



Five trends to watch in travel and leisure

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As more people in the U.S. get vaccinated, the country will make its return to normal. But some industry trends are here to stay.

In addition to secular trends already in place, COVID-19 is driving significant changes in travel and leisure. How (and how often) people travel for work and vacation is likely to change as we emerge from the pandemic. Here are five trends that we believe may unfold in 2021 and beyond:



Vaccine passports

Similar to the yellow fever card required for travel to West Africa, a health passport (proof that a traveler has been inoculated with the coronavirus vaccine) could become a requirement for international travel when it resumes. Evidence of vaccination and negative tests won't be a free pass for international travelers, however. Masks, enhanced cleaning and social distancing will most likely be our new normal for the foreseeable future.



Airline mergers

A strong airline industry is crucial to the nation's safety and economy, which is why the industry received federal aid as part of the 2020 fiscal stimulus. But air travel recovery has been slowing down because of rising COVID cases — right now, it's at about 40% of 2019 levels.¹ During the Great Recession, Delta and Northwest Airlines merged, as did United and Continental. And as we emerge from the pandemic, there may once again be conversations about industry structure and consolidation.



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A split in hotel demand

As the economy recovers, “revenue per available room,” a performance measure used in the hospitality industry, should begin to improve throughout 2021. The rebound will be driven by the pent-up demand for leisure travel, but business travel will continue to lag significantly. Travelers should be on the lookout for deals in places like urban downtown locations. But for popular resort properties, rates might be back to 2019 levels (or even above) sooner rather than later.



Alternative accommodations on the rise

Renting homes and apartments on sites like Airbnb or VRBO was a relative bright spot in travel for 2020 and should continue in 2021. Growth on these platforms has been strong, and as more people get vaccinated and local restrictions are lifted, expect these platforms to offer experiences like museums, tourist attractions and cooking classes.



Cruise lines come back

Conversations with travel agents suggest that U.S. customers are eager to return to the seas — and it may be possible in limited quantities by late spring. While cruisers should expect heightened safety and hygiene protocols, European cruise lines, which restarted late last year, have received high satisfaction scores. Older ships are being retired at an accelerated pace, so cruise lines can focus on newer models, more efficient tonnage and core brands.

Bottom line: Travel and tourism have historically been about 8% of U.S. GDP,² so the return to a healthier travel industry is critical to overall economic recovery. But don't expect a recovered industry to simply look like a version of 2019 — new safety protocols and consumer behaviors could lead to lasting changes.

¹ Columbia Threadneedle Investments, February 2021

² World Data Atlas, 12/31/20

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