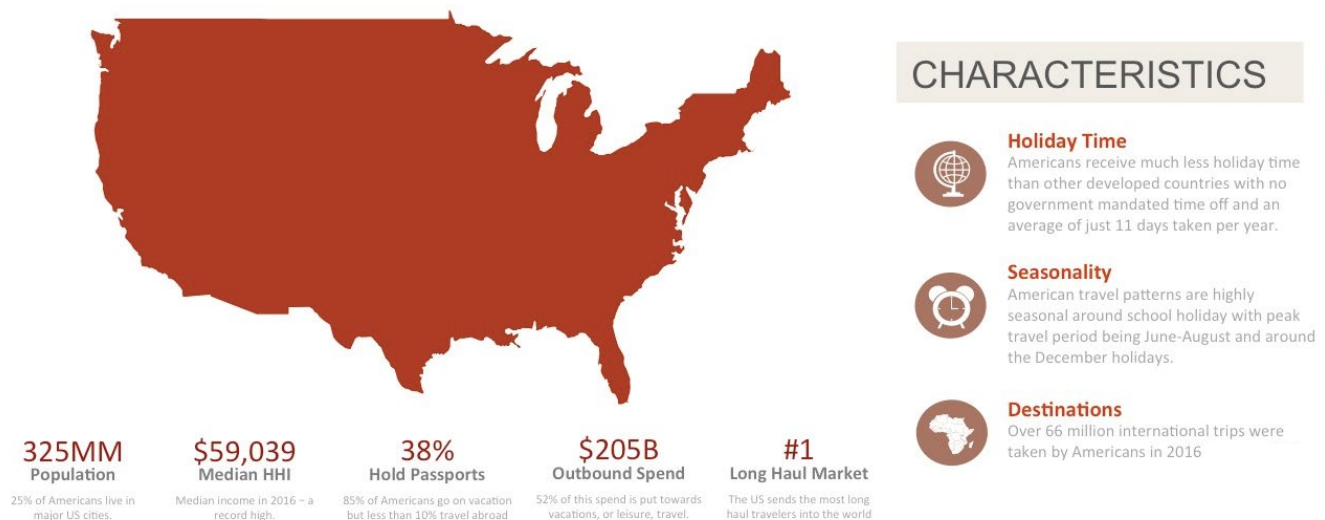


An Overview of the US Travel Industry

The United States is the largest economy and largest outbound long-haul travel market on Earth with 83.4 million international trips made in 2019. This number is expected to grow to 150 million by 2025 as the world recovers from the COVID-19 pandemic, with 2 million of those trips being made to the Nordic countries¹. American international travelers reported taking a total of 6.2 vacations during the past 12 months, including 3.1 domestic vacations, 2.1 international vacations, and 1 vacation to Canada, Mexico or the Caribbean. Europe is by far the most popular international destination with 7 in 10 (69%) having visited in the past 12 (pre-COVID) months. As the world begins to recover from COVID-19, it is expected that many of the same travel patterns and destinations will return again. However, the pandemic does offer an opportunity for new destinations that address the changing desires of American travelers to stake a claim to market share.



Overall, interest in Norway has been trending upwards with the number of US bed nights rising from approximately 300,000 in 2012 to a high of 956,000 in 2019 – an increase of 218%. This rise in interest can be attributed to increased GDP and per capita income, an increasing amount of direct flight connectivity with low-cost carriers, and a strengthening of the US Dollar against the Norwegian Kroner.

Travel Trade and Media Landscape

Although American consumers are known to be early adopters when it comes to self-serve technologies like online travel agencies (OTAs), travel to lesser-known destinations remains largely booked by travel trade including tour operators and travel agents/advisors. The outbound US tour operator business presents the biggest opportunity for destinations looking to grow their business. Although not centralized around any one area of the country geographically, there are approximately 23,301 tour operators in the United States of varying

size and quality. Many of these operators focus on the domestic US market; others focus on short-haul destinations such as the Caribbean.

The travel agent community in the United States is extremely fragmented. Agents may belong to a large company or be independent and tied in with a travel consortium. It is notoriously difficult to



determine which agents are productive and which are not worth investing in. There are roughly 81,700 travel agents in the United States however an excellent measure of value is to target agents belonging to key industry consortiums. Virtuoso has 7,200 agent members. Signature has 6,000. Targeting marketing resources to agents that are members of these key consortiums can make marketing more efficient and productive.

The Travel Industry's New Reality

The impact of the COVID-19 pandemic has been devastating to both the domestic and international tourism industries in the United States. Of all jobs lost in the United States in 2020, 40% were in the leisure and hospitality industry. This has led to a stunning \$500 Billion loss in travel spending and a decrease in international passengers of 76%.²

The true impact of COVID-19 on travel is still yet to be seen, however travel levels to Norway (and elsewhere) are not expected to return to pre-2020 levels until well into 2022. As travel does return, it is anticipated that Norway will be well positioned to attract tourists given a product offering based on more natural, socially distant, self-guided and sustainable experiences. When surveying 111 American tour operators and travel agents, 74% reported seeing a specific opportunity for the Nordic countries when travel returns.

During this challenging time, Innovation Norway has continued to work closely with the United States Tour Operators Association (USTOA) in order to influence their members and seek out new and innovative sponsor activities for later in 2021. As this collaboration takes shape, opportunities will be communicated to the Norwegian travel trade.

² https://www.ustravel.org/system/files/media_root/document/Research_Fact-Sheet_Industry-Table.pdf

Economic Outlook

The state of the US economy is closely tied with the country's ability to recover from the COVID-19 pandemic. With over 500,000 deaths already recorded in the US, the country and its economy has been hit hard however signs of a strong recovery are already visible. Over the course of the coming year, vaccination is expected to greatly reduce the number of new cases of COVID-19. As a result, the extent of social distancing is expected to decline. In its new economic forecast, which covers the period from 2021 to 2031, the Congressional Budget Office projects that the economic expansion that began in mid-2020 will continue.

Specifically, real (inflation-adjusted) gross domestic product (GDP) is projected to return to its pre-pandemic level in mid-2021 and to surpass its potential (that is, its maximum sustainable) level in early 2025. In CBO's projections, the unemployment rate gradually declines through 2026, and the number of people employed returns to its pre-pandemic level in 2024.

Since vaccine distribution began in the U.S. on Dec. 14, more than 65 million doses have been administered, reaching 13.4% of the total U.S. population, according to federal data collected by the Centers for Disease Control and Prevention. The U.S. is currently administering over 1.4 million shots a day.

According to NPR, President Biden has declared a goal of getting 100 million shots into arms in the first 100 days of his administration — an effort that stretches from late January through April. On February 11, President Biden announced the federal government has finalized deals to purchase 600 million vaccine doses from Pfizer and Moderna, to be delivered by the summer. The federal government also announced that it is using the Defense Production Act to help smooth other bottlenecks, such as limited supplies of syringes or protective gear.

Final Thoughts

The Relationship Between GDP and Potential GDP



The newly elected Biden Administration is giving new hope to a speedy economy recovery following successful mitigation of the COVID-19 pandemic. President Biden's \$1.9 Trillion stimulus plan is expected to pass congress in some form and when it does it will bring with it direct payments to most Americans, aid for the unemployed, protection from eviction, forgiveness of student debt, enhanced vaccine distribution resources, money for child care, assistance to small business, subsidies for health insurance, aid for schools and an increase in minimum wage. All of these initiatives are expected to have an immediate positive impact on the state of the US economy.

