

Cruise industry reports mixed Q1 results amid economic uncertainty

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Dhaka: The cruise industry posted mixed results for the first quarter, navigating an uncertain macroeconomic landscape.

However, it offered a more optimistic outlook compared to recent reports from the airline and hotel sectors.

Industry executives and travel advisors remain confident in the sector's resilience, citing the value cruises offer compared to land-based vacations.

Royal Caribbean Group's Q1 results were nothing but positive, while Norwegian Cruise Line Holdings (NCLH) came in below profit expectations.

And while Royal Caribbean increased its earning expectations for the year, NCLH held to its previous outlook.

"NCLH CEO Harry Sommer said on the company's April 30 earnings call that there was a decline in third-quarter Europe bookings. The dip lasted about three weeks in April before rebounding in the final week of the month, Sommer added."

NCLH's Q1 adjusted net income of \$31 million was \$7 million lower than it had forecasted, and its total revenue of \$2.1 billion was about 3pc lower than the same time last year.

The company had two Norwegian Cruise Line ships -- Norwegian Bliss and Norwegian Breakaway -- in drydock getting enhancements during Q1. The reduction in ship capacity and a foreign-exchange loss of \$23 million contributed to the Q1 net loss.

Norwegian Cruise Line Holdings reported some "choppiness" in Europe bookings, but the Caribbean continues to be strong. Pictured, NCL's new Norwegian Aqua.

Norwegian Cruise Line Holdings reported some "choppiness" in Europe bookings, but the Caribbean continues to be strong. Pictured, NCL's new Norwegian Aqua. Photo Credit: Norwegian Cruise Line Royal Caribbean, meanwhile, more than doubled its net income from Q1 2024, a jump from \$364 million to \$736 million. Its two ships scheduled to debut later this year, Royal Caribbean's Star of the Seas and Celebrity Xcel, have exceeded booking expectations, CEO Jason Liberty said on the company's April 29 earnings call.

He also said that there hasn't been any change in cruise cancellation rates, and following its strongest Wave season ever, Royal is now 86% booked for the year. The company has even been able to raise prices on cruises in the second quarter due to a surge in demand, Liberty said.

"There is no real change in how our consumers are acting outside of that they are a little bit more short-term focused," he said.

The mostly positive cruise earnings came after several airlines -- including American, Southwest and Delta -- each pulled their 2025 full-year guidance due to uncertainty.

In the hotel sector, both Hilton and Hyatt revised their 2025 forecasts downward from previous projections.

However, because cruises are generally booked further out than flights,

pressures on the cruise industry "would mostly not really show up in quarterly earnings results until two to three quarters from now," said Truist analyst Patrick Scholes in a note responding to NCLH's earnings.

As good as Royal Caribbean's results were, Liberty said the company is not immune to potential impact from the changing economy.

"At this point, it's still too early to determine how exactly the current macro environment could impact the broader economy or consumer behavior," he said. "What I want to emphasize is that we are focused on what we can control: delivering the best vacation experiences for our guests, optimizing revenue, managing costs and executing on our long-term strategies."

But Liberty also said the cruise industry can be protected in times of economic uncertainty because of the value gap consumers perceive between cruises and land-based vacations.

"In times like this and we've seen this in other markets, when there's economic concerns, that value gap is actually a pretty good buffer across delivering our vacation experiences, and our guests willing to pay for those experiences and for us to meet our financial expectations," he said.

Sommer said on NCLH's Q1 call that among the reasons cruising has "significant runway for growth" is its "differentiated value proposition, multiple destinations, world-class service and onboard entertainment all at a better value than comparable land-based vacations."

And despite the booking hesitancy on travel to Europe, Sommer said continued strength in the Caribbean leads him to believe that the current macroeconomic climate makes cruisers more comfortable staying close to home and taking shorter trips.

He noted that NCLH's Caribbean capacity in Q4 will be up 10pc year over year and represents 40pc of the company's quarterly ship deployment.