

Visitor Demand Mapping for Queenstown – Update 1

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queenstownNZ.nz



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

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

New Zealand economy

Indicators of economic activity have recovered to being close to normal although the long term remains highly uncertain¹. The post lock down "bounce back" in spend is expected to only be temporary as unemployment rises and falling asset values are likely to impact consumer spending for some time.

Treasury issued a memorandum to the Macroeconomic Impact of Covid-19 report on the New Zealand economy, outlining that GDP growth is expected to be weaker in the first half of 2020 but will correct itself over the second half as the virus is contained, global growth picks up and supply conditions normalize.

Treasury highlights that the most immediately and heavily impacted industry is tourism. ANZ centered its weekly focus around the tourism industry, highlighting that tourism will not return to pre-COVID levels for some time². Pre-COVID tourism accounted for 10% of NZ GDP and while domestic tourism has restarted, specific regions will be disproportionately affected (exhibit 1) and New Zealand is particularly dependent on international tourism (exhibit 2).

ANZ forecasts that reduction in tourism will result directly in a retraction in GDP for the coming year, of between -2.4% to -4.7%; which will have flow on effect to almost every industry in New Zealand.

Australia economy

It appears that the initial GDP hit from COVID-19 will be smaller in Australia than it will be in New Zealand³. The Reserve Bank of Australia has released a baseline scenario which is for a sharp GDP contraction in the June Quarter with recovery starting September. This will result in a -5% average GDP growth for 2020, bouncing back to a 4% growth in 2021. This is largely attributed to the extremity of the lockdown that New Zealand had in place in comparison to Australia – its estimated that 39% of New Zealand's economy was shut at level four, unlike Australia, which never had the severity of level four restrictions, although restrictions did vary between states.

Add into the equation the lower dependency on international tourism (which accounts for less than 2% of Australia's total GDP) and Australia should be positioned for a faster recovery. Their "JobKeeper" wage subsidy, which had been expected to cost \$130 billion, was recalculated to cost \$70 billion, which frees up the difference for fiscal stimulus. However there are escalating tensions with China, its largest export partner, centering around increasing export tariffs. Australia's AAA credit rating outlook was also cut to negative by Fitch Ratings Ltd, reflecting that like most of the world Australia is headed for an economic downturn⁴.

USA Economy

Despite many grim milestones such as reaching 100,000 COVID deaths, political unrest and protest in the USA, there are early indications of movements towards recovery. The stock market has shown a recovery, rallying in April and May and recovering many of the losses that occurred pre COVID (exhibit 3), but many caution this is based either on the assumption of quick recovery or the disconnect between markets and reality. Other indications like requests for direction on Apple maps, Hotel Occupancy Rates, and Air Travel T.S.A Screenings are starting to show a recovery as well (exhibit 4)⁵.

China Economy

The world is closely monitoring China for early indications of what recovery could look like. Some encouraging data is now emerging - as lock-down restrictions have relaxed in China there has been a "V-Shaped" recovery in business confidence (exhibit 5). At the annual National People's Congress, Premier Li delivered the Government Work Report focusing on building resilience in the economy to position toward growth. However, there has been no numerical GDP growth target set due to COVID related uncertainty and there is political protesting again in Hong Kong.

Queenstown Lakes Economy

For week ending 24th May 2020 weekly card spend and transactions have been increasing from level four lows. Compared to the same week last year spend and number of transactions for the week were down -24.6% (spend)) (exhibit 6). In comparison to level four lockdown lows of -79.1% (spend) is a marked increase.⁷

Global Aviation

IATA is predicting that air travel will recover more slowly than the rest of the economy, expecting that revenue passenger kilometers (RPKs) will not recover to 2019 levels until 2023, two years behind the global GDP recovery projections (exhibit 7)⁸. They also are predicting that International RPKs will lag behind domestic air travel markets and international aviation will not recover until the second half of 2023 - 2024 (exhibit 8).

At a global level bookings are starting to pick up, albeit from very low base levels, and focused on domestic travel. Despite travel restrictions remaining stringent, some markets are showing an increase in travel bookings, in China for example this has increased 10% vs the previous week⁹.

Domestic Aviation

At Air New Zealand's investor update last week, they announced that their network capacity is expected to be approximately 50% lower than the prior comparative period, driven but a reduction of approximately 90% in the fourth quarter, and they are expecting to report an underlying loss for the 2020 financial year¹⁰. The domestic flight schedule into Queenstown is starting to recover seeing the return of the Wellington to Queenstown flights for Queen's Birthday Weekend.

Epidemiology

The COVID-19 pandemic has infected more than 6.2 million people and spread to more than 180 countries resulting in lockdowns, halts on international travel, mass layoffs and battered financial markets. Some countries, such as China and New Zealand have "flattened the curve" while other's daily case numbers increase to continue (exhibit 9).

The biomedical community continue to work at an accelerated pace in the search for a vaccine and rapid testing. The World Health Organization has implemented a draft landscape blue print to monitor the vaccine related developments and currently have recorded 10 candidates as being in clinical evaluation¹¹. Last week New Zealand joined the global search for a vaccine with the Government allocating \$37 million for the development of a vaccine, \$10 million of which will be for domestic research and development¹².

Domestic Market

As New Zealanders regain freedom to move around the country, Queenstown is ranking as a popular destination. More than 1.22 million Kiwis plan to holiday domestically within 12 months, and of that an estimated 812,500 people would like to visit the Queenstown region in that time¹³. AirBnB is showing a strong recovery of bookings (recovering to 85% of pre COVID levels compared to the same period in the previous years)¹⁴ and there is an increase in search interest for Queenstown from both Expedia and Skyscanner reports¹⁵.

Tourism New Zealand (TNZ) and the Tourism Export Council (TEC) have published scenarios since the initial DQ demand mapping was published. DQ has analysed and made the appropriate adjustments in our scenarios. TNZ's models indicate that while domestic tourism is not likely to fill the gap left by international tourism, it will help to partially sustain the sector while it works toward recovering to pre-COVID 19 levels over the next 2-3 years. The report states recovery is a matter of "when, not if"¹⁶.

TNZ outlines the biggest opportunities and risks that will impact the recovery of the tourism industry are: the Trans-Tasman border reopening, the rest of the world re-opening, demand pacing and business ability to survive, pivot and compete. To read the full TNZ scenario models please click [here](#). The Tourism Export scenarios (not publically available yet) also followed similar sentiments to both DQ's and TNZ's scenarios.

Australia Market

The trans-Tasman bubble idea has gathered momentum in the past few weeks, Prime Minister Jacinda Ardern saying "it won't be too long" before trans-Tasman travel begins, as new case numbers remain low on both sides of the Tasman (exhibit 10).

The Australians Chamber of Commerce and the newly formed Tourism Restart Taskforce has approved a timetable for international and domestic travel resuming, outlining that all domestic tourism will have restarted from 5th June and from 1st July Australians will be able to visit New Zealand (exhibit 11)¹⁷.

However, international travel is not expected to resume until after the 15th December 2020. Draft guidelines of how quarantine - free flights can safely operate will be handed to both governments by the Trans-Tasman Safe Border Group in early June, with the optimistic aim of flights restarting from July 2020. Details are still emerging of what the flight process would look like but it is expected there will be health declarations, contact tracing measures and potential health tests¹⁸.

The Australian market accounts for 30% of all international visitors to Queenstown. Australian visitation peaks over the July/August/September months in line with the winter ski season (exhibit 12), so having the trans-Tasman bubble established to capture this visitation would be hugely beneficial for Queenstown.

China

Interest in leisure travel in China is returning. As in New Zealand, they are limited to domestic travel and are hesitant to holiday in the immediate future or too far from home¹⁹. 13% expect to holiday over the coming summer (June-August) and a further 56% are intending to holiday between September-October, with the majority aligning with a national holiday week in October. It is expected that it will be the young, single and experienced travelers that will travel first, trips will focused around food and family and organised travel groups will not be a popular way to travel.

Updates in Destination Queenstown Assumptions

Australia

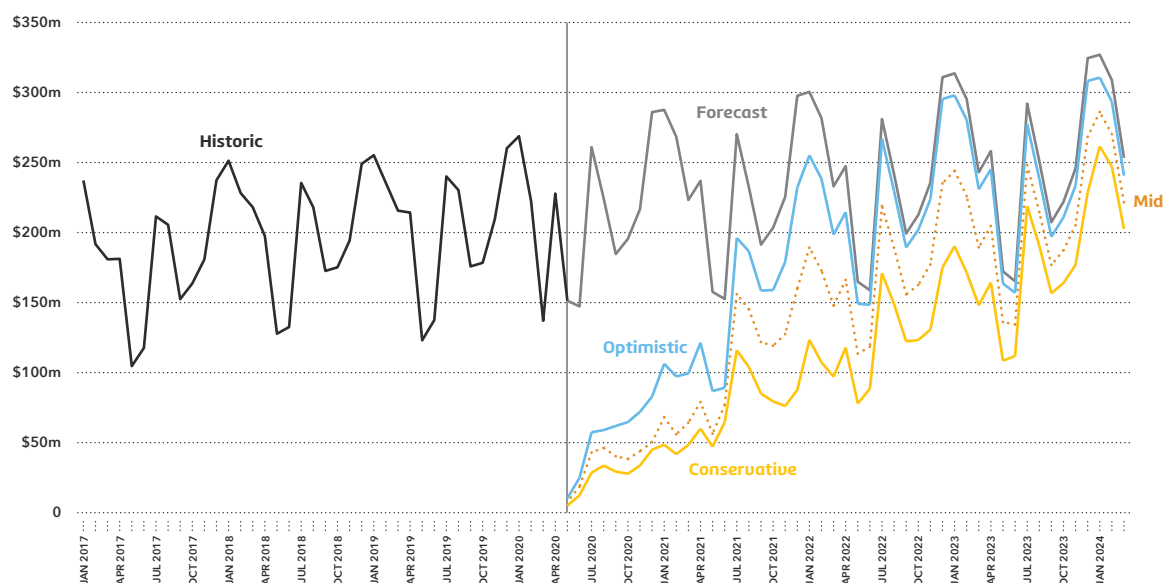
In line with the gaining momentum for the Trans-Tasman bubble DQ has moved our Australian border reopening date to be September 2020 for the optimistic scenario; and May 2021 for the conservative scenario. This movement to a September date is in line with TEC and TNZ's optimistic scenarios.

MARKETS	CONSERVATIVE	MID	OPTIMISTIC
HORIZON 1			
Regional Market, New Zealand Domestic Market	OPEN	OPEN	OPEN
HORIZON 2			
Trans-Tasman Australia	MAY 2021	JAN 2021	SEPT 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

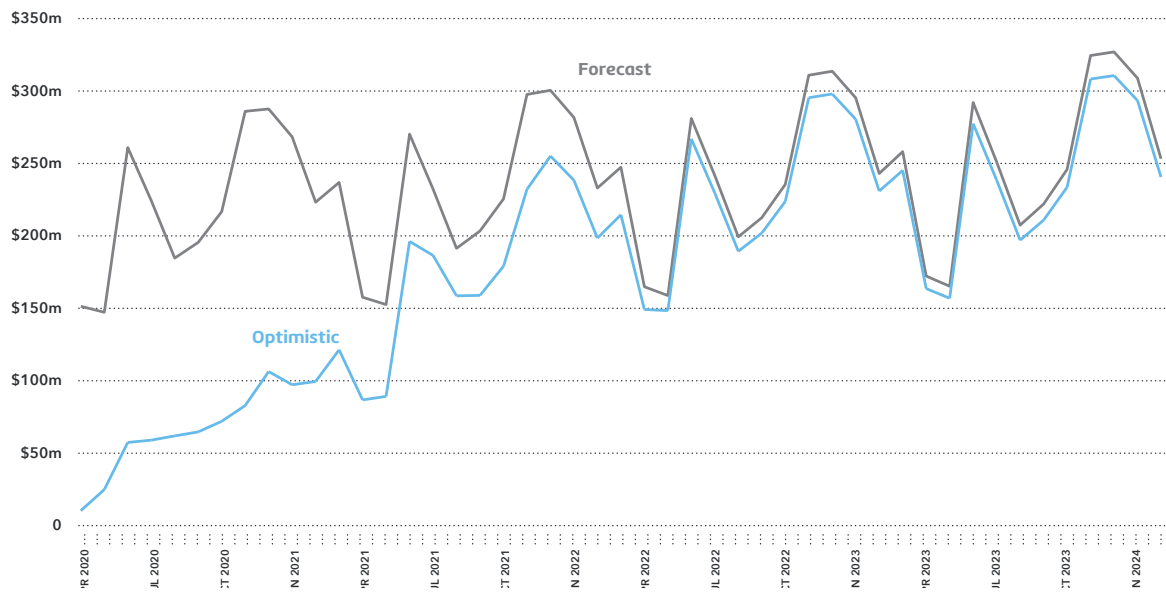
Updated Scenarios

Below are the updated scenarios, which has the Australian Border opening in September 2020. This will have a significant impact on the all market view of spend for the September, which will be due to the high number of Australian visitors coming over for ski holidays.

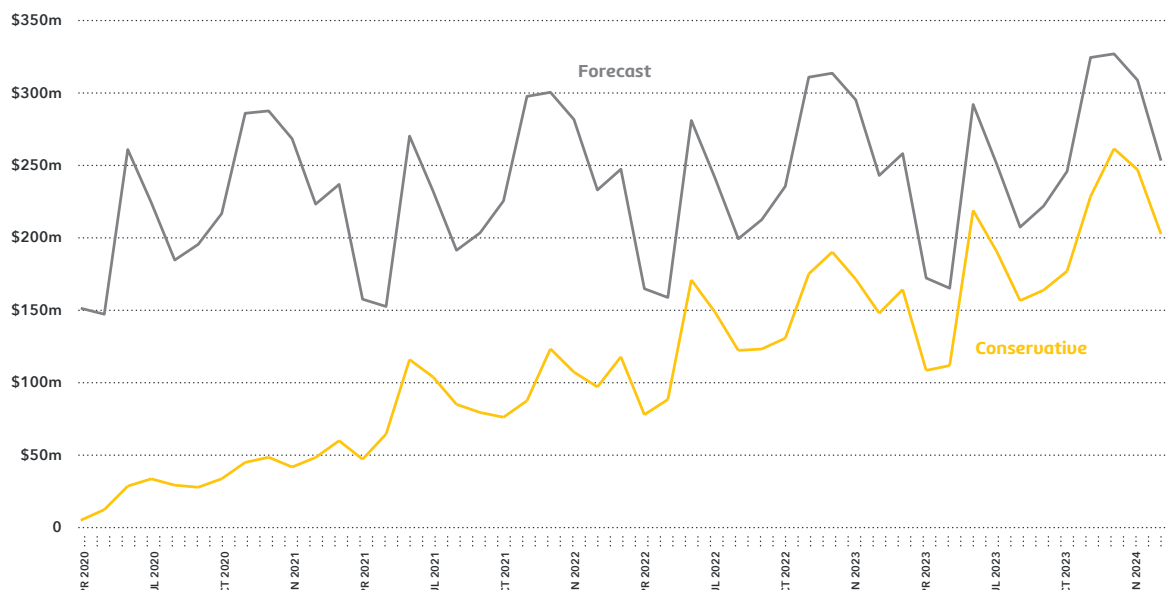
Queenstown – All markets



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	Overall	Domestic	Australia	Long Haul	Overall
May-20	20%	0%	0%	7%	10%	0%	0%	3%
Jun-20	40%	0%	0%	17%	20%	0%	0%	8%
Jul-20	60%	0%	0%	22%	30%	0%	0%	11%
Aug-20	70%	0%	0%	26%	40%	0%	0%	15%
Sep-20	70%	20%	0%	34%	40%	0%	0%	16%
Oct-20	70%	40%	0%	33%	40%	0%	0%	14%
Nov-20	80%	50%	0%	33%	50%	0%	0%	16%
Dec-20	80%	50%	0%	29%	50%	0%	0%	16%
Jan-21	80%	60%	7%	37%	50%	0%	0%	17%
Feb-21	90%	60%	13%	36%	60%	0%	0%	16%
Mar-21	90%	70%	10%	45%	60%	0%	0%	22%
Apr-21	90%	70%	14%	51%	60%	0%	0%	25%
May-21	95%	70%	26%	55%	80%	20%	0%	30%
Jun-21	95%	70%	9%	58%	80%	40%	0%	42%
Jul-21	95%	80%	39%	73%	80%	40%	3%	43%
Aug-21	95%	90%	50%	80%	80%	40%	5%	45%
Sep-21	95%	95%	57%	83%	80%	40%	5%	44%
Oct-21	95%	95%	57%	78%	80%	40%	6%	39%
Nov-21	95%	95%	65%	79%	80%	40%	5%	34%
Dec-21	95%	95%	66%	78%	80%	40%	4%	29%
Jan-22	95%	95%	77%	85%	80%	40%	21%	41%
Feb-22	95%	95%	79%	85%	80%	40%	23%	38%
Mar-22	95%	95%	76%	85%	80%	40%	20%	42%
Apr-22	95%	95%	77%	87%	80%	40%	25%	48%
May-22	95%	95%	87%	90%	80%	40%	28%	47%
Jun-22	95%	95%	91%	93%	80%	60%	25%	56%
Jul-22	95%	95%	95%	95%	80%	60%	40%	61%
Aug-22	95%	95%	95%	95%	80%	60%	40%	62%
Sep-22	95%	95%	95%	95%	80%	60%	40%	61%
Oct-22	95%	95%	95%	95%	80%	60%	40%	58%
Nov-22	95%	95%	95%	95%	80%	60%	40%	56%
Dec-22	95%	95%	95%	95%	80%	80%	40%	56%
Jan-23	95%	95%	95%	95%	80%	80%	45%	61%
Feb-23	95%	95%	95%	95%	80%	80%	47%	58%
Mar-23	95%	95%	95%	95%	80%	80%	44%	61%
Apr-23	95%	95%	95%	95%	80%	80%	45%	64%
May-23	95%	95%	95%	95%	80%	80%	48%	63%
Jun-23	95%	95%	95%	95%	80%	80%	47%	68%
Jul-23	95%	95%	95%	95%	80%	80%	65%	75%
Aug-23	95%	95%	95%	95%	80%	80%	66%	76%
Sep-23	95%	95%	95%	95%	80%	80%	67%	76%
Oct-23	95%	95%	95%	95%	80%	80%	67%	74%
Nov-23	95%	95%	95%	95%	80%	80%	65%	72%
Dec-23	95%	95%	95%	95%	80%	80%	64%	70%
Jan-24	95%	95%	95%	95%	80%	80%	80%	80%
Feb-24	95%	95%	95%	95%	80%	80%	80%	80%
Mar-24	95%	95%	95%	95%	80%	80%	80%	80%

Exhibits

Exhibit 1.

ANZ Weekly Focus: Flightless Kiwis.
Published May 25th 2020 [link](#)

Heat map of regional spend/vulnerability

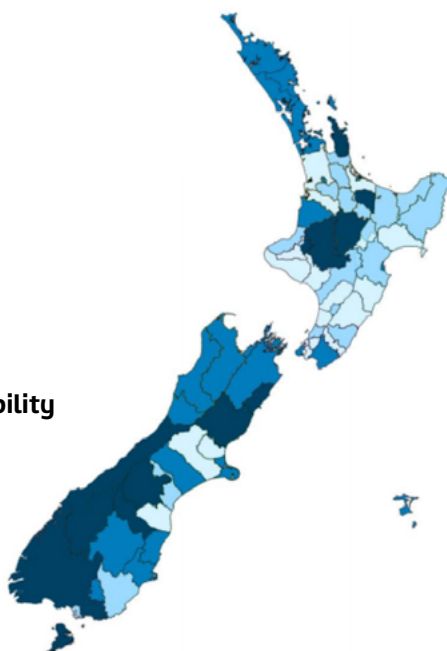
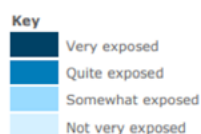


Exhibit 2.

ANZ Weekly Focus: Flightless Kiwis.
Published May 25th 2020 [link](#)

Travel and tourism direct contribution to GDP by country

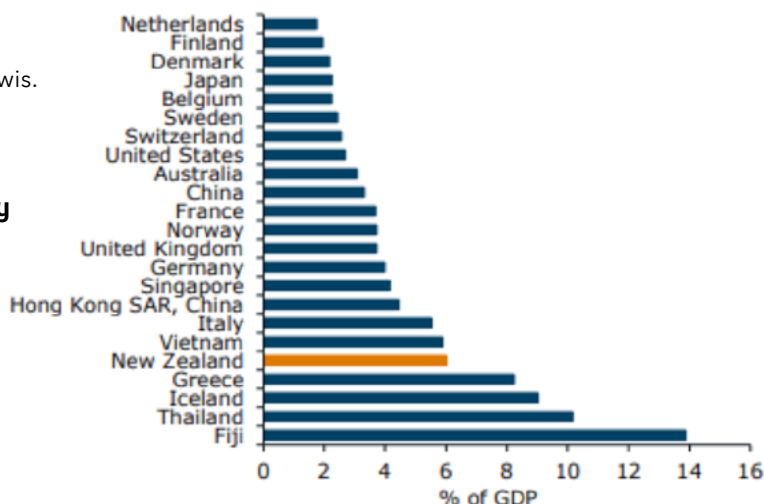


Exhibit 3.

Statista: Economic Impact of COVID-19: Has the Stock Market Moved On From COVID-19?
Published 29th May 2020 [link](#)

Has the Stock Market Moved On From COVID-19?

Year-to-date performance of major U.S. stock market indices as of May 28, 2020



Exhibit 4.

New York Times: The Reopening, in 5 Charts. Published on 26th May 2020 [link](#)

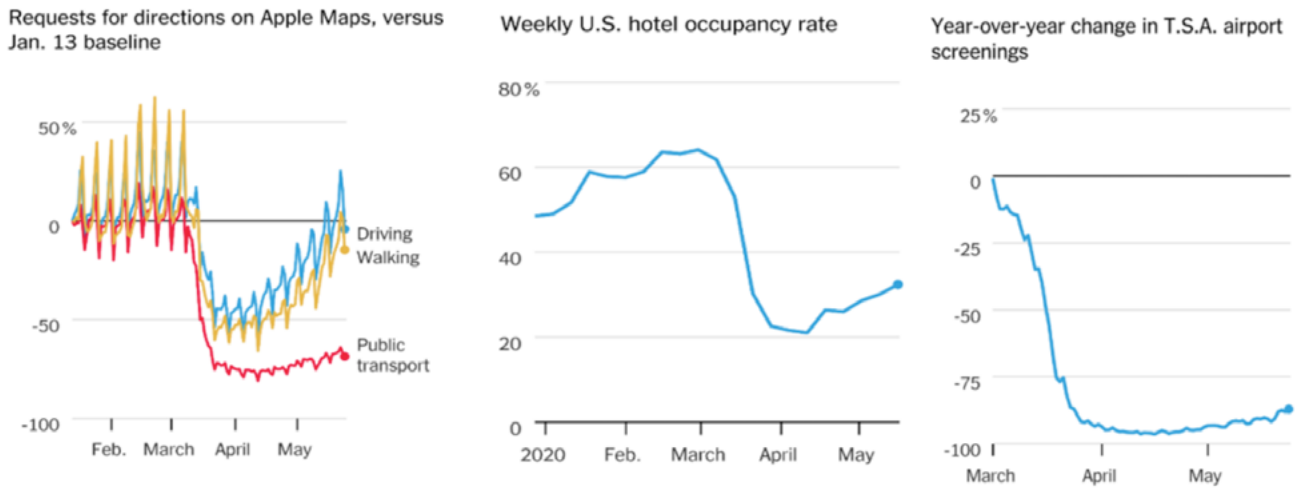


Exhibit 5.

IATA: Outlook for Air Travel in the Next 5 years. Published 13th May 2020 [link](#)

Business confidence has rebounded in China As lock-down relaxed in China 'V-shaped' rise of business confidence

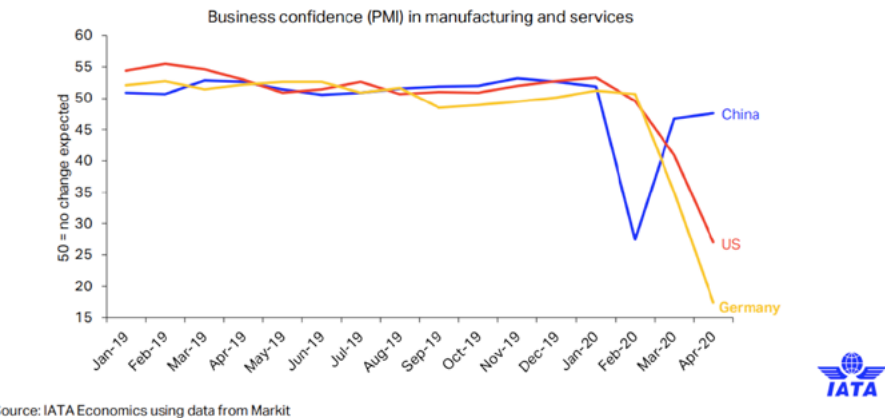


Exhibit 6.

Verisk Financial: Marketview.
Weekly Spend compared to
same week last year.

Week Ending	\$
09-Feb	-4.6%
16-Feb	-3.9%
23-Feb	+0.6%
01-Mar	+1.2%
08-Mar	-2.0%
15-Mar	+2.7%
22-Mar	-12.7%
29-Mar	-53.3%
05-Apr	-73.1%
12-Apr	-75.7%
19-Apr	-80.3%
26-Apr	-79.1%
03-May	-64.4%
10-May	-58.4%
17-May	-36.6%
24-May	-24.6%

Exhibit 7.

IATA: Outlook for Air Travel in the Next 5 years. Published 13th May 2020 [link](#)

Air travel may recover more slowly than most of economy Global RPKs recover 2019 levels in 2023, 2 years behind GDP recovery

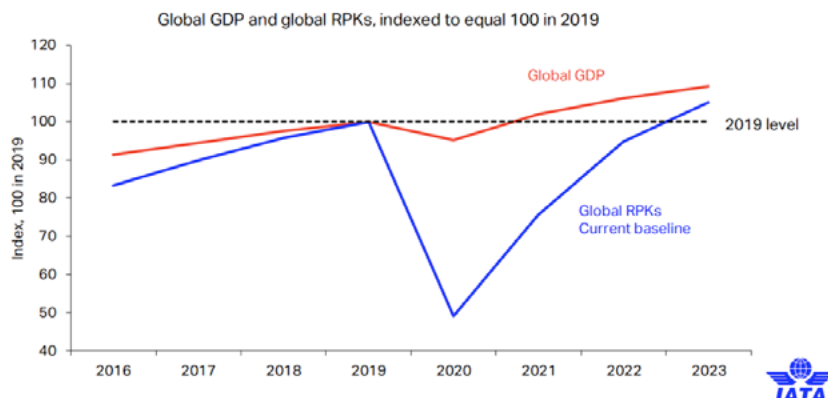


Exhibit 8.

IATA: Outlook for Air Travel in the Next 5 years. Published 13th May 2020 [link](#)

International RPKs will lag domestic air travel markets International air travel may not recover 2019 levels until 2023-24

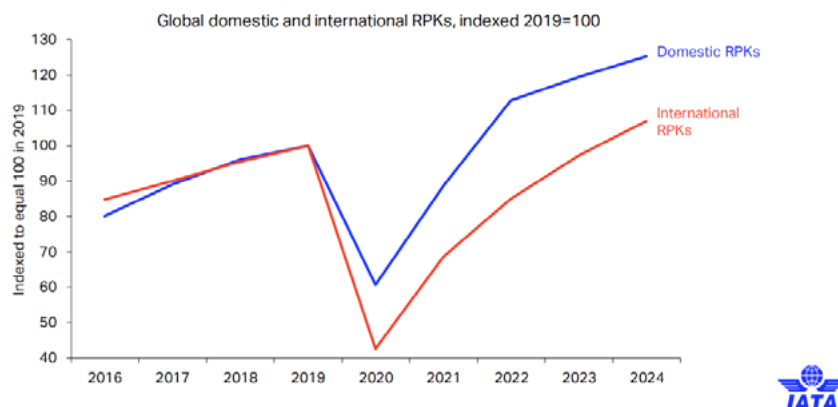


Exhibit 9.

Bloomberg: Mapping the Coronavirus Outbreak Across the World. Updated 2nd June 2020. [Link](#)

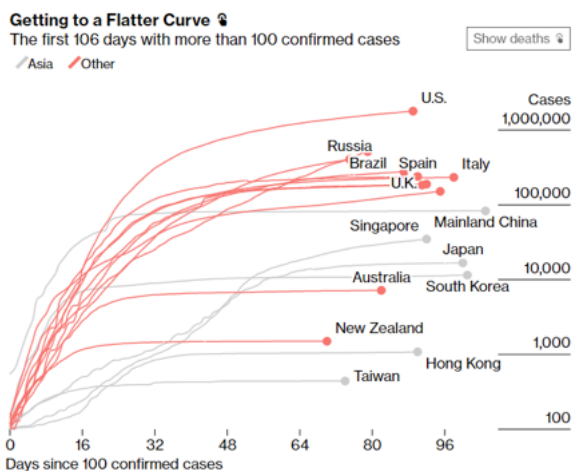


Exhibit 11.

Covid-19 WHO bell curves (Current as of 02-06-2020) (World Health Organisation: WHO Coronavirus Disease (COVID-19) Dashboard. [\(Link\)](#))

Global

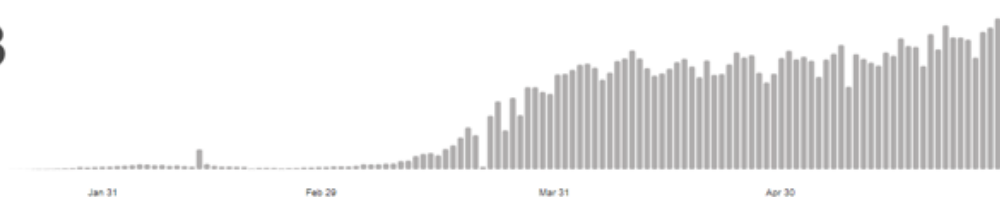
Confirmed Cases Over Time

Daily

6,057,853

confirmed cases

Source: World Health Organization



New Zealand

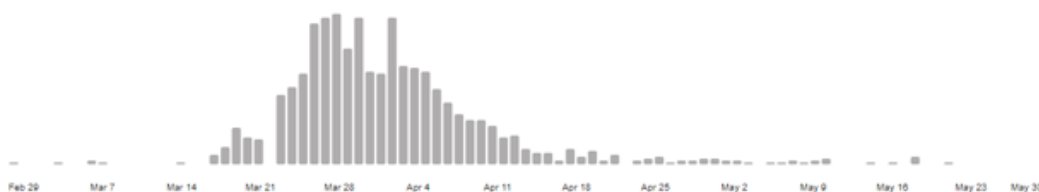
Confirmed Cases Over Time

Daily

1,154

confirmed cases

Source: World Health Organization



Australia

Confirmed Cases Over Time

Daily

7,195

confirmed cases

Source: World Health Organization



China

Confirmed Cases Over Time

Daily

84,588

confirmed cases

Source: World Health Organization



United States

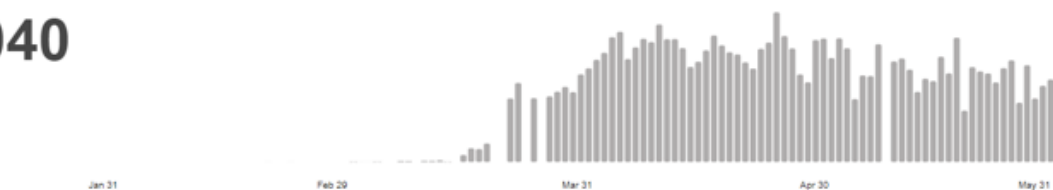
Confirmed Cases Over Time

Daily

1,734,040

confirmed cases

Source: World Health Organization



United Kingdom

Confirmed Cases Over Time

Daily

274,766

confirmed cases

Source: World Health Organization



South Korea

Confirmed Cases Over Time

Daily

11,503

confirmed cases

Source: World Health Organization



Japan

Confirmed Cases Over Time

Daily

16,884

confirmed cases

Source: World Health Organization



Germany

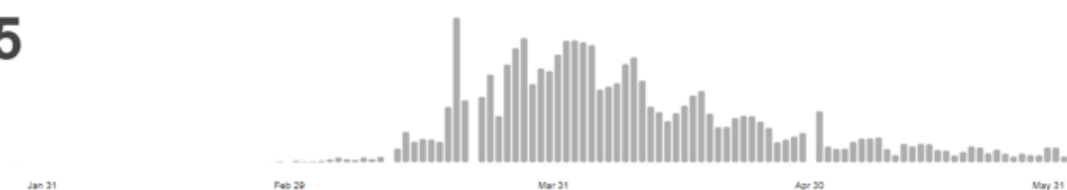
Confirmed Cases Over Time

Daily

181,815

confirmed cases

Source: World Health Organization



India

Confirmed Cases Over Time

Daily

190,535

confirmed cases

Source: World Health Organization



Singapore

Confirmed Cases Over Time

Daily

34,884

confirmed cases

Source: World Health Organization



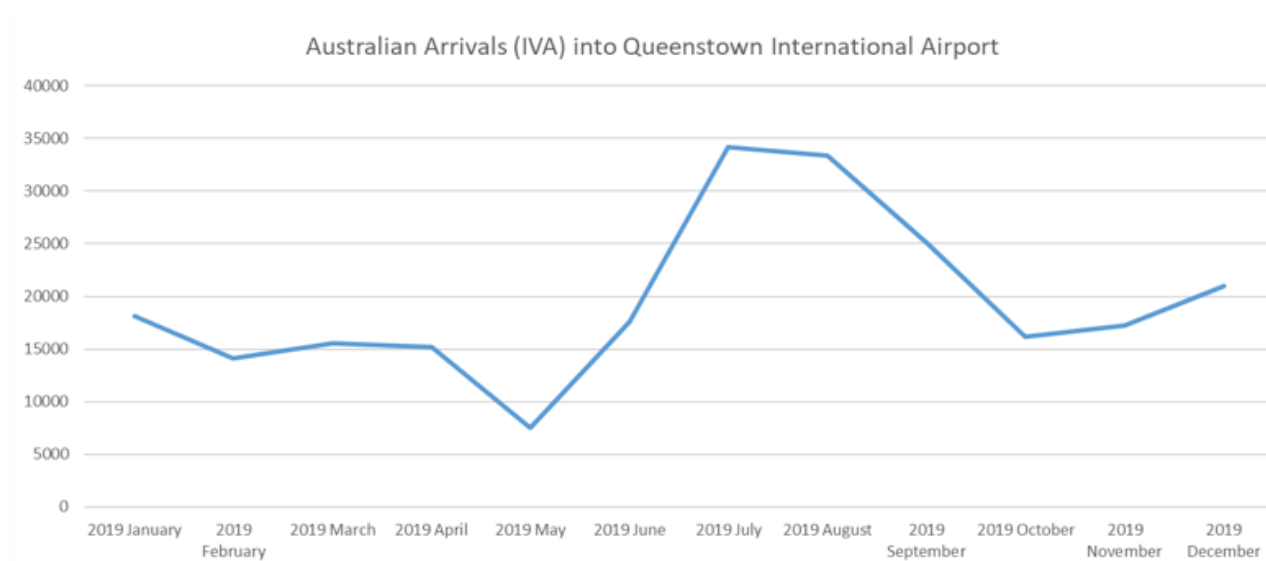
Exhibit 11.

Travel Weekly: The Timeline for International Travel's Restart has just become a whole lot clearer, thanks to a new chart detailing Australia's Plans. Published 28th May 2020. [Link](#)



Exhibit 12.

Statistics New Zealand: 2019 International Visitor Arrivals. Pulled March 15th 2020



Sources and References

- ¹ The New Zealand Treasury: Weekly Economic Update. 29th May 2020 [link](#)
- ² ANZ Weekly Focus: Flightless Kiwis. Published May 25th 2020 [link](#)
- ³ BNZ Markets Outlook: Unbearable! Australia Out In Front. Published 25th May 2020 [link](#)
- ⁴ Bloomberg: Australia's Credit Rating Outlook Cut to Negative by Fitch. Published 22nd May 2020 [link](#)
- ⁵ Statista: ECONOMIC IMPACT OF COVID-19: Has the Stock Market Moved On From COVID-19? Published 29th May 2020 [link](#)
- ⁶ New York Times: The Reopening, in 5 Charts. Published on 26th May 2020 [link](#)
- ⁷ Verisk Financial: Marketview: Weekly Card Transaction Measure Queenstown Lakes District: Week Ending 26th May 2020
- ⁸ IATA: Outlook for Air Travel in the Next 5 years. Published 13th May 2020 [link](#)
- ⁹ McKinsey: A New Approach in Tracking Travel Demand [link](#)
- ¹⁰ Air New Zealand: Market Announcement, Air New Zealand liquidity and 2020 earnings update. Published May 26th 2020.
- ¹¹ World Health Organisation: DRAFT landscape of COVID-19 candidate vaccines – 30 May 2020. Published 30th May 2020 [link](#)
- ¹² New Zealand Herald: Covid-10 Coronavirus: \$37m for vaccine research and to join global development. Published 26th May 2020. [link](#)
- ¹³ Horizon Poll: 1.22 million adults intend taking a domestic holiday. [Link](#)
- ¹⁴ NewsHub: Airbnb data reveals massive increase in New Zealand domestic travel bookings. Published 21st May 2020 [link](#)
- ¹⁵ Skyscanner. Weekly Travel Insights – 21 May. Published 21st May 2020. [Link](#)
- ¹⁶ Tourism New Zealand: TNZ Scenario Models April-May 2020. [Link](#)
- ¹⁷ Travel Weekly: The timeline for international travel's restart has just become a whole lot clearer, thanks to a new chart detailing Australia's plans. Published 28th May 2020. [Link](#)
- ¹⁸ Bloomberg: Quarantine- Free Flights from Australia Could Start Within Weeks. Published 27th May 2020. [Link](#)
- ¹⁹ McKinsey: Hitting the road again: How Chinese Travelers are thinking about their first trip after COVID-19. Published 14th May 2020. [Link](#)