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Today's Strong U.S. Dollar Can Save Money on Travel to Europe Next Year

Travelers can lock in savings for trips in 2023, especially with hotels, but not without some risks

By Allison Pohle

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U.S. travelers who have recently visited Europe, the U.K., Japan and elsewhere have taken advantage of the strong dollar when paying for food, activities and luxury items. Some people planning international vacations for next summer can also save if they lock in rates now by prepaying for major costs such as hotel rooms. But doing so requires some finesse.

The bottom line

The strong dollar is especially favorable to U.S. travelers visiting many international destinations now, compared with those who traveled six months ago.

For those yet to travel, it's best to proceed with caution. You could benefit from friendly rates now if you can prepay for hotels or tours in the local currency, but there are risks related to cancellation policies for prepaid reservations. Prices are also subject to demand, so travelers who have flexibility on dates should shop around.

Just because you see a price listed in euros doesn't mean it's a deal. Prices have generally gone up because of inflation, so you should convert the cost of a hotel room to dollars and see if it's within your budget. It can help you decide whether you want to use the conversion rate to spend less money overall or stay at a nicer place for less than it might typically cost.

The details

It can make sense to charge all or part of your international trip now, so long as it is priced in a foreign currency, says Damian McCabe, chief executive of McCabe World Travel in McLean, Va. This is especially advantageous with the euro, which recently fell to a new 20-year low against the dollar. As of Monday, one euro was worth about 98 cents.

To take advantage of the strong dollar, find a way to book hotels in euros by working with travel advisers who work with local hotel companies and tour groups, Ms. McCabe says. They can help you lock in rates in foreign currencies. You can also contact hotels and tour operators directly.

Trying to predict the future exchange rate is a gamble. By prepaying for travel now because of the strong dollar, travelers are betting the exchange rate will return to less favorable levels in the next several months, says Steven Carvell, a professor of finance in Cornell University's S.C. Johnson College of Business.

He expects the dollar to at least maintain its strong position in the near future given the inflation pressures, food and energy crises Europe is navigating, among other factors.

"They're likely headed for more difficult financial times over there, which would indicate the likelihood is that the euro is not going to rebound in the next six months," he says. "In fact, it might actually continue to go down against the dollar."

Often, the cheapest rates, which require you to prepay in full immediately, are nonrefundable. That means no exceptions, travel advisers say. Because of the Covid-19 pandemic and economic uncertainty, plans can easily change. As a result, many advisers recommend against booking nonrefundable rates. If you do, they advise purchasing travel insurance, which can eat into the savings created by prepaying.

If you do prepay for a tour or hotel room and use a company that charges in the foreign currency, be sure to pay with a credit card that doesn't charge foreign transaction fees, says **Margi** Arnold, owner of Creative Travel Adventures in Denver. The fees are typically around 3% of the purchase price. If you aren't sure whether your card has a conversion fee, contact your credit-card company.

You can't save on the exchange rate on international flights originating from the U.S. because they will be priced in U.S. dollars, travel advisers say. International airfares have climbed compared with before the pandemic.

Despite concerns over a recession, travel companies say they anticipate another year of high demand for trans-Atlantic travel. United's trans-Atlantic schedule will likely be about 10% larger next summer compared with the summer of 2022, and 30% larger than the summer of 2019.

A lower euro will likely also cause increased demand, Dr. Carvell says.

"People have been denied, and so now they're ready to go," Ms. McCabe says.



U.S. travelers going abroad next year could benefit from friendly rates now if they prepay for hotels in the local currency, but there are risks.

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