

Investment in Cruise Lines – A Sure Venture

Even though the cruise industry was considered to be only appealing to elderly Americans, it is now going through a rebirth. The number of passengers is increasing as younger Europeans go on cruise holidays. Affluent Chinese tourists are also contributing to the increased number of passengers on cruise ships as the Chinese economy grows. Cruise holidays are also popular among families who have young children. They consider it to be a great way to visit a number of countries in a single holiday period without having to pack and unpack continually.



North America is the world's largest cruise market in the world while Europe is the second largest. From the year 2008 to 2013, European traveler numbers have increased by 44 percent to reach 6.4 million. During this 5 year period, the value of the cruise industry has increased by 22 percent. It is now worth more than 39 billion Euros. The Cruise Lines International Association also reports that the number of passengers in North American cruise ships has increased by 44 percent but the share of the total market has fallen from 70 percent to 55 percent in 2013.

Carnival Corporation & plc is the largest cruise ship operator and it is closely followed by Royal Caribbean. The most popular cruise destination is Italy. Seven million people visited Italian cities like Civitavecchia, Livorno and Naples among others in 2013. The other popular cruise destinations are Spain, Greece and the cities of Marseille, Stockholm and Barcelona.

The cruise industry has created jobs for 165,000 people across Europe. These jobs range from travel agents to entertainers. Although most passengers on cruise ships are residents of the United Kingdom, industry analysts say that the growing middle class in emerging markets like India and China among others is likely to fuel the growth of this industry in the long term.



Private investors can benefit from the predicted superb growth of the cruise industry by buying stocks in the firms that operate most of the world's cruise ships. These companies include, Royal Caribbean Cruises, Norwegian Cruise Lines and Carnival Cruise Lines.

According to Credit Suisse analysts, the cruise industry is highly profitable compared to other sectors. They concluded this due to the positive third quarter financial results announced by cruise ship companies, most notably from Carnival Cruise Lines. Their optimistic outlook is attributed to emerging opportunities in China, positive indications of European consumer growth, a friendly fuel environment and an improving environment in the Caribbean. The analysts further stated that it is possible for China to become the largest cruise market over a long period of time.

Another great company to invest in is Norwegian Cruise Lines. The shares of this company are listed on the US Nasdaq stock market. Investors can also buy the shares of Royal Caribbean, which are listed on the New York Stock Exchange. Richard Carter of Deutsche Bank rates the stocks of this company as a 'buy'. Carter said that the profits of this company are rising due to improving industry fundamentals and the addition of three new vessels. He predicts that the dividend payout of the company will rise to 1.8 percent in 2015 and 2 percent by 2016.



However, Kevin Milota of JP Morgan rates both the stocks of Carnival Cruise Lines and Royal Caribbean Cruise as 'neutral'. He said that the managers at Norwegian Cruise holdings remain committed to a dividend and share buyback program. On the other hand, Steven Wieczynski, who is an analyst at Stifel Financial Corp, recommends that investors should buy the stock, following the purchase of Prestige Cruise Holdings in September 2013 and increased earnings estimates for 2015 to 2016. Wieczynski argues that the luxury cruise market is more resilient than the mass or contemporary market and that luxury is one of the areas that have been relatively stable in the cruise industry for several years.

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