

Visitor Demand Mapping for Queenstown Update 5

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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](#).

Recent developments to factors that impact visitation to Queenstown

New Zealand economy

With the reemergence of community transmission in New Zealand and the introduction of alert level three in Auckland and level two in the rest of the country its estimated that for each week about \$300m of economic activity is lost, but some of this will be delayed spend rather than completely cancelled¹. Currently no major forecasters have moved their predictions on the premise that this escalation of alert levels is likely to be shorter and less severe than those experienced in the May-June period.

Prior to the escalation in alert levels, a lot of the high-level economic indicators looked encouraging for the September quarter². The latest NZ Activity Index was up 2% on the same month last year and traffic movement was up 10% nationally. Consumer spend was performing particularly well - electronic transactions were up 5% and total consumer spend was up 9.9% on July last year.

Spend over the school holidays grew from 1.1% growth between 2018 to 2019 to 10.7% growth between 2019 to 2020. With the reintroduction of alert level three in Auckland this high-level economic data has trended downward again (exhibit 1)³.

The major exception to the upward trend continues to be unemployment statistics which are trending steadily upwards, last week the number of people receiving income support was 216,800 up 1,800 on the previous week (exhibit 2)².

Business confidence is slipping providing supporting evidence that the post covid bounce may be over². Business confidence slid 10 points in the prelim data from the ANZ Business Outlook (exhibit 3) and consumer confidence (the ANZ-Roy Morgan Consumer Confidence Index) remained unchanged for July, well below its historical average.

In The Economist's monthly New Zealand Country Report, real GDP growth estimates were once again pulled down from -4.4% in 2020 to -4.9% driven by a fall in private consumption, investment and exports⁴.

In general developments the wage subsidy was extended for businesses affected by the new lockdown measures. Businesses may be eligible for a two-week wage subsidy if their revenue has declined by 40% for at least 14 days between 12 August and 10 September compared to last year².

The Reserve Bank announced the Large Scale Asset Purchases (LSAP) programme will buy up to \$100bn of NZ Government Bonds, Local Government Funding Agency (LGFA) Bonds and NZ Government Inflation-Indexed Bonds in the secondary market⁵. The aim is to inject money into the economy with lower borrowing costs for households and businesses. The Reserve bank has also announced that the mortgage deferral scheme will be extended to 31 March 2021⁶.

Australia economy

Confidence indicators have deteriorated in July following an improvement in June². Concerningly the deterioration happened prior to the stricter lockdowns coming into action in Melbourne which will likely result in a continued slide in August. Consumer sentiment also dropped to close to April levels (when the country was in lock down) following a strong recovery in the May/ June period.

Employment and hours worked both rose 0.9% and 1.3% respectively (data is prior to Melbourne lockdowns) but unemployment also rose to 7.5% and the Treasury Secretary has warned that unemployment will stay above the 6% figure for more than four years. Unsurprisingly there is strong relationship between COVID-19 containment

status and employment statistics in WA, which is relatively sealed off from the rest of Australia and has the virus contained, where employment indicators are improving.

USA Economy

The US economy continues to baffle many as records continue to be broken - US bankruptcies are at a ten year high for the year to date, the highest since 2010 (exhibit 4)⁷. The New York Times headline read "This Market Is Nuts" as the S&P 500 hit record highs despite widespread unemployment and economic struggles⁸.

It is believed that the USA is past its peak with the virus, with infection rates declining 16% over the past two weeks. Employment levels are on the rise with 1.8 million jobs added in July although there are an estimated 28 million on unemployment benefits in the USA². The USA experienced a 9.5% GDP growth drop during the June quarter after a 1.3% drop in the March quarter.

China Economy

China is continuing to show signs of recovery². GDP growth for the June quarter moved back into the positive territory with a 3.2% growth following a 6.8% decline in the previous quarter.

Retail sales continue to lag though with spend down around 1.1% compared to the same period the previous year, but investment, production and exports all performed well and would have likely contributed further if it weren't for widespread heavy rain and flooding throughout China.

Global Economy

The rest of the world is not showing the same recovery signs as China though, with the release of the June quarter GDP growths making the impacts of COVID-19 feel much more concrete². Some countries that experienced the largest declines were the UK, down a huge 20.4%, the Euro area, down 12.1%, Japan, down 7.8%, and Thailand, down 9.7%. Interestingly in Sweden where no formal lockdown was introduced their GDP contracted the most out of Scandinavian countries, down 8.6% compared to Finland's 3.2% and Denmark's 7.4%.

Queenstown Lakes Economy

According to Infometrics, Otago's economy is the hardest hit out of all New Zealand regions in their June 2020 Quarterly Economic Monitor which showed it was down 15.6% compared to the same period prior year⁹.

Queenstown has topped the list as one of the worst hit urban areas in Centrix's report with 11.9% of households with home loans having agreed lower repayments with their banks¹⁰.

Global Aviation

IATA release their July 2020 survey of airline CFOs and Heads of Cargo confirming that the aviation industry experienced the sharpest quarterly fall in demand and profits since the global financial crisis¹¹. Their expectations relating to the return of passenger demand to a 2019 level was also surveyed, with 19% believing recovery will be 6-12 months, 39% believe 12-24 months and 42% believe it will be longer (exhibit 5). Encouragingly 42% believe that the first region to recover will be the Asia-Pacific region (exhibit 6).

It appears the absolute bottom of passenger seat capacity was reached in the Aviation world with very small upward trends holding true since the bottom in April 2020 (exhibit 7)¹².

The recovery will be long though with the Stock Exchange of Thailand suspending shares in Thai Airways after auditors refused to sign off the company's accounts as a going concern¹³. Meanwhile, Cathay Pacific reported a 98.7% year-on-year decline in passenger numbers in July.

Closer to home due to Australian Government restrictions Air New Zealand further extended its cap of international arrivals until the 24 of October¹⁴.

Domestic Aviation

Due to the reintroduction of level two restrictions around New Zealand and level three restrictions Air New

Zealand reduced their frequency and capacity of flights scheduled in and out of Auckland but the rest of the country's network remained the same¹⁵. Additionally, under level two restrictions they have reintroduced physical distancing and the wearing of masks.

Auckland Airport released their annual financial results, their chair stating the past six months had been the most challenging in Auckland Airport's 54 year history¹⁶. Total number of passengers decreased to 15.5 million, down 26.5% on the previous year. International passenger numbers (including transits) were 8.5 million while domestic passenger numbers were 7 million. Revenue was down 23.7% for the year.

Queenstown Aviation

The Queenstown Airport Corporation released its financial year end results¹⁷. The Queenstown Airport experienced a 19% fall in passenger movements to 1.87 million movements. That comprised an 11% drop in international passenger movements to 583,219 and a 23% fall in domestic passenger movements to 1.29 million. Queenstown Airport noted that domestic air travel to and from Queenstown had "steadily returned" since air connectivity to the region resumed in May 2020.

Epidemiology

As of 24 August 2020, there are 30 candidate vaccines in clinical evaluation which is an additional 6 vaccines since our last update on 24 July¹⁸. 21 are in phase one, 13 in phase two, eight in phase three and two have been approved in very limited applications. Of the two approved vaccines, one has been approved and is in testing in the Chinese military and the other is a Russian vaccine announced on 11 August which skipped all phase three trials and has been renamed "Sputnik". In summary 32 candidate vaccines are being tested in human trials around the world.

Advances continue to be made toward developing rapid development testing technology. The US National Institutes of Health's Rapid Acceleration of Diagnostics (RADx) initiative received a huge boost, announcing a further \$248.7 million of investment toward the rollout of seven different COVID-19 rapid testing point of care diagnostics¹⁹. These seven tests had been selected from over 600 options and most of the seven can provide results in under 30 minutes, some in under 15 minutes.

In the UK the government has announced that they will be rolling out two point of care COVID-19 diagnostics in nursing homes at the start of September, both can provide results in under 90 minutes

Domestic Market

As Queenstown's largest single geographic source of domestic visitors, Auckland, is in alert level three the Queenstown domestic visitor spend can be expected to be down. Year end June 2020, Auckland's expenditure in the Queenstown region contributed around 26% of total domestic expenditure²⁰.

As of data recorded up until the 17 August, population mobility in the Auckland region had reduced 26.7% compared to the same week the previous year (and level three restrictions came into place on the 12 August, so this is partial data)²¹.

In the June 2020 MRTE data, the Queenstown region received \$69 million domestic expenditure and a further \$11 million international spend which is 43% down compared to June last year²². Queenstown was the fifth largest RTO in terms of total tourism spend in the country behind Auckland, Christchurch, Wellington and Hamilton/Waikato.

Australia Market

Despite Melbourne continuing to have high case numbers, a recent report from Luxury Escapes states people are starting to consider their post COVID holidays with New Zealand receiving a 290% spike in interest compared to the yearly average. Interstate travel demand has also increased, with interest in local package travel up as well²³.

European Markets

Europe continues to remain tentatively open for tourism despite resurgences of COVID-19 across many countries

and popular tourist destinations (exhibit 9)²⁴. The recent increase has been put down to an increase in social gatherings and travelers moving freely during the peak summer holiday period. Despite the increase in cases across Europe, German Chancellor Angela Merkel is urging European leaders to work together to avoid reviving lockdowns due to the impact on the economy instead calling for unified action.

McKinsey & Company has released a report on changes in the travel industry post COVID-19²⁵. The European market has been reopening since mid-June and this report covers key findings around what the new normal for the industry focusing their data around the German traveler. The key findings were that appetite for travel has returned, albeit in the form of higher demand for domestic destinations and drive destinations. Travelers are also incredibly sensitive to the slightest change in pandemic situation, there has been an increase in last minute bookings and travelers returning to destinations that they have visited pre covid, as well as an increase in demand for nature experiences and fewer city destinations.

Global Markets

The UNTWO continues to push for the restart of tourism in a safe and controlled manner²⁶. They have estimated that between January and May, the sudden and rapid fall in tourist arrivals cost an estimated \$320 billion which is three times greater than the impact of the Great Recession of 2007-2009 on the tourism sector.

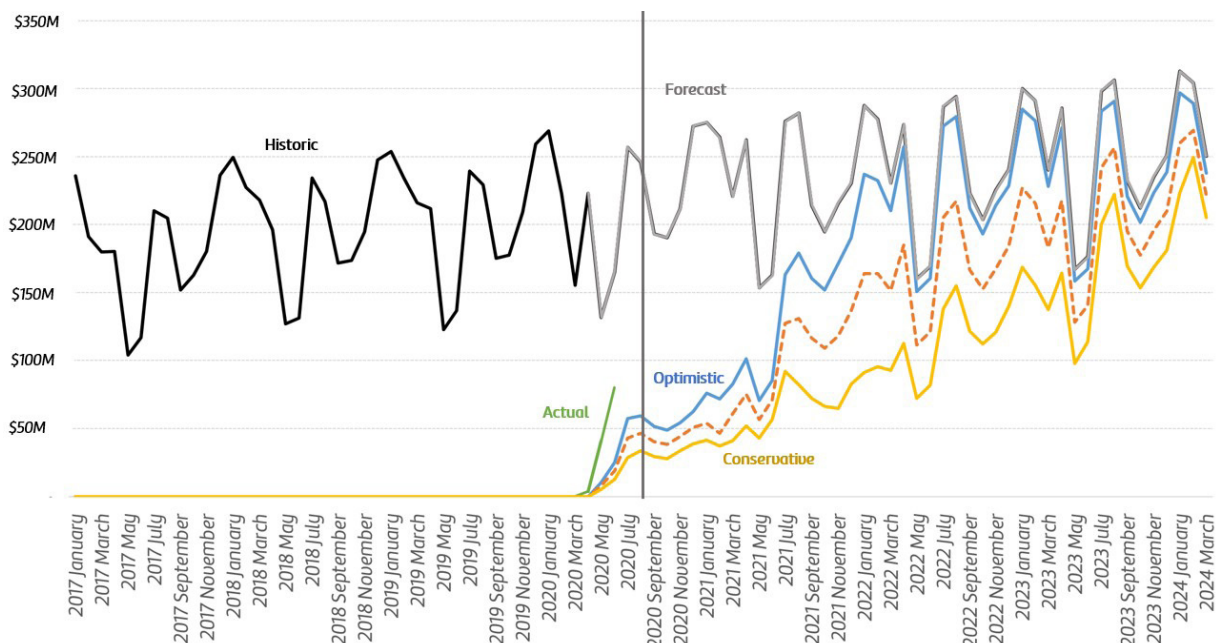
Updates in Destination Queenstown Assumptions

Scenario Updates

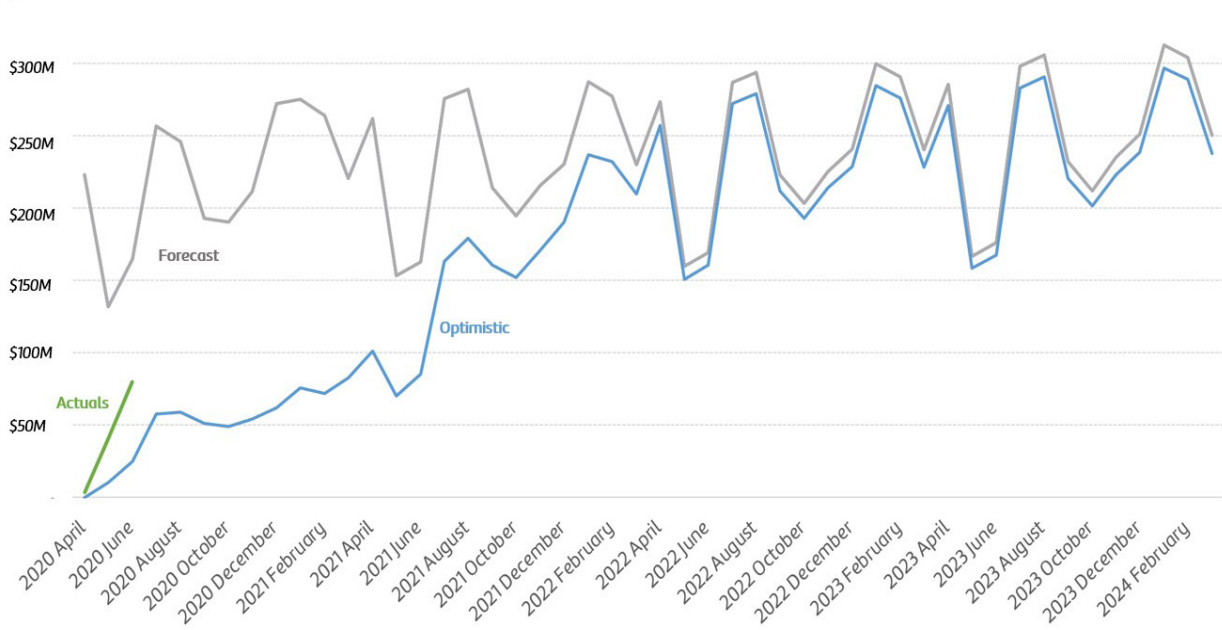
It is becoming more apparent that with New Zealand’s elimination approach to handling COVID-19, it will only be countries that have the virus well under control that we will open our international borders to. Based on this it can be assumed that geographically isolated countries, likely island nations, will be easier to control the virus in. We have updated our estimated market restart dates inline with this, meaning that China has moved into set two of the international markets and Germany has been moved into set three.

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 2021
HORIZON 3			
Set 1: Japan, South Korea, Taiwan, Hong Kong	Q3-2021	Q2-2021	Q1-2021
Set 2: China, Singapore	Q1-2022	Q3-2021	Q2-2021
Set 3: Germany, Canada, US, UK, India, all others	Q1-2022	Q4-2021	Q3-2021

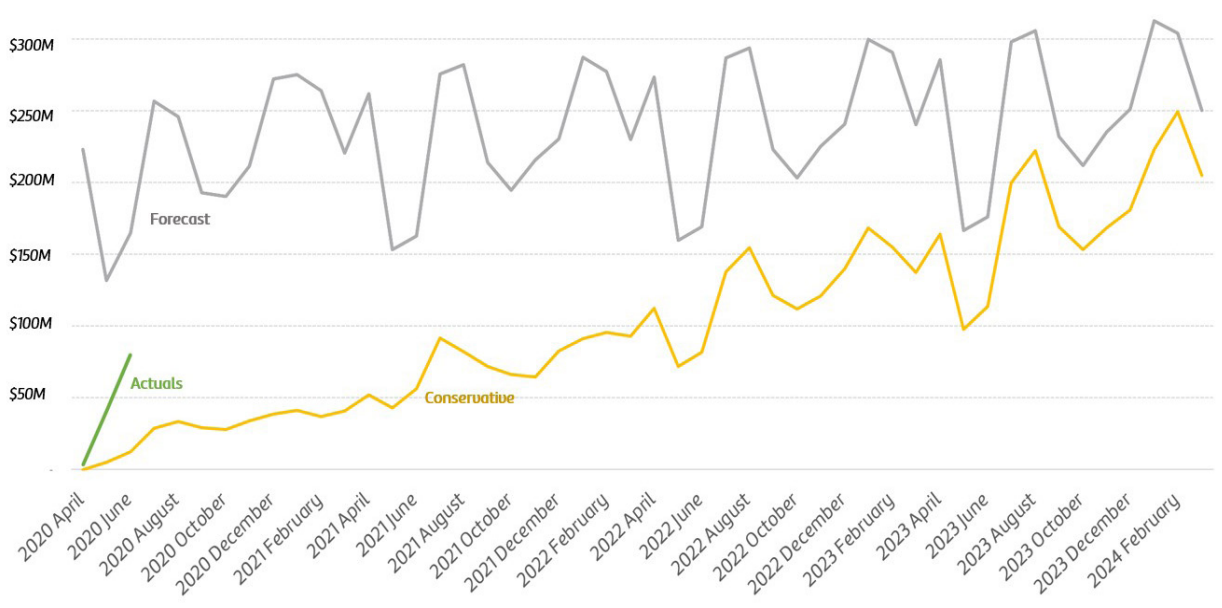
Scenarios Queenstown – All markets



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	20%	0%	0%	8%	15%	0%	0%	6%	10%	0%	0%	4%
2020 June	40%	0%	0%	15%	30%	0%	0%	11%	20%	0%	0%	8%
2020 July	60%	0%	0%	22%	45%	0%	0%	17%	30%	0%	0%	11%
2020 August	70%	0%	0%	24%	55%	0%	0%	19%	40%	0%	0%	14%
2020 September	70%	0%	0%	27%	55%	0%	0%	21%	40%	0%	0%	15%
2020 October	70%	0%	0%	26%	55%	0%	0%	20%	40%	0%	0%	15%
2020 November	80%	0%	0%	26%	65%	0%	0%	21%	50%	0%	0%	16%
2020 December	80%	0%	0%	23%	65%	0%	0%	19%	50%	0%	0%	14%
2021 January	80%	20%	0%	28%	65%	0%	0%	20%	50%	0%	0%	15%
2021 February	90%	40%	2%	27%	75%	0%	0%	18%	60%	0%	0%	14%
2021 March	90%	50%	2%	38%	75%	25%	0%	28%	60%	0%	0%	19%
2021 April	90%	50%	2%	39%	75%	25%	0%	29%	60%	0%	0%	20%
2021 May	95%	60%	9%	46%	88%	30%	4%	37%	80%	0%	0%	28%
2021 June	95%	60%	7%	52%	88%	38%	3%	44%	80%	15%	0%	35%
2021 July	95%	70%	10%	59%	88%	43%	5%	46%	80%	15%	0%	33%
2021 August	95%	70%	35%	63%	88%	43%	18%	46%	80%	15%	1%	29%
2021 September	95%	70%	60%	75%	88%	45%	30%	54%	80%	20%	1%	34%
2021 October	95%	70%	67%	78%	88%	45%	34%	56%	80%	20%	1%	34%
2021 November	95%	80%	69%	79%	88%	50%	35%	55%	80%	20%	1%	30%
2021 December	95%	90%	70%	83%	88%	65%	36%	59%	80%	40%	1%	36%
2022 January	95%	95%	71%	82%	88%	68%	36%	57%	80%	40%	2%	32%
2022 February	95%	95%	78%	84%	88%	68%	47%	59%	80%	40%	17%	34%
2022 March	95%	95%	88%	91%	88%	68%	52%	66%	80%	40%	17%	40%
2022 April	95%	95%	93%	94%	88%	68%	55%	68%	80%	40%	17%	41%
2022 May	95%	95%	94%	94%	88%	68%	58%	70%	80%	40%	23%	45%
2022 June	95%	95%	95%	95%	88%	68%	58%	72%	80%	40%	21%	48%
2022 July	95%	95%	95%	95%	88%	68%	58%	72%	80%	40%	21%	48%
2022 August	95%	95%	95%	95%	88%	68%	68%	74%	80%	40%	41%	53%
2022 September	95%	95%	95%	95%	88%	68%	68%	75%	80%	40%	41%	54%
2022 October	95%	95%	95%	95%	88%	68%	68%	75%	80%	40%	41%	55%
2022 November	95%	95%	95%	95%	88%	68%	68%	74%	80%	40%	42%	54%
2022 December	95%	95%	95%	95%	88%	78%	68%	77%	80%	60%	41%	58%
2023 January	95%	95%	95%	95%	88%	78%	68%	76%	80%	60%	42%	56%
2023 February	95%	95%	95%	95%	88%	78%	69%	74%	80%	60%	43%	53%
2023 March	95%	95%	95%	95%	88%	78%	69%	76%	80%	60%	43%	57%
2023 April	95%	95%	95%	95%	88%	78%	69%	76%	80%	60%	43%	58%
2023 May	95%	95%	95%	95%	88%	78%	69%	77%	80%	60%	44%	59%
2023 June	95%	95%	95%	95%	88%	88%	68%	80%	80%	80%	42%	64%
2023 July	95%	95%	95%	95%	88%	88%	69%	81%	80%	80%	42%	67%
2023 August	95%	95%	95%	95%	88%	88%	79%	84%	80%	80%	62%	73%
2023 September	95%	95%	95%	95%	88%	88%	79%	84%	80%	80%	62%	73%
2023 October	95%	95%	95%	95%	88%	88%	79%	84%	80%	80%	62%	72%
2023 November	95%	95%	95%	95%	88%	88%	79%	83%	80%	80%	64%	72%
2023 December	95%	95%	95%	95%	88%	88%	79%	84%	80%	80%	64%	72%
2024 January	95%	95%	95%	95%	88%	88%	79%	83%	80%	80%	64%	71%
2024 February	95%	95%	95%	95%	88%	88%	89%	88%	80%	80%	83%	82%
2024 March	95%	95%	95%	95%	88%	88%	89%	88%	80%	80%	84%	82%

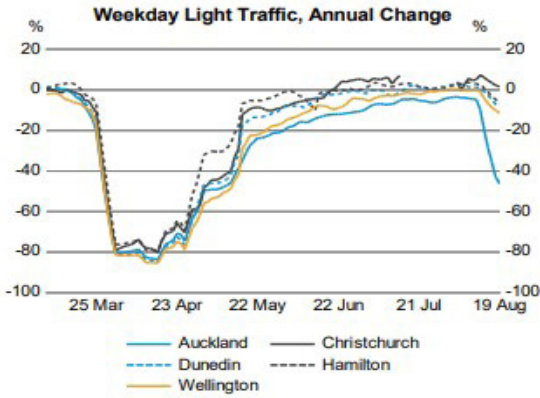
Exhibits

Exhibit 1.

The New Zealand Treasury: Weekly Economic Update: 21 August 2020. Released 21 August 2020.

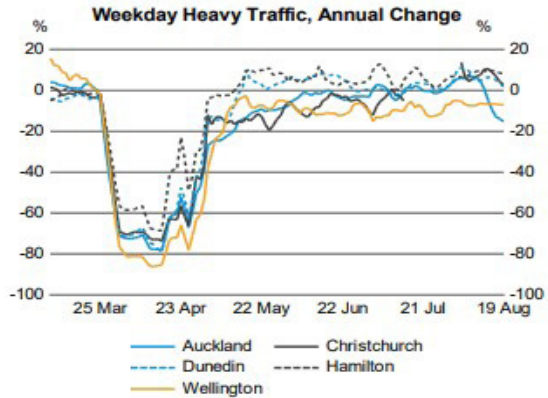
High-Frequency Indicators (Domestic)

Traffic Movement



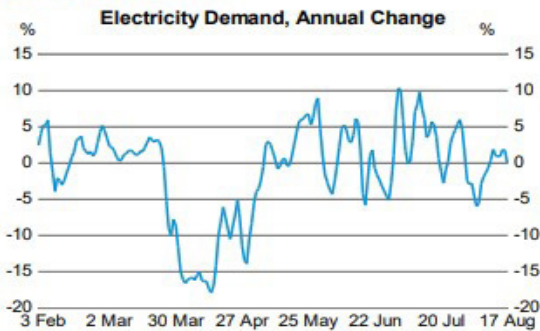
Source: Waka Kotahi NZ Transport Agency

Freight Movement



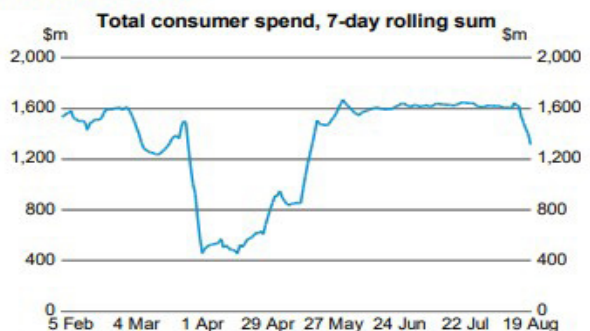
Source: Waka Kotahi NZ Transport Agency

Electricity Demand



Source: Electricity Authority

Retail Spending

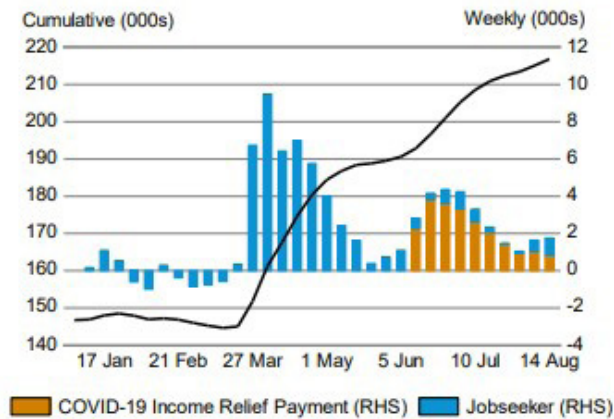


Source: Paymark and Verifone data via Data Ventures

Exhibit 2.

The New Zealand Treasury: Weekly Economic Update: 21 August 2020. Released 21 August 2020.

Jobseeker and Income Support Recipients



Fiscal Support: Wage Subsidy (paid)

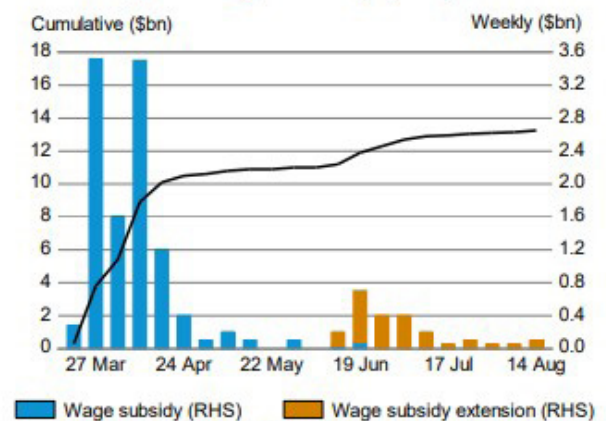
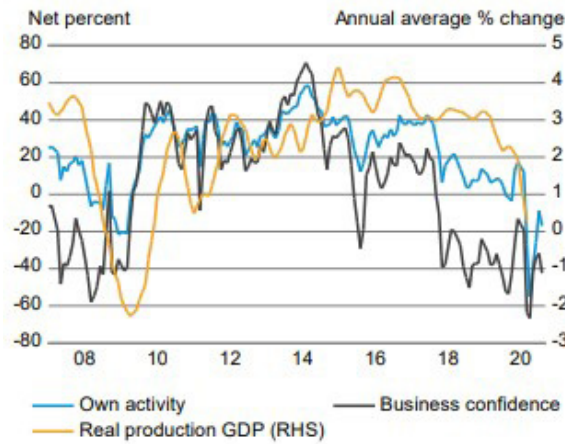


Exhibit 3.

The New Zealand Treasury: Weekly Economic Update: 21 August 2020. Released 21 August 2020.

Figure 3: ANZ Business Outlook



Source: ANZ, Stats NZ

Exhibit 4.

Statista: U.S. Bankruptcies at 10-Year High As Pandemic Takes Its Toll. Published 13 August 2020

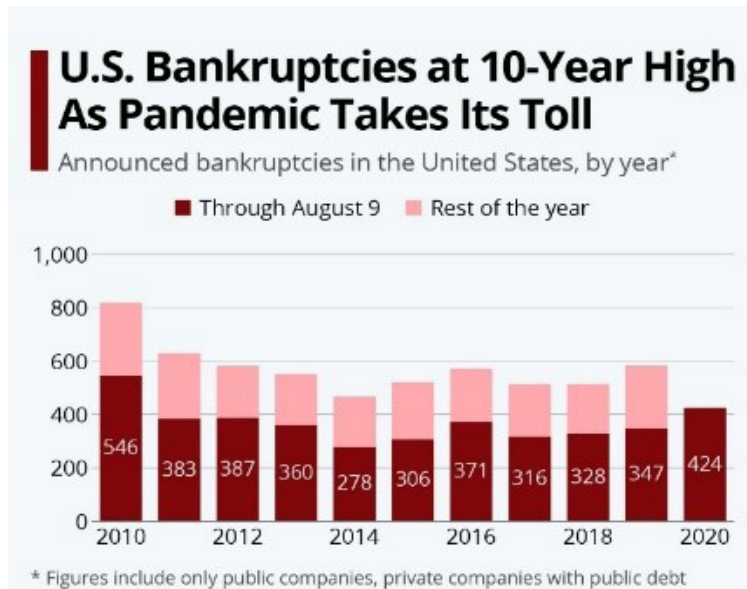


Exhibit 5.

IATA: July 2020 SURVEY AIRLINE BUSINESS CONFIDENCE INDEX. Published August 2020

COVID-19

a) Timing of the recovery (2019 levels)

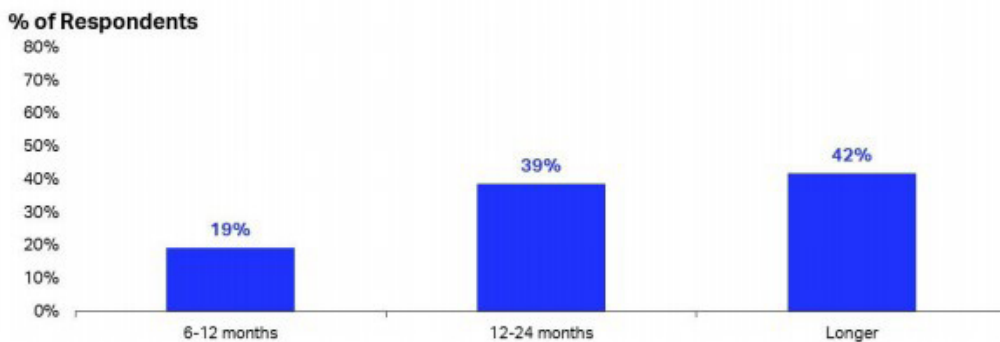


Exhibit 6.

IATA: July 2020 SURVEY AIRLINE BUSINESS CONFIDENCE INDEX. Published August 2020

b) Region to return to 2019 level first

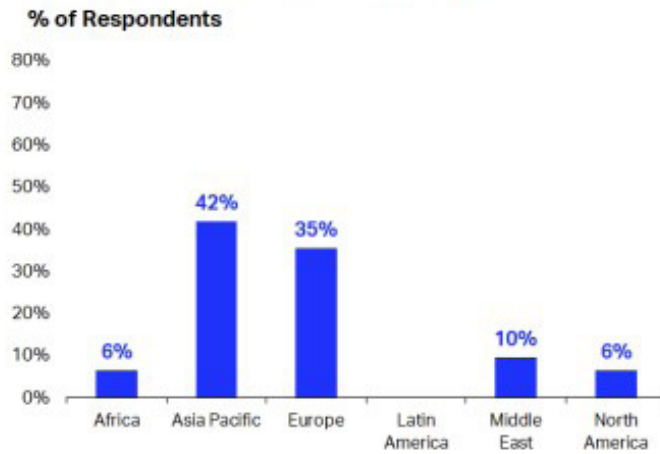


Exhibit 7.

ICAO: Effects of Novel Coronavirus (COVID-19) on Civil Aviation: Economic Impact Analysis. Published 12 August 2020

Comparison of total seat capacity by region (7-day average, YoY compared to 2019)

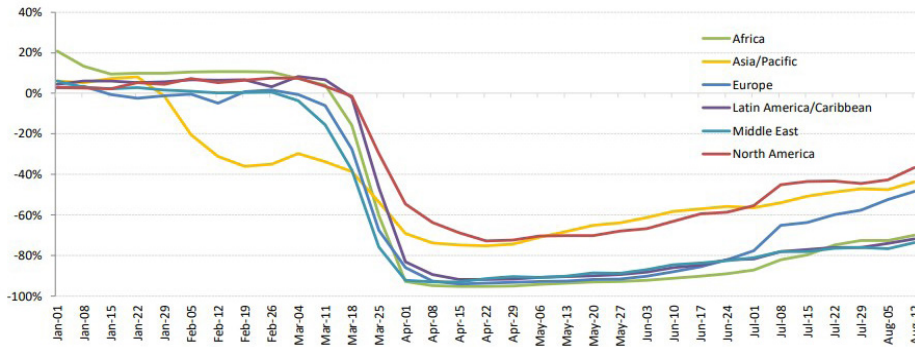


Exhibit 8.

Data Ventures: COVID-19 Population Movement Report 17 August. Released 17 August 2020.



Exhibit 9.

Bloomberg: Europe Battles Virus Spike With No Appetite for New Lockdowns. Published 21 August 2020

Virus Hotspots

14-day cumulative number of Covid-19 cases per 100,000

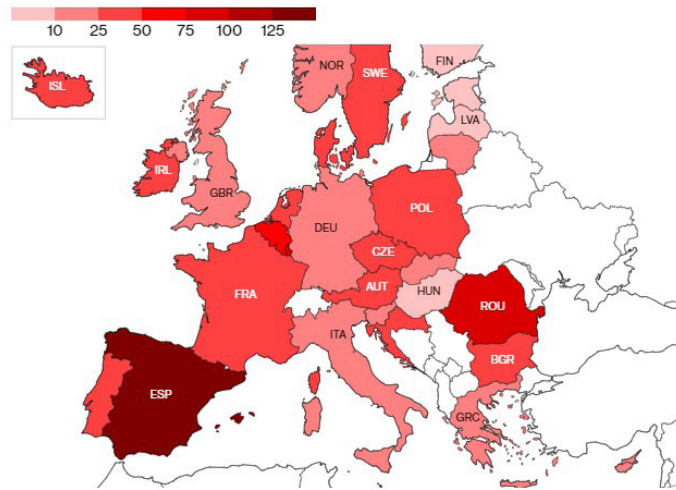


Exhibit 10.

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

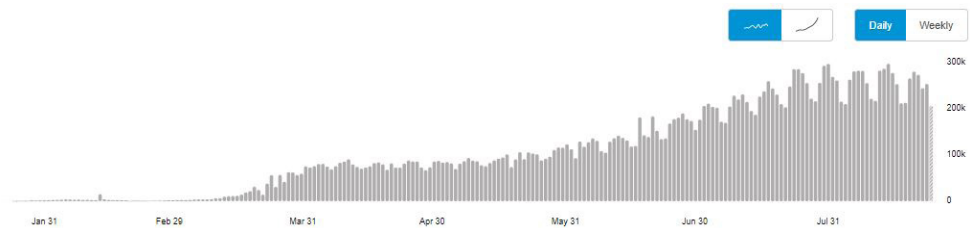
(World Health Organisation: WHO Coronavirus Disease (COVID-19) Dashboard. [Link](#))

Global

Global Situation

23,518,343

confirmed cases



New Zealand

New Zealand Situation

1,339

confirmed cases

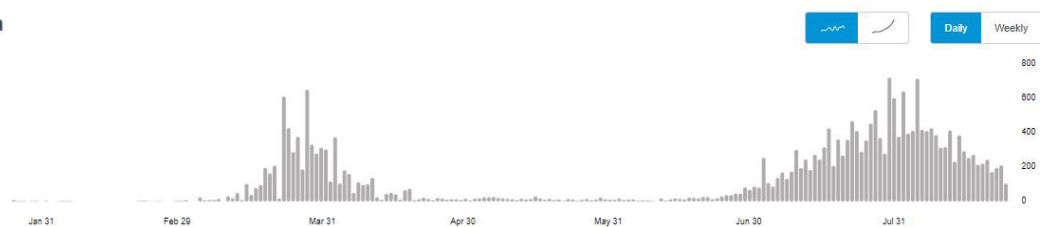


Australia

Australia Situation

24,916

confirmed cases

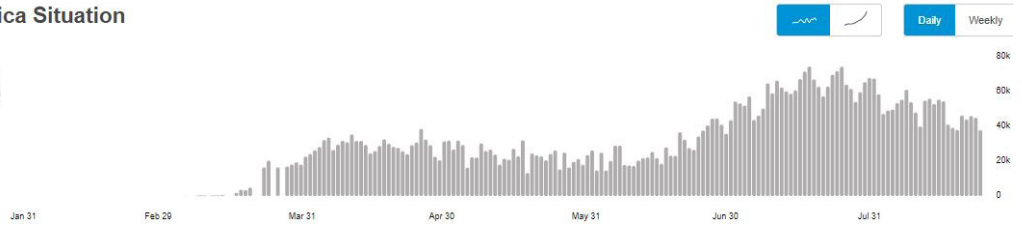


United States

United States of America Situation

5,649,928

confirmed cases

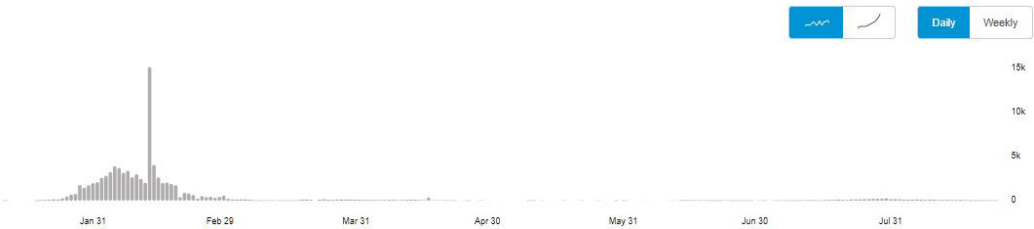


China

China Situation

90,205

confirmed cases

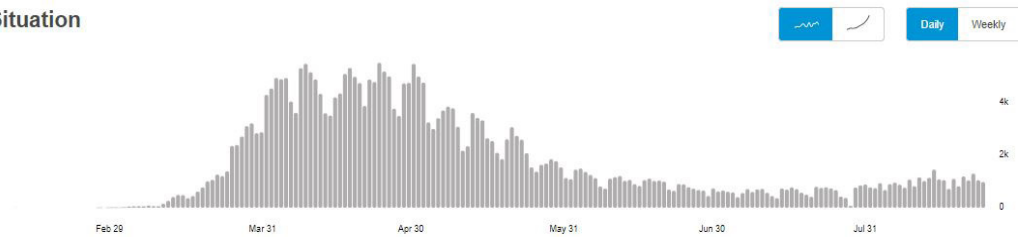


United Kingdom

The United Kingdom Situation

326,618

confirmed cases

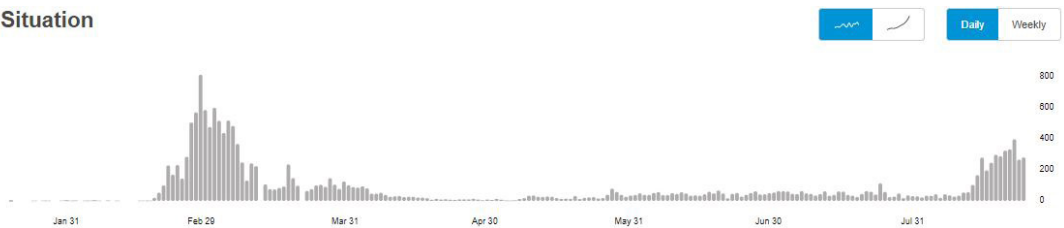


South Korea

Republic of Korea Situation

17,945

confirmed cases

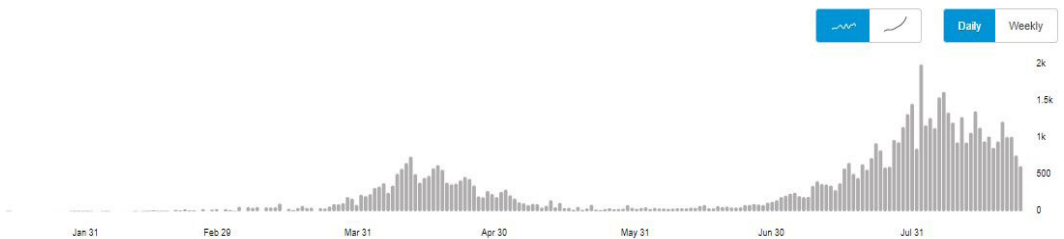


Japan

Japan Situation

63,121

confirmed cases

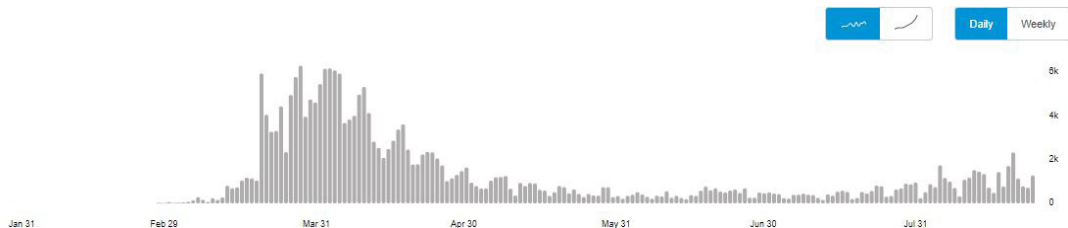


Germany

Germany Situation

234,853

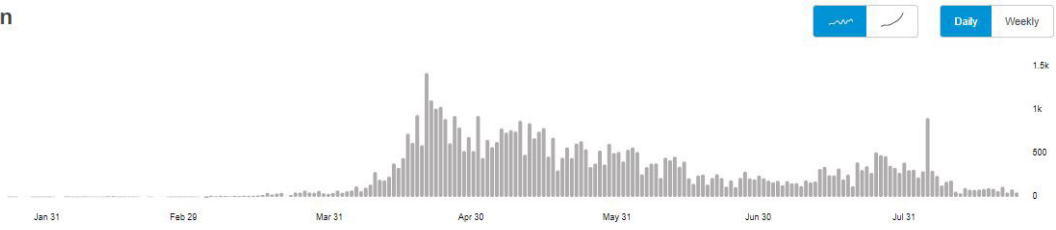
confirmed cases



Singapore

Singapore Situation

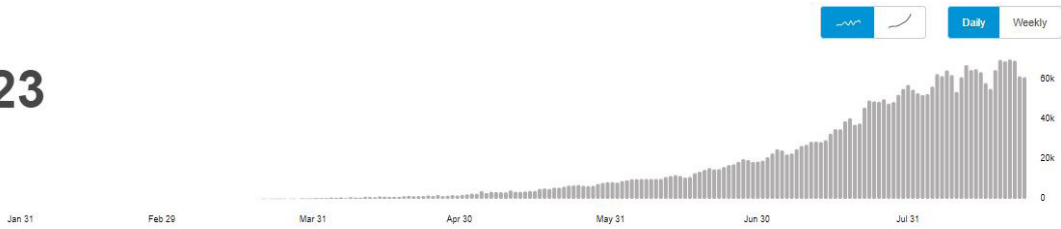
56,404
confirmed cases



India

India Situation

3,167,323
confirmed cases



Sources and References

- 1 Westpac: Weekly Economic Commentary: COVID returns to Aotearoa. Released 17 August 2020 ([link](#))
- 2 The New Zealand Treasury: Weekly Economic Update: 21 August 2020. Released 21 August 2020. ([link](#))
- 3 Marketview: National Consumer Spending Series: July 2020.
- 4 The Economist: New Zealand Country Report (July): Release 3 August 2020
- 5 The Reserve Bank of New Zealand: Large Scale Asset Purchases. Updated 12 August 2020 ([link](#))
- 6 S&P Global: New Zealand central bank extends mortgage deferral scheme to March 2021. Released 17 August 2020 ([link](#))
- 7 Statista: U.S. Bankruptcies at 10-Year High As Pandemic Takes Its Toll. Published 13 August 2020 ([link](#))
- 8 The New York Times: This Market is Nuts. Published 18 August 2020 ([link](#))
- 9 The Otago Daily Times. Otago hardest hit by lockdown. Published 20 August 2020 ([link](#))
- 10 Stuff: 'Staggering' number of households behind on their mortgages. Published 19 August 2020 ([link](#))
- 11 IATA: July 2020 SURVEY AIRLINE BUSINESS CONFIDENCE INDEX. Published August 2020 ([link](#))
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