

International Economic Trends



International Travel: Double Trouble

The number of passengers on U.S. airlines fell sharply between 2000 and 2001. For example, the number of revenue passengers enplaned on international flights declined from 55.5 million to approximately 52.7 million.¹ The following discussion focuses on the reasons for this decline and provides some historical perspective by examining previous declines.

The decline in international passenger travel can be linked to two developments during 2001. First, the U.S. economy entered into recession in March 2001. Second, the events on 9/11 and the resulting war on terrorism have intensified concerns about safety.

With regard to the first development, growth in international passenger travel is strongly linked to growth in economic activity. Higher incomes provide the purchasing power to undertake more international travel. Both international leisure and business travel tend to rise as incomes rise and, conversely, decline as incomes decline. The figure shows, for each of the past 30 years, the annual percentage change in international passenger traffic over the routes of U.S. airlines. In eight years—1974, 1975, 1980, 1981, 1982, 1991, 1999, and 2001—international passenger traffic declined. Excluding the negligible decline in 1999, each year of decline can be connected to a recession in the United States using the National Bureau of Economic Research's dating of recessions.

International passenger travel declined approximately 5.2 percent in 2001. This decline is less than the declines associated with the November 1973–March 1975 recession—6.4 percent in 1974 and 8.0 percent in 1975—and the combined declines associated with the double-dip recession of the early 1980s—0.4 percent in 1980, 14.1 percent in 1981, and 4.4 percent in 1982. At this point, it is somewhat more than the 4.9 percent decline associated with the July 1990–March 1991 recession. One factor mitigating some of the current decline is that the 2001 recession was mild compared with the prior recessions.

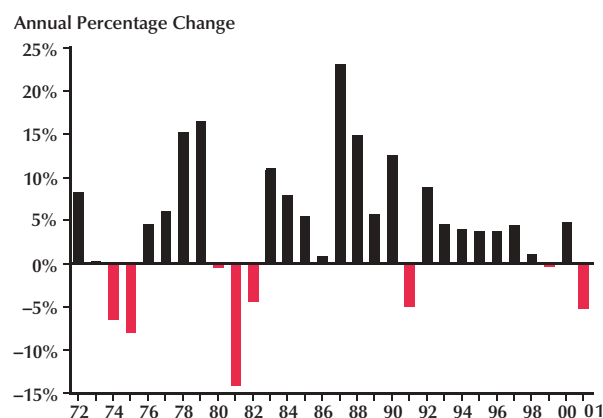
An examination of monthly data shows a decline to virtually no growth in international passenger travel in the months following the onset of the recession in March 2001. Likely, though, a substantial portion of the decline in international travel in 2001 is due to safety concerns. Sharp declines in international travel began after the events of 9/11 and continued throughout the fourth quarter, a quarter in which real gross domestic product increased at an annual rate of 1.7 percent.

What, then, is in store for 2002? Most forecasters predict a strong U.S. recovery. Such a development should promote a rebound in international travel. On the other hand, the war on terrorism continues. The recent escalation of violence in Israel is an additional factor complicating international travel plans. The resulting concerns about safety are likely to alter the travel plans of some potential travelers. Thus, the conditions for international travel will likely continue to be somewhat unfriendly.

—Cletus C. Coughlin

¹Data were obtained from the Air Transport Association (ATA). Because annual data for 2001 were not yet available in mid-April 2002, monthly data were used to construct an estimate. "Revenue passengers enplaned" is defined by the ATA as the number of revenue-generating passengers boarding an aircraft for scheduled service (including origination, stopover, and any connections).

International Revenue Passengers Enplaned



SOURCE: Air Transport Association (ATA).

