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Consumer Morsel

Travel trends to watch for in summer '24

20 May 2024

Key takeaways

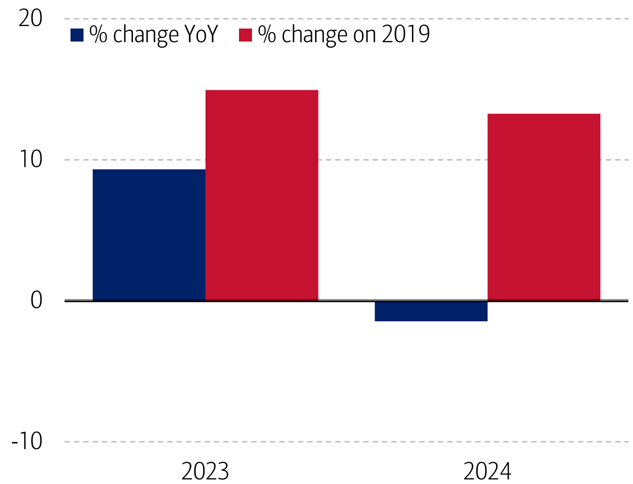
- Travel spending has held up well so far this year, according to Bank of America credit and debit card data, considering the strong surge it saw in 2023. With prices declining in some travel categories such as airlines, it appears the share of discretionary spending that households are allocating to travel is not particularly high.
- Does this mean households could expand their travel-related spending over the summer? Potentially - the 2024 Bank of America Summer Travel Survey finds over 70% of respondents are planning summer travel, and younger generations (Millennials and Gen Z) are planning to go away for longer and spend more compared to previous years.
- Hot spots in international travel include Japan, where the weakness in the yen appears to be boosting demand, and cruises, which are a favorite of Baby Boomers.
- But domestic tourism really matters for the US economy. We have previously discussed how live events boosted local economies, which looks set to continue. We also find that visitors to some key tourism states look solid so far in 2024.

Travel spending still solid, coming off a big year

The boom in travel appears to be continuing this year. At the start of 2024, it seemed possible that travel spending might cool as some of the catch-up travel following the pandemic began to wane. But while this has happened a little, it has not happened much. Exhibit 1 shows that from January 1 to May 11, 2024, average travel spending per household in Bank of America credit and debit card data fell 1.5% year-over-year (YoY). Even so, it rose 13.3% compared to 2019 levels, suggesting consumers' appetite for travel has not abated very much. That's a surprisingly strong showing particularly given the turbo-charged spending we saw in 2023 after the re-opening of the economy post-pandemic.

Exhibit 1: Travel spending in 2024 has eased, but only a little

Bank of America credit and debit card spending per household on travel (average of daily data January 1 to May 11, 2023/24)



Source: Bank of America internal data. Travel spending include airlines, lodging, cruises, and rental cars.

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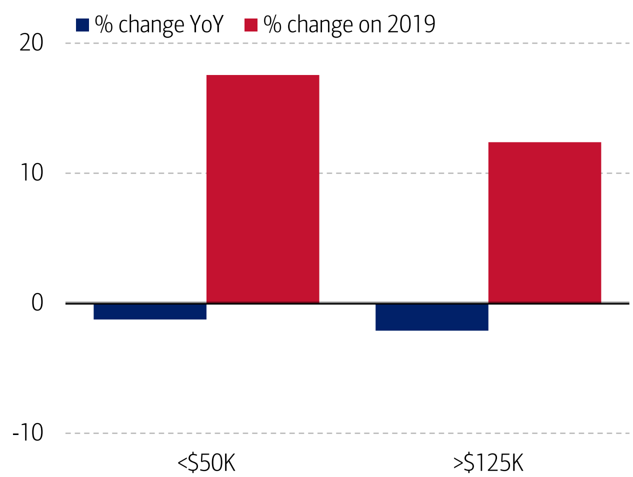
Exhibit 2: Lower-income consumers have pulled back less

Bank of America credit and debit card spending per household on travel by income (average of daily data January 1 to May 11, 2024)



Source: Bank of America internal data. Travel spending include airlines, lodging, cruises, and rental cars.

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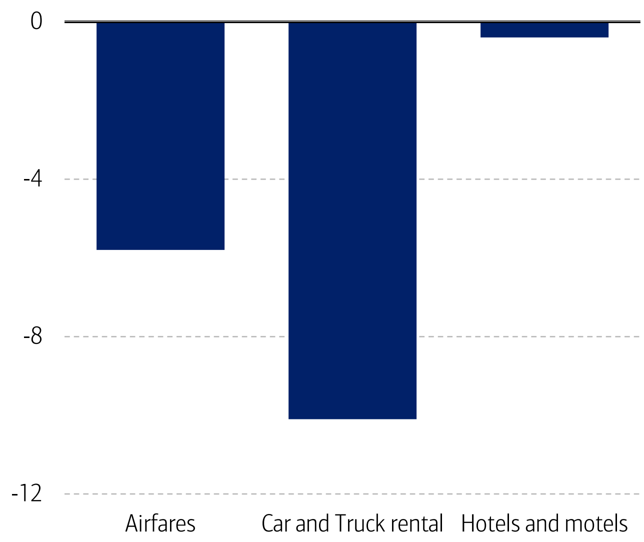
So, who is driving this trend? While Bank of America card data shows that travel outlays remain strong across all income levels, spending growth compared to 2019 has been strongest among the lower-income consumer (annual household income <$50k) (Exhibit 2). In many respects this isn't surprising: the May Consumer Checkpoint discussed the still positive overall fundamentals of that group, including relatively robust after-tax wages and salary growth and continued savings buffers.

An important point to note is that the inflation rate across a number of travel-related spending categories is now negative (Exhibit 3). This means that even though card spending per household on travel may have declined a little on a year ago, it is likely still growing quite robustly in inflation-adjusted terms. Transportation Security Authority (TSA) checkpoint data, for example, shows there is strong growth in air passenger numbers in 2024.

Exhibit 3: Prices are down across some travel categories
Consumer price inflation (April, % YoY) for selected categories



Source: Bureau of Labor Statistics

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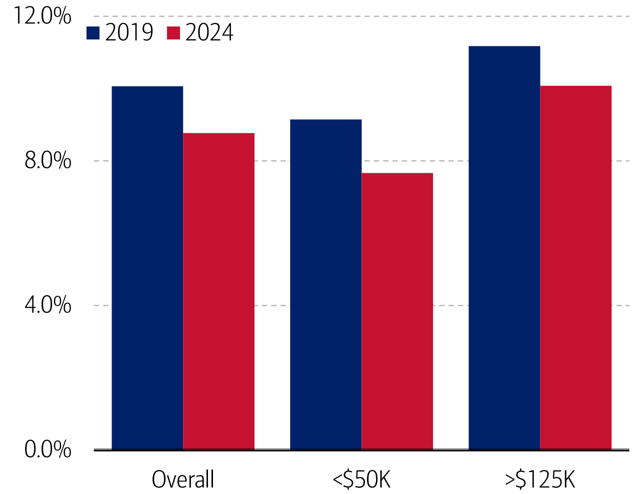
Exhibit 4: Travel spending per household as a share of discretionary spending is below 2019 levels
Travel spending as share of discretionary card spending per household (January 1 to May 11, 2019/2024, %)



Source: Bank of America internal data

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This easing in travel-related inflation is likely also one of the reasons why households are not allocating a particularly large share of their discretionary spending to travel so far this year, Exhibit 4.

Some of the robust travel spending we have seen so far in this year is likely reflecting consumers booking ahead for their summer vacations. But is there room for consumers to increase their spending further on travel as the summer travel season ramps up? Below we highlight some travel-trends that we think could shape the season.

First port of call: 2024 Bank of America Summer Travel Survey

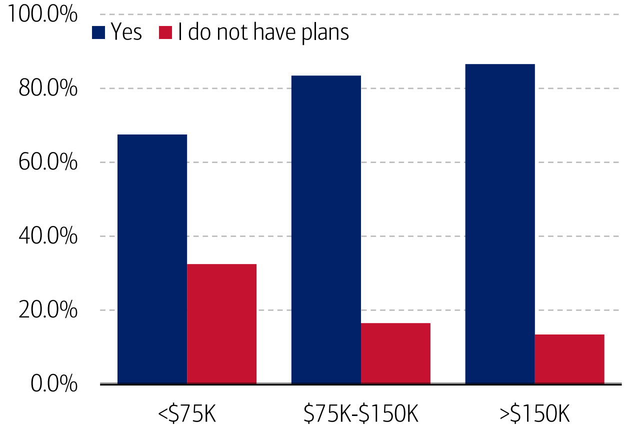
The 2024 Bank of America Summer Travel Survey provides useful insights into how consumers' travel plans are shaping up. The survey consisted of 2,010 respondents throughout the US.

Exhibit 5 shows that 72% of respondents said they intend to take a vacation, roughly the same percentage as last year. However, there are notable differences by income level. A higher percentage of households with annual household incomes under $75K said they do not have plans to go away compared to prior years. This may indicate some extra caution developing amongst these consumers around making the financial commitment necessary to take a holiday, though as discussed above we do not see this currently in Bank of America card spending.

For those planning to vacation, where are they planning to go? Exhibit 6 indicates that most respondents say they plan to stay within the US and a smaller percentage plan to visit other North American countries outside the US. By income, it appears that higher-income respondents (incomes >$150k) are somewhat more inclined to go outside North America, with Europe being a favorite. There also appears to be a small rise in respondents suggesting they plan to visit Asia.

Exhibit 5: A higher percentage of lower-income consumers say they will not travel this summer than other income cohorts

Percentage of respondents who plan to go on vacation this summer (%)



Source: 2024 Bank of America Summer Travel Survey

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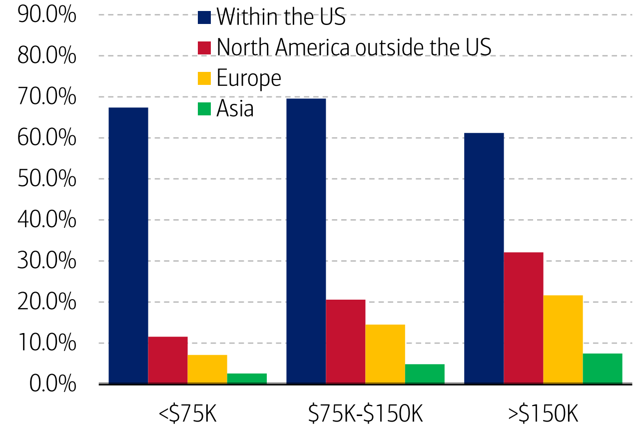
Exhibit 6: Most respondents plan to go on vacation in the United States

Percentage of respondents who plan to go on vacation in country/region (%)



Source: 2024 Bank of America Summer Travel Survey

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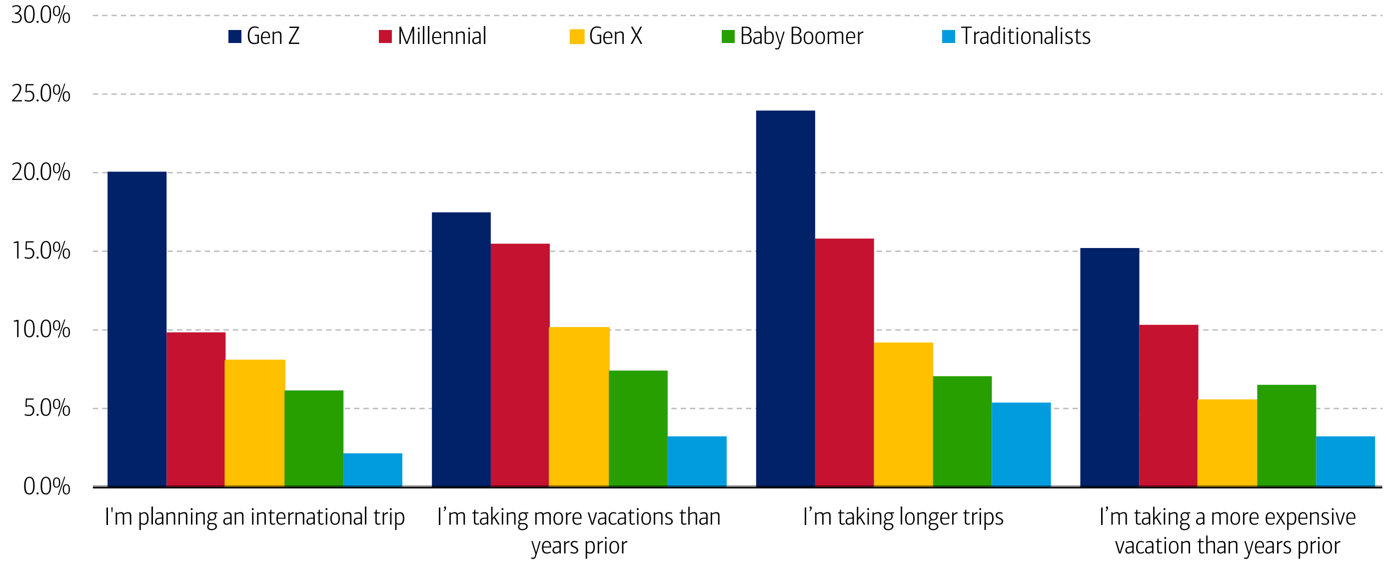
Another aspect of the Travel Survey we find interesting is the differences across generations. Exhibit 7 shows the number of respondents who say they plan to increase vacations internationally skew towards the younger (Gen Z and Millennial) generations. These younger generations also appear to be planning to go for longer and spend more than they have in previous years.

Exhibit 7: More of the younger generations are planning to vacation internationally, while also planning to go for longer and spend more.

Percentage of respondents taking trips this summer by generation (%)



Source: Bank of America

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Second stop: Carry on cruising

The cruise business is sailing strong. In Bank of America credit and debit card data, cruise spending was up 12% YoY on a per household basis as of May 11 (Exhibit 8). Furthermore, our data shows that 7.2% of total travel expenditure has been allocated to cruises so far this year – which is almost 25% higher than the pre-pandemic share of 5.8% in 2019 (Exhibit 9).

Some of this is being driven by pent-up demand from Covid when many travelers shunned cruising. But it may also indicate that consumer preferences are shifting toward cruises, which certainly appears to be the case for older generations. In Bank of America internal data, we find that Baby Boomers make up around half of total spending on cruises; Gen X cruise spending comprises about half the rest.

Exhibit 8: YoY Spending growth on cruises has come down from its peak of above 50% in June 2023 but is beginning to rise ahead of the summer months

Bank of America credit and debit card spending growth per household on cruises through May 11 (7-day moving average, %YoY)

Source: Bank of America internal data

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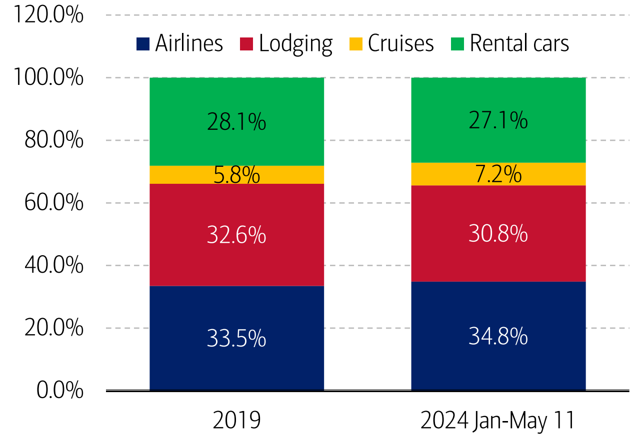
Exhibit 9: So far this year, 7.2% of travel expenditure has been allocated to cruises

Share of Bank of America credit and debit card spending per household on select travel categories through May 11 (daily)



Source: Bank of America internal data

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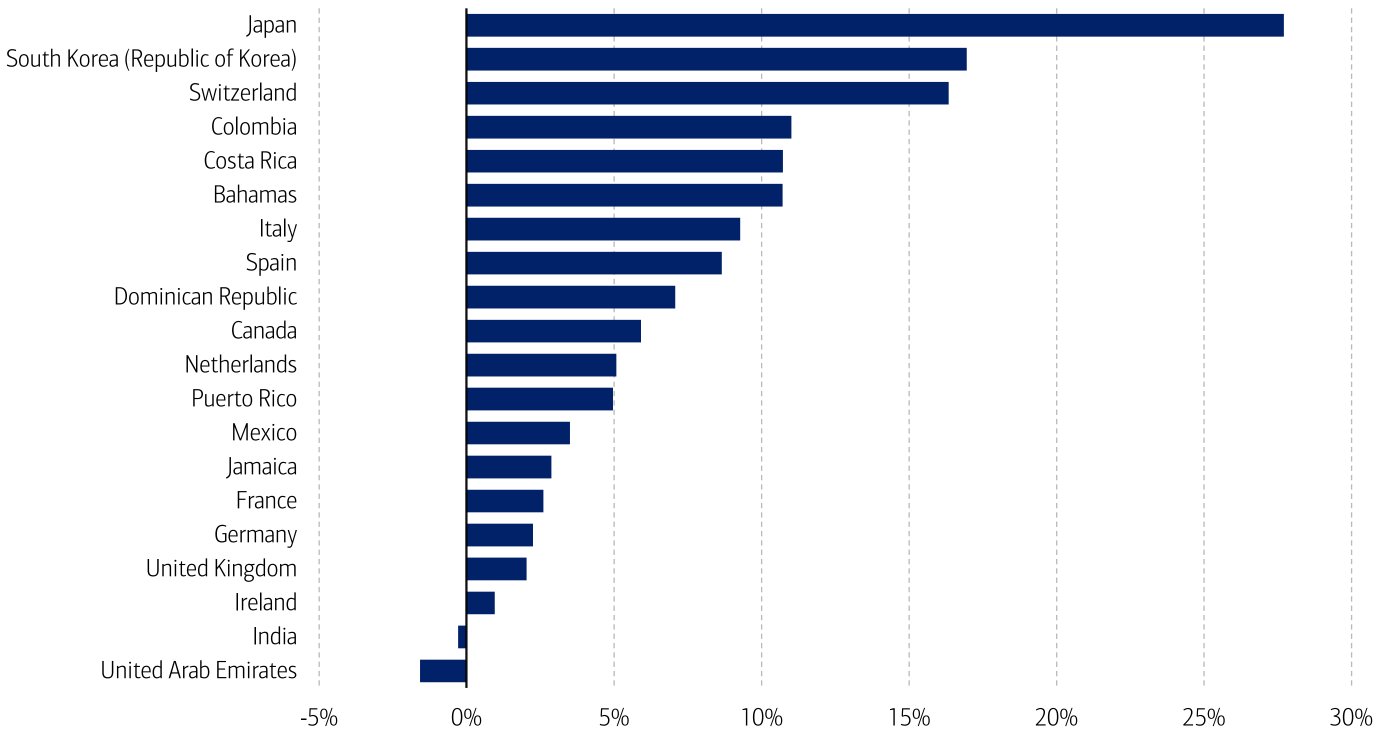
Third stop: Japan?

While the 2024 Bank of America Summer Travel Survey shows a relatively small percentage of respondents planning to vacation in Asia, in Bank of America credit and debit card data we have seen an increase in households who are spending in Japan. Exhibit 10 shows that the number of households with spending in Japan in the first three months of 2024 was up nearly 28% compared to the prior year. The second-biggest spending gain was in South Korea.

Exhibit 10: Bank of America spending per household is highest for Japan over January-April 2024

Number of Bank of America credit and debit card households making an in-person transaction in specified countries (% YoY)



Source: Bank of America internal data

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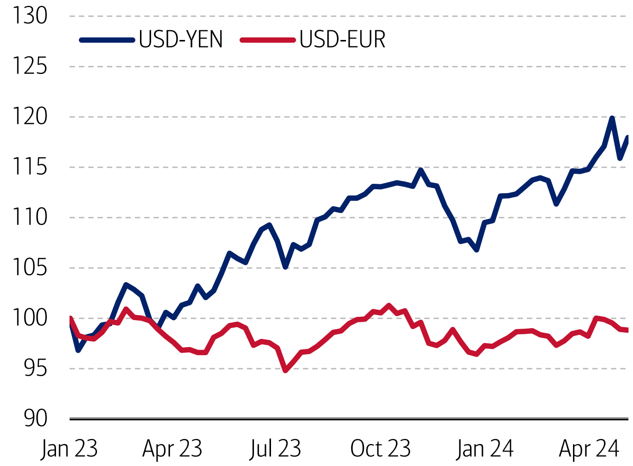
In our view, one reason for this influx of travel is the relative weakness in the yen. The Japanese currency has depreciated by almost 20% since early January 2023 (Exhibit 11). That compares, for example, to little change in the dollar-euro exchange rate over this period. The result is that vacations in Japan are becoming relatively cheaper and more attractive.

Exhibit 11: The yen has depreciated by almost 20% since January 2023
Dollar-yen and Dollar-euro exchange rates (6th January 2023=100)



Source: Haver Analytics

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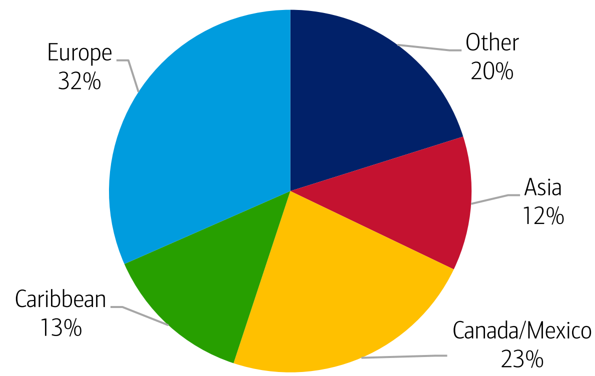
Exhibit 12: Europe comprised the largest share on an absolute volume basis of international in-person card spending in April
April 2024 share of total international in-person Bank of America credit and debit card spending (%)



Source: Bank of America internal data

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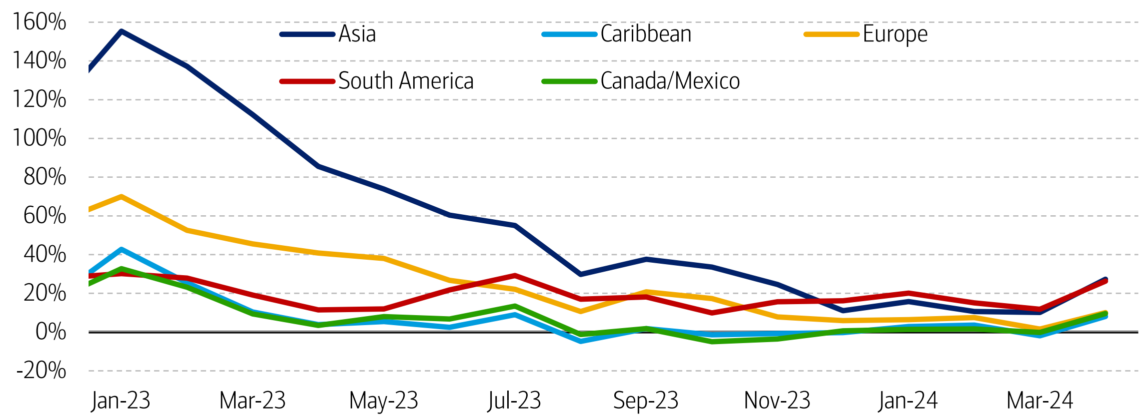
In fact, Bank of America card spending in Asia overtook Europe as the fastest growing region on YoY basis in April 2024 (Exhibit 13). Asia saw a whopping 27% YoY increase in US consumer card in-person spend, compared with a still strong 10% YoY in Europe. That said, and consistent with the results of the travel survey, our data shows that on an absolute volume basis Europe remains the most popular destination for overseas travel (Exhibit 12).

Exhibit 13: Though down from its peak of over 100%, Asia spending growth remains relatively strong in April
International in-person debit and credit card spending (monthly, %YoY)



Source: Bank of America internal data

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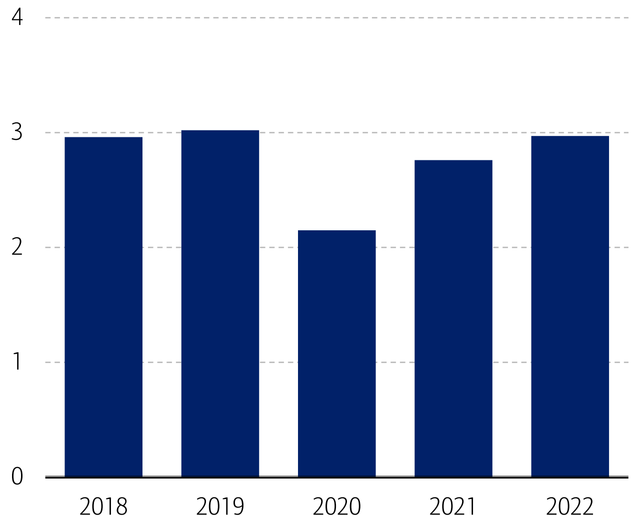
In our view, European spending may recently have been boosted by travelers attending live events such as concerts or sporting events. In fact, for the opening leg of Taylor Swift's European Eras Tour starting May 9th we find that there was a 22% YoY increase in international point-of-sale Bank of America card spending in Paris from May 9-13. We saw a similar impact from domestic US live music and sporting events, as noted in our previous piece, Sparks fly on local events.

Final destination: domestic tourism; having fun is a serious business

Domestic US tourism also receives a boost from consumers participating in the "experience" economy. According to BofA Global Research, the overall economic effect of "funflation" is substantial, with major events contributing significantly to consumption growth. In their view, there are several sustainable and longer-term drivers that will likely fuel growth for a number of years.

More broadly, tourism and travel within the US provides a significant contribution to overall GDP. Exhibit 14 shows that the Bureau of Economic Analysis (BEA) estimates in 2022 this was worth around 3% of GDP. And around two-thirds of tourism demand comes from US residents spending and vacationing at home (Exhibit 15). This all supports jobs too: the BEA estimates that in 2022 about 9.5 million jobs were supported through tourism demand.

Exhibit 14: Tourism in the US was worth around 3% of GDP in 2022
Tourism value-added as a percentage of GDP (%)



Source: Bureau of Economic Analysis (Tourism Satellite Account)

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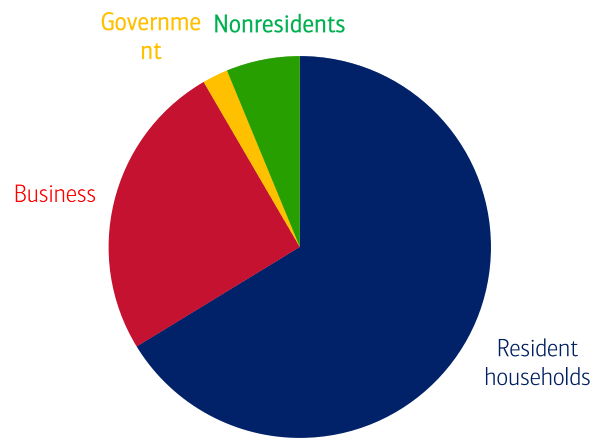
Exhibit 15: Domestic residents are responsible for two-thirds of tourism demand in the US
Tourism demand in the US by type (%)



Source: Bureau of Economic Analysis (Tourism Satellite Account)

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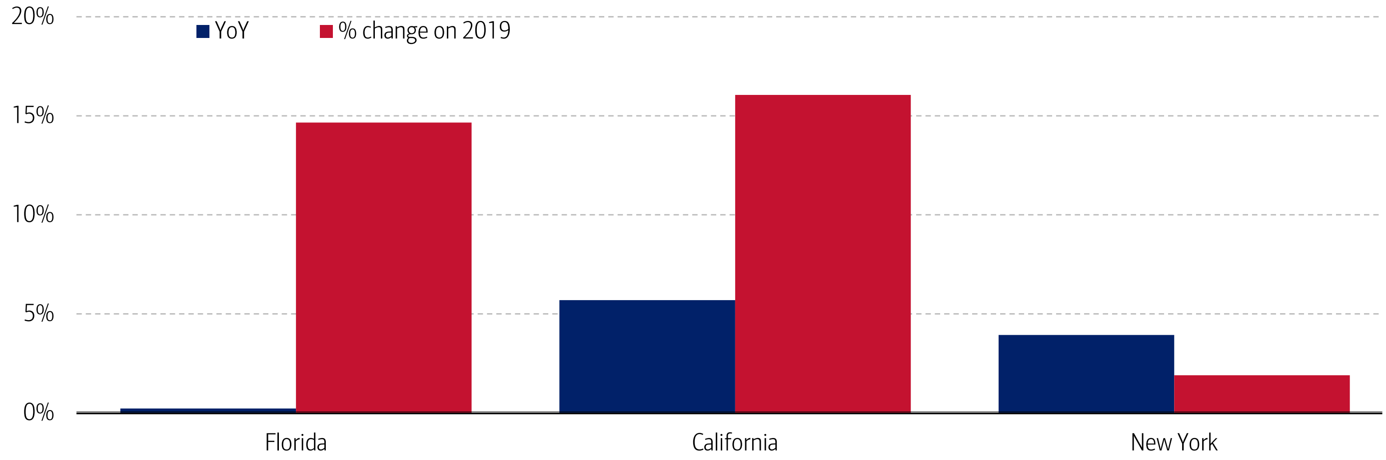
Using Bank of America internal data. we can get a sense of how domestic tourism is going so far in 2024. Exhibit 16 looks at Bank of America customers who made at least one card spending transaction at restaurants outside their home state in the major tourism destinations of Florida, California and New York (in other words these customers do not live in Florida, California or New York but have spent there on dining out). The change in this data therefore gives a guide as to how visitors to these states are evolving.

Exhibit 16: Domestic tourism appears strongly up in Florida and California relative to pre-pandemic levels
Number of households making out-of-state spending at restaurants in select states (January-April 2024 average compared to same period in 2023 and 2019, % change)



Source: Bank of America internal data

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We find that this year has had a reasonable start. According to Bank of America card data, visitor numbers are up in California and New York and flat in Florida compared to 2023. But across all visitors to all these states, visitors appear well up on 2019 levels.

So, while the summer season has plenty of time left to run, it seems reasonable to be cautiously optimistic. Both international and domestic travel appear to be sustaining a large part of the strong momentum they already had moving into 2024.

Methodology

Selected Bank of America transaction data is used to inform the macroeconomic views expressed in this report and should be considered in the context of other economic indicators and publicly available information. In certain instances, the data may provide directional and/or predictive value. The data used is not comprehensive; it is based on **aggregated and anonymized** selections of Bank of America data and may reflect a degree of selection bias and limitations on the data available.

Any payments data represents aggregated spend from US Retail, Preferred, Small Business and Wealth Management clients with a deposit account or credit card. Aggregated spend include total credit card, debit card, ACH, wires, bill pay, business/peer-to-peer, cash, and checks.

The Bank of America 2024 Summer Omnibus survey was conducted online between April 9, 2024 and April 26, 2024. The survey consisted of 2,010 respondents throughout the U.S. Respondents in the study were aged 18+ and were representative of the composition of the US Census for age, gender, household income and Census region. Unless otherwise stated, data is not adjusted for seasonality, processing days or portfolio changes, and may be subject to periodic revisions.

The differences between the total and per household card spending growth rate can be explained by the following reasons:

1. Overall total card spending growth is partially boosted by the growth in the number of active cardholders in our sample. This could be due to an increasing customer base or inactive customers using their cards more frequently.

2. Per household card spending growth only looks at households that complete at least five transactions with Bank of America cards in the month. Per household spending growth isolates impacts from a changing sample size, which could be unrelated to underlying economic momentum, and potential spending volatility from less active users.

3. Overall total card spending includes small business card spending while per household card spending does not.

4. Differences due to using processing dates (total card spending) versus transaction date (per household card spending).

5. Other differences including household formations due to young adults moving in and out of their parent's houses during COVID.

Any household consumer deposit data based on Bank of America internal data is derived by anonymizing and aggregating data from Bank of America consumer deposit accounts in the US and analyzing that data at a highly aggregated level. Whenever median household savings and checking balances are quoted, the data is based on a fixed cohort of households that had a consumer deposit account (checking and/or savings account) for all months from January 2019 through the most current month of data shown.

Bank of America aggregated credit/debit card spending per household includes spending from active US households only. Only consumer card holders making a minimum of five transactions a month are included in the dataset. Spending from corporate cards are excluded. Data regarding merchants who receive payments are identified and classified by the Merchant Categorization Code (MCC) defined by financial services companies. The data are mapped using proprietary methods from the MCCs to the North American Industry Classification System (NAICS), which is also used by the Census Bureau, in order to classify spending data by subsector. Spending data may also be classified by other proprietary methods not using MCCs.

Generations, if discussed, are defined as follows:

1. Gen Z, born after 1995

2. Younger Millennials: born between 1989-1995

3. Older Millennials: born between 1978-1988

4. Gen Xers: born between 1965-1977

5. Baby Boomer: 1946-1964

6. Traditionalists: pre-1946

Any reference to card spending per household on gasoline includes all purchases at gasoline stations and might include purchases of non-gas items.

Additional information about the methodology used to aggregate the data is available upon request.

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2024 Bank of America Summer Travel Survey

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