Oil prices plummet – good or bad news for Travel & Tourism?

With elections in the United States completed, there is time to look around and analyze some of the major issues that could have significant impacts on our company and the entire Travel & Tourism industry. The bloody fighting in the Middle East and the appearance of fanatical Islamists in more and more places around the globe is unsettling, but in the near term, the dramatic drop in the global price of oil could have even greater impact.

The price of crude oil has hovered around $100 a barrel in recent years, but it has dropped from about $105 a few months ago to $77 this week, a nearly 25 percent plunge.

The price of oil greatly affects many things, including the economy of most nations. But perhaps the single largest impact is on the world’s airlines. When crude oil tops $100 a barrel, fuel accounts for as much as a third of an airline’s operating costs.

This translates into higher ticket prices plus arbitrary fuel surcharges. For example, in 2008 when crude oil hit $140 per barrel, European air carriers (except Germany) added a fuel surcharge of up to $350 per round-trip ticket to the U.S.! Multiply that by four or five for a family and you’re talking serious money for an overseas vacation.

On the other side of the coin, a drop in crude oil prices can not just bring down the price of air travel, it can also slow the economy of oil-producing countries. Consider Russia, which produces 13 percent of the world’s oil. It is a huge component of Russia’s economy and one of the reasons we see so many wealthy Russians checking into our properties in Thailand. The U.S., China, Canada, Mexico and Norway are also top producers of both oil and international travelers. What impact will a continuing drop in the price of oil have on the potential for travel by citizens of these nations?

I don’t have the answers today, but this is something every member of our ‘ohana extending more than half way around the globe should be aware of and keep an eye on.