TOURISM ECONOMICS

AN OXFORD ECONOMICS COMPANY

Kentucky Tourism: A Look Back to the Future

Adam Sacks | President

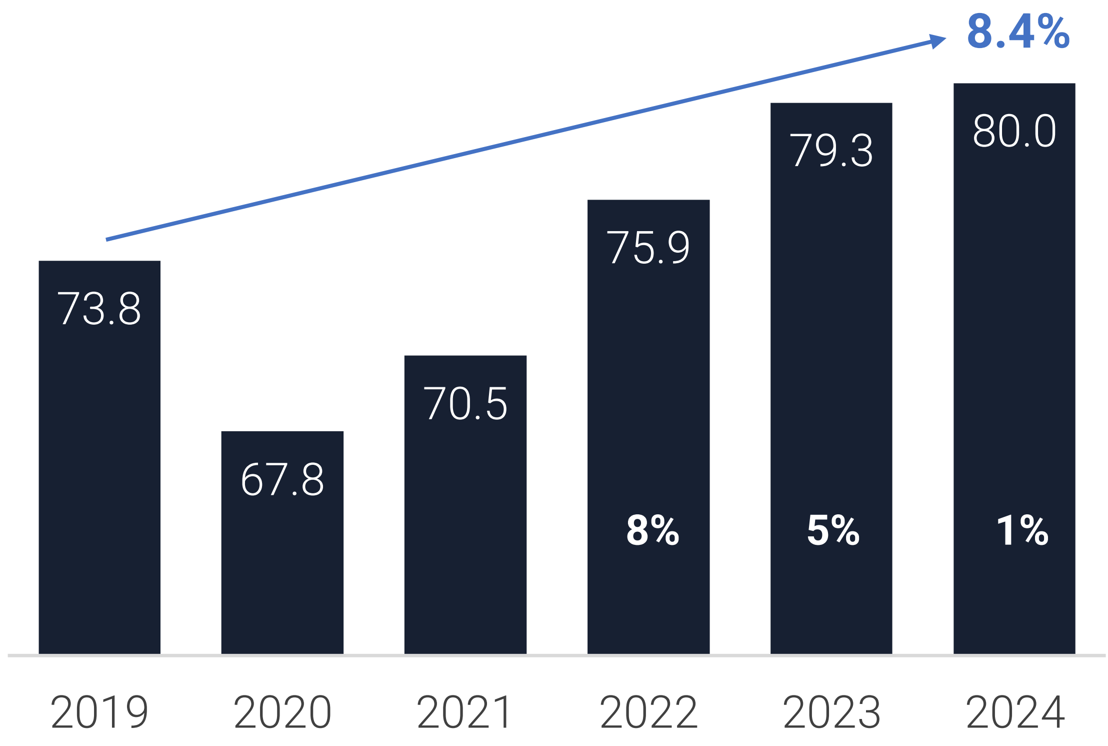
Tourism Economics

November 2025

KY visitor volumes hit a new peak in 2024

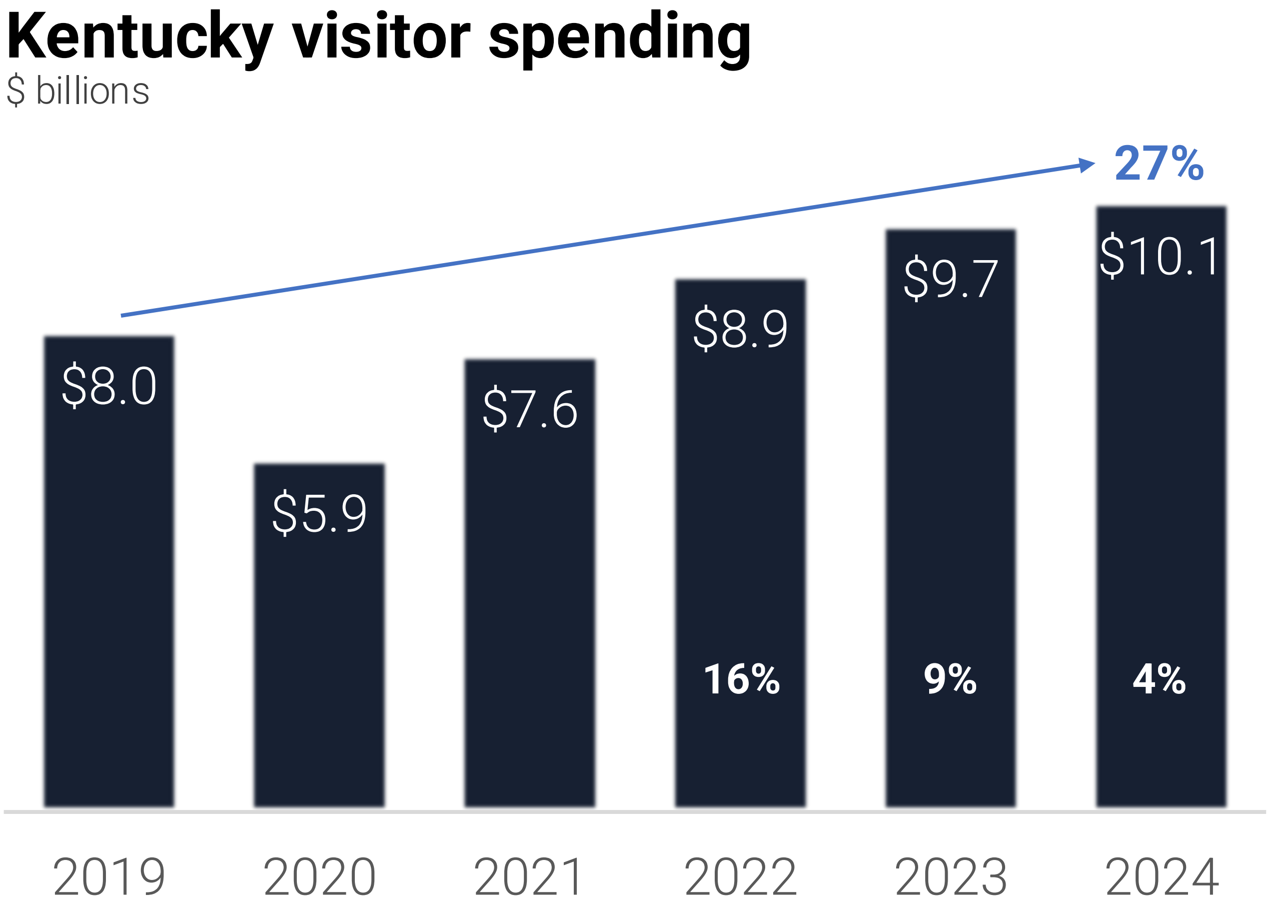
Kentucky visitors

millions of visitors, % change



Sources: Tourism Economics

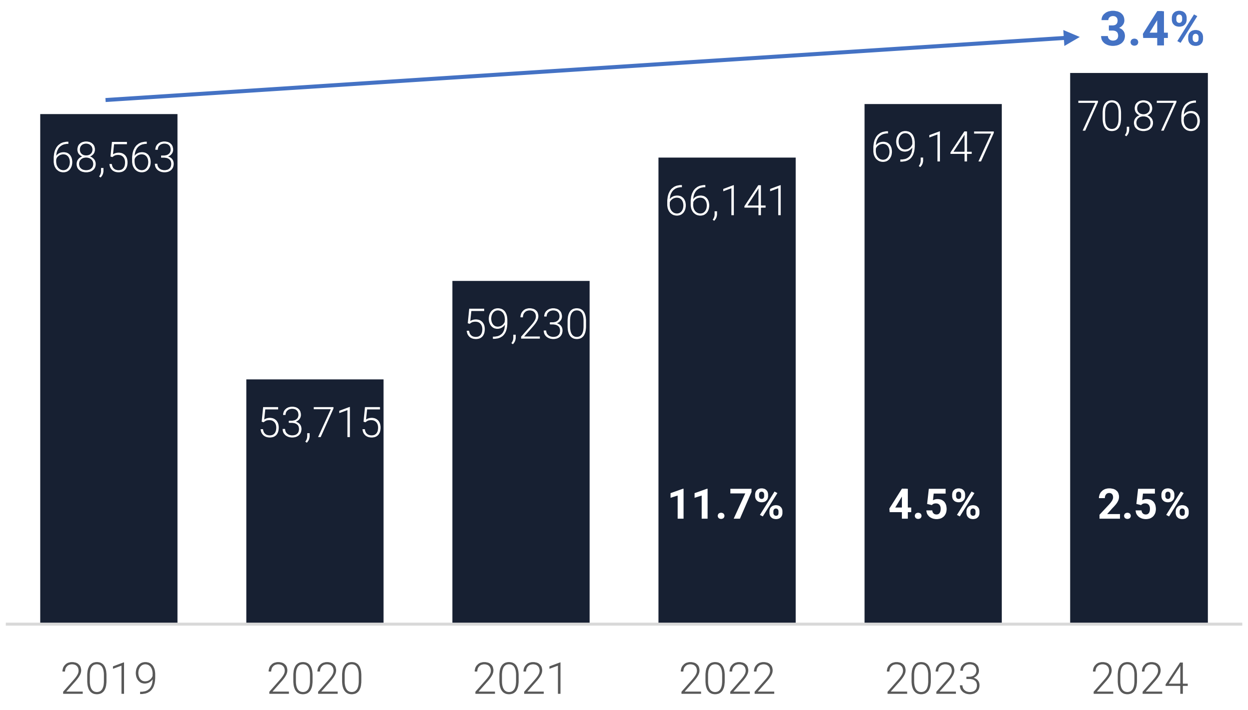
Visitors spent $10.1 billion in 2024



Sources: Tourism Economics

Visitors directly sustain 71k jobs

Direct visitor-supported employment in KY



Sources: Tourism Economics

TOURISM ECONOMICS

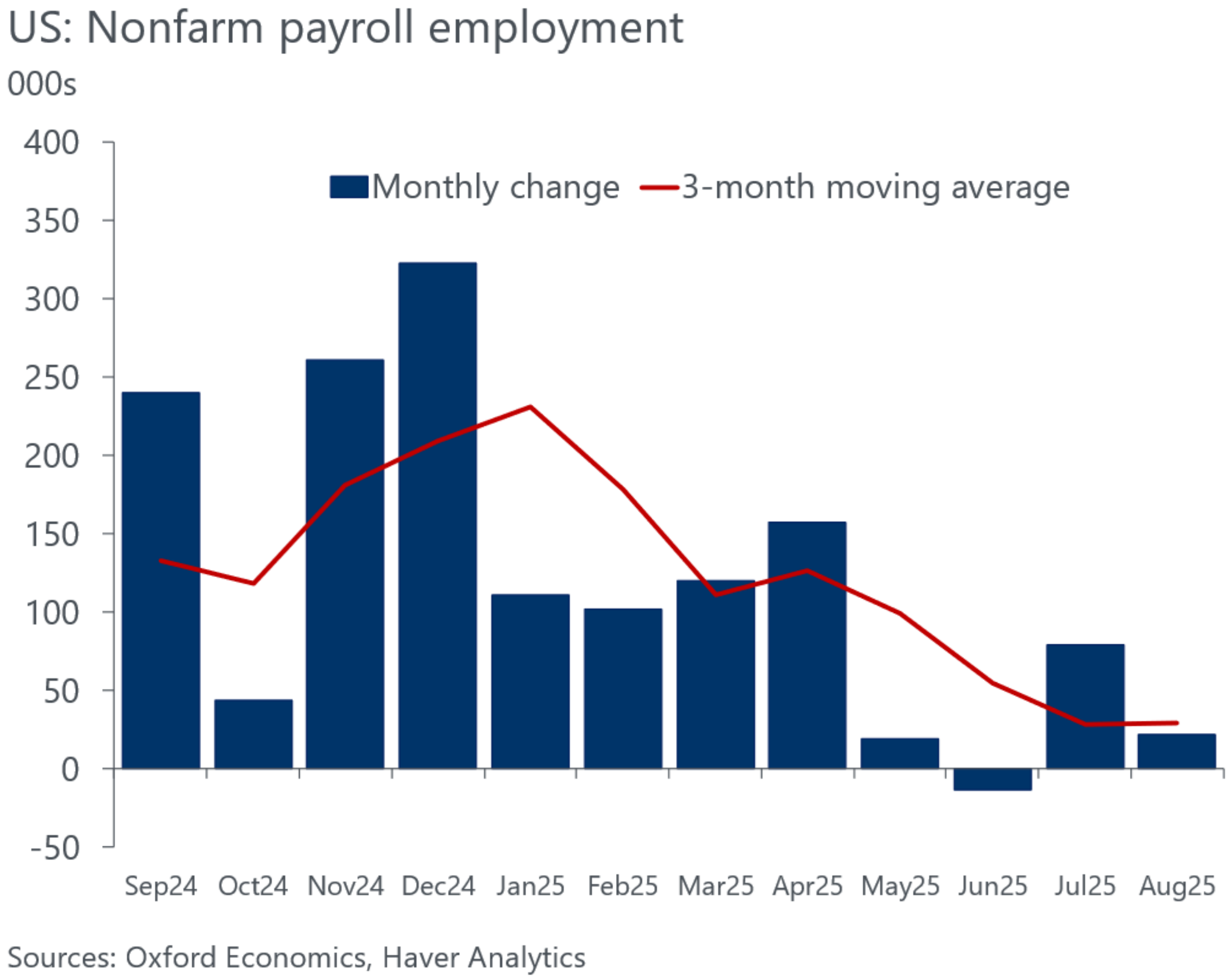
Total economic impact exceeded $14 billion in 2024

$10.1B Visitor Spending *(Direct Sales)* **+** **$2.1B** Indirect Sales **+** **$2.0B** Induced Sales **=** **$14.3B** Total Economic Impact

2024 Impacts	Total Business Sales
Total, all industries	**$14,285.8**
Food & Beverage	$2,873.0
Lodging	$2,179.1
Retail Trade	$2,067.2
Recreation and Entertainment	$1,371.3
Finance, Insurance, Real Estate	$1,262.4
Other Transport	$756.3
Air Transport	$740.5
Business Services	$656.3
Gasoline stations	$628.3
Education and Health Care	$393.7
Construction and Utilities	$290.1
Communications	$238.9
Manufacturing	$223.3
Personal Services	$216.4
Wholesale Trade	$182.6
Government	$178.4
Agriculture, Fishing, Mining	$28.0

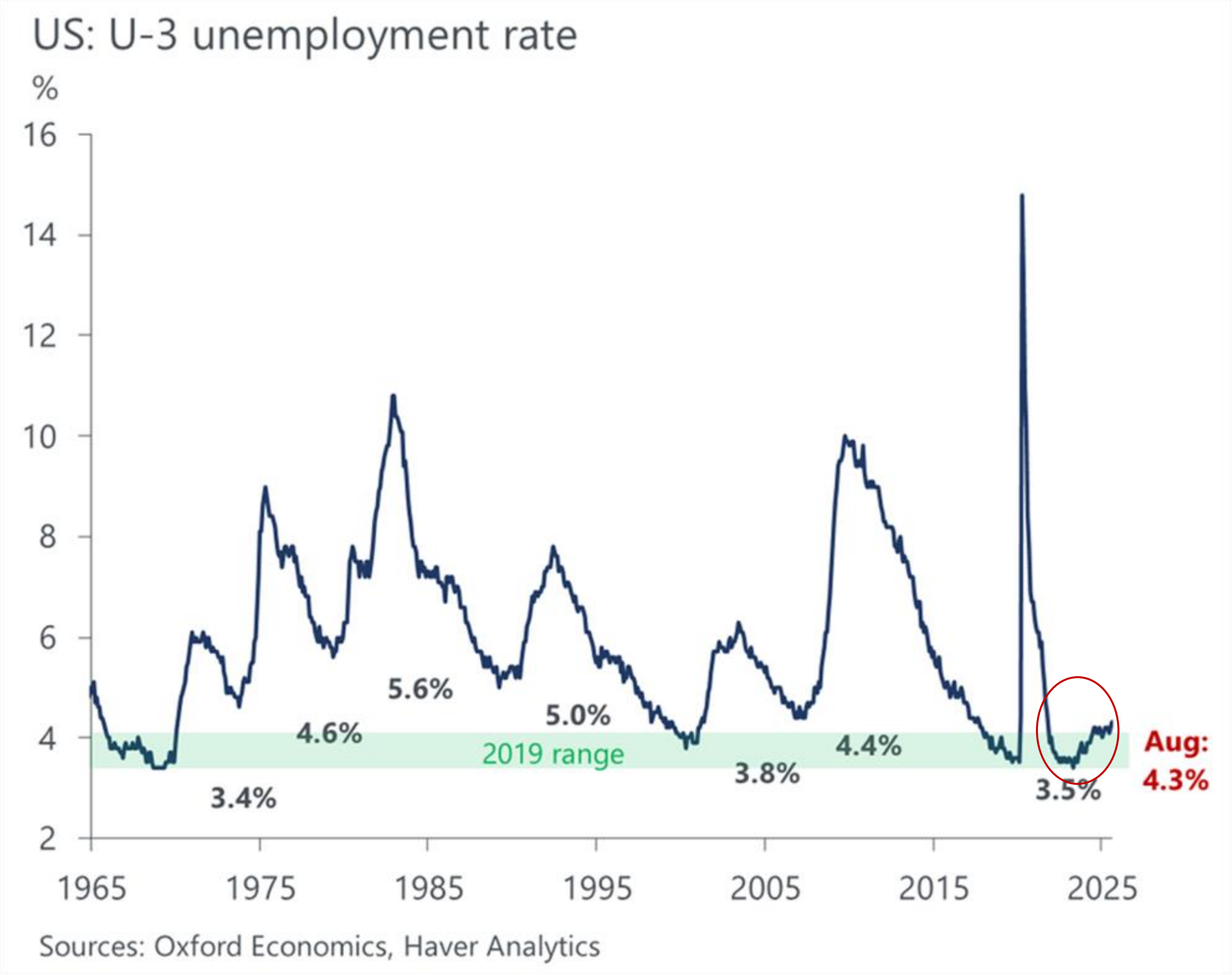
Economic Trends & Outlook

Last three months averaged just 29,000 jobs



Weakest since the pandemic.

Unemployment has been rising but remains low at 4.3%

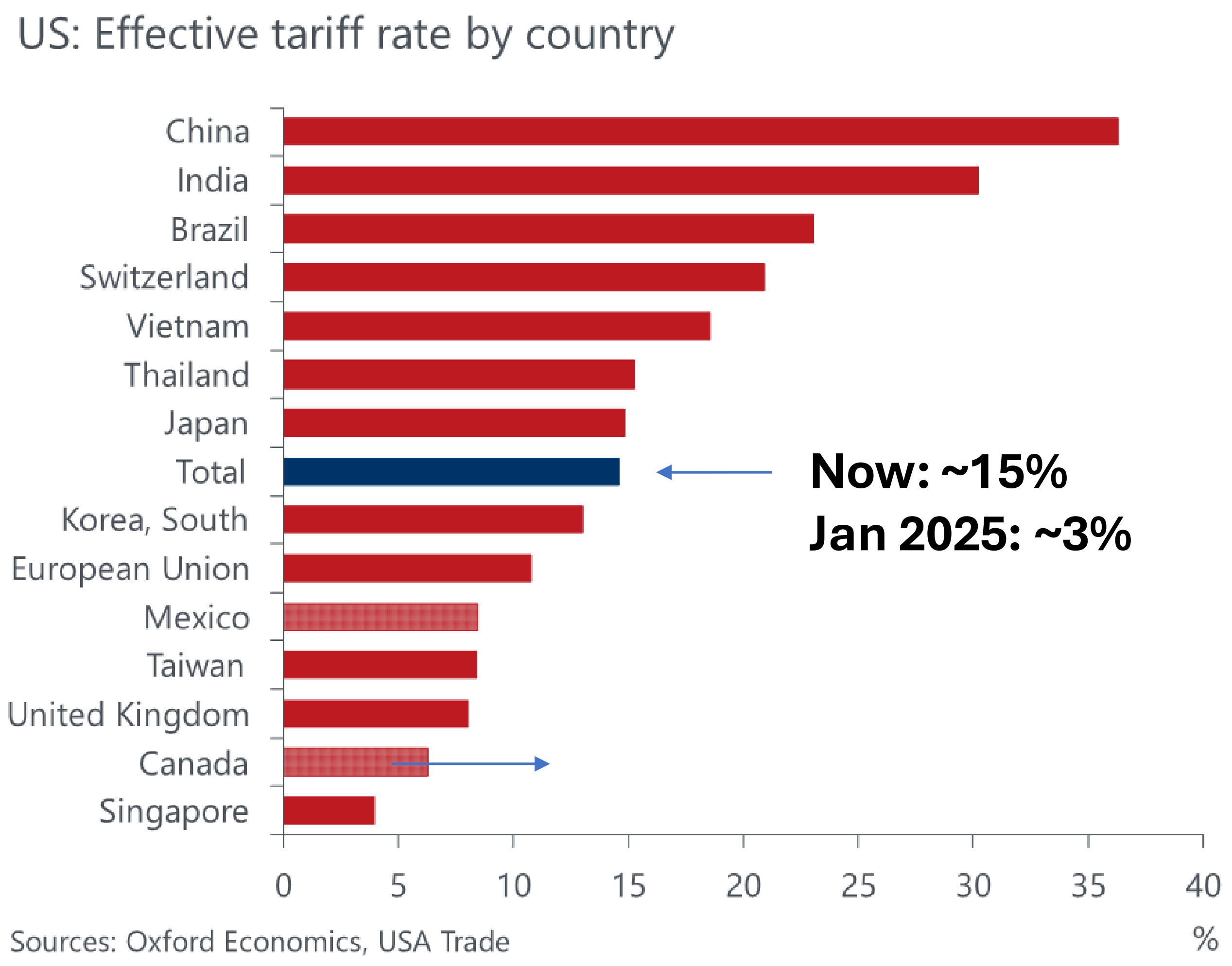


The labor market remains in a slow-to-hire, slow-to-fire stasis

Hiring slowdown balanced by lower participation rate

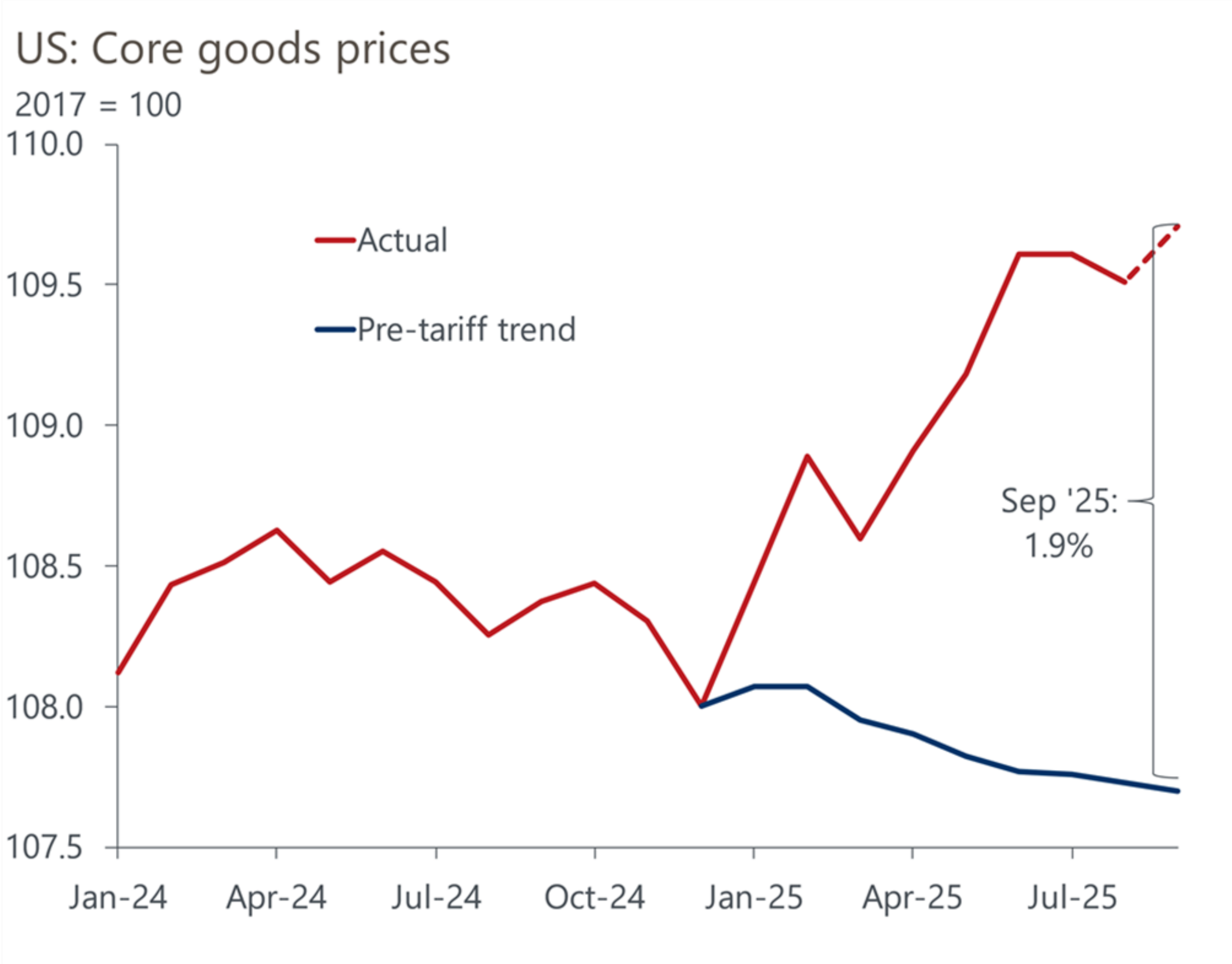
- **Retirement of baby boomers**
- **Effects of the administration's immigration and deportation actions**

Trade-weighted tariff rate highest since 1930s



Source: Oxford Economics

Tariffs pass-through to consumer prices



Not all tariffs have passed through to consumers.

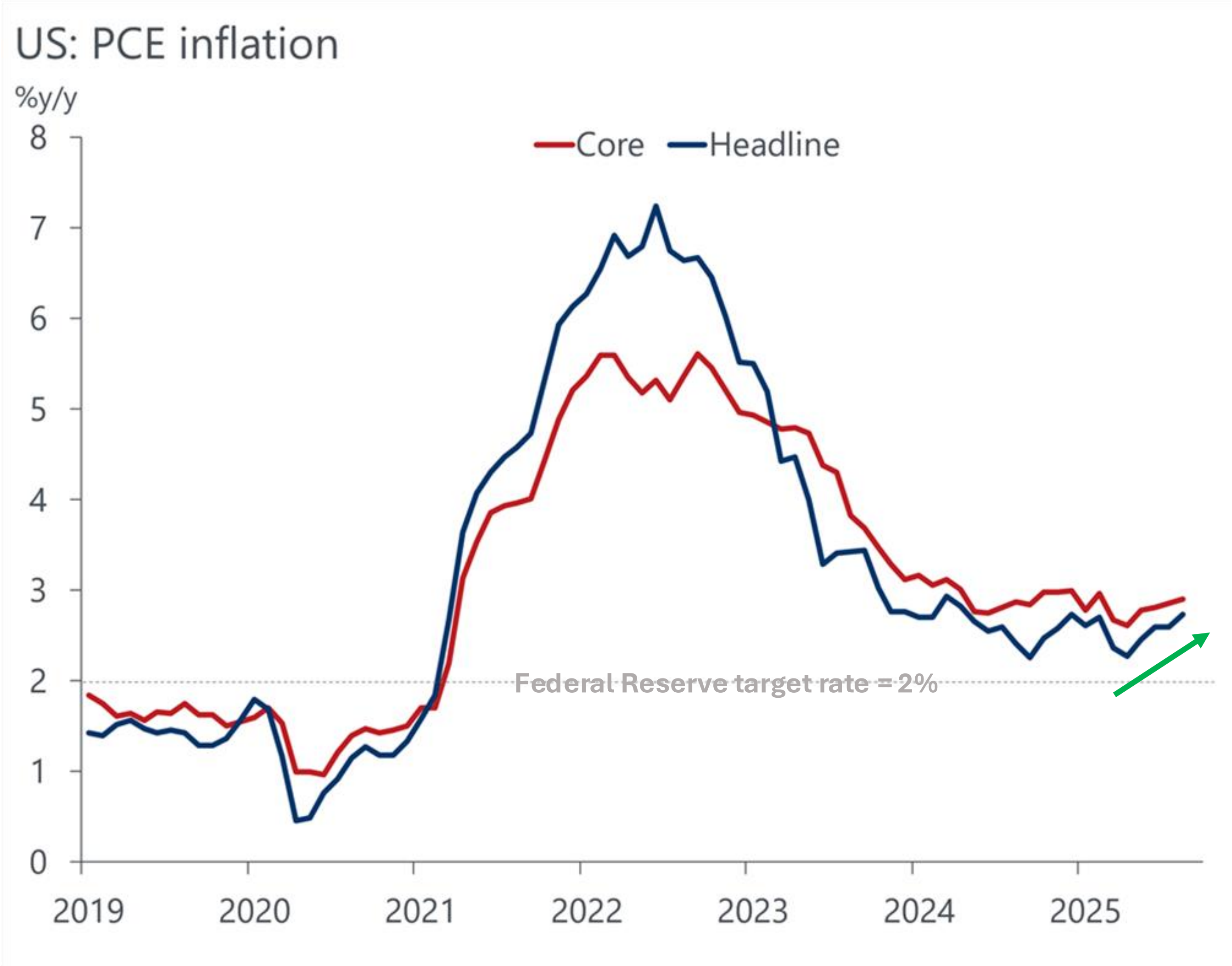
Businesses initially avoided tariff impacts by …

- Absorbing costs
- Front-loading imports
- Run-down inventories
- Reconfiguring supply chains
- Stalled tariff implementation

Transmission delays are fading, meaning effects will intensify

Source: Oxford Economics/Haver Analytics

Inflation will continue to rise this year

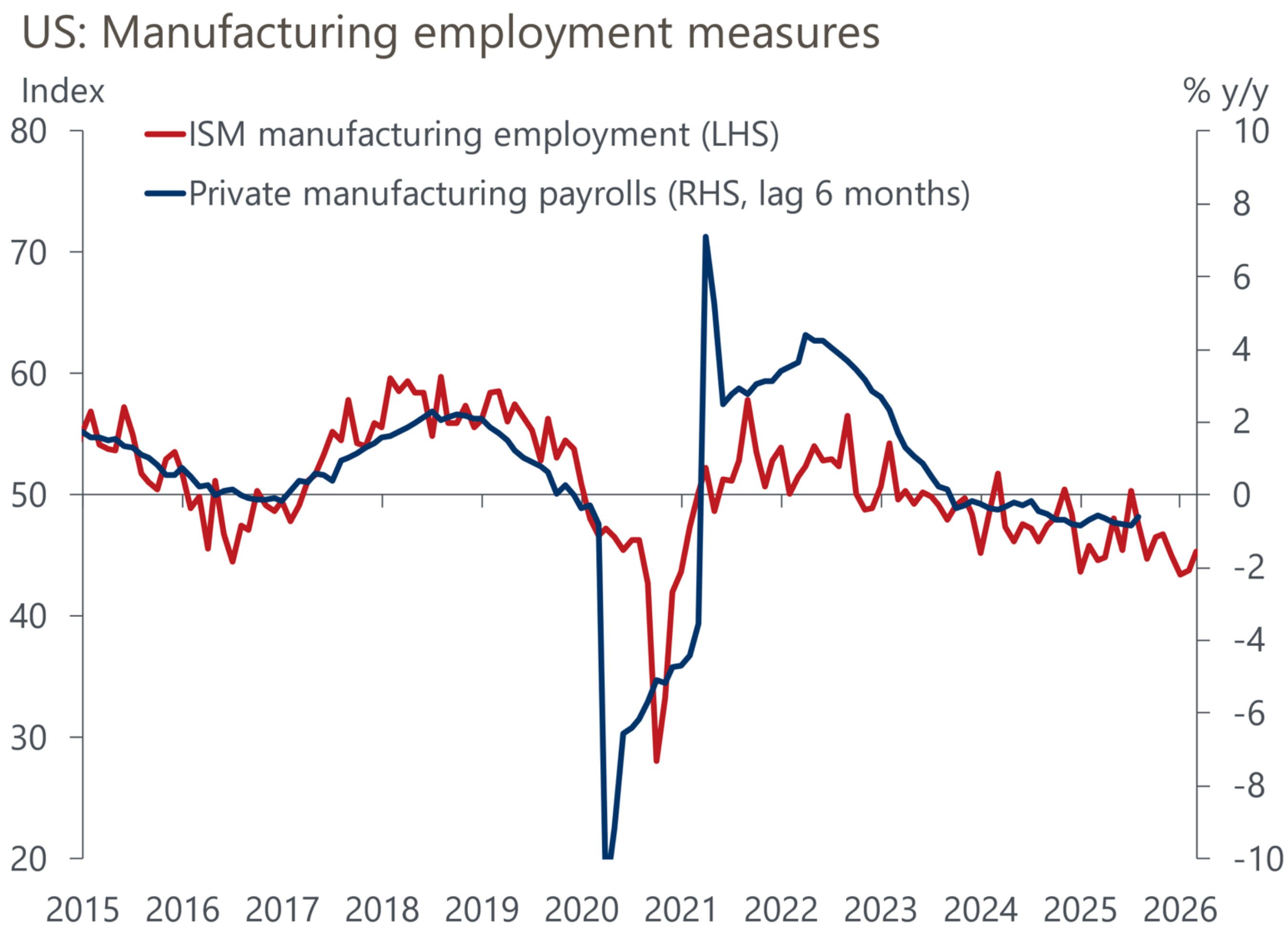


Annualized inflation rose to 3.0% in September versus 2% target.

If not for tariffs, inflation would be 0.4ppts lower – 2.6%.

Source: Oxford Economics/Haver Analytics

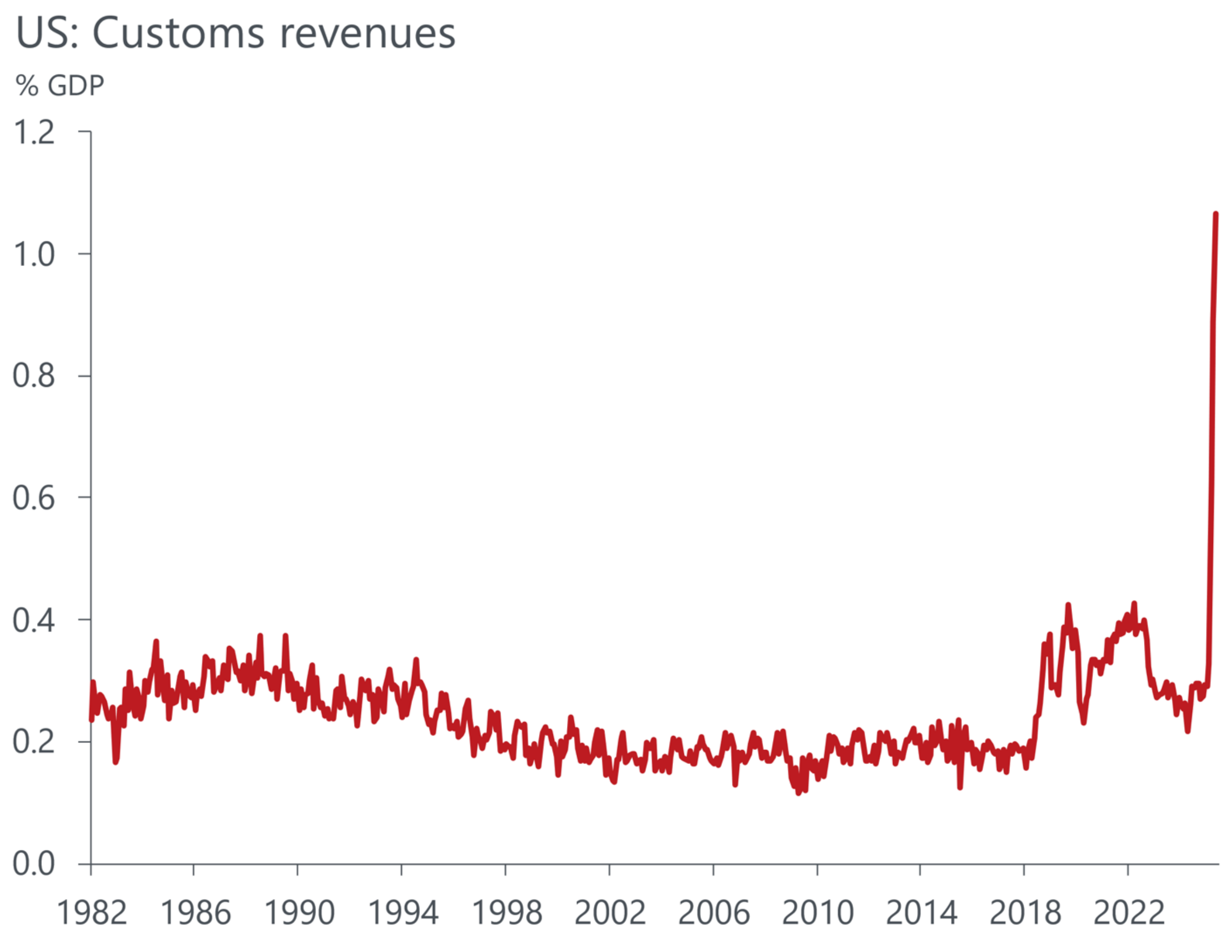
Manufacturing is in an 8-month slide



Source: Oxford Economics

TOURISM ECONOMICS

Tariffs are raising tax revenues



Source: Oxford Economics

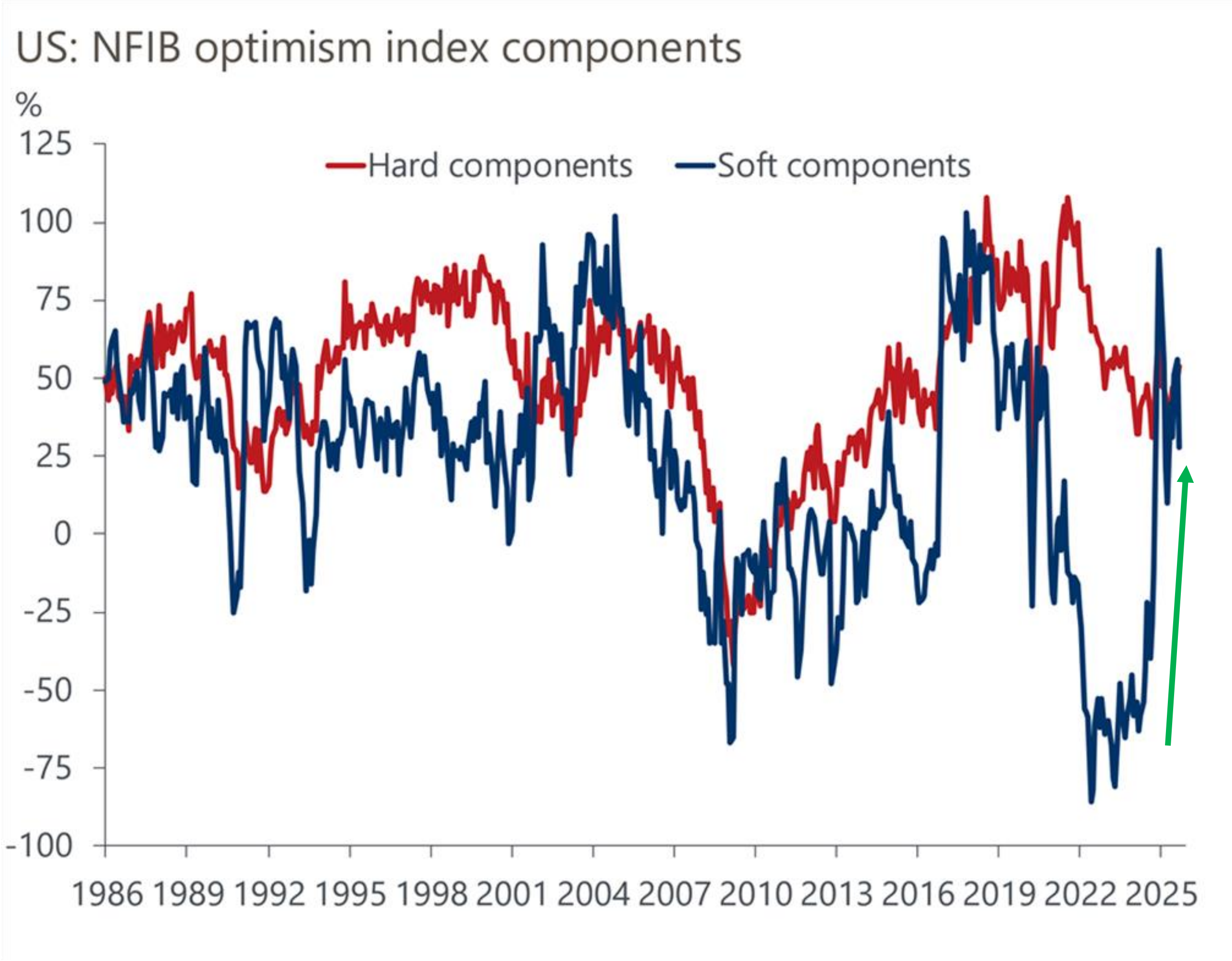
$31 billion in September
(compared to an average of around $8B last year)

Tariff revenue helps offset costs from the One Big Beautiful Bill....

.....but won't do much to reduce the $1.8T deficit

TOURISM ECONOMICS

Business are worried

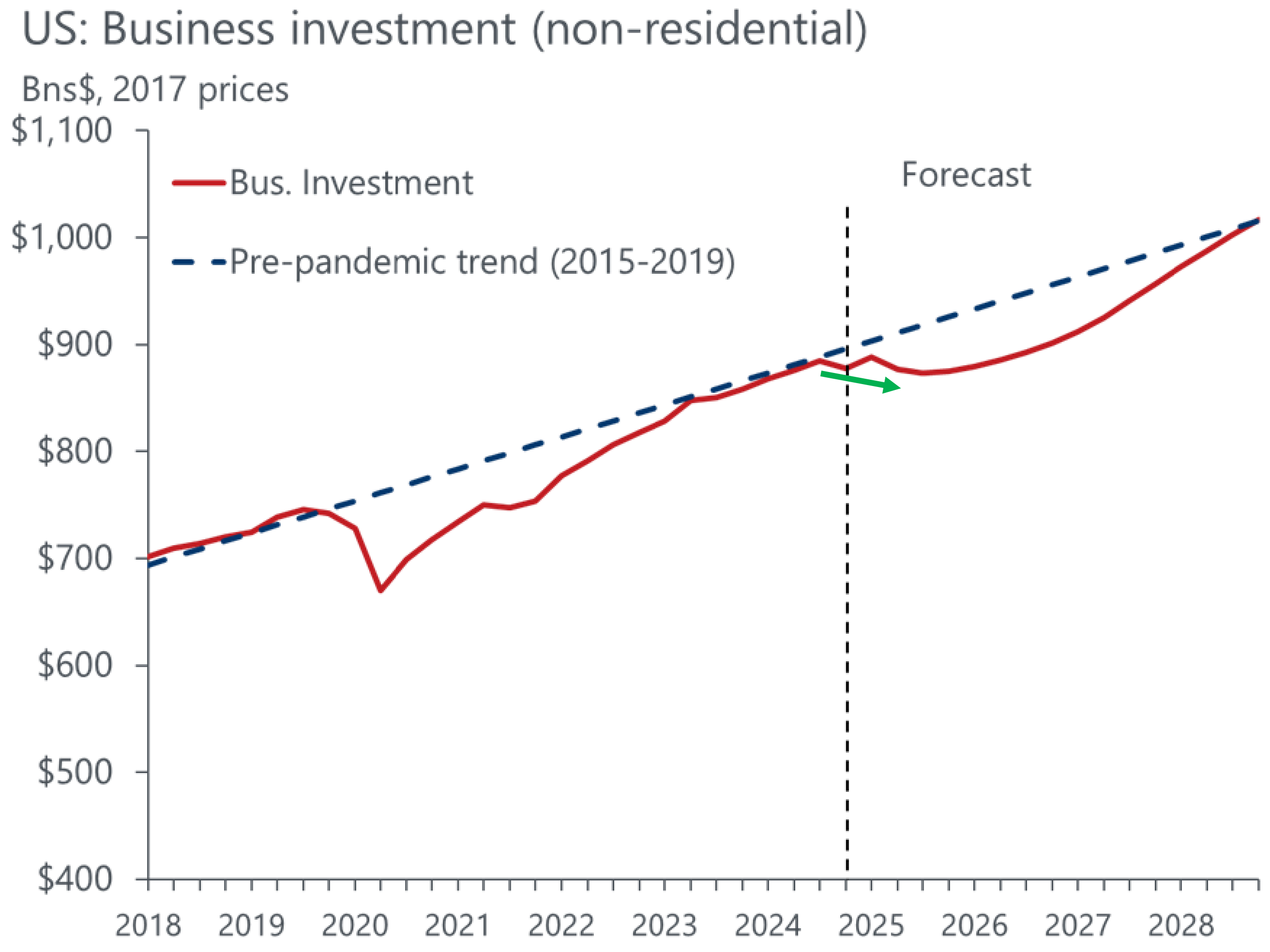


Reasons for concerns:

- **Higher input costs**
- **Supply disruptions**
- **Weak new orders**

Source: Oxford Economics/Haver Analytics

Expect businesses to be cautious

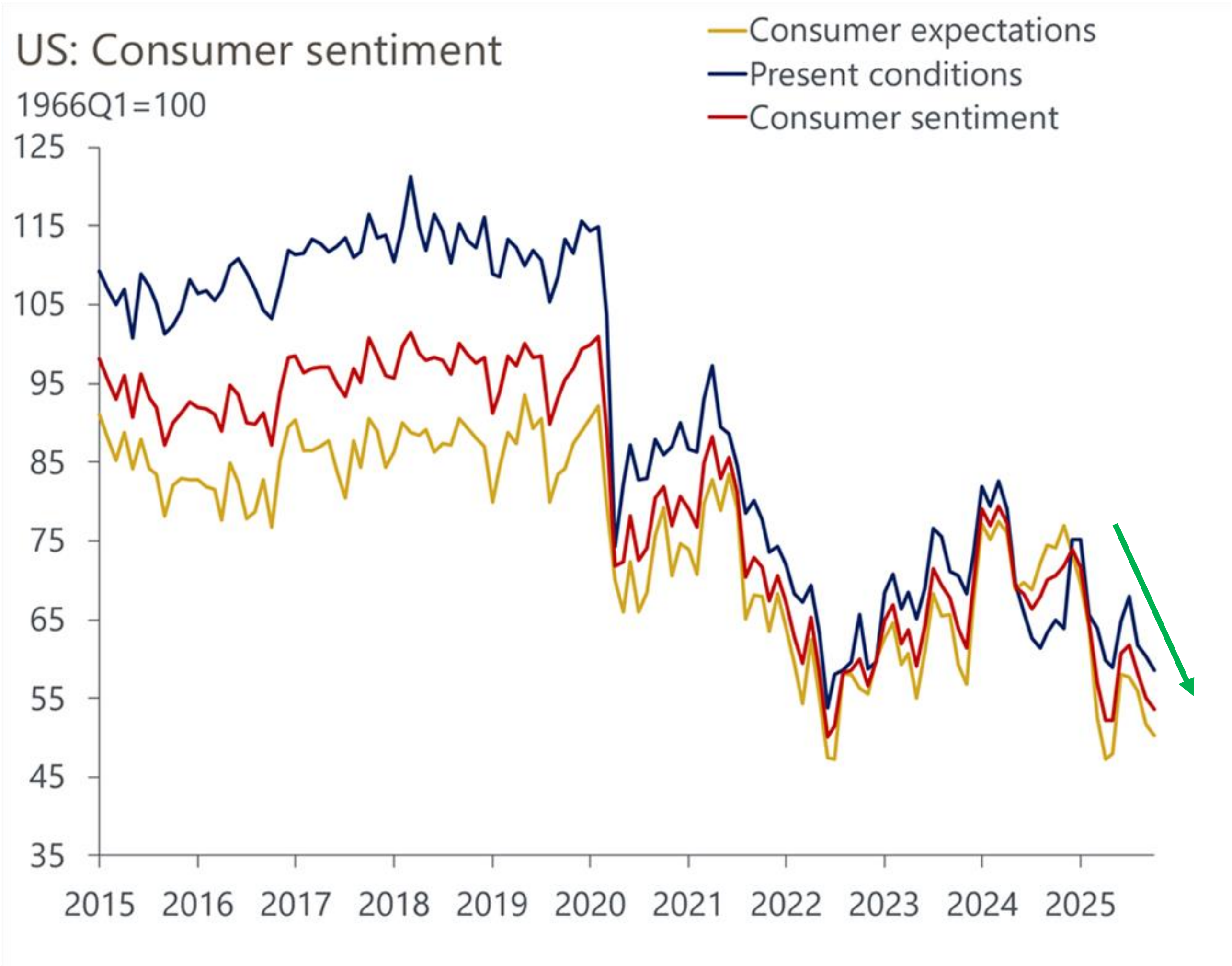


Source: Oxford Economics/Haver Analytics

"Second quarter U.S. and Canada select service and extended stay RevPAR declined around 1.5% year over year, **primarily due to a decline in government demand … as well as weaker demand from smaller business customers.**"

Marriott, Aug 5, 2025

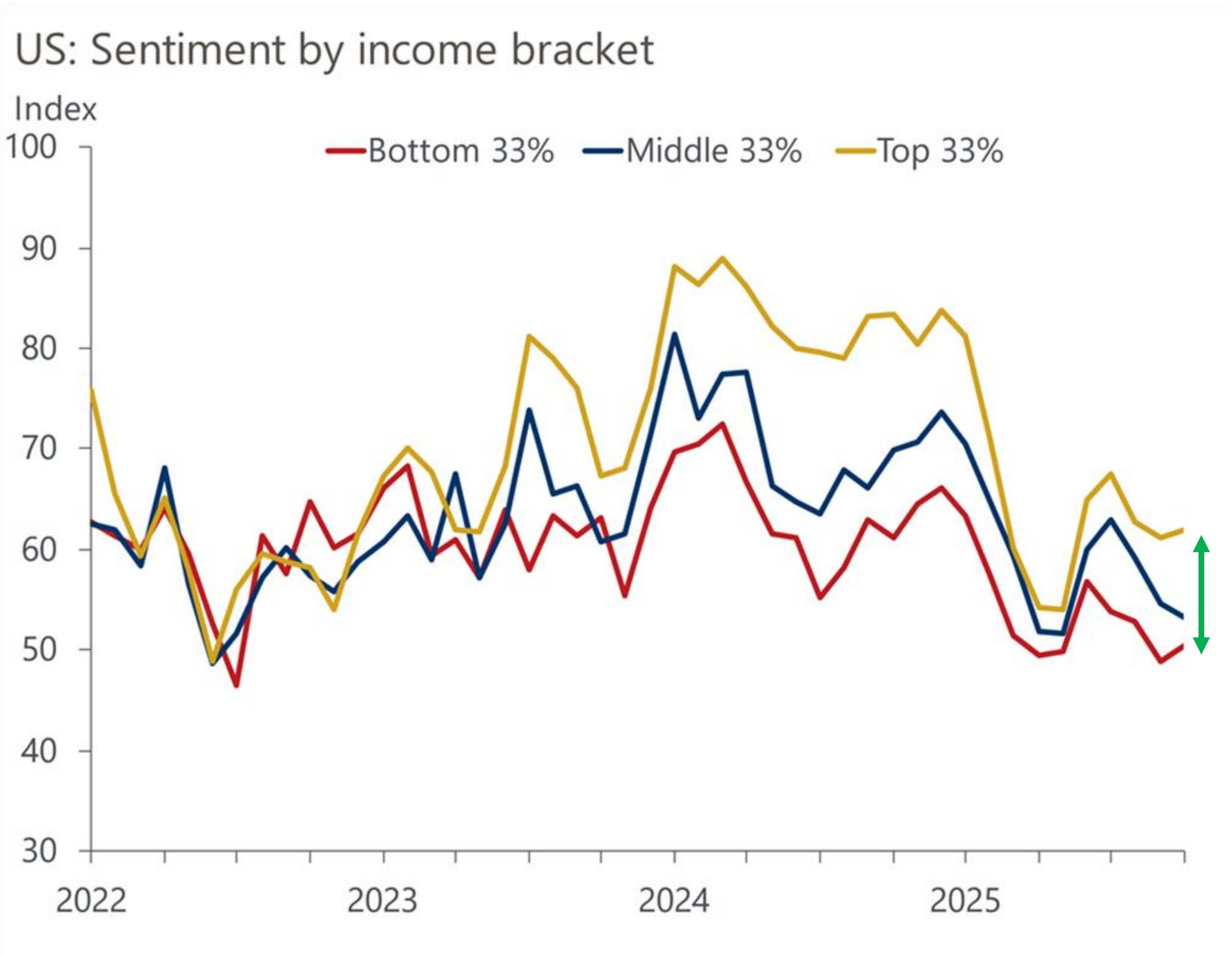
Consumers are also worried



- Rising prices (elevated inflation expectations)
- Labor market uncertainty
- Policy uncertainty

Source: University of Michigan Consumer Sentiment Index

Gap between high- and low-income respondents remains



Lower-income groups are spending less on discretionary purchases and more on essentials.

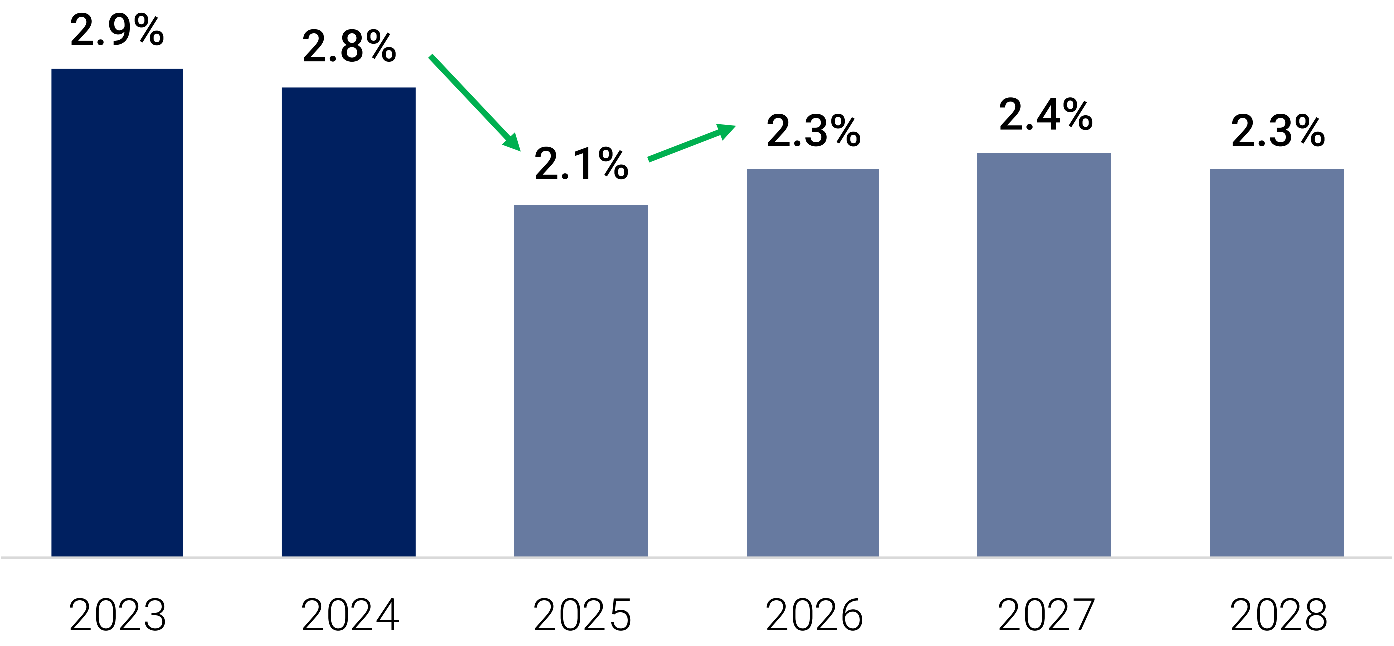
- Hit harder by tariffs
- Smaller financial buffers

Source: Oxford Economics/Haver Analytics

Economic growth will slow in 2025

US Real GDP Growth

% year-over-year change

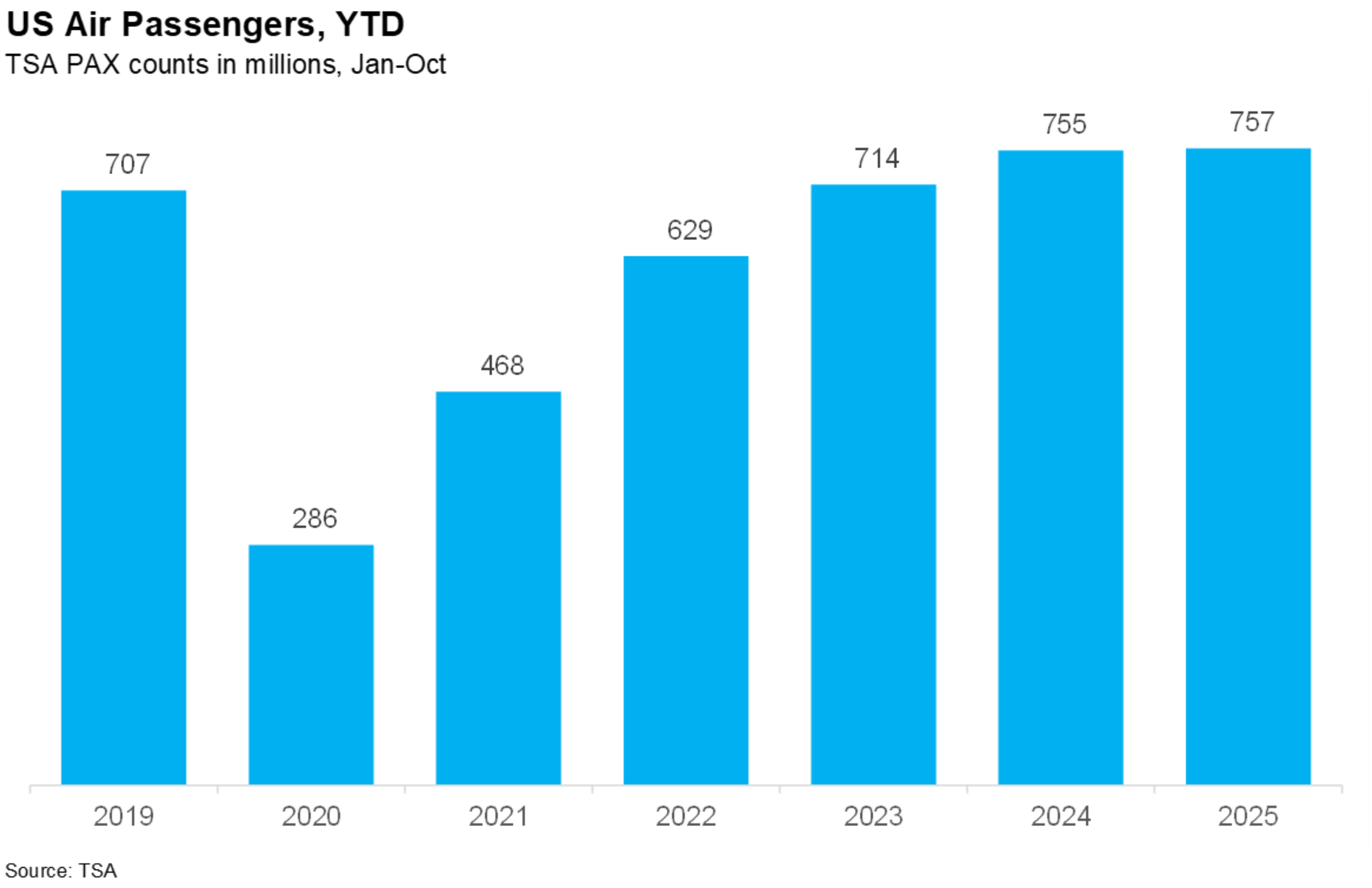


The economy will improve next year, supported by tax cuts/extensions, reduced uncertainty, the fading effects of tariffs on inflation.

Source: Oxford Economics

How Travelers Are Reacting

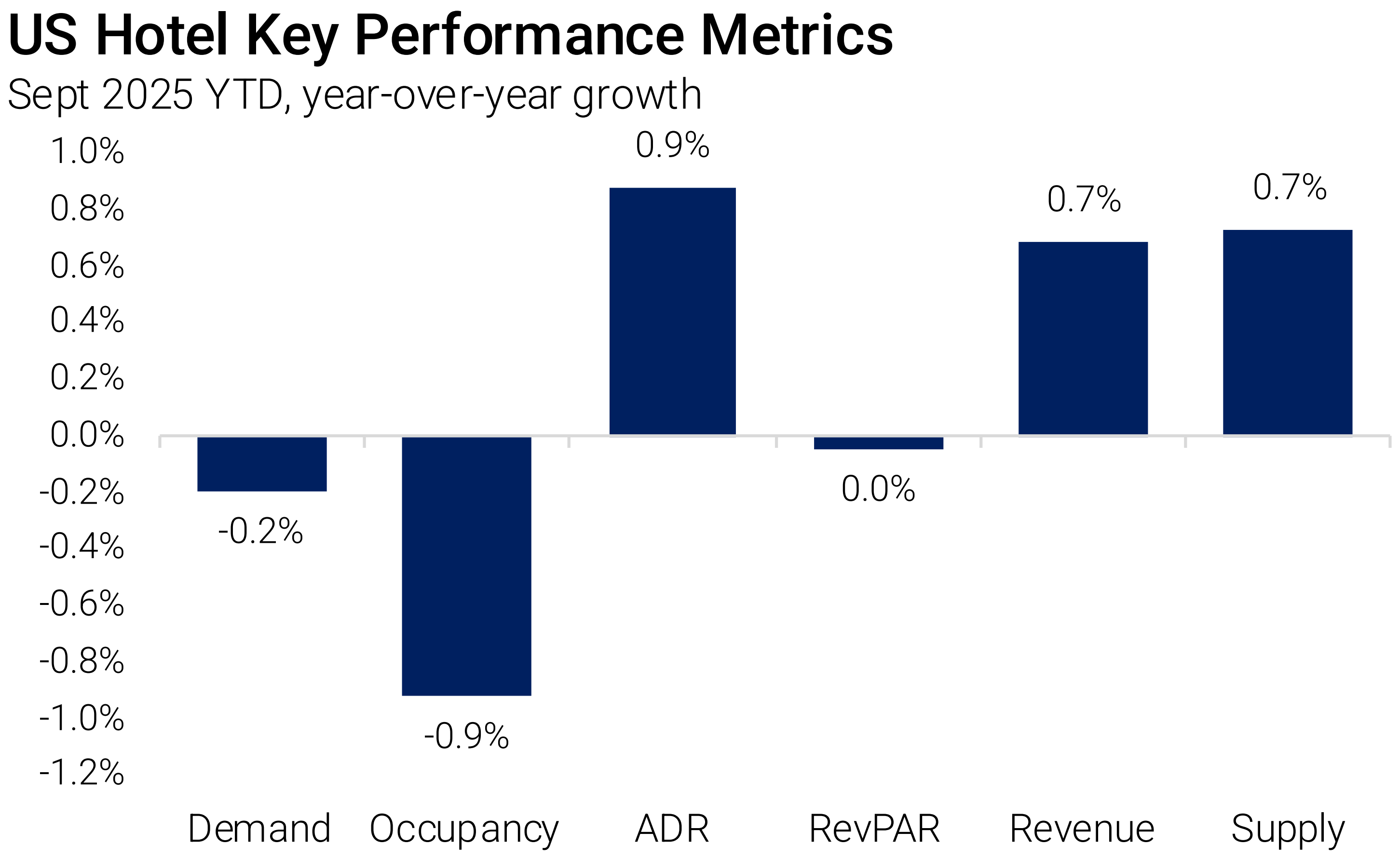
Air travel has softened, but not falling



TSA air passenger volumes similar to last year.

Following a weak Spring and early Summer, TSA volumes have grown slightly in recent months.

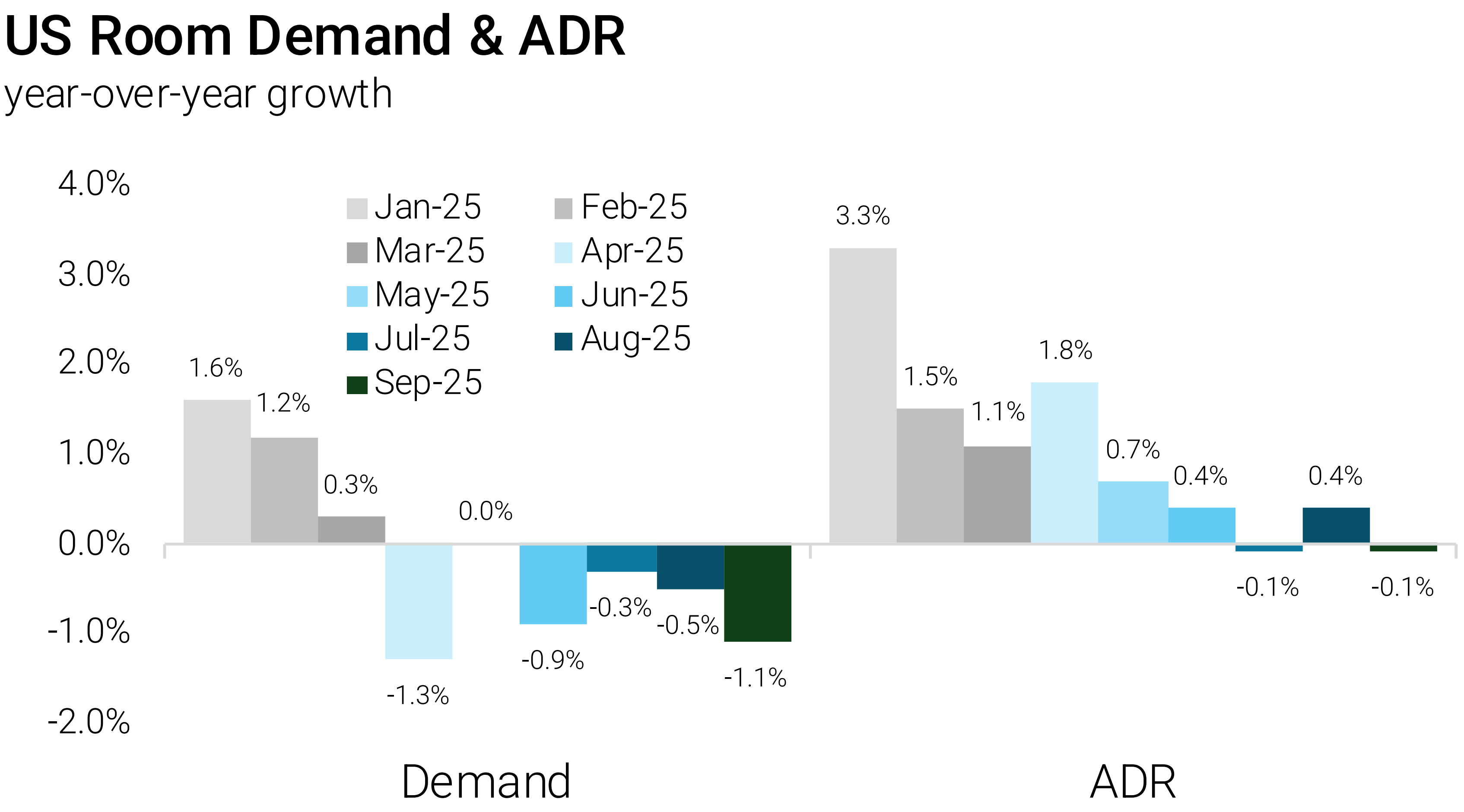
No growth in hotel demand



Source: STR

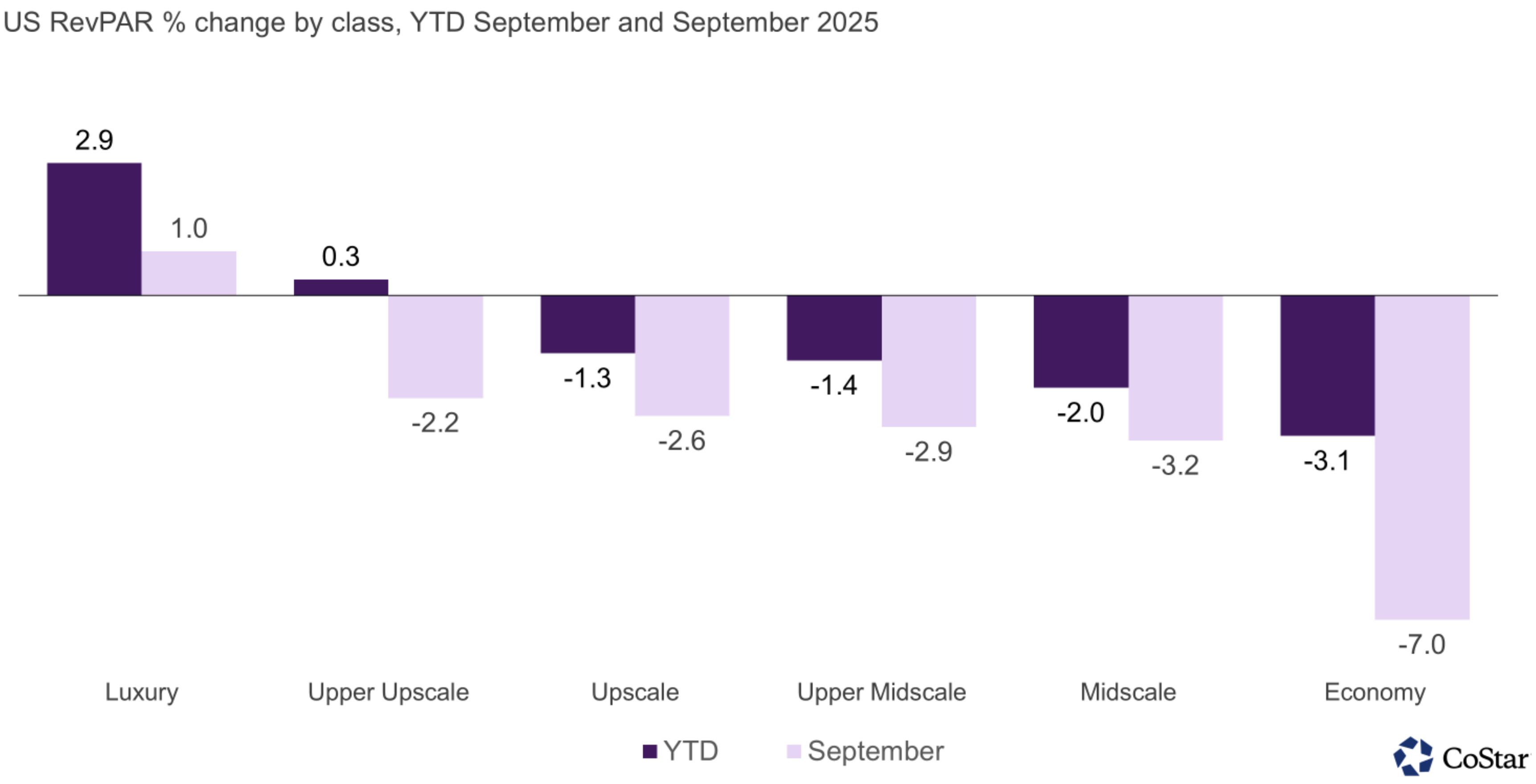
TOURISM ECONOMICS

US hotel performance has slowed



Source: STR

Bifurcated demand growth

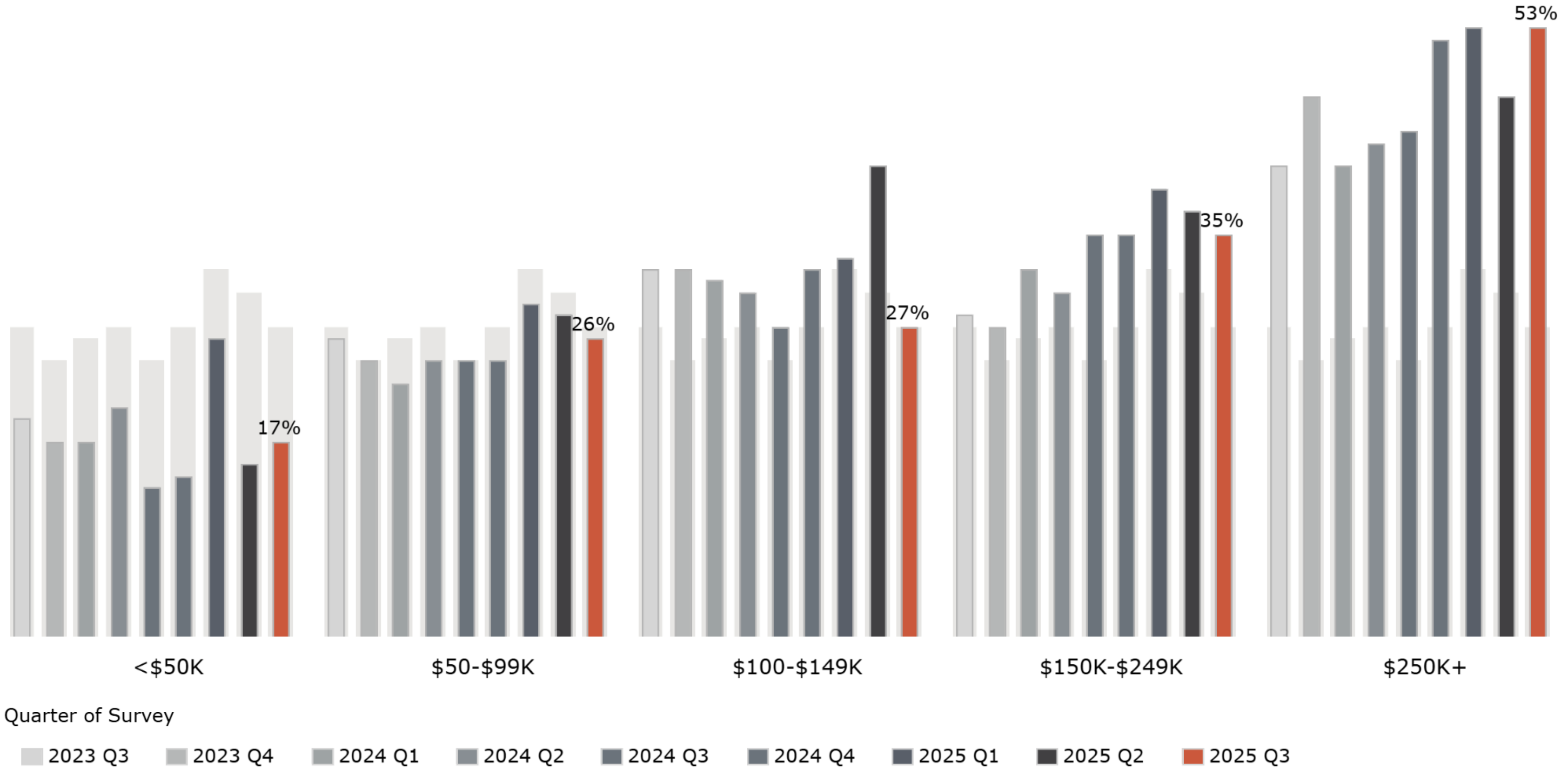


"…And again, I will point to the **luxury and certain parts of the premium segment.** …This desire for experiences over goods continues and the underlying trends that we see are excellent."

Marriott, Aug 5

Business travel intentions have weakened in near term

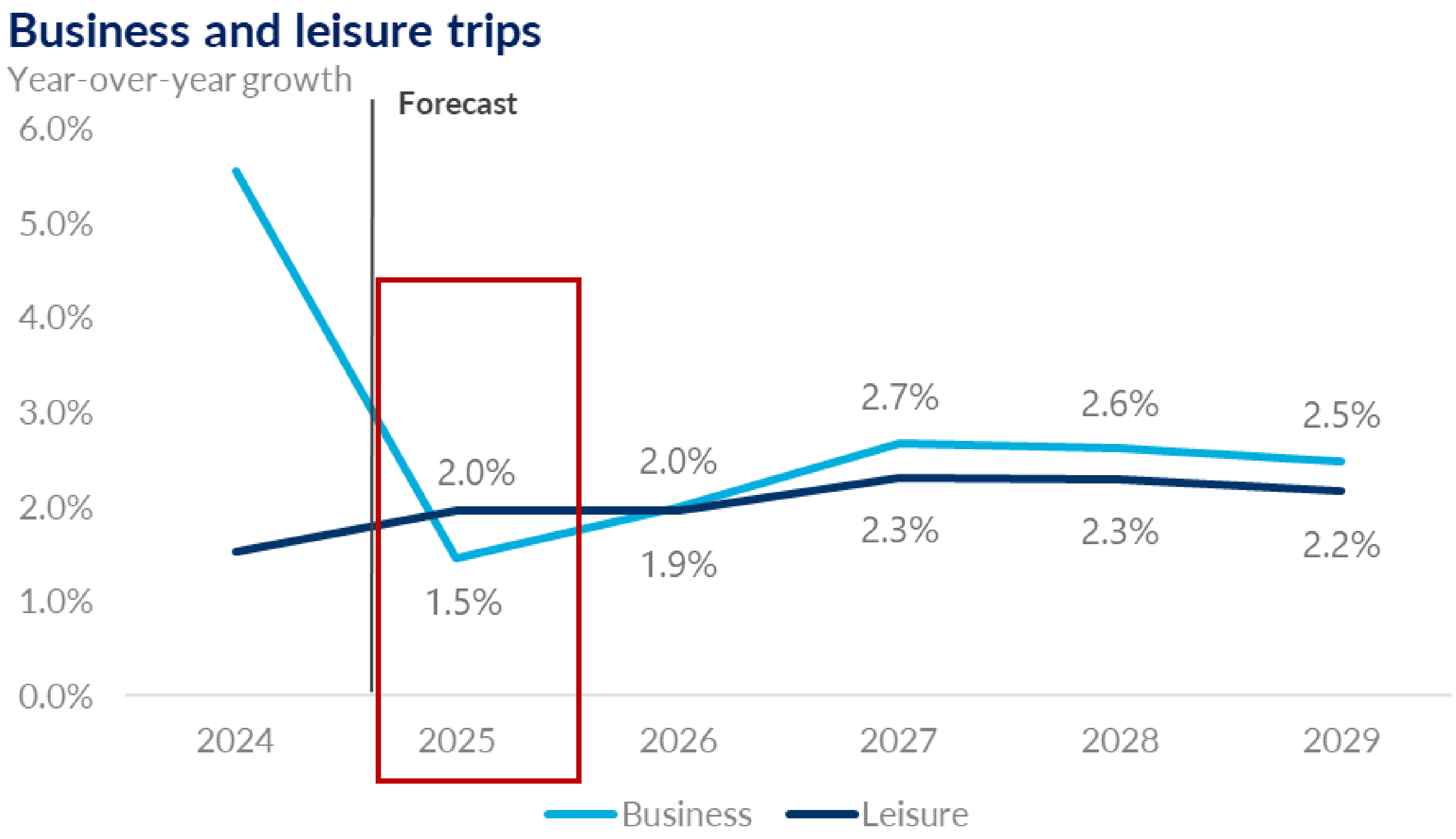
Planning Business Travel Within the Next 6 Months
% of American Consumers



Light gray bars in the background represent the average for all survey respondants

Source: MMGY Global's *Portait of American Travelers*®

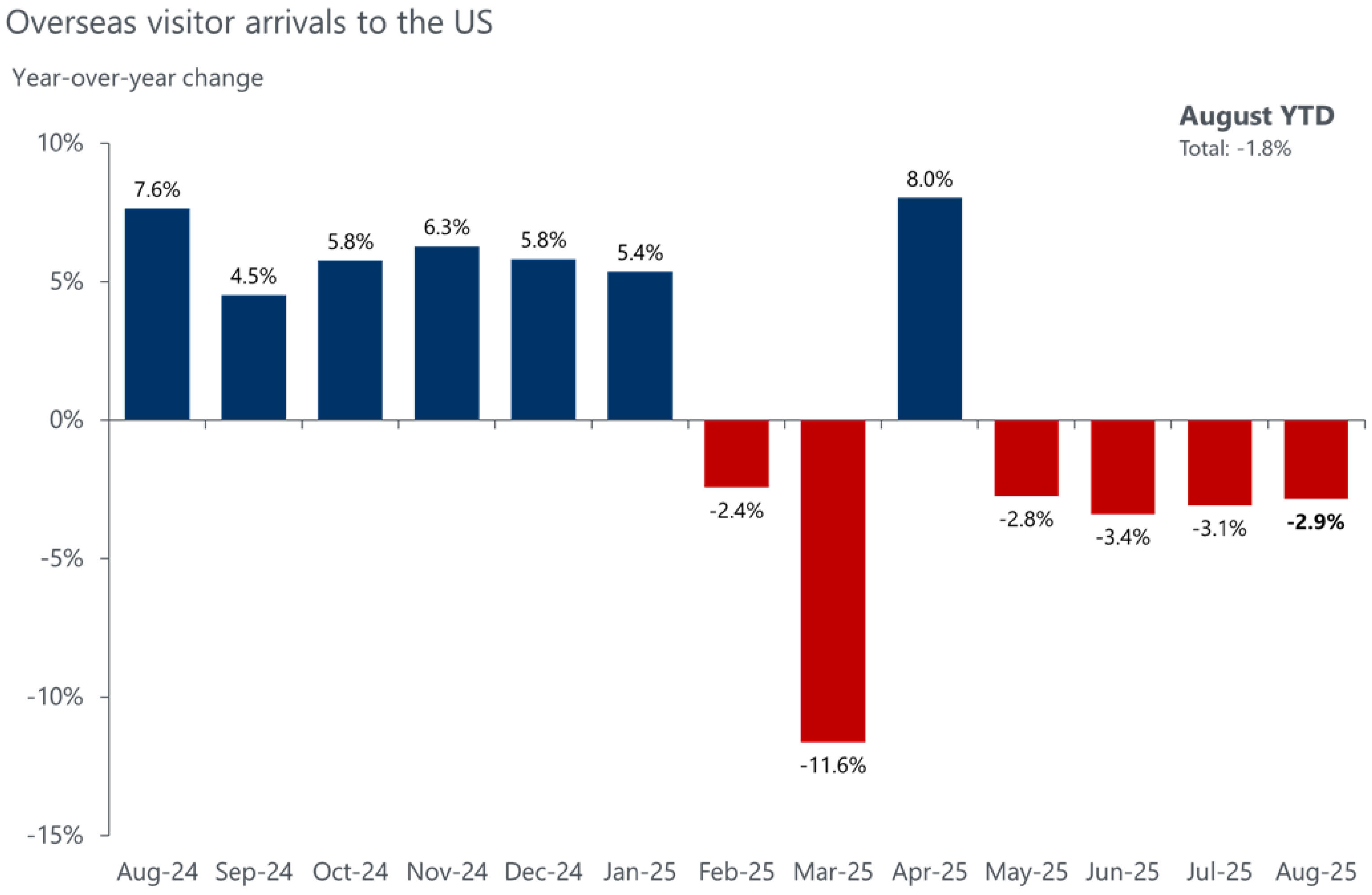
Domestic travel holds up despite economic headwinds



Note: Domestic trips only
Source: Tourism Economics

TOURISM ECONOMICS

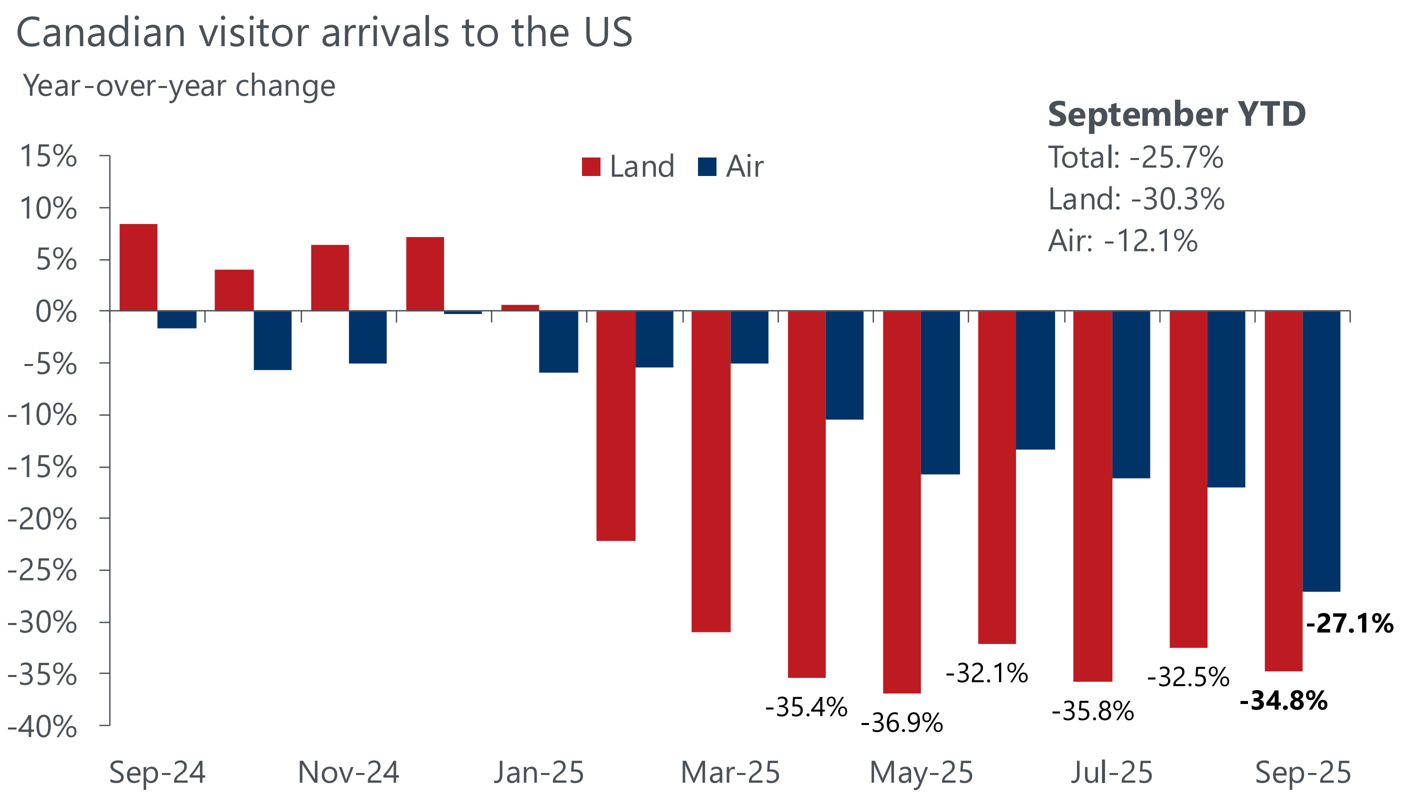
Overseas visitors to the US in decline



Source: National Travel and Tourism Office

TOURISM ECONOMICS

US visits from Canada have fallen sharply



Note: Estimates show the year-over-year change in Canadian visits to the US.
September 2025 data based on leading indicator data measuring Canadian-resident US return trips.

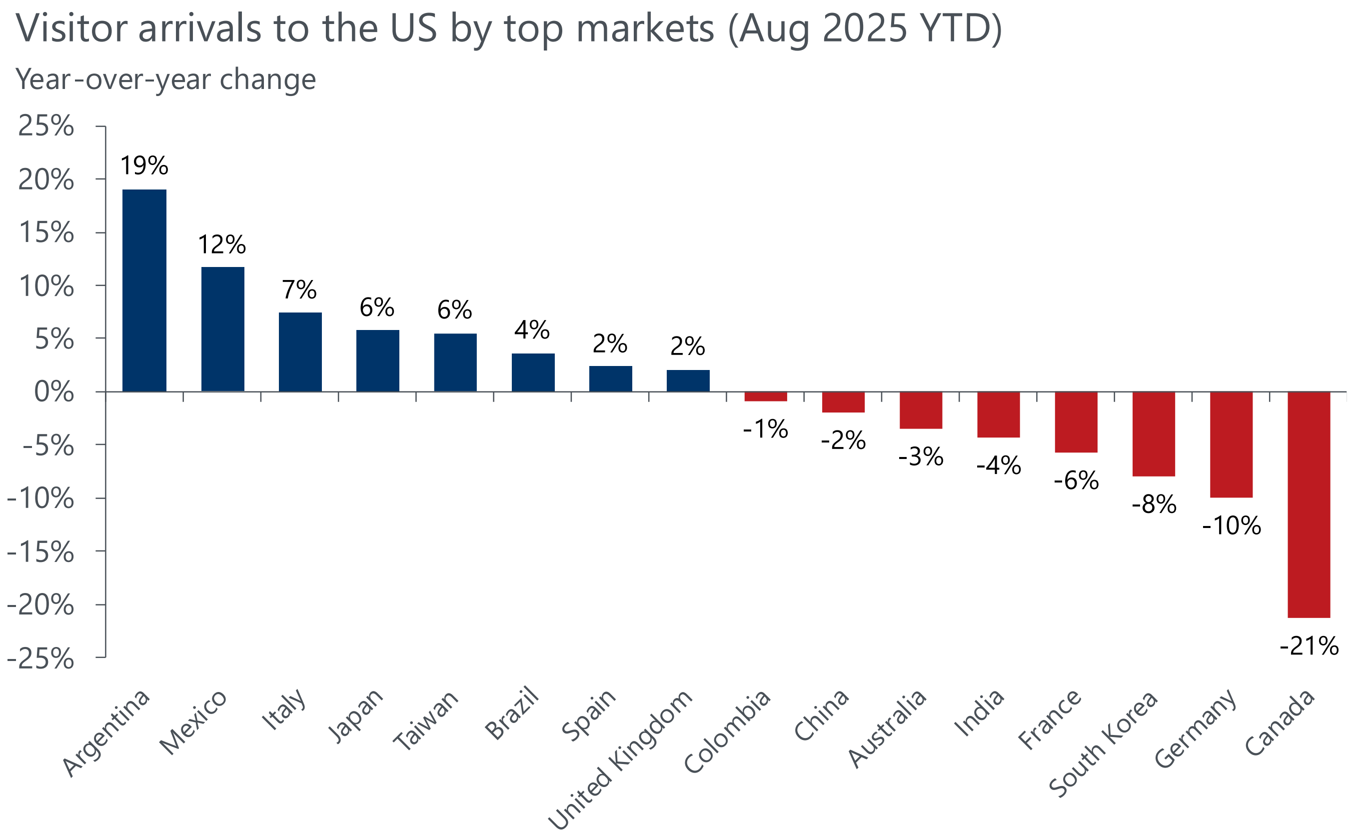
Canadian travel to other world regions has increased 8.7% this year.

Source: National Travel and Tourism Office, Statistics Canada

TOURISM ECONOMICS

Do you have anything positive to say?

International markets still hold potential



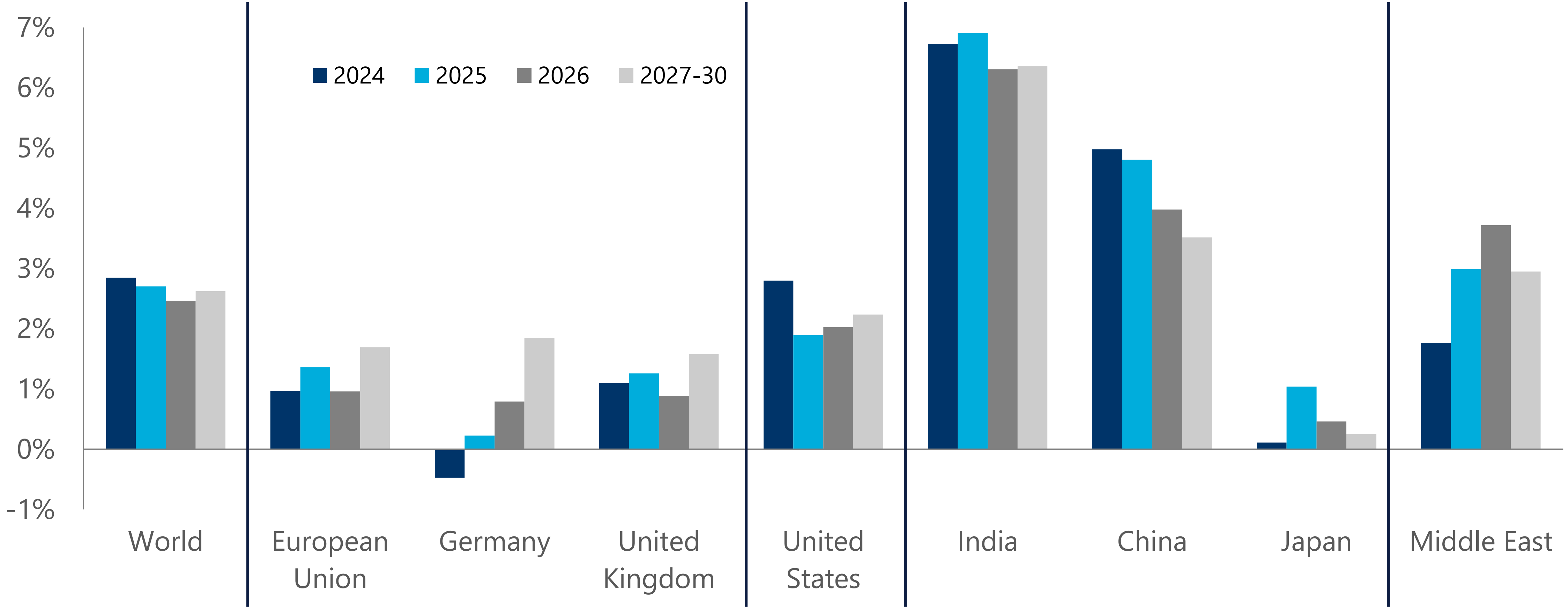
Some inbound markets are witnessing strong growth

Source: National Travel and Tourism Office
Year to date August (Mexico YTD July)

GDP should accelerate in the medium term

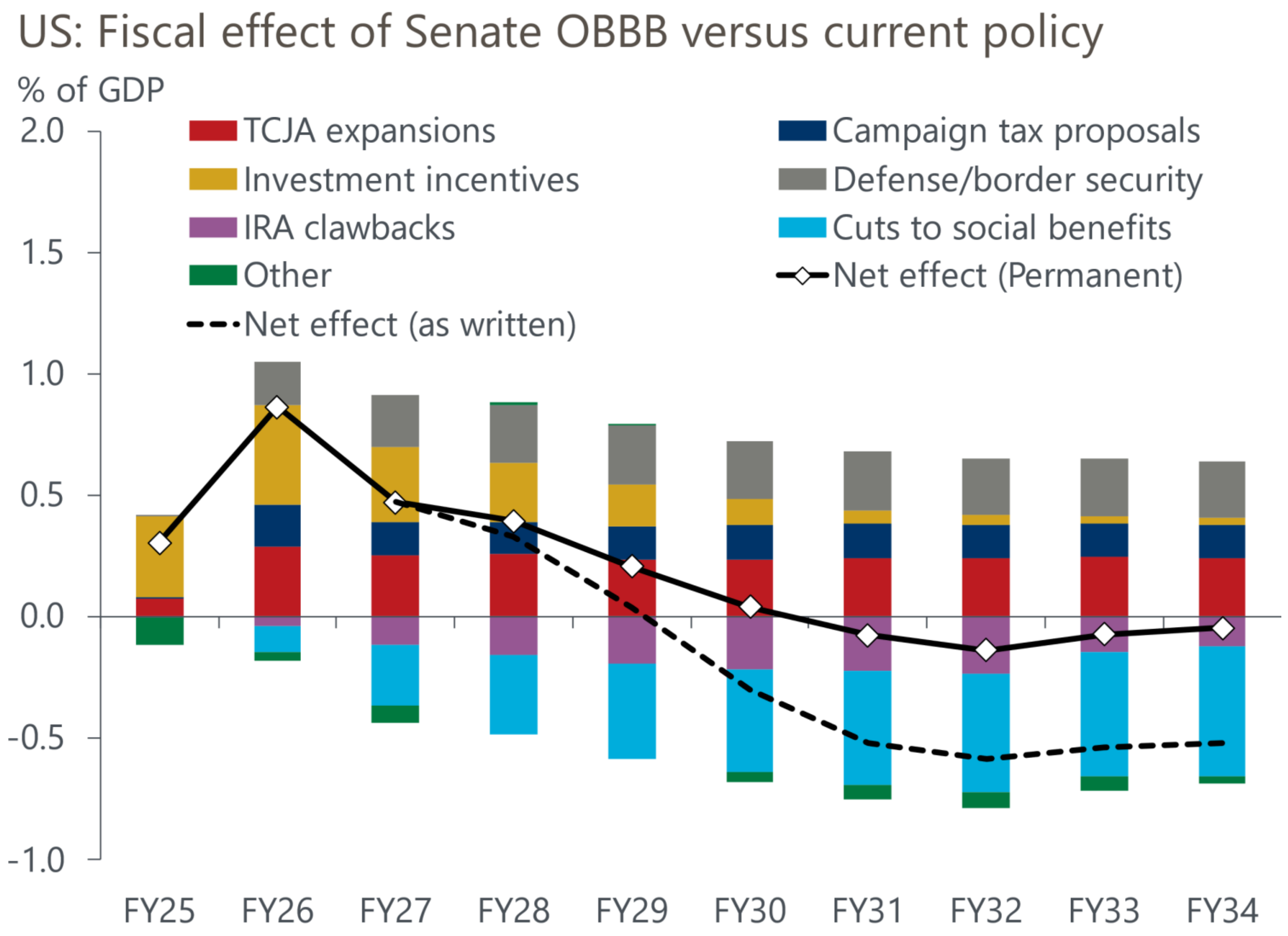
GDP growth by major markets

Annual % change



Source: Oxford Economics

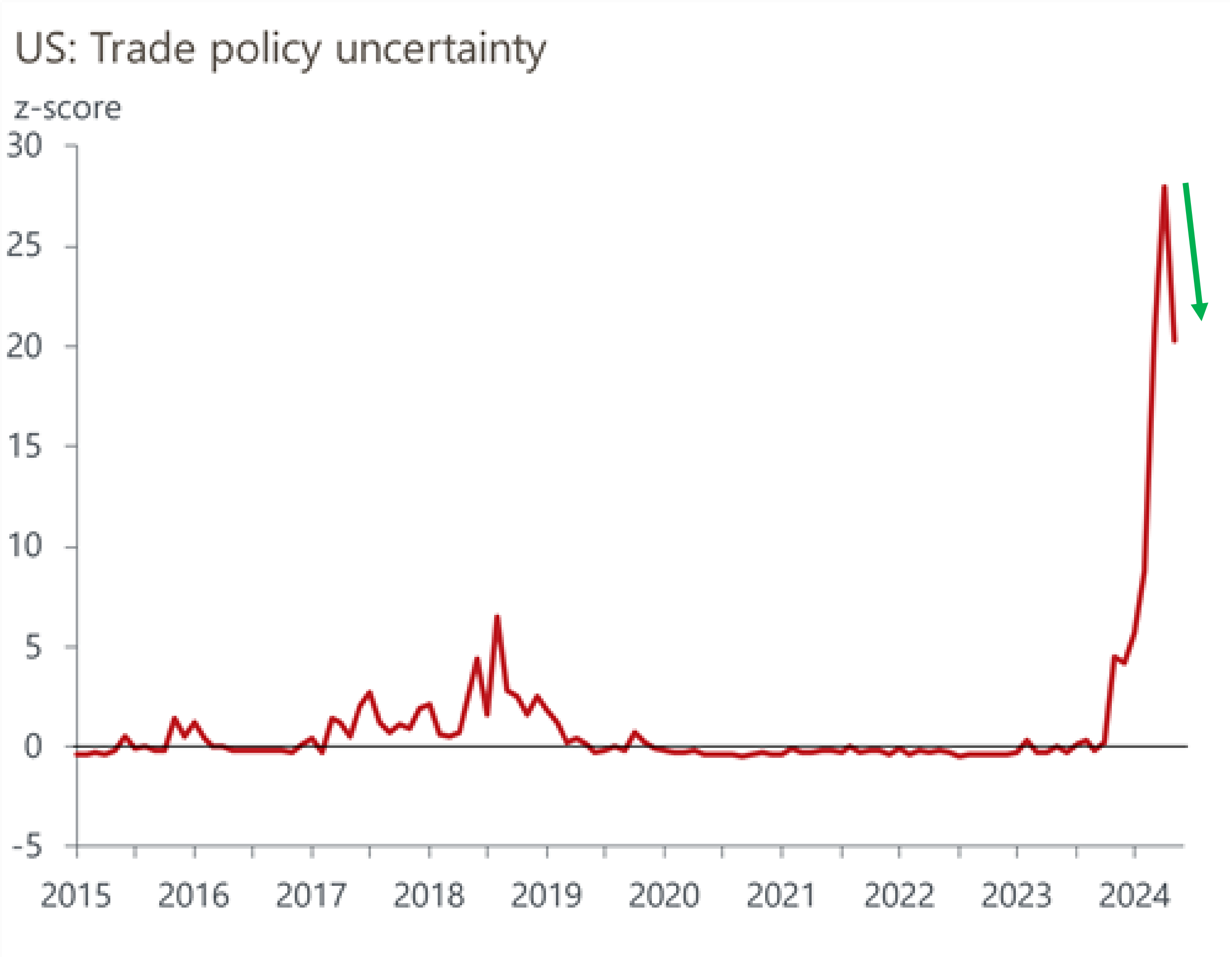
Fiscal policy will boost growth next year



Source: Oxford Economics/Haver Analytics

TOURISM ECONOMICS

Uncertainty due to tariff policy high, but falling

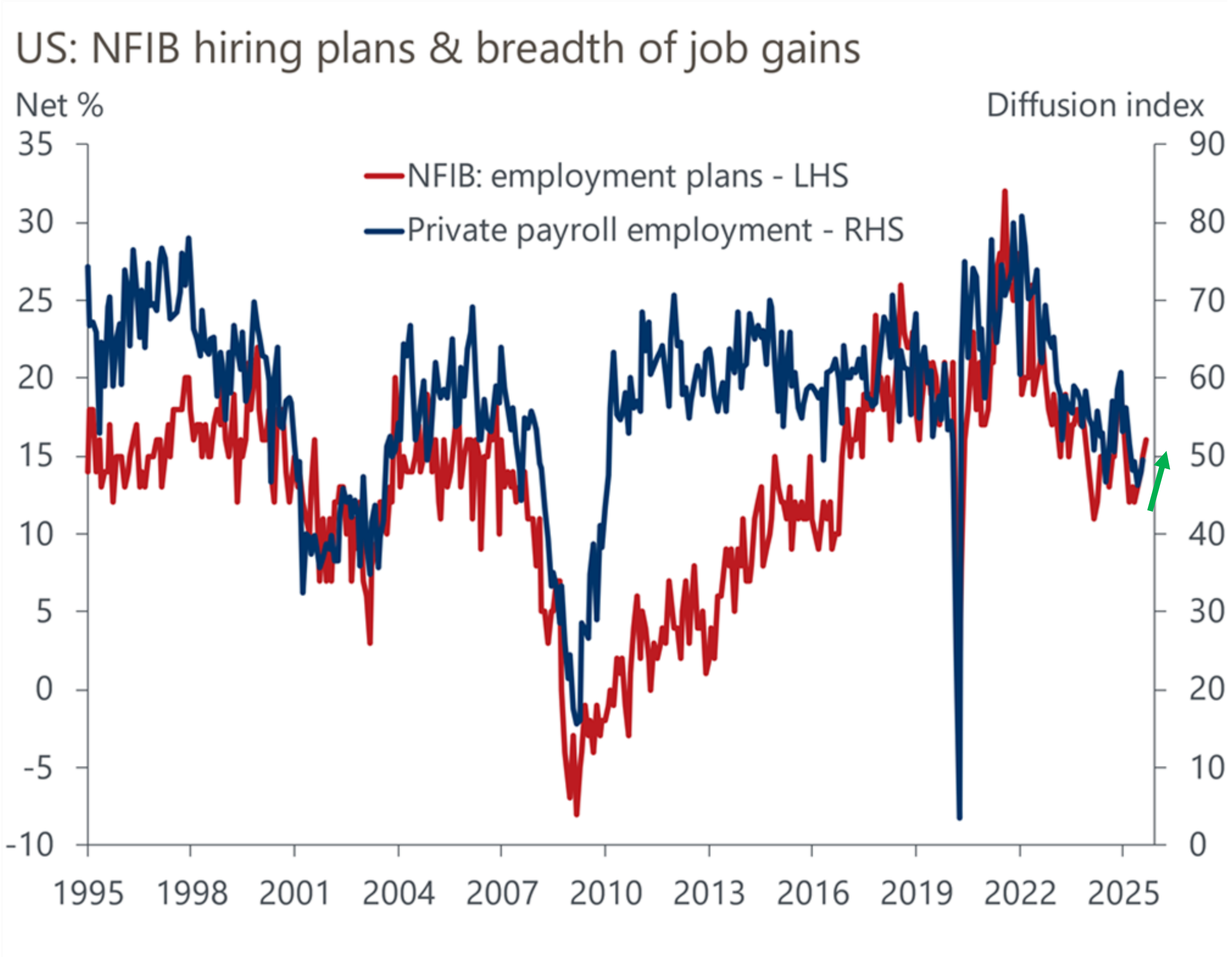


Source: Oxford Economics

"Uncertainty is the new normal" –
Kristalina Georgieva,
IMF Managing Director

Businesses have been reconfiguring their operations to better absorb uncertainty.

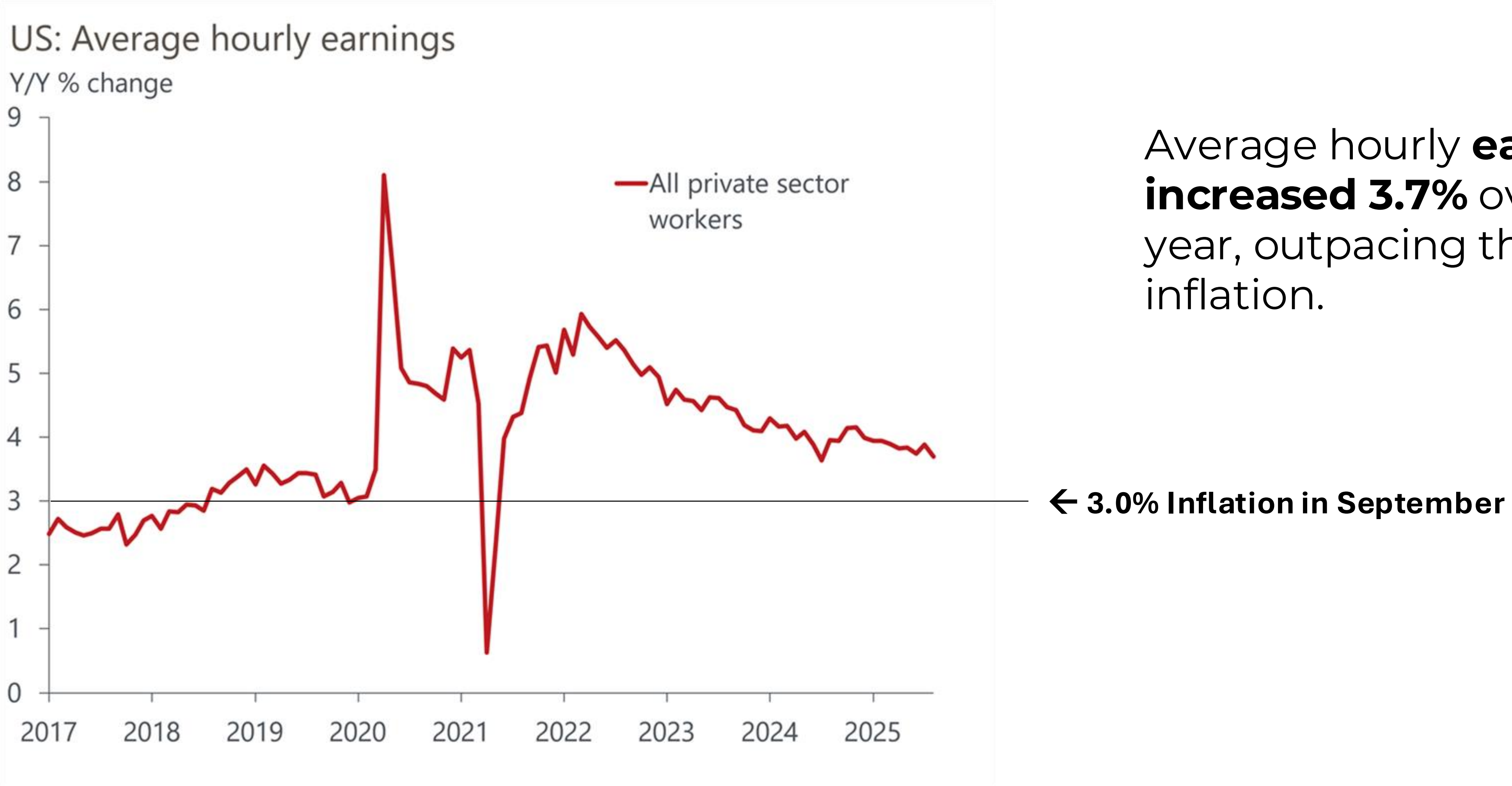
Less policy uncertainty will boost the labor market



Hiring intentions are rising again, for the fourth consecutive month

Source: Oxford Economics/Haver Analytics

Income growth still supports spending growth



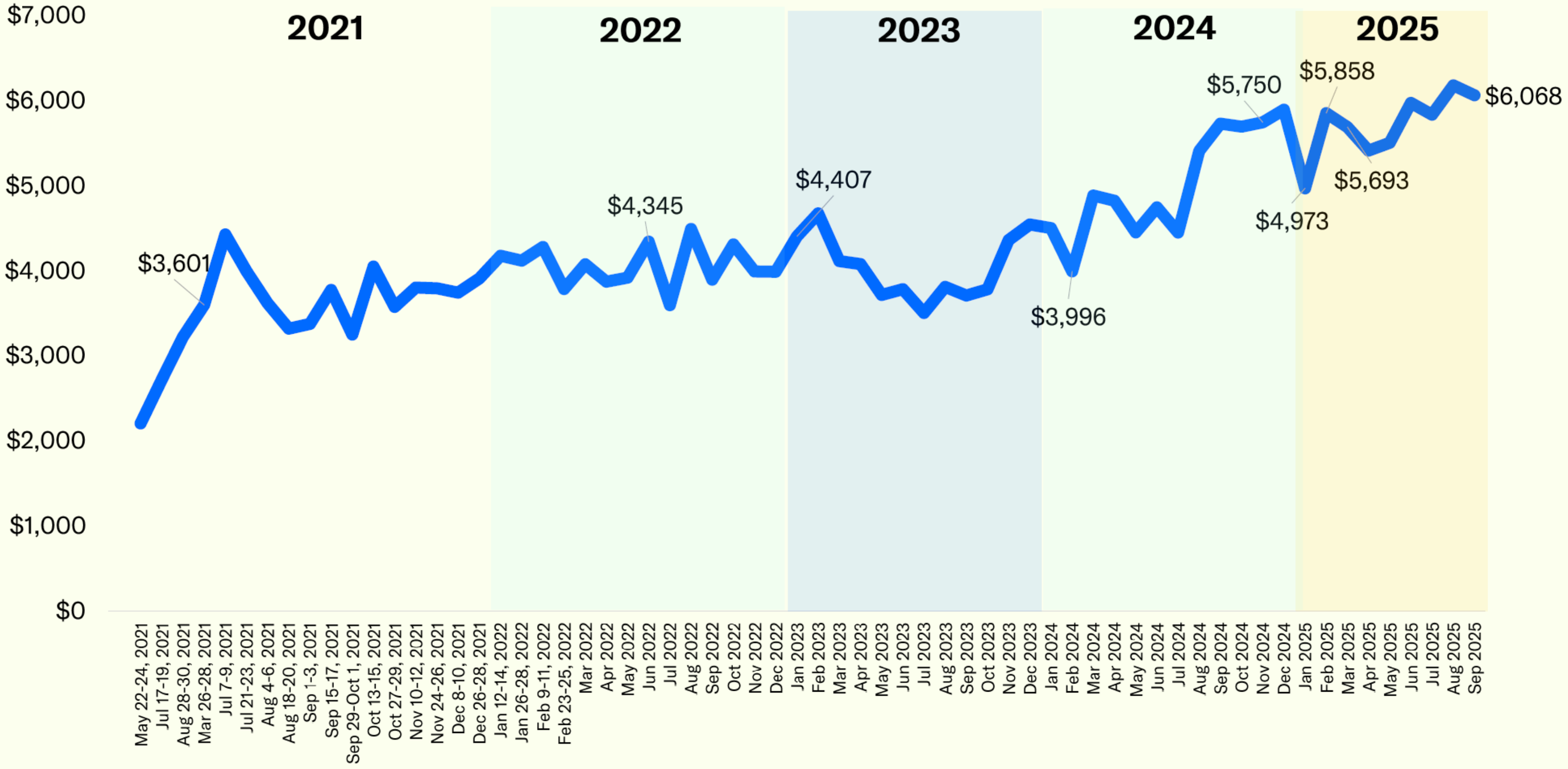
Average hourly **earnings have increased 3.7%** over the past year, outpacing the rate of inflation.

Source: Oxford Economics/Haver Analytics

Travel budgets remain elevated

Question:
How much IN TOTAL is the maximum you will spend on leisure travel (including airfare, accommodations and all other trip related spending) during the NEXT 12 MONTHS?

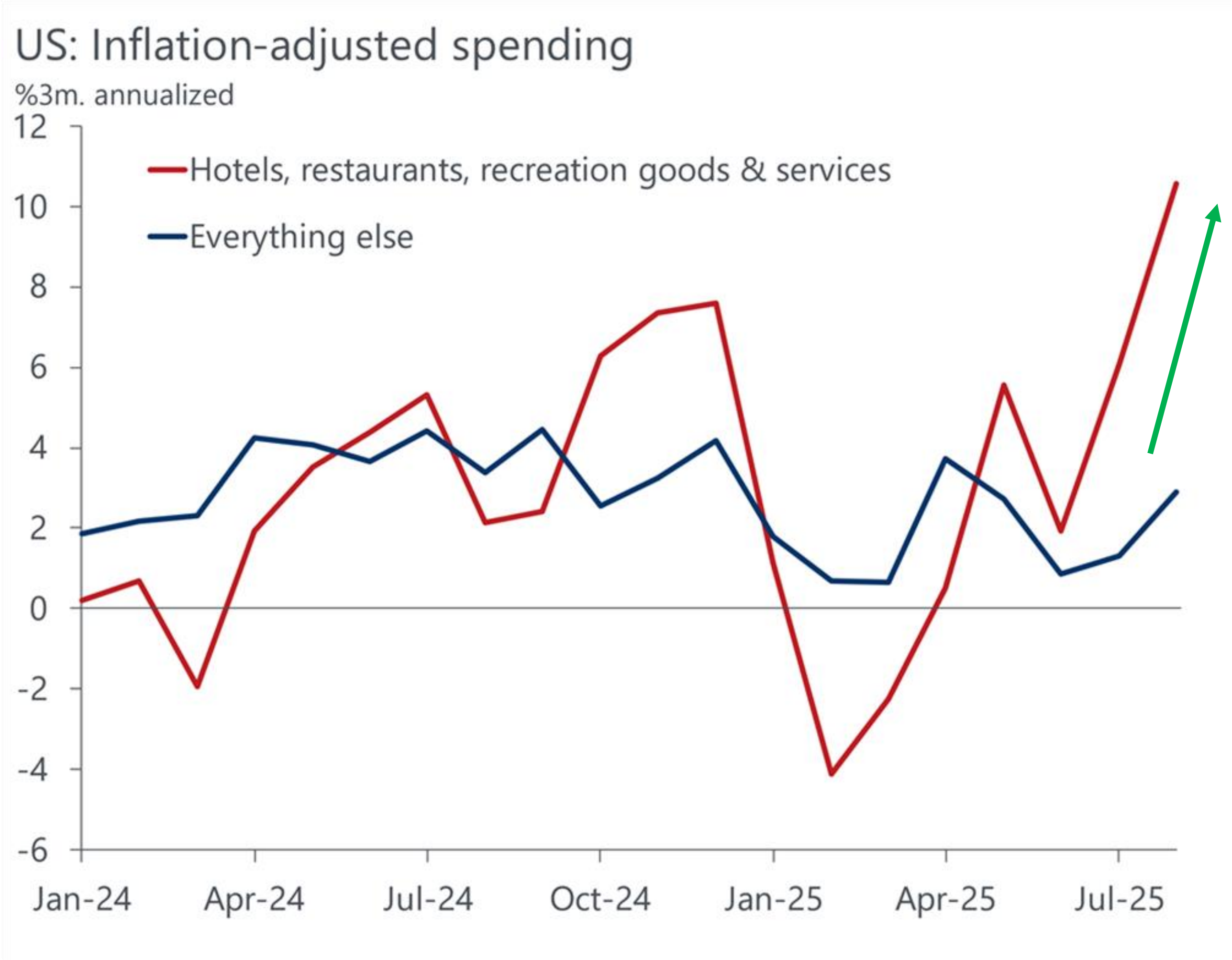
Maximum I would spend on leisure travel (next 12 months): ________



Future Partners

(Base: All respondents, 1,200+ completed surveys each wave in 2021. 4,000+ completed surveys each wave in 2022-2025.)

Broad advance in discretionary spending



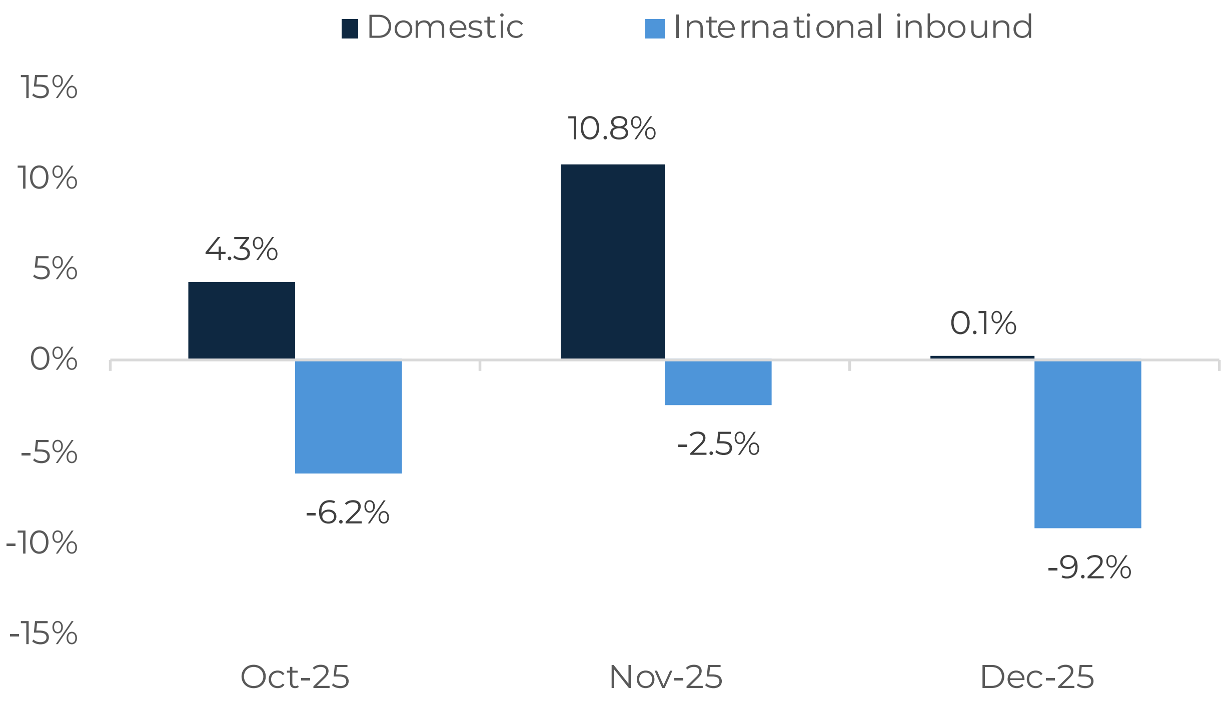
A sign people are prioritizing experiences.

Trends in discretionary spending driven by swings in the stock market.

Source: Oxford Economics/Haver Analytics

Domestic air bookings showing strength

US Air Travel Booking Pace
Year-over-year % change (as of September 2025)



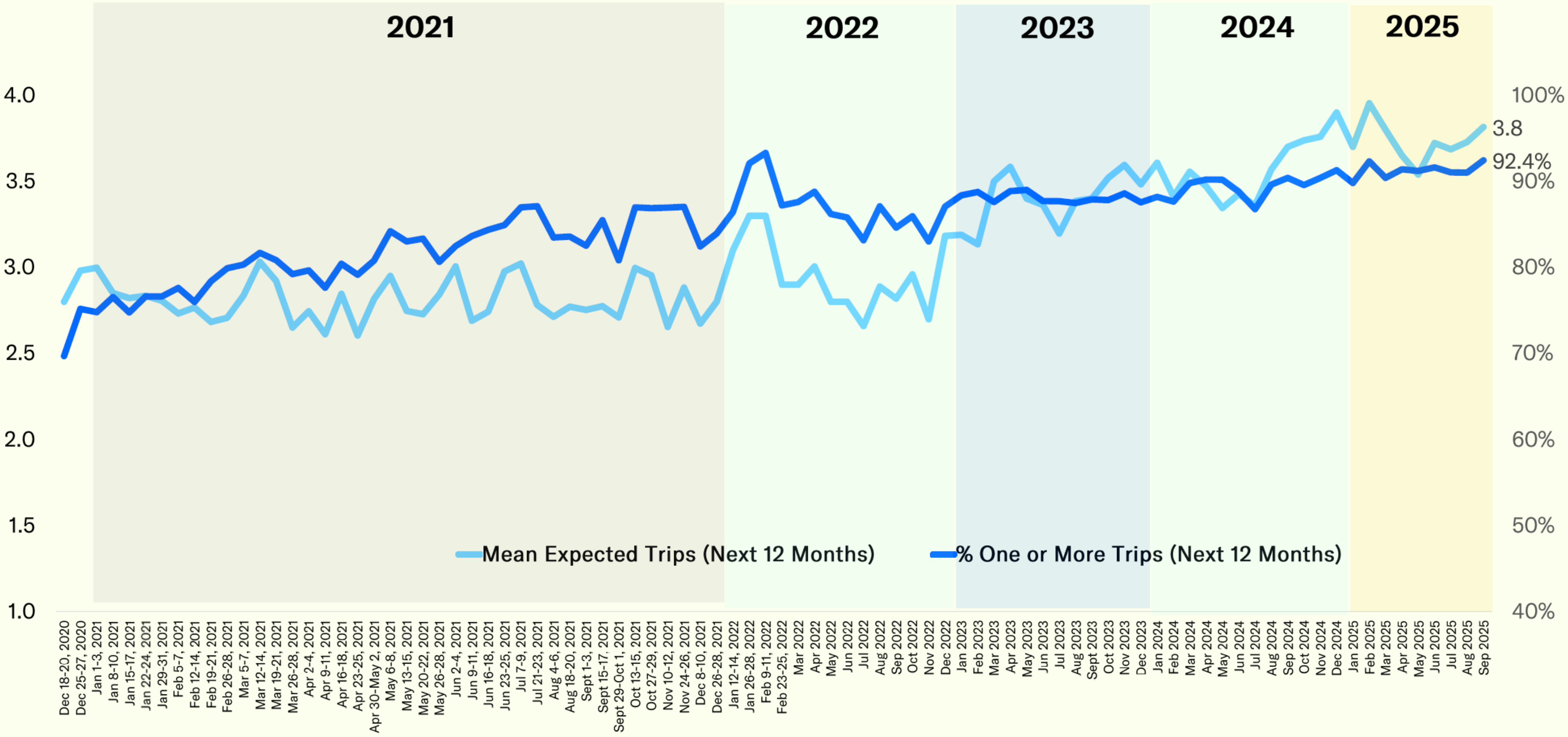
Source: OAG

"The entire fourth quarter, the fall break, Thanksgiving, Christmas, they're all likely to set records with strong demand."

-Scott Kirby, CEO
United Airlines

Intended leisure trips showing lift in recent months

Question:
IN TOTAL, how many leisure trips (of 50 miles or more from your home) do you expect to take in the NEXT TWELVE (12) MONTHS? (Select one)



Future Partners

(Base: All respondents, 1,200+ completed surveys each wave in 2021. 4,000+ completed surveys each wave in 2022-2025.)

Signs of leisure market acceleration

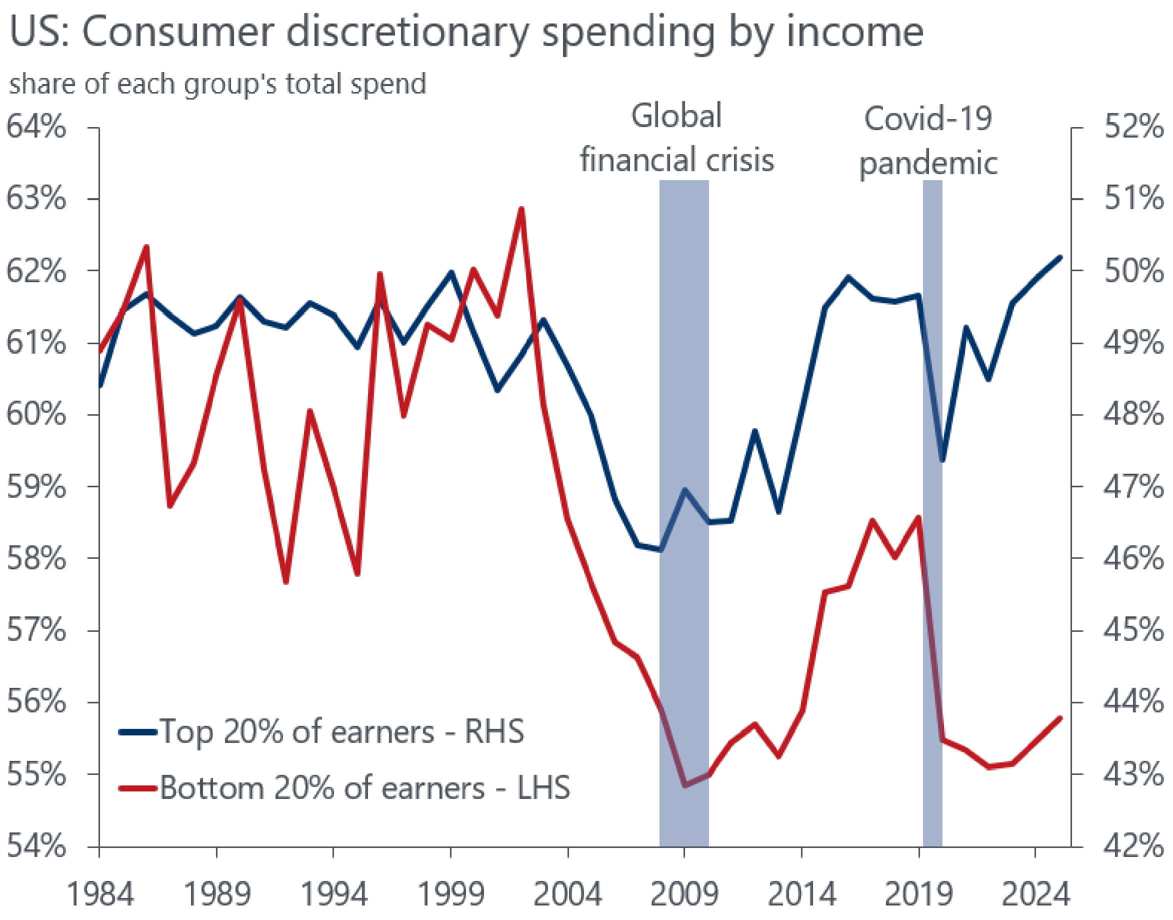
"Since the beginning of July, we've seen an uptick in overall travel demand, particularly in the U.S."

- **Expedia (08/07/2025)**

"As we look to Q3, we're encouraged by current demand trends, specifically the acceleration of nights booked from April through July."

- Airbnb (08/06/2025)

A K-shaped economy: Diverging outcomes



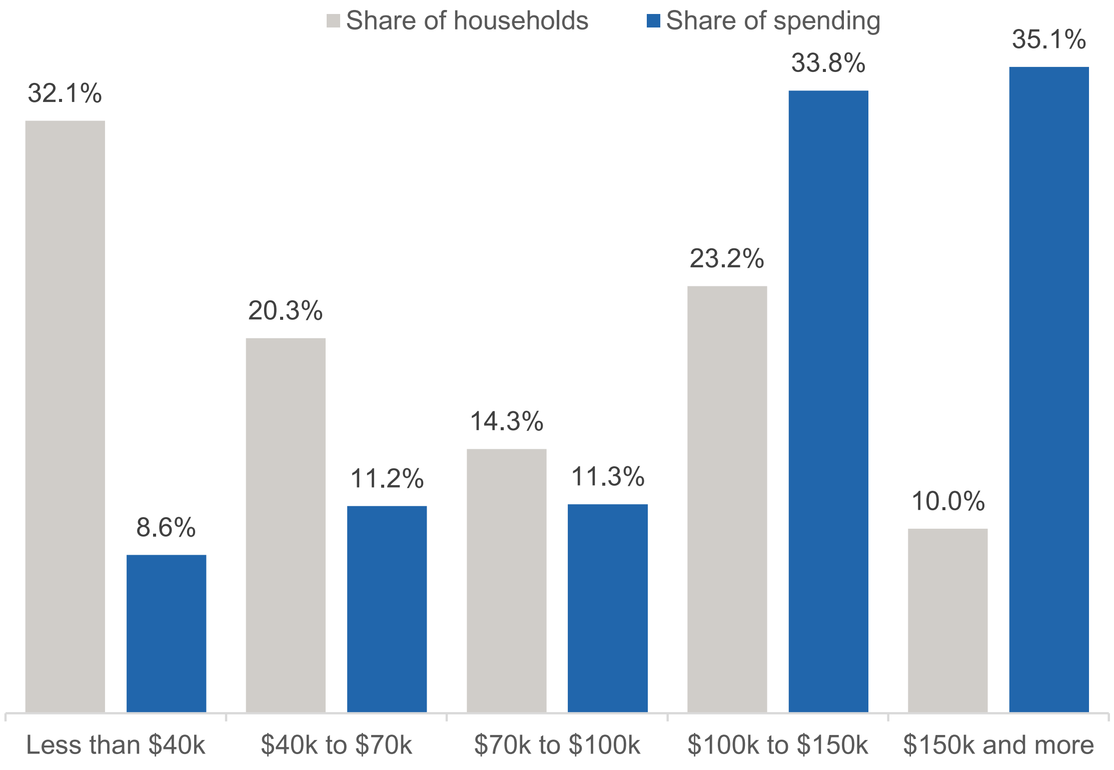
Lower-income households are facing greater pressures, spending less on discretionary purchases and more on essentials.

Similar trend for younger cohorts who are having a hard time finding a job.

Source: Oxford Economics/Haver Analytics

Tourism is dependent on higher-income households

Lodging spending by household income
Leisure travel, 2023



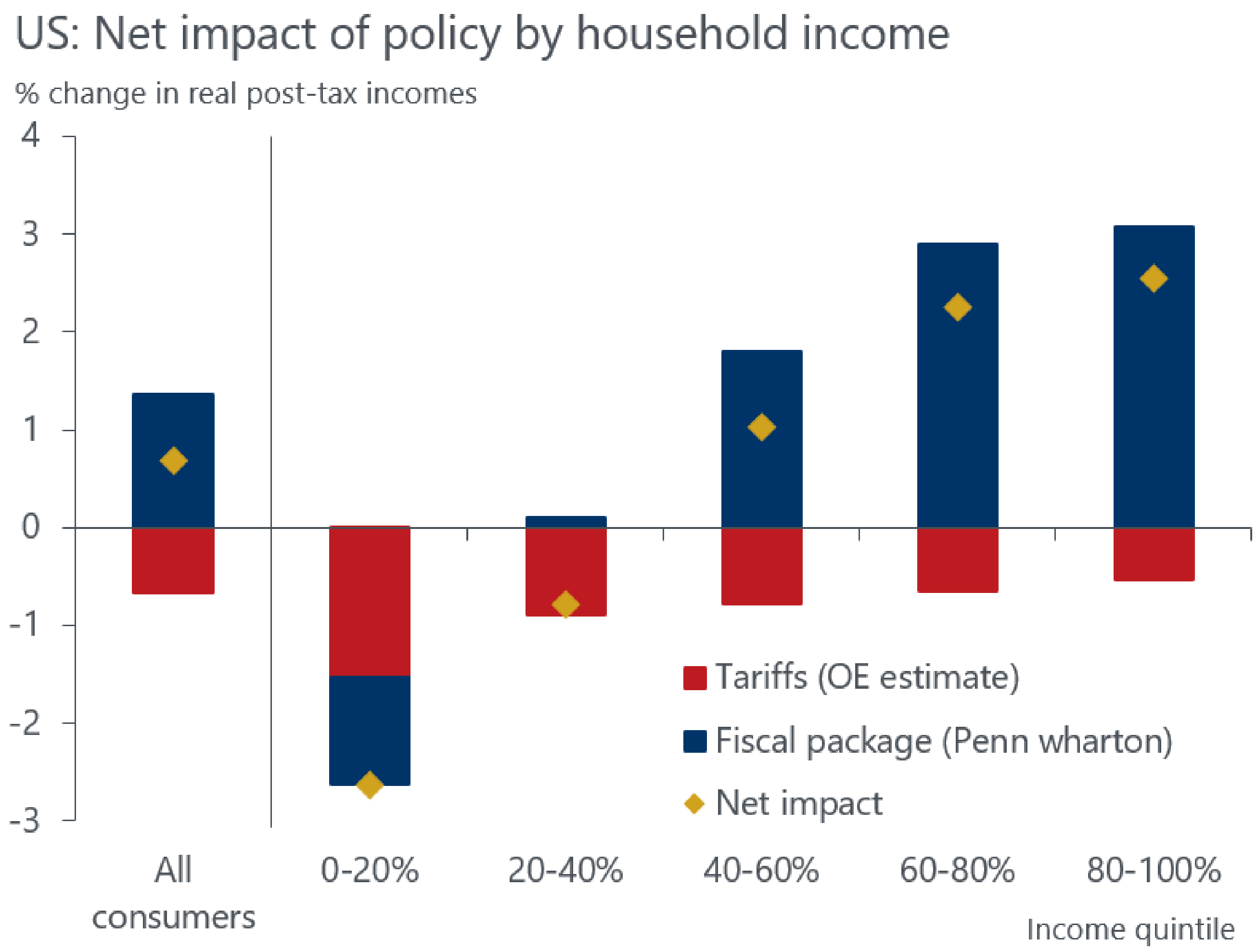
Note: Based on three-year average through 2023.
Source: BLS, Tourism Economics

Households making $100k+ (one-third of households)

account for more than two-thirds of all spending on lodging

TOURISM ECONOMICS

Policies favor higher income households



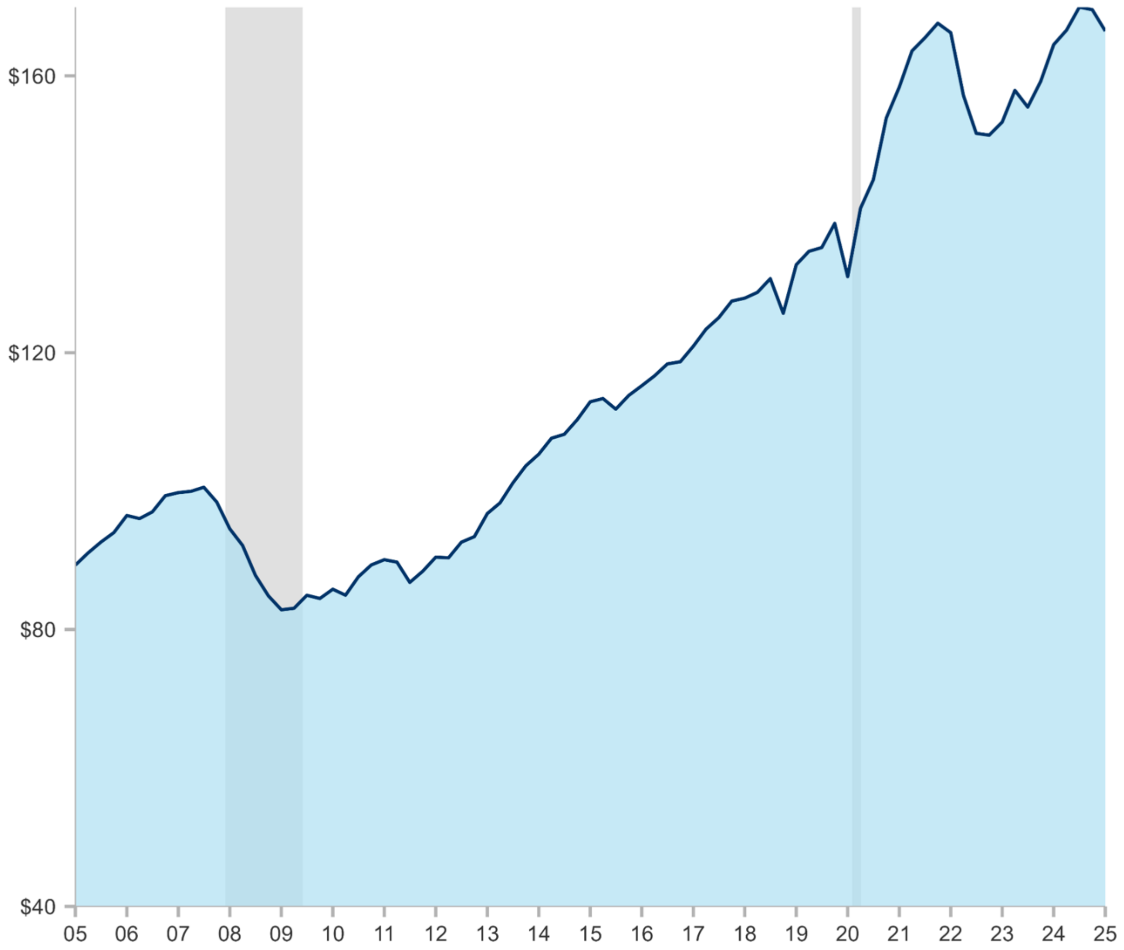
Source: Oxford Economics/Haver Analytics

TOURISM ECONOMICS

Strong gains to household balance sheets

Household net worth

In trillions, real



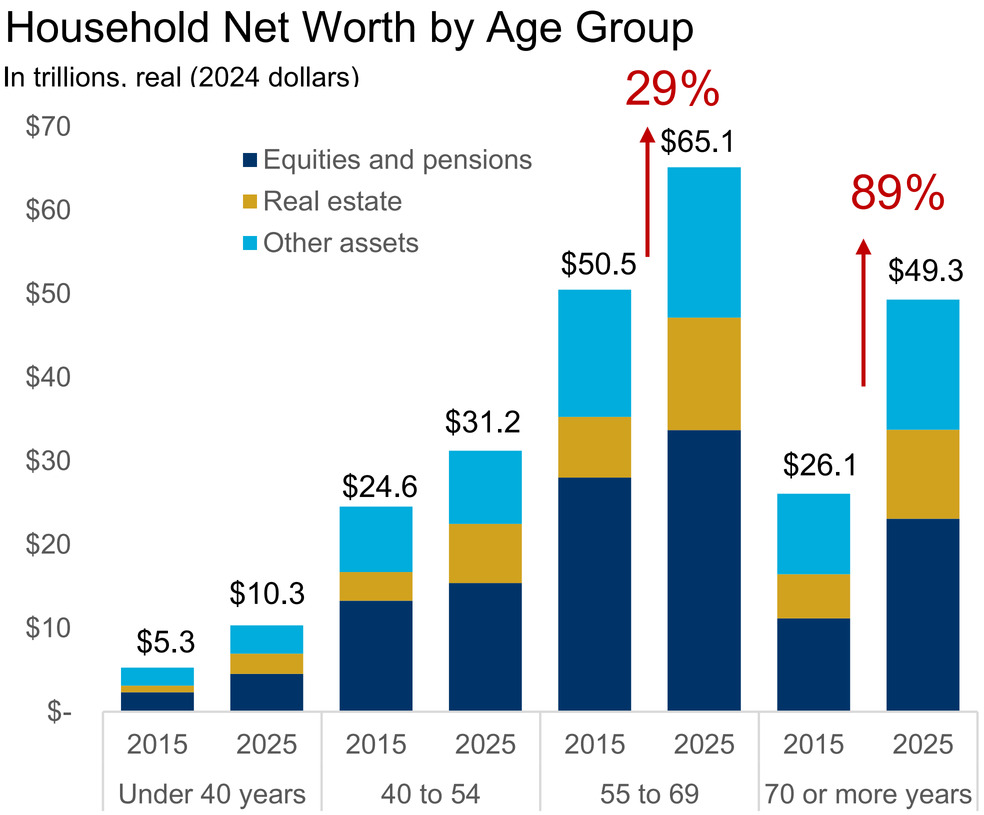
Note: 2024 dollars. Quarterly data through 2025Q1. Net worth of households and nonprofit organizations. Measures housing and financial assets, minus liabilities. Source: Federal Reserve, NBER

"High-end resort properties continue to show resilience, no resistance to rate."

Host, July 31

TOURISM ECONOMICS

Older US households (55+) now have $114 trillion



Note: Real estate is shown net of mortgages. Other assets include private businesses, consumer goods and other assets, net of other liabilities.
Source: Federal Reserve

TOURISM ECONOMICS

Summary

The near-term outlook is soft and risky

- US economy is on a tight rope. Expect higher inflation, slower economic growth, weaker labor markets
- Manufacturing and construction-related sectors in difficult spot

The outlook is more promising, if you look out a little farther

- Fiscal stimulus
- Higher income households
- Less uncertainty
- Technology-driven productivity
- The economy is likely to strengthen into 2026 and 2027

Why your work matters

$10.1B VISITOR SPENDING

$28 million per day

$3.6B PERSONAL INCOME

Equivalent of $2,007 per resident household

97,394 JOBS

3.5% of all jobs in Kentucky. 1-in-28

$1.0B STATE & LOCAL TAXES

Enough to pay the salaries of 18,000+ public school teachers

Offsets $575 in taxes per household