

TRANS•ATLANTIC®

THE U.S. MARKET FOR TRAVEL TO EUROPE • MARCH 17, 2015

ECLIPSE? DEEP SHADE FOR MOST OF EUROPE

1. **The Faroe Islands and Svalbard will be the only populated land areas to experience Friday's total solar eclipse.** The shadow cast by the moon will race across the far North Atlantic and Arctic oceans, with the greatest point of eclipse off the Faroe Islands at 9:47 a.m.

But most of Europe will experience a *partial* eclipse: 80-95 percent in Ireland, Britain, Scandinavia and northern Germany; 60-80 percent in most of the rest of the Continent; and 40-60 percent in the Balkans and western Turkey.

Germany is concerned that the rapid departure and return of sunlight could disrupt its large solar-power network.

Mark the date: Aug. 12, 2026 for the next total eclipse to touch Europe.

OFF-PEAK TRAFFIC STALLS WHILE THE DOLLAR SOARS

2. **Overall trans-Atlantic traffic did not pick up in February**, continuing the pattern for this off-peak season. Combined traffic actually declined 0.7 percent compared to February 2014 as reported by the leading carriers, and is up only 0.6 percent for the period October-February.

February combined capacity was also down, by 0.8 percent and the combined load factor was up slightly to 72.3 capacity

American led the decline with traffic down 11.7 percent, capacity down 10.1 percent and load factor at only 63.4. As reported last month, American seems to be moving capacity from the Atlantic to Pacific routes without announcement. See the **Trans-Atlantic Traffic Trends** chart.

2014 RESULTS: Europe to the U.S., Nos. 5 & 6

U.S. to Individual European Countries, No. 7

Lufthansa and Virgin Atlantic, Nos. 15 & 16

3. **The dollar rocketed past the €0.95 mark, a high versus the euro not seen since March 2003.** The movement has been rapid: +30 percent since July 1, +16 percent since Jan. 1 and +9 percent since Feb. 14. Yet the dollar is still well below the €1.09 it averaged over 2000-2002.

We expect to see U.S. bookings to Europe rising soon in response to the strong dollar, with traffic picking up in late March and April.

In the other direction, European traffic bound for the U.S. is usually little affected when the dollar gains. But this movement is so large—Europeans are getting 21 percent fewer dollars for their euros than they received eight months ago—that we project a decline in European bookings to the U.S.

See **The Dollar vs. the Euro** graph.

4. **The dollar isn't expected to subside versus the euro any time soon.** The pressure is downward on interest rates in Europe, with the highest-quality government bonds going at negative rates and the European Central Bank pledged to buy billions of euros' worth each month.

Meanwhile pressure builds on the Federal Reserve to begin *lifting* rates, which would increase demand for the dollar. The big worry: That the strong dollar will cut into U.S. earnings on exports, including tourism, sapping the economy's current vigor.

NO DECLINE IN EUROPEAN VISITORS IN 2014

5. The rising dollar didn't stifle travel to the U.S. last year. **Visits by Europeans to the U.S. increased by at least 3.5 percent to a record 13.73 million**, according to the Dept. of Commerce. That followed a 3.3 percent increase in 2013.

The count for 2014 is a little tricky because it includes, for the first time, Europeans making visits of only a single night. Including them accounted for perhaps 1 to 3 percent of the total percent increase of 6.5 percent. See the **International Visitors to the U.S.** graph for more explanation and details.

European visits to the U.S. continued to exceed U.S. visits to Europe, which totaled 11.89 million, up 4.2 percent, as reported here Feb. 17.

Europe accounted for 39.9 percent of all overseas visits to the U.S.; Asia was second with 28.0 percent. But Europe has been steadily losing share since 2008 when it accounted for 50.7 percent of all overseas visitors to the U.S. Central America, the Caribbean, the Middle East and Africa were all up slightly in share in 2014.

China expanded its share, to 6.4 percent, which placed it fourth behind Britain, Japan and Brazil, and ahead of Germany for the first time.

6. Of all European visits to the U.S., **Britain's 3.97 million accounted for 28.9 percent of the total**, twice as many as Germany's 1.97 million and 32 percent more than the U.S. traffic to Britain, as counted by the British government.

Following were France with 1.62 million; Eastern Europe, 947,000; Italy, 934,000; Spain, 700,000; Netherlands, 616,000; Sweden, 543,000; and Switzerland, 487,000.

See Dept. of Commerce tables at <http://travel.trade.gov/view/m-2014-I-001/index.html>

GOING TO EUROPE: 2014 U.S. TRAFFIC TO INDIVIDUAL COUNTRIES

7. **France is the leader so far in the count of U.S. arrivals in 2014** with an estimated 3.3 million, a record, according to Atout France. That's a 4 percent increase over the final total of 3.1 million in 2013.

Italy, however, is likely to report more after a reorganization of ENIT is complete. In 2013, Italy reported a Europe-leading 3.45 million U.S. visitors.

Britain's National Statistics Office reported 3.01 million U.S. visitors in 2014; that's well below the record to Britain, but the first significant increase in years. Germany's reported 5.16 million U.S. overnights is a record as well.

Here are 2014 results of traffic from the U.S., most of them preliminary, as reported by various individual tourist offices. Definitions of "arrivals" may vary:

	Arrivals	Overnights	Spend
France			
From U.S.	3.22 million (+4.0%)	NA	NA
All intern:	84.7 million (+0.0)	NA	NA
Britain			
From U.S.	3.01 million (+8%)	9.3 per visitor (+18%*)	£951 per visitor (+4%*)
All intern:	34.8 million (+6%)	7.8 per visitor (+5%)	£21.7 billion (+3%) or
		* Through 3rd Q	£626 per visitor (−2%)
Germany			
From U.S.	NA	5.16 million (+5.0%) **	NA
All intern:	NA	75.6 million (+5.1%)	NA
		** Only hotel overnights are counted	
Spain			
From U.S.	1.22 million (+2.0%)	4.76 million (+7.5%)	€2.85 billion (+15.5%)
All intern:	65.0 million (+7.1%)	190.2 million (+2.6%)	€63.09 billion (+6.5%)
Ireland (not including N. Ireland)			
From U.S.	1.17 million (+12.9%)	NA	NA
All intern:	7.60 million (+8.9%)	NA	NA
Turkey			
From U.S.	785,000 (−0.1%)	NA	NA
All intern:	36.84 million (+5.5%)	NA	NA
Switzerland			
From U.S.	752,000 (+3.5%)**	1.64 million (+3.7%)**	\$240 a day, average
All intern:	9.16 million (+2.1%)	19.91 million (+0.9%)	
	** Only hotel visits and overnights are counted		

	Arrivals	Overnights	Spend
Austria			
From U.S.	632,000 (+9%)	1.49 million (+9%)	NA
All intern:	25 million (+1.9%)	96 million (+0.7%)	NA
Portugal			
From U.S.	360,000 (+6.5%)	817,000 +6.3%)	NA
All intern:	9.32 million (+12.2%)	32.35 million (+10.2 %)	NA
Sweden			
From U.S.	NA	509,000 (+11.7%)	
All intern:	NA		
Denmark			
From U.S.	NA	482,000 (+6.7%)	NA
All intern:	NA	23,381,638 (+7.5%)	NA
Norway			
From U.S.	NA	398,000 million (+32%)	NA
All intern:	NA	30.1 million (+6.0%)	NA
Estonia			
From U.S.	32,261 (+18%)	74,249 (+17%)	NA
All intern:	1.98 million (+2.2%)	3.92 million (+0.3%)	€1.39 billion (+3.1%)
Monaco			
From U.S.	33,202 (-9.0%)	83,394 (-5.0%)	NA
All intern:	332,882 (-0.6%)	918,070 (+2.0%)	NA

JOBS JUMP, DOW LURCHES, CONFIDENCE SAGS FROM HIGHS

8. **U.S. jobs soared again in February, by 295,000.** Unemployment stepped down two ticks to 5.5 percent, the lowest since May 2008. All but 7,000 new jobs were in the private sector with food and drinking services leading the way.

While hugely positive, bringing the three-month total increase to more than a million jobs, the report included several negatives: The number of people working or seeking work continues at a low 62.8 percent (partly explained by the fact that baby boomers are aging out of the labor force). Average wages gained little, and job growth for December and January was revised downward by 18,000 jobs (-3.1 percent).

9. **The Dow is undergoing major swings.** After touching a new high of 18,289 on March 2, the index tumbled 644 points as fears were relit that the Federal Reserve will push up interest rates this spring. But the comeback was quick with the Dow closing Monday at 17,977. And today?

10. **Oil fell again, back to \$44 per barrel**, its six-year low. U.S. storage capacity is maxing out as world supply continues to exceed demand.

Gasoline stabilized over the past two weeks at around \$2.43 per gallon of regular (national average). **Jet fuel is down a bit to \$1.70** per gallon. It was \$2.89 a year ago.

11. Despite the overall good news, **U.S. consumer confidence continued its winter decline** with the Univ. of Michigan index down to 91.2 for early March—from an upwardly revised 95.4 for February. That index is down from its 11-year high of 98.1 in January.

Previously the Conference Board reported its index at 96.2 in late February, down sharply from an upwardly revised 103.8 in late January, the board's highest since August 2007. The recent rebound in gasoline prices, although small, may be depressing drivers.

12. **Greece continued to generate anxiety**, as the government of Alexis Tsipras twisted and turned to win some mitigation of payments owed to eurozone creditors over the next 3½ months; €6 billion is due in the next two weeks. Not getting traction: A demand that Germany pay World War II reparations to Greece.

Jean-Claude Juncker, the European Commission president, said he was worried that Greece might accidentally drop into default and be forced out of the euro.

Greece's eurozone creditors want Tsipras to commit to reforms before providing more cash. Tsipras is desperately seeking relief from austerity requirements.

13. **Iceland said it will drop its bid to join the European Union.** The current government had run against EU membership, which was pursued by a previous government after the 2008 financial meltdown of Icelandic banks, and a 50-percent plunge in value of the Icelandic króna.

Iceland has worked most of its way out of the hole, while adopting the euro looks far less attractive than it did six years ago. Iceland is already a partner in many other EU accords, including the Schengen borderless-Europe agreement.

LUFTHANSA'S BAD NUMBERS

14. **Division is widening between leading U.S. carriers and the rest of the U.S. travel industry.** Most recently, Roger Dow, president and CEO of the industry's umbrella U.S. Travel Association, said airlines must do more to address "overcrowded flights and delays in the terminal and on the tarmac."

"We congratulate our friends the airlines for their increasingly robust revenue reports," he went on. "We all want our carriers to be healthy and profitable.

"However, we're alarmed that the Big Three seem determined to stamp

out competition and cling to the status quo, which fundamentally harms the consumer, particularly as demand grows.” The Travel Association is also critical of the recent attacks by American, United and Delta on Open Skies agreements that help the big Middle East carriers into the U.S. market.

15. By one favorable accounting measure, **Lufthansa reported a net profit of only €55 million for all of 2014**, down sharply from a-not-great €313 million in 2013. Total revenue was €30.0 billion, virtually the same as in 2013.

Lufthansa emphasized that the group operating profit of €954 million was on target. That number benefited from a €364 million savings in fuel costs and a €351 million gain created by changes in depreciation policies. But strikes by pilots and security personnel cost €232 million.

However, **Lufthansa results were no less than abysmal as calculated under GAAP standards** required of German corporations. By that measure, the group ended the year with a €732 million loss thanks to fuel-hedging losses, increased pension liabilities and loss in value of various notes. Lufthansa said it was required to transfer funds from its capital reserve to cover the hole.

Swiss and Austrian Airlines turned in operating profits of €289 million and €10 million respectively.

The Lufthansa press release did not separately detail the group’s performance for the 4th Q. See:

<http://www.lufthansagroup.com/en/press/news-releases/singleview/archive/2015/march/12/article/3455.html>

16. **Virgin Atlantic reported a pre-tax operating gain of £14.4 million for all of 2014**, its first profit since 2011. Revenue was £2.9 billion (+12 percent). However, special items, which have eaten up much of the operating profits reported by other carriers, were not included in the press release. In 2013, Virgin lost £51.0 million.

The joint venture with Delta (which now owns 49 percent of Virgin) began in January of last year and **was vital in turning the corner**, CEO Craig Kreeger said.

Of the 6.2 million passengers carried on Virgin flights and code-shares, 4.5 million—73 percent—were via joint-venture services. The joint-venture provides Delta with increased access to Heathrow and provides Virgin with direct connections to Delta’s huge U.S. network.

17. **Rail Europe**, the leading seller of European rail tickets and passes in North America, **is merging with Rail Europe 4A**, which does the same in most of the rest of the world. Both are jointly owned by the French national railways and Swiss federal railways. Both units will continue to operate separately, but will now report to a single CEO, Fabrice Morel. He led Rail Europe in White Plains for a number of years before

moving in 2007 to the Railteam consortium of high-speed trains in Paris.

18. **A Bronx man has been charged with pointing lasers at aircraft** taking off and landing at LaGuardia in New York. Air Canada, Delta and police helicopter pilots reported contact and temporary blinding. The police tracked the source and charged one man who was exonerated when a building neighbor confessed. If found guilty, he could get as many as five years in state prison.

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Neil S. Martin
TransAtlanticReport.com
Donald N. Martin & Company
TransAtlantic@dnmartinco.com
646/ 250-8704

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THE U.S. MARKET FOR TRAVEL TO EUROPE

Trans-Atlantic Traffic Trends, February '15

Compared to previous year, +/- percent

RPMs	March '14	April '14	May '14	June '14	July '14	Aug. '14	Sept. '14	Oct. '14	Nov. '14	Dec. '14	Jan. '15	Feb. '15	ASMs (Feb. '15)	load factor
Delta (Sky)	-3.0	+0.6	+0.8	-1.3	-3.8	+0.1	+6.2	-0.6	+0.9	-1.4	-1.1	-2.7	+3.5	68.1
Air France-KLM (Sky)	+0.9	+5.5	+4.1	+4.1	+2.8	+3.6	-16.6	+4.7	+3.4	+0.3	+1.8	+4.0	+2.2	83.1
United (Star)	-2.6	+1.5	+1.7	-1.1	-0.1	-1.1	-0.2	-0.3	-1.4	-3.3	-2.2	-3.1	-4.8	66.9
Lufthansa-Swiss-Aus. (Star)	-6.1	+0.8	+5.4	+5.4	+7.5	+8.1	+12.0	+7.6	+6.1	+1.5	+6.0	+4.6	+3.1	76.6
American (One)	-1.7	+10.4	+1.7	+1.4	-2.3	-1.6	-7.2	-7.2	-7.8	-7.4	-10.8	-11.7	-10.1	63.4
IAG/ British Airways-Iberia (One)	+2.3	+4.6	+2.2	+3.0	+4.0	+6.5	+3.5	+3.5	+5.2	+3.4	+2.6	+2.9	-0.4	74.1
Leading-carriers combined	-1.8	+3.6	+2.8	+2.0	+1.5	+2.7	-0.5	+1.8	+1.8	-0.7	+0.2	-0.2	-0.8	72.3
All carriers (Airlines for America + Association of European Airlines)	-0.5	+4.7	+2.5	+2.8	+1.7	+3.5	+1.7	+2.1	+2.1	-2.3	+0.9			
U.S.-citizen departures to Europe, Dept. of Commerce	+1.2	+6.5	+8.3	+4.2	+6.2	+2.1	+6.2	+3.4	+2.3	+0.4	+1.4			

03/10/15

Note: Figures include traffic (Revenue Passenger Miles) generated on both sides of the ocean. British Airways-Iberia figures are for traffic between Europe and North America (including the U.S., Canada and Mexico, but not the Caribbean). they included South America as well. Lufthansa figures are for traffic between Europe, and both North and South America, including the Caribbean. U.S.-carrier figures include trans-Atlantic flights beyond Europe. Despite these caveats, they remain our best immediate trend indicators. Capacity is measured in Available Seat Miles.

THE DOLLAR VS. THE EURO 2015

Value of the U.S. dollar against the euro, the single currency of 19 European Union nations:
Austria, Belgium, Cyprus, Estonia, Finland, France, Germany, Greece, Ireland, Italy,
Latvia, Lithuania, Luxembourg, Malta, the Netherlands, Portugal, Slovakia, Slovenia and Spain.

EU members Britain, Denmark and Sweden have so far opted out of the euro.
Of the 13 nations that have acceded to the EU since early 2004,
Lithuania was the most recent to join the euro zone, on Jan. 1, 2015.

One dollar equals:

Interbank rate/ Monday closings

10/26/00
dollar's high
vs. euro
\$1.00 = €1.21

euro notes and
coins 1/1/02
\$1.00 = €1.13

1/4/99 euro
inaugurated
\$1.00 = €0.85

0.95 EURO

0.83 EURO

0.84 EURO

0.65 EURO

0.63 EURO
Real's low



INTERNATIONAL VISITORS TO THE U.S. 2013

Arrivals by region and country of residency.
Including air, sea and limited land arrivals.
Share for 2012 in parenthesis.

