



Photo courtesy of Hawaii Tourism Authority (HTA)

A monthly update including relevant information on travel industry trends, consumer and meetings market research, competitive intelligence, and Hawai'i's performance as a destination.

MARKET INSIGHTS UPDATE

United States | January 2019

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2019 US Travel Industry Outlook

After yet another record breaking year for travel, the tourism industry is on standby for a potential slowdown in the year ahead. With economic growth forecast to slow to +2.3 percent, increasing pressures related to trade tariffs, and higher interest rates, the US business-cycle slowdown is expected to take full force by 2020.

Domestic travel spending by US residents totaled more than \$928 billion in 2018, an increase of +5.6 percent year-over-year. While domestic travel expenditures are still expected to climb in 2019, the growth rate is expected to slow to +3.9 percent. Similarly, US domestic leisure person-trips are expected to level off at +1.8 percent growth in 2019, down from +2 percent in the year prior. Meanwhile, international travel to the US is expected to offset some of the slow-

down from the domestic market, with a +3.7 percent increase in international visitors and a +5.4 increase in international visitor spending.

The good news for travelers is that the Travel Price Index (i.e. the cost of travel for consumers) is expected to ease to +1.4 percent in 2019, down from the +3.7 percent growth seen last year. In addition, a greater percentage of US travelers are interested in domestic destinations. Of US residents searching for lodging in the last two months of 2018, 81 percent searched within the US, up from 71 percent in the year prior. The far west region, including Hawai'i, captured 20 percent of domestic accommodation searches. This bodes well for the islands, as record air service to the state and the moderating cost of travel encourages visitation to Hawai'i.

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Competitor Update

With a softening of the global travel market, competition for American travelers is expected to heat up in 2019. Despite increased violence in 2018 and travel warnings by the US State Department, Mexico is still the sixth most visited country in the world.

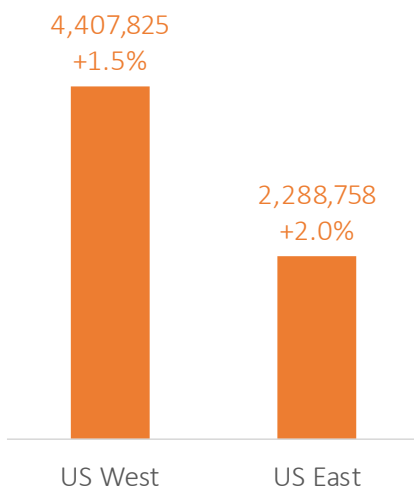
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2019 US Travel Outlook

2019 US Visitor Arrival Forecast



Source: DBEDT

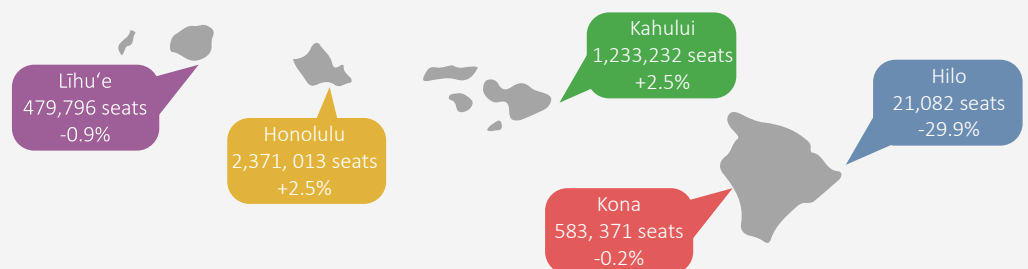
Air Service Forecast

With lower oil prices and continued, albeit slower, economic growth, the International Air Transport Association (IATA) forecasts the global airline industry to hit its tenth year of profitability. Airlines are expected to net more than \$35.5 billion in profit in 2019, up from \$32.3 in the year prior. Due to a sharp fall in oil prices and solid GDP growth projections, the airline industry remains cautiously optimistic for the year ahead. Overall revenues for the industry were up +7.7 percent in 2018, reaching over \$885 billion. Carriers in North America are expected to continue to lead on financial performance, accounting for nearly half of the industry's total profits.

After reaching a record high of nearly 9.3 million nonstop seats between the US Mainland and Hawai'i in 2018 (a +11

percent increase year-over-year), air seat capacity growth is expected to level off in the first half of 2019. Service to Hawai'i is expected to increase +1.6 percent year-over-year between January and June 2019, adding nearly +74,000 additional seats to the islands. The majority of the increase expected to occur in the second quarter of 2019, with a +2.4 percent increase in seat capacity. Gains in scheduled seats to Honolulu (+57,500) and Kahului (+30,500) will offset small losses to Kona, Lihue, and Hilo. New nonstop routes by multiple airlines are helping to drive increased service, including: Alaska Airlines service between Sacramento-Kona; American from Chicago-Honolulu; Delta from Detroit-Honolulu; Hawaiian from Boston-Honolulu, Oakland-Lihue, and Sacramento-Kahului; and Sun Country from Portland-Honolulu and San Francisco-Honolulu.

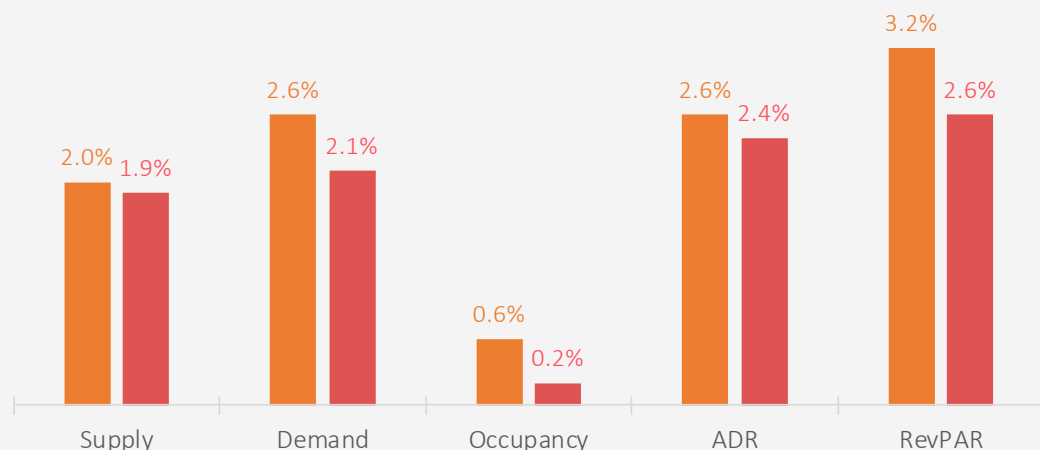
Scheduled Nonstop Air Seats US Mainland-Hawai'i



Source: Diio Mi data, Jan - Jun 2019 vs 2018

US National Hotel Industry Forecast

■ 2018 ■ 2019F



Source: Smith Travel Research data

Lodging Trends

Following the trend of slower but sustained growth, US hotel demand is expected to increase +2.1 percent in 2019, slightly below the +2.6 percent seen in 2018. Hotel inventory is also expected to continue to increase in 2019, with a +1.9 percent increase in supply. Due to an increase in both supply and demand, occupancy levels are expected to remain flat with a +0.2 percent increase year-over-year. A strong US dollar and confidence amongst hotel operators is expected to drive in a +2.4 percent increase in Average Daily Rate (ADR) following the +2.6 percent increase seen in 2018. Higher ADRs coupled with sustained occupancy, means Revenue per Available Room (RevPAR) is expected to also grow +2.6 percent in the year ahead.

Hawai'i's hotel occupancy rate remains well above the U.S. average. The most recent available data for 2018 puts statewide occupancy at 80.1 percent year-to-date through November. With O'ahu at near full operating capacity (84%), it is unlikely Hawai'i's hotels can keep pace with US national forecasts. There is still opportunity, however, to grow Neighbor Island occupancy, including the Island of Hawai'i (72.6% YTD), Kaua'i (72.6% YTD), and Maui (76.4% YTD). Meanwhile, Hawai'i's Average Daily Rate remains one of the

highest in the nation. Though November 2018, statewide ADR has grown +5.4 percent, well above the U.S. average. This momentum is expected to level off, however, in 2019, due in part to smaller increases in air seat capacity.

Hawaii Traveler Outlook

The Hawai'i Department of Business, Economic Development & Tourism (DBEDT) predicts another year of modest but positive gains in the volume of US mainland visitors to the state. The most recent forecast anticipates an annual growth rate of +2.1 percent from the US West market and +2.5 percent from US East, totaling nearly 6.5 million visitors in 2019. The US visitor market is expected to make up 64.6 percent of total visitor arrivals to the state, an increase of +0.3 percentage points over 2018 and +4 points higher than just five years ago.

Meanwhile, total visitor expenditures are expected to grow by +4.2 percent in 2019, totaling more than \$19 billion spent in state. A forecasted increase in total visitor days (+2.1 percent) will help drive higher spending. Total arrivals are anticipated to grow +1.8 percent, reaching more than 10.1 million visitors.

Sources: HVCB analysis of Smith Travel Research, Diio Mi, HTA, DBEDT, US Travel Association, and IATA data



Photo courtesy of HFA

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Competitor Update

Sneak Peek at Next Month



Spotlight On:
The Romance Traveler

With a softening of the global travel market, competition for American dollars is expected to heat up. Despite increased safety concerns in Mexico, tourism officials are still forecasting an increase in both visitors and spending in 2019. Mexico is the sixth most visited country in the world, with tourism arrivals climbing +3.4 percent in 2018, reaching a new record of 39.3 million foreign visitors. 2019 is expected to top that, with an estimated 44.8 million arrivals (+5.8% year-over-year). Even with tourism

success, violence continues to skyrocket in Mexico. 2018 was the deadliest year on record for the country, with an average of 91 murders per day. As such, the US State Department continues to issue travel advisories for Mexico, labeling the country 'Level 2 - Exercise Increased Caution'. There are even stronger warnings for many popular tourist areas, including Mazatlan, Acapulco, and Riviera Nayarit, with the State Department telling would-be travelers to reconsider or cancel their travel plans.