

Improvement in US economy to boost tourism

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Contributor

THE NEWS that the United States (US) economy grew by 2.5 per cent in the quarter ending September was better than expected and is encouraging for the travel industry.

This is as the better-than-expected growth rate suggests that the risks of a double-dip recession are less, even though the economic recovery remains sluggish. The upward revision of the figures for new jobs created in August and September has also helped to counter the negative outlook among investors, lifting the US stock market out of the downward spiral that began in the summer.

Still, the financial crisis in Europe, which is yet to be sorted out, could send ripple effects through the US financial system and threaten the American economy. The potential risks of a European financial meltdown was highlighted by the disruption to markets caused by last week's political wrangling in Greece over the terms of the bailout package for that country's massive debt.

Reconfirmation that European leaders are pushing ahead with their plan to deal with these problems has brought some temporary calm, but continuing delay could bring renewed economic uncertainty.

A positive sign for the travel industry, specifically, is that oil prices have dropped to the US\$83-85 range from the peak levels of over US\$110-115 per barrel in June. With the end of fighting in Libya and the prospect of the restoration of its oil production, oil markets should be less volatile in the coming months. The pressure on fuel costs should ease and that should help keep airfares fairly stable – although there are signs that the airlines are bent on using this as an opportunity to increase their profit levels.

The improved performance of the US economy, though moderate, is important for tourist destinations in the Caribbean and specifically for Jamaica, given the heavy dependence on the US market. The impact of the slowdown in the American economy in the first half

of the year was evident in the 5.9 per cent decline in stopover visitors from that country in the month of March which is considered the highpoint of the winter traffic. The deterioration continued in April (-3.1 per cent), May (1.3 per cent) and June (0.3 per cent) resulting in an overall decline of 1.3 per cent for the January-June period, with the leading North-east traffic slipping by five per cent.

While there is a preoccupation with air seats to Jamaica, it would appear that the matters of product quality and value-for-money considerations are far more critical in the current economic environment. Strong partnerships between the private sector and government agencies in reaching US consumers are, therefore, likely to prove more effective in securing increases in visitor arrivals and earnings. In this regard, it should be clear by now that as competition has intensified in the travel market, future strong growth is going to depend partly on the availability of new rooms and the refurbishing and improvement of existing ones.

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Never mind the BRICS economies, here come the SLIMMA nations

SENIOR EXECUTIVES from the global travel industry have identified Sri Lanka, Indonesia, Malaysia, Mexico and Argentina as tourism's most important emerging economies, reveals the World Travel Market 2011 Industry Report released Monday at the World Travel Market.

The five SLIMMA nations have been identified by the industry as the countries to rival the BRICS – Brazil, Russia, India, China and South Africa.

More than 1,000 buyer members from the WTM Meridian Club and exhibitors at this year's event were polled about a number of issues affecting the tourism industry, giving the report a unique global perspective.

When asked which countries have the potential to rival Brazil, Russia, India, China and South Africa, the five SLIMMA nations emerged as the global favourites.

Sri Lanka, the survey found, has inbound potential as the nation invests in its infrastructure, as it emerges from decades of civil strife. Its natural beauty, in particular its picturesque beaches, is also identified as a key attraction to global tourists.

Indonesia could provide a significant outbound market. The population is young and the growth of a generation with a relatively high disposable income will provide openings for outbound operators. For inbound, the variety of its landscape and the vast number of unexplored islands will appeal.

Another Asian nation in the frame is Malaysia. It is seen as a typical Asian destination with a more westernised feel than many

nearby countries. Its government has identified tourism as an important part of its economic development, and has already launched aggressive marketing campaigns in Europe, the United States (US) and other key markets in Asia.

The South American subcontinent is represented by Mexico and Argentina. Mexico has an established tourism industry driven by its proximity to the US. It continues to invest in its infrastructure to grow its inbound business, while disposable incomes are quite good. Both inbound and outbound tourism potential is helped by a generally low tax regime for investors, visitors and its population.

Finally, Argentina has the benefit of being a new destination on the global tourism map. It is one of the few major economies in the world to be seeing strong economic growth, meaning it has more flexibility on pricing than many destinations.

Reed Travel Exhibitions Chairman World Travel Market Fiona Jeffery said: "As important as the BRICS nations are now, and will be in the future, there are other emerging countries for the travel and tourism industry to look at.

"The SLIMMA nations – Sri Lanka, Indonesia, Malaysia, Mexico and Argentina – are the ones the industry has identified as the nations to look out for both inbound and outbound tourism for a variety of reasons, including investment in infrastructure, natural beauty and high disposable incomes."



The New York Stock Exchange.

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