



Sustainably growing the socio-economic gains from Tourism

CAYMAN ISLANDS TOURISM SHOWCASE OCTOBER 2018

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Sustainably growing the socio-economic gains from Tourism

- Global impact of Travel & Tourism
- Caribbean Travel Trends
- Cayman Islands tourism
- What drives arrivals and expenditure?
- Women in Tourism
- The Iceland Example



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Global Economic Impact
of Travel & Tourism

Global Economic Impact of Travel & Tourism in 2017

10.4% Travel & Tourism contribution to global GDP

4.6% growth in direct Travel & Tourism GDP in 2017

9.9% of global employment is supported by Travel & Tourism

1/5 net jobs created in the last decade were in Travel & Tourism

Source: WTTC, Marla Dukharan

Global Trends in Travel & Tourism for 2018

USD8.27 trillion

total Travel & Tourism contribution
to global GDP

322.7 million

total jobs supported by Travel & Tourism,
and **118.5 million** directly

USD1.55 trillion

in visitor exports forecast for 2018

USD926.6 billion

in Travel & Tourism investment
forecast for 2018

Source: WTTC, Marla Dukharan

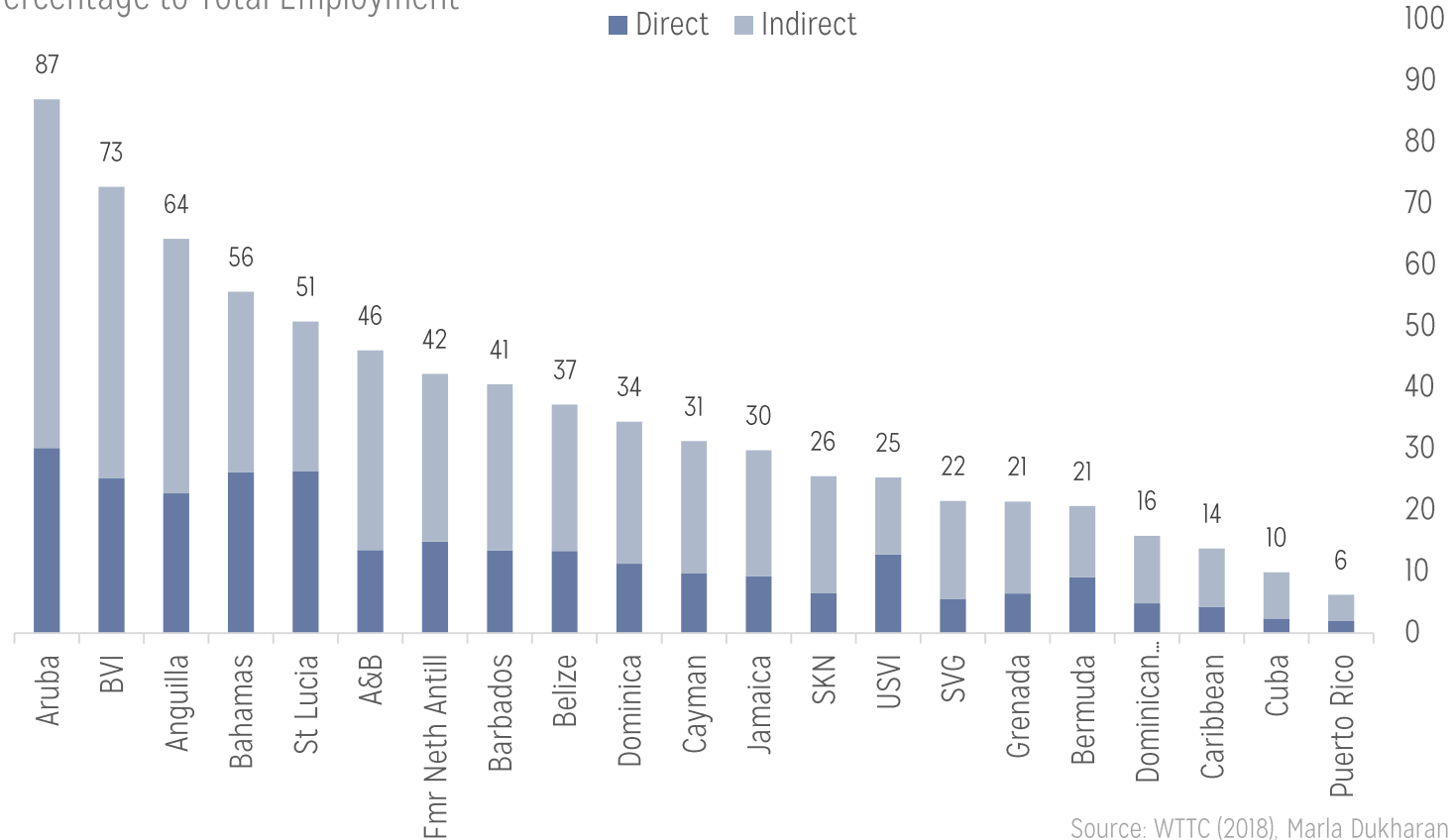
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Caribbean Travel Trends

Tourism is a major contributor to overall employment, and there is scope to further develop links to the broader, non-tourism economy

Tourism Contribution to Employment: Caribbean

Percentage to Total Employment

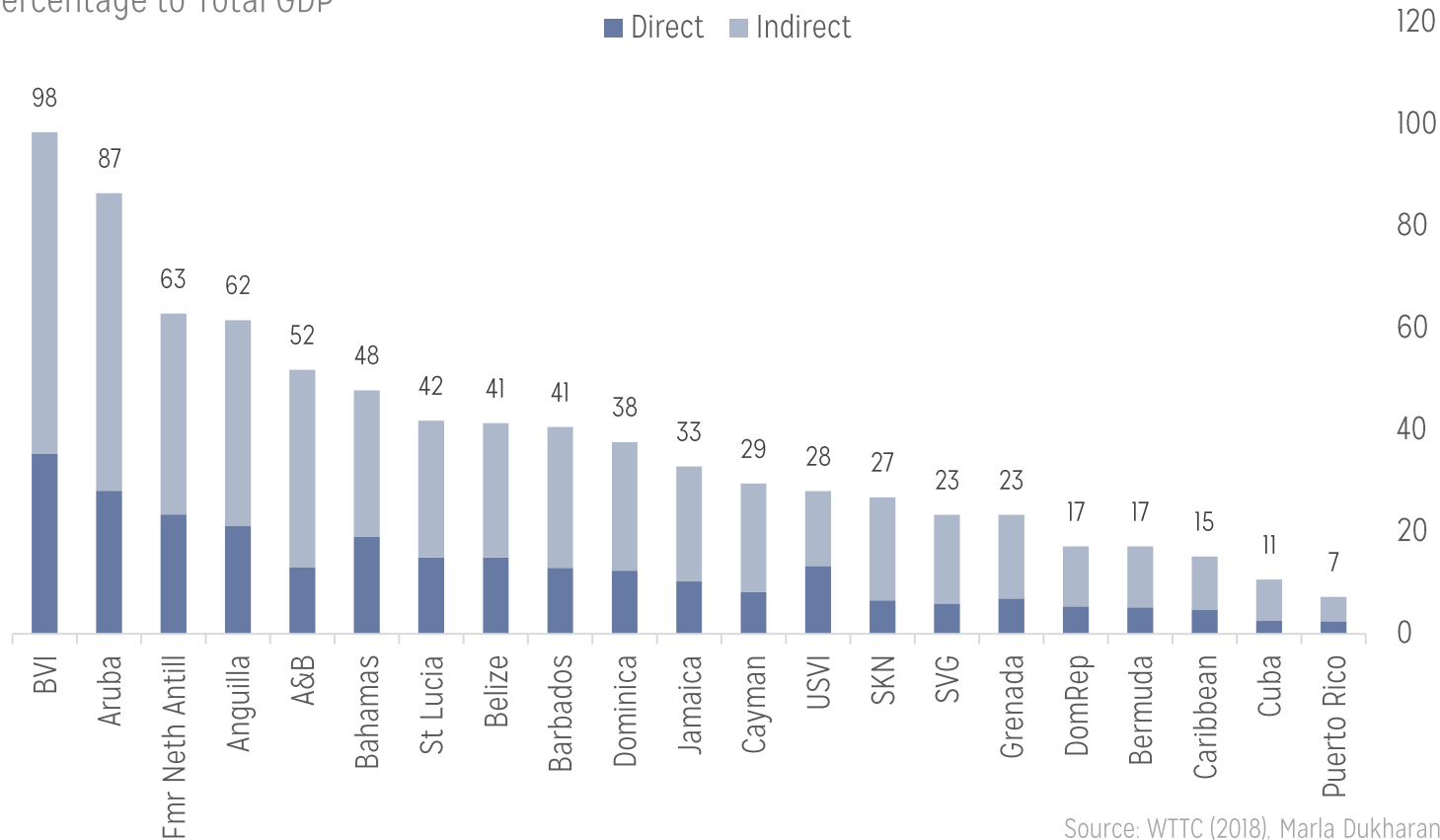


Source: WTTC (2018), Marla Dukharan

Thacker, Acevedo, and Perrelli (2012) found that tourism boosts economic growth, and helps reduce growth volatility. A 10% increase in tourist arrivals per capita, raises real per capita GDP growth by about 0.2 p.p.

Tourism Contribution to GDP: Caribbean

Percentage to Total GDP

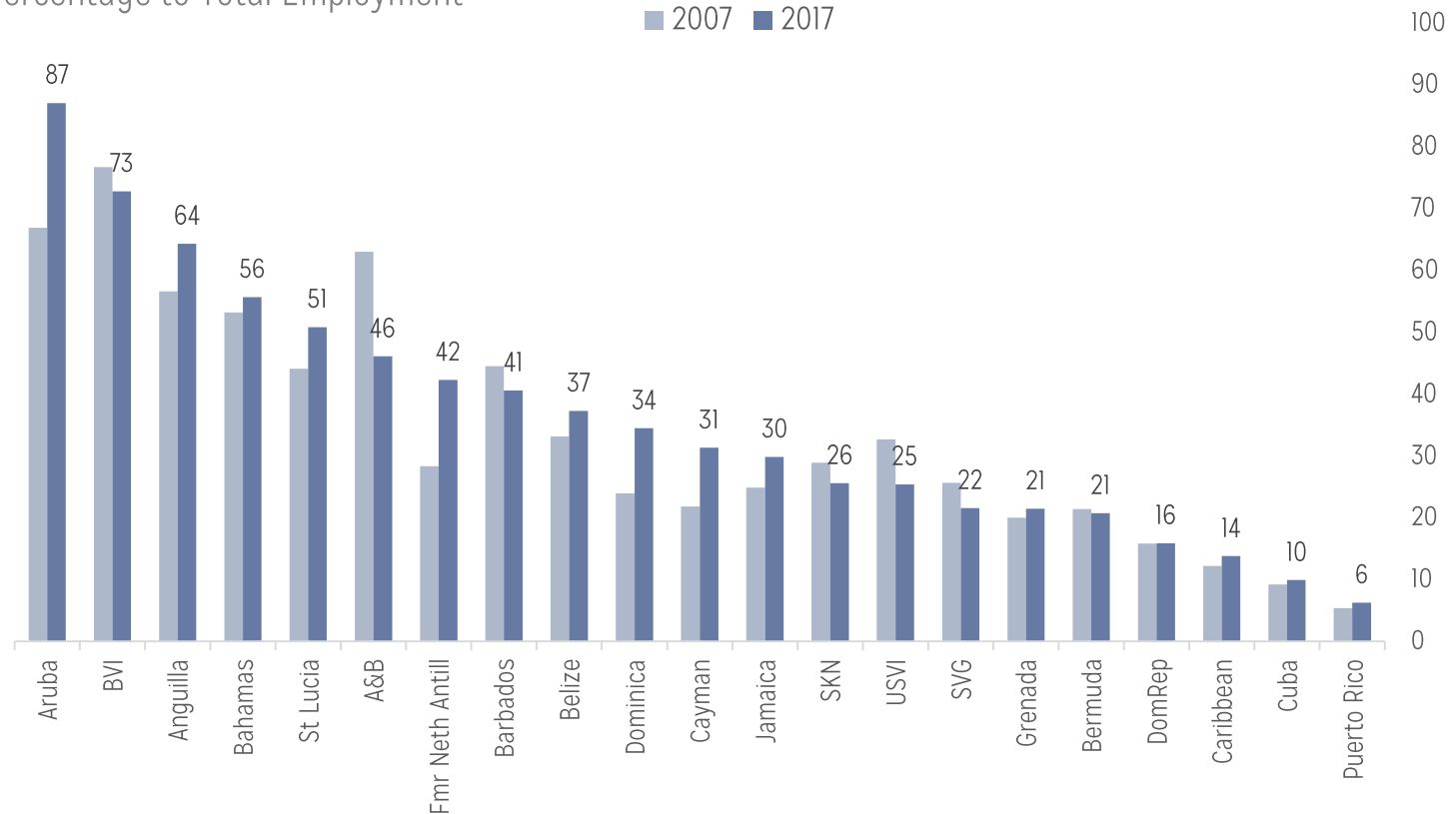


Source: WTTC (2018), Marla Dukharan

The region is becoming increasingly reliant on Travel and Tourism for employment.

Tourism Contribution to Employment: Caribbean

Percentage to Total Employment

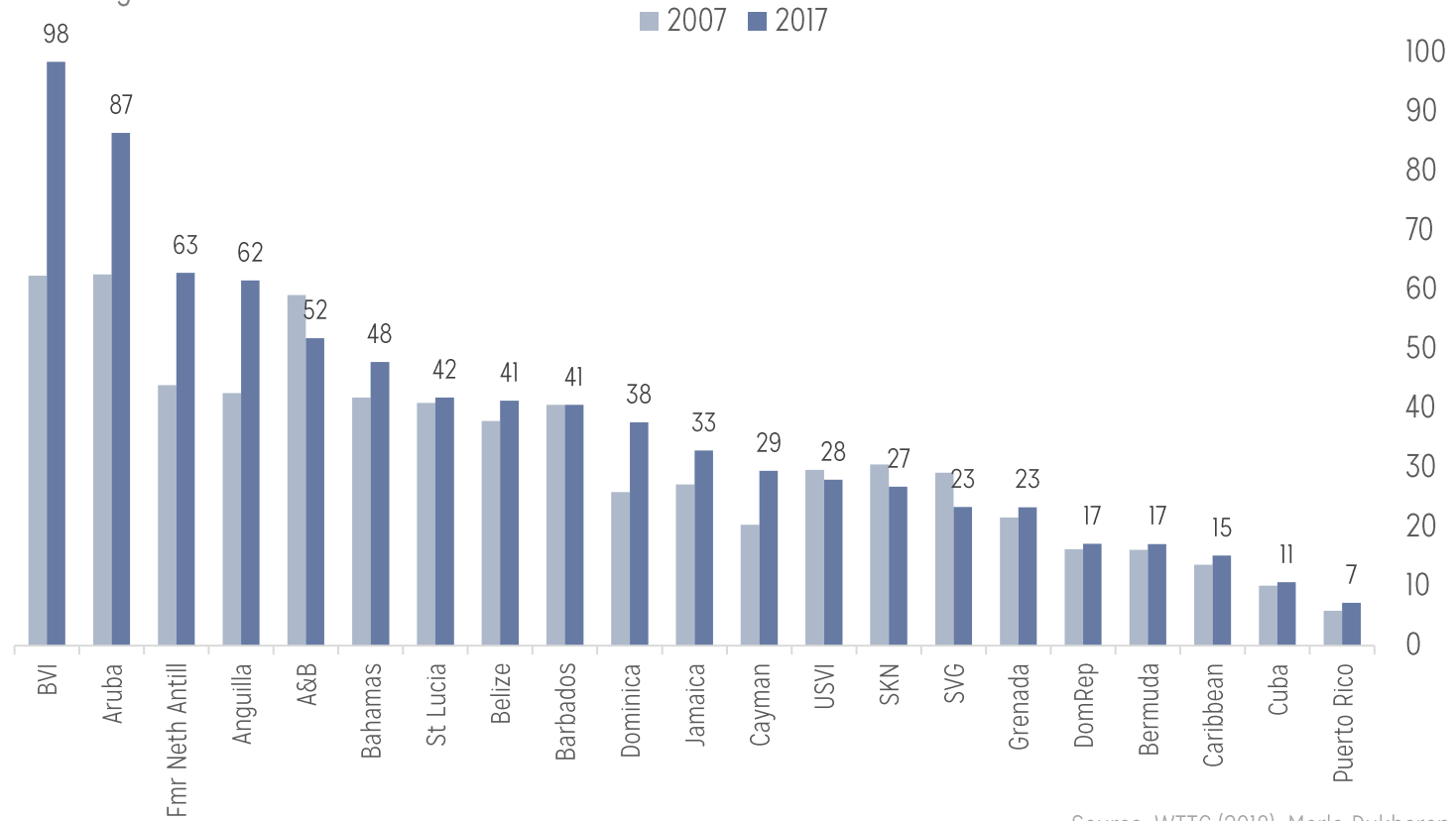


Source: WTTC (2018), Marla Dukharan

... and for overall economic activity

Tourism Total Contribution to GDP: Caribbean

Percentage to Total GDP

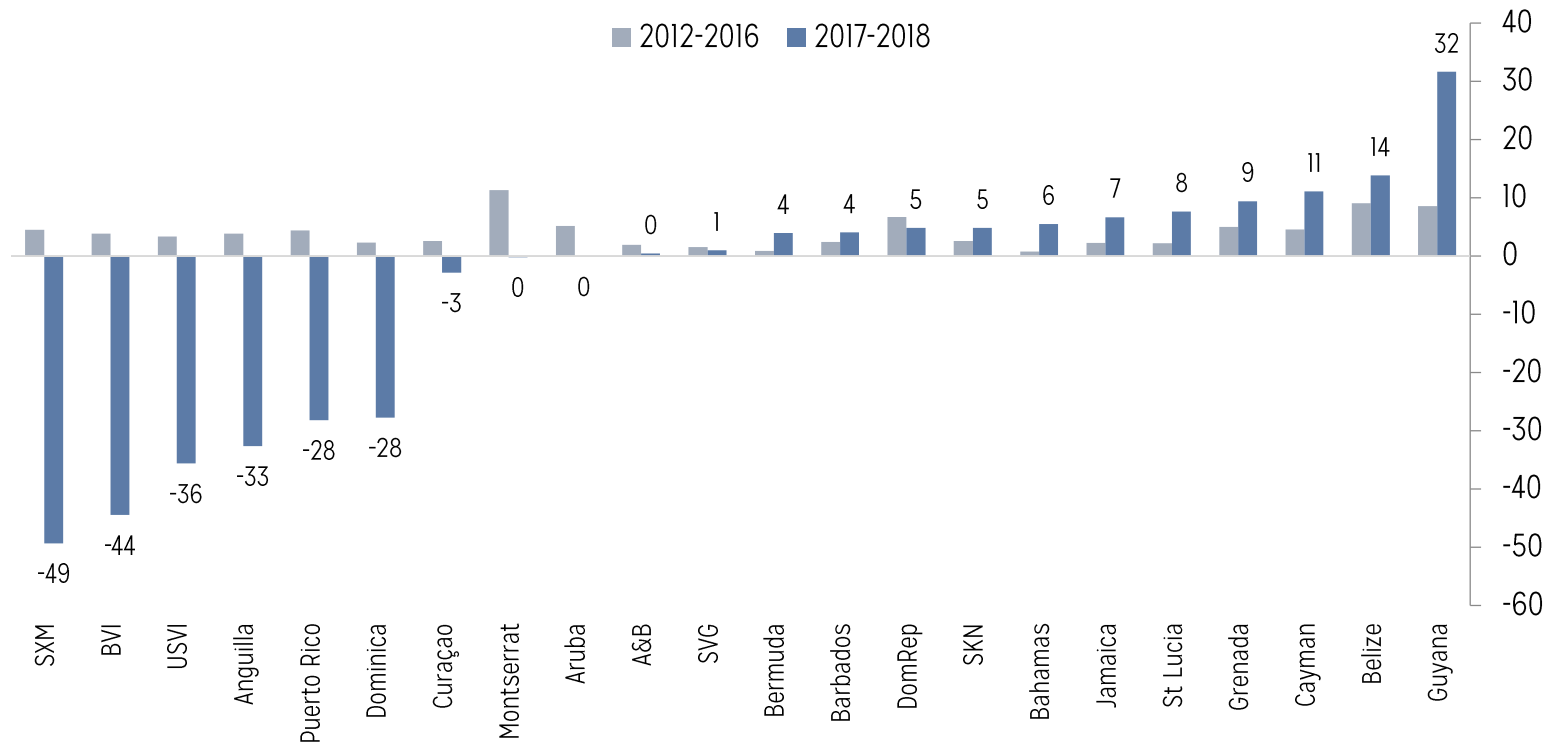


Source: WTTC (2018), Marla Dukharan

Hurricanes Irma and Maria took a major toll on the region's tourism sector. Strong growth is coming from the countries not affected.

Stay-over Growth Trends: Caribbean

Ave y/y Growth %

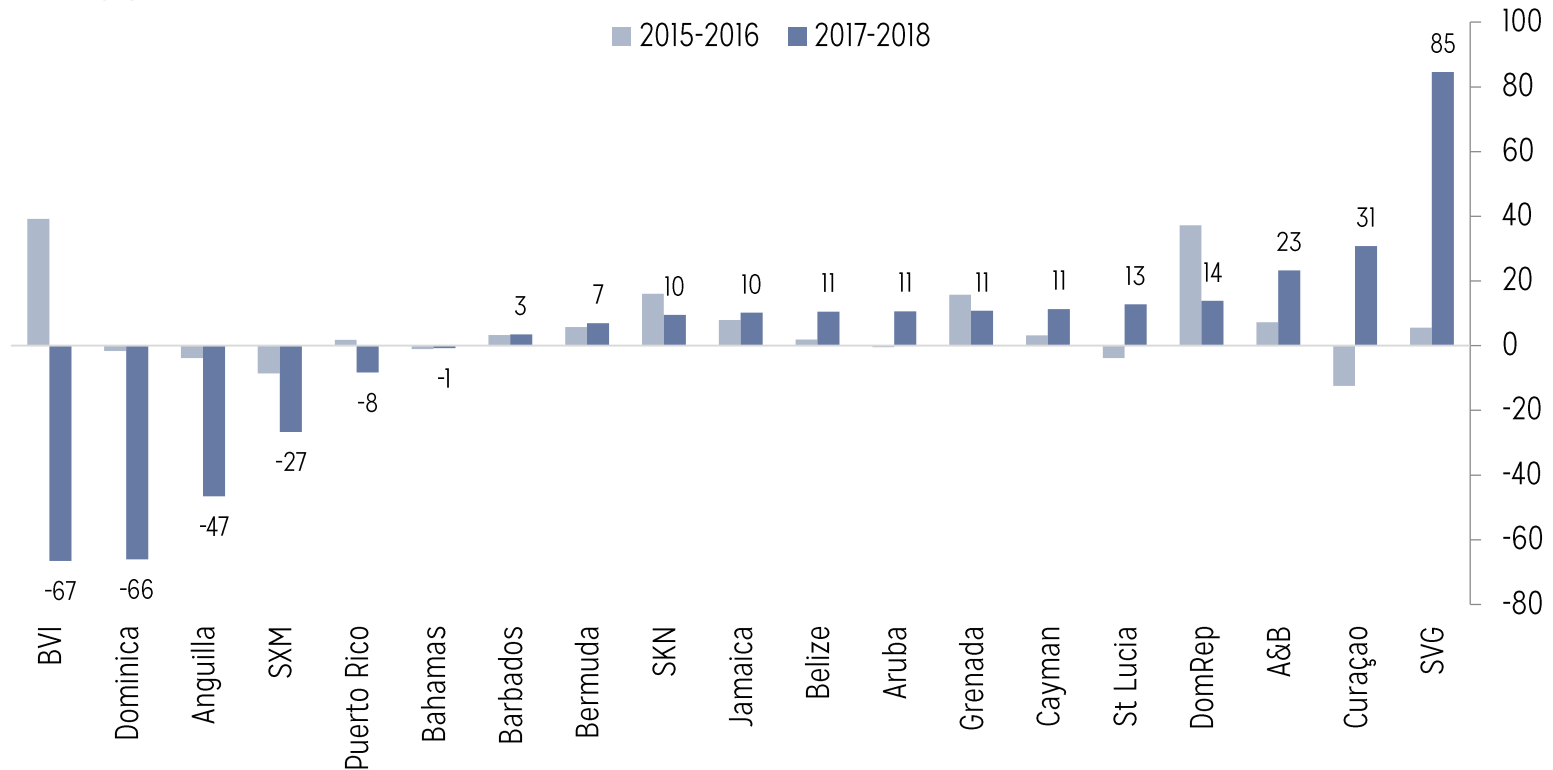


Source: Various Central Banks, Tourism Departments, Statistics Departments and Government Ministries, Marla Dukharan

Double digit growth in cruises for 11 destinations on average for 2017 and YTD 2018, while storm-impacted countries continue to rebuild.

Cruise Growth Trends: Caribbean

Ave y/y Growth %

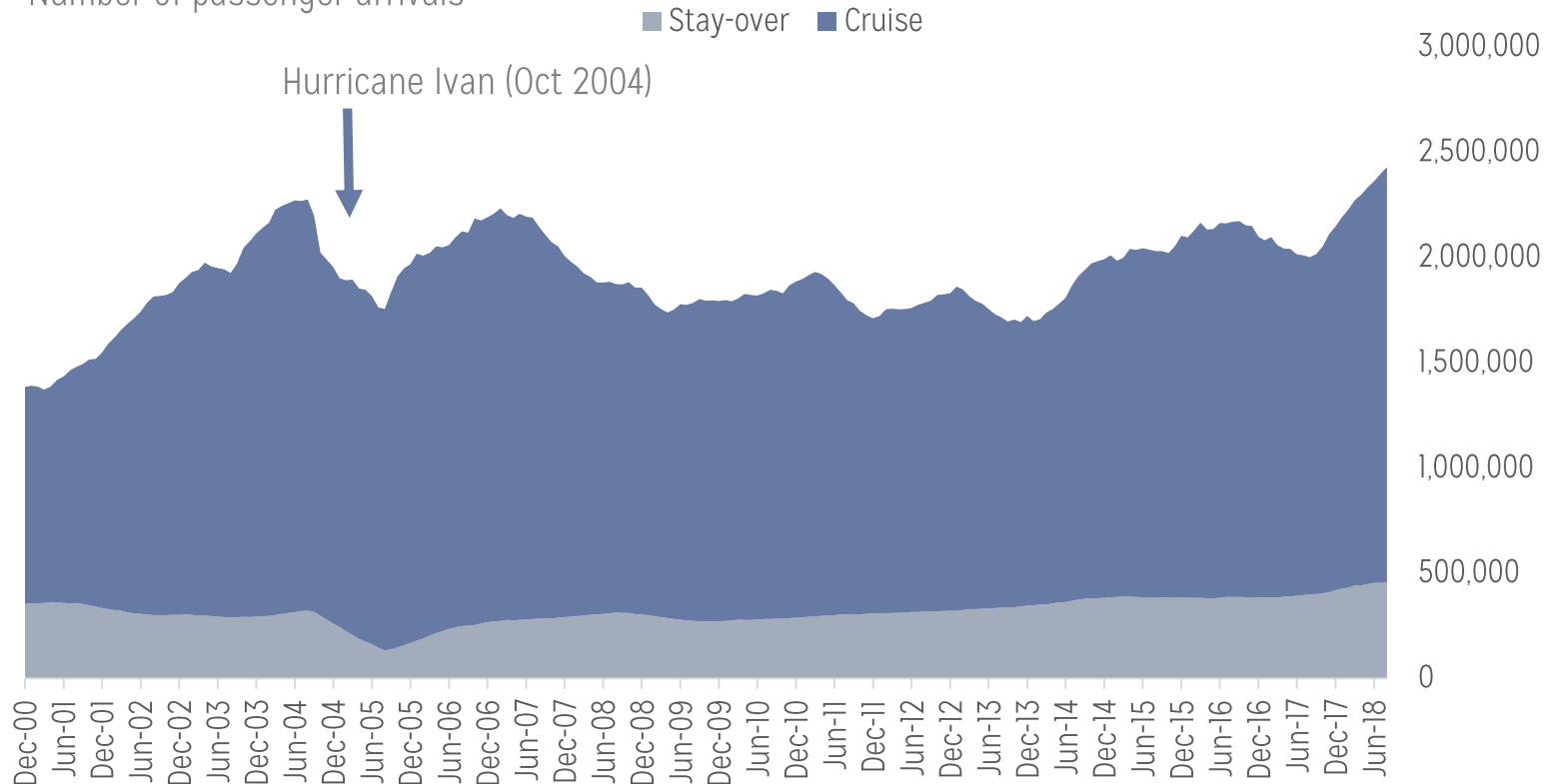


Source: Various Central Banks, Tourism Departments, Statistics Departments and Government Ministries, Marla Dukharan

Cayman Islands registered 13% y/y growth in stay-over arrivals to August, and 22% in cruise arrivals. WTTC estimated the direct contribution of Travel & Tourism to GDP was 8.1% for 2017, total contribution at 29.5%.

Tourism Arrivals (rolling 12 months): Cayman Islands

Number of passenger arrivals



Source: Cayman Islands Department of Tourism, Marla Dukharan

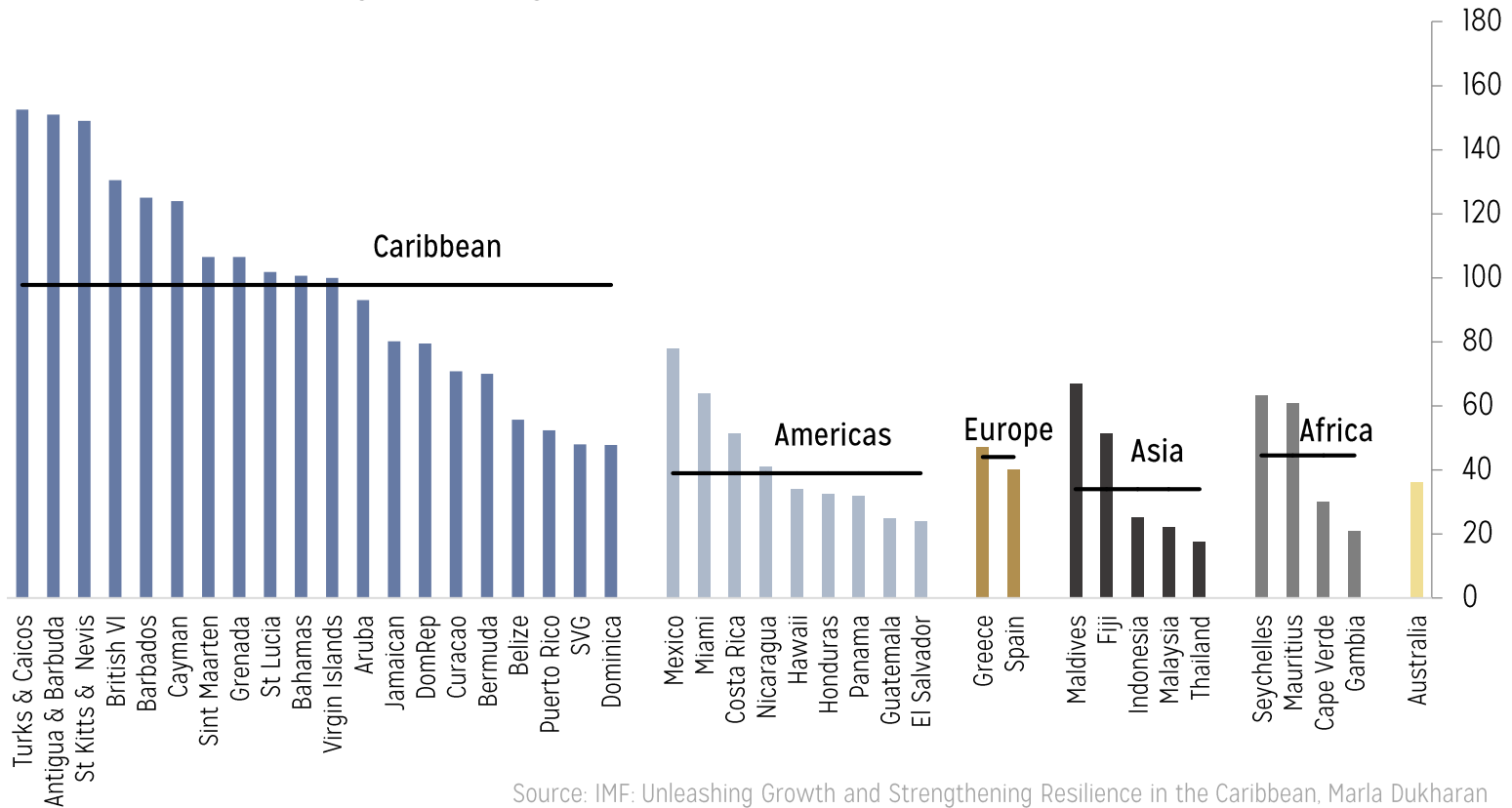
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What drives tourist arrivals and expenditure?

IMF Week-@-the-Beach Index: “The nominal cost of an average one-week beach holiday in the Caribbean is higher than elsewhere in the world.” And this does NOT include air travel costs!

IMF Week-@-the-Beach Index (Jan 2017)

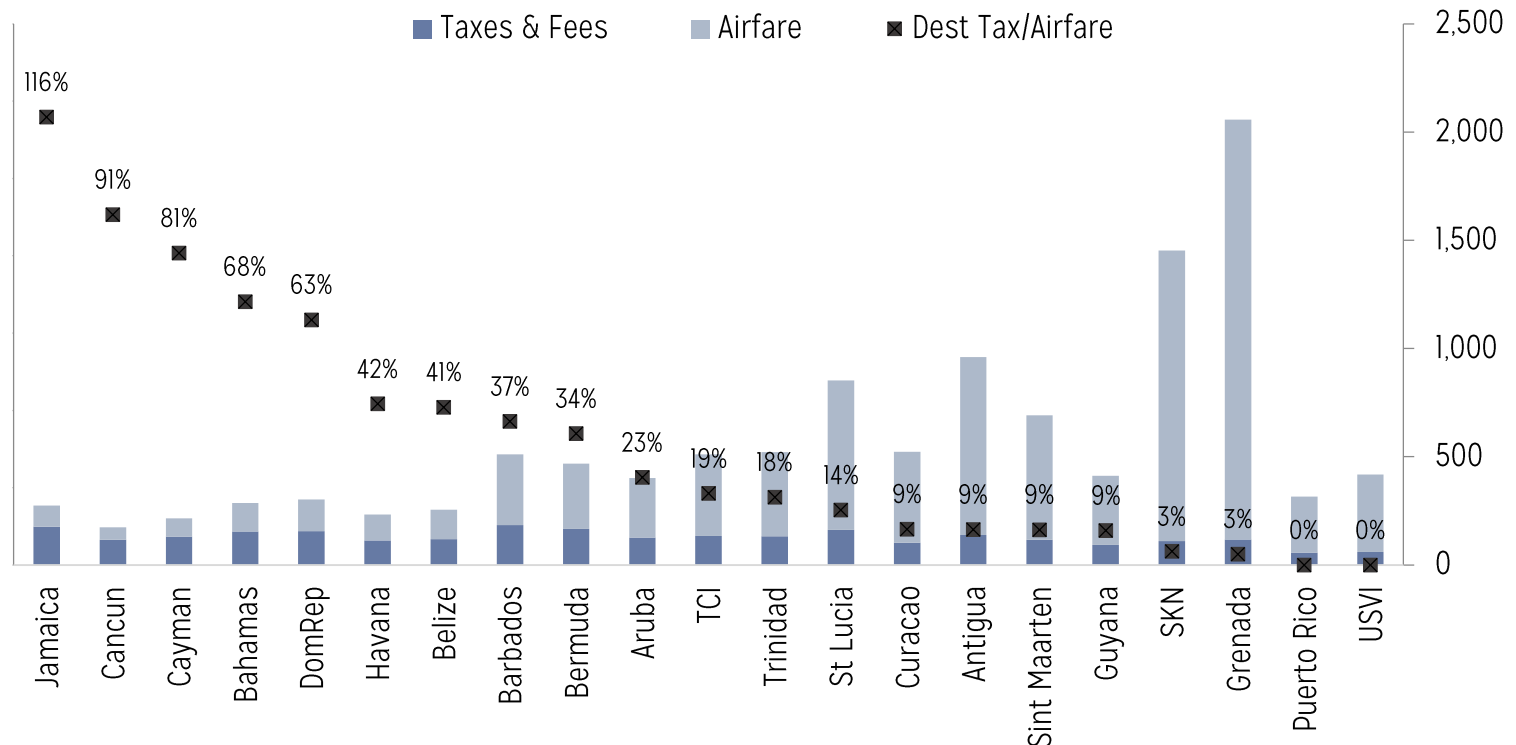
Index Value (bars) - Regional Average (lines)



Total price of air travel includes USD63.43 in US taxes (except PR and USVI). Taxes imposed by the destination on travelers in some cases are higher than the airline's charges.

Airfares and Taxes/Fees: Caribbean

USD

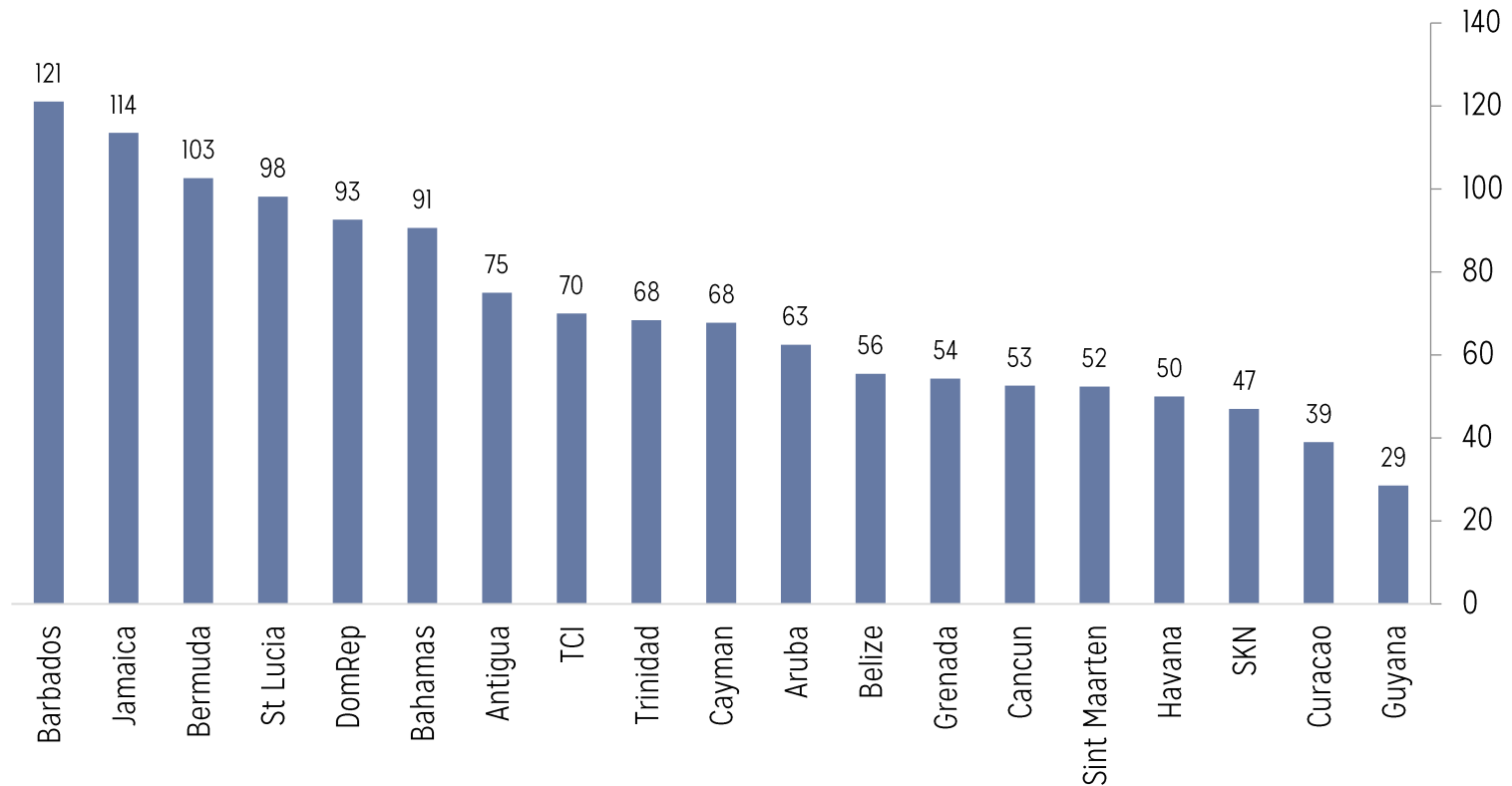


Source: Expedia, American Airlines, Marla Dukharan

Destinations such as Jamaica, Bermuda and Dominican Republic have higher airfare taxes, but lower Week-@-the-Beach index values, meaning the trip is more affordable once they reach the destination.

Destination Taxes on Air Travel: Caribbean

USD

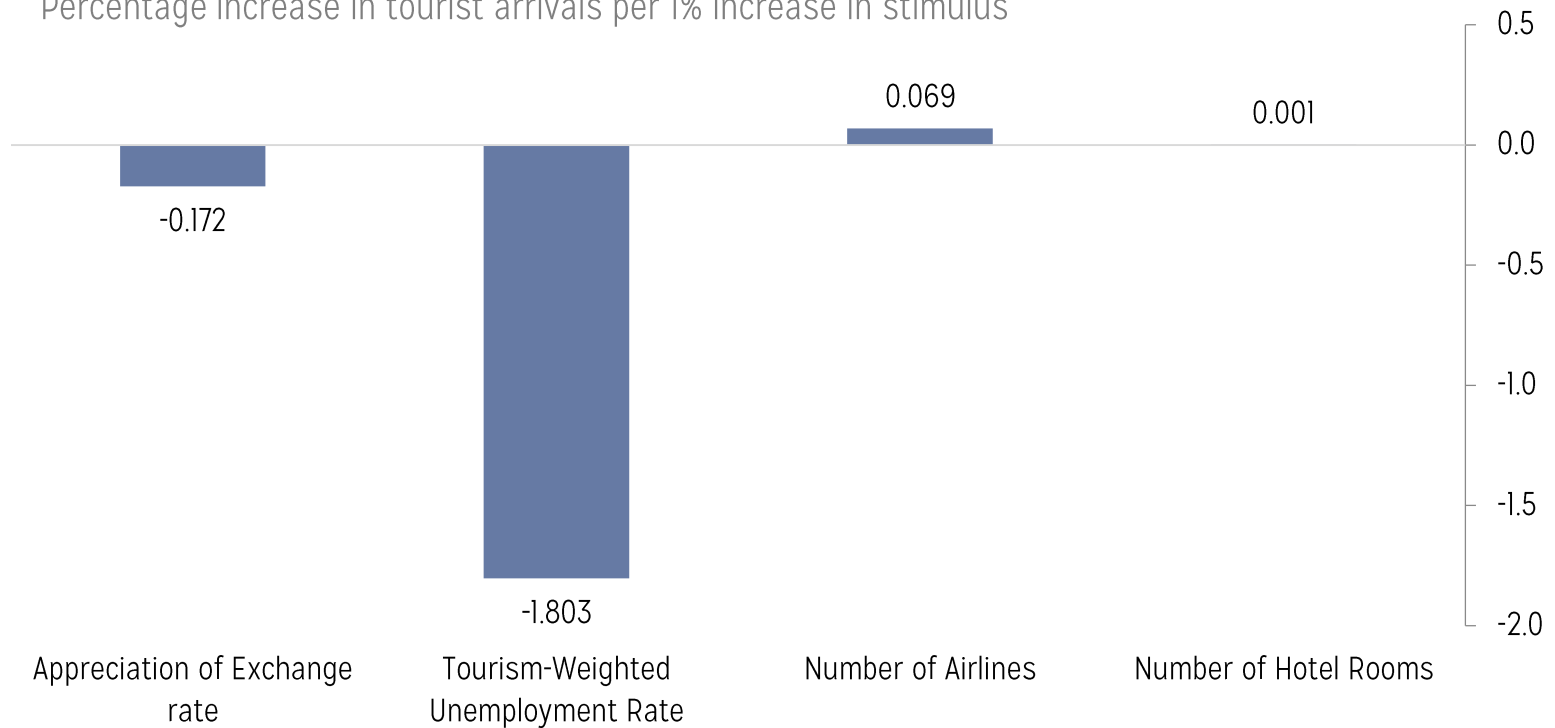


Source: Expedia, American Airlines, Marla Dukharan

IMF : The main factors affecting tourism arrivals in the Caribbean

What Affects Arrivals: Caribbean

Percentage increase in tourist arrivals per 1% increase in stimulus



Source: IMF, Marla Dukharan

How the exchange rate affects tourism in the Caribbean

What is the impact of a 1.0% appreciation in the real exchange rate (tourism-weighted)?

0.17% decrease in arrivals
during 2000-2015

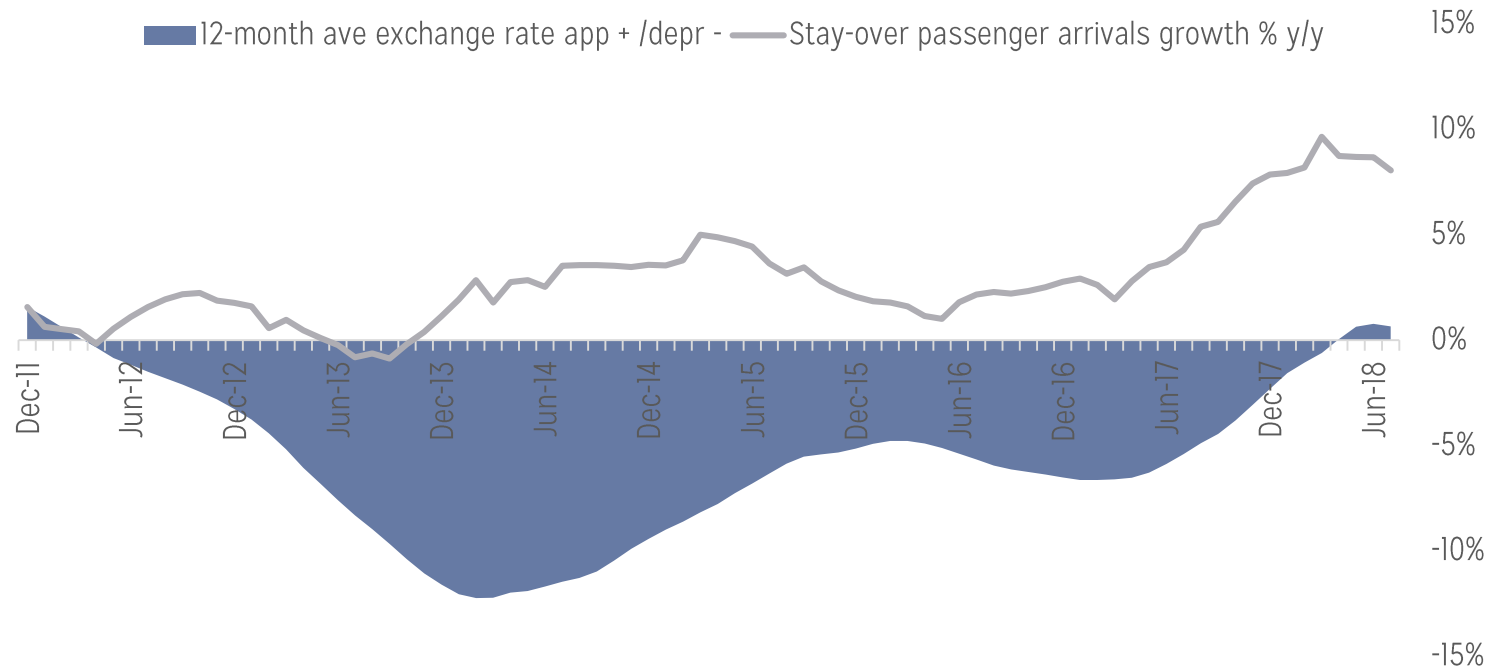
Not sensitive to price
in higher-end destinations

Source: International Monetary Fund, Marla Dukharan

Jamaica's currency depreciated 37% between December 2010 and July 2018. 12-month rolling stay-over arrivals have grown 27% over the same period.

12-Month Rolling Stay-over Growth and the Exchange Rate: Jamaica

Percent Change y/y (%)

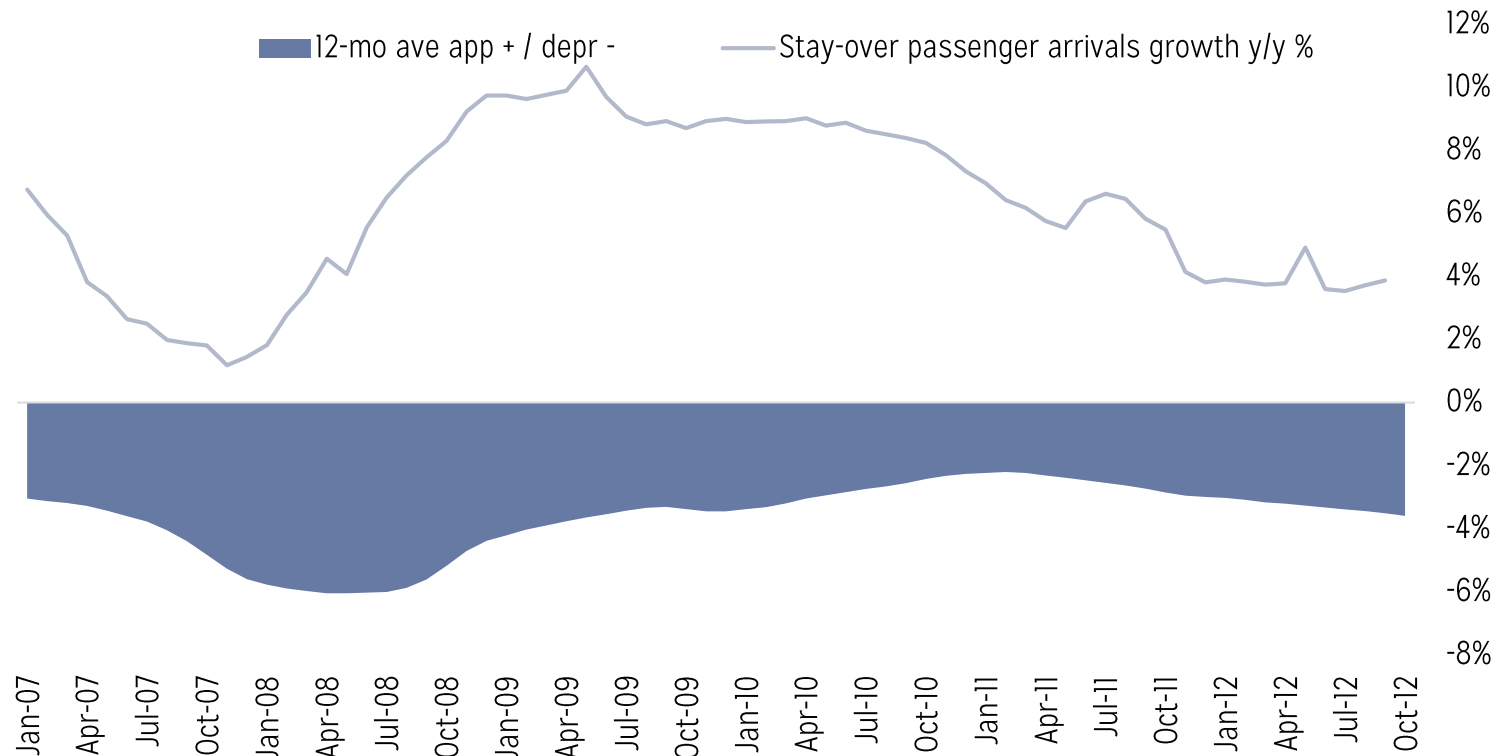


Source: Bank of Jamaica, Jamaica Tourism Board, Marla Dukharan

The Dominican Peso depreciated 25% between December 2010 and June 2018. 12-month rolling stay-over arrivals grew 62% for the same period.

12-Month Rolling Stay-over Growth and the Exchange Rate: DomRep

Percent Change y/y (%)

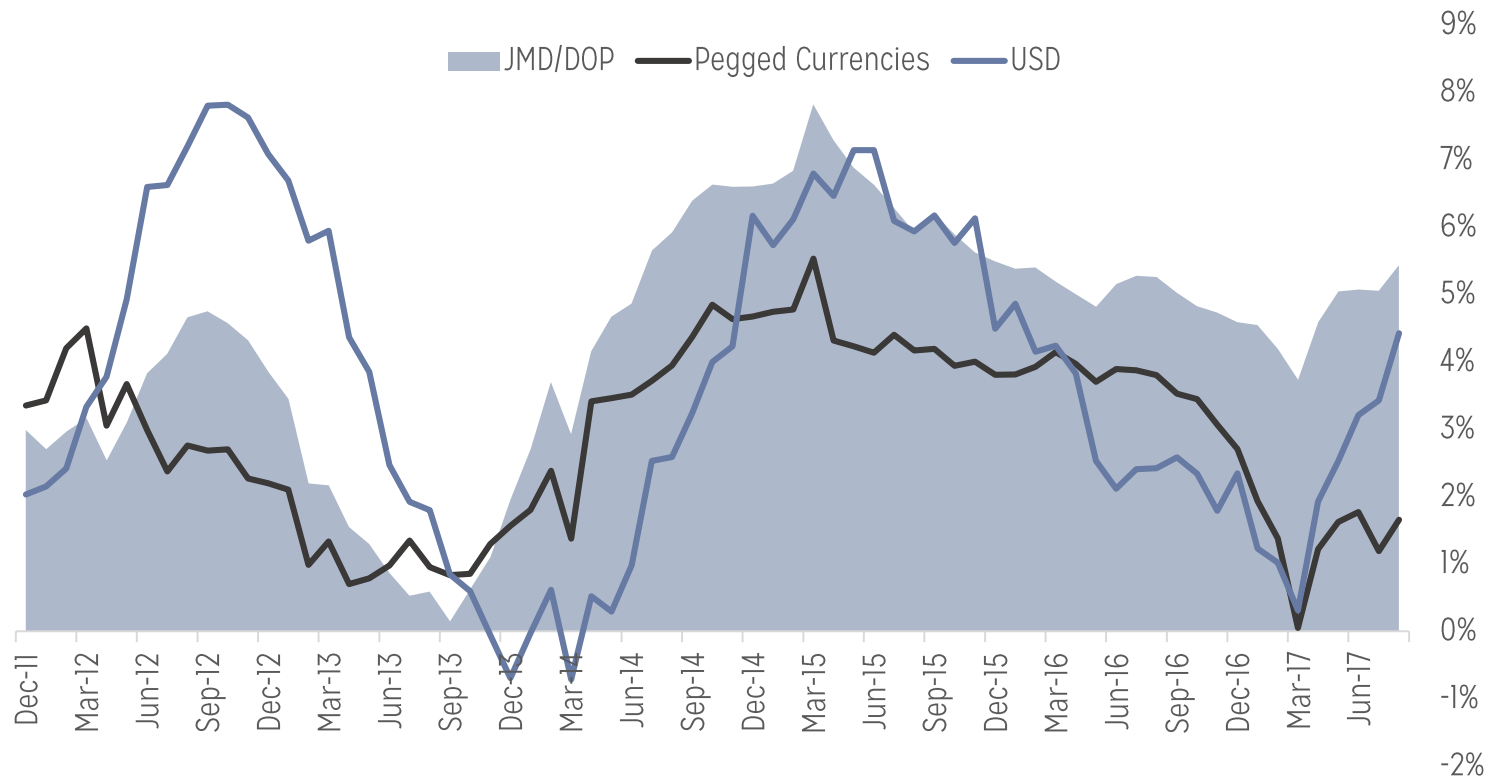


Source: Central Bank of the Dominican Republic, Marla Dukharan

Destinations with pegged currencies have underperformed those with floating currencies for 5 consecutive years in terms of arrivals.

12-Month Rolling Stay-over Growth: Caribbean

Ave percent change y/y per currency group (%)

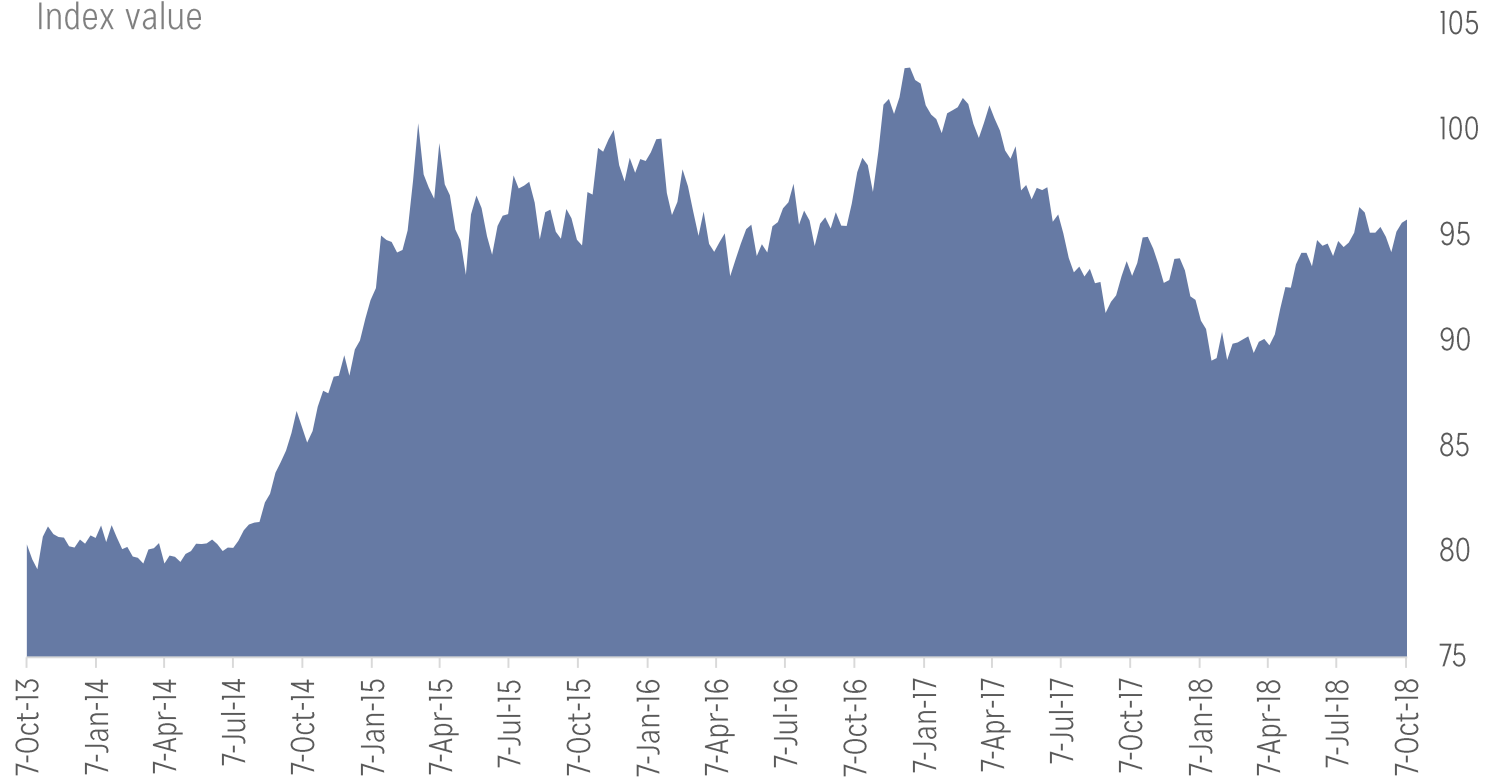


Source: Various Central Banks, Tourism Departments, Statistics Departments and Government Ministries, Marla Dukharan

The USD appreciation has taken the value of pegged currencies with it, weighing on price competitiveness for these destinations.

US Dollar Index Spot (DXY)

Index value



Source: Bloomberg, Marla Dukharan

How unemployment in source markets affects tourism in the Caribbean

What is the impact of a 1.0% increase in unemployment (tourism-weighted) in source markets?

1.8% decrease in arrivals during 2000 - 2015

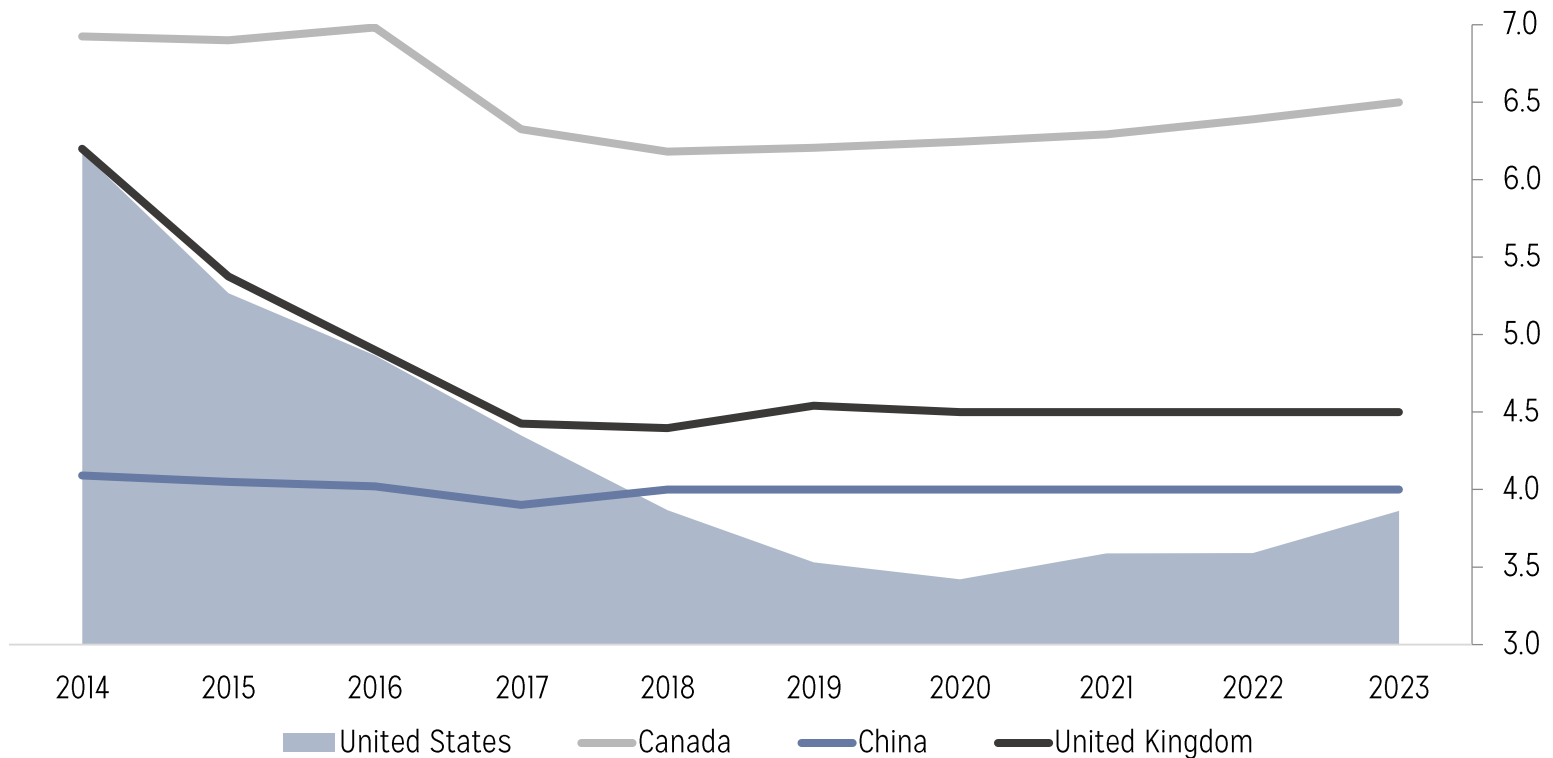
3.2% decrease in arrivals in higher-end destinations

Source: International Monetary Fund, Marla Dukharan

Unemployment forecast to increase in 2019 in Canada and the UK, and in the US in 2021. Be prepared!!

Unemployment Outlook: Major Source Markets

Unemployment Rate (%)



Source: International Monetary Fund WEO 2018 (Oct), Marla Dukharan

IMF: “The **number of airlines** was found to have a positive and statistically significant impact on arrivals and expenditure, but the **number of hotel rooms** was found to have no statistically significant impact on arrivals or expenditure, even after controlling for reverse causality.”

The number of flights is the #1 factor driving an increase in arrivals

What is the impact
of a 1.0% increase
in the number of flights?

0.3% immediate increase
in arrivals

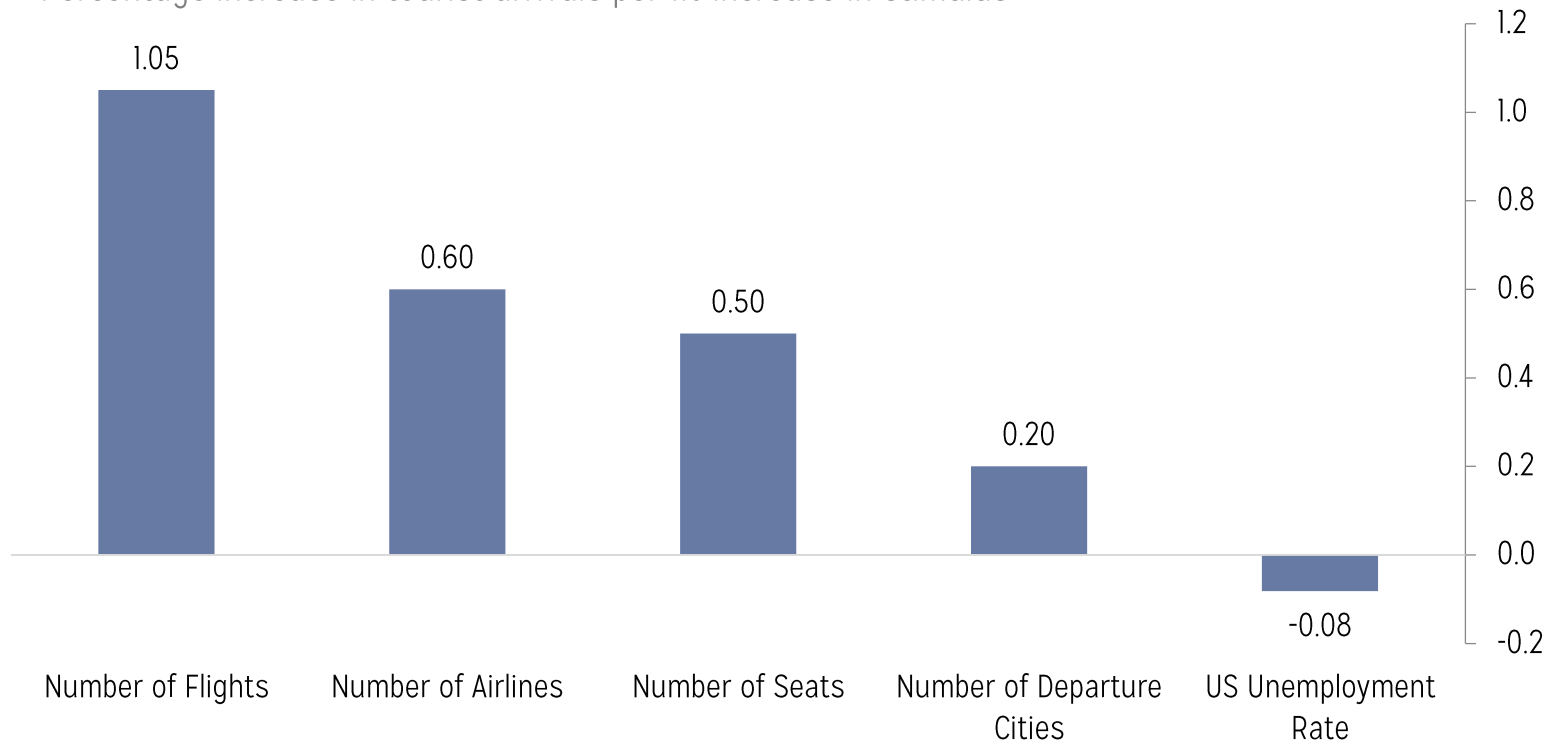
1% cumulative increase in
arrivals after 10 months

Source: International Monetary Fund, Marla Dukharan

What policymakers should focus on, to grow tourist arrivals :

Cumulative Impact after 12 Months: Caribbean

Percentage increase in tourist arrivals per 1% increase in stimulus



Source: International Monetary Fund, Marla Dukharan

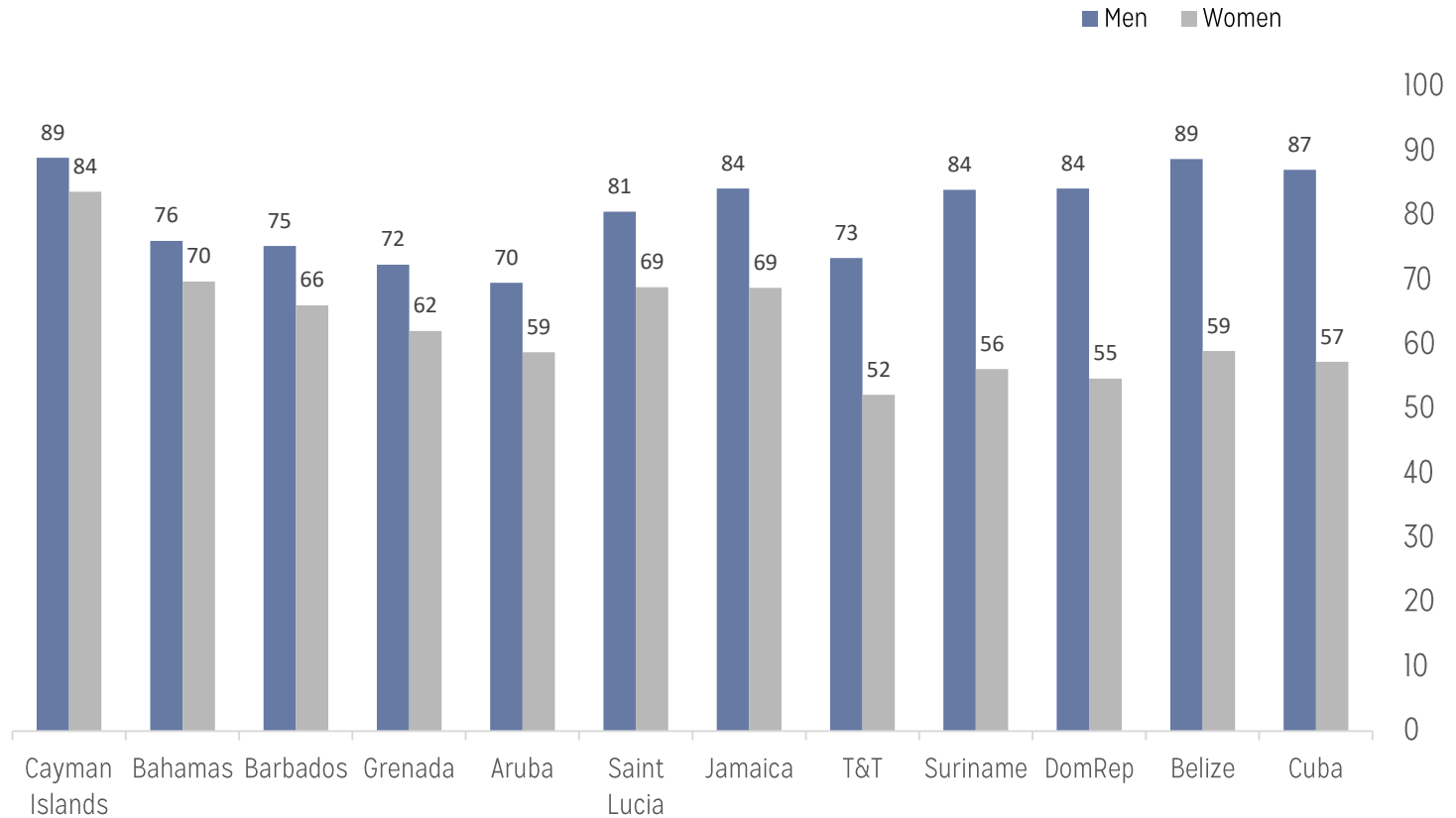
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Women in Tourism

McKinsey Global Institute found that if women were to participate in the economy “identically to men”, by 2025 we could add as much as USD28 trillion or 26% to annual global GDP (roughly the combined size of the current US and Chinese economies).

Caribbean gender gap in labor force participation

Labor Force Participation: Caribbean Economies

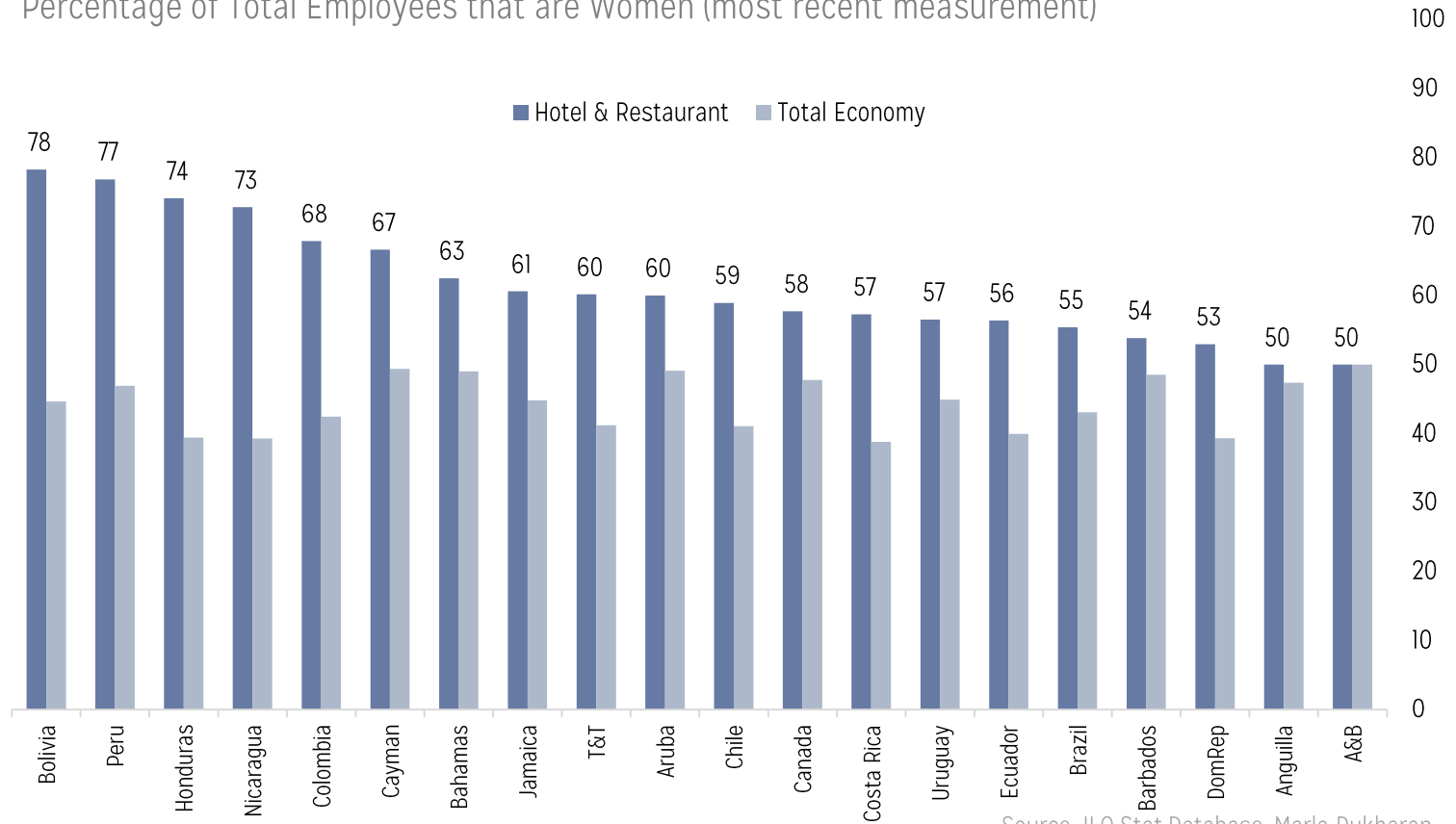


Source: ILO Stat Database, Marla Dukharan

In the Caribbean, women already participate more in Tourism than in the wider economy.

Participation of Women in Employment: Regional Economies

Percentage of Total Employees that are Women (most recent measurement)



Source: ILO Stat Database, Marla Dukharan

The 2017 World Bank/IFC study “Tourism for Development” found

Women earn **USD60-75 cents**
for every USD1.00 of men’s income

Women that are working generate
37% of global GDP

and women...

- Are less likely to own their own business
- Have trouble growing and formalizing their own business
- Have more difficulty accessing credit
- Are overrepresented in manual or low productivity sectors
- Are less likely to be promoted to managerial positions
- Are more likely to seek part-time or flexible positions

Women earn less and have less access to decision-making roles in the Tourism sector.

UNWTO's Global Report on Women in Tourism found:

Women earn **10-15%** less than their male counterparts in tourism, according to a UNWTO report

Only **1 in 5** Tourism Ministers are women

A World Bank study on the MENA region found:

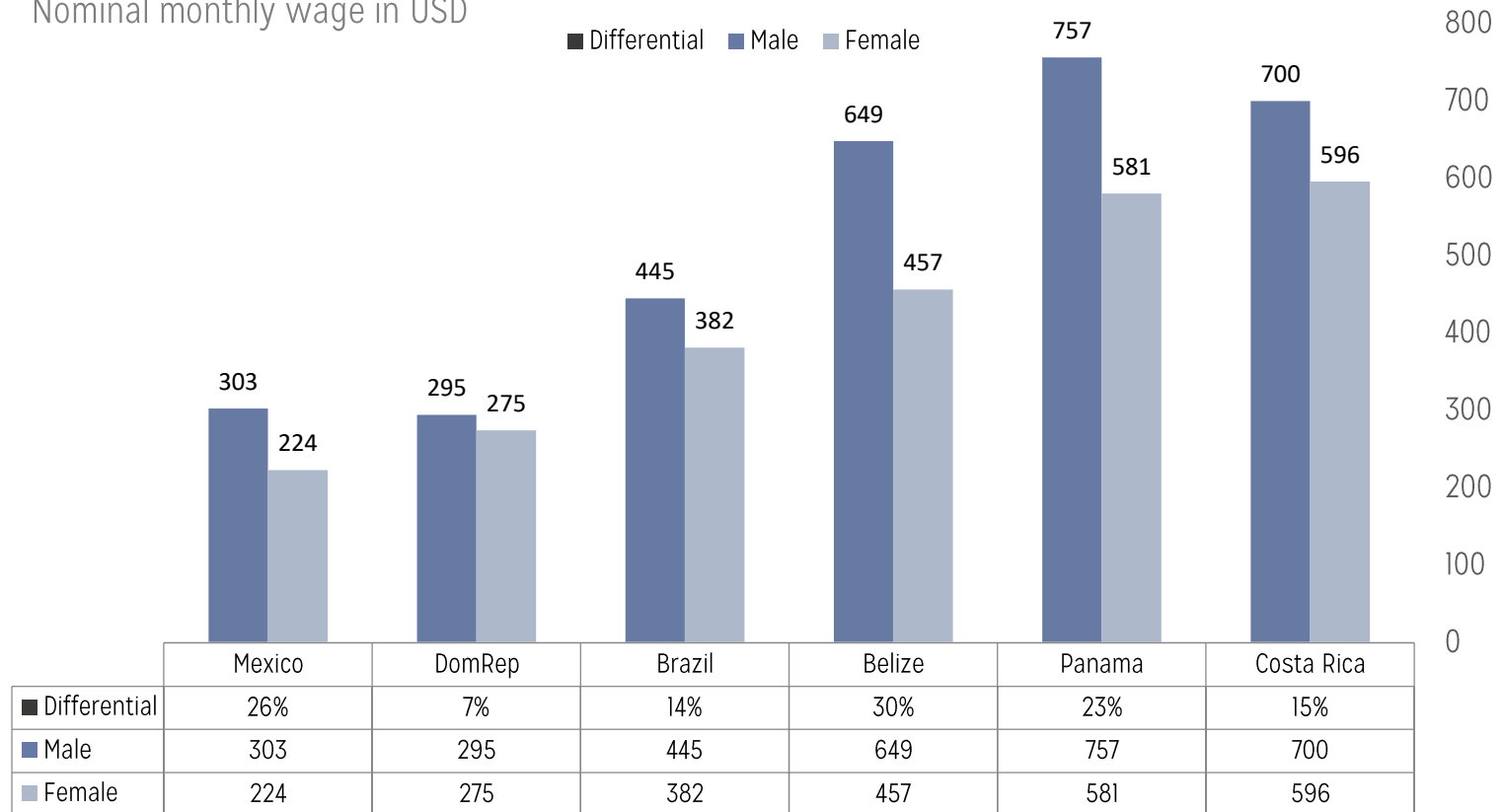
Women are underrepresented in tourism. Only **5%** of firms have a **female Managing Director**

Only **4%** of firms have **majority female ownership**

The gender wage gap in the Accommodation & Food Service sector in the region varies from 7% in the DR to 30% in Belize.

Wages Accommodation/Food Svc Gender Gap: Regional Economies

Nominal monthly wage in USD



Source: ILO Stat Database, Marla Dukharan

The challenge remains ongoing for women in tourism

- Gender-role stereotyping - women often concentrated in lower-paid spa, clerical, and cleaning jobs;
- Underrepresentation of women in more lucrative professions, i.e. tour guides, chefs, and land-and water-transportation positions;
- Widespread disparities in women's access to senior technical, managerial and other decision-making roles;
- Limited or no access to collateral or financing to start or grow a business;
- Divergence between women's qualifications and workplace responsibilities;
- Women in tourism are more likely to be undertaking part-time, informal, seasonal, agency, and casual work.

Source: World Bank/IFC, Marla Dukharan

Technology is providing women with work in tourism – case of Airbnb

1 million women host globally on Airbnb – 55% of total hosts

Women participate in the economy at 68% the rate of men, but **host at 120%** the rate of men

Over **USD10 billion** earned by women as Airbnb hosts since 2008

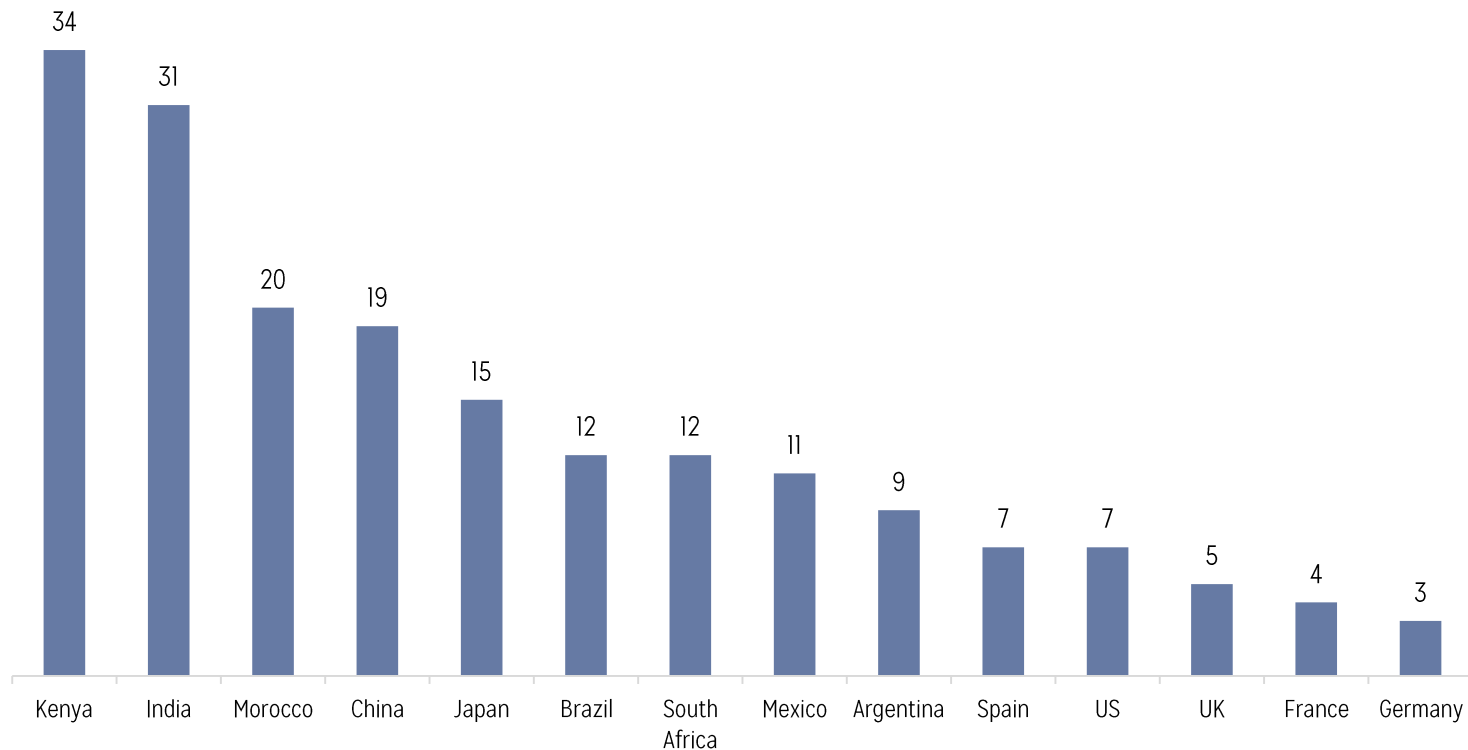
In 2016, **over 200,000** women hosts earned **at least USD5,000** from hosting on Airbnb

Source: Airbnb, Airbnb Citizen, Marla Dukharan

Airbnb income can provide substantial support in covering the cost of living for women hosts.

Women Host Income to Average Annual Household Expenditure

Percentage (%)

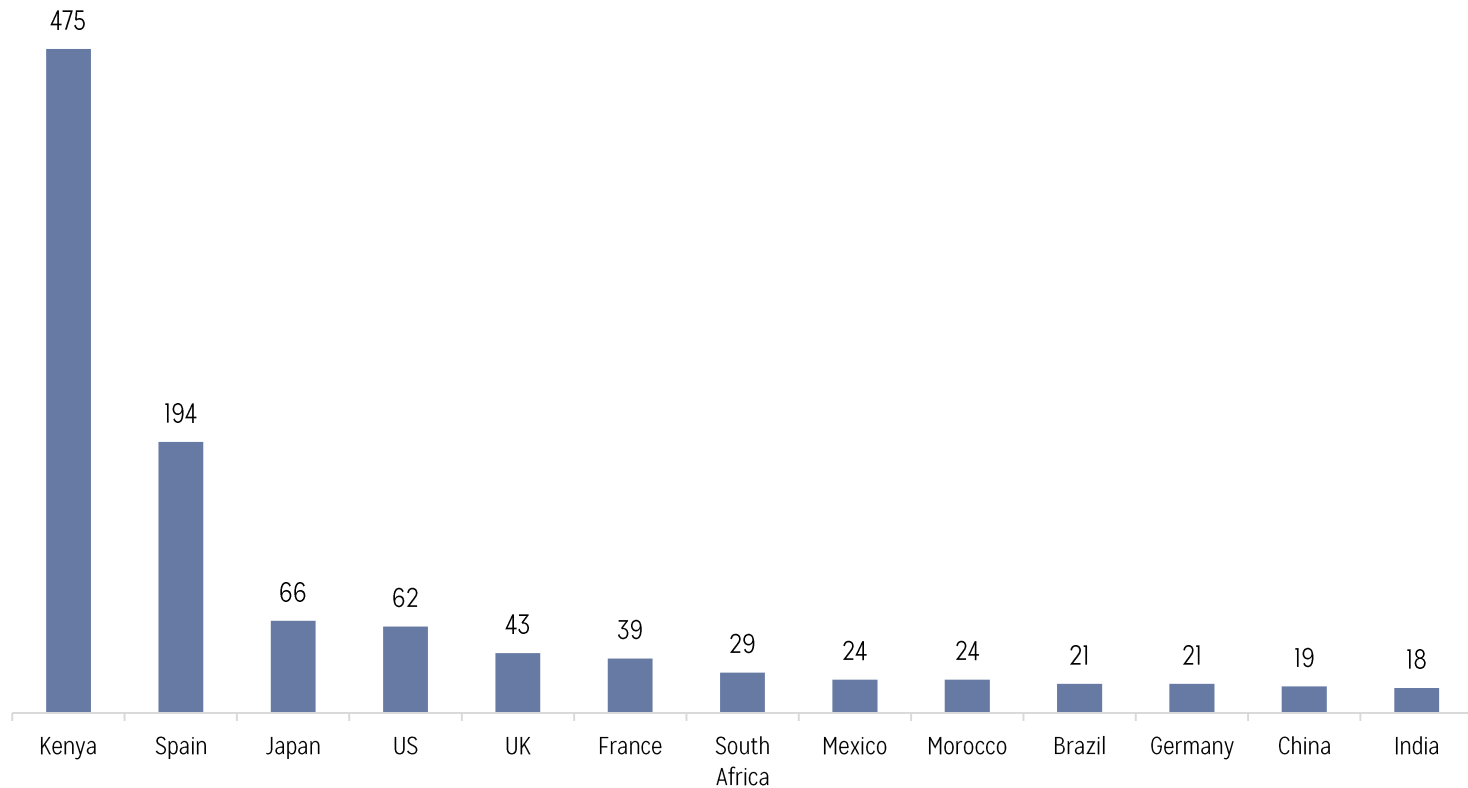


Source: Airbnb, Airbnb Citizen, Marla Dukharan

Airbnb income is substantial enough to make up some of the existing gender wage gap.

Women Host Income as Percent of Gender Income Gap

Percentage (%)

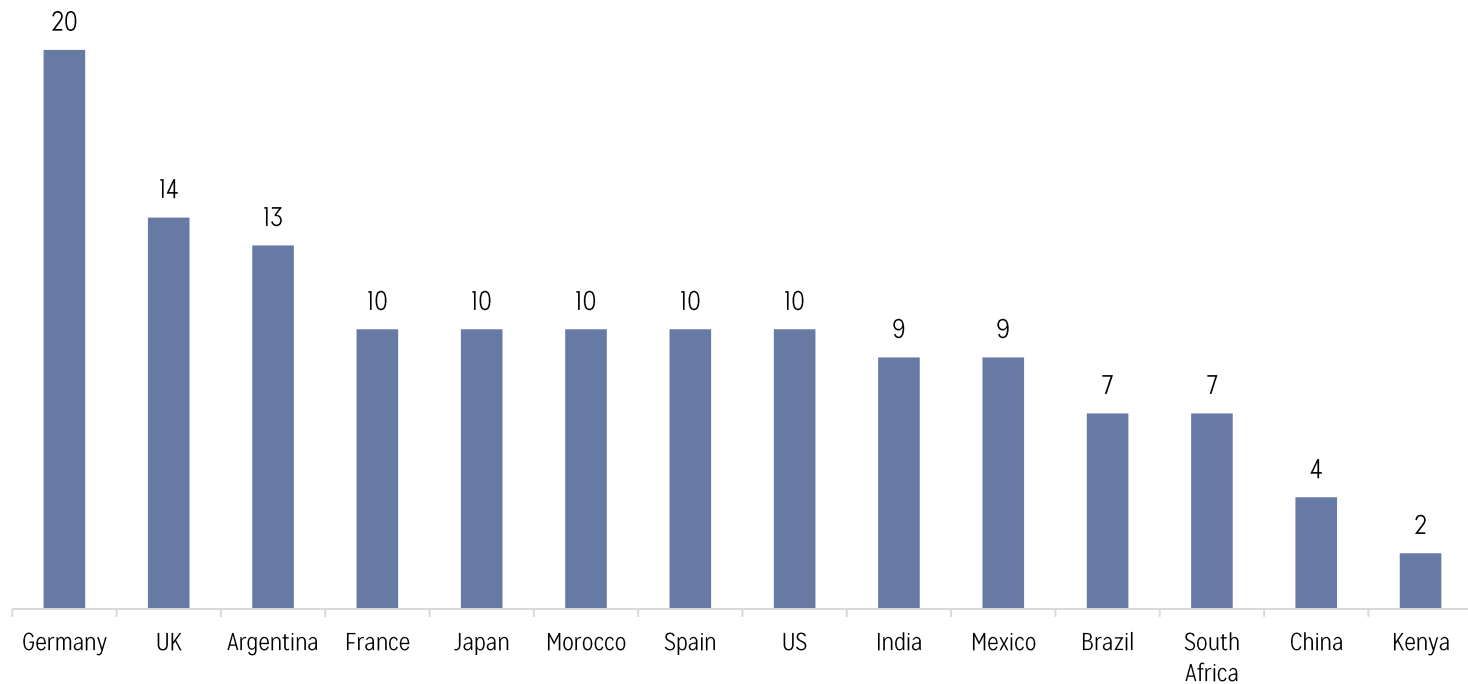


Source: Airbnb, Airbnb Citizen, Marla Dukharan

Airbnb creates supplemental income for over 150,000 women working part-time.

Percentage of Women Host Employed Part-Time

Percentage (%)

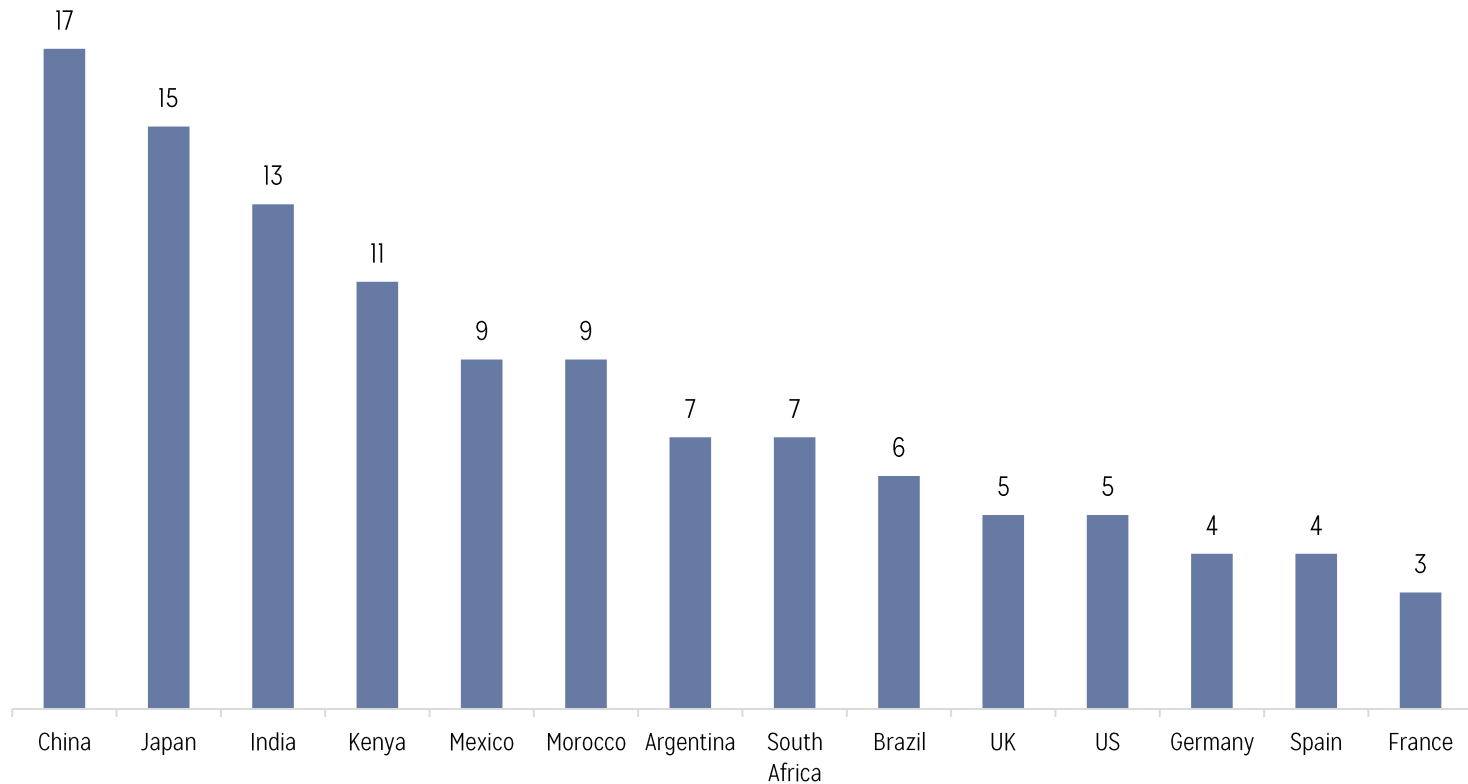


Source: Airbnb, Airbnb Citizen, Marla Dukharan

Over 50,000 women worldwide have used income from Airbnb to support their own entrepreneurial ventures.

Percentage of Women Host Who Use Airbnb Income to Support a New Business

Percentage (%)



Source: Airbnb, Airbnb Citizen, Marla Dukharan

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The Iceland Example

For 9 consecutive years, Iceland has been the frontrunner in the WEF Global Gender Gap Index

**16%
gender
pay gap**

Iceland will completely close its gender pay gap in 5 years

**Closed
>87% of
gender
gap**

Iceland is the only country in the world to have closed more than 60% of its gender gap.

**90
days**

equal maternity/paternity leave with 49 days each paid by gov't

**Equal
Pay**

mandated by law beginning 2018 – first in the world!

Source: World Economic Forum, Marla Dukharan

Iceland's tourism arrivals grew 40% y/y in 2016, 24% in 2017, ~6% Jan-Sept 2018. WEF ranks Iceland as the 25th most competitive destination for Travel & Tourism. 22% of visitors used Airbnb during their booking.

427,545

Additional foreign tourists from 2016-2017. Airbnbs received 519,000 guests in the past year

**~42% of
FX
revenue**

generated by tourism in 2017 – tourism fx revenue to grow 10% y/y in 2018

**Prices
28% >
Nordic
ave.**

Iceland is one of the most expensive travel destinations in the world

**USD126
million**

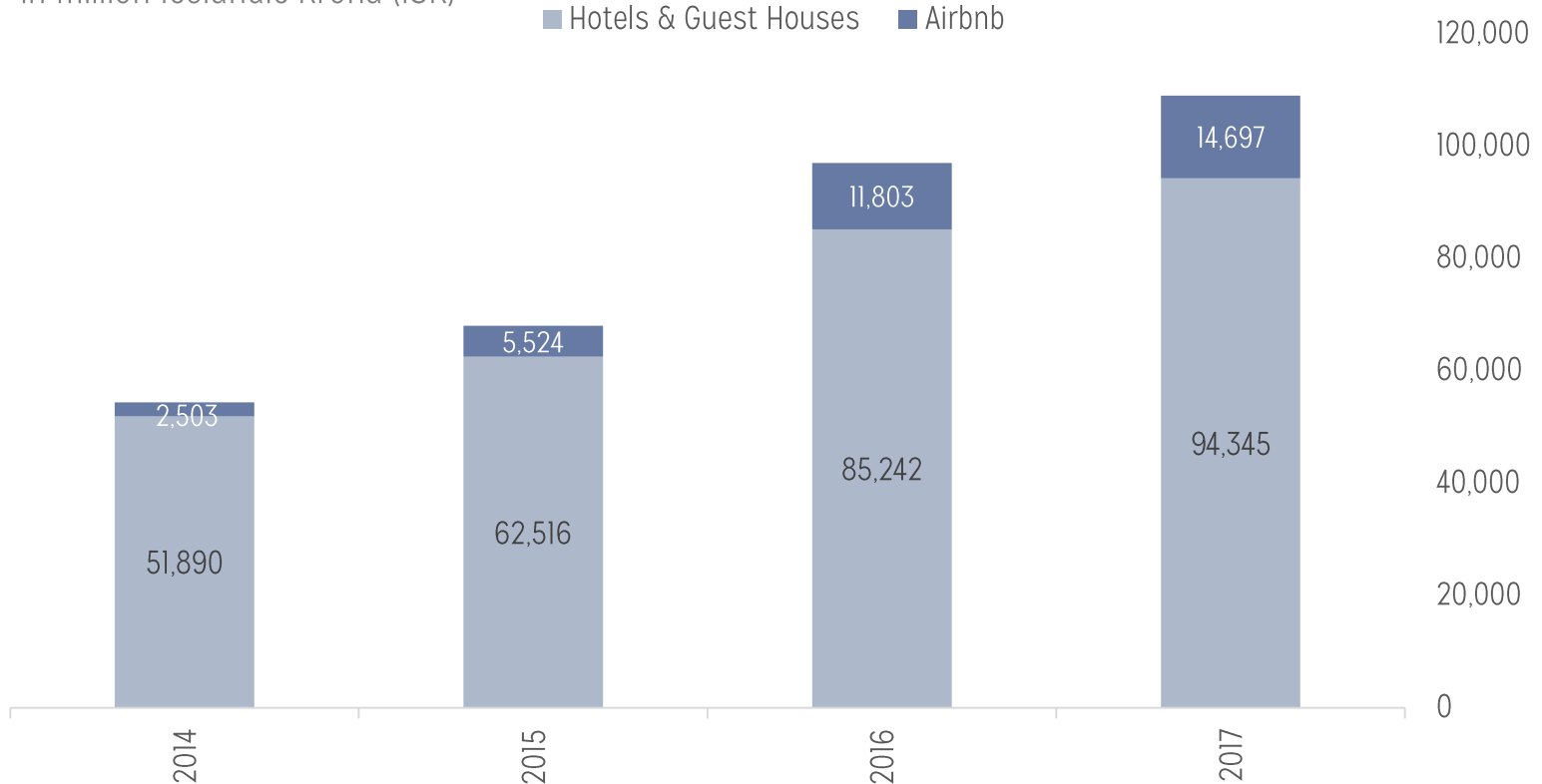
Airbnb turnover in Iceland in 2017 was ISK14.7 billion, up 25% y/y

Source: Icelandic Tourist Board, Airbnb, Airbnb Citizen, Statistics Iceland Islandsbanki, Marla Dukharan

Iceland received 1.9 million overnight stays sold through Airbnbs in 2017, and 307,000 in the first 3 months of 2018.

VAT-Registered Turnover in Accommodation: Iceland

in million Icelandic Króna (ISK)



Source: Statistics Iceland, Marla Dukharan

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Conclusions

Conclusions – Cayman Islands

- Don't let your women go to waste!
- Cayman is a not-all-inclusive destination. That was a conscious decision. The Cayman Islands needs to decide definitively whether it wants to be a cruise ship destination, or not. How many cruise passengers return?
- “Value for money” was identified as the biggest challenge / complaint from visitor surveys – not consistent with your typical high-end tourist mindset. Who was surveyed? Was the sample representative of the population – or the target market? Again, how many cruise passengers return?
- Do you really want MORE tourists, or do you want more spend per tourist? Do you know who spends what, where, when? If not, then how do you target effectively?

Conclusions

- Tourism is the most important sector in the Caribbean, yet we are the most expensive tourism destination in the world. Why?
- As such, the Caribbean as a whole is losing market share in the world tourism market, except for a few destinations – Cuba and Dominican Republic most notably
- Most Governments in the Caribbean do not have a clear strategy around growing tourism sustainably – they just know they want to grow, so they build hotels and assume they will come. This is not the case.
- Some Caribbean destinations are imposing taxes on airfare that exceeds the cost imposed by the airline – this is counterintuitive!
- Women and youth are important but underrepresented resources
- Airbnb, UBER etc and gig economy overall, represent a growing avenue to leverage the assets we already have – embrace it, facilitate it, regulate it, and tax it!

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We need the means of the right to achieve the ideals of the left.