

In early 2025, concerns about a slowing US economy and rising inflation intensified as the new administration tariffs on key trading partners were expected to drive up prices and curtail consumer spending. The Federal Reserve Chairman Jerome Powell asserted that the central bank wants to understand the “net effect” of the administration’s policy changes in four distinct areas: trade, immigration, fiscal policy and regulation. At its initial meeting of the year, the Federal Reserve opted to maintain steady interest rates, adopting a wait-and-see approach to monitor economic developments. Economists, however, forecast a potential rate cut later in the fall as economic conditions weaken.

On April 16, 2025, while speaking at the Economic Club of Chicago, Chair Powell warned that recently announced tariff policies could fuel inflation and slow economic growth, complicating efforts by the central bank to moderate their impact. His view was that the announced tariff increases were significantly larger than anticipated, and their economic effects were likely to be more pronounced. Nonetheless, Chair Powell noted that despite this, key economic indicators suggest a solid economy but emphasized that policy shifts from the administration have contributed to an increasingly uncertain economic outlook.

Powell’s remarks generated an immediate market reaction, sending stocks into sharp decline as investors processed his concerns. The Dow Jones Industrial Average dipped 690 points, or 1.7%, within minutes, tripling earlier losses. Powell’s speech marked his first public statement since the current administration announced a 90-day suspension of “reciprocal tariffs” for most countries, excluding China. This decision sparked a rally in stocks, helping recover some of the losses from one of Wall Street’s most volatile periods. While several tariffs have been postponed, those targeting China remain firmly in place. In retaliation, China raised its tariffs on US imports to an unprecedented 125%, while US levies on Chinese goods have climbed to 145%.

The University of Michigan’s closely watched consumer sentiment index declined from 57 in March to 50.8 in April. The consumer Sentiment is now at its second-lowest level in history. Expectations for inflation have reached the highest point in 44 years, according to the Wall Street Journal economist survey. Additionally, Wall Street executives have cautioned that tariffs are causing uncertainty in the US economy, which is already impacting consumers and companies alike.

The recently imposed tariffs are fueling escalating economic concerns both domestically and internationally. Goldman Sachs and Moody’s Analytics have recently joined other forecasters in warning about the increased probability of an economic downturn. These developments have led the International Monetary Fund (IMF) to significantly downgrade its 2025 economic outlook for the US and global economies. In its April update, the IMF reduced its US growth forecast from 2.7% in January to 1.8%, attributing this sharp decline to the tariffs enacted on April 2 and their ripple effects across markets. Moreover, the Fund has raised the odds of a US recession from 25% in October to 40%.

Despite ongoing economic and geopolitical uncertainty shaping the 2025 global economic outlook, business entrepreneurs remain focused on profitability and value creation. While global GDP growth is expected to remain stable, regional disparities may be significant. Meanwhile, global inflation is anticipated to decline steadily, though risks persist, including trade protectionism, geopolitical tensions and rising wage and service costs.

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The global hotel sector has demonstrated resilience in 2024, with Revenue per Available Rooms (RevPAR) increasing by 4% and demand reaching an impressive 4.8 billion room nights. Regional performance varied significantly, with urban markets such as London, New York and Tokyo benefiting from resurgence in group business and international travel, which also attracted heightened investor interest for 2025.

The restaurant industry has faced significant labor shortages in recent years, impacting on its ability to operate at full capacity, maintain high service standards and meet customer demands. Nonetheless, restaurant employment was expected to return or exceed pre-pandemic levels by August 2024. According to a National Restaurant Association (NRA) survey of restaurant operators, the workforce was projected to grow by 200,000 jobs in 2024. Though the restaurant industry is now back in growth mode, nearly half of the respondents indicated that they still require additional employees to adequately meet customer demands. Several factors continue to contribute to the labor shortage, including relatively low wages, high-stress working conditions and competition for skilled workers. To address these persistent issues, restaurants are adopting various strategies, such as implementing or enhancing employee benefits.

Industry projections signal continued expansion for hospitality and tourism, driven by dynamic factors: the emergence of Gen Alpha travelers, the wellness market's exponential growth, the rise in "workations" among remote professionals, and the increasing popularity of solo and transformative travel across all generations. These trends point to substantial shifts in 2025's industry landscape.

Central to this transformation is the emergence of new traveler segments. Gen Alpha, a generation of digital-native explorers, is beginning to shape family travel preferences while the continued growth of the bleisure, luxury, health tourism, and wellness markets are redefining hospitality offerings, adapting them to meet shifting consumer opportunities.

According to SLL, three key themes are poised to shape the future of the global hospitality and tourism industry:

- (1) **The Great Merging:** A continued expansion into branded residences and alternative accommodations, further diversifying the investment landscape.
- (2) **Emerging Global Travel Patterns:** Markets such as India and Saudi Arabia are anticipated to play a pivotal role in shaping future travel trends, creating new prospects for investment and development.
- (3) **AI Integration in Hospitality –** The strategic adoption of AI is expected to optimize operations, enhance guest experiences and address ongoing labor shortages.

In recent years, artificial intelligence (AI) has transformed industries worldwide, serving as a spark for solid economic growth. The hospitality industry has embraced this technological evolution, with hotels and other hospitality firms recognizing AI's immense potential and investing in cutting-edge advancements. A report by Goldman Sachs estimates that global AI investment will reach \$200 billion by 2025, underscoring the expanding influence of this technology across various sectors.

While AI streamlines and automates numerous tasks, human expertise remains vital for its effective implementation and oversight. This growing demand highlights the indispensable role of tech professionals in unlocking AI's full potential and ensuring its strong integration into business processes. As the synergy between AI and human expertise deepens, hospitality professionals must adapt to this technological transformation. While AI manages data-driven decision-making and automates routine tasks, human staff can focus on fostering creativity and building emotional connections that enhance guest satisfaction. This collaboration paves the way for hoteliers and restaurateurs to prioritize inclusive practices, such as promoting sustainable tourism and accommodating diverse guest needs. By integrating AI, the hospitality industry not only drives innovation but also achieves a resultant balance between technological efficiency and human care.

In summary, the hospitality and tourism industries are currently facing many challenges including trade protectionism, travel patterns and restrictions, geopolitical tensions, immigration issues, balancing staffing, rising wage and service costs, technological tools, and evolving consumer demands. Despite challenges and uncertainty impacting the industry, academics continue working diligently on their research. We are delighted to present the new issue of the *International Hospitality Review (IHR)* for your consideration.

We sincerely hope that you enjoy reading the ten peer-reviewed research papers of *IHR*.

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