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Consumer Morsel

Yellow light for travel: US domestic tourism taps the brakes

28 March 2025

Key takeaways

- The US travel and tourism industry is important for the domestic economy, directly accounting for around 3% of GDP and over six million jobs, according to the Bureau of Economic Analysis (BEA).
- The sector was strong in 2023 and 2024, partly driven by the powerful tailwind from post-pandemic catch-up. But this year has gotten off to a slower start, with Bank of America aggregated card data showing softer lodging, tourism and airline spending.
- It could be that the recent drop in consumer confidence is translating into people hesitating to book trips, or considering paring them back. But bad weather and a late Easter this year are also likely playing a part.
- With the labor market still in relatively good shape for now, in our view, softer travel spending may not signal a 'red light,' but rather a shift to yellow.

US domestic tourism: An important driver of the economy

Tourism and travel in the United States is an important contributor to the economy. According to the Bureau of Economic Analysis' (BEA) Travel and Tourism Satellite Accounts (TTSA), the sector was worth around 3% of US GDP and directly employed around 6.5 million people in 2023 (Exhibit 1).

While international visitors to US destinations do support the tourism industry, the biggest demand, by far, comes from US consumers vacationing and travelling in their own country (Exhibit 2).

Exhibit 1: The tourism sector was worth around 3% of GDP in 2023
Tourism value-added as a share of GDP (%) and the level of direct employment (millions) due to tourism

Source: BEA, Travel and Tourism Satellite Accounts

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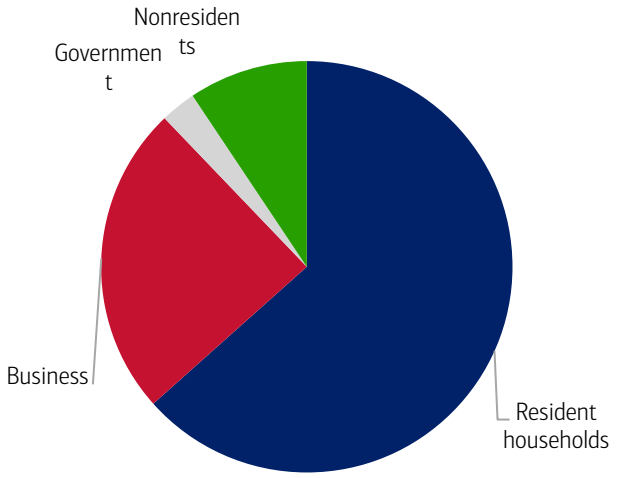
Exhibit 2: US consumers make up around two-thirds of all US tourism demand, while non-residents account for less than 10%
Total domestic tourism demand by visitor type (2023, %)



Source: BEA, Travel and Tourism Satellite Accounts

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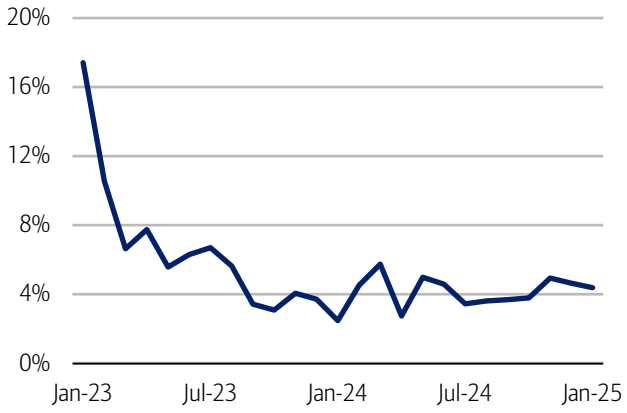
The TTSA data only covers up to 2023, but it appears that 2024 was a good year for tourism in the US too, with the post-pandemic rebound in travel continuing. Exhibit 3 shows household spending growth across an aggregate of travel and tourism-focused BEA consumer spending categories (see footnote in Exhibit 3). For much of 2024, this growth averaged 4% year-over-

year (YoY) – which was down from the stellar rates in 2023 when the rebound in travel following COVID was in full swing, but still very good.

Passenger traffic through the nation's airports was also very strong in 2024 according to TSA data, while miles driven on roads returned back to 2019 levels, before the pandemic called a temporary halt to travel and tourism (Exhibit 4).

Exhibit 3: Consumer spending growth on tourism-centric categories was around 4% YoY throughout much of 2024
Household consumption expenditure across tourism- and travel-focused categories* (monthly, % YoY)



Source: Haver Analytics
*Air transportation, Amusement Parks/Campgrounds, Spectator Sport Admissions, Cassino gambling, Package Tours, Hotels and Motels, Motor vehicle rentals
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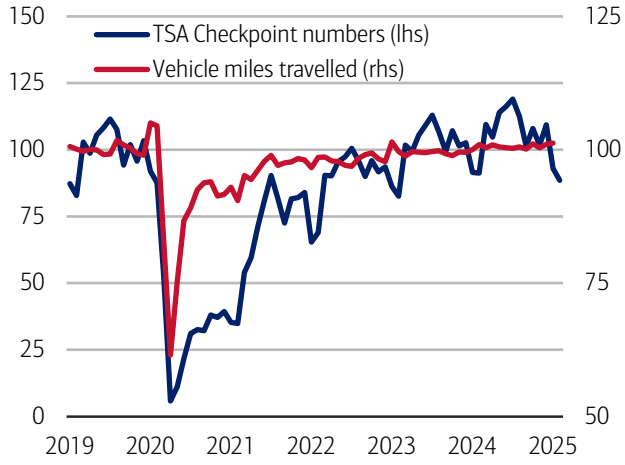
Exhibit 4: 2024 was a relatively strong year for traffic through airports and miles driven on roads
TSA Checkpoint traveler throughput (lhs, monthly, 2019 =100) and vehicle miles travelled (rhs, monthly, 2019 =100)



Source: Haver Analytics
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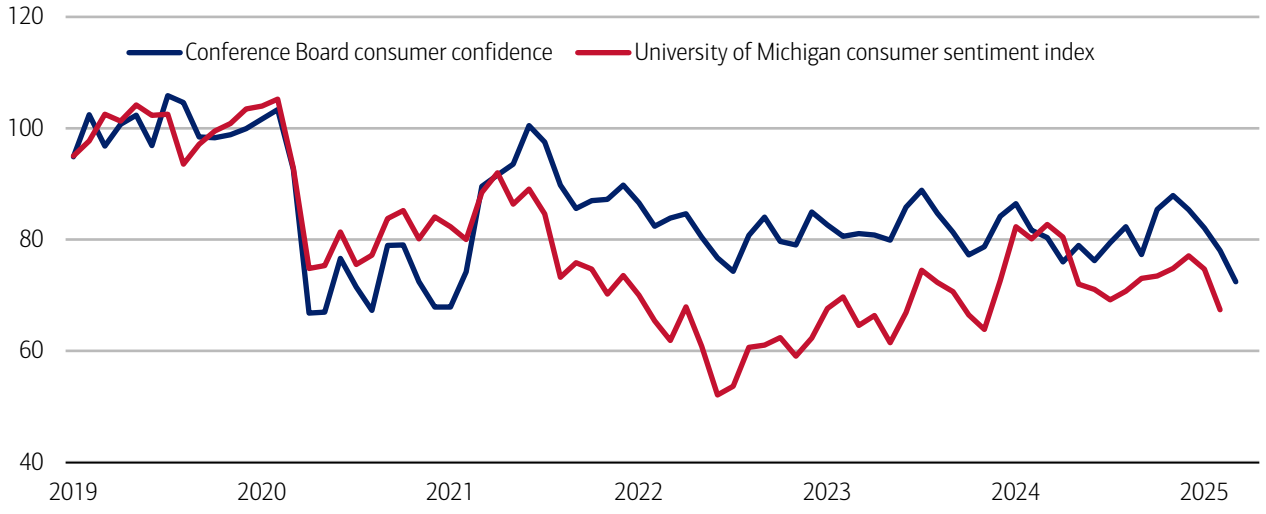
2025 in question?

But there is a question hanging in the balance around how tourism and travel will fare in 2025. Why? For one, the rebound from the pandemic is increasingly likely to have played out at this point. And it also appears that US consumers have become less confident in recent months. Exhibit 5 shows that the University of Michigan consumer sentiment index and the Conference Board consumer confidence measures have both fallen in the first few months of this year.

Exhibit 5: Measures of consumer confidence and sentiment have fallen in 2025
University of Michigan consumer sentiment index and the Conference Board consumer confidence index (monthly, 2019 =100)



Source: Haver Analytics
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Bank of America aggregated credit and debit card spending data can provide some insight into how the year is progressing so far. Exhibit 6 shows weekly card spending on lodging, while Exhibit 7 shows an aggregate of tourism-related categories year-to-date through the week ending March 22, 2025. It is apparent when looking at both of these spending series that card spending in 2025 has had a somewhat slower start than in 2023 and 2024, though it is well above 2019 levels.

Exhibit 6: To March 22, 2025, spending on lodging is around 2.5%YoY below 2024 levels

Total credit and debit card spending per household on lodging services, based on Bank of America card data (non-seasonally adjusted, daily, 7-day moving average, 2019 =100)

Source: Bank of America internal data

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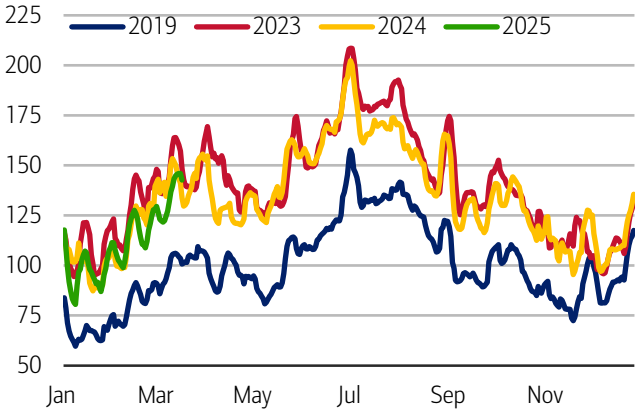
Exhibit 7: ...and spending on tourism-related activity is also down by a similar percentage

Total credit and debit card spending per household, on select travel/tourism-related categories* (non-seasonally adjusted, daily, 7-day moving average, 2019 =100)



Source: Bank of America internal data. * Motor home and RV rentals, sport clubs, tourist attractions and exhibits, amusement parks, aquariums and zoos.

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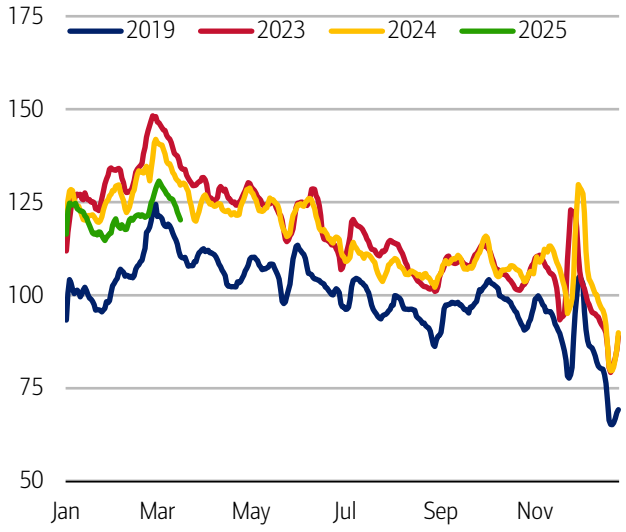
Spending on lodging will often be done during check-out, while for the tourism categories in Exhibit 7, it will tend to be a mix of advance purchases and spending done at the time of the travel or activity, such as admissions to amusement parks. Lodging and real-time tourism spending is typically lower during the winter months, and this year there have been several particularly cold weather disruptions in parts of the country that may have held spending back.

Additionally, Easter is late this year: Easter Sunday falls on April 20, 2025, compared to March 31 last year and April 9 in 2023. This means that spring break travel plans will also be later for many, so it is possible that spending on some tourism-related activities will simply be pushed back this year. In fact, there appears to be some hints of a belated pick-up in the latest weekly lodging and tourism spending in March as seen in Exhibit 6 and Exhibit 7.

Exhibit 8: Airline spending also looks to be around 6% below 2024 levels at the start of this year

Total credit and debit card spending per household on airlines (non-seasonally adjusted, daily, 7-day moving average, 2019 =100)



Source: Bank of America internal data

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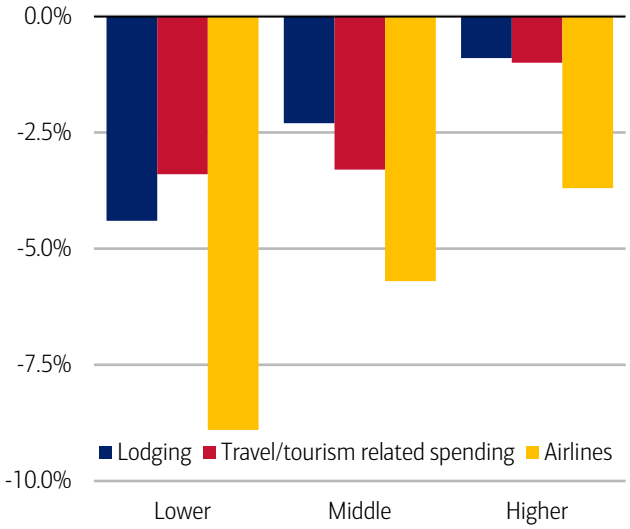
Exhibit 9: Lodging, airlines and tourism spending appear to be weakest for lower-income households

Total credit and debit card spending per household on lodging, select travel related categories and airlines (% change January 1, 2025-March 22, 2025 YoY)



Source: Bank of America internal data

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Unlike other categories of tourism spending, spending on airfares is usually done in advance of travel (aside from some baggage fees and incidentals) – sometimes well in advance. Exhibit 8 shows a weak start to the year in Bank of America card data for

airline spending, though some of this lower spending may reflect cheaper airfare prices, which fell 4% in February, according to the Bureau of Labor Statistics (BLS). It could be that Easter is playing a role here too, but it is potentially worrying if consumers are reining in air travel plans more broadly as this could translate into softer spending in other areas of travel and tourism down the road.

When we look across household income categories, we find that lower-income households are trimming their travel and tourism spending most (Exhibit 9). This looks consistent with our previous finding that after-tax wage and salary growth has weakened for this cohort (see our latest Consumer Checkpoint).

However, after-tax wage growth has not really slowed for other income cohorts, and they are also spending less on travel, so this is not likely to be the whole story. One possibility is that some, potentially higher-income, households have chosen to travel abroad rather than make domestic trips. In Bank of America internal data, we find that total credit and debit card spending done in-person overseas was up 2.6% YoY in January and February 2025 compared to those months in 2024 – suggesting some strength here.

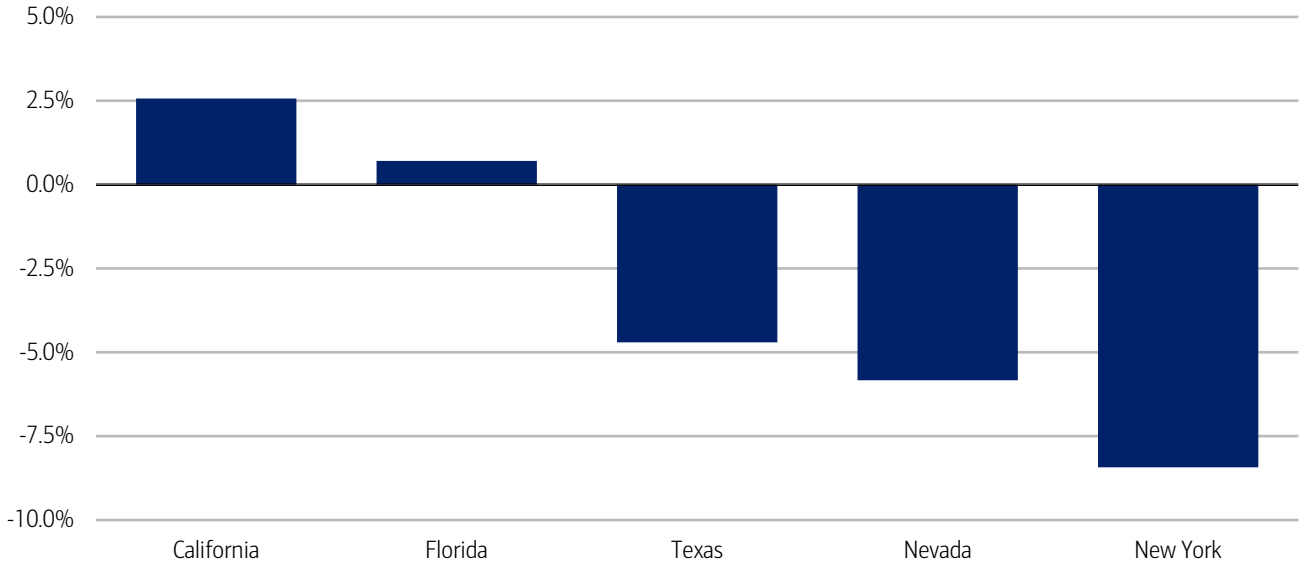
The pullback is not even across the country

When we map it out, we find that some destinations appear to be weaker than others. Exhibit 10 looks at how the number of households making brick and mortar transactions more than 500 miles from their home address has changed over the first 12 weeks of 2025 compared to the same period in 2024 within Bank of America card data. The idea here is to get a proxy for the number of domestic travel and tourism visits.

According to this data, we find that this proxy for visits appears to be down sharply to some popular spring destinations such as Texas, Nevada and New York. One reason for this finding might simply be the weather – New York and Texas were hit particularly hard by cold weather in January and February, for example. But it could also be that consumers are pulling back from vacations in these popular destinations and choosing to stay closer to home.

Overall, in our view, the continued strength in the US labor market for most households suggests to us that for now, tourism spending may not be facing a 'red light.' However, the drop in consumer sentiment measures may mean that households are becoming somewhat more reticent to plan big trips in the near-term and we need to keep a close eye on this important part of consumer discretionary spending moving forward.

Exhibit 10: New York, Nevada and Texas have seen significant drops in visits in 2025
Households making brick and mortar transactions more than 500 miles from home address (first 12 weeks of 2025, % YoY)



Source: Bank of America internal data

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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.

Any **Small Business** payments data represents aggregate spend from Small Business clients with a deposit account or a Small Business credit card. Payroll payments data include channels such as ACH (automated clearing house), bill pay, checks and wire. Bank of America per Small Business client data represents activity spending from active Small Business clients with a deposit account or a Small Business credit card and at least one transaction in each month. Small businesses in this report include business clients within Bank of America and generally defined as under $5mm in annual sales revenue.

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 (if discussed) 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.

We consider a measure of services necessity spending that includes but is not limited to childcare, rent, insurance, insurance, public transportation, and tax payments. BLS shelter expenditures do not include mortgage principal payments, as those are considered repayments of a financial product and not an expenditure, per se. As such, it's possible that some consumers have a higher share of their annual expenditures in shelter. Our measure of housing costs is a weighted average. In it, we take the total amount spent on mortgages and rent and divide by the sum of the amount of rent and mortgage payments.

Discretionary services includes, but is not limited to, charitable donations, leisure travel, entertainment, and professional/consumer services. Any analysis of discretionary spending share excludes, but is not limited to, external transfers, cash spending, investments, and credit card debt. Holiday spending is defined as items in which spending in the November-December period is usually at least 20% of total annual spending on the category.

For analysis looking at higher value transactions (including durables), we consider a value per transaction threshold estimated with reference to the top 30% of transactions by value in 2024. The share of higher value transactions is then the number of transactions above this threshold as a percentage of total transactions over time.

Lower, middle and higher rent cuts in Bank of America payments data are based on median rents in each zip code. These calculations are bucketed according to terciles, with a third of rent payments placed in each tercile periodically. The lowest tercile represents 'lowest rents', the middle tercile represents 'middle rents' and the highest tercile 'higher rents'. The zip codes are reallocated over time, reflecting any number of factors that impact rent, including rent inflation, net domestic migration and shifting supply/demand. The median rents in each zip code are periodically re-assessed.

Lower, middle and higher household income cuts in Bank of America credit and debit card spending per household, and consumer deposit account data are based on quantitative estimates of each households' income. These quantitative estimates are bucketed according to terciles, with a third of households placed in each tercile periodically. The lowest tercile represents 'lower income', the middle tercile represents 'middle income' and the highest tercile 'higher income'. The income thresholds between these terciles will move over time, reflecting any number of factors that impact income, including general wage inflation, changes in social security payments and individual households' income. The income and tercile in which a household is categorised are periodically re-assessed.

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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Disclosures

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