



TRAVEL & TOURISM IN THE CARIBBEAN

Prospects for growth

WORLD
TRAVEL &
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COUNCIL

JUNE 2022

FOREWORD

The Caribbean is the region most reliant on Travel & Tourism globally. In fact, eight out of the ten most tourism-dependent countries globally in 2019 were in the Caribbean region. Between 2010 and 2019, although the sector's average annual growth rate of 3% outpaced the regional economy growth of 1.3%, it lagged behind the global average Travel & Tourism growth of 4.2%. This shows that the region's potential for tourism growth has not been fully exploited due to challenges such as a lack of air connectivity, the high cost of air travel, and a need for more investment in digital solutions, infrastructure and human capital, better crisis preparedness and a focus on environmental protection.

With COVID-19 restrictions in place and the region's strong reliance on international tourism, Travel & Tourism GDP dropped by 53.2% in 2020; worse than the global average decrease of 50.4%. In 2021, the Caribbean Travel & Tourism sector experienced the second-fastest recovery of all regions, as its contribution to GDP grew by 36.6%. In comparison, Travel & Tourism's global contribution to the economy expanded by 21.7%. Nevertheless, this strong rebound was not enough to recoup the losses from the pandemic as Travel & Tourism GDP was still 36.1% below the 2019 level.

Looking at the longer-term horizon, between 2022 and 2032, Travel & Tourism's contribution to global GDP is estimated to grow at an average annual rate of 5.8% — outpacing the forecasted average annual growth rate of 2.7% for the global economy. The Caribbean Travel & Tourism sector could outstrip this increase and achieve an average annual growth rate of 6.7%, significantly above the region's overall economy growth of 2.4%, to reach US\$ 96.6 billion in 2032, up from US\$ 50.5 billion in 2022. Meanwhile, Travel & Tourism jobs in the Caribbean could grow by an average rate of 4.5% annually, creating 1.34 million new jobs by 2032.

This growth in GDP and jobs could only be achieved if governments in the Caribbean, in collaboration with private sector and local communities, implement initiatives and policies such as lowering aviation fees, strengthening intra-regional collaboration, and investing in digital and physical infrastructure including airports, cruise ports and ground transportation. They also need to focus on enhancing sustainability, recruiting and retaining the workforce, diversifying product offers, and increasing preparedness for future crises. This will improve the attractiveness and competitiveness of the Caribbean as a destination in years to come.



Julia Simpson
President & CEO
WTTC

Travel & Tourism in the Caribbean

13.9%

contribution to
economy GDP in 2019

9.1%

contribution to
economy GDP in 2021

15.2%

of all jobs in 2019

13.4%

of all jobs 2021

Pandemic Losses in 2020

-53.2%

Travel & Tourism
GDP drop in 2020

-25.8%

Travel & Tourism
job loss in 2020
= 708,000 jobs

2021 Recovery

+36.6%

Travel & Tourism GDP
increase in 2021

+15.2%

Travel & Tourism
job gain in 2021
= 311,000 jobs

10 Year Forecast (2022-2032)

Current growth trajectory:

+5.5%

Travel & Tourism
GDP annual
increase

+3.3%

Travel & Tourism
job annual increase
= 916,000 jobs
by 2032

Full Growth Potential*:

+6.7%

Travel & Tourism
GDP annual
increase

+4.5%

Travel & Tourism job
annual increase
= 1.34mn jobs by 2032

* Contingent on implementation of recommendations stated in this report

1. Key Takeaways

- With a 13.9% contribution to economy GDP in 2019 and 9.1% in 2021, the Caribbean is the region most reliant on Travel & Tourism globally. In fact, eight out of the ten most tourism-dependent countries globally in 2019 were in the Caribbean region.
- Travel & Tourism supported 15.2% of all jobs in 2019 and 13.4% in 2021.
- Between 2010 and 2019, although the sector's average annual growth rate of 3% outpaced the regional economy growth of 1.3%, it lagged behind the global average Travel & Tourism growth of 4.2%.
- The Caribbean relies on international visitors more than any other region in the world. Therefore, the right measures to support the restoration of international tourism post COVID-19 are vital for the full recovery of the sector.
- As a result of the pandemic, Travel & Tourism GDP dropped by 53.2% in 2020, worse than the global average decrease of 50.4%. Meanwhile, the sector's employment declined by 25.8%, amounting to a loss of 708,000 jobs.
- In 2021, the Caribbean Travel & Tourism sector experienced the second-fastest recovery of all regions, with its contribution to GDP growing by 36.6%. Nevertheless, GDP was still 36.1% below the 2019 level.
- In terms of Travel & Tourism jobs, the Caribbean saw the fastest recovery of all regions, with 15.2% growth and the addition of 311,000 new jobs in 2021.
- Although the region enjoyed a strong recovery, the rate of growth differed vastly across economies, in part reflecting contrasting travel restriction policies.
- The recovery in the region is expected to continue throughout this year with Travel & Tourism GDP set to grow by 27.2% year-on-year but below the global average of 43.7%.
- Over the next decade, according to our current growth trajectory, Travel & Tourism GDP in the Caribbean is forecasted to increase at an average annual rate of 5.5%, more than double the overall economy growth of 2.4%. Meanwhile, Travel & Tourism jobs are forecasted to grow by an average rate of 3.3% annually, creating more than 916,000 new jobs by 2032.
- However, there is potential for this to be significantly higher. The Caribbean's Travel & Tourism sector could outpace the current growth trajectory and achieve an average annual rate of 6.7% to reach US\$ 96.6 billion in 2032, up from US\$ 50.5 billion in 2022. Meanwhile, Travel & Tourism jobs in the region could grow by an average rate of 4.5% annually, creating 1.34 million new jobs by 2032.
- This additional growth of US\$11 billion in GDP and 428,000 jobs above the current growth trajectory can only be achieved if governments, in collaboration with private sector, implement initiatives and policies such as lowering aviation fees, strengthening intra-regional collaboration, and investing in digital and physical infrastructure. They also need to focus on enhancing sustainability, recruiting and retaining the workforce, diversifying product offers, and increasing preparedness for future crises.

2.

Economic Impact of Travel & Tourism in the Caribbean region*

2.1 Overview of the Caribbean Travel & Tourism sector pre-COVID-19**

In 2019, before the COVID-19 pandemic hit the sector, Travel & Tourism's contribution to the Caribbean economy grew by 4.4%. The increase – from USD 58.9 billion in 2018 to USD 61.5 billion in 2019 – represented an eighth consecutive year of growth. Between 2010 and 2019, the sector's average annual growth rate of 3% outpaced the regional economy's average annual growth of 1.3%, but it lagged behind the global average Travel & Tourism growth of 4.2%. In that same time period, the sector's importance to the regional economy increased as the share of Travel & Tourism's contribution to GDP rose from 12% to 13.9%, making it the most tourism-dependent region globally. In fact, eight out of the ten most tourism-dependent countries globally in 2019 were in the Caribbean region. Among the Caribbean states, Antigua and Barbuda had the highest reliance on tourism, followed by Aruba and St Lucia. Travel & Tourism in these countries contributed 83.3%, 67.9%, and 59.8% to the overall economy GDP respectively.

With a total contribution of USD 14.4 billion, the Dominican Republic had the largest Travel & Tourism sector within the region in 2019, followed by Cuba (USD 12.2 bn) and Puerto Rico (USD 6 bn) – see Figure 1. Puerto Rico's 21% growth rate was the fastest in the region, as it strengthened its recovery from the destruction caused by Hurricanes Irma and Maria in 2017 – see Figure 2 . Growth was supported by a significant 96% increase in Travel & Tourism capital investment during 2018.

Figure 1: Total Travel & Tourism Contribution to GDP in 2019 (in USD bn, 2021 prices & exchange rates)

Country/Economy Rank	2019 T&T GDP (in Billions)
1 Dominican Republic	14.39
2 Cuba	12.16
3 Puerto Rico	5.99
4 Bahamas	5.82
5 Jamaica	4.59
6 Aruba	2.29
7 Trinidad and Tobago	1.99
8 Barbados	1.63
9 Antigua and Barbuda	1.45
10 St Lucia	1.36
11 US Virgin Islands	1.28
12 Bermuda	1.28
13 Cayman Islands	1.23
14 Haiti	1.08
15 Guadeloupe	1.02
16 Curaçao	0.83
17 Martinique	0.81
18 British Virgin Islands	0.61
19 Grenada	0.54
20 St Kitts and Nevis	0.49
21 St Vincent and the Grenadines	0.34
22 Anguilla	0.18
23 Dominica	0.16

* The economic analysis in this report follows the methodology developed for WTTC's economic impact research: wtcc.org/Research/Economic-Impact

** Our analysis of the Caribbean region covers 23 states as defined in WTTC's economic impact research

Figure 2: Travel & Tourism GDP growth 2019 (%)

Country/Economy Rank	2019 T&T GDP Growth
1 Puerto Rico	21.0%
2 Dominica	17.3%
3 Anguilla	14.3%
4 Jamaica	12.1%
5 Antigua and Barbuda	11.0%
6 St Lucia	8.4%
7 British Virgin Islands	7.7%
8 Curaçao	7.1%
9 Barbados	6.7%
10 Cayman Islands	6.2%
11 Bahamas	6.1%
12 St Vincent and the Grenadines	5.4%
13 Martinique	5.2%
14 Bermuda	2.7%
15 Guadeloupe	2.6%
16 St Kitts and Nevis	2.1%
17 US Virgin Islands	2.0%
18 Haiti	1.9%
19 Dominican Republic	1.8%
20 Grenada	0.7%
21 Aruba	-0.7%
22 Cuba	-1.7%
23 Trinidad and Tobago	-2.2%

Figure 3: Travel & Tourism relative contribution to GDP (% share)

Country/Economy Rank	2019 T&T GDP % Share
1 Antigua and Barbuda	83.3%
2 Aruba	67.9%
3 St Lucia	59.8%
4 Anguilla	48.7%
5 British Virgin Islands	44.4%
6 St Kitts and Nevis	43.6%
7 Grenada	43.6%
8 Bahamas	42.5%
9 St Vincent and the Grenadines	40.5%
10 Barbados	29.5%
11 Jamaica	29.1%
12 US Virgin Islands	28.7%
13 Dominica	26.8%
14 Curaçao	25.5%
15 Cayman Islands	20.7%
16 Bermuda	16.0%
17 Dominican Republic	15.9%
18 Cuba	9.9%
19 Haiti	9.9%
20 Guadeloupe	9.5%
21 Trinidad and Tobago	7.9%
22 Martinique	7.8%
23 Puerto Rico	5.6%

Travel & Tourism was also a vital contributor to employment in the region with 2.75 million people employed in the sector in 2019*, accounting for 15.2% of all employment.

The Caribbean relies more on international visitors and their spending than any other global region. As shown in Figure 4 below, spending by international visitors accounted for nearly three-quarters of total Travel & Tourism spending in 2019. Meanwhile, leisure spending accounted for the majority of total expenditure (89%), compared with 11% for business travel.

Figure 4: Share of international vs. domestic spending, 2019

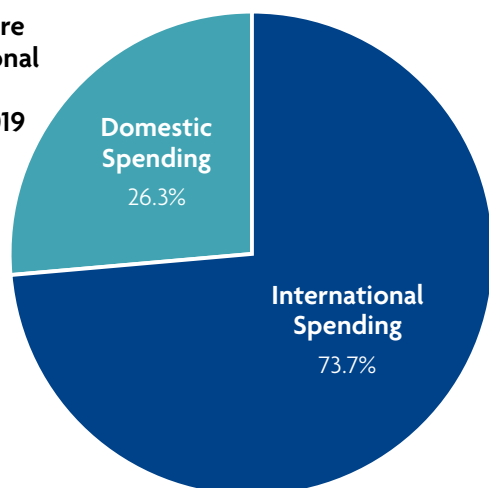
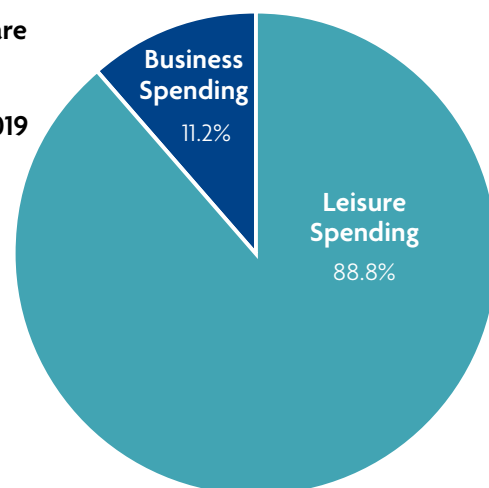


Figure 5: Share of leisure vs. business spending, 2019



* This includes direct, indirect, and induced impacts.

2.2. Impact of COVID-19 on the sector

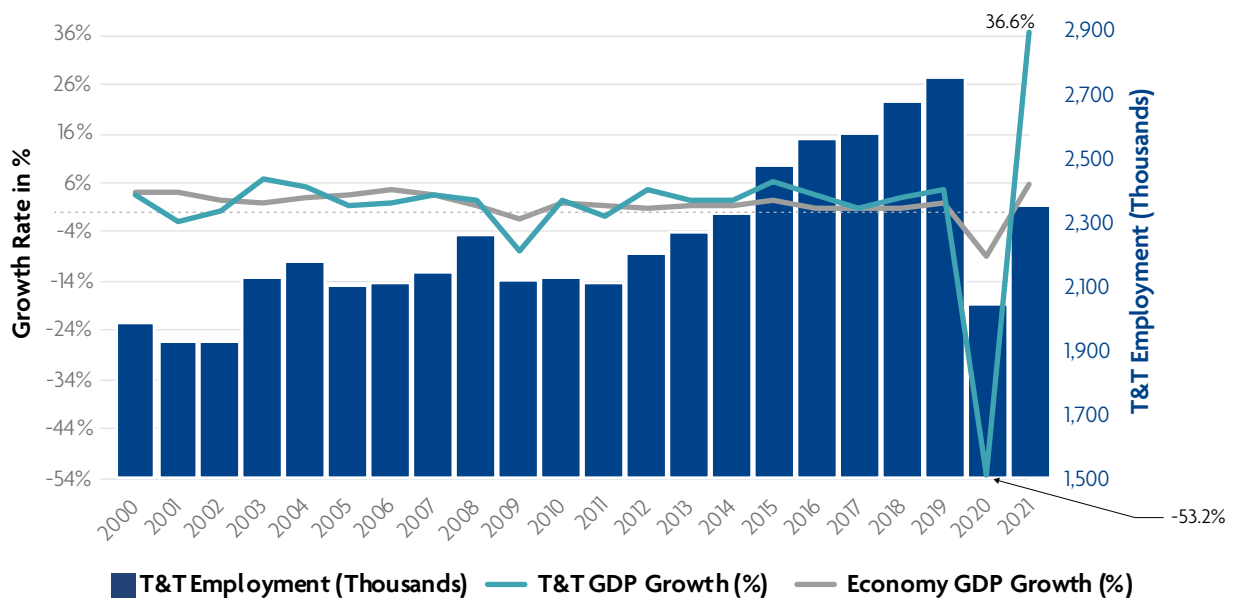
In order to curb the spread of COVID-19, governments of many Caribbean nations introduced measures to control travel from abroad, as well as restricting internal movements and even banning leisure activities. Of course, most governments worldwide also imposed restrictions on travelling abroad, including the USA, Canada, France, the UK, and the Netherlands, which are the key source markets for the Caribbean region, accounting for 70% of all arrivals to the region in 2019. As a result, Travel & Tourism GDP dropped by 53.2% in 2020, worse than the global average decrease of 50.4%.

Within the Caribbean, some of the worst affected countries were the Bahamas – which witnessed a 70.1% fall in the contribution of Travel & Tourism – and the British Virgin Islands, which saw a drop of 68.8%. Such declines demonstrate the importance of international inbound travel to these economies.

Given the significance of the sector to the regional economy, contraction of Travel & Tourism transmitted to the overall economy. In 2020, with a GDP shrinkage rate of 8.9%, the Caribbean experienced the fastest decline of all regions worldwide.

Meanwhile, Travel & Tourism employment declined by 25.8% in 2020, amounting to a loss of 708,000 jobs.

**Figure 6: Economic Impact Timeline 2000-2021
(Travel & Tourism GDP change, overall economy GDP change, Travel & Tourism employment)**



In 2021, the Caribbean Travel & Tourism sector experienced the second-fastest recovery of all regions, as its contribution to GDP grew by 36.6%. In comparison, Travel & Tourism’s contribution to the global economy grew by 21.7%. Nevertheless, this strong rebound was not enough to recoup the losses from the pandemic as Travel & Tourism GDP was still 36.1% below the 2019 level.

In terms of Travel & Tourism jobs, the Caribbean saw the fastest recovery of all regions, with 15.2% growth and the addition of 311,000 new jobs in 2021.

The strong rebound in 2021 was generated by the uniform recovery of domestic and international spending, which increased by 46.5% and 37.4%, respectively. Travel & Tourism spending for leisure and business segments also grew at similar rates of 40.3% and 44.2%.

Although the region enjoyed a strong recovery, the rate of growth differed vastly across economies, in part reflecting contrasting travel restriction policies. The fastest growth of Travel & Tourism GDP in 2021 was registered in St Lucia, at 92.6%, whereas St Kitts and Nevis continued to experience a decline in its Travel & Tourism GDP by a further 49%. According to the Oxford COVID-19 Government Response Tracker¹, the Bahamas had the least stringent restriction on

international travel in 2021, mandating quarantine on arrivals or a travel ban for only 50 out of 365 days. As a result, the country enjoyed an 88.9% growth in Travel & Tourism GDP, the second highest in the region. St Lucia and the Dominican Republic also eased all travel restrictions for vaccinated travellers before the peak winter months of December to April and reaped the benefits in the form of a strong rebound in Travel & Tourism GDP. On the other hand, throughout 2021, international travellers to Barbados and Dominica were either banned from entering or required to quarantine upon arrival. As a result, Travel & Tourism GDP fell by 10% and 15.1% respectively in these two countries.

Figure 7: Travel & Tourism GDP growth, 2021

Country/Economy Rank	2021 T&T GDP Growth
1 St Lucia	92.6%
2 Bahamas	88.9%
3 Dominican Republic	72.4%
4 Bermuda	60.2%
5 US Virgin Islands	55.8%
6 Aruba	53.9%
7 Jamaica	36.2%
8 Cayman Islands	27.5%
9 Antigua and Barbuda	21.2%
10 Martinique	20.6%
11 Cuba	19.8%
12 Trinidad and Tobago	18.3%
13 Guadeloupe	13.5%
14 Puerto Rico	9.1%
15 Haiti	5.8%
16 Anguilla	-1.5%
17 Curaçao	-6.9%
18 Barbados	-10.7%
19 Dominica	-15.1%
20 St Vincent and the Grenadines	-20.4%
21 British Virgin Islands	-21.7%
22 Grenada	-26.4%
23 St Kitts and Nevis	-49.0%

Examples of government support measures during the COVID-19 pandemic

In response to the pandemic-induced economic crisis, the national governments in the Caribbean, much akin to national governments around the world, introduced generous fiscal policies to stimulate the economy, provide liquidity, and support the income of the workers who lost their jobs.

In Trinidad and Tobago, the government allowed rent and mortgage payment deferrals whilst the Central Bank lowered the interest rate from 5% to 3.5%².

In Dominica, the government provided grants – ranging from EC\$ 400 (US\$ 148) to EC\$ 600 (US\$ 222)* – to workers affected by the pandemic under the Employees and Small Business Programme³.

The Jamaican government, under the Social and Economic Recovery and Vaccine Programme for Jamaica (SERVE), offered financial support to workers and businesses through the Supporting Employees with the Transfer of Cash (SET Cash) and the Business Employee Support and Transfer of Cash (BEST Cash) initiatives respectively⁴.

In the Dominican Republic, formal sector workers received income support from the government through the Employee Solidarity Assistance Fund (FASE) and self-employed workers received financial help through the Independent Worker Assistance Program (PA' TI) initiative⁵.

In the Bahamas, the National Insurance Board provided unemployment benefits to workers affected by the pandemic⁶ and the government created an Assistance Programme (UEA)⁷ to assist informal workers – particularly those employed in Travel & Tourism.

* 2021 Exchange Rate 1 US\$ = 2.7 EC\$

2.3 Post Pandemic Recovery

Forecast for 2022 and 2023

The recovery in the Caribbean region is expected to continue throughout this year, with Travel & Tourism GDP set to grow by 27.2% year-on-year but below the global average of 43.7%. The rebound could be more pronounced in countries such as St Vincent and the Grenadines and St Kitts and Nevis, which experienced a continued decline in Travel & Tourism’s contribution to GDP in 2021. Given that travel restrictions are being slowly rolled back and traveller confidence is being regained, these two island nations are projected to grow by 145.3% and 135.1% respectively.

The return of domestic, regional, and international tourists in the Caribbean will support the recovery of jobs lost during the pandemic. With a 3% growth rate, the Travel & Tourism-related jobs in the region are estimated to increase by 72,000.

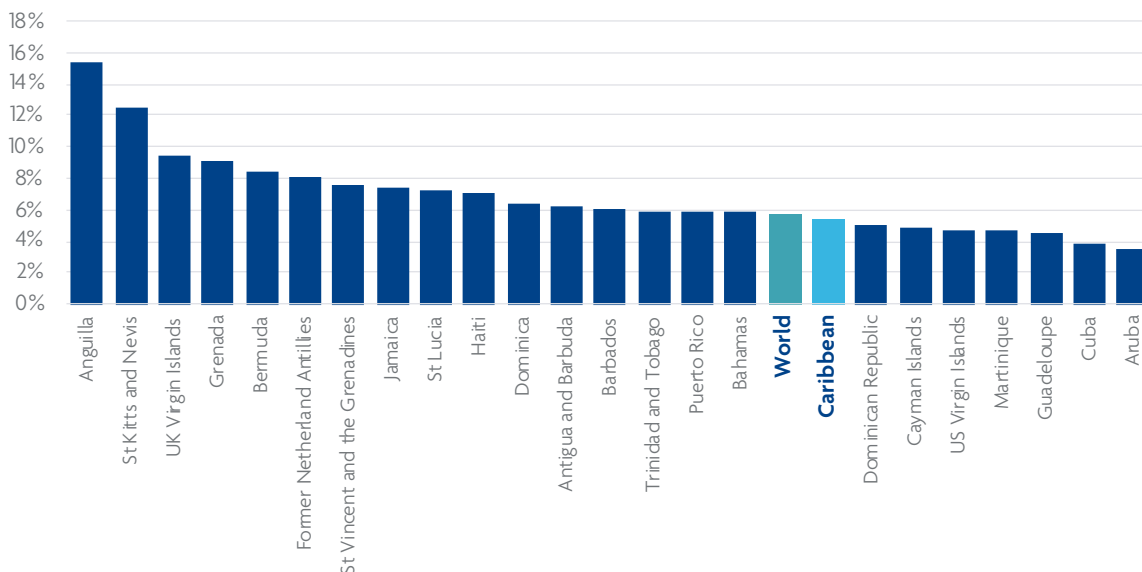
In 2023, the growth of the sector’s contribution to regional GDP is expected to slow down to 11.1%. Although this will continue to represent a faster growth than the region’s overall economy, it will be slower than the forecast growth rate for the global Travel & Tourism contribution to GDP, which is estimated to increase by 15.1% as destinations in Asia-Pacific continue to fully open their borders to international travellers.

Longer-Term Forecast

Travel & Tourism’s contribution to GDP is expected to return to its pre-pandemic level by the end of 2024 or early 2025, later than the global average. This is because the Caribbean is more dependent on international tourism which was more heavily impacted during the COVID-19 pandemic, and is slower to return to 2019 levels than domestic travel. Looking at the longer-term horizon, between 2022 and 2032, according to our current growth trajectory, Travel & Tourism’s contribution to global GDP is estimated to grow at an average annual rate of 5.8% — outpacing the forecasted average annual growth rate of 2.7% for the global economy. The Caribbean Travel & Tourism sector will share in this growth as it is expected to grow at an average annual rate of 5.5% (as shown in Figure 8), more than double the region’s overall economy growth of 2.4%, to reach US\$ 85.1 billion in 2032 from US\$ 50 billion in 2022.

When looking across countries, the highest average annual growth rate for the next decade is expected in Anguilla (+15.4%), followed by St Kitts and Nevis (+12.5%) and British Virgin Islands (+9.4%).

Figure 8: Travel & Tourism GDP Growth (CAGR), 2022-2032



Over the next decade, Travel & Tourism jobs in the Caribbean are forecasted to grow by an average rate of 3.3% annually, creating more than 916,000 new jobs by 2032.

While projections are positive overall, there are some downside risks to recovery. This includes the negative impacts of the Ukraine and Russia war, increasing inflationary pressures, in turn reducing disposable incomes in important source markets, and rising crude oil prices which can make travel costlier.



Key Challenges

To facilitate the recovery and growth of the Caribbean Travel & Tourism sector in years to come, there are some key challenges that need to be addressed and overcome. These include a lack of air connectivity and the high cost of air travel, a need for more investment, acceleration of digital solutions, better crisis preparedness and a focus on sustainability and environmental protection. While some progress has been made, much more needs to be achieved. It is essential that leaders and policymakers create an enabling environment that will help overcome these challenges and in turn lead to enhanced economic activity, positive social impact, and job creation.

Air Connectivity

The Caribbean archipelago is made up of thousands of islands, and air travel offers an important form of connectivity for international and regional tourists alike. Better air connectivity facilitates a greater number of tourist arrivals which translates into higher economic output.

The Caribbean is highly reliant on flights originating from outside the region. In 2017, extra-regional flights accounted for 76% of total passenger air traffic, while intra-regional and domestic flights accounted for 9% and 15% respectively.

Between 2009 and 2019, overall air connectivity improved for all the Caribbean economies except Anguilla, British Virgin Islands, and Dominica, which were heavily impacted by Hurricanes Irma and Maria in 2017 (Figure 9). The growth was greatest in St Vincent and the Grenadines (414%), followed by Cuba (214%)⁸.

Despite the growth in overall air connectivity, intra-regional air connectivity fell for most countries between 2008 and 2018. The starkest drops were experienced by Anguilla, Jamaica, and St Kitts and Nevis – see Figure 10 below. And it is not just the shortage of routes between the islands that is concerning but also the lack of direct connectivity between destinations within a broader region such as between eastern Mexico and the Caribbean states.

Since COVID-19 travel restrictions were introduced in 2020, air connectivity has seen a sharp decline. This makes it challenging for prospective tourists to access the region and thus limits the ability of the regional Travel & Tourism sector to rebound from the lows of 2020.

Figure 9: Growth in Global Air Connectivity, 2009-2019

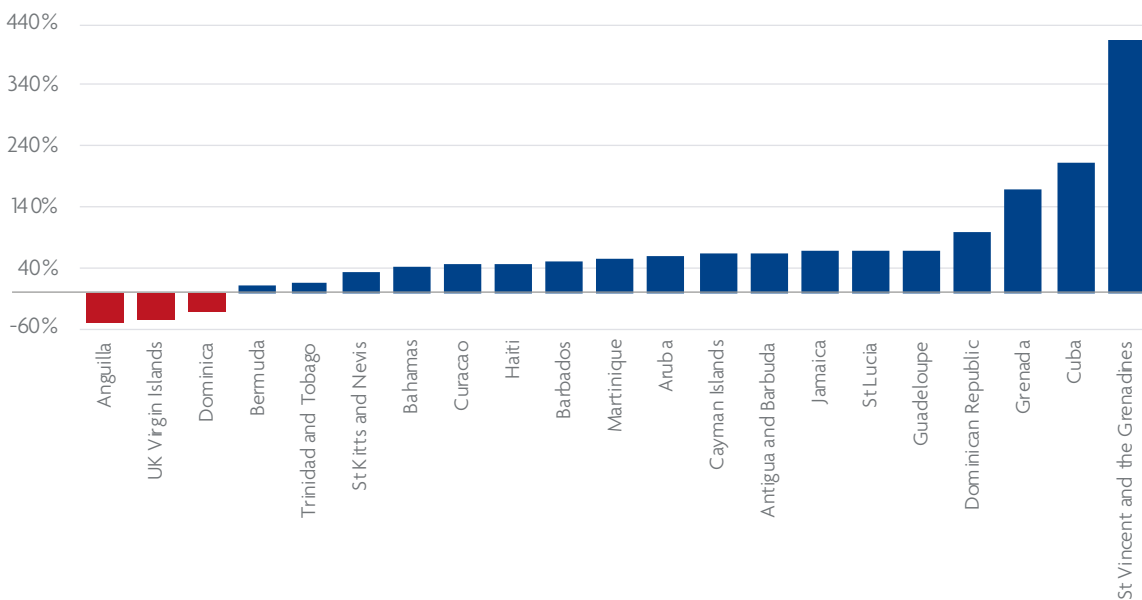
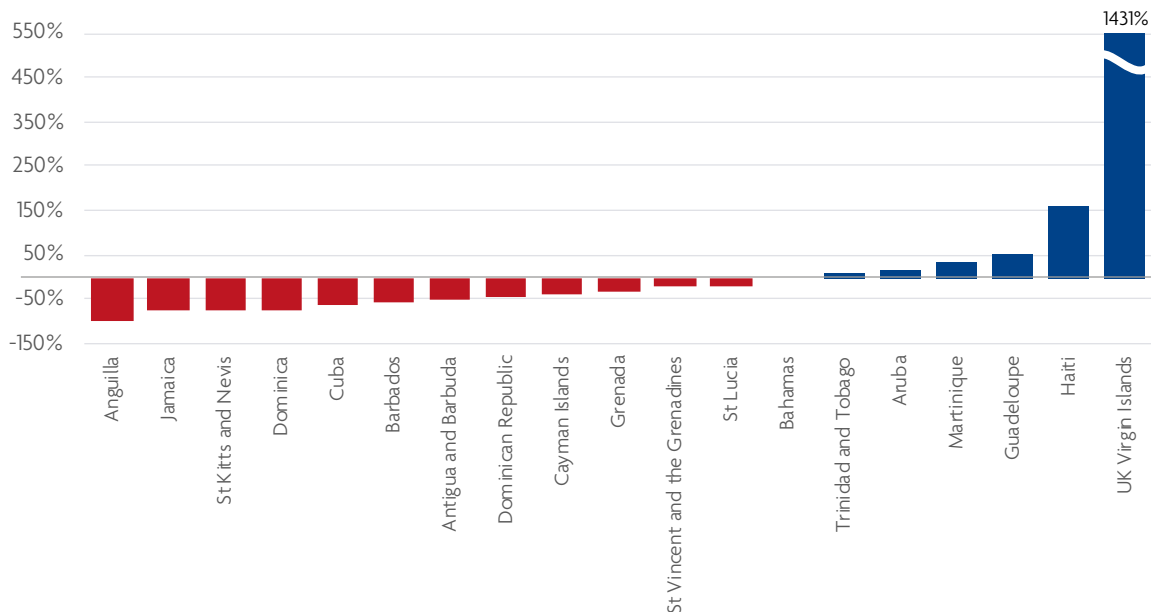


Figure 10: Growth in Intra-Regional Air Connectivity, 2008-2018



Prohibitive Cost of Air Travel

The demand for air travel is inversely related to the price of air tickets. Therefore, lower airfares have the potential to stimulate air travel and thus increase tourism revenues. The authorities in the region impose proportionately higher taxes, fees, and charges (TFCs) on air travel compared with other regions and these are ultimately passed on to consumers in the form of higher airfares. These are normally in the form of value added tax, passenger service charges, and airport administration charges which act as a deterrent to consumer demand.

TFCs in the Caribbean are not only high in absolute value but also in relative terms. Due to the fixed nature of certain TFCs, they impose a higher relative cost on intra-Caribbean air travellers than on extra-regional passengers as they make up a greater proportion of the final airfare. For instance, Figure 11 shows that for a Caribbean Airlines flight between Barbados and Antigua & Barbuda, the TFCs represent 56% of the total air travel price. In comparison, TFCs only comprise 25% of the final ticket price for a flight with the carrier from Trinidad & Tobago to New York. Such high composition of TFCs has nudged travellers in the region to fly via a hub in the US and thus, reducing the competitiveness of the regional airlines. This was one of the key factors behind the fall of Antigua and Barbuda-based Leeward Islands Air Transport Services (LIAT) airlines in 2020.

Figure 11: Taxes, Fees, and Charges (TFCs) as a share of total flight tickets for select air routes

Origin	Destination	Airline	Taxes, Fees, and Charges	Total	TFCs Share of Total (in %)
Bridgetown, Barbados	Osborn, Antigua & Barbuda	Caribbean Airlines	USD 119.7	USD 213.7	56%
Nassau, Bahamas	Kingston, Jamaica	Caribbean Airlines	USD 136.7	USD 321.7	42%
St Lucia	Port of Spain, Trinidad & Tobago	Caribbean Airlines	USD 72.2	USD 171.2	42%
Port of Spain, Trinidad & Tobago	Bridgetown, Barbados	Caribbean Airlines	USD 50.2	USD 124.2	40%
Port of Spain, Trinidad & Tobago	New York, USA	Caribbean Airlines	USD 121.07	USD 480.07	25%
Bogota, Colombia	Sao Paulo, Brazil	LATAM Airlines	USD 66.6	USD 305.6	22%
Lima, Peru	Cancun, Mexico	LATAM Airlines	USD 130.5	USD 576.5	23%

(Source: Caribbean Airlines; LATAM Airlines)

TFCs in the source markets can also inhibit travel to the Caribbean. For instance, the UK, which was the fourth largest source market for the region in 2021, places the Caribbean in the Band B category for the calculation of Air Passenger Duty (APD)⁹. As such, it charges APD of £84 for economy flights to the Caribbean and £185 or £554 for more premium flights to the region¹⁰. The APD is set to increase further in 2023. This will – on top of the negative impacts from the forecasted 2.2% fall in real household disposable income in the UK¹¹ – further discourage travel to the Caribbean.

Investment

Between 2014 and 2019, the Caribbean's Travel & Tourism-related capital investment increased by an average annual rate of 6.3%, outpacing the global rate of 5.2%. However, in 2020, this fell by 43%, much faster than the global average fall of 24.6%. Investment in the sector is critical for improving productivity, and thereby increasing the competitiveness of the destinations. This includes investments into physical infrastructure, digital infrastructure, and human capital.

Investment in physical infrastructures such as roads, ports, and airports is critical to enhancing the connectivity and attractiveness of destinations. The pandemic has accelerated the trend of travellers wanting to go beyond traditional urban centres to visit rural areas. This has the potential to enrich local communities and spread socio-economic benefits widely across a country. It is important for governments and destinations to recognise both the challenges and opportunities presented by this trend.

COVID-19 has also underscored the importance of investing in digitalisation in order to facilitate a safe and seamless traveller experience. Mobile check-in, digital vaccination passes and portals, contactless payments, and internet connectivity are just some examples of digital solutions that can improve and quicken the travel experience. However, according to a report from the Inter-American Development Bank, digital infrastructure in many Caribbean countries is considerably less developed than in OECD countries. For instance, in 2020, the fixed broadband index score for Haiti

was 33.5% behind the OECD average and the mobile broadband score for Trinidad and Tobago was 80.4% below the OECD average. The report also estimates that the benefits of investing in digital infrastructure outweigh its costs, by as much as 58 times in the case of the Dominican Republic¹².

Lastly, investing in human capital is equally important for the sustainable growth of Travel & Tourism. Low availability of native skilled workers can increase the likelihood of poor customer service and quality of standards. However, if talent gaps are solved solely through migrant workers, it may diminish the authenticity of the cultural experience that tourists seek. Therefore, investing in the advancement of domestic human resources can be beneficial for boosting tourism and achieving socio-economic development. Furthermore, skilled workers are required to facilitate the digital transformation of the sector.

Staff shortages have been identified as one of the key issues for Travel & Tourism on its path to recovery from COVID-19. WTTC, together with Oxford Economics, estimates that the US Tourism faced a labour shortage of 690,000 in H2 2021¹³. However, this problem is not solely confined to the US but is also a phenomenon in the Caribbean. A combination of factors such as workers calling in sick from COVID-19, the sluggish pace of rehiring displaced workers, and movement of workers to other industries has resulted in a disequilibrium between the demand for, and supply of, labour. Tourism associations in the region, such as the Barbados Hotel and Tourism Association (BHTA), are already raising their concerns about the inability to fill vacancies¹⁴. If the unavailability of quality workers persists, it could hamper the recovery of the Caribbean Travel & Tourism sector.

Crisis Preparedness

The Caribbean is one of the most vulnerable regions to natural disasters. In 2010, Haiti was struck by an earthquake measuring 7.0 on the Richter Scale, and in 2017, Hurricanes Irma and Maria wreaked havoc on many of the Caribbean's islands. Climate change is likely to increase the frequency and ferocity of such storms and hurricanes in the region and the rising sea level threatens the countries' coastal areas. The Caribbean is also susceptible to health crises. In 2015-2016, it suffered from a Zika virus epidemic and in 2020, the COVID-19 pandemic created a severe health emergency.

Beside the human costs, such natural hazards and health crises impose enormous costs on the Travel & Tourism sector as they damage critical transport networks, reduce hotel inventories, and deter international arrivals.

Over the years, the time taken to recover from crises has reduced significantly. It fell from 26 months in 2001 to around 10 months in 2018¹⁵. This indicates that vulnerable regions, such as the Caribbean, can learn from shocks and minimise the damage to its economy. COVID-19 presents a similar opportunity to develop strategies to prepare for future crises.

Supporting Cruise Travel

The Caribbean and the cruise industry share a strong symbiotic relationship. It is the most important region for the cruise industry, with liners bringing millions of visitors every year to support the Travel & Tourism sector. In 2019, 22.9 million cruise passengers visited the region, accounting for more than 33% of the world's total cruise visits²⁵. The revenues from cruise visits are not purely limited to the cruise passengers but also include the expenditures by crew members and the cruise companies themselves. In the year 2017/18, cruise passengers spent USD 2.56 billion, cruise crews spent USD 265.7 million, and cruise liners spent USD 533.8 million in the Caribbean²⁶. These important expenditures support Travel & Tourism jobs and livelihoods in the region. However, with cruise ships increasing in size, leading to rising passenger numbers and port requirements, not all Caribbean ports are able to accommodate the most modern vessels. Governments should therefore review their cruise strategies and port infrastructure needs, in consultation with the populations in port areas, to ensure that their country's cruise industry is vibrant but also locally-supported and environmentally sustainable.

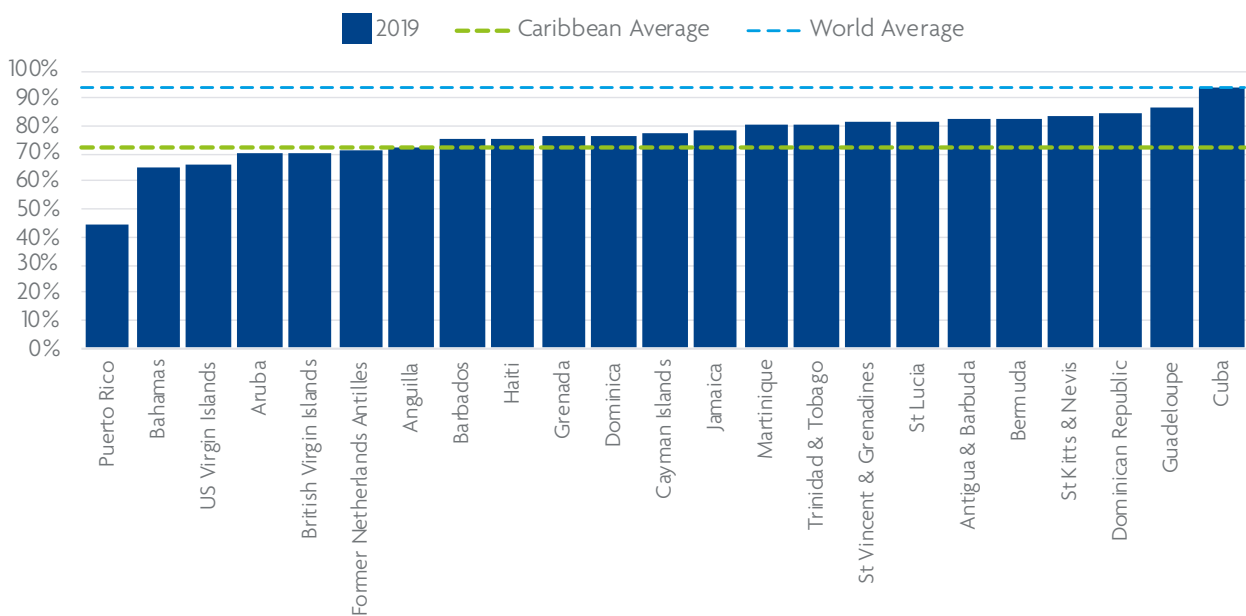
Sustainability and Environmental Protection

In 2019, 26.6 million international overnight tourists visited the Caribbean to enjoy its ‘sun, sand, and sea’.¹⁶ The blue waters and beautiful coral reefs are important sources of attraction and provide livelihoods to the residents. However, since the 1970s, the Caribbean’s coral population has declined by around 50%¹⁷. The primary causes are marine pollution and climate change. The region lacks the adequate waste management infrastructure necessary to recycle waste. More than three-quarters of wastewater that enters the Caribbean is untreated. Furthermore, the Caribbean Sea has already warmed by 0.5° to 1° C in the past century¹⁸. If these trends continue, then the marine ecosystem is in grave danger of further degradation.

Furthermore, the Caribbean Travel & Tourism sector suffered from economic leakage of around 27.5% in 2019, significantly higher than the world average of 6.4% (as shown in Figure 12). As a result, the domestic supply chain only made up 72.5% of the total supply chain, compared with 93.6% for the world. This means that 27.5% of the supply chain revenues generated through tourism in the Caribbean leave the economy, thereby not benefiting the local population.

Although these challenges need to be addressed, Travel & Tourism has a proven ability to advance environmental protection whilst benefitting local communities.

Figure 12: Share of domestic supply chain in total supply chain, 2019





4.

Recommendations

Addressing the challenges identified above requires the implementation of initiatives and policies such as lowering aviation fees, strengthening intra-regional collaboration, and investing in digital and physical infrastructure, as well as recruiting and retaining the workforce, diversifying product offers, increasing preparedness for future crises and enhancing sustainability. This can only be achieved through collaboration amongst multiple stakeholders including public-private-community partnerships. Governments need to ensure that policies are designed in a way that maximises the socio-economic benefits to communities whilst protecting our planet.

Should these recommendations be implemented, the Caribbean Travel & Tourism sector could outpace the current growth trajectory and achieve an average annual growth rate of 6.7% to reach US\$ 96.6 billion in 2032, up from US\$ 50.5 billion in 2022. Meanwhile, Travel & Tourism jobs in the Caribbean could grow by an average rate of 4.5% annually, creating 1.34 million new jobs by 2032. This means that an additional US\$ 11 billion in GDP and 428,000 jobs could be created above the current growth trajectory by 2032.

4.1. Enhance connectivity

To improve connectivity in the post-COVID-19 period, particularly intra-regional connectivity, governments should upgrade their infrastructure to make it fit for modern travel, as well as lowering taxes, fees, and charges (TFCs). This will stimulate consumer demand whilst making it more commercially viable for airlines to operate. The government in Antigua and Barbuda announced a 50% reduction in taxes on airline tickets for travel within several countries of the Caribbean Community (CARICOM) in 2021⁹. More countries need to follow suit.

To incentivise the creation of additional air routes, governments should also provide support through an enabling regulatory framework and the facilitation of joint marketing initiatives.

4.2. Strengthen intra-regional collaboration

The lack of collaboration and cooperation amongst countries during the COVID-19 pandemic has limited the ability of the sector to bounce back sooner. In fact, enhanced international collaboration and coordination both within and between governments, as well as with the private sector, is key to any effective crisis management and policy implementation at the multi-national level. While there are organisations in the Caribbean region, such as CARICOM, the Caribbean Hotel and Tourism Association (CHTA) and Caribbean Tourism Organization, which bring together multiple stakeholders, more can be done at the multi-national level within the broader region to maximise the existing frameworks and align policy initiatives.

The island nations of the Caribbean are diverse in many ways – naturally, historically, and culturally. While the conventional practice among the national tourism boards has been to promote their respective island destinations, stronger collaboration at the multi-national level and between public and private sectors could lead to more impactful multi-destination marketing strategies that help develop and promote the uniqueness of the Caribbean brand. This could in turn lead to higher visitor volumes and higher spending whilst helping to diversify product offers and overcome challenges related to seasonality.

4.3. Invest in:

Physical infrastructure

Caribbean states could achieve stronger passenger growth by making more efficient use of their current infrastructure and operations. However, to attract more airlines, air routes, and cruise lines, and to accommodate higher passenger numbers, airport and seaport infrastructure may need to be upgraded and expanded. Meanwhile, to facilitate flows from larger cities to secondary and tertiary destinations, investment needs to be directed at improving transportation options and standards, including roads and the rail network (where feasible). In addition, there should be a focus on enhancing hospitality choices and accommodation offers, including high-quality hotels and holiday rental apartments, with options for solo travellers and families. Improvements to leisure and recreation facilities, from visitor attractions to golf courses, and cycling and walking routes, will also contribute to an uptick in longer visitor stays.

Digital Solutions & Infrastructure

COVID-19 accelerated the digital agenda, with technology continuing to play an important role as a key enabler for a safe and seamless traveller experience, and as a critical resilience tool to safely address the next major global health event or crisis. It will also be important for governments to invest in digital infrastructure such as fast smartphone and internet connections, particularly in emerging destinations and remote areas, as well as to enhance digital skills within local communities. Investment should be directed towards areas such as contactless travel experiences, urban and rural internet connectivity, and border management applications.

There are great examples of digital travel solutions in the Caribbean states that should be replicated across the region. For example in 2016, Aruba introduced the 'Happy Flow' initiative²⁰, which uses biometrics and self-service technology at all passenger departure touchpoints, from check-in to boarding, to provide a fast, contactless and secure travel experience. In response to the COVID-19 pandemic, the Caribbean was one of the leading regions of the world in introducing online digital portals to electronically capture travellers' contact tracing information.

In 2022, the Cayman Islands digital 'Travel Cayman' portal was expanded to allow travellers to also submit their digital vaccine certificates before their trip. These are automatically and digitally verified for their authenticity using the digital standards recommended by WTTC. This significantly reduces queues at airports and removes the burden and need for travellers to worry about showing paper COVID-19 certificates.

Further guidance on the efficient and responsible use of biometrics and implementation of other digital travel solutions, including interoperable Digital Health Passes and Digital Travel Portals, is available from WTTC²¹. These digital solutions not only provide a secure, quick and easy way to process travellers with touchless technologies and where necessary inspect their COVID-19 information efficiently, they also provide a critical resilience tool to address the next major crisis or global health event. This will enable Caribbean countries to securely and safely keep their borders open next time, without endangering public health, and the Travel & Tourism sector to remain active and buoyant, without suffering the huge social and economic devastation experienced during the COVID-19 pandemic.

Digital Travel Portals for pre-travel health inspections, can also be integrated with other government services, such as visa application processing, to provide an efficient and digital 'one-stop-shop' for governments and travellers.

Human Capital and Skills

Training, reskilling, and upskilling programmes aimed at equipping individuals with new and improved skills to operate in the sector, such as enhanced digital literacy, are essential to enhance the workforce's future readiness, whilst also attracting new investment. The sector must also focus on attracting new talent by improving the perception of Travel & Tourism as a career choice and highlighting career growth opportunities within the sector, particularly at a time when the sector is facing staff shortages.

Overall, given the increasing interest investors now have in the area of Environmental, Social and Governance (ESG) standards, governments and destinations have an opportunity to attract more investment through policies and initiatives that aim to protect the environment and boost social impact.

4.4. Diversify

Product offer

As a result of COVID-19, the Travel & Tourism sector evolved, requiring destinations to employ creativity and agility as they adapt to, and move beyond, the 'next normal', and work to bring in new investments, domestic and foreign travellers. In this new context, destinations will need to diversify their product offer whilst considering how technology can offer opportunities for re-invention. Tourists have traditionally flocked to the Caribbean for 'Sun and Beach' retreats, but there are opportunities for governments and destinations to improve the offer and attract travellers to experience other segments such as adventure, culture, wellness, wildlife, and eco-tourism. Diversifying the product offer could also help overcome seasonality in the region.

With the expansion of digital 'work from home' technologies during the pandemic, some Caribbean countries also introduced special visas that allowed foreign travellers to move to the Caribbean for an extended period and work remotely. This allowed people to enjoy living in the Caribbean, whilst enabling them to financially contribute to society and support the country's economic recovery. For example in 2020, Barbados introduced the 'Barbados Welcome Stamp'²² which established a special visa that allowed people to live and work remotely in Barbados for 12 months. As remote workers, Welcome Stamp holders were not subject to local income tax (to prevent double taxation), but were able to bring their family to Barbados and their children were entitled to education and schooling. As 'Digital Nomads' are increasing around the world, specially designed 'remote work and stay' visas offer an exciting opportunity for the Caribbean region.

Source markets

It is essential for destinations to understand their key source markets and target the product offer and marketing strategies accordingly. While the top key source markets bring in the majority of the revenues, strong future growth could originate from different markets. Furthermore, countries which are over-reliant on specific source markets are more exposed to economic and geo-political risks. As such, having a larger pool of source markets to choose from can alleviate pressure on the domestic economy when external shocks happen.

4.5. Increase preparedness for future crises

The COVID-19 pandemic will not be the last crisis to bring turmoil to our planet. It is essential for governments and destinations to learn from the recent pandemic, as well as from previous crises, to be better prepared for the future. WTTC has always advocated for collaboration, co-ordination, and partnerships; its research on crisis readiness²³ highlights that these are key factors in effective crisis management and recovery.

4.6. Focus on sustainability and environmental protection

With an increasing number of travellers looking for sustainable options with a minimal environmental impact, governments and businesses need to invest in, and provide, sustainable products and services. For example, transport providers should invest in sustainable fuels while accommodation providers will benefit from investing in eco-friendly designs, and small and large-scale renewable, and low carbon technologies. Governments can also provide incentives such as eco-certification for properties which adhere to environmental standards.²⁴ Moreover, governments and destinations need to invest in connectivity and multi-modal transportation to facilitate the ease of access to eco-friendly destinations. To minimise supply chain leakages from the domestic economy, there is a need to nurture domestic suppliers.

Overall, to improve environmental protection, governments need to revise the incentive framework, enhance waste management infrastructure, and invest in public education and awareness-raising initiatives.



5.

Conclusion

The Caribbean Travel & Tourism sector has suffered significant losses due to COVID-19. The region's potential for a strong recovery and longer-term growth, not least due to its rich natural beauty and cultural heritage, can be facilitated by implementing policies and initiatives that can overcome key challenges as addressed in this report.

As has been proven many times in the past, public-private-community partnerships (PPCP) and collaboration at all government levels, including at the multi-national and Caribbean regional level, will be key to success and essential to ensure that sustainability and inclusion are at the heart of policy decisions and future growth.

For a discussion on any of the topics raised in this report, please contact the WTTC team.

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For further information, please visit: [WTTC.org](https://www.wttc.org)

Endnotes

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