



news | FLASH

From the Department of Tourism and Hospitality Management

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The World Health Organization (WHO) announcement of the swine flu outbreak in Mexico will hurt airline, travel and hotel companies. The flu outbreak has spread from Mexico to Spain, Canada, five U.S. states and NZ. Amid the global recession, discretionary travel would be cut back even more as countries take precautionary measures to control the spread of the flu virus. The swine flu is a grim reminder of SARS which killed about 800 people globally in 2003 and almost devastated the tourism industry in some countries, especially in Asia.

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Prior to the WHO announcement of the swine flu outbreak, passenger numbers have fallen sharply even for the world's most profitable airlines: Singapore Airlines, Air China & Qantas. Decline in travel demand on its long haul routes to the USA and Europe is hurting their business.

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China's massive economic stimulus of 4 trillion yuan (NZ\$1 trillion) appears to be working to boost investment infrastructure, consumption and trade. This is important for NZ's trading future as China is NZ's 4th largest trading partner and NZ's 4th major tourist market. As the world's largest holder of US T-bills, China is the largest US creditor.

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Tourism NZ has spent \$3 million in marketing campaign on the US Discovery Channel with a tagline "Lifeback Promise" – it is aimed at enhancing American's awareness of NZ and to stem further decline in US tourist flows to NZ.

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The weaker Kiwi dollar has not boosted tourist numbers from long haul markets which are expected to contract considerably as we come out of the high summer season. The Aussie market has grown in the March quarter of this year.

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Recently, the International Monetary Fund has predicted the Australian economy to contract (by 1.4%) faster than the world's average of 1.3% this year, in which case it is debatable whether NZ's largest source market will remain stable as expected.

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The weaker Kiwi dollar has certainly boosted foreign student numbers. Another noticeable change in the student markets is the demand shift from China, South Korea and Japan to India, Brazil and Saudi Arabia.

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The signing of the free trade deal with ASEAN could help boost NZ's tangible trade (dairy, meat & minerals), tourism and educational exports.

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Last-minute booking trends and heavy discounting in the hotel industry are risky for their business. It takes a long time for room rates to recover after they have been discounted. This would adversely affect the industry profits, and hamper their ability to reinvest in maintenance and refurbishment.

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As part of the research commissioned by the Holiday Accommodation Parks Association of NZ, a study in 2007 has found that holiday parks played a vital role in stimulating local and regional economic activities. As expected, most of the expenditures on accommodation, food, attractions and other activities are contributed by domestic tourists.

