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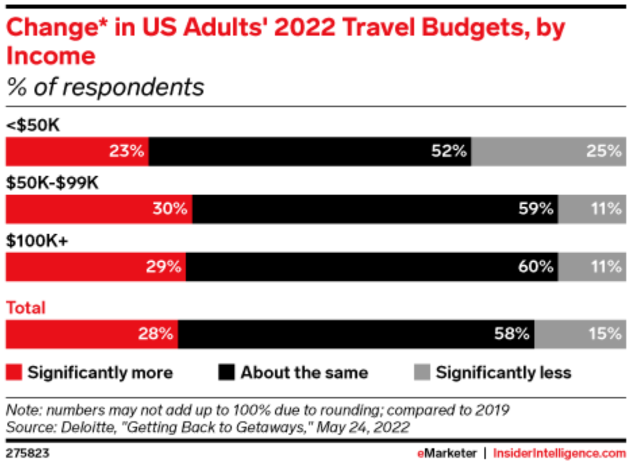
Travel demand shows no signs of softening in 2023

Article

The trend: Persistent inflation hasn't dampened consumer desire to travel.

- **Almost one-third of Americans plan to travel more for leisure this year than last year,** per a December survey by The NPD Group.
- **A little over half of all US adults (52%) plan to travel for leisure in the next six months,** per Ipsos' Q1 U.S. Travel Association Consumer Quarterly Tracker.
- And **over one in five (22%) of US adults list leisure travel as a top budget priority in 2023.**



Zoom out: Most reports from airlines and hotel operators show no signs of softening demand, even as economic pressures drive more consumers to carefully manage spending in other areas.

- **Marriott International**'s revenues per available room (RevPAR) grew 28.8% year-over-year (YoY) in constant currency in Q4. The company said RevPAR in every region except for China is "more than fully recovered" compared with prepandemic levels.
- **Airbnb's Q4 revenues rose 24% YoY to $1.9 billion, its biggest Q4 ever,** driven by growth across all regions. The company says it continues to see strong demand in Q1 as travel enthusiasm remains high.
- **United Airlines**, **Delta**, **Jet Blue**, and a host of other airlines reported better-than-expected earnings despite offering fewer flights and raising fares.
- And **travel mania is also evident in adjacent categories, like travel accessories and guide books**. Travel accessory sales rose 16% YoY, while print unit sales of travel books increased 6% YoY, per NPD.

The headwinds: Despite the bullish outlook, the travel industry isn't immune to economic headwinds, including the tight labor market that's making it difficult for airlines and hotels to attract staff and increasing operating costs.

- **A persistent pilot shortage and delays in new plane deliveries are contributing to airlines' difficulties, constraining their abilities to add more routes and keep up with demand.**
- While business travel has rebounded strongly, with Marriott noting that demand is at 90% of prepandemic levels, rising interest rates and economic uncertainty could cause that trend to

reverse as corporations try to keep costs down.

- Higher-than-expected inflation numbers in January could encourage the Fed to stick to aggressive rate increases, potentially depressing consumer sentiment and causing households to cut back on travel to save money.

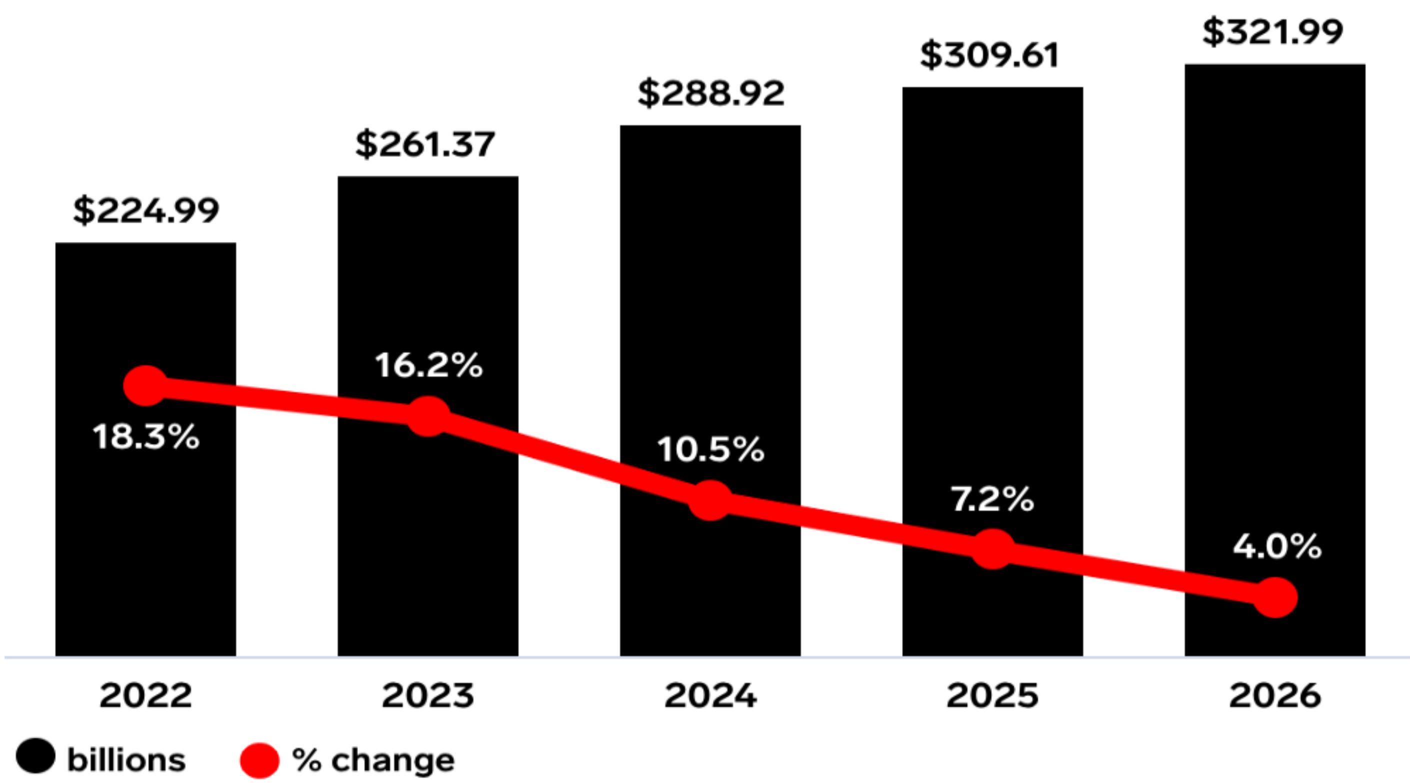
The big takeaway: Robust demand for travel, despite rising prices, illustrates the premium consumers are putting on experiences after several years spent under lockdown and various other coronavirus-related restrictions.

- **Over four in 10 (41%) of US consumers reduced apparel spending in Q4 in favor of travel**, per NPD.
- The strong dollar is also making international travel more attractive, as US consumers take advantage of their higher purchasing power abroad.
- The growing popularity of hybrid work-leisure trips is giving the industry a further boost as travelers upgrade to pricier cabins and opt for longer stays.

After stocking up on everything from furniture to electronics during the pandemic, it's no surprise that consumers are now boosting spending on travel and other services.

Digital Travel Sales

US, 2022-2026



Note: includes leisure and unmanaged business travel sales booked using the internet via any device, regardless of the method of payment or fulfillment; digital travel includes includes accomodation, airline, car rental, cruise, hotel and transportation
Source: eMarketer, May 2022

eMarketer | InsiderIntelligence.com

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