



SPOTLIGHT ON SUMMER 2015 TRAVEL OUTLOOK PG2

Photo courtesy of HITA / Ter Johnson



MARKET INSIGHTS UPDATE

North America | May 2015

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.

In This Issue

The official start of the summer vacation season kicks off with Memorial Day weekend. A record 37 million Americans are expected to take to the road over the holiday, including 2.6 million traveling by air – a +2.5 percent from the previous year. Increased travel demand is expected to continue throughout the summer months, with forecasters predicting one of the best seasons yet. An exceptionally strong U.S. dollar, coupled with pent-up demand from an unusually harsh winter, will help fuel travel in the months ahead.

This month's *Spotlight On: Summer 2015 Travel Outlook* examines Americans' and Canadians' upcoming summer vacation plans. Both markets can expect to see growth in outbound travel, however currency exchange rates will pose both an opportunity and challenge for destinations across the globe. For Americans, the strong U.S. dollar puts international travel more within

reach than was possible in the past decade, with dream destinations like Europe suddenly becoming more affordable and attractive for potential visitors to Hawai'i. For Canadians, however, the strong dollar means higher travel costs to the U.S. and likely fewer inbound arrivals. Similarly, Hawai'i's growing travel prices show no signs of stopping, creating an even larger gap between the destination and more affordable competitors.

Despite these challenges, the strength of the brand is keeping Hawai'i in the top ten most searched for vacation destinations this summer. The state can expect to receive a record 2.35 million air seats from the U.S. and Canada this summer from June through August. Strong travel interest coupled with record-level air seat capacity means the Hawaiian Islands will likely see increased visitation from the North American market this summer.



AIRFARE UPDATE

Recently released data shows airfares to Hawai'i from the continental U.S. saw a small increase in the fourth quarter of 2014. Meanwhile, airfares to Hawai'i's key competitors dropped, creating an increasingly competitive marketplace in the final months of the year.

[PG4](#)

VISITOR ARRIVALS

Visitor arrivals from the North American market posted strong gains in the first quarter of 2015. Expenditures, however, remains relatively flat due to a shorter average length of stay.

[PG5](#)



HAWAI'I VISITORS AND CONVENTION BUREAU



Summer 2015 Travel Outlook



Top Ten Most Searched Destinations

1. Las Vegas
2. Cancun
3. Orlando
4. London
5. Miami
6. Los Angeles
7. Honolulu
8. New York City
9. Paris
10. San Francisco

Source: Sojern Q1 2015 Global Travel Insights

North American Summer Travel to Reach New Highs

Americans' Summer Travel Plans

Both U.S. domestic and overseas travel are heating up this summer. A stronger U.S. dollar, coupled with pent-up travel demand due to a harsh winter in the east, will likely drive overseas travel in the months ahead.

Travel sentiment among Americans is strong moving into the summer season. Just over half (51%) of U.S. air leisure travelers report they more interested in taking a vacation than the same time last year as of May 2015. Similarly, nearly four-in-ten (37%) say they have more time to take a vacation this year compared to last year, while just over a third (36%) report they are in a better financial position to travel.

The increased value of the U.S. dollar has travelers eager to take advantage of lower cost of travel to international destinations. Cancun, London, and Paris all rank in the top ten most searched vacation destinations in the first quarter of 2015. The favorable exchange rate, however, does not rule out domestic destinations for U.S. travelers. Las Vegas, Orlando, Miami, Los Angeles, Honolulu, New York City, and San Francisco also rank in the top ten most popular searched for destinations. Half of all searches were looking for travel in June and a third in July. Nearly one-

in-five were planning travel in groups of three or more, highlighting the popularity of family travel as a summer pastime.

Canadian Summer Travel

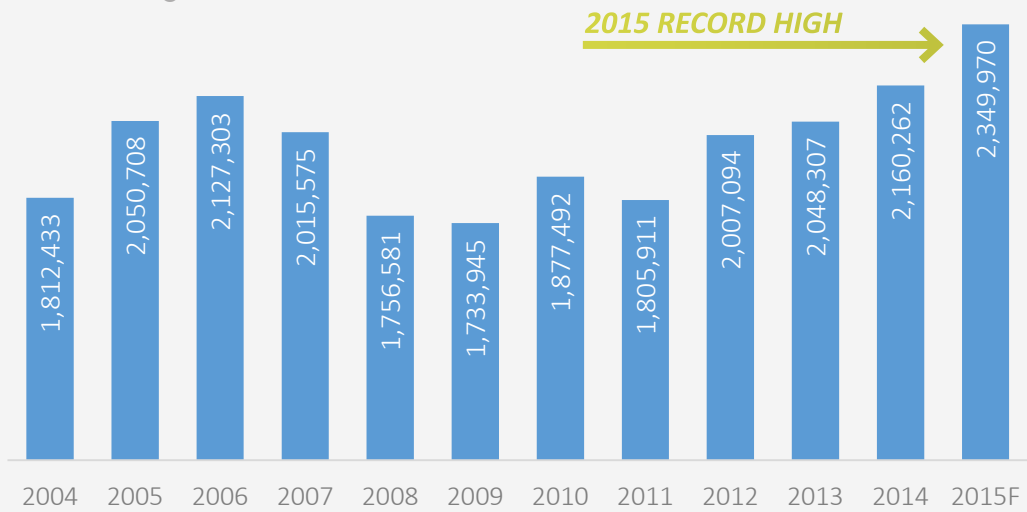
Canadians' travel intentions are better this summer than they were last year. Nearly three-quarters of Canadians plan to take a trip this summer, with almost half of these planning to take a vacation outside the country. Summer outbound trip intentions are highest in British Columbia (39%) and Ontario (39%). Canadians took more than 14.4 million outbound leisure trips in summer 2014 (May through October). Total outbound leisure travel is forecast to grow +2.0 percent in summer 2015, totaling almost 14.7 million trips.

Almost three-quarters (73%) of outbound trips taken by Canadians in summer 2014 were to the U.S., totaling 10.4 million. In summer 2015, overall leisure trips to the U.S. are expected to fall -0.1 percent due to a decline in auto travel. At the same time, the share of Canadians planning to travel to the U.S. is expected to be up slightly at 52 percent of all outbound summer travelers, despite the Canadian dollar trading at its lowest level in years.

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Scheduled Air Seats to Hawai'i from U.S. & Canada

June - August



Source: HVCB analysis of Diio Mi and Department of Transportation data

Canadian Travel Continued

The Canadian dollar is forecast to be worth just USD \$0.75 this coming summer, making it +18 percent more expensive to visit the United States. However, 70 percent of Canadians planning to travel state-side indicated that the dollar's depreciation is unlikely to affect their travel plans.

Despite the loss of value against the U.S. dollar, the loonie has in fact gained traction against other currencies. The euro currently costs Canadians \$1.36, well below the \$1.43 seen last summer. At the same time, the percent of Canadians who will reportedly travel to Europe this summer remains stable year-over-year at 20 percent.

The cold and snowy Canadian winter has prompted an increase in travel intentions to warm-weather destinations. The percentage of Canadians who plan to visit the Caribbean or Mexico this summer jumped +3 percentage points, to 20 percent. Mexico and Cuba are the preferred destinations for the region, capturing 57 percent of visits to the region in summer 2014. Increased air seat capacity to these destinations will once again help put them on the map for outbound Canadian travelers this summer, with plans to offer 116,000 more seats to Cuba

and an additional 86,000 seats to Mexico.

Hawai'i as a Summer Travel Destination

Despite increased demand for an international vacation among U.S. and Canadian travelers, Hawai'i can also expect to see a bump in traffic this summer, thanks to a record number of scheduled air seats from the North American market.

Air capacity is expected to be up almost nine percent in the June through August period compared to 2014. There are currently 2.3 million scheduled seats from the continental U.S., equivalent to an increase of +8.4 percent year-over-year or an additional 177,000 seats. In addition, a +28.9 percent growth in air capacity from Canada will put an extra 13,000 seats in market this summer.

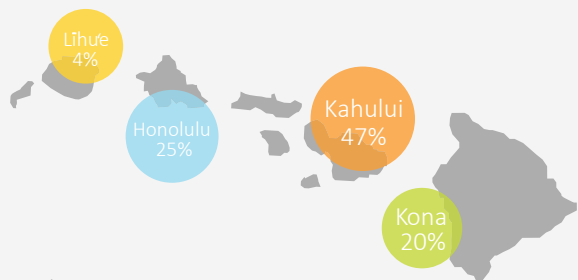
Neighbor Islands can also expect to see boost in travel demand, due in part to the bulk of additional seats headed beyond Honolulu this summer. Nearly half of additional seats are scheduled for Kahului, while one-fifth are bound for Kona, and seven percent for Lihue.

Sources: MMGY Global travelhorizons, Sojern Q1 2015 Global Travel Insights, Conference Board of Canada Outbound Summer 2015 Travel, Diio Mi



Photo courtesy of HITA / Deeja Faris

Island Share of Additional Air Seats Summer 2015



Source: HVCB analysis of Diio Mi and Department of Transportation data, June - August 2015



Airfare Update

At a Glance: Competitor Fares

Air seat capacity grew to Hawai'i's key competitors in the final quarter of 2014, resulting in lower airfares. Air seat capacity to Mexico from the U.S. mainland grew +4.0 percent in Q4, while airfares to Mexico dropped -2.9 percent, to an average of \$478. Similarly, air seats to the Caribbean grew by +7.5 percent in the final quarter, while airfares fell -7.8 percent, to an average of \$722. Falling travel prices coupled with a more favorable exchange rate are putting international vacations more within reach for American travelers.

Hawai'i's Airfares Grew in Final Quarter of 2014

Recently released domestic airfare data shows travel prices continued to grow at a more moderate rate in the final quarter of 2014. Airfares from the continental U.S. were up +0.5 percent year-over-year in the October through December period, slightly above the upwardly revised +0.2 percent growth seen in the third quarter of 2014.

Airfares from many of Hawai'i's key U.S. West source markets fell in the fourth quarter of 2014, including a drop in fares from San Francisco (-3.1%), Seattle (-2.4%), and Los Angeles (-2.9%). However, increased fares from many U.S. East markets offset any potential price easing, including a +10.1 percent airfare increase from Dallas, +7.9 percent from Chicago,

and +5.2 percent from New York City.

Strong demand and increased air seat capacity from the domestic market helped keep airfares in check. In the second half of 2014, more than 3.9 million seats were destined for Hawai'i, a +8.2 percent increase in capacity over 2013. As a result of increased air seat supply, airfares grew at a much slower rate (+0.3%), averaging just over \$680 from the continental U.S. This is in stark contrast to the +12.7 percent growth seen in the first half of 2014, which was largely a symptom of lesser supply. Air seat capacity was mostly flat in the first half of 2014 (+0.9%), which in turn prompted the average domestic airfare to grow to \$700, up from \$621 the previous year.

Average Airfare to Hawai'i

Oct - Dec
2014

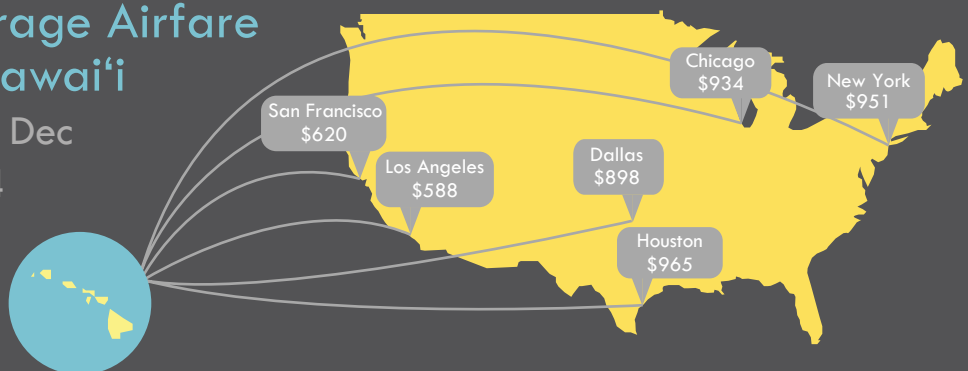




Photo courtesy of HITA / Dana Edmunds

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Visitor Arrivals

North American Arrivals Up in First Quarter of 2015

Visitor arrivals from the North American market started the year off strong in the opening quarter of 2015, posting a +5.0 percent gain over 2014. Visitor arrivals from the U.S. were up +5.5 percent, with particularly strong growth from the U.S. West market at +8.9 percent. Despite a less favorable exchange rate, visitors from Canada were still up +2.1 percent in the first three months of the year.

Total expenditures by the North American

market were also up in the first quarter of the year, posting a +1.7 percent gain over 2014. However, due to a slightly decreased average length of stay, per person per trip spending was down by -0.8 percent.

Generally strong performance from the North American market in the opening quarter can be attributed to a variety of factors, including increased air service and capacity, strong leisure travel demand, and increased interest in Hawai'i as a vacation destination.

SNEAK PEEK AT NEXT MONTH



The family travel market



Update on the average cost of a Hawai'i vacation



The latest on Hawai'i travel interest and barriers to travel



HAWAI'I VISITORS and
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