International Visitations to the U.S. from

ISRAEL

INTERNATIONAL INBOUND TRAVEL MARKET PROFILE

2018

U.S. TRAVEL ASSOCIATION®

SUMMARY

Israeli travelers have long considered the United States an attractive destination. However, due to competition from other markets—and visa-free travel to most competitors, including all European Union countries—travel growth from Israel to the U.S. has been relatively static. The United States fell from its rank as Israel's second-largest travel destination in 2001 to its fifth largest in 2018.

Nevertheless, the United States remains, by far, Israel's largest destination market outside of Europe. The U.S. is also a key trade partner, as Israel is one of only 20 countries with which the U.S. has signed a free trade agreement. However, the U.S. exhibits a travel trade deficit with Israel of $1 billion, a result of stronger spending by Americans in Israel ($2.8 billion in total travel imports) than Israeli spending in the U.S. ($1.8 billion in total travel exports). This travel trade deficit has been growing over the years and reached its highest level in 2018.

ISRAEL MARKET SUMMARY, 2018	
U.S. Visitations from India	439,000
Travel Spending	$1.2 billion
Average Spending per Visitor	$3,659
Total U.S. Travel Exports	$1.8 billion
U.S. Travel Trade Balance	-$1.0 billion

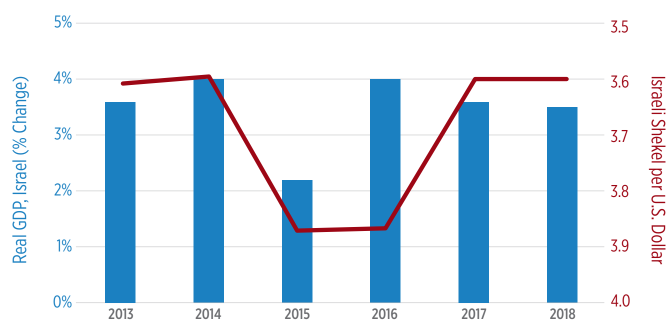
VWP Member	Free Trade Agreement	Global Entry	Preclearance	Open Skies
✗	✓	✗	✗	✓

Smart policy changes, including the entry of Israel into the Visa Waiver Program (VWP) and Global Entry, could help reverse this trend. If Israel, who already meets the stringent security standards of the VWP, were admitted into the program, the U.S. stands to gain 450,200 additional visitors from Israel (cumulatively) over the following 3 year period; these travelers would spend an additional $1.6 billion while visiting, generating $3.6 billion in economic output for the U.S. and supporting a total of 6,000 annual American jobs.

MACRO OVERVIEW

With a $370 billion economy and a population of 8.4 million, Israel ranks 34th in GDP and 96th in population globally. Israel is an advanced free market economy. In terms of GDP per capita, a good measurement of a country's standard of living, Israel closely mirrors the U.K. and Canada. The country's major economic sectors are technology and industrial manufacturing. In addition, the Israeli diamond industry is one of the world's centers for diamond cutting and polishing. Tourism, especially religious tourism, is also an important industry. With relatively few natural resources, Israel depends on imports of raw materials, agriculture and energy, though a recent discovery of major national gas reserves and the development of solar power may together make Israel more energy independent.

Israel GDP and Currency, 2013–2018



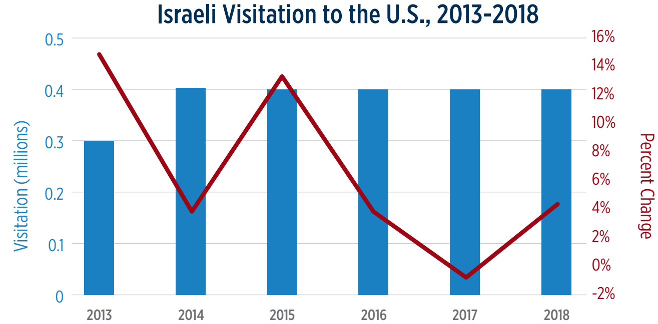
Source: Oxford Economics

Israeli GDP growth averaged 3.6% during the 2013-2018 period, and Israel's currency, the shekel, remained relatively stable at around 3.7 shekels to the dollar throughout that time period.

TRAVEL IMPACT: VISITATION

The United States has always been Israel's largest travel destination outside of Europe, but the growth in visitations has been muted in recent years. After stalling (and in many years, declining) between 2001 and 2012, visitations from Israel to the U.S. recovered somewhat leading into 2016 and, following a decline of 0.9% in 2017, grew by 4.3% in 2018. Israel is the United States' 22nd largest overseas inbound market and accounts for 1.1% of overseas visitations to the U.S., but given the close political ties between the two countries, its rank and share—which have been falling in recent years—have the potential to be much higher.

Israeli Visitation to the U.S., 2013-2018



Source: U.S. Department of Commerce

The U.S., in fact, has a "visitation deficit" with Israel. In 2018, there were more than double as many American visitations to Israel as Israeli visitations to the U.S. (886,000 vs. 439,000). While visitations from Israel accounted for 1.1% of overseas visitations to the U.S., American visitations to Israel accounted for 21.5% of all visitations to Israel.

TRAVEL IMPACT: ECONOMIC

Travel accounted for 9% of all U.S. exports of goods and services to Israel in 2018. Travel exports to Israel were valued at $1.8 billion[1] in 2018, the third-largest of all U.S. exports to Israel. The average Israeli visitor to the U.S. spent $3,659 per visit to the U.S.[2] Since 2003, the U.S. has experienced a consistent travel trade *deficit* with Israel, but its scale has never been larger than it was in 2018. With travel exports to Israel valued at $1.8 billion, and travel imports (i.e., spending by U.S. travelers in Israel) valued at $2.8 billion, travel generated a $1 billion trade deficit with Israel in 2018.

TOP U.S. EXPORTS TO ISRAEL, 2018

INDUSTRY	U.S. EXPORTS IN BILLIONS ($)	SHARE TOTAL EXPORTS OF GOODS AND SERVICES
Misc. Manufactured Commodities	5.1	25.3%
Transportation Equipment	2.5	12.3%
Travel	**1.8**	**8.8%**
Computer and electronic products	1.5	7.4%
Machinery, except electrical	1.2	5.8%

Source: U.S. Department of Commerce

For more about the contribution of visitations from Israel to America's trade balance, see Addendum A, Page 4.

THE COMPETITION

Although Israeli travel to the United States recovered in 2018 with an increase of 4.3% (after declining by 0.9% in 2017), its three-year rate of growth was just 7.4%. In comparison, Israeli travel to all outbound destinations grew exponentially faster, by 36.6%, over the same period. (Some examples of this growth include Poland +60%, France +19%, Romania +17% and Turkey +102%.) As a result of these trends, the U.S. lost a significant amount of market share, declining from 7.1% in 2015 to 5.5% in 2018.

TOP ISRAELI OUTBOUND DESTINATIONS 2015 & 2018

DESTINATION	VISITATIONS, 2015 (IN MILLIONS)	VISITATIONS, 2018 (IN MILLIONS)	% CHANGE IN VISITATIONS, 2015-2018
1 Poland	468	749	59.8% ▲
2 France	507	602	18.6% ▲
3 Romania	426	500	17.4% ▲
4 Turkey	217	440	102.4% ▲
5 United States	**409**	**439**	**7.4%** ▲
Total Outbound Travel	**5,764**	**7,875**	**36.6%** ▲

Source: Tourism Economics and U.S. Department of Commerce (for U.S. arrivals)

Despite the increase in competition from other markets, Israel remains an attractive market to the U.S., particularly due to strong ties between the two countries and the high number of Americans traveling to Israel, which ensures decent flight connectivity between Israel and the United States. In fact, after an intensive campaign that signaled the existing (and potential) strength of travel between the Washington, D.C., area and Israel, United Airlines started to operate for the first time a direct flight between Dulles Airport and Tel Aviv in May 2019. New direct travel routes to other U.S. cities have also been announced. While the increased level of air connectivity is an exciting development, the cumbersome visa application process and the lack of true budget travel opportunities remain key impediments for the growth of the Israeli inbound travel market. Israelis can travel visa free (and for relatively cheap prices) to the European Union, Russia, Turkey and many other competing destinations.

1. International standards now use a broader definition of travel exports than previously used which, in addition to general travel spending by visitors, includes education-related and health-related spending, as well as expenditures on goods and services by border, seasonal, and other short-term workers in the United States. For more information, please visit http://travel.trade.gov/pdf/ restructuring-travel.pdf.

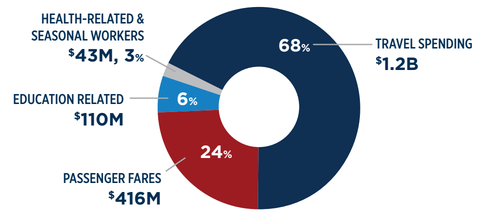
2. Average visitor spending takes into account travel receipts and passenger fares but excludes education and other travel-related exports.

TRAVEL FROM ISRAEL TO THE U.S. IS "MADE IN AMERICA"

1 Spending by Israeli residents in the U.S. produced $1.8 billion in export income for the U.S. economy.

Although travelers from Israel are physically on U.S. soil when they visit the United States, the goods and services they consume while in America are U.S. exports. In 2018, U.S. travel exports to Israel totaled $1.8 billion, which included travel spending by Israeli visitors to the U.S. ($1.2 billion), education-related expenses by Israelis in the U.S. (a relatively low $110 million) and international passenger fares by Israelis flying on U.S. airlines ($416 million).

Breakdown of U.S. Travel Exports to Israel



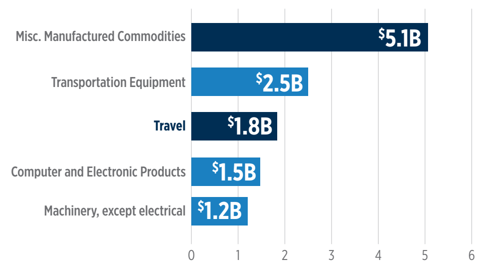
Total U.S. Travel Exports to Israel = $1.8 Billion

Source: U.S. Department of Commerce

2 Travel is the third largest industry export to Israel.

As the third largest industry export to Israel in 2018, travel accounted for 8.8% of all U.S. exports of goods and services.

Top 5 U.S. Exports to Israel, 2018

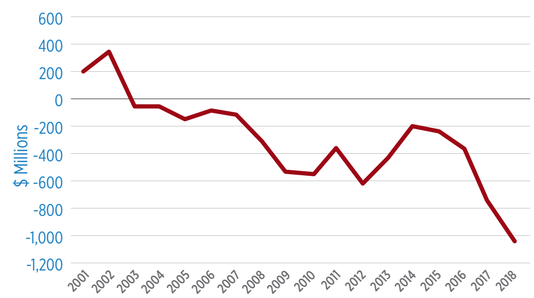


Source: U.S. Department of Commerce

3 Nevertheless, travel generated a $1 billion trade *deficit* with Israel in 2018.

Due to the higher number of visitations—and associated spending—by U.S. visitors to Israel, travel generated a large trade deficit in 2018. In fact, after taking into account U.S. resident spending in Israel ($2.8 billion), the U.S. had its highest travel trade deficit ever ($1 billion) with Israel, significantly higher than the $755 million deficit in 2017 and $354 million deficit in 2016. **This was the first time ever that the travel trade deficit with Israel hit the $1 billion mark.**

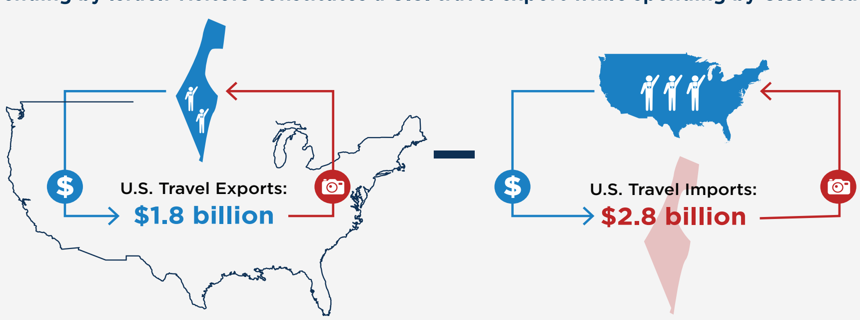
U.S. Travel Trade Balance with Israel, 2000-2018



Source: U.S. Department of Commerce

CALCULATING THE TRAVEL TRADE BALANCE WITH ISRAEL

Spending by Israeli visitors constitutes a U.S. travel export while spending by U.S. residents in Israel constitutes a U.S. travel import.



= **($1.0 Billion)**

Travel Trade Deficit with Israel

Since travel exports are less than travel imports, the U.S. has a travel trade deficit with Israel.

Visitor spending = export income for destination

Travel experiences, that are "purchased" = exported services to source market