

TRAVEL TRENDS INDEX

FEBRUARY 2017

The Travel Trends Index measures the direction and pace of travel volume to and within the U.S. on a monthly basis. The index includes a Current Travel Index (CTI) and a Leading Travel Index (LTI). Both the CTI and the LTI include subcomponents (domestic, international, leisure and business).

CTI reading of 50.4 in February 2017 shows that travel to within the U.S. grew by 0.8% from February 2016 to February 2017. LTI predicts positive travel growth through August 2017, spurred by solid domestic travel demand.

Overall travel volume (person trips to or within the United States involving a hotel stay or air travel) grew, but at a slower year-over-year rate in February 2017 than in January 2017. Domestic travel grew again in February, supported entirely by the leisure travel sector. Meanwhile, international inbound travel experienced its 10th straight month of positive and generally strong year-over-year growth in February.

HIGHLIGHTS:

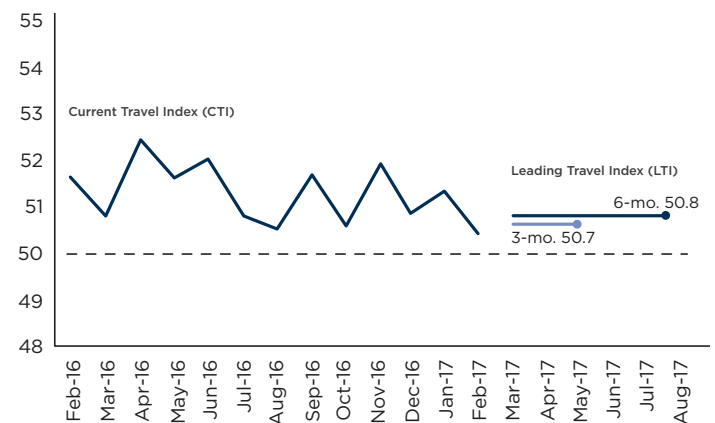
* For CTI and LTI definitions, please see below.

- The Current Travel Index (CTI) has registered at or above the 50 mark for 86 straight months, as the industry moves into its eighth year of expansion.
- The CTI rose in February, registering at 50.4, which is lower than the 6-month moving average of 51.2.
- International inbound travel continues to expand, registering at 52.6 in February. Nevertheless, the Leading Travel Index (LTI) projects a weakened outlook for inbound travel, which will trail the domestic market through August 2017.
- Domestic leisure travel grew in February, though at a slower rate than the 6-month moving average—and in fact, its slowest rate in four years. Domestic leisure travel, continuing a months-long trend, bested domestic business travel, which declined slightly.
- The 6-month LTI reading of 50.8 indicates that total U.S. travel volume is expected to grow at a rate of around 1.6% through August 2017. Domestic travel is expected to grow by about 2%, while international travel may slightly decline.

February Travel Trends Index

Current Travel Index and Leading Travel Index

Index (>50=expansion, <50=decline)



Source: Oxford Economics, U.S. Travel Association

It's important to remember that there is a significant lag time between searches for international trips and when they're actually booked, and then another lag between bookings and the actual trip—typically a matter of months. There's a lot of data out there purporting to show a drop in international travel to the U.S. because of President Trump's executive order, but the reality is we do not have a definitive data picture of the order's impact yet.

Domestic leisure travel is still in positive territory, but its growth has slowed more and more since the beginning of 2016—which is notable, since this is the sector that is propping up travel in the U.S. overall. Domestic travel is expected to pick up in the coming months, though, but that will all depend on a variety of economic factors, including whether the president's promised tax reforms will materialize."

– David Huether
Senior Vice President, Research

	CTI	3-month LTI*	6-month LTI**
January Index	51.4	50.9	51.0
February Index	50.4	50.7	50.8
Direction and Speed	Travel demand increased; at a slower rate than the previous month	Travel is expected to grow over the coming 3 months; at a faster rate	Travel is expected to grow over the coming 6 months; at a faster rate

* Average outlook reading for Mar 2017 to May 2017
** Average outlook reading for Mar 2017 to Aug 2017

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► DETAILED RESULTS

While domestic leisure travel growth remained positive in February, the domestic leisure CTI reflected the sector's slowest year-over-year growth in over four years. At the same time, domestic business travel slipped into negative territory in February. However, an uptick in vacation intentions and positive growth in forward-looking bookings, as well as a stronger outlook on business activity, bodes well for the domestic travel market in coming months.

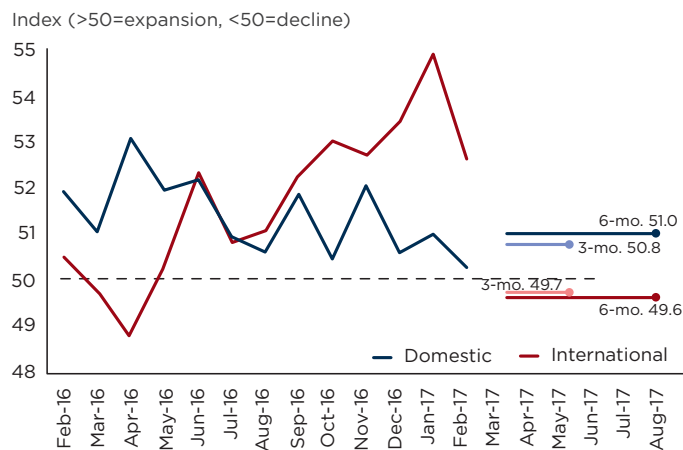
Despite the ongoing appreciation of the dollar, international inbound travel to the United States increased once again in February 2017, maintaining its strong start to the year. However, this should be interpreted with caution, as unintended consequences of President Trump's rhetoric and policies on travel, immigration, and international relations could negatively impact the international inbound travel market.

Travel Trends Index Summary

	Current Travel Index (CTI)				Leading Travel Index (LTI)		6-month LTI vs. CTI 6-month avg	
	6-month avg	December	January	February	3-month*	6-month**	Direction	Speed
Total Market	51.2	50.9	51.4	50.4	50.7	50.8	Increasing ▲	Slower
International	53.1	53.4	54.9	52.6	49.7	49.6	Decreasing ▼	--
Domestic	51.0	50.6	51.0	50.2	50.8	51.0	Increasing ▲	Same
Business	50.1	49.3	50.1	49.4	50.8	51.4	Increasing ▲	Faster
Leisure	51.4	51.0	51.4	50.6	50.9	51.0	Increasing ▲	Slower

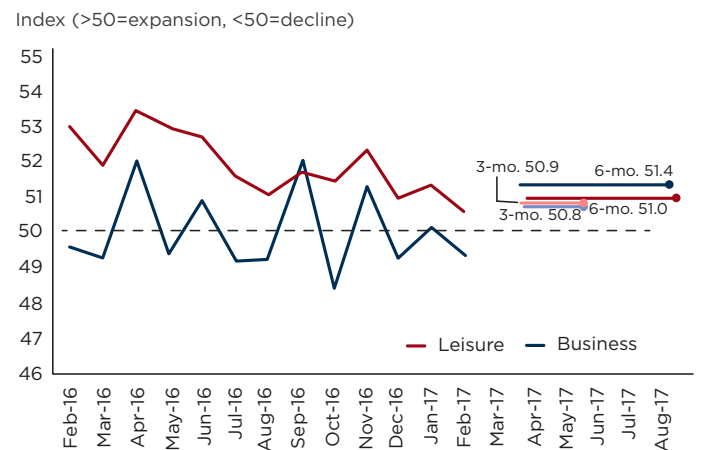
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February Domestic and International Travel Index



Source: Oxford Economics, U.S. Travel Association

February Domestic Business and Leisure Travel Index



Source: Oxford Economics, U.S. Travel Association

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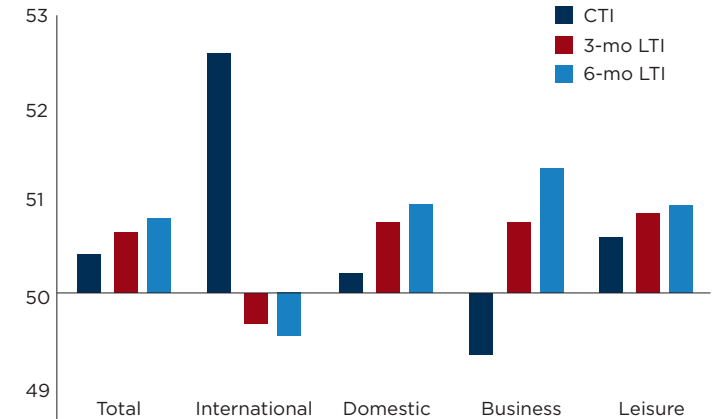
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Domestic travel will likely grow by an average of 2% year-over-year through August of 2017, spurred by a more positive business outlook, firming wage growth and elevated consumer confidence. While domestic indicators remain positive, and the prospect of deregulation and corporate tax cuts could potentially boost business investment, the turbulent start of the Trump presidency puts elements of the President's pro-growth agenda at risk, which could weigh on domestic travel demand. Meanwhile, President Trump's rhetoric and policies, including travel restrictions and his anti-immigration stance, pose risks to international traveler sentiment, while the stronger US dollar continues to weigh on our competitiveness as a global destination. Despite this slight projected decline in international inbound travel, total U.S. travel volume is expected to grow by about an average of 1.6% year-over-year through August of 2017.

February CTI, 3-month and 6-month LTI

>50=expansion, <50=decline



Source: Oxford Economics, U.S. Travel Association

► METHODOLOGY

The Current Travel Index (CTI) measures monthly travel volume in the U.S., including both domestic and international inbound travel. A score over 50 indicates an expansion in travel relative to the same month the prior year.

The index measures person trips that involved a hotel stay and/or a flight. STR provides monthly data on hotel room demand and A4A provides monthly data on passenger enplanements. TNS provides representative data on U.S. travelers to determine the average length of stay, persons per traveler party and the proportion of hotel guests who also fly. On these bases, the CTI encompasses three traveler types that are shown below with their basic calculation.

Hotel Guests & Flyers

$$\frac{\text{enplanements}}{\text{enplanements per trip}} \times \% \text{ of flyers that stay in hotel}$$

Hotel Guests & Non-Flyers

$$\frac{\text{occupied rooms} \times \text{people per room}}{\text{length of stay}} \times \% \text{ of hotel guests that did not fly}$$

Non-Hotel Guests & Flyers

$$\frac{\text{enplanements}}{\text{enplanements per trip}} \times (1 - \% \text{ of flyers that stay in hotel})$$

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The international component of the CTI is based on monthly data from the U.S. Department of Commerce I-94 and I-92 programs, as well as Statistics Canada. The I-94 dataset is the basis of official overseas inbound travel estimates for the United States. The I-92 program is called the Advanced Passenger Information System (APIS), and tracks international travel to the U.S. with distinctions between inbound travel by foreign nationals and U.S. citizens. APIS is generally more timely than I-94, allowing for estimates of air arrivals with only a one-month lag. Domestic travel is measured as the residual of total travel minus international.

The domestic leisure travel component of the CTI is based on STR room demand data that is segmented by type of property and day of the week. A domestic leisure travel proxy has been developed based on the location, type of property and day of the week of travel. Domestic business travel is measured as the residual of domestic travel minus domestic leisure.

The Leading Travel Index (LTI) measures the likely average pace and direction of U.S. travel volume over the coming three and six month periods. A score over 50 indicates an expansion in travel relative to the same period last year.

The LTI econometric model includes three categories of information that have shown to be strongly capable of predicting short-term travel trends. High frequency macroeconomic data capture underlying movements in the labor market, exchange rates and company performance. Consumer sentiment data from the Conference Board provide a long-term trend of consumer attitudes that can be tracked with future travel patterns. Online search and bookings data provide a window into traveler planning based on data from ADARA and nSight, while data from the Airlines Reporting Corporation (ARC) measures bookings.

Travel Trends Index Data Category	Measurement	Travel Segments	Details
Macroeconomic Trends	Unemployment Rate	Total, International, Domestic (Leisure)	Share of labor force
	Exchange Rates	Total, International	\$U.S. market rates, weighted average of inbound markets
	GDP by Visitor Origin	Total, International, Domestic (Business and Leisure)	Gross output, U.S. and weighted average of inbound markets
	Corporate Profits	Total, International, Domestic (Business)	Corporate earnings, U.S. and weighted average of inbound markets
	Personal disposable income	Total, International	Personal income, weighted average of inbound markets
Consumer and Business Sentiment	Consumer Travel Intentions	Total, Domestic (Leisure)	Visitor intentions and air visitor intentions
	S&P stock market index	Total, Domestic (Business)	Stock market index, period average
Travel Search and Booking	ADARA online searches and bookings for future travel	Total, International, Domestic (Business and Leisure)	Domestic / International and Business / Leisure
	ARC bookings for future travel	Total, Domestic	Air travel with 6-month booking windows
	nSight online searches and bookings for future hotel stays	Total, Domestic, International	Domestic / International forward bookings

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About the U.S. Travel Association

The U.S. Travel Association is the national non-profit organization representing all components of the travel industry, which generates \$2.1 trillion in U.S. economic output and supports 15.1 million jobs. U.S. Travel's mission is to increase travel to and within the United States.

About Oxford Economics

Oxford Economics is one of the world's foremost independent global advisory firms, providing reports, forecasts and analytical tools on 200 countries, 100 industrial sectors and over 3,000 cities. Its best-of-class global economic and industry models and analytical tools give it an unparalleled ability to forecast external market trends and assess their economic, social and business impact.

Data Contributors

The U.S. Travel Index project is dependent upon unique datasets to track and predict travel trends. The U.S. Travel Association and Oxford Economics wish to thank the following organizations for their significant contributions:

ADARA is the leader in leveraging global transactional, non-personally identifiable, travel data from direct relationships with over 90+ travel brands and identifying trends that can help companies impact future business decisions. ADARA contributes historical and future, search and booking data to provide travel demand used in the compilation of the Leading Travel Index.

Airlines for America (A4A) advocates on behalf of its members to shape crucial policies and measures that promote safety, security and a healthy U.S. airline industry. We work collaboratively with airlines, labor, Congress and the Administration and other groups to improve air travel for everyone.

Airlines Reporting Corporation (ARC) is a leading technology solutions company providing the U.S.-based travel industry with world-class business products, travel agency accreditation services, process and financial management tools, and powerful data analytics.

nSight combines the world's largest view of consumer shopping data with predictive marketing and revenue management solutions to deliver more guests to your hotel and visitors to your destination.

STR is the leading global provider of competitive benchmarking, information services and research to the hotel industry.

Travel Trends Index	55	54	53	52	51	50	49	48	47	46	45
12-month % change in trips	+10.0%	+8.0%	+6.0%	+4.0%	+2.0%	+0.0%	-2.0%	-4.0%	-6.0%	-8.0%	-10.0%

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