

# THE SEMI-ANNUAL FORECAST: WHAT'S ON THE HORIZON



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Welcome

**THE WEBINAR WILL BEGIN SHORTLY**

THE **SEMI-ANNUAL FORECAST**: WHAT'S ON THE HORIZON



# THE SEMI-ANNUAL FORECAST: WHAT'S ON THE HORIZON

JUNE 16, 2022

A scenic landscape photograph of a sunset over a large body of water, framed by evergreen trees and rocky terrain. The sun is low on the horizon, casting a warm orange glow across the sky and reflecting on the water. The foreground is dominated by large, reddish-brown rocks and several tall, dark evergreen trees. The background shows a calm expanse of water leading to a distant, hazy shoreline under a soft, pinkish-orange sky.

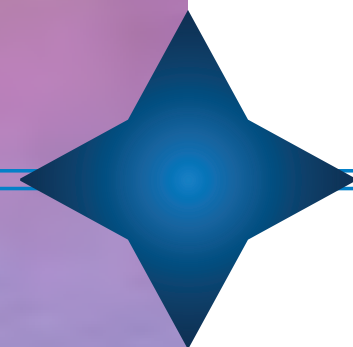




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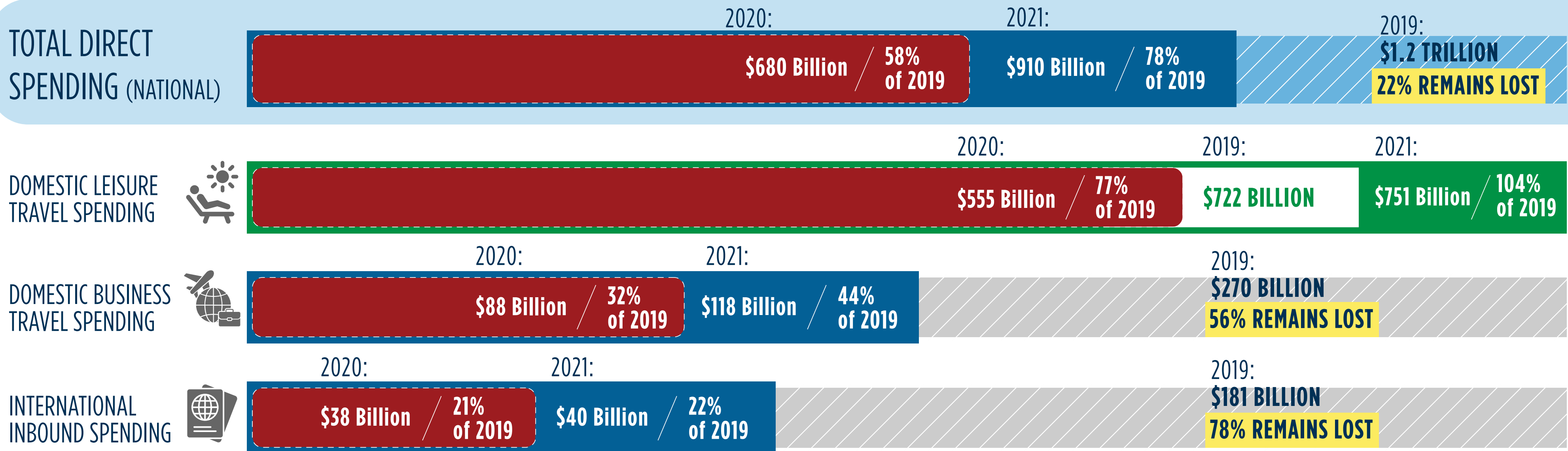
# LAURA HOLMBERG

Vice President,  
Marketing and Industry Communications





# TRAVEL RECOVERY IS **UNEVEN** *across sectors*





A photograph of an airport baggage claim area. In the foreground, a person is standing next to a black rolling suitcase with a pink strap. In the background, other travelers and airport staff are visible, some with luggage carts. The scene is brightly lit, suggesting an indoor airport terminal.

JUST ANNOUNCED:

**Pre-departure testing  
for international inbound  
travelers TO BE LIFTED  
ON JUNE 12**

U.S. TRAVEL  
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**BY THE END OF 2022,**  
THE *lifting* OF PRE-DEPARTURE TESTING FOR  
INTERNATIONAL INBOUND TRAVELERS IS EXPECTED TO:

- ◆ Gain an additional **5.4 MILLION** visitors
- ◆ Gain an additional **\$9 BILLION** in spending







# LOOKING AT THE SECOND HALF OF **2022** AND **INTO THE FUTURE**





**TOURISM  
ECONOMICS**

AN OXFORD ECONOMICS COMPANY

# **ADAM SACKS**

President and CEO  
Tourism Economics





TOURISM  
ECONOMICS

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# The Outlook for US Travel

Adam Sacks

President

Tourism Economics

[adam@tourismeconomics.com](mailto:adam@tourismeconomics.com)

June 2022



# AGENDA

- 1 A dramatic recovery
- 2 Economic fundamentals
- 3 The twin-headed monster
- 4 The travel outlook



# 1 A dramatic recovery

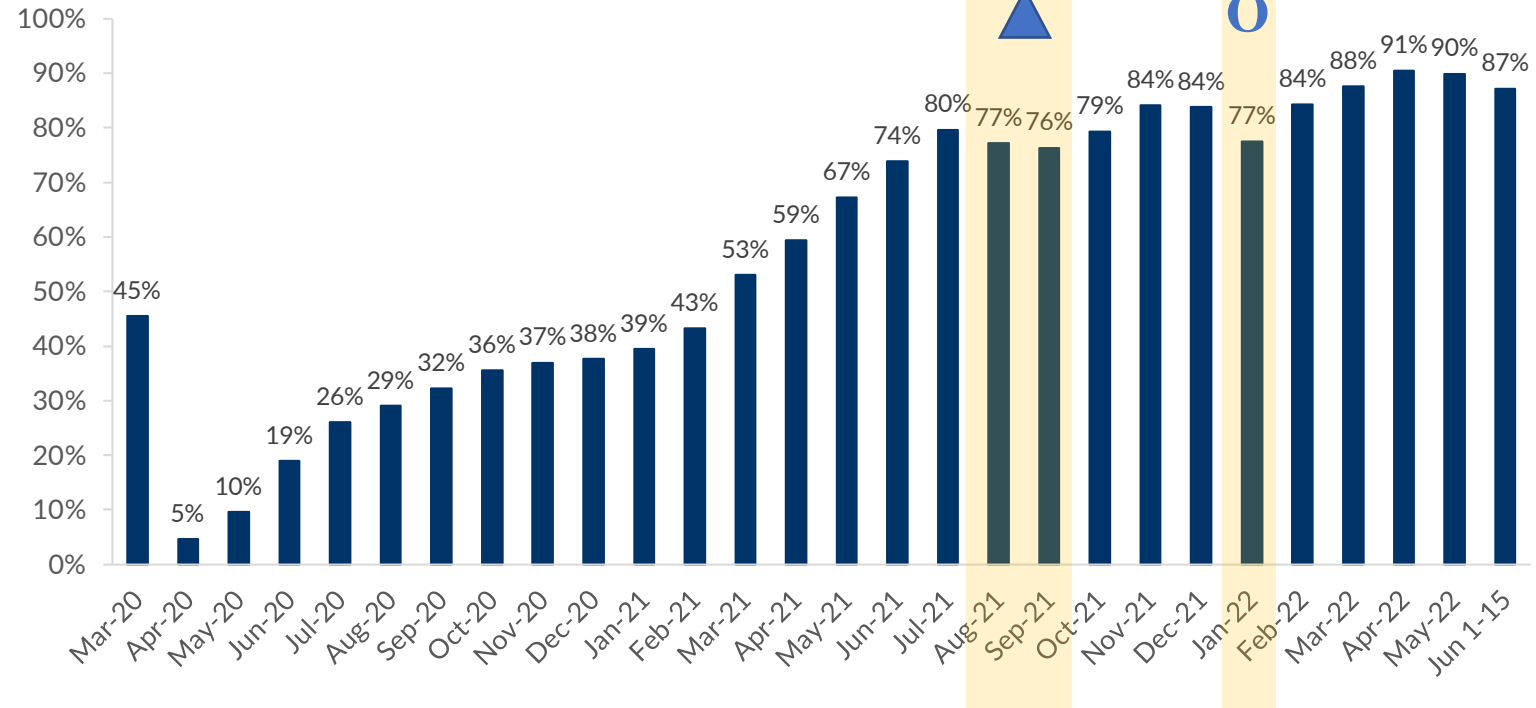




# Air travel modestly down in June (but supply is largely to blame)

## Air Passenger Volume

% of 2019 level

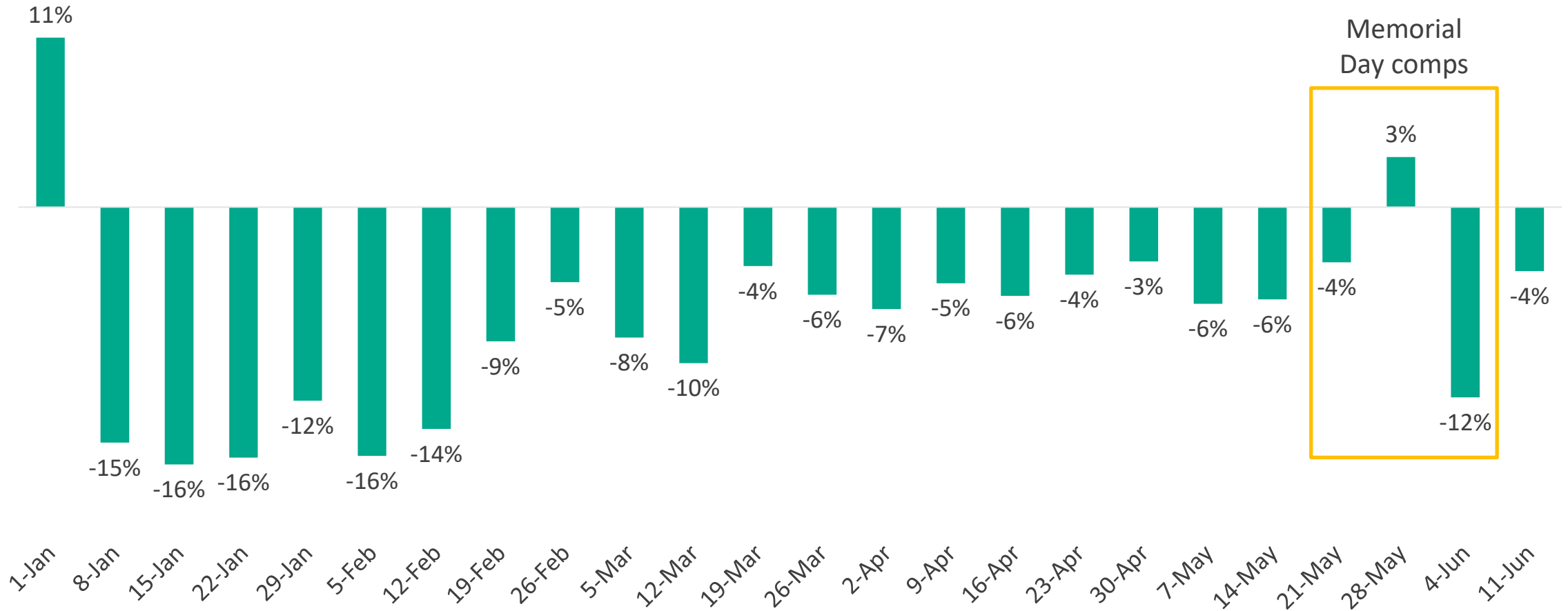


Source: TSA



# Occupancy down low single digits

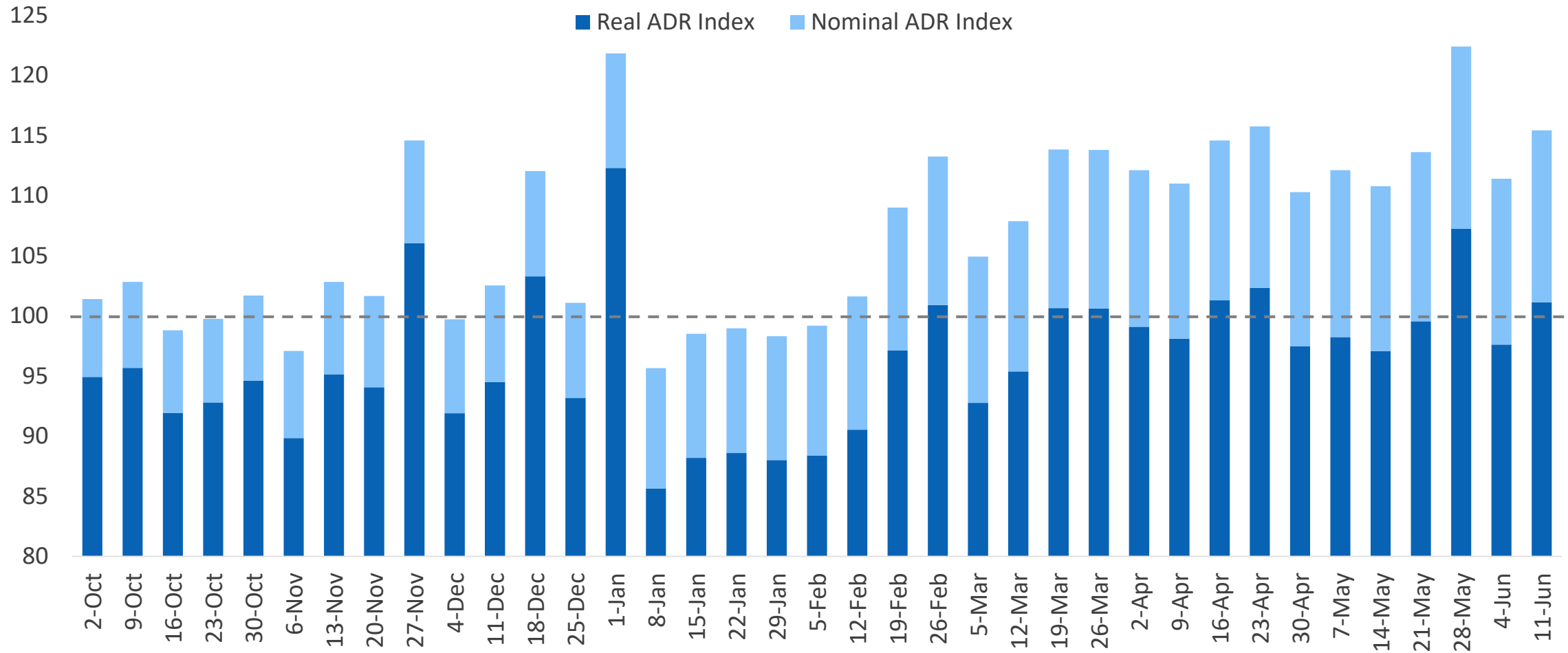
Total U.S., weekly occupancy % change to 2019





# ADR +13% in May (but roughly flat in real terms)

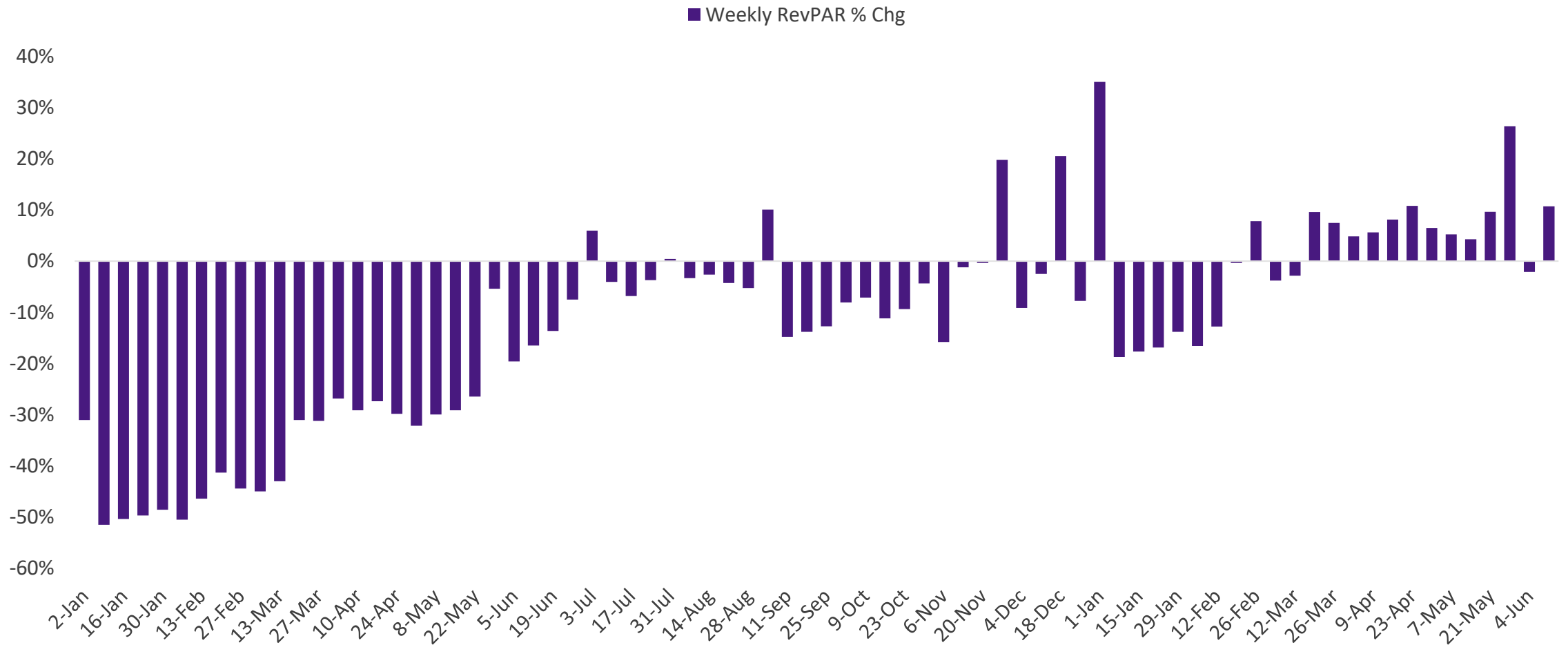
U.S., Weekly ADR indexed to 2019, Oct 2021 – Jun 2022





# 'Summer of summers' is beginning

U.S., Weekly RevPAR % change to 2019, 2021-2022

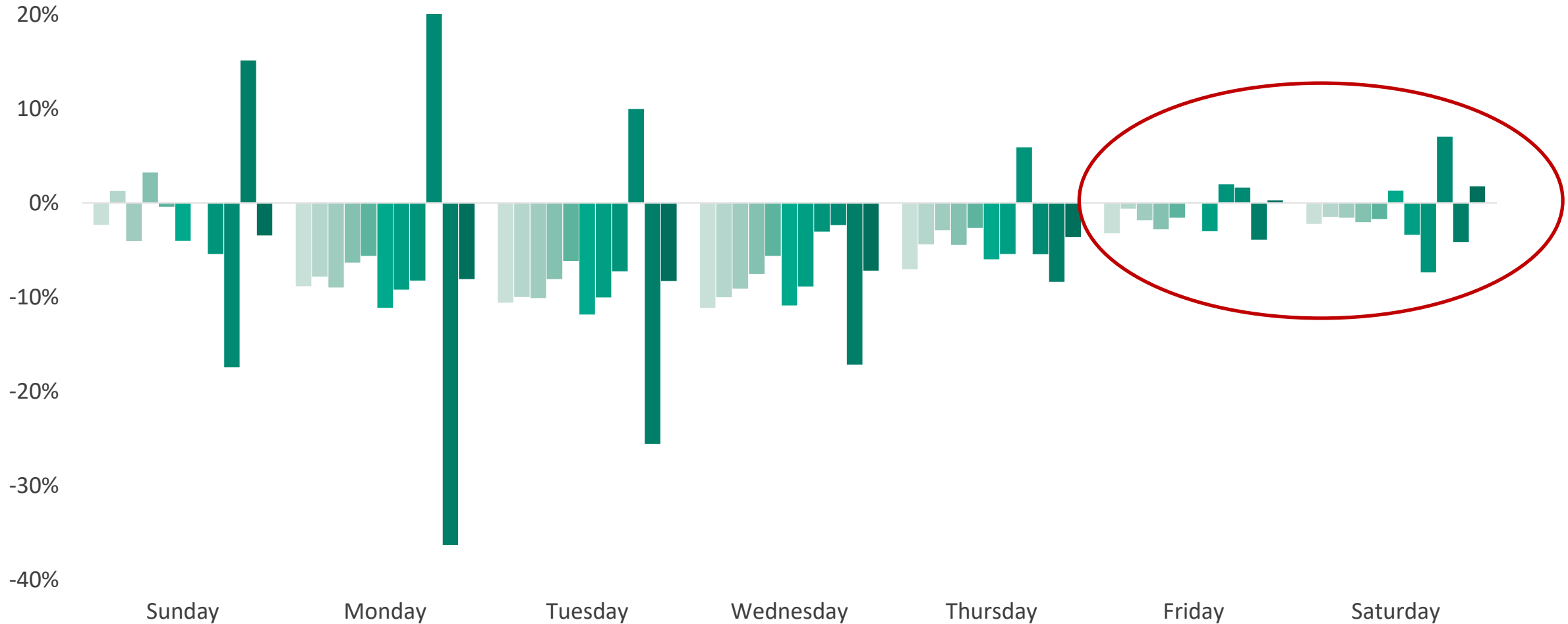




# Weekends, shoulders basically recovered. Weekdays working on it.



U.S., daily occupancy % chg. to 2019, weeks ending 2 Apr – 11 Jun 2022

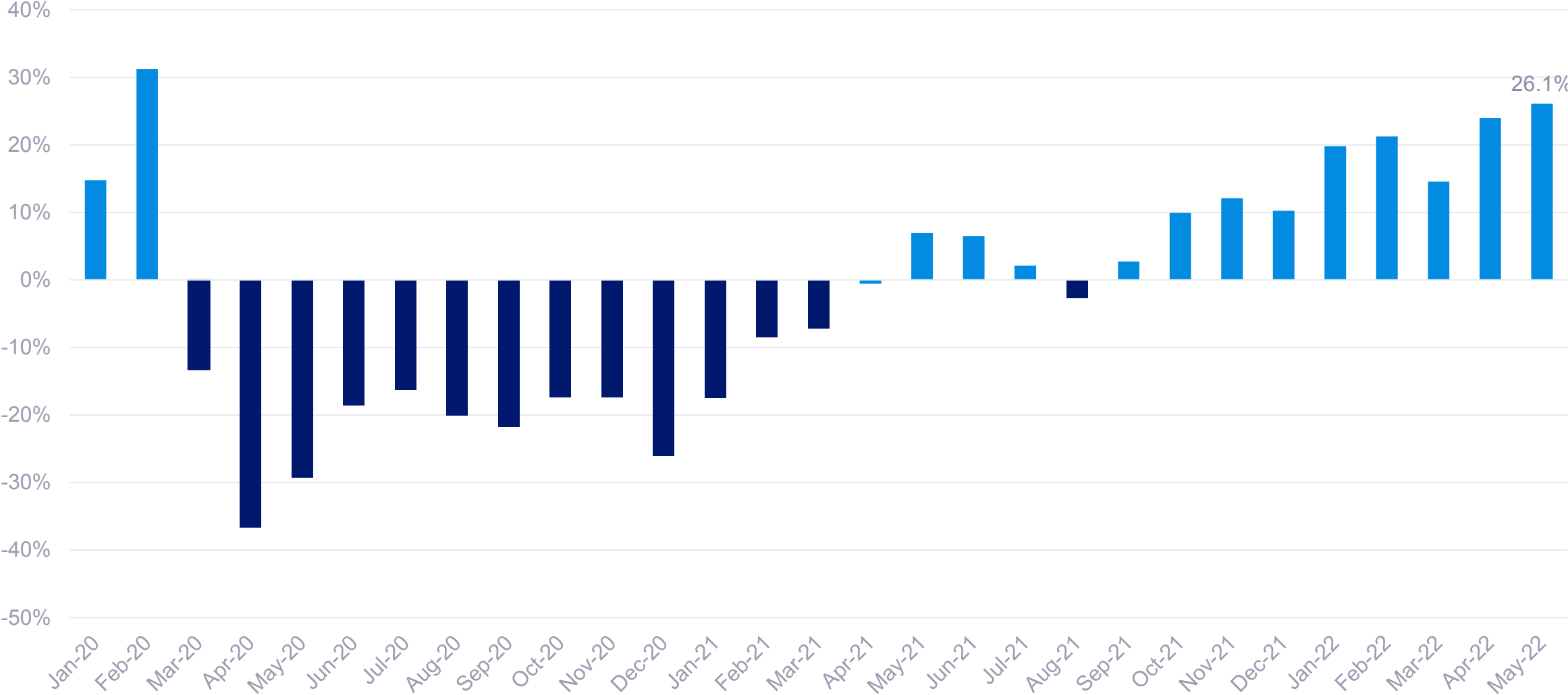




# ST Rental Demand Up 26% in May, another peak



Change in United States Short-term Rental Demand vs 2019



Source: AirDNA



# 2 Economic fundamentals

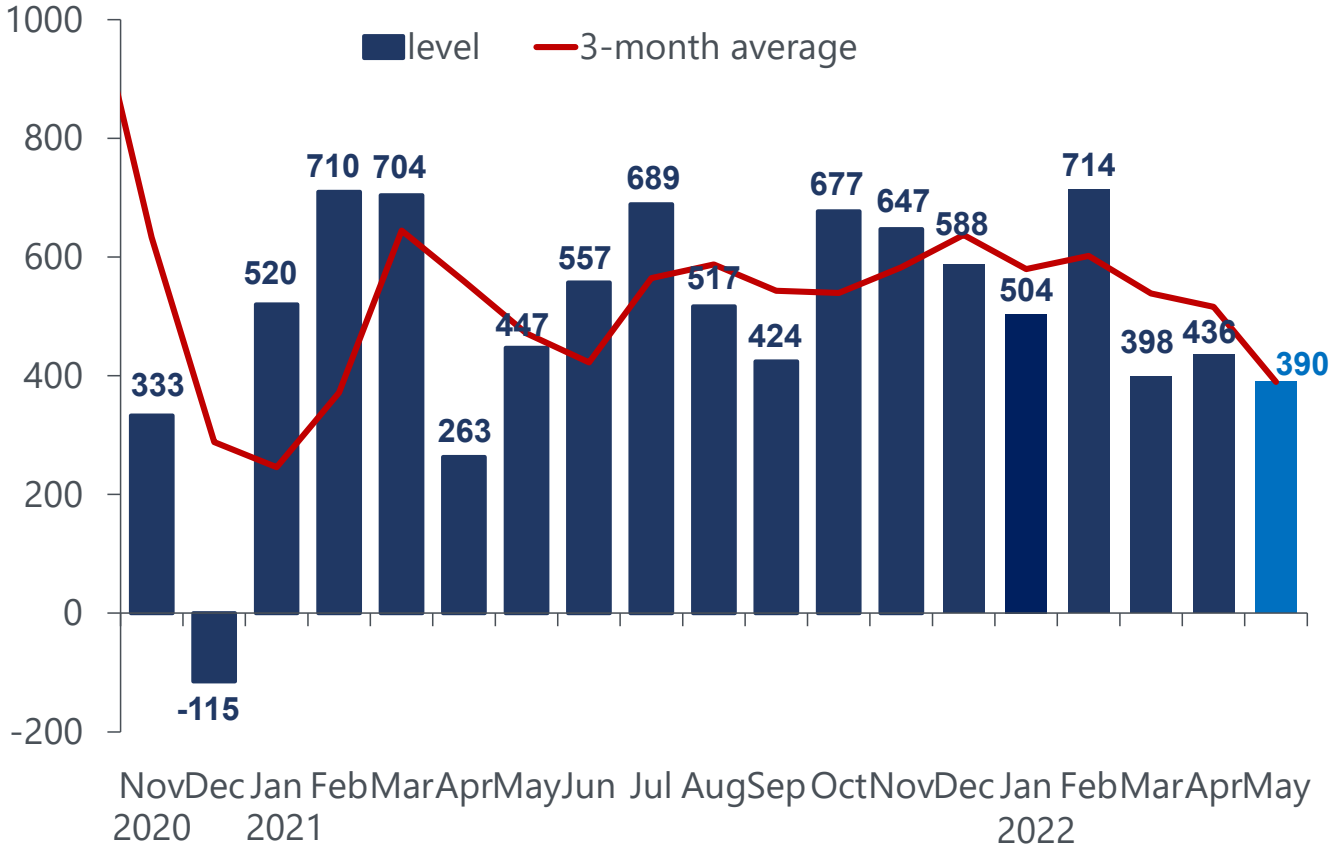




# Now just 1.3 million jobs short of peak

## US: Nonfarm payroll employment

Thousand

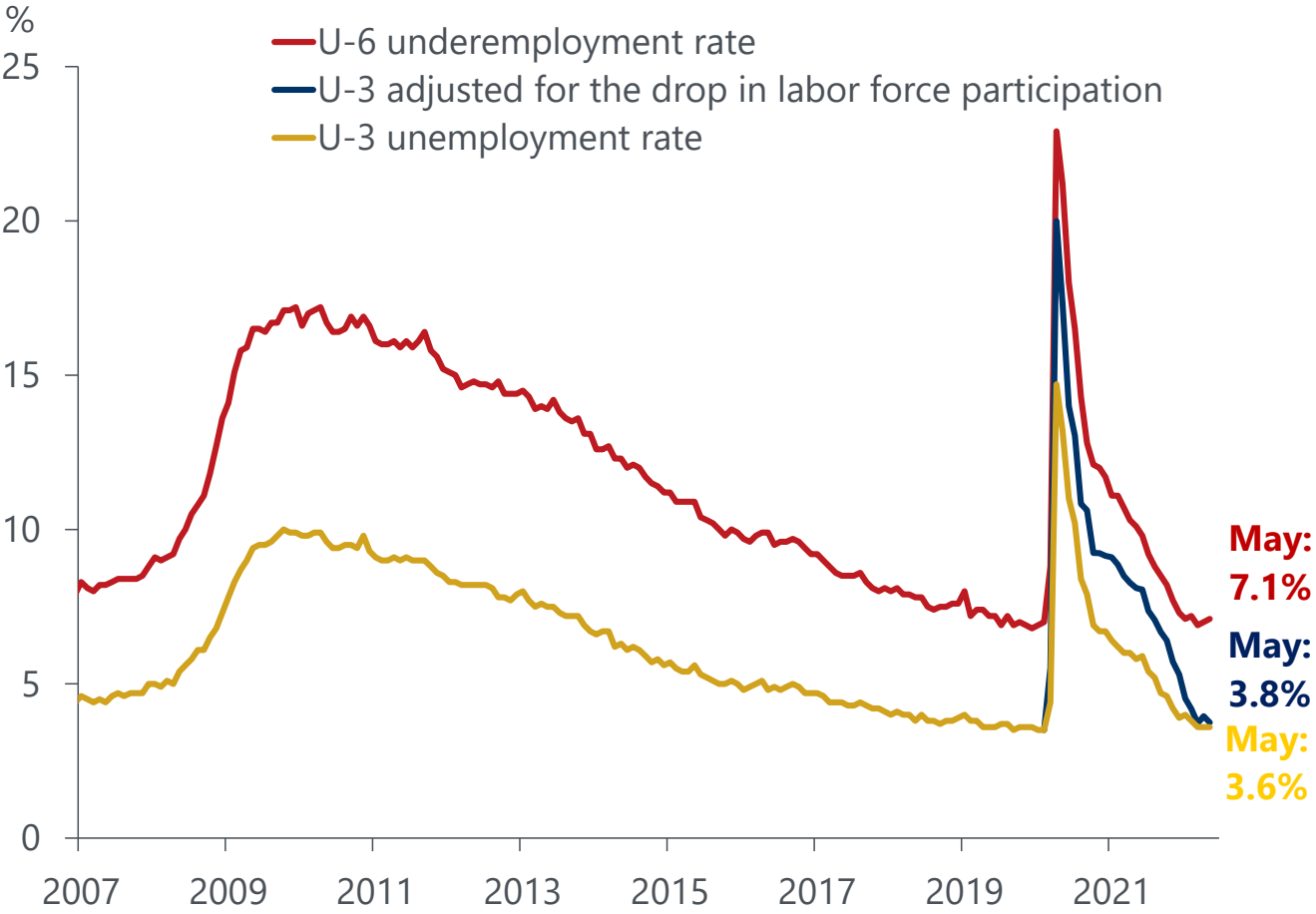


Source: Oxford Economics/Haver Analytics



# Unemployment rate from 15% to 3.6% in record time

US: Unemployment rates

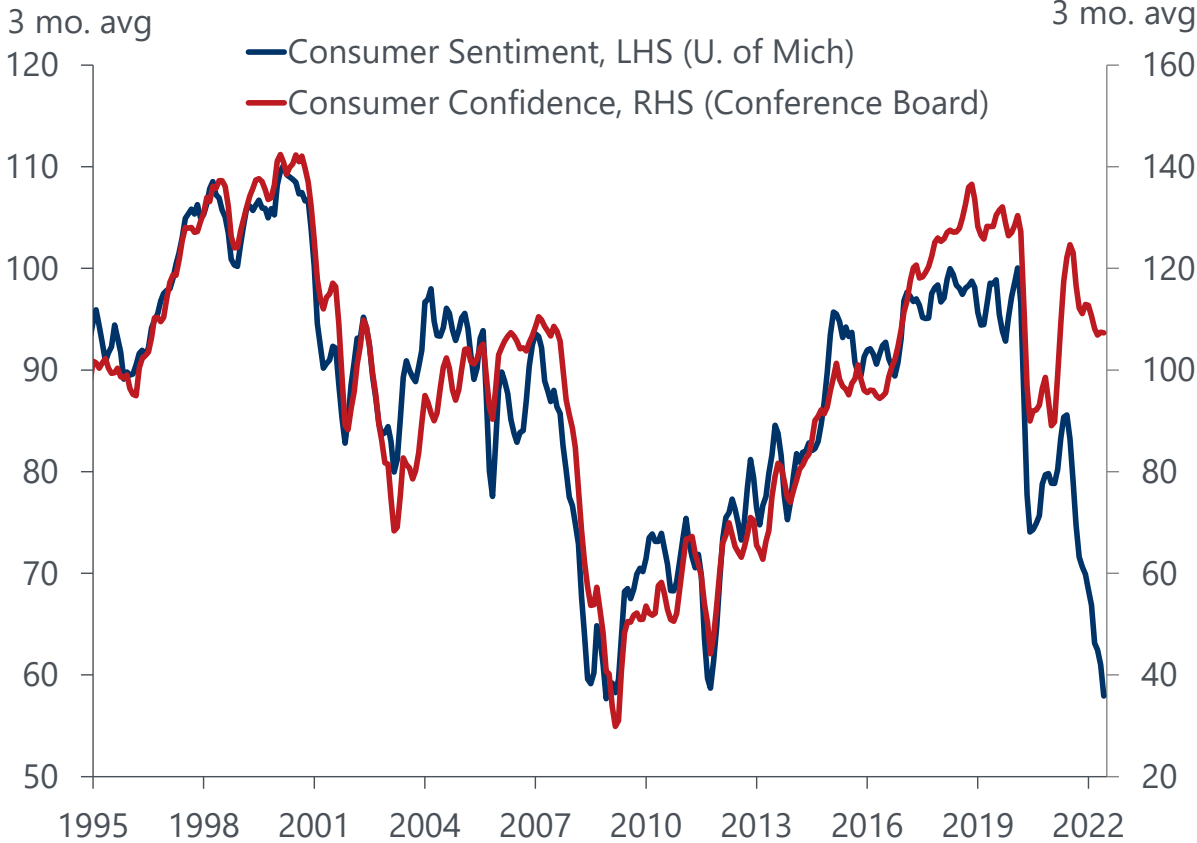


Source: Oxford Economics/Haver Analytics



# Consumers feeling uneasy

## US: Consumer surveys

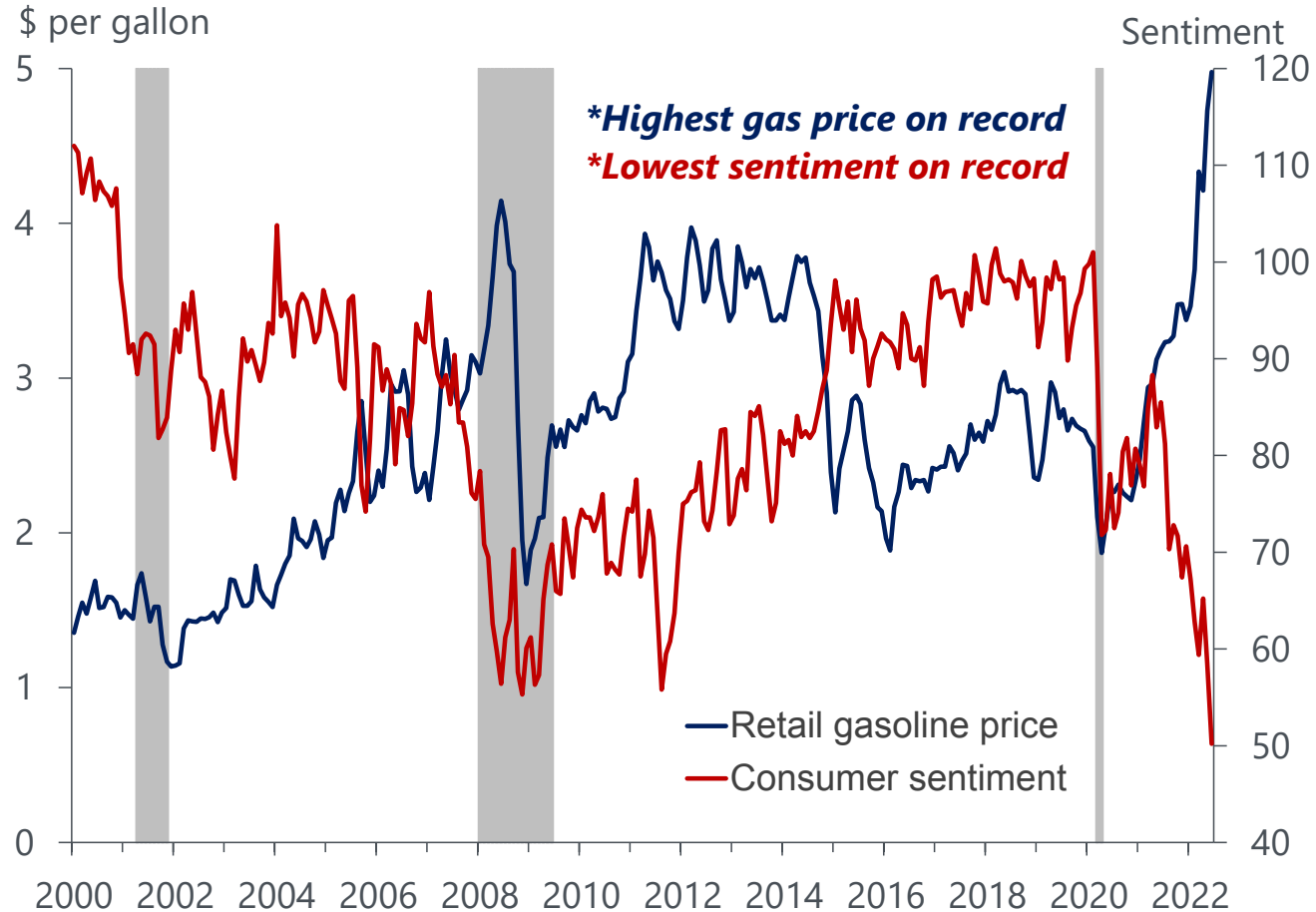


Source: Oxford Economics/Haver Analytics



# Record high gas prices are a key reason

US: Surging gas prices are exacerbating depressed sentiment



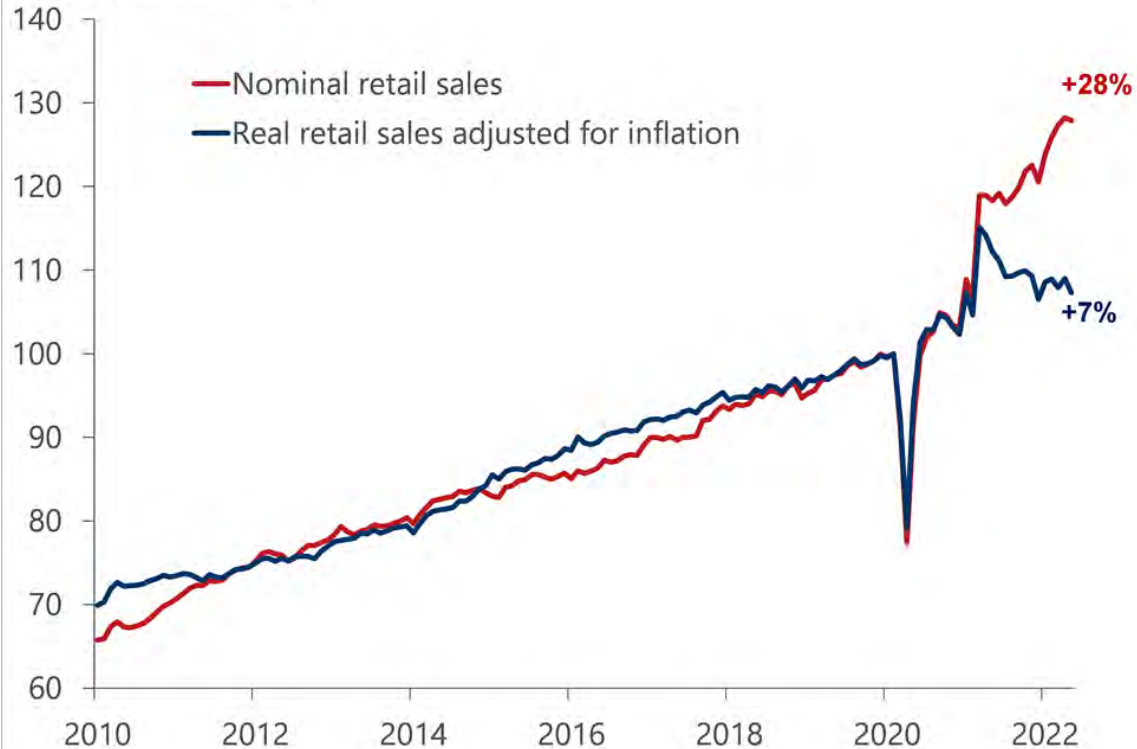
Source: Oxford Economics/Haver Analytics



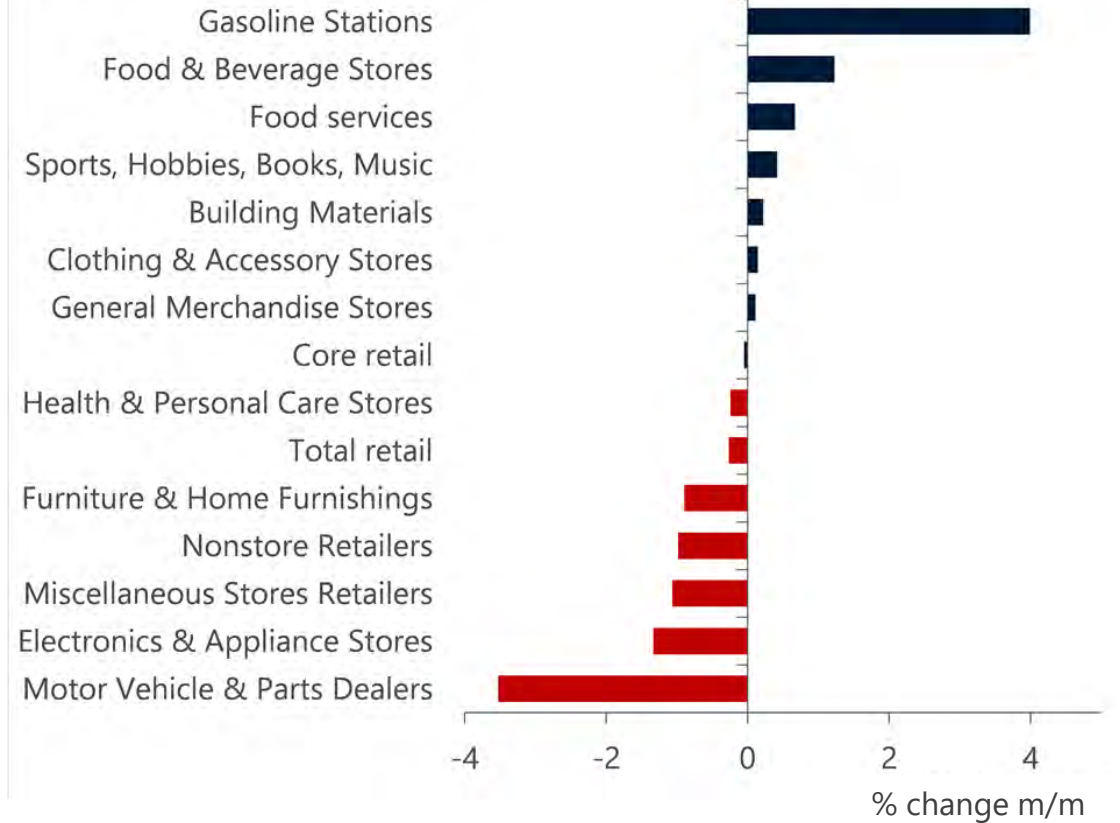
# Inflation stating to take its toll on consumer spending

## US: Elevated inflation is boosting retail sales

Index, (Feb 2020=100)



## US: Mixed retail sales in May

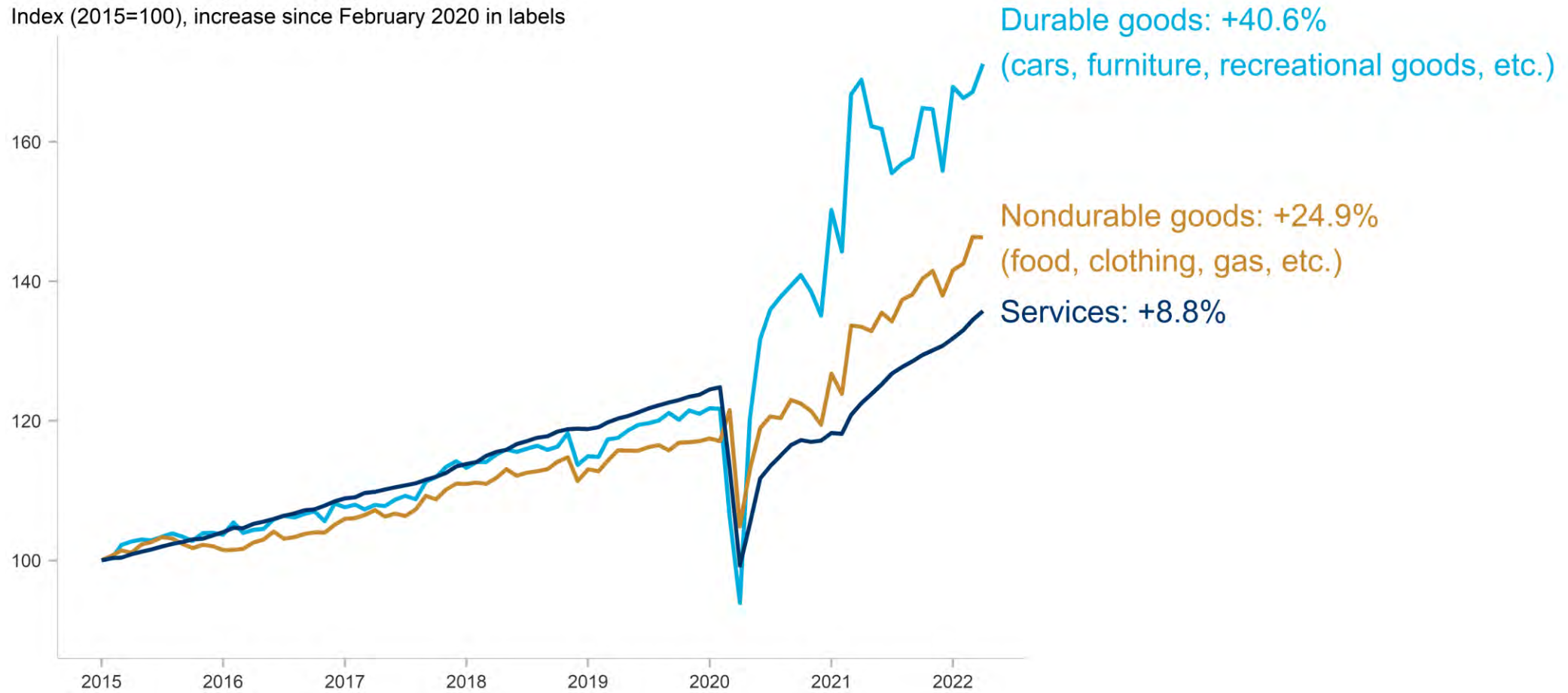




# But spending on services still showing resilience

## Consumer spending

Index (2015=100), increase since February 2020 in labels



Note: Nominal. Seasonally adjusted monthly data through April 2022

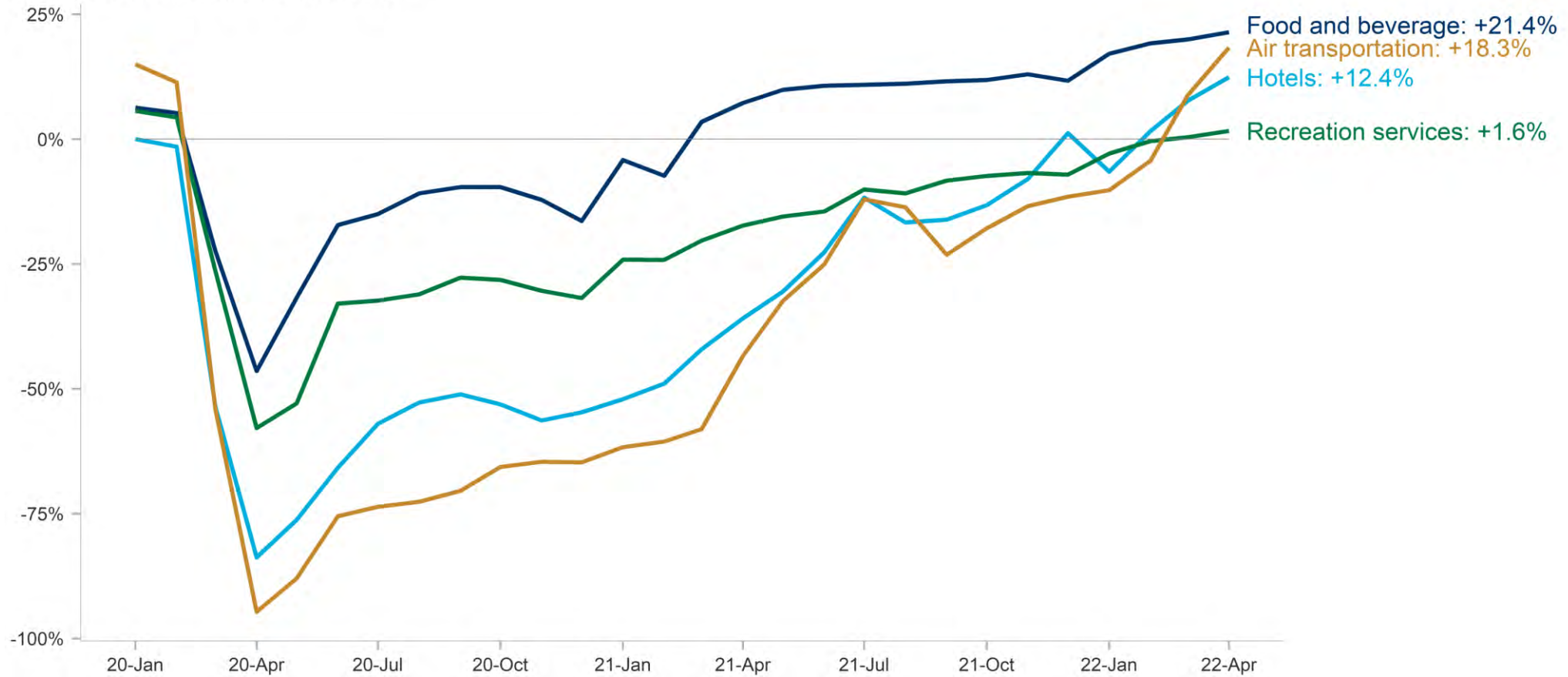
Source: Bureau of Economic Analysis



# ...especially in travel-related sectors

## Consumer spending

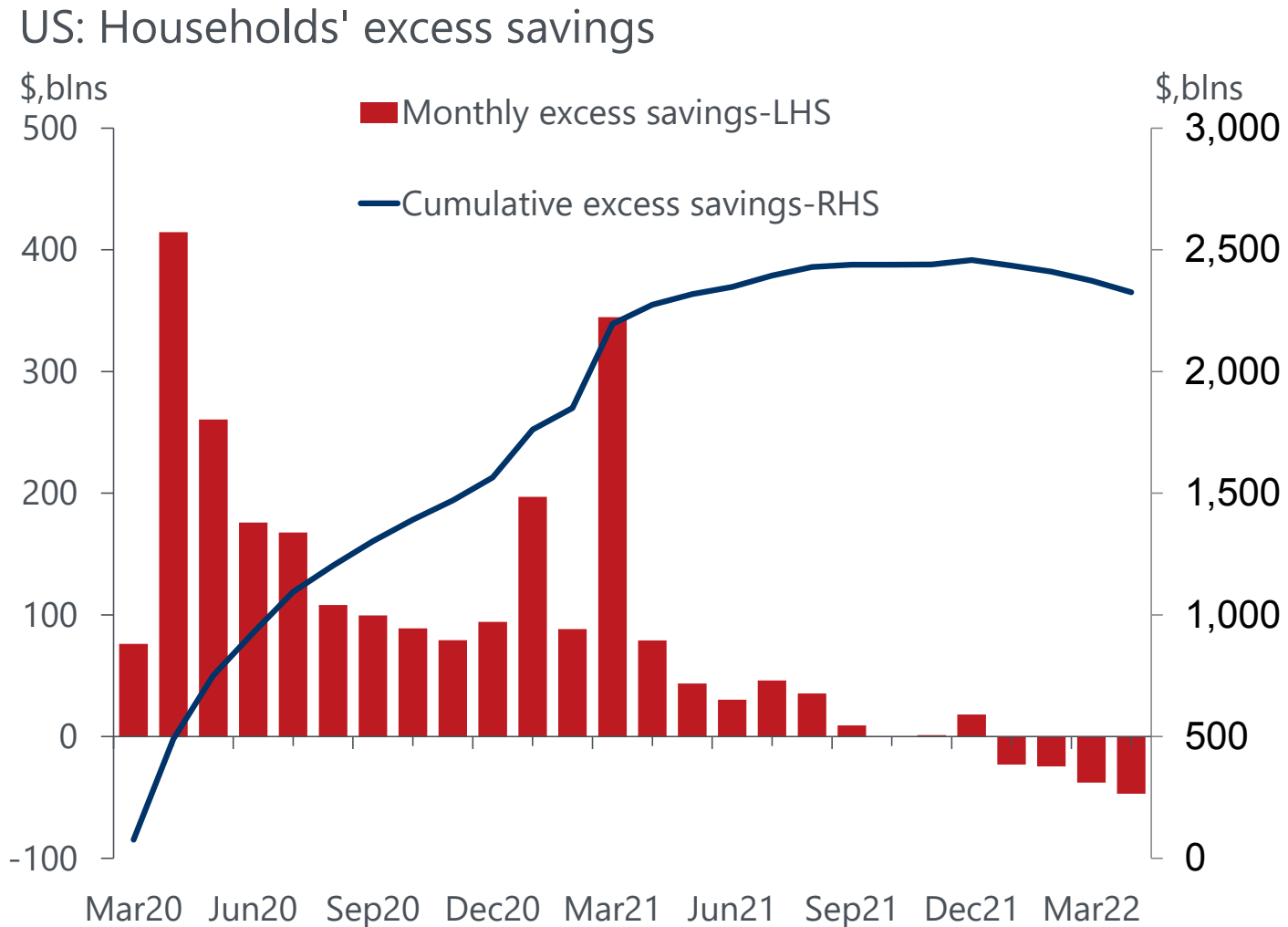
Change relative to same month in 2019



Note: Nominal. Monthly data through April 2022  
Source: Bureau of Economic Analysis



# The savings war chest is being tapped

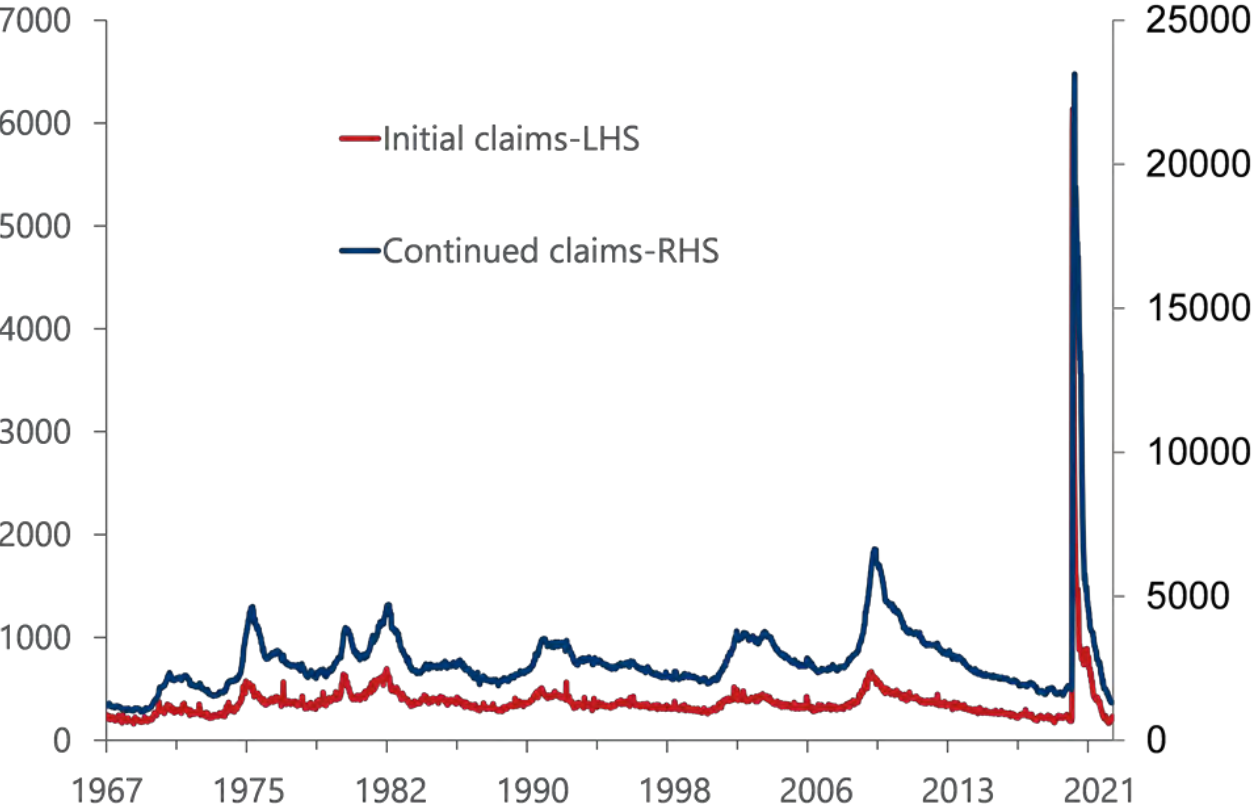


Source: Oxford Economics/Haver Analytics



# The labor market remains strong

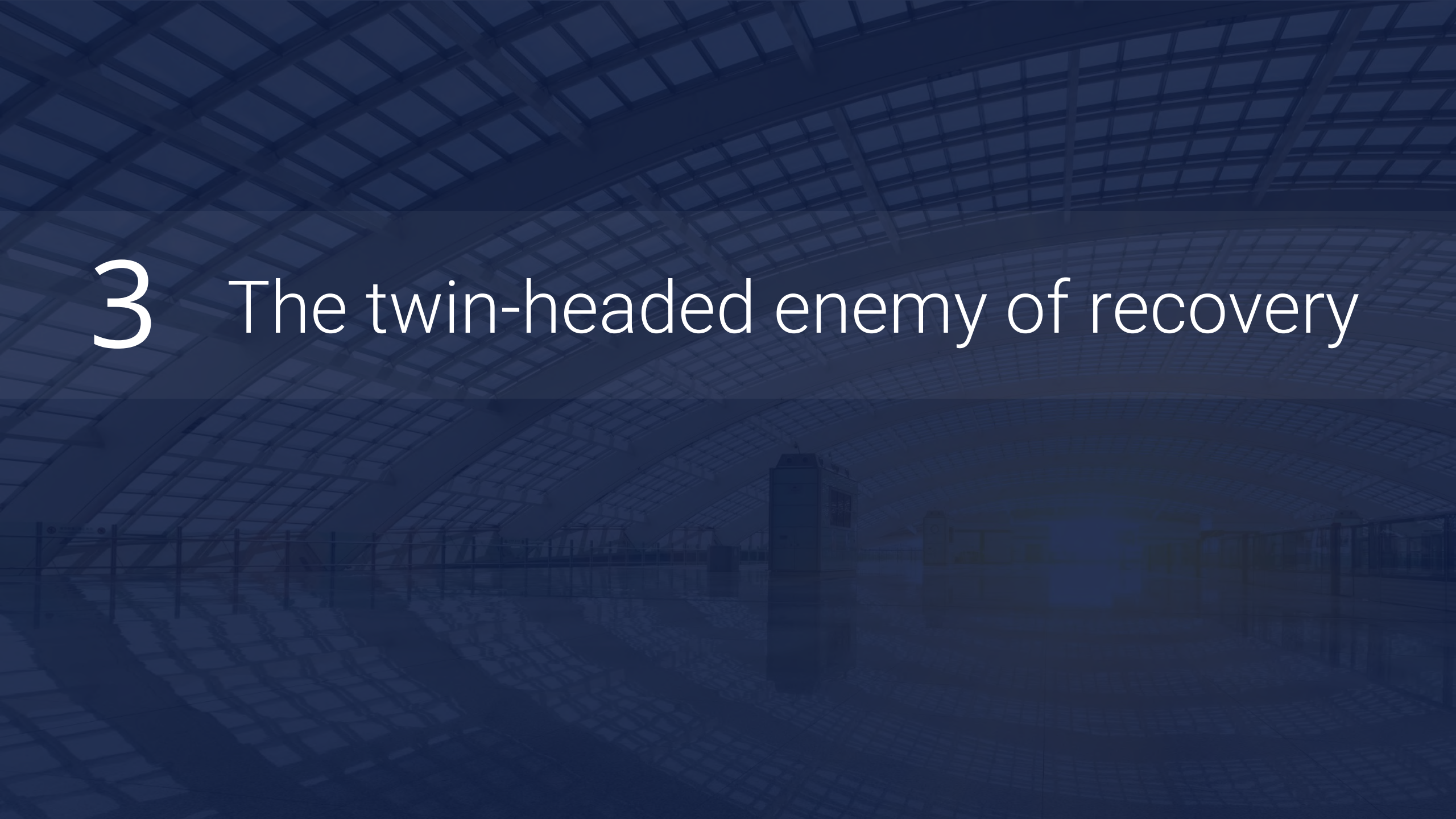
US: Initial and continued jobless claims



Source: Oxford Economics/Haver Analytics



# 3 The twin-headed enemy of recovery

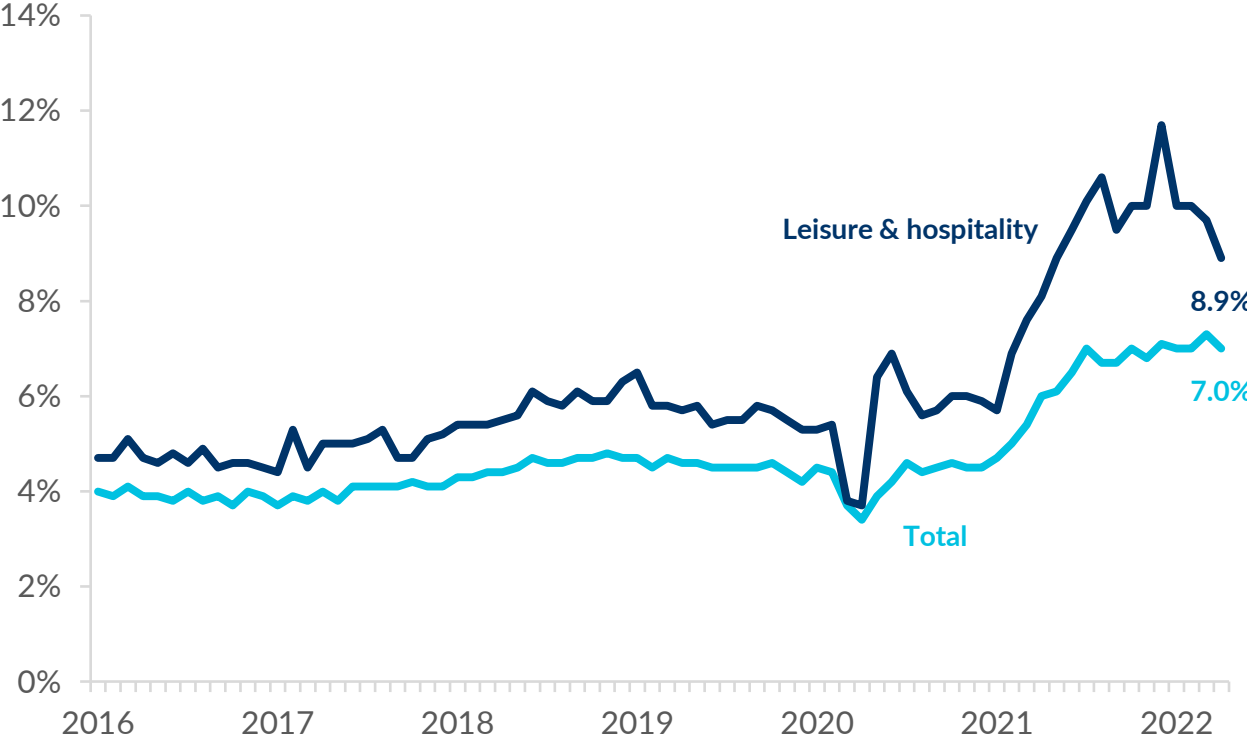




# Enemy #1: Labor shortages

## Job openings rate

Share of job openings as a percent of total available jobs



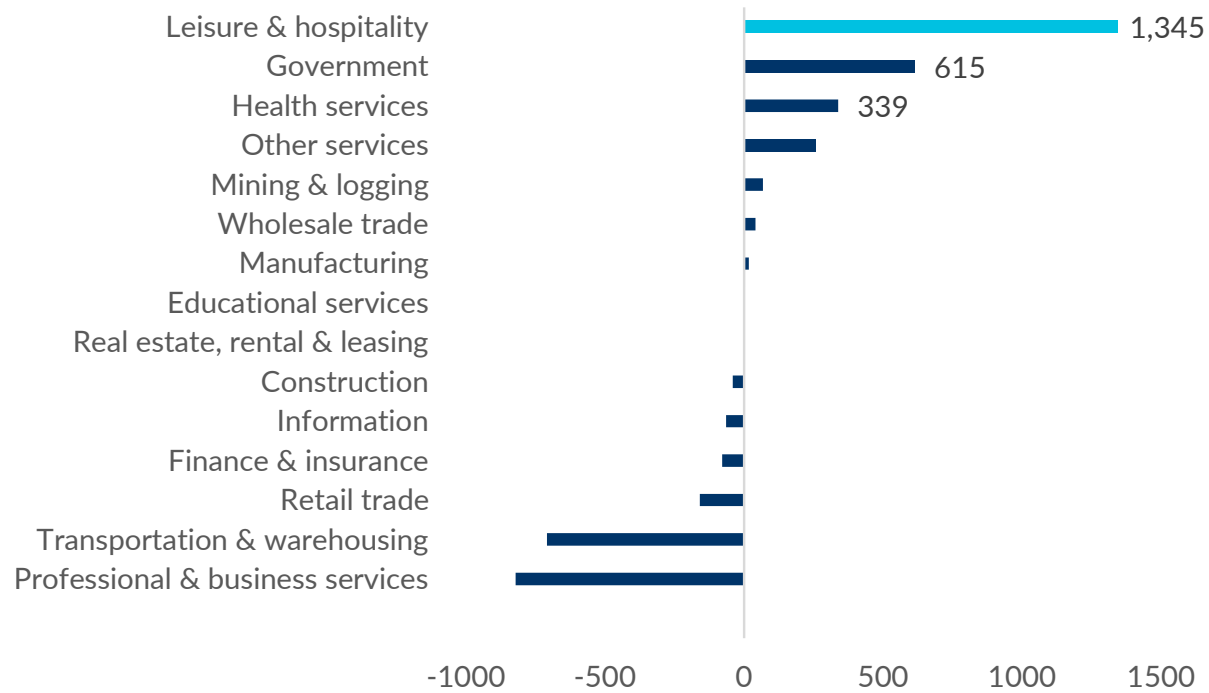
Source: BLS



# L&H is 1.3 million jobs short of peak (same as total economy!)

## US employment loss by industry

Jobs still lost from Feb. 2020-May 2022



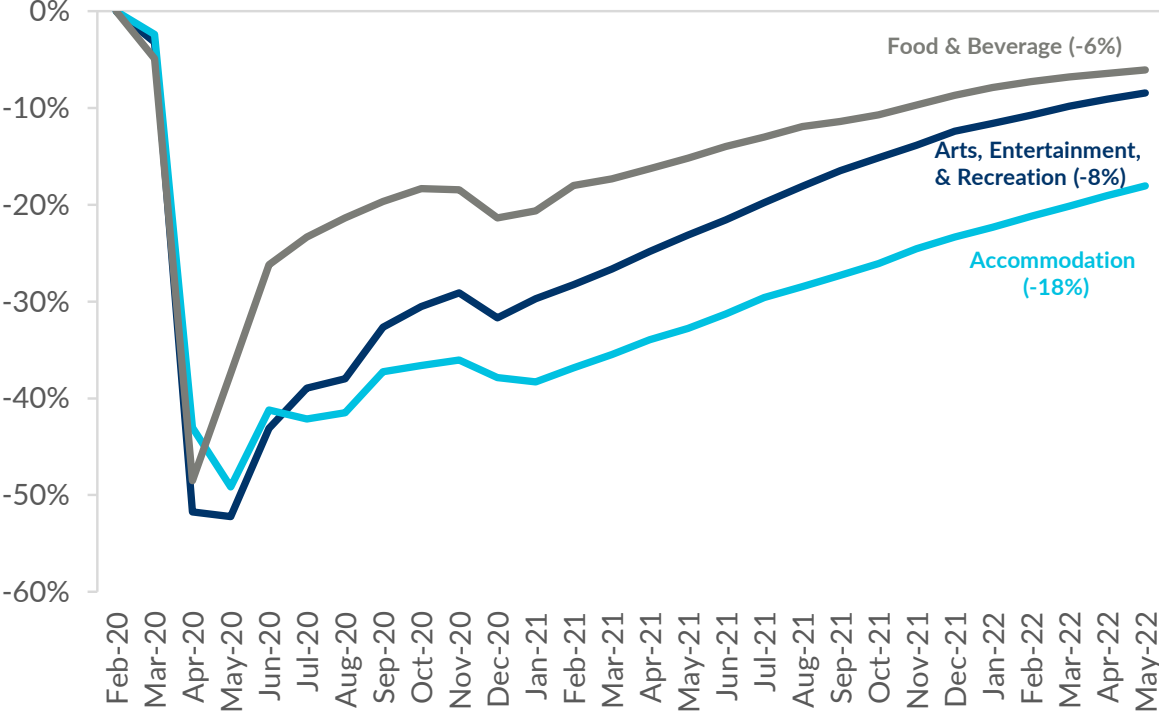
Source: BLS



# Situation is especially acute in hotel and recreation sectors

## Share of jobs lost in L&H sub-industries

% of industry jobs lost from February 2020

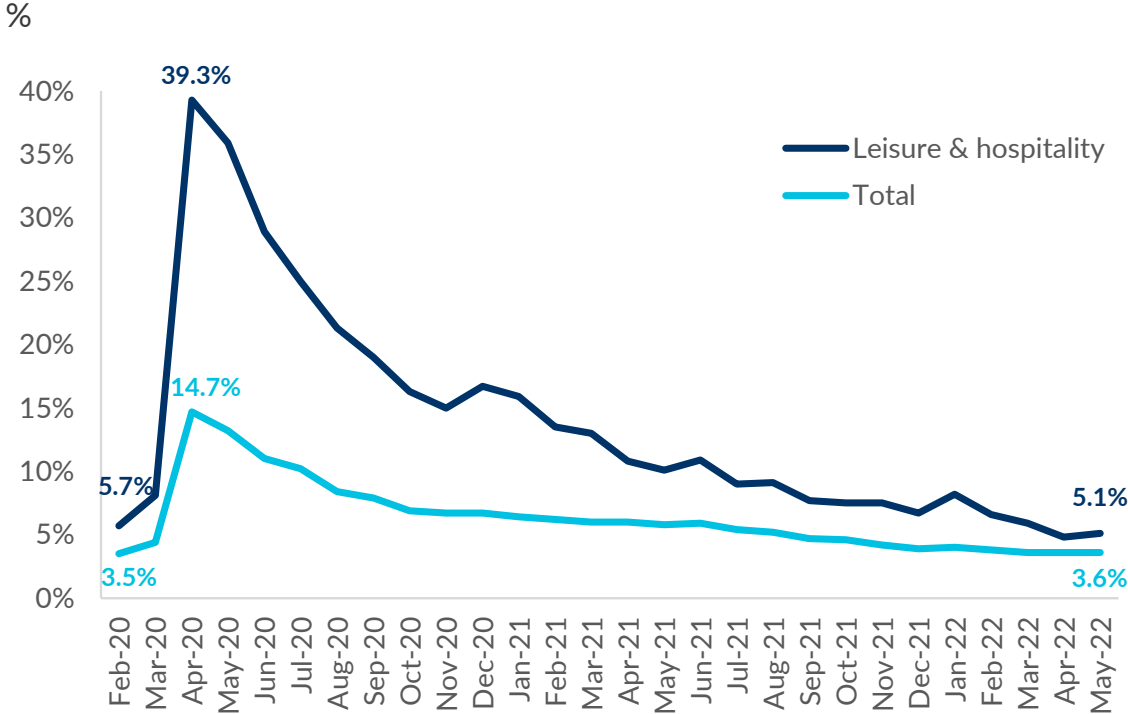


Source: BLS



# Unemployment rate considerably higher in L&H

## Unemployment rate



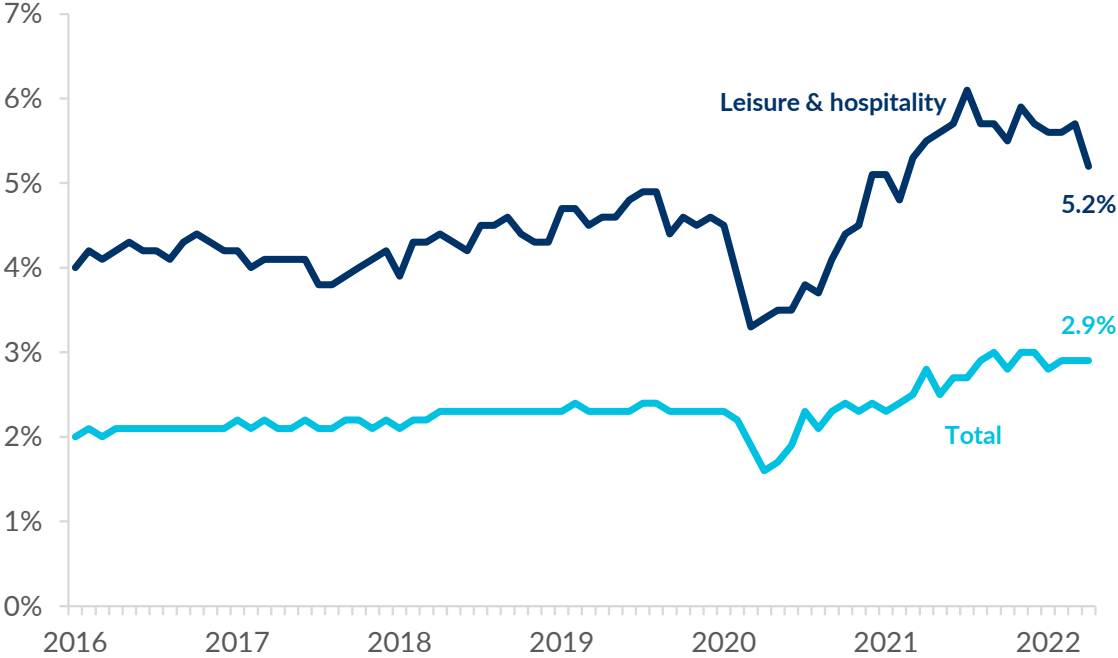
Source: BLS



# And quit rates remain elevated

## Job quits rate

Share of quits as a percent of total employment



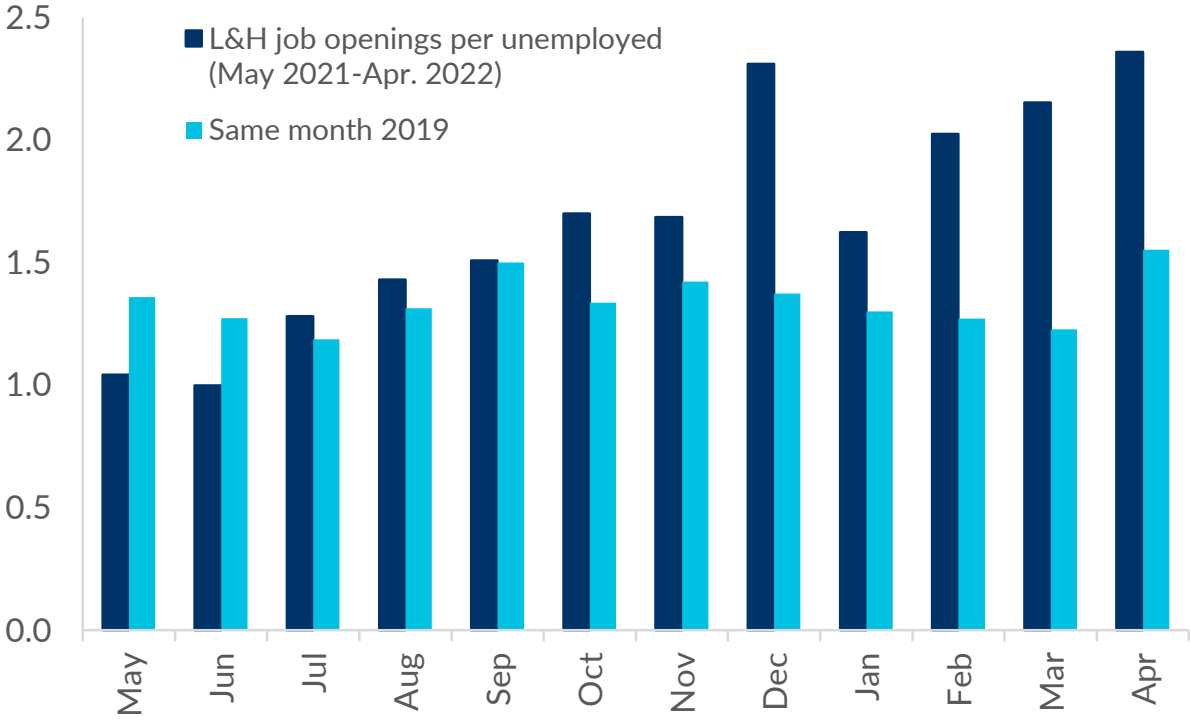
Source: BLS



# More than 2 job openings per unemployed person

## L&H labor market

L&H job openings per unemployed L&H worker

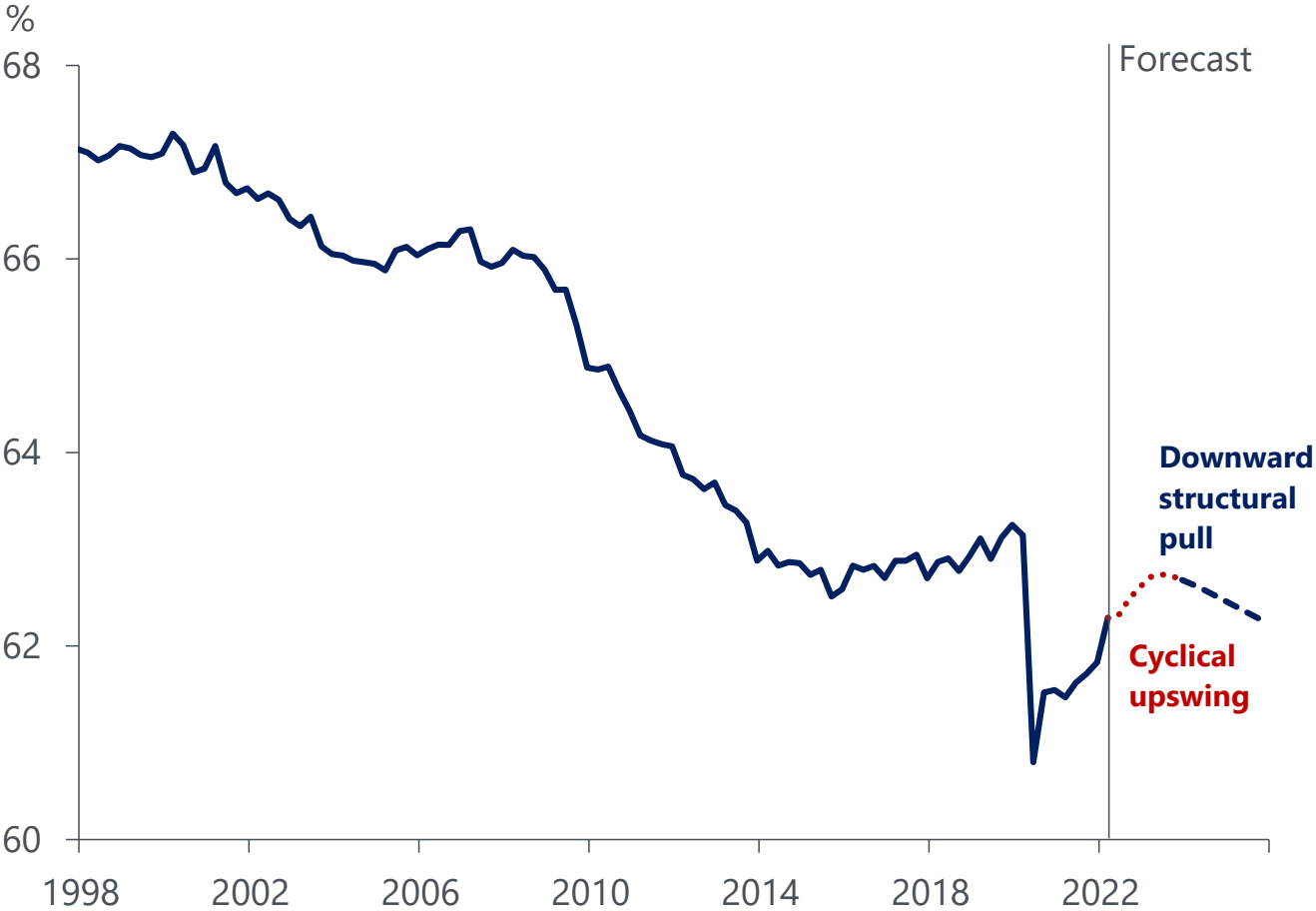


Source: BLS



# Labor supply rebound – an encouraging sign for 2022

US: Labor force participation rate



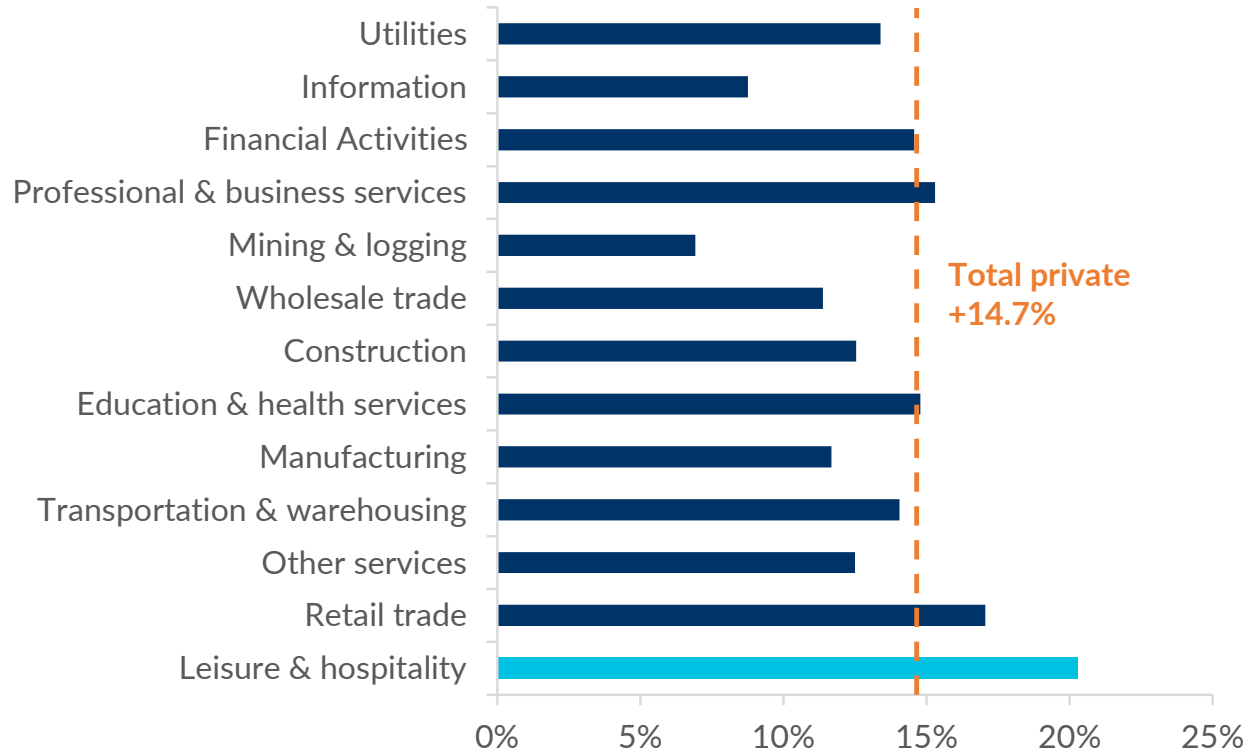
Source: Oxford Economics/Haver Analytics



# No sector has matched L&H wage increases

## Wage growth by industry

% change relative to May 2019, industries ranked by hourly wages



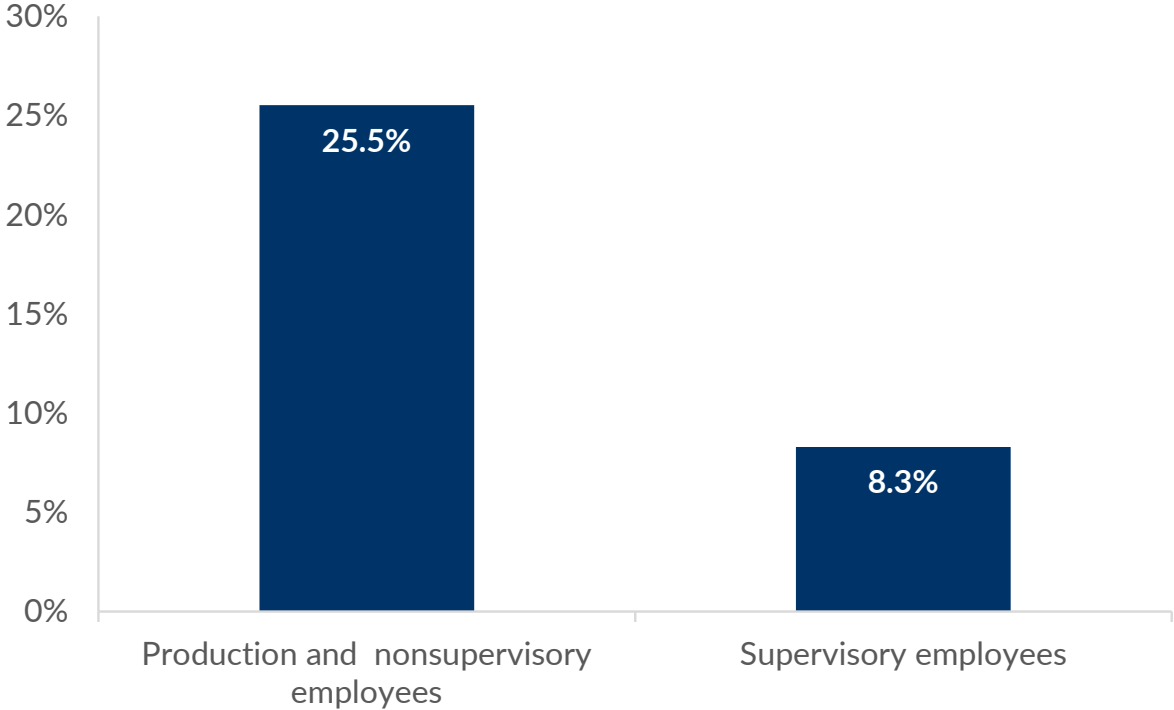
Source: BLS



# Increases MUCH larger for lower ranks

## Accommodation wage growth

% change relative to April 2019



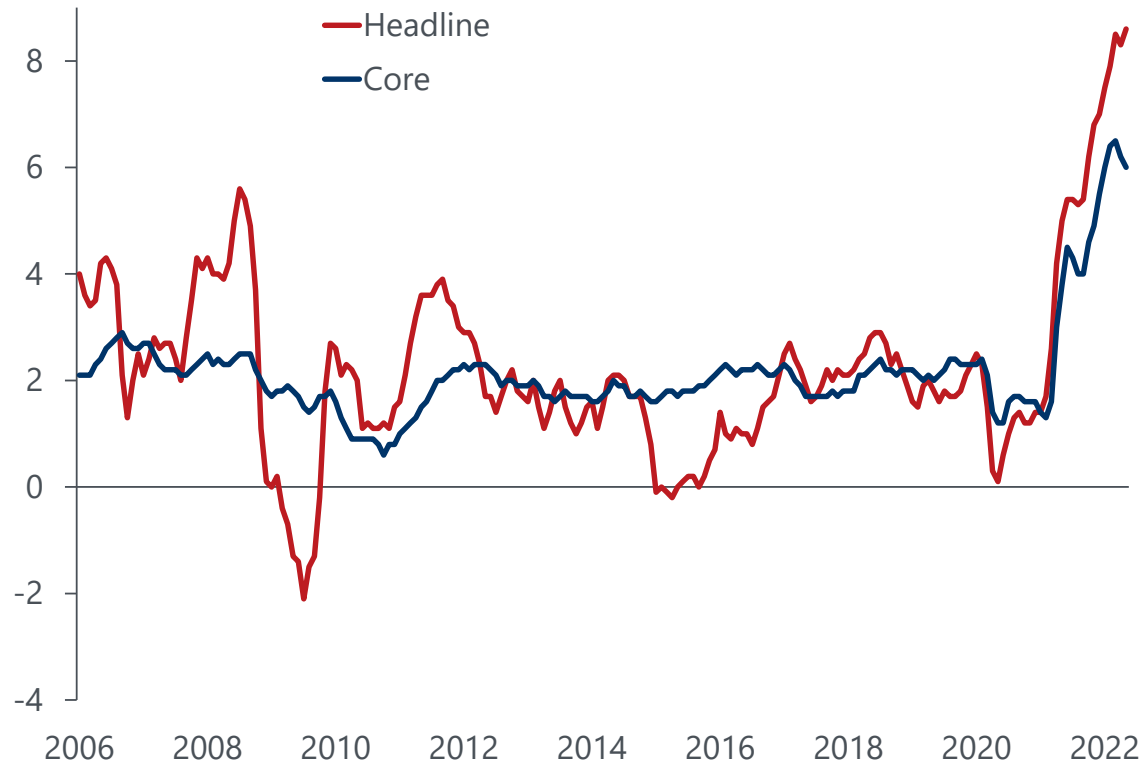
Source: BLS



# Enemy #2: Inflation

## US: Consumer prices

%, year



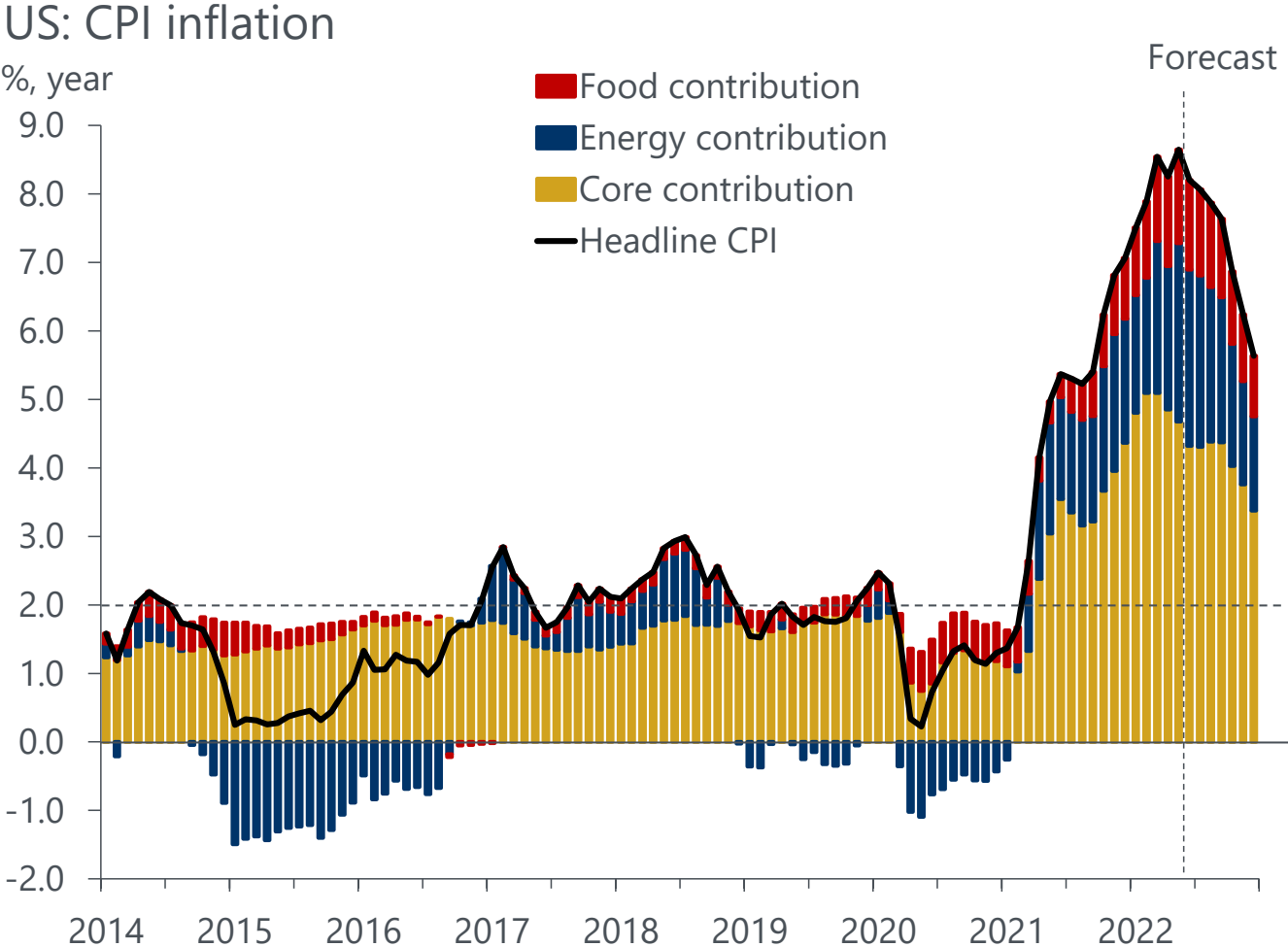
Source: Oxford Economics/Haver Analytics

**Consumer prices ramped up to a 40-year high in May**

- **Energy +34.6% from a year ago**
- **Food prices +10.1%**



# Expecting a very gradual descent in CPI inflation



Source: Oxford Economics



# Gas prices are the biggest concern for travel

## U.S. Retail Gasoline Prices Dollars per Gallon

Weekly, all grades



Source: EIA

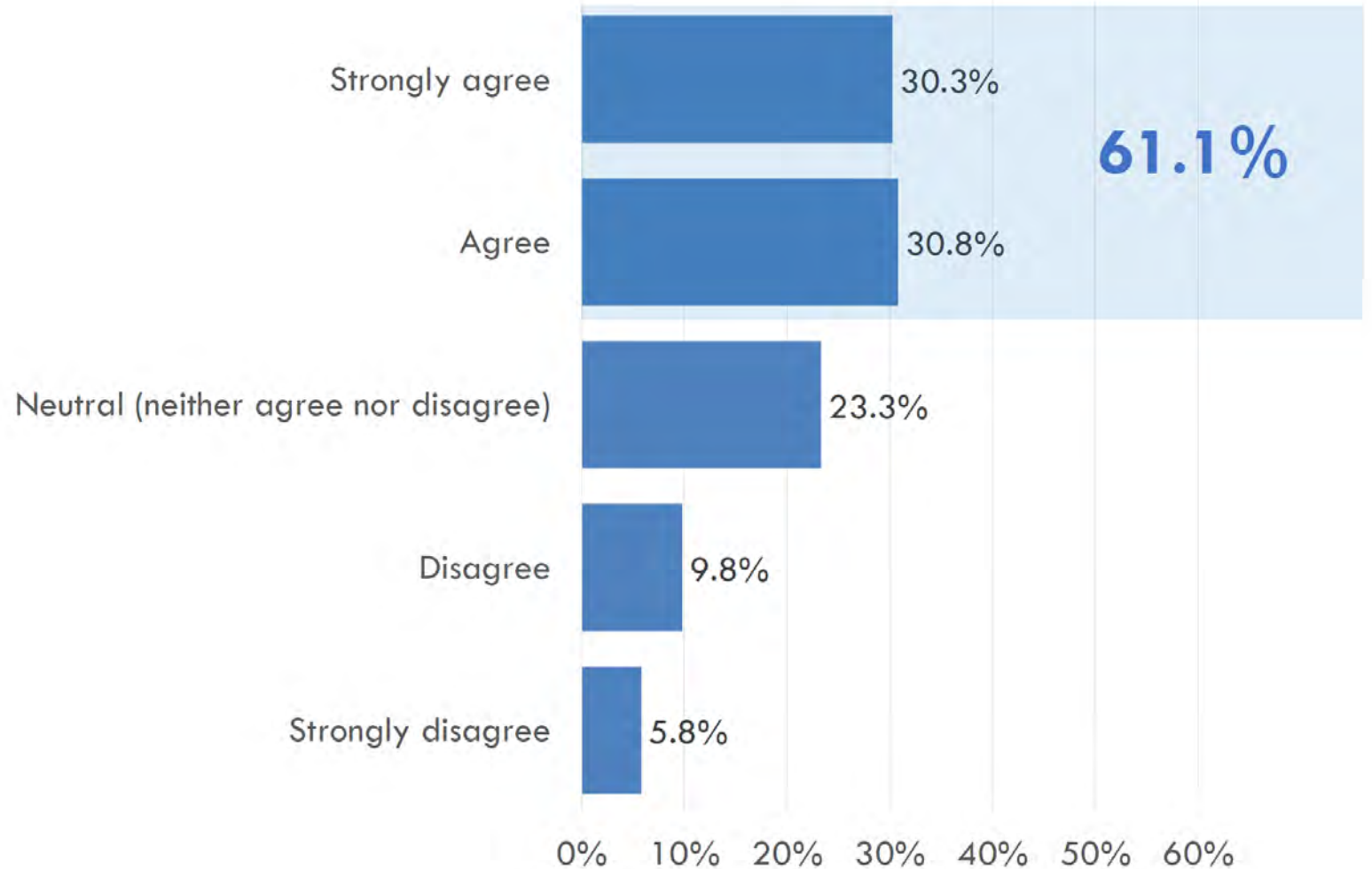


# Travelers VERY concerned about gas prices

**Question:** How much do you agree or disagree with the following statements?

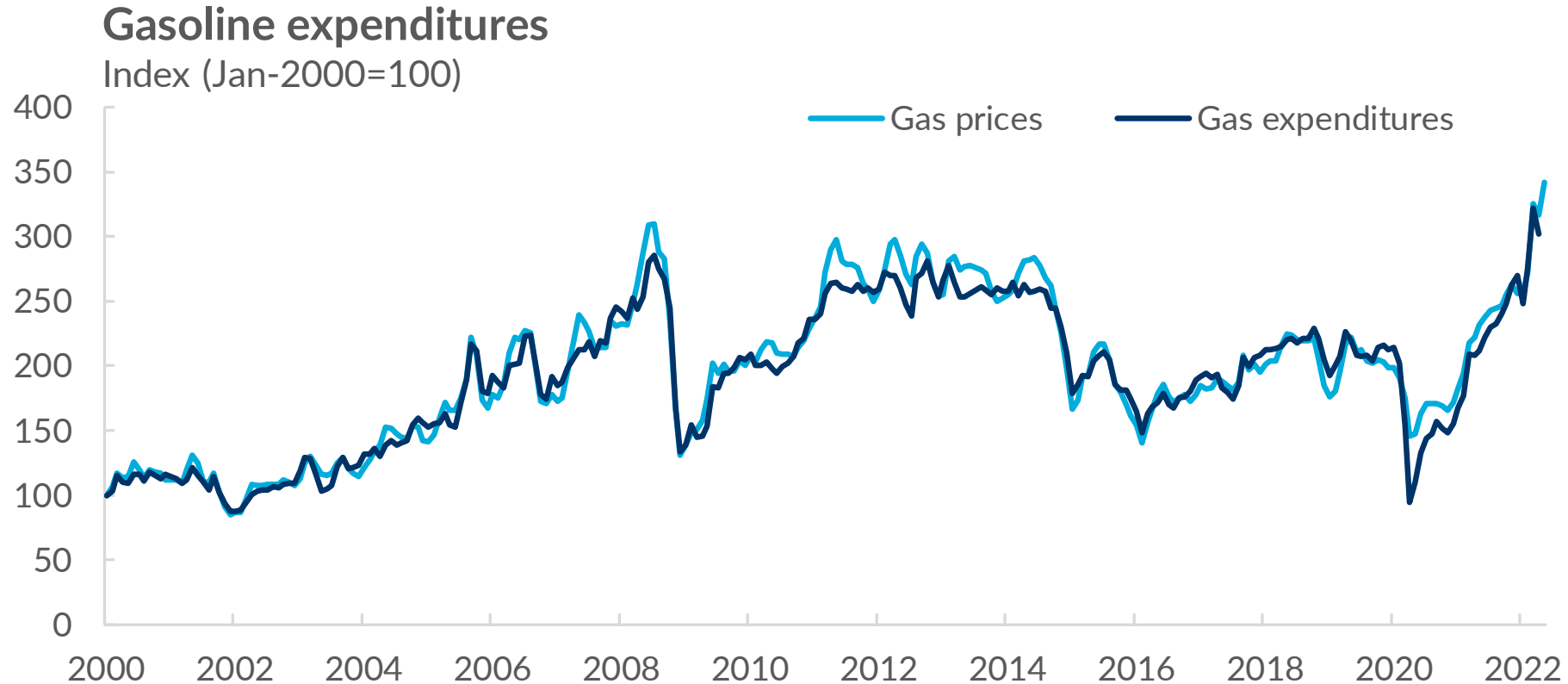
**If gasoline prices don't come down, I'll be taking fewer road trips this spring/summer.**

*(Base: All respondents, 4,018 completed surveys. Data collected May 15-24, 2022.)*





## But... US fuel consumption highly inelastic



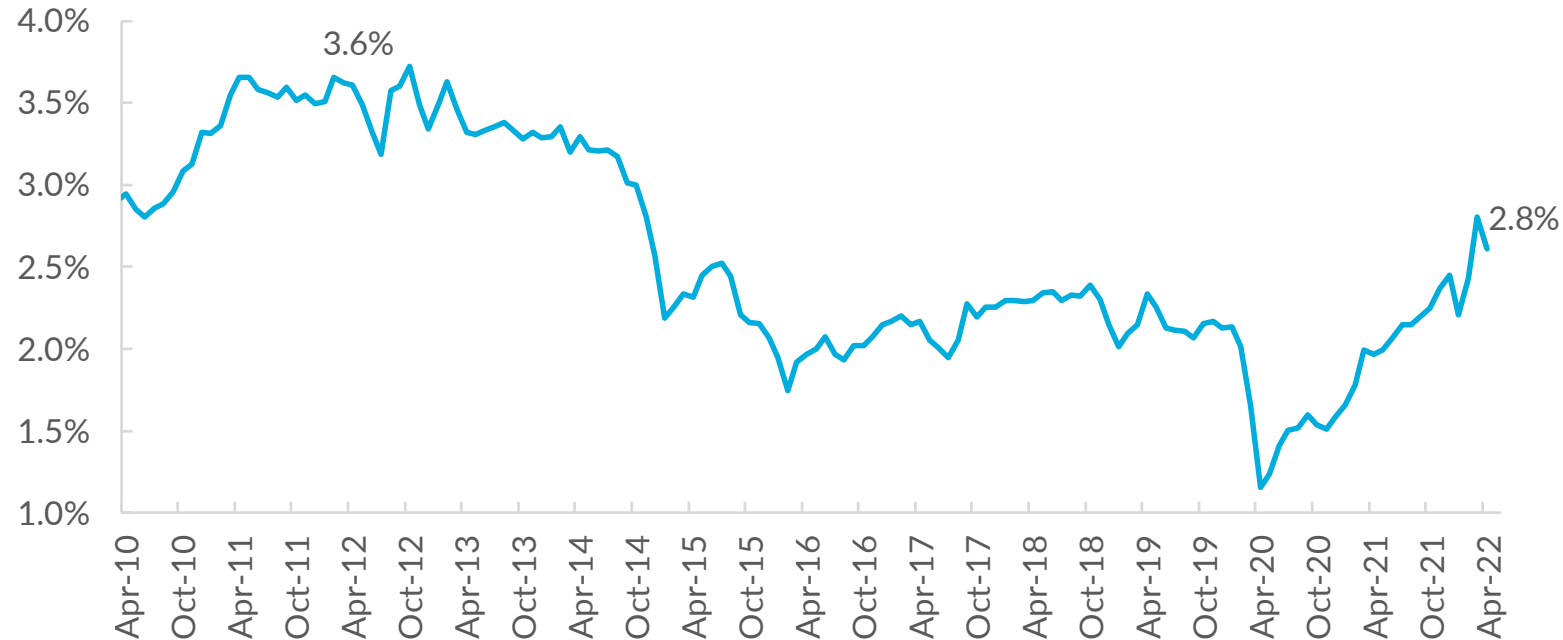
Sources: Tourism Economics, EIA, BEA

Note: BEA data based on average annual expenditures by consumer units. PCE as of April-22, Gas Price as of May-

## ...and remains a reasonable share of household expenditures

### Gasoline and other motor fuel expenditures

Share of total personal consumption expenditures



Source: BEA

- Even with recent gas price increases, the budget burden on households is less than experienced from 2010-2014.



# Auto travel still pacing ahead of last year

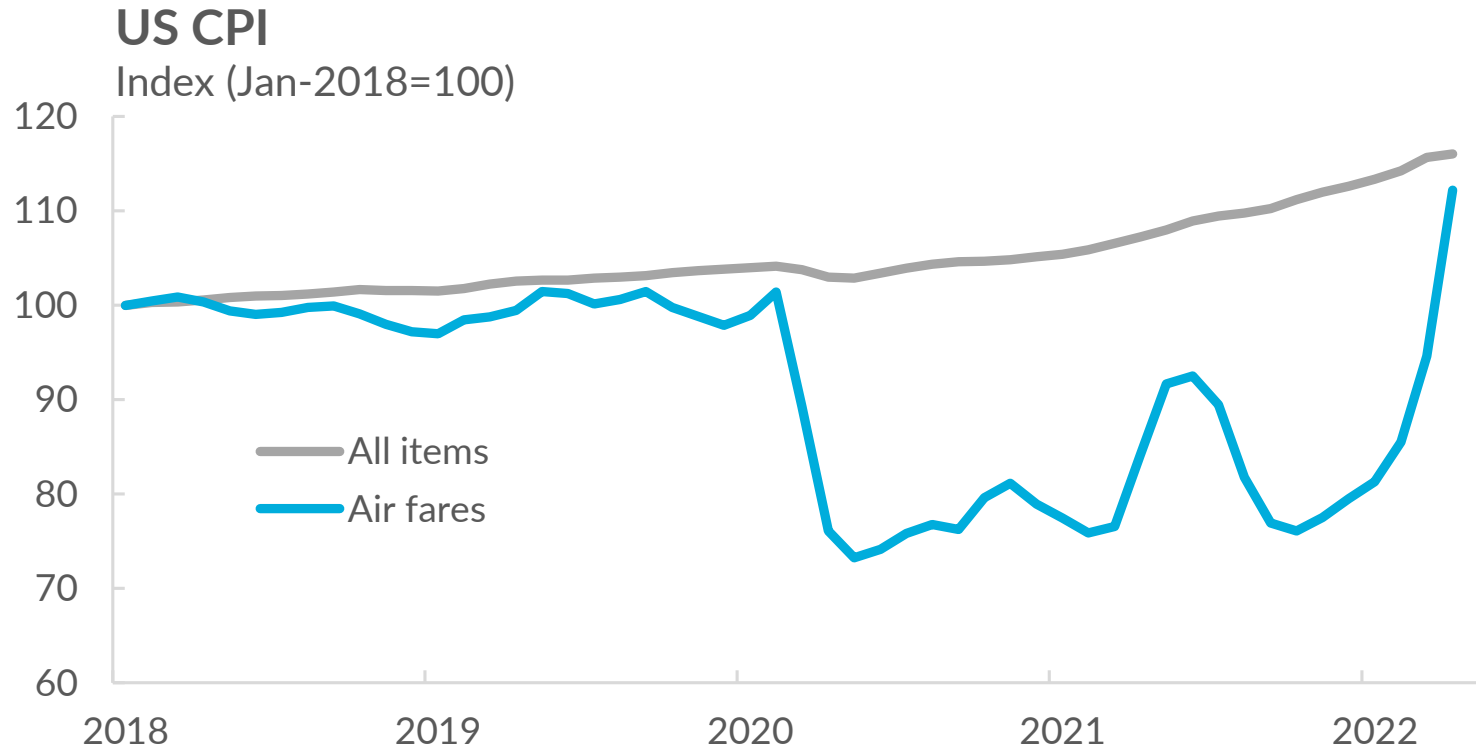
arrivalist.com | US Daily Travel Index



Date Granularity:  | 
 Compare Period:  | 
 Trip Type:  | 
 Destination:  | 
 2022 ■ | 2021 ■

Daily drive market index of US travelers who moved at least 50 miles from home and spent a minimum of 2 hours at the destination. The index is based on the average daily volume of 2019

# Air travel prices have spiked but still below overall inflation



Sources: Tourism Economics, BLS, Haver

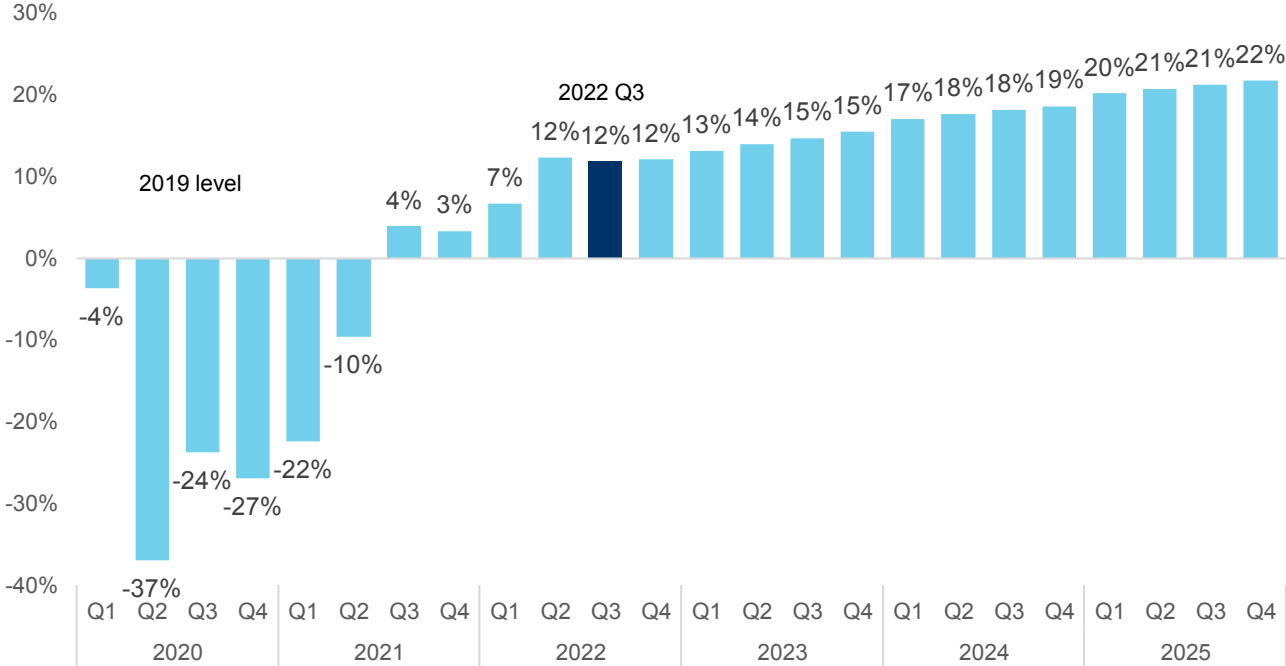
**“Revenue management systems are just beginning to tighten up because we don't want to run out of supply for this summer... And our biggest concern right now is selling out for this summer. And again, we've made the appropriate changes so we don't do that..”**  
United Airlines revenue guidance, May 16



# An unprecedented recovery in ADR

## US ADR

Quarterly, relative to 2019

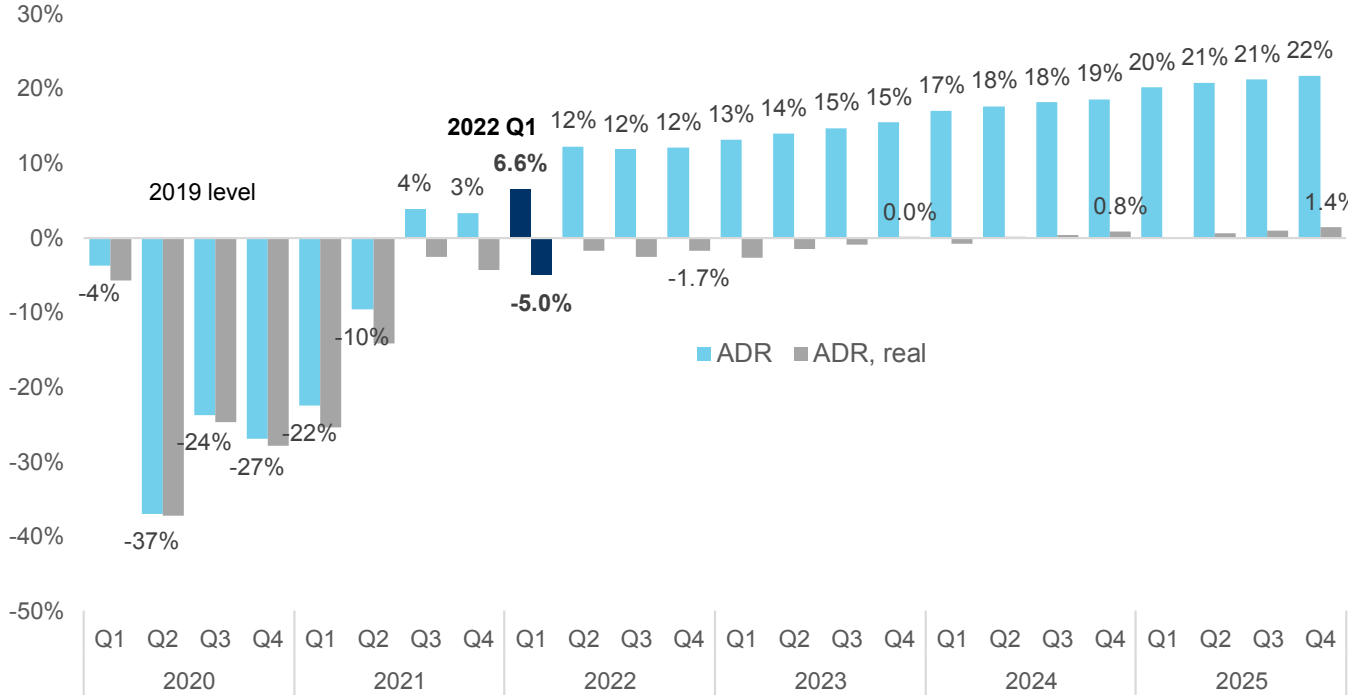


Source: STR; Tourism Economics

# Inflation-adjusted ADR outlook is less impressive

## US ADR

Quarterly, relative to 2019



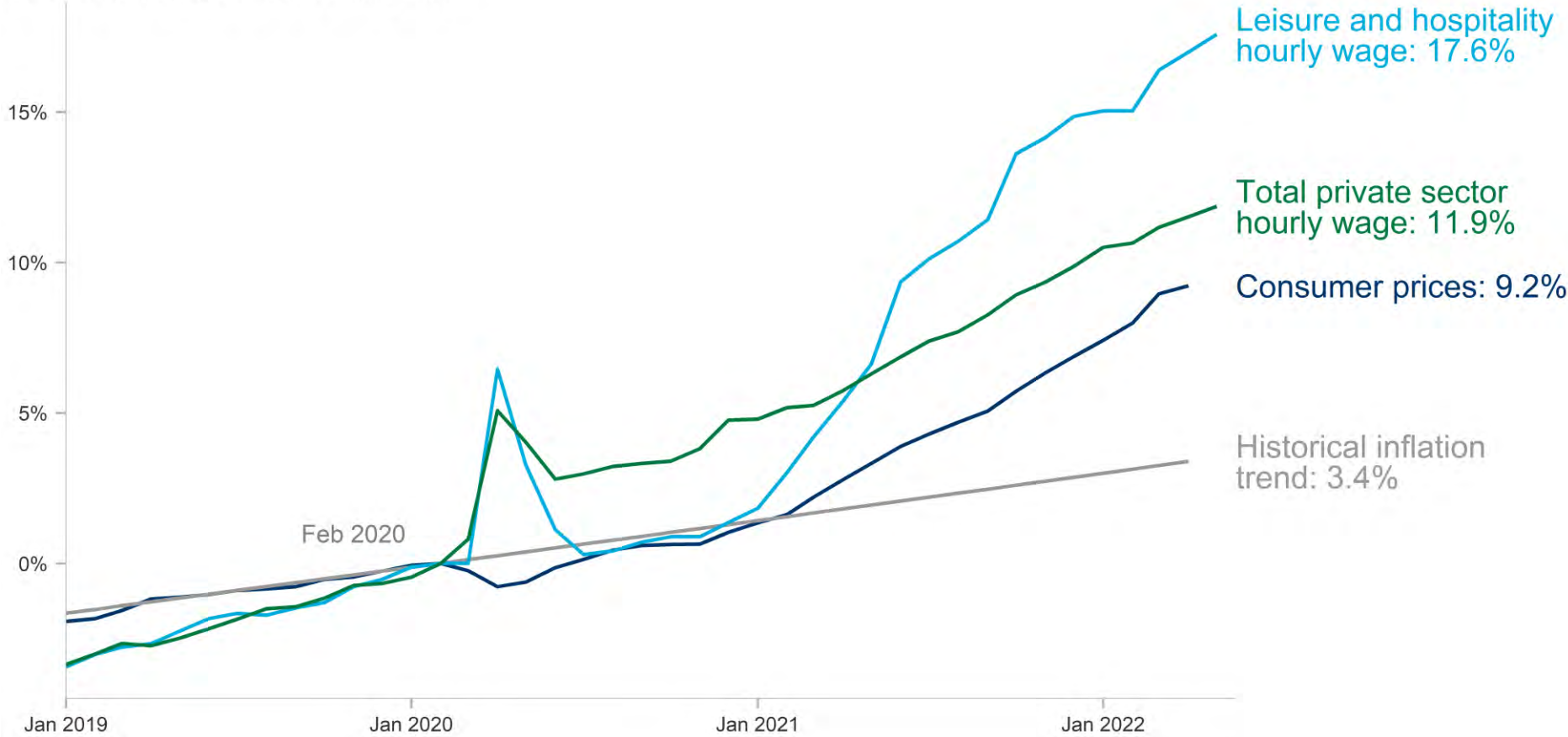
Source: STR; Tourism Economics



# Wages are offsetting much of the price increases

## Wage growth comparison

Cumulative increase since February 2020

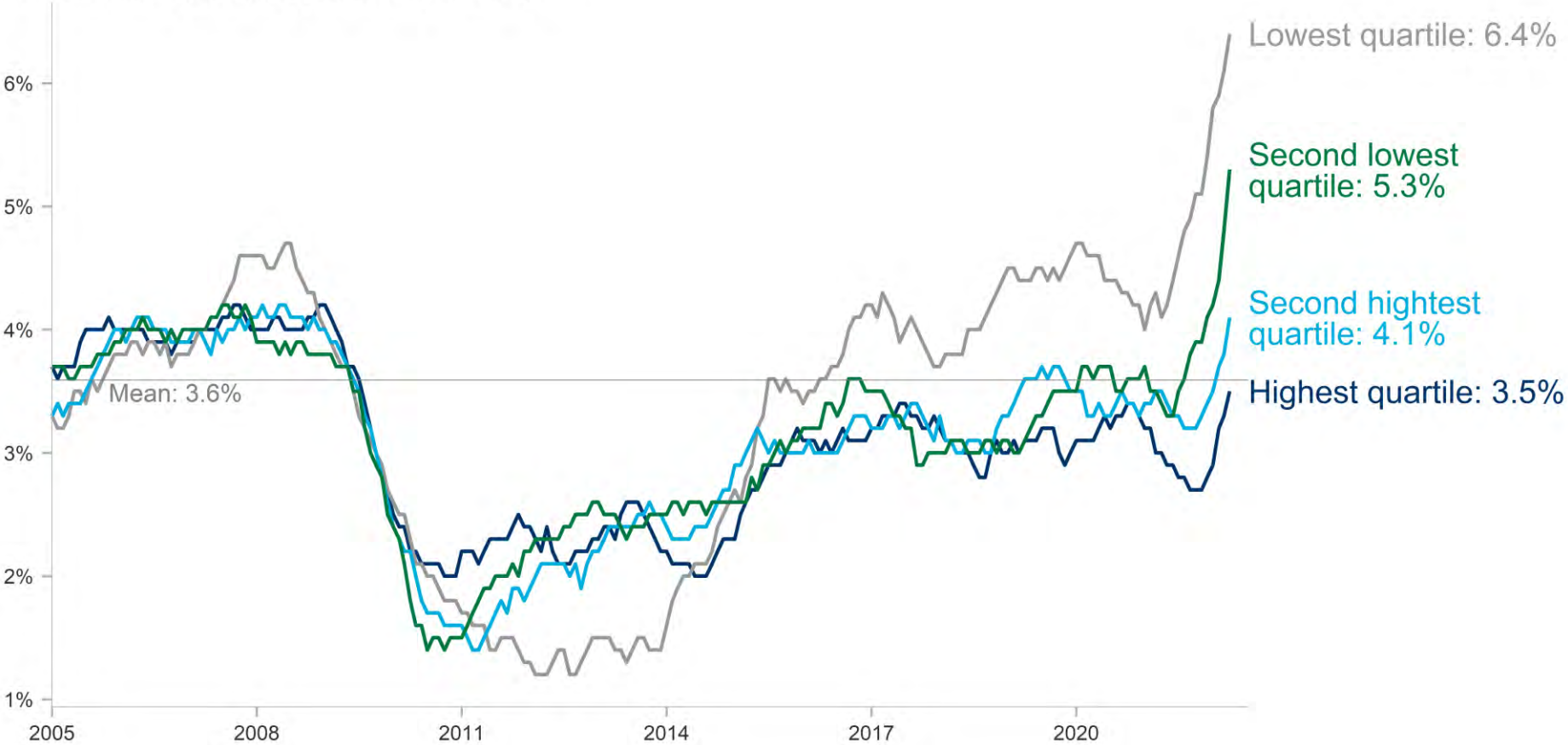


Note: Data shown through May 2022. Historical inflation trend measured since 2008. Consumer price inflation measured by PCE price deflator. Wage rates measure all private-sector employees. Source: BLS (average hourly earnings, establishment survey), BEA

# ...especially among lower paid workers

## Wage growth: By wage level

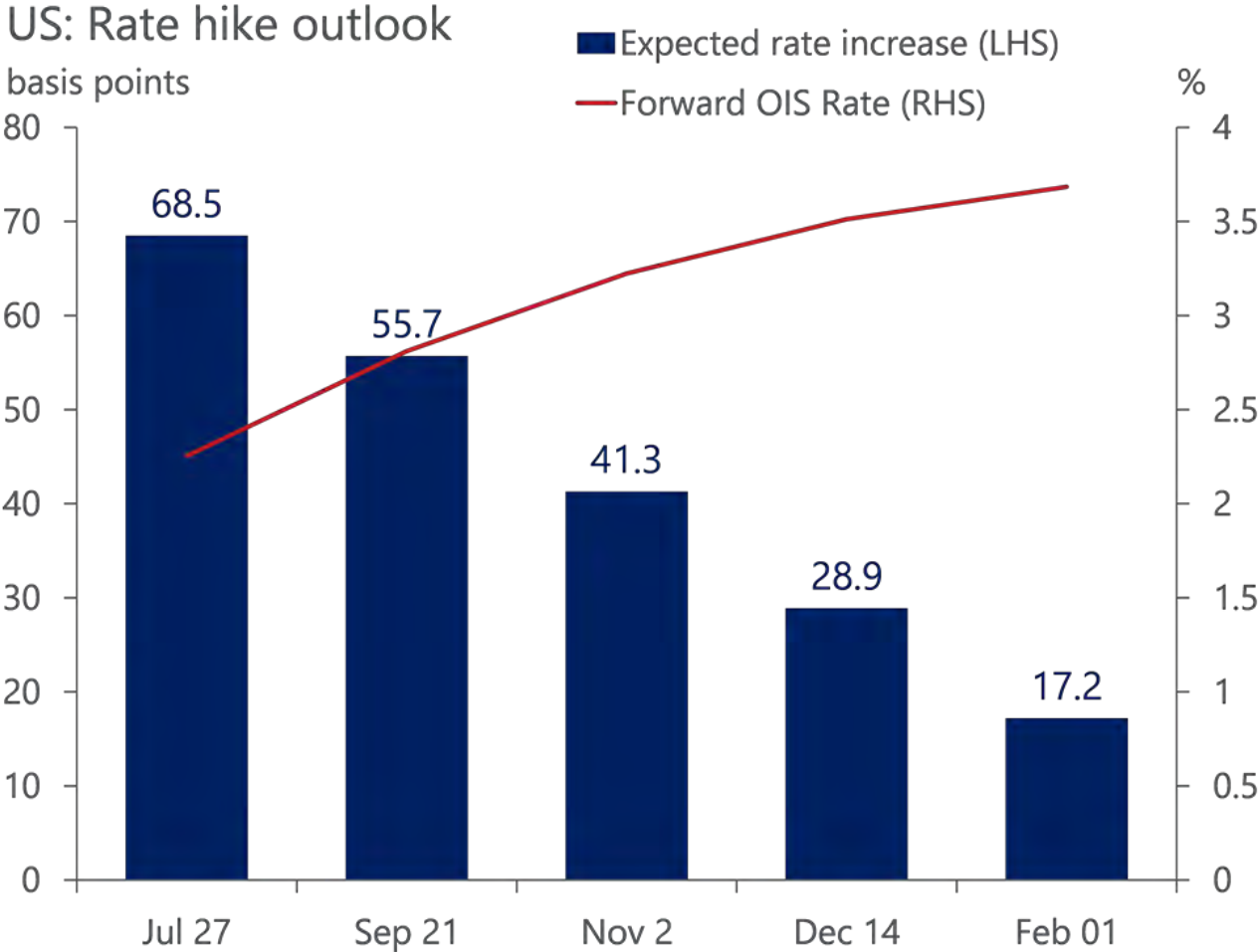
12-month moving average, year-over-year change



Note: Data shown through May 2022. Based on median year-over-year wage growth experienced by individuals. Excludes individuals earning more than \$150k annually. Mean calculated since 1997. Source: Federal Reserve Bank of Atlanta Wage Growth Tracker

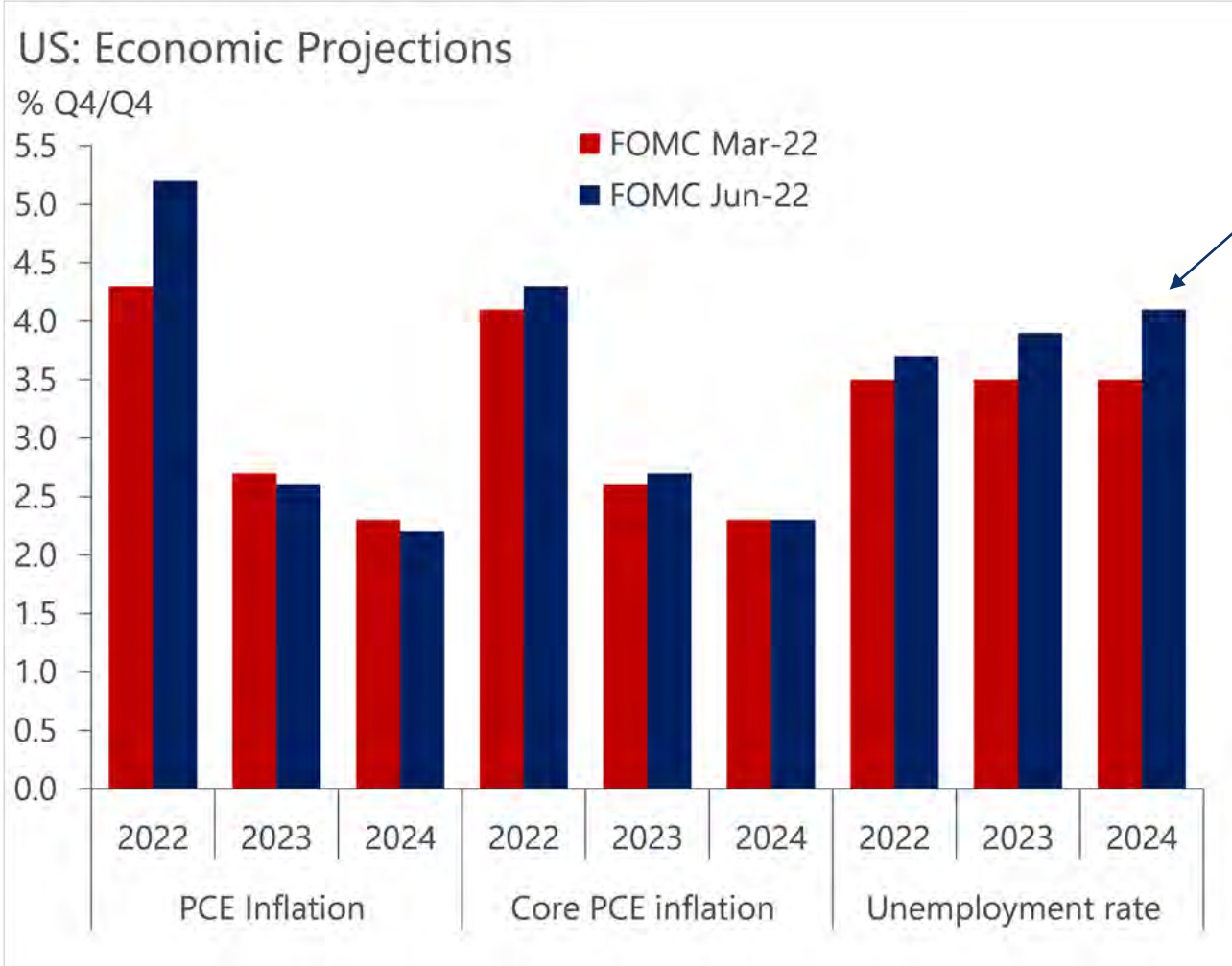


# Fed isn't finished



**The Fed further projects an increase in the unemployment rate to 4.1%, which is consistent with a mild recession.**

# ...and seems to be anticipating a recession



The Fed further projects an increase in the unemployment rate to 4.1%, which is consistent with a mild recession.



# 70% of economists expect a recession by the end of 2023

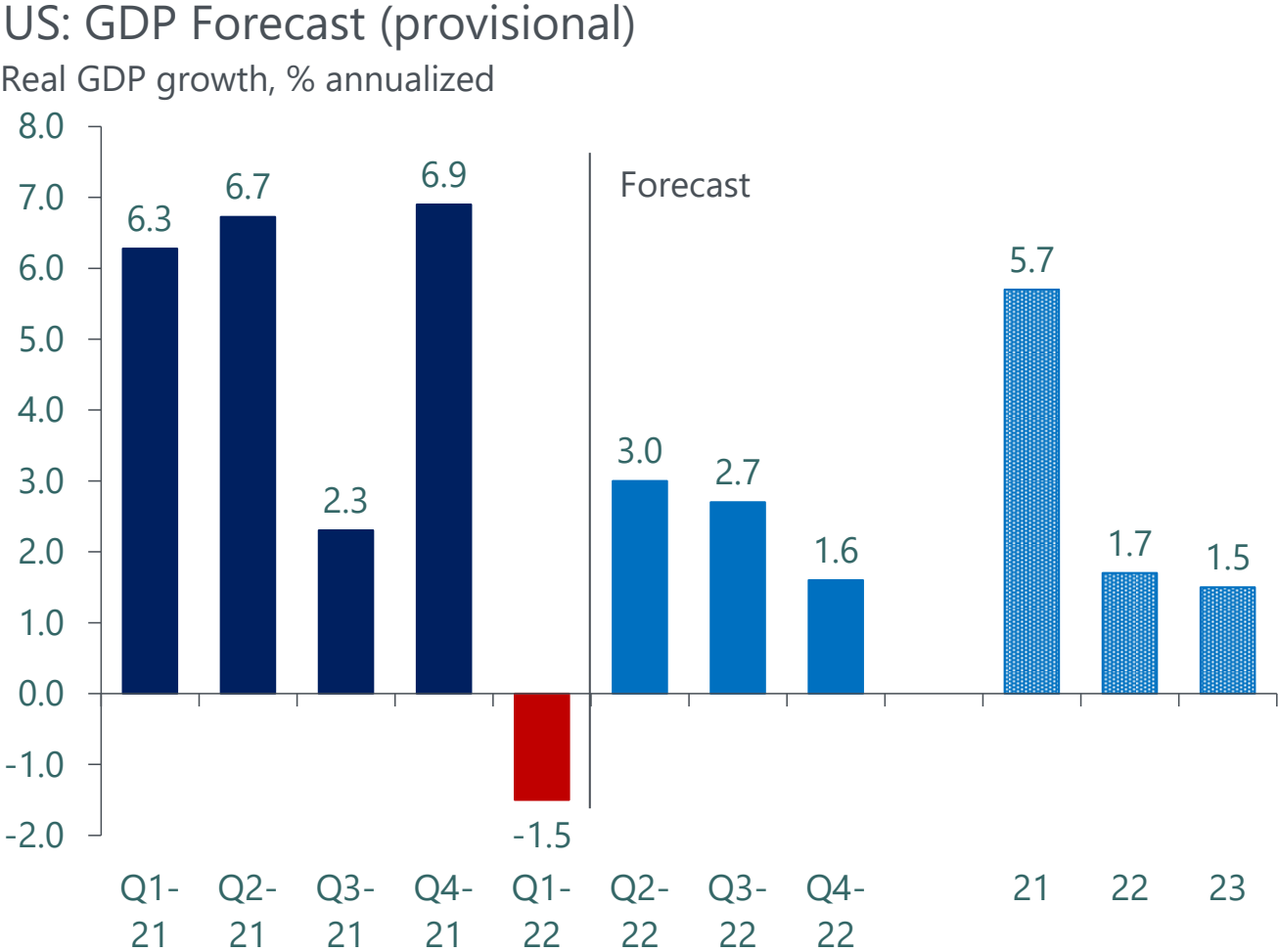
Most economists surveyed predict that the next recession will begin in 2023

In which range is the most likely starting quarter of the next recession (as determined by the NBER business cycle dating committee)?



Source: FT-IGM survey of 49 economists from Jun 6 to 9  
FT Graphic: Caitlin Gilbert / @caitlinsgilbert

# GDP growth to slow significantly in latter part of 2022 into 2023



“GDP growth is expected to remain below the potential trend rate of 1.8% for two consecutive years in 2022 and 2023 at 1.7% Q4/Q4. The unemployment rate is forecast to eventually rise to 4.1% in 2024, **which would be consistent with a mild recession** – implying a bumpy, softish landing.”

- Oxford note to clients, June 16, 2022

Source: Oxford Economics / Tourism Economics



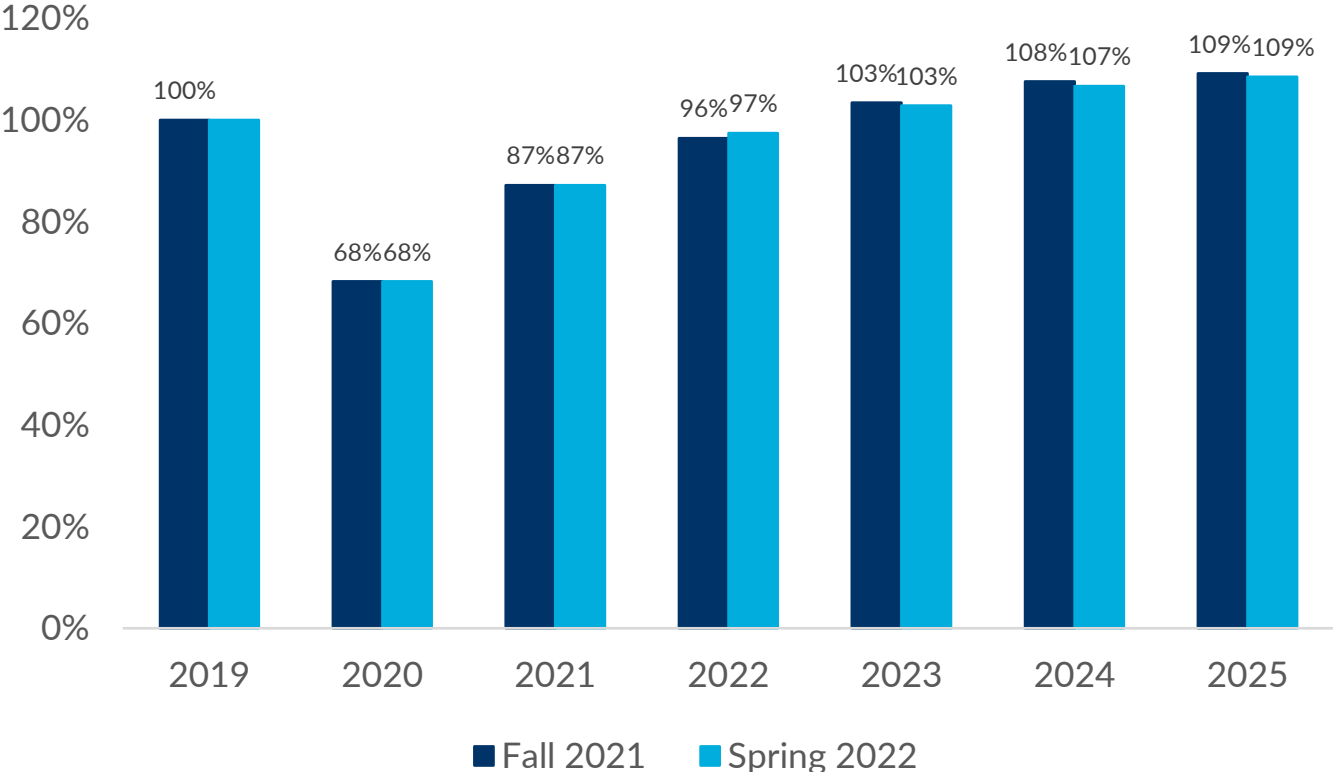
# 4 The travel outlook



# Comparing current and previous forecast

## US domestic trip volume

% of 2019



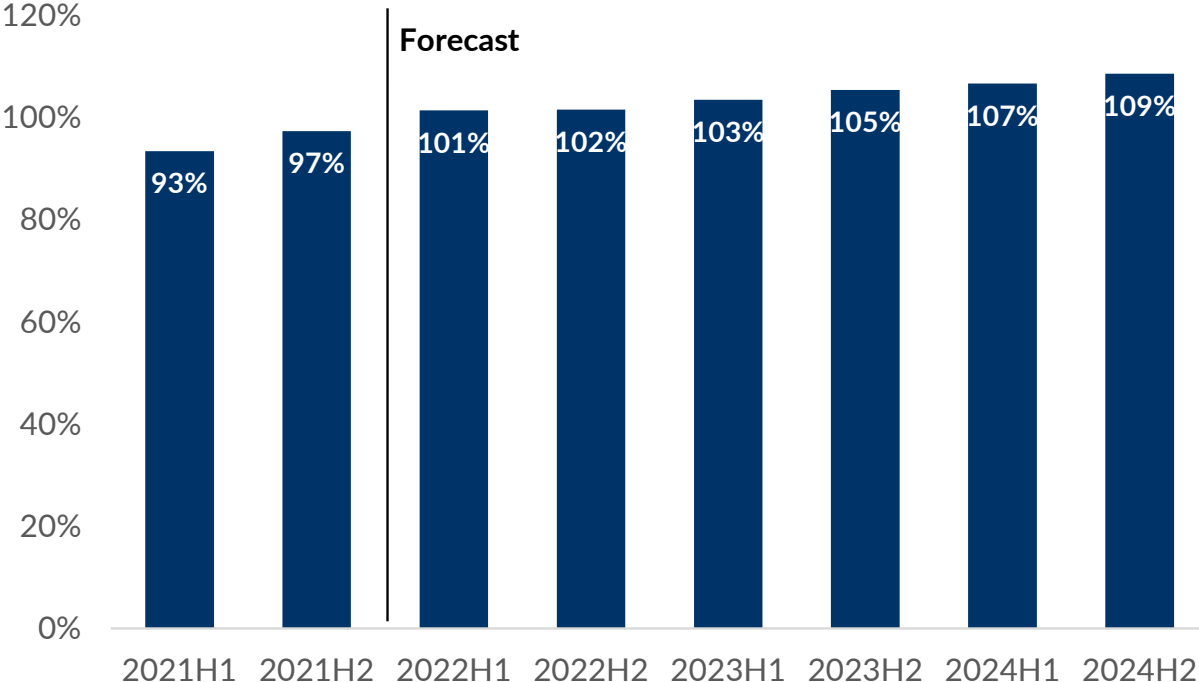
Source: Tourism Economics, U.S. Travel Association



# Domestic leisure has recovered. Much slower growth ahead.

## Domestic leisure person trips

% of time period in 2019



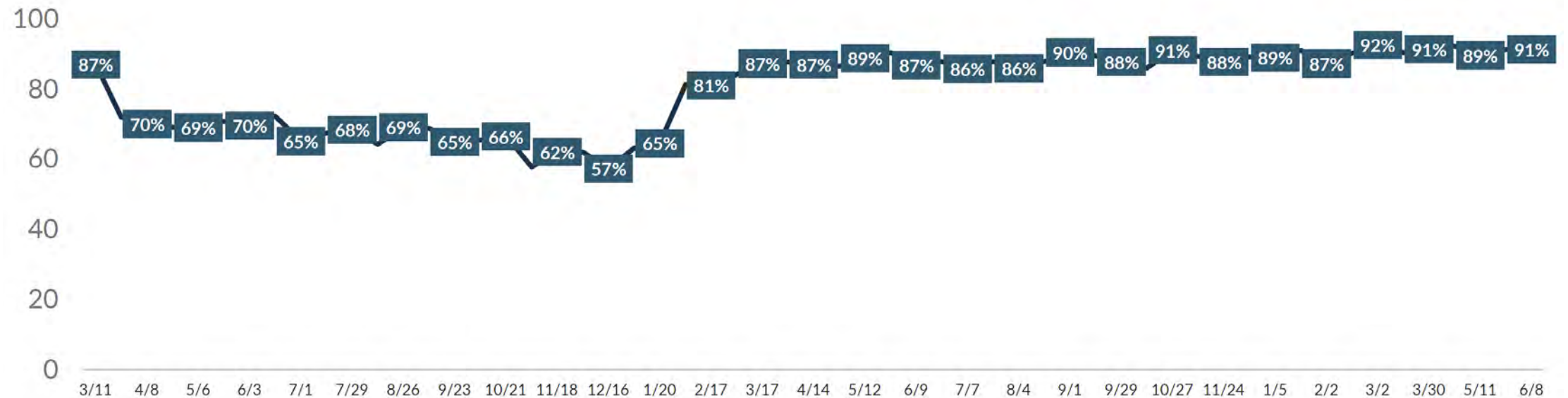
**“Despite the usual caveats for COVID, now a rising inflation to worry about and of course, the geopolitical situation, the pent-up demand that’s out there for travel seems to be outweighing anything the market can throw at it and we continue to be feeling very good about a summer recovery that should be very robust.”**

Expedia earnings call, May 2

Source: Tourism Economics, U.S. Travel Association

# Intentions to travel remain high at 9-in-10

## Travelers with Travel Plans in the Next Six Months Comparison



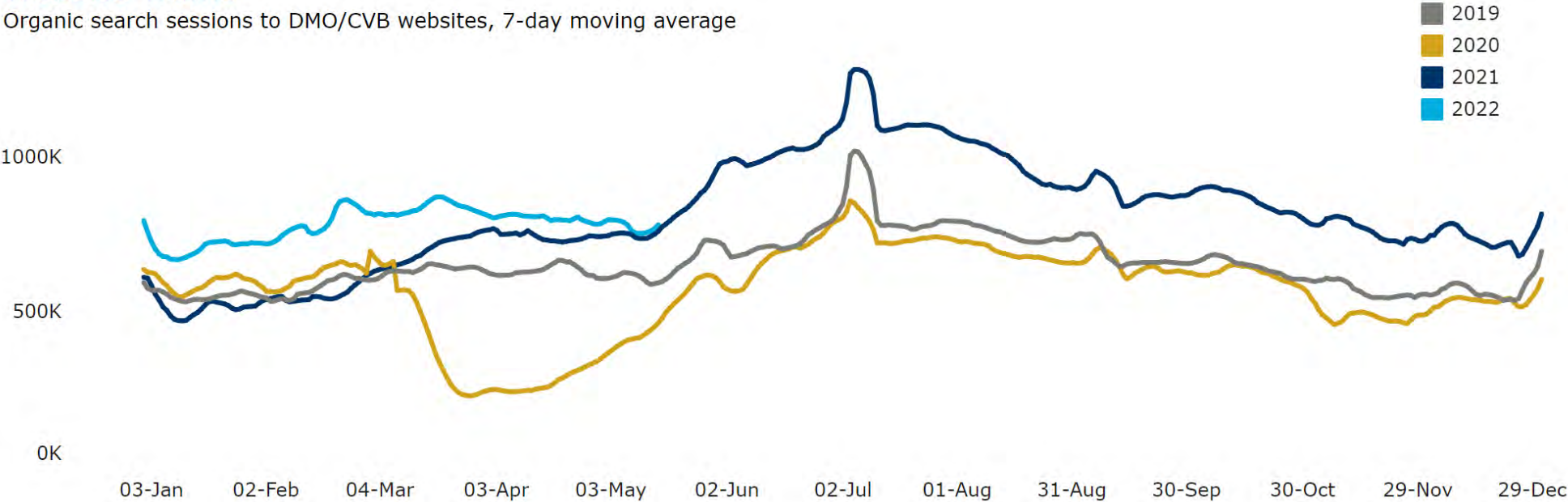
Travel Sentiment Study Wave 62



# US DMO website searches remain above 2019 levels

## Website Traffic

Organic search sessions to DMO/CVB websites, 7-day moving average

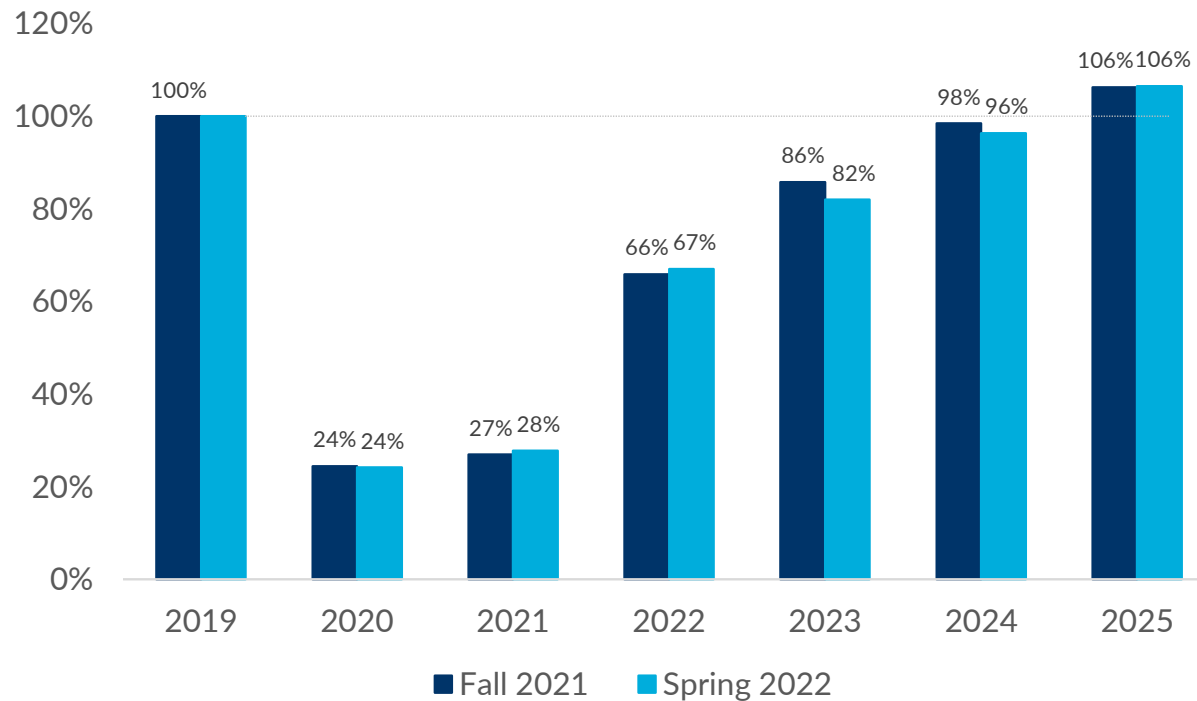


Source: Simpleview & Tempest (300+ U.S. DMOs)

# International is on its way back

## International inbound forecast

% of 2019



**“We have seen a recovery in international travel, particularly from Canada, Germany and the U.K. New York remains the top destination market followed by San Francisco and Seattle, and we expect sequential improvements in international demand over the course of this year.”**

Host Hotels revenue guidance, May 5

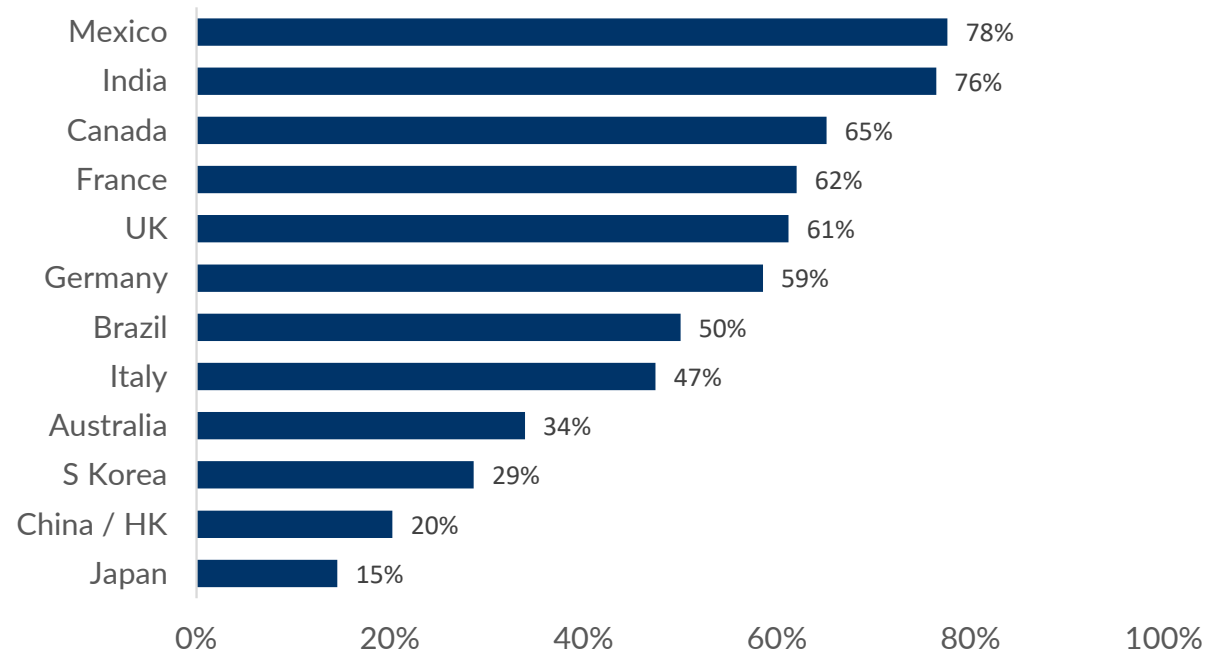
Source: Tourism Economics, U.S. Travel Association



# Market mix in 2022 different from “normal”

## Top US origin markets in 2022

% recovered relative to 2019



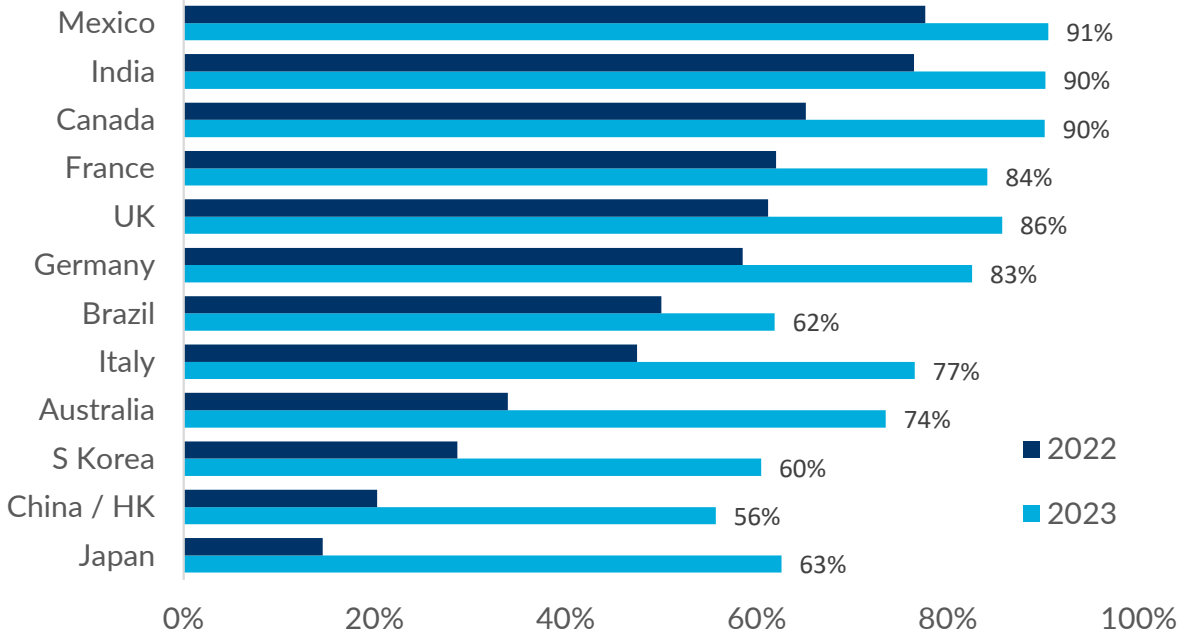
Note: Top 12 origin markets for international travelers to the United States. Does not include increased international travel from dropping of pre-departure testing.

Source: Tourism Economics

# NAM and Europe will lead recovery into next year

## Top US origin markets

% recovered relative to 2019



Note: Top 12 origin markets for international travelers to the United States. Does not include increased international travel from dropping of pre-departure testing.

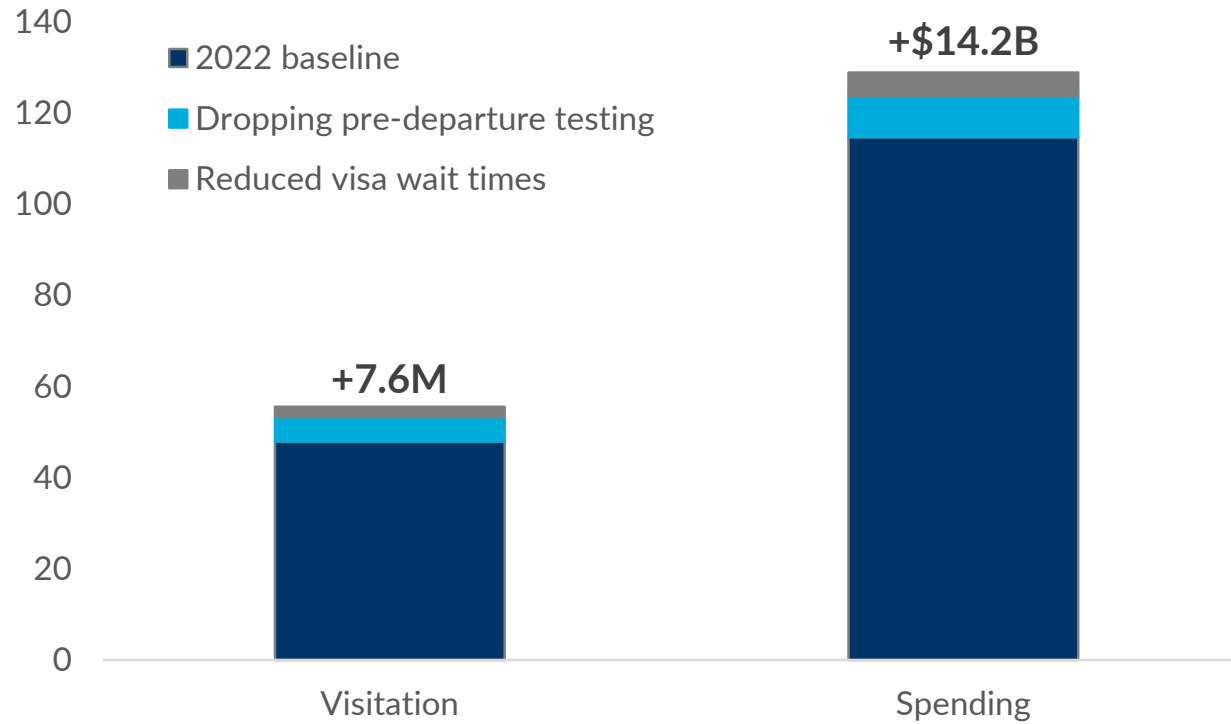
Source: Tourism Economics



# Policy matters

## Effects of policy changes

Millions of international arrivals (Visitation), \$ billions in international visitor spending

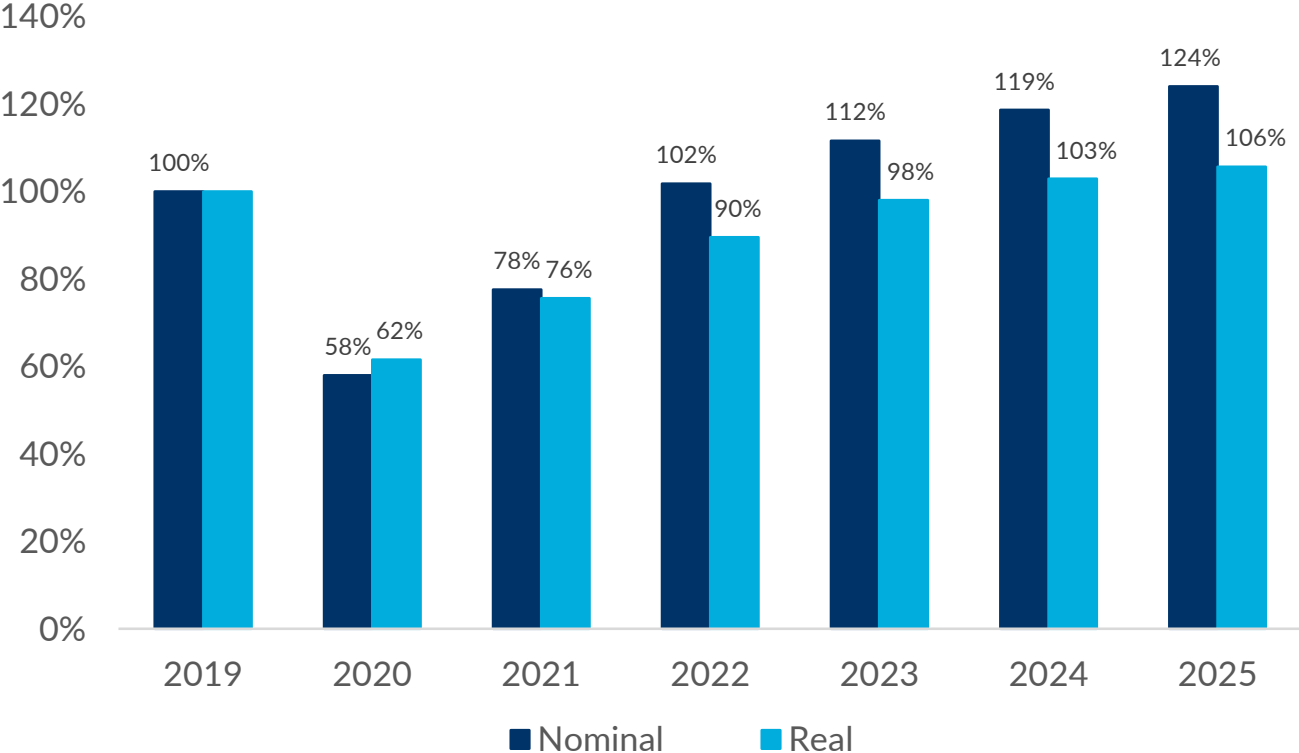


Source: Tourism Economics

# Current situation requires a focus on “real” travel spending

## Total US visitor expenditures

% of 2019



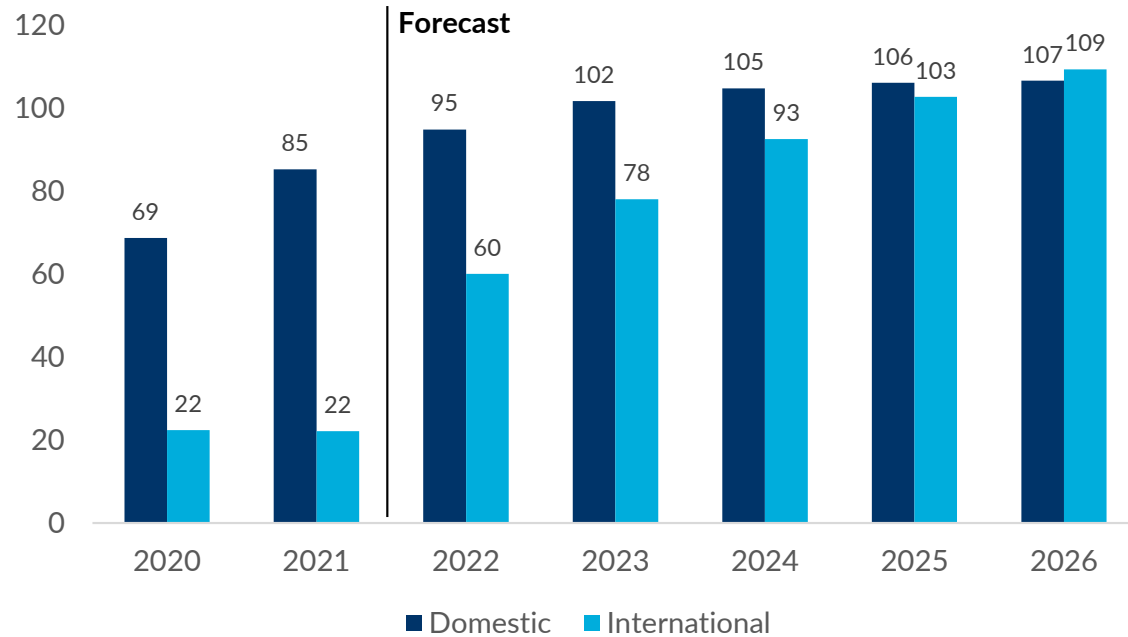
Source: Tourism Economics, U.S. Travel Association



# International spending will “out-recover” domestic by 2026

## Real travel expenditures

Index (2019=100)

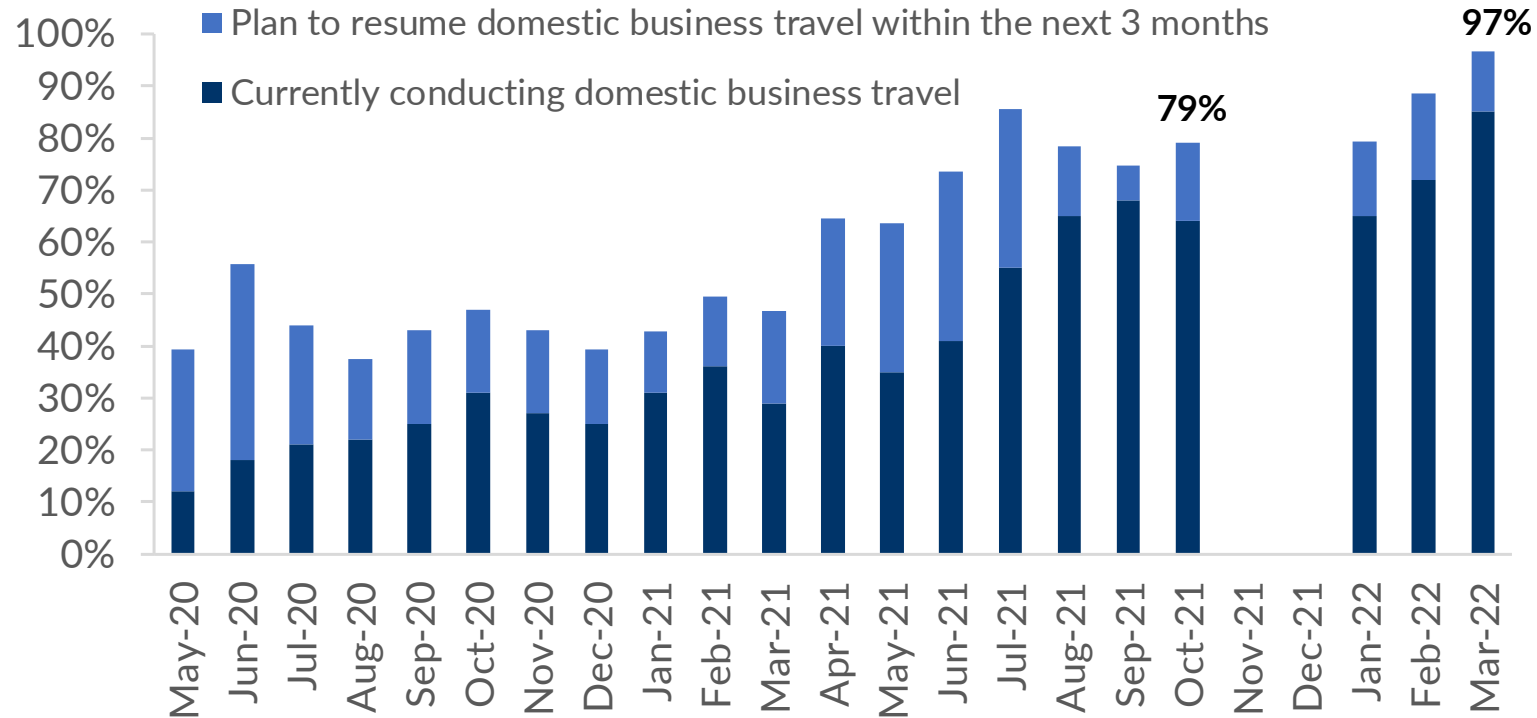


Source: Tourism Economics, U.S. Travel Association

# 9-in-10 US companies traveling now or planning to start soon

## Domestic business travel outlook

% of US companies



Source: GBTA

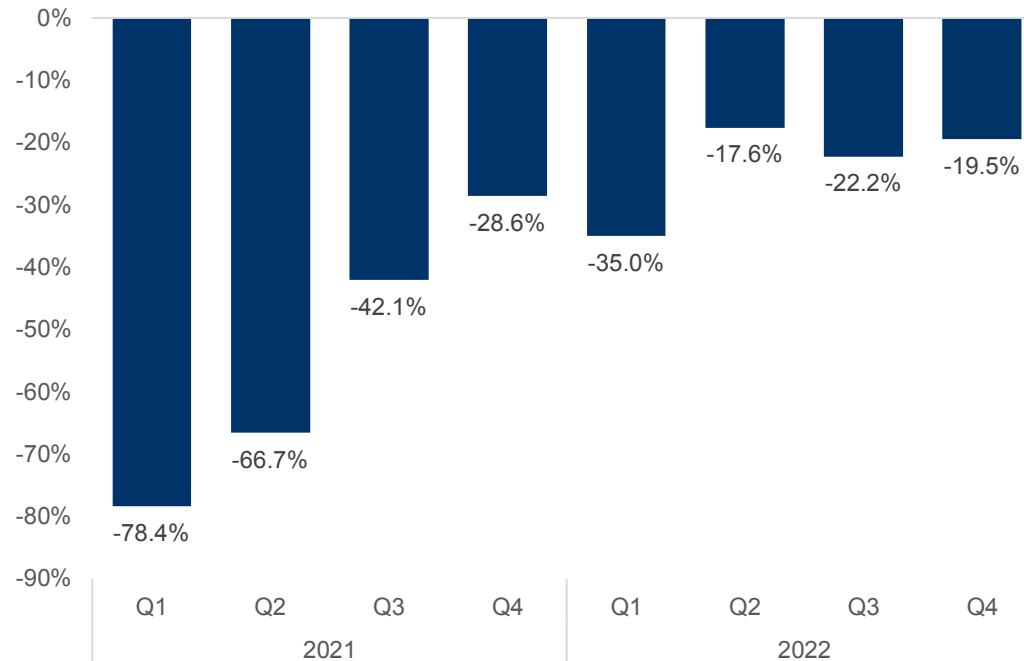
**“The leisure part is strong and will continue as far as the eye can see. But the great part is the business part, which is continuing to bounce back rapidly here in the US and Europe.”**  
United Airlines earnings call, May 17



# Improvements for groups in sight (but still -20% through 2022)

## On the books relative to historical pace

Pace ahead of future date (same time last year), relative to 2019 pace



Source: SimpleView CRM (250+ DMOs)

**“Demand still building, for business and for group on top of very strong leisure.**

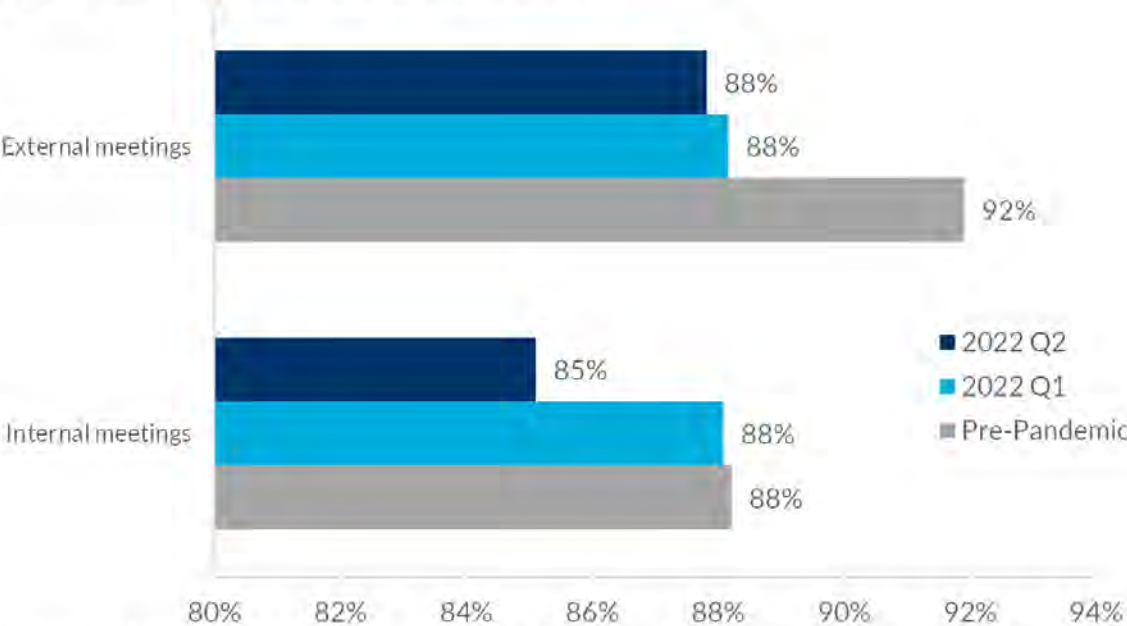
**We're seeing meetings and events coming back strongly.”**

IHG earnings call, May 6

# Recent BT improvements, especially for internal meetings

## Business travel plans next six months

(Share of respondents expecting to take at least one trip)



How frequently do you expect to travel for each of the following business purposes over the next six months?

Business Travelers Survey BASE: Q2 N = 2545; Q1 N = 2593

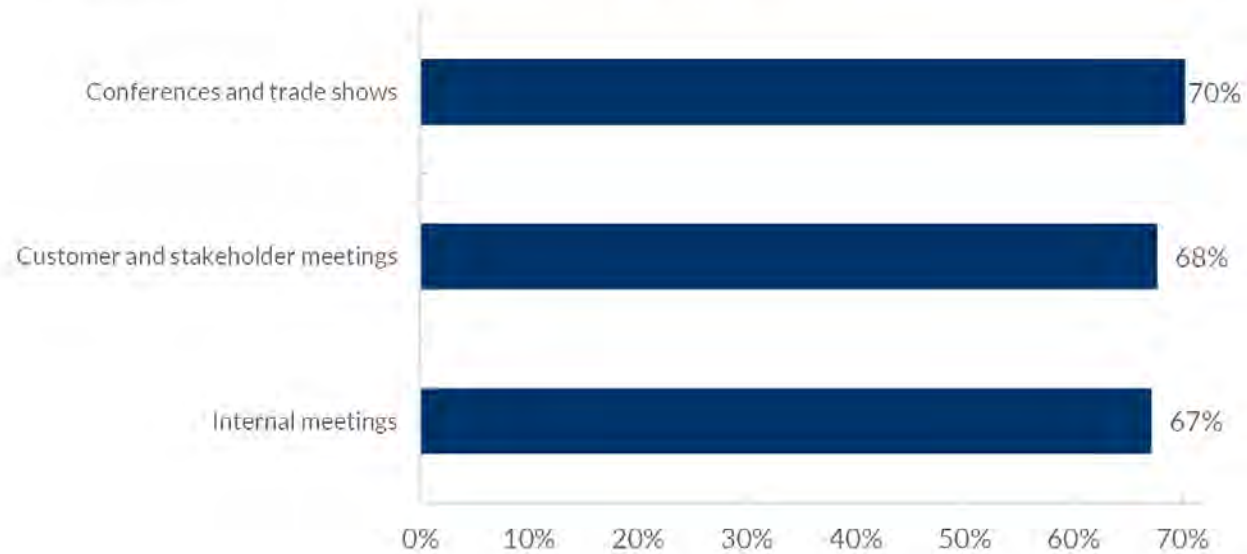
Note: External meetings represent respondents answering that they expect at least one trip for either customer meetings or trade shows in the next six months.



# Business travel will still take time for full recovery

## Expecting less business travel spending than in 2019

(Share that expects less travel over next six months, by trip purpose)



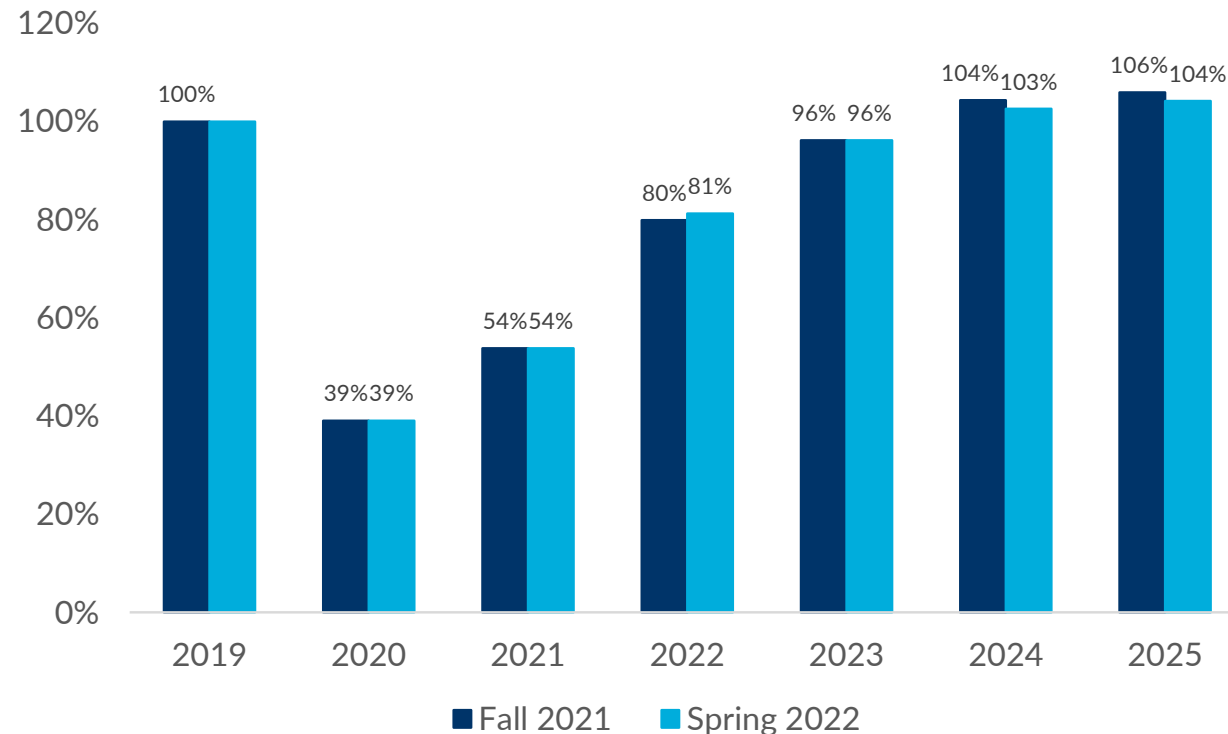
[q2] Thinking about the next six months, how will your company's business travel spending compare to 2019 (pre-pandemic) for each of the following purposes?

Corporate Executive Survey BASE: N = 195

# Trip volume at 81% this year and 96% next year

## US domestic business trip volume

% of 2019



Source: Tourism Economics, U.S. Travel Association

**“As we exited the quarter (March), domestic corporate sales improved to approximately 70% recovered versus 2019, and our recent survey results show that 90% of our corporate accounts anticipate travel volumes to increase in the June quarter as offices continue to reopen.”**

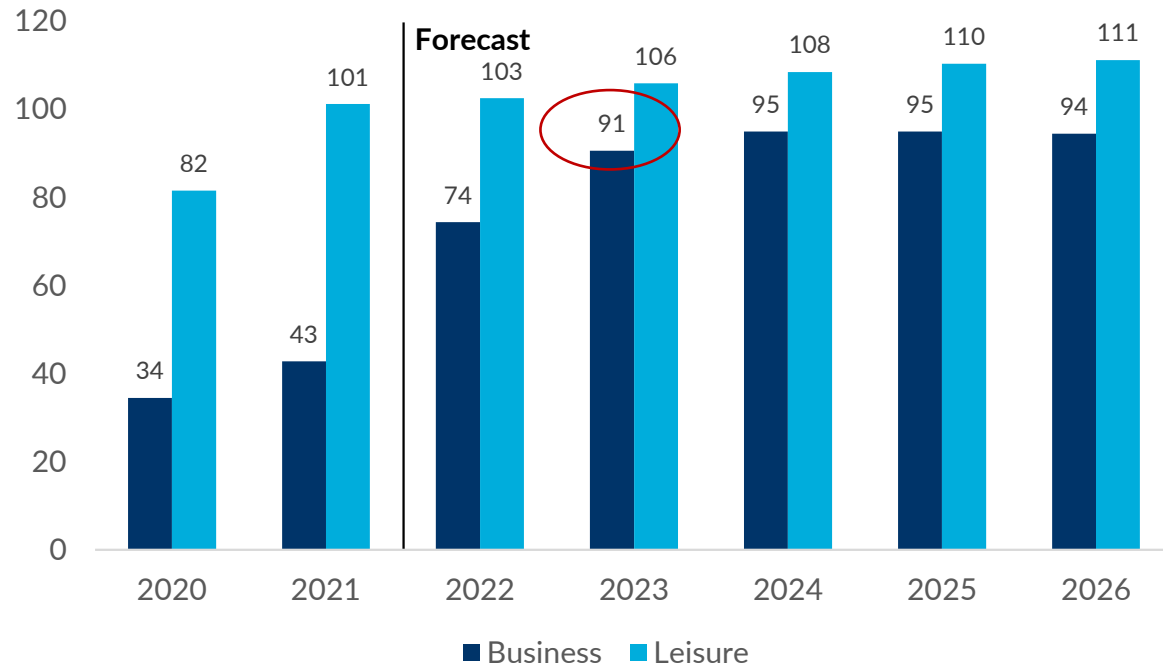
Delta earnings call, April 13



# On a spending basis, business travel at 74% this year and 91% in 2023

## Real travel expenditures

Index (2019=100)

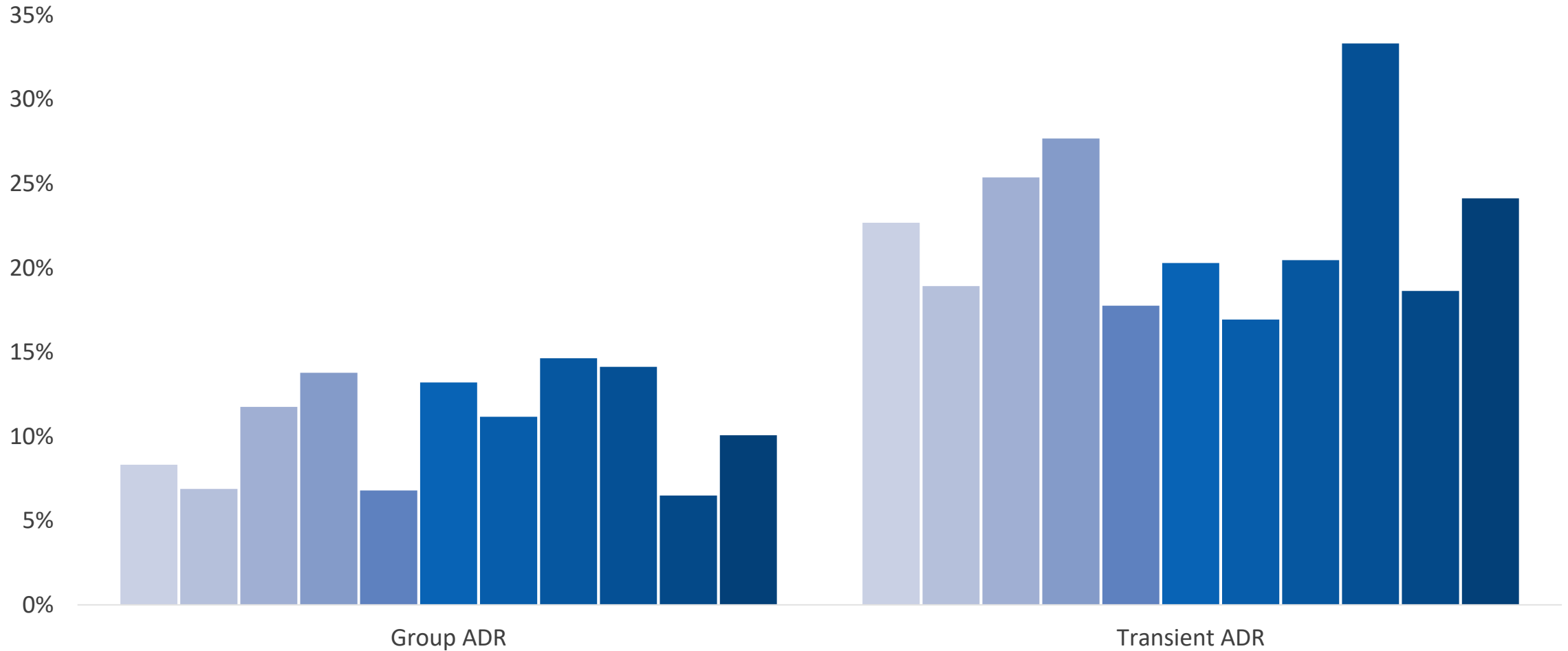


Note: Domestic travel expenditures only.

Source: Tourism Economics

# Groups are getting a massive cut on ADR right now

U.S., segmentation ADR % change to 2019, weeks ending 2 Apr – 11 Jun 2022

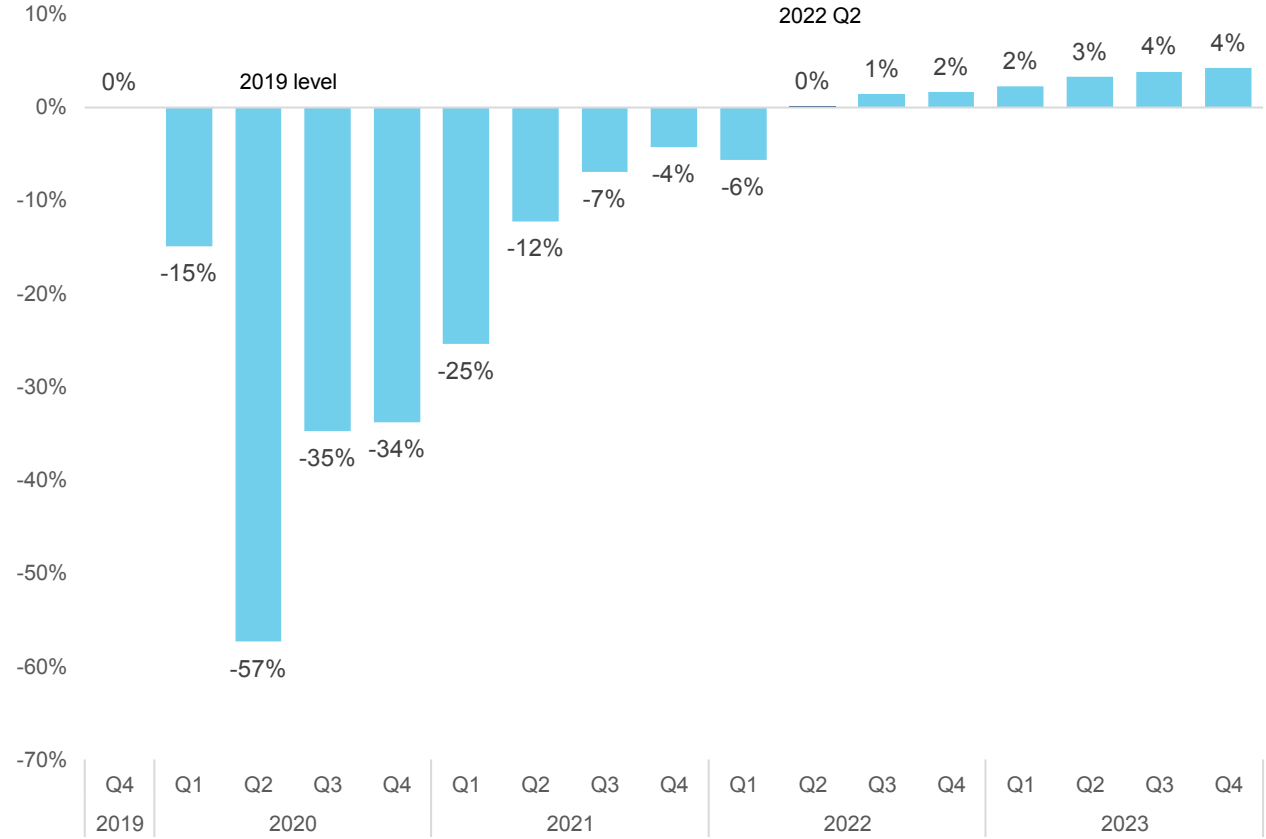




# Room demand hits breakeven this quarter. Additional gains modest.

## Room demand

Quarterly, relative to 2019



Source: STR; Tourism Economics

**“For 2022, we expect leisure RevPAR to exceed 2019 peak levels given excess consumer savings, a strong job market and pent-up demand. We expect business transient to be roughly back to 2019 levels by year-end, with expectations supported by rising corporate profits, rebounding demand from big businesses, and loosening travel restrictions. On the group side, we expect RevPAR to be at approximately 90% of 2019 levels by year-end, as demand for company meetings and convention business accelerates into the back half of the year.”**

Hilton earnings call, May 3

# Summary

## 1 **A dramatic recovery**

The US travel sector has experienced an “unprecedented” recovery with hotel demand fully back, short term rentals far ahead, and air travel at around 90% back

## 2 **Economic fundamentals**

The key fundamentals of corporate performance, employment, household savings, and income growth are all favorable

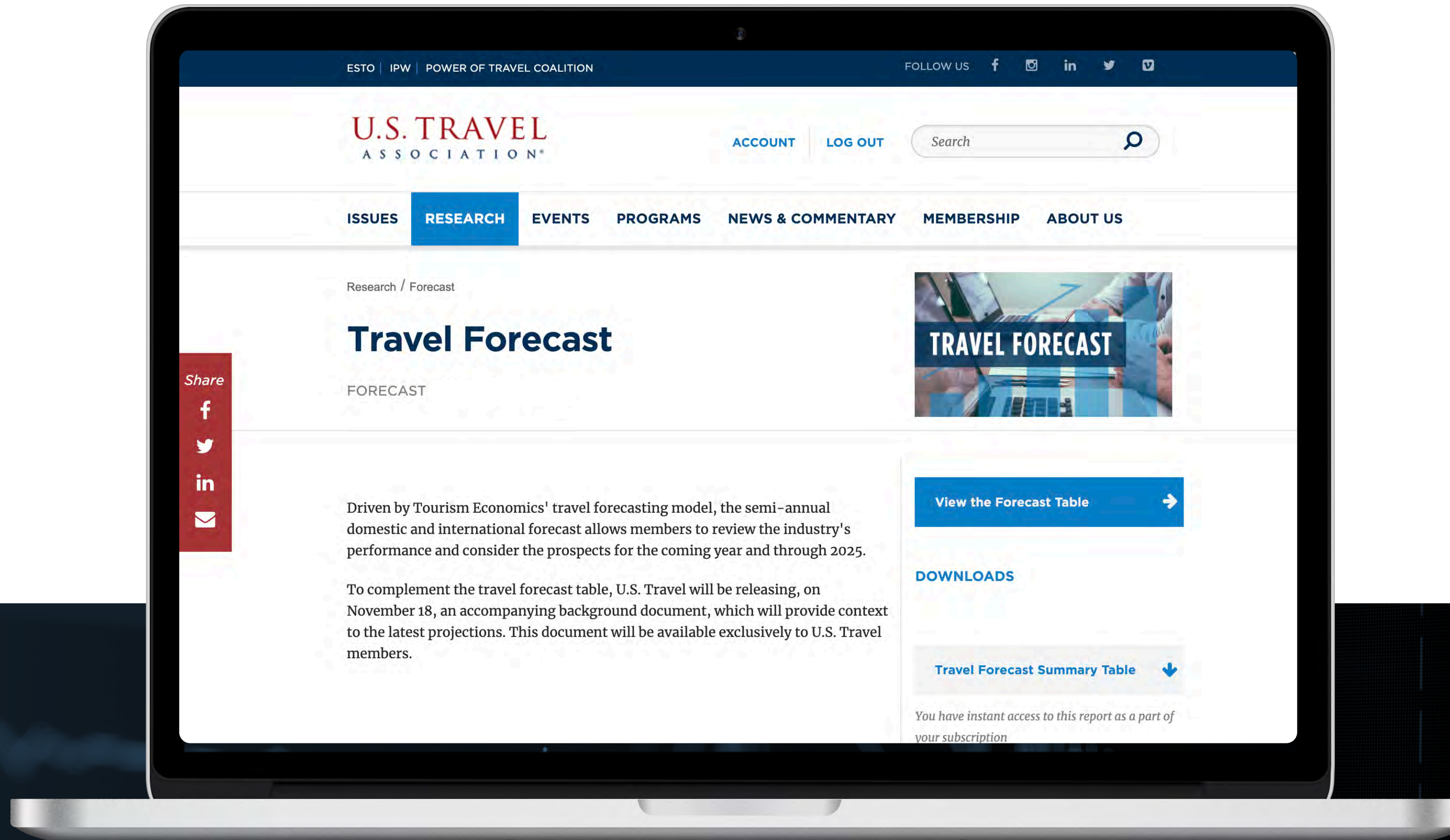
## 3 **The twin-headed monster (labor and prices)**

Labor force shortages will limit air travel recovery and continue to put pressure on prices. A mild recession seems likely in the latter part of this year into early next year.

## 4 **The travel outlook**

Nevertheless, the impact on travel may be muted. Business travel will continue on a “return to normal track” and household finances + pent-up demand + goods inflation should prevent a typical exaggerated drop. Risks do skew to the downside.





# SUMMARY FORECAST DATA TABLE

[ustravel.org/research/travel-forecasts](https://ustravel.org/research/travel-forecasts)





RESEARCH ESSENTIALS

U.S. Travel Answer Sheet

Monthly Travel Data Report

Travel Facts and Figures

The Intersection Webinar Series

Forecast

Monthly Workforce Data

INTERACTIVE DATA

[Travel Recovery Insights Dashboard](#)

Economic Impact Calculator

Economic Impact Map

NCAE Mobile Data Insights Dashboard

National Parks Dashboard

[View All Research >](#)

Looking

ourism Week

Check out our recap book for key metrics and highlights.

U.S. Travel commends the Biden administration for lifting the pre-departure testing requirement for inbound air travelers.

More than 4,800 delegates from more than 60 countries attended IPW in Orlando, driving billions in future travel to the U.S.