



The Monthly Itinerary

The ABA Foundation’s Monthly Tour Through The Economy

May 2022

MAY SUMMARY

Beginning this month, the American Bus Association Foundation (ABAF) will begin producing a monthly economic summary. *The Monthly Itinerary* will provide an ongoing series of data on key economic and transportation statistics of importance to the motorcoach operators and motorcoach tourism industry.

For the first quarter of 2022, the Bureau of Economic Analysis reported that inflation-adjusted Gross Domestic Product was down by 1.4 percent on an annualized basis, following 6.7 percent growth in the last quarter of 2021. This slowdown is due mainly to sky-high inflation, which has now reached levels not seen since 1981.

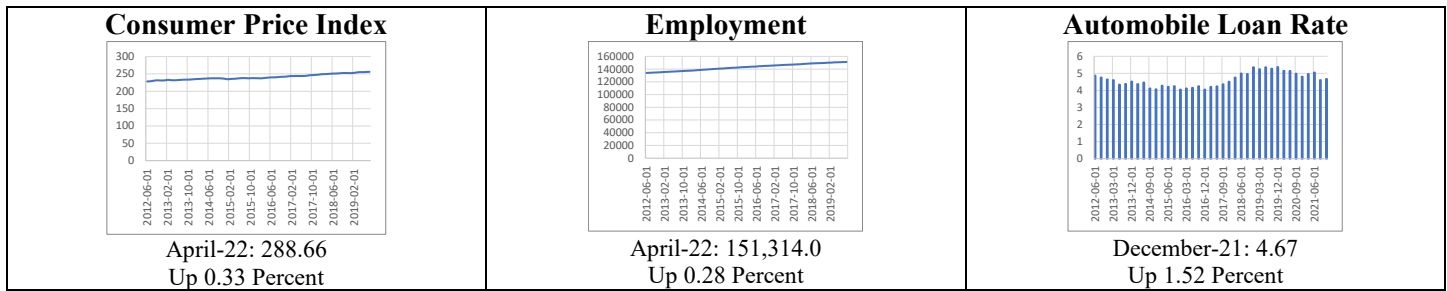
Speaking of inflation, diesel fuel prices have risen by an outrageous 40-cents per gallon since April (over 9 percent in just one month) and are at their highest level in history, with no end in sight. Five refineries have shut down in the past year alone, reducing capacity to produce diesel. On top of that, new international regulations have forced ocean going vessels to convert to the same diesel fuel used by commercial vehicles, pushing demand to the highest levels since 2008.

Domestic passenger air travel was back to 90 percent of pre-COVID levels, and hotel occupancy rates were getting close to normal; however domestic enplanements fell off a cliff in January, down by nearly 14.8 percent from the prior month. At the same time prices are rising dramatically, and with slower wage growth, it is questionable whether pent-up demand for travel will hold up past spring.

For more information or to comment on this report, please contact mhinton@buses.org

APRIL STATISTICS

<p style="text-align: center;">National Diesel Prices</p> <p style="text-align: center;">May-22: 5.58 Up 9.02 Percent</p>	<p style="text-align: center;">Domestic Enplanements</p> <p style="text-align: center;">December-21: 52,074.00 Down 14.76 Percent</p>	<p style="text-align: center;">Dow Jones Transportation Index</p> <p style="text-align: center;">April-22: 14,977.02 Down 5.47 Percent</p>
<p style="text-align: center;">Transportation Services Index (Psgr)</p> <p style="text-align: center;">January-22: 83.40 Down 6.5 Percent</p>	<p style="text-align: center;">Transit Ridership</p> <p style="text-align: center;">January-22: 390,119,000 Down 13.58 Percent</p>	<p style="text-align: center;">Highway Travel</p> <p style="text-align: center;">March-22: 14,977.02 Up 0.24 Percent</p>



MAY ECONOMIC NEWS

- According to the Bureau of Labor Statistics, the Consumer Price index rose by an annualized 8.3 percent in April (<https://www.bls.gov/cpi/>), while the Producer Price Index rose by 11.0 percent (<https://www.bls.gov/ppi/>). Prices in Canada are up by 6.8 percent over the past 12 months (<https://www150.statcan.gc.ca/n1/pub/71-607-x/2018016/cpi-ipc-eng.htm>).
- Reported strong monthly retail sales for April (up 0.9 percent) were met with skepticism as all of the major US retail chains reported horrible first quarter numbers. Retail sales figures are not adjusted for inflation.
- Oil prices softened in April but have advanced by more than \$10 per barrel since the end of last month.
- After exploding out of the gate in mid-2021, the restaurant performance index has trended down, and stood at 103.7 by March. A number above 100 represents growth, but the rate of growth has been declining rapidly.

MAY COMMENTARY

The statistics have started to show the end of the post-COVID recovery. After experiencing nearly 2 years of restrictions on travel and hospitality, particularly in some of the country's largest cities, the economy looked as if it would continue to recover. However, due to rising prices and continued shortages of labor, commodities, and finished products, it now appears as if the recovery has tapped out.

Economists began to suggest that the next few years are going to look a lot like the 1970s, when inflation in the United States rose precipitously, the Federal Government enacted wage and price controls, interest rates soared to the point where car loans were priced at about 17.5 percent, and unemployment reached 10.8 percent. To make things worse, the Vietnam War was still raging, disco music was all over the radio, and polyester clothing was the fashion statement.

As May began, the Federal Reserve continued to hike short term interest rates, increasing the Federal Funds Rate by 50 basis points on May 4. This has put housing markets into a spin as mortgage rates rose to more than 5 percent in the US. Both the US and Canada continued to report elevated inflation, and any reductions in April resulting from slightly lower oil prices have reversed in May. Both North American markets are undoubtedly entering a period of *stagflation*.

Ever since the first period of *stagflation* in the 1970s the US economy has lived beyond its means. This was particularly true prior to the 2008 recession, when government, corporate, and household debt began to grow much faster than the overall economy. Add to this the supply shocks that government-imposed shutdowns of world economies have caused, and it's a perfect storm for both slow economic growth (stag) and rapidly increasing prices (flation). And while the Canadian economy is fiscally much healthier, it is so tied to that of its larger southern neighbor that problems in the United States are quickly exported.

The motorcoach industry is still suffering from the aftereffects of COVID-19. Commuting is a shadow of its former self, and while things have been improving for the charter and tour sectors, rising diesel prices, higher interest rates, and tighter household budgets are starting to put a damper on travel and entertainment demand. In addition, governments in key states (particularly California and New York) continue to chafe at the bit to reapply demand crushing restrictions. Canada has done little to loosen restrictions on visitors from the United States, keeping tourism levels low. According to Statistics Canada, visitors from the United States in February (the last month available) were at 25 percent of pre-COVID levels.

The itinerary suggests we are in for a bumpy ride. Hopefully the trip won't last too long.