



# Potential and Perils for the Tourism Industry

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# Tourism Economics: analysis for decision making

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Travel data and forecasts for 185 countries



Policy analysis



Market opportunity and scenario analysis



Economic impact

# A perilous situation!

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Fortune Magazine “WHAT WILL LEAD TO RECOVERY“

- “...consumers, besides suffering some temporary body blows, may well be in the early stages of a sea change in their spending patterns. ...war and recession have accelerated a nascent trend toward prudence.”
- “The slump has "knocked some sense" into people who were overspending and overleveraged... Once the cycle is over, they will be more conservative than before.”
- The “death of conspicuous consumption”

# A perilous situation!

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Time Magazine “RECESSION: WHY WE’RE SO GLOOMY“

- “The deeper tremors emanate from the kind of change that occurs only once every few decades. America is going through a historic transition from the heedless borrow-and-spend society ... to one that stresses savings and investment. ...when it's over, America will not simply go back to business as usual.”

# A perilous situation!

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Time Magazine “America's Run-Down Economy A Slump That Won't Go Away“

- “Maimed by the prodigious explosion of debt ... the overburdened economy is undergoing a painful consolidation and a shift in values.”
- "There is no historical precedent for this [downsizing]. This does not represent a recession, but a permanent shift in management thinking that is both structural and profound."

# ...or maybe not so perilous?

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- Fortune Magazine article “WHAT WILL LEAD TO RECOVERY“

Date: March 11, 1991

- Time Magazine article “RECESSION: WHY WE'RE SO GLOOMY“

Date: October 14, 1991

- Time Magazine “America's Run-Down Economy A Slump That Won't Go Away“

Date: January 13, 1992

# Outline

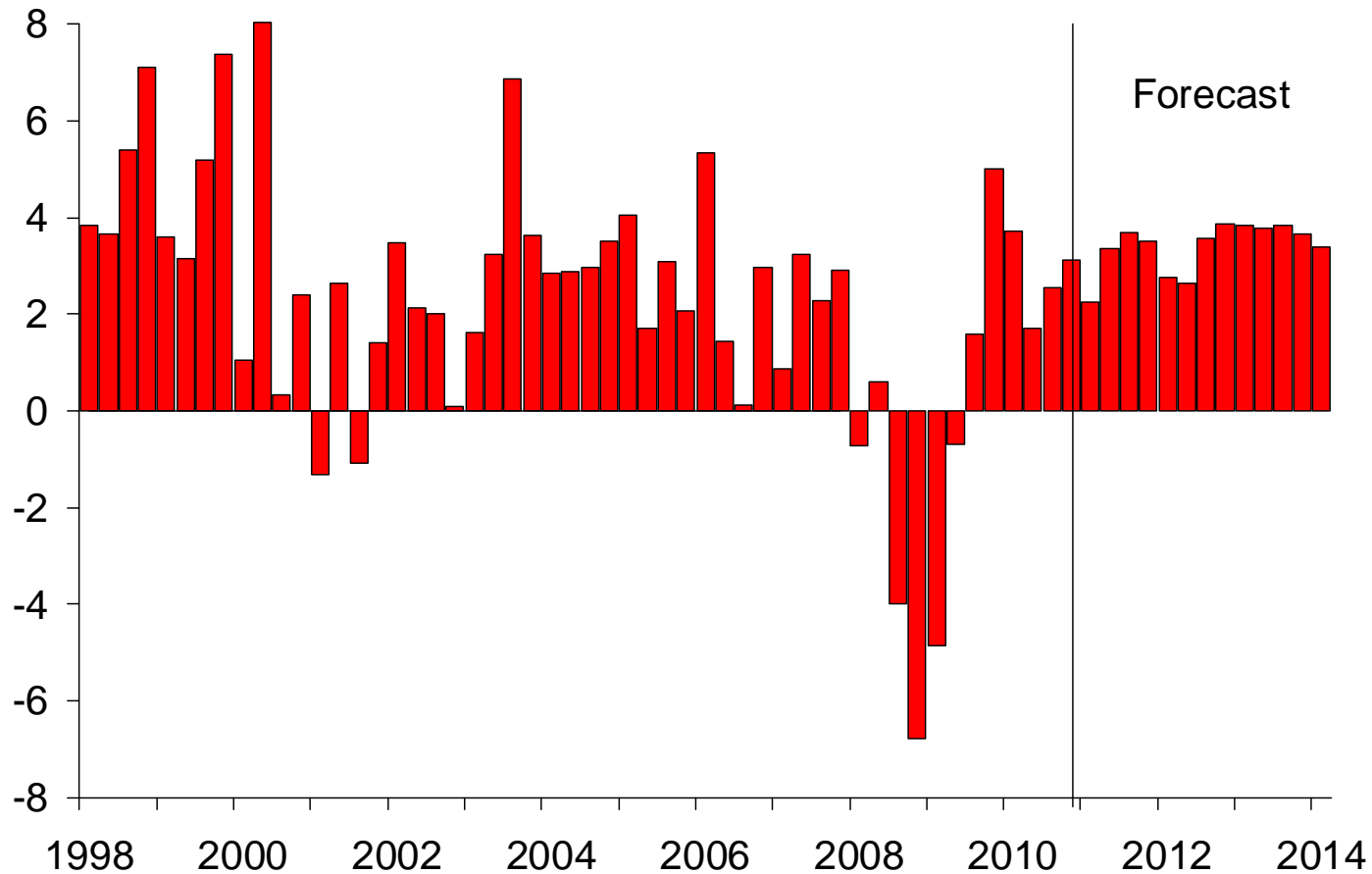
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- On the balance, the US and global economies are on the right track
- Headwinds (housing, unemployment) and risks (fiscal situation, inflation, oil prices) remain
- Current indicators as well as our predictive models indicate that travel is leading the recovery
- Some thoughts on the outlook for the Caribbean

# Profile of the US economic recovery

## GDP growth

% quarter annualised



Source: Oxford Economics

# Who will lead the recovery from here?

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- Governments?
- Consumers?
- Companies?
- Emerging markets?

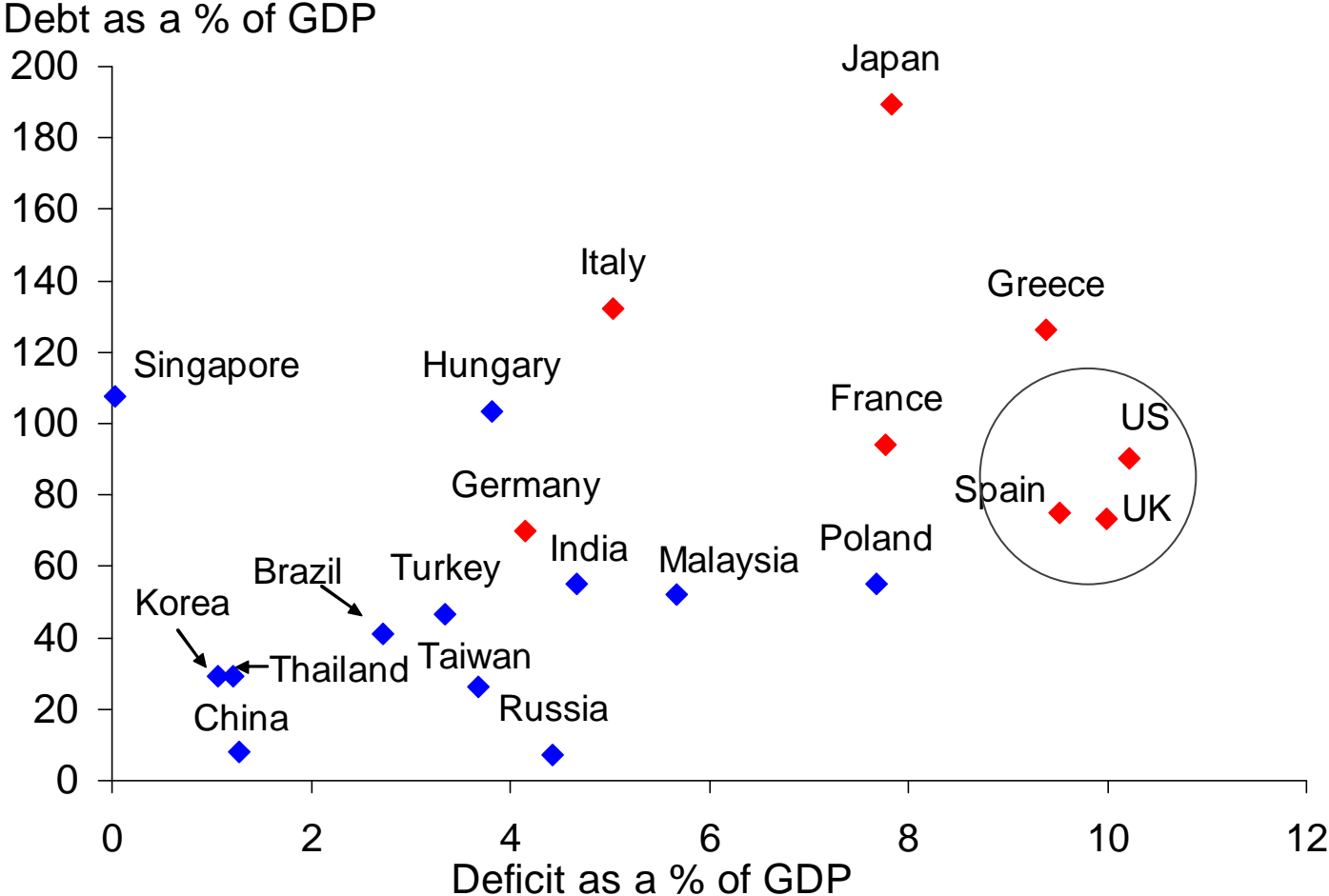
# Who will lead the recovery from here?

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- ~~Governments~~ ...no

# Developed economies face reckoning

## Budget deficits and government debt in 2010



Source : Oxford Economics

# Who will lead the recovery from here?

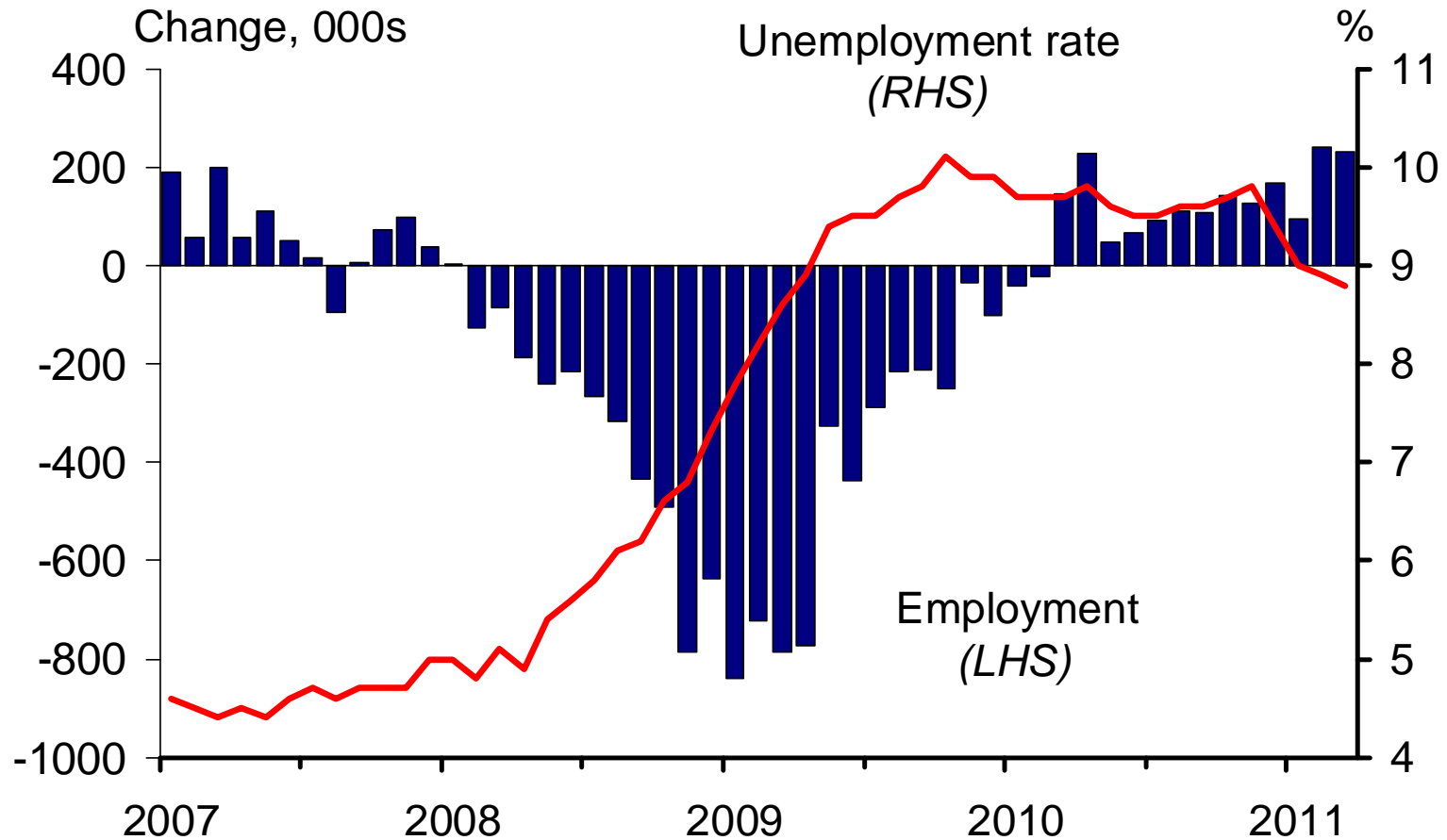
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- ~~Governments~~
- Consumers... a little



# Signs of life in the job market...

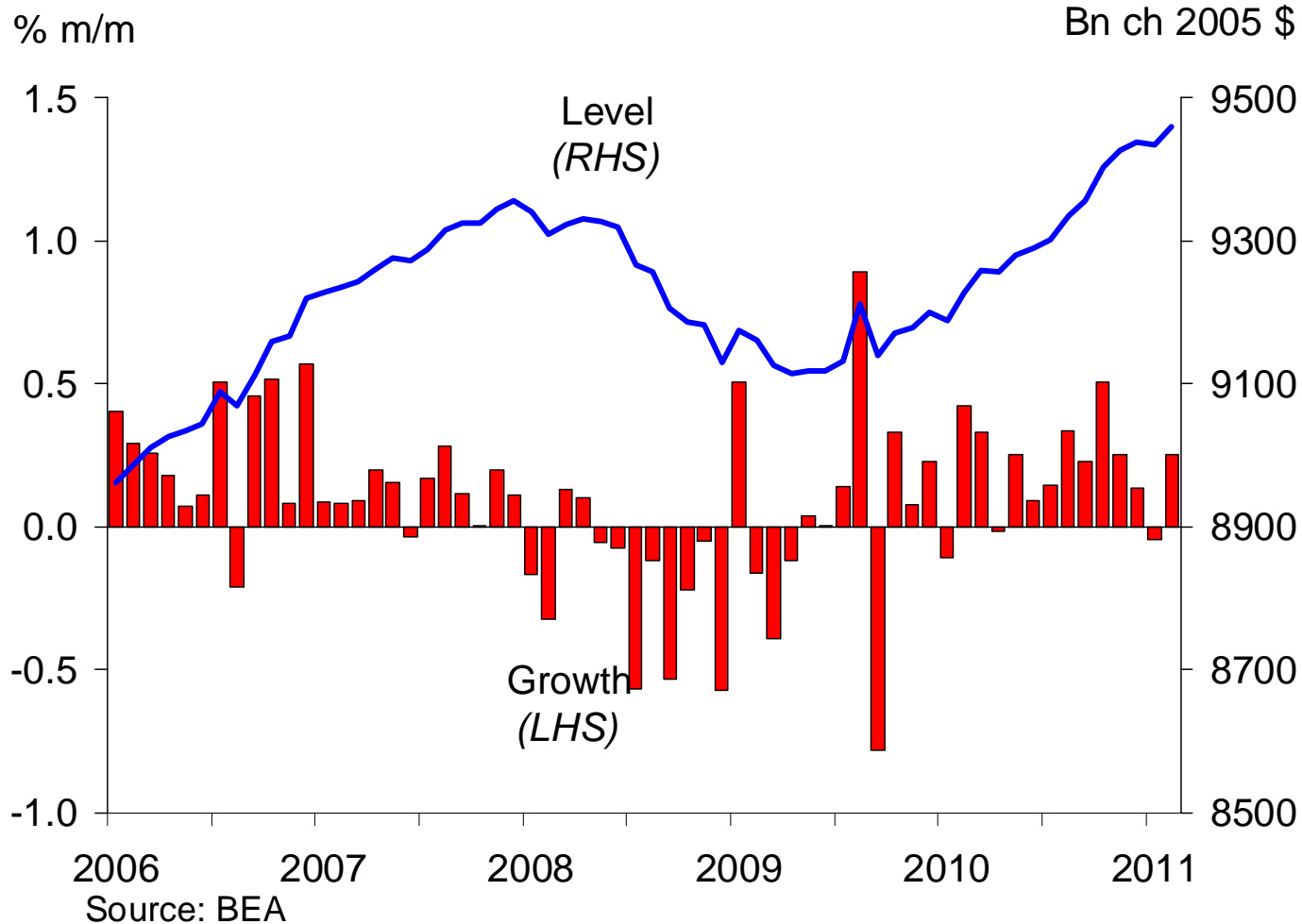
## Private payrolls and the unemployment rate



Source : Bureau of Labor Statistics

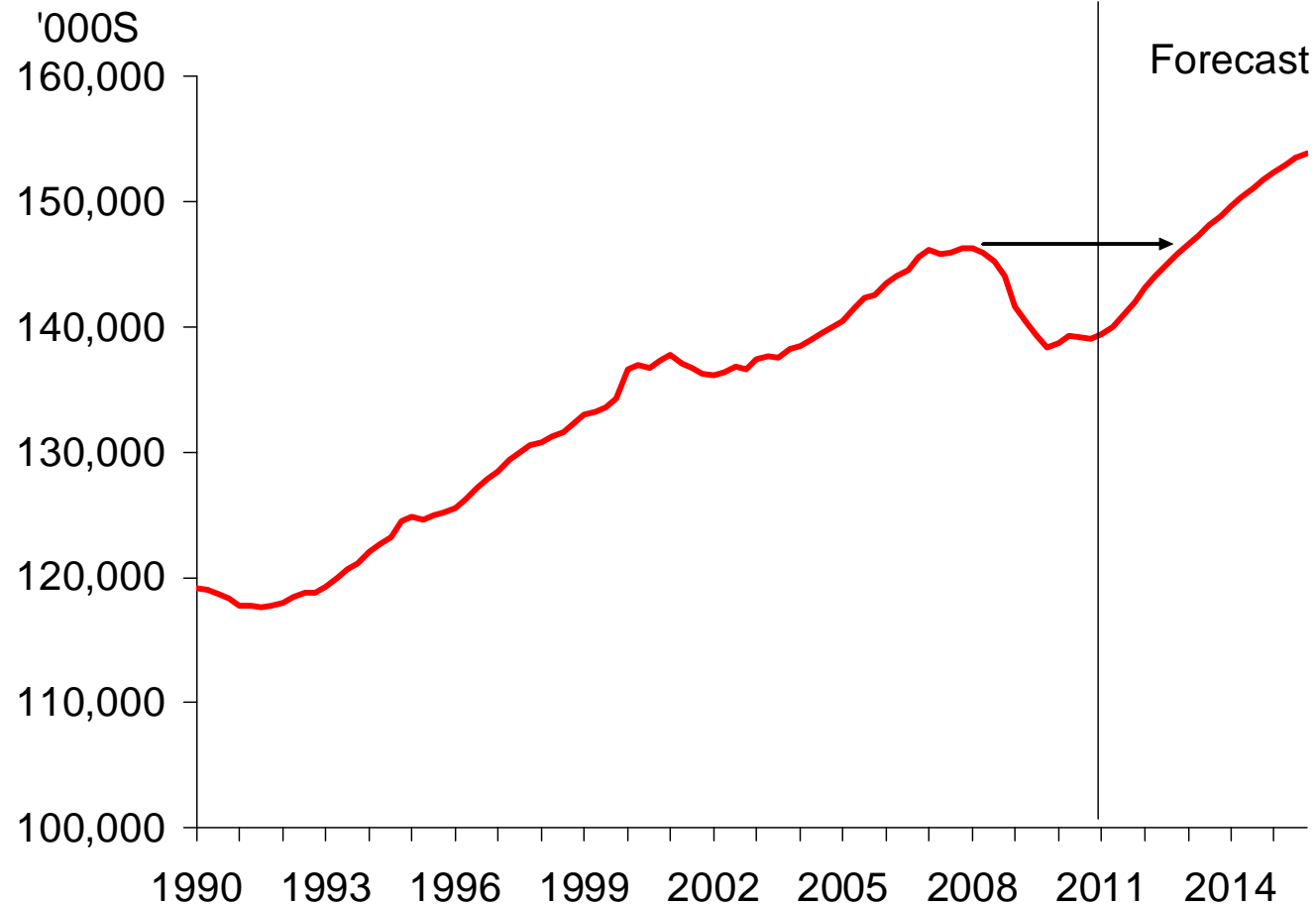
# ...keep households spending

## Consumers' expenditure



# Still, two more years to recover jobs

## US: Employment



Source : Oxford Economics/Haver Analytics

# But confidence is “off the mat”

## Consumer confidence

1985=100

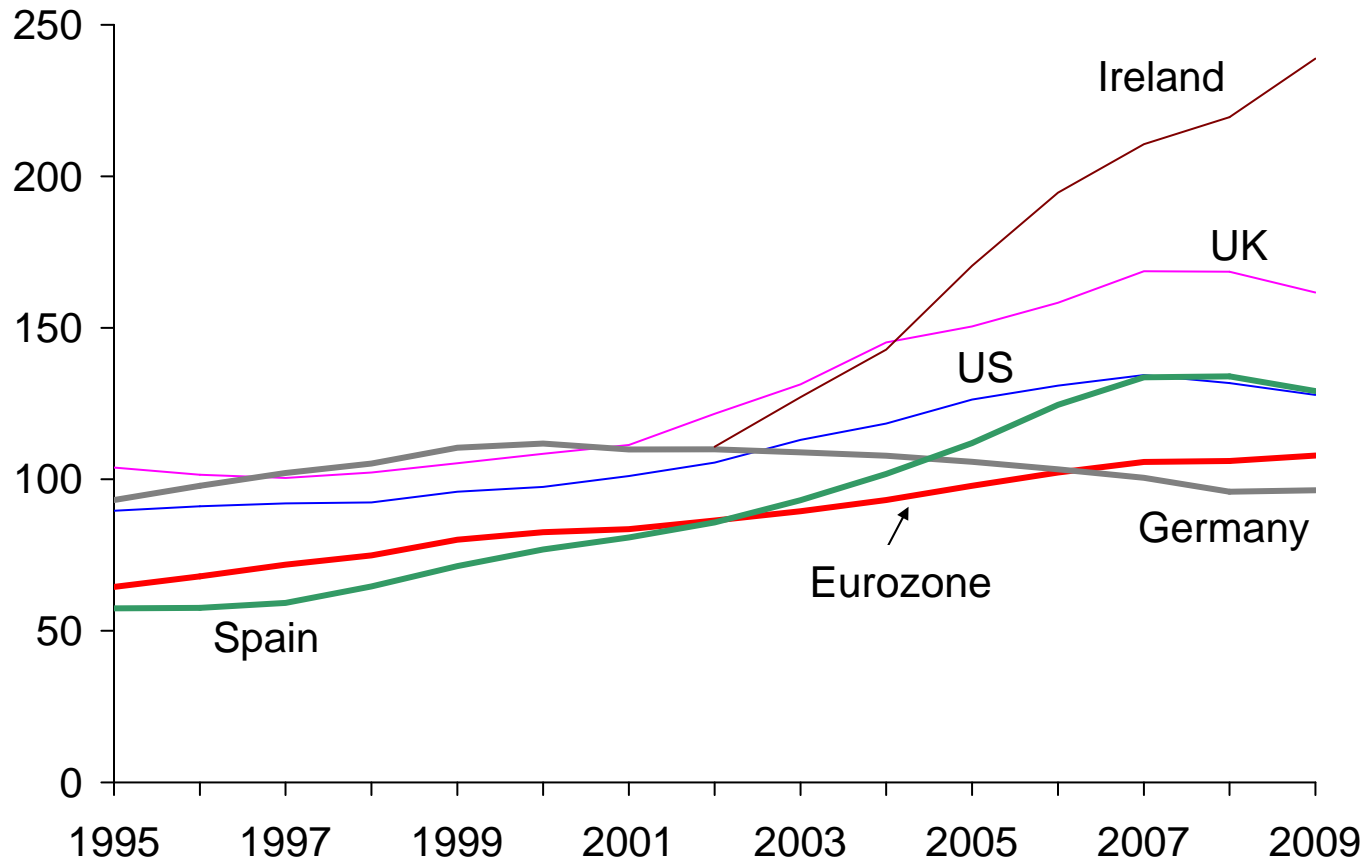


Source: Conference Board

# And while debt is high...

## Household debt

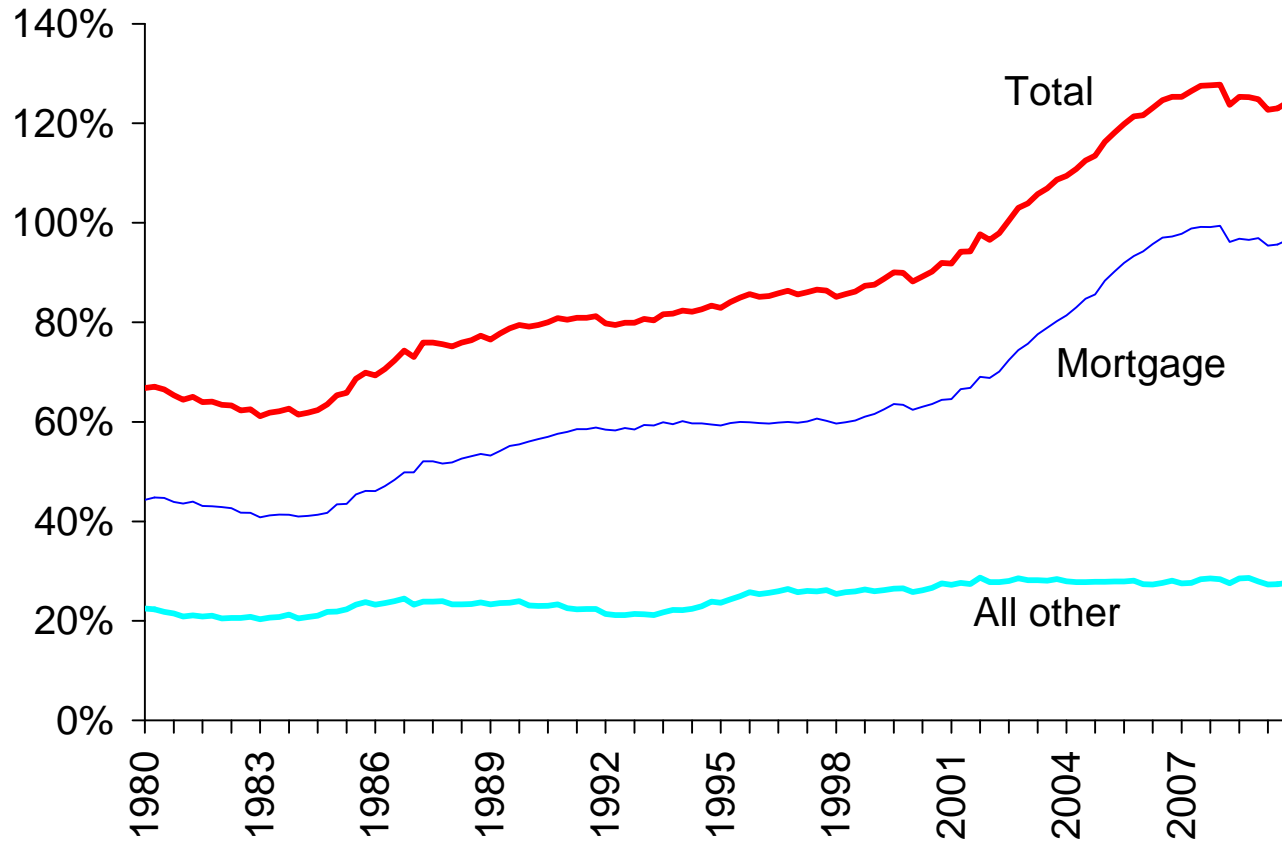
% of income



Source : Oxford Economics

# ...most of increases have been in mortgages

## US: Household debt as a share of disposable income

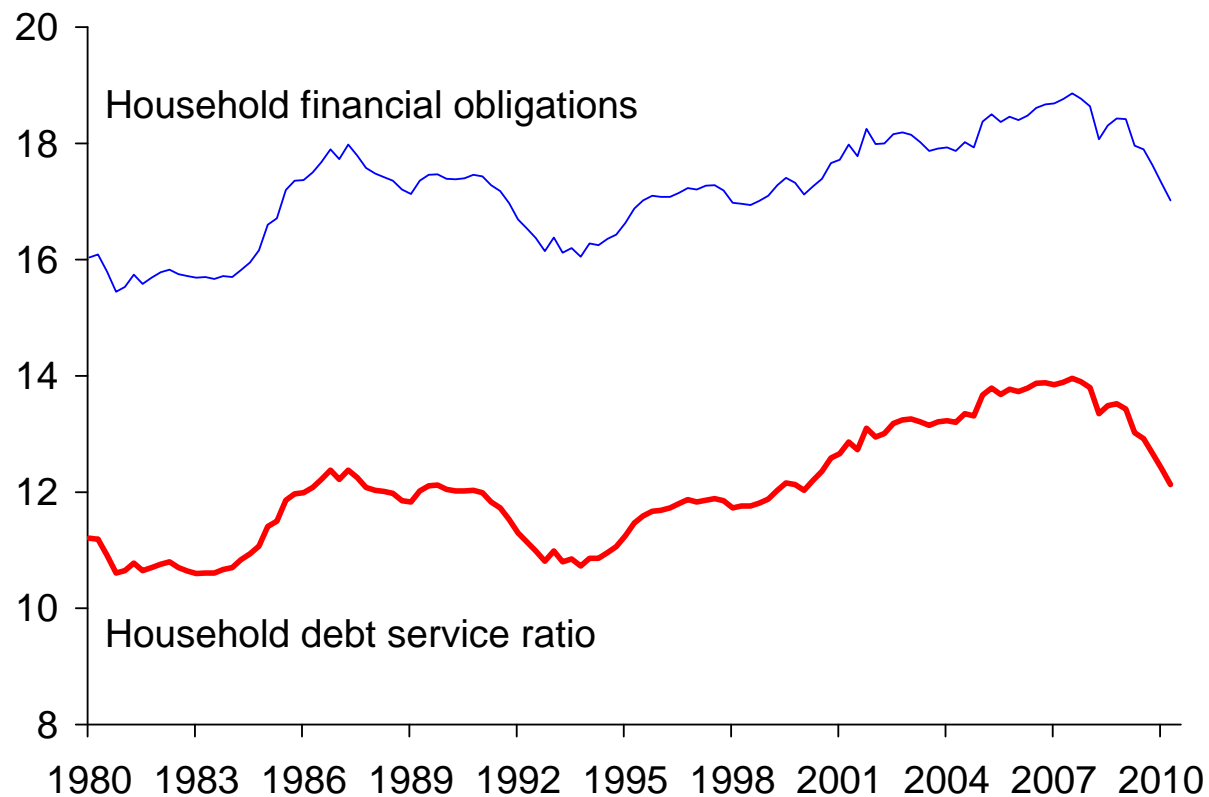


Source : BEA, Oxford Economics

# ...which cost less

## US : Household debt measures

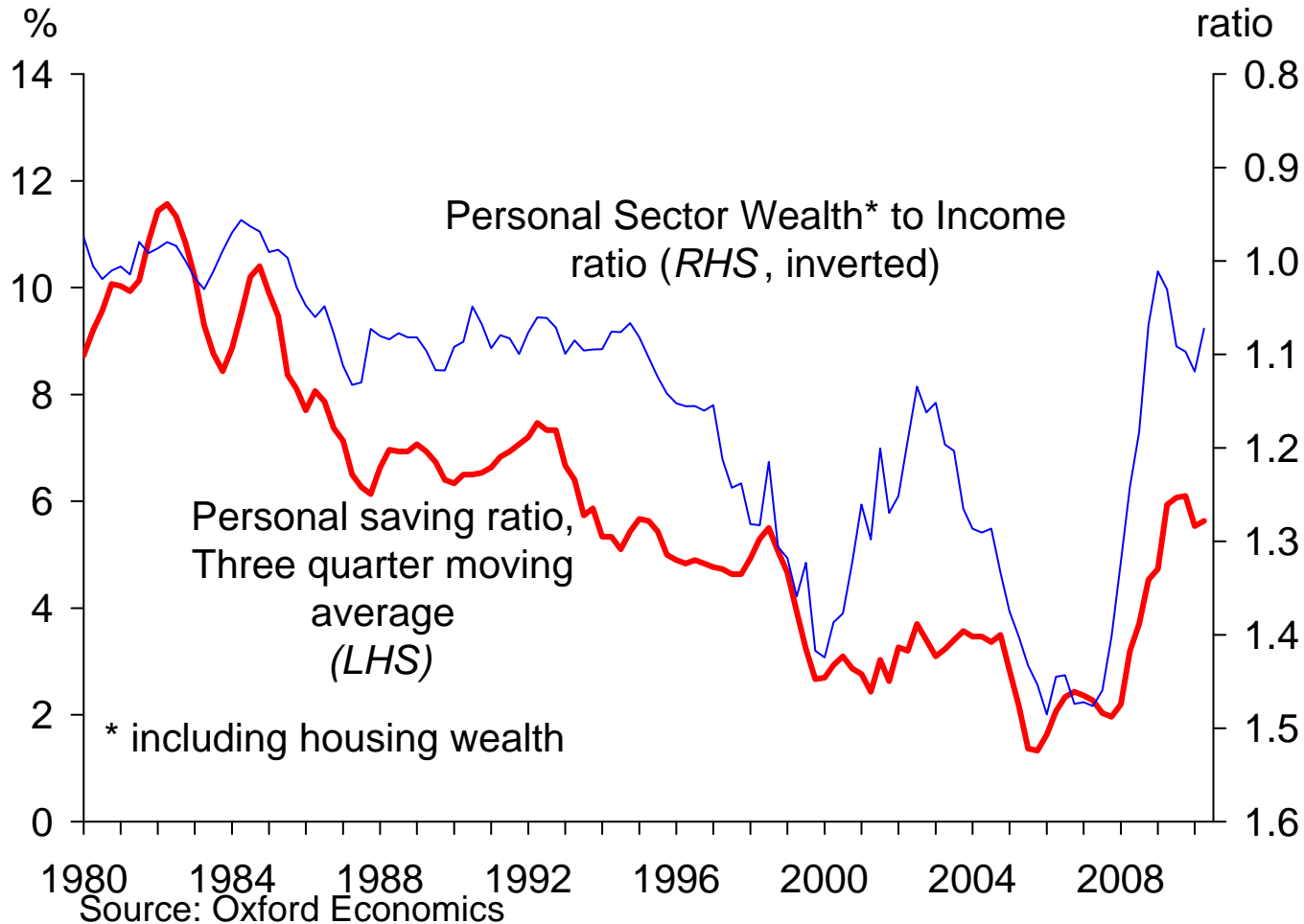
% of disposable income



Source: FRB

# Recovery in savings is opportunity in 2011

## US: Personal savings and wealth\*



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**...so consumers will contribute to the recovery, but gradually**

# Who will lead the recovery from here?

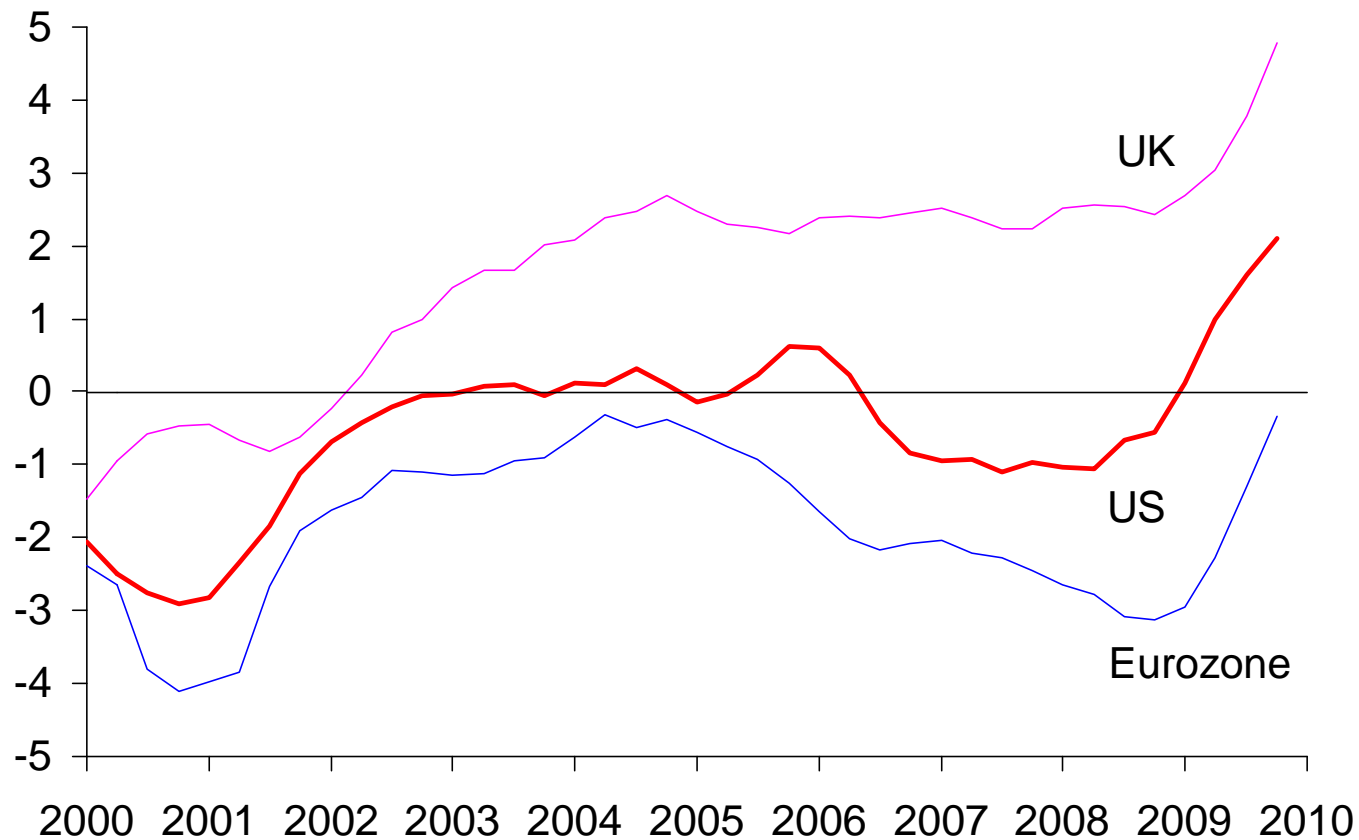
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- ~~Governments~~
- Consumers... a little
- Companies... yes

# Corporate sector has now recovered

## World: PNFC financial balances

% of GDP, 4-quarter average

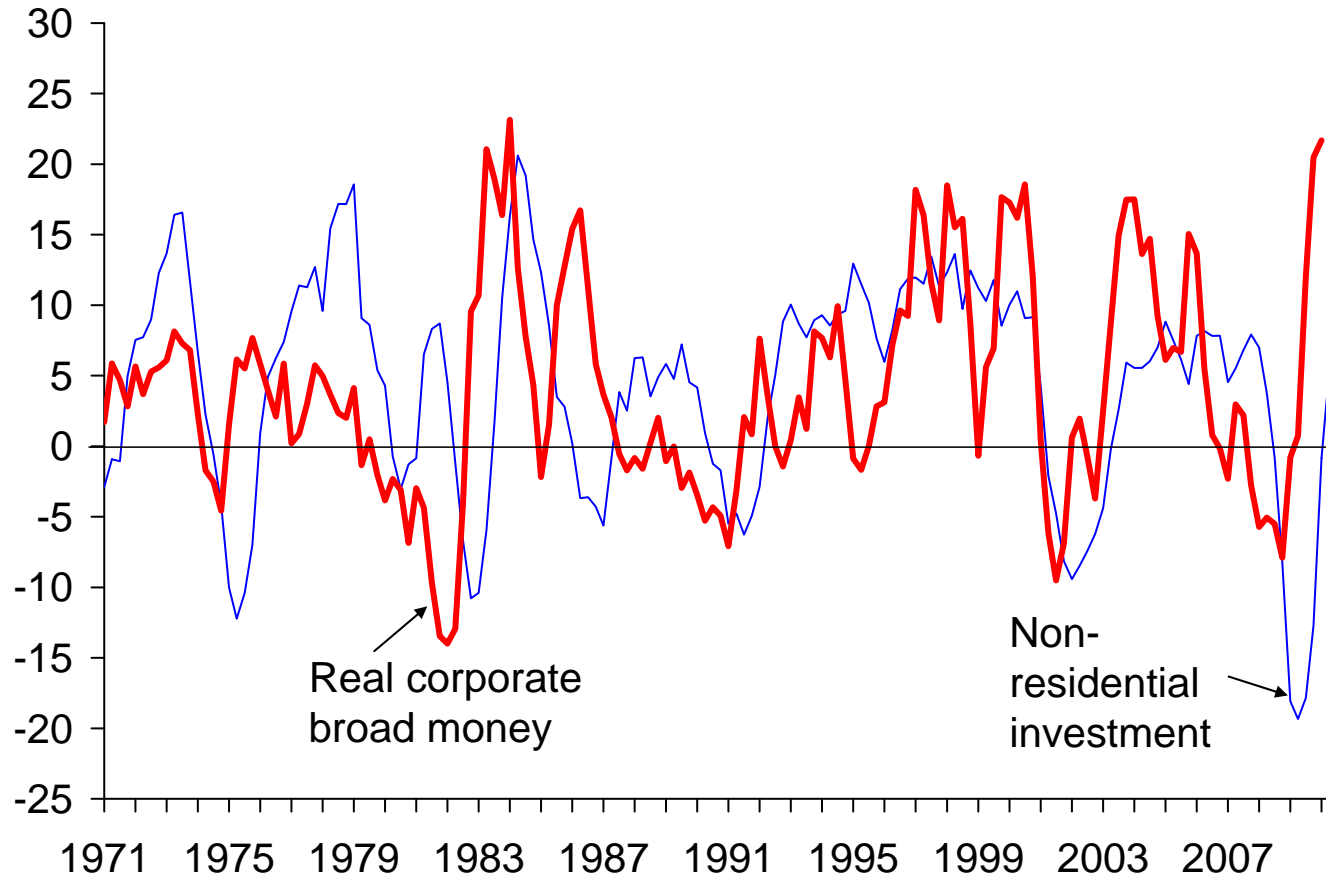


Source: Oxford Economics

# Corporate surpluses normally get spent in US...

## US: Investment and corporate money

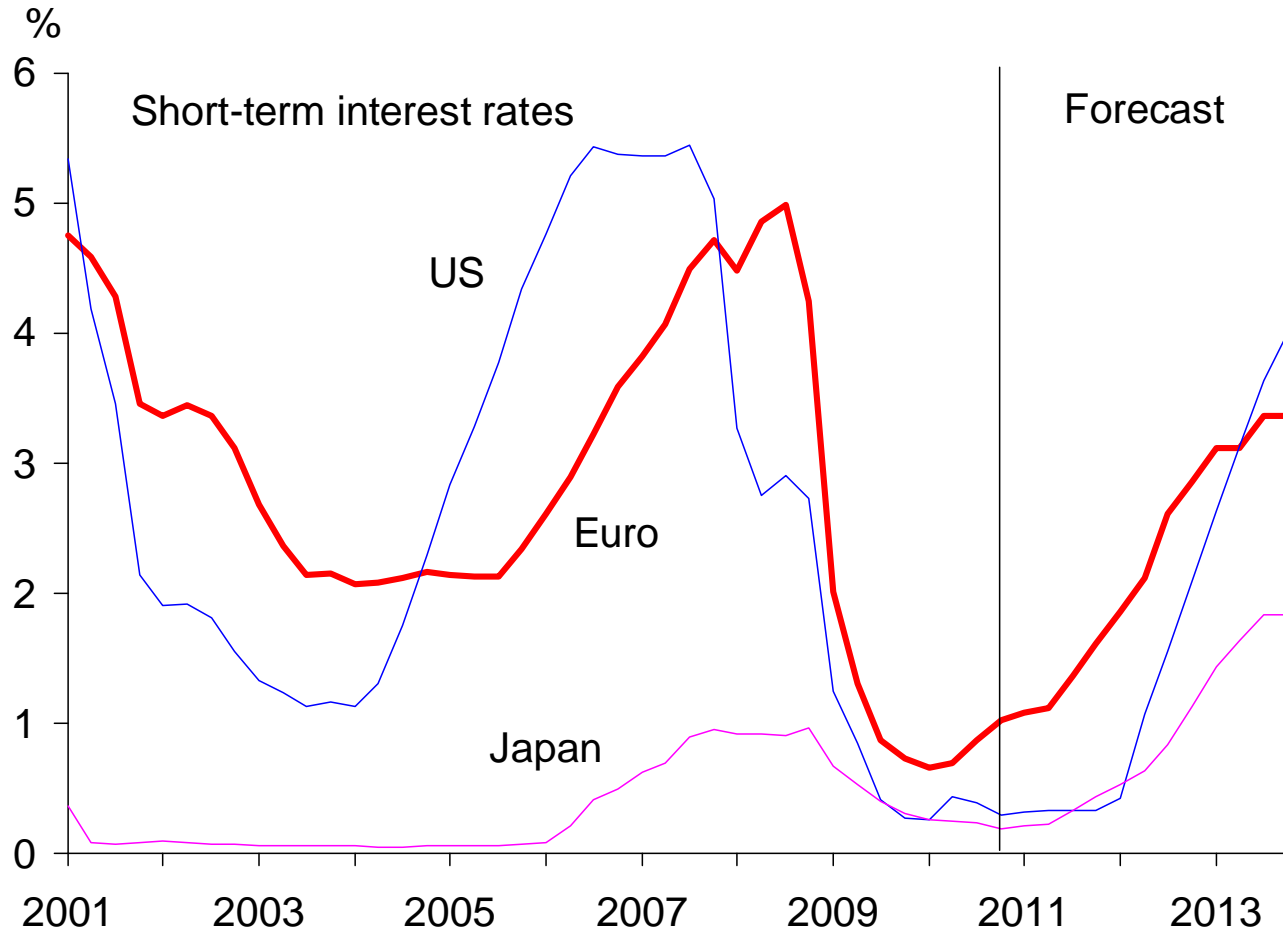
% year



Source : Oxford Economics

# Central banks to tighten slowly...

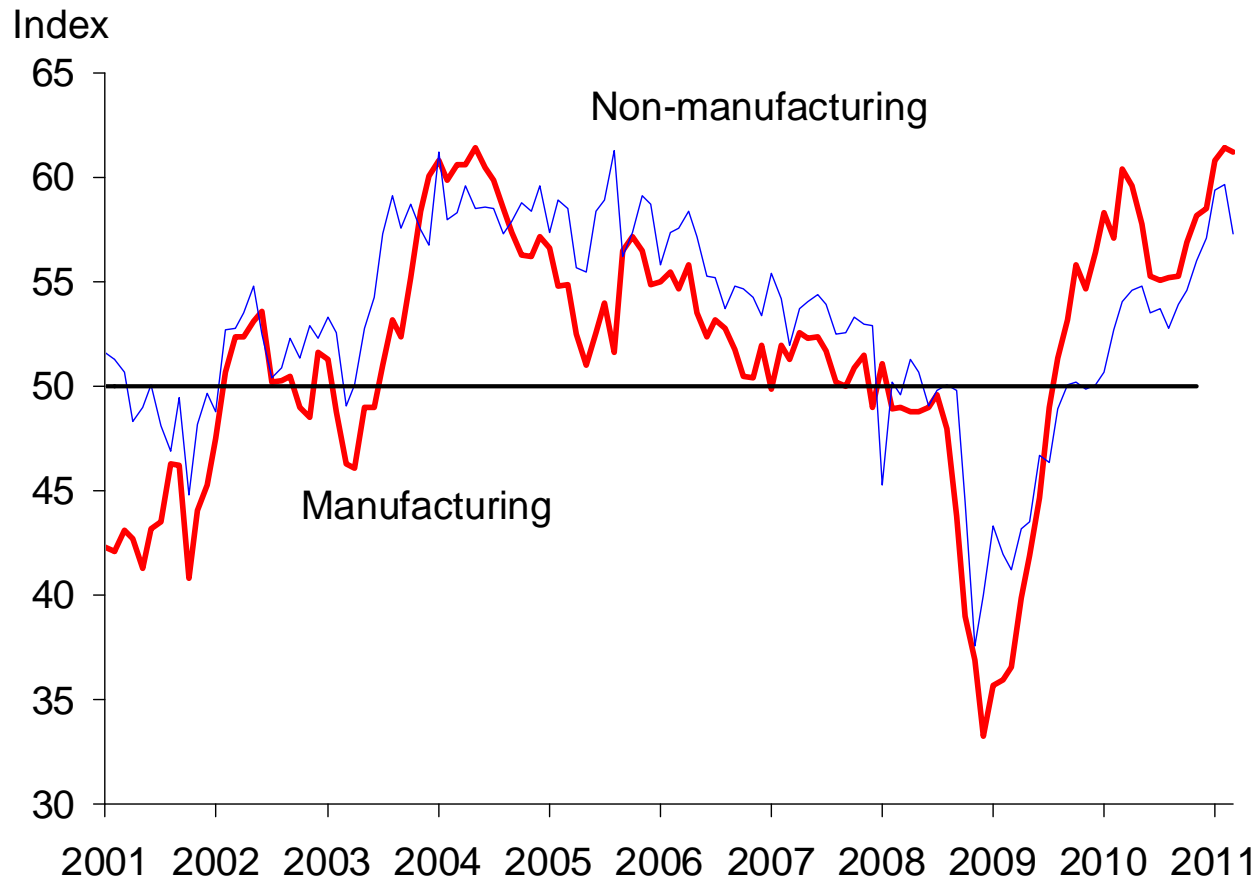
## World: Interest rates



Source: Oxford Economics

# Forward looking indicators are strong

## ISM indexes



Source: Institute for Supply Management

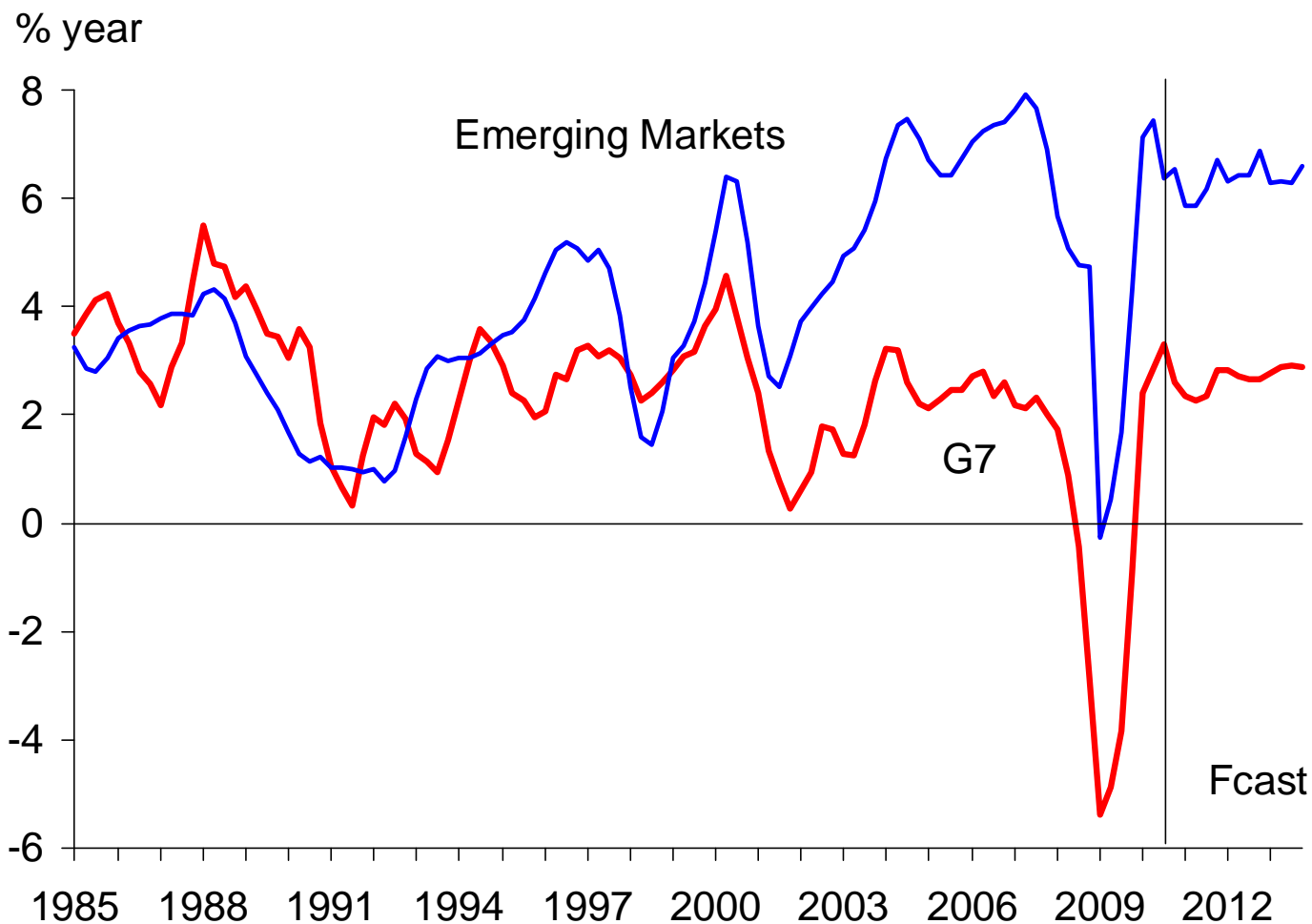
# Who will lead the recovery from here?

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- ~~Governments~~ no
- Consumers... a little
- Companies... yes
- Emerging markets... doubly yes

# Emerging markets are creating global demand

## G7 & Emerging Markets: GDP growth



Source: Oxford Economics

# Most likely outlook

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- Gradual rise in business confidence encourages companies steady investment and modest job creation
- Consumer spending recovery limited by housing, tepid confidence, and fiscal retrenchment
- But recovery strong enough that fiscal crisis remains contained

# What are the risks?

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- Oil at \$150 / barrel
- European sovereign debt
- Emerging market slowdown
- End to QE2 => high interest rates
- Fiscal tightening tips economy back into recession

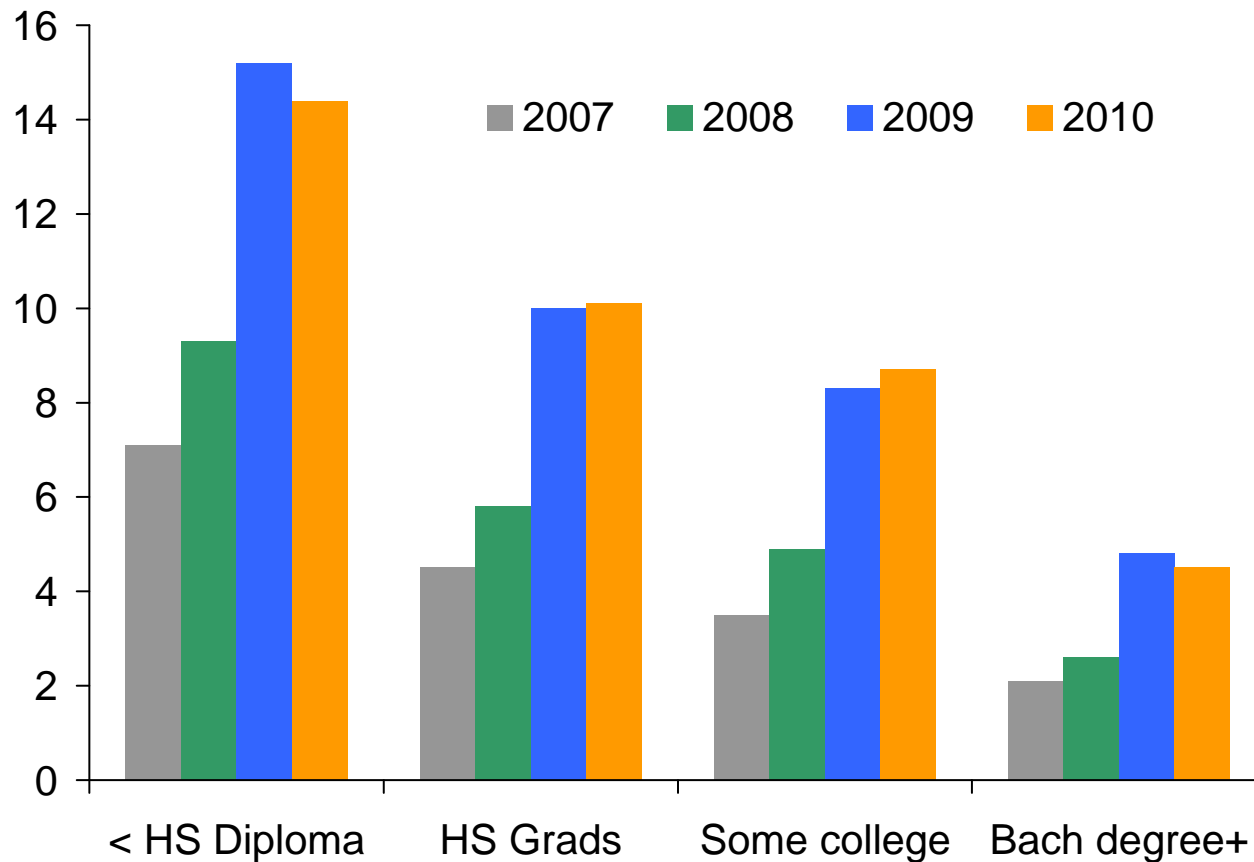
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**What does this mean for tourism?**

# Why unemployment is not hurting travel more

## Unemployment Rate by Education

Q3 Seasonally Adjusted

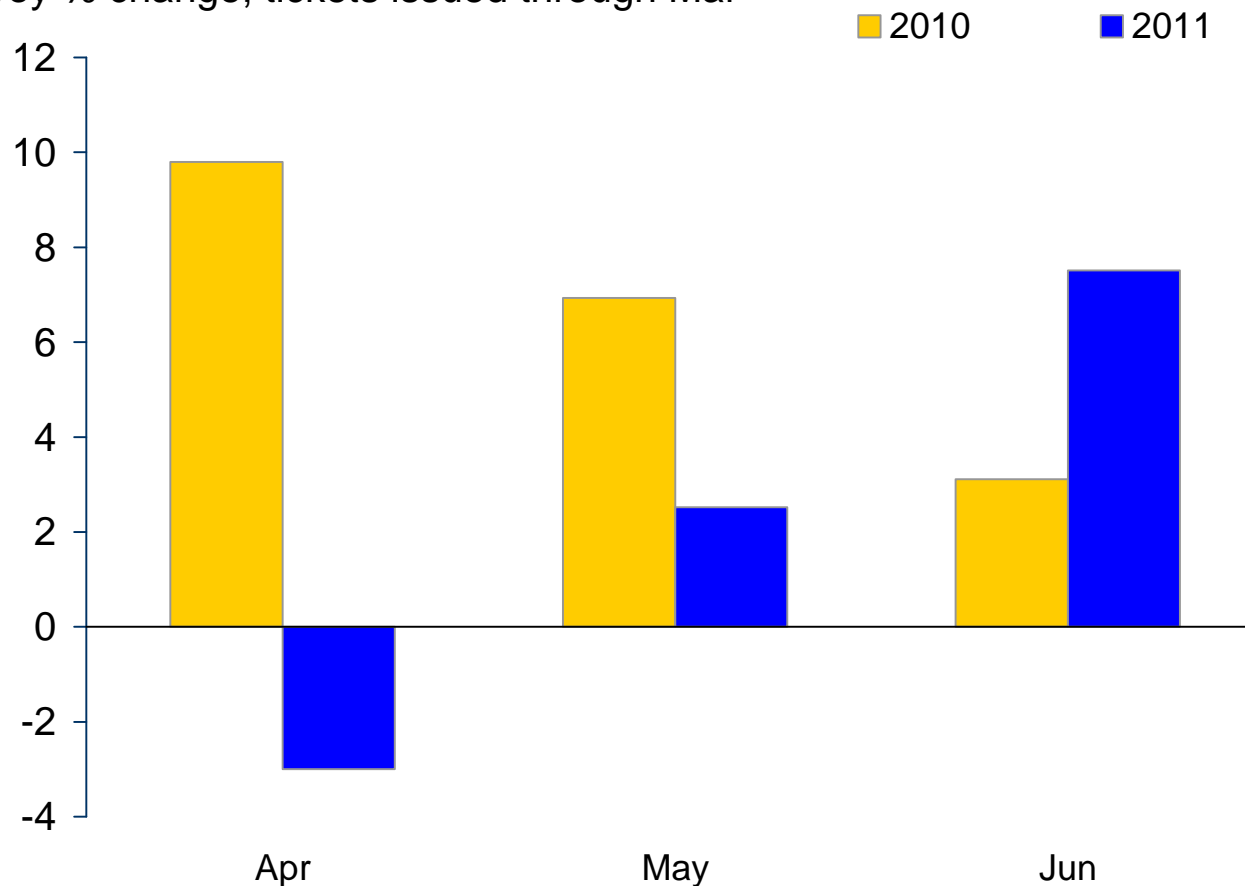


Source: BLS

# Forward indicators are positive

## Advance Domestic Air Ticket Purchases

yoy % change, tickets issued through Mar

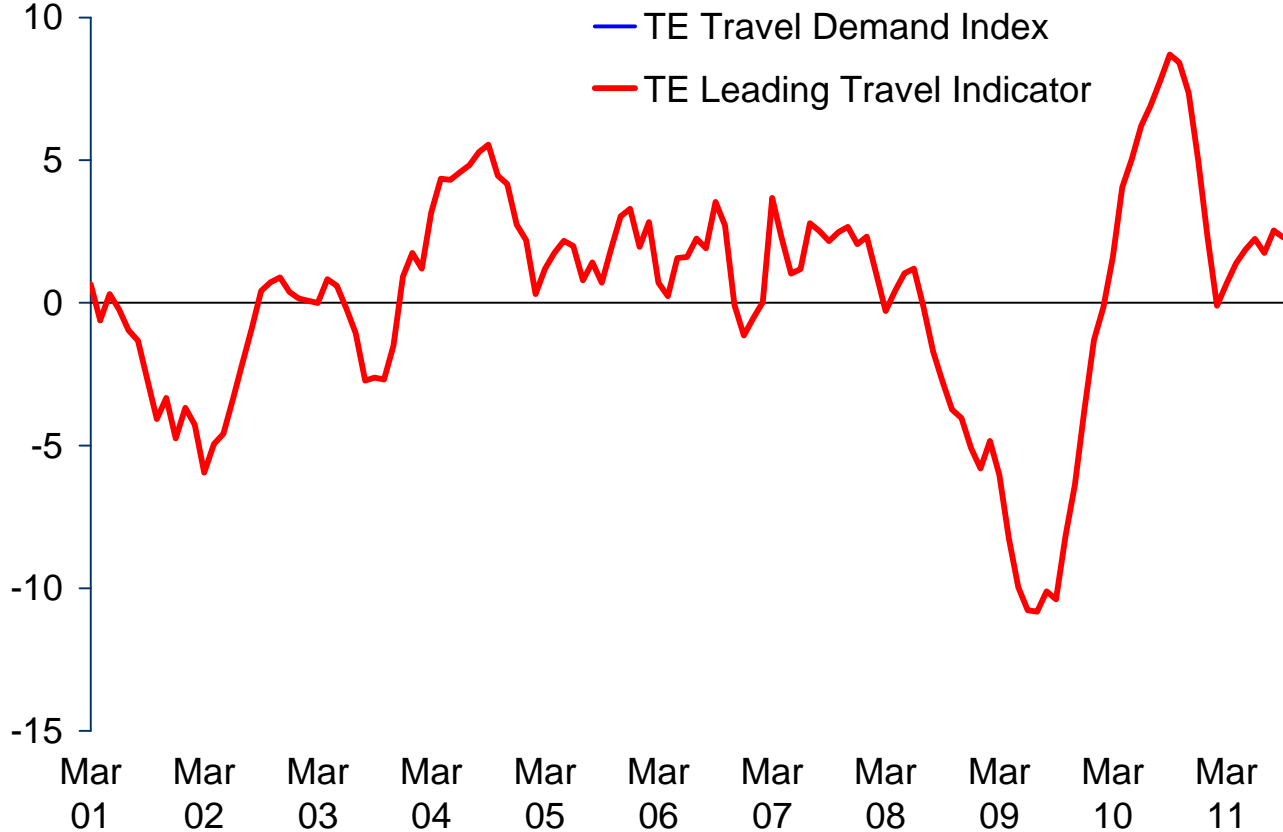


Source : Airlines Reporting Corporation

# Forward indicators are positive

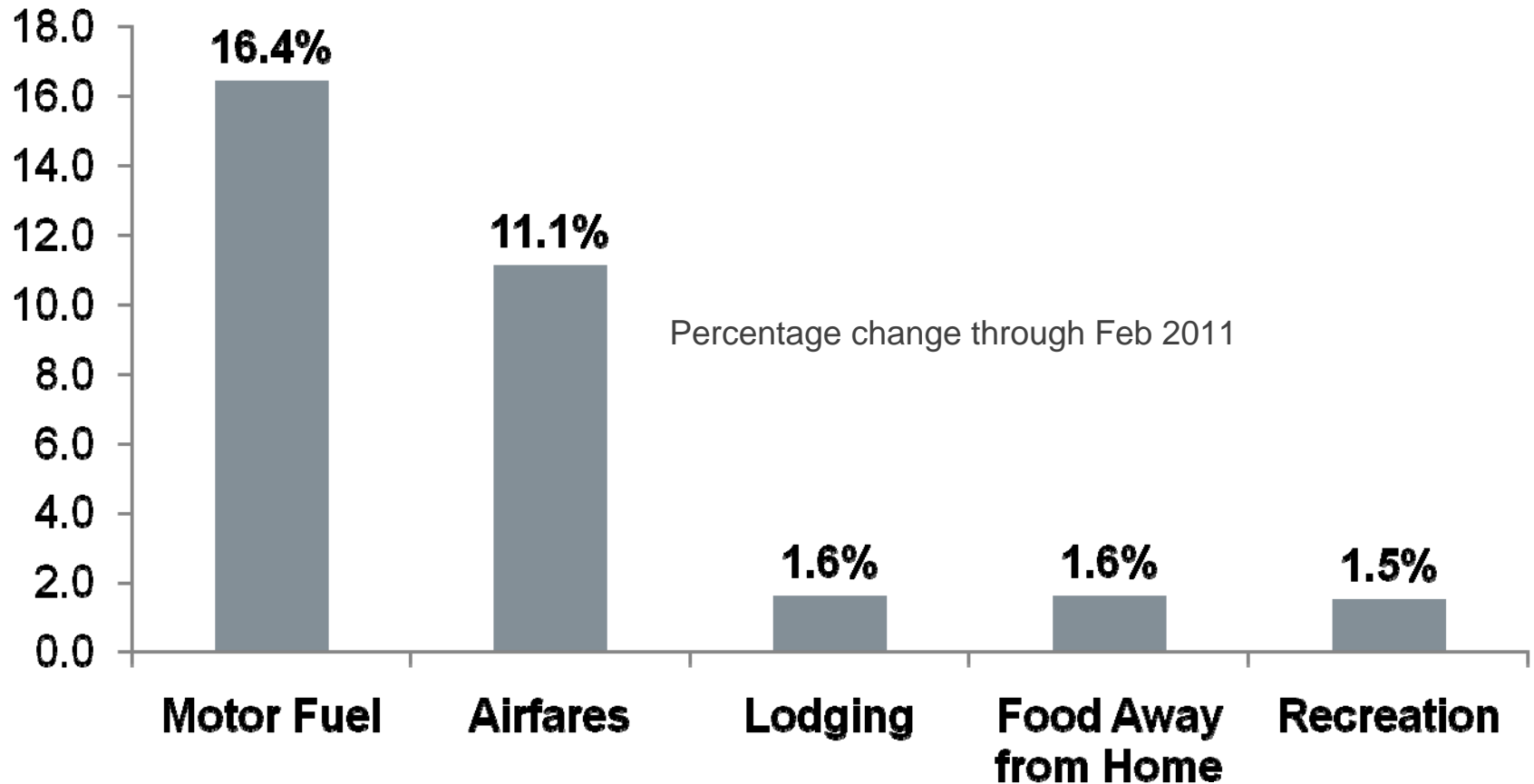
## TE Leading Travel Indicator

y-o-y % change



Source : Tourism Economics

# Travel prices up 4.7% YTD



Source: U.S. Travel Association Travel Price Index

## *What to Watch*

Perceived “money available for travel”



89.0 – February 2011

79.6 – February 2010

*Highest point since  
February 2008*

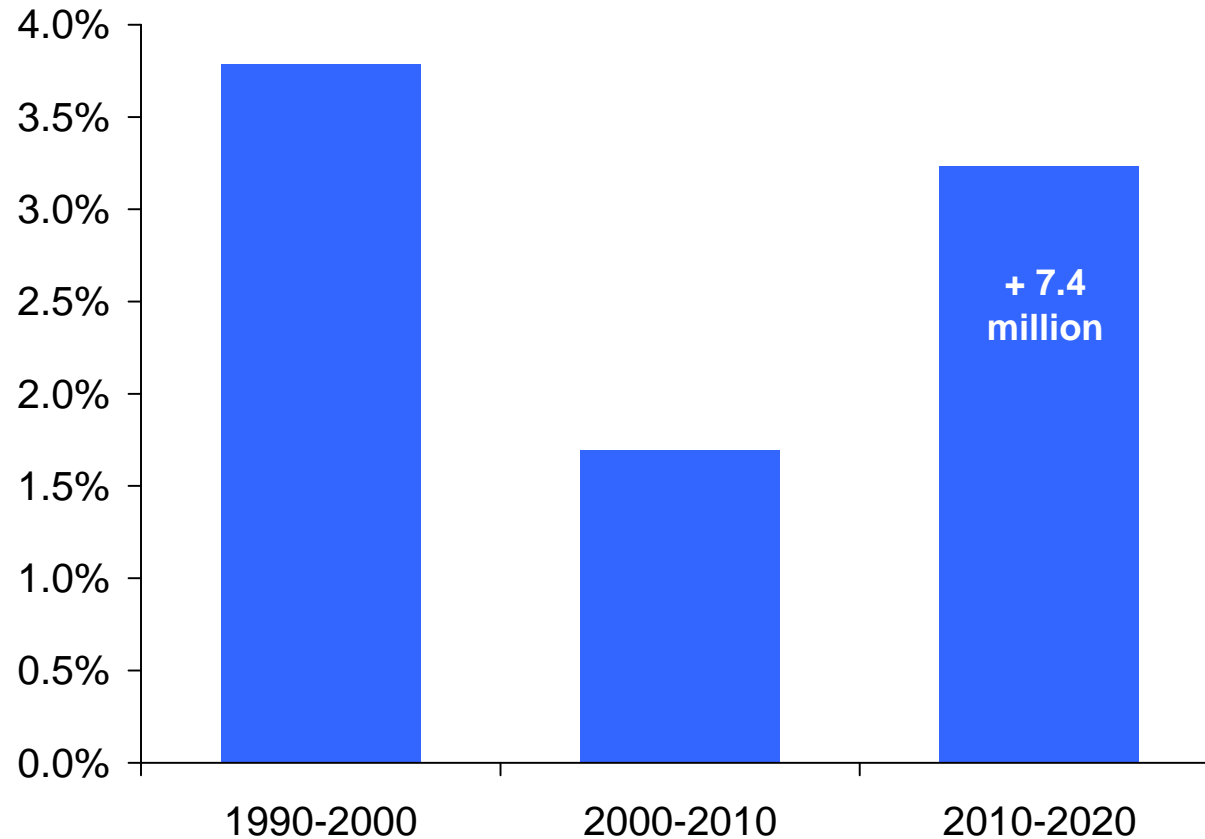
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# The Caribbean Outlook

# A Long Term View of Opportunity

## Caribbean Arrivals Growth by Decade

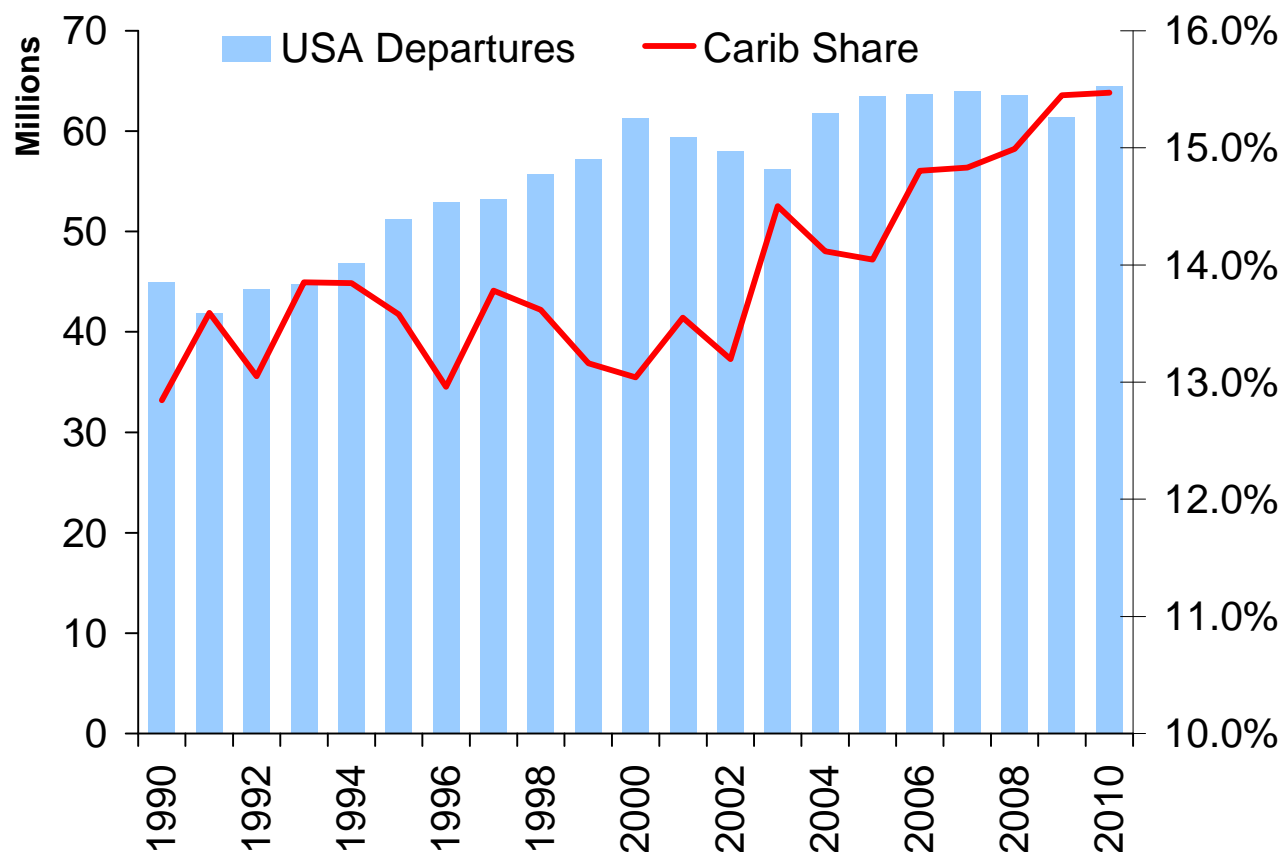
Compound Annual Growth



Source: Tourism Economics

# Caribbean holds its own from the US

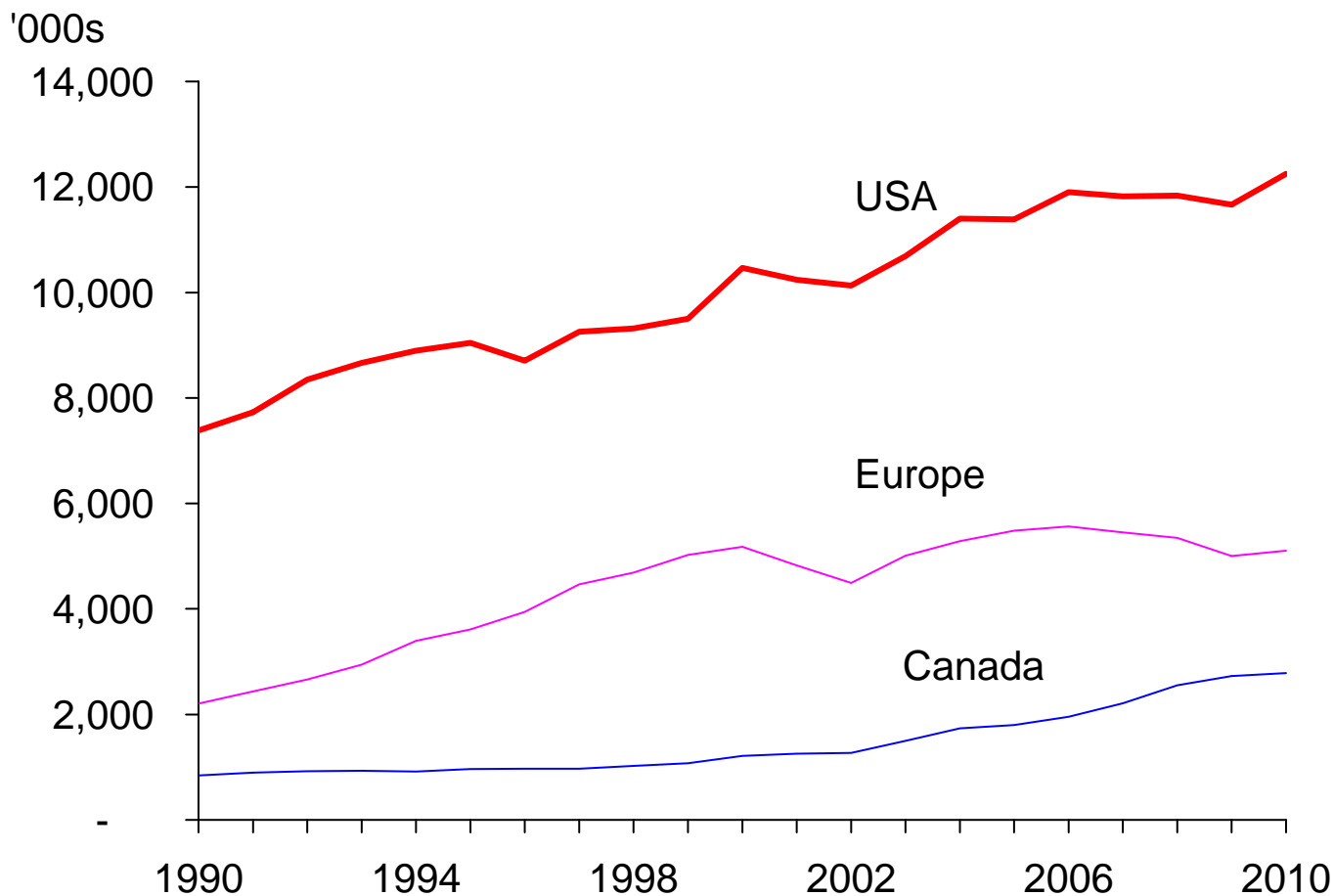
## US Outbound Market Share



Source : Tourism Economics, OTTI, US Dept of Commerce

# Europe unlikely to spur significant growth

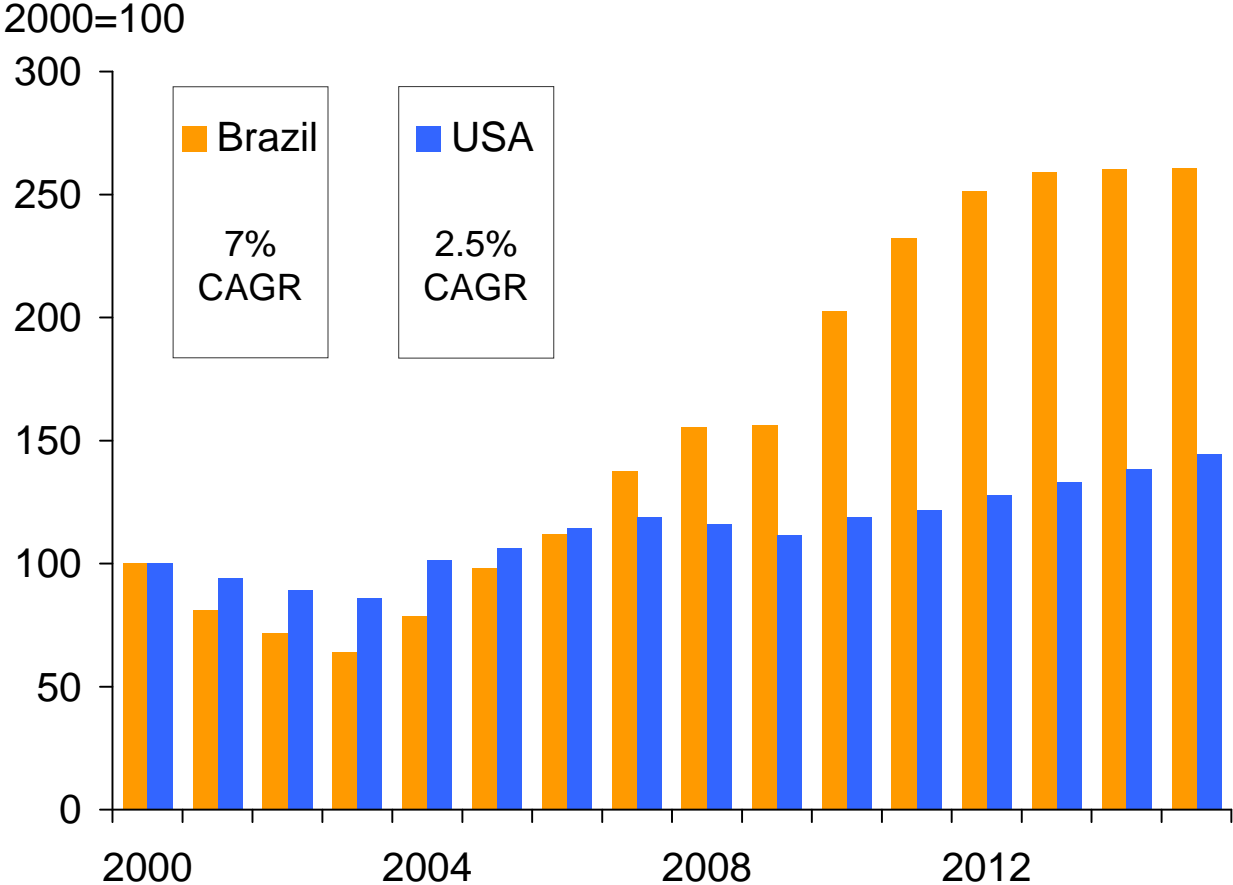
## Visits to the Caribbean by Source



Source: CTO, Tourism Economics

# Latin American travelers offer promise

## Long Haul Outbound



Source: Tourism Economics

# Conclusions

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- Despite headwinds of weak housing and tepid job creation, the economy is in its strongest position since 2008
- Global risks must be watched (especially fiscal-related)
- Travel itself has led the recovery and prospects are good
- The longer term outlook for the Caribbean is encouraging with potential in the traditional and emerging source markets

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# Thank you!

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