

Consumer Morsel

US consumers traveling abroad again

14 June 2022

Key talking points

- The recovery in the travel industry has been uneven with international travel remaining relatively depressed. Data from the US Travel Association suggest overseas visitation remained 43% below 2019 levels as of April 2022.
- Aggregated Bank of America US consumer credit and debit card data suggest average household brick & mortar retail spend done out of the US continue to recover and was nearly 100% higher than the comparable period in 2021 for the week ending June 4th. The rebound was led by higher income (>\$125k) households.
- US consumers shifted closer to home for international travel during the pandemic but are now visiting European countries again. A strengthening US dollar has also made European vacations more affordable for the US consumer.

With the distribution of COVID-19 vaccines, countries around the world have started to gradually lift travel restrictions. However, despite the overall recovery in the travel industry, the progress has been uneven with international travel remaining depressed relative to domestic travel. According to monthly data released by the US Travel Association, overseas visitation remained 43% below 2019 levels in April 2022. Similarly, US trade balance data from the Census Bureau also suggest that international travel spending, which is categorized as part of US imports of services, has been recovering steadily but was still 32% lower than its pre-pandemic trend (Exhibit 1). In this piece we turn to the Bank of America internal card data to better understand recent trends in the recovery of international leisure travel for the consumer.

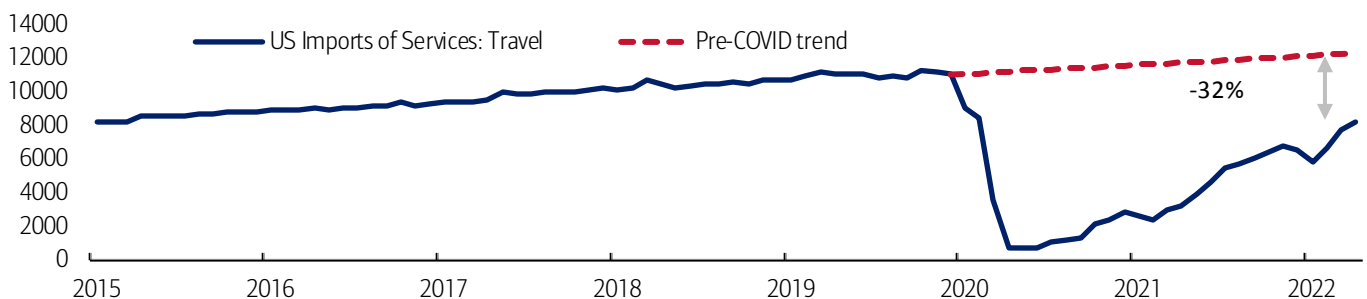
'Tis the international travel season

One way to gauge international travel activities is to look at average US consumer card spending at non-US airlines. On an indexed level, spending at non-US carriers recovered to 2019 annual average in March and was around 9% higher than 2019 levels for the 7-day period ending June 4th (Exhibit 2). That said, spending at non-US carriers has been consistently weaker than that of US carriers although the latter could also include international trips. In addition, the caveat is that part of the strength in airline spending was driven by inflation: according to the May Consumer Price Index report, airfares jumped by another 13% month-over-month or 38% year-over-year in May.

Looking directly at average US household brick & mortar retail spending outside of the US, we found that foreign spending has been trending higher than the same period in 2019 since late February. For the week ending June 4th, average household foreign brick & mortar retail spend was 99% and 28% higher than the comparable periods in 2021 and 2019, respectively (Exhibit 3). Given that visitations to foreign countries are still lower than pre-pandemic levels, the data suggests US households are spending significantly more per trip relative to pre-pandemic periods. Note that the aggregated credit and debit card data used in this report only captures consumer spending and excludes travel expenses on corporate cards which likely remains fairly depressed.

Exhibit 1: US import of services: travel (for all purposes including education, SA, \$mil)

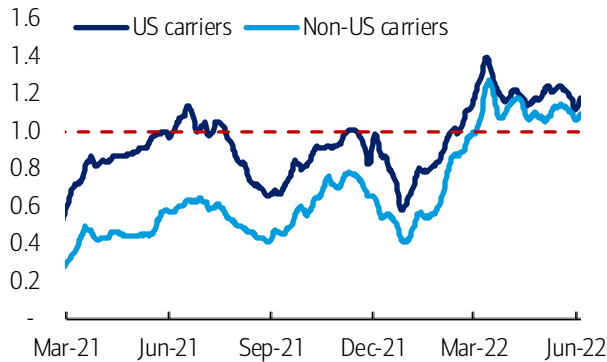
US foreign travel spending was still down 36% from its pre pandemic trend in April



Source: Census Bureau. Pre-COVID trend is extrapolated based on growth rates between 2015 and 2019.

Exhibit 2: Card spending at US vs. non-US carriers (index, 7-day moving average, 2019 avg = 1 for each group)

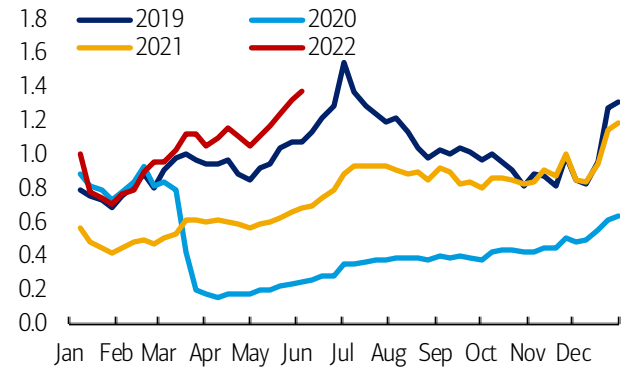
Card spending at US and non US carriers was 18% and 9% higher, respectively, than 2019 average level.



Source: Bank of America internal data

Exhibit 3: Average US household brick & mortar retail card spending outside of the US (weekly, index, 2019=1)

Spending outside of the US has surpassed 2019 levels in recent months



Source: Bank of America internal data

Roman Holiday

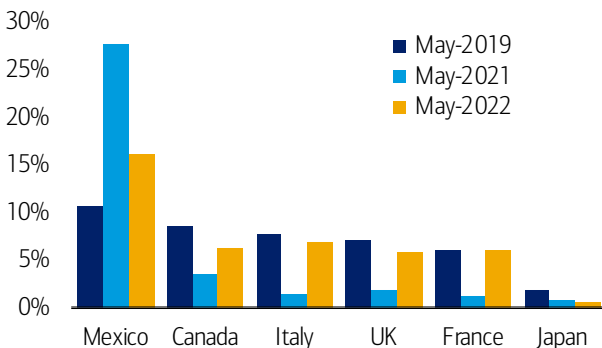
There has been a noticeable shift in top international travel destinations for US consumers over the last few years. In a normal year (e.g. 2019), top international travel destinations were Mexico, Canada, Italy, the UK and France. However, as local governments imposed travel restrictions to slow the spread of COVID, US consumers diverted their travel to nearby destinations such as Mexico. For example, in May 2019 around 11% of total foreign spending was done in Mexico but that share surged to 28% in May 2021 (Exhibit 4). On the contrary, spending in major European countries saw a noticeable decline in shares of spending during the pandemic. As countries gradually opened up their borders for travelers, we are once again seeing US consumers traveling to Europe with 7% and 6% of total foreign spend done in Italy and the UK, respectively, in May 2022. Another factor could be the strengthening of US dollar, which has made European vacations more affordable to US consumers. Meanwhile spending in Japan remained depressed in May, taking up just 0.6% of total foreign spend, as Japan continued to impose restrictions for international tourists.

The rise of the higher income

Consumer international travel rebound has been driven by the higher income households (those with annual income greater than \$125k) who have a stronger pent-up demand for services spending. As Exhibit 5 shows, the higher income cohort saw a bigger pull back in international spending in the beginning of the pandemic but has since recovered the fastest, particularly in recent months. For the week ending June 4th that included the Memorial Day holiday in the US, higher income households spent 1.8% of their total brick & mortar retail spending overseas. This compares to just 0.9% for the lower income (<\$50k) households, which was similar to the share in Jan 2020. Note that the uptick in the lower income households foreign spend has been much more muted compared with that of the higher income households and the gap between the two groups has been widening further in recent months (Exhibit 5).

Exhibit 4: Total spending in select foreign countries as a share of total spending outside of the US (%)

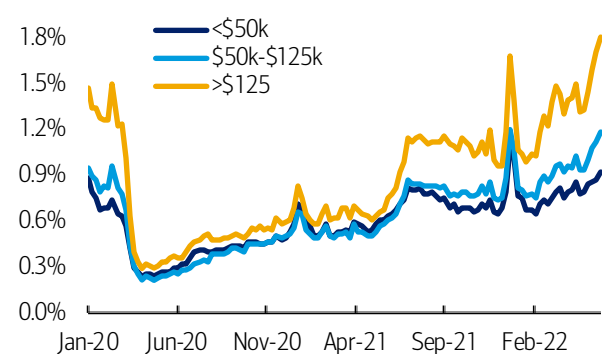
Consumers are traveling to European countries again as travel restrictions ease



Source: Bank of America internal data

Exhibit 5: Share of brick and mortar retail spending made outside of the US by income groups (weekly, %)

The share of retail brick & mortar spending outside of the US saw the steepest recovery for the higher income households



Source: Bank of America internal data

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Sources

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Methodology

Selected Bank of America transaction data are 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 are not comprehensive; they are 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.

Total payments include total credit card, debit card, ACH, wires, billpay, person-to-person, cash and checks. The payments data represents aggregated spend from Retail, Preferred, Small Business and Wealth Management clients with a deposit account or credit card. Data is not adjusted for seasonality, processing days or portfolio changes, and may be subject to periodic revisions. Aggregated card spend is based on processing date while the 'per household' measure is based on transaction date.

The 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. Monthly data includes those households that had a consumer deposit account (checking and/or savings account) for all 40 months from January 2019 through April 2022.

Bank of America credit/debit card spending per household include spending from active US households only. Only 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.

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

Disclosures

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