POW WOW Press Conference Presentation
The International Travel Forecast Highlights
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Introduction:

- I am very pleased to officially release the U.S. Department of Commerce's semi-annual forecast of international travel to the United States for the next four years, 2003 year-end to 2006.

- It is also a privilege for me to be here today to highlight World Trade. As you all know, travel and tourism is an integral part of world trade.

- Since the first declaration of World Trade Week more than 50 years ago, international trade has continued to be an engine for U.S. economic growth and job creation.

- U.S. exports accounted for almost one-fourth of U.S. economic growth over the past decade, and today support 12 million American jobs - jobs that pay 13-18 percent more than the national average (according to Commerce Department statistics).

- In the United States the travel and tourism industries contribute an average of 3.5% to our GDP. Considering the size of our GDP, this is substantial (note: nearly $707 billion in direct and indirect sales according to the 2002 Commerce travel and tourism satellite accounts estimates).

- Travel and tourism is very important to our economy and very important to international trade.

- That is why it is so appropriate to be at Pow Wow to celebrate World Trade Week - and to officially release the highlights of the U.S. Department of Commerce's semi-annual forecast of international travel to the United State.

- As many of you know, the Department of Commerce serves as the official source for monthly and annual data on international traveler flows and expenditures to the United States.

- The data also serves as the foundation for the balance of trade and the gross domestic product (GDP). Each calculated within the Department of Commerce.

- I encourage you to go to the Internet site (http://tinet.ita.doc.gov) and sign up for the TInews to make sure you are notified when new arrivals data and analyses as well as program updates are released.

- This forecast is produced using an econometric model which considers historical arrivals to the U.S, economic performance indices, political environments, in-market conditions and programs, and other influencing factors (such as SARS) for 35 individual countries and all world regions.

Overall International Arrivals to U.S. to 2006:

- The forecast indicates slow short-term growth for 2003 (up 1 percent) with the longer term showing more strength, with 51 million visitors by 2006.

- The first couple of months in 2003 indicate a weak year as we only gained 2 percent through February compared to 2002. We show a stronger January, (up 5%) but a 2 percent decline in February.

- Preliminary results for March indicate double-digit declines for the spring.

- Considering the ongoing challenges we face in this industry, many of which remain outside our control, it is time for us all to move past any benchmark, like 2000 levels, and simply work toward maintaining annual positive growth.

Spending by International Travelers & the Balance of Trade:

- In 2002 we saw a decline in receipts, which reduced the balance of trade from $91 billion in 2001 to $88 billion (down 4%).

- You can also see a similar decline with payments (what Americans spend internationally).

The Trade Surplus – International Spending in the USA (Exports) vs., U.S. Spending Abroad:

- The net effect for 2002 was a 13 percent decrease in the trade surplus (to $ 7.5 billion).

- We expect that this will improve as receipts from international travelers to the U.S. are favored to outpace annual increases in American travel and spending abroad.

- By the end of the forecast, 2006, we estimate a near doubling ($13 billion) of the trade surplus will double ($13 billion) from the 2002 low.

North American Visitors - Long Term Forecast to 2006:

- The yearly forecast for each of the 35 countries and world regions is posted to the “What’s New” section on our website, so I encourage you to refer to that for the trends in your specific countries. The tables provide the forecast for numbers you can use along with this analysis.

- Our top two markets, comprising over half of our international travelers will actually gain a market share point in the long term.

- Canada was showing positive signs in the first couple of months in this year. With strength in their currency and economic fundamentals, they represent a positive growth market for 2003.

- We also indicate that this growth will continue at six and seven percent annual rates over the next few years, and 24 percent over the 2002 level to 16.1 million.

- History has shown that Canadian travel to the U.S. is influenced significantly by the strength of its currency. For this forecast period this exchange rate is expected to hold at the 70 percent range, making it more favorable for travel to the U.S.

- The Mexican market is showing strong growth for the forecast period. However, signs of a weakening Peso indicate that Mexican travel may be flat by the end of this year. We can expect that gradual increases over the rest of the forecast period will contribute to an overall 21 percent expansion from the 2002 levels to nearly 12 million visitors.

- The United States is the primary destination for Mexicans, attributing to 85 percent of all of their outbound travel!

The Top European Market Forecast to 2006:

- Moving to the overseas markets, we forecasted 21 percent growth from 2002 levels, which will be shy of the 2000 peak with 23 million visitors by 2006. (Vs 26 million in 2000). For this year we have estimated flat levels to 2002.

- We expect to experience some growth this year, 2 percent, with 7 percent averages in 2004 and 2005 and 6 percent in 2006.

- Strengthening of the euro and overall positive economic performance support the strong 23 percent increase forecasted for Europe from 2002 to 2006.

- The star of the European market continues to be the United Kingdom. Indicators show their economy maintaining good strength and the Sterling will hold up well over the forecast period.

- The UK will reinforce its top overseas market position as we look to the British to be the most resilient source market for the U.S.

- We are facing struggles with the German market and see 2003 in a negative light (down 3 percent) for the fourth year in a row.

- German economic indicators will pick up further into the forecast, which is why we forecast an overall 18 percent expansion by 2006 from 2002 levels.

- France is initially estimated to decline 5 percent in 2003, but then recover to claim a 20 percent growth over the full period.

- On the other hand, the Netherlands and Italy are forecasted to outpace the overall European growth rate with 26 percent increases by 2006.

- Digging deeper, you will see that the next tier of European markets strongly support the region’s overall performance, with many of them outpacing the 23 percent average. (Sweden—37%; Ireland—25%; and Belgium—27%).

Asia-Pacific Regional Travel Forecast to 2006:

- Asia, our second largest world regional source of traveler markets will be in the negative by the end of this year (-2%), but as its economies continue to stabilize, commendable gains are forecasted for the coming years. We have forecast overall expansion of 18 percent from the 2002 lows to nearly 7 million visitors.

- Oceania – Australia and New Zealand - are forecasted to perform at similar levels of growth with 19 percent over the next four years to 630,000.

Asian-Pacific Country Forecast:

- The majority (74%)of the Asian region’s travelers to the U.S. came from Japan. Economic recovery will be gradual, which will support the potential for increased travel.

- The 17 percent growth over the forecast period reflects flat levels for this year, an increase of 7 percent in 2004 and then a leveling off to 4 percent per year for the last two years of this forecast.

- Certainly this will be supported by the strong public/private partnership efforts resulting from the Tourism Export Expansion Initiative conducted between our countries. I

- t is also instructive to note that South Korea and China/Hong Kong are expected to grow 19 percent and 21 percent respectively.

- The same holds true for New Zealand, forecasted to grow by 25 percent by 2006.

- Australia will initially decline an estimated 3 percent this year, but will achieve a forecasted growth of 17 percent by 2006, which will increase to 477,000 visitors.

Latin America Regional Forecast to 2006:

- The next weakest region in the forecast is for the Latin American and Caribbean markets, excluding Mexico. This is particularly true for the Caribbean, which shows a 13 percent increase over the forecast period.

South America Country Forecast to 2006:

- South America specifically shows a mixed performance. Travel from Venezuela is estimated to decline by 11 percent this year, and then recoup the next three years with 7 percent growth each year.

- Other key South American markets, Brazil, Colombia and Argentina, are also expected to perform negatively for 2003 (down 6%, 7% and 13% respectively).

- We expect strong recovery from Brazil and Argentina, each of which shows 20 percent increase by 2006 from their 2002 levels.

- Continued investment by destinations in some of these key countries will ensure that the performance forecasted here will be realized.

Conclusion:

- It’s a challenge to present so much information in such a short time and I do not intend to demean the importance of each international market.

- I encourage each of you to review the official press release and the country-by-country charts attached to the release for more detailed information. Please view the numerous tables posted to the web site with the 2003, 2004, and 2005 arrival forecasts on the OTTI web site. We hope you find the data useful in your work to generate international travel to the United States.