The Monthly Itinerary
The ABA Foundation's Monthly Tour Through the Economy

September 2022

SEPTEMBER SUMMARY

The economic data through August has been extremely volatile. Good payroll employment numbers were offset by poor household data. Headline retail sales were strong, but after inflation they were weak, and while flat for the month, overall inflation remains at levels not experienced since the early 1980s. Meanwhile, data that are more reflective of a growing economy like housing sales, housing starts, and new vehicle sales are all plunging.

In the face of recession, the Federal Reserve generally reduces interest rates to spur demand; however, with inflation well above what the Fed considers to be acceptable, it is likely that interest rates will rise by at least another 50 basis points in September. The Fed will likely pause with hikes in November, however, by then its program of "quantitative tightening," should also be impacting market interest rates.

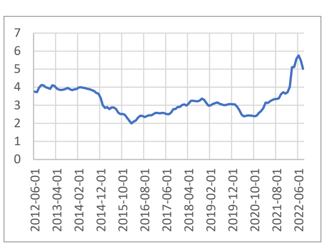
High prices, a tight labor market, higher borrowing costs, and following the passage of a partisan federal tax increase, there is no doubt going to be a squeeze on corporate profits, and a move toward reduced consumer spending. In other words, continued recession.

Many forecasters are expecting a rather shallow recession stretched over an extended period of time. So far, this seems to be the case, but such an outcome would not be normal in the face of current economic circumstances. If production were able to increase significantly, inflation could be squeezed out of the system without serious demand destruction, but large-scale increases in output are unlikely under the current environment where political risk and high corporate debt levels make investment impractical.

All of this provides serious headwinds for the motorcoach industry. On the other hand, summer travel levels appear to have been solid, and most Americans are staying home rather than going abroad. In addition, students are going back to the classroom, providing opportunities for more high school and college sports, and the travel associated with these activities. Finally, reductions in service to many smaller market airports is creating new opportunities for more point-to-point travel by motorcoach. As noted in the *Itinerary* last month, all of this is positive news for the charter, shuttle, and scheduled segments of the industry. This increase in demand should help carriers in these segments handle the higher input costs that they will be facing.

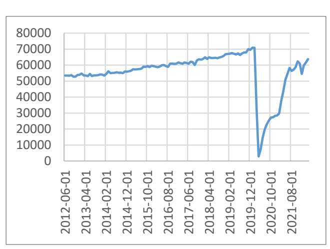
SEPTEMBER STATISTICS

National Diesel Prices



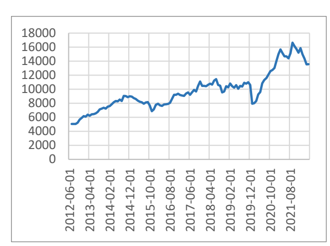
August-22: 5.01
Down 8.6 Percent

Domestic Enplanements



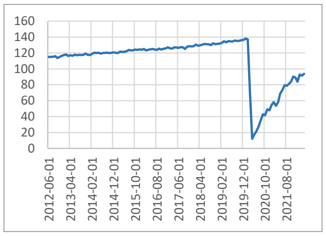
March-22: 63,849.00
Up 3.61 Percent

Dow Jones Transportation Index



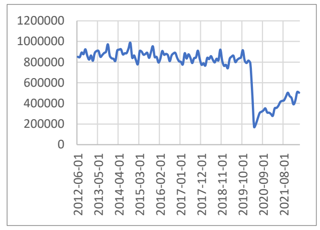
May-22: 13,553.13
Up 0.05 Percent

Transportation Services Index (Psgr)



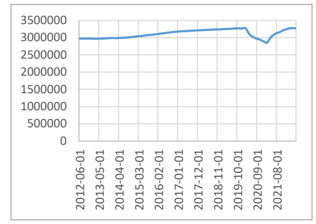
April-22: 93.90
Up 2.51 Percent

Transit Ridership



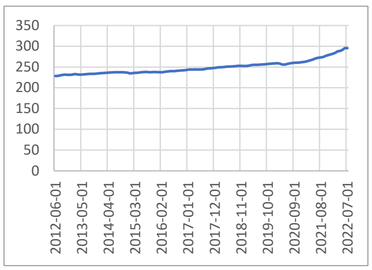
April-22: 503,330,000
Down 1.18 Percent

Highway Travel



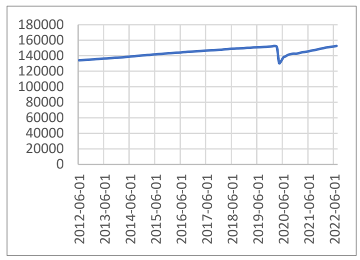
June-22: 13,553.13
Down 0.15 Percent

Consumer Price Index



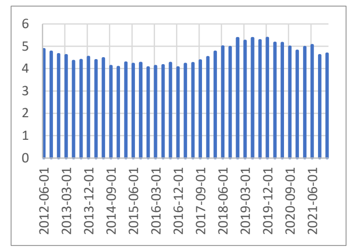
July-22: 295.27
Down 0.02 Percent

Employment



July-22: 152,536.0
Up 0.35 Percent

Automobile Loan Rate



2Q22: 4.55
Down 2.57 Percent

The Monthly Itinerary is designed to provide members of the ABA with an ongoing series of data and commentary on key economic and transportation statistics of importance to the motorcoach and motorcoach tourism industry. For more information or to comment on this report, please contact Melanie Hinton at mhinton@buses.org or 202-218-7220.

SEPTEMBER ECONOMIC NEWS

- According to the Bureau of Labor Statistics, in July the number of people reporting that they are employed rose by about 130,000. Employment levels in Canada fell by 30,600.

- Meanwhile, inflation continues to roar. While the CPI in the US was flat for July and the PPI fell, annual inflation rates are still at levels not seen since the early 1980s. Inflation in Canada is mirroring that in the US, up by about 8.5 percent over the past year.

- Diesel fuel prices have fallen steadily since the end of April, but at about $4.90 per gallon, they are still at their highest nominal level since the EIA began tracking data in 1994. Meanwhile, diesel prices in Canada are averaging over $7.00 (CAD) per gallon.

- Transit ridership is still down by about half since the COVID-19 shutdowns. The most recent data (April) suggests that the recovery has stalled, with ridership levels flatlining at about 500 million per month.

- The University of Michigan’s Index of Consumer Sentiment rose slightly in July to 51.1 from its record low of 50 recorded in June. Consumers under the age of 45, lower-income consumers, and less-educated consumers all reported substantial worsening of personal finances.

SEPTEMBER COMMENTARY

Fall is quickly approaching, and with it, cooler weather across the northern hemisphere. While this may help alleviate drought in the western part of North America, and in Western Europe, it will also put even more stress on limited energy supplies as demand for heating oil (in effect diesel) natural gas and electricity increase. Supplies in the United States are stretched, and as shortages in Europe lead to higher liquified natural gas (LNG) imports, prices in the US are almost guaranteed to increase dramatically into the winter months.

According to the EIA, total petroleum stocks in the US are down significantly since the summer prior to the economic shutdowns. Based on the May data, except for biodiesel (a product which accounts for just 0.4 percent of total petroleum stocks, the amount of every major petroleum-based product available in the United States is down. In the case of important products like LNG, Propane, Gasoline and Diesel Fuel, stocks are down substantially from pre-COVID levels. (See Table)

While the latest data are from May, they are likely much worse now. While natural gas production in the US has recovered to pre-COVID levels, oil production is still down by about 10.8 percent. With prices for natural gas up by 281.2 percent and for crude up by 76.7 percent, its easy to see why production is increasing despite a regulatory environment that makes drilling and collecting petroleum extremely costly.

Change in Stocks of Petroleum Products Since August 2019

Product	Thousand Barrels
Total Crude Oil and Petroleum Products	-12.8%
Crude Oil	-12.8%
Liquid Natural Gas	-30.1%
Propane	-45.5%
Bio-Diesel	24.5%
Kerosine and Light Oils	-7.2%
Finished Petroleum Products	-9.8%
Gasoline	-25.6%
Diesel Fuel	-18.5%

On a bright note, European natural gas inventories are presently above their 5-year average levels, and if Russia does not completely cut the continent off from energy supplies, will likely pull through the winter months without shortages. Price levels outside of the United States are still high, and LNG exports will continue to keep prices high even as US production continues to grow. Inflated natural gas prices will also keep electricity costs from falling.

All of this suggests that the motorcoach industry will continue to face substantial pressure from energy costs, which accounted for about 14 percent of the expenses of an average motorcoach firm prior to the jump in fuel prices.

We will continue to monitor the economy closely and will report on those factors influencing the motorcoach travel and tourism sector each month. Now, more than ever, it is important to stay abreast of economic data and trends.

The Monthly Itinerary produced by John Dunham & Associates and is provided as a service by the American Bus Association Foundation. It is not intended as investment advice. If you would like more information, or if you would like us to track additional indicators, please feel free to contact Melanie Hinton at mhinton@buses.org or 202-218-7220.