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ECONOMICS

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# How US Economic Shifts Are Reshaping Travel Demand

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**Perhaps you're  
asking...**

**Why listen to the  
6'6 black dude?**

# Standard-Setting Analysis



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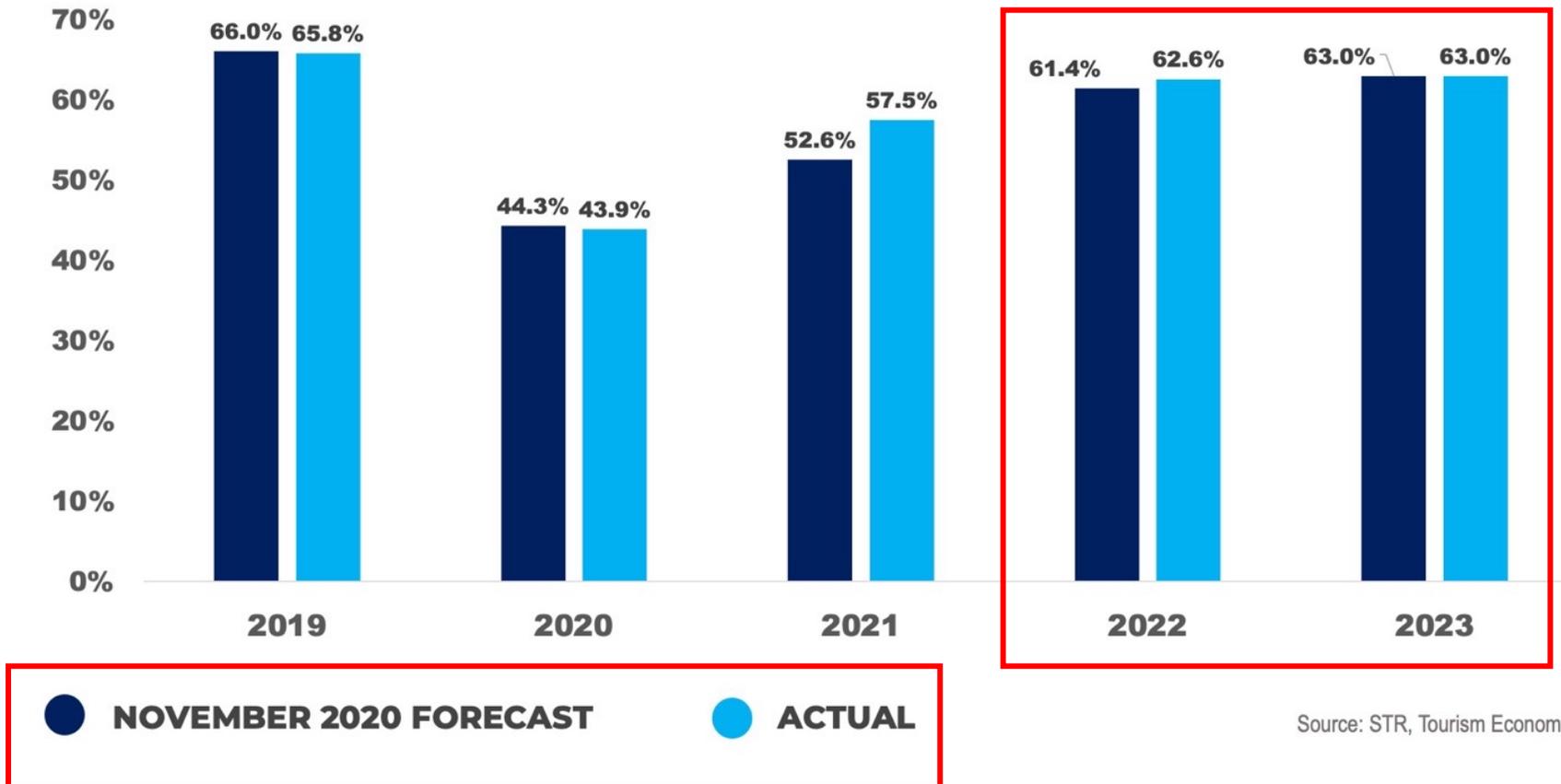
Standard Chartered



**We build upon the  
accuracy of Oxford  
for the travel  
industry...**

# Tourism Economics' Forecast in 2020 vs. Actual

## U.S. Hotel Occupancy Rate



Source: STR, Tourism Economics



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brands **trust us...****

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## Spanning the Industry

- Destination
- Aviation
- Lodging
- Cruise

- Real Estate
- Government
- Financial Institutions

- Internet Marketing
- Travel Trade
- International organizations

# Warning: You Might See Memes...



**Presentations Without  
Memes**



**Presentations With  
Memes**



# What We'll Cover

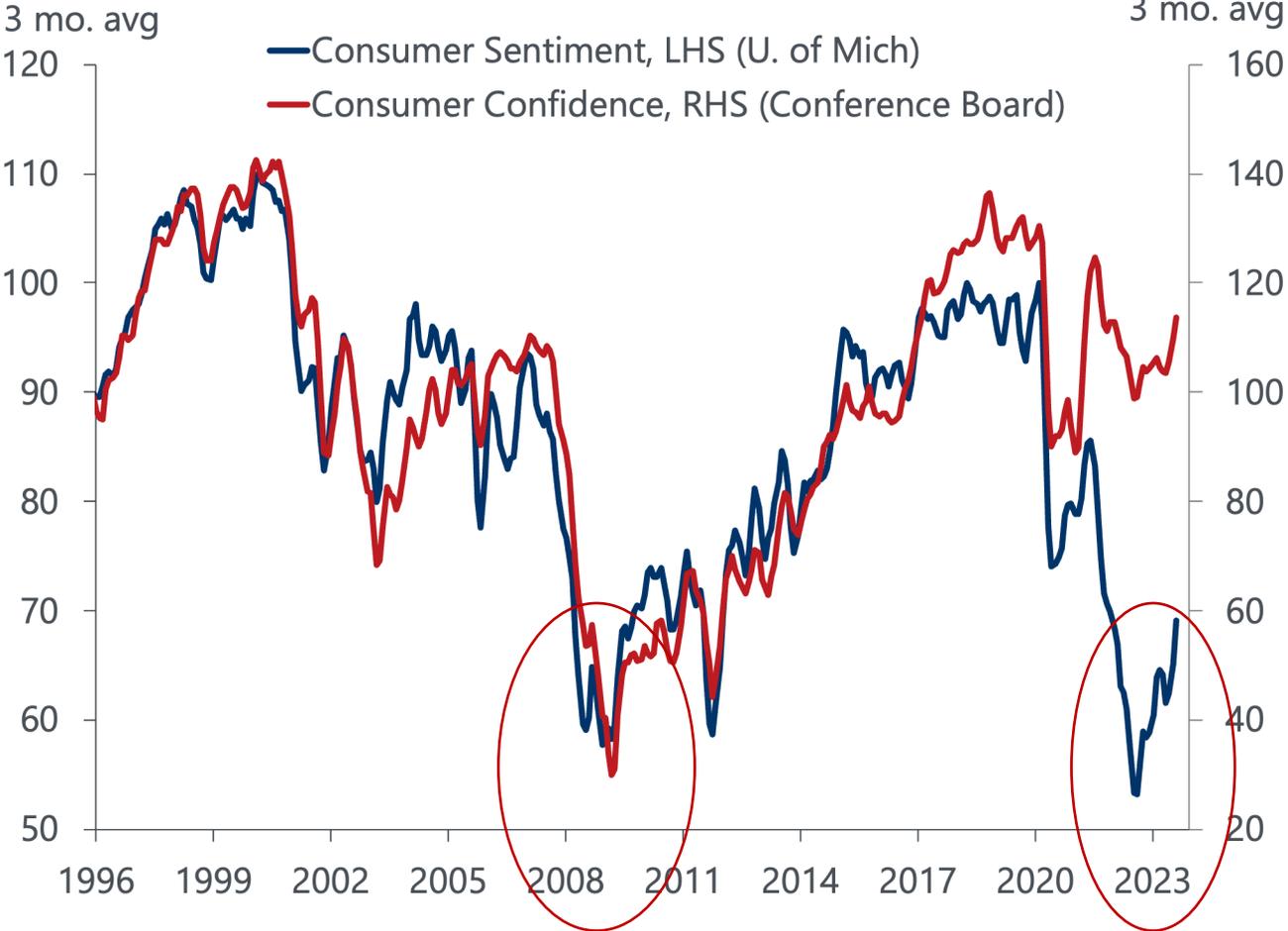
- 1 How did we get here?
- 2 What happened in 2024?
- 3 What's happening NOW?

**Let's take a trip down  
memory lane...**

**...a little after the  
pandemic...to 2023.**

# Consumers felt uneasy despite great job numbers...

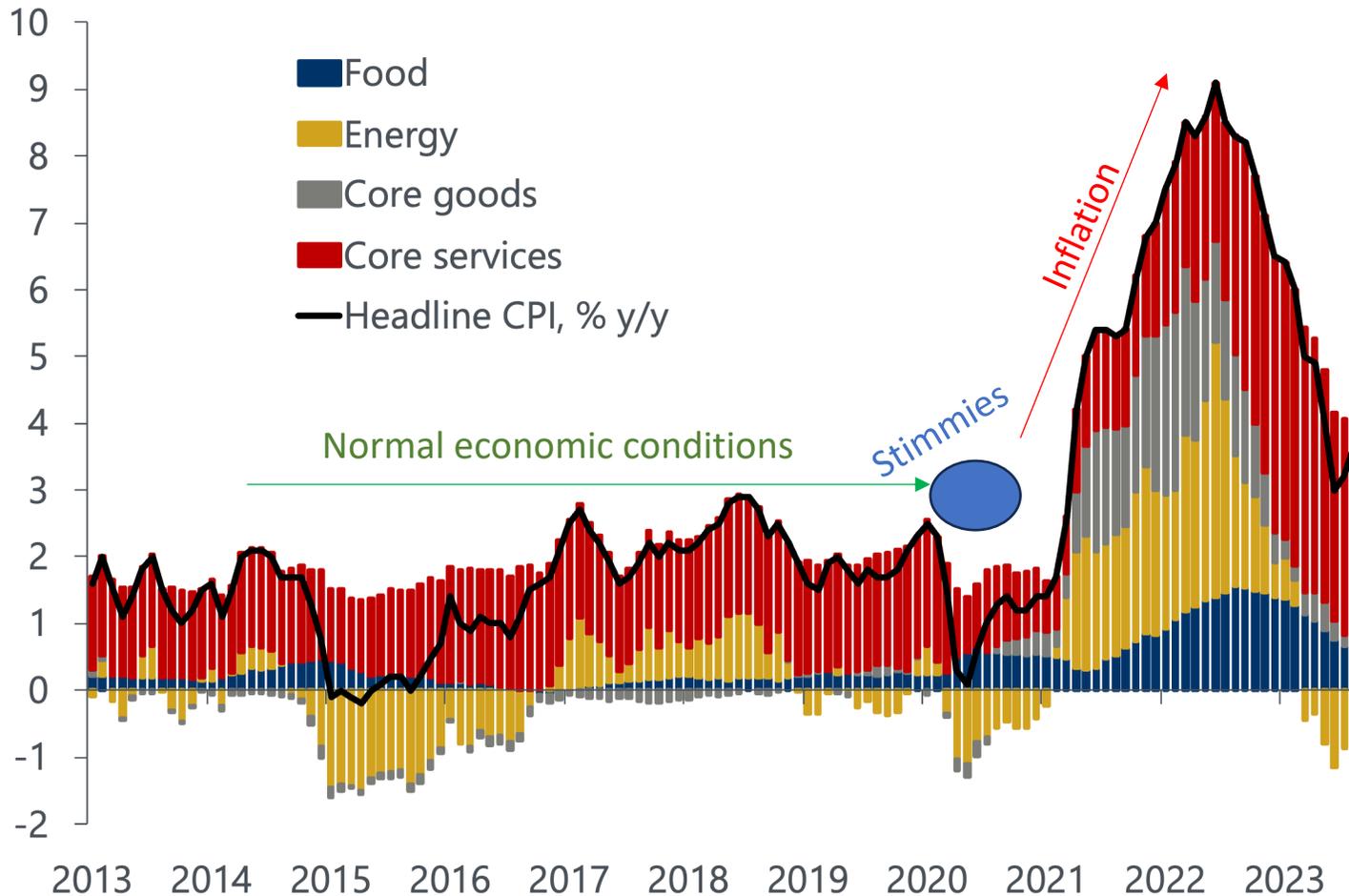
## US: Consumer surveys



Source: Oxford Economics/Haver Analytics

# The culprit? Inflation

US: Breakdown of CPI by components  
PPT contribution to headline CPI inflation



\*1,400 dollar stimulus hits

Me at Petsmart:

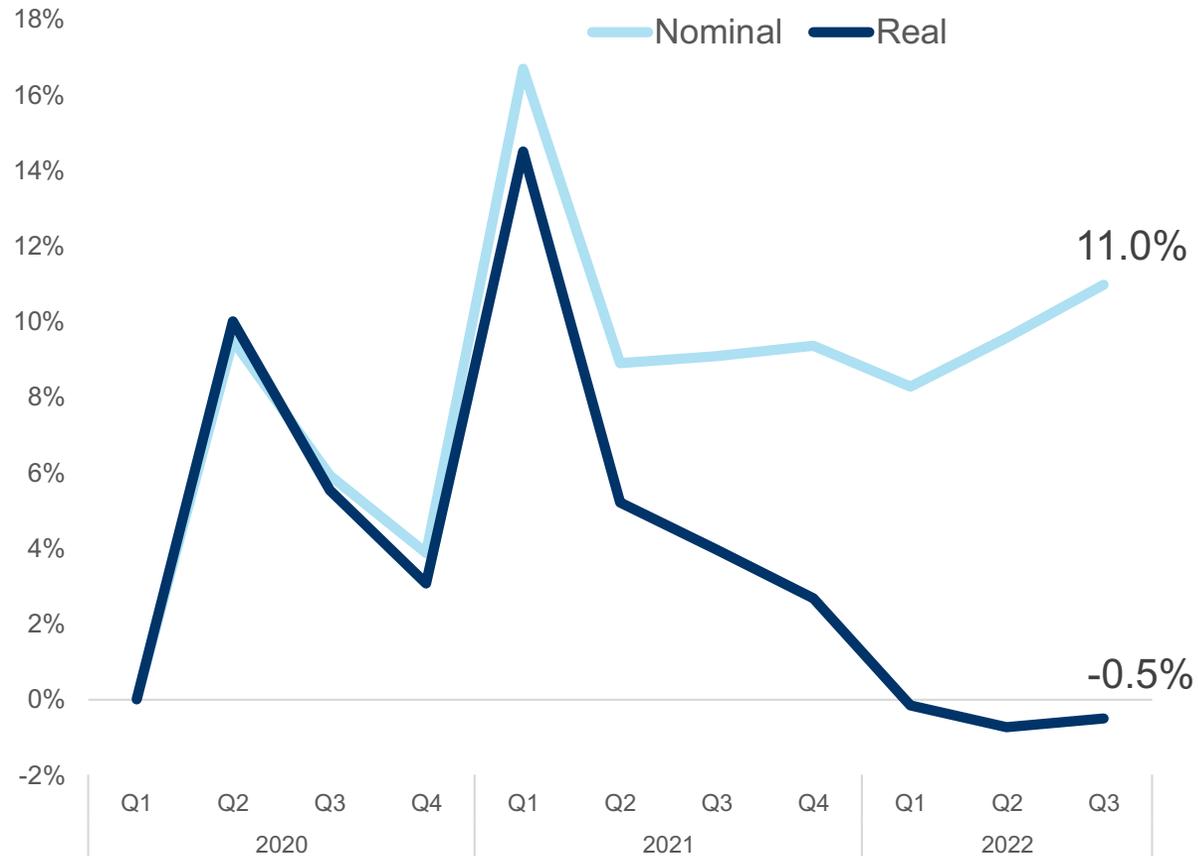


- Prices in August were 3.7% higher than a year earlier
- Core prices were 4.3% higher

# This chart is for my fellow "C" students

## Disposable personal income growth

Change relative to 2020 Q1



Note: Disposable personal income (measures income after taxes), seasonally adjusted. Real series deflated by PCE price index.

Source: BEA; Tourism Economics

Getting \$1200  
in Alabama



Getting \$1200 in  
Gwinnett



In "C student" terms:

"If you made \$100K and your wage increased to \$111K, you can actually only buy \$100K of pre-inflation stuff."

Less bang for your buck!



# Travel growth flatlined in 2024...

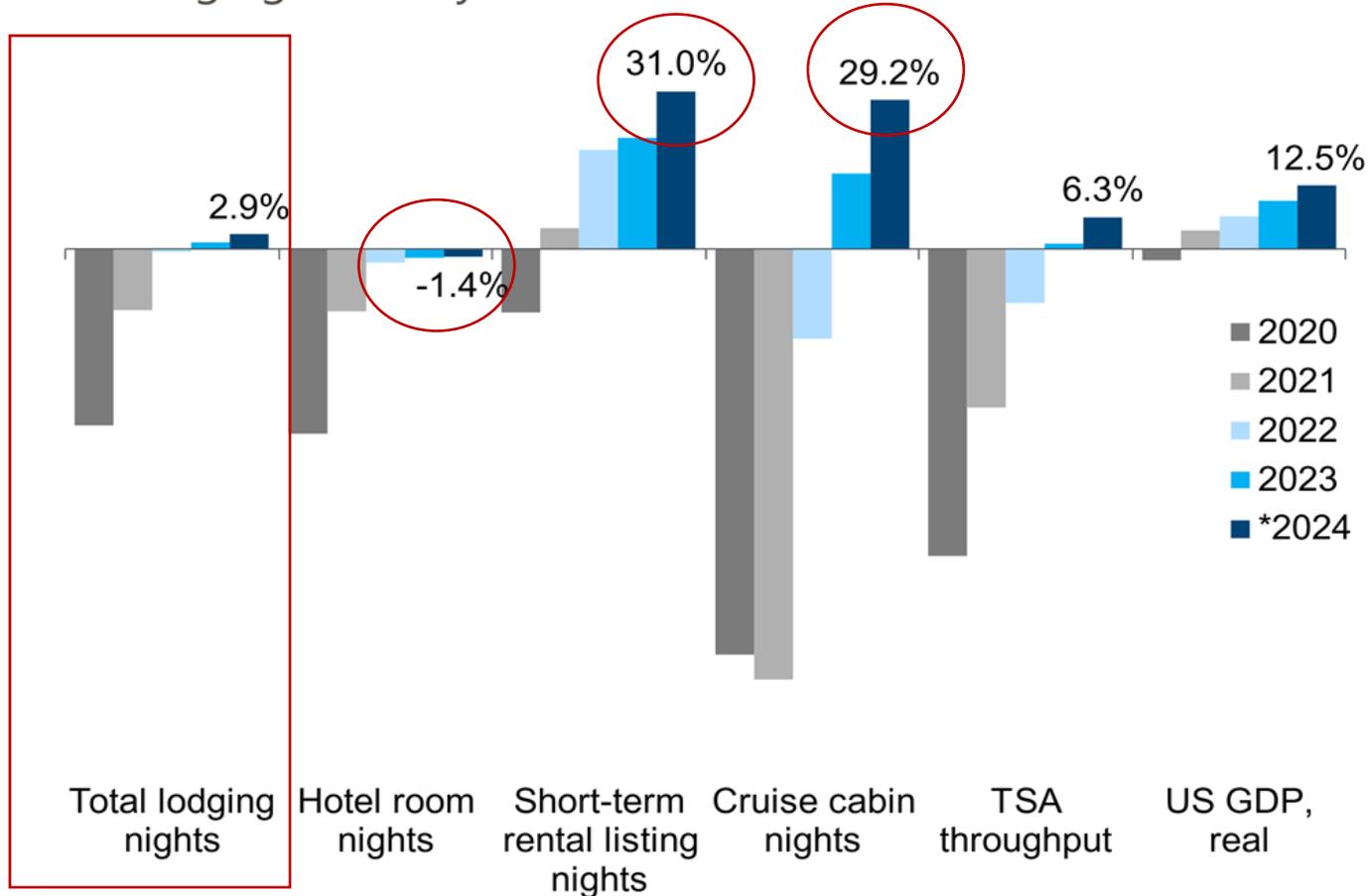
# Growth slowed in 2024...

## National Travel Indicators Through Mar 2024

	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
Travel Spending (Tourism Economics)	6%	7%	6%	7%	7%	8%	5%	6%	5%	1%	2%	1%
Air Passengers (TSA)	12%	10%	13%	12%	11%	10%	11%	10%	10%	6%	11%	7%
Overseas Arrivals (NTTO)	26%	28%	24%	21%	27%	28%	21%	24%	24%	24%	26%	25%
Hotel Demand (STR)	-1%	0%	0%	0%	0%	0%	-1%	-1%	-1%	-1%	-1%	-2%
Top 25 Group Hotel Demand** (STR)	5%	5%	0%	3%	3%	1%	4%	3%	-3%	10%	6%	-5%
Short-term Rental Demand (AIRDNA)	15%	14%	16%	11%	8%	10%	17%	8%	4%	1%	16%	15%
National Park Visits (National Park Service)	3%	7%	3%	3%	4%	2%	4%	1%	5%	-12%	-6%	-1%

# Short-term rental and cruising push total lodging up

US lodging recovery, relative to 2019

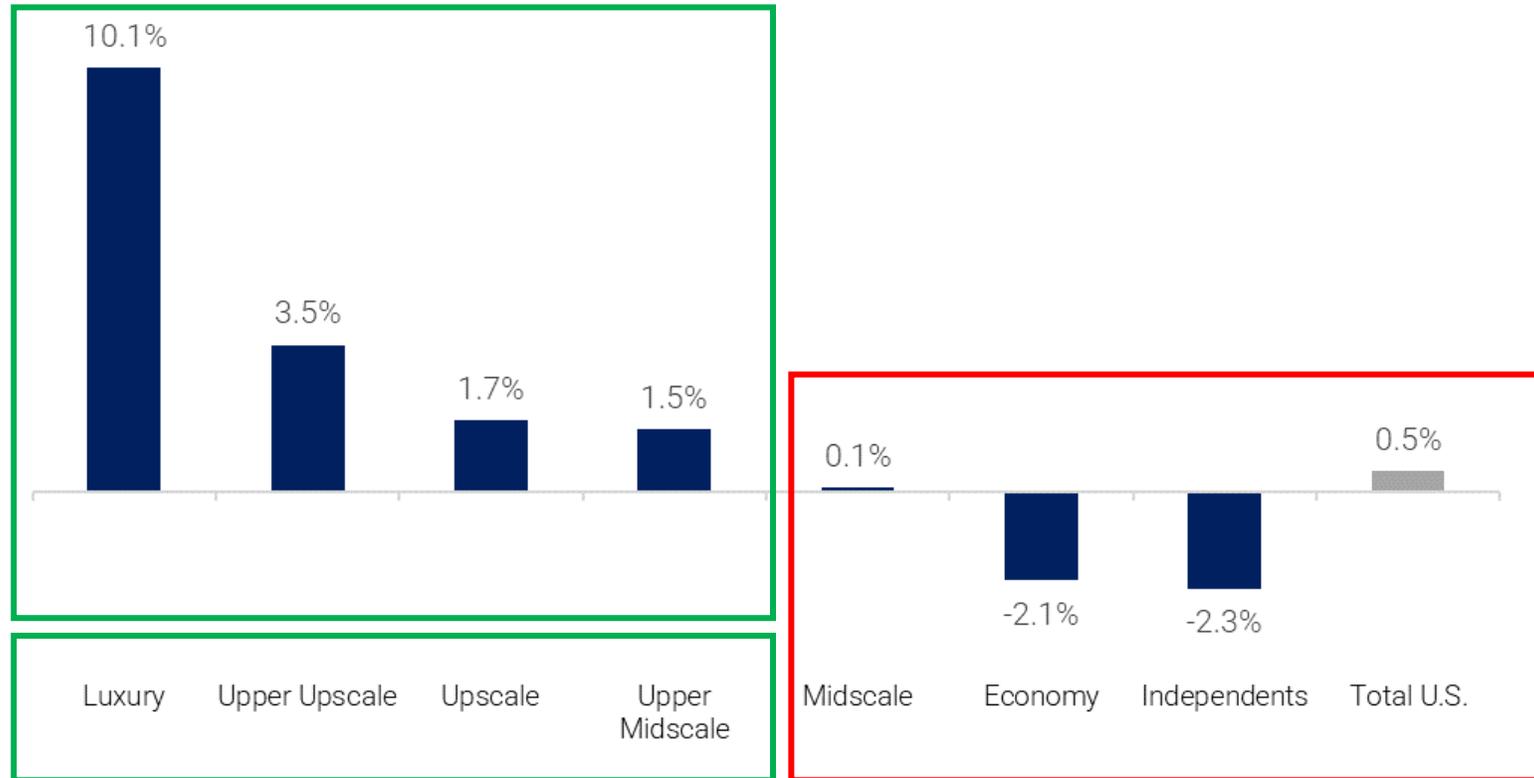


Hoteliers reading this...

# Demand decreases led by Economy and Midscale class hotels

## Hotel Demand

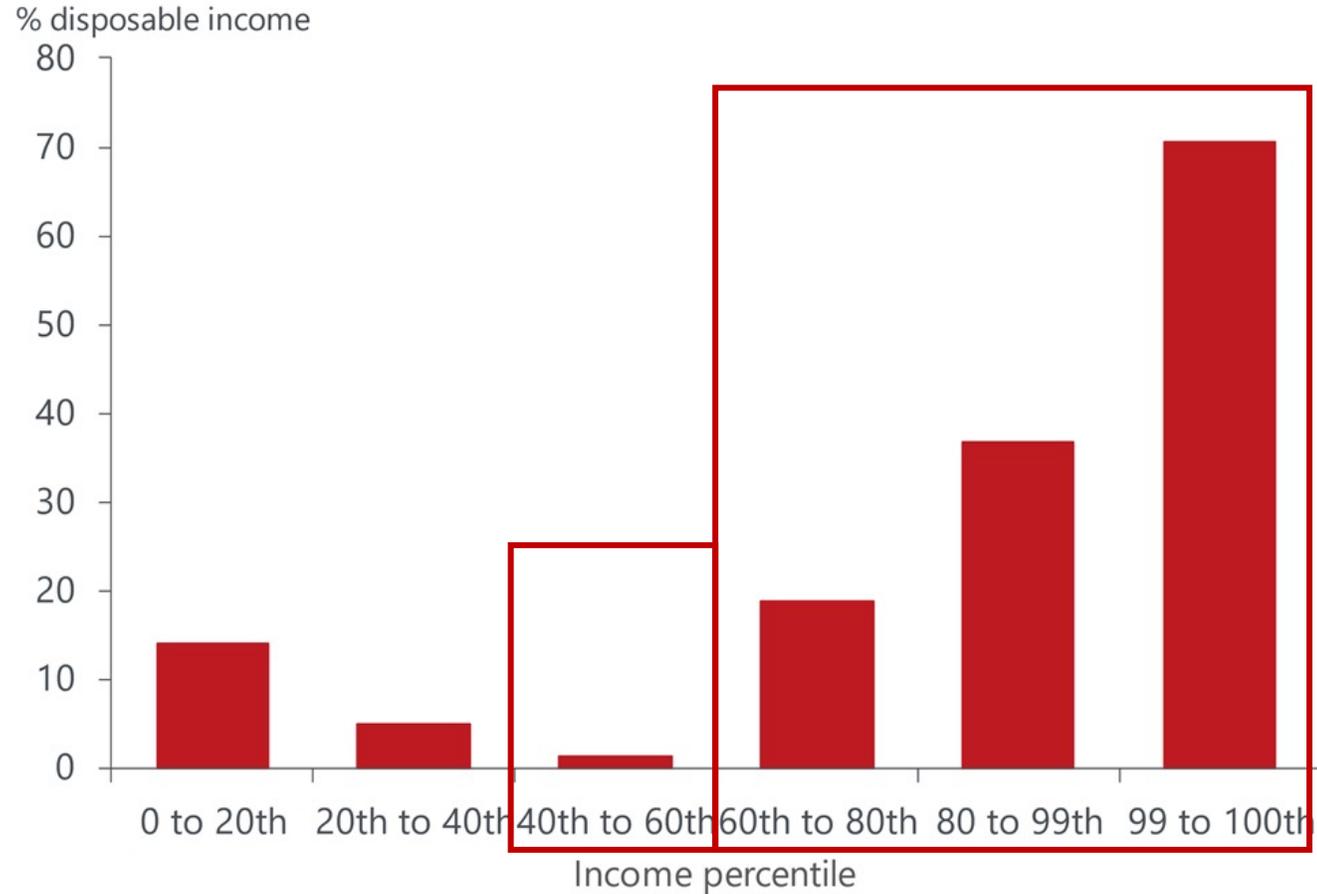
Calendar year 2024 versus prior year



Source: STR

# Net worth increased across most income brackets

US: Change in household net worth Q2 2023- Q2 2024



\*40<sup>th</sup> to 60<sup>th</sup> Percentile\*

**Now...the Economy.**

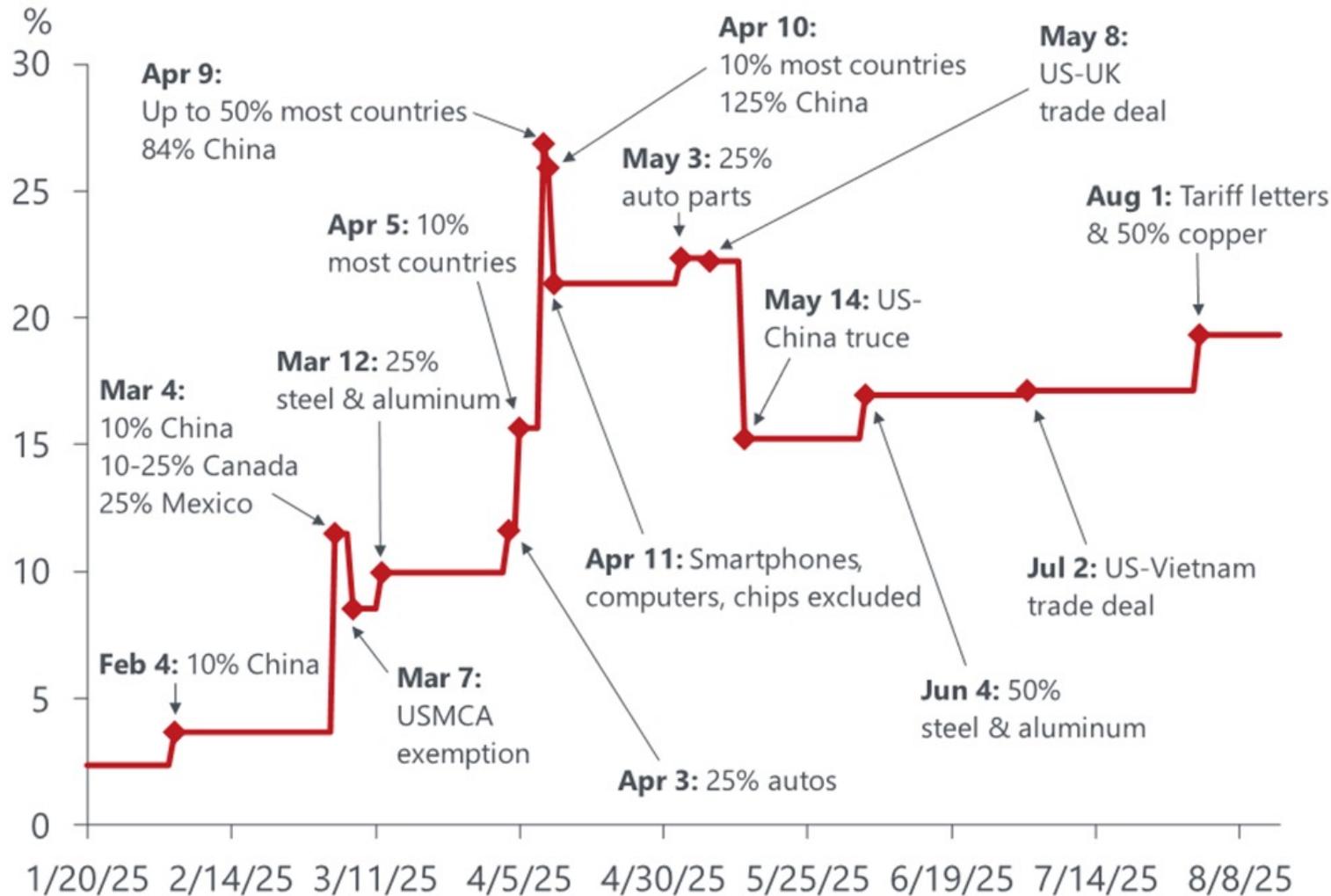
**The New Normal in  
2025 is...**

**The Economy  
Changes Every 30  
Mins...**



# Tariff announcement calendar

US: Effective tariff rate based on 2024 import mix



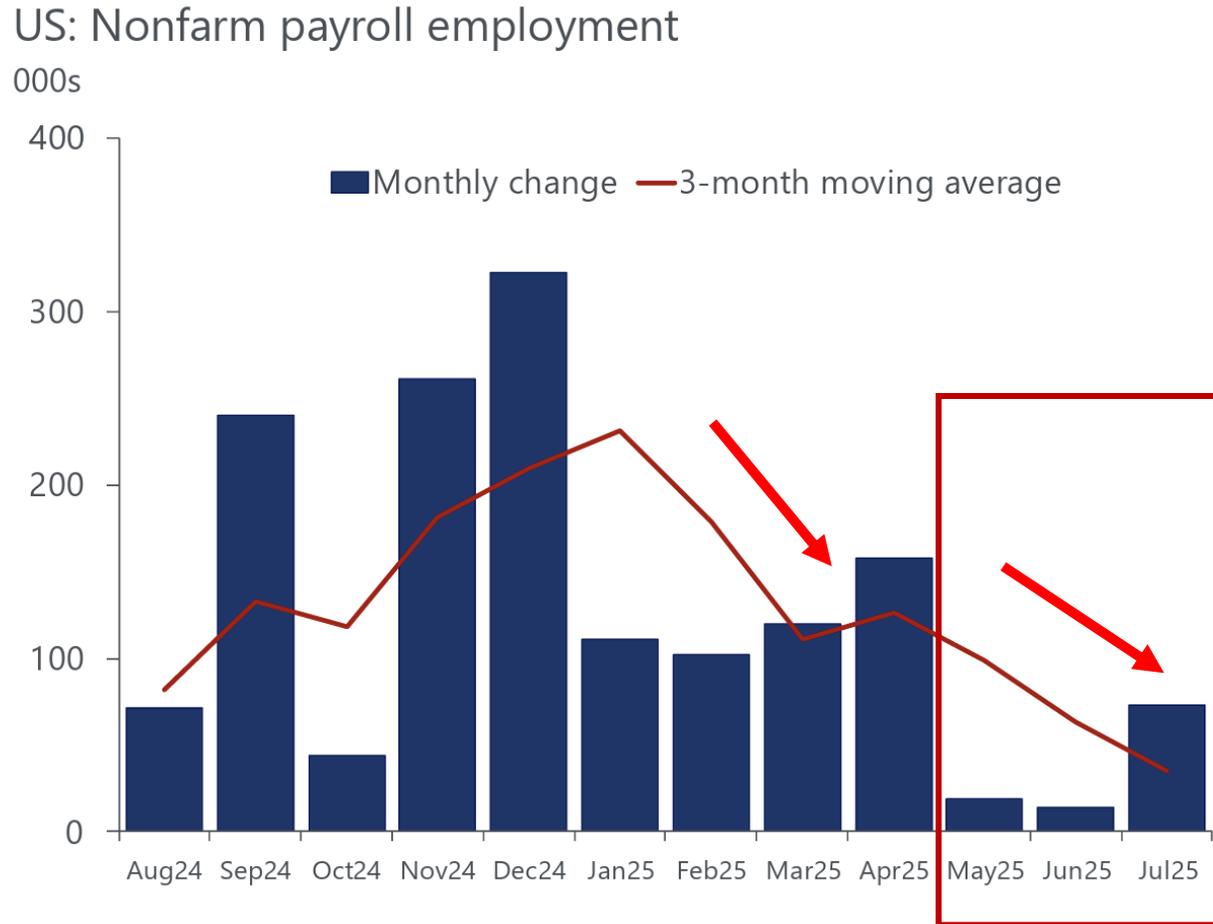
**Challenging to keep track of even with a team of economists on staff...**

# Good News

## Things are NOT terrible...just uncertain...



# “Job growth has left the chat.”



Source: Oxford Economics/Haver Analytics

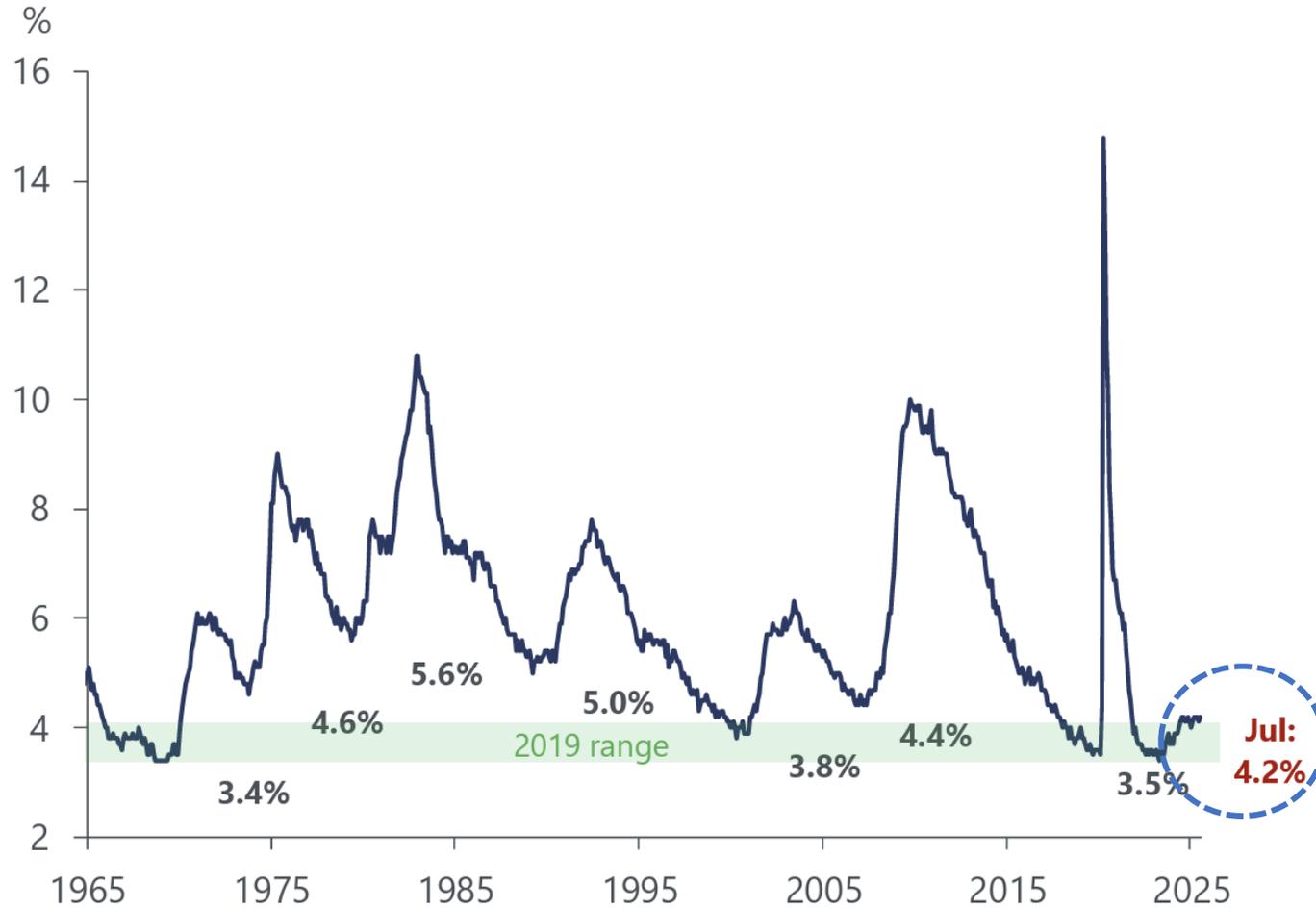
**Last three months averaged just 35,000 jobs**

**Weakest since the pandemic.**

**If not for the health and social services sector, employment would have declined over past three months.**

# However, unemployment stands at 4.2%

US: U-3 unemployment rate

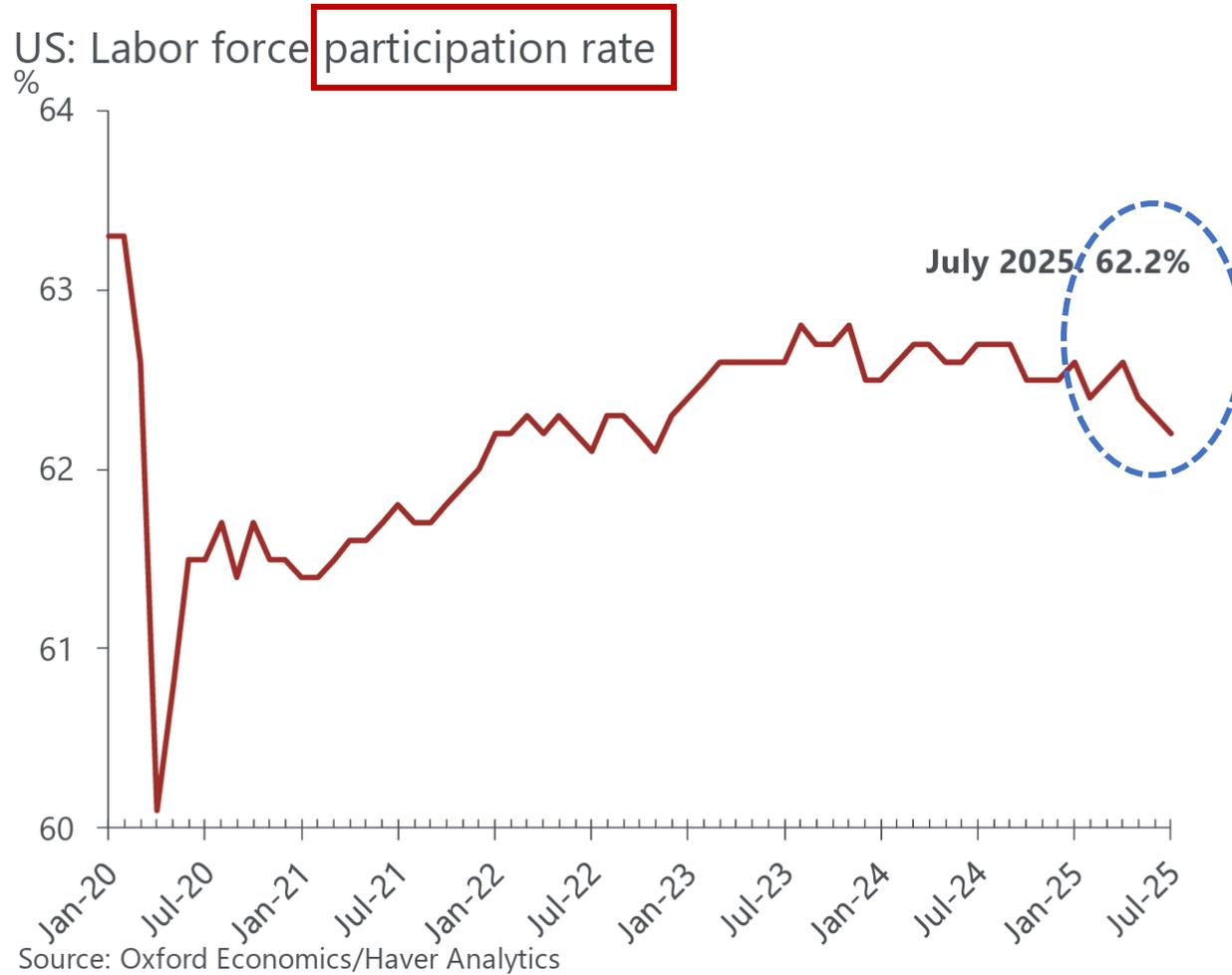


Source: Oxford Economics/Haver Analytics

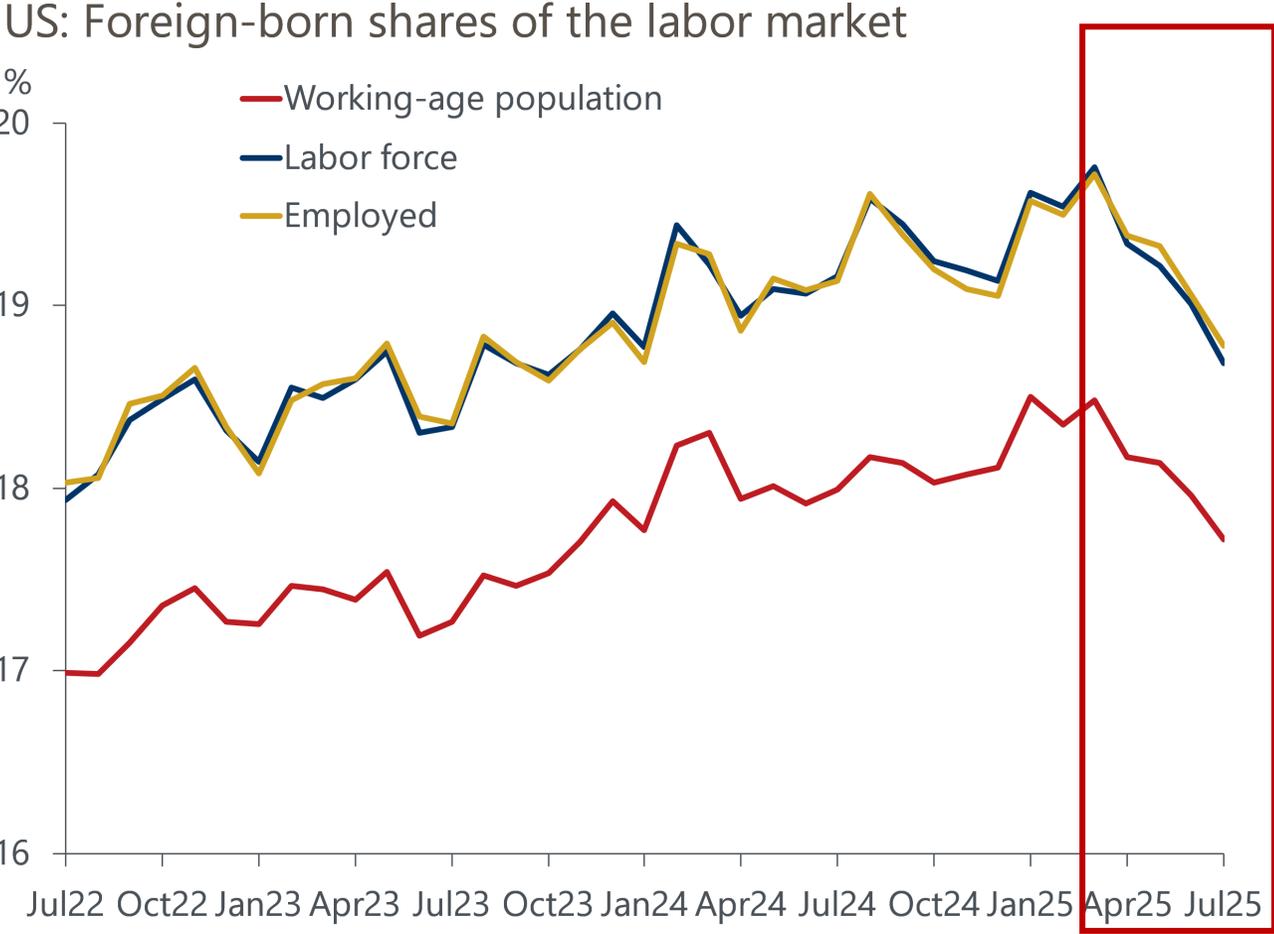


That's historically a low rate...why?

# ...it would be 4.9% except workers are disappearing...

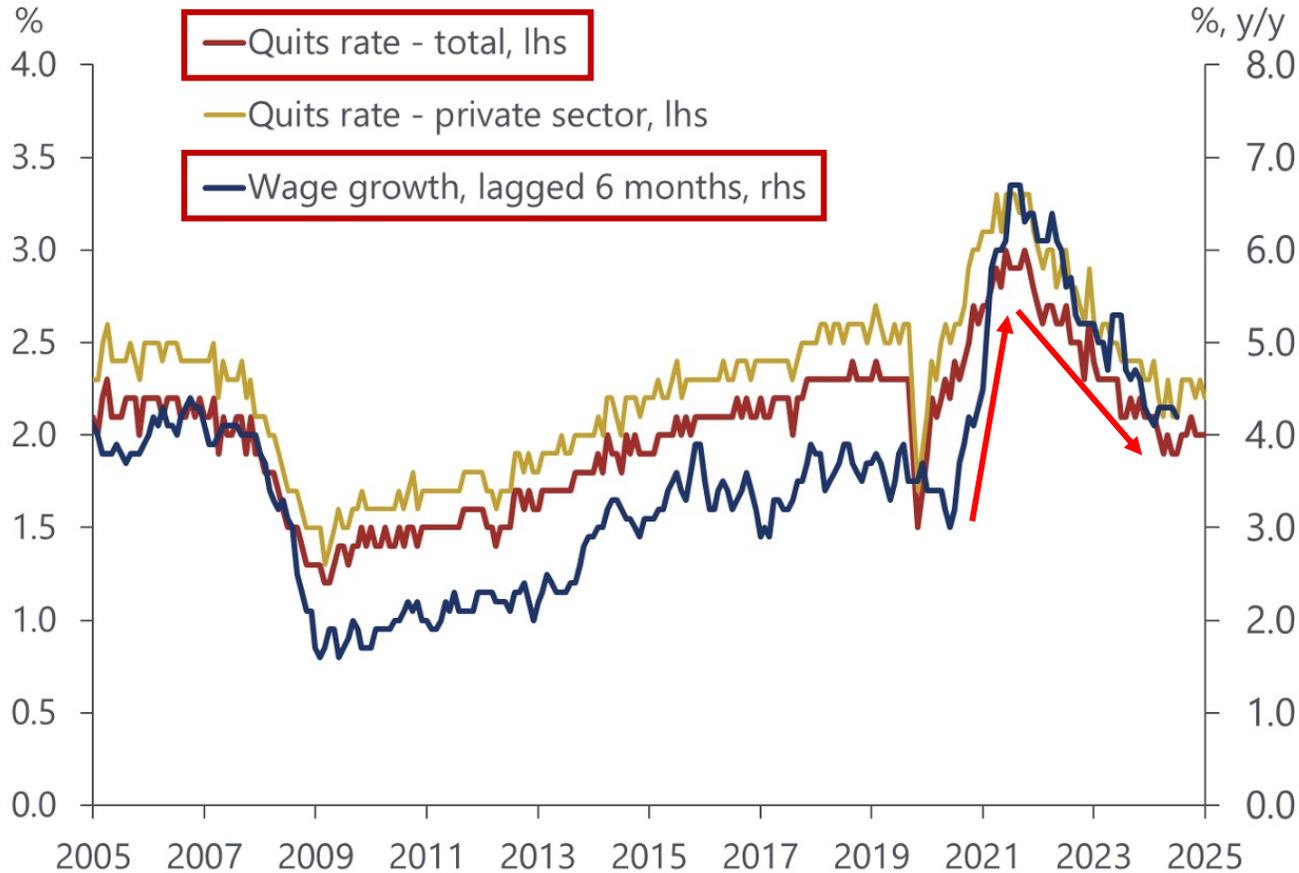


# Also, 1.2 million workers left the labor market

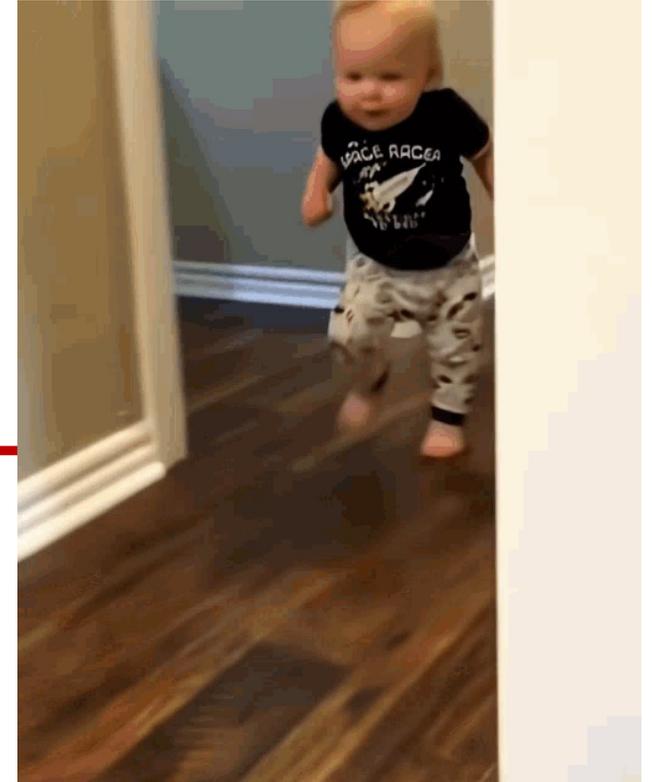


# Jobs are becoming more valuable...

US: Quits rate and wage growth



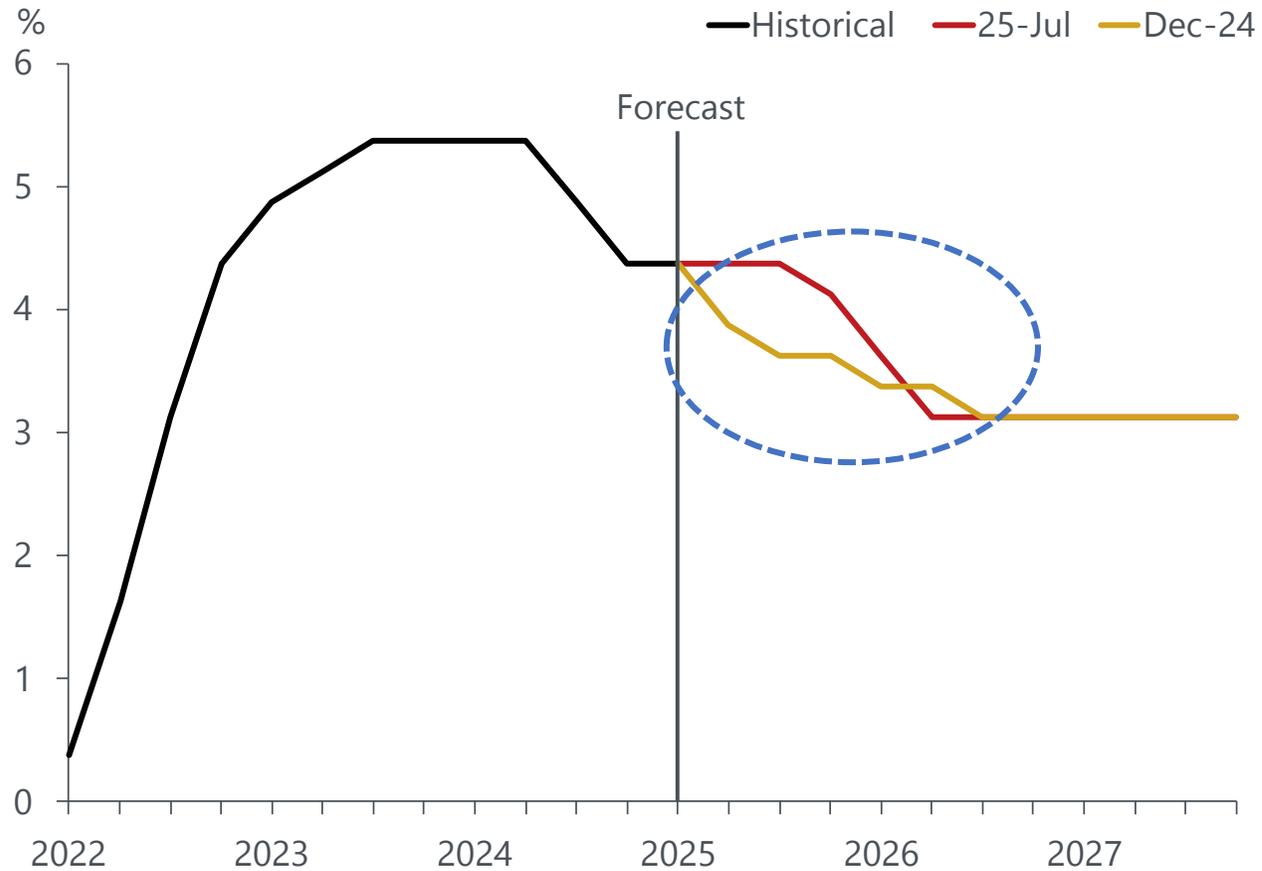
Source: Oxford Economics/Haver Analytics



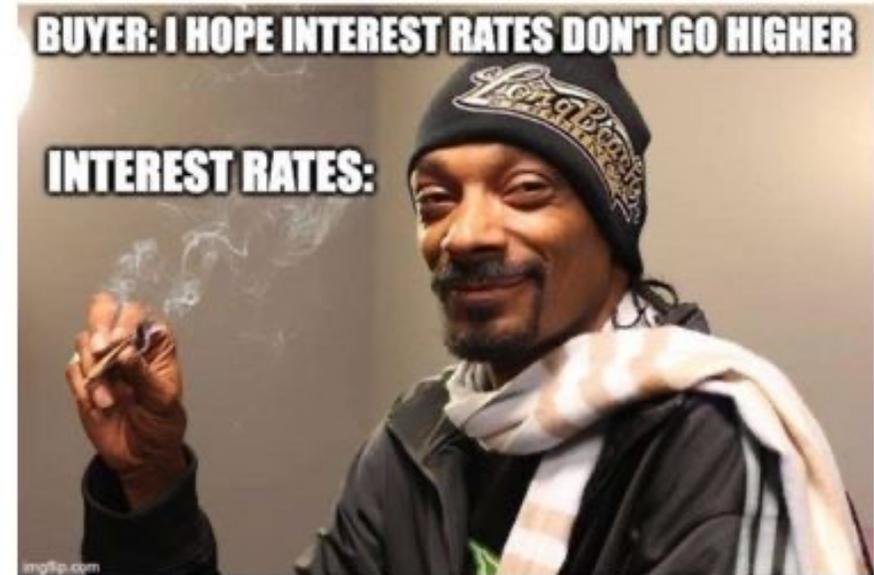
Everyone who was planning to ask for a raise...

# Interest rates: higher for longer

US: Fed funds rate by forecast vintage

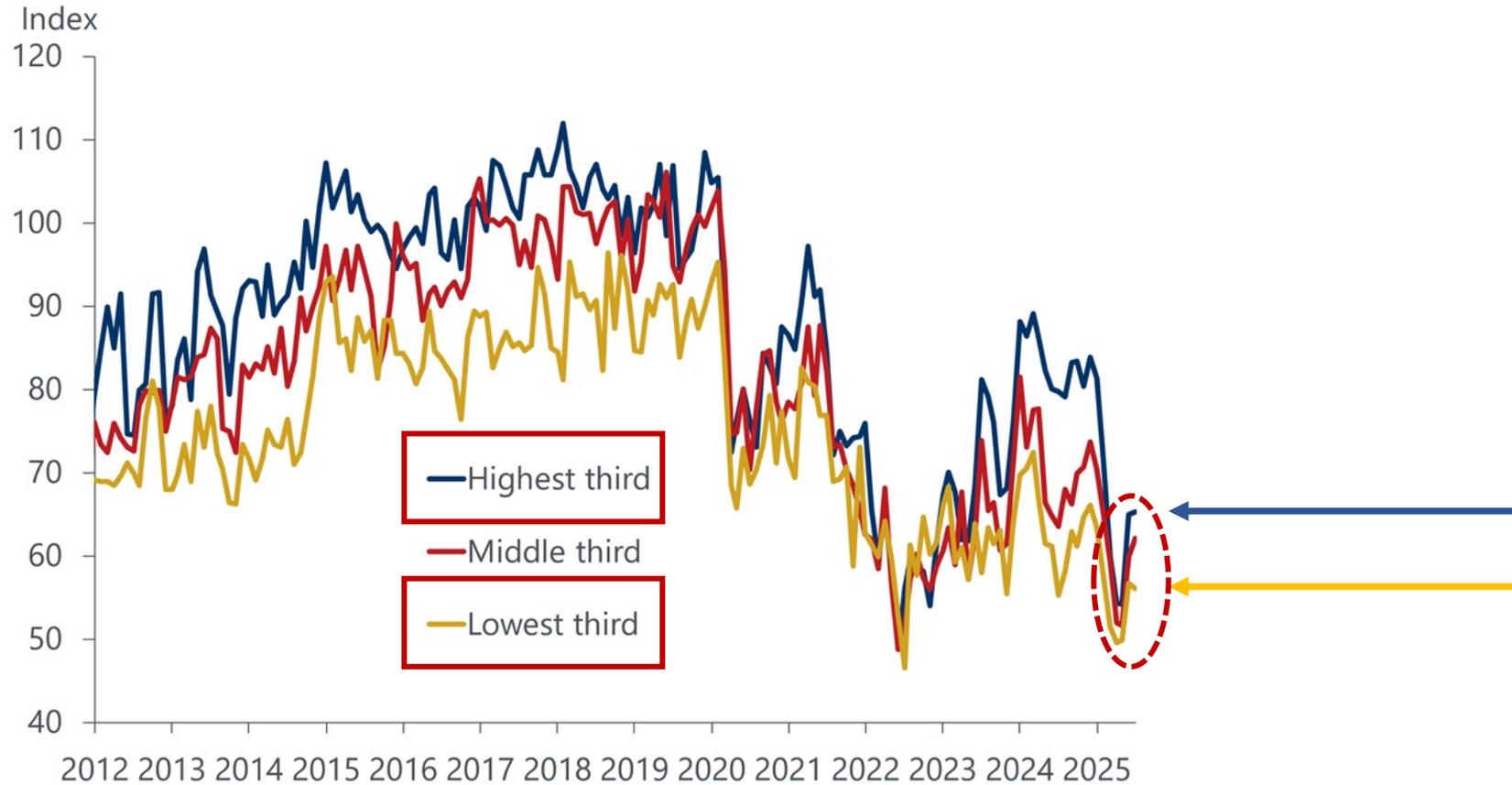


Source: Oxford Economics/Haver Analytics



# Consumers are still worried...

US: Consumer sentiment by income bracket

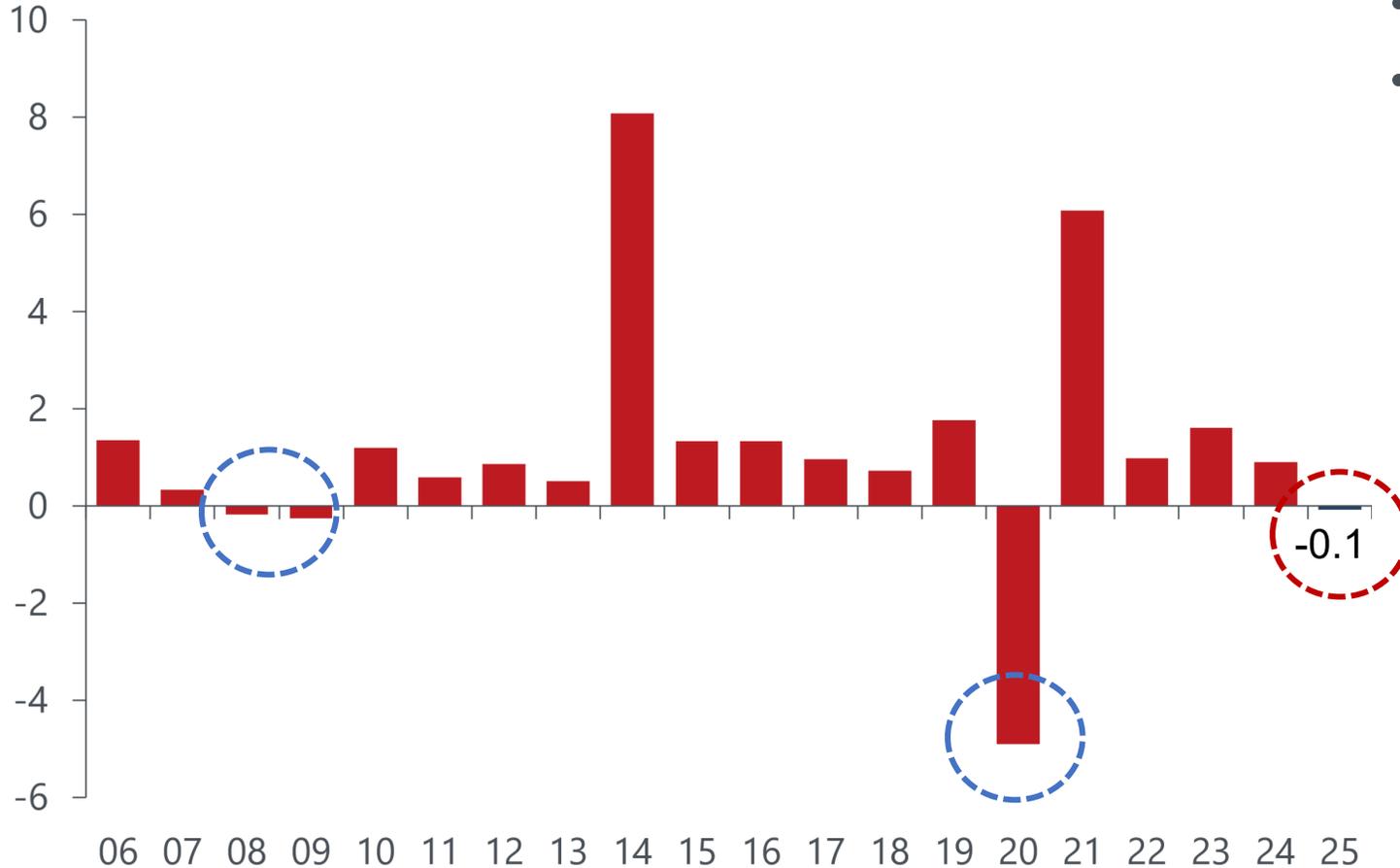


Source: University of Michigan

# ...and spending is on hold

US: Real consumer spending, January-June

Percent change



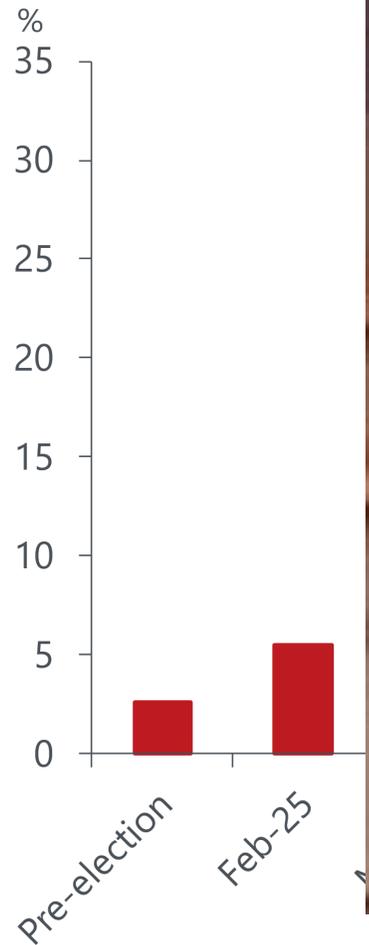
This stagnation is rare outside a recession

- Last time: Pandemic (2020)
- Time before that: Great Recession (2008)

# Why?

# Trade-weighted tariff rate highest in since 1930s

US: Effective tariff



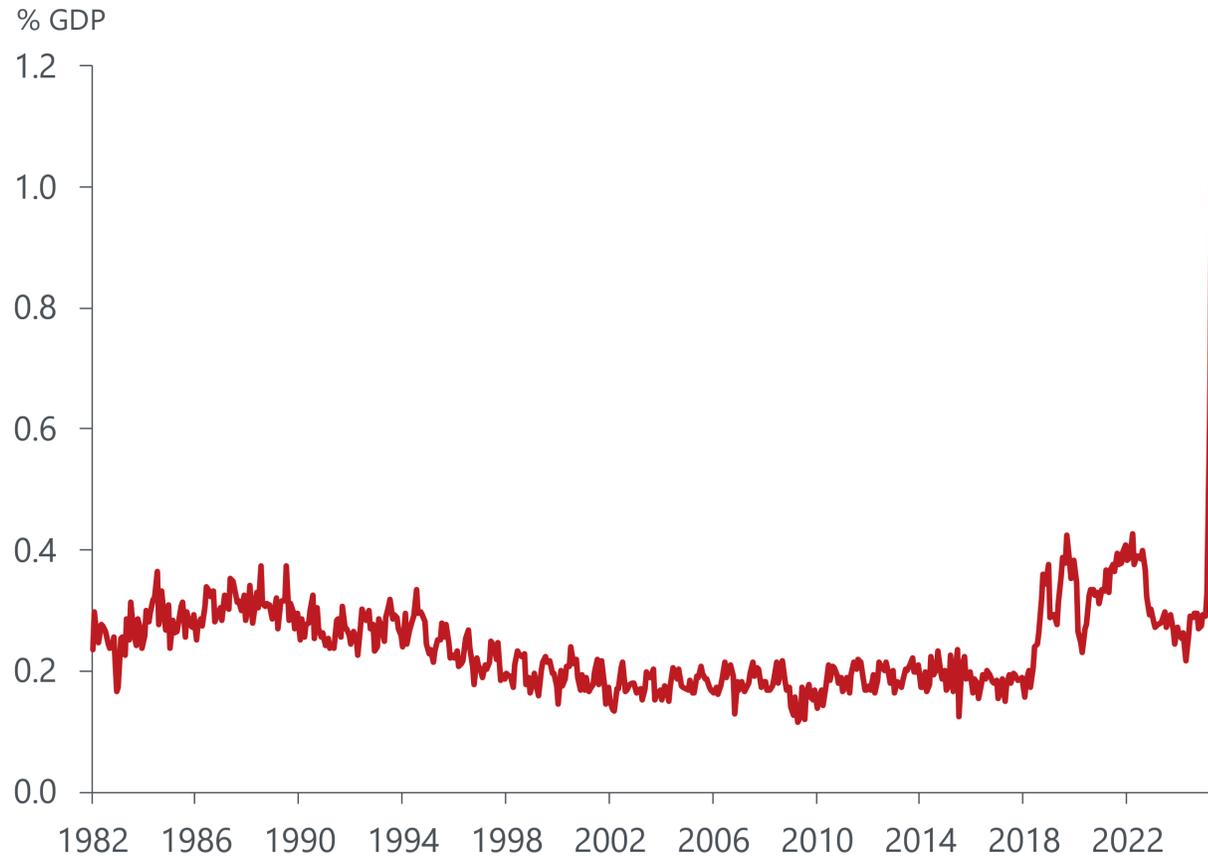
# Observable effects of tariffs so far

- Higher prices
- Weaker dollar
- Manufacturing stress
- High interest rates
- Reduced CAPEX
- **Government Revenue**



# But...tariffs are raising revenues...

US: Customs revenues



Source: Oxford Economics



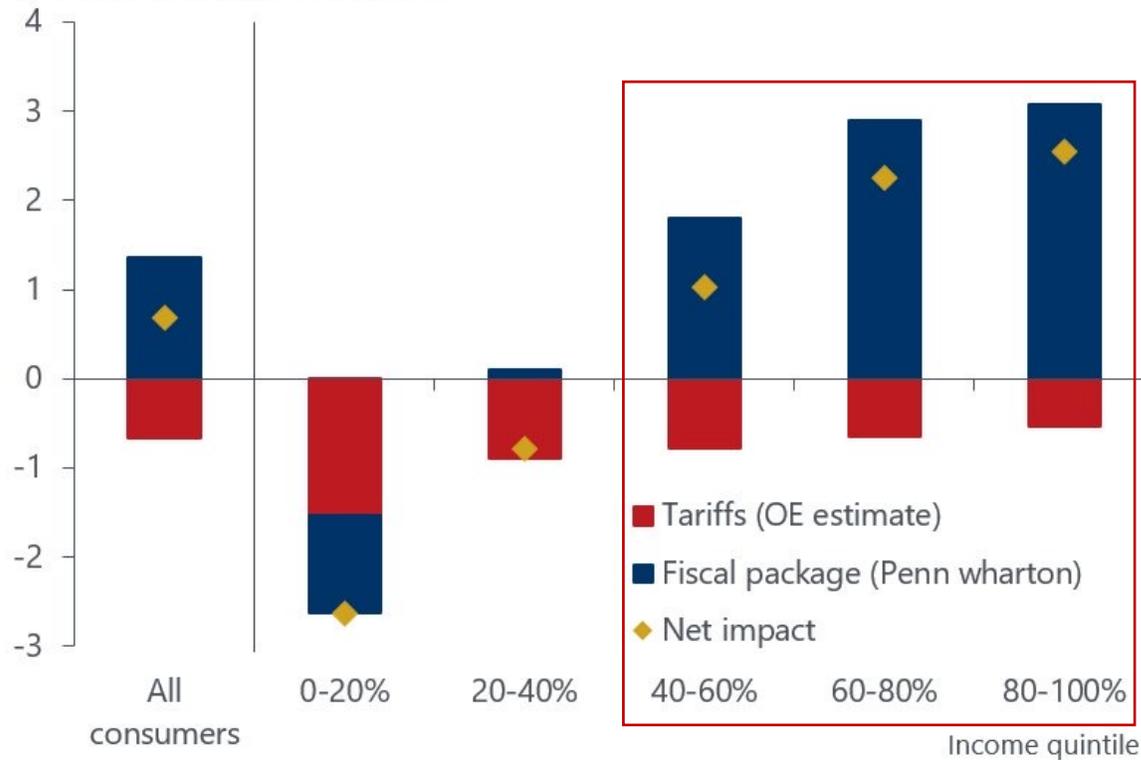
**\$30 billion in July** (compared to an average of around **\$8B last year**)

**Current tariff rates could generate more than \$3 trillion over the next decade!**

# Tax cuts expected to more than offset tariff headwinds

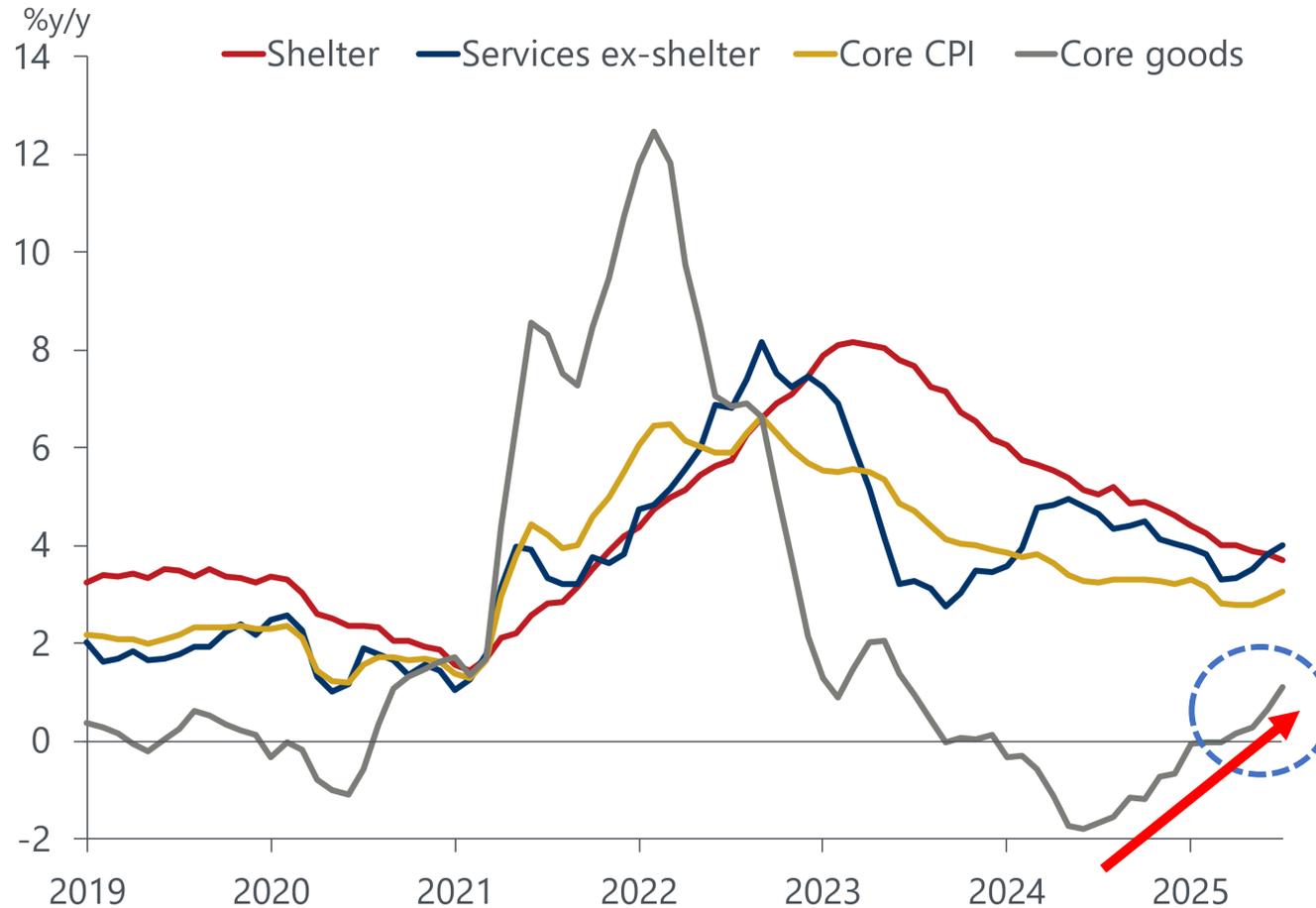
US: Net impact of policy by household income

% change in real post-tax incomes



# ...and inflation.

US: Components of core inflation

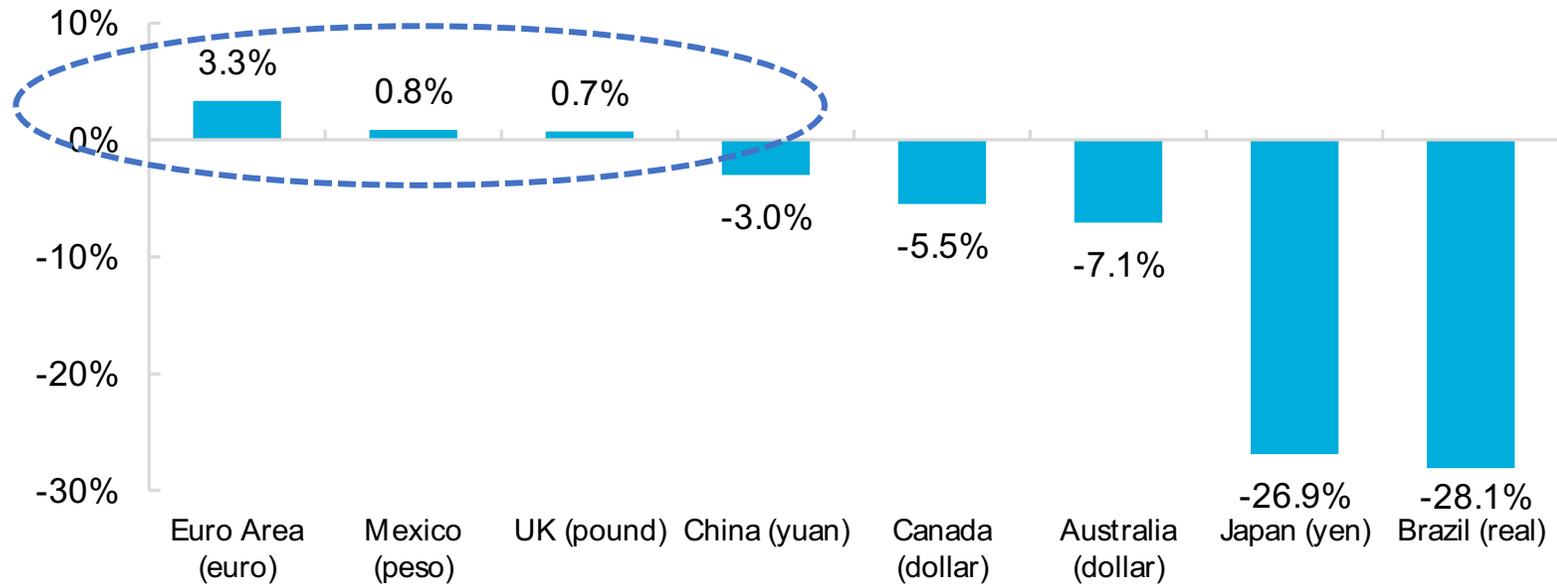


**Core inflation rose to 3.1% in July and should peak at 3.8% by year-end**

# Good News: Dollar weakness = US is more affordable

## Change in USD exchange rates versus 2019

% change from end-2019 spot rate, as of July 28 2025 (USD/local currency)

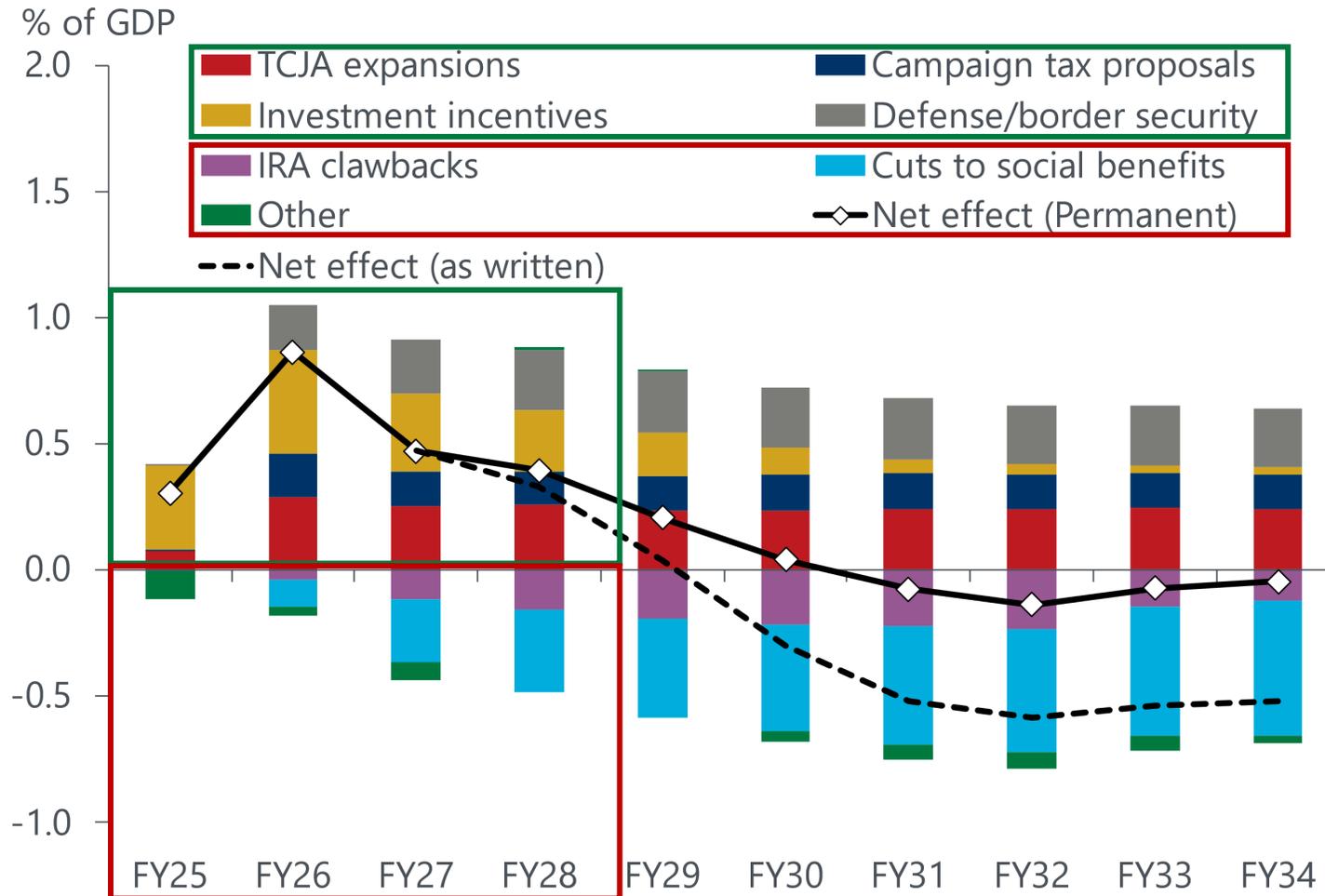


Sources: Tourism Economics

Note: Negative change implies depreciation of local currency versus USD.

# Senate bill will boost growth next year

US: Fiscal effect of Senate OBBB versus current policy



## Positive fiscal stimulus

- tax cut extensions
- tax cuts on tips, overtime, and car loan interest
- more generous state and local tax deduction

"For '26 to '28, we had messaged last time that, that group pace was in the higher single digits. That actually improved slightly from the last quarter.

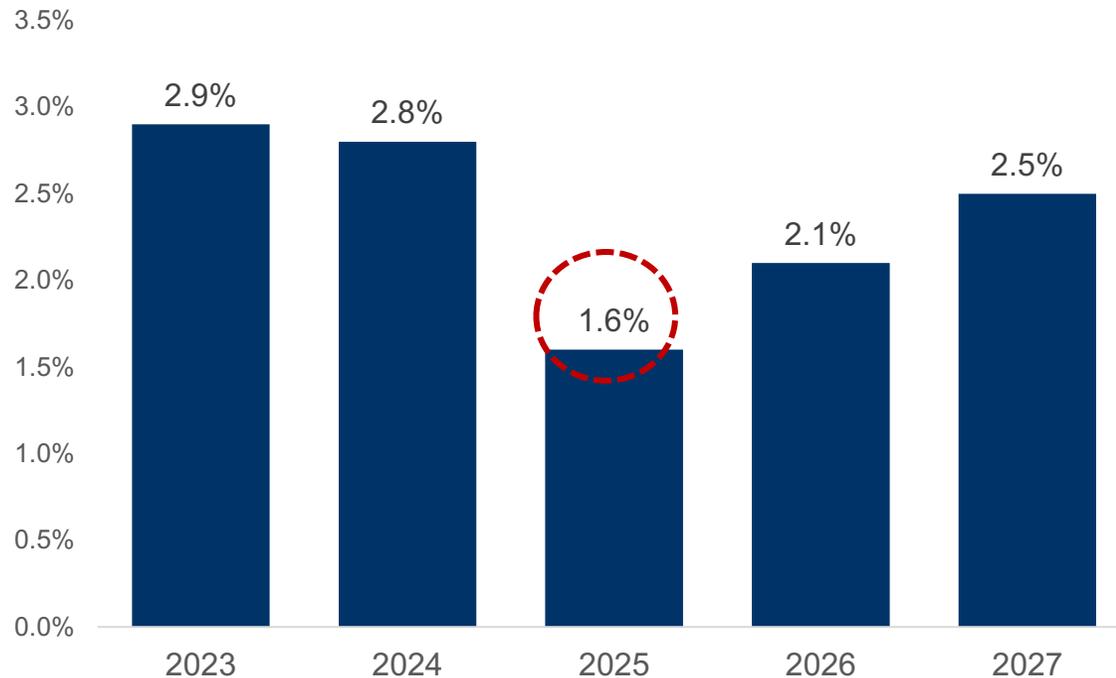
**So yes, we see groups continuing to book out into the future."**

Host, July 31

# Economic growth will slow markedly in 2025

## US Real GDP

Annual growth



Source: Oxford Economics

## Unemployment will rise to 4.4% this year

The economy will improve next year, supported by tax cuts/extensions and the fading effects of tariffs on inflation.

~ 35% odds of recession in the next 12 months (compared to 15% normal odds)

The economy is vulnerable and has little margin for error.

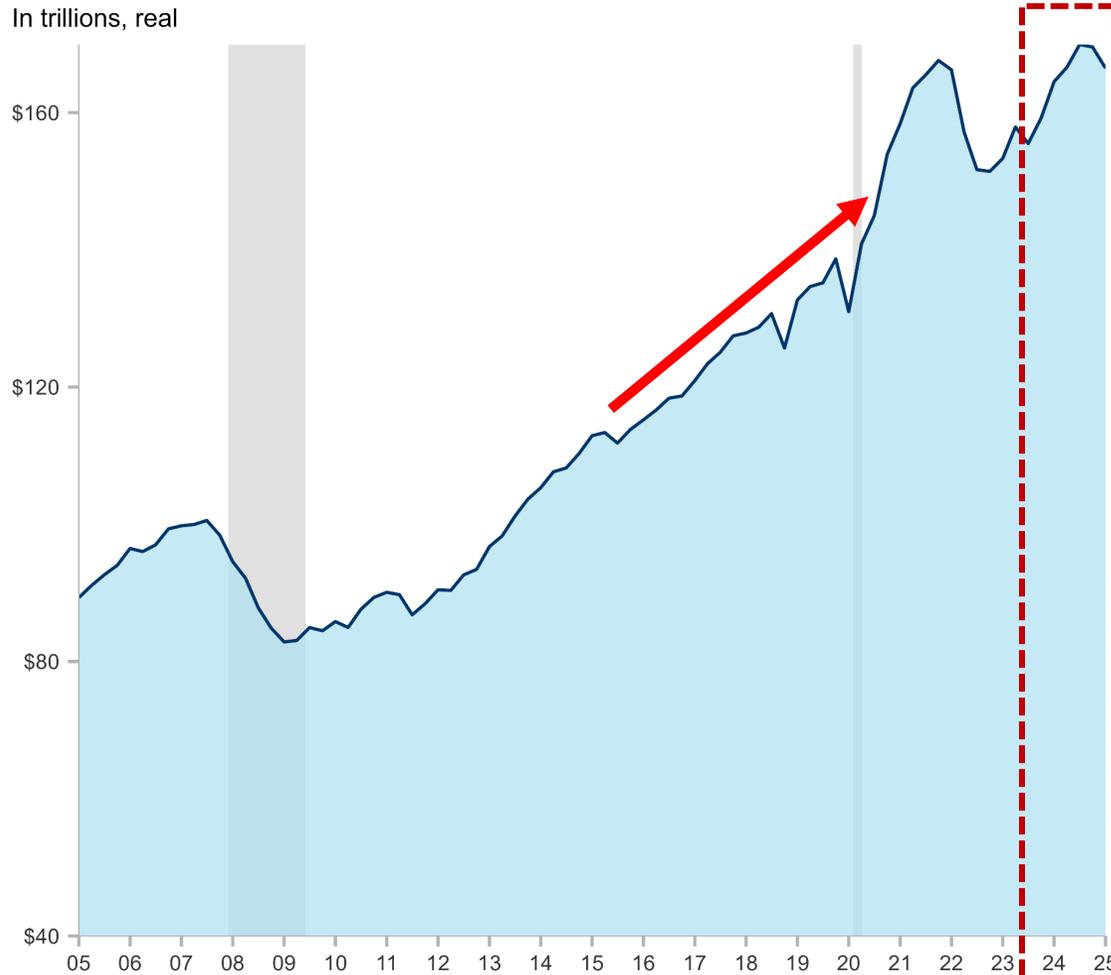
# Leisure Travel



# Strong gains to household balance sheets

## Household net worth

In trillions, real



Note: 2024 dollars. Quarterly data through 2025Q1. Net worth of households and nonprofit organizations. Measures housing and financial assets, minus liabilities. Source: Federal Reserve, NBER

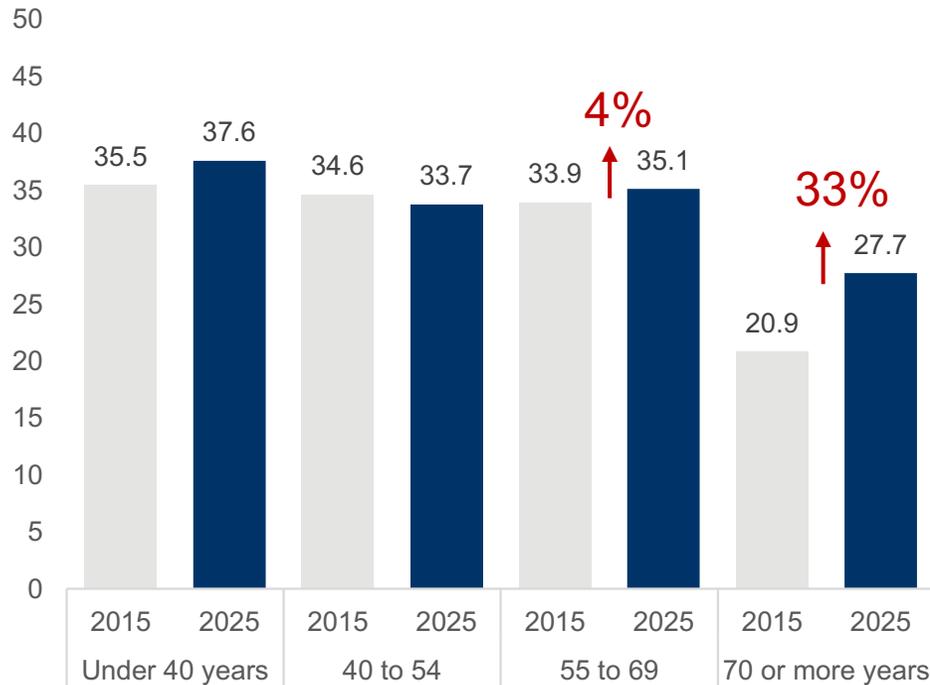
**“High-end resort properties continue to show resilience, no resistance to rate.”**

**- Host, July 31**

# Older US households (55+) now have \$114 trillion

## Number of Households by Age Group

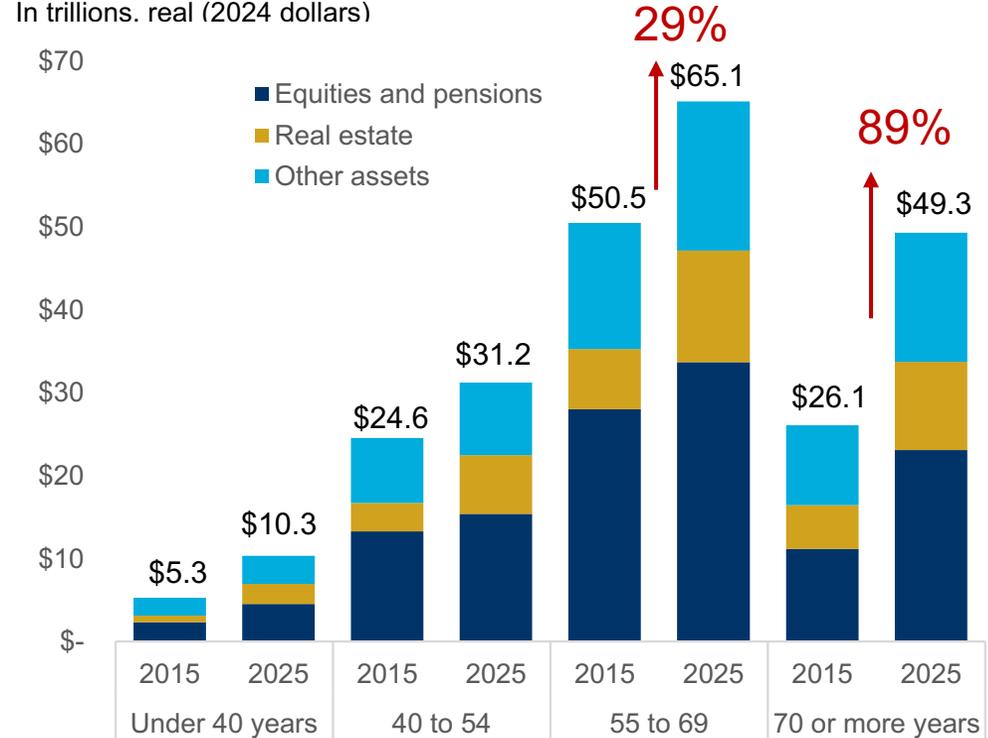
In millions of households



Source: Federal Reserve

## Household Net Worth by Age Group

In trillions, real (2024 dollars)



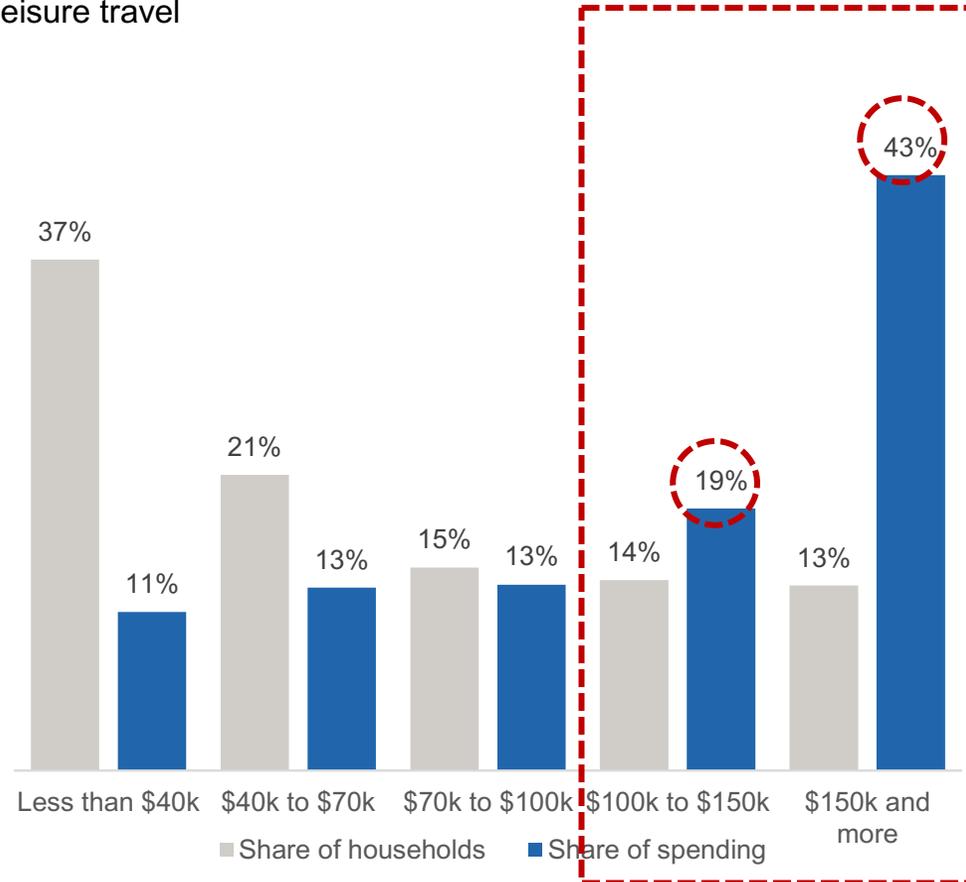
Note: Real estate is shown net of mortgages. Other assets include private businesses, consumer goods and other assets, net of other liabilities.

Source: Federal Reserve

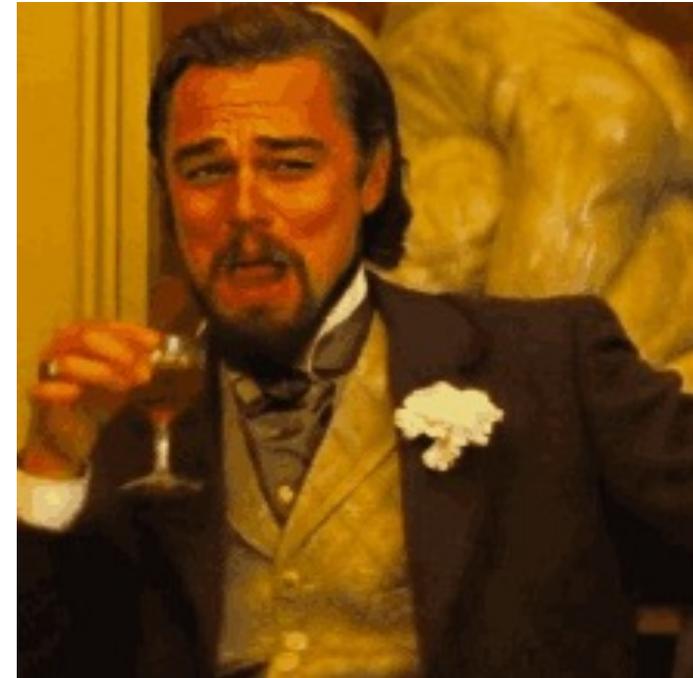
# That matters because higher-income households account for more than 60% of hotel spending

## Lodging spending by household income

Leisure travel



Note: Based on three-year average through 2020.  
Source: BLS, Tourism Economics



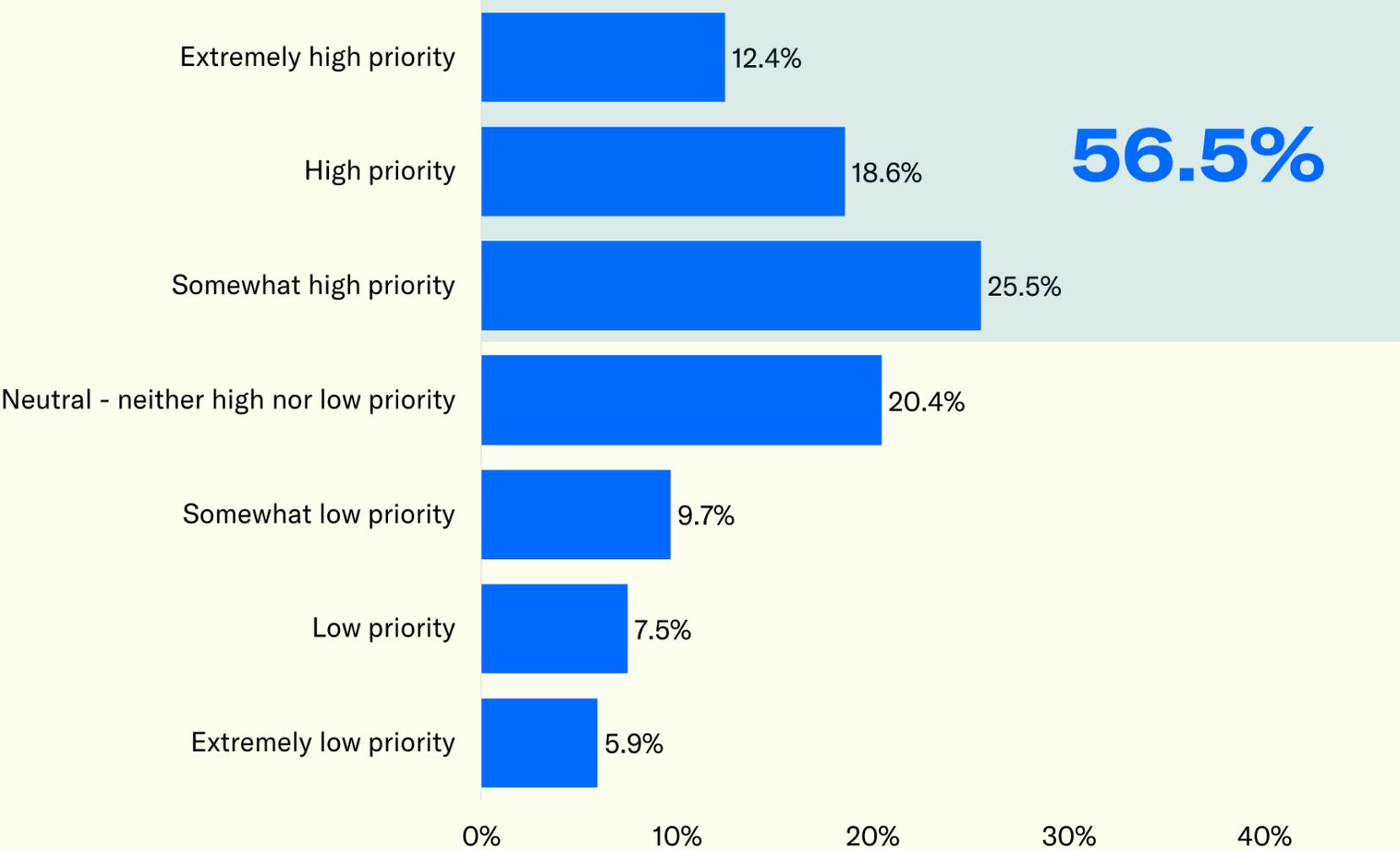
The rich in luxury hotels this winter...

# Travel as a Budget Priority

**Question:**

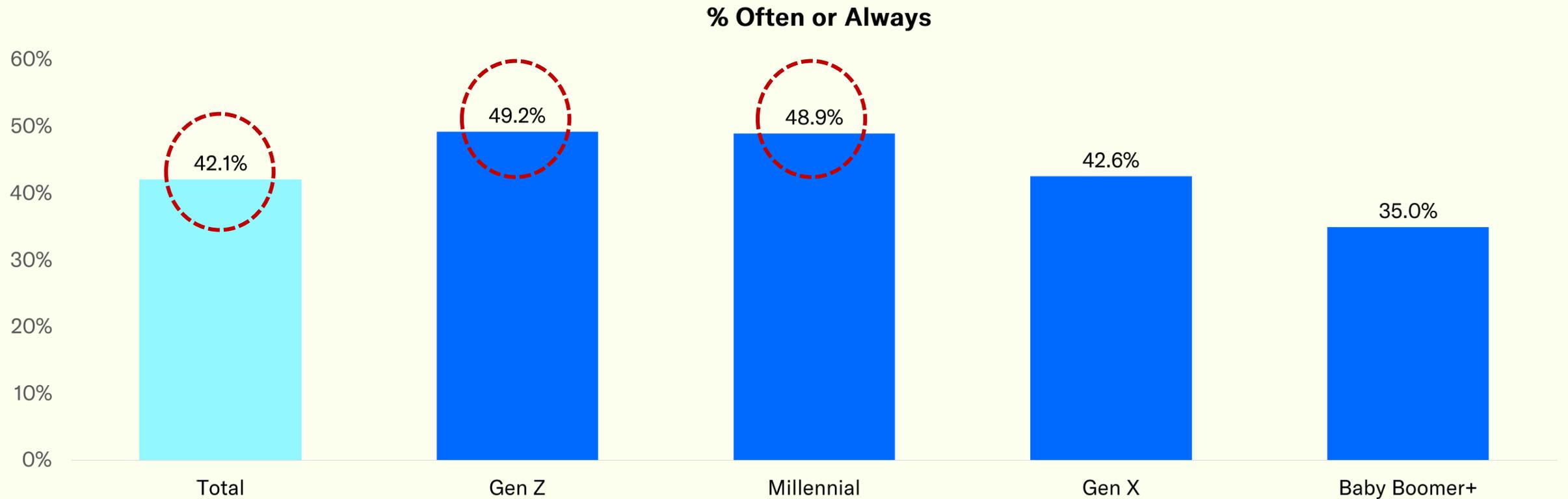
Thinking carefully about how you expect to spend your income in the NEXT THREE MONTHS, please use the scale below to describe your spending priorities. (Select one)

Leisure travel will be a(n) \_\_\_\_\_.



# Trips Planned Because of Physical, Mental, or Spiritual Well-Being by Generation

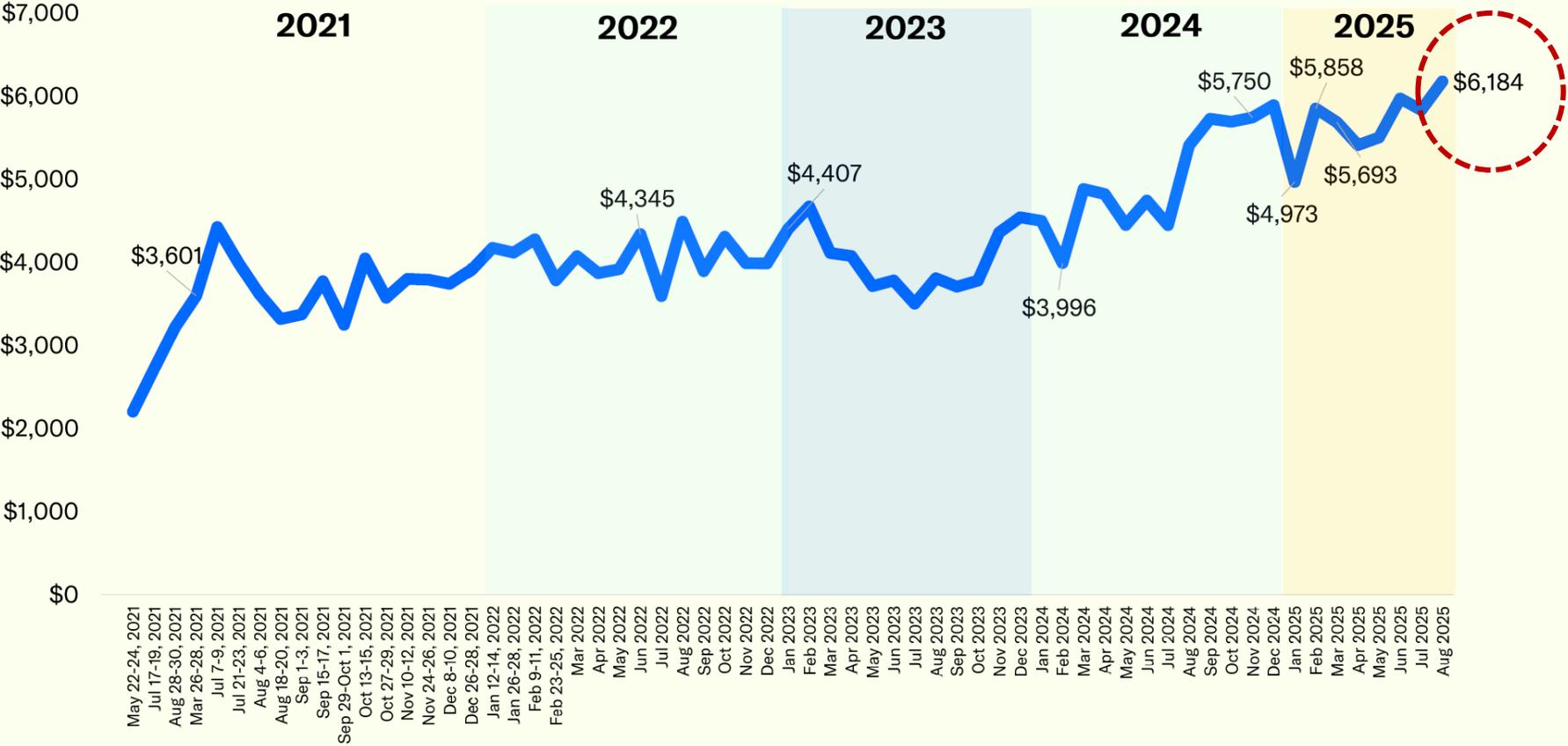
**Question:** How often do you plan leisure trips specifically to support your physical, mental, or spiritual well-being?



# Maximum Travel Spending Next 12 Months (Time Series)

**Question:**  
 How much IN TOTAL is the maximum you will spend on leisure travel (including airfare, accommodations and all other trip related spending) during the NEXT 12 MONTHS?

Maximum I would spend on leisure travel (next 12 months): \_\_\_\_\_

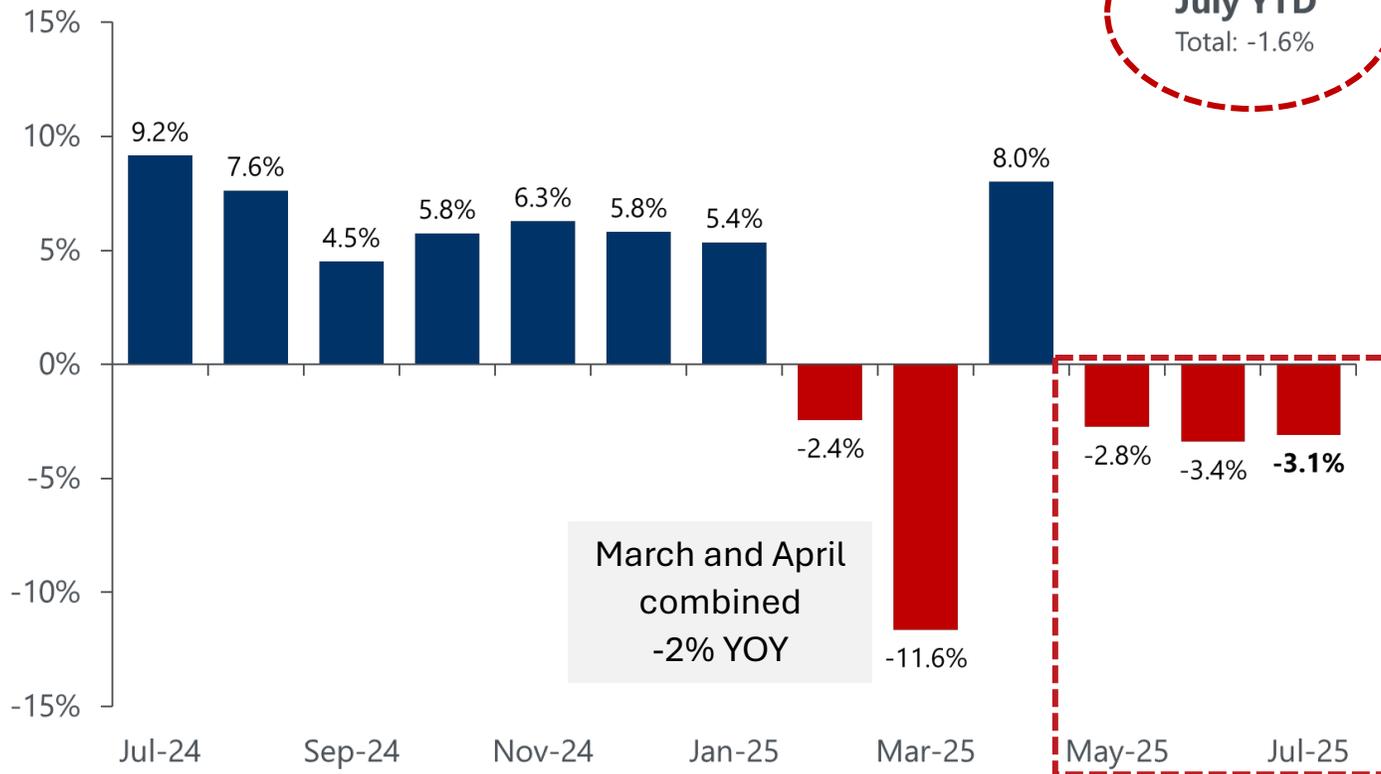


# International



# Overseas markets continuing to decline

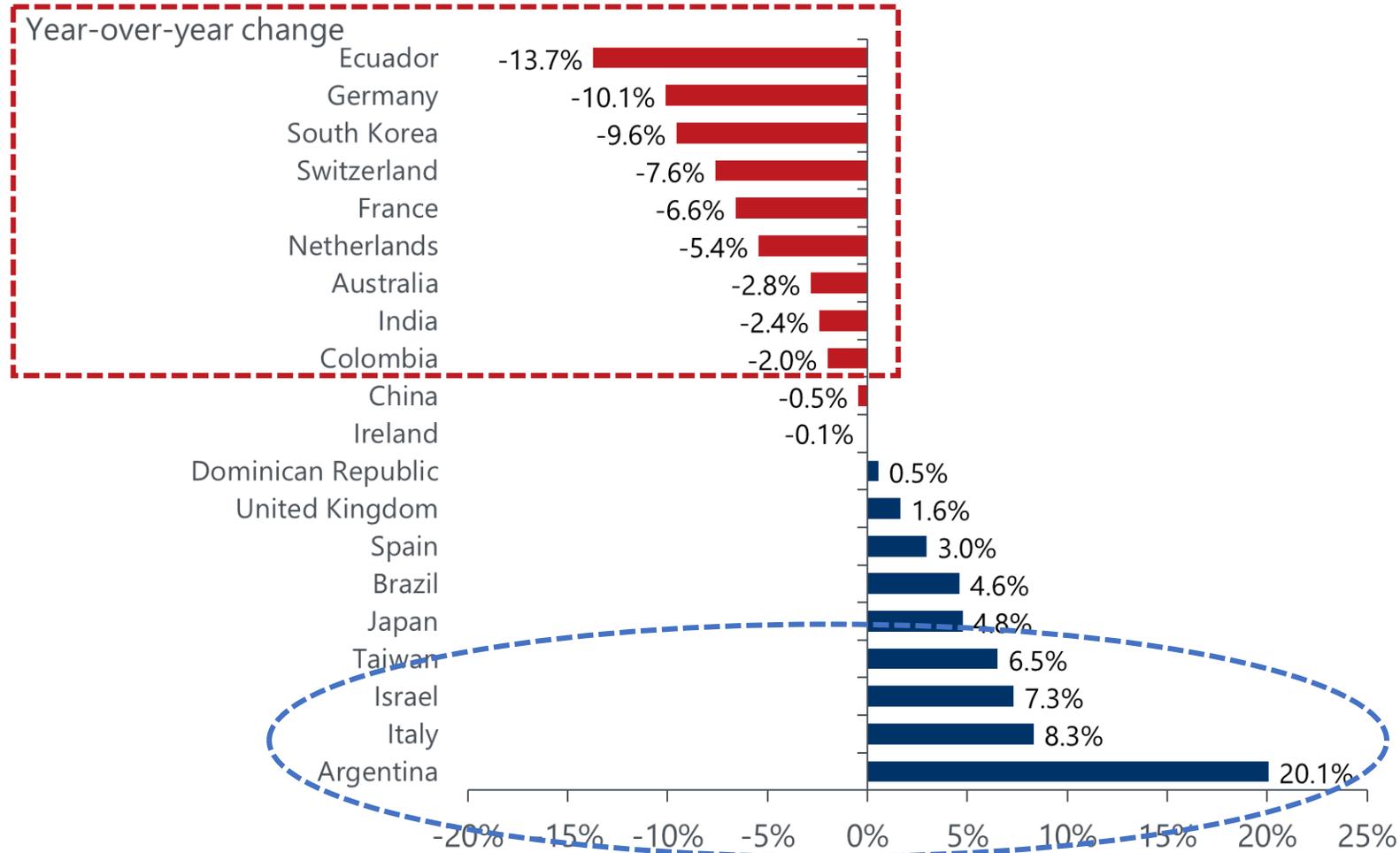
Overseas visitor arrivals to the US  
Year-over-year change



Source: National Travel and Tourism Office

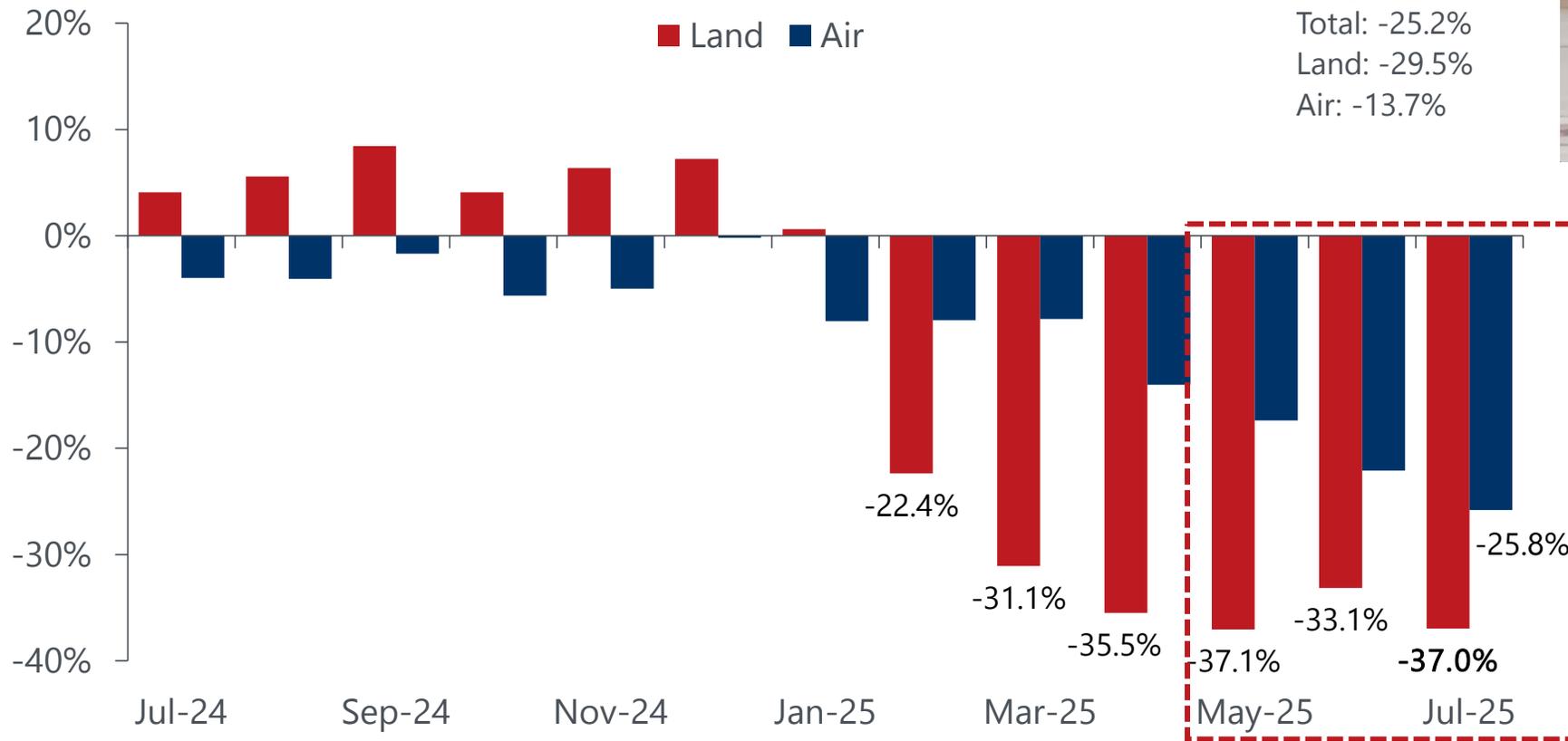
# Disparate performance by market

Overseas visitor arrivals to the US by top 20 markets (July 2025 YTD)



# Canada land travel continues to plummet

Canadian visitor arrivals to the US  
Year-over-year change



July YTD

Total: -25.2%  
Land: -29.5%  
Air: -13.7%



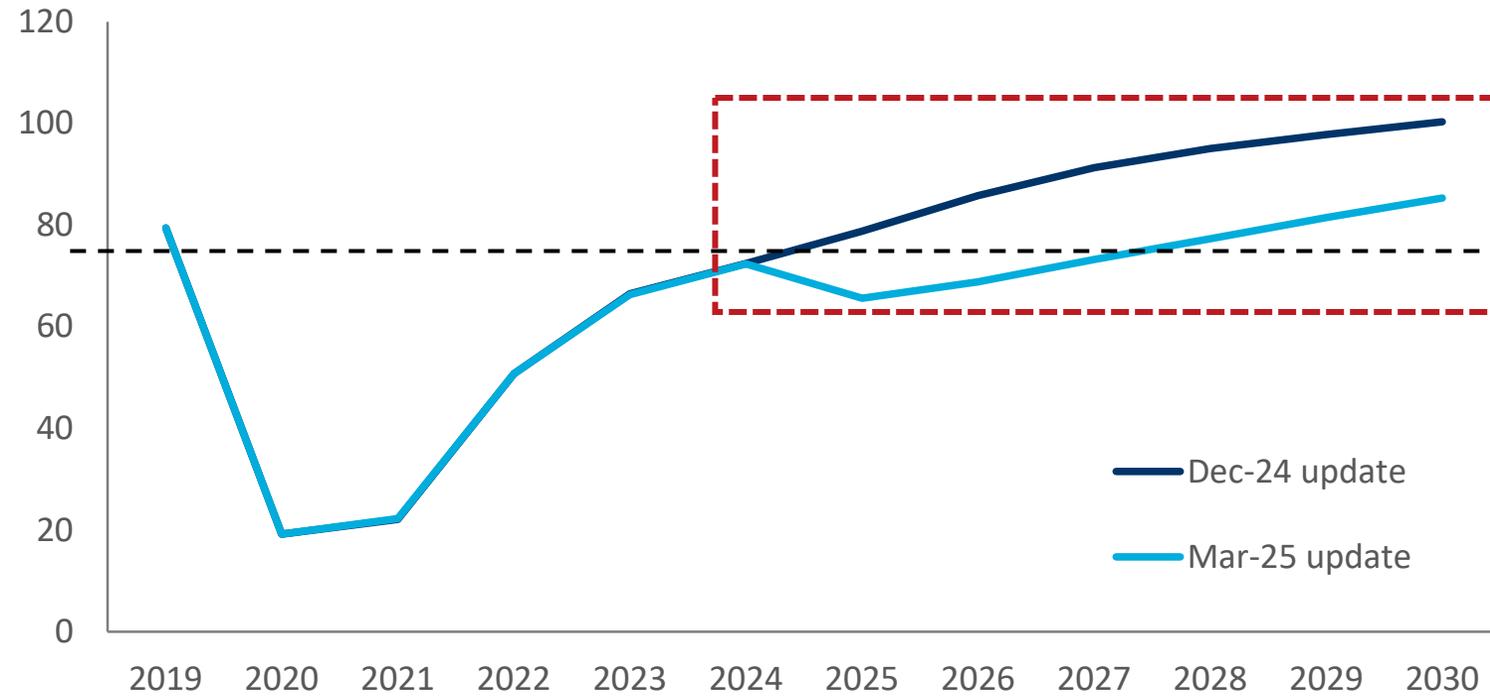
Note: Estimates show the year-over-year change in Canadian visits to the US.

June and July 2025 are based on leading indicator data measuring Canadian-resident US return trips.

# US inbound arrivals recovery delayed to 2029

## US inbound arrivals

Visits, mns



Recovery delayed to  
2029

Source: Tourism Economics



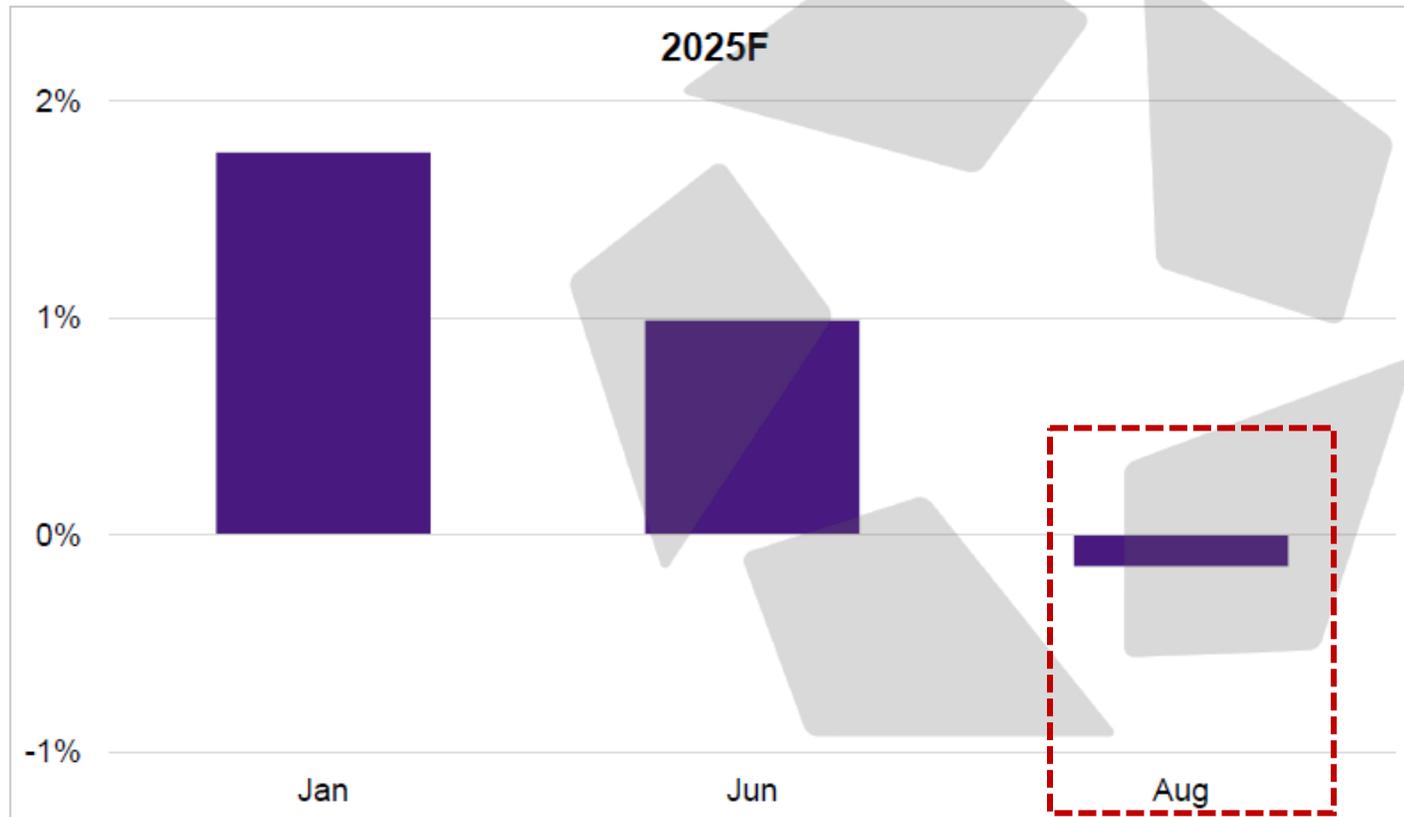
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# U.S. Lodging Outlook

# STR-TE RevPAR forecast evolution

US, RevPAR YoY % chg.



Source: STR. © 2025 CoStar Group

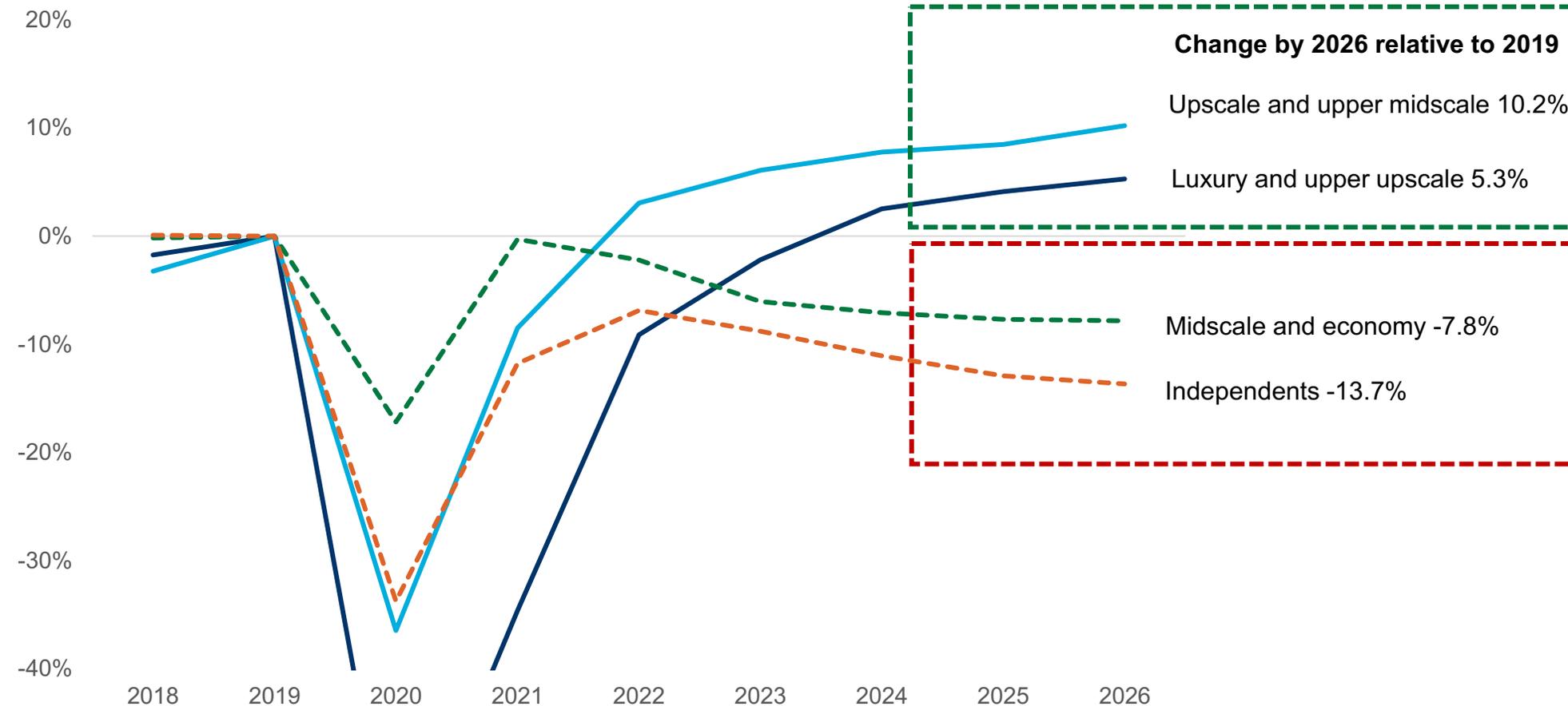
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 STR  CoStar™

# Upper-tier hotel demand growth continues, as lower tiers ease

## Demand relative to 2019

By chain scale groups



Source: CoStar-STR; Tourism Economics

# Updated chain-scale outlook points to lower-tier weakness



## 2025 U.S. Hotel Forecast

Chain Scales, YoY – year over year (% change)

	Luxury	Upper Upscale	Upscale	Upper Midscale	Midscale	Economy
Occupancy	67.9%	68.8%	69.1%	65.3%	58.1%	53.7%
Demand (YoY)	+3.8%	+1.1%	+0.8%	+0.6%	+1.4%	-2.4%
ADR (YoY)	+4.0%	+1.0%	+0.2%	-0.2%	-0.2%	-0.8%
RevPAR (YoY)	+3.9%	+0.9%	-0.4%	-1.4%	-1.2%	-2.2%

# Updated TE-STR lodging forecast: Flat RevPAR this year



## U.S. Hotel Forecast

YoY – year over year (% change)

	2024 Actual	2025 Forecast	2026 Forecast
Supply (YoY)	+0.5%	+0.8%	+0.8%
Demand (YoY)	+0.5%	-0.1%	+0.6%
Occupancy	63.0%	62.5%	62.3%
ADR (YoY)	+1.8%	+0.8%	+1.0%
RevPAR (YoY)	+1.9%	-0.1%	+0.8%

# Updated chain scale outlook shows 2026 growth



## 2026 US Hotel Forecast

Chain Scales, year-over-year (% change)

	Total	Luxury	Upper Upscale	Upscale	Upper Midscale	Midscale	Economy
Occupancy	62.3%	68.0%	68.8%	68.9%	65.3%	57.7%	53.2%
Demand (YoY)	+0.6%	+1.7%	+1.0%	+1.4%	+1.7%	+0.6%	-0.8%
ADR (YoY)	+1.0%	+2.4%	+1.5%	+1.2%	+0.5%	+0.4%	+0.1%
RevPAR (YoY)	+0.8%	+2.6%	+1.6%	+0.8%	+0.5%	-0.3%	-0.8%

**Just Remember  
Things are NOT  
terrible.**





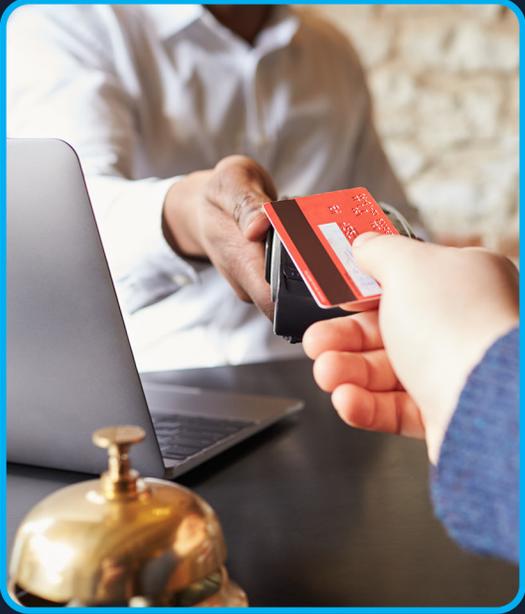
**Here is a study we did  
on the catalytic  
impacts of destination  
marketing...**

# Defining Economic Terms

WHAT ARE DIRECT, INDIRECT & INDUCED IMPACTS?



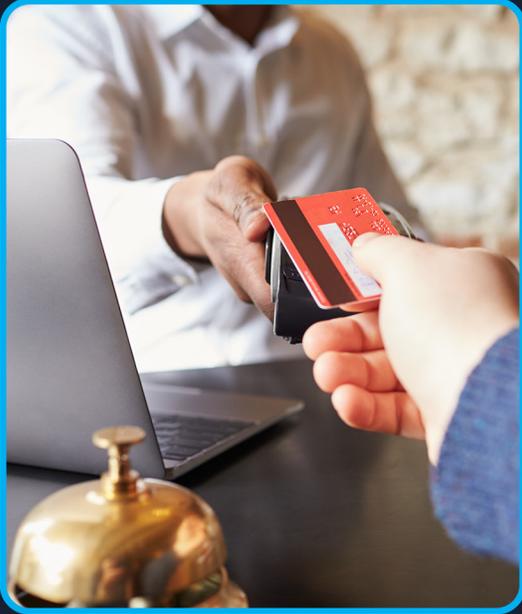
**1**  
**DIRECT**



**Transactions** occur directly between consumers and travel businesses.

1

## DIRECT



**Transactions** occur directly between consumers and travel businesses.

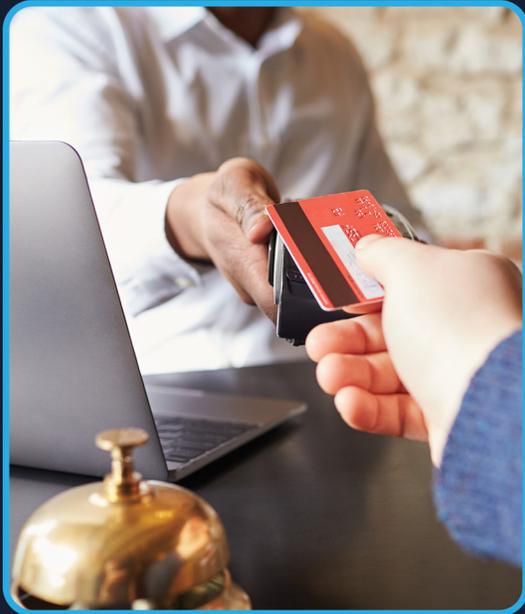
2

## INDIRECT



Travel businesses then **purchase goods and services** from other providers.

**1**  
**DIRECT**



**Transactions** occur directly between consumers and travel businesses.

**2**  
**INDIRECT**



Travel businesses then **purchase goods and services** from other providers.

**3**  
**INDUCED**



Employees of travel businesses **spend wages** throughout the economy.

1

## DIRECT



Transactions occur directly between consumers and travel businesses.

2

## INDIRECT



Travel businesses then purchase goods and services from other providers.

3

## INDUCED



Employees of travel businesses spend wages throughout the economy.

# Total IMPACT

# It analyzed 10 different destinations and here is what we found...

## \$1m of Visitor Spending



Lodging



Food & Beverage



Retail



Recreation



Transportation

## Business Sale Impacts

### Goods Producing Sectors

**\$29,000**

Construction

**\$25,000**

Manufacturing

**\$3,000**

Natural Resources

### Services Producing Sectors

**\$117,000**

Business Services

**\$183,000**

Finance,  
Insurance &  
Real Estate

**\$45,000**

Communications

**\$51,000**

Education &  
Health Care

**\$25,000**

Personal Services

**\$28,000**

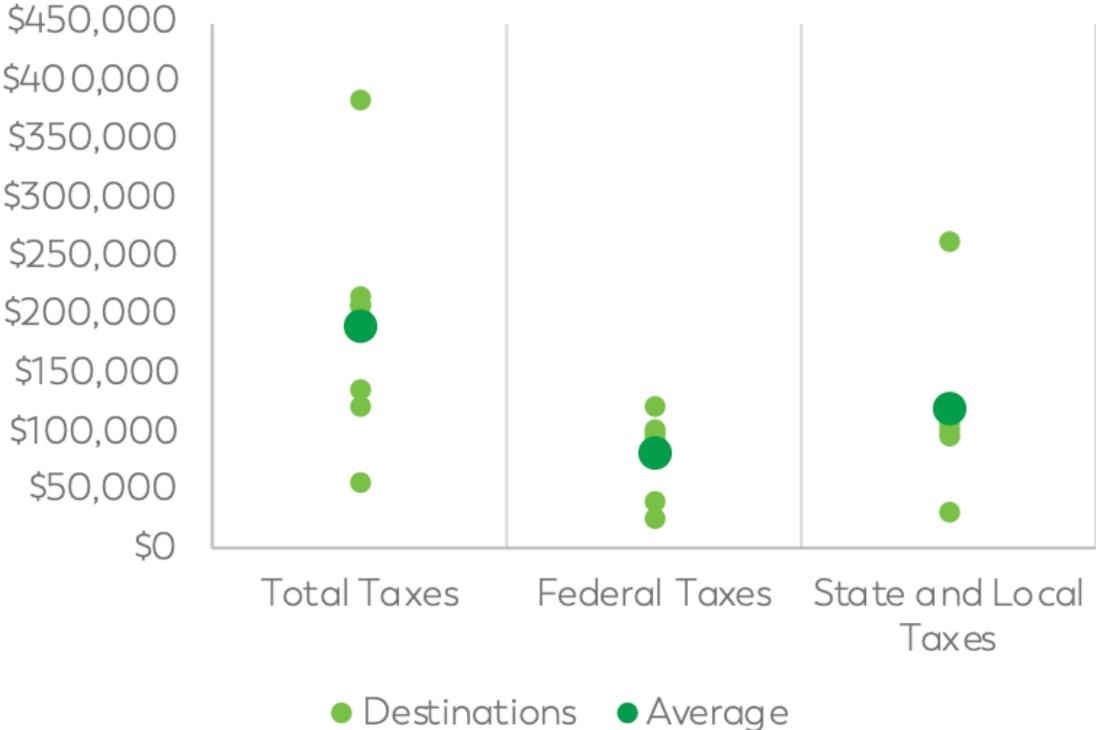
Wholesale  
Trade

**\$10,000**

Government

# \$191,000 in Tax Revenue for Every \$1m in Spend

Tax generation for every \$1m of visitor spending

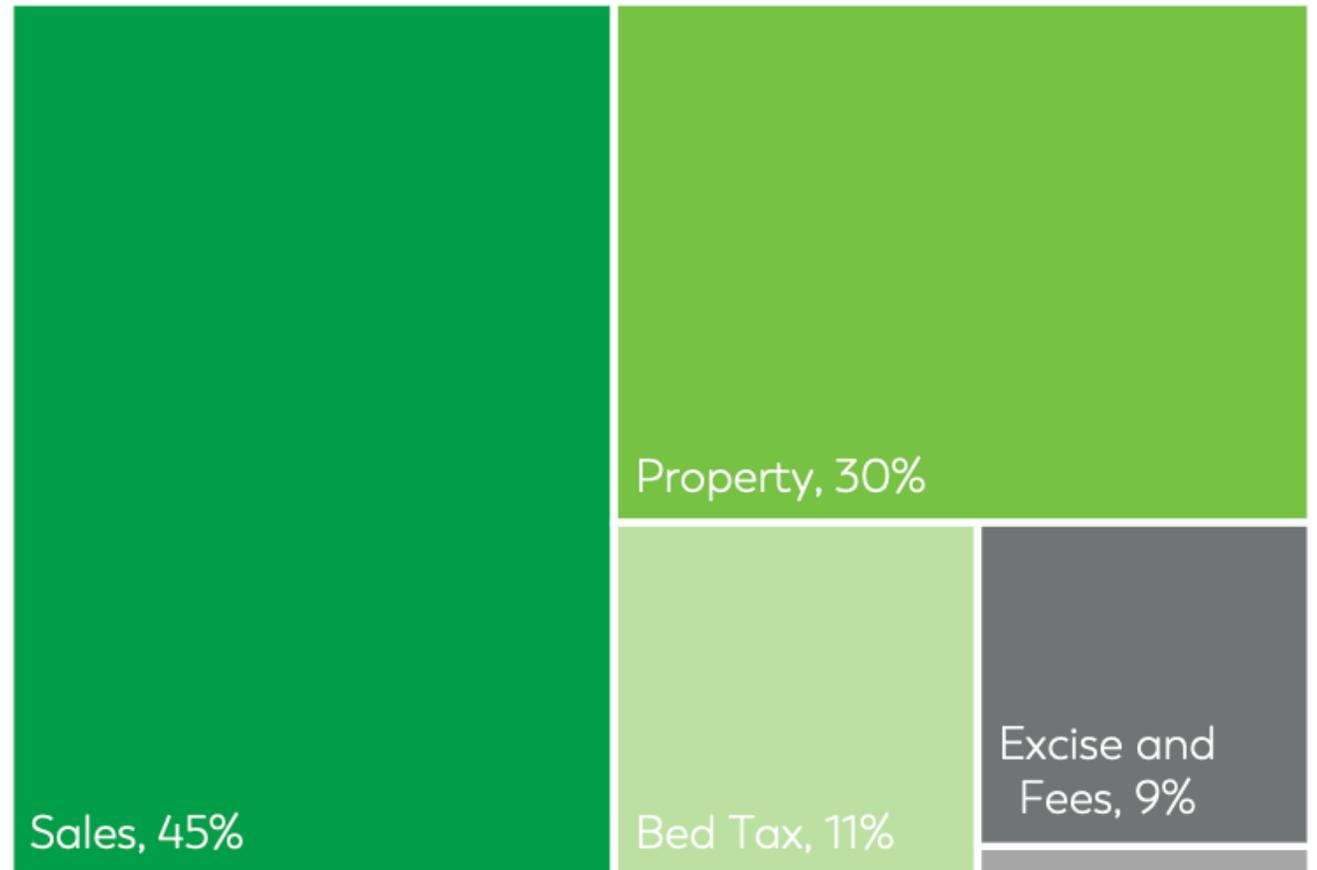


On Average, \$1 million of visitor spending within a destination generates \$191,000 in total tax revenues

# ...and \$120,000 in State & Local Taxes

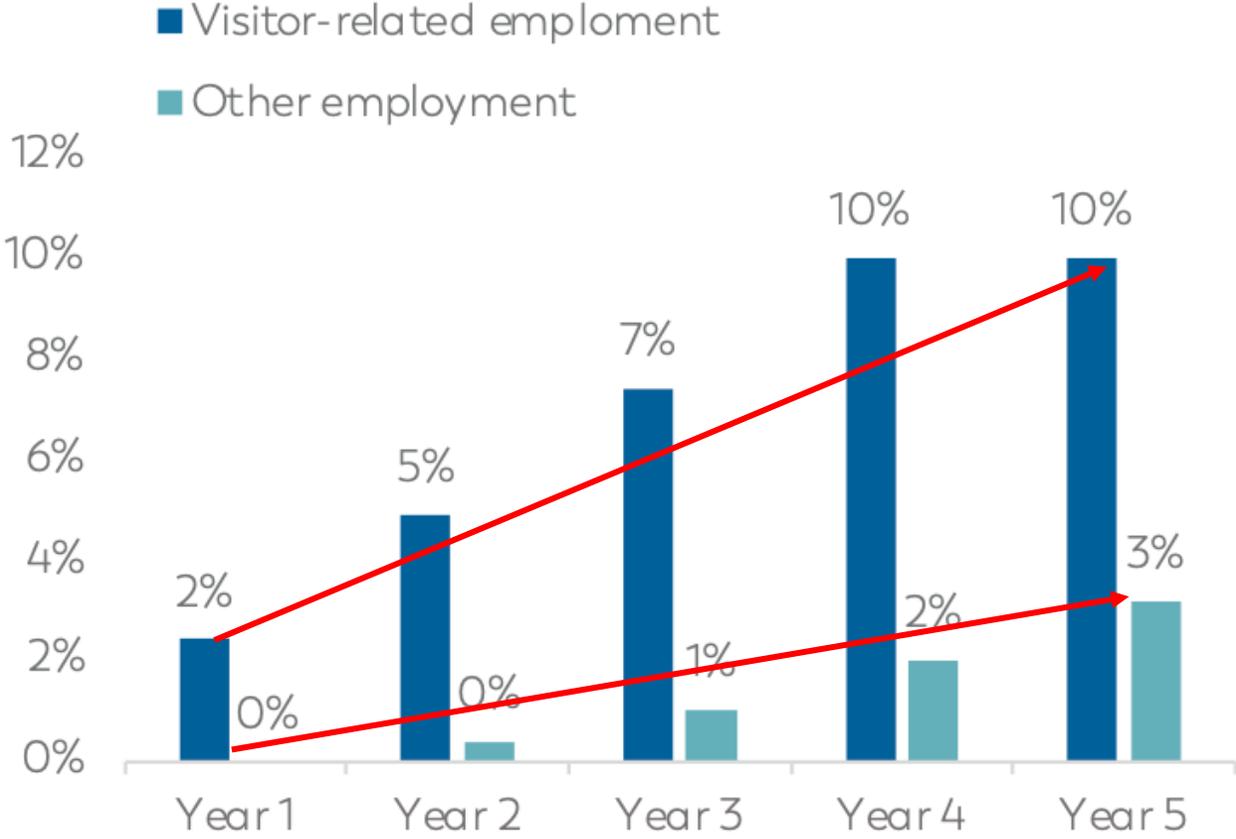
State and local taxes constitute 63% of the taxes generated by tourism, where on average, every \$1 million of visitor spending within a destination generates \$120,000 of state and local tax revenues

## Composition of state and local taxes generated from tourism



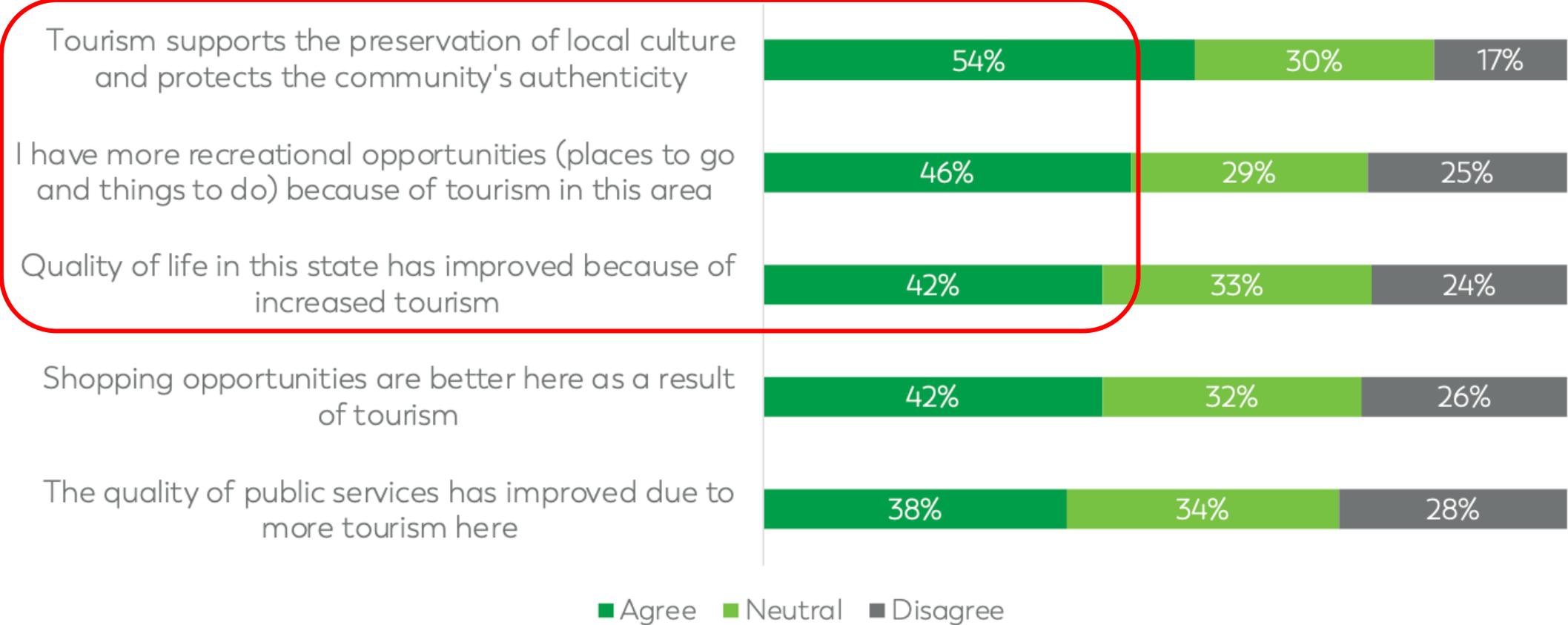
# More Tourism Jobs = More Other Jobs

**Visitor economy employment and its impact % increase over baseline**



# Beyond Tourism: Wider Economic Benefits

## Residents' response to the following statements, 2020-2023 average



# Destination Marketing is like Monopoly.



MONOPOLY  
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Every Monopoly board has a set amount of **money in circulation**..



# Players travel around the board, paying rent and fees to other players...



But the amount of money stays the **same...**



# The only way to increase the cash in your monopoly board? Invite players from a nearby board.



As they spend... your community has **more money in circulation!**



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# Thank You

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