

2022 Summer Trends Brief

Surging Summer Travel Season





Overview:

Post-COVID-19 vaccination rollout, leisure travel appeared to be on the rebound last summer, yet the delta and omicron variants slowed its comeback.

Confidence in participating in travel and social activities is now at its highest point since the start of the pandemic. While COVID-19 has not disappeared, vaccinations are now widespread and health-related restrictions have largely disappeared, resulting in strong demand and desire to travel, reconnect and recharge.

Leisure travel is expected to be off the charts this summer—surpassing 2021 and approaching pre-pandemic levels.

However, hurdles to a full leisure travel recovery remain. Financial concerns, rising costs, workforce and staffing issues are impacting the travel experience, travelers' behaviors and decision making this season.

Even though the price of many goods and services is elevated, built up savings, robust wage growth, pent-up demand and the desire to transition spending away from goods to in-person experiences has resulted in **some of the strongest demand for summer leisure travel in years.**



Waning Demand for Goods; Higher Demand for Services



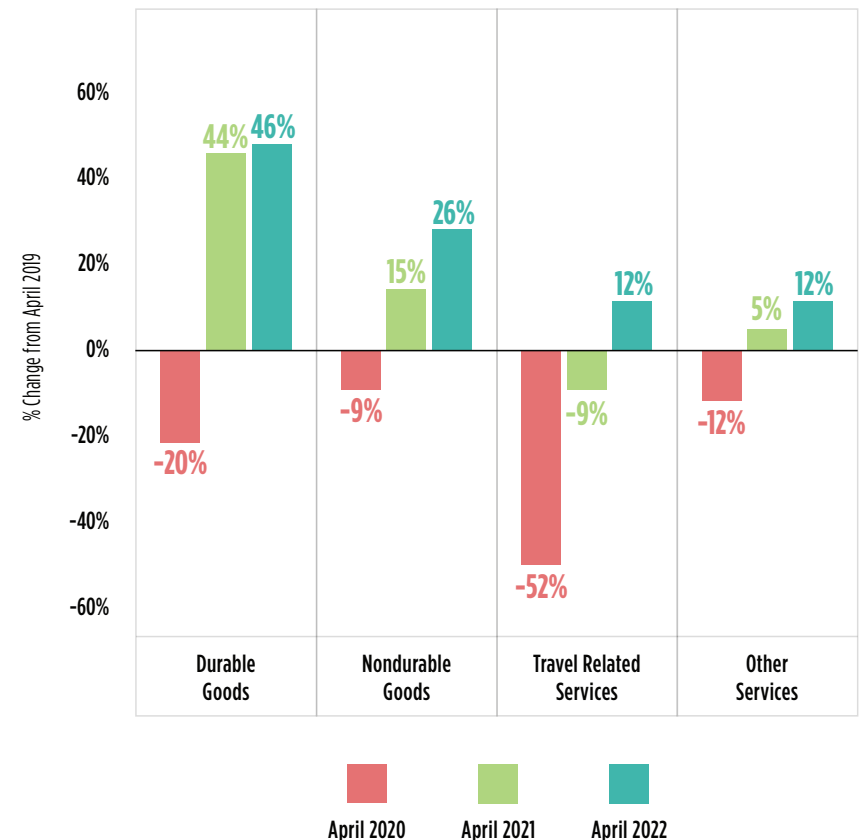
While seven in 10 Americans view inflation as the top problem facing the country today, largely as a result of excess savings and robust wage growth, **consumer spending remains strong—particularly for services and experiences such as travel.**¹

For more than two years consumers binged on electronics, exercise equipment, home improvements and appliances. Businesses that relied on face-to-face commerce suffered. Museums went dark. Airlines withdrew routes. Hotel rooms went vacant.

Now, consumers are returning to previous activities with the balance between goods and services shifting to benefit in-person services such as travel.

Rapidly rising prices have not deterred consumers from spending. While households moderately pared back their purchases of goods, they continue to indulge on services, such as travel.

CONSUMER SPENDING SHIFTS FROM GOODS TO SERVICES



Strong Travel Enthusiasm & Increased Budgets for Experiences

More than **one-quarter of travelers' plan to spend significantly more** this summer compared to 2019 travel budgets, due to higher prices as well as accumulated savings.

Six in 10 Americans plan to travel this summer, up from five in 10 last year, despite record high gas prices.²

In fact, 35% plan to travel MORE this summer than last.³

As of early June, **more than six in 10 (62%) American travelers say that travel will be a high budget priority** over the next three months.⁴

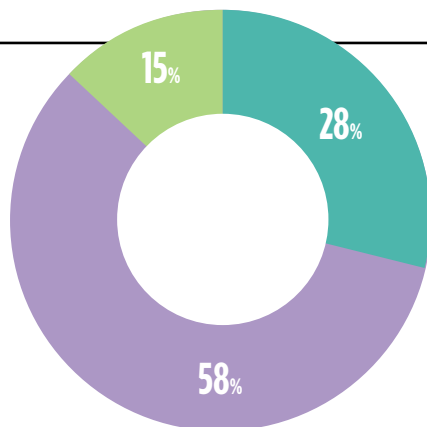


SUMMER TRAVEL BUDGETS - INCREASING COSTS AND SPENDING

■ About the same
■ Significantly less
■ Significantly more

WHY LESS

1. Financial concerns
2. Taking a shorter trip
3. Saving for an international trip
4. Adjusted due to health reasons

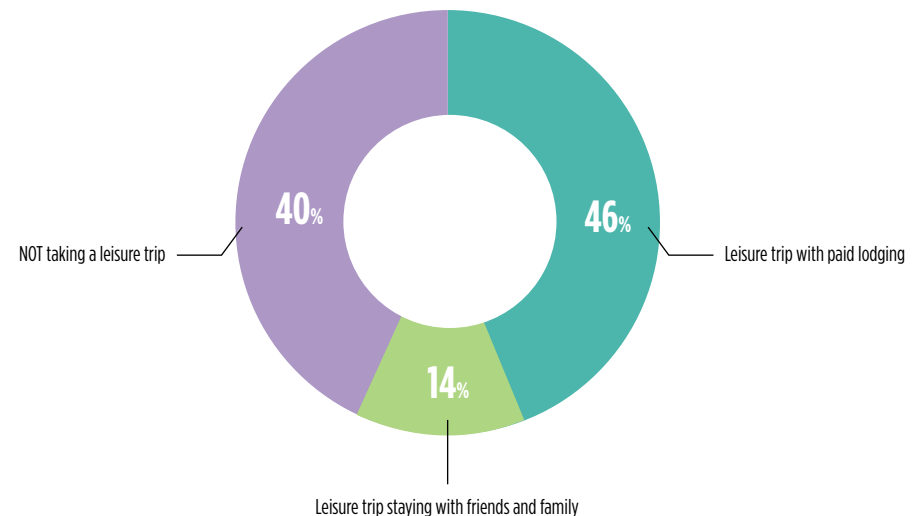


WHY MORE

1. Increased travel prices
2. Accumulated savings
3. Spending on experiences
4. Leveraging WFH policies

2022 SUMMER TRAVEL LIKELY TO SURPASS TO 2021 AND PRE-PANDEMIC LEVELS

2022 SUMMER TRAVEL PLANS



Travel Organization's Have High Expectations

United Airlines is predicting even stronger travel demand this summer, with **second-quarter passenger revenue increasing as much as 25% over 2019 levels**. The airline expects to return to profitability in the second quarter with the aid of record sales, spurred by a **strong recovery for summer travel**.



Gross bookings for this summer are tracking 15% above 2019 levels. Travel is coming back, we are all pleased. We went through a hard time for two and half years of people not being able to travel the way they wanted to.

Booking Holdings CEO,
Glenn Fogel



Despite the operational headwinds, Delta Air Lines is downright bullish on the future of air travel and are not concerned about the potential impact of a recession in the U.S.—or one in Europe—on demand ... The human spirit wants to travel. It's tough to keep it bottled up ... [Demand is] going to settle out at a higher level of activity than we were in 2019.

Delta Air Lines CEO,
Ed Bastian, June 1st



"Despite concerns around inflation, [Expedia] does not see travelers cancelling plans because there's so much pent-up demand following the pandemic."

Expedia Group CEO,
Peter Kern to CNBC, May 9th



"We think this summer is going to be gangbusters for travel."

Marriott International CEO,
Tony Capunao to CNBC, May 9th



Inflation Threatening Summer Travel Season



Although Americans did not allow rising prices to dampen their Memorial Day holiday weekend plans, inflation is a cause for concern for the rest of the summer travel season.

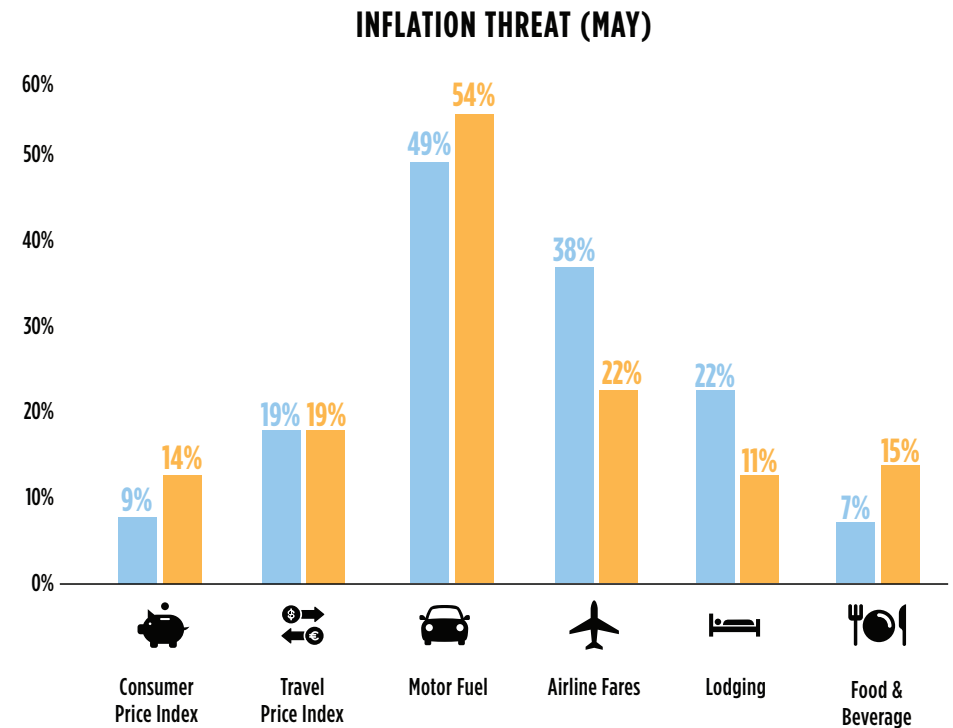
Overall inflation rose to 8.6% in May and is up 14.1% compared to 2019.

And travel prices are increasing faster than overall consumer prices.

In just one month, airfare grew by a staggering 12.6% in May.

Airfare surpassed 2019 levels for the first time since the start of the pandemic in April and was up by 22% compared to May 2019.

Gas prices remain up nearly 50% from a year ago.



Source: Bureau of Labor Statistics, U.S. Travel Association

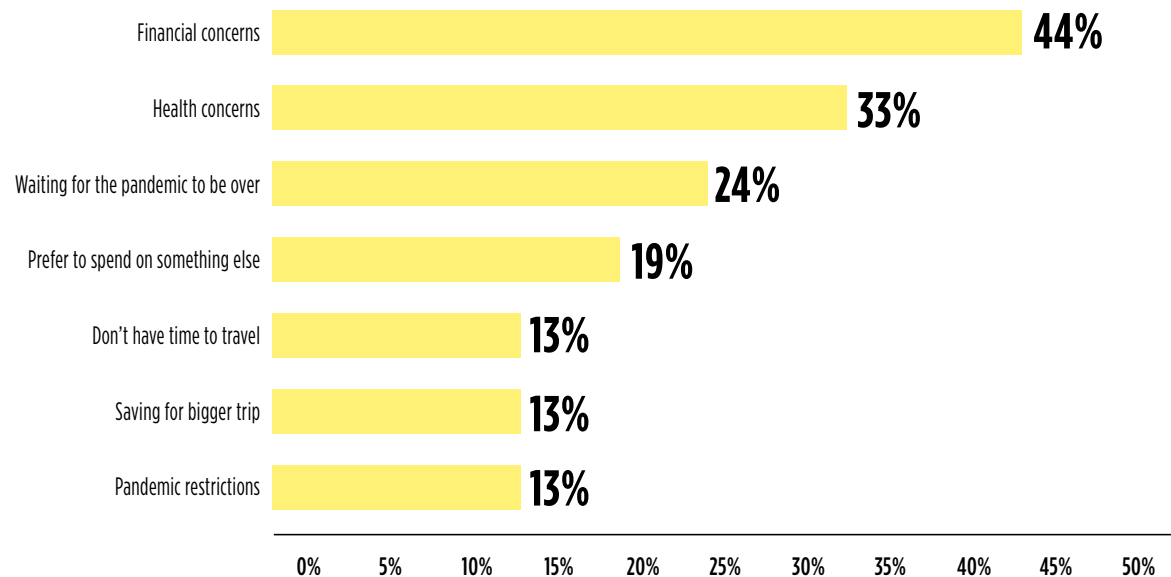
Finances Trumping Health as Travelers' Key Concern This Summer

Financial concerns are the number one reason why people are not traveling while health considerations have dropped.

Travelers with a household income under \$50K are twice as likely to say they significantly cut travel budgets from 2019, compared to those at higher income levels.⁵



REASONS FOR NOT TRAVELING THIS SUMMER



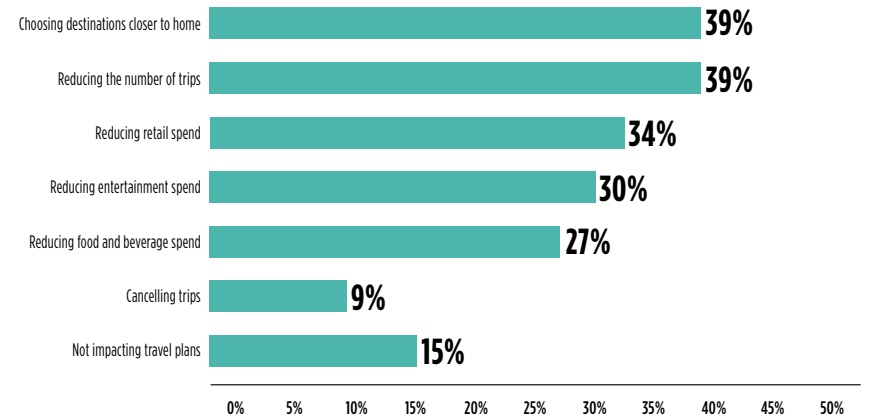
Overall Demand Minimally Impacted but Trip Distance, Frequency and Overall Spend is Impacted

Two-thirds of American travelers now say rising gas prices will impact their decision to travel in the next six months.⁶

Although less than one in 10 plan on cancelling trips, close to four in 10 are choosing destinations closer to home, reducing the number of trips and another third are reducing spending on other purchases.

Still, nearly **one in six indicate rising gas prices are NOT impacting their travel plans.**⁷

IMPACT OF RISING GAS PRICES ON TRAVEL PLANS



Source: Longwoods International, June 2022



Auto Travel Still Preferred but Air Demand Making a Comeback

Close to eight in 10 of Americans planning to travel this summer will travel by car—on par with 2019.⁸

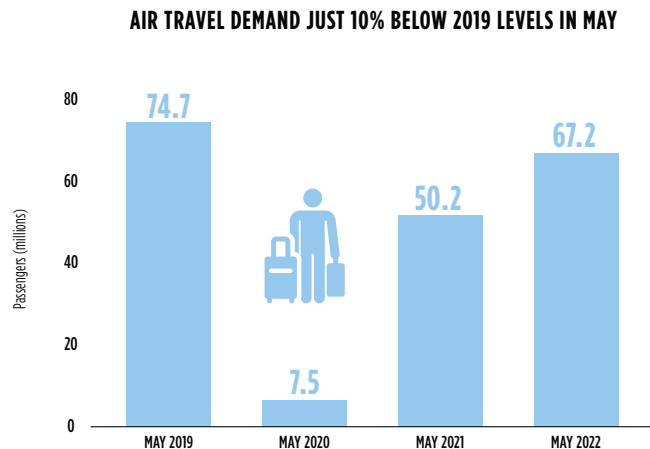
Auto travel was nearly fully recovered last summer and despite a slight downturn over the winter at the height of omicron, auto travel demand has largely kept pace with 2019 levels in 2022.⁹

Safety perceptions for air travel are at their highest since the pandemic began. **More than half (54%) of Americans feel safe taking a flight this summer, compared to 31% in 2021.**

And nearly half of Americans planning on traveling this summer will include an air trip.¹⁰

On Memorial Day alone, nearly 2.5 million Americans boarded a plane.¹¹

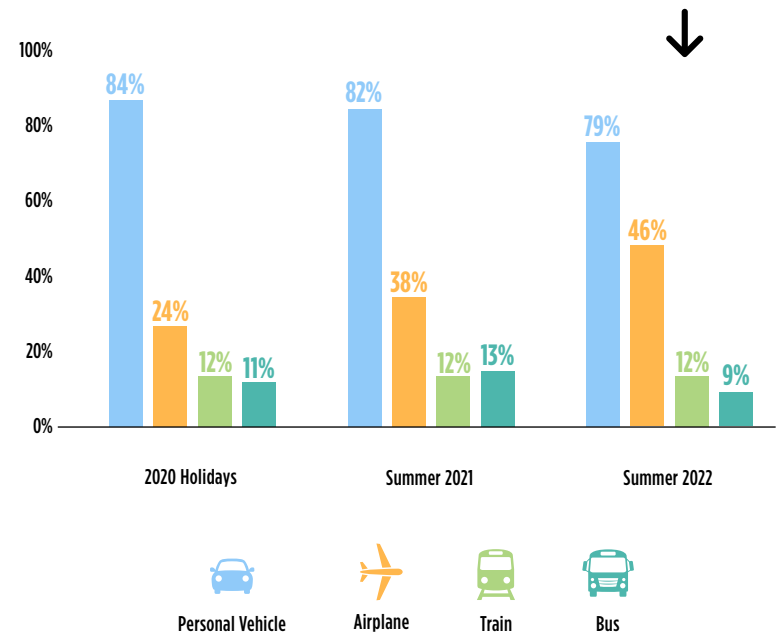
While air travel in May 2020 was 90% down from 2019 levels, air travel demand in May 2022 was just 10% below 2019 levels.¹²



Source: TSA



OF THE 85% OF AMERICANS PLANNING ON TRAVELING THIS SUMMER



Source: The Harris Poll, March 2022

Beach and Outdoor Destinations are Most Popular but Urban Destinations Gaining Ground

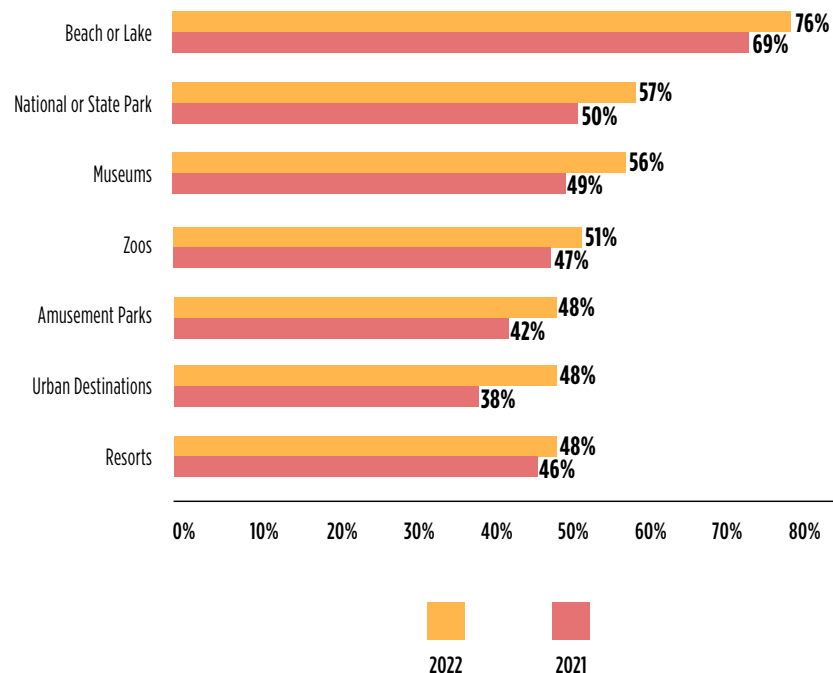
Spending time with family and friends and relaxation are the top motivators for travel this summer.¹³

Similar to pre-pandemic summers, beach and lake destinations are most popular.

Outdoor destinations such as National and State Parks continue to be popular.¹⁴

OUTDOOR DESTINATIONS REMAIN POPULAR BUT URBAN DESTINATIONS DESIRABILITY RISING

% AMERICANS LIKELY TO VISIT DESTINATION THIS SUMMER



Workforce Not Keeping Up with Travel Demand



LEISURE AND HOSPITALITY ACCOUNTED FOR 1 IN 8 JOB OPENINGS (APRIL)



Source: Bureau of Labor Statistics

With record job openings and declining labor force participation, the economy as a whole, but particularly the leisure and hospitality (L&H) workforce is struggling to meet demand.

With 1.5 million job openings, **leisure and hospitality account for a disproportional one in eight of all U.S. job openings.**

And as of April, 1.4 million L&H jobs were still lost due to the pandemic—significantly higher than any other sector.

And there are not enough Americans seeking employment to fill the current workforce need. If every unemployed American took a job, **nearly six million job openings will still remain.**

Workforce shortages impacts every travel organization and segment.

Pilot shortages are expected to cause delays and cancellations —about 10,000 pilots retired in 2020 and 2021, and another 2,000 are set to retire this year

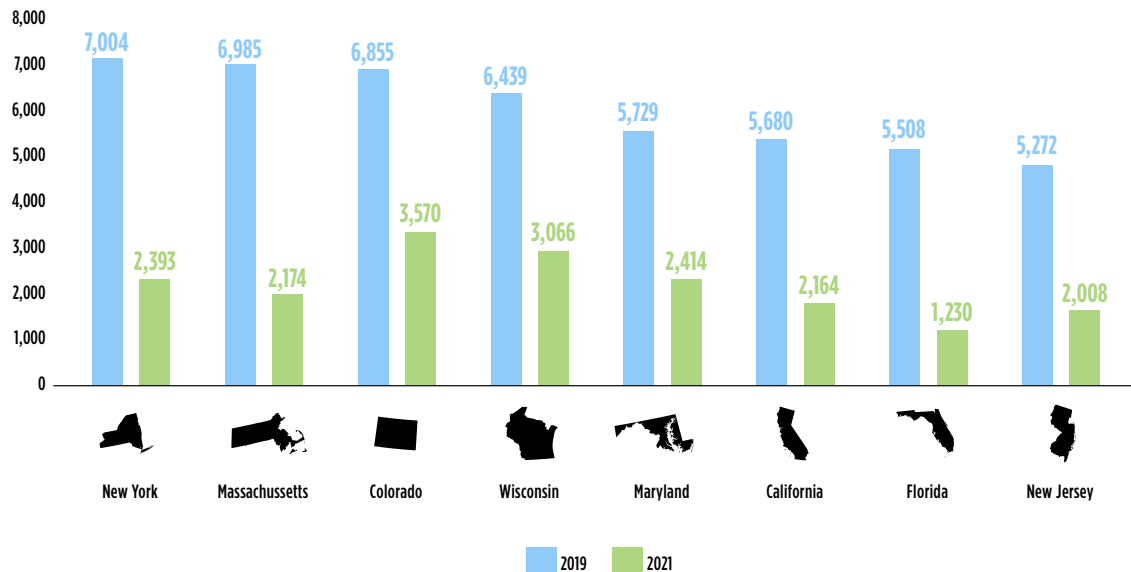
There is a critical and immediate need to bring in temporary foreign workers as we head into what will be a summer season of strong recovery and high demand.



Depleted Seasonal Workforce



EVERY STATE STRUGGLING TO MEET DEMAND WITHOUT SEASONAL WORKERS
J1 WORK VISA PARTICIPANTS - TOP STATES



Source: U.S. Department of State

By the end of 2021 there were approximately **two million fewer working-age immigrants living in the U.S. than there would have been if the pre-pandemic immigration trend had continued.**

J-1 Summer Work Travel (SWT) recipients are foreign students visiting the U.S. for cultural and employment purposes.

They are largely employed by tourism and hospitality businesses; lifeguards, housekeepers, food service, and amusement and recreation staff.

In 2019 there were

108,000

J-1 participants

In 2021 there were less than

40,000

a 63% decline from 2019, due to inbound travel restrictions and halted visa processing, exacerbating temporary and summer worker shortages.

Key Takeaways



Despite rising costs on nearly everything, travel demand remains strong as consumers shift spending from goods to services



Intent to travel this summer is high and will approach, and possibly, exceed 2019 levels



Financial concerns are rising while health concerns are diminishing but will impact behaviors more than demand



Auto travel continues to dominate but air travel making a comeback



Workforce shortages will continue to impact the travel experience and struggle to meet demand



"This summer, Americans are more ready to travel than they have been since the pandemic began. As they take to the roads and skies, this pent-up demand is driving spending across a variety of travel products. Air travel is set to soar, and demand for both hotels and private rentals is strong. While COVID-19 transmission and financial concerns still factor into travel decisions, travel providers who remain flexible to consumers' shifting preferences will find new opportunities for their businesses to take off and thrive."

— Eileen Crowley, vice chair, Deloitte & Touche LLP and U.S. transportation, hospitality and services attest leader

Notes

1. Pew Research Center, 'By a Wide Margin, Americans View Inflation as the Top Problem Facing the Country Today', May 12, 2020. <https://www.pewresearch.org/fact-tank/2022/05/12/by-a-wide-margin-americans-view-inflation-as-the-top-problem-facing-the-country-today/>
2. Deloitte, 'Getting back to getaways: 2022 Deloitte summer travel survey', May 24, 2022. <https://www2.deloitte.com/us/en/insights/focus/transportation/summer-travel-survey-predictions.html>
3. AAA, 'Despite Gas Prices...Most People Planning to Travel as Much or Even More Than Last Summer', April 19, 2022. <https://cluballiance.aaa.com/public-affairs/press-release/2022/aaa/4-19-22-travel-poll>
4. Destination Analysts, State of the American Traveler, June 2022. <https://www.destinationanalysts.com/blog-the-state-of-the-american-traveler-in-june-2022/>
5. Deloitte, 'Getting back to getaways: 2022 Deloitte summer travel survey', May 24, 2022. <https://www2.deloitte.com/us/en/insights/focus/transportation/summer-travel-survey-predictions.html>
6. Longwoods International, American Travel Sentiment Study, Wave 62, June 2022. <https://longwoods-intl.com/news-press-release/american-travel-sentiment-study-wave-62>
7. Longwoods International, American Travel Sentiment Study, Wave 62, June 2022. <https://longwoods-intl.com/news-press-release/american-travel-sentiment-study-wave-62>
8. The Harris Poll, 'More Road Trips on Tap for U.S. Consumers', March 10, 2022. <https://www.mediapost.com/publications/article/371952/more-road-trips-on-tap-for-us-consumers.htm>
9. Arrivalist
10. The Harris Poll, 'More Road Trips on Tap for U.S. Consumers', March 10, 2022. <https://www.mediapost.com/publications/article/371952/more-road-trips-on-tap-for-us-consumers.htm>
11. TSA
12. TSA
13. Deloitte, 'Getting back to getaways: 2022 Deloitte summer travel survey', May 24, 2022.
14. The Harris Poll, 'More Road Trips on Tap for U.S. Consumers', March 10, 2022. <https://www.mediapost.com/publications/article/371952/more-road-trips-on-tap-for-us-consumers.htm>