Lower cost of domestic flights is relief to wallet

NerdWallet

Dining out is more expensive than ever. The cost of gas is rising again. And the price of travel — including airfare and hotels — has kept pace. Right?

Not exactly. Airfare costs declined by 13% between September 2022 and September 2023, according to September 2023 Consumer Price Index data from the Bureau of Labor Statistics. Far from being an inflationary force, travel prices have actually helped cool overall prices this year. Yet this seems to fly in the face of many travelers’ expectations.

“I keep hearing the narrative that it’s so expensive to travel,” says Hayley Berg, lead economist at Hopper, a travel booking platform. “In reality we’re seeing lower prices, for domestic trips especially.”

Travel prices have fluctuated so often since 2019 that it makes sense if recent price drops haven’t registered for many travelers. And while airfare has decreased in recent months below 2010 levels, other expenses such as dining out and renting a car remain above their pre-pandemic baseline.

Part of this complication comes from the divergence in price swings for domestic and international airfare. Overseas travelers have seen starkly higher relative price changes than those flying within the United States.

Typical round-trip fares from the United States to Europe hit nearly $1,200 this summer, according to Hopper, the highest price in six years. Tickets to Asia reached almost $1,600. And while Berg says prices have moderated since then, they remain high by historical standards. On the flip side, domestic prices are down compared with 2022.

What’s driving this difference in price trends? The supply of aircraft seats is one issue. Although airlines are now operating at 2019 capacity domestically, they have been slower to add international flights.

Indeed, American Airlines added only 1% more international capacity in the first half of 2023 compared with the same period in 2022, according to its second-quarter financial results, yet revenue increased on those routes by 4%.

Another reason airlines have been able to keep international prices high: a relative lack of competition from low-cost airlines.

“If you think back to 2019, it was the heyday of flying to London for $300 with a stopover in Iceland,” Berg says. “Fast forward to today, many of those airlines are not operating or operating at lower capacity.”

Thanksgiving dinner is going to cost you

Bloomberg News

Inflation is slowing, turkey prices are dropping and yet, somehow, Thanksgiving dinners will still cost more than they did last year.

“Don’t expect tremendous savings,” a new report from Wells Fargo’s Agri-Food Institute warns, noting that food-at-home prices are still up 2.4% compared with last October. “This year’s celebration will not be less expensive.”

Still, not all Thanksgiving mainstays are going to cost more, and the price of the traditional roasted-turkey centerpiece is falling. Retail prices for whole fresh turkeys were down 9% the week of Oct. 23, when the report was written, but have dropped even more since then, down 15% as of Oct. 30, said 30%, according to the report. “The retailer has more expenses,” said Swanson, one of the report’s authors, citing high labor costs as an example.

Not everyone is so optimistic on the cost of gobblers. Lower turkey stocks as a result of avian flu could hurt supply and support prices, said Justin Bartup, an analyst at Bloomberg’s Green Markets.

Ham prices, meanwhile, have gone up 5.2% since last year, according to the report. Canned foods are up as well, with Swanson saying that canned pumpkin has gone up 30% and green beans rising 9% compared with a year ago. Canned cranberries are up 60%, but those willing to spend more time cooking can save some money: Fresh cranberries are down 20%, year over year.

Cream supplies are tight across the country, pressuring milk and dairy prices, according to the latest U.S. Foods Farmer’s Report. The report, from Oct. 27, also says that green beans from Georgia have seen crop damage due to hurricanes and rains over the past couple of months — crimping supplies headed into the Thanksgiving holiday.

Swanson attributes the variability to a range of factors: Farmers put a lot of turkeys into their barns over the summer, so supply is high and retailers are competing with each other to bring down prices. Packaging and transportation costs are still making canned items more expensive. Finally, the COVID-19 supply-chain impacts have subsided, and retailers can go back to forcing competition between suppliers, rather than simply hoping to keep shelves stocked.