U.S. TRAVEL ASSOCIATION

DECEMBER 2017 | Research and Trends From David Huether

U.S. TRAVEL OUTLOOK

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Examining Current Industry Trends

CURRENT STATE OF THE ECONOMY

As U.S. Travel Outlook "goes to print", major tax legislation appears to be headed to the president's desk. While tax experts and economists argue about the merits and potential impacts of the legislation, there is general consensus that the reduction in the corporate income tax rate from 35 percent to 21 percent is the most significant part of the legislation. If, as proponents of the bill believe, a lower corporate rate will make America more competitive and spur American business and job creation, the travel industry stands to benefit. If, however, an acceleration in economic growth is offset by an increase in interest rates by a Federal Reserve wary of rising inflation, then the impacts on the travel industry may not be significant. We will learn more about this in the new year.

Economic Summary: Commerce Department estimates brought plenty of economic cheer for December 2017. Third-quarter real GDP growth was revised upward to 3.3 percent (seasonally adjusted annualized rate, or saar) from the advance estimate of 3 percent in October. The upward revision was characterized by stronger contributions from business investment, inventories, and government spending. While the economy has maintained two consecutive quarters of at least 3 percent real GDP growth, the underlying of the pace of the economy through three quarters remains at 2.3 percent thanks to slow first quarter performance (1.2% saar). Should this second revision stand, it would mark the fastest quarterly growth rate for real GDP since the third quarter of 2014.

Another reason to celebrate: with the Commerce Department's revision, GDP surpassed the Congressional Budget Office's estimate of potential output for the first time in the post-Great Recession period. The CBO's measure of economic potential gauges the ability of the U.S. economy to produce goods and services based on the supply of people working and how productive they are. And, according to Beth Ann Bovino, chief U.S. economist at S&P Global Ratings, this current reading is "the sweet spot. We'd like to be there for some time, but let's see how long it lasts." Furthermore, surpassing potential output strongly suggests that "you have little to no slack left in the labor market, a positive output gap meaning there's no slack left in the economy" said Ellen Zentner, chief U.S. economist at Morgan Stanley, "it is typically a sign that you are in the late phase of the business expansion…"

One potential worry is the low consumer savings rate, which fell to a post-recession low of 3 percent in September. Growing personal incomes in October helped bring it back up to 3.2 percent, but as Oxford Economics' Gregory Daco writes: "a robust holiday season supported by elevated confidence and low prices [is expected], but we caution that the "savings dip" will limit the upside to consumer spending growth in the fourth quarter." The upside of that spending, however, is still large, as the Black Friday holiday shopping season turned into full-swing with what analysts suspect might be the most successful holiday shopping season in years.

Ian Shepherdson at Pantheon Macroeconomics, cited the strong economic growth to question the wisdom of a $1.4 billion tax cut which passed through Congress in early December: "I think what they're doing is just throwing a big can of gasoline on a fire that's already quite hot, and it just doesn't make any sense." William Dudley, per reporting *The Wall Street Journal*, agreed: "We don't really need fiscal stimulus from an economic perspective… this is an above-average economic environment." Oxford Economics' analysis of Congressional tax reform notes that they expect the economy to "grow 2.7 percent in 2018… but not significantly more than our… baseline assumptions. Despite a full $1.5 trillion fiscal stimulus, the economy will be hard pressed to reach the 3-4 percent GDP growth range to which the Trump Administration aspires."

The Federal Reserve, in a widely expected move, raised its benchmark interest rate to a range of 1.25-1.5 percent. This is the third-rate increase in 2017, continuing the gradual march toward higher rates after nine years of near-zero rates. Regarding the expected tax cuts, Federal Reserve Chair Janet Yellen noted that the tax plan should present a "modest lift" to the economy, noting that the Federal Open Market Committee's views are "in line with the general expectation among most economists." Looking forward, indicators suggest that the U.S. economy will finish out the year with a strong fourth quarter. According to the Atlanta Federal Reserve's GDPNow model, fourth quarter real GDP is expected to increase at 3.3 percent saar (as of Dec. 14). The increase followed better-than-expected readings from the Consumer Price index and retail sales reports.

LABOR

The U.S. economy added 228,000 jobs in November, marking the 86th consecutive month employers added to payrolls. The jobless rate in November was unchanged from a month earlier at 4.1 percent. The rate matched the lowest level since December 2000. Leisure and hospitality, the sector most affected by late-summer hurricanes, added 14,000 jobs last month, a sharp pullback from the 104,000 the sector recovered in October.

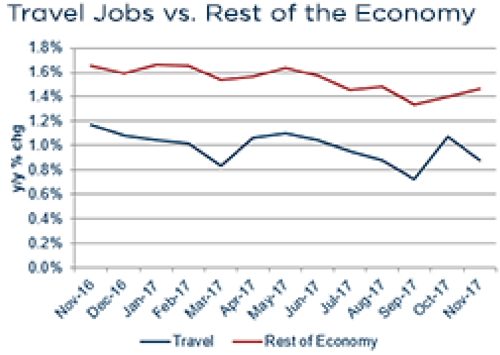
November's 2.5 percent year-over-year increase in average hourly earnings remained subdued, despite a historically low unemployment rate. October wage-growth figures may have been held down by an influx of low-wage restaurant and bar workers re-entering the workforce after hurricanes had ravaged employment in these areas a month earlier. Workforce participation was steady at 62.7 percent in November.

The average workweek rose to 34.5 hours in November, the longest in five months, from 34.4 hours in October. Aggregate weekly hours worked surged 0.5 percent last month after October's 0.3 percent gain. "A six-minute increase in the work week does not sound like much, but given the size of the labor market, it turns out to be significant in terms of output," said Marc Chandler, global head of currency strategy at Brown Brothers Harriman in New York.

Some economists say wage growth is being understated and believe shrinking labor market slack will unleash a faster pace of wage growth next year. Higher wages and tax cuts will fuel inflation. "Most recognize that average hourly earnings are a flawed gauge of wages, since it is currently being held down by the fact that higher-paid older workers are retiring," said Michelle Girard, chief economist at NatWest Markets.

According to U.S. Travel estimates, the travel industry gained just 2,000 jobs in November, a slight increase after stabilizing post-hurricane season. Employment in lodging and food services industries edged up in November, while the amusement, gambling and recreation industry decreased slightly. Year-to-date, the travel and tourism industry has gained 75,400 jobs with an average of 6,850 jobs added each month—slightly less than the 8,250 average in 2016.

Travel Jobs vs. Rest of the Economy



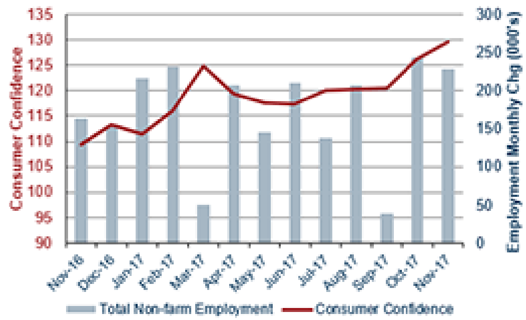
Source: Bureau of Labor Statistics, U.S. Travel Association

Georgetown University Center on Education and Workforce analyzed data to highlight how workers without a bachelor's degree have fared in the job market in 'The Good Jobs Project'. They found that in 2015, 'good jobs' had median earnings of $55,000. The report makes the point that skilled-service jobs are on the rise while traditional blue-collar good jobs have declined and that workers with associates degrees have experienced the largest gains in good jobs. Of the 30 million 'good jobs' for workers without a bachelor's degree, 3.4 million (12%) were located in the 'administrative, leisure, food and other services' industry sector. The report also includes a state by state analysis.

CONSUMER CONFIDENCE

The Conference Board Consumer Confidence Index®, which had improved in October, increased further in November. The Index now stands at 129.5, up from 126.2 in October. "Consumer confidence increased for a fifth consecutive month and remains at a 17-year high," said Lynn Franco, Director of Economic Indicators at The Conference Board. "Consumers' assessment of current conditions improved moderately, while their expectations regarding the short-term outlook improved more so, driven primarily by optimism of further improvements in the labor market. Consumers are entering the holiday season in very high spirits and foresee the economy expanding at a healthy pace into the early months of 2018."

Employment and Consumer Confidence



Source: Bureau of Labor Statistics; Conference Board

Consumers' outlook for the job market was also more upbeat than in October. The proportion expecting more jobs in the months ahead increased from 18.7 percent to 22.6 percent, while those anticipating fewer jobs declined from 11.6 percent to 11 percent.

According to the University of Michigan's survey of consumers, sentiment rose to 98.5 in November. The index experienced slight gains in November, though the index remained below the decade high reached in October. The indicator has remained largely unchanged in 2017, which reflects American consumers' increasing confidence and certainty about their income and employment prospects, said Richard Curtin, chief economist for the Surveys of Consumers.

While the longevity of the record economic expansion—the second-longest since the mid-1800s, Curtin says—leaves room for caution, he notes that "neither changes in fiscal nor monetary policies have yet had any noticeable impact on consumer expectations." He also says that the data indicate "the best runup to the holiday shopping season in a decade."

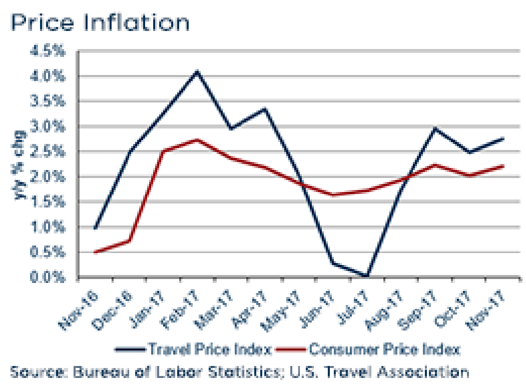
Gallup reported that Americans' assessments of the economy remain relatively strong according to their Economic Confidence Index for the week ending Dec. 3. Over the past five weeks, Americans' views on the economy have shifted in a slightly more positive direction. During this period, there have been many signs indicating that the economy is strong—including the lowest unemployment rate in nearly two decades, a stock market that continues to flirt with new highs and stronger-than-expected GDP growth. Given these inputs, it is not surprising that many Americans report being optimistic about the economy, particularly current conditions. Of course, this period also overlaps with congressional Republicans' focused effort to pass legislation that changes the tax code.

CONSUMER SPENDING

Consumer spending had a solid start to the fourth quarter, increasing 0.3 percent in October from September. Down from an eight-year high 0.9 percent month-on-month growth rate in September (credited mostly to post-hurricane auto purchases), October personal consumption expenditures (PCE) were broadly praised by economists as the much-anticipated fourth-quarter holiday shopping season began. "The economy is at full employment and more workers means more paychecks to be spent at the shops and malls," said Chris Rupkey, chief financial economist at MUFG Union Bank.

Americans spent more than expected on Black Friday, according to the Commerce Department's review of monthly retail sales. Retail and food service revenues for November were measured to have increased 0.8 percent m/m in November faster than a revised 0.5 percent increase in October. The 12-month rate of 5.5 percent is the second-highest November y/y growth rate of the post-recession era. Brick-and-mortar stores also fared surprisingly well, contributing a majority 3.7 percentage points to that growth rate compared to catalog and website retail options, according to analysis from *The Wall Street Journal*. "It's an impressive start to the holiday season and probably the best in the last few years," said Jack Kleinhenz, chief economist at the National Retail Federation. "When you put the pieces together, job and wage gains, modest inflation, healthy balance sheet and elevated consumer confidence…there's an improved willingness to spend."

Consumer prices also slowed down in October, but only slightly. According to the PCE Index, prices increased only 1.6 percent compared to October 2016, down from the 1.7 percent year-on-year (y/y) inflation rate in September. Core PCE prices, which exclude food and energy, only increased 1.4 percent. Nevertheless, Janet Yellen, chair of the Federal Reserve, remained optimistic: "In my view, the recent lower readings on inflation likely reflect transitory factors. As these transitory factors fade, I anticipate that inflation will stabilize around 2 percent over the medium term."



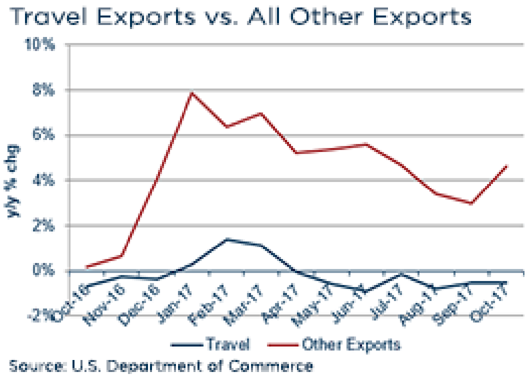
The Labor Department's Consumer Price Index accelerated to a 2.2 percent 12-month rate in November from 2 percent in October. Core CPI, on the other hand, slowed to 1.7 percent in November from 1.8 percent in October. The slowdown was largely attributed to apparel prices, which dropped 1.3 percent m/m in November, the largest one-month decrease since September 1998. Paul Ashworth, chief economist of Capital Economics, noted that "one of the warmest Novembers on record… would have brought proportionally less full-price winter clothing and more discounted summer/fall clothing." U.S. Travel's Travel Price Index increased at a 2.8 percent 12-month rate in November, led by a 16.5 percent 12-month increase in the price of motor fuel.

EXPORTS

The U.S. trade deficit widened to $48.7 billion in October, the largest mark since January according to the Commerce Department. The deficit reflects mostly a $3.5 billion increase in imported goods. Consumer goods imports increased almost $800 million, including a $303 million gain in cell phones and other household goods. According to Bloomberg's Sho Chandra: "The surge in imports probably reflected merchants preparing for the holiday-shopping season."

Travel exports increased by $0.1 billion to $20.4 billion in October, contributing to just under one-third of the $0.3 billion services exports increase in October. Travel exports have continued to bounce back from a drop to the $20 billion level in May 2017; nevertheless, the amount of money spent by foreign travelers in the U.S. has remained close to the $21.2 billion monthly peak reached in June 2015. The travel trade surplus also increased by $0.1 to $5.8 billion in March as travel imports remained flat. Without this surplus, the U.S. goods and services trade deficit would be 11.9 percent larger.

STATE OF BUSINESS



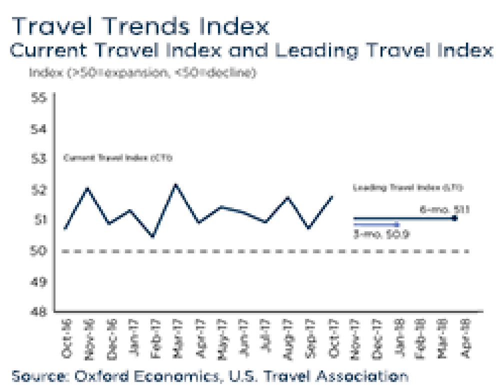
The quick pace of business investment seen in the first half of the 2017 might be slowing down. According to the Commerce Department, [durable goods orders decreased 1.2 percent] month-on-month (m/m) to start the fourth quarter. “Core capital goods orders,” nondefense durable orders excluding aircraft that represent a closely-watched proxy for business investment, also dropped 0.5 percent m/m in October.

Andrew Hunter, economist with Capital Economics, noted to *The Wall Street Journal* that this is “the first sign [in 2017] that the rapid pace of business equipment investment growth may eventually start to ease back,” though it should be noted that equipment investment, a major contributor to third quarter GDP growth, “looks to be on course for another strong gain in the fourth quarter. The Institute for Supply Management’s (ISM) PMI, a survey reviewing business conditions across the manufacturing industry, concurs with a slight slowdown in factory conditions in late 2017. The PMI dropped to 58.2 in November (any reading above 50 indicates sector expansion).

Service industries also continued to expand, according to the ISM’s Non-Manufacturing Index, but at a slower rate. While down to a 57.4 reading (analysts expected 59.0, according to *The Wall Street Journal*), the services sector maintained broad-based performance across all sectors. Travel-related sectors all reported expansion, though retail responded that business might “not be as strong as Q3.” Despite that, “consumer confidence is there and companies are also reacting favorably to the current business conditions,” said Anthony Nieves, who heads the ISM survey. “And the global economy is getting better as well.”

The Federal Reserve’s Beige Book maintained that tourism business conditions remained solid across the period of late-October through the end of November. The New York district reported that “an authority on New York City's tourism industry noted that domestic tourism has been increasingly robust, while tourism from overseas has receded, though by less than had been expected.” The Philadelphia District also reported “modest growth” that was “stronger than in the prior year period.” In response to Hurricane Irma, the Atlanta District (which also covers Florida) noted that “Florida tourism activity bounced back after Hurricane Irma except for the Florida Keys. Marketing efforts across various cities emphasized that the state was open for tourism.” Meanwhile, according to the Minneapolis district, “A survey in Montana found that one-quarter of Montana tourism businesses, and 13 percent of outfitters and guides, had to cancel an event due to this year's wildfires.”

TRAVEL TRENDS INDEX



Overall travel in the U.S. showed 3.6 percent year-over-year growth in October, according to the latest Travel Trends Index (TTI). Domestic leisure travel continues to do most of the heavy lifting for overall travel growth, rising 4.2 percent in October. That sector’s strong showing is welcome news in the face of troubling international travel figures released by the U.S. government.

The TTI continues to predict a very modest rebound for international inbound travel through early 2018—but that projection can change based on new government data. “All year long, it’s been tough to get a coherent picture of the international market because the various metrics have been telling wildly disparate tales,” said U.S. Travel Senior Vice President for Research David Huether. “Now we’re seeing the numbers start to align around a pretty pessimistic outlook for international inbound.”

LEISURE TRAVEL

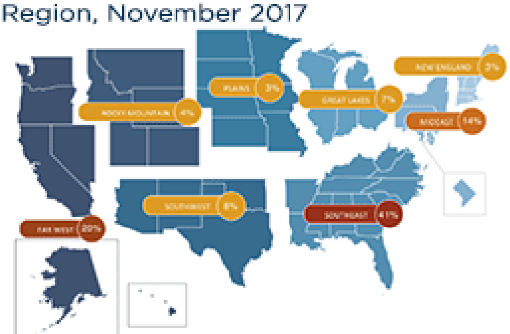
AAA forecasts that 107.3 million Americans will take to planes, trains, automobiles and other modes of transportation during the year-end holiday period. This will be the highest year-end travel volume on record and a 3.1 percent increase in travel volume compared with last year. 2017 marks the ninth consecutive year of rising year-end holiday travel. More than nine in 10 travelers are planning on driving to their destination.

“More expensive gas prices are not swaying holiday revelers to stay home,” said Bill Sutherland, AAA senior vice president, travel and publishing. “In fact, across the board this year, travel has increased year-over-year for every major holiday weekend—Memorial Day, Independence Day, Thanksgiving—and we project the same for the year-end holiday period. We’ve seen the strong economy and growing consumer confidence fuel holiday travel all year long.”

Nearly 40 percent of Americans will travel for the holiday season according to a survey from Generali Global Assistance Travel Insurance. Millennials are more likely to travel than other generations with 48 percent of millennials and 54 percent of millennials with children intending to travel. Of those traveling to see family, 85 percent will stay in the continental United States and 73 percent will spend less than $1,000.

The November U.S. Travel Barometer reported that just over seven in 10 (71%) of U.S. residents were searching for lodging within the U.S. in November. While this share is down from the rest of 2017, the share is on par with November of last year and the year to date average in 2017, is nearly identical to the prior year. The Southeast captured 41 percent of domestic searches in November, on par with the prior month but up significantly from November 2016. Year-over-year, searches to the Southeast increased 4.4 percent.

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



Source: nSight at www.nsightfortravel.com

A new AARP survey of Baby Boomers found that Boomers reported fewer vacation barriers heading into 2018 (20% report no barriers compared to 12% in 2017) with a stronger urge to relax and rejuvenate. The annual AARP Travel Trends survey also finds that Boomers expect to take four or five leisure trips next year, spending an average of almost $6,400 on leisure travel. More employed Boomers will use all or most of their vacation time in 2018 than in 2017 (68% compared to 59%).

Recently released data shows cruise travel is steadily on the rise with a projected 27.2 million passengers expected to set sail in 2018. In 2017, an estimated 25.8 million passengers cruised up from 24.7 million passengers in 2016, an increase of 20.5 percent over five years. CLIA also reported that the cruise industry generated $126 billion in total output worldwide, supporting more than one million full-time employees who earned $41 billion in income. To meet increasing demand, CLIA cruise lines are scheduled to debut 27 new ocean, river and specialty ships this coming year according to Cruise Lines International Association (CLIA) 2018 State of the Cruise Industry Outlook.

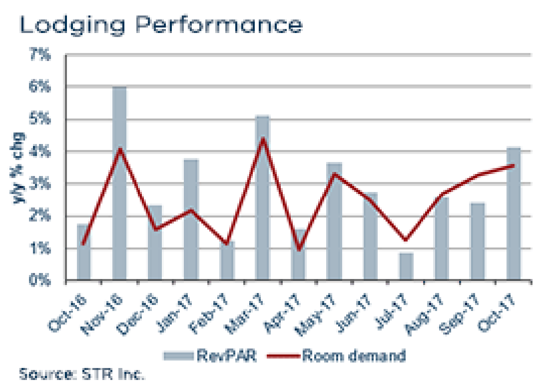
[Tour and package sales are up](#) and are expected to continue to rise, according to a survey of tour operator members conducted by the U.S. Tour Operators Association (USTOA). Eighty-four percent reported an increase in sales for 2017, and eight in 10 said they had passenger growth in 2017. Nearly all (95%) said they anticipated further growth in sales for 2018, with 64 percent forecasting that 2018 will be a "boom year." An improving economy, consumer confidence and improved marketing efforts were cited as reasons for growth.

Research from the University of Montana reveal that the proposal to double the cost of seven-day passes for national parks could cause economic harm to neighboring gateway communities. Economists at the university's Institute for Tourism and Recreation Research say the fee increase would decrease annual spending by $3.4 million in the surrounding communities within 60 miles of Yellowstone National Park. Institute director Jeremy Sage says the effects found from their research would likely carry over to other parks and communities.

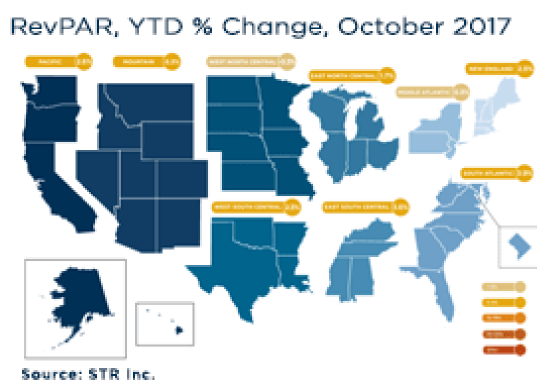
Luxury travel bookings are on the rise according to a recent survey of luxury travel agents from Travel Leaders Group. Ninety-four percent of luxury travel agents said bookings are on the rise compared with 84 percent last year. The United States ranked as the fourth top tourist destinations. "Given the strong U.S. economy, it is no surprise that our agents are seeing a higher level of luxury travel bookings compared to last year. Some people are scaling up their vacations to include high-end accommodations and exclusive experiences and others are simply taking more trips because of their confidence in the economy," said Travel Leaders Group CEO Ninan Chacko.

LODGING INDUSTRY

Factoring out wild shifts due to the holiday calendar and natural disasters, some omens are visible in the October 2017 total U.S. hotel performance, according to STR. The shift of the Jewish holiday negatively affected September data, but that reversed in October.



Revenue per available room in the U.S. increased 4.1 percent, which marked the 92nd-straight month of continuous RevPAR growth. Occupancy reached its second-highest growth this year of 1.6 percent, and average daily rate increased 2.5 percent.



October experienced the highest room demand for a month, ever, at 111 million rooms sold. Hurricane-related damage surge helped boost the results. Supply growth clocked in at 1.9 percent and continues to creep up, which basically means that supply and demand were in equilibrium, taking out the hurricane impact. In other words, based on third-quarter results, occupancy is predicted to be down 0.2 percent, the first full-year decline since the recovery started. Still, STR expects ADR growth to be healthy given that GDP growth should increase based on favorable tax legislation.

Preliminary U.S. lodging data for November from STR revealed that revenue per available room grew 3 percent to 5 percent year over year due to 1 percent to 3 percent growth in average daily rate and flat to 2 percent occupancy growth.

The Baird/STR Hotel Stock Index outperformed the S&P 500 in November, growing 5 percent during the month compared to 2.8 percent growth for the S&P index. The Hotel Stock Index is up 27.8 percent through the first 11 months of 2017.

“In line with the previous month, preliminary November figures are coming in a bit stronger than expected, driven by a post-hurricane demand surge in Florida and Texas,” said Amanda Hite, president and CEO of STR. “Excluding these two states paints a more muted demand and ADR growth picture, and we expect the hurricane impact to dissipate during the first quarter of next year.”

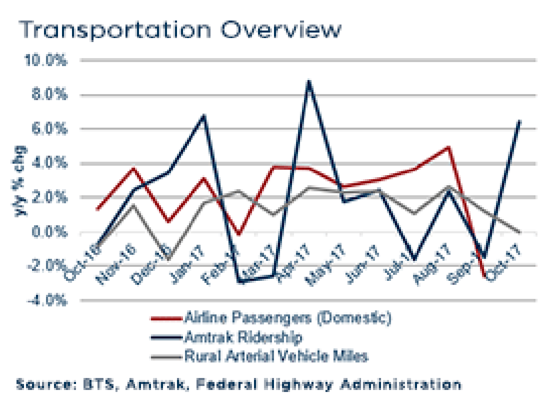
Diverse reward options are the key driver of member satisfaction with hotel loyalty programs, according to the J.D. Power 2017 Hotel Loyalty Program Satisfaction Study. Ease of earning and redeeming awards was the factor that came up on top with 35 percent of respondents rating it as the most important factor. Program benefits was next with 27 percent of members rating it most important factor, followed by account management and member communication. The survey found loyalty program satisfaction boosts brand loyalty: 47 percent of hotel stays booked in the last year were booked with a brand affiliated with the member’s loyalty program.

Hotel food and beverage (F&B) revenue increased at a compound annual growth rate (CAGR) of 4.5 percent between 2010 and 2016, according to new analysis from STR. F&B growth rate fell below CAGR of rooms revenue (5.6%) and total hotel operating revenue (5.2%) over the same period. The largest share of F&B revenue came from food banquets, food venues, and beverage venues in 2016, while in-room dining and mini-bars sunk to the bottom. The decline in revenue from in-room sources is consistent with the emphasis hotel brands have placed on new food, beverage, workspace and socializing concepts in the lobby area.

TRANSPORTATION

AIR TRAVEL

Airlines are preparing for a record 51 million passengers for the holiday season, a 3.5 percent increase from the previous peak of 49.3 million last year. The growth in passengers coincided with growing economy and fares rising less than inflation. The busiest travel days with about 2.7 million passengers each will be Thursday Dec. 21, Friday Dec. 22 and Tuesday Dec. 26, according to Airlines for America.



TSA says it expects to screen more than 40 million passengers and crew members during the holiday period—100,000 to 400,000 more travelers than usual each day. To accommodate the crowds, they'll have up to 1,400 additional officers working at the top 50 airports, plus 55 more canine teams than last year.

The International Air Transport Association (IATA) reported October global air passenger demand rose 7.2 percent compared to the same month last year. Capacity grew 6.2 percent and load factor climbed 0.8 percentage points to 80.8 percent, a record for the month. October's performance was a strong bounce-back after the hurricane-related disruptions in September.

North American airlines' traffic climbed 3.7 percent in October compared to the year-ago period, lowest among the regions but an improvement compared to the hurricane-impacted 3 percent growth in September. Capacity rose 5.2 percent and load factor dropped 1.1 percentage points. North America was one of just two regions to post a load factor decline. There continue to be indications that inbound travel to the U.S. is being deterred by the additional security measures now involved with travelling to that country.

Driven by strong passenger growth and improved efficiency, airlines' net profit will climb to $38.4 billion worldwide in 2018, IATA forecasted. The strong 2018 forecast is fueled by IATA's projection that the number of airline passengers will increase 6 percent next year to 4.3 billion, helping revenue jump 9.4 percent, to $824 billion. IATA also expects costs to rise as jet fuel and labor expenditures go up and as a result, operating margins will decline. North American airlines will make $16.4 billion in 2018, according to the forecast, up from this year's projected net profit of $15.6 billion and more than any other region in the world.

While air service has increased and prices have dropped at large airports over the past 15 years, the picture has been more mixed for medium-size airports, according to recent analysis by the Eno Center for Transportation. Some 853 million domestic travelers flew from large airports in 2005. By 2016, the number of domestic passengers at large airports had risen to 985 million. Conversely, medium-size airports saw their aggregate domestic traffic shrink from 284 million passengers in 2005 to 274 million in 2016. As traffic has risen at large airports, prices have gone down.

ROADS & RAILS

According to Waze's 2017 Driver Satisfaction Index, the U.S. is one of the best countries in the world to be a driver. Driver satisfaction in the U.S. reached an overall satisfaction rating of 7.55 on a scale of 10. The U.S. ranks third of the 40 countries evaluated on factors including traffic, safety, driver services, and road quality, trailing the Netherlands and France.

A recent report from the National Academies Press found that with the emergence of ride-hailing services Uber and Lyft, fewer air travelers are parking cars at the airport, using taxis or renting cars. This trend is hurting airports that depend on fees from parking lots, rental car companies and taxis as their biggest source of revenue other than fees paid by airlines. The money collected from ride-hailing services does not compensate for the lower revenues from other sources.

U.S. regular gasoline retail prices averaged $2.56 per gallon in November, an increase of nearly 6 cents per gallon from the average in October. The increase in November primarily reflected increasing crude oil prices. The Energy Information Administration (EIA) forecasts the U.S. regular gasoline retail price will average $2.59 per gallon in December, 34 cents per gallon higher than the same time last year. EIA forecasts that U.S. regular gasoline retail prices will average $2.51 per gallon in 2018.

As of mid-December, AAA reported that the national average price for a gallon of gasoline dropped two cents to $2.46. East Coast and Midwest states are seeing the largest drops in gas prices – as much as six cents. Drivers can expect pump prices to continue to drop heading into the holiday season as supply strengthens and fall gasoline demand weakens.

BUSINESS TRAVEL

Business travel buyers are spending more on budget and mid-scale hotels in 2017 according to a survey from the Business Travel Show and Association of Serviced Apartment Providers. Serviced apartments and shared economy properties are also becoming more popular: these accommodations were booked by 20 percent and 18 percent of buyers, respectively. For the last two years, business travel buyers have cited cutting costs while maintaining quality and value for money as their chief concern.

A significant portion of today's frequent business travelers stress out over work trips, and some turn to unhealthy means to combat the unwelcome tension. On Call International surveyed 1,000 road warriors and found that more than one-third feel work-related travel makes them more stressed than usual. The same percentage say they struggle to sleep on business trips. The study shows that a majority of business travelers are also less likely to exercise away from home while 44 percent are more likely to settle for unhealthy foods.

INTERNATIONAL TRAVEL

New data released by the Commerce Department show a 3.9 percent overall decline in inbound international travel to the United States over the first six months of this year. Of the 33.8 million visitors that have arrived in the U.S. year-to-date, 9.5 million came from Canada, a 4.8 percent increase from the first six months of 2016. On the other hand, visits from Mexico (8 million) and overseas (16.4 million) were down significantly from previous levels, -9.4 percent and -5.7 percent, respectively from the first six months of 2016. Visits from Asia (5.3 million YTD) and Oceania (0.8 million YTD) experienced mild decreases (-0.8 percent and -1.8 percent, respectively), whereas visits from Latin America (excluding Mexico) fell substantially (3.2 million, down 13.8%).

After four months of increasing share, the United States' share of international searches declined somewhat to 12.8 percent in November, according to the latest U.S. Travel Barometer. Compared to the same period last year, U. S's share of international searches remained positive. Year to date, U.S.'s share of international searches is on par with 2016. Travel interest to Spain and Italy was particularly strong in November. The Southeast (39%) and Mideast (29%) remained the top two regions capturing the most international searches in November. Canada, the U.K, Germany, Brazil and Colombia were among the top five countries searching for lodging in the Southeast region in November.

Skift Research predicts 2018 will be another strong year for global travel and tourism growth. Hotels are expected to reach 17 million rooms sold and earn $500 billion in revenue globally in 2017. Approximately 840 million passengers are expected to travel via airplane and 25 million via cruise ship, garnering $740 billion and $38 billion for the airline and cruising industries respectively. Recreational vehicle sales are expected to reach their highest level in four decades, signifying renewed interest in the family road trip. Even amid policy uncertainty for inbound travel to the U.S., travel is expected to grow internationally in 2018 given healthy U.S. consumers, positive corporate indicators, emerging markets, and trade liberalization.

According to a recently released *Open Doors Report on International Educational Exchange*, Chinese students as a group would be a top 25 overseas source market. The report shows that 1.1 million students came to the United States during the recently completed 2016-2017 school year, an increase of more than 5 percent over the previous school year. More than 350,000 Chinese students alone visited the U.S. during the 2016/17 school year. This also marks the 11th consecutive year of continued expansion of the total number of international students in U.S. higher education.

While the overall number of international students studying in the United States has increased, the number of new international students declined by nearly 10,000 students, a 3 percent decrease from the previous year. This is the first time that these numbers have declined in the twelve years Open Doors has reported new enrollments.

Over 1.1 billion people traveled internationally in the first 10 months of 2017, according to The United Nations World Tourism Organization's (UNWTO) *Barometer*. The UNWTO noted that this was a 7 percent year-to-date increase in international visitation from the first 10 months of 2016. In the Americas, after noting the "clear signs of recovery" in the Caribbean region, "robust results in Mexico and Canada contrast with a decrease in the United States, the region's largest destination." With respect to outbound tourism markets, the *Barometer* highlighted specific growth in international tourism expenditure from Brazilian and Russian visitors traveling abroad, up 33 and 27 percent in travel spending respectively.

PROJECT: TIME OFF

Still needing a last-minute gift? Give an experience—your kids want the time with you. Project: Time Off research shows most kids (61%) want to spend quality time with parents during vacation. Read more.

U.S. Travel Association Updates

RESEARCH

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 at 5 percent.

Additional international fact sheets and country profiles are being updated to reflect the latest available data for 2016 and forecasts for 2017.

POLICY

We scored a significant victory in the Open Skies debate when the Senate removed language from its tax reform bill that was aimed at the three Middle East air carriers but would have had far greater global consequences. The proposal would have penalized travelers by potentially increasing prices on direct flights offered by foreign airlines—and created a perverse incentive for travelers to choose less efficient connecting flights. The language was part of an ongoing campaign by the Big Three airlines to disrupt U.S. Open Skies agreements with U.A.E and Qatar. We will continue to be vigilant and engaged on this issue.

The Department of Homeland Security announced steps to strengthen the "already robust" national security protections of the Visa Waiver Program (VWP). The enhancements include requiring VWP countries to use counterterrorism information to screen travelers, implement new aviation safeguards and initiate public information campaigns to reduce overstays. DHS also called for congressional action to buttress international information sharing, more systematically collect and analyze passenger travel data, and formally authorize federal Air Marshalls aboard U.S. carriers departing to the United States.

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