U.S. TRAVEL OUTLOOK

Examining Current Industry Trends

CURRENT STATE OF THE ECONOMY

Like the movie “Groundhog Day”, it appears that, similar to previous years, weak GDP growth in the first quarter will soon be followed by a resurgence of growth in the second quarter. The question looking forward is: will an economy stuck in a restrained 2 percent-pace accelerate to a faster growth rate? While the economic fundamentals remain solid, growing frustration related to federal policies encouraging faster economic growth in the areas of taxes and infrastructure highlight the very real prospect that the economy may be stuck in low gear looking forward.

Economic Summary: Real economic output for the first quarter, in the Commerce Department’s final revision, grew at a 1.4 percent seasonally adjusted annualized rate (SAAR). This revision doubles the growth rate initially estimated by the Bureau of Economic Analysis (0.7% SAAR). The upward revision to first-quarter GDP growth reflected stronger exports and consumer spending on services like health care, offset in part by weaker business investment in structures. The general story, however, remained the same: consumer spending and inventories remained muted and strained while business and residential investment indicators were strong.

Economic focus, then, has shifted to second quarter growth projections and the expected fiscal policies of the Trump administration’s Congress. For the former, second quarter economic growth is largely expected to recover from the slow first quarter. Janet Yellen, Chair of the Federal Reserve Board, noted in her semiannual testimony to Congress that “in particular, growth in household spending, which was weak earlier in the year, has picked up in recent months and continues to be supported by job gains, rising household wealth, and favorable consumer sentiment.” Weak inflation readings (1.4% for the May index of personal consumption expenditures), were explained by Yellen as “partly the result of a few unusual reductions in certain categories of prices; these reductions will hold 12-month inflation down until they drop out of the calculation.” The Atlanta Federal Reserve’s GDPNow forecasting model, as of July 11, has suggested 2.6 percent real GDP growth for the second quarter, with faster growth expectations dampened by weaker-than-expected wage growth in the June jobs report.

Republican Congressional majority leaders have prioritized dramatic reforms to fiscal policy, namely healthcare reform, tax reform, and infrastructure stimulus. Oxford Economics’ economists Gregory Daco and Oren Klachkin are less optimistic that Congress will meet their objectives. In a note to members, they substantially downgraded their initial expectations of $1.2 trillion in tax cuts and infrastructure spending to $500 billion, citing that the Republican leadership “can’t form a solid consensus within their own party… Moreover, Republicans remain obstinate in their push to first achieve success on the healthcare front. This means that work on the fiscal front cannot start until healthcare reform is finalized.” With a debt ceiling deadline for fiscal year 2018 looming in September of this year, a result is looking less likely.

The result? Daco and Klachkin continue, “with a weaker boost from tax cuts and infrastructure investment, the U.S. economy will struggle to escape its current 2 percent growth mode. We expect [real] GDP growth will average around 2.2 percent (compared with 2.7% in the July baseline),” that will foster a “downbeat environment” that constrains both inflation to under two percent and job creation by an estimated “300,000 jobs.”

Similarly, the IMF cut its forecast for U.S. economic growth for 2017 to 2.1 percent from a previous estimate of 2.3 percent. Its leaders cited highly uncertain policies on tax reform and an agenda that hurts middle class Americans, as well as long-term challenges such as an aging labor force. IMF officials welcomed many of Trump's broad principles: simplify taxes, rebuild roads and bridges and lower government spending. However, "it became evident that many details about these plans are still undecided.” Many economists, including those at the Federal Reserve, expect growth of around 2 percent for the next few years.

Pew Research found that Trump and many of his key policies are broadly unpopular around the globe, and ratings for the U.S. have declined steeply in many nations.

According to the survey spanning 37 nations, a median of just 22 percent has confidence in Trump to do the right thing when it comes to international affairs. This stands in contrast to the final years of Barack Obama's presidency, when a median of 64 percent expressed confidence in Trump's predecessor to direct America's role in the world. The sharp decline in how much the public trusts the U.S. president on the world stage is especially pronounced among some of America's closest allies in Europe and Asia, as well as neighboring Mexico and Canada. Across the 37 nations polled, Trump gets higher marks than Obama in only two countries: Russia and Israel. Still, the prevailing view among the countries surveyed is that their country's relationship with the U.S. will be unchanged over the next few years.

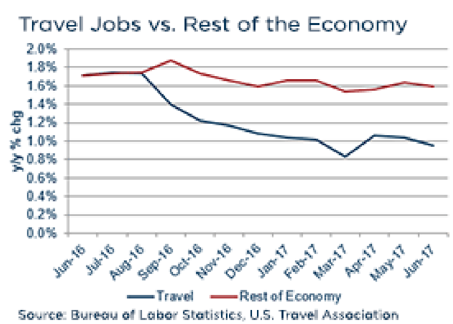
LABOR

The labor market continues to be a bright spot in the economy as employers added an impressive 222,000 jobs in June. The headline unemployment rate remained little changed at 4.4 percent, though a more encompassing measure that includes those not actively looking for work and those working part-time for economic reasons moved up a notch to 9.7 percent. Though still mired near generational lows, the labor force participation rate ticked up one-tenth to 62.8 percent as those counted as not in the labor force decreased 184,000 to 94.3 million. Hourly wages also moved higher, increasing by 8 cents or an annualized pace of 2.6 percent, while the average work week edged up to 34.5 hours. "This was another strong report that checked most, if not all of the significant boxes," said Curt Long, chief economist at the National Association of Federal Credit Unions. "The labor market should remain strong as long as consumers maintain their robust spending pace."

Although the jobless rate ticked up slightly to 4.4 percent, it was because some people who had dropped out of the labor force were lured back. But the hunger for workers and mounting complaints of labor shortages have raised a vexing question: Why isn't the heightened demand for workers driving up pay? The Federal Reserve pointed to that conundrum in the updated report on the American economy. "Despite the broad-based strength in measures of employment," it said, "wage growth has been only modest, possibly held down by the weak pace of productivity growth in recent years."

"The payroll number is well above expectations," said Jim O'Sullivan, chief U.S. economist for High Frequency Economics. "It's pretty clear that the trend in employment growth is strong enough to keep the unemployment rate trending down." Revisions to earlier estimates brought the monthly average gain since April up to 194,000. But year-over-year wage growth plodded along at 2.5 percent.

June was the eighth anniversary of the end of the recession, when the economy hit bottom, with employers shedding hundreds of thousands of workers and the jobless rate more than double what it is today. Still, many workers have yet to fully benefit from the expansion.



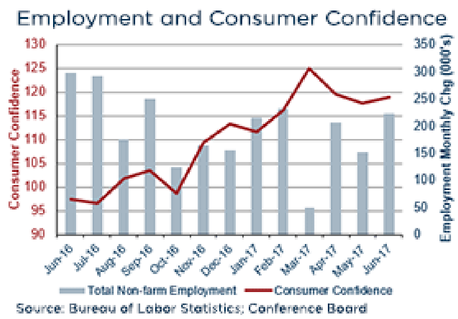
The travel industry added 8,400 jobs in June, according to the U.S. Travel Association's analysis of the most recent Labor Department employment report. Travel industry employment has grown every month in 2017 so far. Most travel industry segments added jobs last month. Job gains occurred in the food and beverage service, airline and lodging segments in particular. The travel industry as a whole has added 45,300 jobs in the first six months of 2017. 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 had decreased in May, increased moderately in June. The Index now stands at 118.9, up from 117.6 in May. "Consumer confidence increased moderately in June following a small decline in May," said Lynn Franco, director of economic indicators at The Conference Board. "Consumers' assessment of current conditions improved to a nearly 16-year high. Expectations for the short-term have eased somewhat, but are still upbeat. Overall, consumers anticipate the economy will continue expanding in the months ahead, but they do not foresee the pace of growth accelerating."

Confidence in future economic prospects continued slipping into early July, the University of Michigan reported. U.S. consumer sentiment fell to 93.1 in the preliminary survey reading. Economists expected consumer sentiment to hit 95 in July, according to

Thomson Reuters estimates. "Overall, the recent data follow the same pattern repeatedly recorded around past cyclical peaks: expectations start to post significant declines while assessments of current economic conditions continue to reach new peaks," Richard Curtin, a chief economist for the University of Michigan's Survey of Consumers, said in a statement. "To be sure, the data do not suggest an impending recession. ... Much steeper declines in expectations typically precede recessions." U.S. consumer sentiment last fell to 95.1 in June, sinking 2.1 percent from May. The declines being recorded by the group are "now consistent with just above 2 percent GDP growth in 2017," Curtin said. "[T]he data indicate that hopes for a prolonged period of 3 percent GDP growth sparked by Trump's victory have largely vanished..."



Citigroup's Economic Surprise Index, an indicator of how data are matching up to expectations, continues to plumb new depths. The performance of the U.S. economy has been disappointing this year to say the least, and in one respect it's the biggest letdown since 2011. In fact, the index hasn't been this low since late August 2011. "It's a very, very cyclical indicator. The good news is that when it's down this hard it usually starts to bounce back up," said Ed Yardeni, head of Yardeni Research.

Donald Trump's November victory brought with it hopes that GDP growth would jump above 3 percent after an extended post-recession period milling around 2 percent. The Trump agenda of tax cuts, less regulation and infrastructure spending sparked a jump in multiple sentiment indicators and another leg up in the second-longest bull run in stock market history. However, the hard data have had a tough time keeping up with those high hopes, though expectations remain high—perhaps too high. Retail sales, job creation and productivity are just some of the economic reports that have fallen short of expectations recently. "The economy's pretty much performing as it has since 2010," Yardeni said.

Americans' confidence in the economy has somewhat stabilized, but remained at a 2017 low in June, with Gallup's U.S. Economic Confidence Index averaging +3 for the second month in a row. Despite confidence lagging below January's monthly record high of +11, June nonetheless marked the eighth consecutive month in which U.S. adults rated the economy positively.

Only after Donald Trump's election in 2016 did economic attitudes fundamentally change. Economic confidence peaked in January 2017, remaining high through March. U.S. stock markets soared during this time, and many analysts believed that some elements of Trump's economic agenda—such as cutting taxes and increasing spending on infrastructure—would lead to an era of higher economic growth, although these projections have yet to materialize. Since March, confidence has softened somewhat, as democrats and independents have lost faith in the economy.

CONSUMER SPENDING

Consumer spending slowed down in May to a $7.3 billion monthly increase, a 0.1 percent seasonally-adjusted monthly growth rate, according to the Commerce Department. Personal incomes, on the other hand, increased 0.4 percent, boosting the personal savings rate to 5.3 percent, its highest level in eight months according to *The Wall Street Journal*. The May growth rate failed to maintain the momentum of two previous months of 0.4 percent seasonally-adjusted monthly growth of nominal consumer spending growth. “Americans are in good shape to increase consumption—the question is when?” Eugenio Alemán, senior economist at Wells Fargo, said in a note to clients.

Estimates of consumer credit card spending noted that total consumer borrowing rose by 8.7 percent ($18.4 billion) in May, the strongest gain in credit card spending since a $25.1 billion increase in November. “It must come as a relief to the Fed given the softening in auto lending and credit card usage,” said Robert Frick, corporate economist at Navy Federal Credit Union, in a statement. According to Steve Goldstein at MarketWatch: “MarketWatch also reported that the growth in consumer credit was “faster than the… growth sell-side economists had forecast… The first quarter’s 4.8-percent growth in revolving credit outstanding was the slowest quarterly expansion in more than six years.”

Prices may be drifting away from the Federal Reserve’s 2 percent target rate. The Fed’s preferred measure of inflation, the 12-month Personal Consumption Expenditure (PCE) Price Index, also softened in May to 1.4 percent year-on-year (y/y) from 1.7 percent y/y in April, according to the Commerce Department. “Although the real economy is doing well, Fed officials are concerned that isn’t translating into stronger inflationary pressures,” Paul Ashworth, chief U.S. economist at Capital Economics, said in a note to clients.

The inflation slowdown came on the heels of a Federal Reserve’s recent June decision to announce two anti-inflationary measures: raising interest rates and drawing down the Federal Reserve’s $4.5 trillion portfolio in assets. Federal Reserve Chair Janet Yellen is less worried, stating in her semiannual Congressional testimony that the inflation slowdown reflected largely temporary factors: “It's premature to reach the judgment that we're not on the path to 2-percent inflation over the next couple of years. As we indicate in our statement, it's something we're watching very closely, considering risks around the inflation outlook."

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

The Labor Department released a similarly underwhelming Consumer Price Index (CPI-U) for June, with month-on-month (m/m) inflation unchanged from the previous month. The 12-month indicator for CPI-U inflation also disappointed in June, registering at 1.6 percent, the smallest advance since October 2016. Nevertheless, core inflation (CPI-U excluding food and energy) accelerated 0.1 percent m/m, up 1.7 percent from 12 months ago, lower than expectations from economists surveyed by Bloomberg. Economists remain relatively pessimistic about the release, including Paul Ashworth, chief U.S. economist at Capital Economics: “On the basis of June’s data, it is getting harder for the Fed to continue claiming that this is a temporary drop-off.” Notably, air fares declined 2.7 percent y/y in June, a reading that certainly affected U.S. Travel’s June 2017 Travel Price Index (TPI). TPI for June decreased 1.3 percent on a m/m, seasonally adjusted basis. In addition to air fares, Other lodging decreased by 2.3 percent while prices for motor fuel decreased by 2.8 percent. The 12-month TPI increased by 0.3 percent in June, much slower than the 1.6 percent registered for CPI-U.

June U.S. consumer spending neared a nine-year high at $103 per day, according to Gallup. The $103 per day average was the highest monthly average since consumers reported spending $104 per day in June 2008. While the average daily spend actually decreased from $104 per day in May, but has remained stable for most of the year. Gallup reports that “[though] Americans' confidence in the U.S. economy has edged down from the high points recorded after last fall's presidential election, their spending hasn't slowed. If July spending follows the typical pattern of being similar to June, spending will have averaged a three-digit figure for the sixth month in a row.”

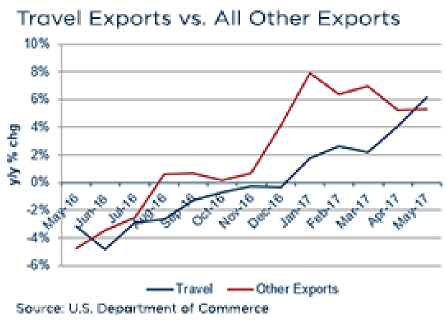
EXPORTS

The U.S. trade deficit narrowed in May as exports rose to their highest level in more than two years, according to the Commerce Department. May exports registered at $192.0 billion, increasing by $0.9 billion from April, while imports decreased $0.2 billion to $238.5 billion. The resultant goods and services deficit, narrowed by $1.1 billion, or 2.3 percent, from the prior month to a seasonally adjusted $46.5 billion in May. Economists surveyed by *The Wall Street Journal* had expected a smaller trade deficit of $46.2 billion for the month. Michael Pearce, U.S. economist at Capital Economics, noted that the positive export growth in 2017 “suggests that annual export growth will accelerate from here, reflecting the strength of the global economy and the slight depreciation of the U.S. dollar since the beginning of the year” in a note to clients. Analysts at *The Wall Street Journal* credit the strong performance of exports in 2017 partly to an observed “upswing in global trade flows.”

Travel exports increased by $0.4 billion to $21.4 billion in May, accounting for over 40 percent of the boom in the U.S. exports. While travel imports also increased by $0.3 billion, the travel trade surplus, without which the U.S. goods and services international trade deficit would be over 15-percent larger, remained above $7.1 billion. According to David Huether, senior vice president of research and economics at the U.S. Travel Association, “spending by international inbound visitors in the U.S. has accelerated quite considerably in recent months. In the February-May time-period, inbound visitor spending increased at an annual rate of 15.6 percent, the fastest 3-month pace in nearly two years.”

STATE OF BUSINESS

Industrial production rose 0.4 percent in June for its fifth consecutive monthly increase, according to the Federal Reserve. For the second quarter as a whole, industrial production advanced at an annual rate of 4.7 percent, primarily as a result of strong increases for mining and utilities. Manufacturing output rose at an annual rate of 1.4 percent, a slightly slower increase than the first quarter. It is important to note that half way through 2017, manufacturing production remained 4 percent below its pre-Great Recession peak attained in December 2007.



"[Oil and gas drilling has now recovered by 114 percent] from the May 2016 low, by far the largest ever percentage gain over that timeframe," Morgan Stanley's Ted Wieseman said, "Still, it's down 50 percent from the June 2014 peak."

Similarly, private business inventories were estimated to have rebounded in May, according to the Census Bureau. Inventories rebounded 0.3 percent m/m in May 2017 to $1.9 trillion. Sales, on the other hand, decreased 0.2 percent m/m in May, the biggest decline since July 2016. Consequently, the inventories-to-sales ratio increased above 1.4, an estimate which directly compares inventories to how many months of sales it will take to clear them. In this case, the inventory-to-sales ratio suggests that private inventories and business investment will slow down in the future.

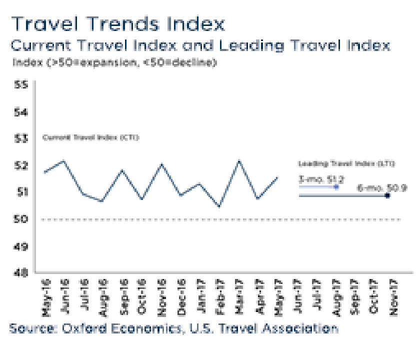
The services sector, on the other hand, remained strong. The ISM Non-manufacturing PMI increased half a point from May to 57.4 for June. Sho Chandra from Bloomberg commented: "A steady job market, healthier consumer finances and low borrowing costs are driving better demand for services, which account for about 90 percent of the economy and span industries such as utilities, retailing, healthcare and construction." All three travel-related industries reported expansion. Representatives from the retail trade and accommodation and food services sectors reported increases in business and generally positive outlooks for the rest of 2017.

The National Federation of Independent Business' (NFIB) Small Business Optimism Index fell to 103.6 for June 2017 from 104.5 in May. The index still remains near all-time high-levels, reflecting the surging positive expectations of optimism surrounding the election of Donald Trump and his promises of deregulation, tax breaks and infrastructure spending. "As Washington fails to deliver on those two priorities, small-business optimism is dropping," said Juanita Duggan, president of NFIB. Notably, survey respondents' plans to increase employment have declined, falling 3 percentage points in June to 15 percent of respondents. Regarding the declined optimism in hiring, Bill Dunkelberg, NFIB's chief economist, lamented: "Whether this is the start of a negative trend or a one-month blip is something we'll have to keep an eye on."

The Federal Reserve's Beige Book for July noted that tourism businesses had a mixed performance for early summer 2017. Tourism contacts in Boston, New York, and San Francisco districts all reported strong demand, (though New York district noted this was only for upstate New York; New York City's "advanced travel bookings are reported to be down"). The Minneapolis district, located in the Upper Midwest and Great Plains areas, reported that "Tourism businesses across the district reported difficulty finding workers; three Minnesota resorts reported close to 200 unfilled openings." Atlanta also reported "softness" in the tourism industry for the Southeast region, though they note that "with the exception of South Florida, hotel occupancy and revenue per available room were up year over year."

TRAVEL TRENDS INDEX

International travel continued to defy the expectations of many in May 2017, according to the U.S. Travel Association's latest Travel Trends Index (TTI), posting its 13th straight month of year-over-year growth. International travel to the U.S. grew 5.2 percent in May versus the same month in 2016. In fact, the latest TTI even revised upward (to 6.6 percent) its positive international travel figure from April—the first month of data fully reflecting any effects of President Trump's initial executive order on immigration issued January 27.

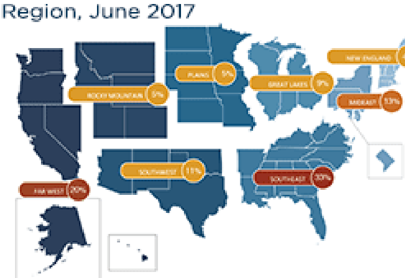


Travel growth overall remained strong, buoyed by solid domestic travel demand—both business and leisure. Leisure travel continued to lead the domestic market, but business travel growth rallied after a lackluster performance in April that was largely attributable to the timing of holidays like Easter and Passover. Overall, travel will likely grow by about 1.8 percent through November 2017, and domestic travel growth will lead the U.S. travel market into the end of the year. However, while growth in forward-looking domestic bookings and searches remains positive, their pace of growth is markedly slower than this time last year.

LEISURE TRAVEL

The June U.S. Travel Barometer reported that nearly 78 percent of U.S. residents were searching for lodging within the U.S. in June. This is the highest share since September 2016 but on par with June of last year. While U.S residents' interest increased for travel to and within the U.S., interest in the United Kingdom declined somewhat but was also on par with June of 2016. Domestic searches by region are consistent with the seasonal changes noted in June of last year—Southwest and Southeast shares increased somewhat and the Mideast and Far West declined.

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



Source: nSight at www.nsightfortravel.com

Americans are expected to spend $101 billion on summer vacations this year, up 12.5 percent over last year's $89.9 billion according to Allianz Global Assistance in its Vacation Confidence Index. However, the percentage of respondents who say taking an annual vacation is important to them fell 6 points to 59 percent. Plus, four in 10 are not confident about taking a vacation at all, a 1-point increase from a year ago. "Americans are feeling better about the economy and have loosened their purse strings for summer 2017," said Daniel Durazo, director of communications for Allianz Global Assistance USA. "We're happy to see that for the first time in the eight-year history of the Vacation Confidence Index, vacation spending will hit an impressive $100 billion. This new milestone is great news for the travel industry."

MMGY Global found that domestic trips have increased in light of concerns about foreign political climates and safety abroad. MMGY's 2017 Portrait of American Traveler found U.S. travelers took nearly 14 million more trips in the U.S. than international trips during the 12-month stretch ending in February. Domestic vacations made up 85 percent of total vacations taken by Americans, up seven percentage points from the prior year. In 2016, some 34 percent of respondents said their domestic vacations were to new destinations, while this year 40 percent said their vacation was to somewhere they'd never been.

A recent EventBrite study found that Americans are attending more live events than ever before. In the past year, four out of five Americans attended a live event, from entertainment-focused experiences like music concerts and beer festivals, to more cause-related events like marches and rallies. Three-quarters of Millennials believe that participating in a live event is more impactful than taking action online. The increased preference for live experiences is being driven by a strong desire to connect with people, the community and the world, and there's no doubt that the current political climate is contributing to this uptick.

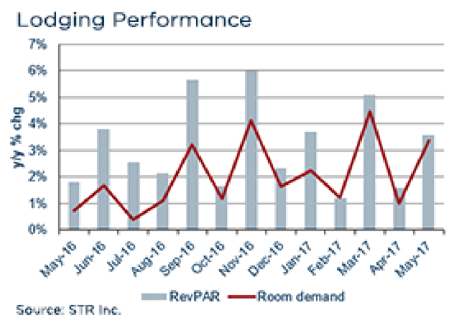
Digital travel sales are expected to reach $189.6 billion in 2017, according to new research from eMarketer. Forty percent of digital travel purchases are expected to be made on mobile devices, representing a 4-percent increase over 2016. Of travelers booking trips on mobile devices in 2017, a projected 81 percent will use a mobile phone and 35 percent will use a tablet. Mobile booking volume is expected to reach $108.8 billion and command equal market share as computer-based booking by 2021. Additionally, more mobile users are researching trips on mobile; in 2017, 140.3 million U.S. consumers are expected to research travel online and close to three-quarters (72 percent) will do so on mobile.

A MMGY survey found that compared with other subsets of millennials (singles and couples), millennial families reported intending to spend more on vacation, and they also tend to spend more on leisure travel than their millennial counterparts. In the past year, millennial families went on 36.9 million vacations, spending $50.4 billion. According to the survey, U.S. travelers intend on traveling 6-percent more this year, but millennial families intend to travel 35-percent more.

Expedia's recent research conducted by comScore [analyzed the path to purchase of American travelers]() and found that three out of five digital users consume travel content in the U.S., which translates to 167 million users per month who are actively engaging with travel content on their digital devices Three-quarters are using a mobile device to consume travel content, compared to 55 percent on desktop. The study also found that American travelers draw their inspiration from a variety of resources. Seven in 10 travelers (69%) begin their trip research via search engines, 66 percent turn to friends and family, and 11 percent of use social media.

LODGING INDUSTRY

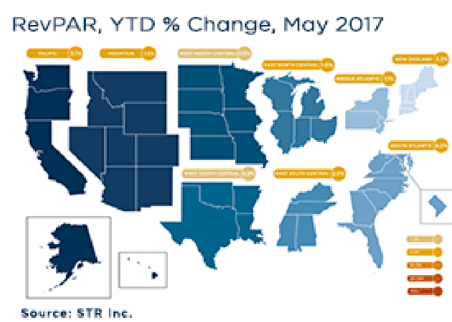
[According to STR](), total U.S. room revenue increased 5.5 percent and room demand increased 3.4 percent in May compared to a year ago. Total room revenue reached $13.7 billion.



Robust [demand growth in the U.S. extended-stay hotel sector]() continues to best a hefty supply, despite the current record numbers of rooms under construction. According to STR, U.S. extended-stay supply was up 6.2 percent year-to-date as of April 2017 with more than 40,000 rooms under construction, compared with the same period in 2016. However, demand in the sector was up 6.3 percent, following two years of 5 to 7 percent growth quarterly. Although demand did decline in some economically depressed markets, it appears the hospitality industry is still nowhere near the growth ceiling for extended-stay products, according to Hotel News Now.

Qualtrics' [2017 Hotel Pain Index]() highlights what makes a bad hotel experience, what makes a good one and what amenities are the most and least important. Two-thirds of respondents said dirty rooms cause bad hotel experiences and 57 percent said unfriendly employees are also a cause of negative hotel experiences. The two factors cited as the chief causes of pleasant hotel experiences were clean rooms and Wi-Fi. Sixty-seven percent of respondents said they choose a hotel based on online ratings and reviews, but only 24 percent said they wrote a negative review online after a bad hotel experience.

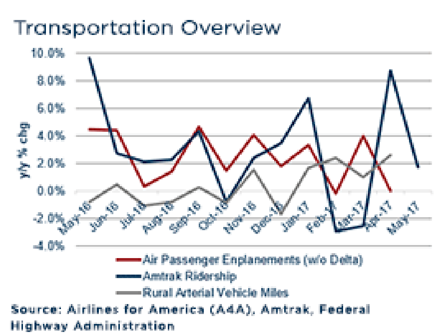
[STR]()'s U.S. preliminary monthly industry performance data for June 2017 shows total U.S. industry occupancy grew from -1 to 1 percent, average daily rate rose from 1 to 3 percent and revenue per available room increased from 2 to 4 percent.



TRANSPORTATION

AIR TRAVEL

[Airlines for America predicted]() there will be 234.1 million airline passengers between June 1 and August 31, up from 224.8 million last summer. "A steadily improving economy, all-time high household net worth and low airfares are fueling the expected growth in summer air travel," the group said in a statement. AAA reiterated the strong travel forecast "....the strong economy, increased employment, rising incomes



and higher consumer confidence, along with lower airfares and cheap rental cars, are responsible for the increased number of travelers."

The International Air Transport Association (IATA) announced that global passenger traffic demand for May rose 7.7 percent compared to the same month in 2016. This was slower than the 10.9-percent growth recorded in April. However, still well ahead of the 5- and 10-year average growth rates. Capacity climbed 6.1 percent, and load factor rose 1.2 percentage points to 80.1 percent, which was a record high for the month. All regions, excluding the Middle East and North America, posted record-high May load factors.

North American airlines' traffic climbed 4.8 percent in May, down from 10.3 percent annual growth in April but still a strong result for the region compared to the 5-year average growth rate. While growth has slowed of late, the comparatively healthy regional economic backdrop, coupled with the strength of the U.S. dollar, should support outbound passenger demand, although the latter impacts inbound demand. Anecdotal evidence also suggests that tourists may be deterred by the additional security measures put in place by the U.S. government.

Beginning in October, Hainan Airlines will launch a nonstop service between Chongqing, China and New York (JFK), marking the first non-stop service between a city in the western part of China and New York. The new service between Chongqing and New York is Hainan Airlines' 13th direct service offering to North America.

The Transportation Security Administration (TSA) announced a significant milestone: more than five million people have enrolled in TSA PreCheck, the agency's flagship trusted traveler program, since the first application center opened in December 2013. TSA PreCheck, which allows pre-approved travelers to use expedited security screening lanes at TSA checkpoints, is a major boon for security and travel facilitation. Moving these low-risk flyers quickly through checkpoints, as Acting Administrator Huban Gowadia stated, strengthens security "by growing the trusted traveler population," freeing officers to focus flyers who are less known.

Passenger satisfaction is higher during the airline journey when self-service technologies are used, particularly at bag tag and collection, and passport checkpoints, according to the 2017 SITA Passenger IT Trends Survey. The survey shows that passengers rate their journey very highly with an overall satisfaction rate of 8.2 out of ten but this is boosted even further when technologies such as mobile services and biometrics are used. Looking forward, 57 percent of passengers said they would use biometrics for their next trip. This year's survey also highlights that as passengers become more familiar using technology during travel, the more likely they are to switch to newer, more efficient platforms. The appetite for new services using technology is high: three-quarters of passengers say they would definitely use flight and gate alerts pushed to their mobile devices; 57 percent would use airport wayfinding; and 57 percent would use biometrics to smooth identification.

ROADS & RAILS

For the first time in its 17-year history, consumer data tool GasBuddy projected that gasoline prices were lower on the Fourth of July than they were on New Year's Day. The seasonal switcheroo is a result of crude oil's unexpected price decline in 2017 caused by a global glut of petroleum, which isn't going away anytime soon. For drivers, that translates into unforeseen savings just in time for the heart of the summer travel season. GasBuddy projected a nationwide average of $2.21 per gallon on July 4, which would be 12 cents lower than the price at the year's inception. That's also the lowest price on Independence Day since 2005. It's "quite the dramatic turnaround" after previous projections that gasoline would near $3 per gallon this summer, GasBuddy petroleum analyst Patrick DeHaan said.

At the date of writing, for the first time in five weeks, the national average gas price increased. At $2.26, the July 10 price of gas had been moving higher since July 6 and was three cents more than the July 3 national average gas price, according to AAA. The moderate price surge follows a week of solid demand growth and a third straight week of gasoline inventory drawdowns across the country. "Gas prices are still at some of the cheapest prices we've seen this year, but consumers should take advantage of them while they can," said Jeanette Casselano, AAA spokesperson. "...drivers in 31 states are paying more than last week for a gallon of gas. And we expect to see slight price increases throughout July, so now's the time to hit the road."

The U.S. Energy Information Administration reported that U.S. regular gasoline retail prices averaged $2.35 per gallon in June, down 4 cents from the average in May. During the April-through-September summer driving season of 2017, U.S. regular gasoline retail prices are forecast to average $2.38 per gallon, 15 cents per gallon higher than last summer.

According to eMarketer's latest estimates, over a quarter (26%) of U.S. adult internet users—or 56.5 million people—will use a sharing economy service at least once in 2017. This is a higher figure than previously projected due to stronger-than-expected uptake of both ride- and home-sharing services. For the first time, eMarketer's forecast includes estimates for Airbnb and Uber. This year, 17 percent of U.S. adult internet users are expected to use their Airbnb account at least once, equating to 36.8 million people. By comparison, 20 percent of U.S. adult internet users, or 44.4 million people, will book a ride on their Uber account at least once this year. Among adult smartphone users, that figure will rise to nearly one-quarter (23%). Trust is still one of the biggest barriers to sharing economy adoption, particularly when it comes to lodging services. However, as consumers become more comfortable with the sharing economy, the number of users is expected to continue to rise rapidly.

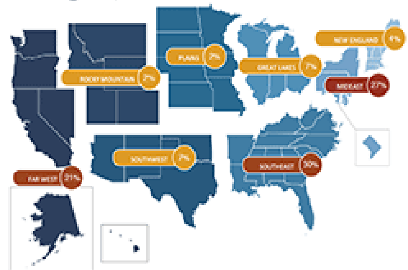
BUSINESS TRAVEL

Global business travelers polled by the annual Egencia Business Travel and Technology Survey indicated they prefer to avoid human interaction when traveling for business unless they have a problem. Technology is hugely valuable for global business travelers. Yet, they want to be able to access booking and planning tools in an integrated fashion across multiple devices. "Business travelers have high expectations and they want instant access to information and tools on every device," said Rob Greyber, president of Egencia. Two-thirds indicated they would like to book and manage their business trips across a variety of devices, not just on mobile phones. At the same time, 56 percent said they want more robust mobile tools for business travel.

INTERNATIONAL TRAVEL

The United States' share of international searches remained consistent at 12.8 percent in June according to the latest U.S. Travel Barometer. This is on par with the prior months as well as June of 2016. Notably, the U.S. share of global searches increased to nearly 58 percent—the highest since September of 2016 although this is likely primarily driven by an increase in domestic searches by U.S. residents. The Mideast and Far West lost share to the Southeast and Southwest but this was also seen in June of 2016 and likely due to seasonal shifts. Three in 10 international searches to the U.S. were to the Southeast. Germany followed by Canada and the U.K. were the top source markets searching for travel to the Southeast in June.

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



Source: nSight at www.nsightfortravel.com

The United Nations World Tourism Organization (UNWTO) celebrated what it called "strong tourism results" for global international arrivals in the first four months of 2017. In the *Barometer*, the UNWTO estimated that international tourist arrivals from January to April 2017 increased by 6 percent compared to the same period in 2016. Strong growth was celebrated for all regions; North America's 3.4 percent year-to-date growth in international tourist arrivals, however, was the second-slowest growing sub-region behind the Caribbean (2.3 percent year-to-date growth for 2017). The UNWTO remains optimistic for the next four months of 2017, noting especially that their experts' "prospects are the most optimistic in a decade… driven by upbeat expectations in Europe. The May-August period includes the peak tourism season in most of the world's major tourism destinations and source markets."

The positive Travel Trends Index for May highlighted the resilience of the international traveler to the United States. Much of this resilience derives from effective destination marketing investments and strategies, which could be cut significantly if the Trump administration's 2018 budget eliminates Brand USA . "There is widespread talk of daunting challenges to the U.S. travel market—perception of the country abroad is mentioned most, but the strong dollar and slowing global economy are factors as well," said U.S. Travel Association President and CEO Roger Dow in a statement.

A strong U.S. dollar does not have a substantial effect on Americans outbound travel habits, according to a new Skift survey. More than 36 percent of respondents said that the strength of the U.S. dollar had little to no impact on their travel decisions. The dollar is at record highs against the British pound and the euro but the majority of survey respondents (54%) had no immediate plans to travel abroad, even in the favorable economic climate. Previous data collected by Skift revealed that Americans are more likely concerned with terrorism and vacation time when deciding to travel abroad. However, nearly 10 percent of survey respondents said that exchange rates strongly influence their travel decisions, implying that some Americans are analyzing how far their dollar will travel when deciding on a trip location.

President Trump and Indian Prime Minister Narendra Modi announced in a joint statement that India has officially joined Global Entry, the U.S. Customs and Border Protection's trusted traveler program that gives pre-screened, low-risk travelers a faster entry process into the U.S. This development is well-timed with the two governments' joint declaration of 2017 as the "U.S. and India Travel and Tourism Partnership Year."

A new Thomas Cook Holiday study found that the United Kingdom long-haul market continues to grow in popularity. Despite some fearing a 'Trump slump', bookings to the U.S. are good and even up compared to a particularly strong 2016. It is the fourth most popular destination, with bookings up 10 percent for summer 2017.

The UK Office for National Statistics is reporting that U.K. arrivals to the U.S. are only down two percent through April 2017. It is unclear which is the most important variable of three—Donald Trump as U.S. president, the post-Brexit impact, or the weak British pound sterling—is affecting outbound travel from the U.K. It appears that the latest data on travel to North America by UK residents indicates that interest in the U.S. is going nowhere. The UK National Office for Statistics reported a zero percent change in the number of departures to North America (about 90% of the total is traffic to the U.S.) in April 2017 vs. April 2016. What makes the figures for April 2017 significant is that they are the first monthly numbers that would reflect the impact on bookings of Donald Trump's presidency.

PROJECT: TIME OFF

Family vacations not only provide the opportunity to recharge, but also to create memories and forge stronger bonds. According to Project: Time Off research, 62 percent of adults say their earliest memories were of family vacations, often memories they recall more vividly than school events and birthday celebrations. Three in every four parents say that family trips are worth the time and money to give their children experiences that they will remember for years to come. Read more.

U.S. Travel Association Updates

RESEARCH

Don't miss the Research Update General Session at ESTO—As the World Turns scheduled to be held Sunday, August 27th at 4:30pm in Minneapolis. Hear from the Vice President of Research at the U.S. Travel Association and a panel of experts to understand how the economy, politics and consumer sentiment is impacting travel in 2017.

Also, join us for the Research and Insights Professional Development Network moderated by Jamie Faulkner Mageau scheduled for 1:30-4pm on Sunday, August 27th.

POLICY

Legislation to reauthorize the Federal Aviation Administration (FAA) progressed in both House and Senate committees – with disappointing results. Most of the public attention was on the House provision to transfer the nation's air traffic control system to a private non-profit entity. It also approved a provision that allows "interested parties" such as labor unions or U.S. carriers to stall or block the approval of new foreign airlines seeking to fly to the United States, aimed squarely at the approval last year of U.S. service Norwegian Air International. In addition—and regrettably—both the House and Senate committees failed to advance any adjustment to the Passenger Facility Charge (PFC) user fee cap, which is essential to local airports. Airport infrastructure modernization has strong bipartisan support.

The U.S. Supreme Court agreed to review two federal appeals decisions limiting the President's executive order (EO) on immigration and visas during its next session in October. In the meantime, the court allowed for partial implementation of the EO for residents of the six designated nations who lack "a credible claim of a bona fide relationship" with U.S. citizens or organizations. This could lead to confusion and delay in the visa process in those six countries, as consular officials try to determine who is covered by the court standards under the State Department's narrow definition of covered individuals. Dual nationals from those countries that have passports from other countries will be allowed to travel to the U.S. on those passports.

Despite U.S. Travel advocacy, the House Commerce Appropriations Subcommittee omitted any mention for the Survey of International Air Travelers (SIAT) in the FY2018 Commerce Dept. appropriation bill. The survey collects travel data from inbound foreign visitors that is critical to the promotion strategies of destinations across the country. The Administration proposed eliminating direct funding for the SIAT—and instead diverting fees to the SIAT from the Electronic System for

Travel Authorization (ESTA). However, as U.S. Travel argued, that would just compound the problem since ESTA fees are currently used to fund the travel promotion work of Brand USA.

1100 New York Avenue, NW, Suite 450, Washington, D.C. 20005 TEL 202.408.8422 FAX 202.408.1255 ustravel.org feedback@ustravel.org