ECONOMIC AND TRAVEL OUTLOOK IN THE SHADOW OF COVID-19

Adam Sacks
President
Tourism Economics
asacks@oxfordeconomics.com

US facing the largest decline in GDP in any single quarter

**US: Real GDP growth**

Percent change, q/q annualized

Source: Oxford Economics/Haver Analytics
The outlook has devolved rapidly

**US GDP growth in 2020**

<table>
<thead>
<tr>
<th></th>
<th>% average</th>
</tr>
</thead>
<tbody>
<tr>
<td>No virus</td>
<td>1.7</td>
</tr>
<tr>
<td>March baseline</td>
<td>-1.9ppt</td>
</tr>
<tr>
<td>April baseline</td>
<td>-3.1</td>
</tr>
</tbody>
</table>

Source: Oxford Economics
Roughly 30mn jobs at immediate risk

US: Employment at risk from virus

Higher risk
- Accommodation & Food Services, 9%
- Retail excl online, 10%
- Arts, Entertainment & Recreation, 2%
- Wholesale trade, 4%
- Construction, 5%
- Manufacturing, 9%
- Transportation & Warehousing, 4%

Lower risk
- Education & Health Services, 16%
- State & Local, 13%
- Professional & Business Services, 14%
- Courrier & Messenger, 1%
- Online retail, 0%
- Information Services, 2%
- Mining & Logging, 0%

Source: Oxford Economics/Haver Analytics

Unemployment rate likely to surge toward 12%
Hourly employees are the worst hit

Source: Homebase/Oxford Economics

US: Hourly employees working

US: Hours worked by hourly employees

Source: Homebase/Oxford Economics
Half of US households with no emergency savings

US: Households with no emergency savings
Based on survey of 5,008 U.S adults (April-July 2018)

<table>
<thead>
<tr>
<th>Income, $000's</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>53%</td>
</tr>
<tr>
<td>&gt;150</td>
<td>25%</td>
</tr>
<tr>
<td>100-149</td>
<td>35%</td>
</tr>
<tr>
<td>75-99</td>
<td>38%</td>
</tr>
<tr>
<td>60-75</td>
<td>47%</td>
</tr>
<tr>
<td>40-59</td>
<td>59%</td>
</tr>
<tr>
<td>20-39</td>
<td>67%</td>
</tr>
<tr>
<td>&lt;20</td>
<td>78%</td>
</tr>
</tbody>
</table>

Source: Oxford Economics/AARP
Fed reacted early with emergency rate cuts

Fed can now lever up liquidity facilities to $4 trillion
Congress does “whatever it can”

CARES Act delivers $2tn in fiscal stimulus

<table>
<thead>
<tr>
<th>Provision</th>
<th>How much</th>
<th>For what</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash payments to individuals</td>
<td>$290bn</td>
<td>$1,200 per adult, $500 per child. Payments start to phase-out for incomes above $75,000</td>
</tr>
<tr>
<td>Increased unemployment benefits</td>
<td>$250bn</td>
<td>Expanded eligibility, increased benefits, additional emergency benefits after state benefits exhausted</td>
</tr>
<tr>
<td>Assistance for small businesses</td>
<td>$350bn</td>
<td>Loans forgiven if used to maintain payrolls, benefits; pay rent, utilities</td>
</tr>
<tr>
<td>Aid to hard-hit industries</td>
<td>$500bn</td>
<td>$75 billion for airlines, industries related to national security; balance used to leverage up to $4 trillion in Fed lending</td>
</tr>
<tr>
<td>FY 2020 Supplemental</td>
<td>$340bn</td>
<td>About $150 bln of the total will go to hospitals; 80% of funds funneled through state and local governments. Most agencies get extra funding.</td>
</tr>
<tr>
<td>Corporate tax relief</td>
<td>$232bn</td>
<td>2020 payroll taxes deferred until end of 2021; fixes errors in the TCJA.</td>
</tr>
</tbody>
</table>

Source: Oxford Economics

Source: Oxford Economics
2/3rds of payments go to lower income quintiles

![Bar chart showing the distribution of stimulus payments by income quintiles in the US. The chart indicates that a significant portion of the tax rebates go to the lowest income quintiles. The source of the data is Oxford Economics/Tax Policy Center.]
COVID stimulus in comparison to the GFC

US: Funds authorized by Congress

- Since China reports first death from Coronavirus (Jan. 11, 2020)
- Since early signs of a financial crisis (Aug. 7th, 2007)

Source: Oxford Economics/CBO

- $8 billion: Preparedness bill
- $100 billion: Stimulus bill
- $152 billion: Stimulus bill
- $2 trillion: CARES Act (11 weeks after COVID-19 outbreak)
- $300 billion: Mortgage-guarantee bill
- $700 billion: TARP
- $787 billion: American Recovery and Reinvestment Act (8 weeks after crisis began)
Total US travel industry impacts

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

7x impact of 9/11

Source: Tourism Economics
Profile of latest TE / STR forecast

Covid-19 scenario losses: Demand
Percentage difference from counterfactual

Demand (million room nights)
Profile of latest TE / STR forecast

Covid-19 scenario losses: Room revenue
Percentage difference from counterfactual

Room Revenue ($ billions)

TOURISM ECONOMICS
Profile of latest TE / STR forecast

**Occupancy**
- 2019: 66.1%
- 2020: 37.9%
- 2021: 59.7%

**ADR**
- 2019: $131.17
- 2020: $112.91
- 2021: $117.05

(Charts showing occupancy and ADR trends from 2019 to 2021)
Economic rebound in 2021

Real GDP Growth Contribution

- Consumption
- Nonresidential Investment
- Residential Investment
- Inventories
- Net Exports
- Government Spending
- Real GDP

Source: Oxford Economics/Haver Analytics
Strong travel demand rebound is typical in recovery

US total international tourist arrivals

Annual growth, %

Source: Tourism Economics