

Indonesia breaks NZ's 50-year record as top Aussie holiday spot

Change has significant implications for NZ's tourism industry and strategic focus on sustainability and market competitiveness.

KEY POINTS

What's at stake: Indonesia surpasses New Zealand as the preferred holiday destination for Australians, changing long-standing travel trends.

Background: Recent ABS data reveal a shift in Australian travel preferences, with significant implications for New Zealand's tourism industry and strategic focus on sustainability and market competitiveness.

Key players: Tourism Indonesia, Tourism New Zealand, Tourism Export Council, Tourism Industry Association.

Indonesia has pipped Aotearoa as the top destination for Australian travellers for the first time since records began almost 50 years ago.

Data from the Australian Bureau of Statistics last week shows 1.37 million Australians travelled to Indonesia in 2023, beating New Zealand's 1.26million visitors from across the Ditch.

Total overseas visitor arrivals to Aotearoa were 2.96 million in 2023, increasing by 1.52 million from 2022, but still down 24% compared with 2019. While tourism recovery is expected to take multiple years, Tourism New Zealand said overall visitor arrival recovery to New Zealand is tracking well at 85%.

"New Zealand is a very different proposition to Bali and Indonesia – with significantly higher per day spend on a holiday in New Zealand than Indonesia," said Tourism New Zealand chief executive René de Monchy.

"The pandemic had a significant impact on New Zealand's tourism sector, and air capacity has been key to its recovery. Air capacity recovery has been gradual, and demand is outstripping supply in some cases."

Australia is New Zealand's largest and most valuable visitor market, in 2023 it accounted for almost half of all international visitor arrivals and holiday spend contributed \$1.73 billion to New Zealand's economy in the year to September 2023. Average holiday spend is \$3,820 per visitor and the average length of stay is 11 days. Overall holiday arrivals have recovered to 82% from Australia, but overall spend has exceeded 2019 by 30%.

"Australian travellers are seeking unique experiences and more personalised itineraries to encounter destinations more authentically. Tourism New Zealand's job to be done in Australia is to build appeal for a holiday, to grow our audience of people with New Zealand on their to-visit list and build a pipeline of visitors to support the sector in the long term," de Monchy said.

The United States remained our second-largest tourist market, with visitor numbers at 92% of pre-pandemic levels and the United Kingdom was third at 72% of 2019 levels.

Visitors from China, previously New Zealand's second-largest market, grew an exponential 790% year-on-year to 167,000 in 2023 but still sat at only 37% of 2019 numbers.



“Indonesia is a lot more affordable than New Zealand and I assume the visitor experience appeals because it’s very coastal and affordable,” Tourism Export Council chief executive Lynda Keene said.

Indonesia, especially Bali, remains a top pick for Australian travellers, celebrated for its cultural and geographical diversity.

With more than 17,000 islands featuring distinct heritage and landscapes, Indonesia presents a spectrum of experiences, from Bali’s tranquil temples to Raja Ampat’s pristine environments and Java’s Borobudur.

Tourism Indonesia has initiated several measures to attract a broader audience, including marketing lesser-known spots beyond Bali, enhancing sustainable tourism, and forming airline partnerships to improve access. These initiatives aim to fulfil the increasing demand for rich, immersive travel experiences, positioning Indonesia as a destination for deep cultural and natural exploration, enticing Australians and global tourists alike.

“The biggest hurdles are affordability and continually showcasing the diverse experiences available in New Zealand,” Keene said. “We can’t take our eye off the ball; we need to remain competitive.”

A comparative analysis of a seven-day holiday cost for an individual travelling from Australia to Indonesia or New Zealand reveals that Indonesia presents a more budget-friendly option, with an estimated average cost of approximately \$1000.

This includes flights, accommodation, daily expenses on food and beverages, transportation, activities, and travel insurance.



Tourism Export Council chief executive Lynda Keene.

On the other hand, New Zealand, while offering a rich array of activities and scenic beauty, comes with a higher price tag, with the estimated average cost for a similar-duration trip amounting to approximately \$1300. The primary factors contributing to the cost difference include higher daily expenses on food, beverages, and activities in New Zealand.

New Zealand tourism's slow post-Covid bounce-back has lagged international trends, as has the return of tourism to the wider Pacific region.

Factors contributing to a slow return of visitors to New Zealand include decreased airline connectivity, with airline capacity into the country being at 90%. The country's relative distance from major markets and the associated travel costs have also had an effect, with travellers preferring to either have fewer trips or choosing more affordable options.

"We're continuously monitoring our cost base, which has risen by more than 30%. We are in a different operating and economic environment than what we were in 2019, and fares are reflective of this change," said Air New Zealand general manager short haul Jeremy O'Brien.

Tourism New Zealand receives about \$112m annually from the Government. The previous Labour Government cut the organisation's baseline funding by \$15m to \$96.95m, which is slated to come into effect by the 2026/27 fiscal year.

"Australians are our top visitor market – ensuring we remain top of mind, as they consider a holiday, is very important and reinforces the critical role of Tourism NZ for the New Zealand industry," said Tourism Industry Association chief executive Rebecca Ingram.

Besides affordability, another key difference between Indonesia and New Zealand is the type of holiday Australian travellers are seeking.

While New Zealand is traditionally an adventure travel destination, Indonesia offers a more leisurely stay-and-play type product. Leisure travel is travel in which the primary motivation is to take a vacation from everyday life and is often characterised by staying in hotels or resorts, relaxing on beaches, or going on guided tours and experiencing local tourist attractions.

Meanwhile, adventure travel is a type of tourism involving exploration or travel with perceived risk and potentially requiring specialised skills and physical exertion.

"Indonesia appeals because it's seen as a 'drop and flop' destination, where visitors can relax at a resort without much travel involved," Keene said. "On the other hand, New Zealand is known for its

adventure travel, requiring visitors to move around and explore the diverse landscapes and activities we offer. This fundamental difference in the type of holiday experience might be influencing Australian tourists' preferences."

The Ministry of Business, Innovation and Employment expected further tourism growth in the short to medium term despite New Zealand losing the title of Australia's favourite holiday spot.

In its briefing to incoming Minister for Tourism and Hospitality Matt Doocey, MBIE stated it was reasonable to assume that "even if Government was to do nothing, tourism demand for New Zealand will continue to grow".

The briefing stated international visitor volumes had recovered strongly following the reopening of New Zealand's borders, with new airline routes and increased competition on some routes. In the short term, international visitor growth was likely to continue to deliver benefits for New Zealand's economy.



Tourism New Zealand chief executive René de Monchy.

"We've spent time listening to industry, our staff in market and getting an understanding of the new government's priorities," said de Monchy.

Another highlight of the briefing was the emphasis placed on sustainable tourism and sustainable growth. Tourism New Zealand said they are working hard to encourage visitation across the year to help grow the sector's overall productivity and support businesses being able to operate sustainably.

From February 14, international tourists will be required to pay 150,000 rupiah (\$15.75) before entering Indonesia. It's a local initiative by the Balinese government, which says that it will be used to combat the effects of pollution and problem tourism on the Indonesian island province off our million.

Tourism New Zealand research shows international and domestic visitors are increasingly considering sustainability when deciding on a holiday destination or tourism activity and this is likely to play an even bigger role in the future. According to Tourism New Zealand, 81% of people 'actively considering' a trip to New Zealand have strong sustainability beliefs compared with 52% of the general population in surveyed markets.

"New Zealand has an opportunity to be a more attractive destination to people who prioritise sustainability by making it easier to choose sustainable travel options and reducing frictions in the decision-making process. Tourism New Zealand will showcase sustainable products, grow and leverage Qualmark who support sustainable business, support industry to understand what consumers are looking for, and continue to promote Tiaki – Care for New Zealand," said de Monchy.

According to Tourism New Zealand, allowing visitors access to enjoy natural resources created a more sustainable use of that resource, compared with more extractive historic usage such as **forestry or mining**.

“Sustainability is the word on everyone’s lips. People are wondering how Tourism New Zealand is ensuring that the growth ahead is both green and beneficial,” said Keene.

Over the past few decades, both the Government and the private sector had invested heavily in experiences such as cycle and walking tracks, that enabled visitors to engage with the landscapes, historic features, and biodiversity.

“Australians are interested in our unique offering, with 90% of potential visitors attracted by our historical and heritage sites, and 85% interested in Māori cultural experiences. Showcasing our unique culture is an important part of our activity in Australia and around the world,” de Monchy said.

Liam Rātana Mon, 19 Feb 2024