

NOON

HOSPITALITY STATE OF THE NATION

REPORT TO HOSPITALITY NEW ZEALAND
BY SHAMUBEEL EAQUB, CFA



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Hospitality
NEW ZEALAND

Accommodation
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“Championing hospitality,
serving our *members* and *communities*.”

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About the author



Shamubeel Equb makes economics easy and fun. Shamubeel is the Chief Economist at Simplicity. He is also an author, media commentator and a thought leading public speaker.

He graduated with Honours in Economics from Lincoln University and is also a CFA Charterholder. He has over two decades of experience as an economist in Wellington, Melbourne and Auckland in leading international banks and consultancy (ANZ Bank, Goldman Sachs JBWere, NZIER, Sense Partners and Simplicity).

He balances a portfolio of economics, consulting, public speaking, governance and family duties. He lives in Auckland with his wife and two sons.



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Introduction

Hospitality New Zealand commissioned this report to better understand and articulate the Hospitality Sector's economic contribution, opportunities and risks.

As the representative voice of the hospitality and accommodation sector, Hospitality New Zealand (Hospitality NZ) takes immense pride in advocating for the interests of over 2,500 diverse businesses, including cafés, restaurants, bars, clubs, nightclubs, commercial accommodation, country hotels, and off-licences.

With a history spanning over 120 years, we have been steadfast in our commitment to fostering a thriving and responsible sector.

This inaugural economic report looks at the Hospitality sector (accommodation and food services) as a whole, even though there are significant variations within the sector (a hotel and a takeaway restaurant are vastly different businesses and experiences for example).

This is intended to be the first of a quarterly series of reports. Future reports will focus on different topics, with deep dives into subsectors and topical issues.

This report is in four chapters:

Chapter 1 looks at the size, shape, contribution of the sector. It makes up – perhaps surprisingly – a large part of the economy, at 6.7% of all jobs and 2% of GDP. When we consider closely related industries (like food producers, manufactures and wholesalers), the sector's impact is broader at around 7.7% of all jobs.

Chapter 2 looks at the state of demand for hospitality. The pandemic related disruptions, cost of living crisis, higher interest rates and a recession meant volatile demand, both domestic and international.

Chapter 3 looks at the state of supply and competition. This is a fast-moving area, with high levels of business starts and closures. Sometimes highly visible closures obscure broader increases in the number of hospitality businesses.

Chapter 4 focuses on the myth that the sector is low productivity. While it was true that the sector had low productivity in the past, that is no longer the case. Indeed, the sector's productivity has been improving in recent years, while productivity has stalled in other parts of the economy. It is important to celebrate this positive trend.

Chapter 1

SECTOR SIZE & CONTRIBUTION



\$21.4B

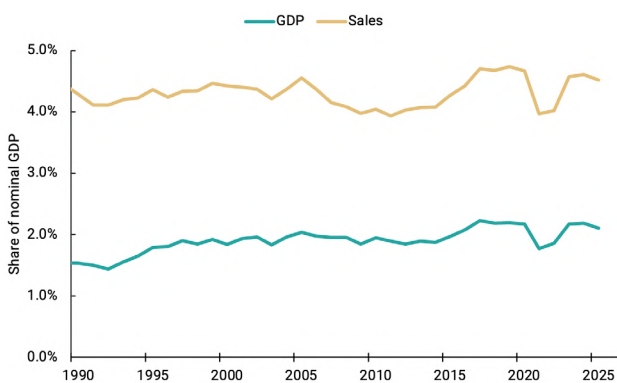
REVENUE, YEAR TO
MAR 2025
(5% OF NATIONAL GDP)

The hospitality sector – a combination of accommodation and food services businesses – had revenues of \$21.4b in the year to March 2025 (5% of national GDP).

The contribution to GDP is essentially the returns of labour (salaries and wages) and returns to capital (profits, after accounting for taxes etc). The GDP contribution in the year to March 2025 was \$9.1b, or just over 2% of New Zealand’s GDP.

The GDP measure excludes purchases from suppliers. However, the economic importance of the sector is best understood by taking a broader lens. The most direct impacts are on staff (jobs and wages) and owners (profits). Less visible is the importance of payments to suppliers, which was \$13b, on a range of businesses from wholesalers to lawyers. This in turn supports jobs in various industries and locations, often heavily biased towards local suppliers. So, it is important to also understand sales (or revenue) as a measure of economic importance.

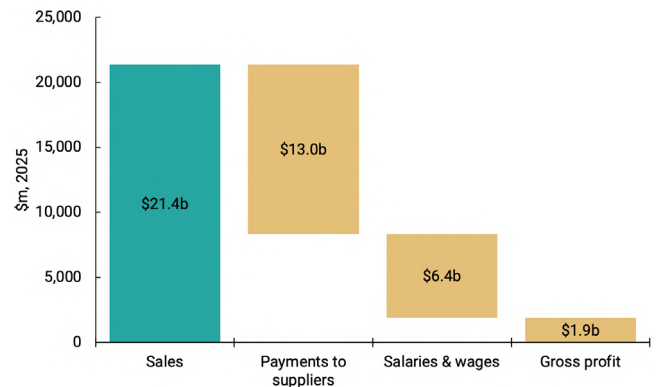
Figure 2: Hospitality share of GDP



Source: Author’s calculations from Statistics NZ

Hospitality sector makes up just over 2% of the economy, while sales are 4.5% of GDP.

Figure 1: Hospitality Income Bridge



Source: Author’s calculations from Statistics NZ

\$21b of hospitality sales in the last year supported over 220k people, through jobs, owner operators, and jobs in suppliers.

Figure 3: Top 10 Suppliers to Hospitality Sector



Source: Statistics NZ

The hospitality sector relies on a network of suppliers, from leasing to buying food ingredients and drinks.

The industries that are most closely intertwined with the hospitality sector are:

- Food and beverage related (food and beverage producers, manufacturers and wholesalers)
- Property and leasing services (non-residential property operations, asset leasing, and services like cleaning, pest control and other support services) and
- Professional services (advertising, publishing, legal, accounting, and financial services – especially banking).

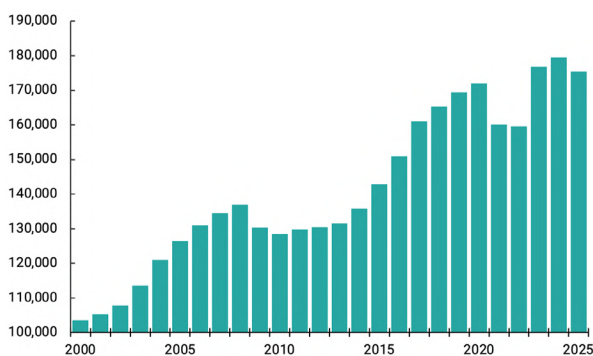


EMPLOYMENT

Another way to look at economic importance is through jobs. While GDP is a useful measure, it is often difficult to explain in human terms. Jobs on the other hand is immediately understood.

The hospitality sector directly employed 193k people in the year ended March 2025, accounting for 6.7% of all jobs. Around 21k were owner-operators and contractors, and 172k as paid staff. Despite the recession, the number of employees in the sector is holding up at a historically high level.

Figure 4: Number of hospitality filled jobs



Source: Statistics NZ

The number of employees in the hospitality sector is holding up relatively well.

Another 28k jobs were supported in suppliers. This is important because many of these supplier relationships are local. Jobs in the hospitality sector and its suppliers totalled 221,440 in March 2025, or 7.7% of all jobs.

Jobs in the sector tend to have variable hours, with an average of 26 hours per week per workers, compared to 37.5 hours for full time. This is why the hospitality sector makes up a much larger share of employment than the economy (GDP).

This can be an issue for some workers, who would like to work more hours. Tackling this by providing more regular hours and career progression could contribute to reducing turnover and associated costs (disruption and onboarding costs).

But this flexibility is also an attraction for others, with the broader retail and hospitality sector with the largest number of people who hold multiple jobs, or juggle other duties such as study. Around 20k hospitality workers (out of 172k) hold multiple jobs (60% of whom have their primary job in another industry).

Chapter 2

DEMAND

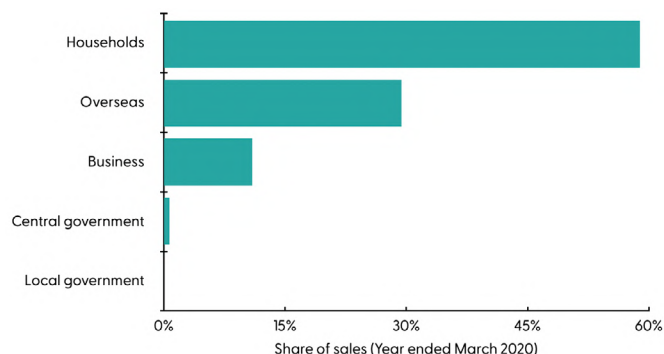


Fortunes of any business depends on the wider context (what is happening in the economy), segmentation (location, type of customer, etc) and business decisions (strategic and tactical decisions taken by a business). The hospitality sector is no different.

This chapters focuses on the external or demand conditions for the hospitality sector. This means looking at the trends in the economy, specifically at hospitality spending, as well as digging into key segments of customers: households, international tourists, businesses and government.

The two biggest segments are New Zealand household spending on hospitality, and international tourists. Corporate clients (business and government) are also important making up just over 12% of demand.

Figure 5: Composition of Hospitality Customers



Source: Statistics NZ

Hospitality customers are households and tourists, and around 12% are corporate clients.

BROAD ECONOMIC CONTEXT

The last 5 years have been extremely unusual from an economic perspective:

- 2020 and 2021 were the pandemic years. The Covid-19 pandemic in 2020 caused massive disruption due to restrictions (both domestic and border closures) and changed behaviour. Massive monetary and fiscal stimulus (lower interest rates, ease of borrowing and massive government support for businesses) meant that the economy was very buoyant outside of movement restrictions, locals had more spare money to spend, and businesses did not fail despite the disruptions. But the net effect on hospitality was negative, with less spending due both to movement restrictions and changes in behaviour.
- 2022 was the year of the cost of living. But the pandemic restrictions and stimulus globally led to increasing demand that hit a gummed up supply chain, pushing up the cost of living in a synchronised manner around the world. Higher cost of living made households more careful in their spending, which affected the hospitality sector, which is discretionary spending. This is despite border reopening from July 2022, which initially saw more kiwis travelling overseas than the return of international visitors.
- 2023 was the year of rising interest rates around the world, which was designed to slow the economy, cause job losses and slow inflation.

It worked. Inflation moderated as economic activity slowed, but this slowed people's spending, especially on discretionary hospitality items. Tourism continued to be affected by capacity constraints in global aviation, mainly due to labour shortages.

- 2024 was the recession year, when rising interest rates reduced investment and hiring, as increased firing. Interest rates affect economic activity with a lag of 12-18 months – so this was entirely expected.
- 2025 has been the year of waiting, despite earlier predictions that reductions in interest rates from late 2024 would start to flow through. However, that recovery has failed to fire. Expected improvements (of personal finances by households and of sales by businesses) have not materialised. The economy has been on a much slower recovery path. In part it has been because household budgets are still stretched (interest rate relief has been eaten up by still high cost of living, especially necessities like food), and because of other headwinds internationally (heightened global uncertainty from a re-elected Trump in USA, who has pursued an unpredictable and unorthodox policy barrage, and heightened geopolitical tensions) and locally (fiscal austerity and slowing net migration, both a headwind to the economy).

HOSPITALITY SECTOR EXPERIENCE

The wider economic patterns of the last five years were magnified for the hospitality sector (Figure 5). The sector is pro-cyclical – that is, it tends to be affected more by economic cycles. The highs are higher, and lows lower. This was true for the pandemic period, as well as for the last two years when the economy has been in recession.

A weak economy is characterised by less confidence and less money to spend. Both are true currently. Rising cost of living and job losses have reduced spending power for some. Pessimism has reduced appetite to spend for others.

It is important to understand both the mood of the customer which affects their willingness to spend, and their financial situation, which affects their ability to spend. Confidence is the easiest measure to track, as it is reported frequently and is a necessary condition for improved spending.

Figure 7 shows consumer confidence in New Zealand and the top 10 tourism markets. Confidence is improving from recessionary lows, but the level remains pessimistic. We need to see this improve further before we have confidence in a full-blown recovery in the hospitality sector.

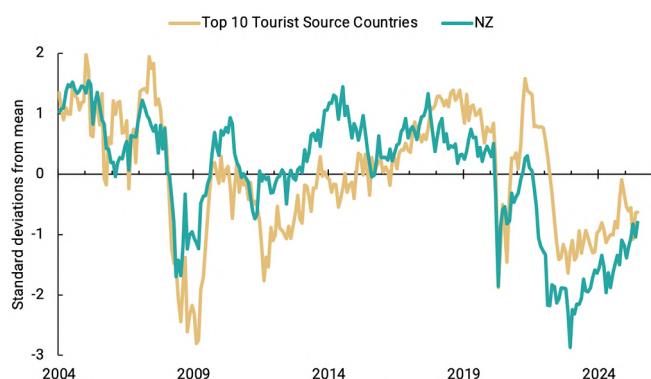
Figure 6: Hospitality Sales & GDP



Source: Statistics NZ

Hospitality spending has been a rollercoaster ride over the last five years, more so than the overall economy

Figure 7: Consumer Confidence



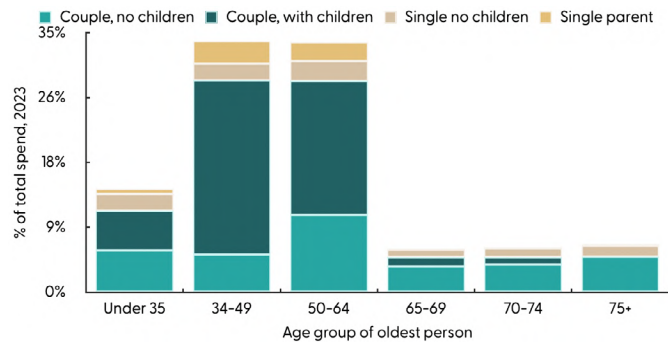
Source: ANZ-Roy Morgan, TCB, CEMAC, GfK, RBI, DG ECFIN, OECD, CAO, Ipsos

Confidence is improving, but remains pessimistic in New Zealand, and our top Tourism markets.



It is also important to understand variation within segments. For example, 76% of households buy from restaurants and takeaways, while only 20% of households buy accommodation services. Or that families (couples with children) make up half of all hospitality spending (Figure 8). Understanding of your own customer is critical for a hospitality business.

Figure 8: Domestic Hospitality Consumer Segments

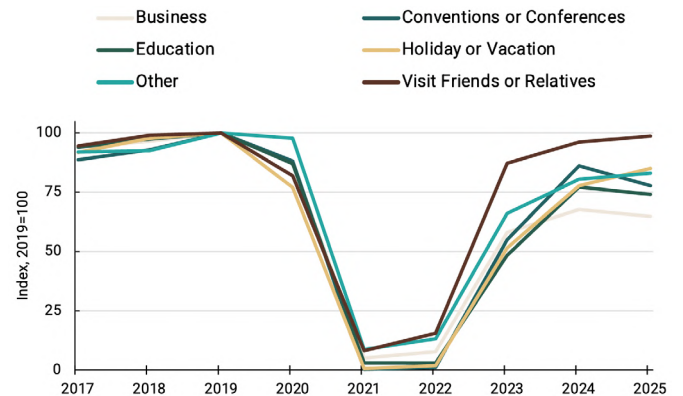


Source: ANZ-Roy Morgan, TCB, CEMAC, GfK, RBI, DG ECFIN, OECD, CAO, Ipsos

Half of all domestic spend on hospitality is from families; understanding market segments is critical.

Similarly, the tourism market is segmented. Whether it is by purpose of travel or major tourist markets, the post-pandemic recovery has been uneven. For example, travel to visit friends and relatives has recovered to pre-pandemic levels, but holiday travel is 17% below, and business travel is a third lower (Figure 9).

Figure 9: International Visitor Arrivals by Purpose

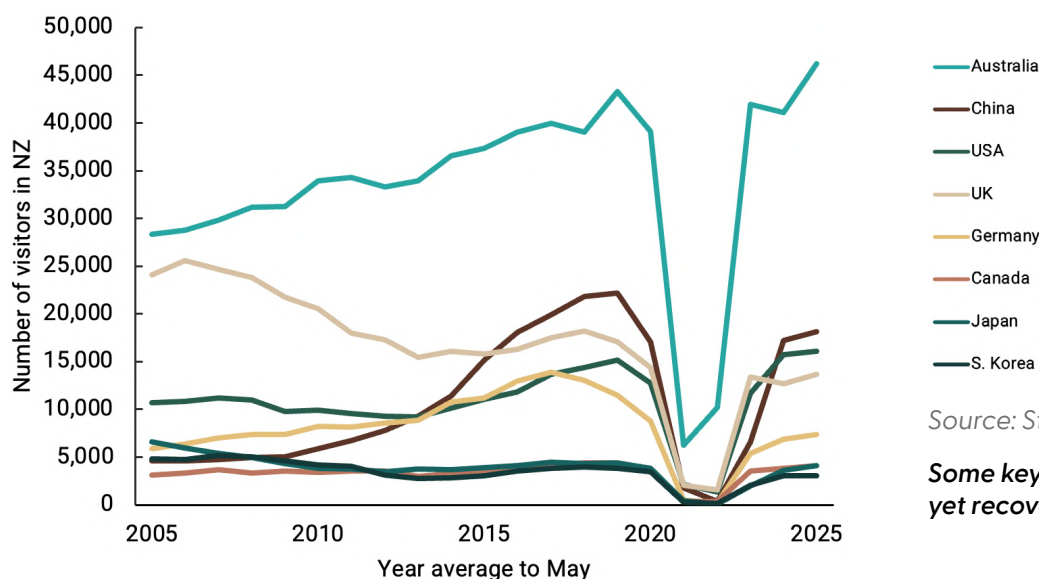


Source: Statistics NZ

Visitor recovery differs by purpose of visit,

Of our top markets, two have recovered and grown above the 2019 levels: Australia (+7% vs 2019) and USA (+6%). But China, USA and South Korea remain around 20% below 2019 levels. The recovery in tourism is uneven (Figure 10).

Figure 10: Visitors in New Zealand by Origin



Source: Statistics NZ

Some key markets have not yet recovered to pre-pandemic levels.

AN ECONOMIC RECOVERY IS NEARING, BUT 2026 LOOKS MORE LIKELY

The hospitality sector, and the economy more generally has been stuck in a soft path through the first half of 2025. The outlook is improving, but there are lingering risks.

The positive influences are from reducing inflationary pressures and reducing interest rates. As wages increase faster than the cost of living, households will build up buffers in their budgets, and discretionary spending will benefit. Falling interest rates have reduced mortgage payments, especially for the critically important middle aged family groups. As borrowers have refixed to lower interest rates, they will have more disposable incomes. But these aren't all one-way bets. There are some hotspots of inflation still, especially in food, which households tend to be very sensitive to. Interest rate reductions are also nearing an end, meaning there will not be much more impetus from this. A gradual recovery seems most likely on these drivers.

There are three headwinds.

First, global uncertainty from unpredictable policy making in the US, including on-again off-again tariffs, and increased geopolitical uncertainty. This is affecting confidence and international travel at the margin.

Second, slowing net migration in New Zealand is creating a headwind for the economy more generally. Because New Zealand has big swings in immigration, it affects the economic cycle through how many people there are (and thus demand) and supply of workers (less immigration means a tighter labour market, and harder to find workers).

Third, fiscal austerity via reduced government spending on operations and capital expenditure. Because the private sector is in recession, reducing government spending is amplifying the cycle.

Nevertheless, economic forecasts from the RBNZ¹, Treasury, and range of economists in NZ, are optimistic that the worst of the recession is over and household spending and tourism will improve over the course of the next three years, with strong growth in 2026 and 2027. There is a wide dispersion of forecasts, reflecting significant uncertainty mentioned above.

For hospitality sector businesses, the economic outlook is one of cautious optimism. A recovery appears to be nearing, but it would pay to have good contingency planning for both up- and down-side surprises. The balance of risks however is on the upside.



¹<https://www.nzier.org.nz/publications/nzier-consensus-forecasts-suggest-a-gradual-recovery-in-the-new-zealand-economy-over-the-coming-year>

Chapter 3

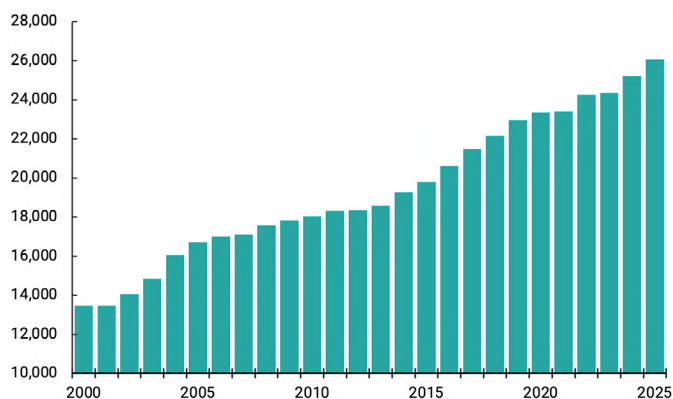
SUPPLY



Despite the recession, and prolific headlines on the closure of hospitality businesses, the total number of hospitality businesses has been increasing (Figure 11). This is because the number of new firms has more than offset closures.

This means the sector is intensely competitive, there are more businesses competing for a largely stagnant pool of hospitality spending. This points to a dynamic and competitive industry.

Figure 11: Number of Hospitality Businesses

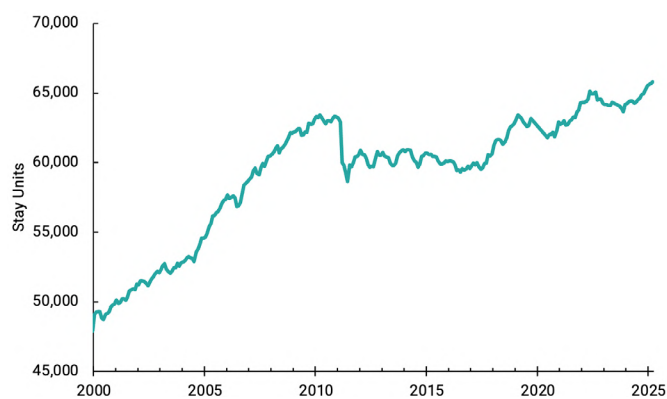


Source: Statistics NZ

Number of hospitality businesses has increased, despite increased closures.

A closer look the accommodation sector shows a changing sector too. Figure 12 shows the official count of commercial accommodation, which has increased over the course of the last seven years. But this only looks at commercial accommodation providers (from holiday parks to hotels).

Figure 12: Commercial Accommodation Capacity

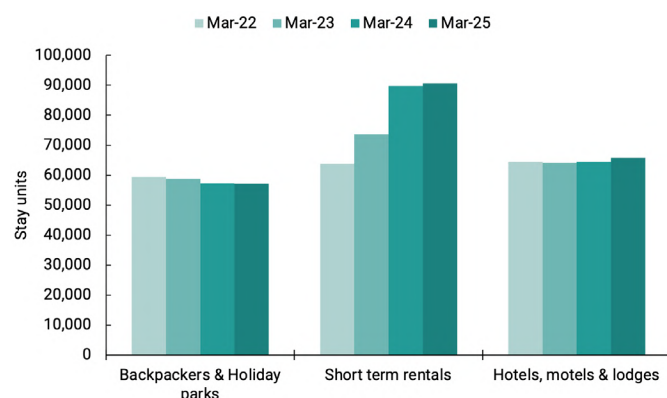


Source: Author's calculations from Statistics NZ & MBIE

Traditional commercial accommodation supply has trended higher.

When we include short term rentals (Figure 13), the increase in supply is even greater. Given short term rentals compete for guest nights, and the increase in supply is significant, there is an important shift required in measurement, policy and regulation of commercial accommodation to ensure a level playing field for all operators.

Figure 13: Commercial & Short Term Rental Accommodation



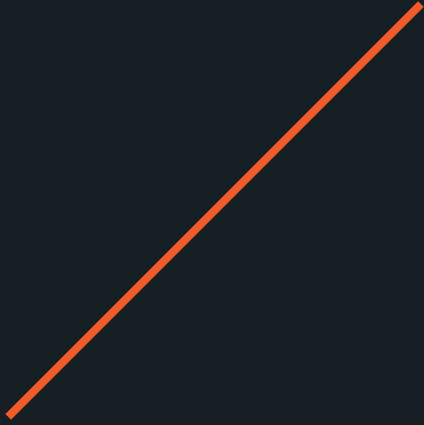
Source: AirDNA, MBIE, Statistics NZ

Short term rental supply has increased sharply in recent years.



Chapter 4

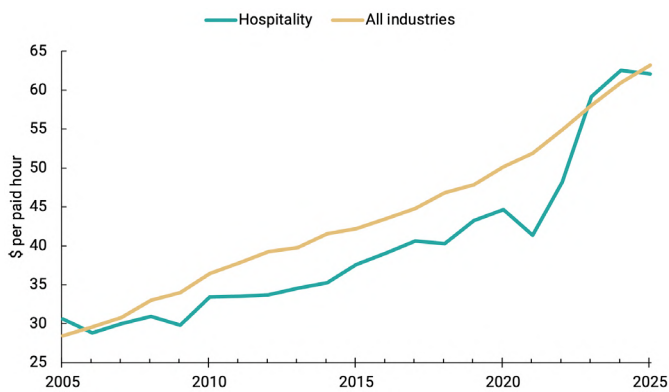
QUARTERLY FOCUS
MYTH BUSTER



THE SECTOR IS NOT LOW PRODUCTIVITY

It used to be true that the hospitality sector was low productivity. But in the last three years it has been just above or below the national average.

Figure 14: GDP per paid hour of work



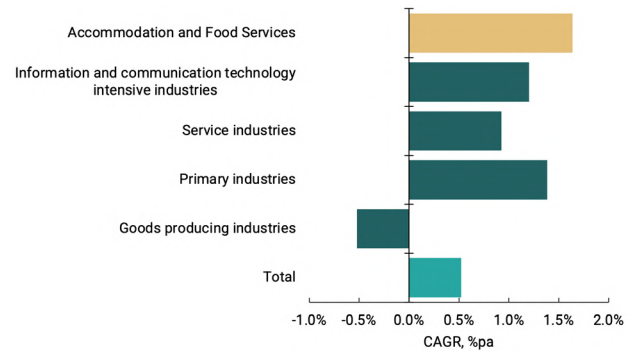
Source: Author's calculations from Statistics NZ

Productivity used to lag the wider economy, but is now on par.

Productivity in the sector, which is profitability and wages relative to hours worked, has jumped in recent years. Over the decade to 2024, productivity has increased by 1.6%pa, much higher than the national average of 0.5%pa. It means that when the sector grows, it improves the overall productivity of New Zealand.

This is good news and should be celebrated amid a wider slowdown in productivity in New Zealand.

Figure 15: Productivity Growth: Decade to 2024



Source: Statistics NZ

Hospitality sector productivity growth over the past decade has been 3x the national average.





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