

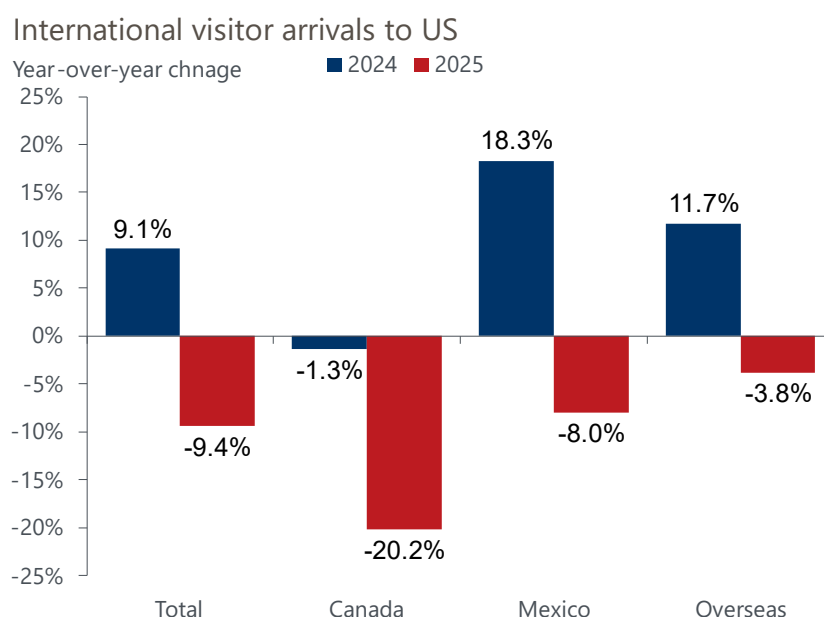
Global Travel Service | United States

Rolling up the welcome mat: Updated US inbound forecast

- **Trump Administration policies and pronouncements are resulting in a negative sentiment shift toward the US among travelers. We expect the negative impact on international travel to the US to be strongest in 2025, but it will likely persist in degrees through the remainder of Trump's second term.**
- **Unfavorable sentiment will be sustained by an evolving mix of Trump Administration factors, including geopolitical friction on trade and national security policies; charged rhetoric and unilateral posturing. High visibility border security and immigration enforcement actions are also expected to sow uncertainty and discourage visits.**
- **As part of our latest Global Travel Service update released March 27, we reduced our outlook for inbound international travel to the US. We now expect a 9.4% decline in international visitor arrivals this year, led by a 20.2% decline in visitation from Canada, but with risks still skewed towards the downside.**
- **President Trump's April 2 announcement of Liberation Day tariff hikes surpasses the assumptions we used in our March 27 release, reflecting an even more aggressive track of trade policy and international relations and underscoring the potential that the negative impacts to US inbound travel may be worse than anticipated in this update.**
- **We expect international visitor spending in the US will decline 5.0% this year, representing a loss of \$9.0 billion in spending, including lost spending at US destinations and transportation. Much of the spending loss is due to fewer Canadian visitors (\$3.4 billion).**

In a year that was previously expected to bring 8.8% growth in international visitation, with a 16.0% increase in visitor spending (December 2024 forecast release), this updated forecast represents a substantial setback. It also eclipses the [US downside scenario](#) we released in late-February, reflecting a more contentious context for inbound travel and more severe tariff announcements than previously expected.

Chart 1: International arrivals now expected to decline 9.4% this year



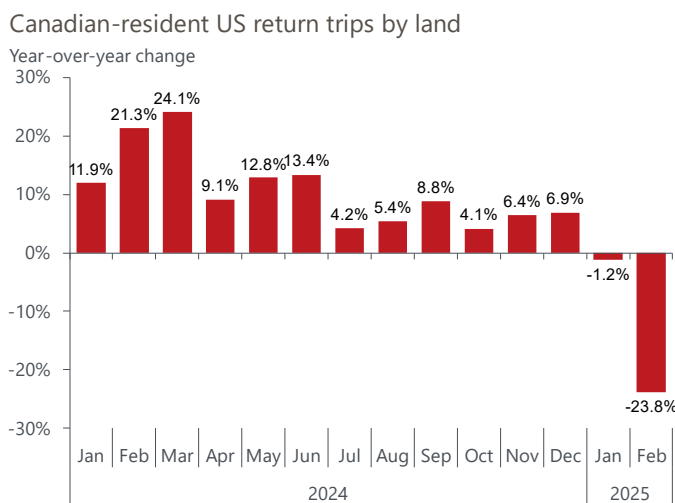
Source: Tourism Economics/National Travel and Tourism Office

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We anticipate the US travel sector will face a mix of headwinds this year: 1) negative sentiment, 2) border and immigration policies and uncertainty, 3) reduced competitiveness with a strong dollar, 4) economic slowing in Canada and Mexico, 5) hasty efforts at government efficiency, and now 6) uncertainty on the domestic economy.

The risks of these headwinds were underscored on February 1 when Canadian Prime Minister Justin Trudeau used a Saturday evening address to respond to President Trump's announcement earlier that day imposing 25% tariffs on all goods from Canada and Mexico (10% on Canadian energy). Trudeau conveyed the sentiment shared by many Canadians, saying, "Now is the time to choose Canada". Initial data shows Canadian travel quickly dropped, with a 23.8% decline in Canadian-resident travelers returning from the US by land (Chart 2).

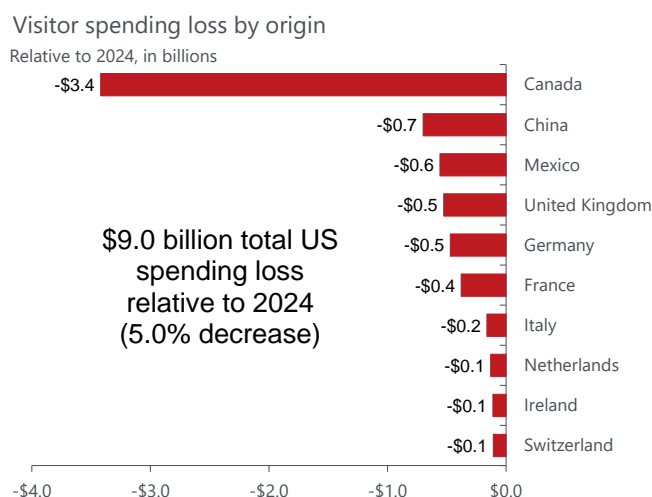
Chart 2: Canadian visits in steep decline



Source: Statistics Canada

We forecast Canada will account for the largest share of a \$9.0 billion decrease in international visitor spending in the US this year (Chart 3).

Chart 3: Canada will account for the largest share of the spending decrease



Note: The \$9.0 billion spending loss includes \$6.4 billion of decreased spending in destination, and \$2.5 billion of lost transportation spending.

Source: Tourism Economics

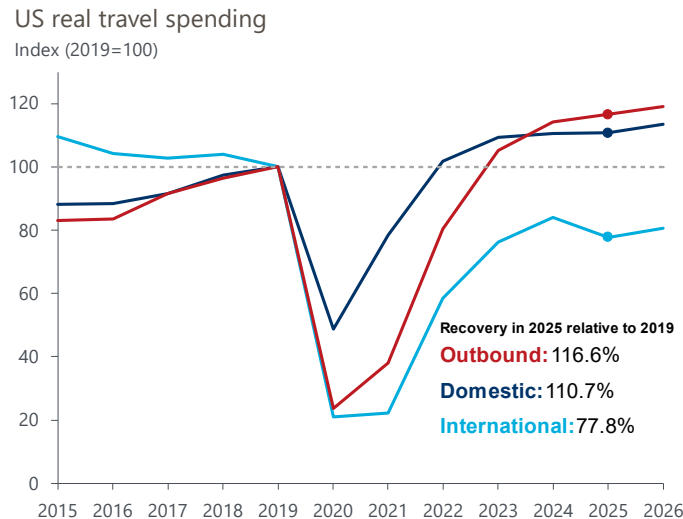
Western Europe has traditionally been the largest source of inbound spending to the US (26.5% of total inbound spending in 2024). We expect visitor arrivals from Western Europe will reverse from 6.8% growth

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last year to a 7.2% decline this year. Arrivals from Northeast Asia are expected to be flat (0.1% growth), after a 22.6% increase last year.

International visitor spending in 2025 is expected to fall to 77.8% of its 2019 level, adjusted for inflation, representing a setback in the international recovery. Outbound spending by US residents abroad is expected to continue to increase, supported by affordability gains due to the strong dollar.

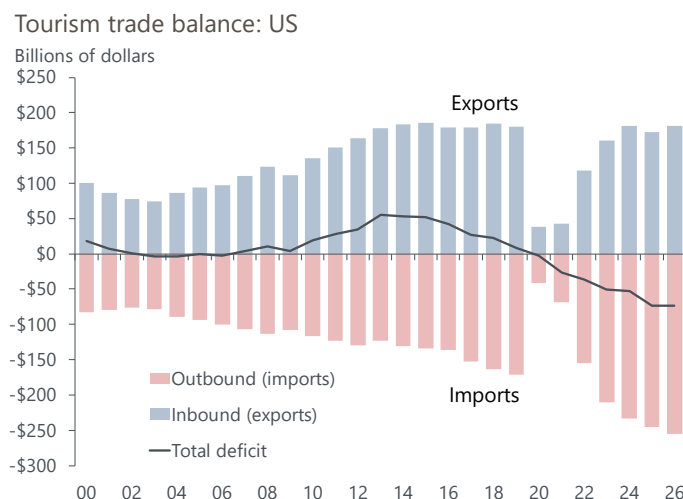
Chart 4: Expect a setback in the international recovery



Source: Tourism Economics

Contrary to Trump Administration goals of reducing the US trade deficit, the expected result is a larger tourism trade deficit. As inbound spending, which represents a US export, declines, the tourism trade deficit is expected to worsen from -\$52.5 this year to -\$73.8 billion in 2026 (exports minus imports).

Chart 5: US tourism trade deficit expected to worsen to -\$73.8 billion



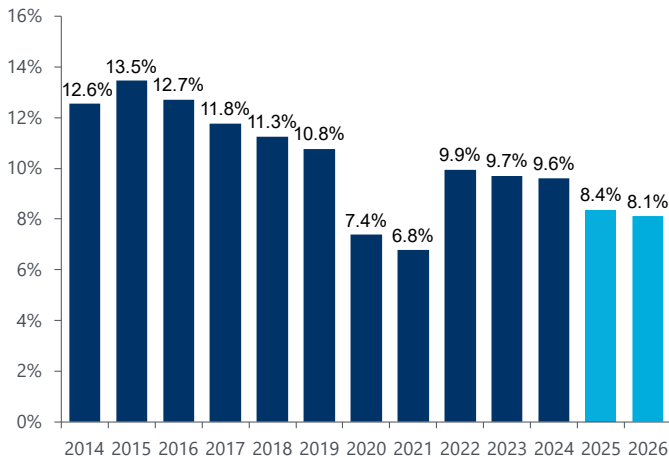
Source: Tourism Economics

Negative sentiment toward the US

Leisure travelers have options, and negative shifts in sentiment toward the US are expected to adversely impact its global market share, resulting in a 1.5 percentage point market share loss by 2026.

Chart 6: US Expected to Lose 1.5 Percentage Points of Market Share by 2026

US share of global inbound tourism spending



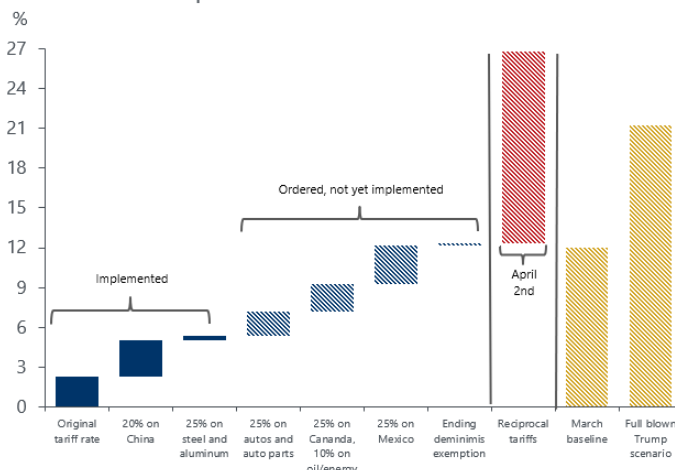
Source: *Tourism Economics*

These sentiment shifts represent a backlash to trade policies and other pronouncements that target individual countries – including country leaders, national industries, and citizens – in ways that elicit strong responses. Trump Administration shifts on Ukraine and longstanding alliances, and domestic issues – such as the treatment of certain categories of individuals – are also contributing to the sentiment shift, casting the US in a new, less favourable light for many potential travellers. Leisure travelers, as well as business event organizers and participants, are expected to shift away from the US in response.

President Trump's April 2 announced tariffs will raise the US effective tariff rate to slightly less than 30%, based on Oxford Economics' [initial analysis](#). If these rates are implemented as announced, this will take the US beyond levels seen in the 1930s and exceeding any of the tariff scenarios in our published research. In contrast, as part of our travel forecast update, we had assumed overall effective US tariff rates would reach 13%. As a result, President Trump's Liberation Day announcement puts the US on an even more aggressive track of trade policy and international relations, underscoring the potential that the negative impacts to US inbound travel may be worse than anticipated in this update.

Chart 7: Trade environment we haven't seen since the 1930s

US: Estimated impact of tariff increases on effective tariff rate



Source: *Oxford Economics*

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It is likely that not all tariffs will remain in place as announced, but many will likely be permanent. In our travel forecast update, we had assumed that some trade issues would be resolved by 2026, such as through a trade deal with Canada and Mexico, and some negative sentiment effects may ease. Yesterday's announcement challenges that assumption.

Border and immigration policies and uncertainty

The Trump Administration's high-visibility stance on border security and immigration is creating greater uncertainty around travel to the US. In some instances, this has led to direct impediments, such as an anticipated travel ban on selected countries.

The US is expected to implement a travel ban preventing visitors from approximately 11 countries, with restrictions on an additional "orange list" of countries. The groundwork for this travel ban was set in one of the executive orders President Trump issued upon taking office, calling for the development of a list of countries with deficient vetting and screening information. (The White House, 2025, January 20. [Protecting the United States From Foreign Terrorists and Other National Security and Public Safety Threats.](#))

That executive order also calls for enhanced vetting and screening as part of tighter border security and has been cited as a factor in reports of more aggressive tactics being used to question visa holders and tourists, and detentions. Also, the US has announced it will begin enforcing an existing law requiring Canadians visiting for 30 days or more to register, which is the type of action that elevates uncertainty for travellers.

Several countries, including Canada, France, Germany, and the UK, have updated citizen travel advisories. For example, with the UK warning of harsh consequences for British passport holders that violate US immigration laws.

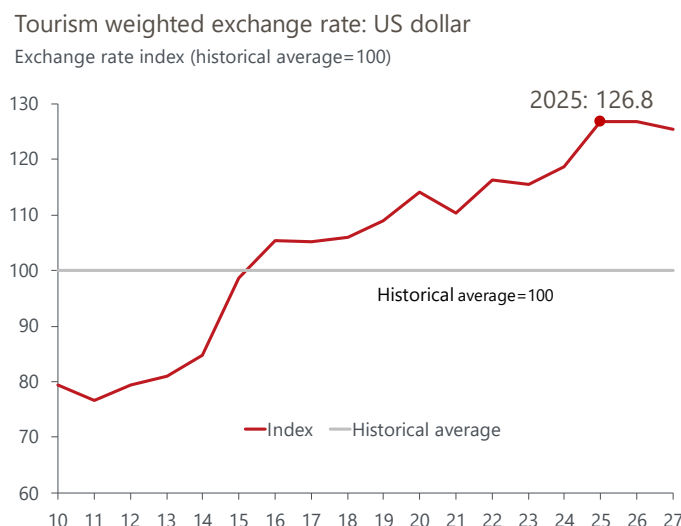
Though not assumed as part of our baseline outlook, additional changes to border processing, such as reductions in staffing and elevated enforcement actions, could further reduce the attractiveness and stability of the US as an international destination.

Reduced competitiveness with a strong dollar

The current strength of the US dollar reduces destination competitiveness, though relative costs are only one factor considered by inbound travelers.

The US dollar has further appreciated since the US presidential election, reaching its strongest level in almost 40 years. This makes the US more than 25% more expensive as a destination than the average during the past 15 years, on a tourism-weighted exchange rate basis. This relative lack of cost competitiveness has been a key factor behind the recent subdued US inbound performance relative to other destinations.

Chart 8: Strong US dollar raises costs faced by inbound travelers



Source: Tourism Economics

Economic slowing in Canada and Mexico

Trade is particularly important to the economies of Canada and Mexico. Trade wars and related uncertainty are expected to push Canada and Mexico close to or into recession, reducing the outlook for resident outbound travel. GDP growth is expected to slow to 1.1% this year and -0.1% next year in Canada, and 0.7% and 2.2% in Mexico, respectively.

Hasty efforts at government efficiency

The Trump Administration is leading an effort with the goal of increased government efficiency. This has resulted in high profile federal layoffs, department closures, and disruptions to traditional federal funding, though the actual impact in terms of reduced federal spending appears limited.

These efforts are anticipated to have a chilling effect on federal government travel spending, as well as travel by other federally funded organizations.

The White House has specifically called for greater scrutiny on federal travel spending, requesting that managers "prohibit agency employees from engaging in federally funded travel for conferences or other non-essential purposes" unless written justification has been provided. (The White House. 2025, February 26. [Implementing the President's "Department of Government Efficiency" Cost Efficiency Initiative.](#))

Our US economic outlook assumes a net decline of 200,000 federal workers over the course of 2025, with additional declines in subsequent years, but there is considerable uncertainty about this estimate, including potential court actions. We assume that federal spending levels will remain largely intact and the 2017 tax cuts will be extended.

Uncertainty on the domestic economy

The US economy isn't expected to suffer recession in our baseline outlook, but there are vulnerabilities, and the latest tariff announcement will have a further cooling impact on the economy and will make that adverse outcome more likely.

Oxford Economics simulated the "Liberation Day" tariff proposals to quantify the impact. [Results](#) show US GDP growth slowing to 1.4% (down from 2.0% we assumed in our travel forecast update), with core inflation rising to 3.9% this year, compared to 3.1% in the baseline. The US avoids a recession but remains highly vulnerable. While this scenario assumes 10% tariffs on the EU and a continued United States-Mexico Canada Agreement (USMCA) exemption for Canada and Mexico—mitigating some economic fallout—it does not account for potential retaliation or heightened uncertainty, both of which may intensify the damaging effects of tariffs.

Even before considering the impact of the more pronounced tariffs in the April 2 announcement, our subjective odds of a recession during the next 12 months had increased to 30%, which is above the average odds of a recession in any given year of 15%.

This context of elevated uncertainty represents a headwind for the travel sector as households and businesses may reduce discretionary spending such as travel. In our travel forecast update, we lowered our estimate of domestic travel spending growth in 2025 to 3.9%.

Consumers are increasingly concerned about the inflationary impact of tariffs, policy uncertainty, and worsening equity market performance. These concerns are buffered by healthy balance sheets, low layoffs, and a steady rise in personal incomes, which may prevent a strong pullback in consumer spending.

Businesses are becoming more cautious and rising policy uncertainty has prompted a lower forecast for real business investment, particularly non-residential structures and equipment.