



TOURISM
ECONOMICS

AN OXFORD ECONOMICS COMPANY

The Outlook for Travel

Zeek Coleman

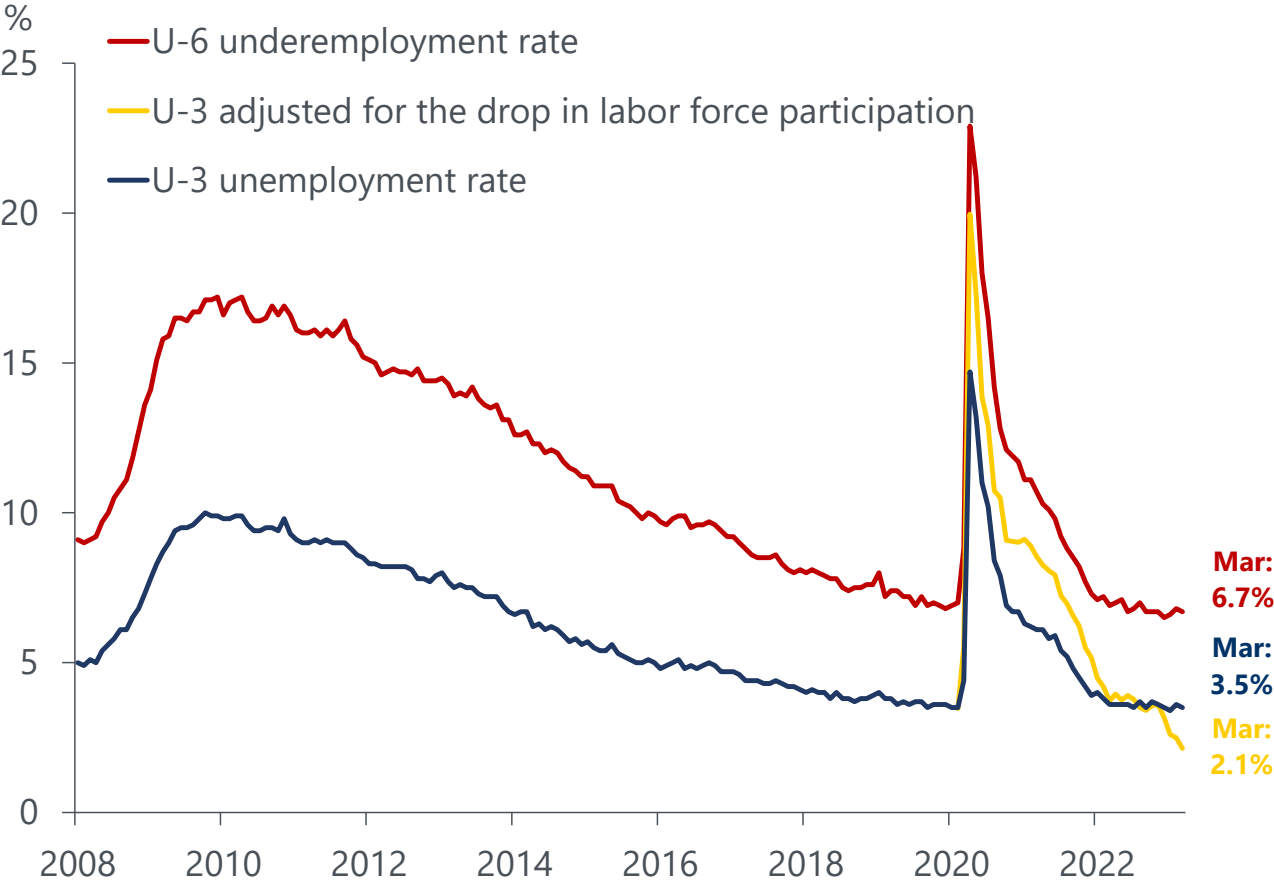
Vice President, Americas

Tourism Economics

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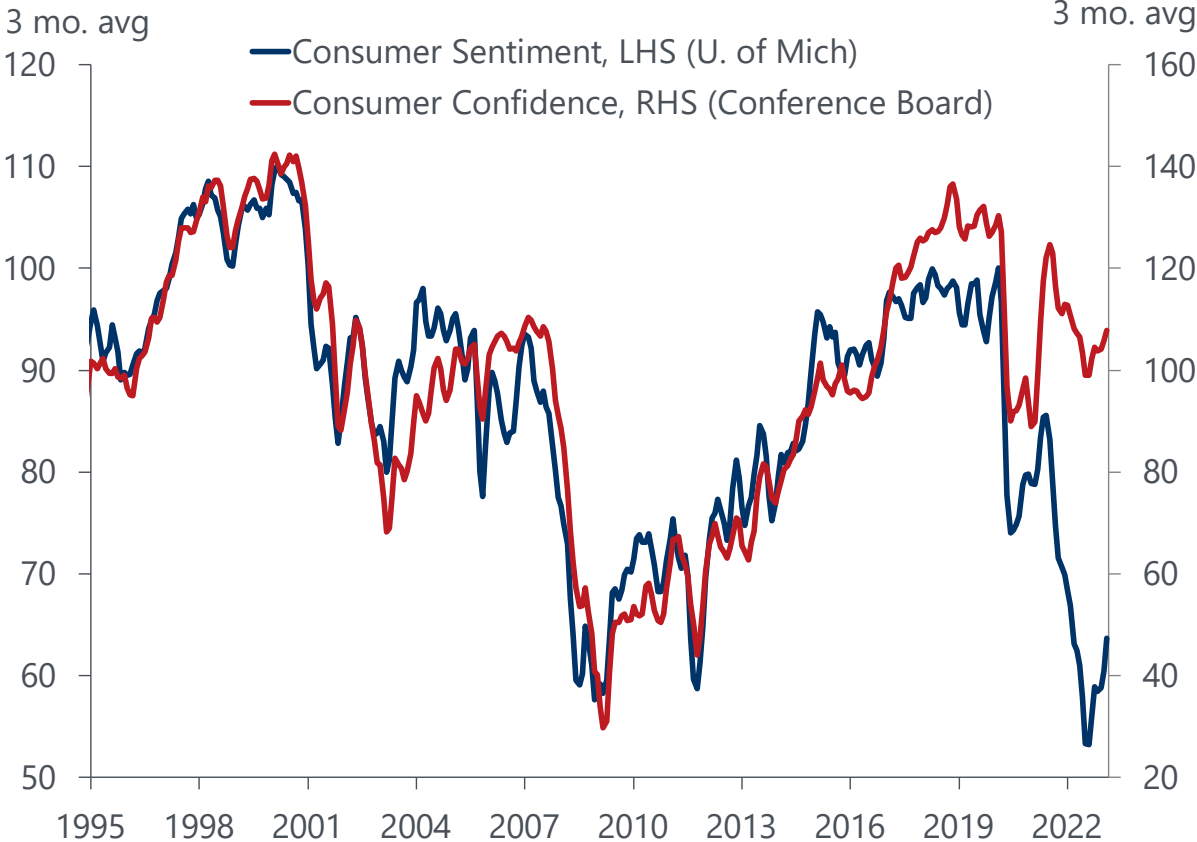
US unemployment rate the lowest in 50 years

US: Unemployment rates



Yet, consumers are feeling uneasy

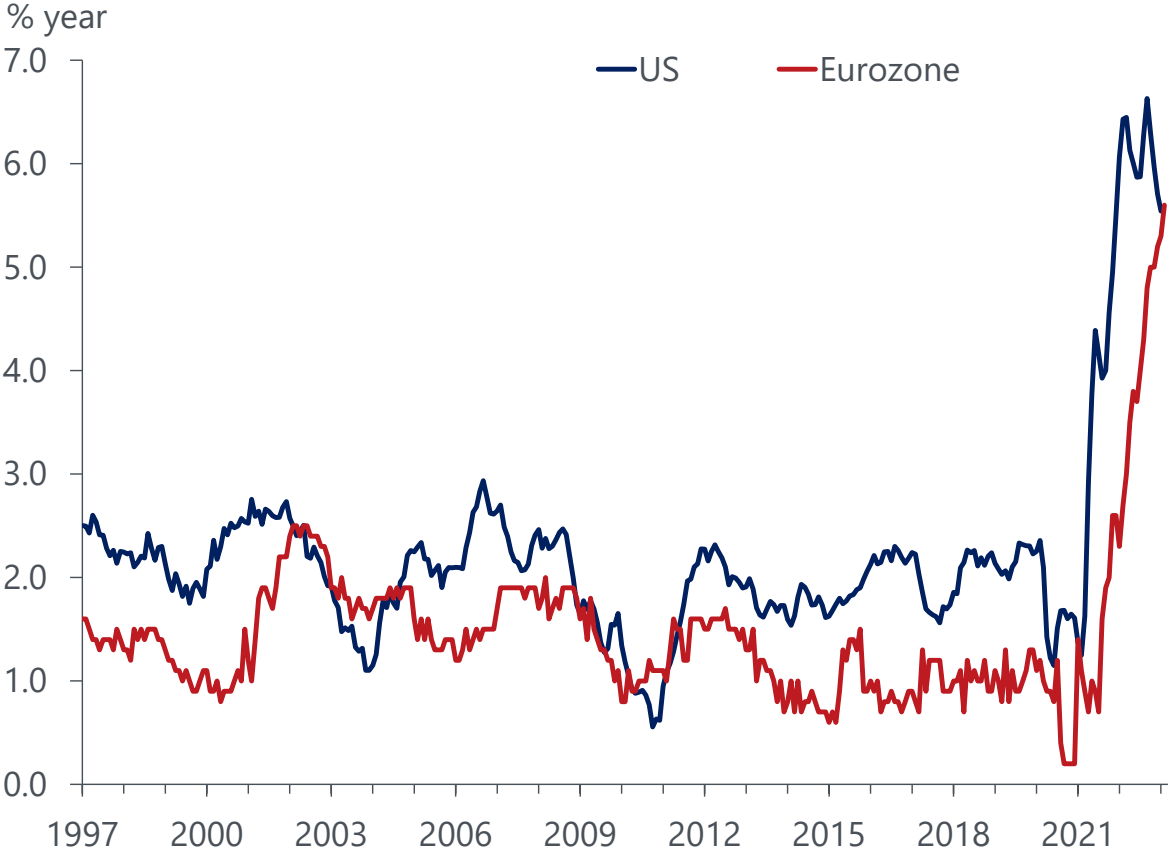
US: Consumer surveys



Source: Oxford Economics/Haver Analytics

The culprit? Inflation

Advanced economies: Core CPI inflation

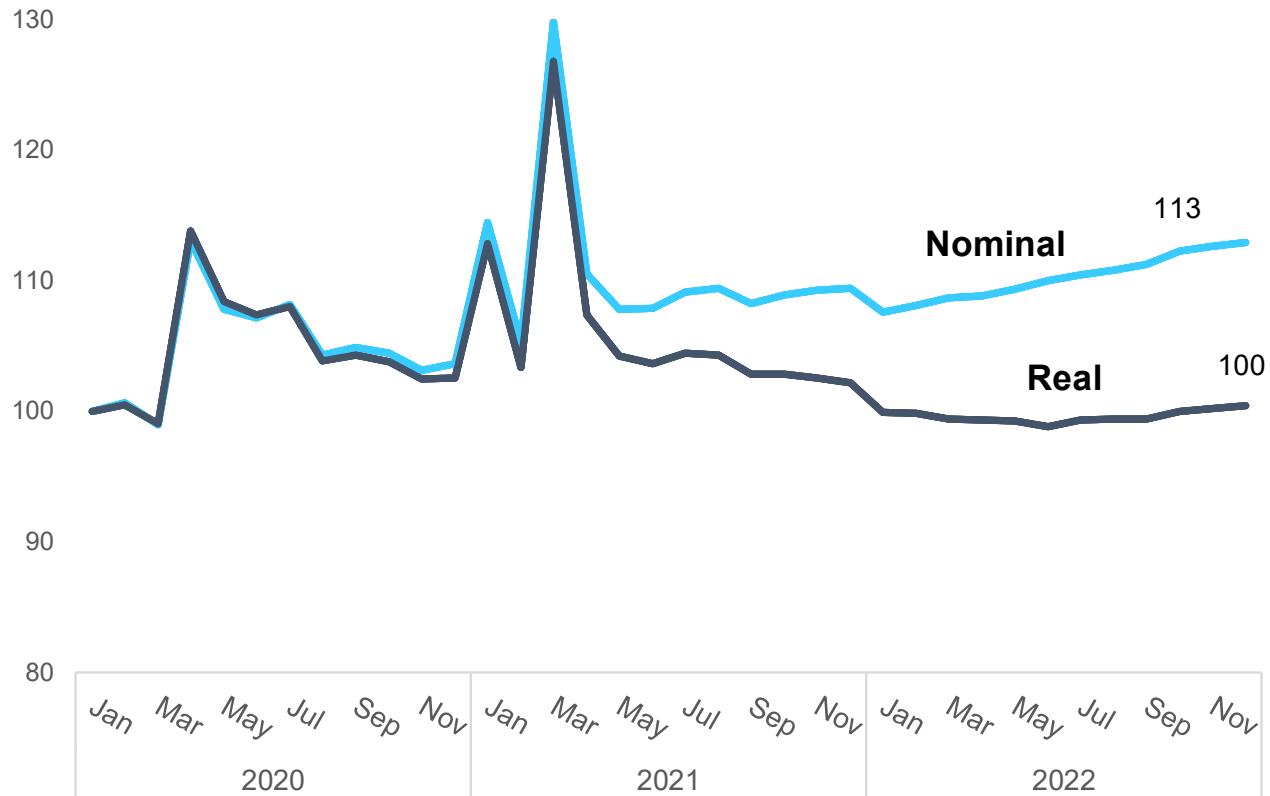


Source : Oxford Economics/Haver Analytics

Inflation has taken a bite out of disposable income

Personal income

January 2020 = 100



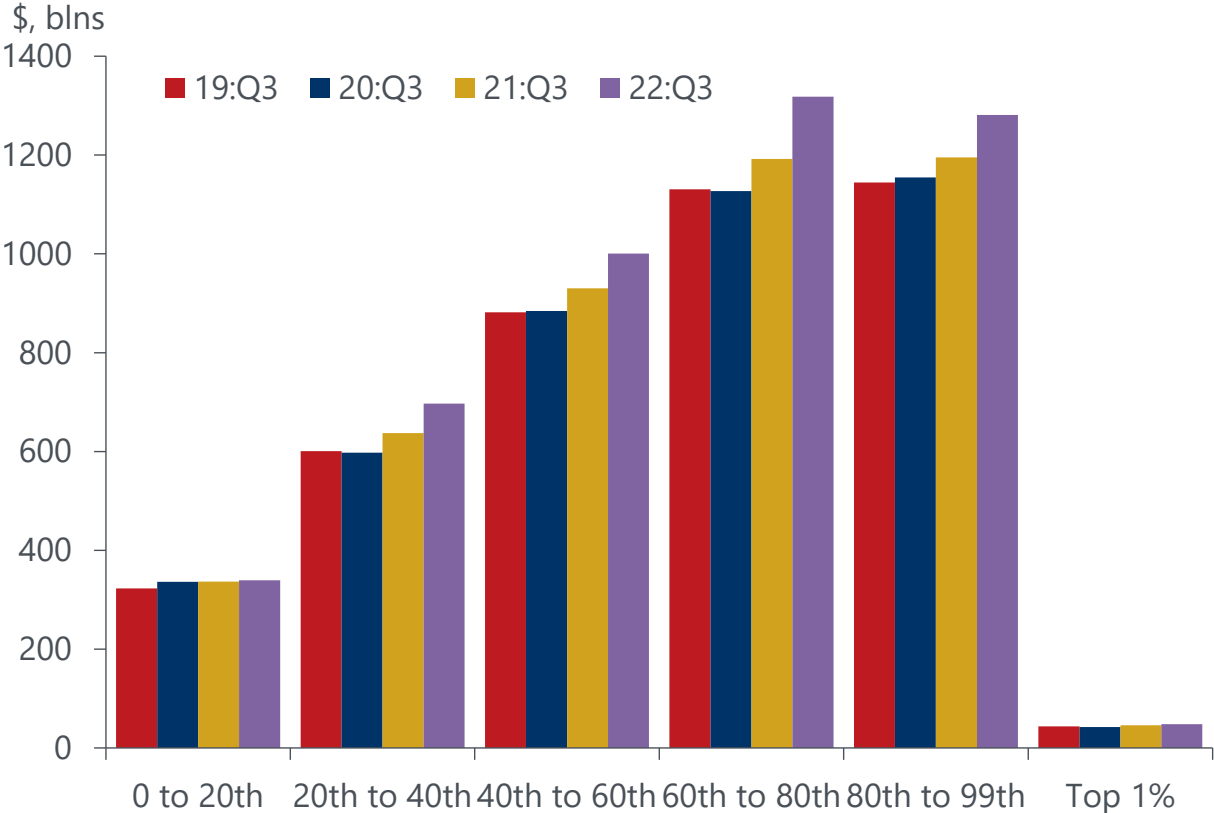
- The average US household is spending an additional \$400/month to buy the same goods and services as last year.

Note: Disposable personal income, seasonally adjusted

Source: BEA; FRED

And households are taking on some debt

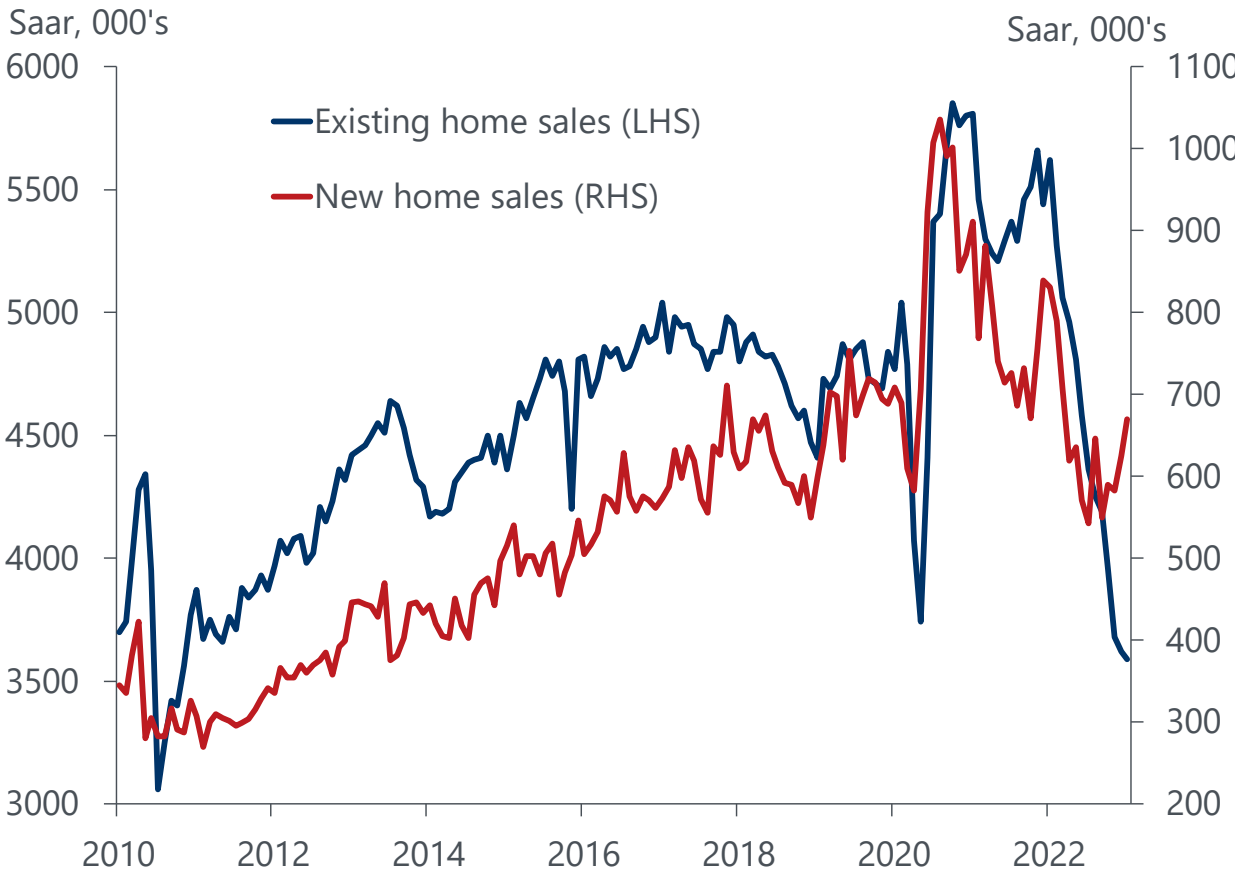
US: Outstanding consumer credit



Source: Oxford Economics/Haver Analytics

Housing market is already in recession

US: New and existing home sales

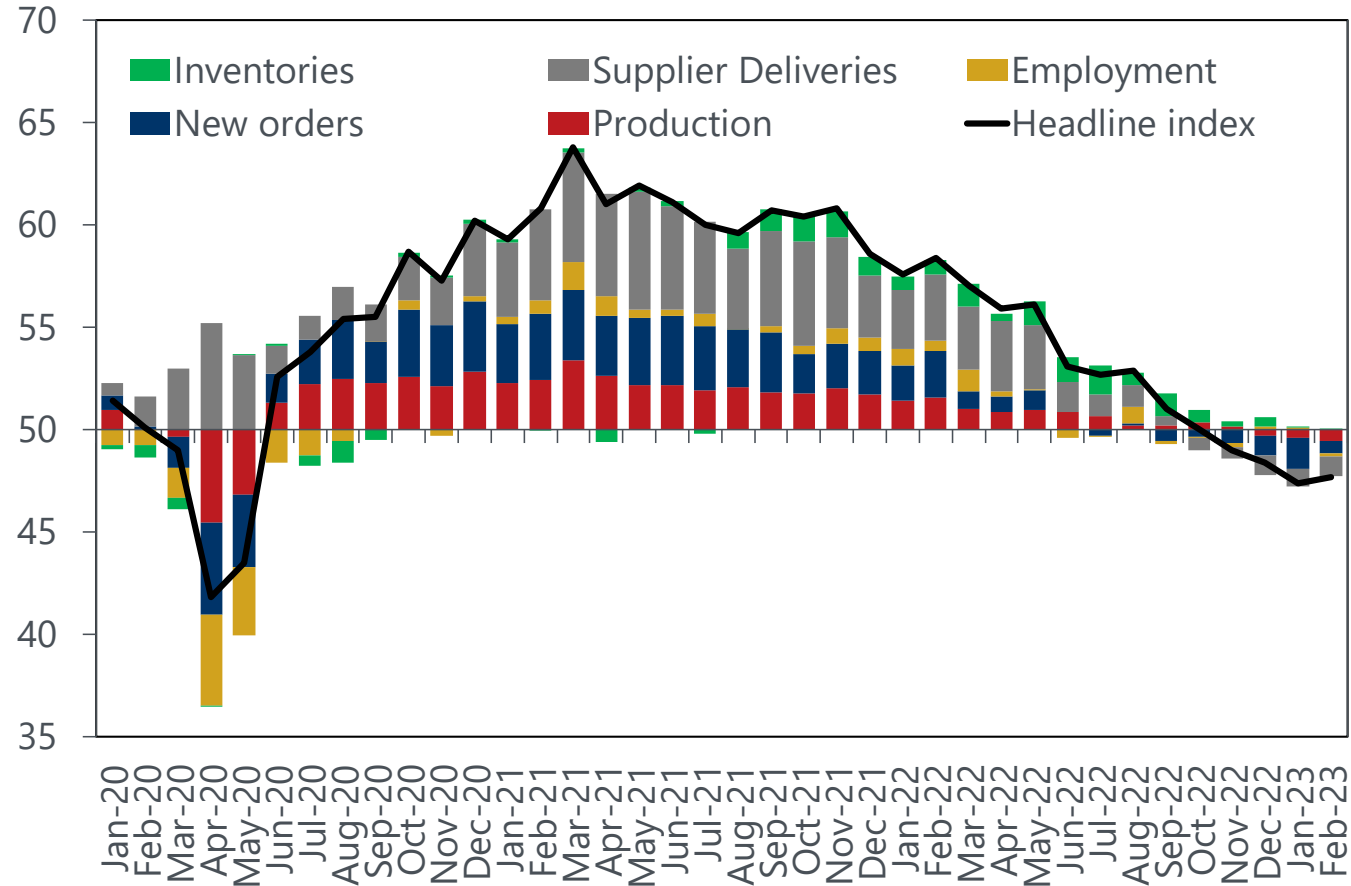


Source: Oxford Economics/Haver Analytics

Manufacturing has also entered downturn territory

US: Contribution to headline ISM Manufacturing

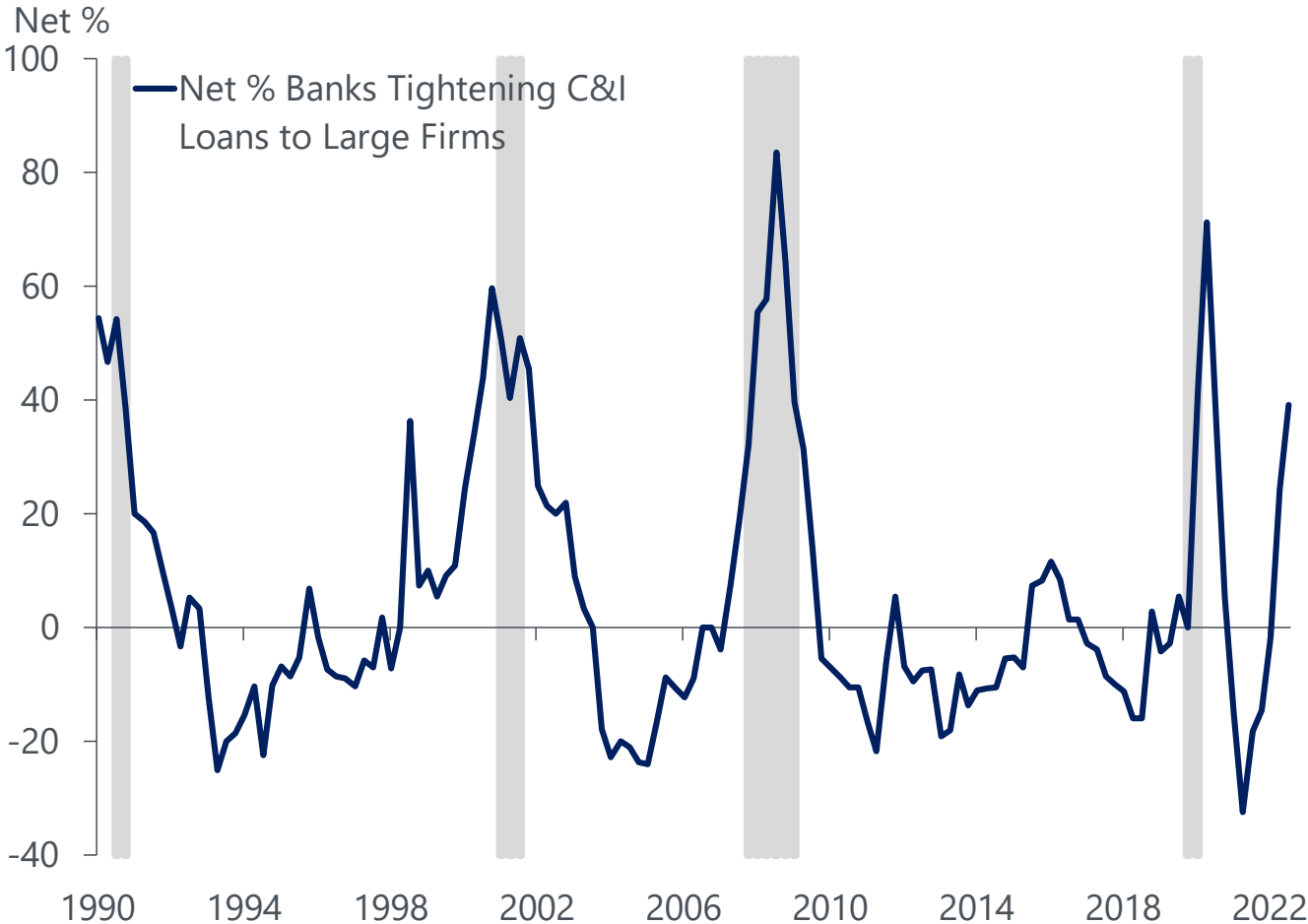
Index; above 50=expansion



Source: ISM/Oxford Economics/Haver Analytics

Credit conditions becoming less favorable

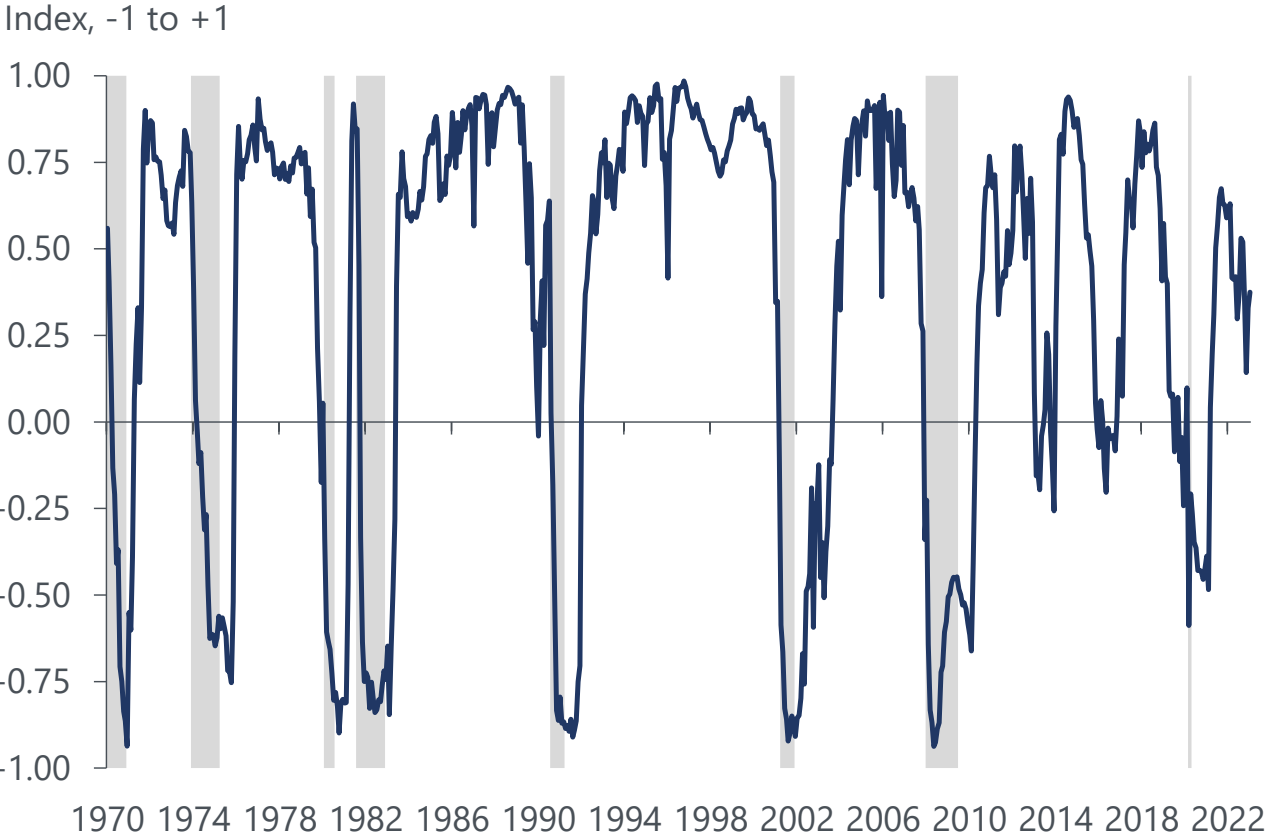
US: FRB Sr Officers Survey: Banks Tightening C&I Loans



Source: Oxford Economics/Haver Analytics

Oxford indicator points to a contraction later this year

US: Oxford Economics' US Business Cycle Indicator (BCI)

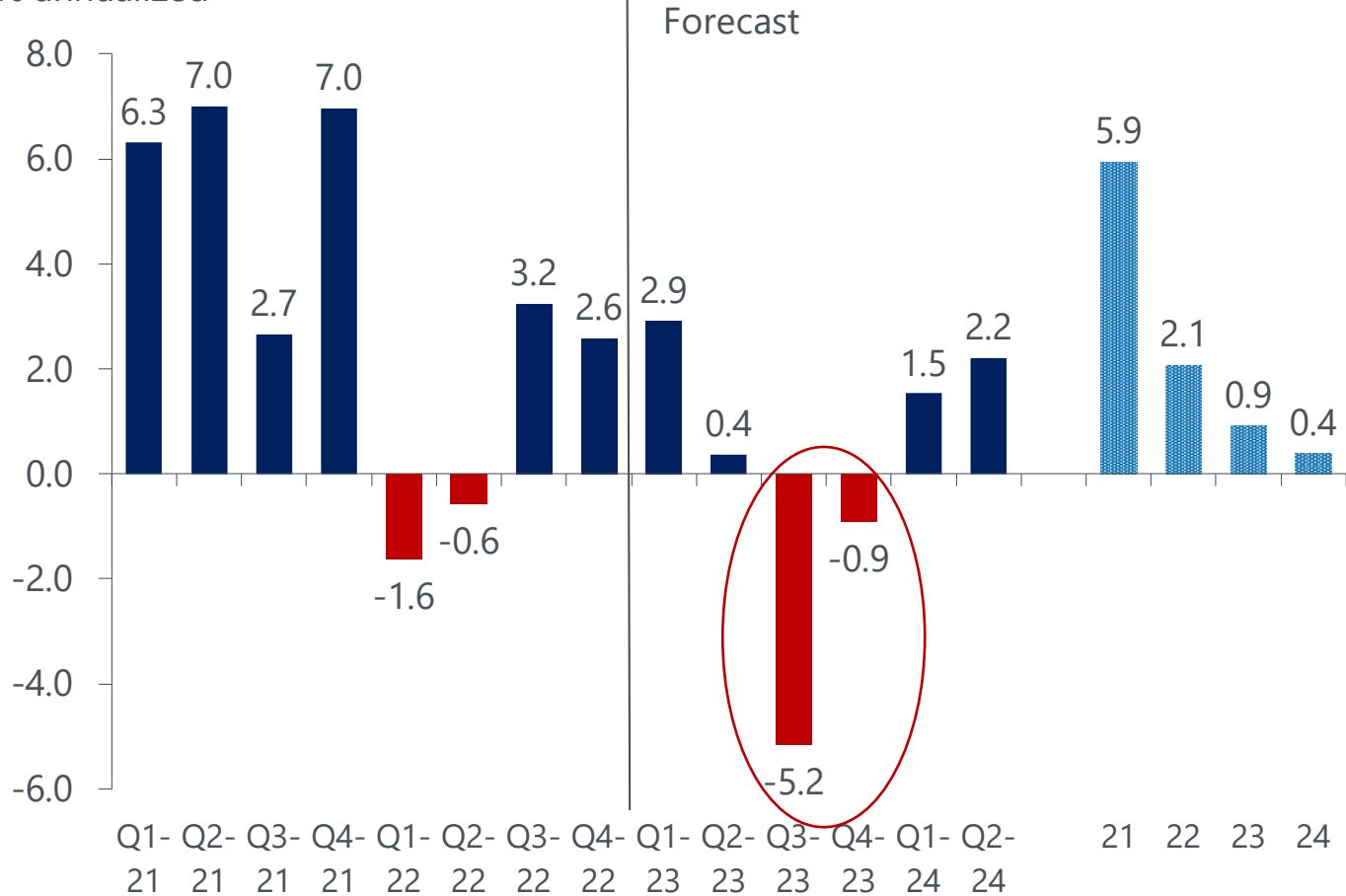


The sharp fall in our US business cycle indicator in February suggests the economy lost momentum midway through Q1.

Source: Oxford Economics/Haver Analytics

We are headed toward a recession in the second half of 2023

US: GDP Forecast
% annualized



We expect the recession to be mild because there are no glaring imbalances in the economy's balance sheet.

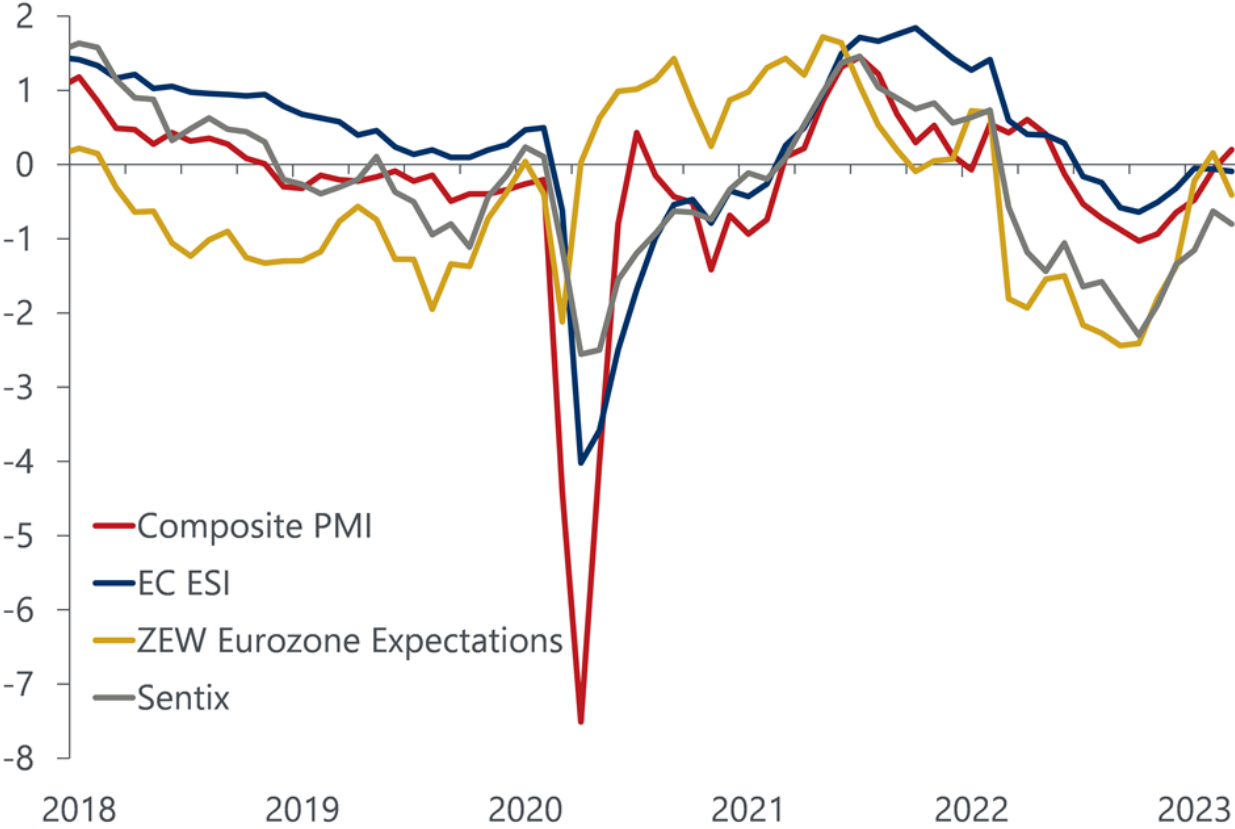
Household balance sheets are in great shape, nonfinancial corporate balance sheets are healthy, and state and local governments are flush with cash.

Source: Oxford Economics/Haver Analytics

European economy in a fragile spot

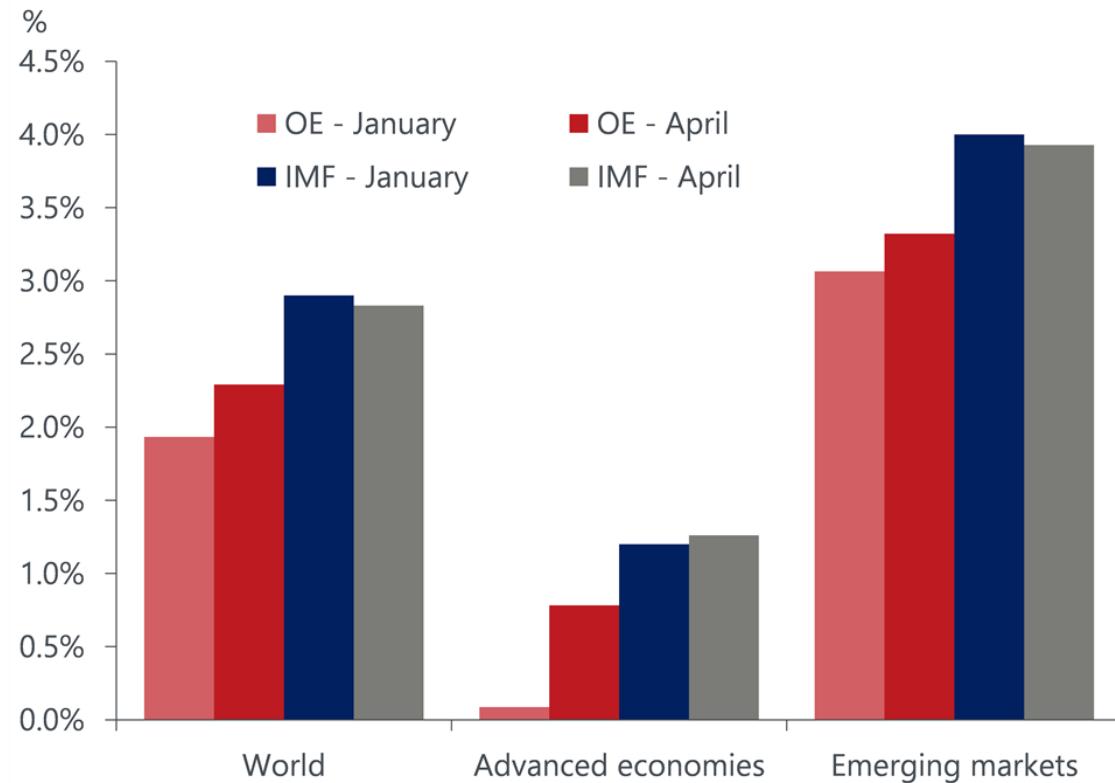
Eurozone: Key surveys

Index normalised at 0



Our view of GDP growth is much more cautious than the IMF

Global: OE and IMF GDP forecasts for 2023



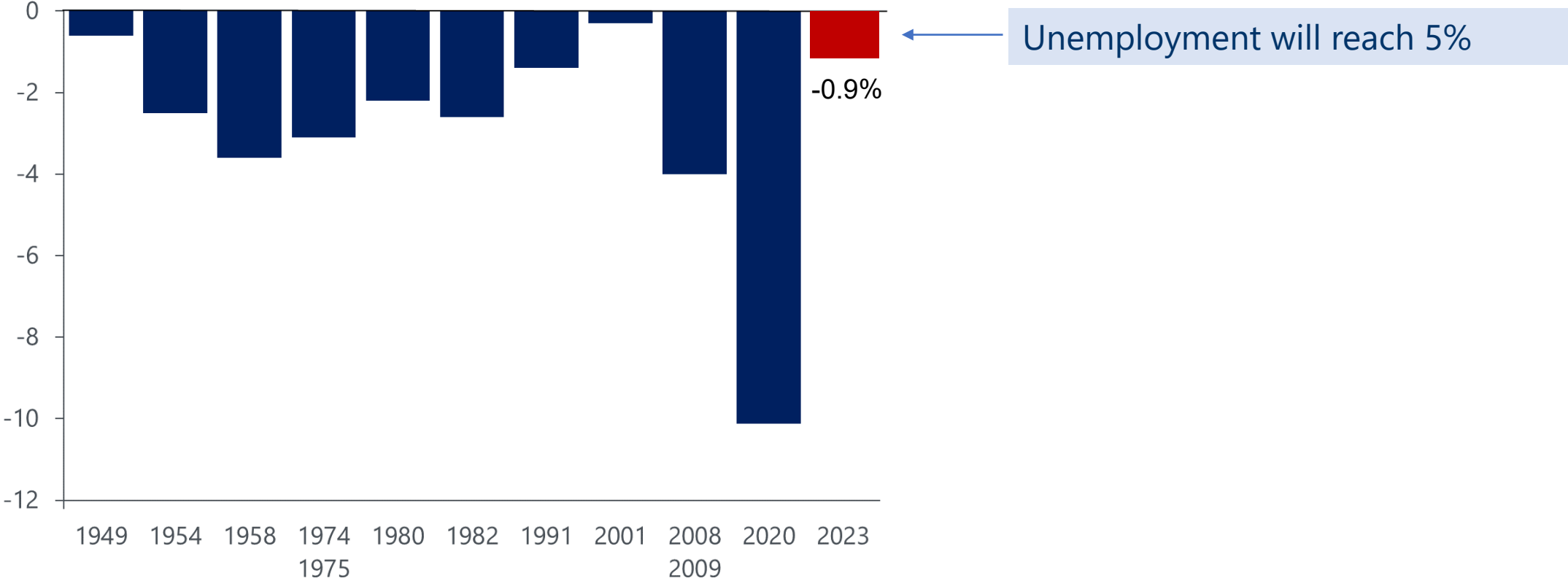
Source: Oxford Economics/Haver Analytics

Source: Oxford Economics/Haver Analytics , From: Global: The IMF's GDP growth forecasts are still too optimistic

The US recession will be mild by historical standards

US: Peak-to-trough recessions since 1949

% change, peak to trough

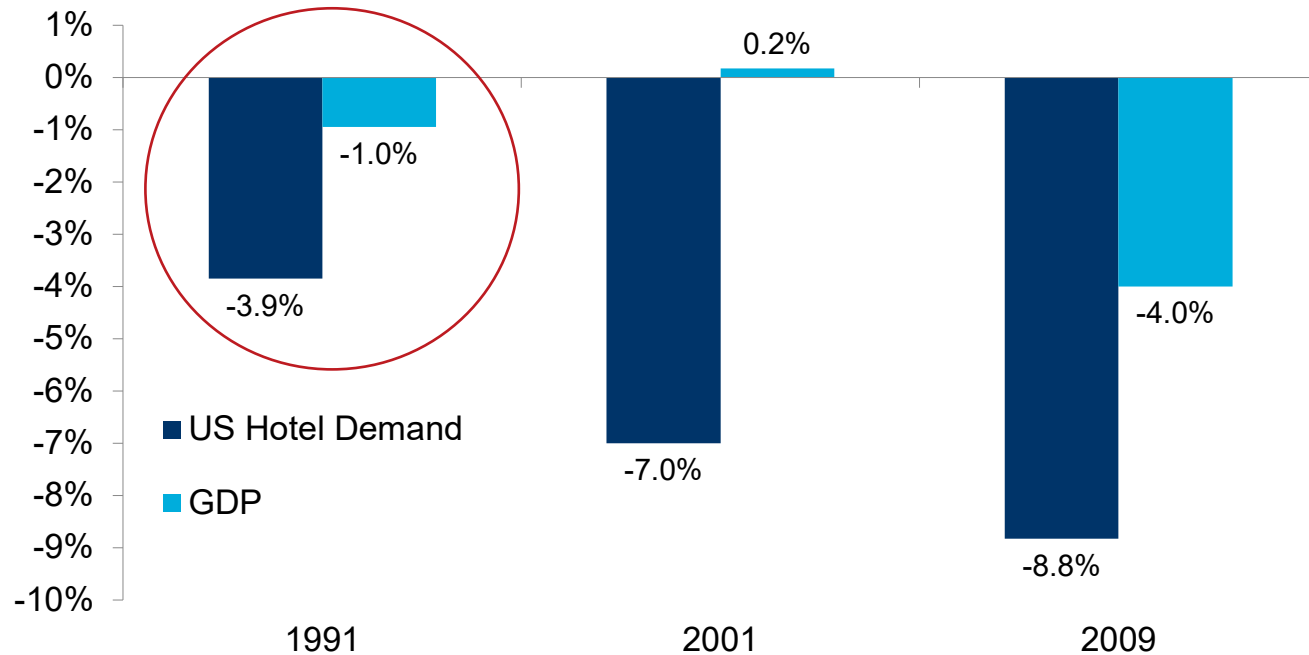


Source : Oxford Economics/Haver Analytics

What have the last three “normal” recessions looked like?

Hotel demand during recessionary periods

Year-over-year %, quarterly peak-to-trough



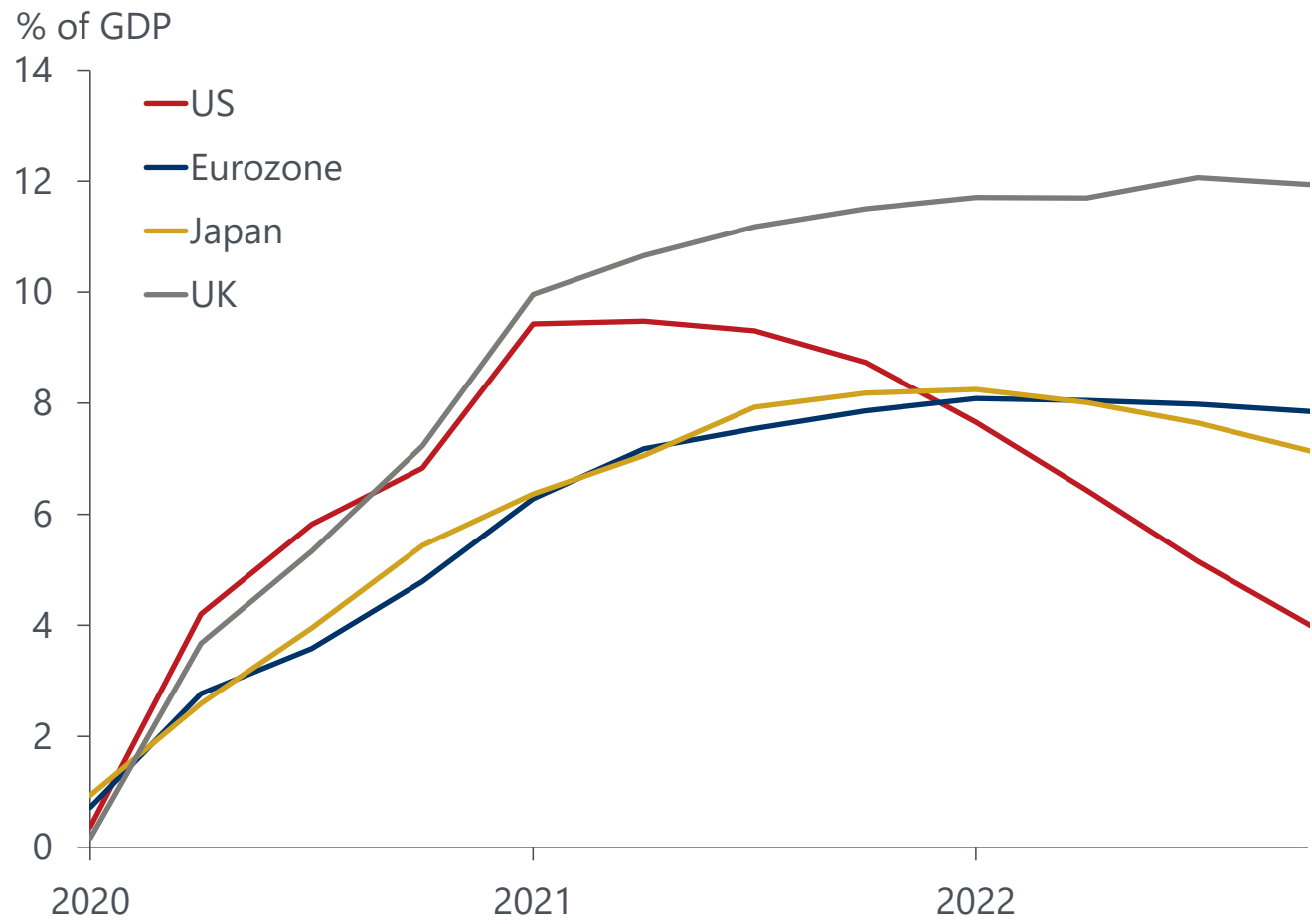
Source: STR, BEA

Why the travel industry may defy economic gravity

1. Households are in a position of strength
2. Pent-up demand and prioritization of travel is real
3. Businesses are still restoring necessary travel
4. International still rebuilding

Excess savings are buffer, especially to high-end travelers

Stock of excess savings



Source: Oxford Economics/Haver Analytics

“To date, however, we have not seen signs of demand softening. Certainly, trends could change quickly but booking demand and pricing remains strong.”

Marriott earnings call, February 14, 2023

(Remarks edited for clarity)

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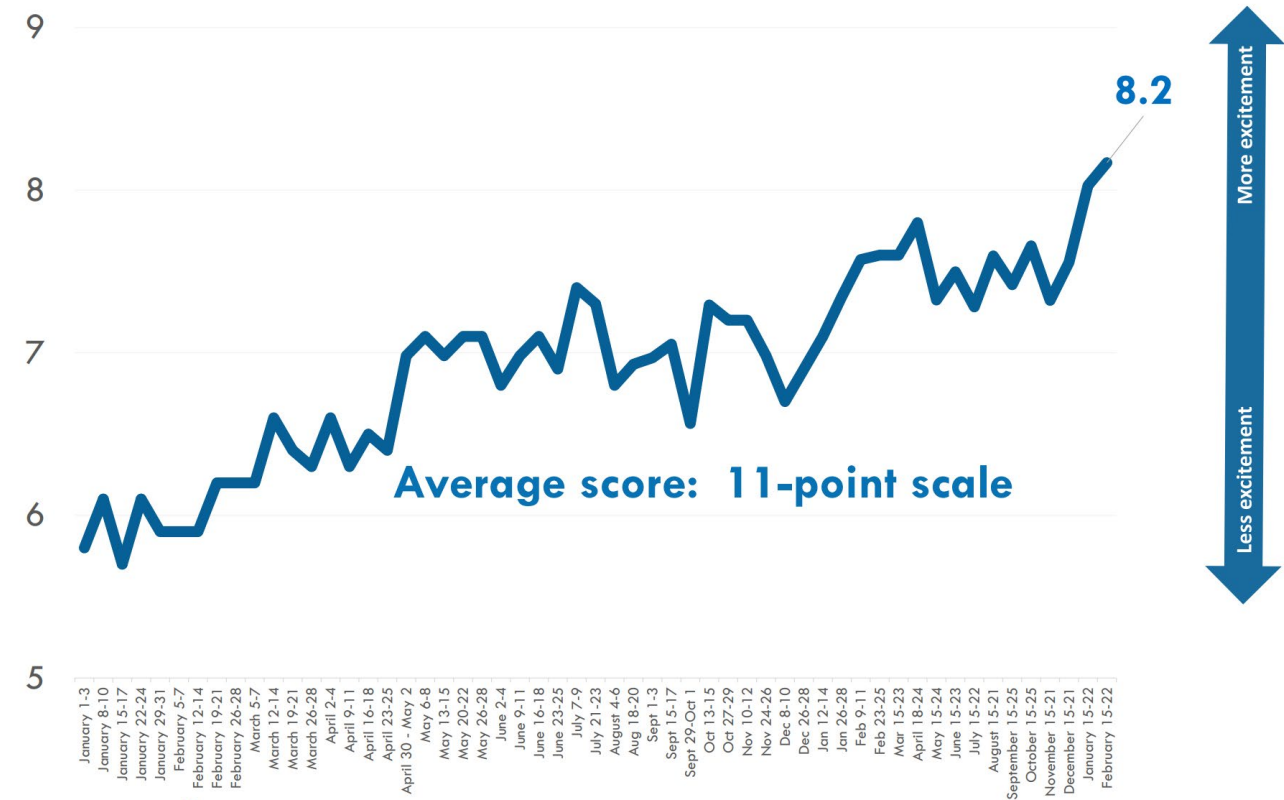
“We continue to see that people are prioritizing travel over just about everything.

“Maybe it's still the effect of COVID and people realizing there's more valuable things to do with their lives.”

Expedia earnings call, February 9, 2023

(Remarks edited for clarity)

Question: Which best describes how excited you are about **LEISURE TRAVEL** in the **NEXT TWELVE (12) MONTHS**?

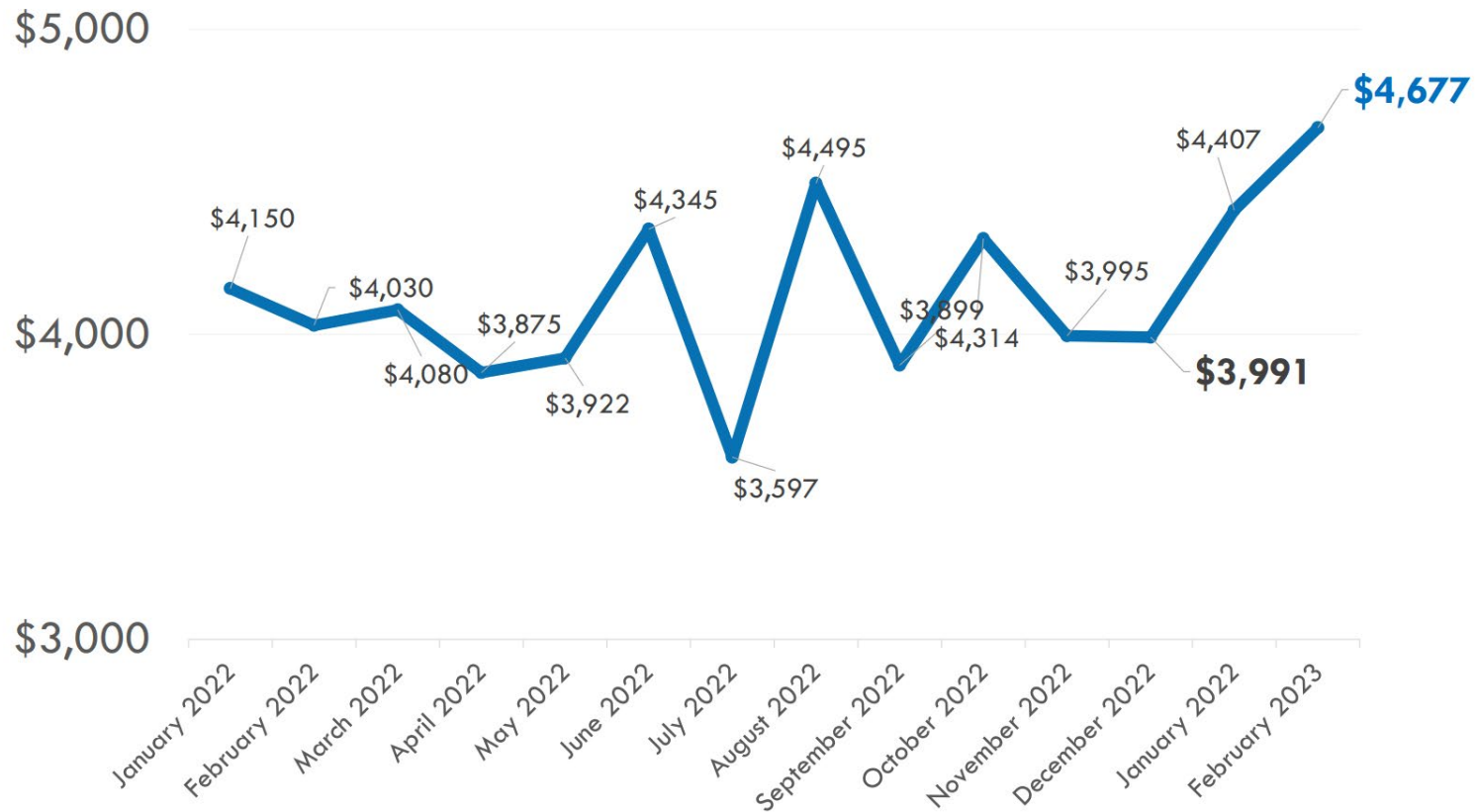


Destination Analysts

Travel budget for next 12 months has increased 13% over past year

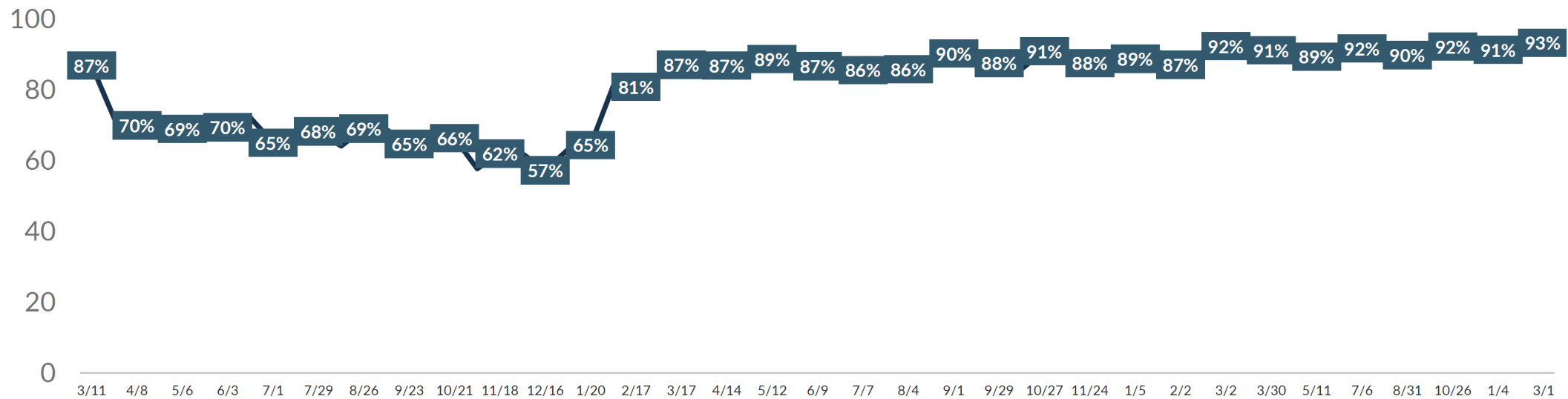
Maximum Expected Annual Travel Budget

Destination  Analysts



And overall intentions to travel remain elevated

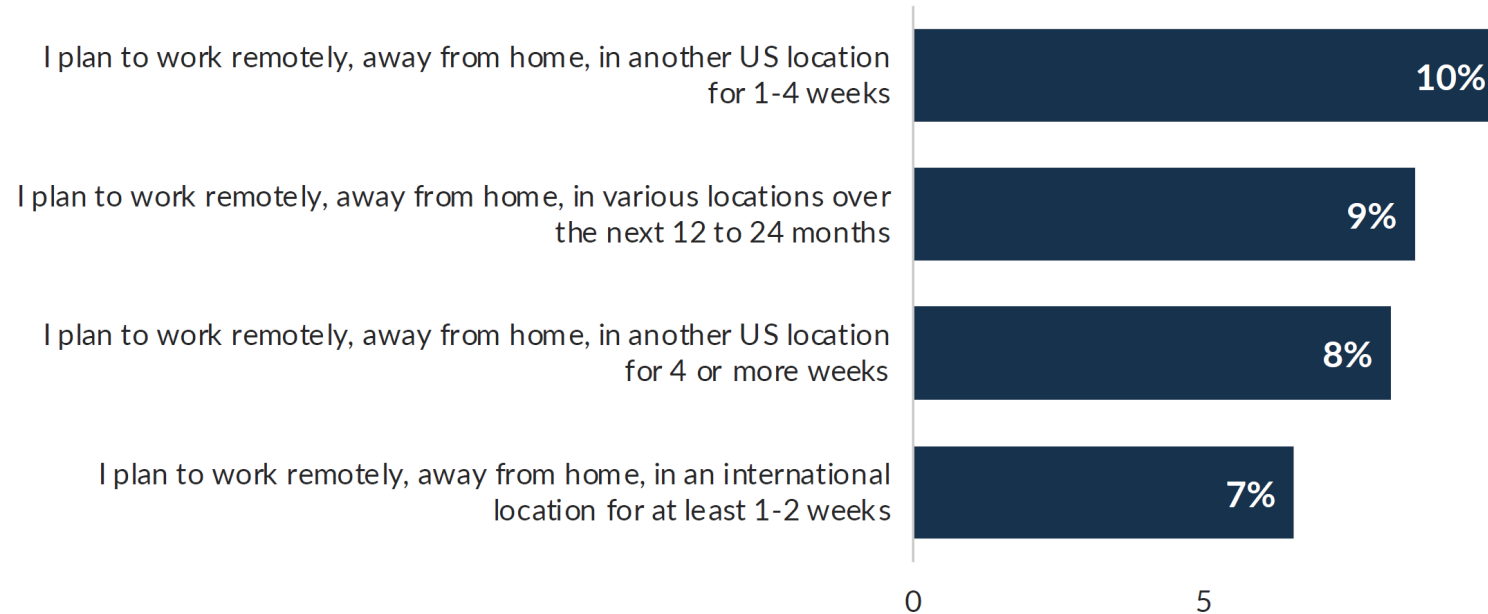
Travelers with Travel Plans in the Next Six Months Comparison



Travel Sentiment Study Wave 71

34% plan to travel... as they work remotely

Which of the following describes your remote work plans within the next 12-24 months?



Travel Sentiment Study Wave 67

Longwoods INTERNATIONAL | miles PARTNERSHIP

“There's been a permanent structural change in leisure demand because of the flexibility that hybrid work allows. This is not pent-up demand. It's the new normal.”

United Airlines earnings call, October 19, 2022

Why the travel industry may defy economic gravity

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Business travel intentions now exceed 2019

Average expected trips versus 2019

Average monthly trips expected in next six months relative to pre-pandemic (2019=100%)



[q1&q2] How many times do you travel on average for business purposes?

Business Travelers Survey BASE: Q4 = 790; Q3 N = 1641; Q2 N = 2545

Momentum is building in the MICE sector

- “For 2023 group position is up 25% year-over-year and nearly back to 2019 levels.”
Hilton earnings call (Feb 9 2023)

- “Our group business experienced the most meaningful improvement in 2022...Group revenue for 2023 is already pacing up 20 percent year over year”
Marriott earnings call (Feb 14 2023)

- “you are seeing that progressive set of recovery in the Group segment ... Cannot find conference and meeting space in many of the major markets right now ...
...strangely enough hybrid working is actually a tailwind for groups because people are getting people together, too.”
IHG earnings call (Feb 21 2023)

“In our recent corporate survey, results were positive with 96% of respondents expecting to travel as much or more in Q1 than Q4.”

Delta Airlines earnings call, January 13, 2023

Why the travel industry may defy economic gravity

1. Households are in a position of strength
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“We expect a strong demand environment to continue in 2023 and anticipate further improvement in long-haul international travel this year.”

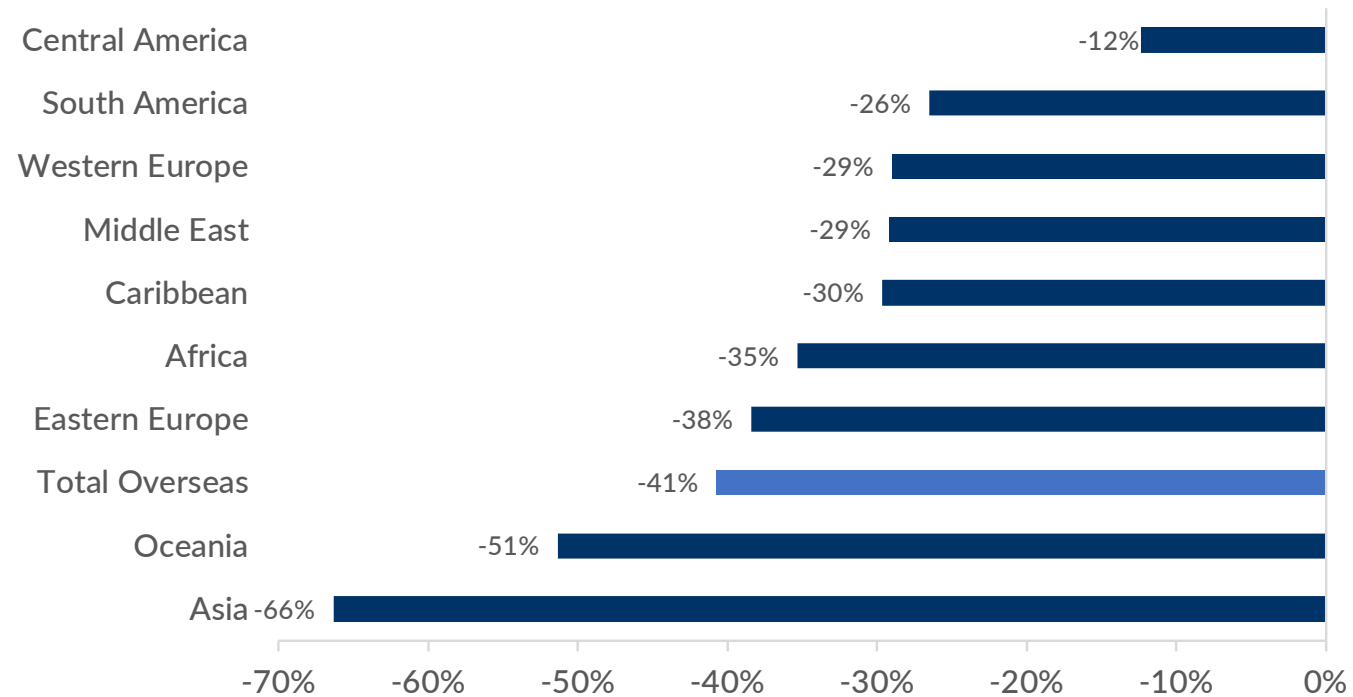
American Airlines earnings call, January 26, 2023

A Deep Dive on International Markets

US: LATIN AMERICA RECOVERED THE MOST IN 2022

2022 International arrivals to US

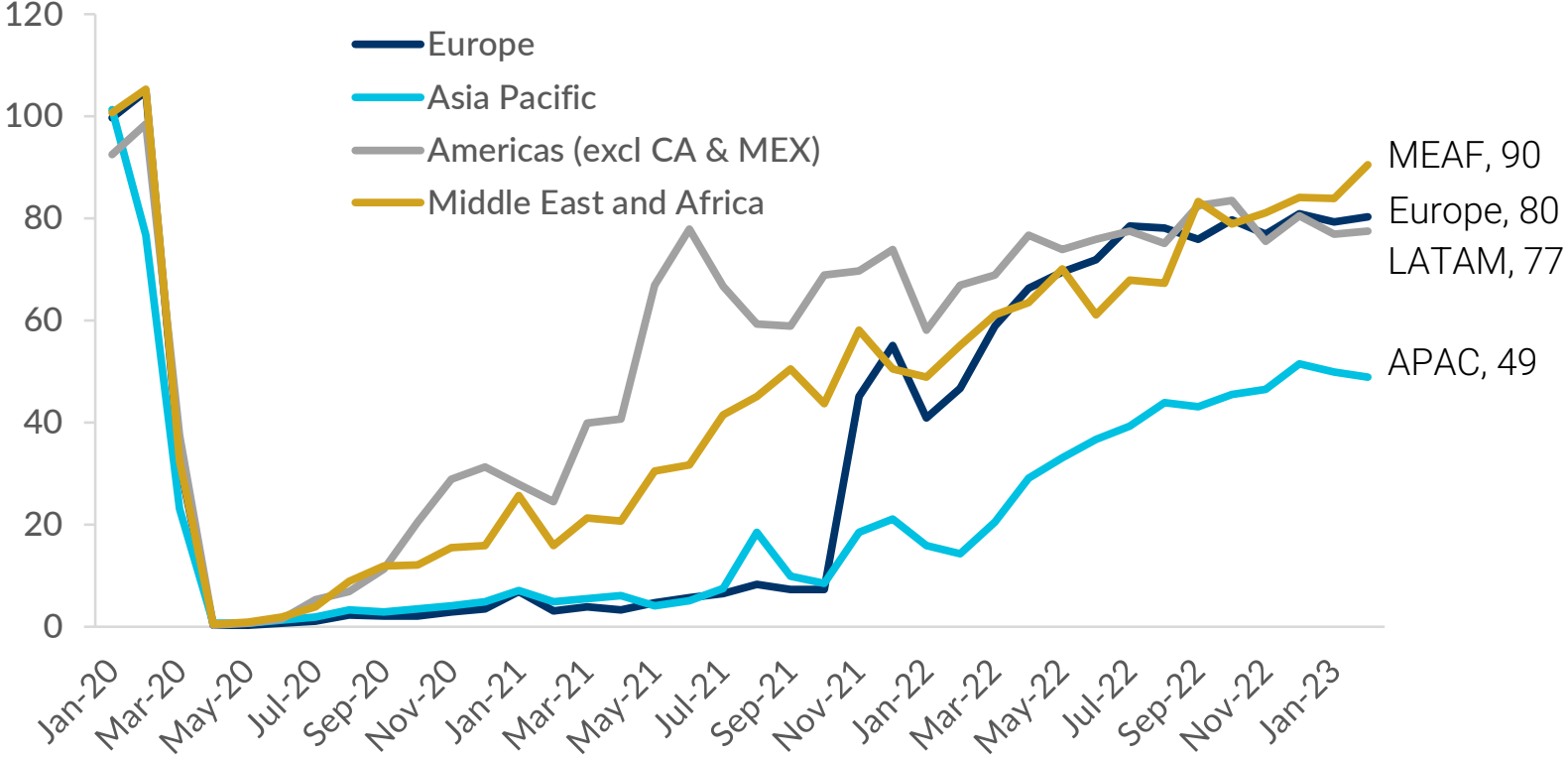
% change vs 2019



FIRST WAVE OF RECOVERY IS CLEAR OVER PAST YEAR

International arrivals to US

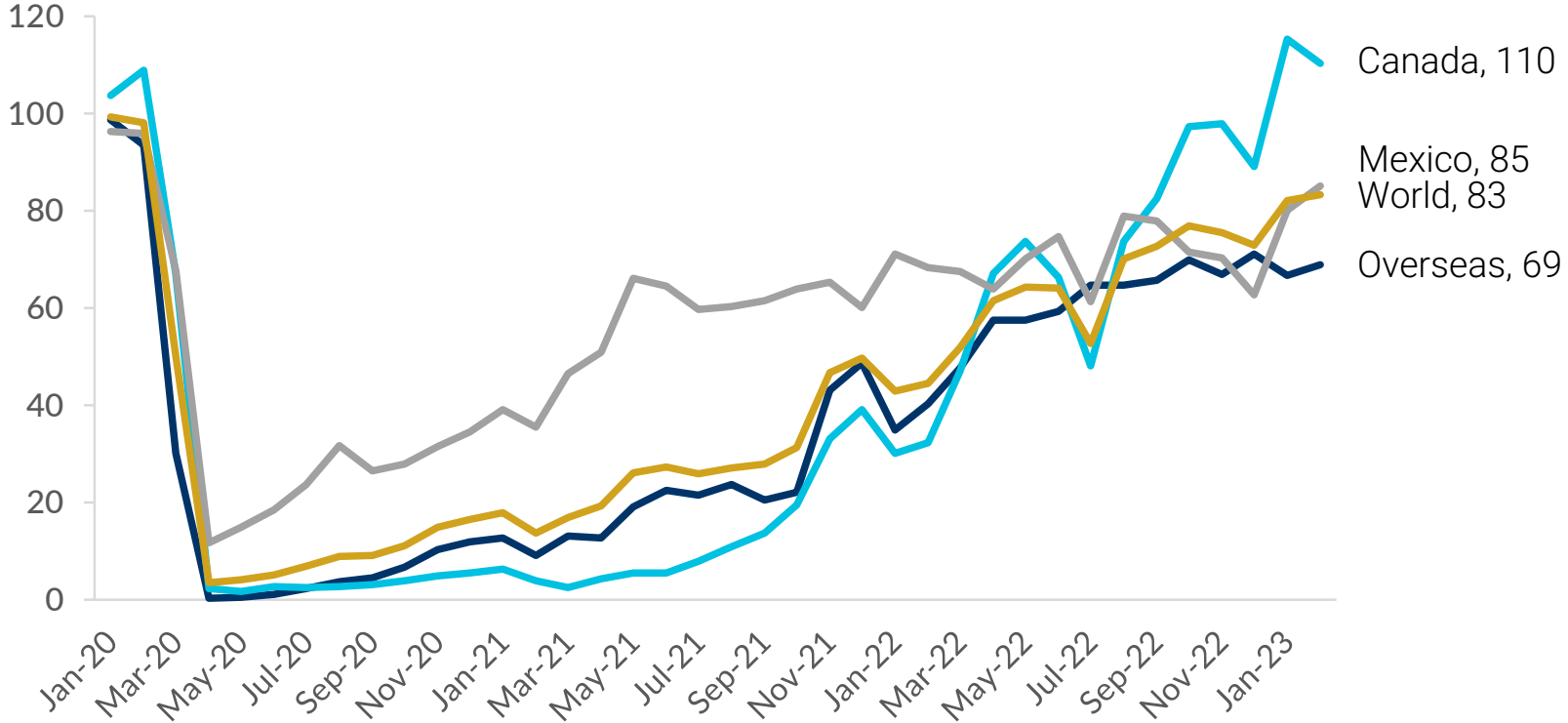
Index, same month 2019=100



CANADA AND MEXICO HAVE PACED THE EARLY RECOVERY

International arrivals to US

Index, same month 2019=100

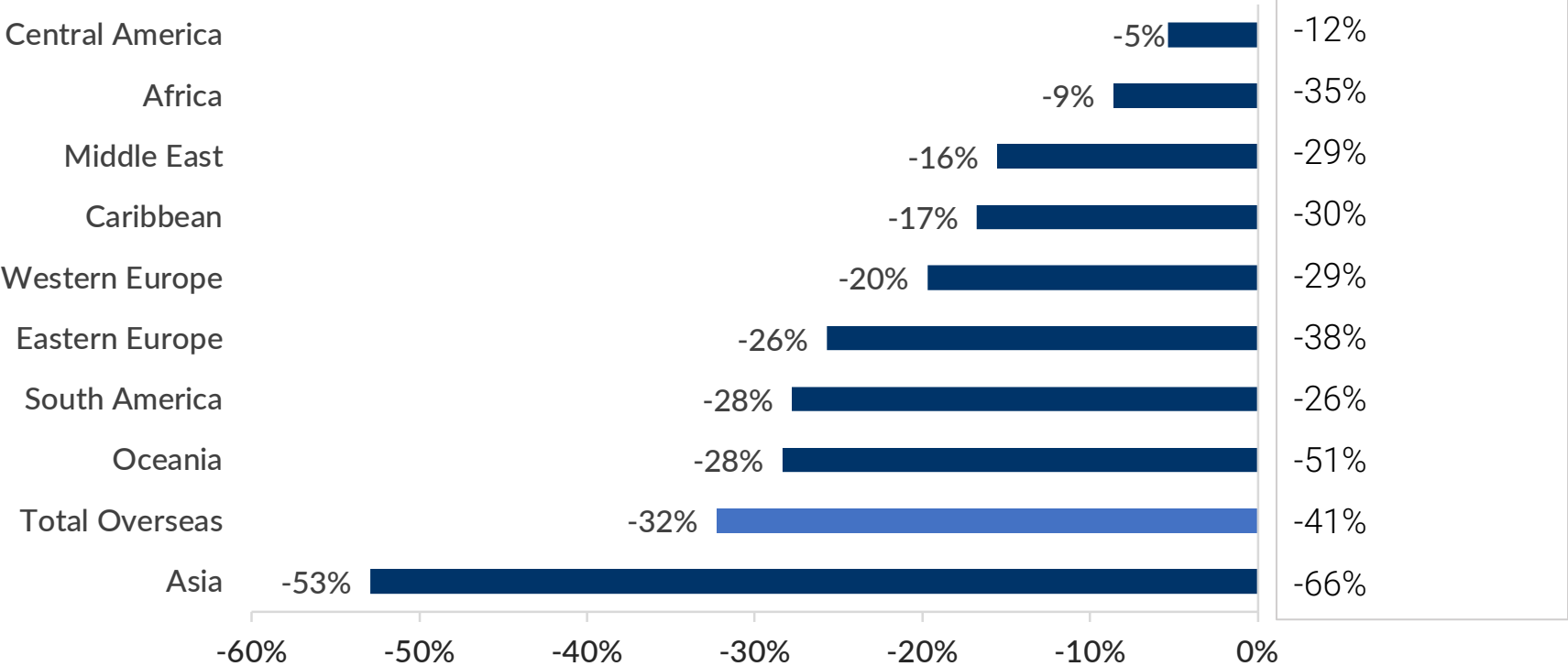


THIS YEAR IS STARTING FROM A HIGHER PLANE

2023 International arrivals to US

Jan-Feb YTD % change vs 2019

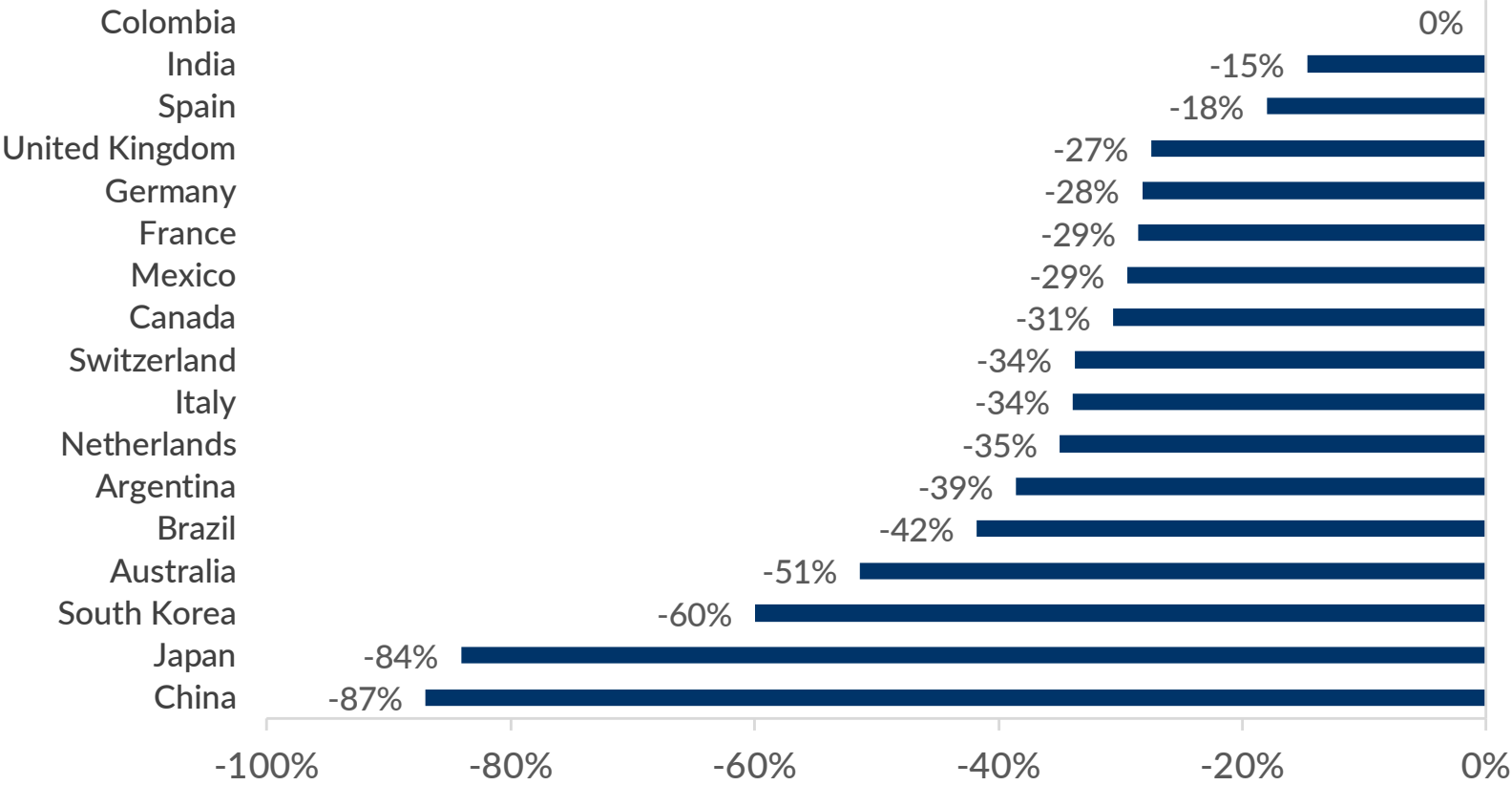
2022 vs 2019



2022 performance informs our view of 2023

2022 International arrivals to US

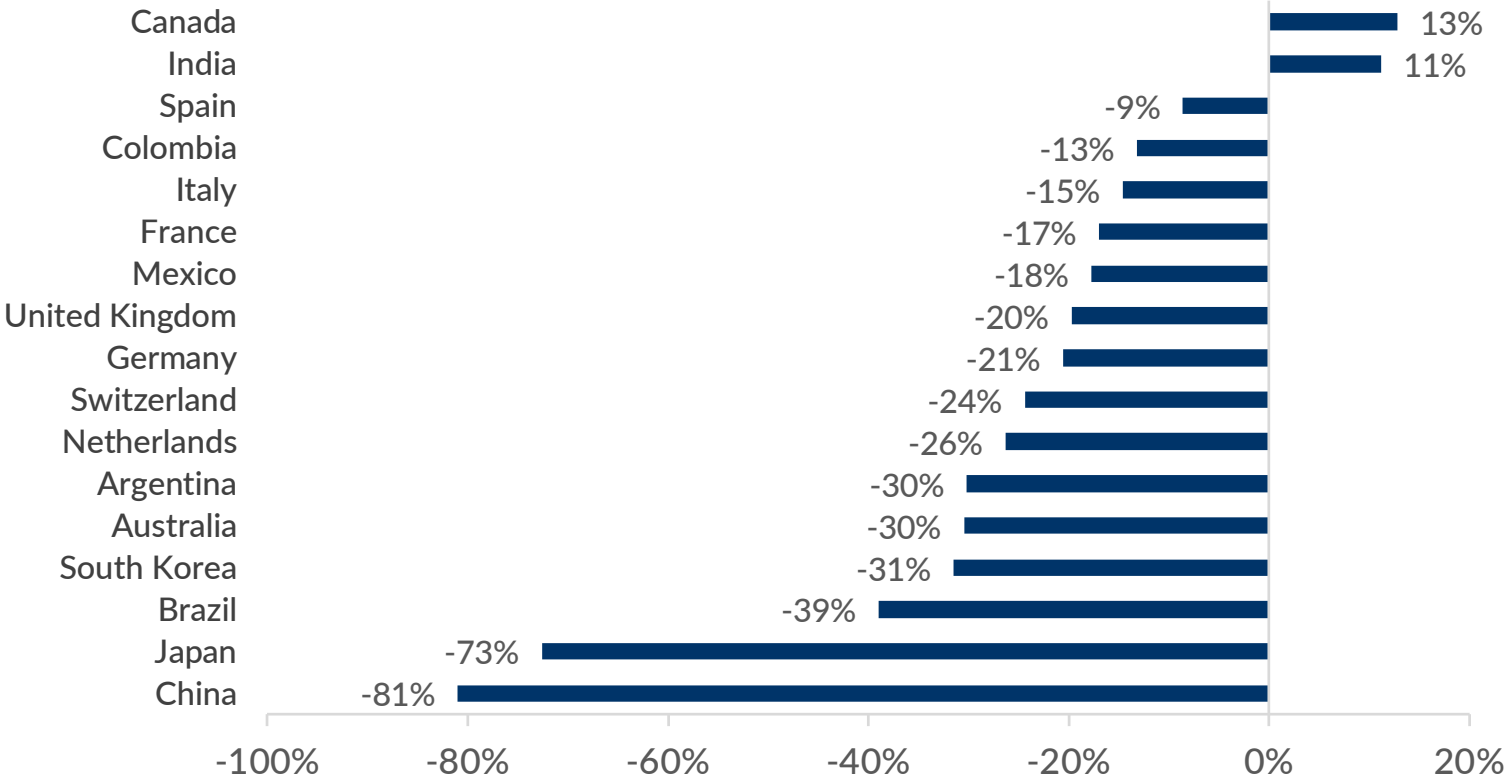
% change vs 2019



SOLID RECOVERY IN 2023 FROM WESTERN MARKETS + INDIA

2023 International arrivals to US

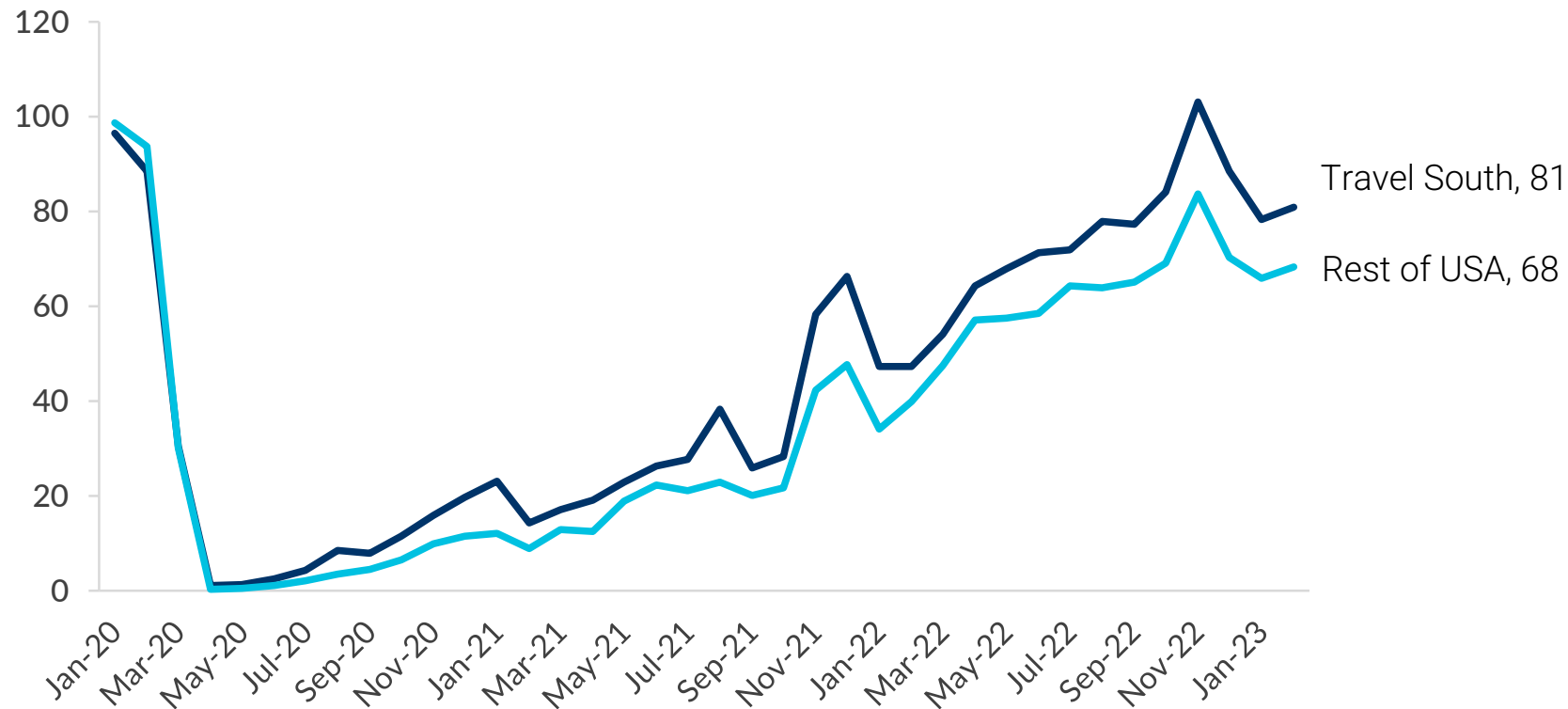
Jan-Feb YTD % change vs 2019



TRAVEL SOUTH STATES ARE RECOVERING FASTER

Overseas arrivals to US

Index, same month 2019=100



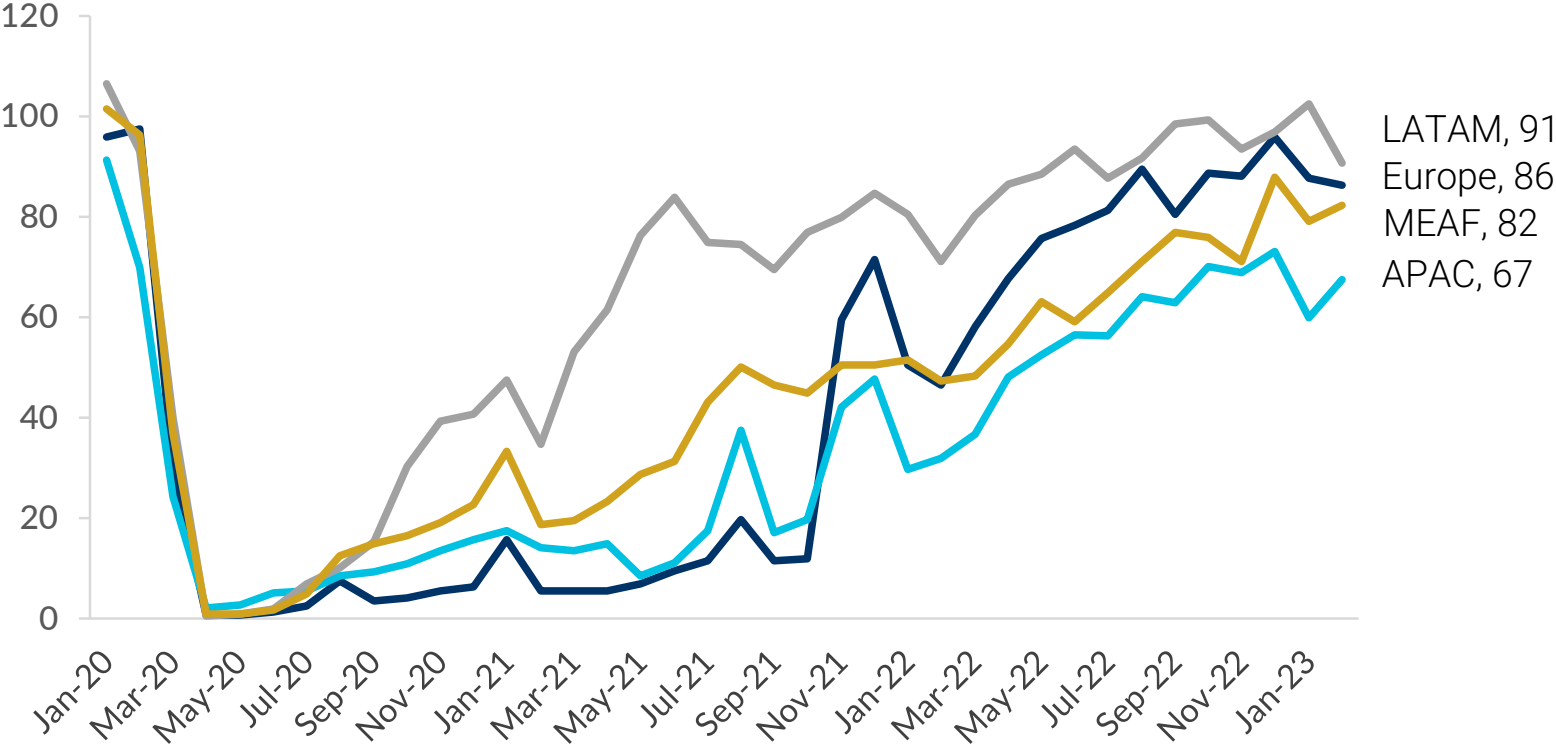
Note: Travel South States include: AL, AR, GA, KY, LA, MS, MO, NC, SC, TN, VA, and WV

Source: NTTO

TS IS AHEAD FROM EVERY REGION

Overseas arrivals to TS states

Index, same month 2019=100



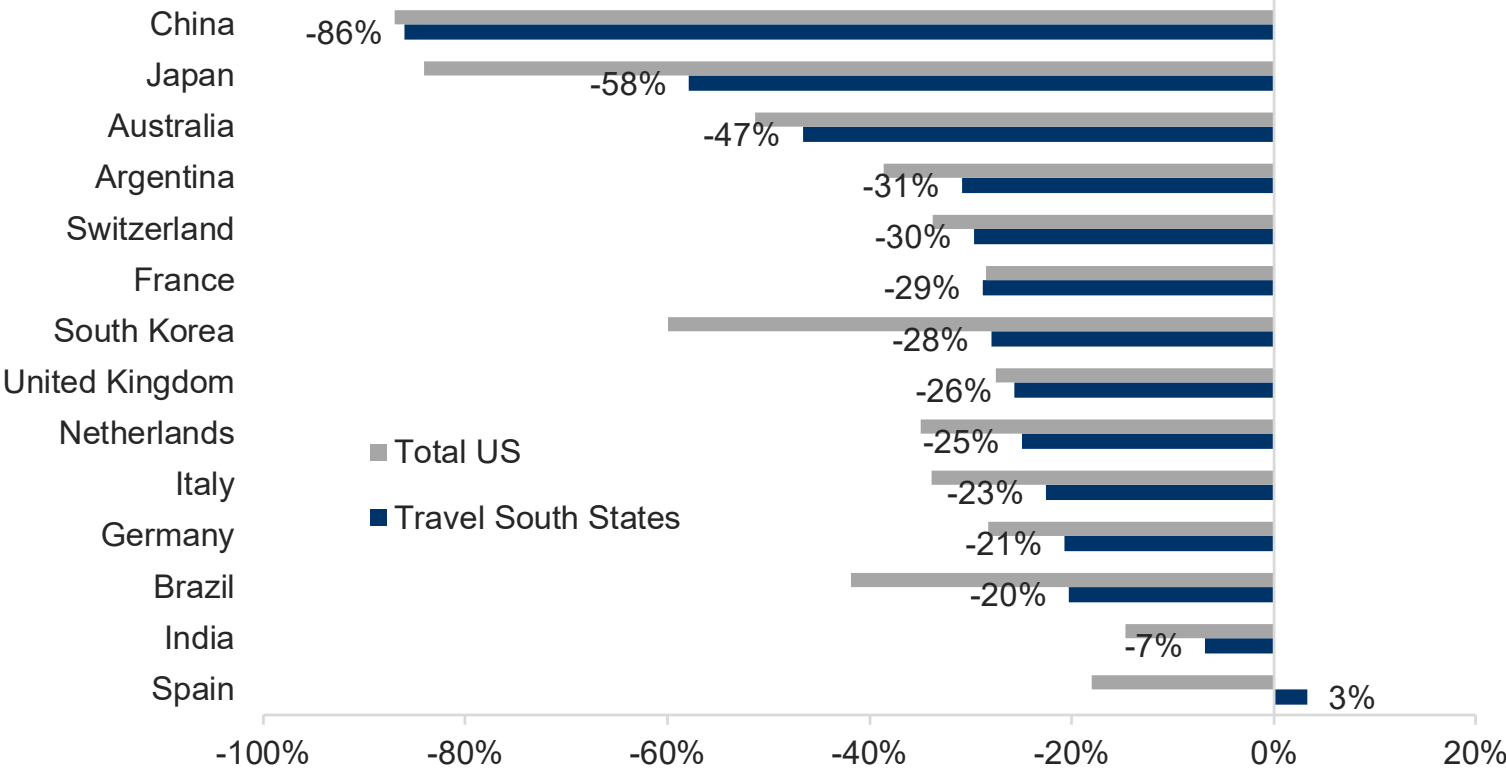
Note: Travel South States include: AL, AR, GA, KY, LA, MS, MO, NC, SC, TN, VA, and WV

Source: NTTO

TS AHEAD FOR EVERY COUNTRY IN 2022

Overseas arrivals to TS states

Index, same month 2019=100



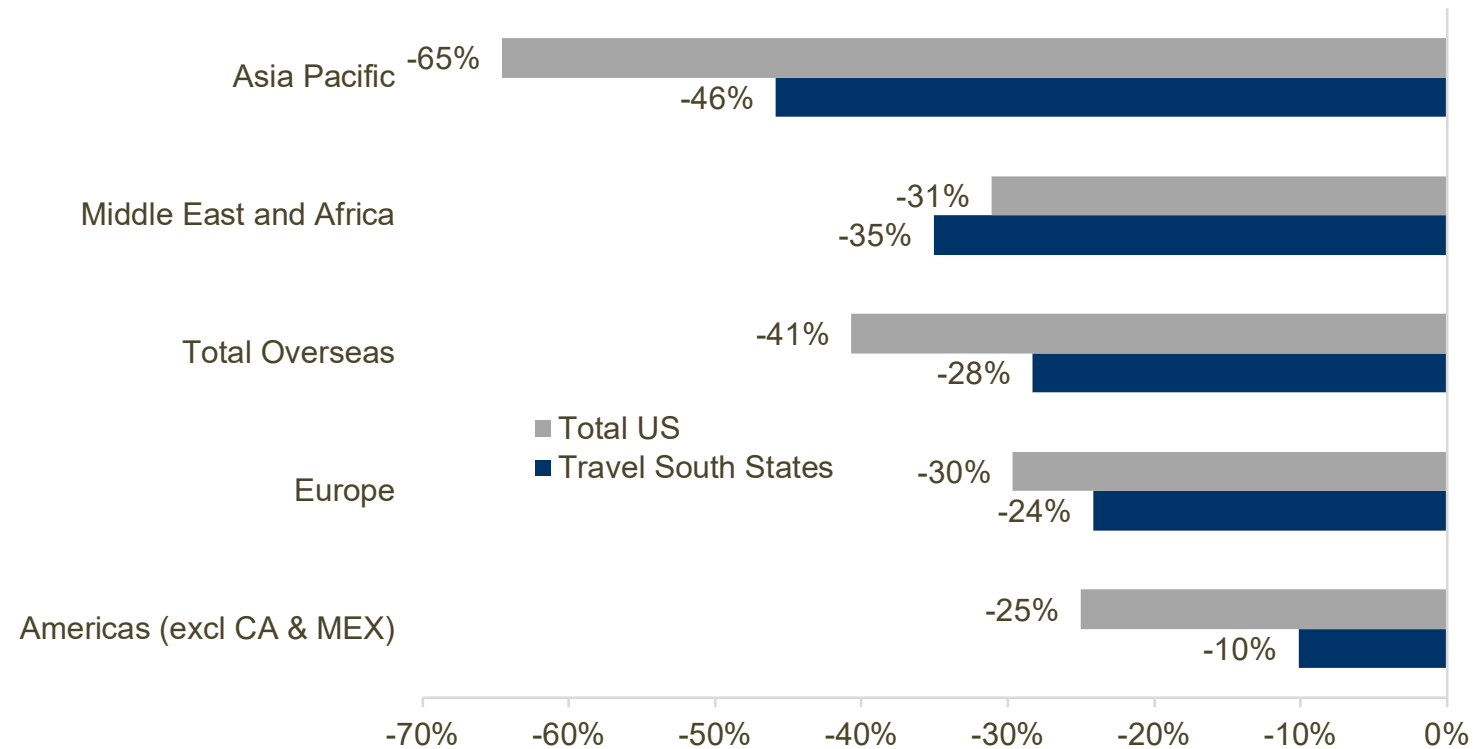
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Source: NTTO

LATIN AMERICA WELL ON ITS WAY TO RECOVERY IN 2022

2022 Overseas arrivals to TS states

Index, same month 2019=100



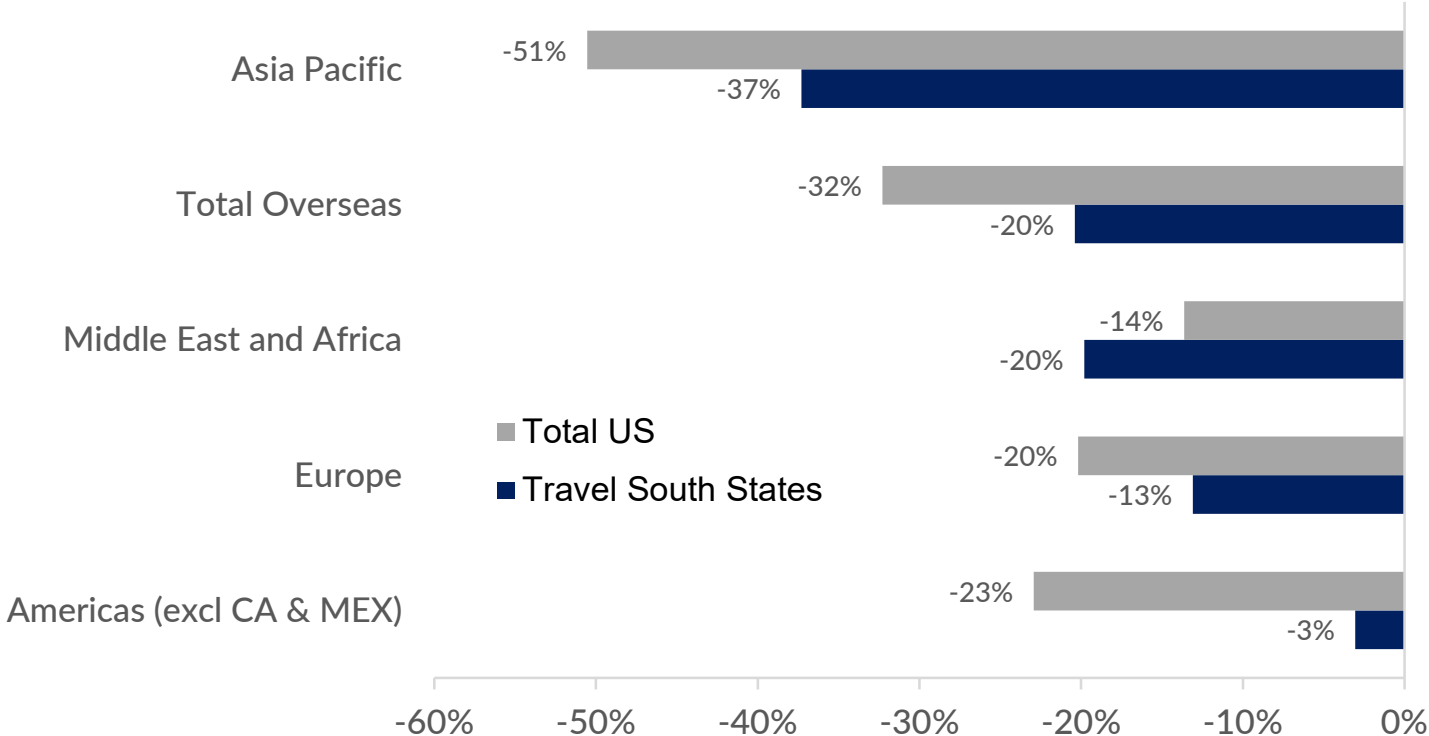
Note: Travel South States include: AL, AR, GA, KY, LA, MS, MO, NC, SC, TN, VA, and WV

Source: NTTO

EARLY RETURNS ON 2023 SHOW FURTHER STRENGTHENING

2023 Overseas arrivals to TS states

Jan-Feb YTD % change vs 2019



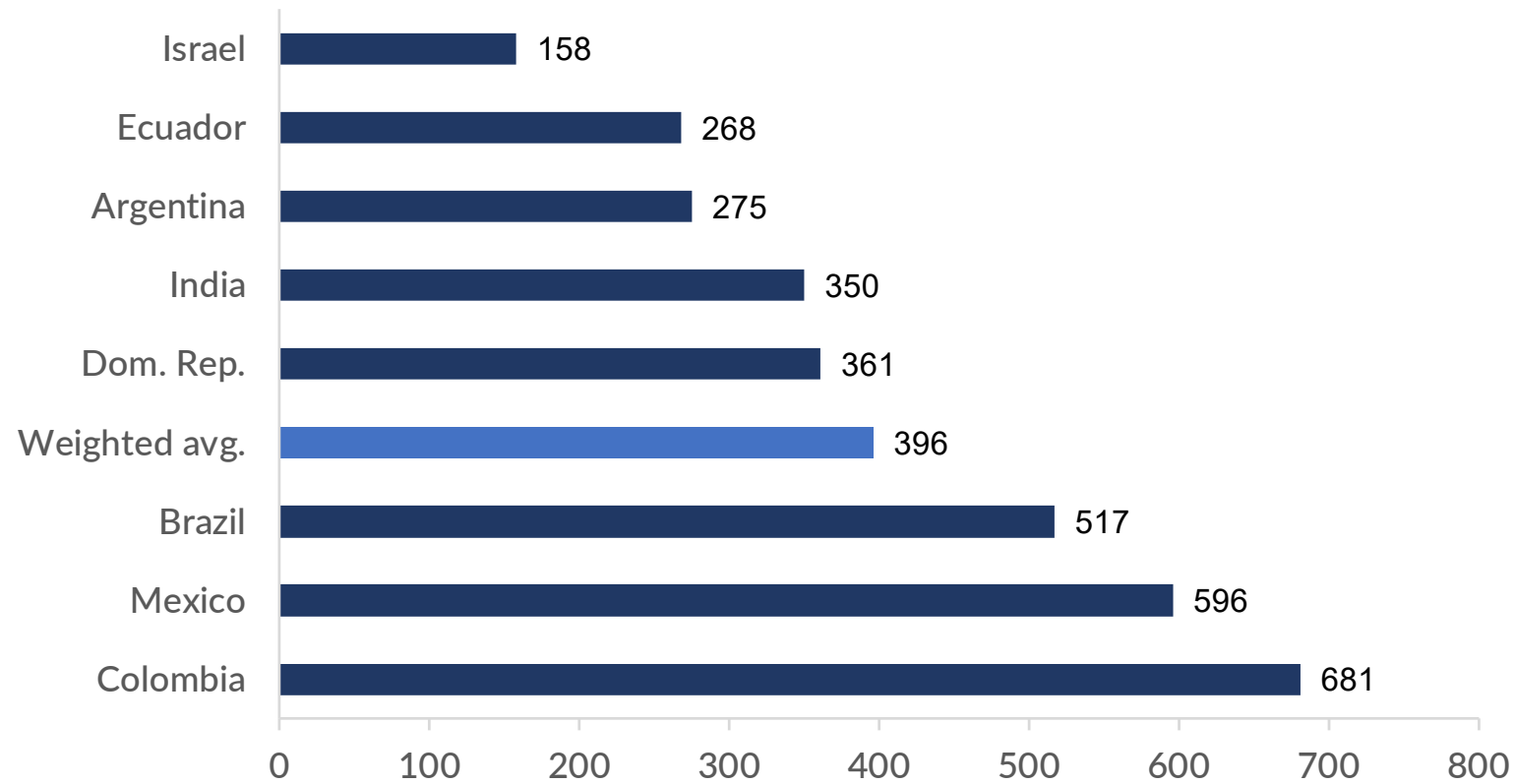
Note: Travel South States include: AL, AR, GA, KY, LA, MS, MO, NC, SC, TN, VA, and WV

Source: NTTO

VISA WAIT TIMES REMAIN A CONCERN

US Visitor Visa Wait Times

DAYS, ss of April 2023

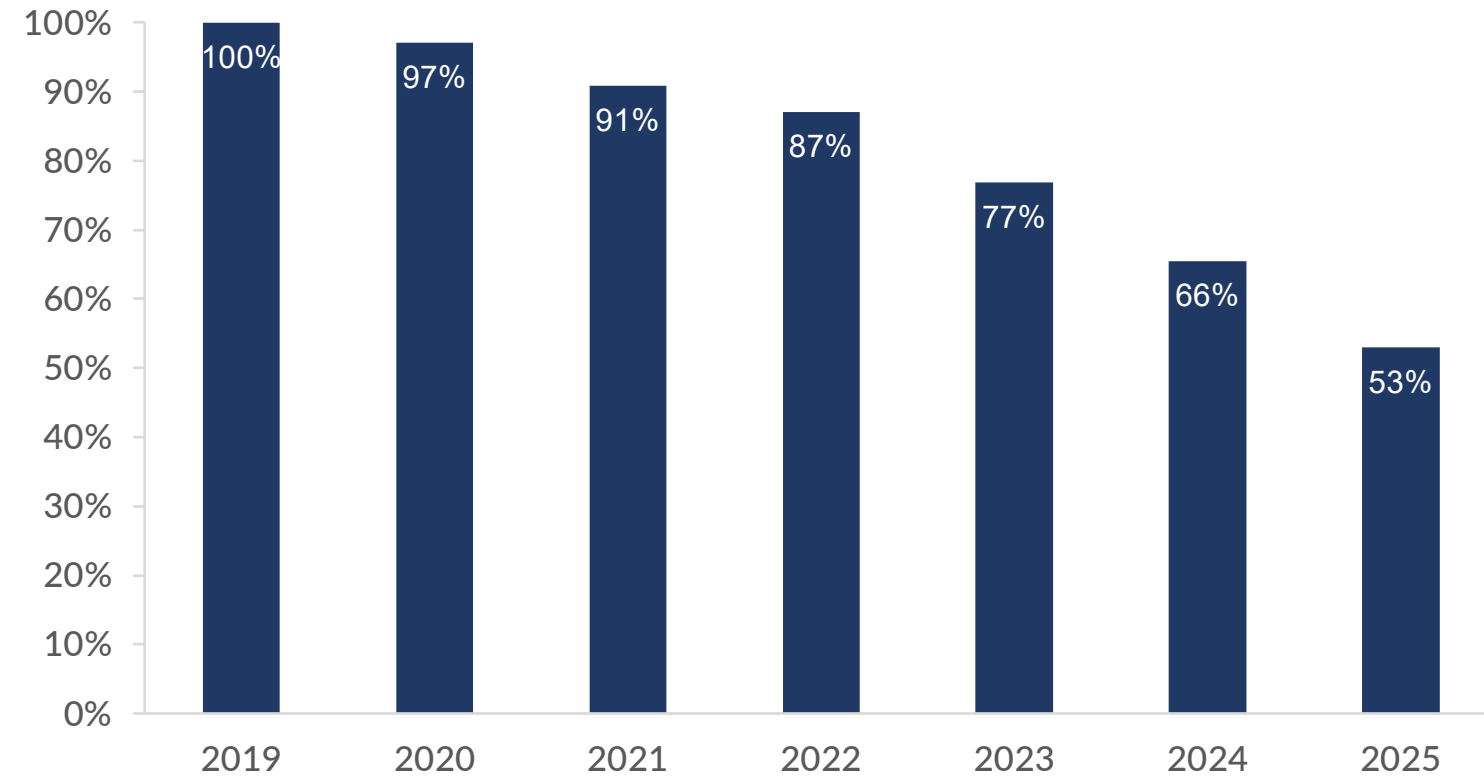


Source: [Consulate/embassy level data from State](#), and then its weighted for every country based on the number of visas each consulate/embassy issued in 2019.

HALF LIFE OF EXISTING VISAS

Valid US Visitor Visas

% of 2019 visas

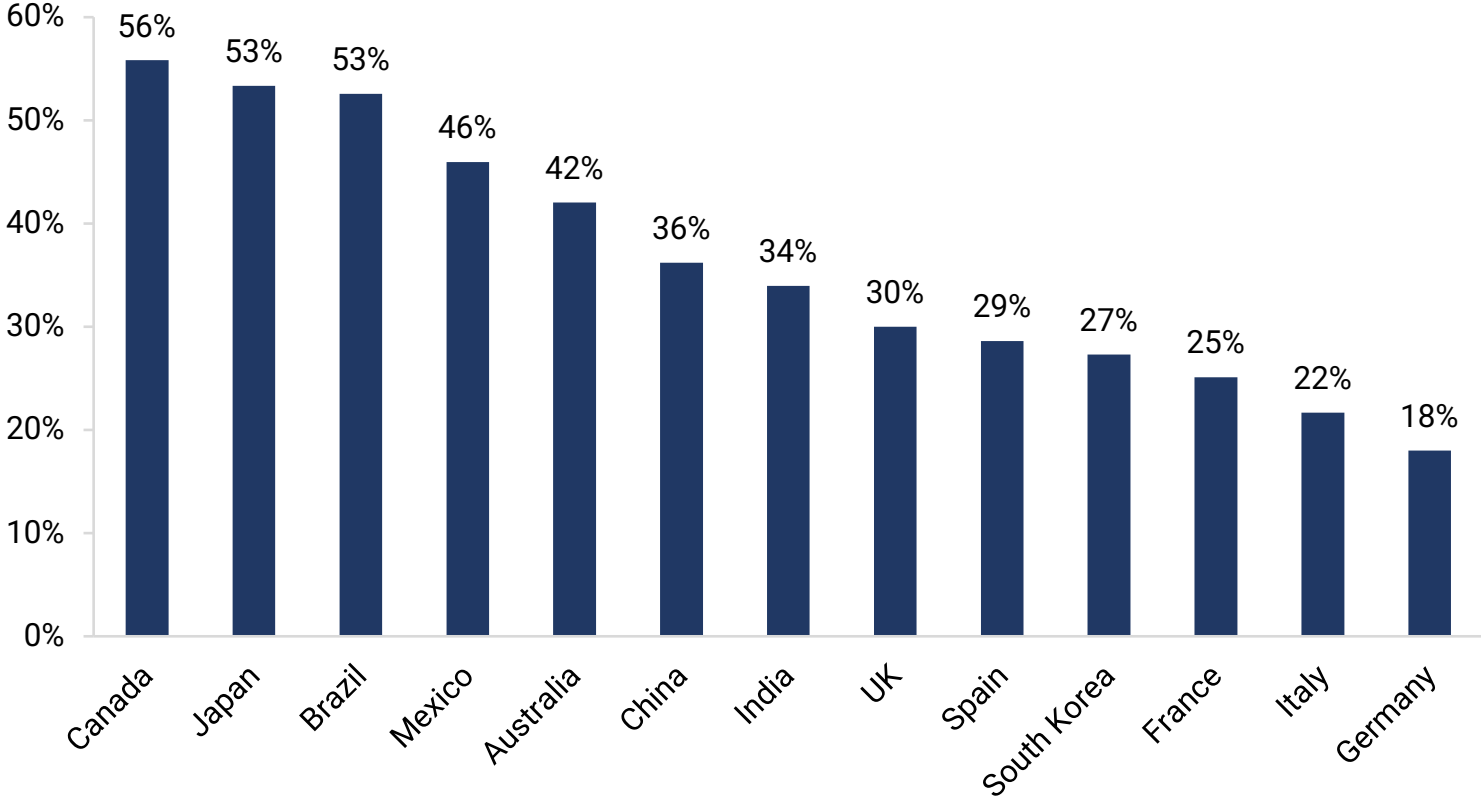


Source: US Dept of State

INTEREST IN USA

Would consider visiting the USA

2022 Survey

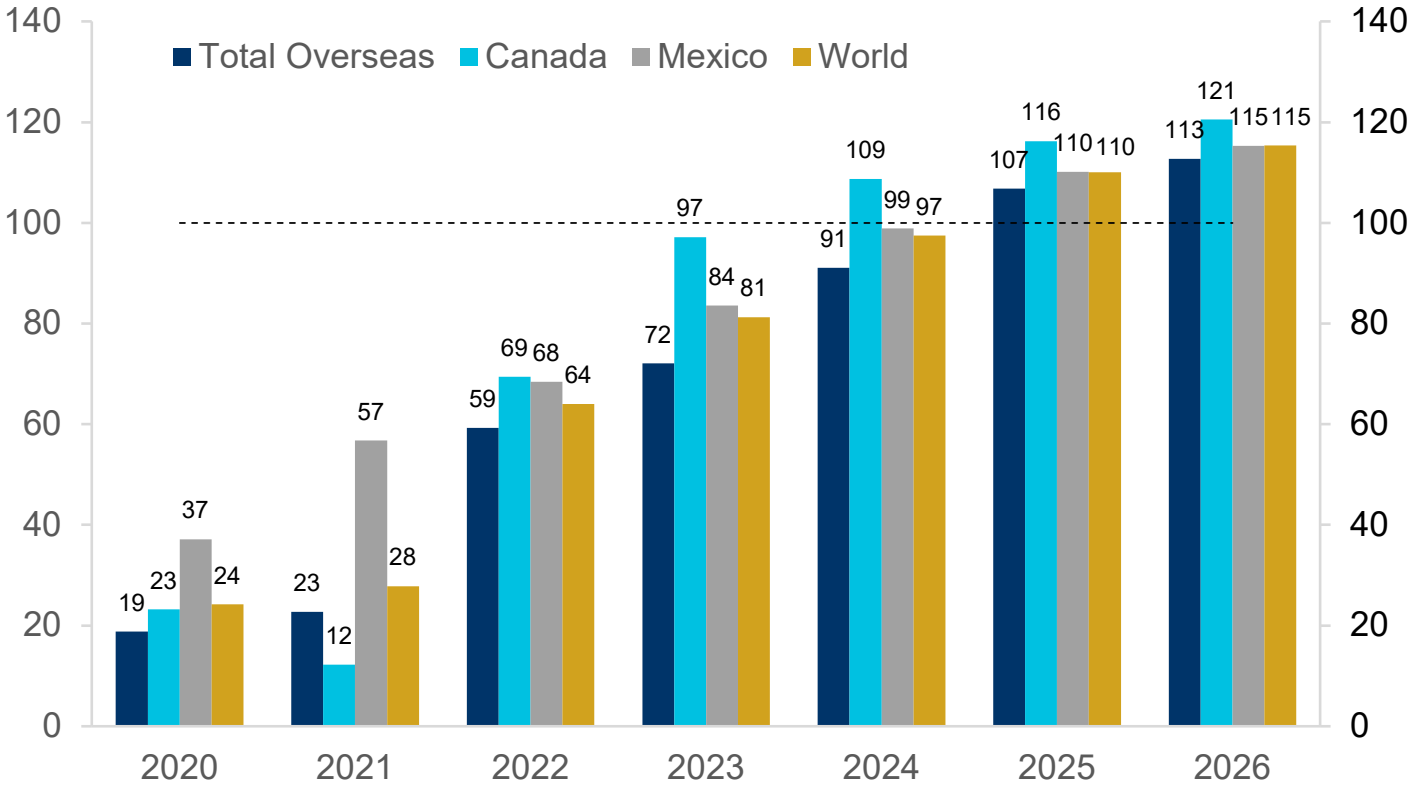


Source: YouGov, Brand USA

Big picture outlook

US Inbound Visits

2019=100



Source: Tourism Economics – Global Travel Service

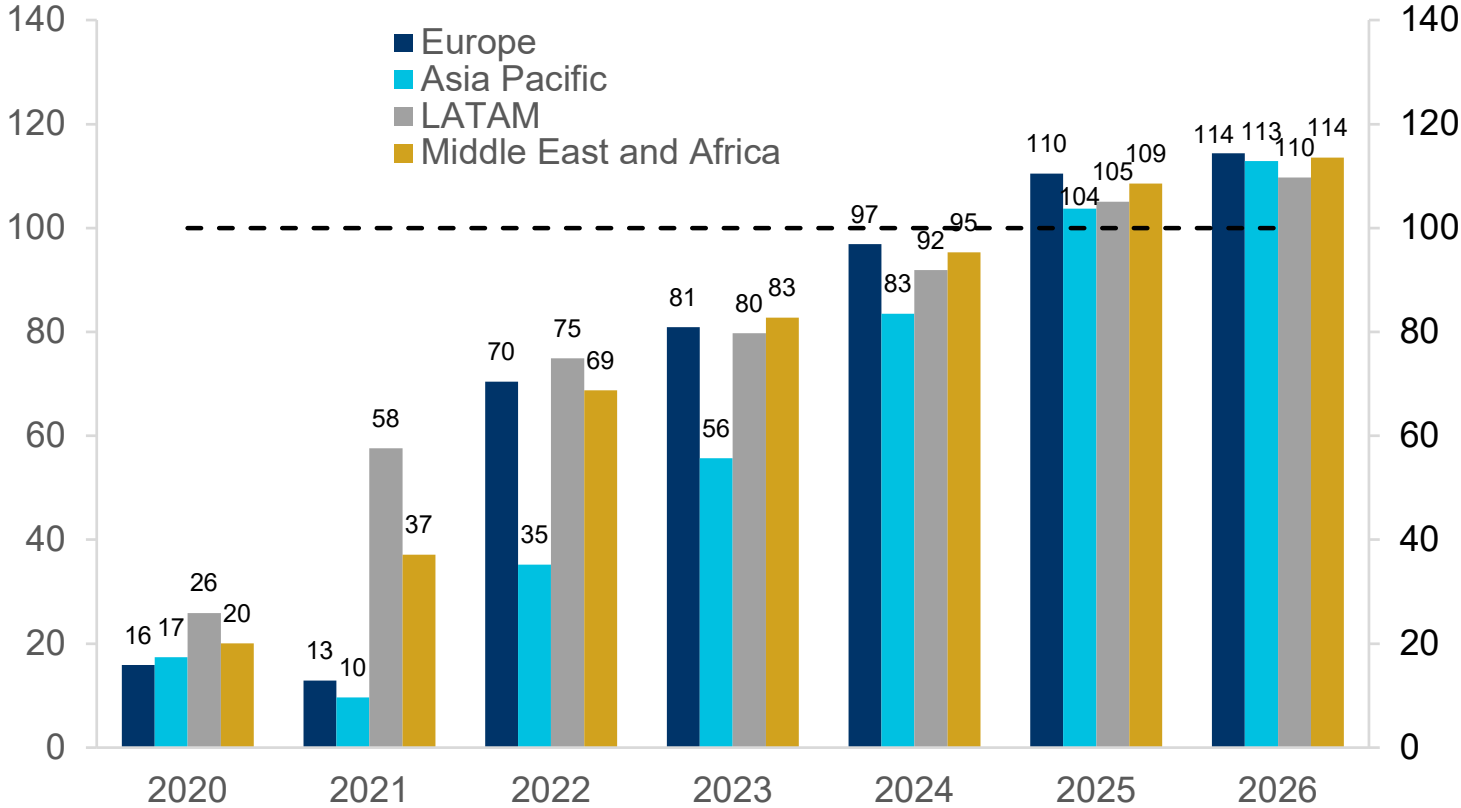
International recovery forecast

- **64% back in 2022**
- **81% way back in 2023**
- **Recovery in reach in 2024**

Asia will be the last region to recover

US Overseas Arrivals Recovery

2019=100



- **Europe, LATAM, MEAF, to lead overseas recovery**

Source: Tourism Economics - Global Travel Service

Summary

1 A mild recession is likely in 2023

- Inflation and higher interest rates will leave a mark
- Strong balance sheets should limit the downside

2 Visitor economy is well-positioned

- Households are in a fiscally strong position
- Pent-up demand is prioritizing travel
- Business travel continues to rebuild
- International is coming back...**especially for Travel South**