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THE U.S. MARKET FOR TRAVEL TO EUROPE • MAY 31, 2012

U.S. TRAFFIC TO EUROPE DECELERATED IN APRIL

1. **Growth in U.S.-citizen traffic to Europe rose 3.2 percent in April**, less than half of the 6.5-percent rate in March, according to the latest figures from the Dept. of Commerce. But that was an accomplishment, considering that overall trans-Atlantic traffic decreased by 0.7 percent in April (reported here two weeks ago).

U.S. traffic was up 4.8 percent for the October-April off-peak season, to a total of 4.95 million. See No. 8 below and the **Volume of Travel to Europe** chart.

EUROPE RAN BIG TRAVEL DEFICIT WITH U.S. IN 2011

2. **The U.S. achieved an \$8.1-billion surplus in travel and tourism receipts at Europe's expense in 2011**, according to the Dept. of Commerce. It was the fifth consecutive year of travel surpluses for the U.S. vis-à-vis Europe. On non-airfare spending, the U.S. surplus was \$10.2 billion. On airfares alone, Europe won a surplus of \$2.1 billion.

According to other Dept. of Commerce data, **16.9 percent more Europeans visited the U.S.** in 2011 than Americans visited Europe. And those **Europeans spent 24 percent more per person** in the U.S., on average, than Americans spent in Europe.

Tourism has proven to be an important source of trade surpluses for the U.S., amounting to \$42.8 billion vis-à-vis the rest of the world. On overall trade, the U.S. has been running deficits since 1976. The record 2011 deficit was a massive \$560 billion.

Travel receipts: \$33.15 billion (+12%)

Airfares (paid to U.S. carriers): \$11.08 billion (+22%)

TOTAL (exports): \$44.23 billion (+14%)

Travel payments: \$22.95 billion (+5%)

Airfares (paid to European carriers): \$13.20 billion (+13%)

TOTAL (imports): \$36.15 billion (+8%)

SURPLUS TO U.S. / DEFICIT TO EUROPE: \$8.07 billion (+54%)

The \$4.53 billion surplus with Britain accounted for more than half of the total U.S. surplus with Europe. Breakdowns were given for six other nations, only one of

which, **Italy**, scored a surplus against the U.S. (\$253 million).

The others: **Germany**, +\$923 million to the U.S.; **France**, +\$465 million; **Belgium**, +\$648 million; and **the Netherlands**, +\$275 million. The surplus with France is a surprise, with the U.S. counting only 1.5 million French visitors and France counting 3.1 million U.S. visitors.

See: <http://tinet.ita.doc.gov/research/reports/recpay/index.html>

THE DOLLAR GAINS ON EURO-ZONE NERVES

3. **The U.S. recovery slowed more than originally reported for the 1st Q.** GDP rose only 1.9 percent, down from last month's estimate of 2.2 percent for the quarter. GDP rose 3.0 percent in the 4th Q of 2011.
4. **The euro zone teeters on ever-thinner financial ledges.** Polls in Greece find voters closely divided in what will amount to a referendum June 17 on the austerity/bailout agreements with the EU and IMF.
Spain and Italy were forced to pay high yields on their most recent bond sales. Spain had to bail out its largest lender, Bankia, with funds it is itself borrowing. Anti-austerity leaders, like France's new president, Franoise Hollande, are pushing for creation of "euro bonds" to meet the crisis and finance stimulus spending. Germany's Angela Merkel is signaling some movement, some time, in that direction. But the immediate drama centers on the Greek vote; if it results in victory for the anti-bailout parties, Greece may be headed for bankruptcy and departure from the euro zone.
If Europe slips into a continent-wide recession, other economies that are slowing down—including the U.S., Russia, China and India—could be undermined further.
5. **Euro-zone fears have already pushed the dollar to a 23-month high vs. the euro at €0.81** (interbank rate). A further rise to €0.85 would bring the dollar to a 6½-year high. A rise to €0.86 would be an 8½-year high. See **The Dollar vs. The Euro** graph.
6. Other economic positives and negatives: **The Dow ended at 12,396 today**, way down from its post-meltdown high of 13,279 on May 1. **Oil and gasoline prices are dropping quickly**, to \$87 a barrel, and \$3.67 per gallon of regular (U.S. average), respectively.
Consumer confidence went into a sharp reverse, from a revised 68.7.5 in late April to 64.9 in late May, according to the Conference Board index. Previously, the Thomson Reuters/ Univ. of Michigan index stepped upward from a revised 76.4 in early April to 77.8 in early May.
7. **Housing may have turned a corner in the U.S.** Sales of both new and previously owned homes rose in April, the latter by 3.4 percent to a seasonally adjusted annual rate of 4.62 million. But that is still far short of the 6 million per year that economists say is healthy. Median sale

prices are up to \$177,400, or 10.1 percent over April 2011. Foreclosures and repossessions declined, the latter down 7 percent from March, and down 26 percent from April 2011. Repossessions could total 700,000 this year, down from one million in 2011.

8. **U.S. off-peak traffic to Europe (Oct. 2011-April '12) rose 4.8 percent to 4,947,793**, compared to the previous off-peak period of 2010-'11, according to figures from the U.S. Dept. of Commerce. The peak season (May-Sept.) totaled 6,044,755 or 55 percent of the 12-month total from May 2011 to April 2012. **There's reason to hope for a 2-4 percent increase in U.S. traffic for the peak season now underway**, barring a major economic downturn.

PEAK SEASON: FARES REMAIN STABLE

9. **Peak-season airfares continue to be stable.** Low fares for June and July, below, have dropped or increased less than \$50, with the exception of San Francisco-Frankfurt.

For August and September, fares for the same routes are down compared to a year ago, or up less than \$50, with the exception of New York-London. These are quotes this week by Travelocity for non-stop, roundtrip flights on major carriers, taxes and surcharges included:

travel dates:	June 13-20 (compared to late-April quote)	July 11-18 (compared to late-April quote)	Aug. 15-22 (compared to May '11 quote)	Sept. 15-22 (compared to June '11 quote)
New York-London	\$1,110 (1,183)	\$1,110 (1,183)	\$1,079 (1,041)	\$ 884 (742)
Chicago-Paris	1,397 (1,348)	1,312 (1,448)	1,295 (1,246)	1,106 (1,153)
San Fran.-Frankfurt	1,777 (1,549)	1,587 (1,589)	1,428 (1,546)	1,245 (1,256)

10. **Delta is offering 'basic economy' fares on routes where it competes with low-cost Spirit Airlines.** The new category would not allow any itinerary change or seat choices by passengers, and saves \$19 on a regular economy fare of \$248.60 for Detroit-Fort Lauderdale, according to *The Atlanta Journal-Constitution*. "Trip extras," including priority boarding and Wi-Fi, can be bought in addition.

It might be a rehearsal for a new Battle of Atlanta, where low-cost Southwest—a much-bigger competitor than Spirit—has been mounting a major challenge since its purchase of AirTran.

11. **United Airlines is building on Continental's longtime dominance of Newark Liberty International**, and now accounts for perhaps 75 percent of the airport's 23 million-plus annual passengers. Delta and JetBlue account for less than 5 percent each, according to *The Star-Ledger*. This gives United major "power over prices," several economists said.

Example: A New Jersey passenger bound for San Francisco found he could pay \$1,584 for a United ticket out of Newark or \$986 for a United ticket out of JFK.

12. **The Transportation Security Administration, under constant attack for its screening procedures, is driving to expand enrollment into its PreCheck program** to as many as 75 percent of 1.6 million passengers who fly each day in the U.S., according to Bloomberg. Most of those now signed up for PreCheck's expedited and less-intrusive screening are business travelers and frequent flyers.

Inaugurated last year, PreCheck works with selected airlines at 15 U.S. airports. Passengers must sign up in advance, provide background information, and be approved by both an airline and the TSA. The TSA said it is working with Fortune 500 corporations to identify eligible employees.

GERMAN TOURISM BEATS CARS, RIVER CRUISE HITS BRIDGE

13. **Royal Caribbean will shrink its Europe fleet from 12 ships to nine next year.** The *Costa Concordia* accident suppressed demand considerably, especially from Europeans, which had been the fastest-growing source of new cruisers. The spreading recession in Europe could further undermine demand. A UBS report said yields will decline 5 percent this year from 2008 peak levels for Royal Caribbean, and 7-8 percent for Carnival Corp., Costa's parent.
14. **For Germany, tourism generates twice as much revenue---€278 billion in 2011---as the auto industry.** That's 4.4 percent of total GDP, according to Petra Hedorfer, chief executive of the German National Tourist Office, as quoted in TravelPulse.
15. **The wheelhouse of the *Avalon Panorama* was badly damaged** just before midnight May 16 when the river cruise ship struck a bridge at the Forchheim lock on the Main-Danube canal. The wheelhouse had been lowered hydraulically to clear the bridge, but not quite enough. No one was hurt; the captain was guiding the ship from a deckside helm. Passengers, bound for Budapest, were bussed to Nuremberg, their next stop.

VEMEX IN NEW YORK AND CHICAGO

16. **Registration for exhibitors opens next week on the VEMEX website, VisitEuropeMediaExchange.com.** The next edition of the Media Exchange takes place this fall at the Harvard Club in **New York**, Oct. 22, and at the Hilton in **Chicago**, Oct. 25.

VEMEX will bring together more than 140 pre-approved journalists with representatives of national, regional and city tourist offices, rail and other transport services, and major European attractions. For information, email to VEMEX@dnmartinco.com.

VOLUME OF TRAVEL TO EUROPE BY U.S. CITIZENS

APRIL 2012

From monthly air-travel reports issued by the U.S. Dept. of Commerce, Office of Travel and Tourism Industries. Totals are for U.S. citizens departing U.S. gateways on flights with first arrival in Europe (including the Russian Federation).

Since July 2010, data has been collected from airlines before departure by the Dept. of Homeland Security via the new Advance Passenger Information System (APIS). This more accurate system has revealed that U.S.-citizen departures were previously overcounted, by as much as 20 percent per month. Thus the significant minus figures reported for July 2010 through June 2011 do not reflect actual decreases of that magnitude. Indeed, independent data indicates that traffic increased through much of that period.

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	% change from 2011
January	590,697	671,177	713,703	748,042	734,184	739,893	753,241	668,221	664,807	568,471	580,304	+ 2.1
February	598,234	591,131	655,434	649,274	638,319	626,434	668,385	568,968	544,768	414,958	493,931	* +19.0/+14.9
March	910,848	808,794	982,275	992,917	1,025,478	1,041,834	982,679	847,090	852,371	773,308	823,312	+ 6.5
April	769,269	679,570	929,359	944,616	990,345	998,978	968,486	940,279	761,418	806,302	832,117	+ 3.2
										2,563,039	2,729,664	+ 6.5
May	1,080,818	979,655	1,229,897	1,280,025	1,368,704	1,386,300	1,318,802	1,241,375	1,232,279	1,157,885		
June	1,305,355	1,205,280	1,432,810	1,463,636	1,585,248	1,607,434	1,521,619	1,397,017	1,545,950	1,431,960		
July	1,012,332	1,209,944	1,293,447	1,383,904	1,450,854	1,467,596	1,334,096	1,383,704	1,239,156	1,288,805		
August	867,279	1,049,258	1,106,643	1,096,385	1,159,246	1,235,953	1,122,497	1,204,945	969,046	1,047,001		
September	980,829	1,055,536	1,169,280	1,208,755	1,245,357	1,297,046	1,180,564	1,163,697	1,122,203	1,119,104		
October	805,403	872,409	897,683	941,909	980,856	1,038,804	916,328	920,191	831,219	844,142		
November	745,117	785,206	821,219	811,118	816,098	856,815	765,079	748,994	640,639	644,948		
December	830,737	888,149	900,717	902,504	913,995	954,698	888,886	845,496	688,213	729,039		
	10,496,918	10,796,109	12,132,467	12,423,085	12,908,684	13,251,785	12,420,662	11,929,977	11,092,069	10,825,923		
Final **	10,677,881	10,992,891	12,243,834	12,552,629	12,995,893	13,329,777	12,505,627	11,979,018	11,103,708	10,825,923		

** Final totals through 2010 adjusted upward by the U.S. Dept. of Commerce, Travel and Tourism Industries, in annual report as late filings were received from carriers. Beginning with 2011, December total is final.

* February '12 had 29 days, average DAILY increase was 14.9 percent.

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.

One dollar equals:
Interbank rate/Monday closings

