



SPOTLIGHT ON: SUMMER 2016 OUTLOOK PG2



Photo courtesy of HPA / Dana Edmunds

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

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Summer 2016 North American Travel Outlook

The travel industry can look forward to another busy summer season ahead. Recent surveys of both American and Canadian travelers show that around three-quarters of each population plans to take a vacation this summer, a +7.0 percent jump for Americans and +1.5 percent increase for Canadians compared to 2015.

This month's *Spotlight On* takes an in-depth look at Americans' and Canadians' upcoming leisure travel plans for Summer 2016. Most travelers intend to stay close to home this summer, with 80 percent of

American travelers planning a stateside vacation and 61 percent of Canadian travelers planning to stay within Canada's borders. More affordable airfares and lower gas prices are early indicators that it will be a busy domestic summer travel season.

Hawai'i will have to fight for its share of the growing overseas travel market. More favorable exchange rates abroad for both U.S. and Canadian travelers, increased air service to international destinations, and forecasted lower airfares means competition will be heating up this summer.

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AIRFARE UPDATE

Recently released data shows airfares to Hawai'i from the U.S. mainland grew in the final quarter of 2015. A decrease in fares from major U.S. markets was offset by an increase from Los Angeles and Seattle.

PG4

VISITOR ARRIVALS

Hawai'i's North American market started the year off strong, posting significant gains in visitor arrivals from the U.S. West and U.S. East markets. Canadian arrivals lagged behind, however, due to an unfavorable exchange rate.

PG5

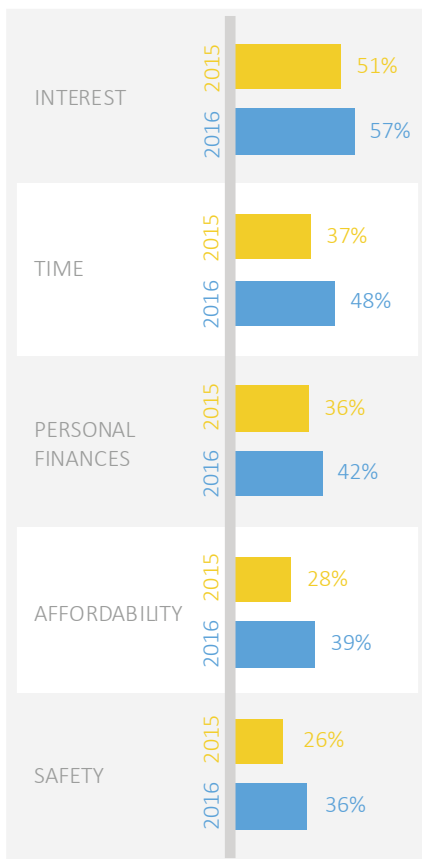




Summer 2016 Travel Outlook

U.S. Air Leisure Traveler Sentiment

percent more/better than one year ago



Source: HVCB analysis of MMY Global travelhorizons data, Q2 2016 vs 2015

Americans' Summer Vacation Plans

Both U.S. domestic and overseas travel is once again expected to reach record highs this summer. A resilient U.S. dollar, low gas prices, and exceptionally strong leisure traveler sentiment will work together to drive an increase in travel in the months ahead.

Travel sentiment among U.S. air leisure travelers hit an all-time high in the second quarter of 2016. Travel sentiment now stands at 130 (2007=100), well above the 119 seen in the same quarter last year. More than half (57%) of U.S. air leisure travelers report they are more interested in taking a vacation compared to one year ago. Similarly, 48 percent say they have more time for travel, up +11 points year-over-year. Just over 42 percent of U.S. air leisure travelers report being in a better personal financial situation to travel compared to one year ago, while 39 percent believe travel is now more affordable.

The U.S. dollar has held its value against foreign currencies, putting international travel more within reach for Americans than ever before. London, Paris, Cancun, Rome, and San Juan rank among the top most-searched overseas summer vacation destinations in the first quarter of 2016.

On the domestic front, low gas prices will also likely result in an increased drive travel market. The top searches for short-haul destinations this summer include Las Vegas, Miami, New York City, Orlando, and Los Angeles.

Canadian Outbound Summer Travel

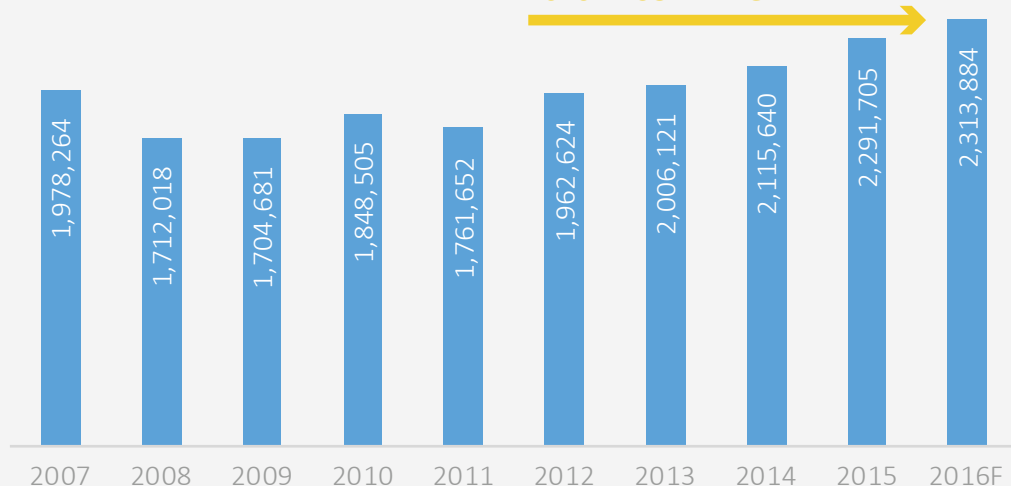
Despite a weakened economy, Canadians' summer travel intentions remain relatively strong, with three-quarters of the population planning to take a vacation between May and October 2016, up +1.5 point over last summer. Just 39 percent of Canadians travelers are planning to travel outside their country this summer, a -7.7 point decline over 2015. Travel intentions remain highest among British Columbians (78% planning a leisure vacation, 36% of those planning an outbound trip) and Ontarians (76% planning a leisure vacation, 44% of those planning to travel outside Canada).

The Canadian dollar is expected to be worth just USD \$0.75 this summer, making it +4.4 percent more expensive to visit the United States compared to the same time last year. The loonie has not lost ground as drastically against other currencies, with the Japanese Yen -7.4 percent less expensive for Canadians, British Pound -6.6 percent less costly, and Hong Kong dollar exchange rate down -4.3 percent.

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Scheduled Air Seats to Hawai'i from the U.S. Mainland June - August

2016 RECORD HIGH



Source: HVCB analysis Diio Mi data

Travel to the U.S.

A weakened CAD-USD exchange rate means fewer Canadian travelers are planning a vacation south of the border this summer. Canadian trips to the U.S. are forecast to decline -6.6 percent to 8.6 million. Meanwhile, trips to overseas destinations are expected to grow +8.6 percent to 4.8 million.

A smaller portion of Canadians have selected the U.S. as their vacation destination this summer. Less than half of all outbound Canadian travelers (45%) intend to visit the U.S. on their longest trip, down from 52 percent one year ago. Just over 36 percent of Canadian outbound travelers say they are less likely to travel to the U.S. because of the depreciation of the Canadian dollar, up from 30 percent one year ago.

Competition Abroad

Both Mexico and the Caribbean are experiencing similar declines, with 18 percent of Canadian outbound travelers planning to visit the region this summer, a -3.0 point drop over 2015.

A recent uptick in Canadian travel intentions to Europe, Asia Pacific, and other non-traditional destinations, however, appears to extend through summer. Nearly one-quarter of outbound Canadian travelers (23%) plan to visit Europe, up +4.0 points, while nine percent plan to visit Asia Pacific, up +3.0 points. This shift towards Asia Pacific may also be attribut-

ed to changing demographics and immigration patterns, with 30 percent of travelers reporting the purpose of their trip to Asia Pacific is to visit friends and relatives.

Planning and Booking

In terms of planning and booking, just 25 percent of Canadians planning a trip to the U.S. this summer have already booked their vacation, compared to 40 percent of those planning a trip to Europe, 24 percent of those traveling to Asia Pacific, and 21 percent of those going to the Caribbean or Mexico.

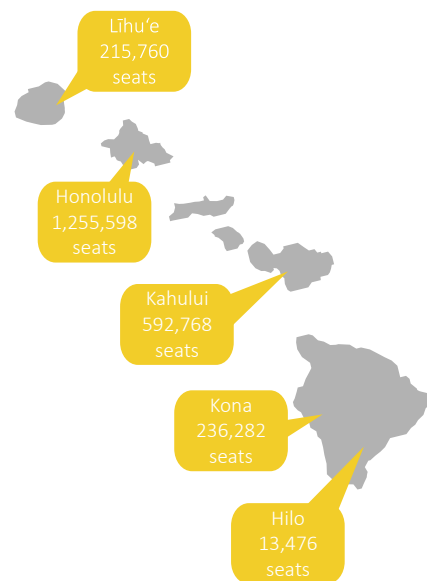
Hawai'i as a Summer Vacation Destination

With travel intentions at an all-time high among U.S. air leisure travelers and air seat capacity from the U.S. mainland sitting at record levels, Hawai'i can likely expect to see a small increase in U.S. visitor arrivals this summer.

Air seat capacity from the U.S. mainland is expected to grow +1.0 percent in the June through August period, totaling more than 2,313,800 seats – a new record high for the summer months. The bulk of the additional air seats are headed to the Neighbor Islands, with a +8.9 percent increase in seats to Lihue, a +4.1 percent increase to Kona, and +3.1 percent to Kahului. Air seat capacity to Honolulu is expected to drop -1.7 percent in Summer 2016, while Hilo will also see a -5.2 percent loss in seats. Increased air seat capacity to Neighbor Islands will also likely put downward press on airfares, helping boost demand for Hawai'i.

Scheduled Nonstop Air Seats from U.S. Mainland

Summer 2016



Source: HVCB analysis Diio Mi data, June - August 2016

Sources: HVCB analysis of MMGY Global travelhorizons data, Orbitz 2016 Summer Survey, Sojern Q1 Global Travel Insights, Conference Board of Canada Summer 2016 Travel Outlook, Diio Mi air data



Airfare Update

\$668

The average cost of a flight from the U.S. mainland to Hawai'i in 2015 - 3.1% less expensive compared to one year ago.

2015 Airfares Level Off Near All-Time High

Recently released domestic airfare data shows that the cost of air travel to Hawai'i rose in the final quarter of 2015, despite a record number of air seats to the state. The average cost of a flight to Hawai'i from the U.S. mainland totaled just over \$686 in the fourth quarter, a +0.4 percent increase year-over-year. An increase in fares from major gateways, including Los Angeles (+5.7%) and Seattle (+0.9%) were offset by a drop in prices from San Francisco (-7.0%), Chicago (-2.6%), and New York (-2.6%).

Overall, airfares to Hawai'i from the U.S. mainland fell -3.1 percent in 2015, averaging \$668 per flight. While a record number of air seats helped keep prices down, 2015 airfares still came in a close second to the all-time high of \$690 seen in 2014. Most major markets saw a drop in fares in 2015, including a -7.0 percent decrease in fares from San Francisco, a -5.6 percent drop from Houston, -2.6 percent from Chicago and New York, and a -1.8 percent decline in fares from Los Angeles.

Average Round Trip Airfare to Hawai'i 2015 Year-End

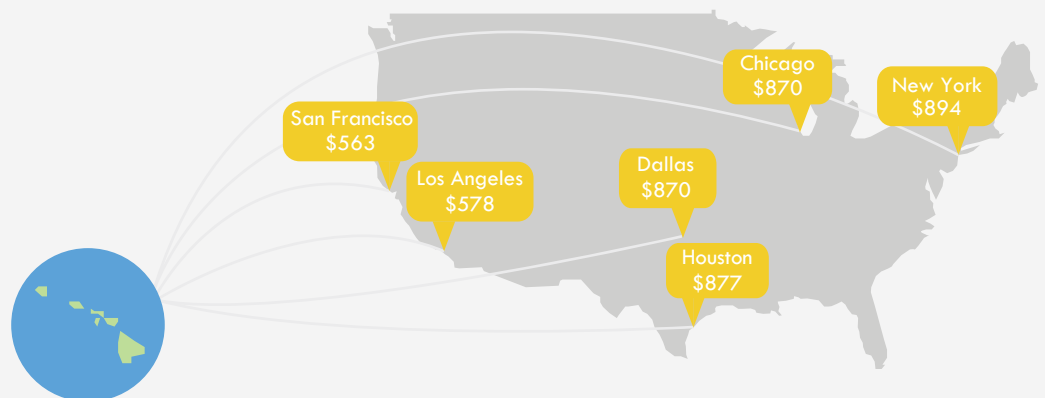




Photo courtesy of JTA / Tor Johnson

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Visitor Arrivals

Arrivals Strong in First Quarter of 2016

Visitor arrivals from the North American market started the year off strong, posting a +3.9 increase year-over-year in the first quarter of 2016. The North American market benefited from increased visitation from the U.S., including a +5.9 percent increase from U.S. West and +7.8 percent from U.S. East. Canada visitors continue to be impacted by the significant drop in value of the Canadian dollar, posting a -12.2 percent drop in arrivals in the first three months of the year.

North American visitor expenditures totaled more than \$2.7 billion in the first quarter of 2016, a +1.7 percent increase over 2015. Although expenditures by U.S.

visitors were up +6.5 percent year-over-year, a drop in Canadian visitor spending (-19.3%) pulled down total North American expenditures.

Strong performance from the U.S. market in the opening quarter can be attributed to a variety of factors, including strong leisure travel demand and record-level interest in Hawai'i as a vacation destination, as well as increased air service and air seat capacity. The Canadian market, however, continues to be impacted by a weakened currency and economy. The Canadian dollar averaged just 73 cents on the U.S. dollar in the first quarter of 2016, well below the 82 cents seen in the same quarter of the prior year.

Sneak Peek at Next Month



Spotlight On: Arts & Culture Traveler Profile



Latest Hawai'i Travel Intentions