U.S. TRAVEL ASSOCIATION

NOVEMBER 2017 | Research and Trends From David Huether

U.S. TRAVEL OUTLOOK

Examining Current Industry Trends

CURRENT STATE OF THE ECONOMY

In general, the U.S. economy is in good shape. Except for residential investment, all major private-sector components of GDP (consumer spending, business investment and exports) are in an expansionary mode. Consumer sentiment, as well as business surveys across manufacturing and service sectors, shows strong underlying confidence in the economy. Inflation remains subdued. Interestingly, an October poll by the Conference Board shows that percentage of Americans planning to take a vacation in the next six months jumped to the highest level since at least 1978.

Economic Summary: In the wake of three devastating hurricanes, the U.S. economy did the unthinkable: it got better. Real economic output increased 3 percent in the third quarter, according to advance estimates from the Commerce Department. The two quarters combined mark the first time the economy has expanded at a 3 percent rate or above since mid-2014, when the economy strung together quarters of 4.6 percent and 5.2 percent growth.

Real GDP growth was surprising, but its composition reflected a recent trend of balanced growth across consumer spending, investment, and positive net trade. Consumer spending, which accounts for just over two-thirds of the U.S. economy, slowed from its second quarter estimate, but still reflected nearly two-thirds of the third-quarter growth, or 1.6 percentage points (pp). Investment, especially business spending on inventories, increased at a faster rate than the second quarter (6% growth against 3.9% in Q2). Nonfarm inventories contributed 0.7 pp to GDP growth, reflecting greater short-term business investment. Net exports also posted its strongest contribution to GDP growth since 2013 (0.4 pp), buoyed by a 4.1 percent increase in services exports (which includes travel exports).

Economists, however, stressed caution: "this is a positive report for an economy that was battered by two hurricanes... but it is not as strong as… 3 percent growth might suggest," said John Ryding, chief economist at RDQ Economics. Recent analysis from Bloomberg showed that performance across many economic sectors were severely impacted in the short-term. This was especially true for some travel-related industries, vis-a-vis 33,000 canceled flights, more cancelled bookings for theme parks and cruise lines, higher gas prices and weakened restaurant sales. On the other hand, according to Bloomberg analysts, "the economic fallout from the hurricanes has been mixed: Any economic drag from damage in Texas and Florida will likely give way as activity rebounds amid rebuilding efforts." It follows that the net economic impact of the recent national disasters will be measured in how fast that recovery can recoup those economic losses and normalize its recent price fluctuations.

With respect to travel's economic contribution, the industry remains measured, but optimistic. According to David Huether, senior vice president of research and economics at U.S. Travel: "Consumer spending on travel-related products—such as transportation services, recreation, food services and accommodation—increased at an annual rate of 2.9 percent in the third quarter, compared to a 0.2 percent increase in Q2 of 2017. This is also faster than the 2.4 increase in overall consumer spending last quarter. In fact, travel-related consumer spending has outpaced overall consumer spending three out of the past five quarters."

While stressing caution, economists remain optimistic moving forward. The Federal Reserve, despite months of inflation sagging below the 2 percent target rate, maintained its signal to increase interest rates in December, expecting that "[hurricane-related] disruptions and rebuilding will continue to affect economic activity, employment and inflation in the near term, past experience suggests that the storms are unlikely to materially alter the course of the national economy over the medium term." While economists remained uncertain over how recent Federal Reserve chair appointment of Jerome Powell will govern, analysts remain optimistic in the Fed's capacity for economic governance. In particular, Greg McBride, chief financial analyst for Bankrate.com noted that "the [hurricane-related] uncertainty of the September meetings has subsided and signs are that growth has been stronger".

Regarding more recent economic future, David Payne, economist at Kiplinger, writes that "The economic momentum should continue into the fourth quarter, with 2.7 [percent] growth [expected]. Consumer spending is likely to remain strong, given the jump in consumer sentiment surveys in October....Not only will recent economic momentum continue, but there is likely to be some extra boost from any tax plan passed by Congress." Upon this tax reform bill, expected to comprehensively restructure the tax code, Oxford Economics' Gregory Daco and Oren Klachkin state that if this should pass, it "could boost growth significantly, but it would likely do so only temporarily. The economy is currently close to potential and the supply-side benefits of the package are limited. This means that inflationary pressures are likely to build if the tax plan is approved, eventually leading the Fed to take a more hawkish stance".

LABOR

The U.S. economy added 261,000 jobs in October, meeting expectations that the country had rebounded from damage wrought by Hurricanes Harvey and Irma, and the jobless rate ticked down to 4.1 percent—the lowest level since 2000. Year-over-year wage growth, though, slowed to 2.4 percent, according to the Bureau of Labor Statistics. "It was a bounce back after the weak jobs figures from the hurricanes—the same pattern we saw with Hurricane Katrina in 2005," said Andrew Chamberlain, chief economist at Glassdoor. Roughly 100,000 hospitality employees missed paychecks in September. "Quite a bit of the loss we saw last month was not actually people who permanently lost their jobs, but rather people who did not happen to be paid during that period," said Cathy Barrera, chief economist at ZipRecruiter.

The initial September report showed the economy losing jobs for the first time since 2010, but the government revised the figure showed the chaotic month brought a modest gain of 18,000 positions.

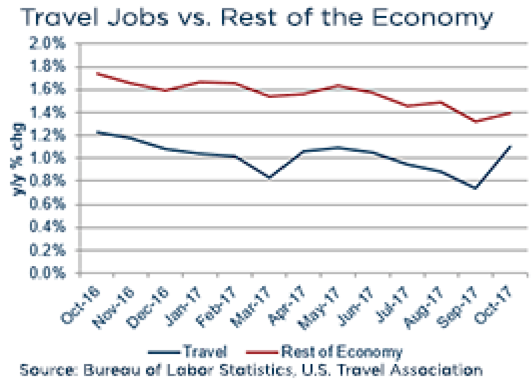
"The streak is back," said Jed Kolko, chief economist at Indeed. "With the upward revision of September payrolls into positive territory, October's job gain of 261,000 is the 85th straight month of growth."

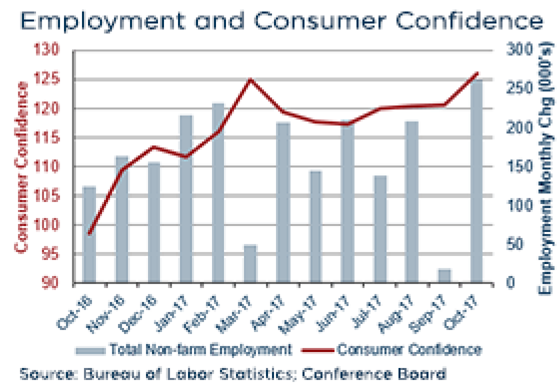
Average hourly earnings for workers fell by one cent to $26.53 in October after rising 12 cents in the previous month. September's pay figure, though, was skewed by the storms driving low-wage workers, primarily those in food and drink roles, out of the labor market.

U.S. Travel's analysis of the most recent Labor Department employment data shows that the travel industry added an impressive 30,000 new jobs in October. The increase in travel industry employment accounted for more than 11 percent of overall job creation last month. This increase was partially due to the rebound from the 14,000-job drop in September travel employment that largely reflected the impact of Hurricanes Irma and Harvey. Over the first 10 months of 2017, travel has created 75,900 jobs—4.5 percent of all new jobs created so far this year.

CONSUMER CONFIDENCE

The Conference Board Consumer Confidence Index®, which had improved marginally in September increased again in October. The Index now stands at 125.9, up from 120.6 in September.





"Consumer confidence increased to its highest level in almost 17 years (Dec. 2000, 128.6) in October after remaining relatively flat in September," said Lynn Franco, director of economic indicators at The Conference Board. "Consumers' assessment of current conditions improved, boosted by the job market which had not received such favorable ratings since the summer of 2001. Consumers were also considerably more upbeat about the short-term outlook, with the prospect of improving business conditions as the primary driver. Confidence remains high among consumers, and their expectations suggest the economy will continue expanding at a solid pace for the remainder of the year."

Conversely, U.S. consumer sentiment tumbled in early November, though the index remained at the second-highest level of the year so far. The University of Michigan's index of consumer attitudes fell to 97.8 in November, well below the expectations of a survey of Reuters economists, who forecast no change from the 100.7 level at the end of October. The measure soared to 101.1 on Oct. 13—the highest level since 2004—and has been consistently deflating since then. Richard Curtin, chief economist for Surveys of Consumers, attributed that decline in consumer attitudes to "widespread losses across current and expected economic conditions."

Curtin said that while wage gains and the overall number of consumers have been trending positively, "these favorable trends were countered by a slight rise in year-ahead inflation expectations and a growing consensus that interest rates will increase during the year ahead."

The percentage of Americans planning to take a vacation in the next six months jumped in October to the highest level since at least 1978, according to a report by the Conference Board. The splurge in planned vacation spending reflects soaring optimism about the healthy jobs market and booming stock market. The unemployment rate of 4.2 percent is the lowest in 16 years and the Dow has zoomed to record highs.

"Consumer confidence is going straight up along with the stock market," Chris Rupkey, according to chief financial economist at MUFG Union Bank. Spending intentions were a bit mixed, with one glaring exception: travel plans. The percentage of Americans plotting vacations spiked by more than 11 percentage points to 63.5 percent.

Of course, not all Americans feel good enough to travel right now. Those making $25,000 to $34,999 have a confidence score of 105.9, which is down from September and roughly even with after the election. Compare that with the increasingly euphoric confidence levels of 160.9 for those with household income of $125,000 or more. "The advancing tide is not lifting all the boats," Rupkey said, adding that it's a "tale of two Americas." Millennials also registered the lowest confidence since February and remain less upbeat than those 35-54. The key for the economy is whether soaring consumer sentiment translates to actual spending this fall. Sometimes consumers say they feel good, but don't open their wallets more. For instance, consumer spending slowed during the third quarter despite strong confidence.

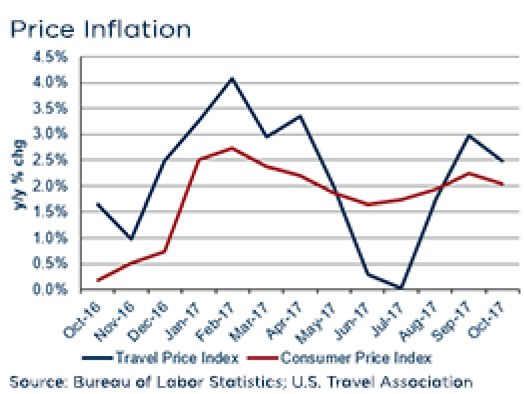
However, Andrew Hunter, U.S. economist at Capital Economics, predicted that confident Americans are likely to accelerate their spending during the final three months of the year. If anything, Hunter argued that consumer sentiment is "starting to look increasingly overdone."

CONSUMER SPENDING

Personal consumption expenditures (PCE) finished the third quarter on a very strong note, increasing 1 percent in September to $136 billion, according to the Commerce Department. The 1 percent month-on-month PCE increase (m/m) is the second-largest monthly increase in the eight years following the Great Recession. Personal incomes, on the other hand, increased at a modest 0.4 percent m/m in September, meaning the savings rate fell to a post-recession low of 3.1 percent. On the one hand, the sudden jump in spending “does seem to be consistent with high household net wealth,” said Paul Ashworth of Capital Economics. Net worth of U.S. households—the value of their assets minus their debts—rose by $1.7 trillion in the second quarter of 2017 to $96.2 trillion, according to the Federal Reserve. On the other hand, “consumer incomes are not rising fast enough to sustain solid growth and that is a warning sign of future trouble,” said Joel L. Naroff, chief economist at Naroff Economic Advisors Inc.

The uptick in spending seems yet to be reflected in increasing consumer prices, according to the PCE Index from the Commerce Department. The Federal Reserve’s measure of inflation increased only 1.6 percent at a 12-month (y/y) rate in September. Core PCE prices, that is, prices excluding volatile food and energy items, increased only 1.3 percent. The Federal Reserve remains unworried about inflation remaining well-below the 2-percent target despite a strong increase in spending, stating that it “is expected to remain somewhat below 2 percent in the near term but [will] stabilize around the Committee's 2 percent objective over the medium term.” “It confirms a December move [in interest rates],” said Gregory Daco of Oxford Economics, referring to the continued market signaling by the Fed of an increase in benchmark interest rates next month ”... it’s a sign that monetary policy will continue on its current course that we have seen so far this year with gradual normalization.”

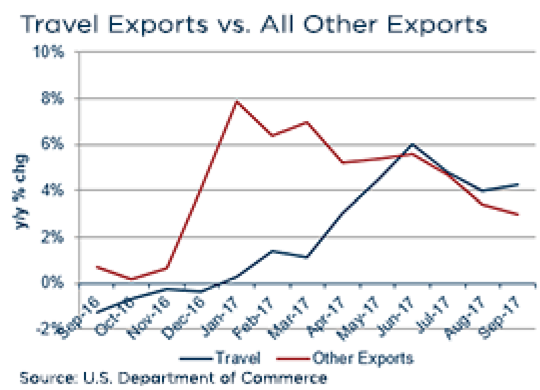
The Labor Department’s Consumer Price Index (CPI) edged up 0.1 percent m/m for October, with the 12-month rate easing to 2 percent from 2.2 percent in September. Core inflation, which excludes food and energy prices, increased 0.2 percent m/m in October, with the 12-month rate increasing to 1.8 percent from 1.7 percent in September. The continued softness in prices supports a narrative on Wall Street that interest rates may not increase as much as planned in 2018. Traders are beginning to suspect that longer-term interest rates will not grow as fast as short-term interest rates, flattening the yield curve for government bonds.



Comparatively, October 2017’s Travel Price Index (TPI) increased 0.4 percent m/m (seasonally adjusted), much faster than the parent CPI’s 0.1 percent increase m/m. The 12-month TPI inflation rate for October, 2.5 percent, also outpaced CPI inflation October 2016 (2%). Spending on lodging increased by 1.8 percent from the previous month, while air fares increased 0.7 percent. This was counterweighted by a 2.5 percent decrease in motor fuel prices from September’s spike. This one-month decline does not cancel out the 10.8 percent 12-month increase in motor fuel and the 4.7 percent 12-month increase in overall transportation costs, which drove the TPI rate 0.5 pp ahead of the CPI for all goods.

EXPORTS

September oversaw the biggest increase in imports since January, according to the Commerce Department. The U.S. goods and services trade deficit widened by $0.7 billion in September to $43.5 billion: a $2.8 billion increase in imports wiped out a $2.1 billion increase in exports, which was the largest monthly increase since June. Imports increased 1.2 percent, and exports increased 1.1 percent from August. Imports in September reached the highest level in eight months, and non-petroleum imports were the highest since March 2015. The Commerce Department said hurricanes Harvey, Irma and Maria did effect recent months of trade data, but "these effects generally cannot be isolated."



The travel industry, on the other hand, maintained its trade surplus of $7.1 billion in September: travel exports gained $0.2 billion from August to $21.3 billion, and travel imports, matching the $0.2 billion increase from travel imports to $14.2 billion. This marks the fourth consecutive month the travel trade balance has stayed above the $7 billion mark, improving from $6.5 billion in January. Without this surplus, the U.S. goods and services trade deficit would be 16.3 percent larger.

STATE OF BUSINESS

Echoing the positive momentum reported by the most recent GDP estimates, nonfarm business productivity increased 3 percent in the third quarter, according to the Labor Department. This marks the fastest quarterly rate in three years, and marks a second-straight quarterly acceleration. The news followed an estimated 1.5 percent increase for the second quarter. "The third quarter is a big turnaround from the stagnation seen a year ago and suggests that real wages will begin to pick up more rapidly soon," said Michael Pearce, economist at Capital Economics. Year-on-year (y/y) growth increased 1.5 percent for the third quarter of 2017.

Industrial capacity continued to improve in September, increasing 0.3 percent month-on-month (m/m) after storm-induced softness created a 0.7 percent decrease in production in August, according to the Federal Reserve. For the third quarter as a whole, industrial production fell 1.5 percent at an annual rate. "Excluding the effects of the hurricanes," the report states, "the index would have risen at least [0.5] percent."

Continuing the positive momentum, durable goods orders picked up in September, rising 2.2 percent from August at a seasonally adjusted rate according to the Census Bureau. Strong aircraft orders led the gain, while orders excluding transportation were up a modest 0.7 percent. The Census Bureau noted that it could not isolate the impact of Hurricanes Harvey and Irma on durable goods orders.

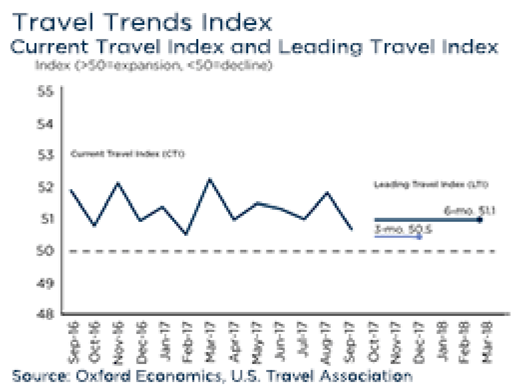
Factory activity for October remained strong, according to the Institute of Supply Management's Manufacturing Purchasing Managers Index. The index, which derives its values from survey data across the manufacturing sector, decreased 2.1 points to 58.7, a reduced albeit quite strong reading for business productivity (any reading above 50 indicates expansion). "Global demand is strong, the dollar is competitive and domestic spending on capital equipment is rising rapidly," said Pantheon Macroeconomics Chief Economist Ian Shepherdson said, noting that October's decrease came down from a 13-year high reading of the PMI in September.

Services sector activity increased to an all-time high in October, according to the ISM's Non-Manufacturing Index (NMI). The NMI improved to 60.1 from 59.8 in September, a seemingly innocuous change if only economists surveyed by *The Wall Street Journal* were not expecting it to decrease. "The continued strength of the business surveys illustrates that the pickup in GDP growth over the past couple of quarters has been no fluke, and supports our view that the economy will continue growing at a healthy pace over the coming quarters as well," said Andrew Hunter, U.S. economist at Capital Economics. In particular, travel-related industry respondents to the NMI remained concerned about input costs, though retail trade respondents noted their "uptick based on replacement vehicle activity in hurricane-impacted areas of Texas and Florida."

Retail sales activity picked up 0.2 percent m/m in October, an improvement over flat expectations from economists polled by CNBC. Excluding food services and auto sales, the "PCE control group" used in the consumer spending calculation for GDP, increased 0.3 percent m/m after a strong 0.6 percent m/m reading in September. "The broad-based advance in October sales and a stronger hand-off from an upwardly revised September show American consumers will continue to fuel the economy in the fourth quarter. Steady hiring, rising asset values and limited inflation are underpinning consumer spending," said Sho Chandra at Bloomberg.

TRAVEL TRENDS INDEX

Domestic leisure travel led all travel segments in September 2017 despite the destructive hurricanes that pummeled U.S. states and territories during a normally busy season, according to the latest Travel Trends Index (TTI).



The increase marked the 93rd consecutive month of travel growth. However, overall travel volume grew at a slower year-over-year rate in September than in August. Domestic business travel dipped modestly, likely due to a calendar shift in Jewish holidays and Hurricanes Harvey and Irma. "Both the domestic and international travel markets are showing remarkable resilience in the face of some significant headwinds," said U.S. Travel Association President and CEO Roger Dow. "Pretty much every challenge you can imagine—both natural and man-made—has been thrown at travel this year, and yet this industry continues to do far more than its share for export and domestic job growth.

Total U.S. travel volume is expected to grow at a rate of around 2.2 percent through March 2018. Forward-looking metrics suggest a positive outlook for international travel, but tempered expectations are very much in order.

LEISURE TRAVEL

The October U.S. Travel Barometer reported that close to eight in 10 (79%) U.S. residents were searching for lodging within the U.S. in October. The share of U.S. residents searching for domestic travel is on par with the last few months and up somewhat from October of last year. The Southeast captured 42 percent of domestic searches in October—the highest share since early

2015. While interest in the Southeast has been growing, travel searches to the Far West has somewhat declined in recent months. Year-over-year, searches to the Southeast increased 5.6 percent.

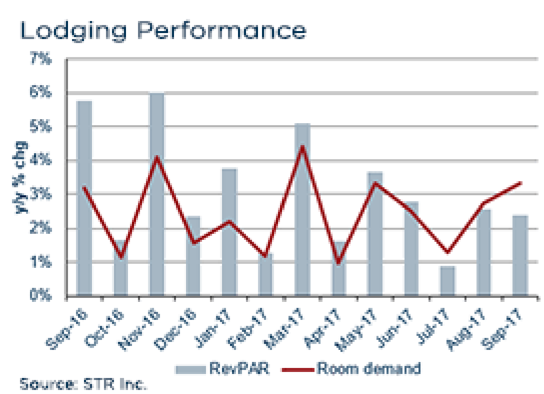
AAA projects 50.9 million Americans traveled at least 50 miles from home this Thanksgiving—the highest Thanksgiving travel volume since 2005 and up 3.3 percent from 2016. Bill Sutherland, AAA senior vice president, is optimistic that high travel volume will continue through the rest of the holiday season: “A strong economy and labor market are generating rising incomes and higher consumer confidence, fueling a strong year for the travel industry, which will continue into the holiday season.”

Forty-one percent of leisure travelers took their last vacation because they wanted to get away or take a break, according to Phocuswright. The research which examined leisure travelers consideration phase when researching and deciding their destination, found that relaxation was a stronger motivation for vacation than spending time with friends and family, or using available vacation time. The duration of the trip had the strongest influence on both travelers motivation for travel, and booking patterns. Long weekend trips of three nights or less, usually represents a celebration, while short trips of four-six nights are tied with taking a break from work.

The National Park Service announced a proposal that would charge higher peak-season fees in some of the country's favorite parks. The 17 parks selected for the fee hike are the “top revenue parks...collecting 70 percent of the total of all entrance fees through the country,” according to the National Park Service. The proposed increase in peak season fees is compared to Uber’s surge pricing, with high demand leading to higher prices. The peak season fees would increase park service revenue by 34 percent, or $70 million, used to address maintenance issues, as well as support free-entry to other parks.

LODGING INDUSTRY

Hurricanes Harvey, Irma and Maria and a shifting Jewish holiday skewed U.S. hotel performance results in September, according to STR. Both the hurricanes and the holidays created additional demand during September, while many hotels in hurricane ravaged areas closed, decreasing demand. Overall demand in the U.S. increased 3.3 percent in year-over-year comparisons, with Texas and Florida reporting 11.8 percent increases in demand. September also set a record of rooms sold with 108 million. RevPAR increased 2.4 percent and rooms under construction increased 5.6 percent against September 2016.

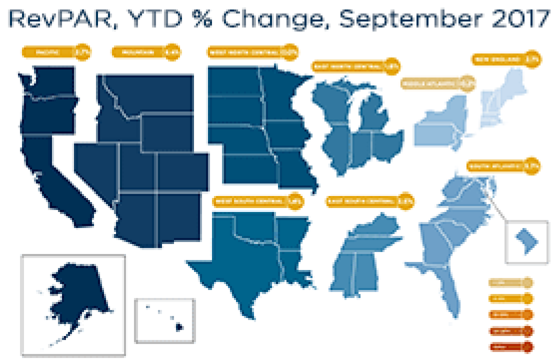


According to STR, total U.S. room revenue increased 4.4 percent and room demand increased 3.3 percent from a year ago in September 2017. Total room revenue reached $13.9 billion.

Each of the three key lodging metrics rose for U.S. hoteliers during October, according to the latest data from STR. Occupancy increased 1.6 percent to 69.6 percent, while average daily rate went up 2.5 percent to $130.20. This combined for a 4.1 percent increase in revenue per available room to $90.56.

Given the events of the past couple months, it probably isn’t surprising to hear that Houston saw the greatest percentage increase in each of the three key metrics.

Despite the political uncertainty that marked the beginning of this year, and subsequent natural disasters that hammered the country in the third quarter, lodging-industry performance has remained strong, according to the latest edition of PwC's "Hospitality Directions U.S." The impact of hurricanes Harvey and Irma have been initially positive on the lodging sector - particularly in Houston, where displaced families, FEMA teams and recovery work crews have kept occupancy high. Demand growth has continued to outpace supply increases, and PwC's latest forecast reflects continued optimism for both 2017 and 2018.



Source: STR Inc.

The forecast calls for relatively strong momentum carried through 2018, with demand growth continuingto outpace supply growth, 2.1 percent to 1.9 percent. That would result in an overall occupancy of 65.9 percent next year, the highest occupancy level since 1981.

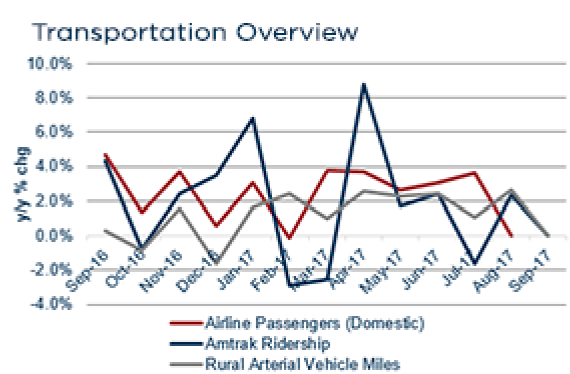
New research from Morgan Stanley suggests the pace of growth of Airbnb use is slowing in the U.S. The study found that the share of travelers who used Airbnb during the past 12 months rose to 25 percent, an increase of 300 basis points, which is lower than the prior year's growth of 800 basis points. Morgan Stanley attributes the tempered growth to a plateau in awareness of Airbnb. Morgan Stanley found that the slowing growth applies to both leisure and business travelers. The firm had expected business travel adoption to increase from 18 percent in 2016 to 23 percent in 2017. Instead it grew to only 20 percent.

The Baird/STR Hotel Stock Index increased 4.3 percent in October: The index was up 21.7 percent year to date through the first 10 months of the year. “Hotel stocks outperformed again in October as investors remain optimistic about the potential for tax reform to lead to improved growth next year,” said Michael Bellisario, senior hotel research analyst and VP at Baird. “Despite continued sluggish RevPAR growth trends and plenty of noise related to the hurricanes, investors appear to be looking through these near-term items and have extended their investment time horizons; most management teams remain optimistic that 2018 will be a better year than 2017, but no one is seeing any signs of improvement just yet.”

TRANSPORTATION

AIR TRAVEL

Global passenger traffic increased by 5.7 percent in September, compared to the same month in 2016, according to the International Air Transport Association (IATA). This was the slowest year-on-year increase since February. Hurricanes Irma and Maria weighed heavily on the results, although growth already had been tapering.



Source: BTS, Amtrak, Federal Highway Administration

North American airlines experienced a 3 percent rise in demand in September. Capacity rose 3.6 percent and load factor fell 0.5 percentage points to 81 percent. In addition to the impacts of hurricanes Irma and Maria, anecdotal evidence continues to suggest that inbound traffic to the U.S. is being deterred by additional security measures now involved in traveling to the country.

Airline traffic between Middle Eastern countries and the United States has not bounced back from the cumulative impact of the Trump administration's bans on in-flight electronics and travel from certain Middle Eastern countries, despite the electronics ban being lifted over the summer. IATA noted that the 3.7 percent increase in demand Middle East carriers saw in September was the slowest rate of increase since February 2009. "Traffic between the region and the U.S. has fallen for six consecutive months through August," IATA said.

A record 28.5 million passengers were expected to fly for the Thanksgiving holiday this year, representing a 3 percent increase over 2016, according to Airlines for America. The total number of passengers flying between November 17 and November 28 was expected to top the previous record of 27 million passengers, set last year.

Bloomberg reported that airlines cancelled more than 33,000 flights related to the three U.S. hurricanes. United Continental Holdings Inc. was hit especially hard because of its huge hub in Houston, which shut down for several days during Harvey. United canceled about 8,300 flights during the storms and reduced third-quarter pretax income by $185 million. JetBlue, the top U.S. carrier to Puerto Rico, canceled more than 2,500 flights, net of 550 extra flights added to get people out before and after the storms and to ferry supplies into the affected areas. JetBlue’s operations were disrupted for more than 30 consecutive days.

The number of air travelers is expected to reach 7.8 billion in 2036, according to IATA’s 20-Year Air Passenger Forecast. The prediction, based on a 3.6 percent compound annual growth rate, represents a near doubling of the four billion passengers expected to fly this year. The biggest driver of demand will be the Asia-Pacific region, which is expected to bring more than half of new passengers in the next two decades. China will surpass the U.S. as the biggest aviation market by 2022, and the U.K. will fall to fifth place, displaced by India in 2025 and Indonesia in 2030. The growth metrics are dependent on policy regarding the minimization of trade barriers; IATA predicts that increasingly protectionist policies and travel restrictions could slow the growth rate to 2.7 percent, meaning 1.1 billion fewer passenger journeys annually in 2036.

A recent Government Accountability Office (GAO) report found that domestic air carriers collected $7.1 billion in revenue from checked-bag and changed reservation fees last year. The extra charges are helping the industry earn record profits. The GAO report concluded that, on average, passengers who flew with at least one checked bag paid more in total for their airfare and bag fees than they did when fares included checked baggage.

ROADS & RAILS

U.S. regular gasoline retail prices declined 14 cents to an average of $2.51 per gallon in October from the month prior, which was the highest monthly average since July 2015. The September prices reflected the effects of market disruptions following hurricanes Harvey and Irma. The Energy Information Administration (EIA) forecasts that U.S. regular gasoline retail prices will average $2.40 per gallon in 2017.

According to the Energy Information Administration (EIA), the latest gasoline demand measurement is the highest for the end of October since 2006. At $2.53, today’s gas price is six cents more than a week ago, two cents more than a month ago and 31 cents more than a year ago.

“October has seen strong demand numbers likely, in part, due to consumers taking advantage of the unseasonably warm weather rather than spending time indoors,” said Jeanette Casselano, AAA spokesperson. “As consumers fill up their tanks more frequently, we are seeing supply levels tighten and gas prices increase. However, we don’t expect this increase to be long-term.”

The national gas price average during the second half of October was relatively stable, fluctuating a penny or two until October 31. Since then, the national price has seen upward movement, primarily resulting from increased demand.

Amtrak predicted it would carry about [761,000 passengers to travel across its national rail network] during the Thanksgiving travel period. The numbers are consistent with passengers traveling for the Thanksgiving holiday in 2016.

BUSINESS TRAVEL

Quality of life remains a growing concern for business travelers according to a recent survey of corporate travel managers from the Association of Corporate Travel Executives (ACTE). Thirty-one percent of travel managers reported increasing inquiries about work-life balance in 2017, while 37 percent reported a rise in inquiries about on-trip connectivity and communications. Managers reported that personal safety continues to be a pressing concern. The survey also detected a shift towards less restrictive travel policies allowing more choices on items that are most important to travelers.

Shared-economy ride-hailing service continues to grow in popularity among business travelers according to the latest SpendSmart Report from Certify. Although Uber's share of business travel expenses fell for the first time since Cerify began measuring ride-hailing service, Lyft's share increased 3 percent from Q2 to 11 percent. Taxi services and car rentals each lost 1 percent of their share in this quarter, dropping to 7 percent and 28 percent respectively.

Bleisure is continuing as a rising trend in the U.S. business travel market, according to a new study from Expedia. The report revealed that 43 percent of business trips in the U.S. are bleisure trips, with 70 percent of business travelers adding extra days to their trips at least every two-to-three months. Bleisure trips average more than six nights, whereas business trips average only two nights.

INTERNATIONAL TRAVEL

The United States' share of international searches increased to 16.2 percent in October, according to the latest U.S. Travel Barometer. Year to date, U.S.'s share of international searches is on par with 2016. U.S.'s share the past two months has somewhat increased over 2016. After falling behind in recent months, travel interest to the U.K. and France gained some ground in October. International searches to the Southeast now represent more than four in 10 (41%) of international searches and increased 6 percent over October of last year. The Mideast region captured 26 percent of international searches in October, down somewhat from October of 2016. Australia was the top country with travel interest to the Rocky Mountain region in October.

International tourism is on track for a record year, according to the United Nations World Tourism Organization's (UNWTO) *World Tourism Barometer*. Between January and August 2017, destinations worldwide welcomed 901 million international tourist arrivals, 56 million more than in the same period of 2016. This corresponds to a robust 7 percent increase, well above the growth rate of previous years. North American arrivals, as reported by the *Barometer*, increased 2 percent year-to-date: "robust results in Mexico and Canada contrast with a decrease in the United States, the region's largest destination."

With respect to international tourism source markets, international tourism expenditure grew fastest in China (19%), the Republic of Korea (12%), the United States (8%) and Canada (7%).

New York and Miami make up two of the world's top 25 international tourism markets in 2016, according to Euromonitor via CNNTravel. Revealing the results of its 2017 Top 100 City Destinations survey, market researcher Euromonitor International says the Asian territory pulled in 26 million visitors in the previous year—a number predicted to swell to 44 million by 2025. New York ranked 8th, with 13.1 million visitors expected in 2017, and Miami ranked 25th, with 8 million predicted, were the most popular cities for international visitors in the Americas. The United States dominated the rankings among cities in the Americas but, warns Euromonitor, "global unease" following Donald Trump's arrival in the White House makes future performance uncertain.

According to a Skift report on emerging outbound travel markets, only about 9 percent of the overall Chinese population traveled internationally in 2015. Although the industry is abuzz with news on the exploding outbound tourist market in China, this analysis shows the overall Chinese population isn't sharing that much in the trend. The differences in international travel lead to a vast divide between spend per international departure and spend per capita within the country: in 2015, spend per international departure was roughly $2,500, while spend per capita was just $213. International travel spending per departure comprised 31 percent of gross national income (GNI) per capita, in China in 2015.

U.S. traveler arrivals grew 7 percent in overseas destinations and 9 percent in Canada and Mexico year-over-year in 2016, according to data from the National Travel and Tourism Office (NTTO). More than 80 million Americans traveled internationally in 2016, buoyed by a strong U.S. dollar, the U.K.'s Brexit vote, and the growth of low-cost, long haul air carriers. While American visits to the U.K. increased 6 percent year-over year in 2016, spending increased by 11 percent due to the negative impact of Brexit on the pound. Lower airfares possibly fueled double digit growth in U.S. air passenger arrivals to Mexico and Canada, increasing 12 and 17 percent respectively. The World Trade and Tourism Council (WTTC) predicts growth in outbound American travel will be slower in 2017, only 5.4 percent, due partly to strengthening international currencies.

PROJECT: TIME OFF

Digital detox packages and Wi-Fi-free rooms have been buzzed about for years as we've become increasingly connected. But is that what travelers really want? Read more on the latest Project: Time Off report.

U.S. Travel Association Updates

RESEARCH

The Research Department released the Travel Economic Impact Calculator, a tool by which industry professionals can quickly understand and gauge the impact of travel spending across each state and across the U.S. as a whole. The interactive tool allows users to simulate what a prescribed percent-change may look like in terms of jobs, payroll, state and local taxes, and even the maximum amount of public sector employees travel taxes could support.

The Global Travel Trends Fact Sheet has been updated to reflect 2016 visitation and spending data from key travel markets around the world. Despite a decline in international arrivals in 2016, the United States remained the world's largest long-haul inbound travel market and captured 12.9 percent of all long-haul visitations, more than double that of second-place France (5%).

America's national parks welcomed 331 million visitors last year, but the backlog of deferred park infrastructure maintenance now exceeds $11 billion. At stake are 318,000 travel industry jobs and $34.9 billion in economic output associated with over 400 park system sites. To buttress our lobbying, we posted an online toolkit with factsheets, social media strategies and sample op-eds for travel leaders in park communities across the nation. Please use these resources to join the *#FixOurParks* conversation.

POLICY

U.S. Travel continued to build Congressional support for a House sign-on letter, led by Reps. David Kustoff (R-TN) and Dina Titus (D-NV), that urges the Secs. of State, Transportation and Commerce to expedite resolution of the longstanding dispute over alleged violations of U.S. Open Skies agreements with Gulf nations. There are now 12 signatories, with Reps. Todd Rokita (R-IN) and Trent Kelly (R-MS) the latest to join.

In a new report on the Visa Waiver Program (VWP), London-based Chatham House detailed how well the VWP successfully balances security and economic priorities. As the report highlights, all VWP applicants are screened against multiple INTERPOL databases, and the biometric and biographic information they provide allows U.S. Homeland Security officials to efficiently screen for potential threats. The report reinforces that undermining VWP standards would not only harm the U.S. economy, but also compromise multi-lateral security collaboration, including among European Union nations with critical intelligence on terrorist travel.

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