U.S. TRAVEL ASSOCIATION

JUNE 2017 | Research and Trends From David Huether

U.S. TRAVEL OUTLOOK

Examining Current Industry Trends

CURRENT STATE OF THE ECONOMY

While the economy followed a similar pattern of sluggish growth in the first quarter of the year, signs of a pickup in domestic economic activity, led by stronger consumer spending, offers solid evidence that, once again, domestic demand is picking up steam in the second quarter. At the same time, even though the value of the dollar has moderated 4 percent during the first half of the year, U.S. exports, particularly spending by international visitors in the United States, remain subdued. Thus, 2017 will likely follow the pattern of 2016 for the travel industry, with domestic demand being the primary driver of growth.

Economic Summary: U.S. economic activity was revised upward for the first quarter of 2017, but only slightly. The second estimate from the Commerce Department checked in at 1.2 percent real GDP growth at a seasonally adjusted, annualized rate (saar), 0.5-percentage point (pp) higher than April's advance estimate. The economic narrative, however, stays the same as before: deceleration in real GDP in the first quarter primarily reflected a downturn in inventories and a slowdown in personal consumption, offset by increases in business investment, residential investment and exports. Nearly the entire 0.5-percent uptick can be credited to greater levels of consumer spending and business investment than initially expected.

"The recovery continues to be perhaps uninspiring, but it's awfully durable," said Michael Gapen, chief U.S. economist at Barclays, to *The Wall Street Journal*. GDP growth for the first quarter of 2017 has echoed a pattern of residual seasonality seen in previous first quarters: one-off (usually weather-related) abnormalities pumping the brakes by postponing consumer spending and inventory until the second quarter (when the weather improves). The Atlanta Federal Reserve's GDPNow forecast for the second quarter of 2017 projects that real GDP will increase at a 3.2 percent saar, led by a consumer spending resurgence. Additionally, according to chief economist Gregory Daco from Oxford Economics: "the strong inflationary pressures that took a bite out of real consumer spending in Q1 have abated." Consumer price inflation for April 2017 was measured at 2.2 percent, coming down from 2.8 percent in February.

The Federal Reserve has maintained its faith in the economy, noting in a press release that "[job] gains have moderated but have been solid, on average, since the beginning of the year, and the unemployment rate has declined. Household spending has picked up in recent months, and business fixed investment has continued to expand."

Concordant with that confidence is the second interest rate hike of 2017: The Federal Reserve's Federal Open Market Committee decided to raise the target range for the federal funds rate to 1 to 1.25 percent, the fourth move since December 2016. According to Neil Irwin of *The New York Times*: "in a move that could well define her chairmanship of the central bank, Janet Yellen is betting that falling prices are a temporary blip that will soon be forgotten." In theory, inflation will stay above the Fed's target rate of 2 percent only if employers start increasing wages, as the economy is at full employment. For their part, "[there's] a lot of skepticism on Wall Street," said Scott Anderson, chief economist at Bank of the West in San Francisco. "You look at market inflation expectations, and they're moving in the opposite direction that the Fed wants them to move." That said, the Fed's decision to begin normalizing and drawing down their $4.2 trillion balance sheet "this year" may assuage some deflation worries in the market.

Fed policymakers also released their latest set of quarterly economic forecasts, projecting U.S. economic growth of 2.2 percent in 2017, an increase from the previous projection in March. Inflation was expected to be at 1.7 percent by the end of this year, down from the 1.9 percent previously forecast. Worth noting is how this diverges from the Trump administration's forecasts of 2.3-percent real GDP growth in 2017, pushing up to 2.5 percent in 2018. The U.S Travel Association remains cautiously optimistic, with recent forecasts projecting 2.3-percent and 2.5-percent growth for the travel industry in 2017 and 2018, respectively, though this growth tapers off in 2019 to 1.9 percent.

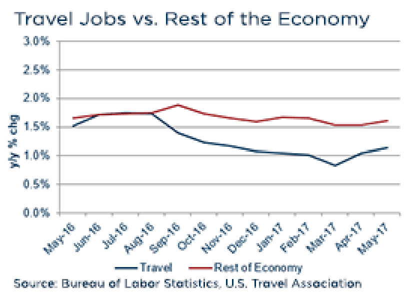
LABOR

Total nonfarm payroll employment increased by 138,000 in May, and the unemployment rate was little changed at 4.3 percent, the U.S. Bureau of Labor Statistics reported in June. Average monthly job gains have slowed to 162,000 for the first five months of 2017, a step down from the pace of 187,000 jobs per month during the first five months last year. Job gains centered on the service industries, led by professional services (38 million), healthcare (32 million) and leisure and hospitality (31 million). The mining sector, a priority for the Trump administration, added 7,000 jobs, but overall, manufacturing shed 1,000 jobs in May; a reminder that the services sector, which includes the travel industry is currently driving the U.S. labor economy.

While unemployment sank to its lowest level in 16 years at 4.3 percent, Elise Gould, senior economist at the Economic Policy Institute noted to the *Washington Post* that it "fell for all the wrong reasons." The slight drop in the unemployment rate is due to would-be workers leaving the labor force and not getting jobs." The Civilian labor force decreased by 429,000 in May (seasonally adjusted) to 159.8 million. Unemployed workers only decreased by 195,000 (seasonally adjusted) to 6.9 million. Jed Kolko, chief economist at Indeed, adds: "Even though job growth slowed, it's still well above where it needs to be to keep up with the working-age population growth. It's inevitable that we would start to see a slowdown in payroll numbers."

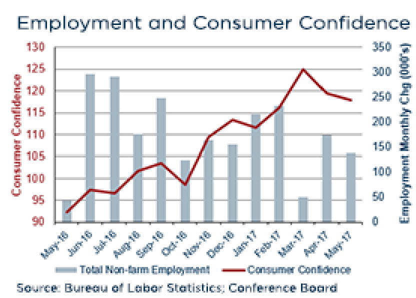
If payrolls slow down, economic theory suggests wages will increase. On the other hand according to Stuart Hoffman, senior economic adviser at PNC Financial Services Group, "what's still missing is any sign of faster, bigger pay hikes." Aggregate weekly payrolls increased 0.2 percent in May compared to a 0.7-percent increase in April. One explanation for this is a labor shortage: the most recent Job Openings and Labor Turnover Survey (JOLTS) from the Labor Department reports that job openings increased to 6 million in April, up 0.2 percent from March. As such, despite the lost momentum in the labor market, economists have adopted a "wait-and-see" policy and caution readers see the May jobs report as a sign of weakness.

U.S. Travel economists estimated that the travel industry added 9,100 jobs in May. So far in 2017, travel has added, on average, 8,800 jobs per month—up 11 percent from the same time period in 2016. In total, the travel industry has added 43,900 jobs through the first five months of 2017 and now employs nearly 8.3 million Americans. The travel industry remains a consistent job creator for the U.S. economy, adding new jobs 10 out of the last 12 months and continuing to support one in nine American jobs.



CONSUMER CONFIDENCE

The Conference Board Consumer Confidence Index®, which decreased in April, declined slightly in May. The Index now stands at 117.9, down from 119.4 in April. "Consumer confidence decreased slightly in May, following a moderate decline in April," said Lynn Franco, director of economic indicators at The Conference Board. "However, consumers assessment of present-day conditions held steady, suggesting little change in overall economic conditions. Looking ahead, consumers were somewhat less upbeat than in April, but overall remain optimistic that the economy will continue expanding into the summer months."



Consumer sentiment climbed to 97.7 in mid-May, riding the so-called Trump bump a little longer, The University of Michigan reported. Economists were expecting The University of Michigan's Consumer Sentiment Index to see a smaller preliminary reading of 97. "Consumer sentiment remained on the high plateau established following Trump's election, with the early May figure nearly identical with the December to May average of 97.4," Richard Curtin, chief economist of the group, wrote in a statement. The Index finished April with a reading of 97, up from 89 for the same month a year ago. "The Trump bump was relatively small given that the Sentiment Index averaged 91.8 in the comparable six month period a year ago and 94.5 in the same period two years ago," Curtin added.

Based on Gallup's U.S. Economic Confidence Index, as of mid-June, Americans' general perception of the U.S. economy remained slightly positive - on par with the range since the first week of May. Americans' confidence in the economy is not as high as it was; after a temporary stock market tumble in late March, the index fell to +5 and has since remained below +10. Still, from a long-term perspective, the recent confidence levels are well above the largely negative ratings Gallup recorded from 2008 through most of 2016.

CONSUMER SPENDING

Recently released economic data suggest consumer spending is resurgent for the second quarter of 2017. According to the Commerce Department, personal income increased by a solid 0.4 percent month-on-month (m/m) in April, driven by a 0.7-percent m/m increase in wages and salaries. Consumer spending, in turn, increased by the same 0.4 percent m/m rate was led by a rebound in durable goods spending, which increased 0.9 percent m/m after decreasing 0.4 percent in March. Spending on services decelerated from 0.6 percent m/m in March to 0.3 percent m/m in April. "The fundamentals for consumer spending are still pretty good: income growth, low inflation, low interest rates, rising household wealth," said Gus Faucher, chief economist at PNC Financial Services Group.

While spending rates matched the rise of personal incomes for April, the Commerce Department's Personal Consumption Expenditure Index (PCE), the Federal Reserve's preferred measure of inflation, deflated to 1.7 percent for April. The deceleration was led by a -2.7-percent 12-month decrease in the price index of durable goods in April 2017, which effectively cancelled out a 2.4-percent increase in the 12-month increase in the services price index. While durable goods deflation, which includes discretionary purchases such as autos or furniture, sounds bad, encouraging signs, such as improving consumer credit scores, are still out there.

The Labor Department's Consumer Price Index (CPI) did not have much better news for consumer prices, with headline inflation deflating to 1.9 percent after starting 2017 with four consecutive months of at least 2 percent growth. Core inflation (CPI less food and energy sector items), increased 1.7 percent in May. Both indices are softening from the 2.8 percent headline inflation high water mark in February. On the other hand, as Jeffery Bartash of MarketWatch explains: "the more recent softening trend might give the Fed space to continue to raise interest rates at a gradual pace. The cost of housing and medical care, two of the biggest components of the CPI, have leveled off along with energy prices."

The Travel Price Index (TPI) had a more dramatic May, slowing down to 2 percent at the unadjusted 12-month headline rate from 3.3 percent in April. For month-on-month comparisons, the TPI deflated 0.9 percent in May, led by a 6.4-percent drop in motor fuel prices and 2.7-percent fall in airline fares. In comparison, the CPI remained relatively flat m/m, deflating only 0.1 percent.

Source: Bureau of Labor Statistics; U.S. Travel Association

Advance retail sales estimates the consumer spending rebound may not be entirely resplendent. According to the Census Bureau, retail spending fell 0.3 percent m/m in May, the biggest decline since January 2016. The decline may have been a blip—sales are still up 3.9 percent this year compared with the same period in 2016. But many economists are puzzled that consumers aren't shelling out more, given the stability in the labor market and solid household finances. Part of this disconnect, as explained by David Jaffe, CEO of the Ascena Retail Group (which owns Ann Taylor, Loft and Lane Bryant) to *The Wall Street Journal*, is that shrinking profit margins and decreased foot traffic are and "will remain major headwinds for the foreseeable future and reflect an accelerated shift to consumer demand toward e-commerce."

Gallup's advanced polling also signal consumer spending strength. The May 2017 average of survey-reported spending for "yesterday" checked in at $104 per day, down slightly from April's $107 per day. This marks the fourth consecutive month that Americans' spending averaged $100 or higher per day, which Gallup reports is a first since data collection began in 2008. Gallup attributes this economic health to "consumers remaining more positive than negative about the state of the national economy and fewer adults are unemployed than at any time in the past 16 years."

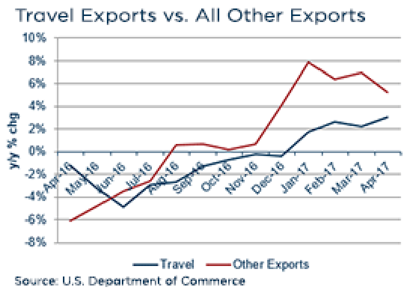
EXPORTS

The U.S. goods and services trade deficit widened by 5.1 percent in April, according to the Commerce Department. Economists surveyed by *The Wall Street Journal* noted that foreign trade was likely to be a modest drag on overall growth in the second quarter, as some of the consumer spending may be siphoned away from domestic businesses toward foreign firms. Even so, "we think the pickup in consumer goods imports likely bodes well for private consumption expenditure," Barclays economist Blerina Uruci said in a note to clients. Exports decreased by $0.5 billion to $191billion and imports increased by $1.8 billion to $238.6 billion.

Travel exports had a flat May 2017, but remained at $20.8 billion; a $0.1-billion increase in international traveler purchases was balanced out by an $0.1-billion decrease in passenger fare exports. Year-to-date, travel exports remain 2.4-percent higher than the first four months of 2016. Overall year-to-date exports increased by 6.1 percent over the same period.

STATE OF BUSINESS

The Labor Department recently released its estimate for first quarter labor productivity, measured as total output over hours worked. In the first quarter of 2017, nonfarm business productivity was unchanged, rather than falling 0.6 percent as reported May 4, due to a 0.7-percentage point (pp) upward revision to output. A 0.5-percent quarter-on-quarter (q/q) increase in manufacturing labor productivity was balanced out by a -1.0 percent q/q performance in business productivity. Productivity softened further for nonfinancial corporate labor productivity, which was down 1.5 percent from the fourth quarter of 2016.



Meanwhile, industrial production, the measure of output at factories, mines and utilities, remained unchanged in May 2017 from April. “Stepping back from the considerable short-term noise, the trend in core manufacturing output is rising modestly,” Ian Shepherdson, chief economist at Pantheon Macroeconomics, said in a note to clients. “Surveys [point] to continued increases in output, but no boom.” Auto production dropped 2 percent, while metals, wood products, appliances, computers, textiles and other sectors also diminished in production. The Institute for Supply Management’s (ISM) “PMI”, a survey highlighting conditions of the manufacturing sector, also stayed relatively unchanged at 54.9 percent in May. The reading marks the 96th consecutive month of growth, with higher growth especially in new orders, employment, and inventories component indices.

The ISM’s Non-Manufacturing Index (NMI), on the other hand, softened to 56.9 percent. Highlights from the report include faster rates in employment, inventories and order backlog, a positive sign for future business activity. All three travel-related sectors in the NMI (accommodation & food services, retail trade and arts, entertainment & recreation) reported expansions in May. While the accommodation & food services sector respondents fretted over commodity price hikes, retail trade sector respondents noted that “business conditions the past month were flat as compared with several months of growth. While levels haven’t decreased, it may be that overall conditions have reached a high watermark.”

The Federal Reserve’s most recent Beige Book reported that “Most of the 12 Federal Reserve Districts’ economies continued to expand at a modest or moderate pace from early April through late May.” New York City respondents noted that “tourism has picked up somewhat… Broadway theaters noted that business improved noticeably in April and the first half of May.” Philadelphia and Richmond districts also reported a pickup in tourism activity, with the former noting that even “in Atlantic City, casino revenues are beginning to eke out slight increases on an ongoing year-over-year (YoY) basis.” In the Southeast (Atlanta), tourism contacts remained “cautiously optimistic,” as “reports noted an increase in the number of visitors in the first four months of the year,” from the same period in 2016, but “the pace of food, beverage, and merchandise spending has slowed” since the last report. In the Upper Plains area (Minneapolis), tourism contacts attributed a strong dollar for Canadian tourist numbers decreasing, but note that “tourists from China and across the United States continued to show up in record numbers to national parks in Montana.”

TRAVEL TRENDS INDEX

More international visitors came to the U.S. than expected in April 2017, according to the U.S. Travel Association's latest Travel Trends Index(TTI)—defying expectations of slowed growth or outright decline in reaction to President Trump's controversial executive orders on travel and immigration, first issued January 27. In fact, international travel grew by about 4 percent YoY in April.

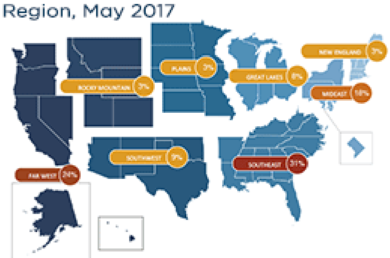
Despite strong international travel growth in April, travel overall grew at a slower YoY rate in April 2017 than in March 2017. Domestic leisure travel growth remained strong, while domestic business travel growth tapered, due in part to the timing of holidays like Easter and Passover this year.

LEISURE TRAVEL

The May U.S. Travel Barometer showed that 75.8 percent of lodging searches by U.S. residents were to locations within the United States. This is nearly identical to May of last year. The Southeast continues to be the topped search region by U.S. residents—capturing more than three in 10 (31%) domestic searches in May. While the Southeast region has actually lost domestic search market share compared to May of last year, the Far West and Mideast share of domestic search increased.

A record 44.2 million Americans will be traveling 50 miles or more to celebrate Independence Day this year, according to a forecast from AAA. The year of 2017 will be marked as the most traveled Independence Day holiday weekend ever, with 1.25 million more travelers than last year. While the majority of July 4th travelers (37.5 million) will drive to their destination, 3.4 million Americans will take to the skies, increasing air travel by 4.6 percent over 2016. A combination of factors including historically low gas prices, rising incomes, and higher consumer confidence bode well for summer holiday travelers and the travel industry.

Share of Domestic Search by U.S. Region, May 2017



Source: nSight at www.nsightfortravel.com

Fifty-nine percent of leisure travelers prefer relaxing vacations over active ones according to a new survey of travelers in 17 countries from GfK Global. There's a small difference between men and women in this preference with 60 percent of men preferring relaxing trips compared with 58 percent of women. Families with teenagers are slightly less interested in relaxing trips (57%), while the share increases to 62 percent for families with children under 12. Teenagers are the most inclined to favor active holidays (43%), compared with only 33 percent of travelers 60 years or older interested in active vacations. Travelers in the United States favored active vacations slightly more than the international average (38% and 35% respectively).

Smartphone data captured from Foursquare's panel of users found that America's international tourism 'market share' started to decline in October 2016, when the U.S. tourism share fell by 6 percent (YoY), and continued to decrease through March 2017, when it dropped all the way to -16 percent. Currently, the data shows no sign of recovery. Foursquare's research panel uses "always on" location trails to detect when phones travel and when they walk in or out of 93 million public places around the world. The share of international tourism to leisure locations in America has been steadily declining since October 2016, after small YoY growth in August and September. Over the full October 2016 to March 2017 timeframe, there was an average decrease of 11 percent YoY.

Other notable takeaways include that the U.S. is losing tourist activity to other foreign destinations. California, was most impacted by the decrease in international travelers and business trip activity. The U.S. is up by about 3 percent (as a share of international traveler global activity), but that trend line is not as high as elsewhere in the world, where YoY trends are closer to 10 percent.

Cruise Line International Association (CLIA) posted its 2016 cruise line record-breaking figures and they blew expectations out of the water! According to the data, 24.7 million people took a cruise worldwide last year - an increase of nearly 6.5 percent from 2015. The 2016 total is higher than originally forecasted by 500,000. The revised numbers mean CLIA is now forecasting that 25.8 million people around the world will take a cruise in 2017. There were 26 new vessels launched in 2016.

Based on a CLIA survey of travel agents, more than three-quarters of travel agents (77%) reported cruise sales up in 2017. CLIA found 47 percent of travel agents reporting the highest customer satisfaction with ocean cruises compared to 21 percent listing all-inclusive resorts and 7 percent ranking house or condo rentals as tops. The survey found shorter cruise lengths are becoming more popular with the greatest interest in cruises lasting less than two weeks. North America-based travel agents have seen a shift towards domestic travel.

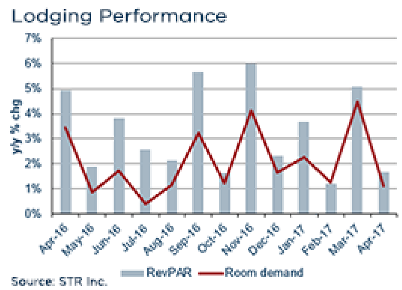
A new survey from Skift indicates that Americans continue to forgo millions of vacation days. Nearly 42 percent of Americans indicated they were not planning on a taking a vacation this summer. While nearly 23 percent said "yes, I have planned and booked," 35 percent answered "not yet." Given last-minute booking trends, the percentage of travelers who actually take a vacation this summer would presumably rise well above 23 percent. Younger travelers appear to be more indecisive and were less likely to have vacations booked than older respondents.

Trivago released its latest summer trends based on 1.4 million annual hotel searches and determined that the United States tops the charts for North American average room-night price at $188.89. Mexico has the lowest average price per night and Canada is only marginally more expensive than Mexico. Interestingly, the average duration of stay between the three counties is consistent at five nights. Las Vegas and Myrtle Beach surpassed New York City as the top destinations searched for summer travel in the U.S. In addition, among the top American domestic emerging destinations, destinations near national parks have seen a significant increase.

A new study from Wyndham Vacation Rentals found that American vacationers are more stressed today than they were a year ago. More than half (51%) indicated they are more stressed today than a year ago and it's causing more than one in three (37%) to cancel or delay their trip. Two in three (67%) vacationers have become stressed due to 'information overload' and are paralyzed with too many choices when researching and planning. Two in five (41%) get stressed about scheduling things to do during their trip. Once on vacation, it takes time to unwind and forget about the stress of work and personal responsibilities. Three in 10 U.S. travelers don't feel truly relaxed until the second day of vacation or later.

A recent [Morning Consult poll found that Millennials](#) under the age of 30 are more likely to buy premium access to websites for exclusive content and unlimited site access than older adults. While young adults were more likely to say they'd pay for site access, they were a little less likely than adults overall to say they use ad-blocking software.

LODGING INDUSTRY



Based on a revised forecast from STR and Tourism Economics, the [U.S. hotel industry is projected](#) to report continued modest growth through 2018. "The political and economic climate in the country continues to evolve with uncertainty. That coupled with lower than expected pricing power during the first quarter led us to decrease our average daily rate (ADR) growth projections," said Amanda Hite, STR's president and CEO. "Nonetheless, signs continue to point toward business as usual for this stage in the industry cycle. Accelerating supply growth is pressuring occupancy levels, but rate increases will continue to push overall revenue per available (RevPAR) growth—albeit below the historical average."

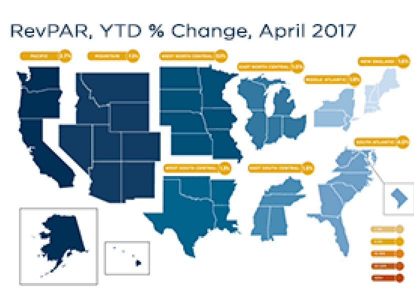
For total-year 2017, the U.S. hotel industry is predicted to report a 0.3-percent decrease in occupancy to 65.3 percent, a 2.5-percent rise in ADR to $127.13 and a 2.2-percent increase in (RevPAR) to $82.98.

PwC and CBRE both [project strong lodging demand](#) through 2017. As a result of continued strong lodging demand growth in the first quarter of 2017, amid weak U.S. GDP growth both companies point to this as a sign that record-high occupancy levels will continue in U.S. hotels at least through 2017. Reinforced by rising employment, higher real income, and increased household net worth, consumer confidence and sentiment remain elevated. For the remainder of 2017, U.S. lodging performance is projected to temper, as peaking supply growth is expected to place increased pressure on pricing power.

[PWC is forecasting](#) occupancy will remain flat for the full year at 65.5 percent, while average daily rate (ADR) will increase 2.3 percent, and RevPAR will increase 2.3 percent. [CBRE expects](#) occupancy to hit 65.5 percent as well, while ADR would go up 2.9 percent, and RevPAR is projected to grow 3 percent.

"Despite the on-going post-election partisanship, the U.S. economy currently appears to be on firmer footing, compared to the same period last year," said Scott D. Berman, principal and U.S. industry leader, hospitality & leisure, PwC. "Events such as the presidential inauguration and women's march in January boosted demand for hotel rooms in the greater Washington, D.C. market. This, coupled with other anomalies such as timing of Easter and Passover contributed to a good start in 2017. The industry needs to keep its eye on the prize and make sure this momentum can be sustained throughout the rest of 2017."

"Since bottoming out in the fourth quarter of 2009, U.S. lodging demand now has grown for 29 consecutive quarters, and led to the record occupancy levels we currently are observing," said R. Mark Woodworth, senior managing director of CBRE Hotels' Americas Research. "We realize that favorable prior year comparisons contributed to the strong growth in first quarter demand, and that pace cannot be sustained through the rest of 2017. However, given the positive economic outlook for the remainder of the year, we are projecting demand to outpace supply once again in 2017, thus resulting in an eighth successive year of occupancy growth for the U.S. lodging industry."



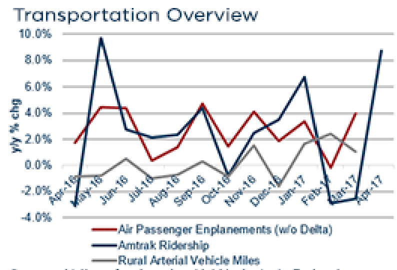
[According to STR, U.S. April](#) room revenue increased 4.8 percent and room demand increased 2.1 percent from a year ago. Total room revenue reached at $13 billion in April 2017.

[Preliminary May hotel data](#) from STR is showing modest gains. The U.S. hotel industry saw YoY revenue-per-available-room growth of between 3 and 5 percent in May, driven by an increase in average daily rate of 1 to 3 percent and occupancy between flat performance and 2-percent growth.

TRANSPORTATION

AIR TRAVEL

A recent study from Indiana University found that airline mergers have no negative impact on on-time performance and might, in fact, lead to long-term improvements. The study, titled "The Impact of Mergers on Quality Provision: Evidence from the Airline Industry," analyzes on-time performance for five U.S. airline industry mergers between 2001 and 2011. They found that during the two years after a merger, on-time performance remained roughly the same. But in the next three years, that performance bested pre-merger levels by approximately 1 percent. Routes that had previously been served by both carriers also saw improvements in the three-to five-year period. The authors attributed those improvements to efficiency gains.



Source: Airlines for America (A4A), Amtrak, Federal Highway Administration

The International Air Transport Association (IATA) reported that April 2017 global airline passenger demand rose by 10.7 percent compared to April 2016, which was the fastest pace in six years. April capacity increased by 7.1 percent, and load factor climbed 2.7 pp to 82 percent—a record for the month of April.

The strong performance is supported by a pick-up in global economic activity and lower airfares. After adjusting for inflation, the price of air travel in the first quarter was around 10-percent lower than in the year-ago period. IATA estimated that falling airfares accounted for around half the demand growth in April. However, the cabin ban on the carriage of large portable electronic devices (PEDs) from 10 Middle Eastern and African airports to the U.S. appears to have weighed down Middle East-North America passenger traffic.

For the North American market, IATA reported that North American airlines posted a 10.3-percent demand increase compared to April a year ago. This appears to reflect a combination of the comparatively robust economic backdrop and the strength of the U.S. dollar supporting outbound passenger demand. Capacity climbed 5.8 percent, and load factor jumped 3.3 percentage points to 81.8 percent.

IATA reported that fewer people flew from the Middle East to the United States in March—the same month that DHS implemented an electronics ban on 10 airports in the Middle East and Africa. IATA says the data reinforces its assertion that the electronics ban will greatly reduce global air travel, especially if it expands to other airports. The 2.8- percent drop in travel from last March is the first annual decline in passengers for that market in the past seven years.

Foreign air carriers have not reported any noteworthy declines in travel demand as a result of recent administration policies. Indeed, not much has changed for Europeans and Latin Americans. In most cases, they can still travel to the United States without visas, and they generally have little trouble entering the country. At least for now, they may bring laptops, iPads and other electronic devices in airline cabins. “We haven’t seen any change in the booking patterns,” SAS CEO Rickard Gustafson said. “There has been some media coverage indicating that the interest to go to the U.S. should have dropped, but we haven’t seen that in our figures.”

Airlines have cut back on mishandled baggage by almost 70 percent since 2007 according to the Baggage Report 2017 from SITA and Air Transport World. In YoY comparisons from 2015, the number of passenger enplanements increased 5.9 percent to 3.77 billion while the overall baggage mishandling rate decreased 12.3 percent to 5.73 mishandled bags per thousand passengers in 2016. Transfers remained the top reason for delayed bags in 2016 with 10.2 million transfer bags delayed. While mishandled bag rates are falling, the cost of mishandled bags to the airline industry remains high, at $2.1 billion.

The number of formal complaints filed against the airlines jumped 70 percent in April, the Department of Transportation reported. The nearly 2,000 complaints were also up 69 percent from March of this year. The number of flight complaints (cancellations, delays, misconnections) more than doubled from the previous April. Delta had almost twice as many as runner-up American. Severe thunderstorms in early April in Atlanta caused Delta to cancel nearly 4,000 flights over five days.

The TSA added seven airlines to its PreCheck program, bringing the total of participants to 37 domestic and international carriers. The new additions are: Copa Airlines, Dominican Wings, InterCaribbean Airways, Silver Airways, Singapore Airlines, Swift Air, and Turkish Airlines. U.S. Travel strongly supports trusted traveler programs, both to expedite screening and enhance security.

Summer travelers can expect to find lower airfares this season. According to booking data from Kayak, coach fares have decreased an average of 23 percent compared with summer 2016. Falling fares may be associated with increased competition. A forecast from Hopper predicted that foreign low-cost carriers will increase their capacity in June by 61 percent in year over year comparisons. Summer fliers can also expect a growing divide between basic and premium economy classes, uncertainty with electronics when flying internationally, and expanding perks including broader in-flight food options and additional TSA PreCheck availability.

ROADS & RAILS

The U.S. Energy Information Administration reported that U.S. regular gasoline retail prices are forecast to average $2.46/gallon, compared with $2.23/gallon last summer for the 2017 summer driving season (April through September). The higher forecast gasoline price is primarily the result of a higher forecast crude oil price. The forecast annual average price for regular gasoline in 2017 is $2.38/gallon.

AAA reported that as of mid-June, at $2.34, the national gas price is cheaper today than it was one year ago. The same trend rings true at the pump in 27 states in the southeast and Midwest – many seeing double-digit price drops. More so, in 46 states consumers are paying, on average, three cents less at the pump than a week ago.

The national price drop is due to an unexpected buildup of crude oil combined with ongoing high gasoline production runs, an increase in gasoline stocks and a drop in gasoline demand. If refiners continue to produce record amounts of gasoline and oversupply the market, consumers will reap the benefit and see slight fluctuations in gasoline prices (+/- a few cents) in coming weeks. However, it is not likely that gas prices will drop much lower than this week's prices.

According to a new survey from the Automotive Connected Mobility Network at Strategy Analytics, ridesharing actually increases the likelihood of purchasing another vehicle for current vehicle owners within the next five years. Frequent ridesharing users that own their own vehicle had greater transportation needs than those that don't. Survey results differed between generations and those with and without children: millennials that have no children and use ridesharing at least once a week are less likely to purchase another vehicle within the next five years than respondents with children.

More than 220 cities and 140 million people would lose access to Amtrak under the proposed White House budget according to the National Association of Railroad Passengers (NARP). The budget proposes to slash long distance train routes in 23 states, largely those that service the southern and western U.S. NARP notes that the budget cuts will place a disproportionate amount of pain on rural and working class families who rely on rail and public transit, and could cost thousands of construction and manufacturing jobs. "If Congress enacts this budget, our national passenger rail network will largely cease to exist," said Jim Mathews, president and CEO of NARP.

BUSINESS TRAVEL

A recent Global Business Travel Association study found that nearly four in 10 business travelers in North America added a leisure leg to their work trip in the past year, similar to prior years. Younger employees are more likely to add vacation to their work travel; 48 percent of millennials said they extended a business trip for that reason. Only 23 percent of baby boomers took a leisure trip, while 33 percent of those age 36 to 54 did so.

Of those who didn't take a leisure trip, 58 percent said the reason was simple: They didn't have enough time. Another 18 percent said company policy didn't allow it. At 43 percent, the top reason respondents gave for taking leisure trips was that they wanted to visit a place where they like to spend time. Nearly as many said they wanted to visit a new destination.

INTERNATIONAL TRAVEL

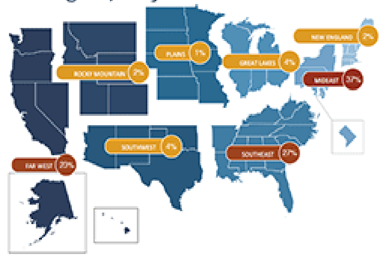
According to the World Travel and Tourism Council's (WTTC) latest Benchmark 2017 Report, travel and tourism directly contributed $2.3 trillion to the global economy and supported 108.7 million jobs in 2016. Travel and tourism supported seven times more jobs than automotive manufacturing, five times more jobs than chemical manufacturing, four times more jobs than mining, 3.5 times more jobs than banking, and two times more jobs than financial services. Including indirect and induced impacts, travel and tourism generated $7.6 trillion (10.2%) of global GDP, and sustained 292.2 million jobs. WTTC projects global travel and tourism GDP to grow 4 percent per annum over the next decade, while the total global economy is expected to expand at only 2.7 percent per annum.

The latest U.S. Travel Barometer showed that the U.S. received 12.9 percent of global international lodging searches in May 2017. This is on par with the U.S. share of searches during the first four months of the year and nearly identical to the 12.8 percent share in May of last year. The U.S. share of global searches remained at 51.6 percent in May. This is consistent with the 51.5 percent of global searches seen last May.

In terms of the U.S. share of international searches in the U.S., the Mideast region continues to be the top searched region capturing 37 percent of international searches and was also the region that received the largest boost in terms of share in May—increasing 9.1 percent compared to May 2016. The Southeast lost share compared to May 2016.

If [President Donald Trump follows through and rolls back](#) U.S. policies toward travel to Cuba, U.S.-based airlines and cruise lines could lose an estimated $3.5 billion and more than 10,000 jobs through 2021, according to a new study from Engage Cuba, a Washington, D.C.-based nonprofit that works to end travel restrictions and the U.S. trade embargo on Cuba.

Share of International Search by U.S. Region, May 2017



Source: nSight at www.nsightfortravel.com

Estimates reflect potential job and economic impact losses after the four years of President Trump's first term, which would end in January 2021. The study focuses on the number of jobs and amount of money that various industries, including travel, could lose if the U.S. reinstates travel restrictions for Americans who want to go to Cuba. U.S. airlines could lose nearly $512,000 each year or $2 billion and nearly 4,000 jobs through 2021, the study found, and cruise lines could lose more than $1.5 billion and more than 6,000 jobs over that span.

The just released [Chinese Luxury Traveler report](#) found that the United States placed third, behind Antarctica and France—as one the most memorable travel destinations for Chinese luxury travelers. Other key findings include that Chinese travelers prefer adventure tourism. Around the world travel, polar exploration, and outdoor adventures are themes for the Chinese luxury traveler in the next three years. Luxury hotels are still the first choice for China's luxury travelers. Ritz-Carlton and Four Seasons hotels are the most popular choices, although boutique hotels are increasingly favored. While on holiday, Chinese luxury travelers like to purchase cosmetics, local produce, bags and suitcases, clothes and accessories, and jewelry.

Visitors from China and India spent [record amounts on travel and tourism in the U.S. in 2016](#), totaling $34.8 and $13.1 billion respectively, according to the National Travel and Tourism Office's (NTTO) preliminary 2016 data. China (+15%), India (+11%), and South Korea (+10%), were the only source markets in the top 10 that exhibited tourism spending growth in 2016. Spending by visitors from Canada decreased by 13 percent, following an identical decrease in 2015, leading some to speculate that Mexico could surpass Canada in the rankings in 2017. The top 10 biggest spending markets in 2016 were China, Canada, Mexico, Japan, the U.K., India, Brazil, South Korea, Australia and Germany. The top-five markets retained their respective ranks from 2015, while India and South Korea moved up in the ranks, and Brazil, Australia and Germany fell.

The fiscal year 2018 federal budget released by President Trump included a proposal to eliminate funding for Brand USA—and redirect that revenue to Customs and Border Protection. The budget is only a proposal, requiring congressional approval, and U.S. Travel supports more resources for CBP. According to Oxford Economics, over the last four years [Brand USA has attracted 4.3 million incremental visitors](#); $13.6 billion in related spending; and $29.5 billion in total economic impact, including nearly $3.9 billion in federal, state and local taxes. This has supported 50,900 incremental jobs annually and overall yielded an astonishing 27-to-1 return on investment. U.S. Travel has already launched a [full-court defense of Brand USA](#), including a letter to key legislators supporting Brand USA signed by [300 travel businesses and destinations](#) across the country.

PROJECT: TIME OFF

While Americans are taking more vacation, more than half (54%) of employees are still leaving vacation days unused. New research from Project: Time Off reveals that there are profound geographical differences that influence employees' vacation behavior and perceptions. The report, "[Under-Vacationed America: An Analysis of the States and Cities That Need to Take a Day](#)," explores the unique barriers that employees face and ranks the best and worst states and cities for vacation usage.

U.S. Travel Association Updates

RESEARCH

U.S. Travel research recently updated the [U.S. Travel forecast table](#) on the website. Highlights include:

- Total travel expenditures by domestic and international travelers in the U.S. is forecasted to reach $1 trillion in 2017.
- Domestic leisure travel volume is projected to keep growing at a healthy pace of 1.8 percent in 2017, while domestic business travel—which suffered from a decline in 2016—is expected to recover and grow by 1.6 percent in 2017.
- International inbound travel to the U.S. will remain stagnant in 2017, edging down 0.1 percent from 2016. Visitation from Canada and Mexico is expected to decline 0.5 percent while overseas visitation is expected to rise a mild 0.2 percent, with increases from Asia and Latin America offsetting decreases from Europe.

POLICY

The Department of Homeland Security published 2016 data on foreign visitor overstays, by country of origin and type of entry to the United States. Particularly noteworthy was DHS documentation that 99.3 percent of visitors under the Visa Waiver Program departed the U.S. on time—even better than last year's total. To further improve compliance, U.S. Travel has recommended measures ranging from accelerated biometric exist technologies to routine reminders of traveler departure deadline dates.

The first-ever IPW hosted by Washington, D.C. was a rousing success, yielding an estimated $4.7 billion in business contracts for 6,400 travel leaders attending from 70 countries. The over-arching theme was "One Big Welcome" for legitimate visitors to the United States.

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