



SPOTLIGHT ON:  
SUMMER 2017  
TRAVEL OUTLOOK PG2

Photo courtesy of HTA / TripAdvisor

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 | May 2017

## In This Issue

### Summer 2017 U.S. Travel Outlook

Travel advisories. Heightened security. Soaring prices. Moving into the summer months, travelers will have to contend with all of these obstacles as they seek to get away for a few weeks of adventure, exploration, or just good old-fashioned relaxation. Consequently, growth within the travel industry is expected to slow during the June through August period relative to the widespread success that characterized 2016.

Now, slower growth is not the same thing as no growth at all. According to Adobe Digital Analytics, Americans' summer travel expenditures will top \$98 billion this year, a +5.0 percent increase from 2016 spending levels. But while this continued expansion of travel-related economic activity is certainly encouraging, it is only about one-third of the +15 percent growth

observed last summer.

There are many factors contributing to this relative slowdown in the growth of travel during the peak summer months. Oil prices are sitting above the uncharacteristic lows seen last year and airfares are therefore expected to increase. This is in addition to the broad safety concerns that persist, as well as a strong dollar that continues to influence travel decisions of both U.S. residents and international travelers alike.

This month's *Market Insights Update* takes an in-depth look at the key trends expected to define the Summer 2017 travel season. Moreover, it examines exactly what impact these trends will have on U.S. travelers, the international travel market, and Hawai'i's visitor industry over the coming months.

*Continued on PG2*



### Cruise Travel Update

After seeing significant declines in visitor arrivals in 2016, Hawai'i's cruise travel segment has experienced a rebound throughout the early part of this year. This recovery reflects the resurgence of the global cruise industry anticipated in 2017.

PG4

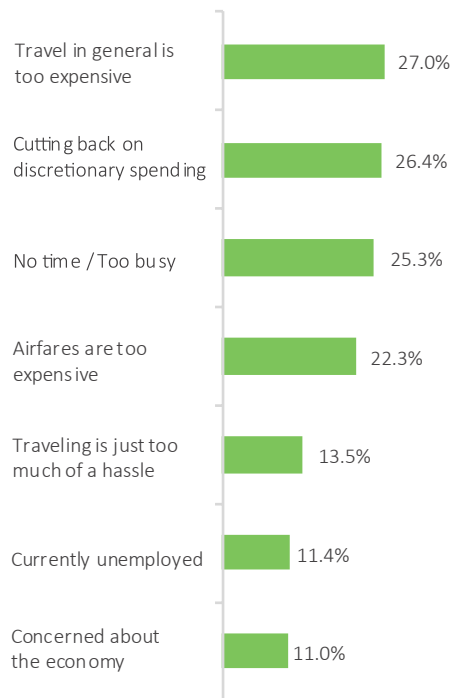






## Summer 2017 Travel Outlook

### Top Reasons Why Travelers Are Planning Fewer Vacations in Next Six Months



Source: HVCB analysis MMGY Global data, Q1 2017

#### *The U.S. Traveler's Perspective*

Despite a reasonably strong economy and high levels of consumer confidence, U.S. attitudes towards travel faltered in the first half of this year. The U.S. Traveler Sentiment Index dropped to 110 in the second quarter, down -11 points from where it stood in Q2 2016. This dip in sentiment is fueled by concerns across a variety of issues, not the least of which is the increasingly negative perception of the affordability of travel.

In the first quarter of 2017, only 27.5 percent of U.S. air leisure travelers indicated they planned on taking more vacations over the next six months than they did in the year prior, compared to the 34.9 percent who reported they would travel more in Q1 2016. Likewise, the share of air leisure travelers who said they would travel less increased +6.2 points to 15.2 percent. Financial considerations were the most oft-cited reason for planning fewer vacations. A full 27.0 percent indicated they felt travel was simply too expensive, and 26.4 percent said they were cutting back on discretionary expenditures.

For those U.S. travelers who are interested in a summer vacation, a variety of factors are guiding them towards international destinations. First, there is the strong U.S. dollar. While the dollar has cooled some from the

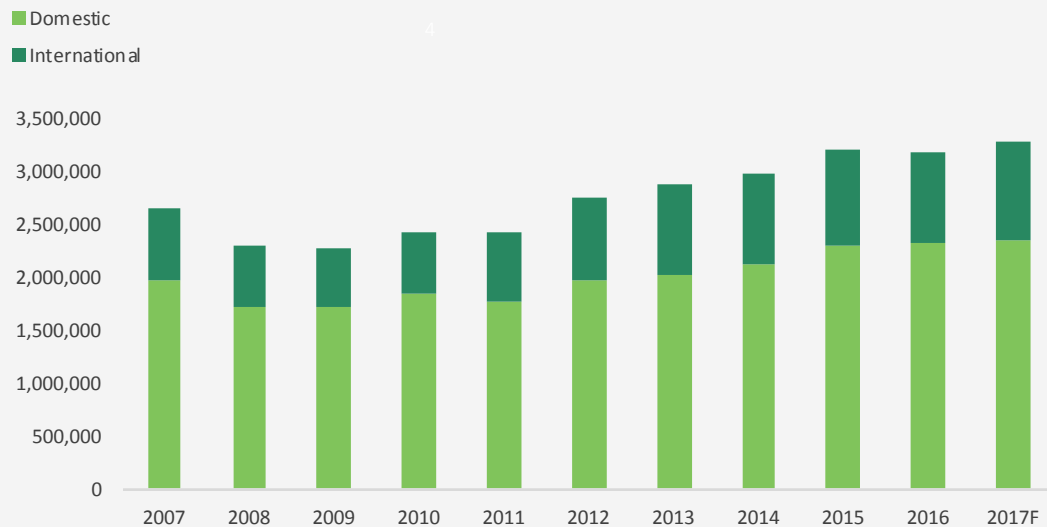
bullish run observed in the final months of 2016 – a trend which is expected to continue throughout 2017 – current exchange rates will effectively lower costs for U.S. travelers going abroad this summer. Second, America's neighbors, Canada and Mexico, stand poised for a strong summer travel season. Both countries saw U.S. visitors grow substantially last year. With factors such as the U.S.-Mexico open skies agreement and free national park access in Canada further incentivizing travel to these destinations, it appears likely both will remain popular with U.S. tourists throughout the summer.

One overseas destination for which the outlook is less rosy is Europe. On May 1st, in response to a spate of high-profile terror attacks, the U.S. Department of State issued a blanket travel advisory for the continent. This advisory will remain in place until September 1st and common sense dictates that it will have a somewhat chilling effect on U.S. leisure travel to European countries. This has since been compounded by the bombing in Manchester, England on May 22nd.

With that said, the impact might be less pronounced than would be expected. In their recently released 2017 travel forecast, the European Travel Commission predicted modest

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# Nonstop Scheduled Air Seats to Hawai'i During Summer Travel Season (June - August)



Source: HVCB analysis of Diio Mi data, 2007-2017F

but positive growth in international visitor arrivals this year, including arrivals from the U.S. market. In short, it appears favorable exchange rates could somewhat outweigh higher airfares and the increased safety concerns of U.S. travelers.

## The International Travel Scene

Of course, if the strong dollar is encouraging U.S. travel abroad, that means it is *discouraging* foreign visitors from coming to the United States. International flight data supports this hypothesis, at least so far. International airfares to the U.S. increased +9.7 percent year-over-year in the first quarter of 2017, while international bookings declined by -6.0 percent. Further complicating things for foreign travelers to the U.S. are recent changes to, and the continued uncertainty of, U.S. security and travel policies. For example, the possible expansion of the laptop ban to flights from European airports represents yet another added headache for travelers. Though relatively minor in and of itself, this change speaks to how heightened security postures, while sometimes necessary, serve as a barrier to leisure travel.

## Hawai'i's Summer Visitor Outlook

Given the global travel trends currently prevailing, it might seem that things are looking bleak for the Hawai'i summer travel season. A strong dollar hurts Hawai'i's competitiveness with both domestic and international visitors, and, as one of the most isolated land mass-

es on the planet, Hawai'i is more sensitive to higher airfares than most other destinations. Fortunately, the negative effects of these realities appear to be fairly limited thus far.

Higher oil prices, a strong dollar, and policy concerns have all been the reality since the start of 2017, but they have not had an appreciable impact on visitor arrivals. Year-to-date through April, total U.S. arrivals are up +4.7 percent from 2016's record levels. Similarly, overall foreign visitor arrivals inched up +2.6 percent over the same period. So, while overall growth in visitor arrivals might not reach the +3.1 percent increase seen last June through August, the volume of visitors should still at least match last year's record-breaking summer travel period.

Further supporting this notion are more than 93,000 *additional* non-stop air seats scheduled to fly into Hawai'i this summer. All told, some 3.3 million seats are slated to arrive from the U.S. mainland and international gateways between June and August 2017, a healthy +2.9 percent increase from last year.

As promising as the prospect of nearly 100,000 added air seats is, it is also not an invitation for complacency. Seat capacity is variable and subject to change, and many of the trends highlighted above should still be concerning to the visitor industry.

Sources: HVCB analysis of Hawai'i Tourism Authority, MMGY Global, Adobe Digital Insights, AAA, and Diio Mi data.



Photo courtesy of HFA / Tori Johnson







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## Cruise Travel Update

### Sneak Peek at Next Month

-  Family Travel Update
-  Air Leisure Travel Sentiment

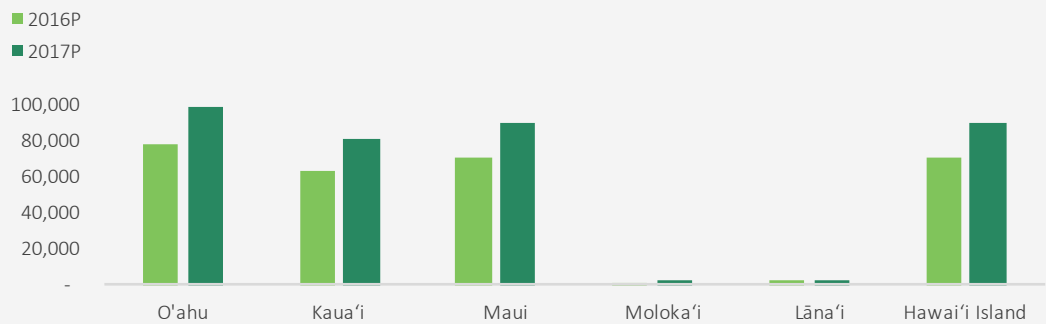
2016 was a slow year for Hawai'i's cruise industry, with total year-end cruise ship visitors down -7.7 percent from the year prior. Thus far in 2017, however, the opposite seems to be holding true. Year-to-date through April, cruise visitor arrivals are up +27.2 percent and ship arrivals have nearly doubled. The cruise travel segment is on pace to exceed 2015 levels as well, though cruise visitors remain just a fraction of what they were a decade ago, when Norwegian Cruise Lines was operating three ships in Hawai'i.

Broadly speaking, this matches the expected worldwide resurgence of cruises as a vacation option in 2017. Total cruise ship passengers are expected to increase +4.5 per-

cent this year. Industry experts attribute this strong performance to a variety of factors including pent-up demand, newer ships, more appealing itineraries, and greater capacity.

For Hawai'i, cruise passengers represent an unique sub-segment of the overall visitor industry. While they tend to stay on average two days less than the typical visitor, they also visit several more islands than their non-nautical counterparts. In 2016, cruise passengers visited 3.8 islands on average, more than three times as many as the typical visitor. Also of note is the fact that cruise visitors do not spend all of their nights aboard ship. Nearly half of all cruise ship passengers this year reported using non-ship accommodations at some point during their stay.

Islands Visited by Cruise Passengers Year-To-Date through April



Source: HVCB analysis of HTA data, 2016-2017