

Tourism Outlook: **USA**





Tourism Outlook: USA

Tourism is a vital component of local, national and global economic growth. Despite the challenging economy during the past two years, tourism remained a key contributor to our nation's gross domestic product (GDP). In fact, in the United States, a popular destination among travelers worldwide, tourism accounted for 2.7 percent of the GDP and 8.6 million jobs.¹

In 2009, more than 54.9 million international travelers visited the U.S., bringing with them \$121.1 billion in tourism spending. Despite these significant tourism revenues and arrivals in 2009, visitor arrivals declined 5 percent year-over-year in 2009, with a 15 percent decline in overall tourism spending compared to 2008.

What does all this mean? As the global economy slowly sees signs of a rebound, it will be more important than ever for the tourism industry to collaborate to address today's challenges and opportunities so that we're all better positioned for growth in the future. Visa is committed to providing its partners in the U.S. tourism industry with current and accurate spending information and related insights that support their efforts to grow tourism arrivals and revenues.

Today's travelers are embracing digital currency over paper money - whether they are purchasing food and beverage while in flight or reaching in their pockets at the beach and on the trail. Visa will continue to work with our tourism industry partners and financial institution and merchant clients to ensure that travelers can make purchases conveniently and securely anywhere in the world.

As the world's largest retail electronic payments network, Visa brings a compelling perspective on international tourism spending trends. Turning Visa transaction data into actionable information is one of the ways Visa delivers value to businesses and countries that rely on tourism revenues. This information enables businesses to improve their product offerings and marketing strategies to ensure that they have the right tools and business models to attract a sustainable flow of visitors.

It is in this spirit of partnership that I am pleased to present Visa's third annual *Tourism Outlook: USA*. This annual publication details spending on Visa cards by international visitors to the U.S., as well as spending by U.S. travelers overseas, for the previous two years. We understand that with the difficult economic climate faced by the tourism industry in the past year, having as much relevant and timely data on actual consumer spend is vital to finding profitability and success.

Bill Sheedy, President, North America, Visa Inc.

¹ U.S. Department of Commerce: Office of Travel and Tourism Industries & Bureau of Economic Analysis, 2010

Overview

Tourism Outlook: USA details inbound tourism spending by visitors to the U.S. as well as spending by Americans traveling abroad for the past two years and early 2010. By carefully examining spending by Visa cardholders from the U.S. and the top source countries for U.S. inbound tourism, *Tourism Outlook: USA* provides an analysis of where tourists are making purchases today and how they are adjusting their purchasing habits based on the current environment.

In 2009, spending by international visitors to the U.S. declined 12 percent from 2008 levels to \$28.9 billion. At the same time, there was a 32 percent (\$13.4 billion) drop in spending by Americans traveling abroad based on economic pressures facing U.S. households.

However, the U.S. continues to be a strong contributor to the global tourism economy, as a destination and as a source of outbound travel. While marketplace conditions are indeed still

challenging in 2010, increased inbound tourism spending during the first half of the year indicates cause for optimism. Visa transaction volume indicates growth during the first six months of 2010, with a 20 percent increase in inbound tourism spending over 2009 levels.

Looking ahead, tourism operators in the U.S. have continued reasons for optimism, based on the shifting tide in early 2010 and projections from the U.S. Department of Commerce Office of Travel and Tourism Industries. Tourism spending trends closely map to inbound visitor spending. For example, in 2008 inbound spending was a record \$142 billion, while visitor volume was a record 58.0 million. Over the next several years, the U.S. Department of Commerce expects tourism arrivals to steadily rise and reach 63.1 million by 2013.

United States Inbound Tourism Spending



As the global tourism industry continued to experience economic turbulence in 2009, spending on Visa cards by international visitors to the U.S. decreased by nearly 12 percent from \$32.9 billion in 2008 to \$28.9 billion in 2009. However, the trend reversed during the first half of 2010, as spending on Visa cards by international travelers to the U.S. showed a 20 percent year-over-year increase.

Visitors from Canada (\$4.6 billion) and the United Kingdom (\$1.2 billion) made the largest contribution to U.S. inbound tourism spending during the first six months of 2010, followed by Brazil (\$835 million), Mexico (\$819 million) and Japan (\$787 million). Several of the top ten contributors to U.S. tourism spending, based on Visa cardholder spending volume, saw significant year-over-year growth during the first half of 2010: China (74 percent), Brazil (73 percent), Australia (44 percent), South Korea (39 percent) and Mexico (24 percent). The spending growth in the first six months of 2010 from these areas indicates that South America and the Asia Pacific region are rebounding more quickly from the challenging economic environment that defined 2009.

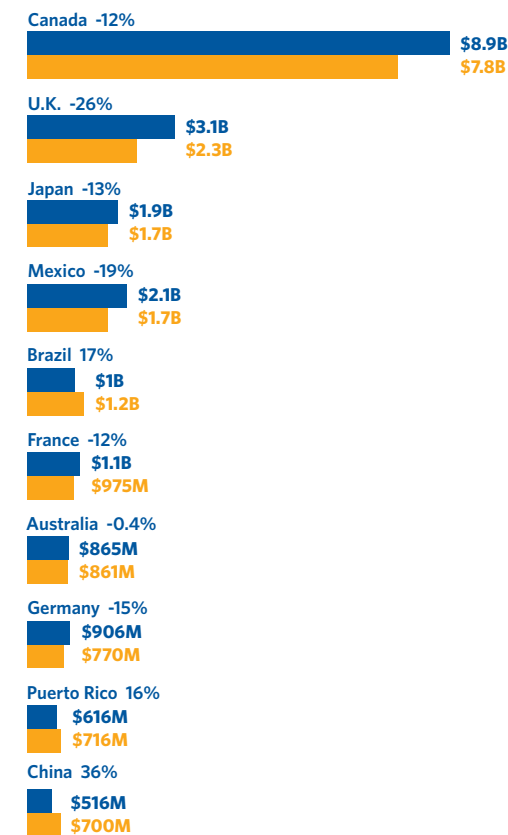
In comparison, Europe has been slower to recover. Spending from the U.K. (16 percent), Germany (8 percent) and France (6 percent) increased modestly in the first half of 2010 from levels that had dropped sharply in 2009. In addition, the strong double-digit growth from Brazil and Mexico in the first half of 2010 indicates the growing socio-economic strength of emerging markets, as well as how more consumers in these areas are integrating digital currency into their lives.

2009 Inbound Visitor Spending

In 2009, Visa cardholders visiting the U.S. from Canada, the United Kingdom, Japan and Mexico were the strongest contributors to U.S. inbound tourism spending. In total, these four countries represented over 46 percent of total inbound spend within the U.S. and provided over \$13.4 billion in tourism revenue, with Canada alone providing over \$7.8 billion.

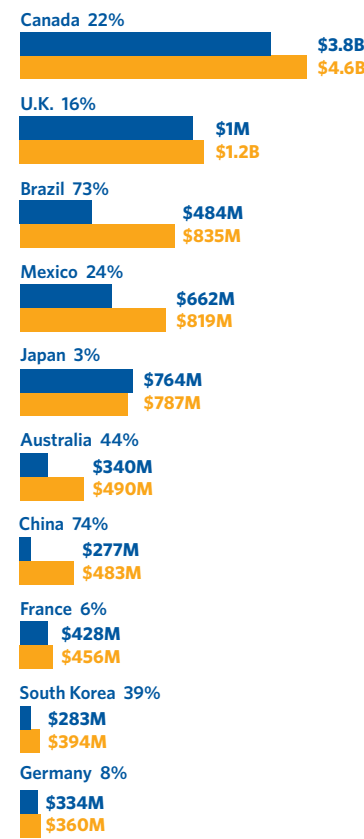
Consistent with Visa spending trends, inbound visitor arrivals in 2009 were highest from the following countries: Canada (18 million); Mexico (13.2 million), the United Kingdom (3.9 million) and Japan (2.9 million).²

Top 2009 Inbound Source Countries Percent Growth (+/-)



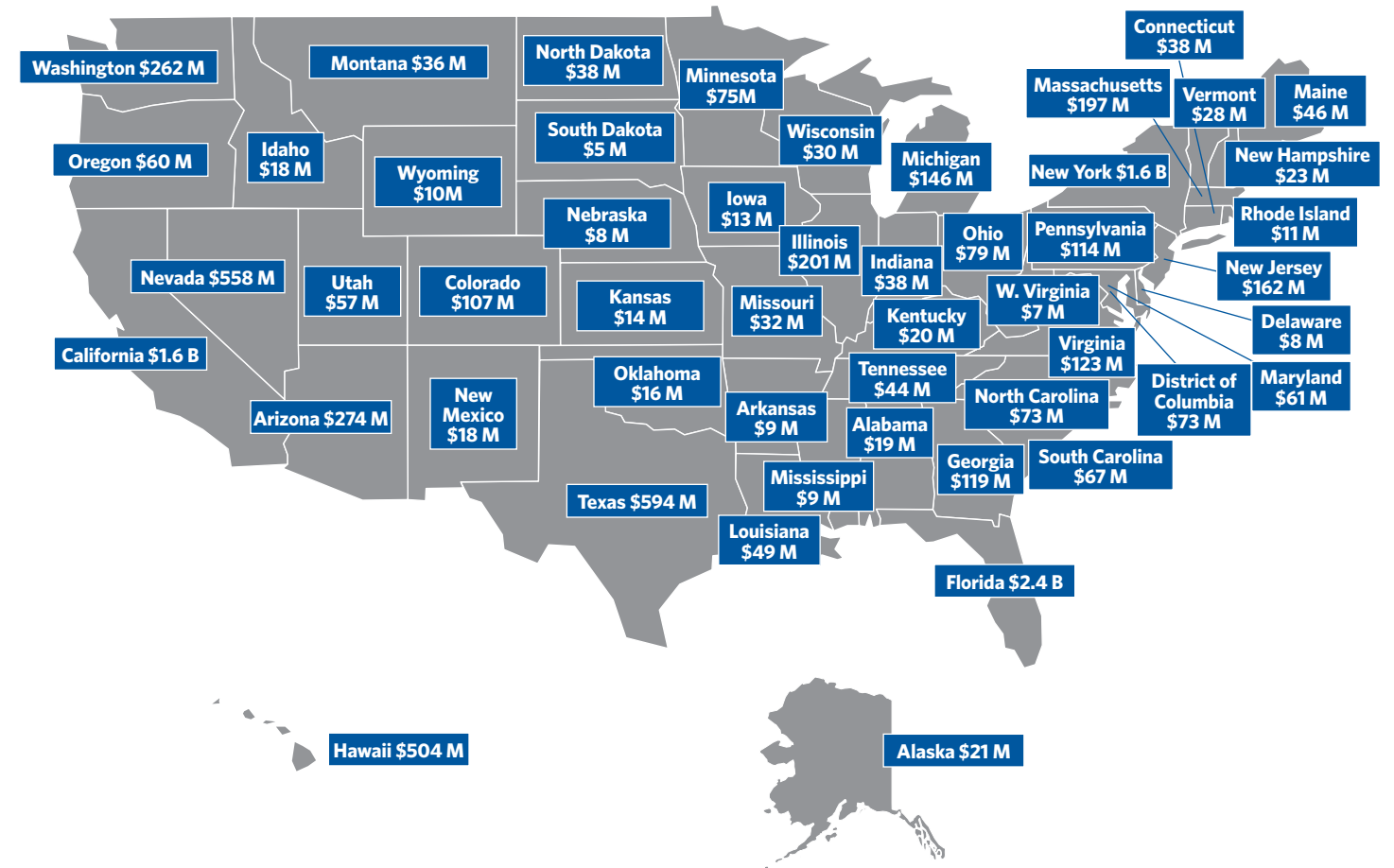
Source: VisaVue Travel data, 2008-2009

Top H1 2010 Inbound Source Countries Percent Growth (+/-)



Source: VisaVue Travel data, 2009-2010

State by State H1 2010 Inbound Tourism Spending



TOP 20 STATES H1 2010 INBOUND TOURISM SPENDING					
STATE	H1 2010	STATE	H1 2010		
01 Florida	\$2.4B	11 New Jersey	\$162M		
02 New York	\$1.6B	12 Michigan	\$146M		
03 California	\$1.6B	13 Virginia	\$123M		
04 Texas	\$594M	14 Georgia	\$119M		
05 Nevada	\$558M	15 Pennsylvania	\$114M		
06 Hawaii	\$504M	16 Colorado	\$107M		
07 Arizona	\$274M	17 Ohio	\$79M		
08 Washington	\$262M	18 Minnesota	\$75M		
09 Illinois	\$201M	19 District of Columbia	\$73M		
10 Massachusetts	\$197M	20 North Carolina	\$73M		

Tourism Impact: The Gulf Region Oil Spill

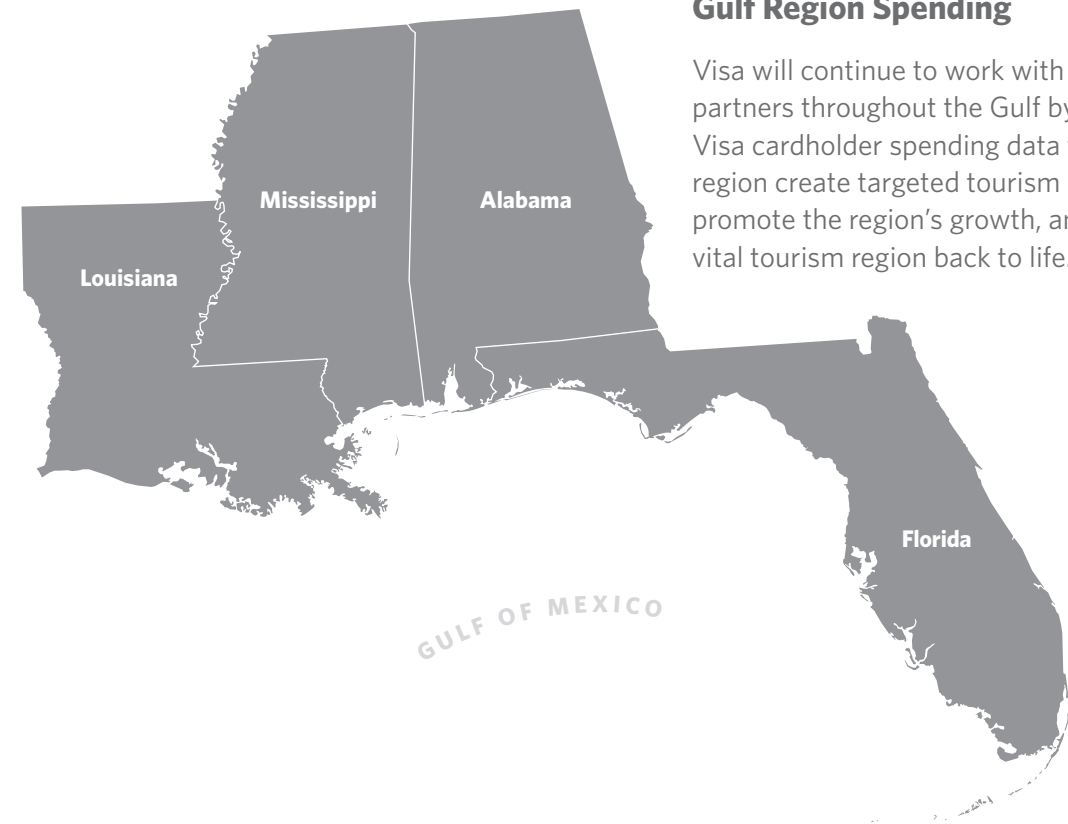
The travel and tourism industry throughout the Gulf region has been overwhelmingly affected by the oil spill which resulted from the April explosion of BP's Deepwater Horizon rig. In fact, according to a recent report from Oxford Economics, the effects of the BP oil spill on travel will cost the region \$22.7 billion in tourism dollars.³

Visa is committed to working with its tourism partners and has shared important Visa cardholder travel spending data with a number of the Gulf Coast's regional and state-run tourism entities. From the Gulf Coast's Office of Travel and Tourism to Louisiana and Florida's Department of Commerce, Visa provides spending data to help these groups better understand how to navigate the long-term impacts of the spill.

While the spill began in April 2010, much of the Gulf Coast has only begun to see the effects on its tourism economy. VisaVue data indicates that in May 2010, just one month after the spill, inbound tourism spending from international travelers to some Gulf Coast states was up year-over-year. Louisiana (195 percent), Mississippi (114 percent), Alabama (19 percent) and the Florida Panhandle (3 percent) all showed impressive gains in May over 2009 levels. However, June 2010 international tourism spending in the Gulf region declined 9 percent compared to the same month last year, a significant \$3 million loss. Moreover, international tourism spending declined a sharp 42 percent from May to June 2010.

Lodging and oil and gas seem to be the two tourism sectors hit the hardest by the oil spill crisis, but similar to the overall regional trends, they did not immediately show signs of distress. Spending by international Visa cardholders on lodging in the Gulf Coast was up 44 percent (\$3.7 million) in May 2010 compared to the same month in 2009. Oil was up almost 21 percent (\$166 thousand) when comparing that same timeframe. One month later, the lodging and oil sectors took a considerable drop. VisaVue data notes that tourism spending on lodging by international Visa cardholders decreased by 50 percent from May to June 2010, a loss of \$6 million, and spending on oil decreased by 42 percent. According to a recent survey by the Knowland Group survey of hotel properties, 35 percent said that the oil spill has prompted guests to cancel their future reservations and 42 percent said the spill has hurt their ability to book future events.⁵

The following is a graphic that highlights the dramatic decreases experienced by each Gulf Coast state and region from May 2010 to June 2010, including Alabama, the Florida Panhandle, Louisiana and Mississippi. The data shows that while Alabama proved to be the least affected, Louisiana seems to have been hit the hardest.



Gulf Region Spending

Visa will continue to work with its tourism partners throughout the Gulf by providing critical Visa cardholder spending data that will help the region create targeted tourism programs that promote the region's growth, and help bring this vital tourism region back to life.

► Louisiana:

Louisiana has seen some of the biggest drops in consumer tourism spending from international Visa cardholders.

Inbound Tourism Spending:

- Tourism spending decreased 65 percent from May (\$12.2 million) to June (\$4.3 million)

Lodging Spending:

- Tourism spending on lodging decreased 65 percent from May (\$5.1 million) to June (\$1.8 million)

Oil Spending:

- Tourism spending on oil decreased 40 percent from May (\$62K) to June (\$3K)

► Mississippi:

According to a study from the University of Southern Mississippi, effects of the spill could result in a \$120 million loss to non-casino tourism in the state's coastal areas this summer.

Inbound Tourism Spending:

- Tourism spending decreased 56 percent from May (\$660K) to June (\$288K)

Lodging Spending:

- Tourism spending on lodging decreased 49 percent from May (\$143K) to June (\$73K)

Oil Spending:

- Tourism spending on oil decreased 19 percent from May (\$18K) to June (\$14K)

► Alabama:

Alabama was the only state to experience any type of increase from May to June 2010.

Inbound Tourism Spending:

- Tourism spending decreased 8 percent from May (\$789K) to June (\$728K)

Lodging Spending:

- Tourism spending on lodging increased 16 percent from May (\$187K) to June (\$216K)

Oil Spending:

- Tourism spending on oil decreased 16 percent from May (\$37K) to June (\$30K)

► The Florida Panhandle:

Florida tourism officials said tourism was down statewide by 20 percent throughout June and July of 2010, and they expect August to continue the trend.

Inbound Tourism Spending:

- Tourism spending decreased 35 percent from May (\$38.3 million) to June (\$24.9 million)

Lodging Spending:

- Tourism spending on lodging decreased 40 percent from May (\$6.6 million) to June (\$4 million)

Oil Spending:

- Tourism spending on oil decreased 44 percent from May (\$855K) to June (\$481K)

³ Oxford Economics - "Roadmap to Recovery" report, July 23, 2010

⁴ VisaVue Data - 2009-2010

⁵ May 2010 survey, Knowland Group - www.knowlandgroup.com

Visa's Partnership with the Tourism Industry



Visa International Travel and Tourism Summit

In February 2010, Visa convened a diverse group of leaders in tourism and government to review the challenges and opportunities for international travel in 2010. Participants included the United Nations World Tourism Organization, U.S. Department of Commerce, Moody's Analytics, Travelport, and tourism ministers and representatives from Malaysia, Brazil, the United Kingdom, Canada and more.

The summit featured presentations on current behaviors and attitudes of international travelers, economic data describing 2009 outcomes and the environment in 2010 and beyond, as well as case studies in the tourism industry's resiliency following crises and natural disasters. In addition, representatives from the UNWTO and Visit Britain described the opportunity for tourism associated with major sporting events such as the Olympic Games and FIFA World Cup.

While each speaker and participant articulated a distinct point of view on how to support continued growth in the global tourism industry, all shared the belief that greater collaboration is key to ensuring the industry is well-positioned for growth.

Visa is committed to partnering with tourism operators and governments and supporting their efforts to attract more international visitors and revenues by extending the reach of the electronic payments network. Hosting this event is one example of how Visa is fostering the growth of digital currency worldwide, by bringing together industry leaders and sharing data insights and learnings that will help position our partners for growth. We believe that digital currency is a vital component for short- and long-term growth of the tourism industry, by connecting more people, providing more opportunities for travelers and businesses, and creating a more powerful global economy.

United States Outbound Spending



American travelers venturing outside the U.S. borders spent \$28.9 billion in 2009 on their Visa payment cards, down nearly 31.7 percent from 2008. The decline in spending can be attributed in part to reduced discretionary income in U.S. households and the prevalent trend of traveling closer to home in 2009.

According to data from the Office of Travel and Tourism, overall Americans curtailed their travel-related spending by nearly 12 percent while traveling abroad in 2009. However, steady gains in the first quarter of 2010 signal greater optimism and confidence regarding traveling overseas. American Visa cardholders spent \$7.1 billion while traveling internationally in the first quarter of 2010, a 9.3 percent increase in spending compared to the first quarter of 2009. Canada and Mexico remain the top two destinations for U.S. travelers, consistent with the past two years. During the first quarter of 2010, Visa cardholders spent \$914 million in

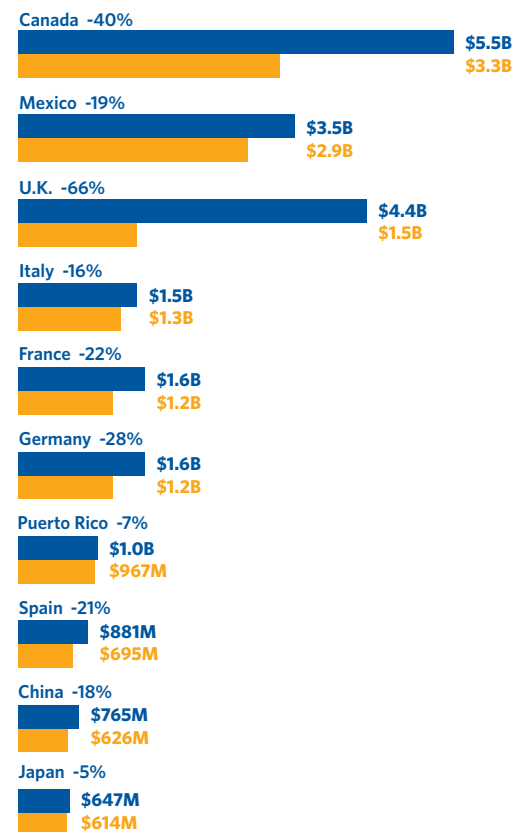
Mexico and \$665 million in Canada, followed by the United Kingdom (\$304 million), Puerto Rico (\$284 million) and Germany (\$229 million). Moderate year-over-year growth was seen by the top ten destinations for U.S. travelers (as measured by Visa cardholder spending) during the first quarter of 2010. Australia saw a 21 percent increase, the United Kingdom saw a 13 percent increase and Japan saw a 12 percent increase in spending from outbound U.S. tourism.

In 2009, Canada, Mexico, the U.K., Italy and France saw the greatest amount of tourist spending on Visa payment cards by U.S. visitors. Together, these five countries represented more

than a third of outbound spending by U.S. travelers (35 percent), a total of \$10.2 billion in tourism revenues. Canada alone received \$3.3 billion, or 11 percent, in spending by U.S. travelers in 2009.

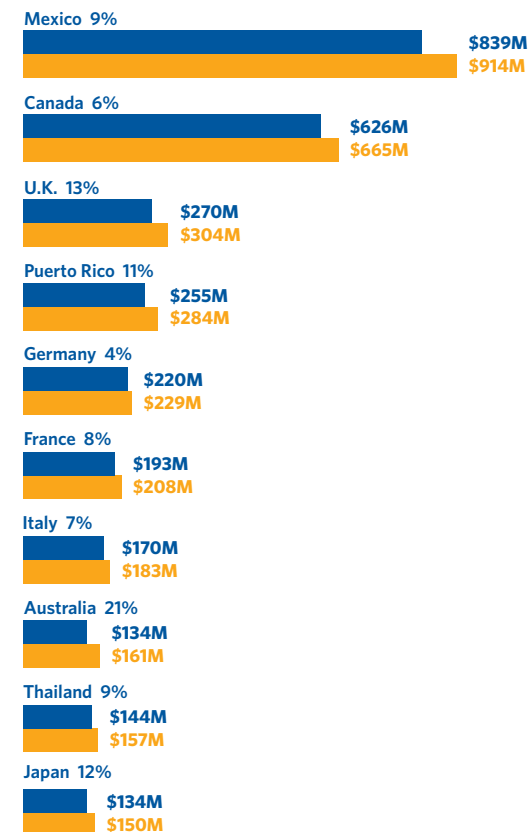
Looking at both 2009 and 2010, Mexico and Canada saw the greatest amount of spending by U.S. based Visa cardholders in 2009 and the first quarter of 2010. These numbers indicate that travel to destinations closer to home currently still holds a strong appeal among Americans, as the economy sees a slow recovery.

Top 2009 Outbound Destinations Percent Growth (+/-)



Source: VisaVue Travel data, 2008-2009

Top First Quarter 2010 Outbound Destinations Percent Growth (+/-)



Source: VisaVue Travel data, 2009-2010

Tourism Spending by Merchant Segments

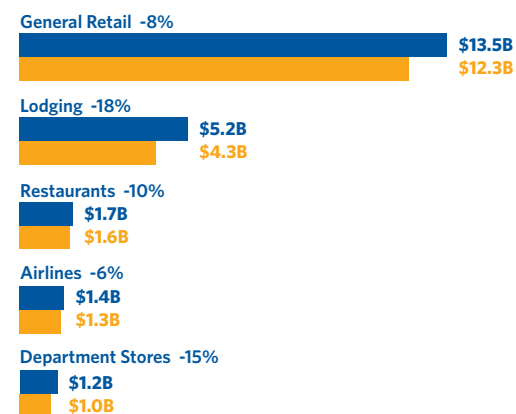
Over the past three years, tourism spending on general retail purchases has continued to account for the largest share of tourism spend on Visa cards by international travelers in the U.S., followed by travel related purchases such as lodging, restaurants and airlines.

2009 Inbound Spending

In 2009, general retail purchases, such as clothing and food, represented 43 percent of Visa transactions by international travelers with in the U.S., totaling more than \$12.3 billion. Lodging also was a major expenditure for international travelers, representing 15 percent of Visa transaction volume in 2009 and totaling nearly \$4.3 billion.

Toll and bridge fees saw the greatest year-over-year gains, with 129 percent increase in expenditures compared to 2008, pointing to

2008 and 2009 Inbound Transaction Volume in Top Merchant Categories Percent Growth (+/-)



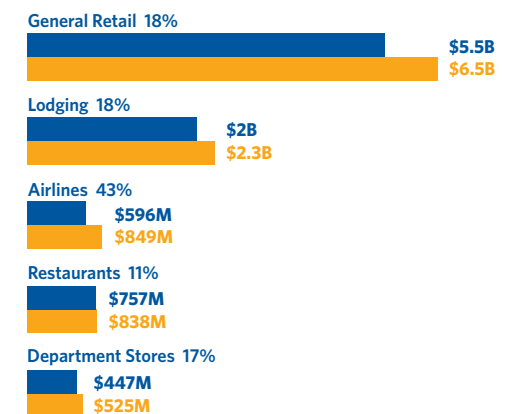
Source: VisaVue Travel data, 2008-2009

expanded card use in new places as Visa continues to extend the reach of its network and grow acceptance in new locations.

H1 2010 Inbound Spending

During the first half of 2010, key merchant segments receiving the greatest amount of international spending also included general retail (\$6.5 billion), followed by lodging (\$2.3 billion), airlines (\$849 million), restaurants (\$838 million) and department stores (\$525 million). After a six percent decline in spending in the airlines category in 2009, airlines saw a significant 43 percent increase in spending by inbound travelers in the first six months of 2010. This increase in airline transactions in early 2010 is an early signal of a slow rebound across the tourism industry, led by nations in South America and the Asia-Pacific region. North America is widely expected to be the next area to see growth. Other top categories receiving significant growth over the first half of 2010 included toll and bridge fees (67 percent), oil (42 percent) and steamship and cruise lines (27 percent).

H1 2009 and 2010 Inbound Transaction Volume in Top Merchant Segments Percent Growth (+/-)



Source: VisaVue Travel Data, 2009-2010

U.S. International Travelers' Outbound Visa Spending

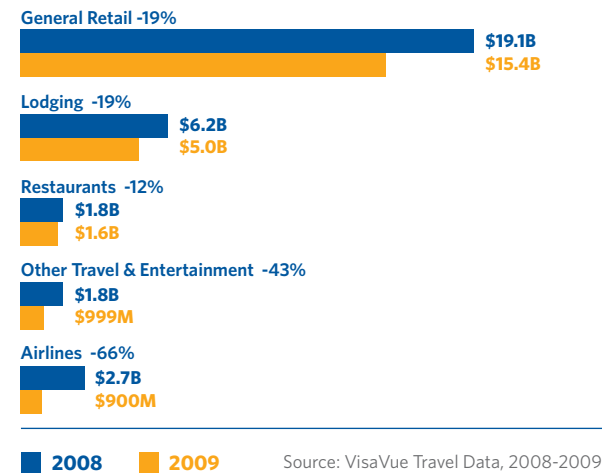
Similar to inbound tourism spending among international travelers, retail purchases accounted for the greatest amount of spend on Visa cards by U.S. international travelers. In 2009 the largest merchant segments for U.S. outbound tourist spending, based on transaction volume, included general retail (\$15.4 billion), lodging (\$5 billion), restaurants (\$1.6 billion), other travel & entertainment (\$999 million) and airlines (\$900 million).

Consistent with 2009, during the first quarter of 2010 the largest merchant segments for the U.S. outbound tourism spending, based on transaction volume, were general retail purchases, which accounted for 53 percent of transaction volume in all merchant categories. Quick-service restaurants saw the most significant year-over-year gains in the first quarter of 2010, with a 38 percent increase in expenditures compared to 2009, based on wider card use and increased acceptance of payment cards at the point of sale, as consumers opt for the convenience and speed of payment cards over cash and check. Other top categories that saw year-over-year growth included, oil (38 percent), restaurants (14 percent) and lodging (13 percent).

The growth in lodging and restaurants in early 2010 indicates that Americans may be traveling in greater numbers this year, and with greater confidence. However, as airline spending is still down year-over-year, they may be continuing to opt for destinations closer to home such as Canada and Mexico or choosing destinations based on deep discounts due to excess inventory.

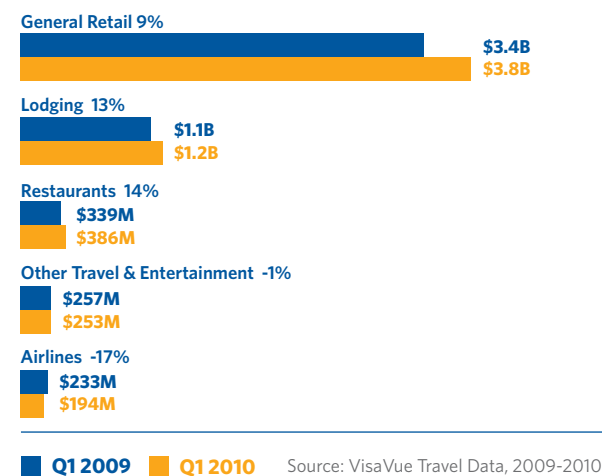
2008 and 2009 Outbound Transaction Volume in Top Merchant Categories

Percent Growth (+/-)



First Quarter 2009 and 2010 Outbound Transaction Volume in Top Merchant Categories

Percent Growth (+/-)



Looking Ahead



As the national and global tourism industry begins a slow recovery from the economic and geo-political challenges of the past two years, opportunities exist for businesses throughout the U.S. tourism industry in 2010 and beyond. International tourism arrivals and spending data indicate that the U.S. will remain a top destination for travelers from historical top origin markets in North America and Western Europe, and is growing in appeal among emerging markets such as Brazil, China and Russia.

The use of digital currency continues to increase in the U.S. and abroad. Visa is committed to partnering with national and local tourism authorities and visitors bureaus to support continued growth by providing not only the currency for cross-border transactions, but also access to millions of cardholders around the globe.

For more information regarding *Tourism Outlook: USA* and Visa's initiatives focused on the tourism industry, please contact globalmedia@visa.com.

Appendix

▶ TOP 2009 INBOUND SOURCE COUNTRIES			
ISSUER COUNTRY	2008	2009	Percent Growth (+/-)
01 Canada	\$8.9B	\$7.8B	-12%
02 United Kingdom	\$3.1B	\$2.3B	-26%
03 Japan	\$1.9B	\$1.7B	-13%
04 Mexico	\$2.1B	\$1.7B	-19%
05 Brazil	\$1.0B	\$1.2B	17%
06 France	\$1.1B	\$975M	-12%
07 Australia	\$865M	\$861M	-0.4%
08 Germany	\$906M	\$770M	-15%
09 Puerto Rico	\$616M	\$716M	16%
10 China	\$516M	\$700M	36%

Source: VisaVue Travel Data, 2008 - 2009

▶ TOP 2009 OUTBOUND DESTINATIONS			
COUNTRY	2008	2009	Percent Growth (+/-)
01 Canada	\$5.5B	\$3.3B	-40%
02 Mexico	\$3.5B	\$2.9B	-19%
03 United Kingdom	\$4.4B	\$1.5B	-66%
04 Italy	\$1.5B	\$1.3B	-16%
05 France	\$1.6B	\$1.2B	-22%
06 Germany	\$1.6B	\$1.2B	-28%
07 Puerto Rico	\$1.0B	\$967M	-7%
08 Spain	\$881M	\$695M	-21%
09 China	\$765M	\$626M	-18%
10 Japan	\$647M	\$614M	-5%

Source: VisaVue Travel Data, 2008 - 2009

▶ TOP H1 2010 INBOUND SOURCE COUNTRIES			
ISSUER COUNTRY	H1 2009	H1 2010	Percent Growth (+/-)
01 Canada	\$3.8B	\$4.6B	22%
02 United Kingdom	\$1.0B	\$1.2B	16%
03 Brazil	\$484M	\$835M	73%
04 Mexico	\$662M	\$819M	24%
05 Japan	\$764M	\$787M	3%
06 Australia	\$340M	\$490M	44%
07 China	\$483M	\$277M	74%
08 France	\$428M	\$456M	6%
09 South Korea	\$283M	\$394M	39%
10 Germany	\$334M	\$360M	8%

Source: VisaVue Travel Data, 2009 - 2010

▶ TOP FIRST QUARTER 2010 OUTBOUND DESTINATIONS			
COUNTRY	H1 2009	H1 2010	Percent Growth (+/-)
01 Mexico	\$839M	\$914M	9%
02 Canada	\$626M	\$665M	6%
03 United Kingdom	\$270M	\$304M	13%
04 Puerto Rico	\$255M	\$284M	11%
05 Germany	\$220M	\$229M	4%
06 France	\$193M	\$208M	8%
07 Italy	\$170M	\$183M	7%
08 Australia	\$134M	\$161M	21%
09 Thailand	\$144M	\$157M	9%
10 Japan	\$134M	\$150M	12%

Source: VisaVue Travel Data, 2009 - 2010

▶ TOP 2008 AND 2009 INBOUND TRANSACTION VOLUME BY LEADING MERCHANT CATEGORIES			
MARKET SEGMENT	2008	2009	Percent Growth (+/-)
01 General Retail	\$13.5B	\$12.3B	-8%
02 Lodging	\$5.2B	\$4.3B	-18%
03 Restaurants	\$1.7B	\$1.6B	-10%
04 Airlines	\$1.4B	\$1.3B	-6%
05 Department Stores	\$1.2B	\$1.0B	-15%

Source: VisaVue Travel Data, 2008 - 2009

▶ H1 2009 AND 2010 INBOUND TRANSACTION VOLUME BY LEADING MERCHANT CATEGORIES			
MARKET SEGMENT	H1 2009	H1 2010	Percent Growth (+/-)
01 General Retail	\$5.5B	\$6.5B	41%
02 Lodging	\$2.0B	\$2.3B	18%
03 Airlines	\$596M	\$849M	43%
04 Restaurants	\$757M	\$838M	11%
05 Department Stores	\$415M	\$525M	26%

Source: VisaVue Travel Data, 2009 - 2010

▶ TOP 2008 AND 2009 OUTBOUND TRANSACTION VOLUME BY LEADING MERCHANT CATEGORIES			
MARKET SEGMENT	2008	2009	Percent Growth (+/-)
01 General Retail	\$19.1B	\$15.4B	-19%
02 Lodging	\$6.2B	\$5.0B	-19%
03 Restaurants	\$1.8B	\$1.6B	-12%
04 Other Travel & Entertainment	\$1.8B	\$999M	-43%
05 Airlines	\$2.7B	\$900M	-66%

Source: VisaVue Travel Data, 2008 - 2009

▶ TOP FIRST QUARTER 2009 AND 2010 OUTBOUND TRANSACTION VOLUME BY LEADING MERCHANT CATEGORIES			
MARKET SEGMENT	H1 2009	H1 2010	Percent Growth (+/-)
01 General Retail	\$3.4B	\$3.8B	9%
02 Lodging	\$1.1B	\$1.2B	13%
03 Restaurants	\$339M	\$386M	14%
04 Other Travel & Entertainment	\$257M	\$253M	-1%
05 Airlines	\$233M	\$194M	-17%

Source: VisaVue Travel Data, 2009 - 2010



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