



Economist shares his three top worries for the US hotel industry in 2027

Consumers will likely slow down spending next year

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PHOENIX — U.S. hotel industry fundamentals and the overall economy remain strong despite the shocks they've sustained this year in the form of war, rising interest rates and other economic and geopolitical events.

But while strength in AI and consumer spending keeps the economy healthy for now, those and other buoys can't last forever, warned **Bernie Baumohl, chief global economist at The Economic Outlook Group**, in his opening remarks at the 2026 Lodging Conference.

"It's really remarkable how ... the U.S. economies have been able to digest this without faltering at all — in large part because we've had this massive investment into the AI boom," he said. "We've had resilient consumer spending, and that has been reflected in revenues going to the lodging industry. We've even had the non-AI industries ramp up spending."

Signs point to change, however, and **Baumohl** raised three main risks to keep an eye on in 2027.

The path of energy prices

It's not just about crude oil prices, **Baumohl** warned. It's about the refined products that come from it, namely gasoline, aviation fuel and diesel fuel, which he called "the essential part of the global supply chain right now," since trucking, railroad, construction and other manufacturing and transportation industries all use it.

Diesel prices have reached record highs in recent weeks — U.S. retail diesel prices were \$6.20 per gallon at press time, up from \$3.75 this time last year — a trend **Baumohl** said will transfer extra costs to consumers.

Consumer spending deceleration

Add higher energy prices on to rising interest rates, and **Baumohl** predicts the average American will slow down spending soon.

“We do expect to see a deceleration in the growth of consumer spending, but not a shutdown,” he said.

His company’s data shows consumer spending contributing 28% of overall U.S. GDP growth this year, a percentage that will drop to about 20% next year.

“The Federal Reserve is focused on bringing down inflation, and they’re going to be raising interest rates,” he said. But he told attendees that of the five major inflation pressures right now — consumer demand, demand from AI buildouts, the federal deficit, tariffs and the energy shock — four are “absolutely impervious to interest rates.”

Higher interest rates therefore will place the burden heavily on households, **Baumohl** said. As costs rise and wage growth doesn’t keep up, people dip more into their savings and take on credit card debt, typically lowering discretionary spending on things like travel.

How much of a slowdown in consumer spending of course remains to be seen, he said.

“It’s a result of high and rising interest rates, and worries also about job security as more companies begin to use AI,” he said.

The president’s moves

Baumohl’s third concern? President Donald Trump’s unpredictability.

“How is President Trump going to burnish his legacy in the final two years of his term? What actions is he going to take to codify his place in history?” **Baumohl** asked. “We have to monitor that regularly because it can very significantly shape the direction of the U.S. economy.”

Prolonged U.S. involvement in the war in Iran and unpredictable tariff moves have already weighed on the economy, and **Baumohl** cautioned that further “wild card” activity could have more impact.

“Is [Trump] going to be content simply building more buildings with his name on them, or will it be more drastic moves, like pulling the U.S. out of NATO, ramping up the war against Iran or taking action against Cuba?” he asked. “We just don’t know, but obviously this can have profound effects on the outcome for the economy.”

The good

Baumohl shared positives, too, noting that “the economy is growing with no recession in sight.”

He shared August data from the U.S. Bureau of Economic Analysis showing consumer spending on hotels and motels reaching a record high.

“The lodging industry is in fairly good shape; we have strong hotel demand at a time when supply is still severely constrained,” he said.

Baumohl called the hotel industry outlook “really positive” in part for a broader reason than disciplined operating fundamentals.

“Given the successive economic and political and geopolitical shocks this industry went through, it has, from what I’ve seen, gone through significant restructuring,” he said. “It has redefined the market, made some changes. The lodging industry has been able to stay focused and make the adjustments needed so they can deal with these sorts of shocks.”

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