

Quarterly Economic Update Q2 : 2019



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Blair Keenan has an undergraduate degree from the University of Otago. Keenan worked at ANZ as a macro-economist and industry analyst for five years before heading overseas as a researcher for Japan's External Trade Organisation in the UK. While in the UK, he also received his Master's degree in applied environmental economics from the University of London and was an economist at the National Farmers Union of England and Wales.

Back in New Zealand, he held several policy roles at Landcare Research, Department of Internal Affairs and Housing New Zealand before his current role as principal economist at Waikato Regional Council. He also continues to collaborate on projects with the University of Waikato, CRIs, central and local government, and a variety of industry groups.

On tour in the Waikato

From the Coromandel to King Country; Port Waikato to the pathways of Pureora; from Hobbiton to Hamilton – and many places in between, the Waikato region is full of potential places to go and things to see and do.

Not surprising, then, that in its latest [Shaping our slice of heaven](#) report, Deloitte suggests that the tourism industry has the potential to provide as much additional economic benefit to the region over the next 20 years (\$1.4 billion) as its other three 'industries of opportunity' combined. At the same time, tourism is increasingly coming into focus at a national level, with new strategies launched by both [central government](#) and [Tourism Industry Aotearoa](#) in May.

The Waikato region has three very distinct visitor strategies for Hamilton & Waikato Tourism, Destination Coromandel and Destination Great Lake Taupō.

In 2016 Hamilton & Waikato Tourism adopted the [Regional Tourism Opportunities Plan](#) to lift the value of tourism for the region. The growth and opportunities are covered in a summary document of the plan.

So what does the foundation of this impressive opportunity look like? What is the state of play with Waikato tourism now? And what needs to be done to achieve the impressive opportunities foreseen by Deloitte?



Waitomo Caves



Little Bay Coromandel Peninsula

The biggest spenders amongst tourists were from Europe, Australia, Asia and America

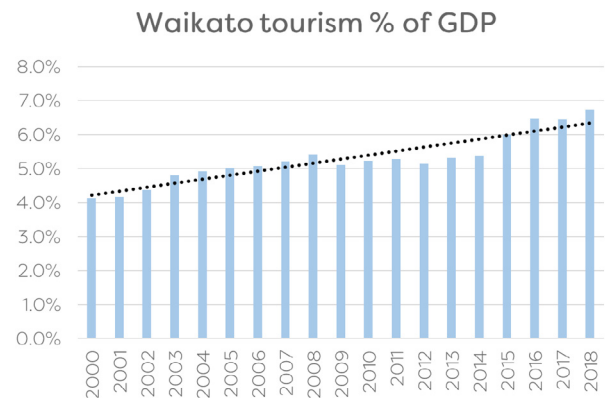
According to the Ministry of Business, Innovation and Employment (MBIE), tourism spending in the Waikato reached \$2.7 billion in the last year, with three-quarters (\$2 billion) coming from domestic tourists, and the remainder (\$700 million) from international visitors. Around half of that spending comes from Auckland, Bay of Plenty, or from within the Waikato itself. The biggest spenders amongst international tourists in the Waikato were from Europe (nine percent of total spending), Australia and Asia (six percent respectively) and the Americas (five percent).

Tourism has been steadily growing in importance in the Waikato in recent times. From around four percent of regional Gross Domestic Product (GDP) in 2000, and after catching its breath for a few years following the global financial crisis, the tourism sector now makes up nearly seven percent of GDP.

While Waikato's tourism offering is spread across the region, the value added is centred around two areas: Hamilton City and Taupō District, which together make up 60 percent of the regional total. Adding in the Thames-Coromandel District, these three districts make up three-quarters of the regions tourism industry. However, the fastest growing district for tourism has been the home of Hobbiton, the Matamata-Piako District where value-added has increased by 160 percent since 2010.

The growth in visitor numbers also shows up in occupancy rates for accommodation, with especially large increases in Hamilton, Matamata-Piako and South Waikato. In the case of Hamilton, average occupancy rates are now amongst the highest in the country, at 66.5 percent, and when large events roll into town (such as [Fieldays](#), the HSBC World Rugby Sevens series, or the conference of the Native American and Indigenous Studies Association [later this month](#)), there is little or no room at the inn. With the prospect of further growth in demand, the case for investment in new capacity in and around Hamilton is surely worth a closer look.

Figure 1



Source: Infometrics

Figure 2

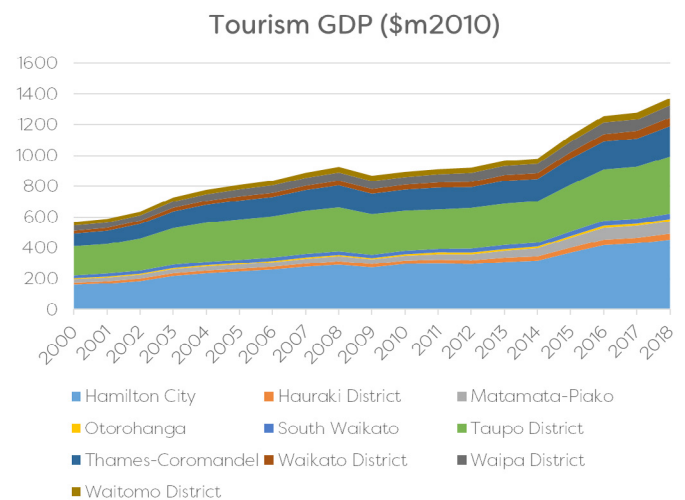
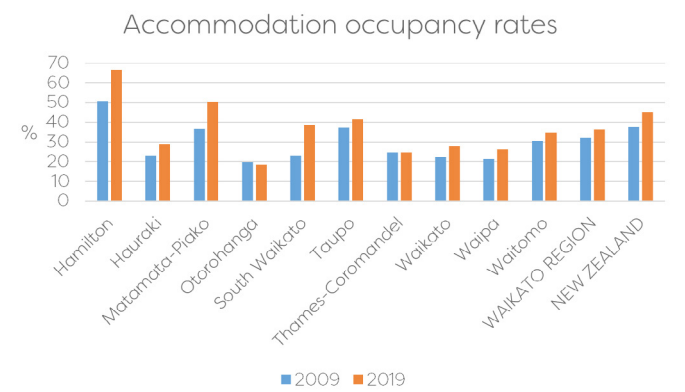


Figure 3



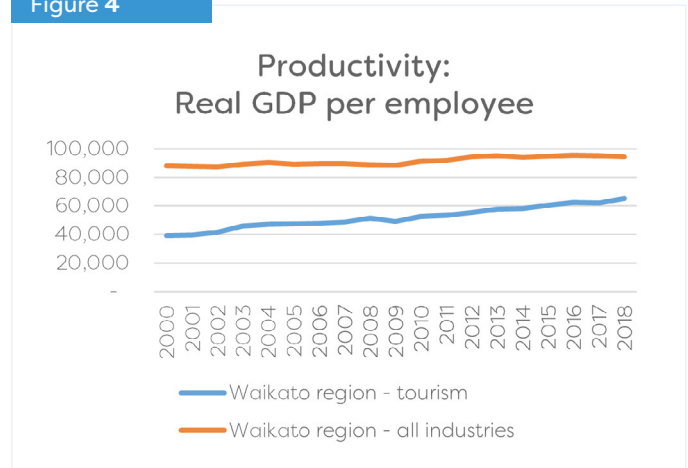
Tourism dollars employ 21,000 people in the Waikato region

But the tourism industry is much more than accommodation services. It covers a proportion of retail trade. Many businesses in retailing, restaurants and cafes, transport, tourist sites and other activities have an important part of their customer base that derives from visitors. Across these various sectors, tourism dollars employ 21,000 people in the Waikato region.

The importance of the tourism sector to the regional economy is clear – and growing. But what is required to achieve the sort of growth that Deloitte envisages?

One point to consider: If we put our efforts and resources into growing the tourism industry, what is the opportunity

Figure 4



cost? What else might we have done with those resources? Are we confident that there were not other, higher value, uses for our capital? This question is particularly pertinent because jobs in the tourism sector have historically had relatively low levels of productivity. If we add jobs in this sector, do we limit the value that is being created?



Waireinga/Bridal Veil Falls, Raglan

There are a couple of reasons why we might be cautiously optimistic here. Firstly because this issue is recognised, and explicitly addressed in industry strategies. For example, improving tourism sector productivity is an explicit outcome sought by the government's strategy. The TIA strategy includes specific actions that address the productivity question, including better measurement of productivity, targeting value rather than volume and prioritising infrastructure investment. Of course, the devil is in the detail, and the challenge for the sector will be to make sure that this focus continues to translate into tangible and effective actions.

Another point to note is that a large proportion of tourism products in the Waikato are critically dependent on the region's natural capital.

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This means the industry has a vested interest in the health of the environment, and is not engaging in activities that would damage its own (natural) capital base and hence, its productivity.

Te Waka's Regional Economic Development Programme for 2018-22 (which you can check out [here](#)) provides a good start to efforts to achieve the region's tourism potential. Amongst other things, it pulls together a significant bundle of actions and projects focusing on creative and cultural industries

and environmentally based eco-tourism. Crucially, it involves iwi, Regional Tourism Organisations, local government, businesses and others and aims to make sure all are paddling the waka in unison.

As it this part of the programme progresses, it will be important to keep an eye on the goal of improving productivity in the way we use the region's resources, and by ensuring that the foundations of the sector – the Waikato region's environment, people and infrastructure – are in good shape. •



Huka Falls, Taupō



Balloons over Waikato, Hamilton