PLANNING FOR THE RECOVERY (BASED ON DATA)

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2020 will be a year to forget… but the worst appears to be behind us

2020 COVID-19 impact on tourism industry revenue

Source: Oxford Economics

Significant forecast risk in Q4
Losses appear to have leveled off at around 50%.

**National weekly travel spending**

$ billions, year-over-year change

Source: Tourism Economics, U.S. Travel Association
Rural and outdoor destinations are outperforming

Weekly travel spending (week ending July 25)
% year-over-year change

Best 10 markets

Worst 10 markets

Source: Tourism Economics, U.S. Travel Association
The indicators that matter
Q2 GDP: Historic and meaningless

Quarterly GDP numbers are expressed as an annualized rate (i.e. if conditions were to persist for 12 months).

Not annualized, GDP has fallen 10.6% over the past two quarters.

Source: Oxford Economics/Haver Analytics
Historic

US: Peak-to-trough GDP decline during recessions

Source: Oxford Economics/BEA
But what matters… recovery is stalling on rising health concerns

US: Recovery Tracker

Sources: Oxford Economics, Apple, Baker Hughes, COVID Tracking Project, Haver Analytics, EIA, FlightRadar24, Google, Safegraph, Opportunity Insights, OpenTable, Our World in Data, University of Maryland
Consumption still has a ways to go

Homes sales and refinancing!

Credit card spending reflects caution

Restaurants in dire shape
Jobs recovery has paused

US: Recovery Tracker -- Employment

% (January 31st = 100)

Sources: Oxford Economics, Homebase, Google, Burning Glass, Department of Labor, American Staffing Association
Despite gains, economy is still down 15 million jobs

US: Perspective on job losses

In June, employment is still down 15 million jobs relative to February

Source: Oxford Economics/Haver Analytics
The travel industry continues to suffer, but has improved

US: Labor market recovery is only partial

Job losses/gains as a share of February employment

Source: Oxford Economics/Haver Analytics
Unemployment claims remain high (base of 30 mn)

US: Sticky claims for unemployment benefits
Thousands

- Pandemic UA initial claims
- Initial claims

Source: Oxford Economics/Haver Analytics
Our forecast
Reminder: forecasts are still important

Real-time uses for scenario planning are more vital than usual

- Set partner and stakeholder expectations
- Develop budgets (staffing and other cost decisions)
- Establish targets
- Advocacy
- Time sales and marketing efforts
- Inform recovery strategy
Current “baseline” assumptions

**PANDEMIC TIMELINE**

Virus remains a defining factor through 2021Q1 with regional outbreaks and second waves.

Progress in the development of therapeutics continues steadily.

A vaccine becomes available in early 2021.

**POLICY RESPONSE**

Easing of lockdown measures supports regional travel through the summer months.

Renewed lockdowns in response to virus outbreaks will be less severe.

International borders will be slow to reopen.

**ECONOMY**

The US economy is in recession, with a 4.2% drop in GDP this year.

Initial recovery will be brisk in the latter part of 2020, driven by pent-up demand and historic government stimulus.

The path for the economy will remain below pre-crisis levels.
US hotel room revenue: down 50% this year

Room revenue
US, in billions

<table>
<thead>
<tr>
<th>Year</th>
<th>Revenue ($ billions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>155.8</td>
</tr>
<tr>
<td>2018</td>
<td>163.4</td>
</tr>
<tr>
<td>2019</td>
<td>168.0</td>
</tr>
<tr>
<td>2020</td>
<td>84.2</td>
</tr>
<tr>
<td>2021</td>
<td>120.0</td>
</tr>
<tr>
<td>2022</td>
<td>143.3</td>
</tr>
<tr>
<td>2023</td>
<td>159.2</td>
</tr>
<tr>
<td>2024</td>
<td>173.6</td>
</tr>
</tbody>
</table>

Decrease from 2019 to 2021: 28.6%

However, next year will recover to 71% of 2019 levels
Back to “par” in 2024

Source: STR; Tourism Economics
US hotel room demand: down 36% this year

However, next year will recover to 86% of 2019 demand levels

Back to “par” in 2023

Source: STR; Tourism Economics
US recovery should accelerate into 2021 but will remain below par

Deepest economic contraction since 1946
GDP Q4 2019 = 100

Risks are skewed to the downside

Source: Oxford Economics
but an easing of lockdowns will release stimulus impact

US: Funds authorized by Congress

- **$480bn**: PPP & Healthcare Enhancement Act
- **$2.4 trillion**: CARES Act (11 weeks after COVID-19 outbreak)
- **$787 billion**: American Recovery and Reinvestment Act (80 weeks after crisis began)
- **$8 billion**: Preparedness bill
- **$190 billion**: Stimulus bill
- **$152 billion**: Stimulus bill
- **$300 billion**: Mortgage-guarantee bill
- **$700 billion**: TARP

Source: Oxford Economics/CBO
A two-phase labor market recovery

US: Nonfarm employment

- Phase 1: Employment partially rebounds as economy reopens
- Phase 2: Some temporary layoffs have become permanent, hiring picks up gradually

Source: Oxford Economics/Haver Analytics
Anatomy of a travel recovery

Return to “normal” levels of travel will be a multi-year effort (target 2023)
Destination performance will largely hinge on exposure

**Hotel room demand by customer type**

Share of 2019 room nights sold

- **Most resilient mix**
  - Nashville
  - St Louis
  - Atlanta
  - Chicago
  - San Diego
  - Denver
  - New Orleans
  - Minneapolis
  - Washington, DC
  - Detroit
  - Seattle
  - Boston
  - Houston
  - Los Angeles
  - Orlando
  - Philadelphia
  - Atlanta
  - Dallas
  - San Francisco

- **Least resilient mix**
  - Montreal
  - Vancouver
  - Toronto
  - Vancouver
  - Oahu

But historical mix is only part of the story.

Ability to transition to new markets will be key to accelerating recovery.
Major reshuffling of the deck

Impact of COVID-19 on Upcoming Travel Plans Comparison

- Changed destination to one I can drive to as opposed to fly
- Changed trip from international to domestic

Base: Coronavirus Changed Travel Plans

Travel Sentiment Study Wave 16
Mode of travel disparity

Trips by travel type
Weekly, Index (week ending 3/7 = 100)

Drive trips
Air trips

Source: TSA, Arrivalist
What happens if all international travel stops? Domestic opportunity

US Balance of Travel (2019, trips)
Thousands

<table>
<thead>
<tr>
<th></th>
<th>Outbound departures</th>
<th>Inbound arrivals</th>
<th>Trip Opportunity</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019 trips, Thousands</td>
<td>97,492</td>
<td>78,896</td>
<td>18,597</td>
</tr>
</tbody>
</table>

Source: Tourism Economics

19 million more US outbound trips than inbound
Pandemic + recession = four-year setback

$1 trillion in travel spending losses by the end of 2023

US travel spending outlook

Source: Oxford Economics
## Three recovery initiatives

### Marketing campaign

A national and global marketing campaign to encourage travel in the United States. Campaign is executed in late 2020 with the majority of benefits realized in 2021. The campaign is estimated to generate $2.4 billion in visitor spending and $386 million in taxes.

### EDA grant to DMOs

A grant of $1 billion is made available to destination marketing organizations for states and cities. These funds would be used for destination preparedness and marketing. The investments would yield $15.4 billion in incremental travel spending by the end of 2021. The program would generate $2.5 billion million in taxes.

### Tax incentive

A tax incentive for travel by end of 2021 would include a 50% credit; up to $4,000 per household. Assuming 50% of the population takes advantage of the program and 1-in-3 trips is incremental as a result of the program, an additional $53 billion in US travel-related spending would be generated. The program would generate $8.5 billion in taxes.
Accelerating the recovery: $71 bn in spending. $162 bn in impact.

...6% lift to travel spending by the end of 2021

Recovery initiative impacts
$ billions, 2020-21

<table>
<thead>
<tr>
<th>Recovery initiative</th>
<th>2020</th>
<th>2021</th>
<th>Spend</th>
<th>Output</th>
<th>Tax</th>
<th>Jobs</th>
</tr>
</thead>
<tbody>
<tr>
<td>National marketing</td>
<td>$2.4</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>EDA Grant</td>
<td>$15.4</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Tax incentive</td>
<td>$53.5</td>
<td></td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Total</td>
<td>$71.0</td>
<td></td>
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</tbody>
</table>

Recovery Initiatives Summary
$ millions

<table>
<thead>
<tr>
<th>Recovery Initiative</th>
<th>2020</th>
<th>2021</th>
<th>Spending Impact</th>
<th>Economic output</th>
<th>Tax Impact</th>
<th>Jobs Impact*</th>
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</thead>
<tbody>
<tr>
<td>National Marketing Campaign</td>
<td>$605</td>
<td>$1,815</td>
<td>$2,420</td>
<td>$5,515</td>
<td>$386</td>
<td>25,258</td>
</tr>
<tr>
<td>EDA Grant for Destination Marketing</td>
<td>$5,400</td>
<td>$10,028</td>
<td>$15,428</td>
<td>$35,157</td>
<td>$2,463</td>
<td>161,017</td>
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<tr>
<td>Tax Incentive</td>
<td>$16,039</td>
<td>$37,424</td>
<td>$53,463</td>
<td>$121,836</td>
<td>$8,536</td>
<td>557,994</td>
</tr>
<tr>
<td>Total</td>
<td>$22,044</td>
<td>$49,267</td>
<td>$71,311</td>
<td>$162,508</td>
<td>$11,386</td>
<td>744,268</td>
</tr>
</tbody>
</table>

* Jobs recovered by end of 2021
Key guideposts for the next 18 months

• Recovery has begun (notwithstanding the risks)

• Performance by destination will be incredibly disparate for the next 9 months

• Recovery timeline will be largely a function of:
  1. Travel market exposure (drive, leisure)
  2. Ability to pivot to recovering markets
  3. Pandemic exposure

• Recovery initiatives can accelerate recovery
Downside risks after a strong initial recovery phase

❑ The unique feature of the Global Coronavirus Recession (GCR) is its speed. Following a dramatic near-20% plunge in activity in March and April, consumer spending and business investment have experienced a faster-than-expected rebound.

❑ While this strong first phase of the recovery has led us to revise our 2020 real GDP forecast from -6.1% to -4.2%, the economy already appears to be entering the slower, second phase. Accordingly, we have toned down our 2021 growth outlook, from 6.3% to 3.9%.

❑ Since the foundation for this recovery is an improving health outlook, rising Covid infections, as well as looming fiscal cliffs, represent significant downside risks to growth.

❑ The June jobs report has all the makings of a great summer cocktail: payrolls are rebounding strongly, up 4.8 million in June, the unemployment rate is steadily declining, down to 11.1%, and participation in the labor market is recovering. However, one should sip this cocktail prudently to avoid a bad hangover. Beneath the appealing look, the labor market is still facing a net loss of 14.7 million jobs.

❑ Consumer spending sprang back to life in May and registered a record 8.1% advance as the nation reopened. But don’t be fooled, the rebound was only partial and largely supported by April’s massive fiscal stimulus injection – consumers are still fearful.

❑ The minutes from the June 9-10 FOMC meeting underscored the Fed’s caution on the outlook and its dovish stance. The policy rate will likely remain pegged near zero over the next couple of years, open-ended QE continues, and the Fed stands ready to lend via its emergency facilities. Outcome or data-based forward guidance and yield curve control are being studied but are unlikely to be implemented before the fall.