



## SPOTLIGHT ON: Summer Outlook



*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 | June 2019

## In This Issue

### Summer 2019 Travel Outlook

A long winter combined with a strong economy means that more Americans are looking to take a well-deserved vacation this summer. The summer vacation season officially kicks off with the Memorial Day long weekend, when nearly 43 million Americans are expected to hit the road. AAA projects a +1.5 million increase from last year's numbers and the second highest travel volume ever recorded. The trend of increased travel demand is expected to last through the summer months, with Americans anticipated to spend nearly \$255 billion on travel.

Despite a largely favorable outlook, there are still many unknowns heading into Summer 2019. Gas prices have jumped amid Middle East tensions in the past month, putting pres-

sure on Americans' wallets as they drive further during the summer months. Boeing's 737 MAX planes remain grounded during the busiest travel season, forcing major carriers like American, United, and Southwest to cancel hundreds of flights during peak periods. And increased weather volatility is once again on the forecast for this summer, including another busy hurricane season in the Pacific due to warmer sea surface temperatures.

While pent-up travel demand by Americans remains high, external factors may have the final say on this summer season travel. As such, the travel industry should remain cautiously optimistic moving into the peak summer period.

*Continued on Page 2*



### Competitor Update

In news that shocked the industry, Mexico has chosen to shutter its National Tourism Board, rerouting \$300 million in funding to infrastructure developments. PG4





## Summer 2019 Travel Outlook

### Top Summer 2019 Destinations 🌐

1. **Orlando, Florida**
2. **London, England**
3. **Rome, Italy**
4. **Vancouver, Canada**
5. **Dublin, Ireland**
6. **Paris, France**
7. **Seattle, Washington**
8. **Anchorage, Alaska**
9. **Honolulu, Hawai'i**
10. **Punta Cana,  
Dominican Republic**

Source: AAA Summer Bookings 2019

#### *American Summer Vacation Season*

Demand for both U.S. domestic and overseas travel is expected to heat up this summer, due in part to a relatively strong economy and high consumer confidence levels. The U.S. GDP grew by +3.2 percent in the first quarter of 2019 according to the advance estimate by the Bureau of Economic Analysis. As of April 2019, U.S. consumers have solid overall perceptions of the domestic business conditions and the labor market. More than 46 percent of U.S. consumers see the job market as plentiful, while 20 percent said they expect business conditions to improve over the next six months.

A strong economy and high consumer confidence usually equates to increased consumer spending. With summer on the horizon, this may in turn help fuel increased travel as well. In fact, 63 percent of U.S. leisure travelers plan to take a vacation in the next six months, up slightly from the same time last year (+1 percentage point). Near-term travel intentions are highest among the Millennial (69%) and Gen X (70%) segments, trailed distantly

by Boomers (56%) and Matures (40%). More than one quarter of the U.S. leisure travelers (26%) plan to spend more on travel in the next six months compared to one year ago.

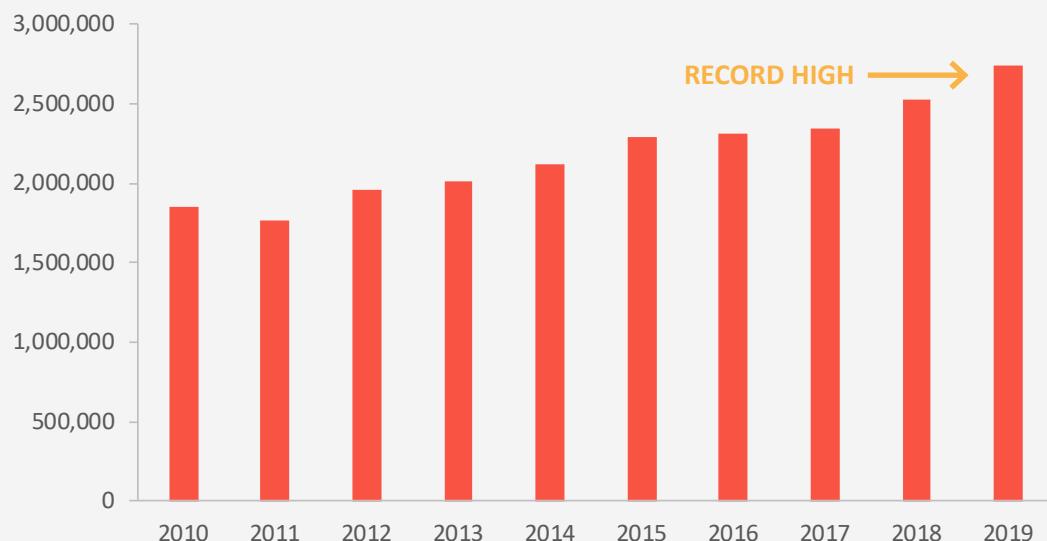
The U.S. Leisure Traveler Sentiment Index – which measures consumers' interest in travel, time for travel, personal financial situation, and affordability of travel – currently stands at 115, on par with 2018 levels. U.S. leisure travelers report that they are slightly more interested in travel and have more time for travel compared to one year ago. At the same time, however, U.S. leisure travelers' personal finances available for travel, perceived affordability of travel, and perceived safety of travel have decreased year-over-year.

Relaxation is at the top of Americans' travel objectives this summer. Nearly half of American leisure travelers (44%) say they plan to take more vacations in the next six months to relax and relieve stress, while 36 percent say they need a break from their daily work and home routines. Similarly, 34 percent are looking to reconnect with family and friends.

*Continued on Page 3*



## Nonstop Scheduled Air Seats U.S. Mainland to Hawai'i June - August



Source: Diio Mi

### Hawai'i Summer Outlook

The summer months are typically when demand for Hawai'i spikes and 2019 will likely be no exception. More than 2.7 million air seats are bound for the islands from the U.S. mainland between June and August this year, an increase of nearly +216,000 additional seats and +9 percent year-over-year. The majority of increased seat capacity is heading for O'ahu (+111,000 additional seats), followed by Maui (+97,000 seats). The only airport expected to see a net decrease in seat capacity is Kona, with a -1.5 percent decline compared to the same period last year.

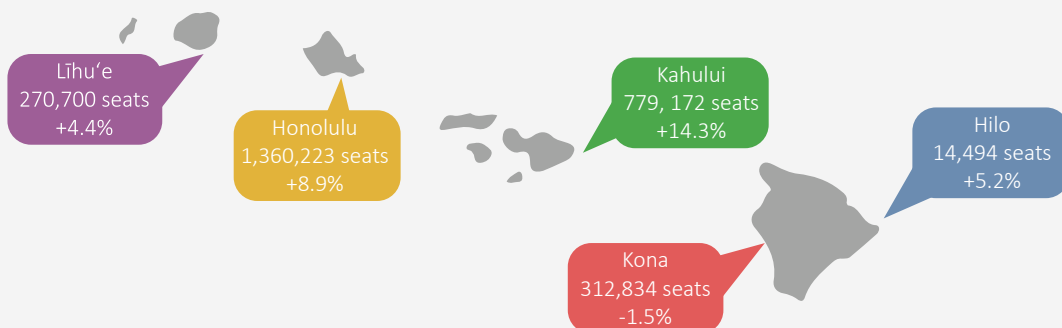
The recent introduction of Hawai'i service by Southwest Airlines is helping to drive increased capacity as airlines position themselves to remain competitive in

the marketplace. Southwest is flying nearly +97,000 additional seats to Hawai'i in Summer 2019, while United added +72,000, Alaska +36,000, and Sun Country +19,000. Conversely, both Hawaiian Airlines and Delta have scaled back capacity, by -1 percent and -2 percent respectively.

Year-to-date through April 2019, U.S. visitors to Hawai'i are up +6.2 percent, a net increase of +125,300 additional arrivals. This trend is expected to continue through the remainder of 2019. The Department of Business Development and Tourism (DBEDT) forecasts that U.S. visitor arrivals will end the year with a +2.6 percent increase, with the U.S. West market slightly outpacing U.S. East (+2.8% vs +2.4% respectively).



### Air Seats by Island Summer 2019



Sources: HVCB analysis of Bureau of Economic Analysis, Conference Board, AAA, MMGY Global travelhorizons, Diio Mi, & HTA data

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Photo courtesy of HTA

## Competitor Update

In news that shocked many within the tourism industry, Mexico's new president, Andrés Manuel López Obrador, has chosen to shutter its national tourism board. In the move to close 17 of its 21 overseas offices, \$300 million in funding will now be rerouted towards building a Mayan train.

While some have praised new infrastructure development, the closing of the Mexican Tourist Board has left many concerned over the future of Mexico's tourism industry. Security and international safety fears have blighted Mexico in recent years, making the need for positive promotion especially pressing. Mexico has also been

hard hit by American policy, damaging the country's reputation on the world stage. The destination has been losing U.S. market share as a result. Looking ahead to Summer 2019, total hotel bookings for Mexico are down -10 percent year-over-year.

Despite these significant concerns, Mexico's new secretary of tourism is confident in the unconventional strategy. In a recent press conference, he spoke about the new methods that will be used in the absence of the Mexico Tourism Board, including word of mouth promotion and technology (such as apps and the Visit Mexico website) to reach consumers.