

# The Economic Impact of the Coronavirus Due to Travel Losses

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2020 Analysis

March 24, 2020

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# Key Findings

## Overview

Oxford Economics, in coordination with its Tourism Economics subsidiary company, modeled the expected downturns in the US travel industry in 2020 as a result of Coronavirus. We then modeled the economic impacts of these travel industry losses in terms of GDP, unemployment, and taxes.

## Travel Industry Losses

A decline of 34% for the entire year is expected. This includes a 78% drop in revenue over the next two months and continued losses over the rest of the year reaching \$400 billion.

## GDP Losses

Travel industry losses will result in a cumulative GDP impact of \$502 billion in 2020.

We project the US economy to enter a protracted recession based on the expected downturn in travel alone.

The recession is likely to last at least two quarters with the lowest point in the second quarter of 2020.

## Tax Losses

A decline of \$62 billion in taxes will be realized as a result of travel declines in 2020.

## Employment Losses

The US economy is projected to lose 5.9 million jobs by the end of April as a result of travel declines in 2020.

The unemployment rate of 3.5% in February will rise substantially in the coming months.

Travel-related employment losses alone will push the unemployment rate up to 7.1% by the end of April.

## The Time Opportunity

The greatest opportunity to mitigate these losses is to reduce the time required for a recovery. While typical recovery times from a disease-related crisis range from 12-16 months, this can be shortened through strategic promotions and support of the travel industry. We analyzed two scenarios for shortening the duration of losses.

### SCENARIO 1: FULL RECOVERY BEGINS IN JUNE

Scenario assumes full recovery is achieved in June. Each month from June-December offers a potential average gain of \$22 billion in GDP and \$2.7 billion in taxes.

Total benefits would tally \$123 billion in travel industry revenue, \$19 billion in taxes, and 1.8 million jobs restored.

### SCENARIO 2: 50% RECOVERY BEGINS IN JUNE

Scenario assumes that a recovery is accelerated by 50% (relative to expected performance) beginning in June. In this scenario, each month offers a potential gain of \$11 billion in GDP and \$1.4 billion in taxes.

Total benefits would tally \$61 billion in travel industry revenue, \$9.5 billion in taxes, and 910,000 jobs restored.

# Travel industry losses will far exceed that of any other sector. This is 7 times the impact of 9/11

A \$400 billion decline in travel spending in the US this year will translate into a total economic loss of \$910 billion in economic output. This is more than seven times the impact of 9/11 on travel sector revenue.

In the second quarter, travel-related jobs will fall by 4.7 million and result in a total employment loss of 5.9 million jobs in the US (including indirect impacts).

A decline of \$62 billion in taxes will be realized as a result of travel declines in 2020.

This equates to a 34% decline in travel economic impacts for the entire year.

## Expected Travel-Related Losses in 2020

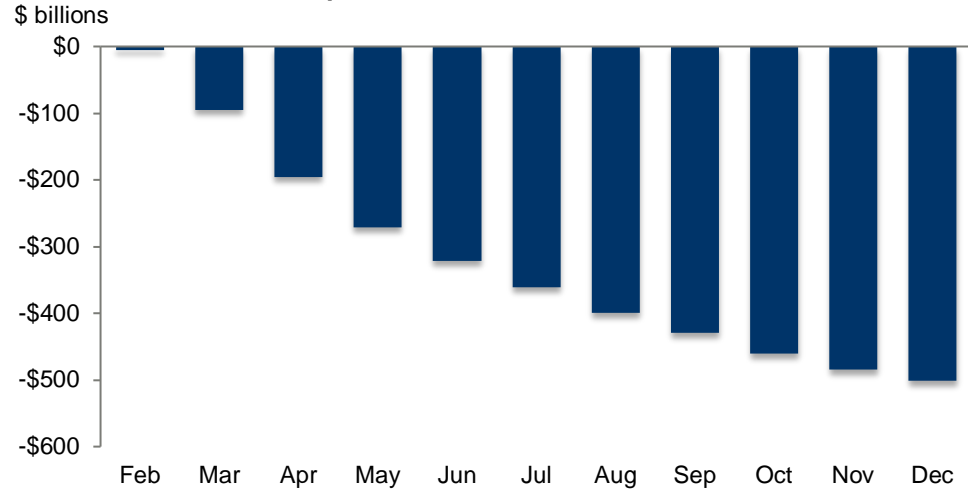
	Direct travel industry	Total impact
<b>Lost spending (\$ billions)</b>	<b>-\$400</b>	<b>-\$910</b>
Air transportation	-\$75	
Other Transportation	-\$60	
Lodging	-\$86	
Recreation & Amusement	-\$42	
Retail	-\$38	
Food Services	-\$99	
<b>GDP Impact (\$ billions)</b>	<b>-\$220</b>	<b>-\$502</b>
<b>Jobs (thousands)</b>	<b>-4,746</b>	<b>-5,868</b>
Air transportation	-273	
Other Transportation	-326	
Lodging	-870	
Recreation & Amusement	-824	
Retail	-279	
Food Services	-1,908	
Travel Planning	-96	
<b>Lost taxes (\$ billions)</b>	<b>-\$27.2</b>	<b>-\$61.9</b>
Federal	-\$14.7	-\$33.4
State	-\$7.7	-\$17.5
Local	-\$4.8	-\$11.0

# Impact on US GDP

Travel industry losses will result in a cumulative GDP impact of \$502 billion in 2020. This equates to 34% of the travel industry's economic value last year.

GDP impacts will continue to accrue through the end of the year as travel activity continues to lag.

**Cumulative COVID-19 impact on US GDP**



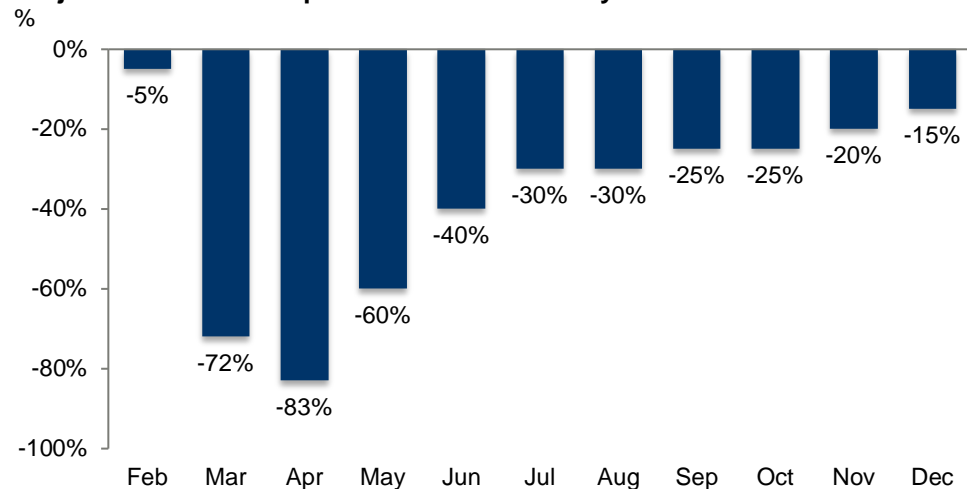
Source: Oxford Economics

## Travel sector revenue will average 78% below normal in March and April

Gradually lessening declines are expected in the summer as travel restrictions are loosened. However, losses will continue through the rest of the year.

- The steepest losses are expected to be experienced in April, including:
  - Travel industry revenue: \$80 billion loss
  - Total economic output: \$183 billion loss
  - Direct travel industry jobs lost: 4.7 million
  - Total travel-supported jobs lost: 5.9 million

Projected COVID-19 impact on tourism industry revenue



Source: Oxford Economics

# Employment losses

The US economy is projected to lose 5.9 million jobs as a result of travel declines in 2020. This alone will increase the unemployment rate to 7.1% in the second quarter.

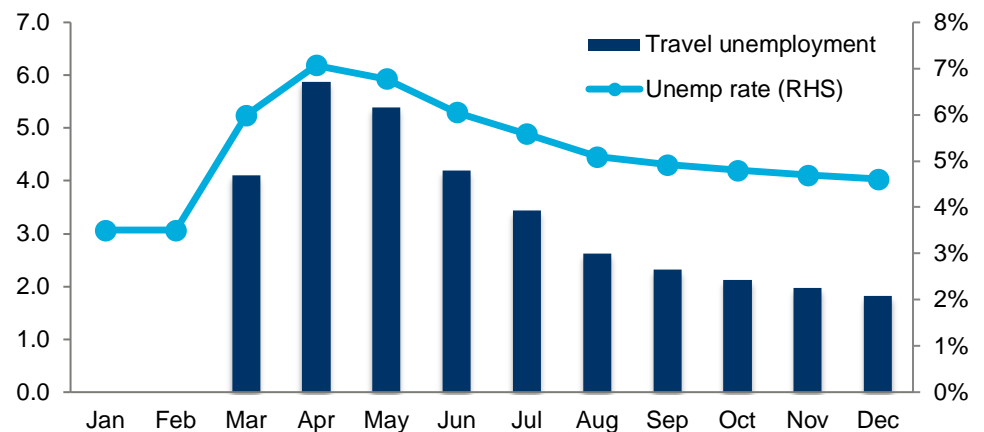
The unemployment rate of 3.5% in February will rise substantially in the coming months.

Travel-related employment losses will push the unemployment rate up to 7.1% over the next few months.

This follows historical precedent of the job losses experienced in severe travel downturns.

**Employment impacts of travel declines**

Millions



Source: Oxford Economics

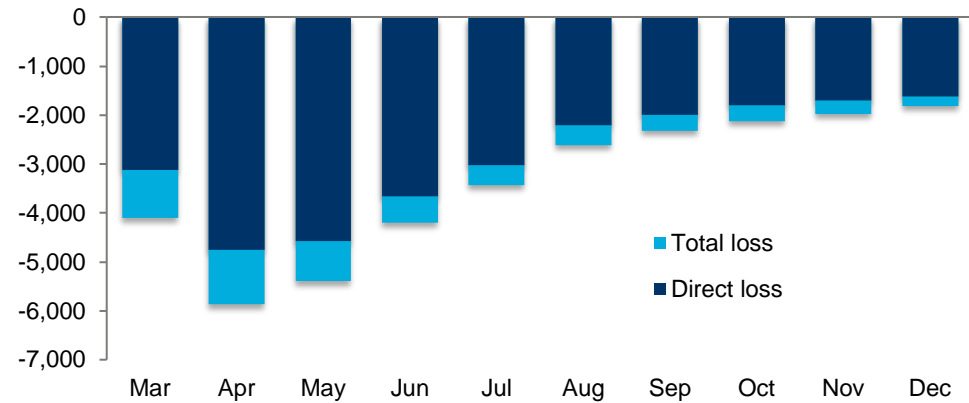
# Employment losses

Jobs losses will spike in April and May but continue through the remainder of the year with 1.8 million jobs still lost in December.

At the lowest point, 5.9 million people will lose their jobs this year as a result of travel declines, including 4.7 million jobs directly in the travel industry.

**Tourism industry job loss**

Thousands



Source: Oxford Economics

# International markets will be hard hit

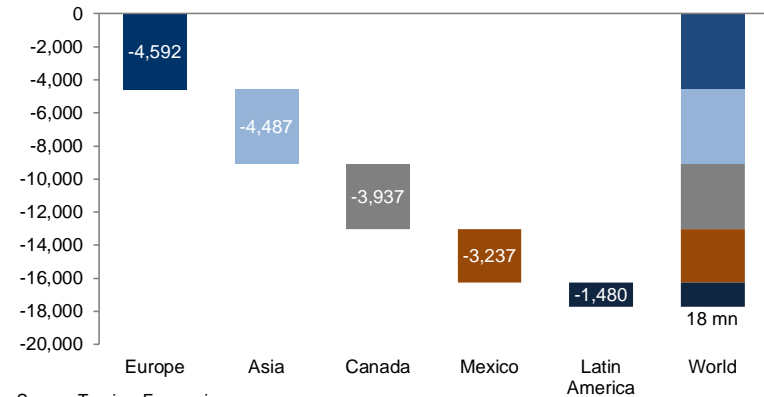
18 million fewer travelers will visit the US in 2020 than in 2019.

These losses span all markets with the largest declines from Asia and Europe.

International visits to the US are expected to decline at least 23% this year.

### Decline in International Visitors to the US in 2020

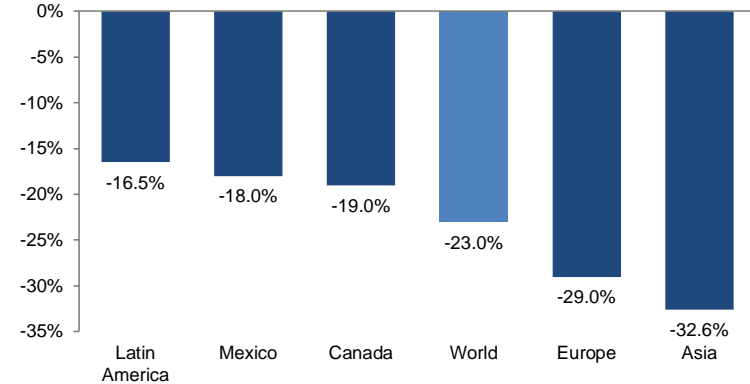
Thousands



Source: Tourism Economics

### Decline in International Visitors to the US in 2020

% change



Source: Tourism Economics



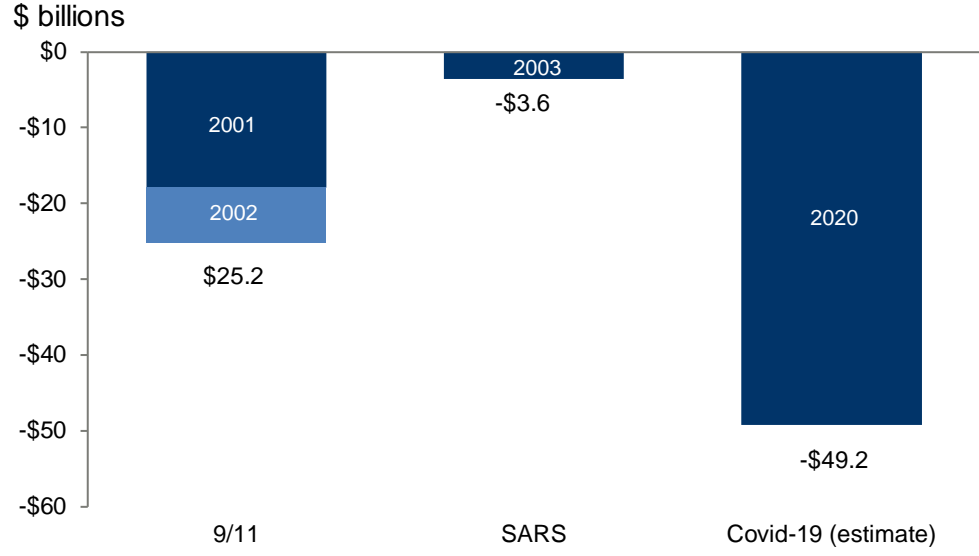
# International visitor spending impacts

International market impacts will tally 13 times the impact of SARs and nearly double the impact of 9/11.

A loss of \$49 billion in international spending is anticipated this year.

This will be an unprecedented decline in both percentage and absolute terms.

**Decline in International Visitor Spending in the US**



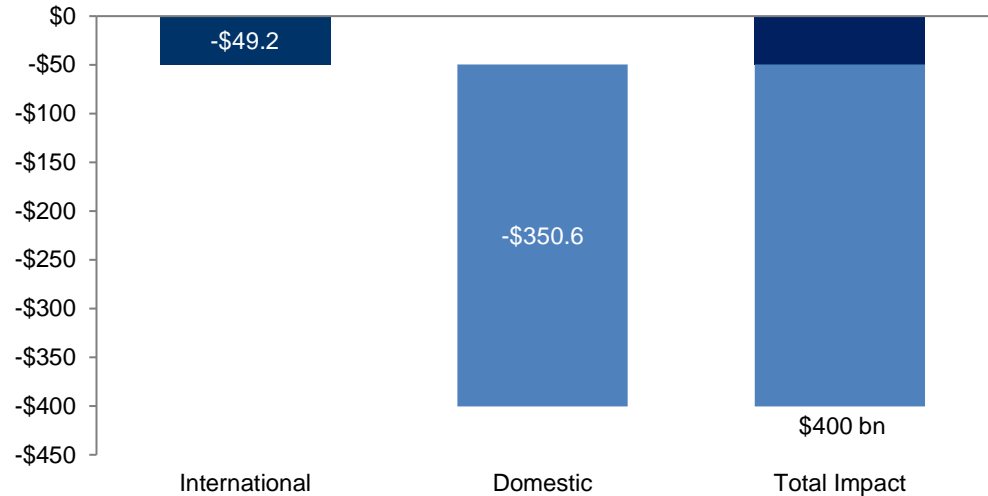
Source: Tourism Economics

# Total US travel industry impacts

Including international and domestic travel, \$400 billion in travel spending will be lost in 2020.

Because of its size, most of the losses will be connected to declines in domestic travel.

**Total Travel Revenue Loss in 2020**  
\$ billions



Source: Tourism Economics

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## About Oxford Economics

Oxford Economics is one of the world's leading providers of economic analysis, forecasts and consulting advice. Founded in 1981 as a joint venture with Oxford University's business college, Oxford Economics enjoys a reputation for high quality, quantitative analysis and evidence-based advice. For this, it draws on its own staff of 300 highly-experienced professional economists; a dedicated data analysis team; global modeling tools, and a range of partner institutions in Europe, the US and in the United Nations Project Link. Oxford Economics has offices in New York, Philadelphia, London, Oxford, Dubai, and Singapore.

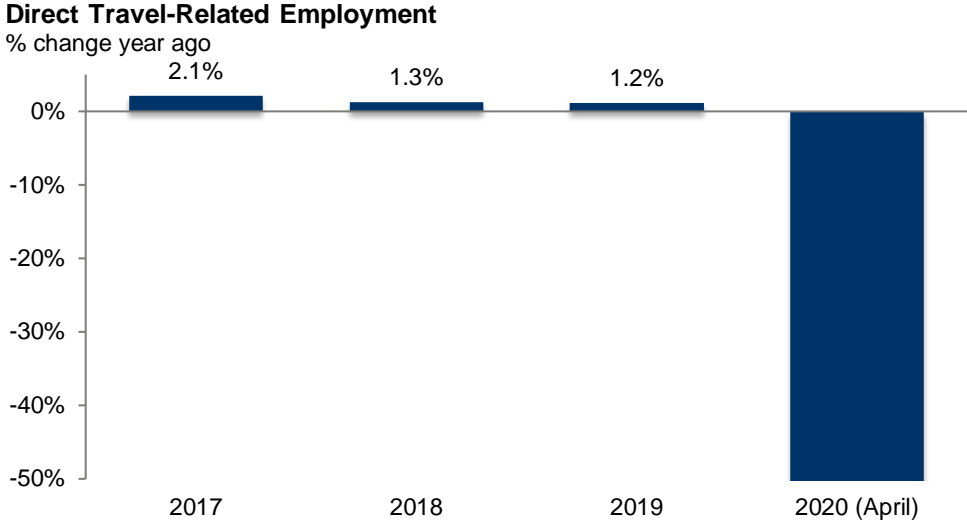
Oxford Economics is a key adviser to corporate, financial and government decision-makers and thought leaders. Our worldwide client base now comprises over 1,000 international organizations, including leading multinational companies and financial institutions; key government bodies and trade associations; and top universities, consultancies, and think tanks.

Tourism Economics is an Oxford Economics subsidiary with vast experience in providing actionable and credible analysis of tourism. Tourism Economics works with national and local tourism offices throughout North America, Europe, Asia, the Middle East and Africa as well as some of the largest tourism service companies in the world. Hundreds of destinations and companies have trusted our staff to help them make better marketing, investment, and policy decisions based on credible fact-based, quantitative analysis.

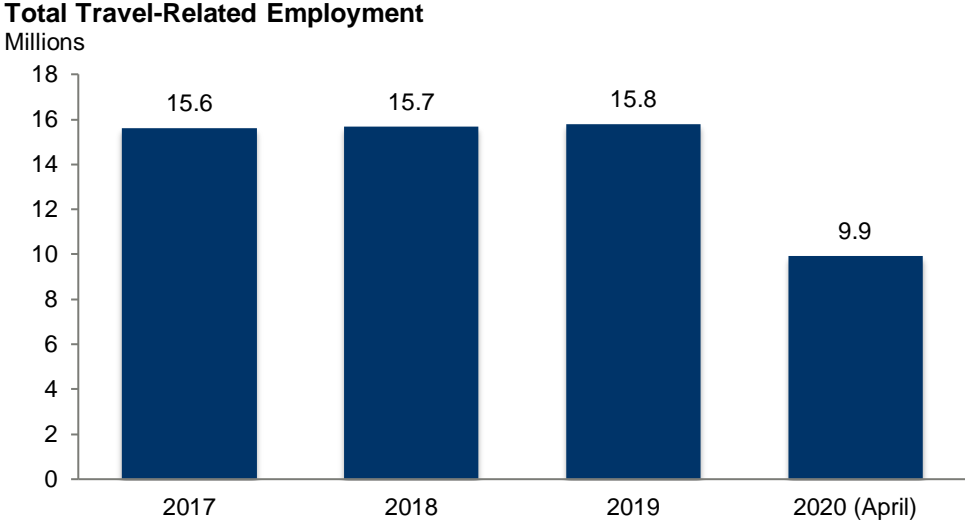


# Jobs impacts

% change



Source: Oxford Economics



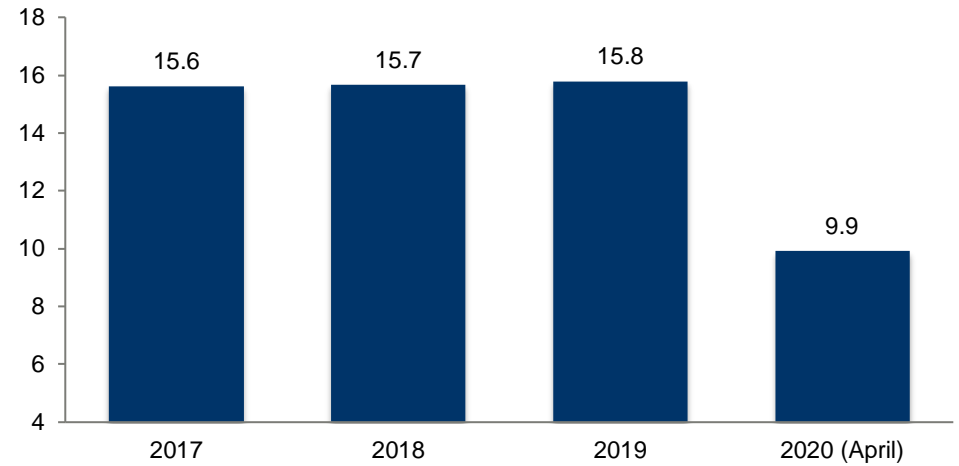
Source: Oxford Economics

# Jobs impacts

Levels (tighter axis)

## Total Travel-Related Employment

Millions



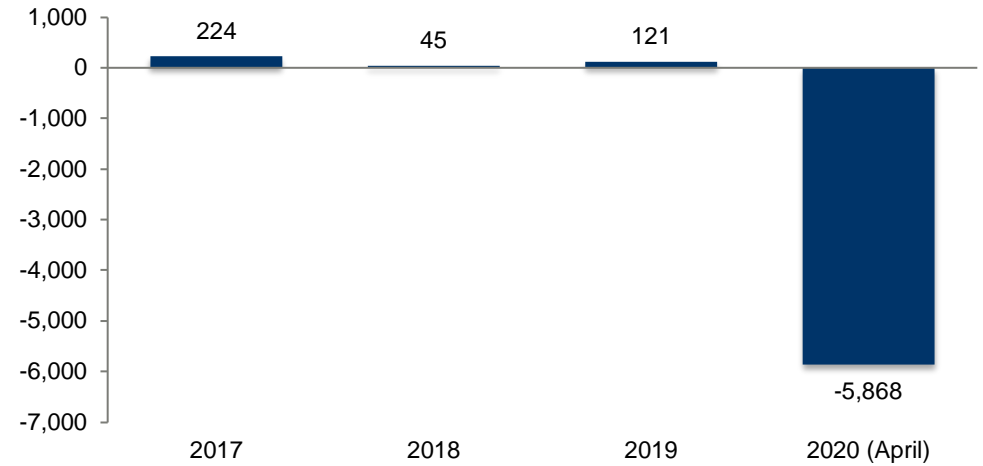
Source: Oxford Economics

# Jobs impacts

## Net change

### Total Travel-Related Employment

Net change in jobs vs. year ago, thousands



Source: Oxford Economics