

THE TOURISM ECONOMY

PRESENTATION TO VICTORIAN CARAVAN PARKS ASSOCIATION

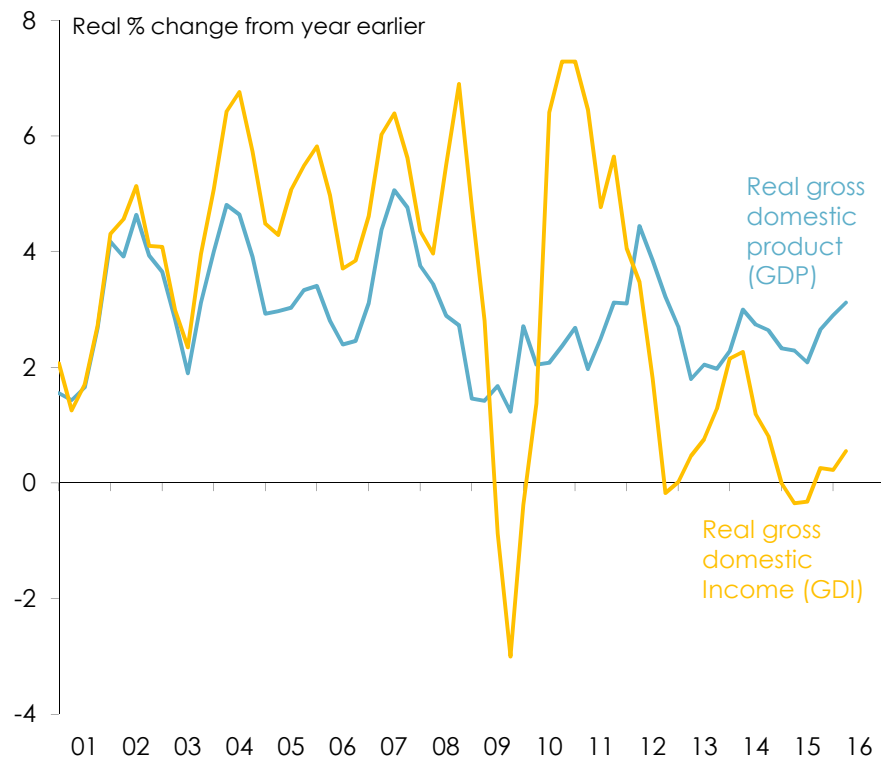
THE PULLMAN ALBERT PARK, MELBOURNE – 23RD AUGUST 2018

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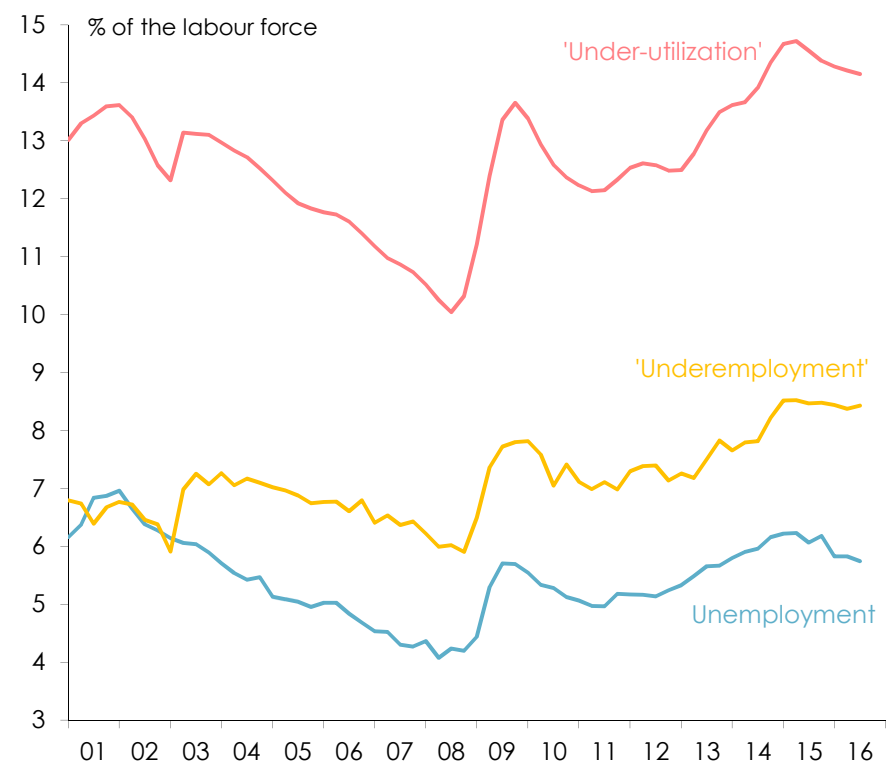
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Growth in the Australian economy has slowed since 2011, while unemployment and 'under-employment' have increased

Growth in real output (GDP) and income (GDI)



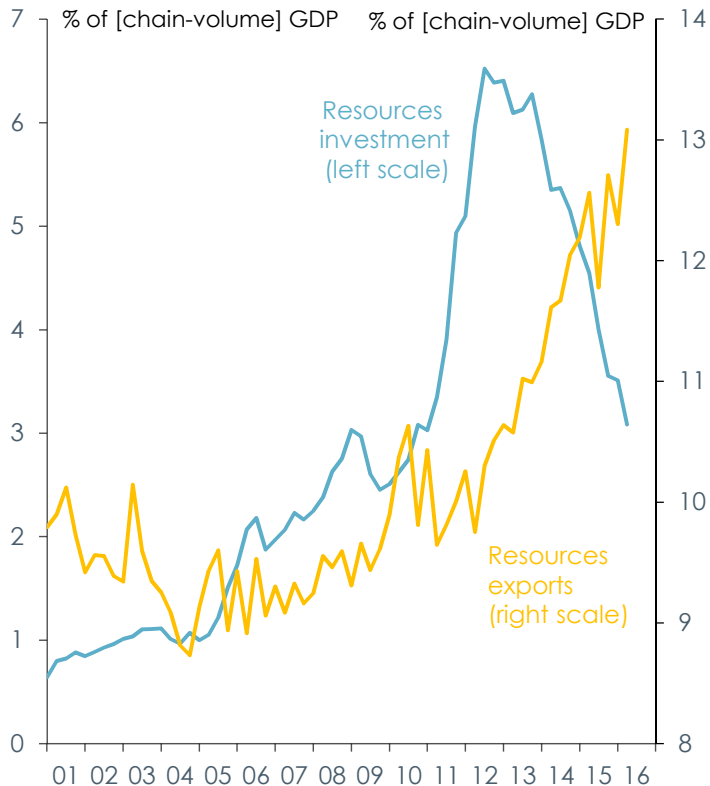
Unemployment, 'under-employment' and 'under-utilization' rates



Note: Real gross domestic income (GDI) is real GDP plus gains or losses arising from changes in the ratio of export to import prices (the terms of trade). 'Under-employed' workers are those who would like, and are available, work more hours than they actually did in the week when the labour force survey was conducted. The 'under-utilization' rate is the sum of the unemployment and 'under-employment' rates. Source: ABS.

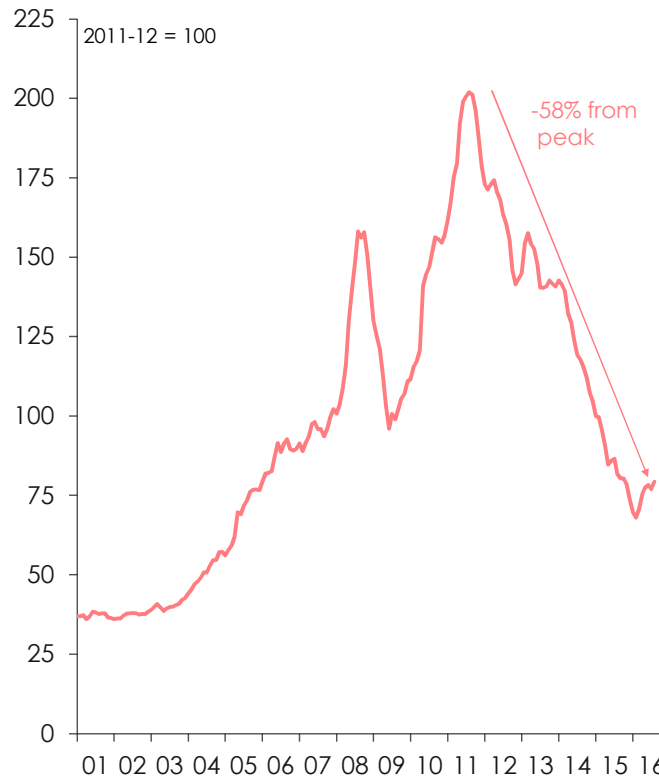
Between 2005 and 2015, the 'resources boom' was the major driver of Australian economic growth – but that boom is now over

Australia's resources investment & export volumes

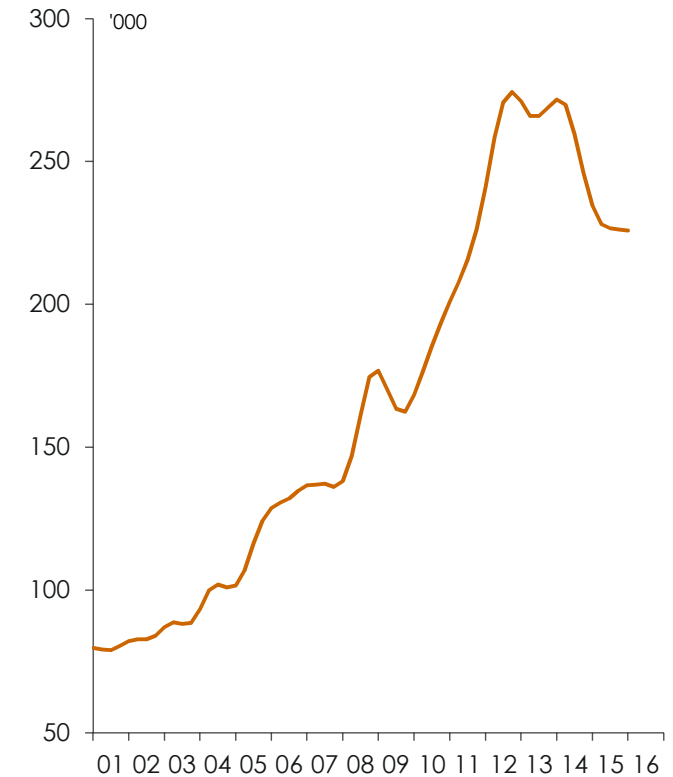


Note: Resources investment includes exploration expenditure.
Source: ABS.

Australia's resources export prices

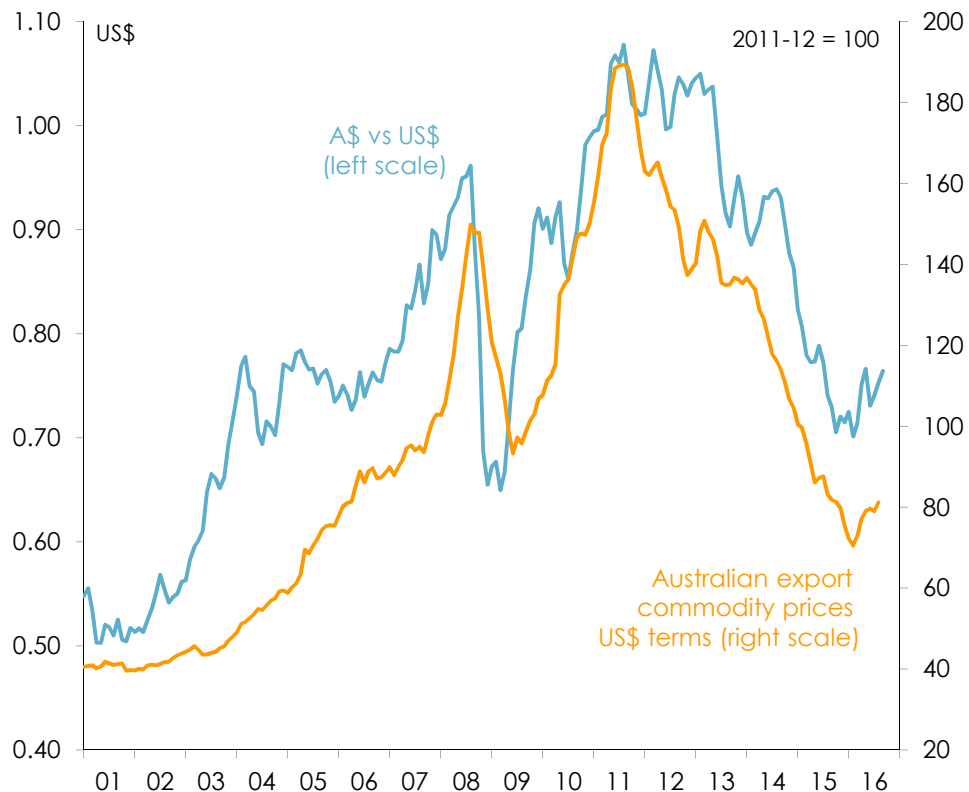


Australia's mining sector employment

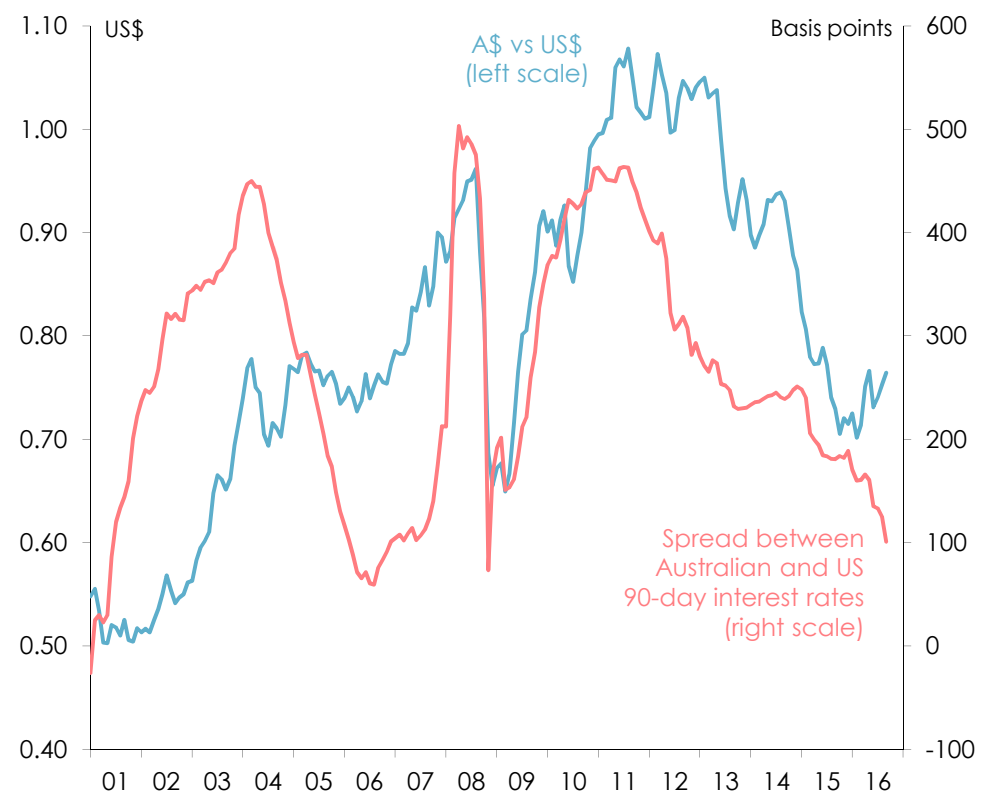


After being pushed above parity with the US\$ during the 'mining boom' the A\$ has now returned to more competitive levels

Australian dollar vs export commodity prices



Australian dollar vs 'spread' between Australian and US interest rates

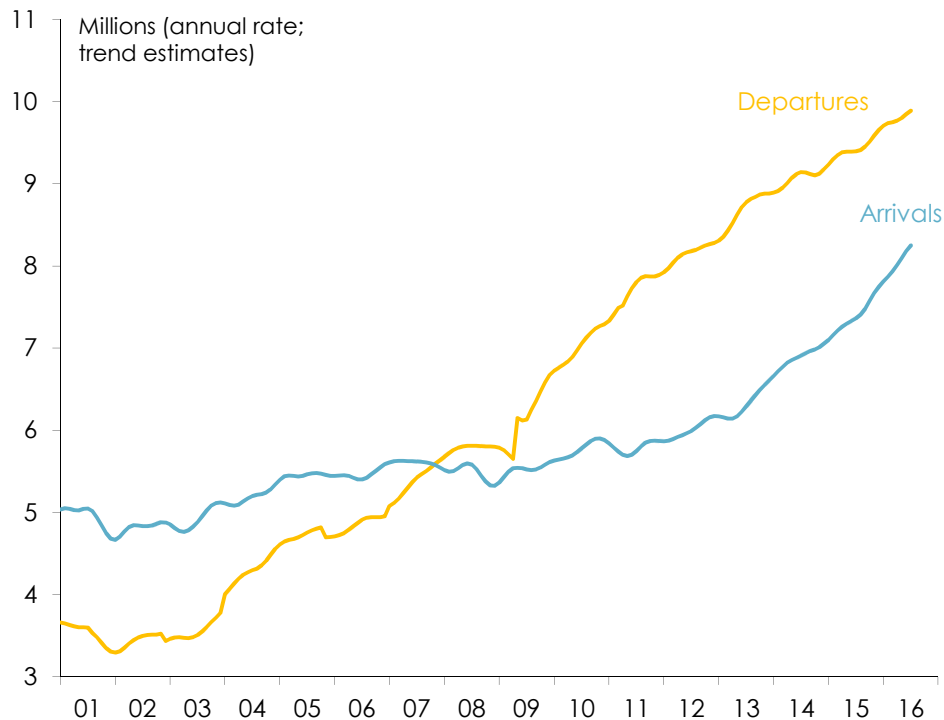


Sources: Reserve Bank of Australia; Thomson Reuters Datastream.

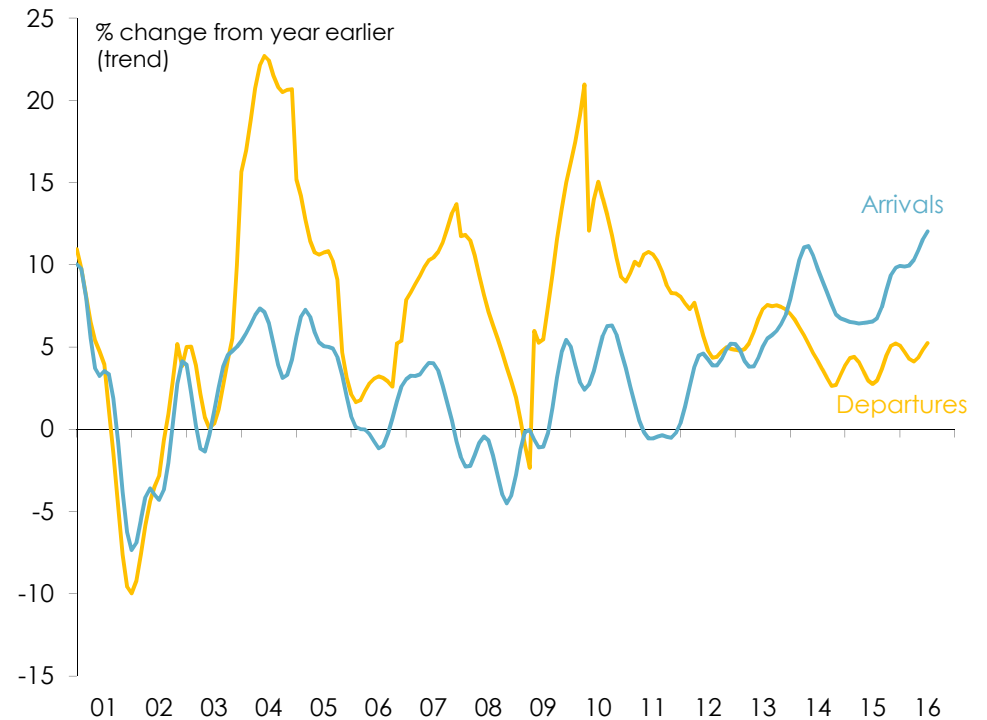
The sharp rise in the A\$ between 2002 and 2011 was a big negative for Australian tourism, but it is now starting to recover

Short-term visitor arrivals to and departures from Australia

Levels



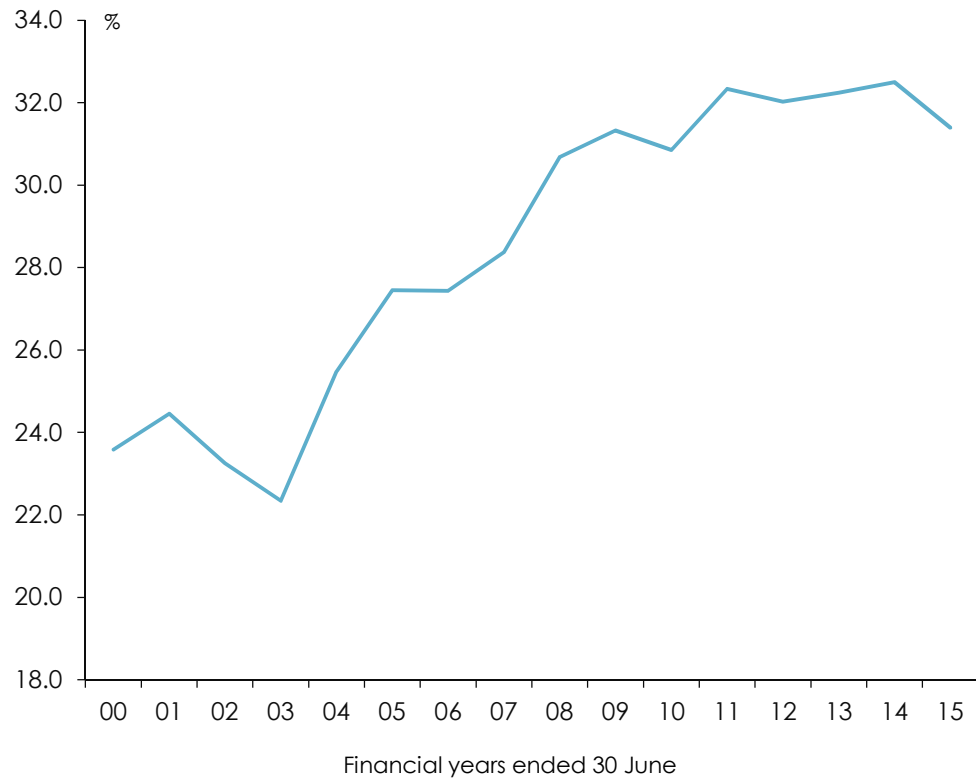
Annual growth rates



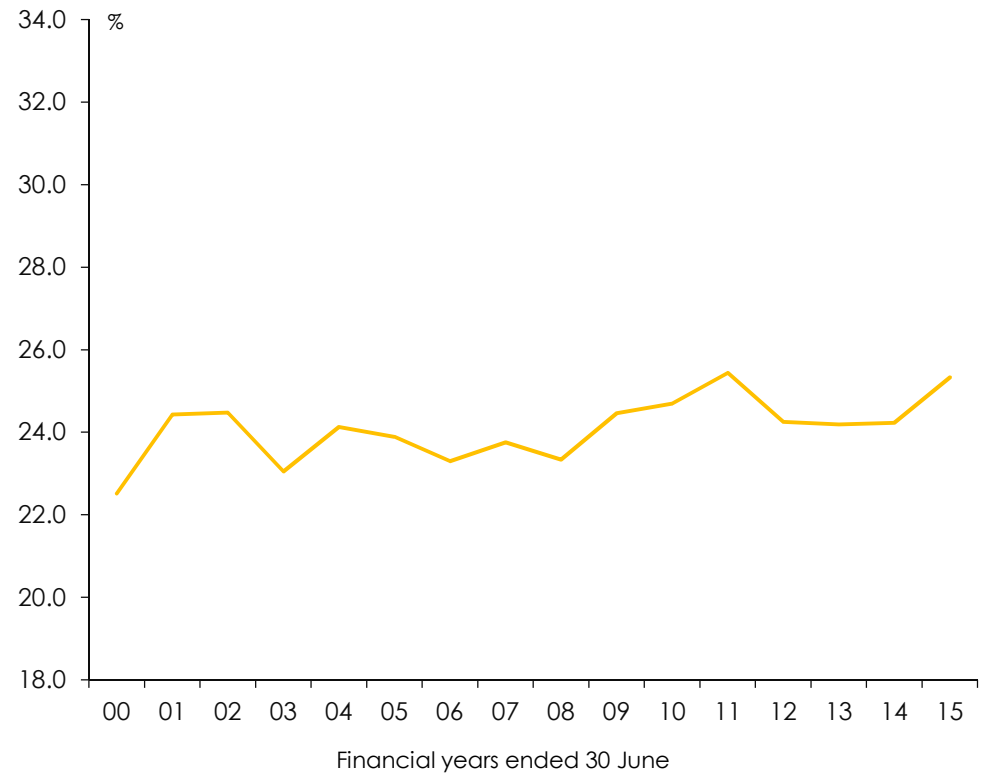
Source: ABS.

As the A\$ rose, Australians spent more of their tourism dollars overseas, while the international share of Australian tourism spending stagnated

Domestic tourism spending as a pc of total tourism spending by Australians



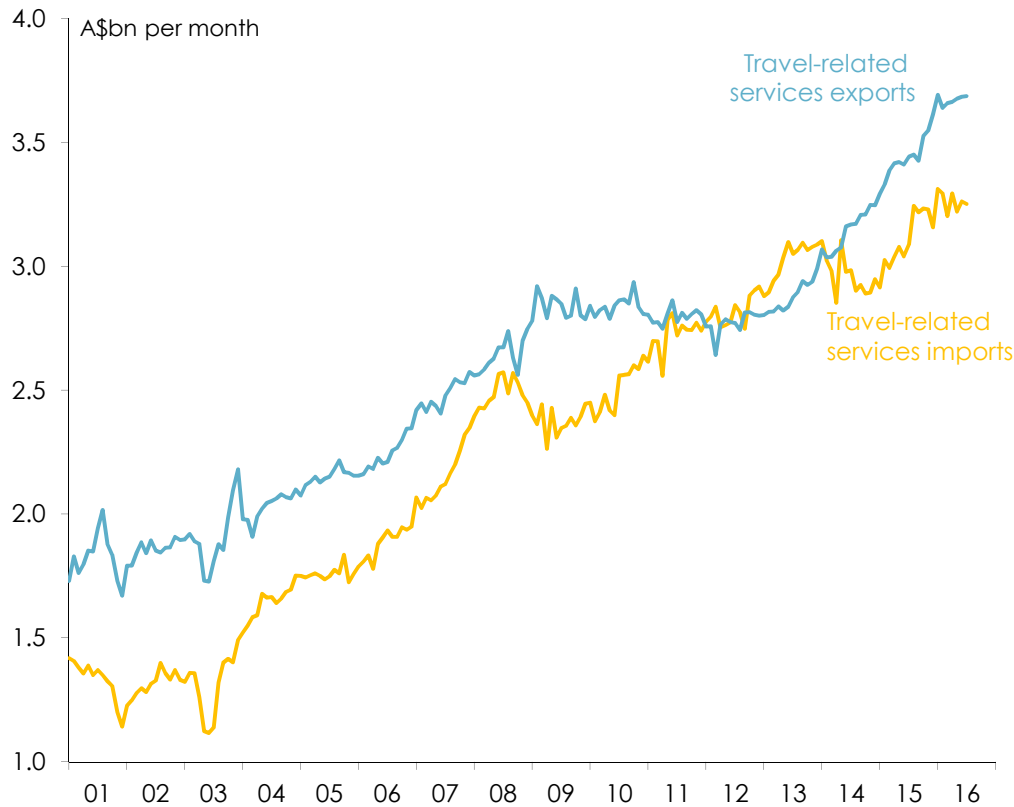
Spending by international visitors as a pc of total tourism spending in Australia



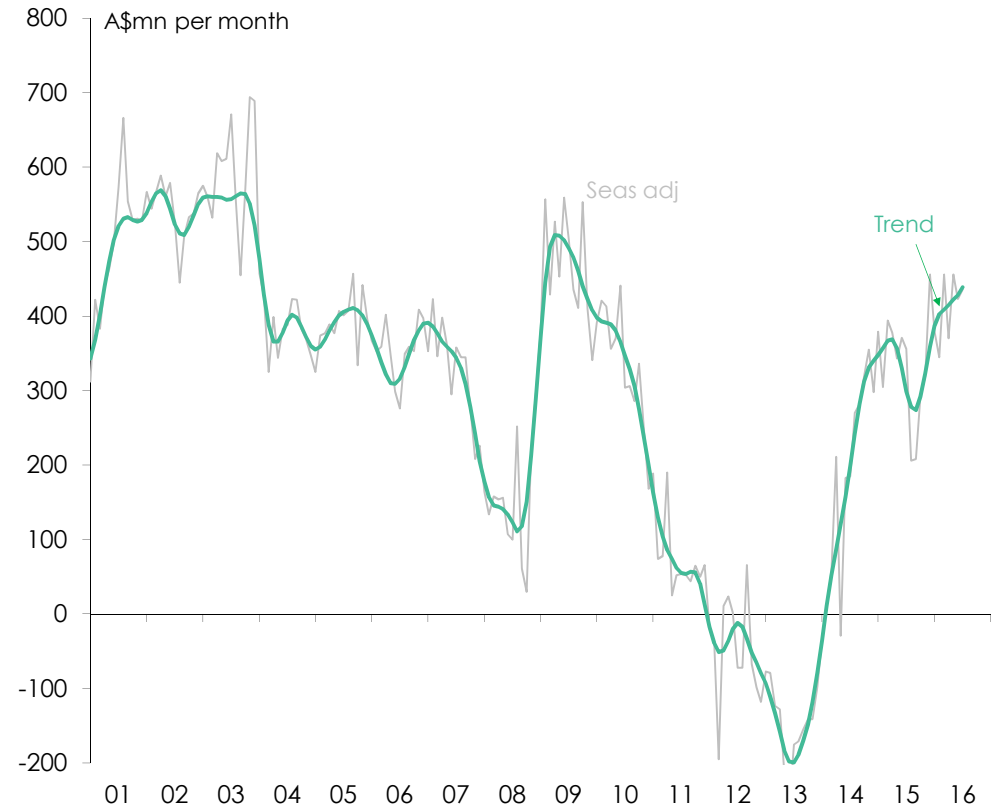
Source: ABS, Tourism Satellite Account 2014-15.

Australia's tourism trade balance swung into deficit when the A\$ was above parity with the US\$, but it is now back in surplus

Travel-related services exports and imports



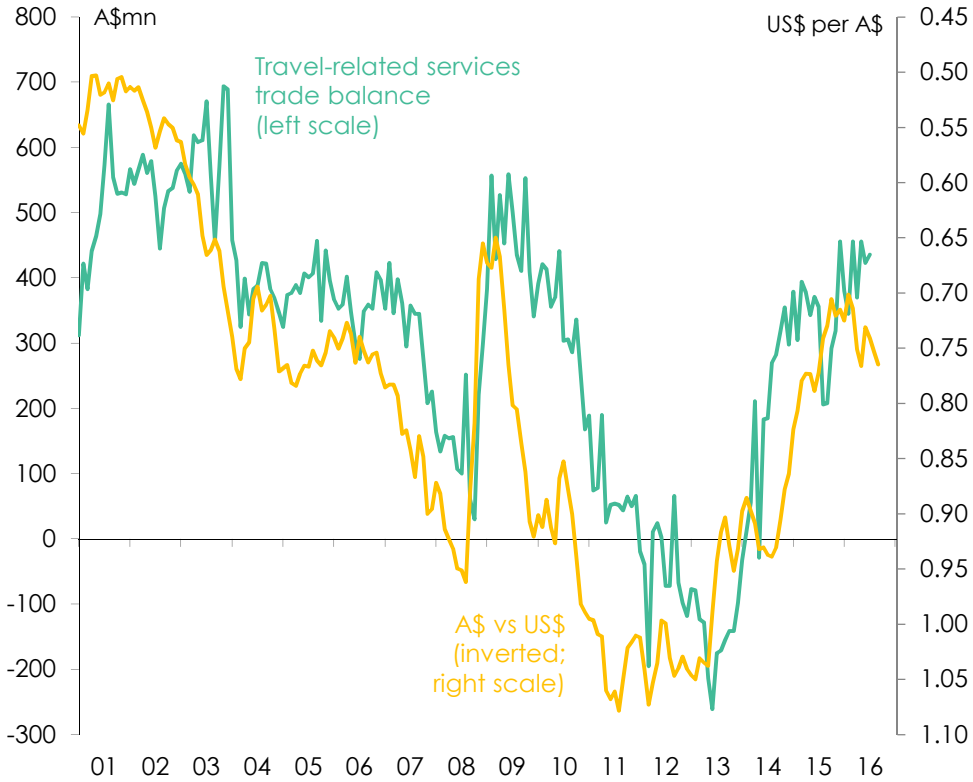
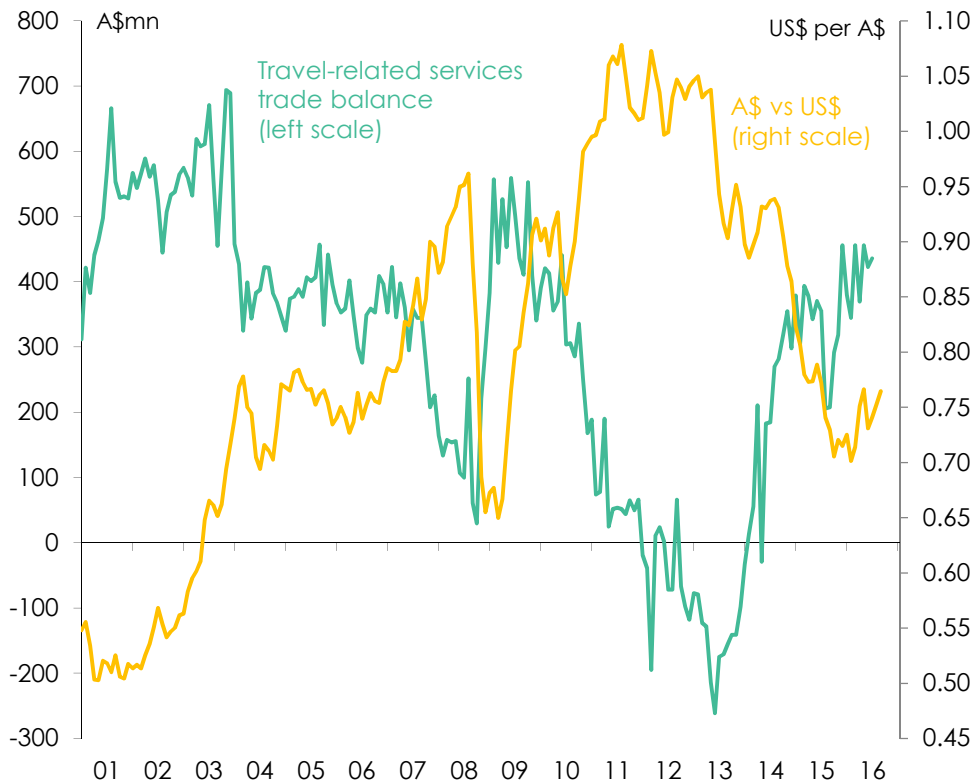
Travel-related services trade balance



Source: ABS.

There's a very strong link between the exchange rate and the balance on Australian travel-related services trade

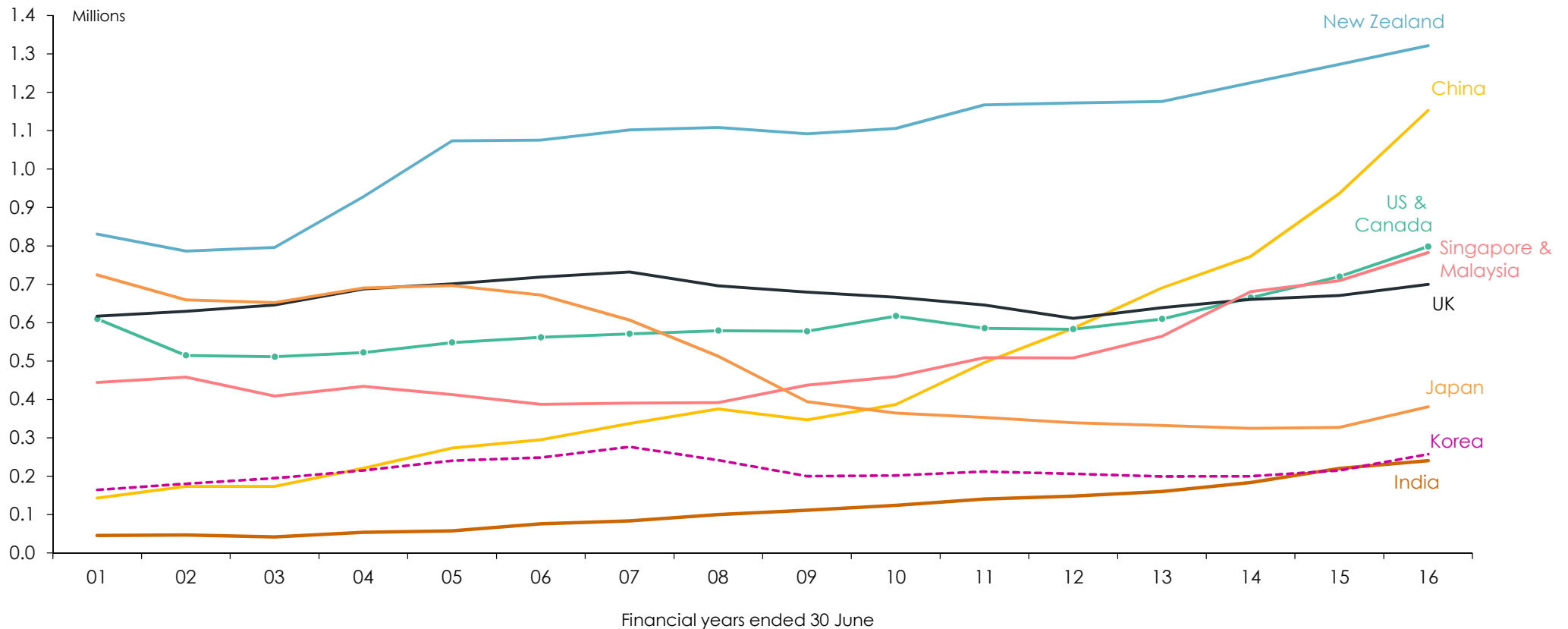
Balance of trade in travel-related services and the Australian dollar



Source: ABS.

Strong growth in visitor numbers from China has been unaffected by fluctuations in the exchange rate

International visitors to Australia, by origin



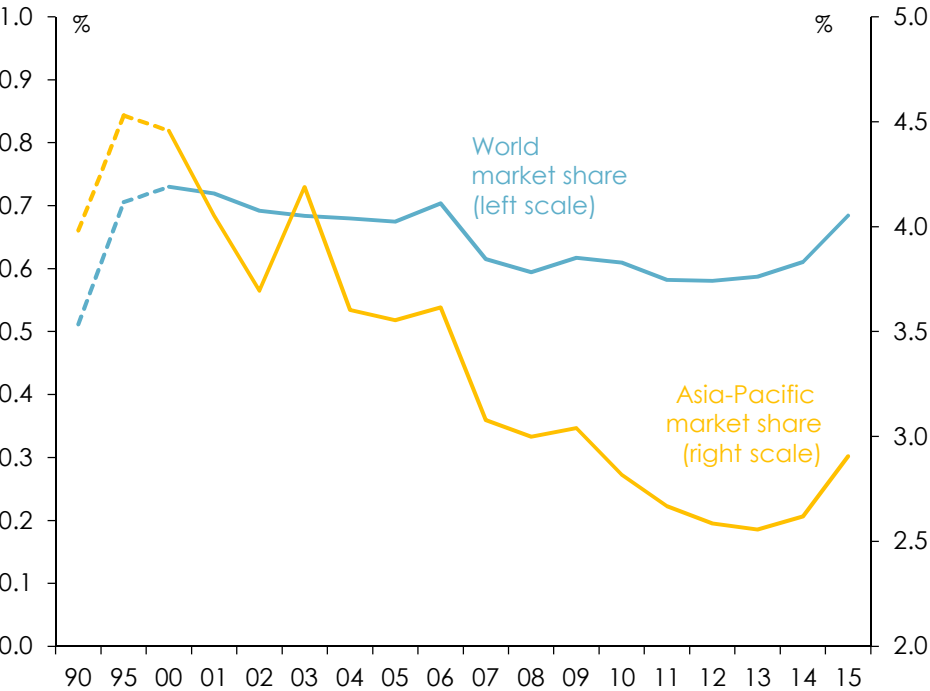
Source: ABS.

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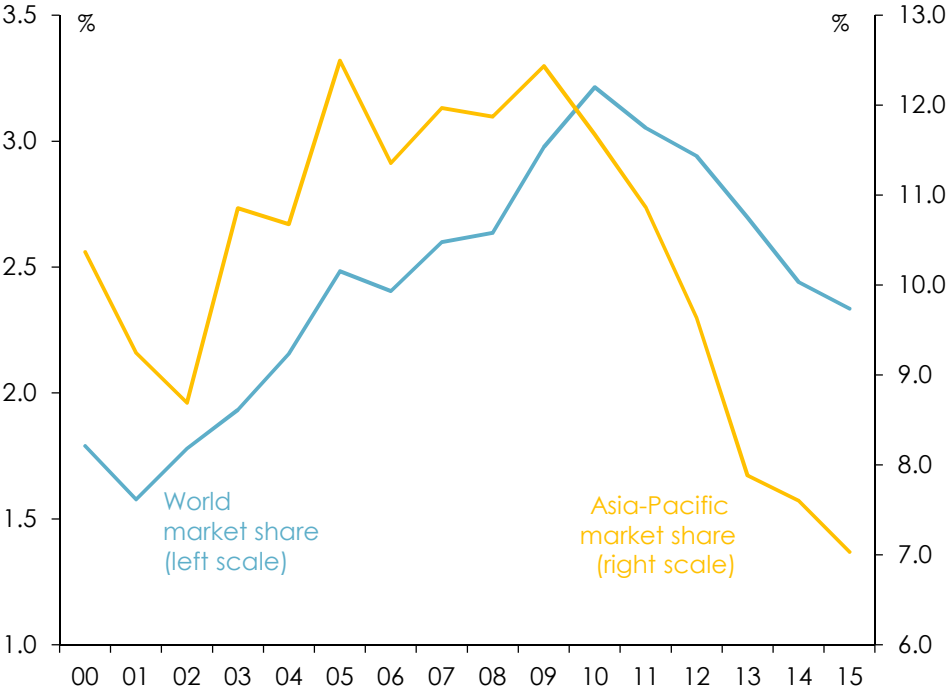
Australia's tourism industry has lost 'market share' over the past six years

Measures of Australian tourism's 'market share'

International visitor arrivals



International tourism receipts

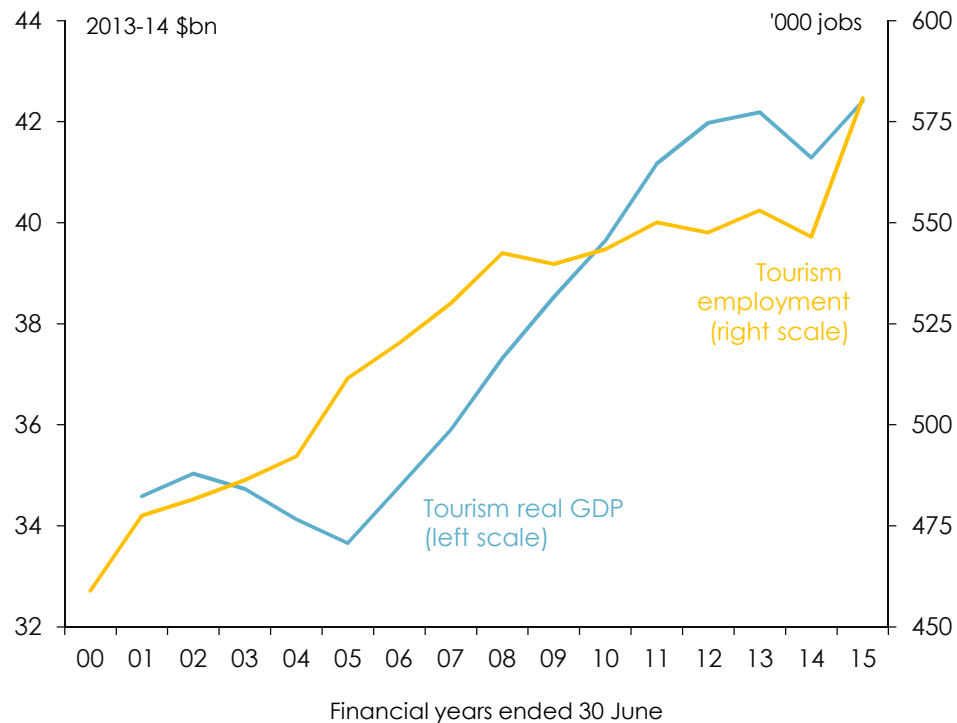


Source: United Nations World Tourism Organization, *Tourism Highlights* (various years).

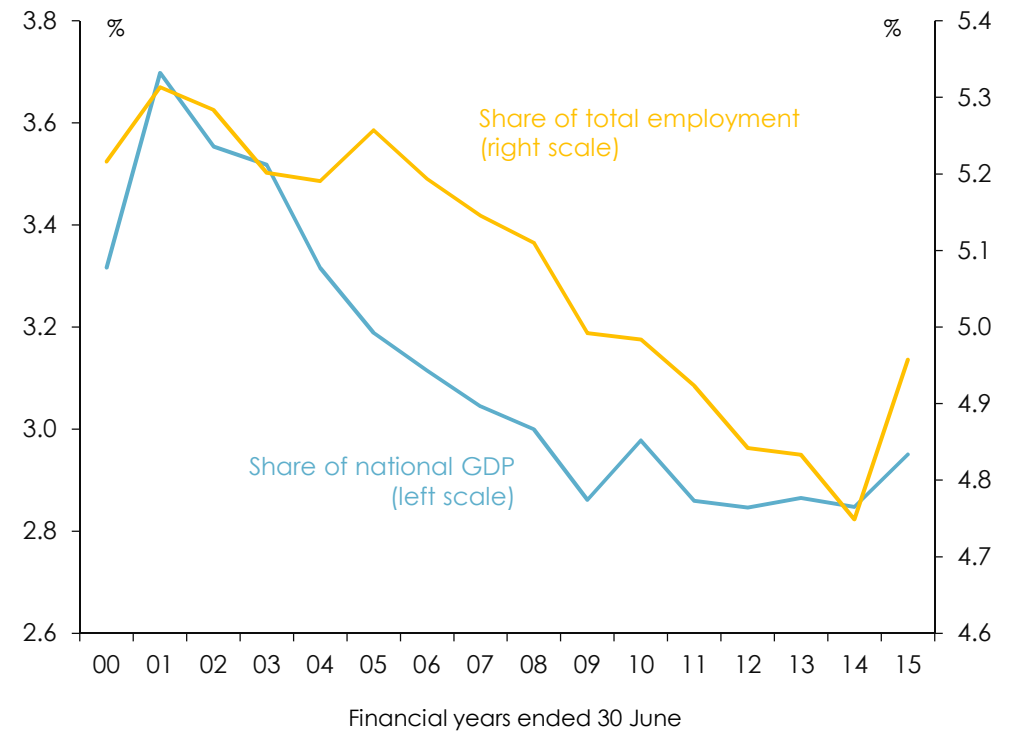
The tourism sector shrank in relative if not absolute terms during the 'mining boom' but is now starting to come back

Tourism industry 'gross product' and employment

Levels



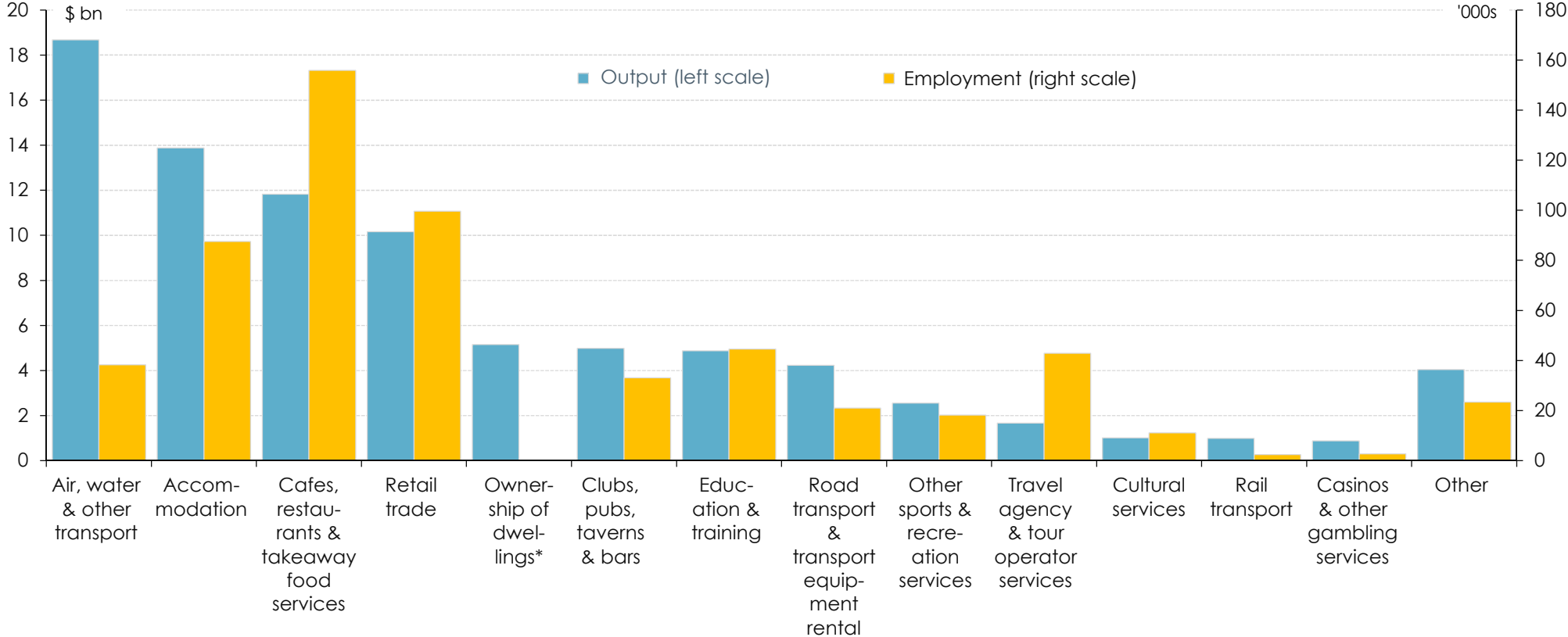
Shares of national totals



Source: ABS Tourism Satellite Account 2014-15.

The tourism industry is spread across a number of different sectors

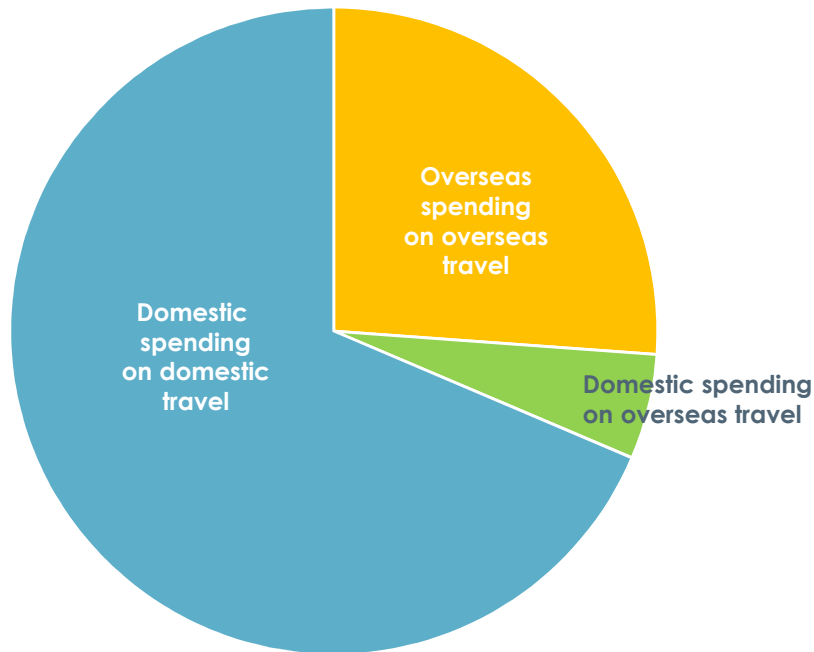
Tourism industry output and employment by sector, 2014-15



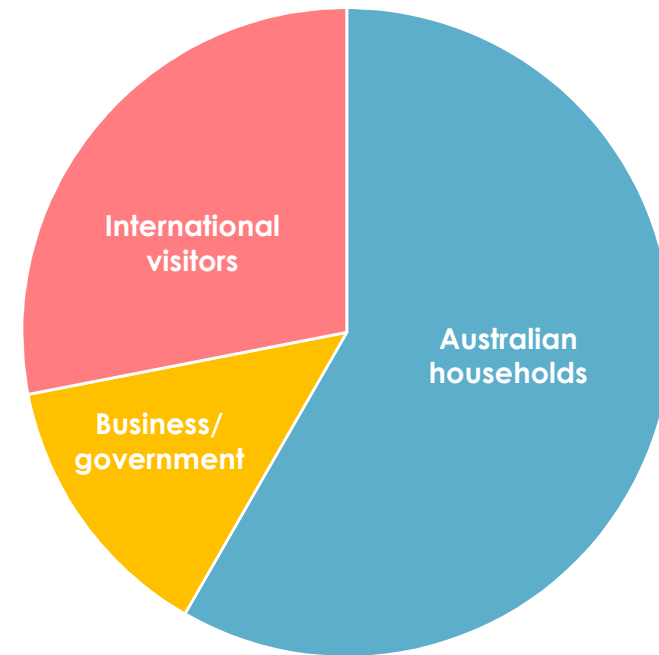
Source: ABS.

Just under $\frac{3}{4}$ of tourism spending by Australians is in Australia, and a similar proportion of tourism spending in Australia is by Australians

Tourism spending by Australians, 2014-15



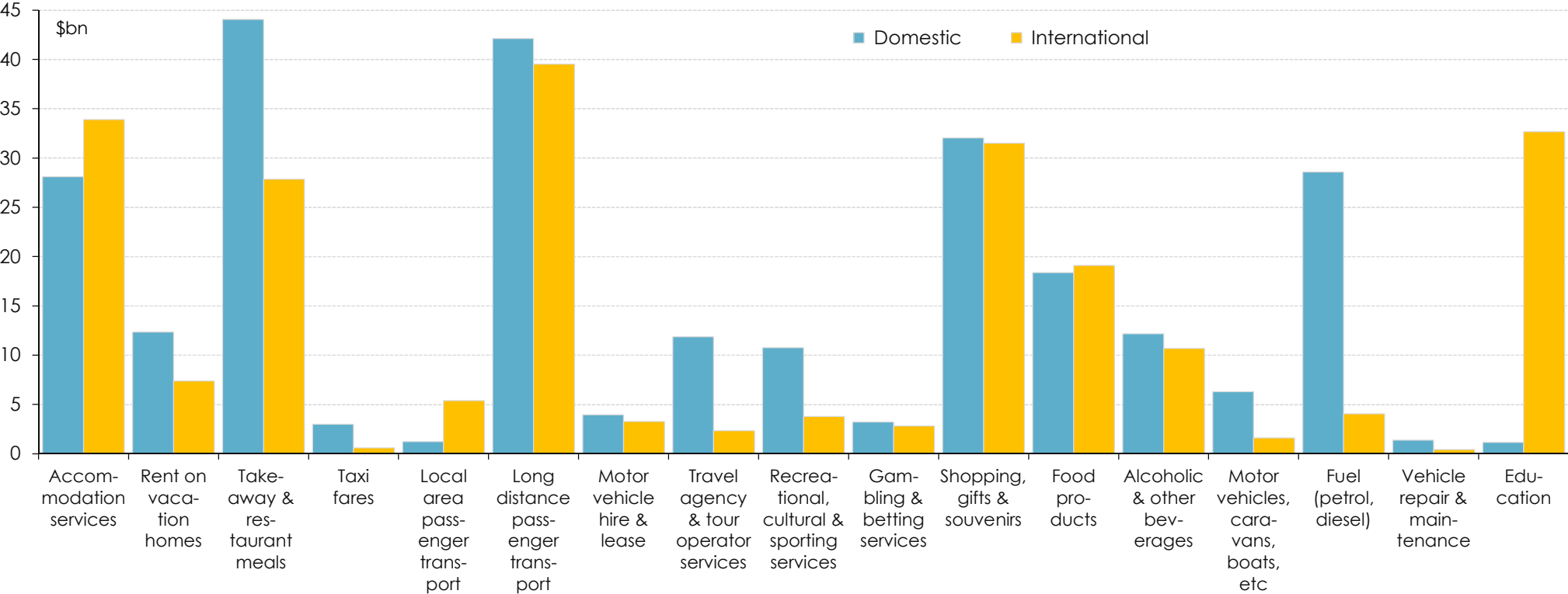
Spending on tourism in Australia, 2014-15



Source: ABS, Tourism Satellite Account 2014-15.

There are some important differences between domestic and international visitors in terms of spending patterns

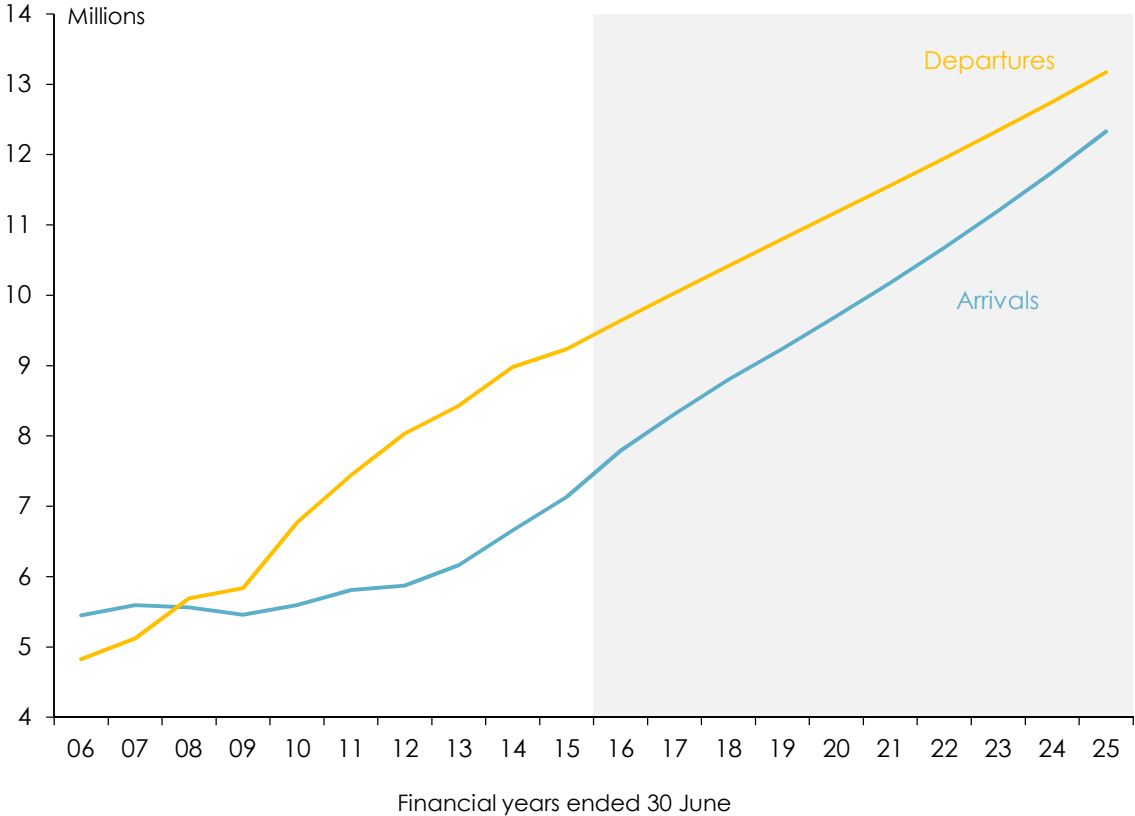
Spending by domestic tourists and international visitors, by 'product', 2014-15



Source: ABS.

Inbound arrivals are expected to continue growing faster than outbound departures over the next ten years

Forecasts of international visitor arrivals and Australian outbound departures, 2015-16 to 2024-25

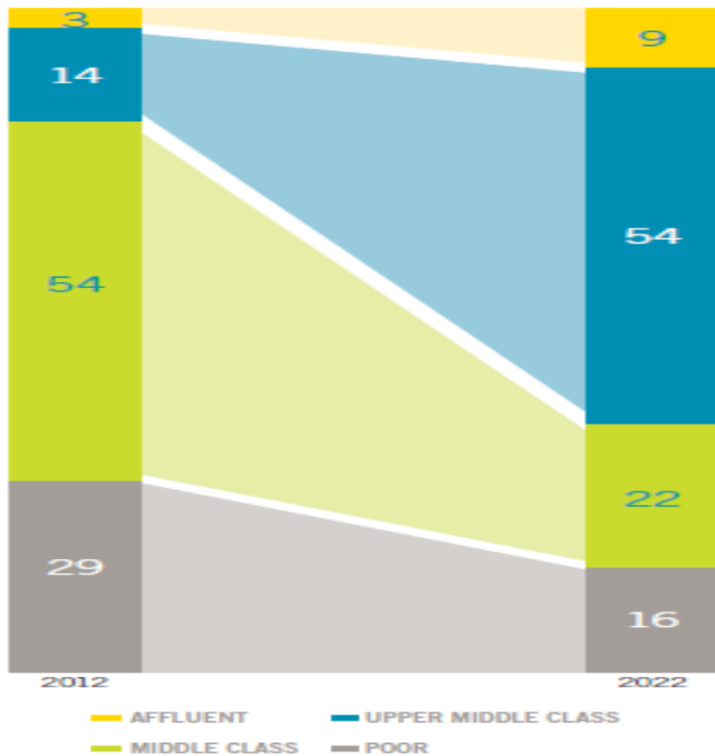


Source: Tourism Research Australia, *Tourism Forecasts 2016*.

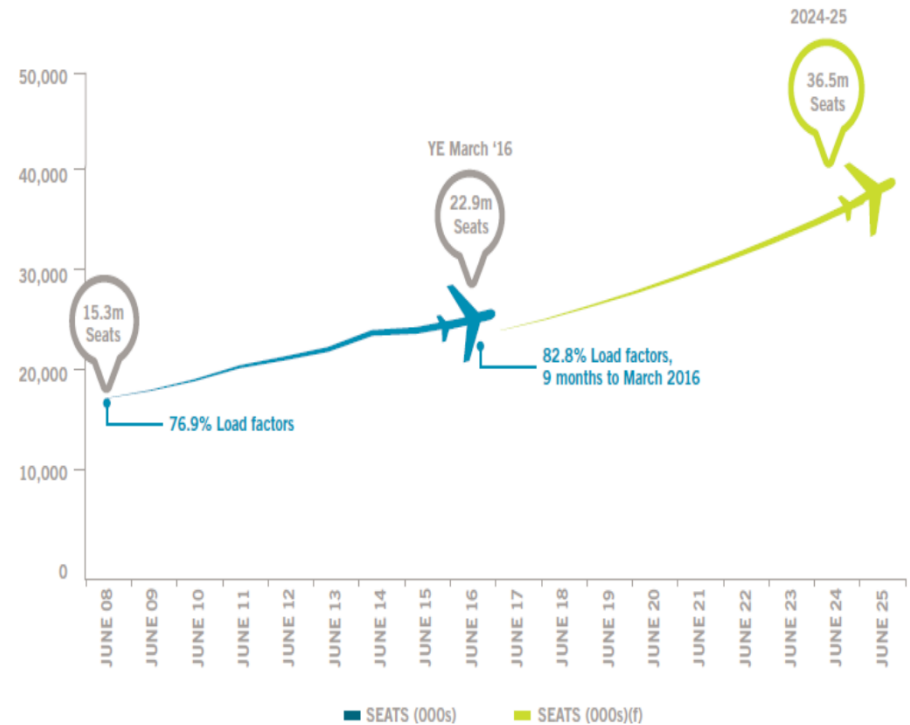
- ❑ International visitor arrivals are forecast to increase by 5.6% pa between 2014-15 and 2024-25
 - up from an average of 3.0% pa between 2005-06 and 2014-15
- ❑ Australian overseas departures are forecast to increase by 3.6% pa between 2014-15 and 2024-25
 - down from an average of 3.6% pa between 2005-06 and 2014-15

Demand and capacity factors are important influences on the profile of international visitor numbers to Australia

China's increasingly affluent population



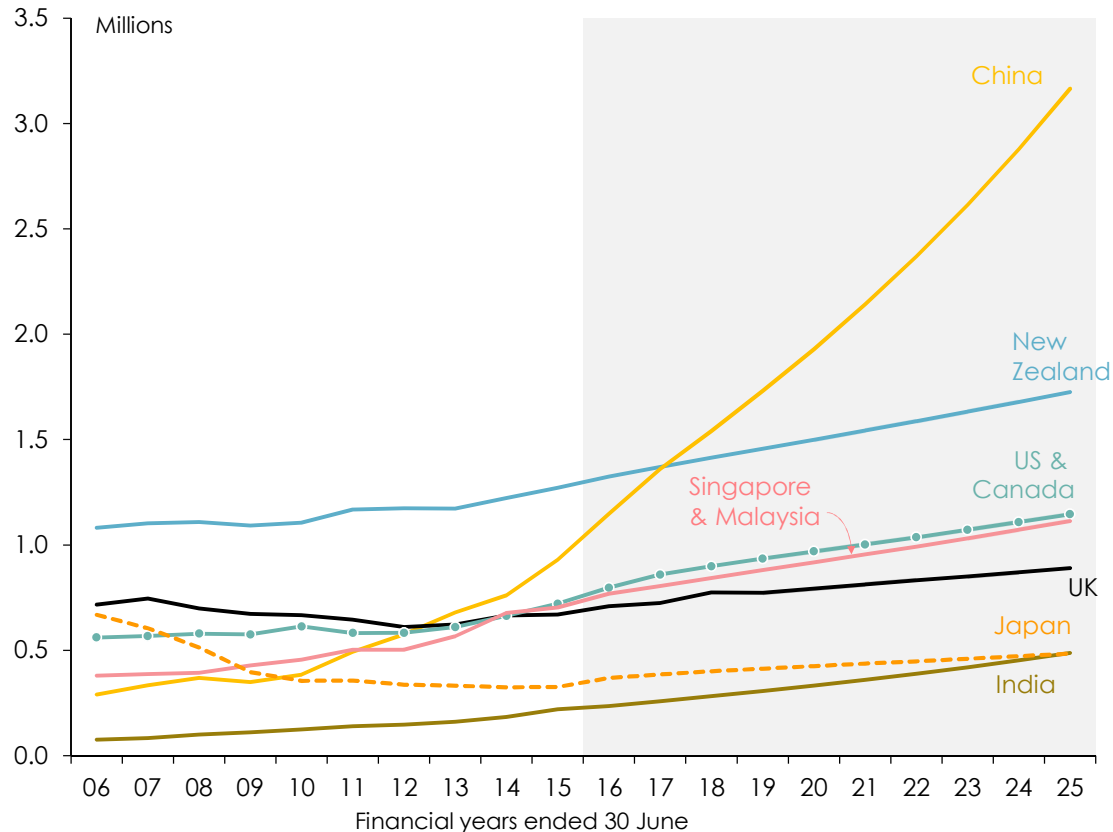
Aviation seat capacity into Australia, 2007-08 to 2024-25



Sources: Tourism Research Australia, *Tourism Forecasts 2016*; McKinsey & Co., *Mapping China's Middle Class*, June 2013; Bureau of Infrastructure, Transport & Regional Economics and Airport Co-ordination Australia

Chinese tourists and students will account for almost half the increase in overseas visitors to Australia over the next decade

Forecast international visitors to Australia, by origin

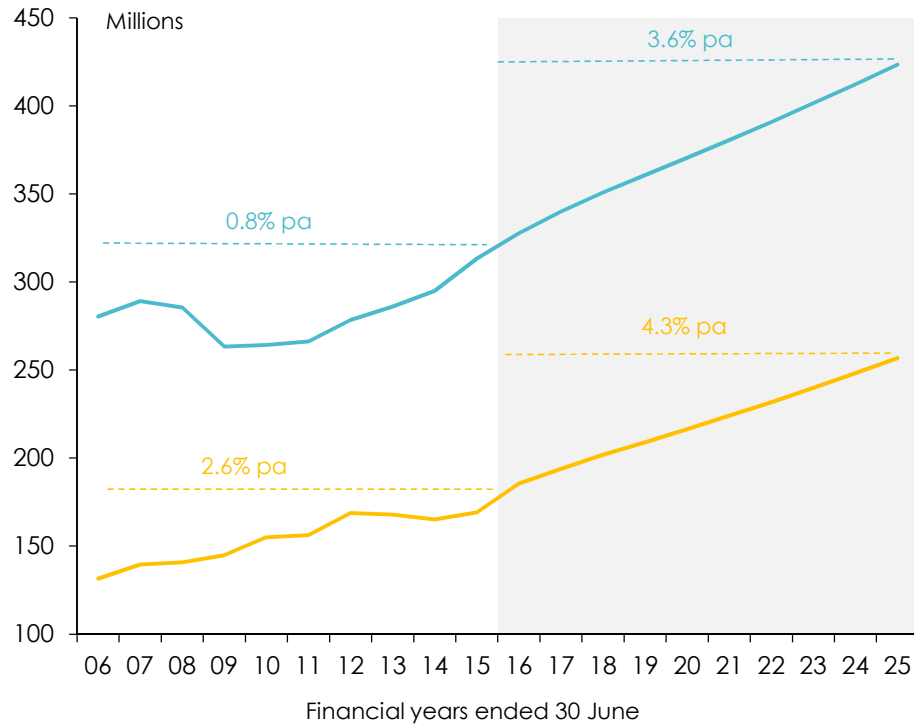


Source: Tourism Research Australia, *Tourism Forecasts 2016*.

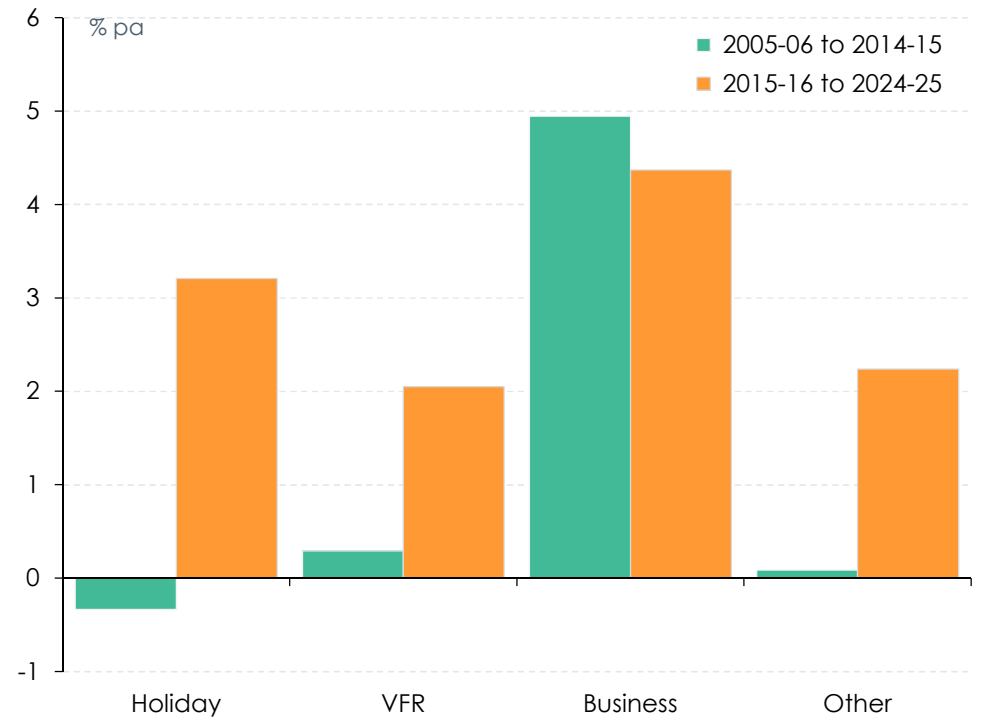
- ❑ Chinese visitor numbers are expected to increase by an average of 13% pa over the next decade
 - representing 43% of the forecast increase in total visitor numbers over this period
 - by 2024-25, more than one-quarter of all international visitors to Australia will be from China, up from 15% in 2015-16 and 2.5% in 1999-2000
- ❑ India will be the second-fastest growing source of visitors, rising by more than 8% pa over the next decade
- ❑ New Zealand, North America and Singapore-Malaysia will each account for about 8% of the forecast growth in visitor numbers over the next decade

Domestic tourism is also forecast to grow much more rapidly over the next decade than over the past one

Forecast domestic visitor nights and day trips



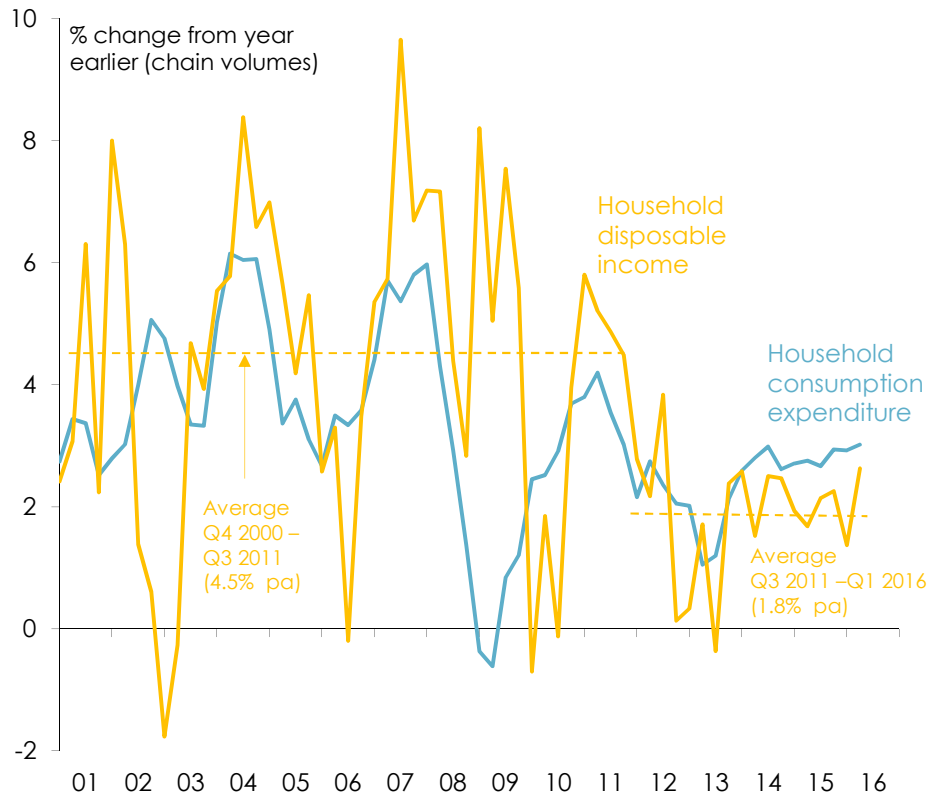
Forecast domestic visitor nights by category of visitor



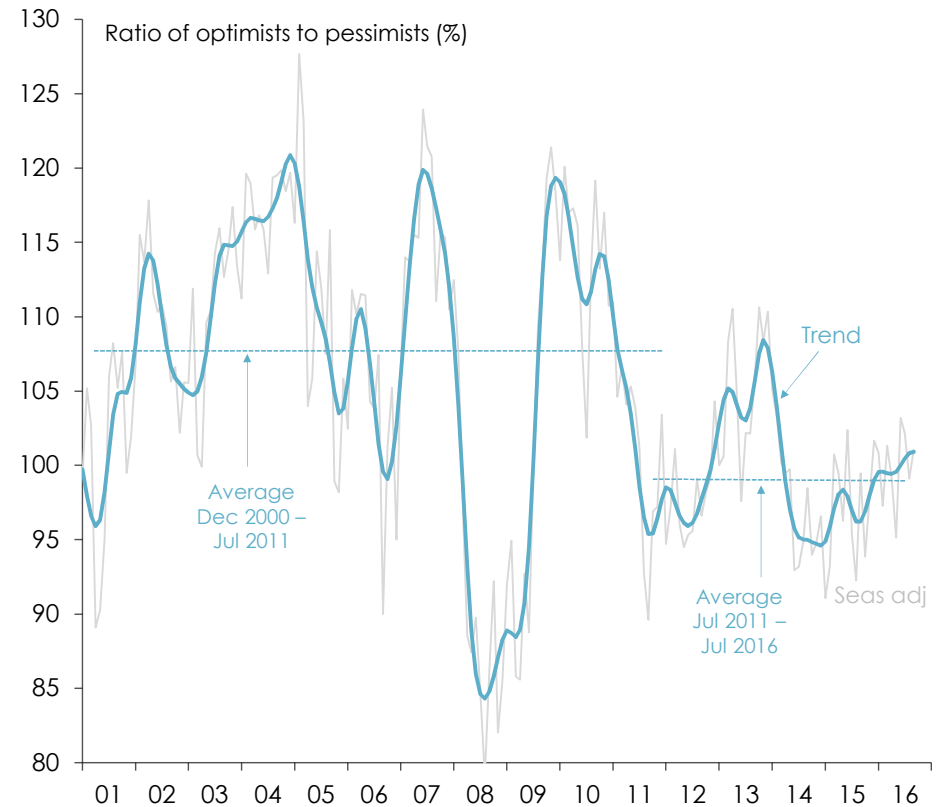
Source: Tourism Research Australia, *Tourism Forecasts 2016*.

Household income and consumer confidence are, along with the exchange rate, important influences on domestic tourism

Household disposable income and spending



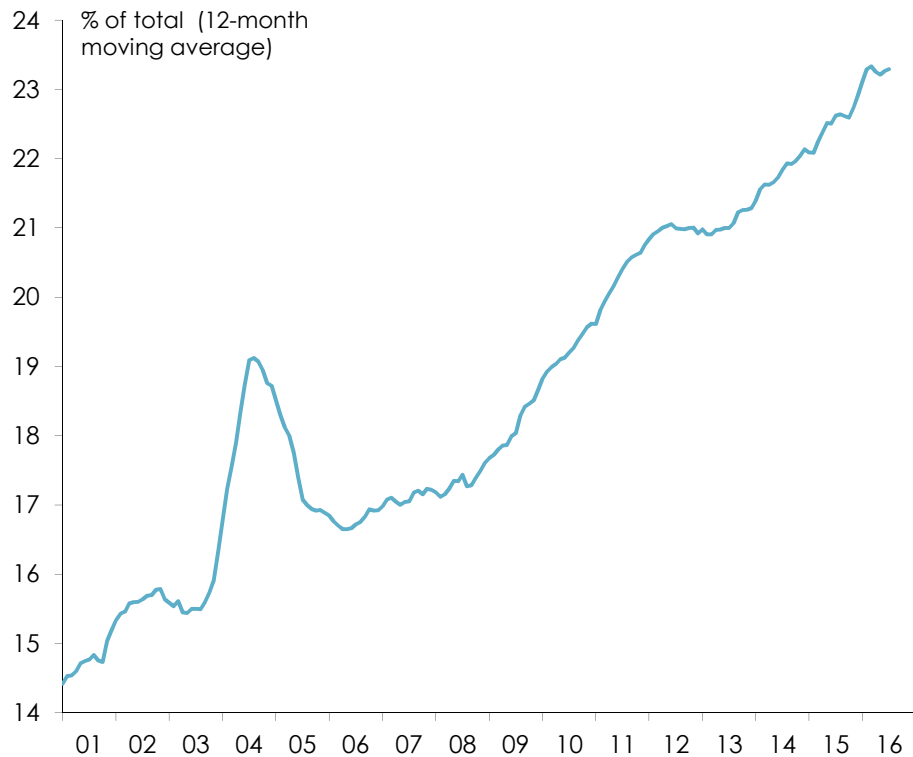
Consumer confidence



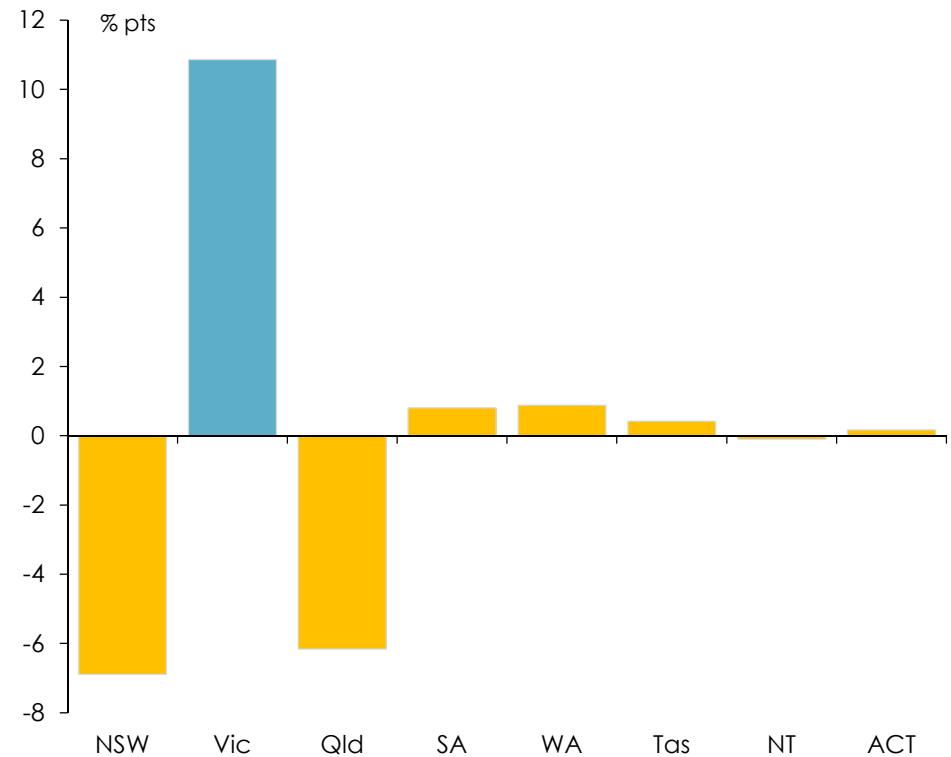
Source: ABS; Westpac Bank & Melbourne Institute.

Victoria has been attracting a growing share of international visitors

Pc of international visitors who spent 'most time' in Victoria



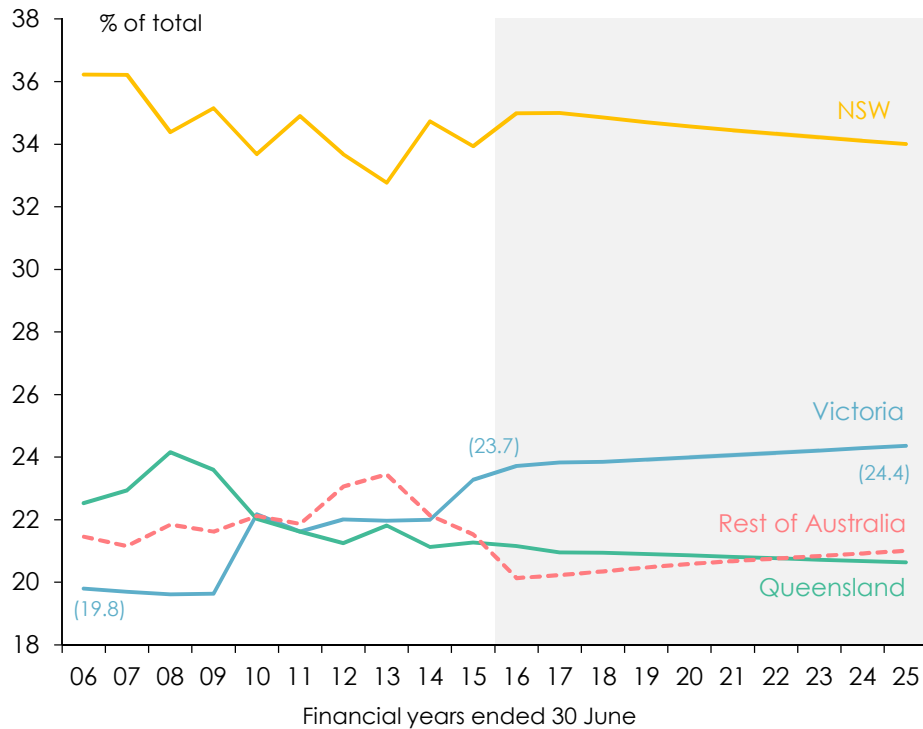
Change in 'market share' of international visitors, 1995-96 to 2015-16



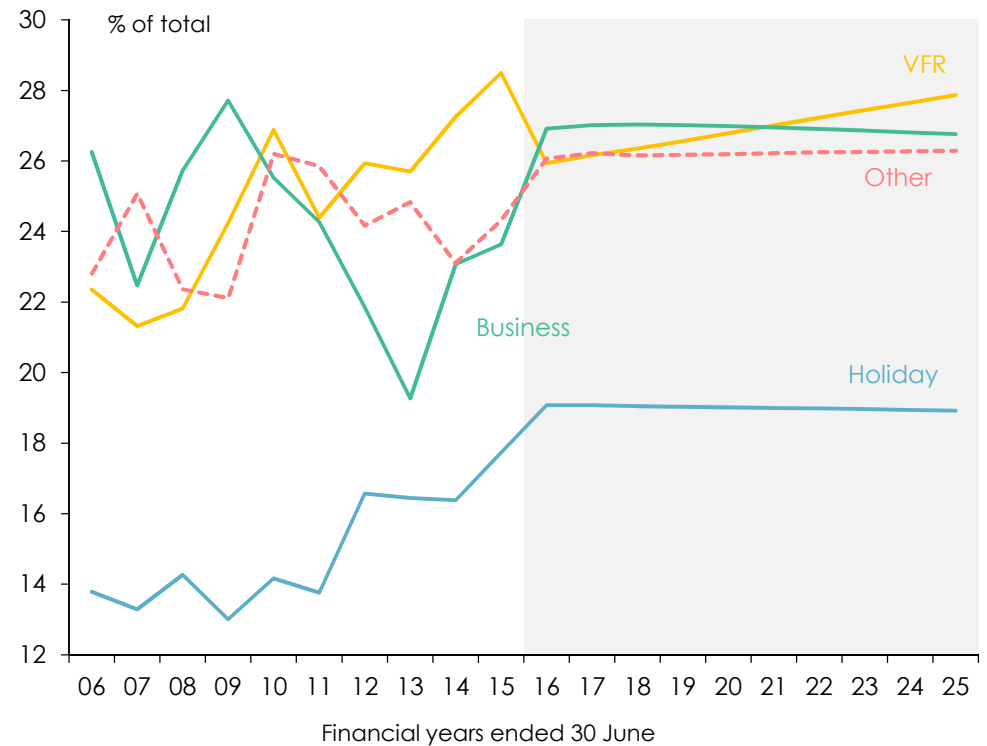
Source: ABS.

Victoria's international 'market share' is expected to continue rising ... but only because of growth in people visiting friends and relatives

State 'market shares' of international visitors



Victoria's 'market share' of international visitors, by category

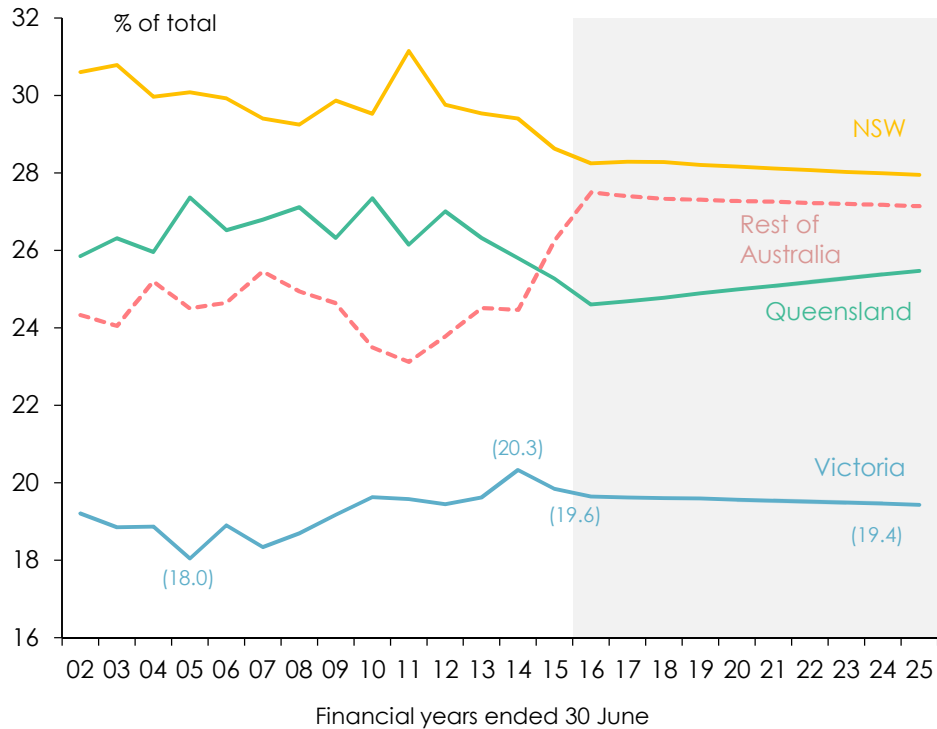


Source: Tourism Research Australia.

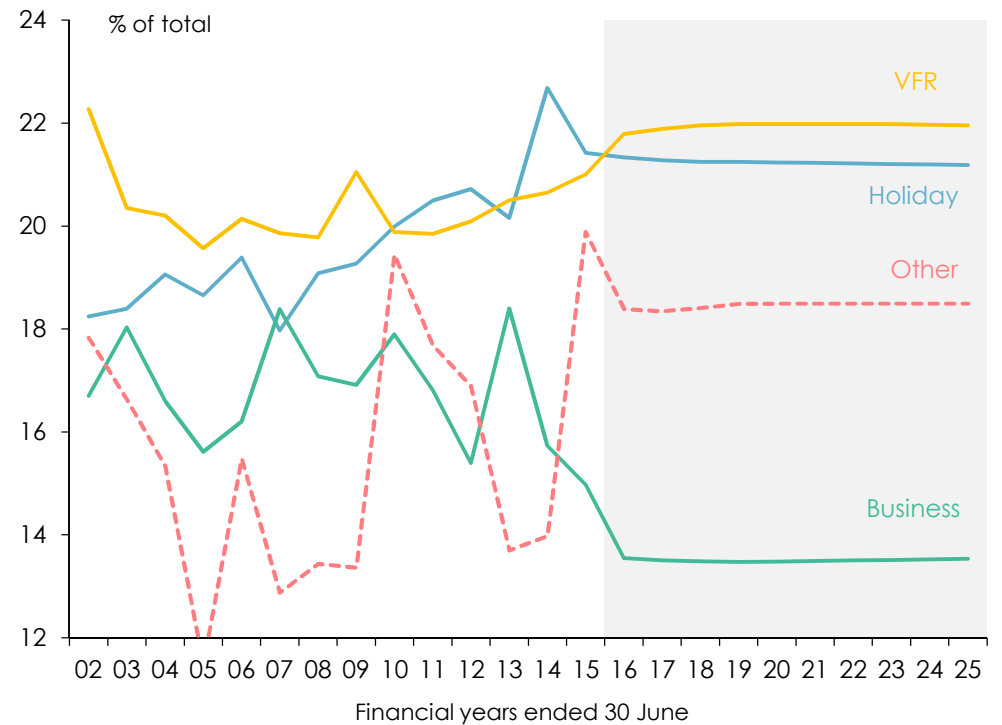
Note: 'VFR' is visiting friends & relatives. 'Other' includes education, employment and 'in transit'.

By contrast Victoria's share of domestic visitor nights is expected to decline marginally – because of its small share of business travel

State 'market shares' of domestic visitor nights



Victoria's 'market share' of domestic visitor nights, by category



Source: Tourism Research Australia.

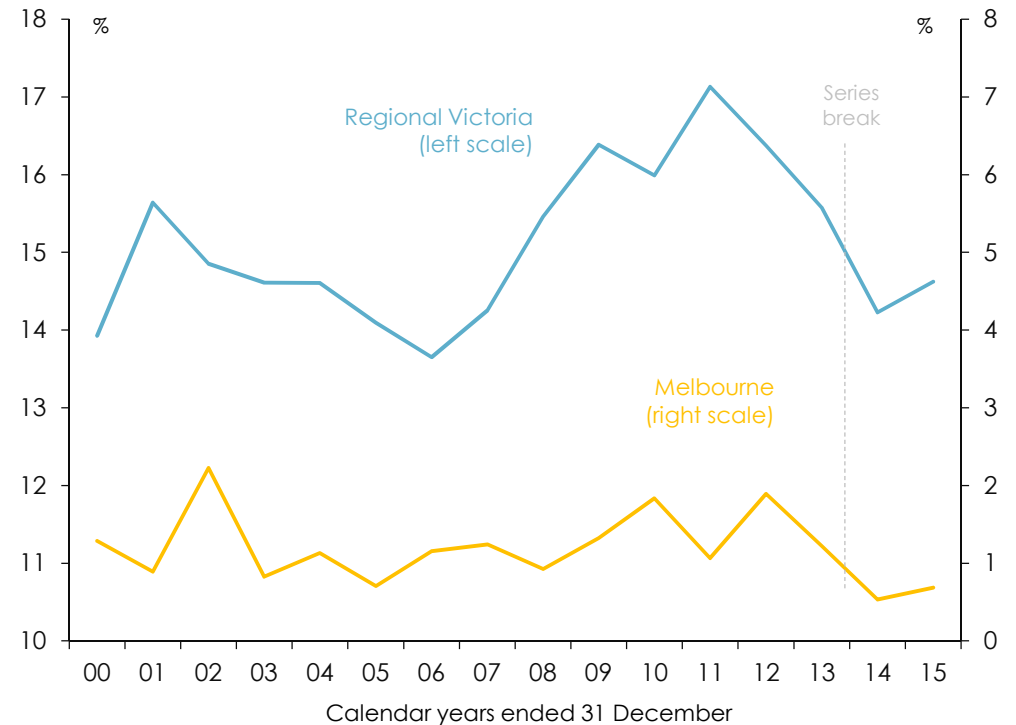
Note: 'VFR' is visiting friends & relatives. 'Other' includes education, employment and 'in transit'.

Visitor nights in Victorian caravan and commercial camping sites have risen over the past decade, but 'market share' has fallen since 2011

Visitor nights in Victorian caravan and commercial camping sites



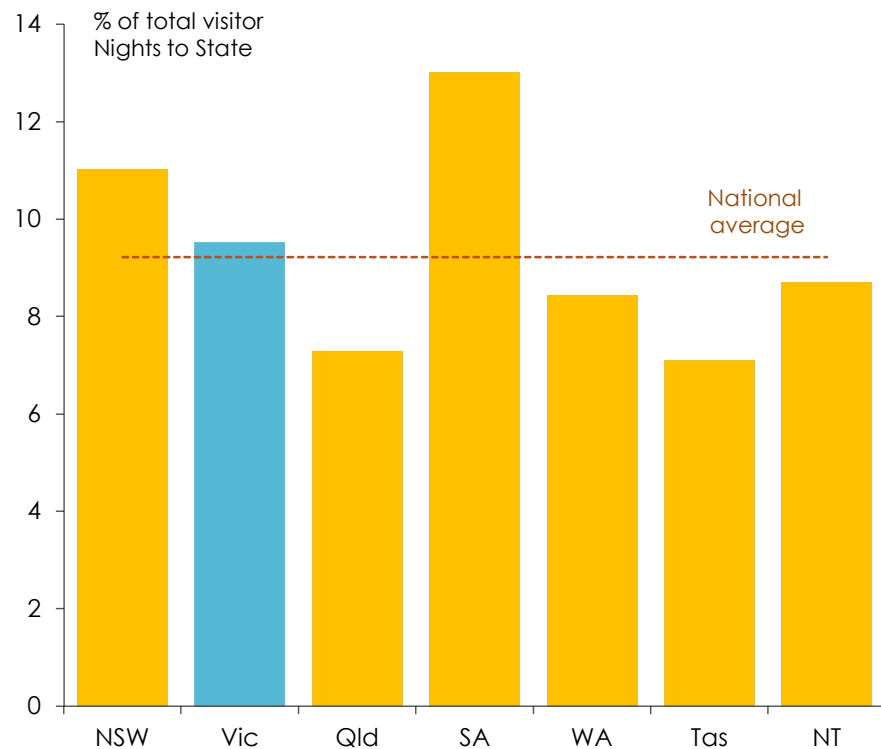
Caravan and commercial camping site visitor nights as a pc of Victorian total



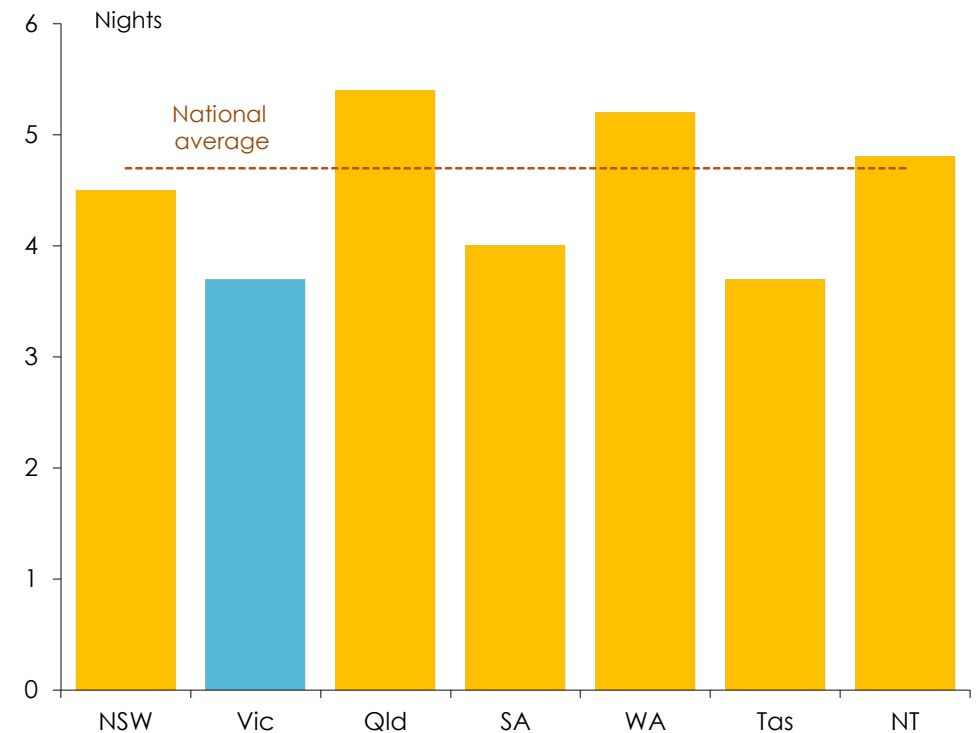
Note: Series break between 2013 and 2014 due to change in data collection methods (from landline only to mobile and landline phone collection).
 Source: Tourism Research Australia, National Visitor Survey. February 2016.

One possible way to increase caravan & camp sites' 'market share' in Victoria could be to target increasing length of stay

Caravan and commercial camping site 'market shares' by State, 2015



Average length of stay in caravan and commercial camping sites, 2015



Source: Tourism Research Australia, *National Visitor Survey*. February 2016.

Some concluding thoughts

- ❑ Tourism is definitely on its way back as a driver of Australian economic and employment growth
 - the fall in the A\$ since 2011 has made a big difference, and further falls will be very welcome
- ❑ Nonetheless, despite the assistance provided by the lower A\$, Australia faces more competition for the international tourist dollar than most Australians appear to realize
 - Australia's tourism marketing image is increasingly 'dated'
 - our visa regime is one of the most tourist-unfriendly in the world – especially for tourists from the most rapidly-growing markets
 - more (private and public) investment is needed in tourism infrastructure
- ❑ Victoria has achieved a significant increase in its share of international visitors over the past decade
 - however a lot of this is attributable to international students
- ❑ Victoria hasn't done so well in the domestic tourism market
 - although Victoria could do better than suggested by TRA forecasts
- ❑ There's plenty of potential upside for the caravan and commercial camping sector within the Victorian tourism sector
 - will likely require attracting both more visitors and encouraging them to stay longer

Questions?

For more details...

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This document has been prepared by Saul Eslake on behalf of Corinna Economic Advisory Pty Ltd, ABN 165 668 058 69, whose registered office is located at Level 11, 114 William Street, Melbourne, Victoria 3000 Australia.

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