

TRANS•ATLANTIC®

THE U.S. MARKET FOR TRAVEL TO EUROPE • JAN. 2, 2013

ECONOMY SIDESTEPS 'CLIFF'

1. **A late-night vote of the House of Representatives sent a compromise bill to President Obama to sign today** that limited scheduled across-the-board tax hikes and delayed most spending cuts by two months. Thus the recovery is not threatened with being starved of many billions in consumer and government spending. Stock markets in Asia and Europe responded with big gains today, and Wall Street (where the Dow was only briefly below 13,000 in late December) followed this morning.

The bill was passed in the House with a divided Republican majority supplying 85 of the 257 "yes" votes. Politically, Obama and the Democrats were credited with a victory by most of the media.

Republicans said they would battle for significant entitlement cuts in coming weeks when government funding and debt-ceiling extension bills come up.

NEXT ISSUE: Overall Trans-Atlantic Traffic/ December and Full-Year 2012

2. **Winter airfares have recovered somewhat on New York-London flights**, and are at \$827 for the cheapest mid-week flights. March and April fares are up substantially compared to a year ago. See No. 7 below.

THAT 3rd Q KEEPS ON GETTING BETTER

3. **The U.S. economy grew a solid 3.1 percent in the 3rd Q**, according to the second revision issued by the Dept. of Commerce last week. That's up from the original—and much more modest—estimate of 2.0 percent, and from the first revision of 2.7 percent. The estimate for the 4th Q remains for considerable deceleration, to perhaps +1.5 percent.
4. Here are a few more U.S. economic positives and negatives: **Oil prices are back up to \$93 per barrel**, the highest since late October (they had dipped to as low as \$84 in December). **Gasoline is up a nickel this week to \$3.29** per gallon of regular (the

U.S. average) but that's still near its 12-month low. However, over 2012 gasoline cost more in the U.S. than in any previous year (without adjusting for inflation).

The housing recovery builds up more steam: Sales of existing homes rose 5.9 percent in November over October (compared to +2.1 percent in October over September) and are up 14.5 percent over a year ago. Total sales were 5.04 million, the most in five years (excluding a jump in November 2009 spurred by impending expiration of a tax credit). It helps that the supply of empty previously owned houses has finally dropped to a 10-year low. Median existing-home prices were up 11.1 percent from a year ago. New homes sales resumed growth, jumping 4.4 percent in November, after sliding in October.

5. **Consumer confidence dropped sharply in December**, thanks to "fiscal cliff" worries. The Conference Board index fell to 65.1 in late December from a revised 71.5 in late November. That confirmed the decline reported earlier by the Thomson Reuters/Univ. of Michigan index, to 74.5 in early December from a revised 82.5 in early November. The original November figures were high points for both the Michigan index (five-year high) and the Conference Board (4½-year high).

Will confidence begin to rise again with resolution of the 'cliff.'

6. **The dollar was steady versus the euro over the holiday period**, and at nearly €0.76 through New Year's Day. See **The Dollar vs. The Euro** graph.

SOME OFF-PEAK FARES ARE UP

7. **The lowest fares for winter travel from New York to London are up by 7 percent**, compared to early-December quotes. March and April fares are up considerably more compared to a year ago—as much as 27 percent (Chicago-Paris, mid-March).

Here are the low fares quoted New Year's Day on Travelocity for roundtrip, non-stop flights on major carriers, taxes and fees included.

travel dates:	Jan. 16-23 (compared to early-Dec. quote)	Feb. 13-20 (compared to early-Dec. quote)	March 13-20 (compared to Jan. '12 quote)	April 17-24 (compared to Jan. '12 quote)
New York–London	\$ 827 (773)	\$ 827 (773)	\$ 827 (689)	\$ 882 (758)
Chicago–Paris	927 (914)	927 (875)	927 (732)	1,057 (916)
San Fran.–Frankfurt	1,038 (1,033)	1,038 (1,034)	1,038 (890)	1,270 (1,151)

CLIA, COSTA CONCORDIA AND CARNIVAL

8. **The world's cruise lines are merging most of their geographical trade groups under the Cruise Lines International Association.** Joining up are the European Cruise Council (to be called CLIA-Europe), the Asia Cruise Association, the Northwest and Canada Cruise Association the British Passenger Shipping Association and the Alaska Cruise Association.

Howard Frank, vice chairman of Carnival Corp., will lead the expanded executive committee. CLIA President Christine Duffy will continue as president and VCEO of the global association.

Frank said that the cruise lines wanted a single organization to deal with regulatory bodies—particularly with the UN'S International Maritime Organization which oversees global shipping rules, including the Safety at Sea treaty.

Safety has been an issue since the *Costa Concordia* foundering last January off a Tuscan island; 32 people died. Costa is a subsidiary of Carnival, the world's largest cruise operator.

9. Separately, **Carnival reported 4th Q profit was down 57 percent to \$93 million on \$3.6 billion in revenue.** "As a result of the *Costa Concordia* tragedy, the past year has been the most challenging in our company's history," said Chairman Micky Arison.

Recession-bound Europe is still weak—prices remain below 2011 levels—but skies are sunny elsewhere, Carnival says. Two new ships will be delivered in 2013 for the AIDA (2,192 passengers) and Princess (3,560 passengers) subsidiaries, and two more are on order for subsidiary Holland-America (2,660 passengers, due in 2015) and for Carnival Cruises (4,000 passengers, due in 2016).

On the expense side, Costa must cover the salvage of the *Concordia*. The floating of the hull from the reef wreck-site is now not expected before late summer.

NEW YORK CITY WINS AGAIN

10. **Mayor Michael R. Bloomberg claimed a third consecutive record year for visitors to New York in 2012**, with NYC & Company estimating the total at 52 million, including 11 million international visitors (up 3.8 percent). The spend was put at \$36.9 billion for an average of \$710 per visitor.

The city has declared records for tourists for every year since 2002, except for 2009, following the financial meltdown. NYC & Company likes to announce the estimate in the first week of the new year, although it doesn't say how its tabulating formula is able to reach such a precise total so quickly.

The Bloomberg administration, which made increasing tourism a high priority,

has invested funds in promoting New York in Europe and elsewhere. NYC & Company, led since 2006 by former ad guru George Fertitta, received 40 percent of its \$36 million-plus budget from the city, and most of the rest from partners and sponsors.

In 2011, Europeans accounted for more than 40 percent of all international visitors to New York; Britain led all world markets, sending 1.06 million visitors. See the full release:

www.NYCGo.com/press/mayor-bloomberg-announces-new-york-city-breaks-tourism-record-again-in-2012

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One dollar equals:
Interbank rate/Monday closings

THE DOLLAR VS. THE EURO 2012

Value of the U.S. dollar against the euro, the single currency of 17 European Union nations: Austria, Belgium, Cyprus, Estonia, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Malta, the Netherlands, Portugal, Slovakia, Slovenia and Spain.

EU members Britain, Denmark and Sweden have so far opted out of the euro.
Of the 12 nations that acceded to the EU in 2004 and 2007, Estonia was the most recent to join the euro zone, on Jan. 1, 2011.

