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## **MSI cautious on 2021 recovery forecast for cruise shipping**

*Concerns over vaccine availability, the resumption of US operations and further mutation of the virus cloud the chances of quick return to normality*

London, 13 January 2021. Confidence in the safety of cruise shipping and the economic impact of Coronavirus on potential demand will challenge the industry's attempts at a full 2021 recovery, according to leading research and forecasting consultancy Maritime Strategies International.

In its latest biannual report\*, MSI notes that even with leading industry players keen to publicise advance ticket sales and enquiries as evidence of pent-up demand and with vaccines becoming available, it will take some time to rebuild confidence in the sector despite enhanced safety protocols and fewer passengers onboard.

Of greater concern, however, is the impact of COVID-19 on discretionary consumer spending. Cruising holidays have become more accessible to broader age and income groups over the last decade, but the economic impact of COVID-19 is expected to have the greatest bearing on lower income households with lower levels of education.

*"According to a 2018 survey, US cruisers with an annual income of less than \$100,000 per annum accounted for approximately half of all passengers and this population group is likely to see higher levels of unemployment and greater retrenchment in the near term," says MSI Analyst Niklas Carlen. "This year, we expect cruise passenger levels to increase to 11.9m, an increase of 59% yoy, but still substantially below the 29.6m cruise passengers recorded in 2019. The recovery is likely to be relatively slow and cautious, weighted towards the second half of the year with mature markets leading the recovery."*

MSI's analysis shows that just 7.5m passengers embarked on a cruise in 2020, a correction of 75% compared to 2019 levels. The severity of the collapse compared to overall tourism spending reflects the fact that, whereas air travel was at least partially restored during the summer months, cruise has remained in almost total lockdown with a handful of exceptions.

In modelling the outlook for the sector, MSI constructed Low and High Case scenarios based on different timings in terms of vaccine availability and the resumption of cruising. While its Q4 Base Case projection is conservative, it acknowledges that there may be some upside to the forecast particularly if the levels of pent-up demand claimed by the industry hold true. Conversely, the ongoing 'second wave' and concerns over new COVID-19 mutations could prolong the misery for the cruise sector by delaying any significant restart.

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*"Events at the end of 2020 and the start of 2021 are likely to increase economic pressure within advanced economies. Thereafter we retain our belief that economic recovery in 2021 will be strong, although economies are highly unlikely to make up all the ground lost during the crisis until sometime in 2022, especially where labour markets are concerned," adds Carlen. "However, the pace at which they make up this ground once vaccine roll-out accelerates will be brisk."*

Ends

\* The MSI Cruise Q4 2020 report, 'Suspended Reality' is available from MSI – for more information please visit [www.msilttd.com](http://www.msilttd.com).

**About Maritime Strategies International (MSI)**

Since its inception in 1986, Maritime Strategies International (MSI) has established itself as one of the shipping industry's foremost independent research and consultancy firms. Our success is built on a strong focus on maritime economics and econometric modelling. We provide a comprehensive range of advisory services, including forward valuations, market forecasts, reports and commercial consultancy services for all shipping sectors. MSI asset price forecasts are used by ship finance providers holding 40% of all shipping bank debt and we provide analytical and methodological support to give the context and credence to our results.

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