5%	105%
2023 May	95%	90%	9%	194%	88%	62%	40%	190%	80%	20%	5%	105%
2023 June	95%	90%	9%	194%	88%	62%	40%	190%	80%	20%	5%	105%
2023 July	95%	90%	9%	194%	88%	62%	40%	190%	80%	20%	5%	105%
2023 August	95%	90%	9%	194%	88%	62%	40%	190%	80%	20%	5%	105%
2023 September	95%	90%	9%	194%	88%	62%	40%	190%	80%	20%	5%	105%
2023 October	95%	90%	9%	194%	88%	62%	40%	190%	80%	20%	5%	105%
2023 November	95%	90%	9%	194%	88%	62%	40%	190%	80%	20%	5%	105%
2023 December	95%	90%	9%	194%	88%	62%	40%	190%	80%	20%	5%	105%
2024 January	95%	90%	9%	194%	88%	62%	40%	190%	80%	20%	5%	105%
2024 February	95%	90%	9%	194%	88%	62%	40%	190%	80%	20%	5%	105%
2024 March	95%	90%	9%	194%	88%	62%	40%	190%	80%	20%	5%	105%



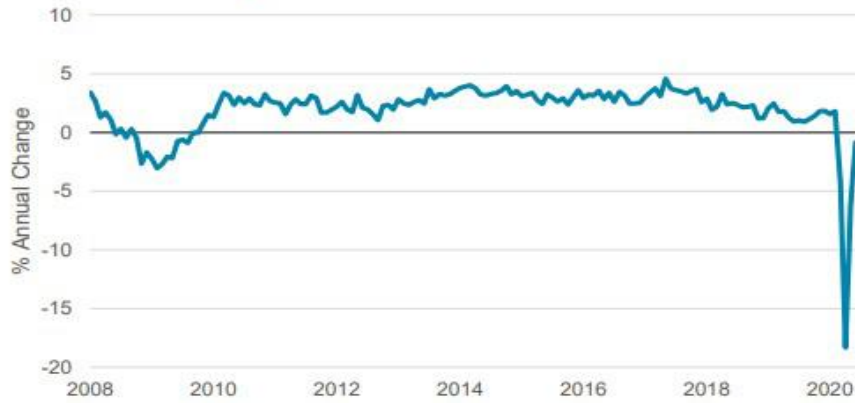
# Exhibits

## Exhibit 1.

The New Zealand Treasury: Weekly Economic Update: 24 July 2020. Released 24 July 2020.

**The New Zealand Activity Index signalled recovery in June, with economic activity now down around 1% on the same month last year.**

**New Zealand Activity Index**

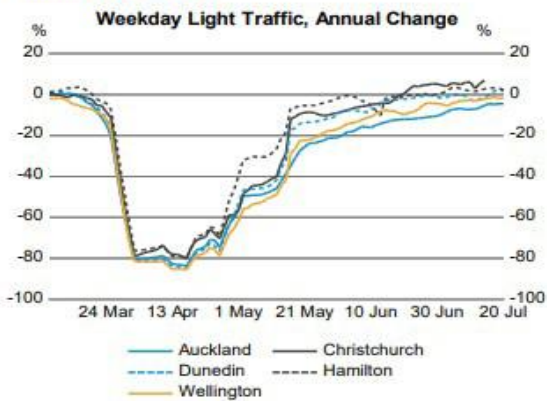


## Exhibit 2.

The New Zealand Treasury: Weekly Economic Update: 24 July 2020. Released 24 July 2020

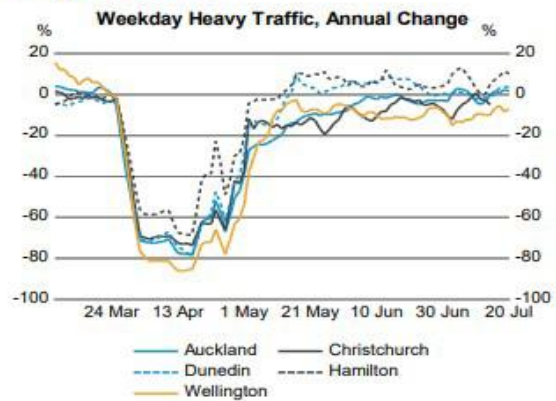
### High-Frequency Indicators

**Traffic Movement**



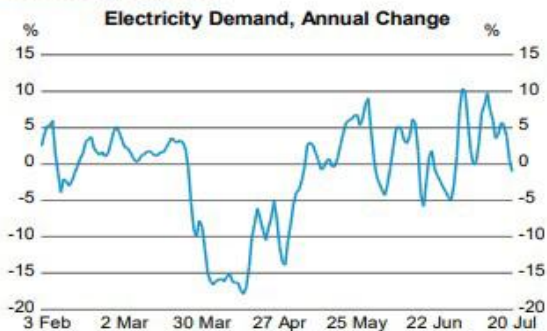
Source: Waka Kotahi NZ Transport Agency

**Freight Movement**



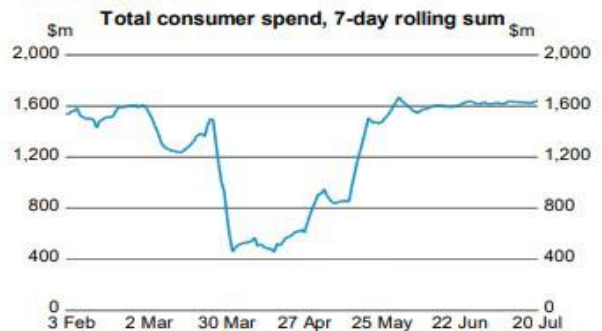
Source: Waka Kotahi NZ Transport Agency

**Electricity Demand**



Source: Electricity Authority

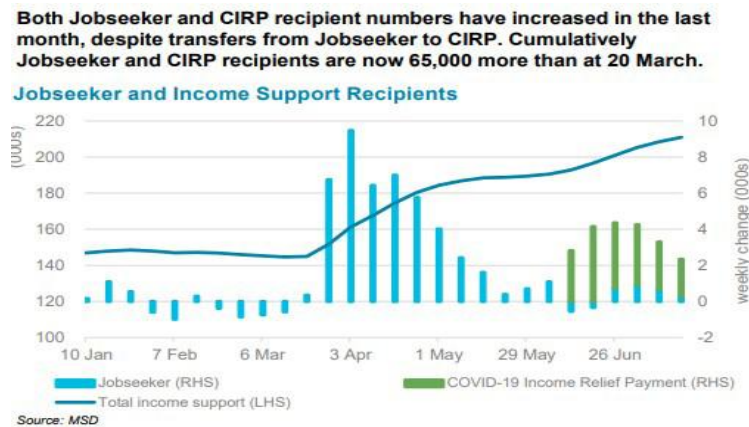
**Retail Spending**



Source: Paymark and Verifone data via Data Ventures

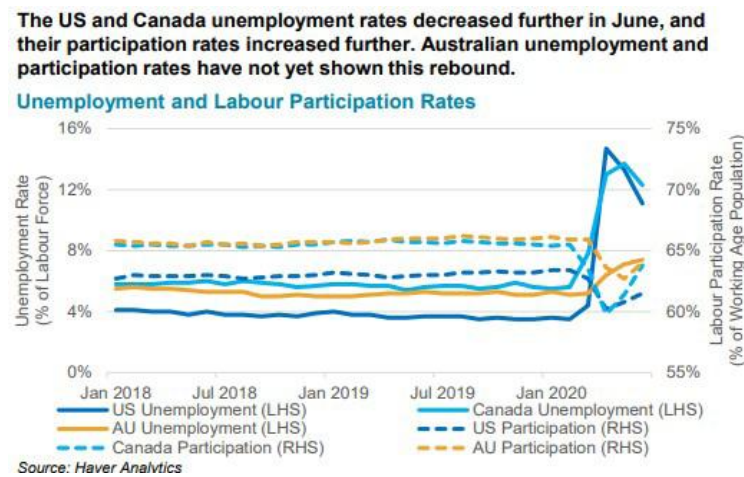
### Exhibit 3.

The New Zealand Treasury: Weekly Economic Update: 24 July 2020. Released 24 July 2020



### Exhibit 4.

The New Zealand Treasury: Weekly Economic Update: 24 July 2020. Released 24 July 2020



### Exhibit 5.

Statista: STOCK MARKET: U.S. Stock Market Wraps Up Best Quarter in Decades. Released 1 July 2020



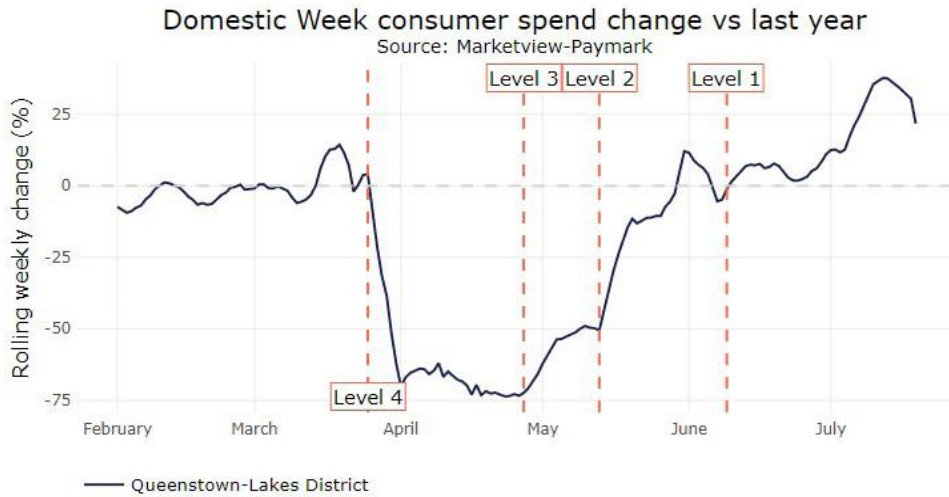
### Exhibit 6.

Statista: Housing Construction Begins to Recover. Released July 2020.



### Exhibit 7.

Ministry of Business, Employment and Innovation: Consumer Spending Dashboard - COVID19 response. Updated Week ending 24 July 2020.



### Exhibit 8.

IATA: Airlines Financial Monitor May-June 2020. Released 21 July 2020.

#### Airline Share Prices

US\$ indices (Jan 2014=100)	Index Jun 30th	% change on		
		one month	one year	start of year
<b>World airlines</b>	<b>71.7</b>	<b>+4.2%</b>	<b>-42.9%</b>	<b>-47.0%</b>
Asia Pacific airlines	67.3	-2.3%	-37.9%	-38.8%
European airlines	62.9	-1.2%	-28.4%	-44.5%
North American airlines	84.7	+11.6%	-48.7%	-49.5%
<b>FTSE All World \$</b>	<b>134.1</b>	<b>+3.0%</b>	<b>+0.3%</b>	<b>-7.3%</b>

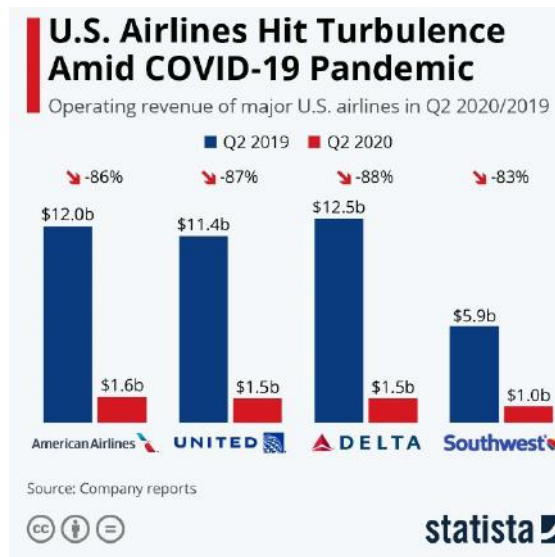
Index (Jan 2014=100)





### Exhibit 9.

Statista: AIRLINES U.S. Airlines Hit Turbulence Amid COVID-19 Pandemic. Released 23 July 2020

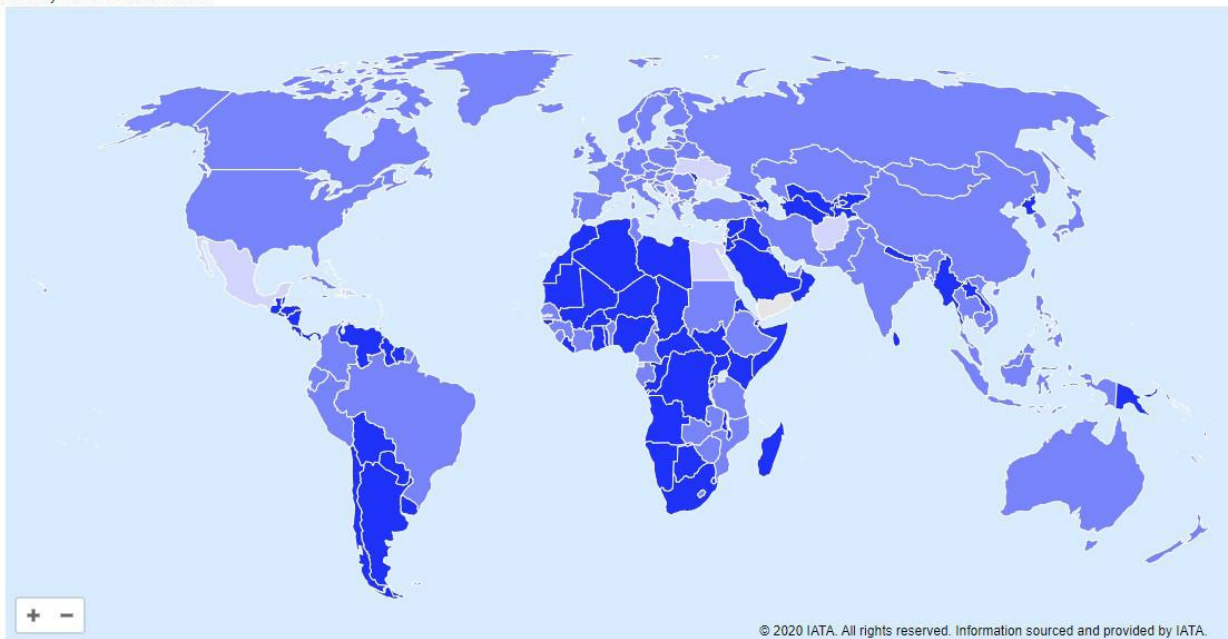


### Exhibit 10.

IATA: Airlines Financial Monitor May-June 2020. Released 21 July 2020

### COVID-19 Travel Regulations Map\* (powered by Timatic)

23 July 2020 01:30:06 UTC

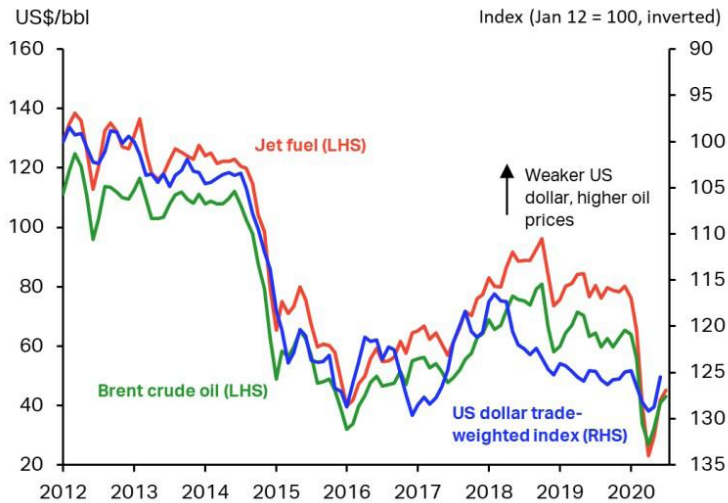


- Totally Restrictive
- Partially Restrictive
- Not Restrictive
- Latest updates currently under review

Do you want to get notified when the travel restrictions change, or would you like to make use of this information as part of your business? [Learn More](#)

### Exhibit 11.

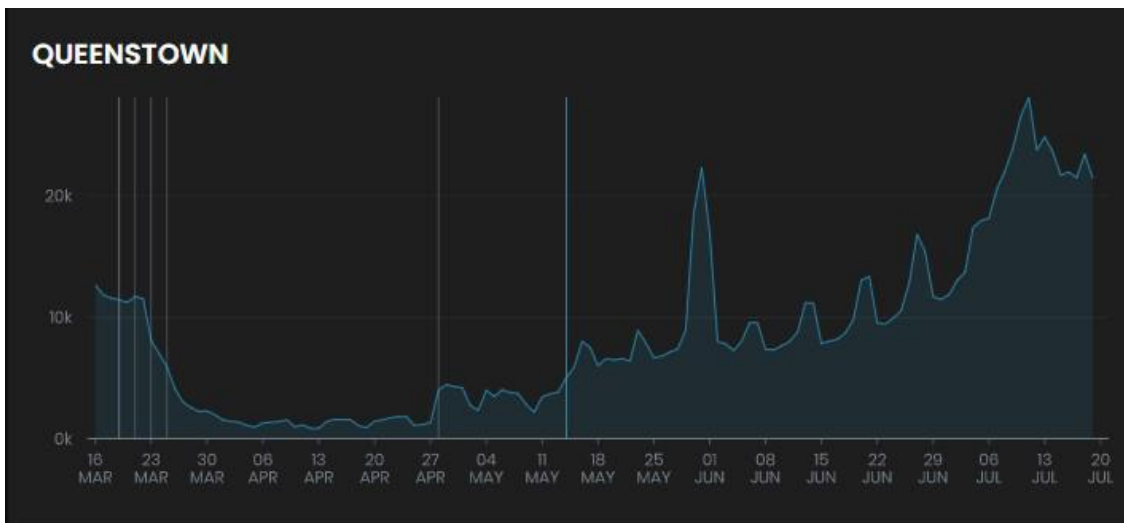
IATA: Airlines Financial Monitor May-June 2020. Released 21 July 2020.



Sources: Platts, Thomson Reuters Datastream, as of July 16<sup>th</sup>

### Exhibit 12.

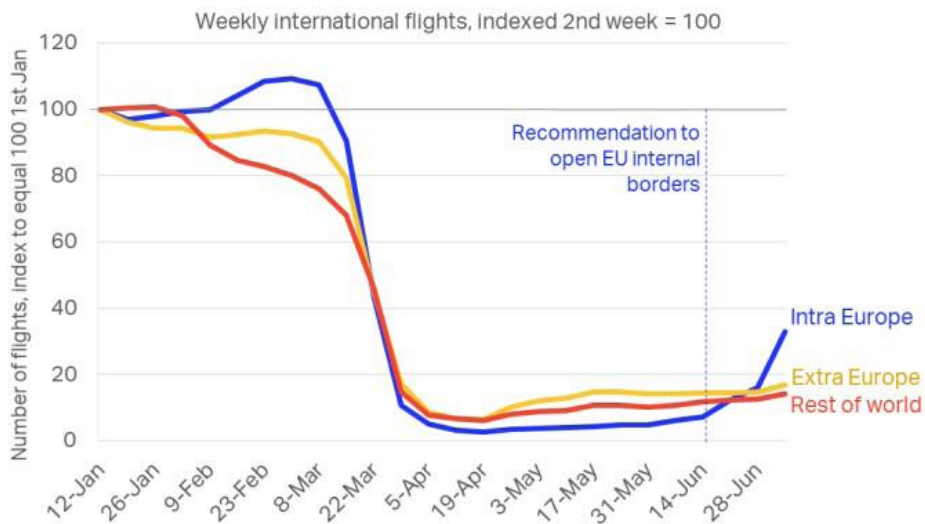
Data Ventures/ TNZ: School Holidays Domestic Tourism Report. Released 21 July 2020



### Exhibit 13.

IATA: Intra-Europe leading the initial recovery in international flights. Released 10 July 2020.

#### Intra-Europe leading the initial recovery in international flights



Source: IATA Economics analysis based on data provided under license by FlightRadar 24. All rights reserved.

## Exhibit 12.

Covid-19 WHO bell curves (Current as of 29-07-2020)

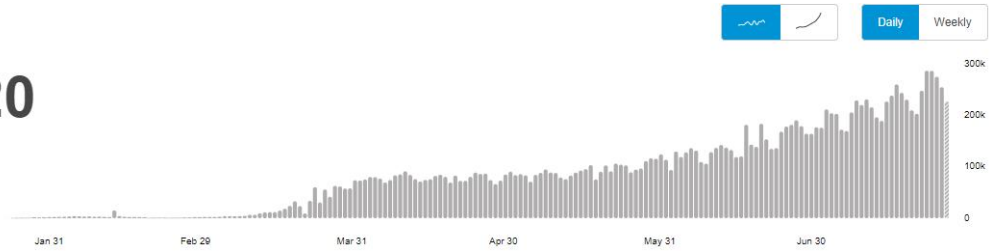
(World Health Organisation: WHO Coronavirus Disease (COVID-19) Dashboard. [Link](#))

### Global

#### Global Situation

# 16,341,920

confirmed cases



### New Zealand

#### New Zealand Situation

# 1,207

confirmed cases

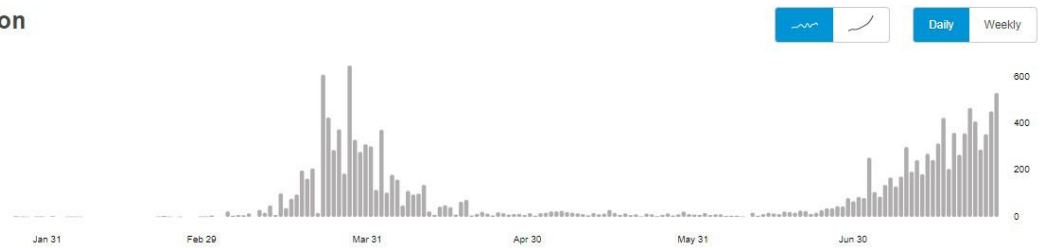


### Australia

#### Australia Situation

# 14,935

confirmed cases

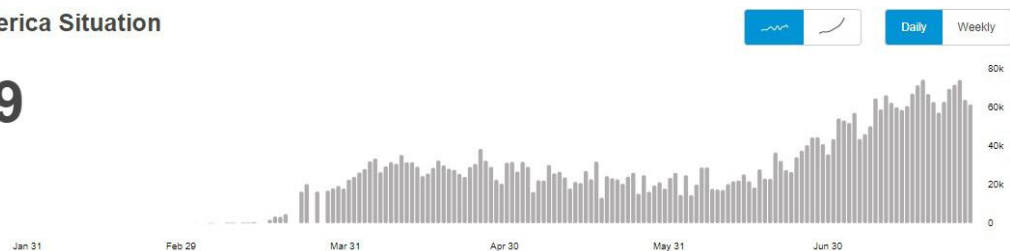


### United States

#### United States of America Situation

# 4,209,509

confirmed cases

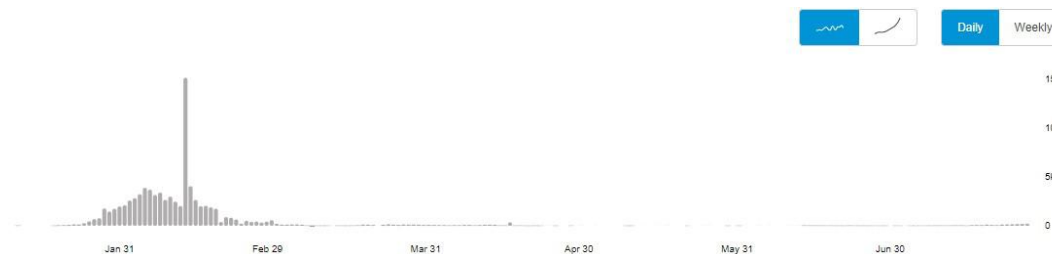


### China

#### China Situation

# 87,245

confirmed cases

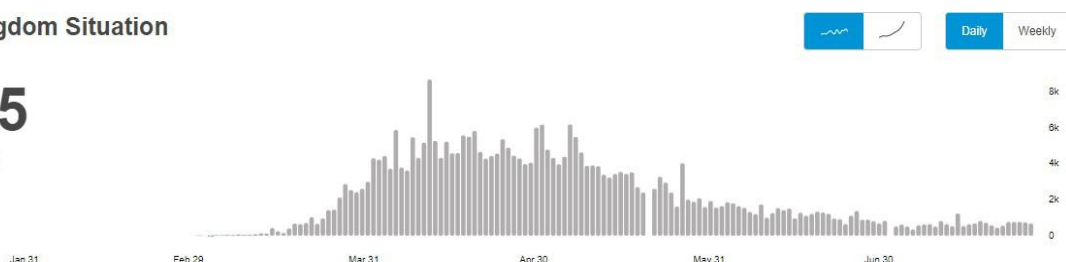


### United Kingdom

#### The United Kingdom Situation

# 300,115

confirmed cases



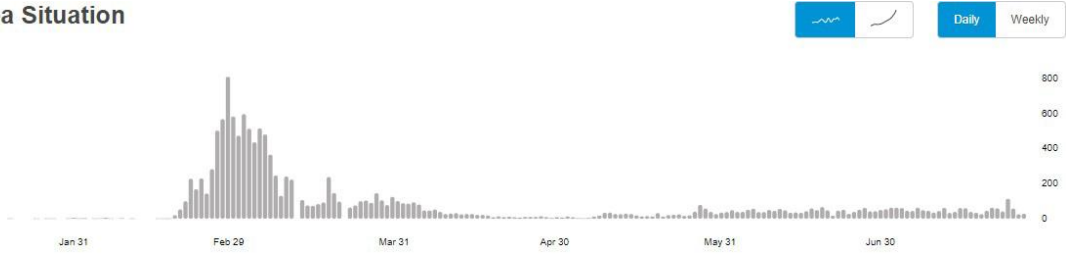


## South Korea

### Republic of Korea Situation

**14,203**

confirmed cases

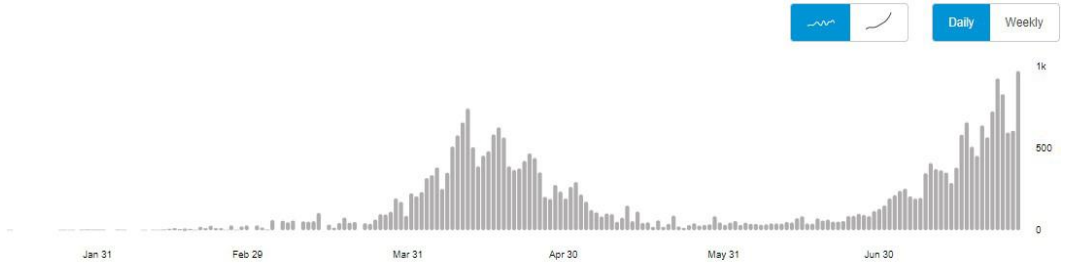


## Japan

### Japan Situation

**30,961**

confirmed cases

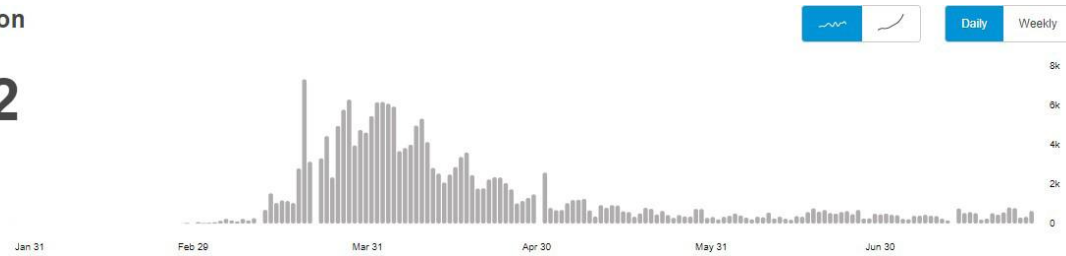


## Germany

### Germany Situation

**206,242**

confirmed cases

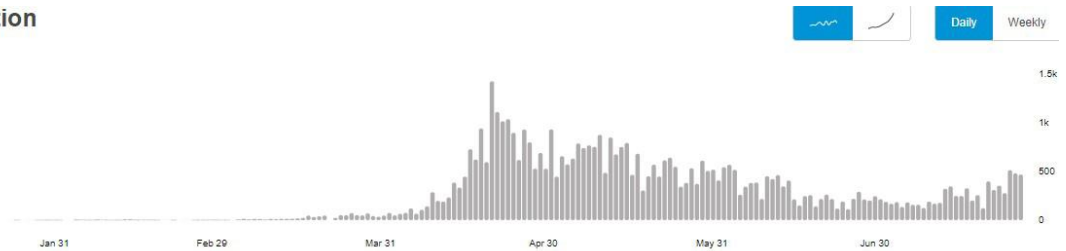


## Singapore

### Singapore Situation

**50,838**

confirmed cases

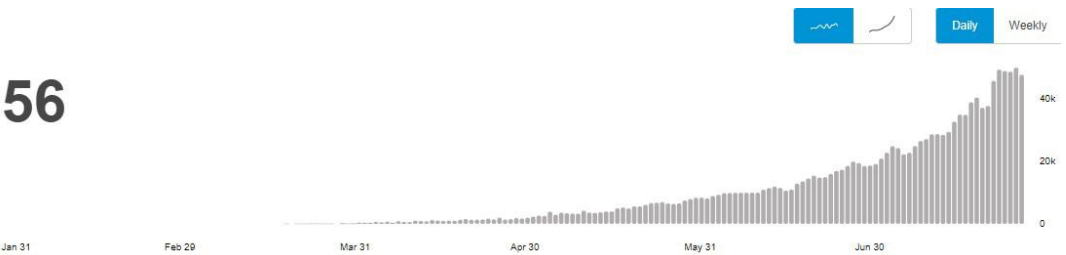


## India

### India Situation

**1,483,156**

confirmed cases



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