



CTO State of the Industry Report 2015 - Dissecting the Numbers

Presented By

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Overview:

I am going to discuss the Caribbean tourism performance in 2015 in greater detail than my colleague and what to expect in 2016.

2015 marked the 2nd consecutive year that tourist arrivals to the Caribbean grew faster than the global growth rate of international trips and the first year in recent history that we have outpaced all major regions, since we started keeping records. Moreover, the average annual growth rate over the last 5 years exceeded the average annual global growth rate of international trips. The 7% increase in international trips to the Caribbean (28.7 million arrivals) in 2015 is supported by sustained economic recovery in our main markets, a strong US dollar and a collapse in oil prices.

Market Trends

A further look into the performance of our major source markets reveals that demand for Caribbean vacations rose in all of them. There were over 14.3 million U.S. visits to the region, 6.3% more than the previous year. Notably, the American market accounts for approximately 50% of total arrivals. The majority of Americans to the region visited the Dominican Republic, Jamaica, Puerto Rico and The Bahamas. The highest

growth rates in arrivals from the US market were recorded in Barbados (27.6%), Curaçao (15.3%) and Trinidad & Tobago (14.9%).

Similarly, the Canadian market continued to perform well, rising by 4.5% in 2015, although a cause for concern is that the number of destinations (13) recording decreases exceeded the number with increases (11) in arrivals from the market. The top performing destinations were Curaçao (45.5%), Suriname (58.0%) and Barbados (17.8%).

Arrivals from the European market were estimated at 5.2 million, breaching the 5 million mark for the first time since 2008. This represented growth of 4.2%. The top performers were Turks & Caicos Islands (34.7%), Cuba (23.1%) and Montserrat (12.1%). Of this market, 1.1 million arrivals were from the U.K., the leading European source market, which translates to an increase of 10.4% compared to 2014. The top

performers here were Cuba (25.2%), Barbados (14.3%) and Jamaica (12.3%).

Caribbean intra-regional travel peaked in 2015, as arrivals rose by 11.4% to register 1.7 million trips. All sub-regional groupings experienced solid growth, with Other Caribbean (Cancun, Cozumel, Cuba, Dom Republic, Haiti, Suriname) registering the highest rate of increase of 13.7%.

Despite the political and economic challenges faced by many South American countries, the South American source market provided the highest rate of growth of Caribbean trips, registering 18.3%. Indeed, this has been consistently the case since 2010, which resulted in South American arrivals displacing Caribbean arrivals as the 4th largest source market in 2014. The destinations receiving the highest increases in South American tourists were Dominican Republic (25.1%) and Aruba (28.8%). The main markets within South America are Venezuela, Brazil and Argentina, in that order.

Hotel Trends

The improvement in arrivals to the Caribbean is also reflected in improved hotel performance. According to data provided by Smith Travel Research, a U.S. company that tracks supply and demand data for the hotel industry and provide valuable market share analysis for international, regional hotel chains and independent hotels, all key accommodation metrics are up. ADR rose by 4.6% (US\$ 229.44), room occupancy rose by 1.0 percentage points to register 68.8% and revenue per available room rose 6%. Moreover, the number of available rooms increased by 1.6% as more hotels were opened across the region during the year, with Aruba realizing the largest positive relative change in available rooms.

Cruise Trends

With regards to the cruise sector, cruise arrivals to the Caribbean grew by about 1.3% to reach 24.4 million, in line with expectations at the beginning of 2014. Demand for Caribbean cruises was relatively high in the winter months of 2015 and averaged a 4.8% rise in the period. However, cruise passenger visits contracted by 2.0% in the summer period, as cruise lines repositioned their ships to other destinations. Trinidad & Tobago (104.0%), Bonaire (74.2%) and British Virgin Islands (43.1%) recorded the highest percentage increases during 2015. The Eastern Caribbean, the largest sub region for cruise passenger arrivals, hosted 32.2% of all arrivals to the region and recorded the highest rate of growth of 3.3%.

Visitor expenditure

Consistent with increases in stay-over and cruise visits and improved hotel room revenue, total tourism expenditure is

estimated to increase by approximately 4.2% to reach US\$30 billion. Hence, we estimated that a Caribbean trip in 2015, excluding airfare, cost on average about US\$950 down from US\$975 in 2014.

Outlook

Lower oil prices, a strong US dollar, improved economic growth in our major source markets and extra airline seat capacity to the region are all expected to positively impact tourism performance in the Caribbean, while uncertainty about the impact of the mosquito-borne disease Zika persists, the implications of the economic slowdown of China, the world's largest economy, and the continuation of recessions in Brazil and Venezuela will temper our optimism. Consequently, we predict that stay-over arrivals to the Caribbean will increase between 4.5 and 5.5%, while cruise arrivals will increase between 1 and 2%.