

# U.S. Travel Outlook



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**Wayne Best**  
Chief Economist  
[wbest@visa.com](mailto:wbest@visa.com)

**Michael Brown**  
Principal U.S. Economist  
[michael.brown@visa.com](mailto:michael.brown@visa.com)

**Jeffrey Roach**  
Senior U.S. Economist  
[jeffrey.roach@visa.com](mailto:jeffrey.roach@visa.com)

## On the road again...

**“On the road again, ... I can't wait to get on the road again” -Willie Nelson.**

After plunging more than 60 percent at the onset of the pandemic, demand for travel related consumer spending is back.<sup>1</sup> While the COVID-19 global pandemic had a dramatic negative affect on overall consumer spending, the travel sector was especially hard hit by the downturn. In 2019, travel contributed 2.9 percent to overall GDP growth, according to the U.S. Bureau of Economic Analysis, equating to \$621 billion in value add from the industry.<sup>2</sup> As vaccination efforts ramped up earlier this year and communities reopened, travel demand accelerated. With the summer travel season in full swing, we look at consumers’ motivation for traveling again and provide an update on the travel industry’s recovery to-date.

Consumers’ willingness to travel domestically has surged, along with spending on travel. In fact, through May of this year, travel-related spending has recovered roughly 84 percent of its pre-pandemic level.<sup>3</sup> However, various aspects of travel are bouncing back faster than others, with auto rentals and air travel leading the way. The pronounced rebound in travel is creating some challenges for the industry, with labor and capacity shortages leading to higher prices. A complete travel industry recovery is still going to take some time. For travel spending to fully recover, the next wave of pent-up demand will need to be unleashed from global travel. At least there is some light emerging at the end of the tunnel for the hard-hit travel industry.

### Highlights:



Some of the pandemic related factors weighing on consumer psychology are beginning to wane.

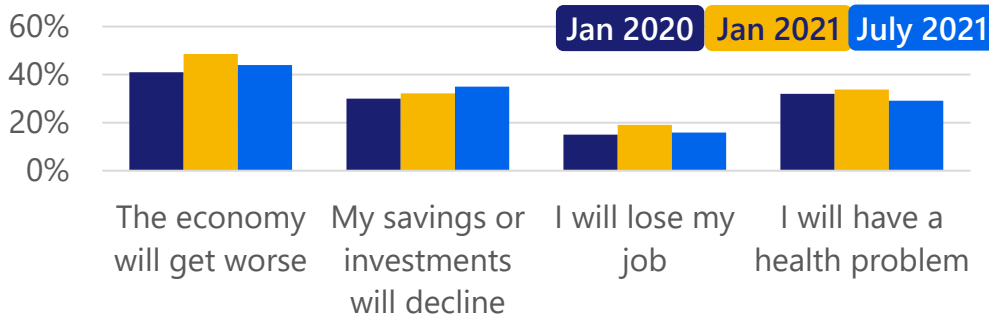


Beyond the robust air travel trends, car travel has also accelerated.



This year’s surge in demand for travel is also bumping up against supply and labor constraints.

**Figure 1: Key sources of anxiety among consumers**



Source: Visa Business and Economic Insights and Prosper Analytics

## “Waiting on the world to change...” – John Mayer

**As the economic recovery took hold late last year, it was clear that travel was lagging the overall consumer spending recovery. The importance of vaccinations and feeling safe were key hurdles in the return to travel. Additionally, concerns about the economic outlook led some consumers to hold back spending on discretionary travel.**

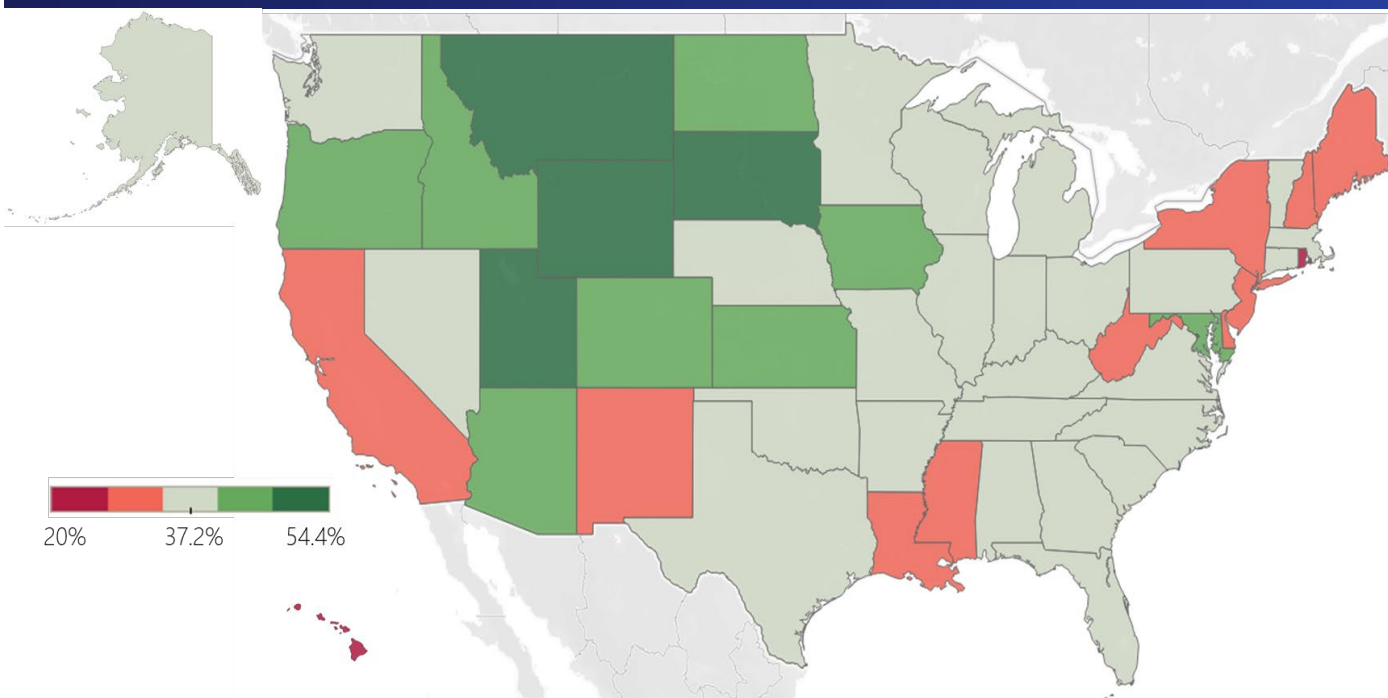
There are signs that major concerns among consumers continue to subside. As of July, our Prosper Analytics survey data indicated that while respondents were concerned about the economy getting worse, their concern was only slightly higher than the pre-pandemic levels (Figure 1).<sup>4</sup> Consumer confidence as of June also reached its highest level since the onset of the pandemic last year, as consumers’ optimism about both current and future economic growth conditions improved markedly.<sup>5</sup>

Concern remains about contracting COVID-19 while traveling, but some of the pandemic related factors weighing on consumer psychology are beginning to wane. In the July Prosper Analytics survey, among those who indicated they do not have plans to travel, 58 percent cited catching COVID-19 as the primary factor. While still sizable, the share is down sharply from 71 percent in our April survey.<sup>4</sup>

With consumers’ concerns about traveling slowly subsiding, their intent to travel continues to accelerate. As of July, 50.2 percent of consumers indicated they felt comfortable traveling, up from 43 percent in our April survey.<sup>4</sup> Not only are consumers willing to travel, but they are following through on their desire to travel with greater spending.

Given that some parts of the U.S. were hit harder than others by the pandemic-induced recession, consumers’ desire to travel varied across the U.S. as well. Using data from the Census weekly Pulse Survey, we identified the areas of the U.S. with the greatest share of respondents planning an overnight trip of more than 100 miles, including Wyoming, South Dakota, Utah, Montana and Idaho.<sup>6</sup> Conversely, Hawaii, New Hampshire, Rhode Island, New Jersey and Maine had among the lowest share of respondents planning a trip (Figure 2).

**Figure 2: Share of consumers planning to take a trip in the next four weeks as of June 22, 2021 (NSA, percent)**

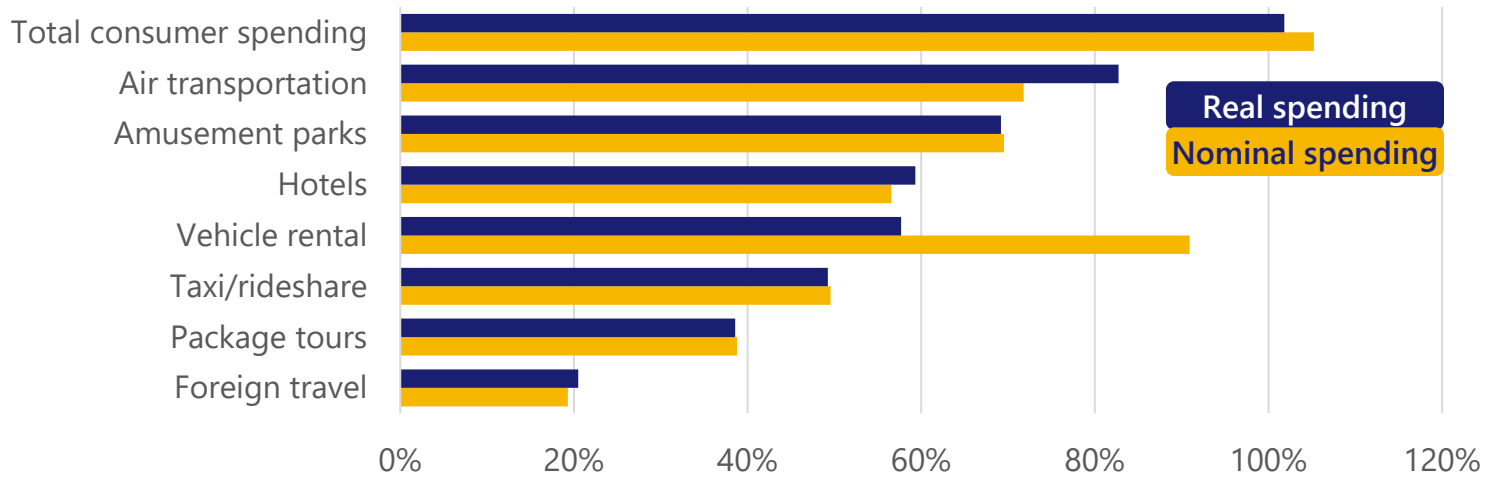


Source: Visa Business and Economic Insights and U.S. Department of Commerce

## “Cause I'm leavin' on a jet plane” – John Denver

With consumers feeling comfortable traveling once again, the bigger question is what kind of travel are they spending on? Not all types of travel are rebounding at the same rate. Air travel and amusement parks are recovering the fastest (Figure 3), while package tours and foreign travel remain at just 40 percent and 20 percent of their pre-recession levels, respectively, as of May.

**Figure 3: Real vs. nominal U.S. consumer spending on travel related services (SA, percent, May 2021 relative to May 2019)**

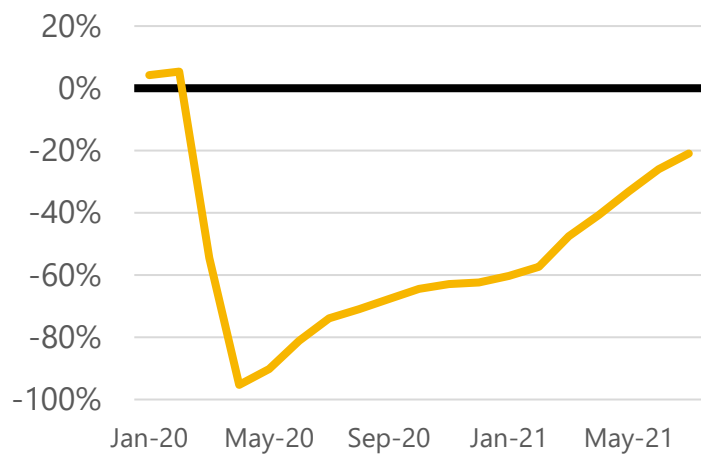


Source: Visa Business and Economic Insights and U.S. Department of Commerce.

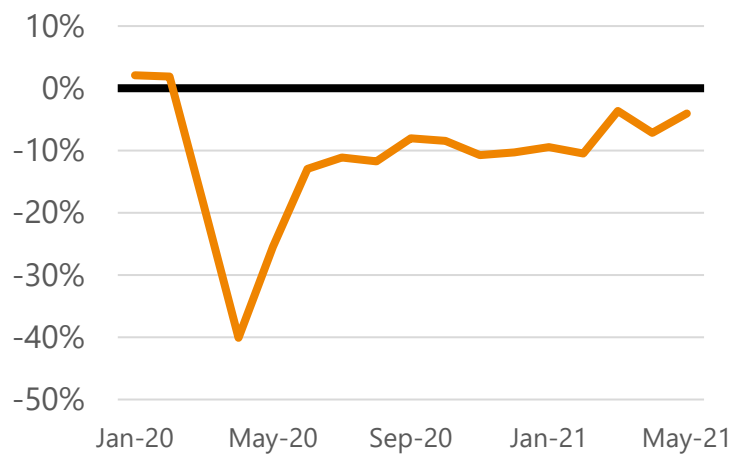
The recovery in air travel has been impressive given the depths of the contraction last year. After falling 95 percent below 2019 levels, the rate of passengers traveling through security checkpoints by July 12th was down just 17 percent from the same period in 2019, according to data from the Transportation Security Administration (Figure 4).<sup>7</sup> Beyond the robust air travel trends, car travel has also accelerated. Vehicle miles traveled through May are now off by just 4 percent from their 2019 levels, according to the U.S. Department of Transportation (Figure 5).<sup>7</sup>

With driving destinations serving as one piece of the travel surge, visits to America’s national parks is also booming, climbing 164 percent above May 2019 visitor levels in the early months of the reopening process (Figure 6, next page).<sup>8</sup> Some parks are reportedly even filling up so quickly that they are forced to close their gates by 9 a.m. each day.<sup>9</sup> There was also a surge in demand for recreational vehicles following health-related restrictions last April, peaking in December of 2020 at \$46 billion, or up 60 percent on a YoY basis (Figure 7, next page).<sup>10</sup>

**Fig. 4: TSA passengers (NSA, percent chg. vs. 2019)**

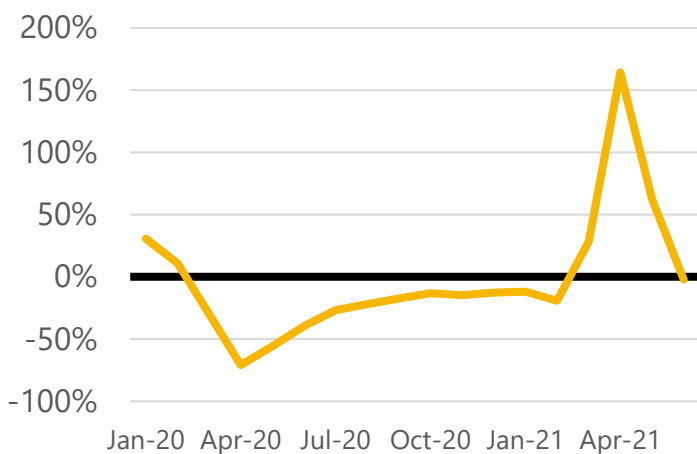


**Fig. 5: Vehicle miles traveled (NSA, percent chg. vs. 2019)**



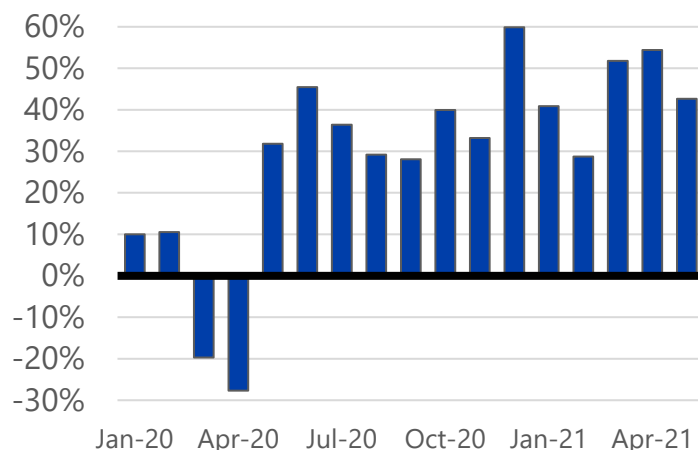
Source: Visa Business and Economic Insights and U.S. Department of Transportation

**Fig. 6: Nat. park attendance (SA, percent chg. vs. 2019)**



Source: Visa Business and Economic Insights and U.S. Department of the Interior.

**Fig. 7: Purchases of RVs (SA, percent chg. since 2019)**



Source: Visa Business and Economic Insights and U.S. Department of Commerce.

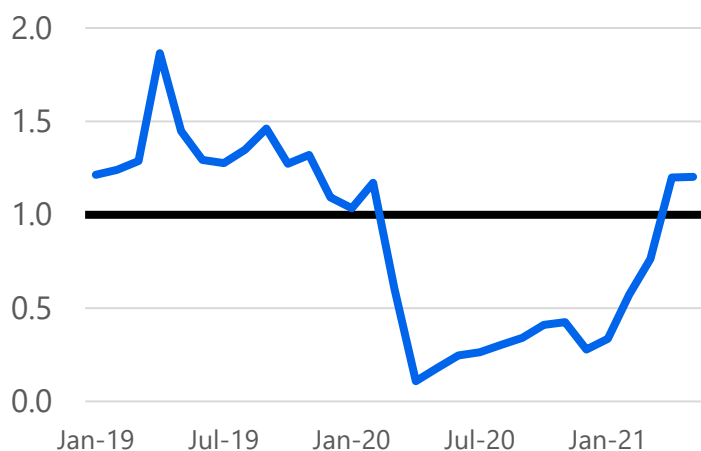
## Trying to keep up

This year's surge in demand for travel is also bumping up against supply and labor constraints. It has been tough to keep rental cars in stock and to hire enough workers in the hotel and airline sectors to service the demand.

While the recovery in real demand is lagging behind some other categories of travel spending, the shortage of rental cars is leading to much higher prices, which explains the large gap between nominal and real consumer spending on rental cars. In Hawaii, some creative tourists are renting U-Hauls to avoid the high price of rental cars.<sup>11</sup>

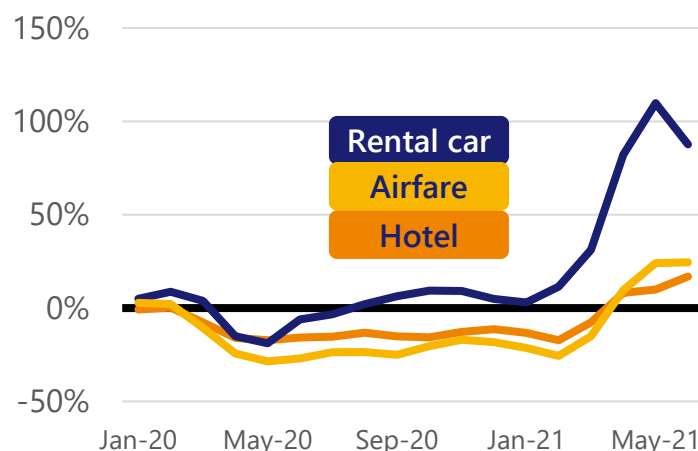
The ratio of job openings in the leisure and hospitality sector relative to the unemployed workers in that sector is evidence of the tight labor market (Figure 8). Anytime the ratio edges above one, it implies there are more job openings than unemployed workers to fill the positions. All of these short-term supply constraints when combined with the surge in travel, are translating into higher prices for consumers. As of June, rental prices were up a staggering 88 percent YoY, while airfare and hotel prices were up 25 and 17 percent, respectively (Figure 9).<sup>12</sup> While the price surges should be temporary, a persistence of the labor shortage could result in some travelers deciding to wait a bit longer to hit the road.

**Figure 8: Leisure and hospitality job openings per unemployed (NSA, ratio)**



Source: Visa Business and Economic Insights and U.S. Department of Transportation

**Figure 9: Consumer Price Index (SA, year-over-year percent change)**





## Conclusion

The turnaround in domestic travel spending has been impressive to date but a full recovery likely lies with the ability of travelers to access international markets. With the rise of the Delta COVID-19 variant globally, the widespread reopening of international travel is likely not imminent. According to the International Air Transport Association (IATA), U.S. domestic bookings for the summer reached 85 percent of their 2019 levels while international bookings remain 70 percent below 2019 levels.<sup>13</sup>

Similar to the pent-up demand for domestic travel, there are clear signs that such pent-up demand exists for international travel as well. Data from The Conference Board's consumer confidence report showed 12.6 percent of respondents were planning a vacation to a foreign country, up sharply from the 6.3 percent in December of last year.<sup>5</sup> The hope is that global vaccination efforts will accelerate as variants of the virus subside. However, for the time being at least, the cross-border travel demand surge will have to wait a bit longer.

## Notes

The authors would like to thank **Travis Clark** and **Michael Nevski** for their research support.

<sup>1</sup> January to April, 2020. For the purposes of our analysis travel is defined as auto rentals, air transportation, water transportation, amusement park, hotel, tours and live entertainment categories of nominal consumer spending from the U.S. Department of Commerce's Bureau of Economic Analysis.

<sup>2</sup> Osborne, S. (December 2020). Chronicling 100 Years of the U.S. Economy: U.S. Travel and Tourism Satellite Account for 2015–2019. Survey of Current Business, 100(12), 1-9. <https://apps.bea.gov/scb/2020/12-december/1220-travel-tourism-satellite-account.htm>

<sup>3</sup> Visa Business and Economic Insights and U.S. Department of Commerce. Share of consumer spending on travel related categories (auto rentals, air transportation, water transportation, amusement park, hotel, tours and live entertainment) through May 2021 relative to January 2020 level of spending.

<sup>4</sup> Visa Business and Economic Insights and Prosper Analytics.

<sup>5</sup> The Conference Board. (June 29, 2021). Consumer Confidence Increased in June. <https://conference-board.org/data/consumerconfidence.cfm>

<sup>6</sup> Visa Business and Economic Insights and U.S. Census Bureau. (June 30, 2021). Household Pulse Survey: Phase 3.1. U.S. Department of Commerce.

<sup>7</sup> Visa Business and Economic Insights and U.S. Department of Transportation.

<sup>8</sup> Visa Business and Economic Insights and U.S. Department of the Interior.

<sup>9</sup> Pohle, A. (June 13, 2021). National Parks Are Overcrowded and Closing Their Gates. The Wall Street Journal. <https://www.wsj.com/articles/national-parks-are-overcrowded-and-closing-their-gates-11623582002>

<sup>10</sup> Visa Business and Economic Insights and U.S. Department of Commerce.

<sup>11</sup> Sampson, H. (May 3, 2021). Tourists in Hawaii are driving U-Hauls because rental cars are so expensive. The Washington Post. <https://www.washingtonpost.com/travel/2021/05/03/hawaii-uhaul-car-rental-shortage/>

<sup>12</sup> Visa Business and Economic Insights and U.S. Department of Labor.

<sup>13</sup> International Air Transport Association. (June 25, 2021). IATA Economics' Chart of the Week: Domestic summer booking close to pre-crisis levels in the US. All Rights Reserved. Available on [IATA Economics page](#).

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### Visa Business and Economic Insights

Wayne Best, Chief Economist	<a href="mailto:wbest@visa.com">wbest@visa.com</a>
Bruce Cundiff, Vice President, Consumer Insights	<a href="mailto:bcundiff@visa.com">bcundiff@visa.com</a>
Michael Brown, Principal U.S. Economist	<a href="mailto:michael.brown@visa.com">michael.brown@visa.com</a>
Adolfo Laurenti, Principal European Economist	<a href="mailto:laurenta@visa.com">laurenta@visa.com</a>
Richard Lung, Principal Global Economist	<a href="mailto:rlung@visa.com">rlung@visa.com</a>
Glenn Maguire, Principal Asia Pacific Economist	<a href="mailto:gmaguire@visa.com">gmaguire@visa.com</a>
Mohamed Bardastani, Senior CEMEA Economist	<a href="mailto:mbardast@visa.com">mbardast@visa.com</a>
Jennifer Doettling, Director, Content and Editorial	<a href="mailto:jdoettli@visa.com">jdoettli@visa.com</a>
Michael Nevski, Director, Consumer Insights	<a href="mailto:mnevski@visa.com">mnevski@visa.com</a>
Jeffrey Roach, Senior U.S. Economist	<a href="mailto:jeffrey.roach@visa.com">jeffrey.roach@visa.com</a>
Dulguun Batbold, Senior Global Economist	<a href="mailto:dbatbold@visa.com">dbatbold@visa.com</a>
Travis Clark, U.S. Economist	<a href="mailto:wiclark@visa.com">wiclark@visa.com</a>
Angelina Pascual, European Economist	<a href="mailto:anpascua@visa.com">anpascua@visa.com</a>
Mariamawit Tadesse, Global Economist	<a href="mailto:mtadesse@visa.com">mtadesse@visa.com</a>
Woon Chian Ng, Assoc. Asia Pacific Economist	<a href="mailto:woonng@visa.com">woonng@visa.com</a>
Juliana Tang, Executive Assistant	<a href="mailto:jultang@visa.com">jultang@visa.com</a>

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