# News Release

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# Booming tourism sector drives growth in hospitality

**(+Video)**

ANZ transactional data shows monthly consumer spending across the restaurant, cafe, bar and nightclub sector grew by 15% in the past two years.

But with the number of food and beverage providers in New Zealand continuing to grow it will mean businesses need to be creative about managing costs, including wage pressures, to stay profitable, says an ANZ Bank New Zealand report released today.

ANZ Managing Director Commercial and Agri Mark Hiddleston said the report showed the tourism market, coupled with a strong domestic dining out scene, had helped contribute to the sector's growth.

"Businesses are really responding to the demand for a different dining experience, whether that is through a sustainably grown paddock-to-plate story, catering to the increasing number of people moving out of major cities into the regions, or growth in centres like Christchurch and Auckland."

Key findings of the report are:

- international spending peaks at around 24% of total credit card expenditure in the summer months, dropping to around 9% in winter;
- domestic spending averaged around 75% - 85% of total spending in the sector over the two year period;
- the number of food and beverage providers grew by 7.4%; and
- New Zealand's main destinations recorded growth in food and beverage providers, with Christchurch leading the way with 11.6% growth, likely due to progress of the earthquake rebuild, followed by Auckland with 10%, Waikato 8.6%, Otago 4.6% and Wellington 3.3%.

"All this points to the hospitality sector being in good shape, but despite this strong backdrop we know businesses are facing some challenges," Mr Hiddleston said.

ANZ benchmarking of 43 businesses shows revenue growth is only marginally up and the median results for wages and salaries as a proportion of revenue was around 35%.

With the Government indicating the minimum wage will increase to $20 per hour by April 2021, a 27% increase from $15.75 per hour in March this year, she said businesses would need to be proactive around managing costs.

"While forecasting wage growth is difficult, and a 27% increase would apply only to employees on the minimum rate, any increase would have an impact on the bottom line.

"Finding a point of difference, structuring service offerings and looking at different ways to manage supply chains are ways businesses can deal with this cost increase.

"If businesses are relying on one input being cheap – like wages – the reality is that business will be vulnerable."

Download video here:
For media enquiries contact: Briar McCormack 021 2801173

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