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Consumer Morsel

Travel abroad: Taking off or landing?

28 August 2024

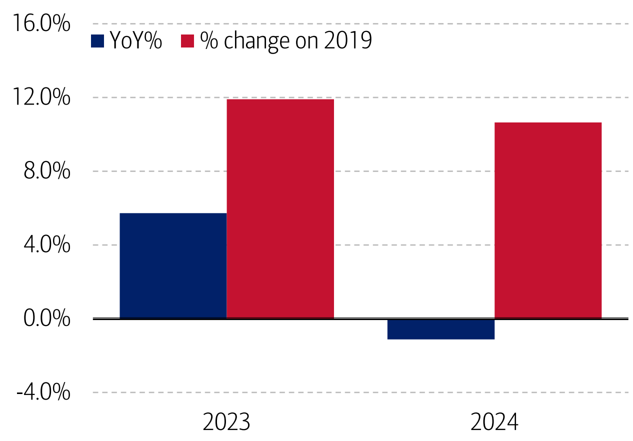
Key takeaways

- As peak summer travel season comes to a close, travel spending growth has cooled, having fallen 1.1% year-over-year (YoY) from January to mid-August. Yet, trip taking remains strong compared to pre-pandemic levels and air traffic passenger volumes have reached the highest level in five years.
- A key part of travel momentum lies within vacationing abroad, with the absolute share of international in-person spending greatest in Europe over the May-July summer months, perhaps boosted by events such as the Olympics and Taylor Swift's Eras Tour.
- Will travel hold up through the rest of the year? Against the macro backdrop of overall consumer spending moderation, overall travel could remain buoyant, but growth is likely to continue at a slower pace than what we saw in 2023.

Travel spending is slowing, but consumers are still taking vacations

Travel spending has been notably strong over the past several years, but at the start of this year it seemed possible that it might cool as the post-pandemic surge in trip taking began to wane (see: Travel trends to watch). In fact, from January 1 to mid-August (8/17), such spending fell 1.1% year-over-year (YoY), according to Bank of America aggregated credit and debit card data (Exhibit 1). Furthermore, Bank of America card data shows that travel spending per household has largely remained below total average spending since roughly the end of last year (Exhibit 2).

Exhibit 1: Travel spending in 2024 has eased, but remains strong compared to pre-pandemic levels
Bank of America credit and debit card spending per household on travel (average of daily data January 1 to August 17, 2023/24, %YoY, % change on 2019)



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

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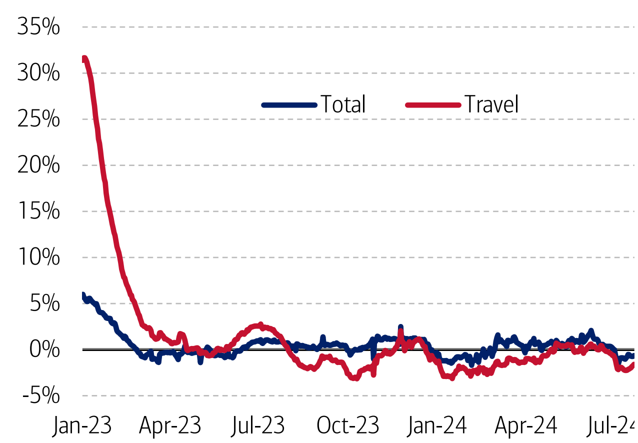
Exhibit 2: Average travel spending per household growth has remained below average total card spending growth since roughly the end of last year
Bank of America credit and debit card spending per household on travel through August 17 (YoY%, 28-day moving average, daily)



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

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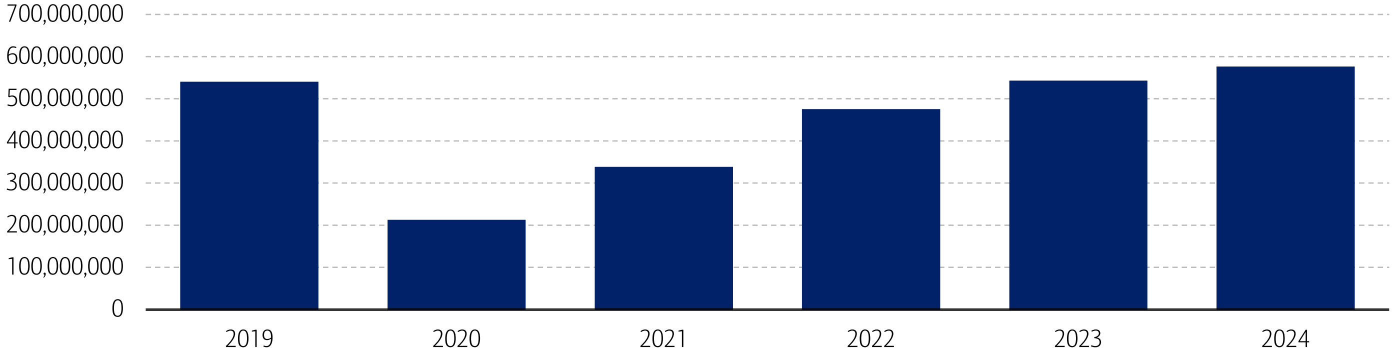
An important point to note is that the inflation rate across several travel-related spend categories is now negative (see: August Consumer Checkpoint). This means that even though travel spending per household may have declined somewhat from a year ago, it is likely still growing quite robustly in inflation-adjusted terms.

Travel spending is also much higher than the pre-pandemic period. It has jumped 10.6% per household since 2019 from January to mid-August, suggesting consumers' appetite for getting away has not abated. This is further supported by Transportation Security Administration (TSA) data, which shows that as of August 20, air traffic passenger volumes have reached the highest level in five years (Exhibit 3).

Exhibit 3: TSA passenger volumes continue to increase and are above 2019 levels as of August 20 year-to-date (YTD)
TSA checkpoint travel numbers through August 20 by year



Source: TSA

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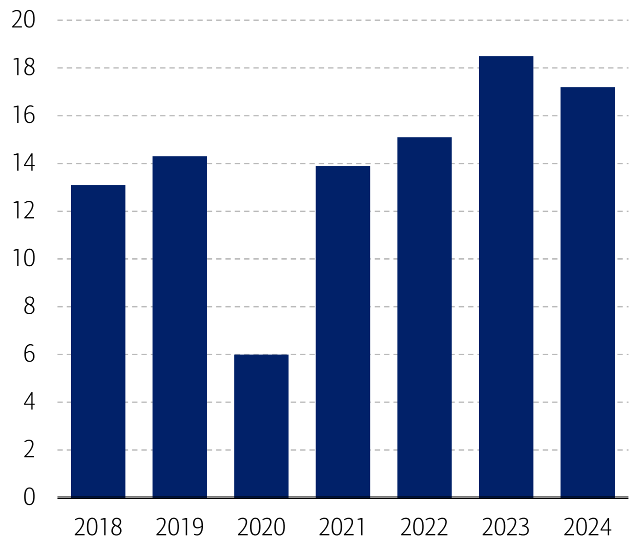
International travel remains popular

One area of continued strength within travel has been international vacations. According to the most recent Conference Board Survey, the percentage of respondents intending to take vacation to a foreign country over the next six months remains historically high, though down slightly from last year (Exhibit 4).

Where are people going? On an absolute volume basis, Europe remains the most popular destination for overseas travel during the cumulative summer period of May-July (Exhibit 5).

Some of this could be event-driven as European cities hosted a variety of events this summer including the Paris Olympics and Taylor Swift concerts. In fact, Bank of America internal data shows a 33% rise in spending in Paris and other Olympic cities from July 25 to August 11 compared to the same period in 2023. We also saw a 39% YoY increase in European cities that hosted Swift's Eras tour.

Exhibit 4: Vacationing abroad continues to remain more popular than it was pre-pandemic, although it has come down from last year's peak
Percent of respondents with vacation intended to a foreign country within the next six months (%, annual, June)



Source: Conference Board Survey

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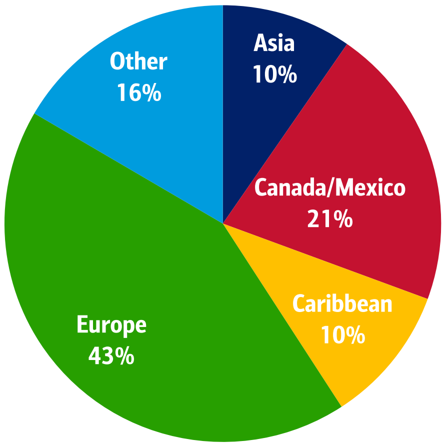
Exhibit 5: Europe comprised the largest share on an absolute volume basis of international in-person card spending in May-July
May-July 2024 share of total international in-person Bank of America credit and debit card spending (%)



Source: Bank of America internal data

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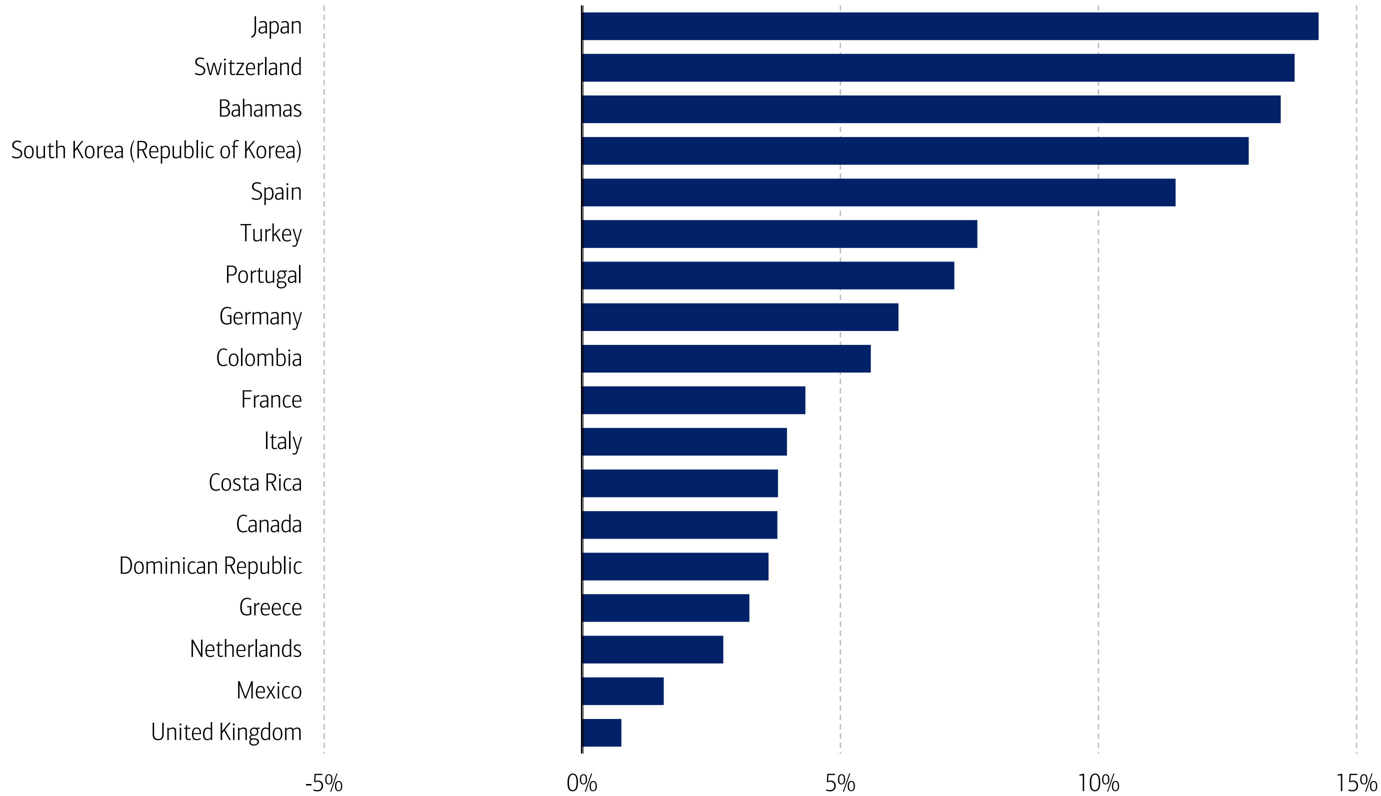
Interestingly, Bank of America card spending in Asia overtook Europe as the fastest growing region on YoY basis in July 2024. Asia saw a substantial 11% YoY increase in US consumer card in-person spend, compared with only 3% YoY in Europe. Part of this strength comes from remaining pent-up travel demand as well as advantageous exchange rates.

Some of this nuance can also be seen in Bank of America credit and debit card data. In fact, we have observed an increase in households who are spending in Asia. Exhibit 6 shows that the number of households with spending in Japan in the May-July summer period of 2024 was up 14.3% compared to the prior year. The second-biggest spending gain was in Switzerland.

Exhibit 6: Th number of households making purchases abroad is highest for Japan over May-July 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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Higher-income households are driving travel transactions

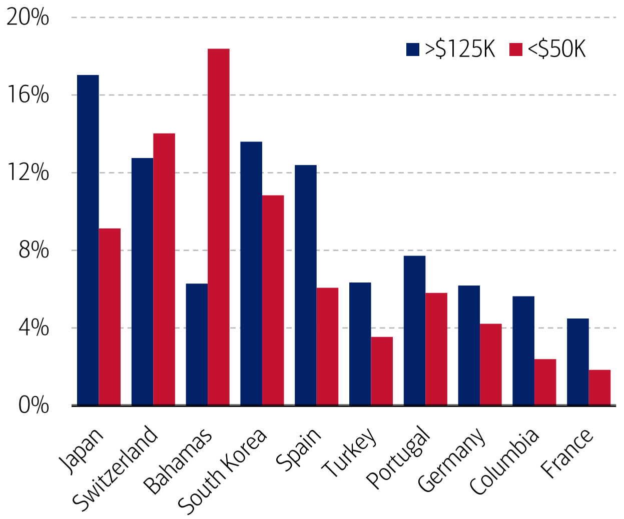
Digging further, we find that in Bank of America credit and debit card data there has been an increase in higher-income households (>$125K) who are spending abroad compared to lower-income households over the May-July summer period of 2024 (Exhibit 7).

Across the top ten countries with the highest growth, higher-income households outpaced the number of lower-income households in all but two, Switzerland and the Bahamas. Japan and South Korea saw the greatest growth amongst higher-income households.

In addition, higher-end travel offerings such as luxury hotels have outperformed "standard" accommodations this summer (Exhibit 8), reversing the trend observed for the past two years. Luxury is defined by reference to a group of hotels offering premium, usually five-star, experiences. Though spending at both luxury and standard hotels is down YoY, luxury spending's slight comparative strength suggests higher-income households are more resilient and continue to splurge on travel. It's also possible households spending on luxury have more pricing power and the ability to push forth price increases.

Exhibit 7: The number of higher-income households had the greatest growth in Japan over the summer months whereas lower-income households had the greatest growth in Bahamas over May-July 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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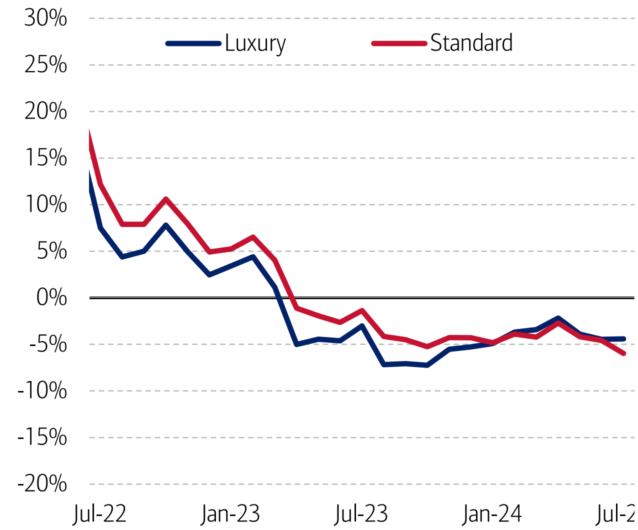
Exhibit 8: Both luxury and standard hotel spending is down YoY, but luxury spending has outpaced standard for most of this year, reversing the past two years' trend

Spending at hotels by tier (monthly, YoY%)



Source: Bank of America internal data Note: Luxury is defined by a reference to a group of lodging services specializing in luxury accommodations.

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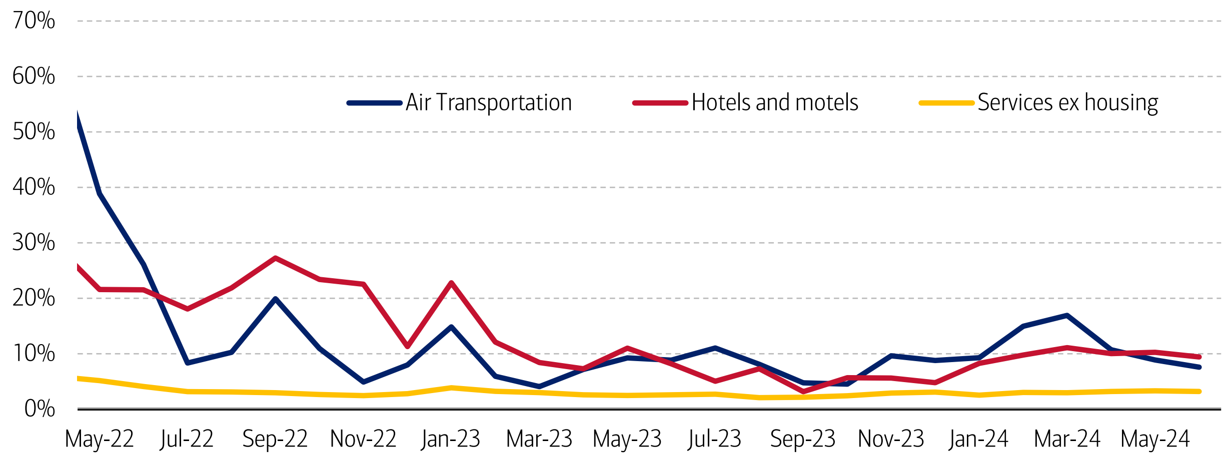
Will travel trends hold up through the end of the year?

Looking ahead, we find evidence for a relatively strong summer season that could carry into Labor Day weekend. According to data from the Bureau of Economic Analysis (BEA), inflation-adjusted consumer expenditure on air transportation and hotels in June was 8% and 9% higher than a year ago, respectively, even as the rest of services spending moderated (Exhibit 9). And even if consumers aren't going abroad, the most recent Conference Board data finds continued strength in domestic travel with 42.7% of respondents intending to take a vacation within six months from June, the highest June report since 2021.

Against the macro backdrop of overall consumer spending moderation, overall travel could remain buoyant, but growth is likely to continue at a slower pace than what we saw in 2023.

Exhibit 9: Air transportation and lodging consumer expenditures remain elevated despite rest of services, ex housing, moderating

Inflation-adjusted consumer expenditure for select categories (monthly, %YoY)



Source: Bureau of Economic Analysis

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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.

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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Disclosures

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