

## August 2011

Host's treat

### Executive Summary

There's nothing like hosting a global sporting event to inject some welcome life into consumer sentiment. This month's numbers from the RBNZ and Statistics NZ confirms that Rugby World Cup 2011 is shaping up as precisely the kind of economic party the rest of the world wishes it was hosting.

As dark clouds continue to loom (over Europe in particular) this month we're looking at the positives that flow when stimulus happens in the right place, at the right time.

Given the preponderance of quite entertaining statistics which usually coincide with such big events (we've seen measures like the number of sausages eaten or beer consumed), it's worth taking a look at some harder numbers to get a feel for the real value that RWC 2011 generates behind the headlines.

### Visitor spending

A great way to see new money flowing into an economy is to separate out spending on domestic cards from foreign cards. And while it's too early to start drilling down into specific numbers for overseas from visitors, what's pretty clear that there's some serious inbound spending underway.

What we can say is that compared to the same period in 2010, this year we've see a heartening jump in values that

we're confident have their roots in Rugby fever.

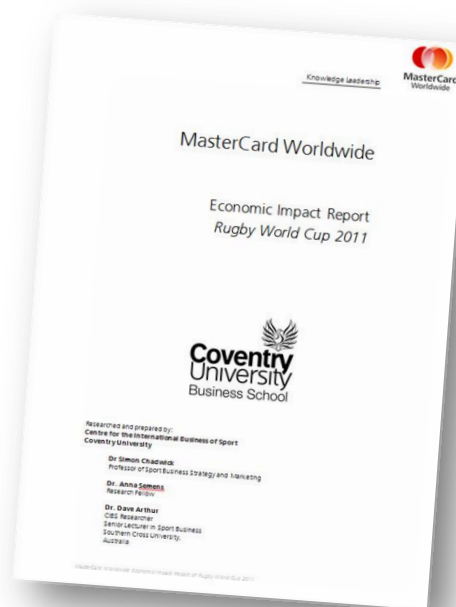
And while it will still be some time before the overall contribution of the RWC will hit the official economic scoreboard, it's pretty logical that new money from overseas

is played out over more than six weeks across a dozen locations spread liberally across our North and South Islands. There are two distinct benefits that flow from such a strategy.

Firstly (and most obviously), it provides locals from Whangarei to Invercargill the

opportunity to see the best Rugby that the world has to offer, played literally in their own backyard.

But just as importantly, the distribution of matches means that RWC 2011 visitors to our beautiful islands get to travel – and spend – all over the country rather than confining their experience to a constrained, purpose built precinct.



is flowing into the New Zealand economy.

The entrenched passion for Rugby in the soul of New Zealand is also a visitor drawcard in terms of a welcoming experience.

### Playing the field

One element that differentiates the economic contribution of RWC 2011 from other similar sporting events is the fact that it

It's worth looking at some of the other RWC 2011 data that helps to flesh out the event's tangible economic contribution.

### Quantifying benefits

Research commissioned by MasterCard and undertaken by the Centre for the International Business of Sport (CIBS) at Coventry University on the impact of RWC 2011 estimates that by the end of the decade,

consumer expenditure in the New Zealand sports economy could be worth up to \$1.2 billion.

The same study estimated that potential increases in tourism, capital inflow into the region around sport and business developments that will result from RWC 2011 to be \$1.44 billion. It also suggested that the number of workers employed in sport-related occupations could rise to between 52,000 and 58,000 by the end of the decade.

### Not so calm before the storm

As we've often pointed out, consumers prepare for spending peaks with troughs. As individuals, we do it before we travel or go on holidays. And, as a community, we do it in the lead up to Christmas.

So, while the research brings home the overwhelmingly positive impact of such a big event, it's logical we would have expected to see a dip in domestic spending in August led by this preparatory caution.

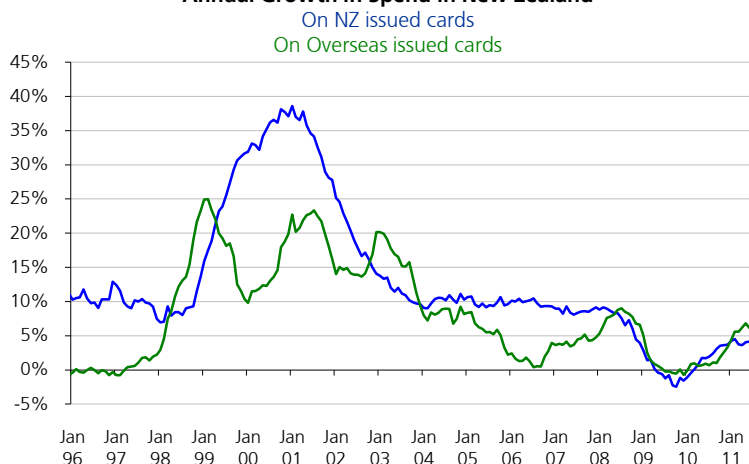
It means the industry may have been surprised to see a lift across all electronic transactions from August 2010 to August 2011 of 8%, bringing spend to \$5.15 billion. That pushed spend on all cards to \$62.2 billion for the rolling 12 months – up 6.2% on the same period last year. And, most interestingly, the Statistics NZ and RBNZ numbers show that

**The statistics in this paper are sourced from Statistics NZ and the RBNZ's monthly release of payments data. They do not represent MasterCard financial performance.**

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### Annual Growth in Spend in New Zealand



much of that increase came from domestic cardholders, not visitors.

Unlike many events with a global audience where locals are actively encouraged to vacate their city for the smooth running of the games, Rugby's revered status in our national psyche prompted RWC2011 organisers to adopt an overtly inclusive event ethos. As mentioned previously, this ensures the good times and economic benefits are spread right across the country.

### Overseas spend in overdrive

Spending in New Zealand on overseas issued credit cards over the last 12 months reached \$3.5 billion – growth of over 7% (chart above, green line). When we compare domestic spend (spend in NZ on NZ issued cards) we see a much larger value (\$27.3 billion) but it is growing at the slower rate of 4.6% (blue line).

Given that purchases of an estimated 1.35 million RWC 2011 tickets are anticipated to chalk-up \$268.5 million in sales, it's not hard to predict that September and October will be anything but normal.

Aside from the ticket sales, the report by CIBS suggests \$241 million is expected to be spent on accommodation and \$224 million spent on food and beverages during the six week tournament. So, it almost goes without saying that will contribute to an extraordinary spike over the next couple of months.

Given that there is still some time before the Rugby World Cup 2011 concludes, there's a strong chance of more good news to come – regardless of who ultimately comes home with the silverware (but we're backing the All Blacks!).