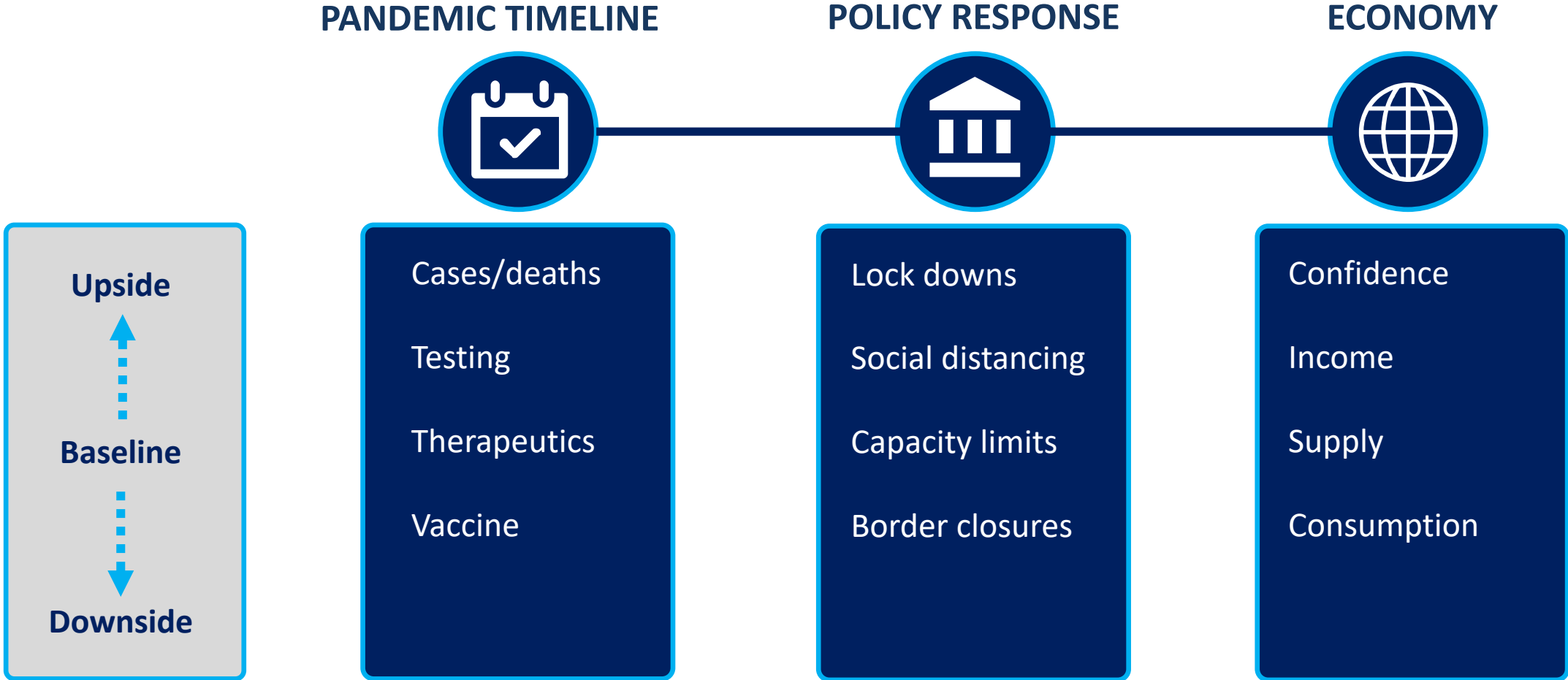


ECONOMIC AND TRAVEL OUTLOOK IN THE SHADOW OF COVID-19

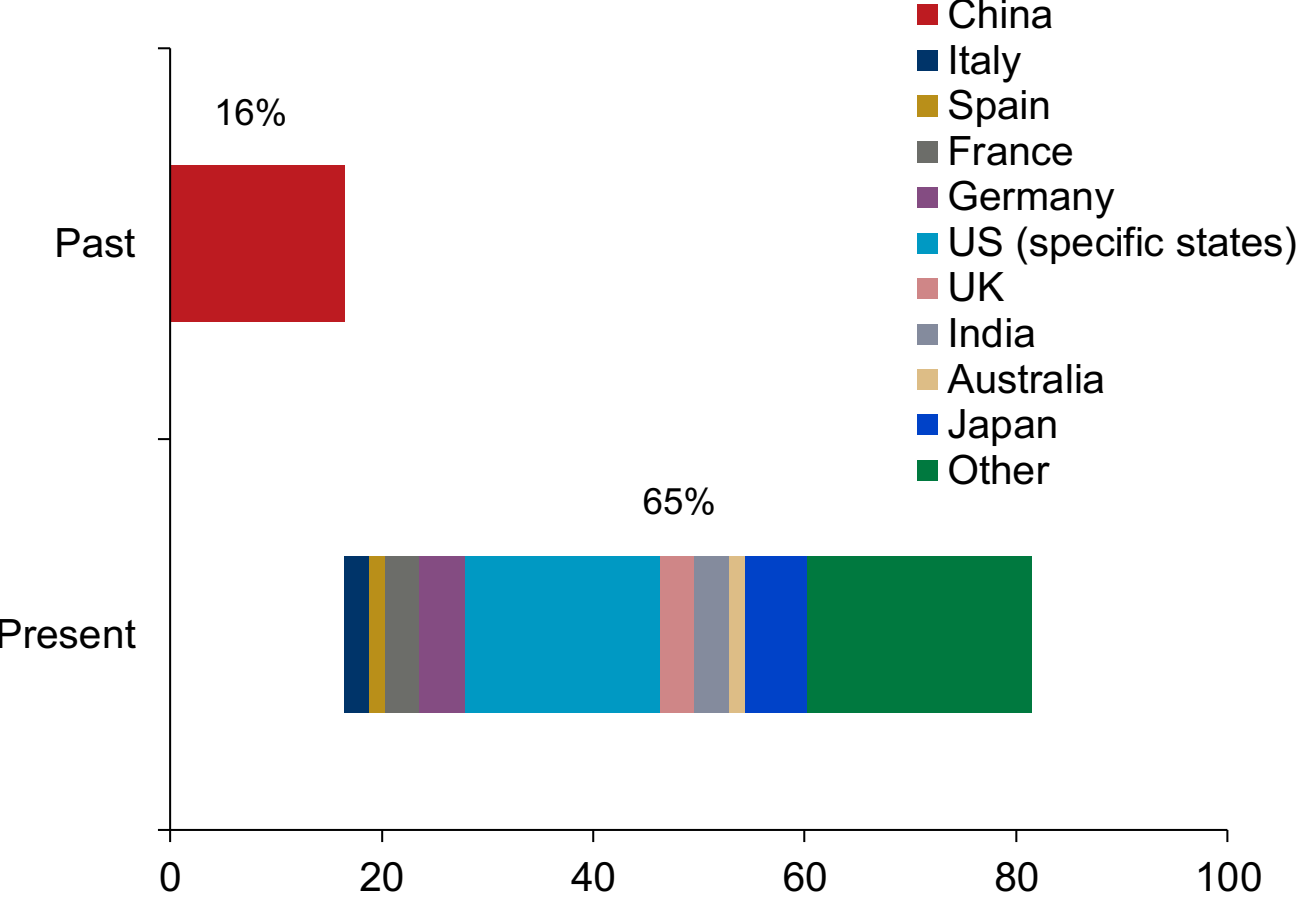
Adam Sacks
President
Tourism Economics
adam@tourismeconomics.com

Drivers of the outlook



Most of the world has been in lockdown in early Q2

Global lockdowns

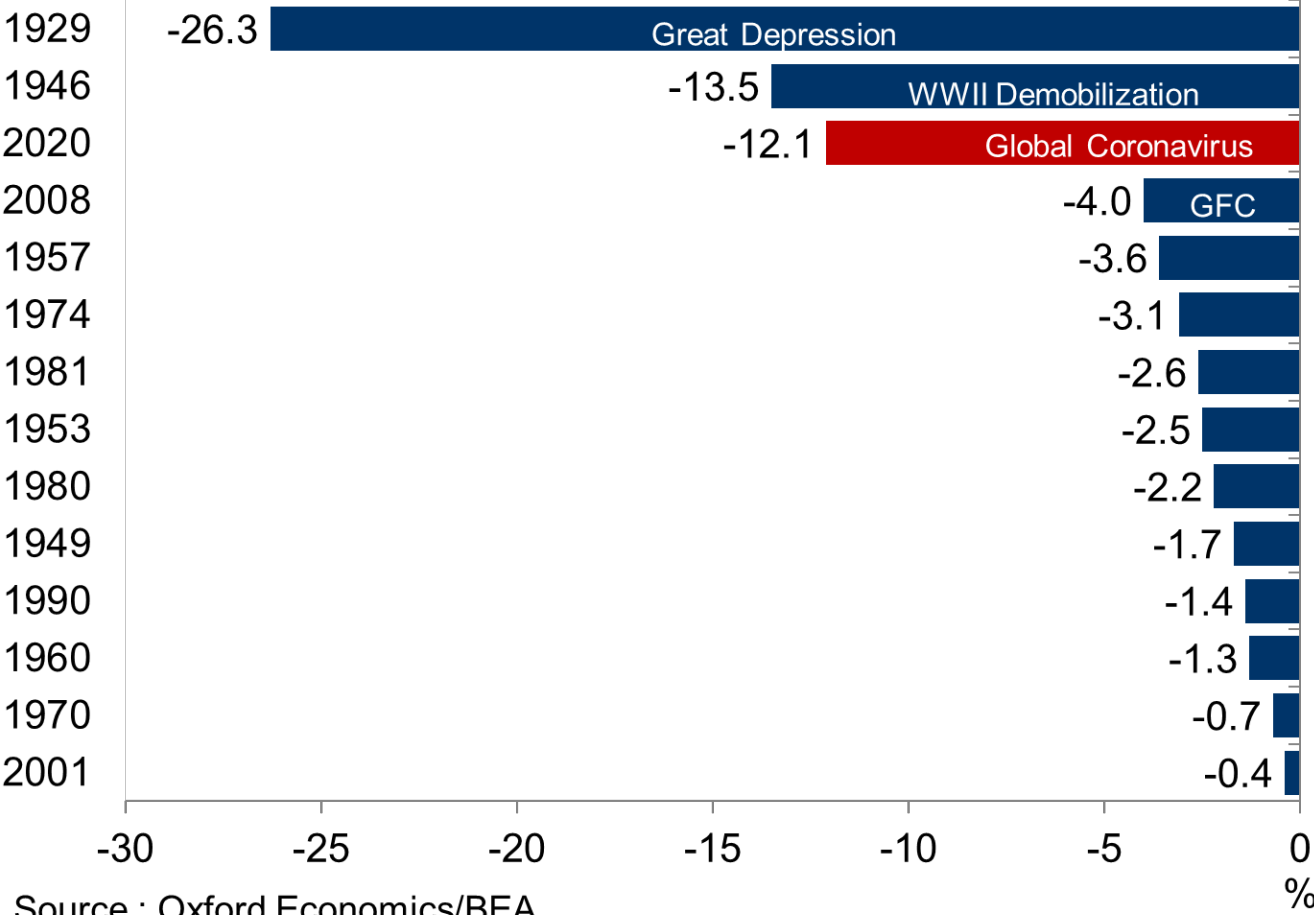


Source : Oxford Economics/Haver Analytics

% of global GDP

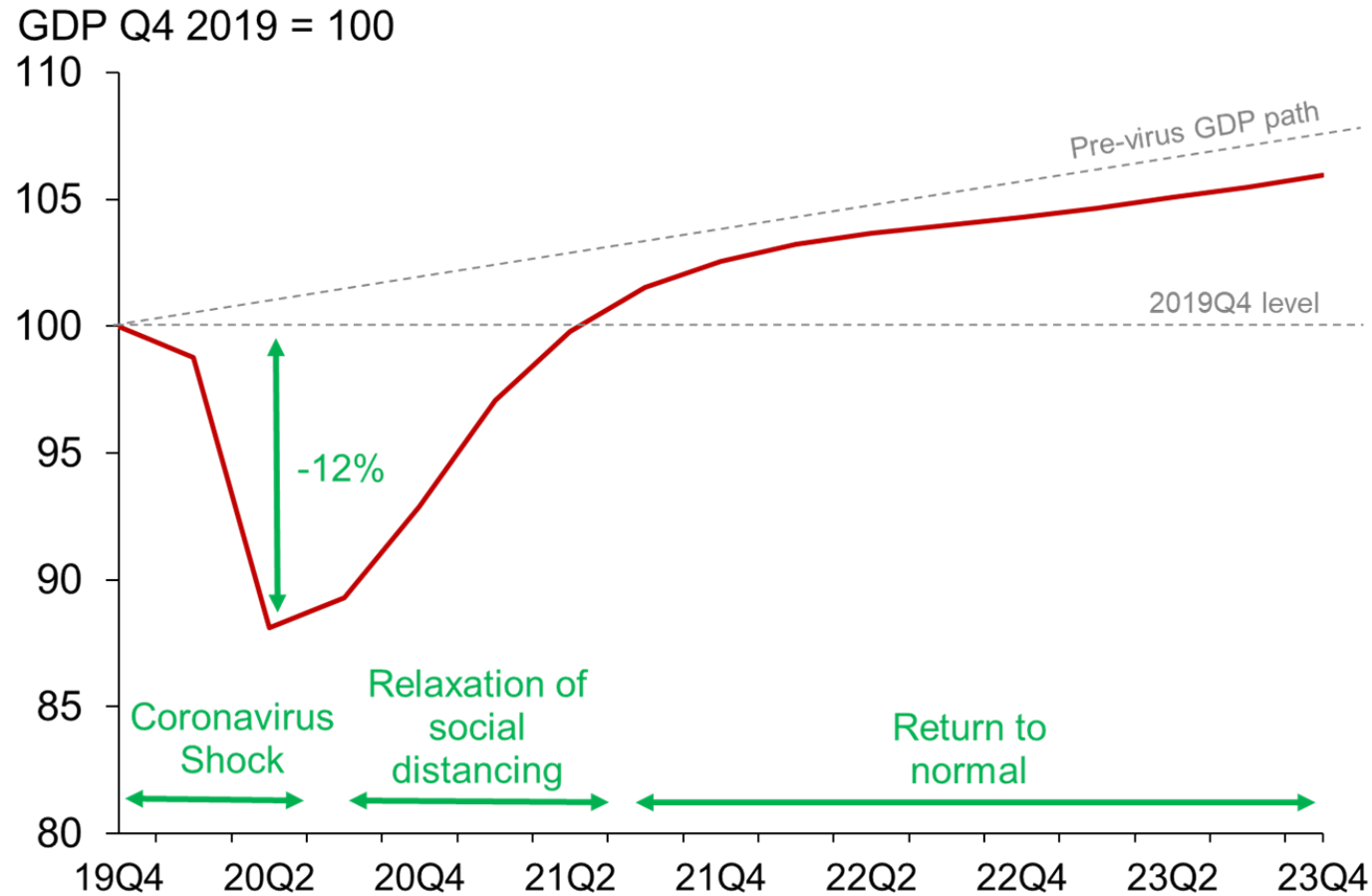
Sharpest fall in GDP since WWII

US: Cumulative GDP decline during recessions



Source : Oxford Economics/BEA

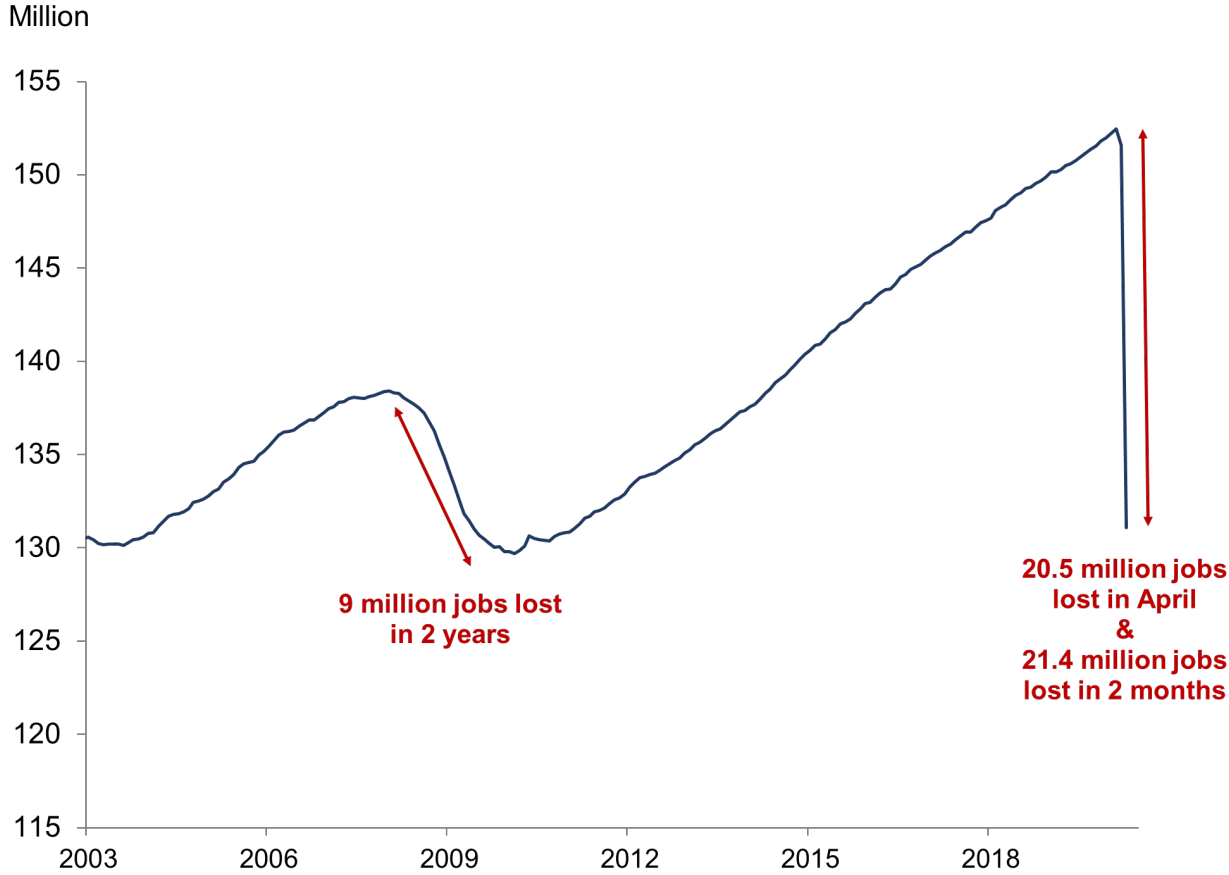
US recovery should accelerate into 2021 but will remain below par



Source : Oxford Economics

Massive job loss

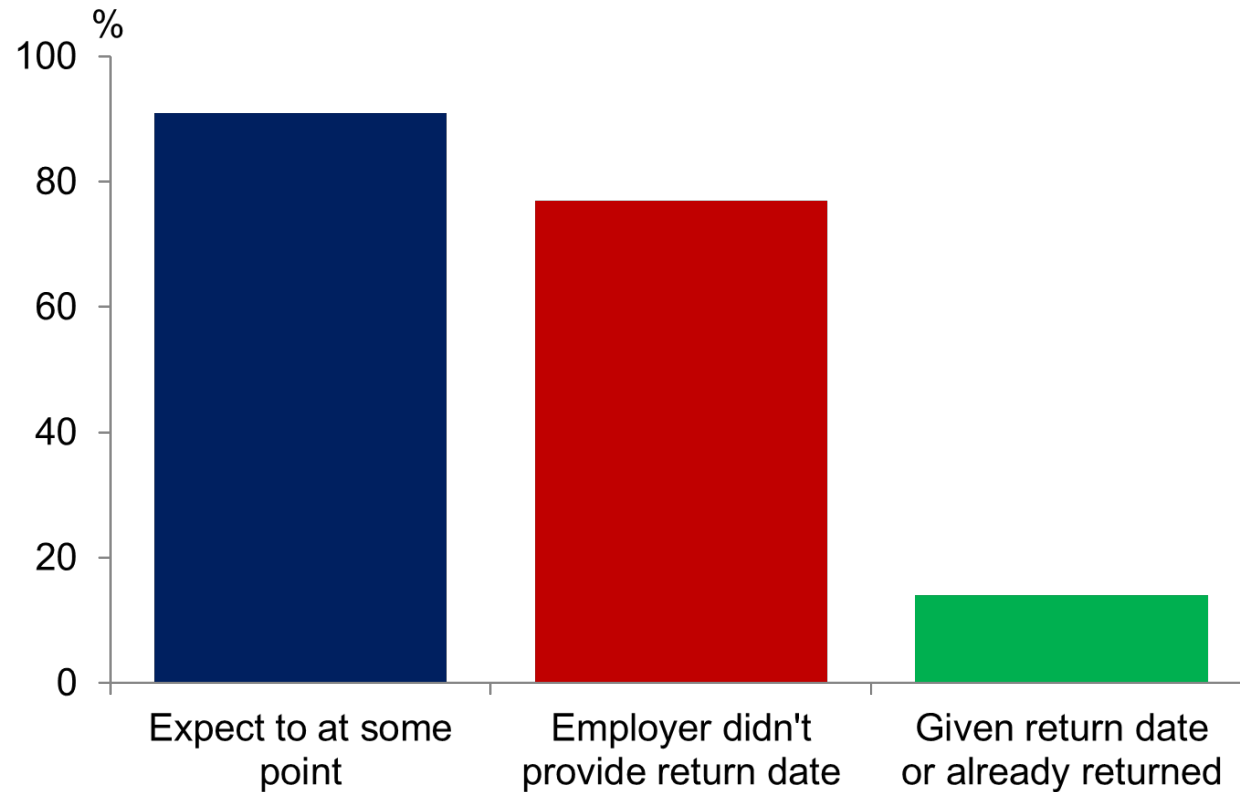
US: Nonfarm payroll employment



Source: Oxford Economics/Haver Analytics

90% of unemployed expect to return to their jobs

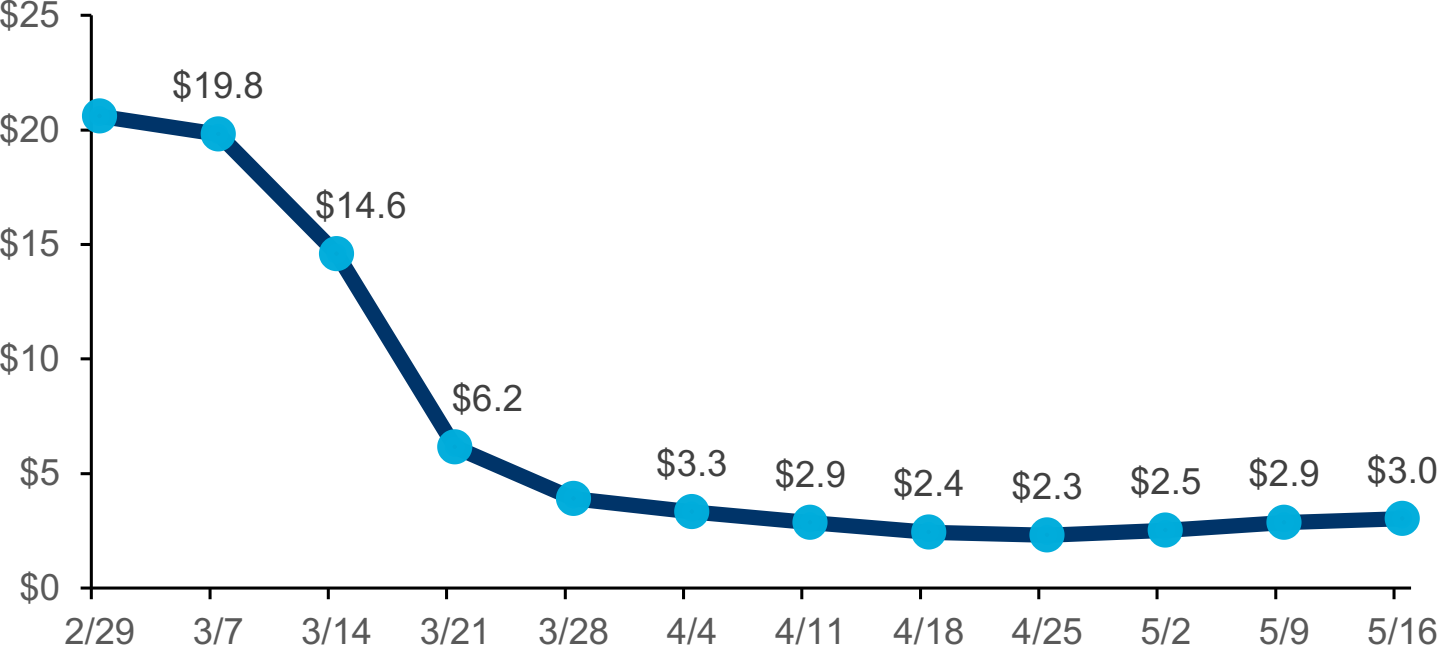
US: Asked about an expected return to work



Source : Oxford Economics/Federal Reserve Well Being Survey

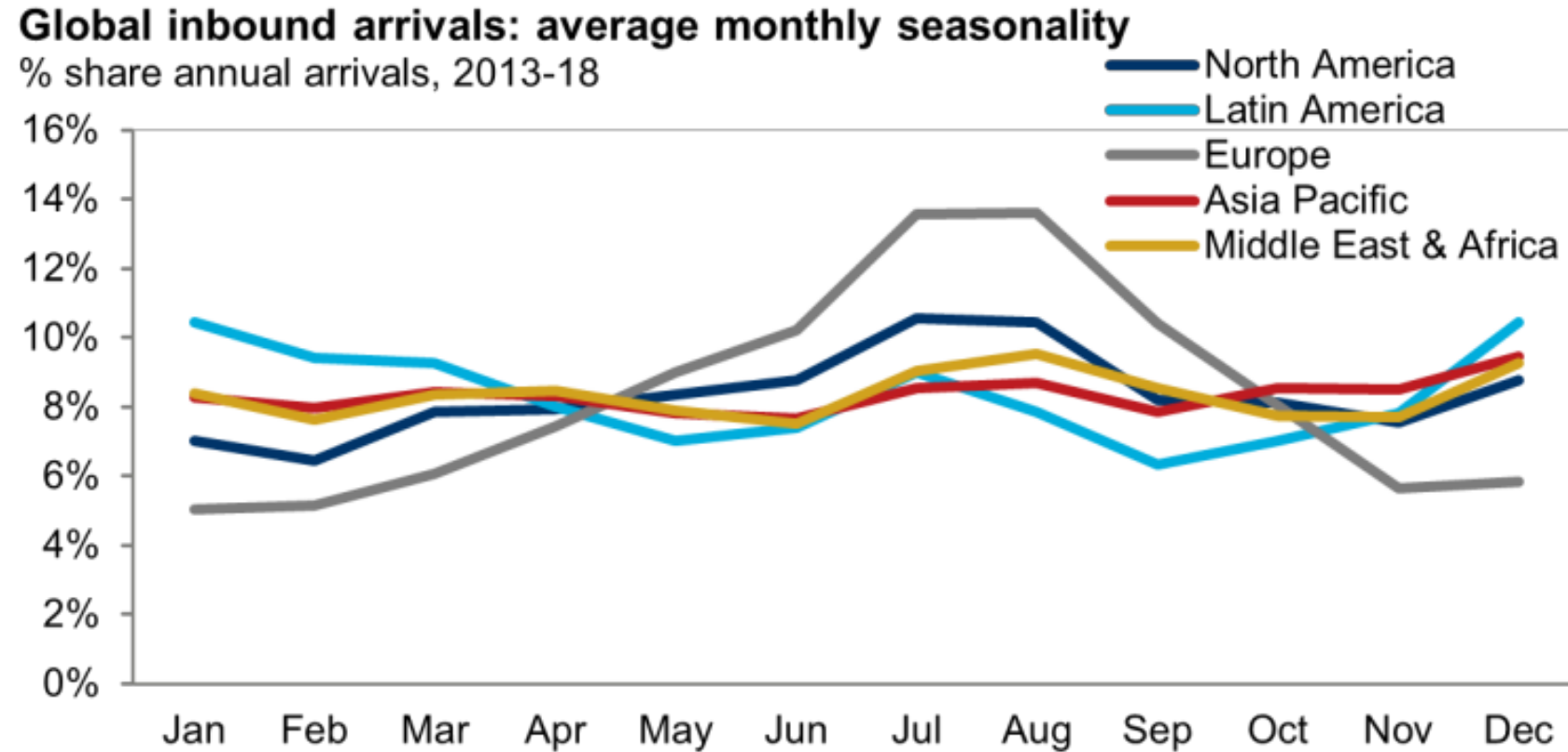
Travel in the US is beginning the long climb back

National weekly travel spending
\$ billions



Source: Tourism Economics

Europe is most exposed to seasonal peak impact



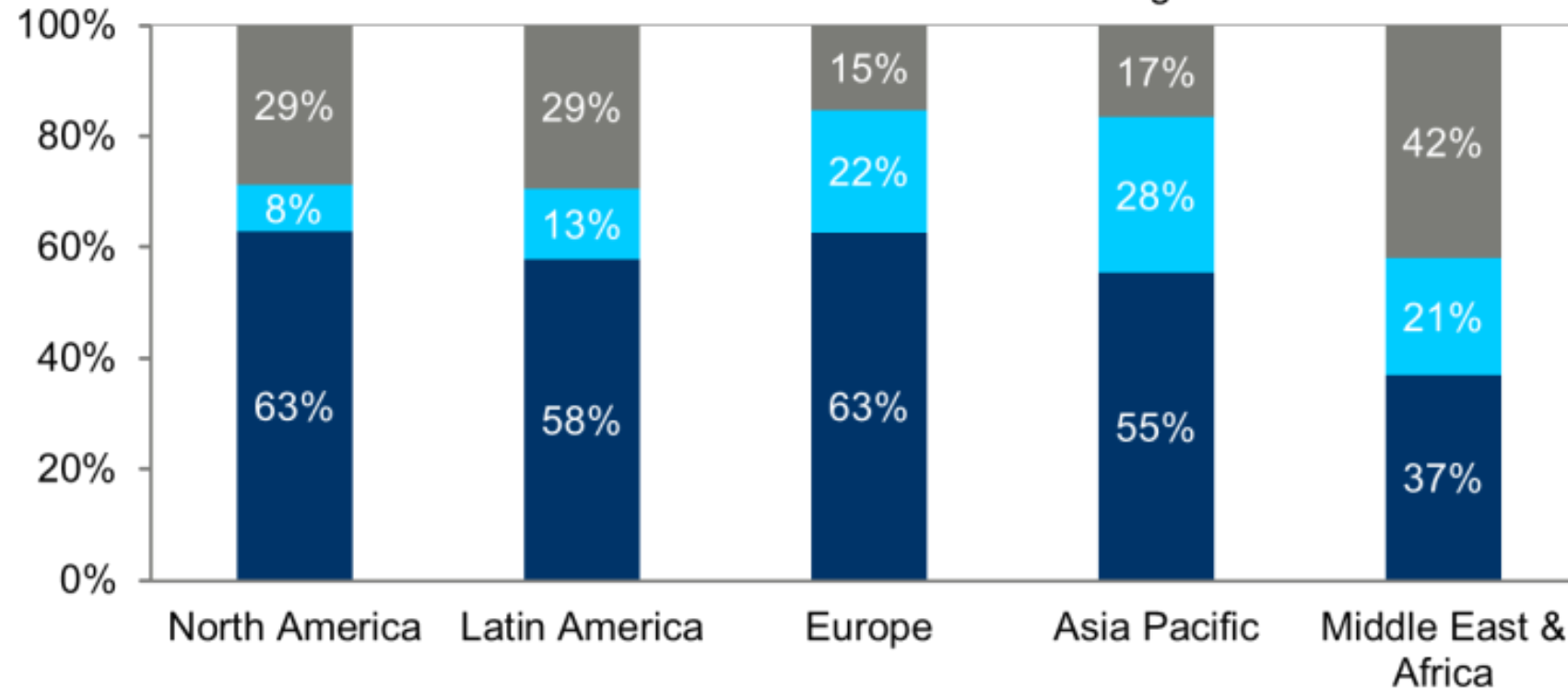
Source: UNWTO, Tourism Economics

But Europe has little long-haul exposure

Global arrivals by region and type of travel

% share annual arrivals, 2013-18

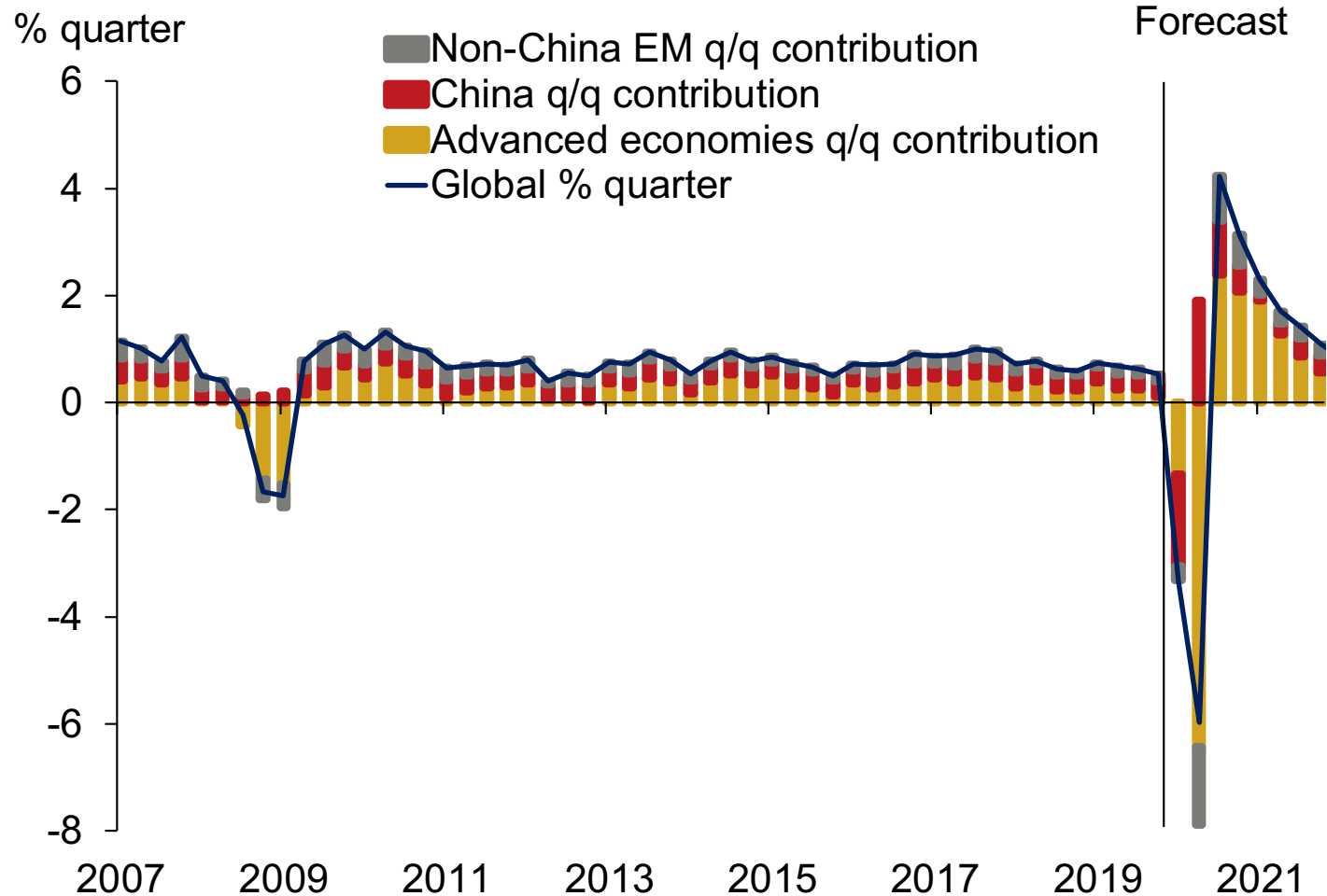
- Short-haul visits
- Medium-haul visits
- Long-haul visits



Source: Tourism Economics

Expect a big initial bounce in GDP

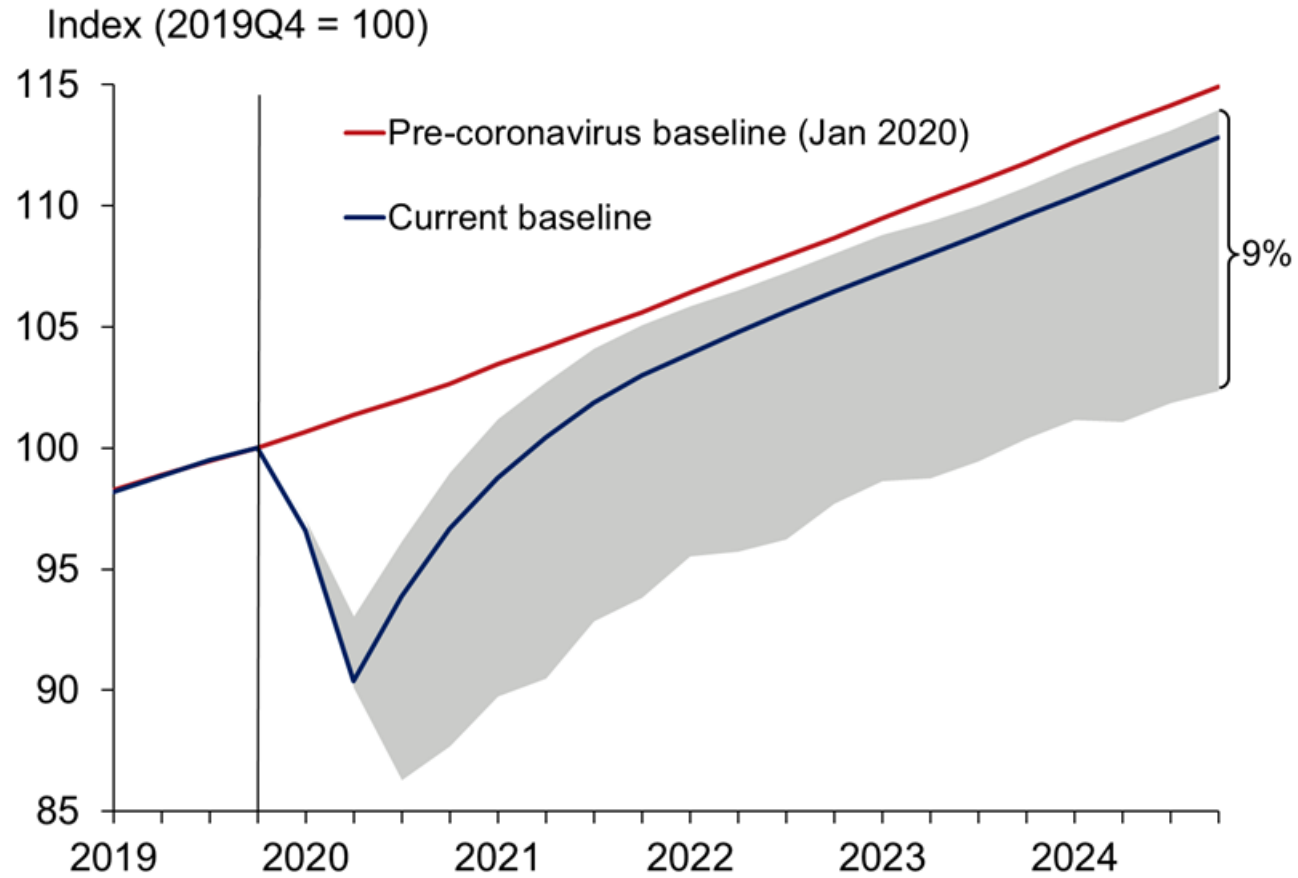
World: GDP



Source : Oxford Economics/Haver Analytics

But the risks are heavily skewed to the downside

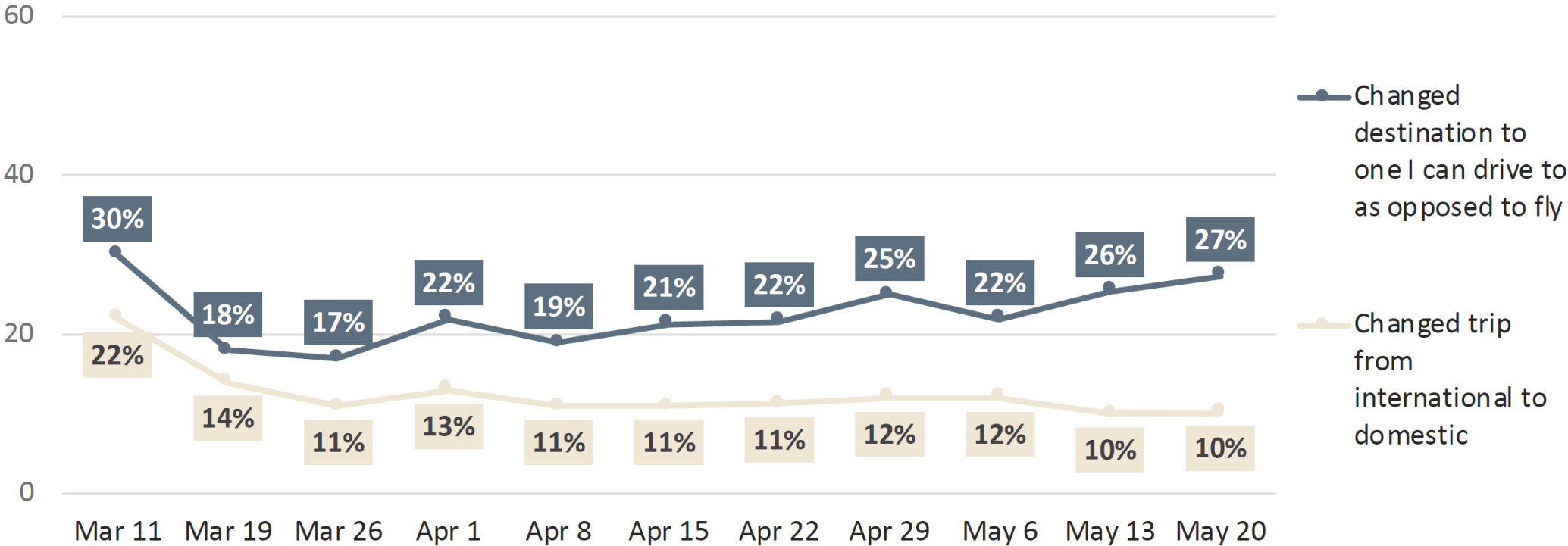
Global GDP: distribution of plausible scenarios



Source : Oxford Economics/Haver Analytics

Pent-up demand is real, but trips will adapt

Impact of COVID-19 on Upcoming Travel Plans Comparison

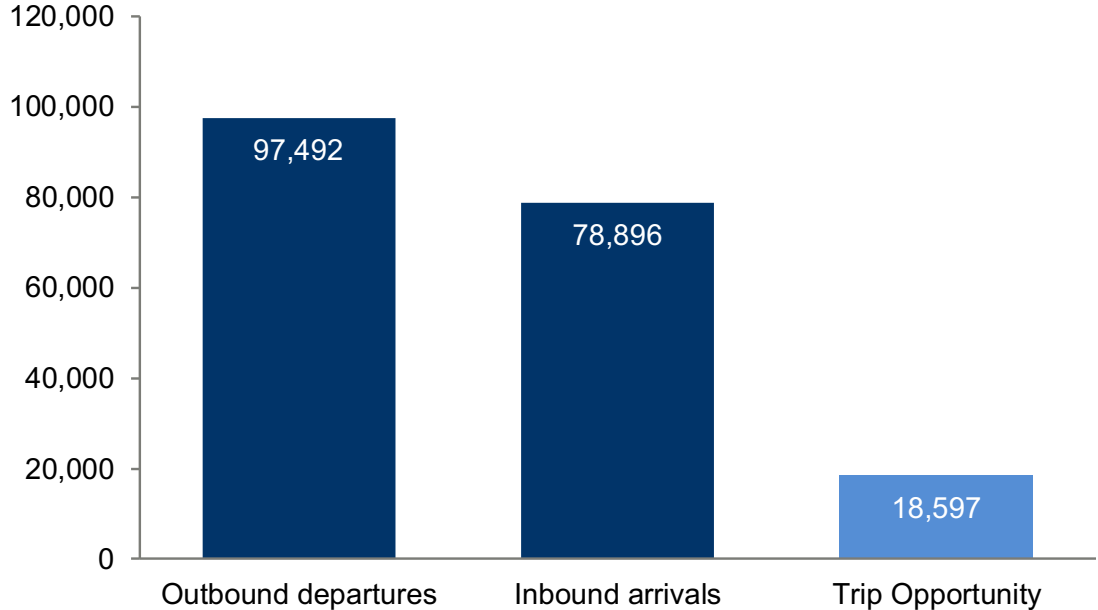


Base: Coronavirus Changed Travel Plans

Domestic opportunity is massive if international travel halts

US Balance of Travel (2019, trips)

Thousands

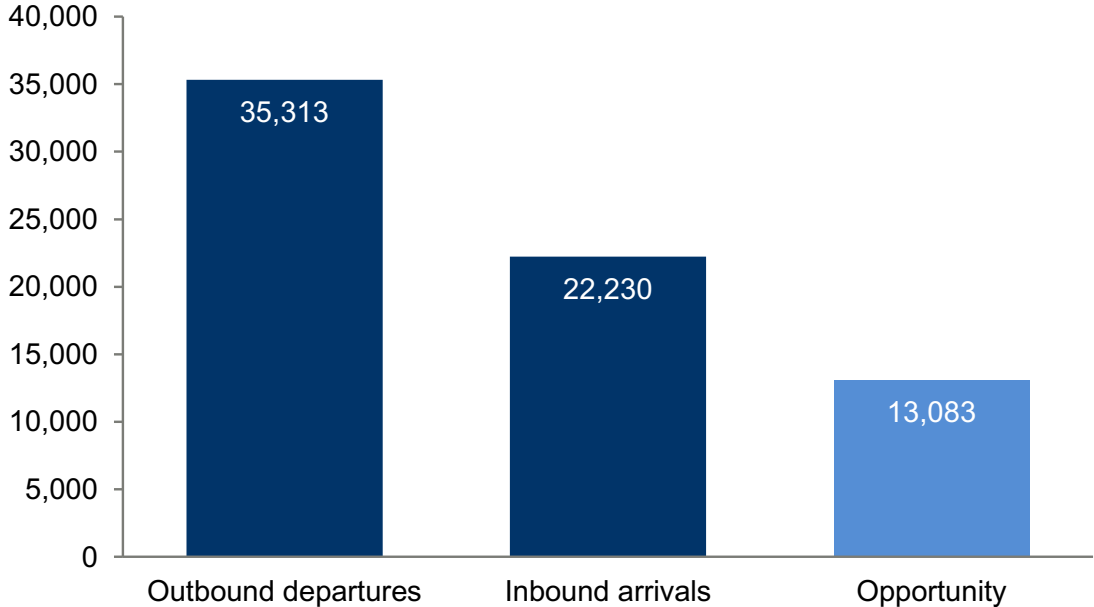


Source: Tourism Economics

19 million more US outbound trips than inbound

Canada Balance of Travel

Thousands



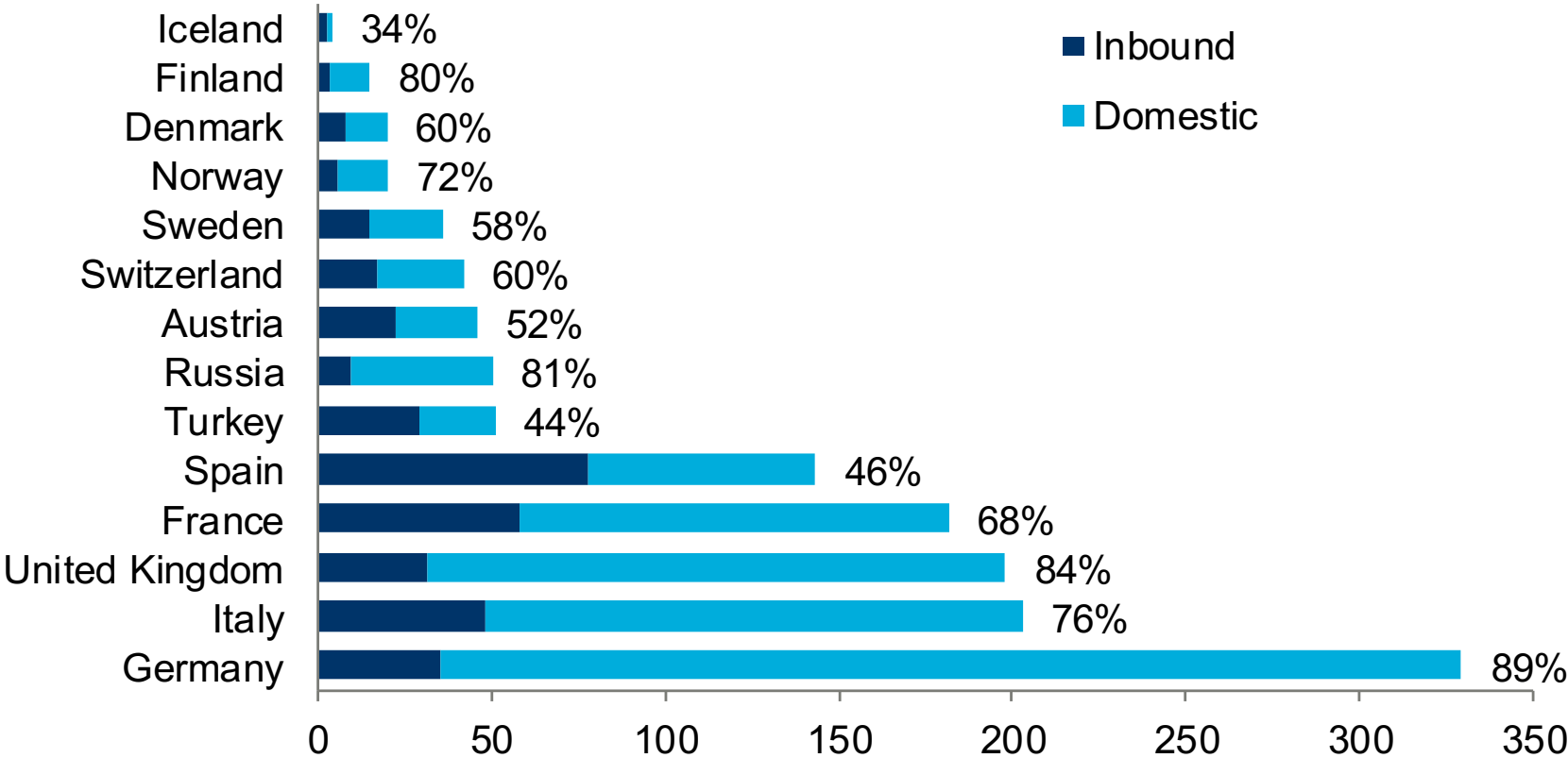
Source: Tourism Economics

13 million more Canadian outbound trips than inbound

This opportunity (and risk) varies significantly across Europe

Domestic & International Travel Spend by Destination

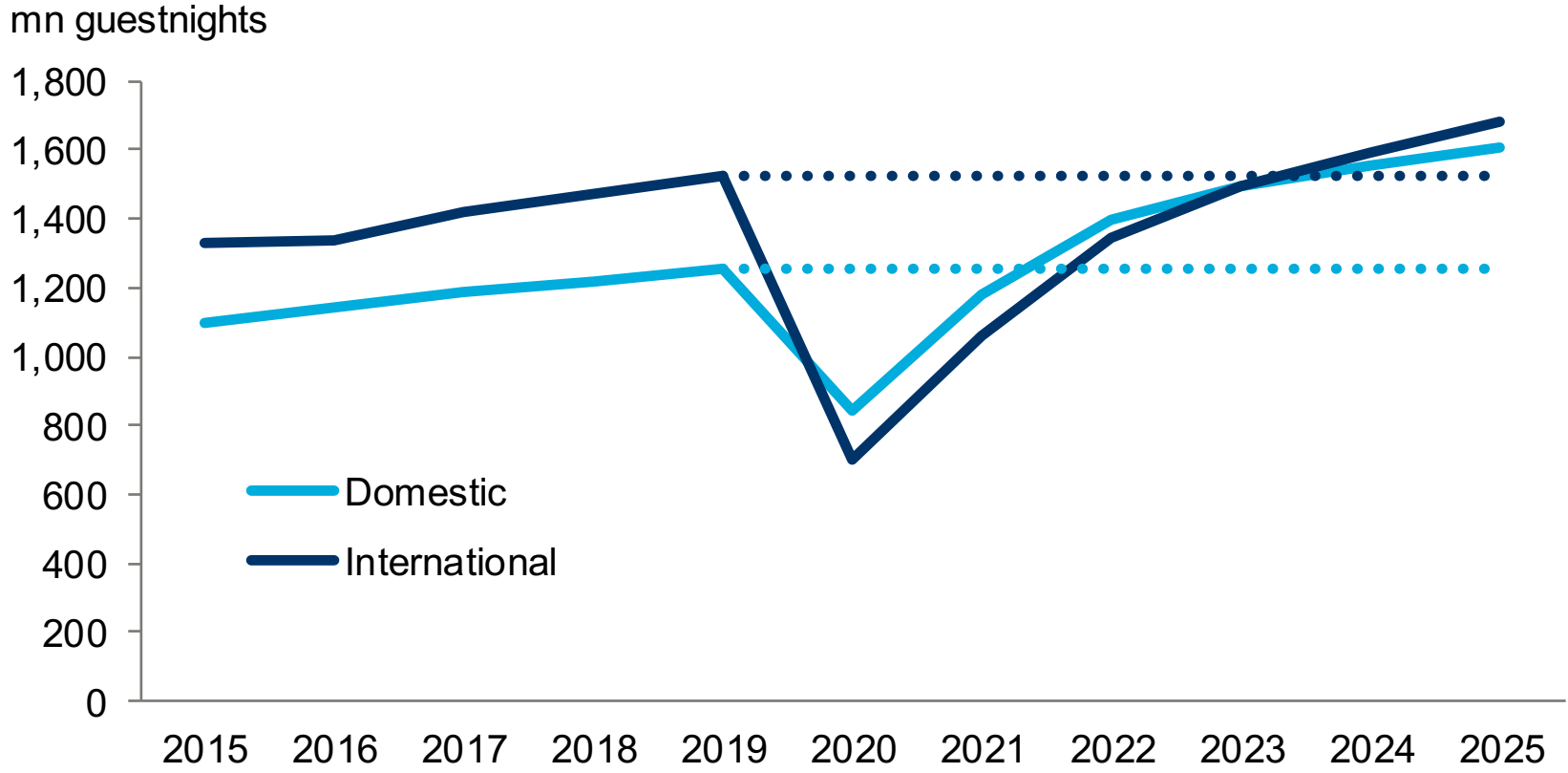
US\$ bn, 2019, domestic % share as label



Source: Oxford Economics, WTTC

Domestic to become a larger source of demand in Europe

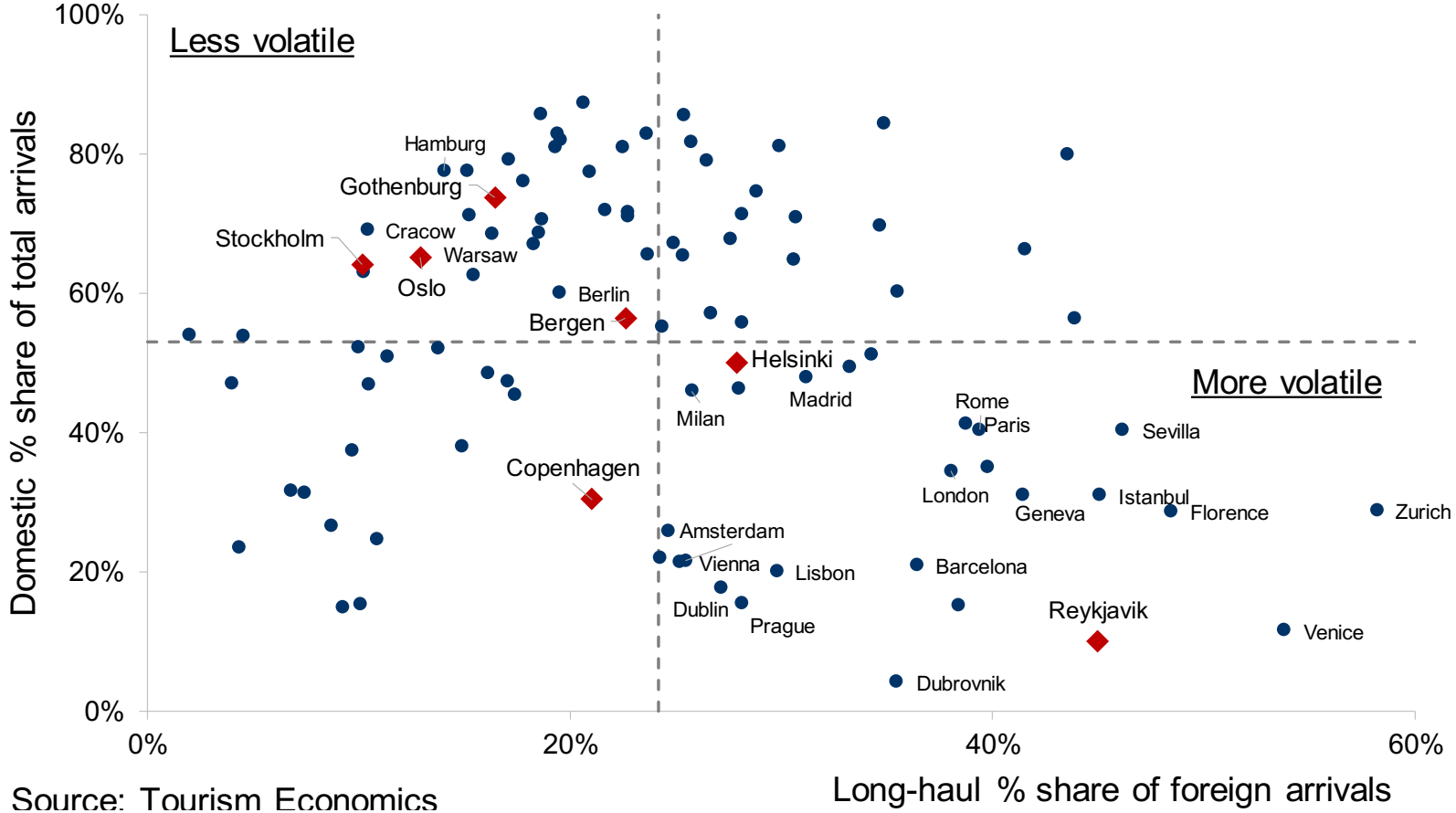
Europe: International and domestic hotel guestnights



Source: Tourism Economics

Destination performance will partly rely on source market mix

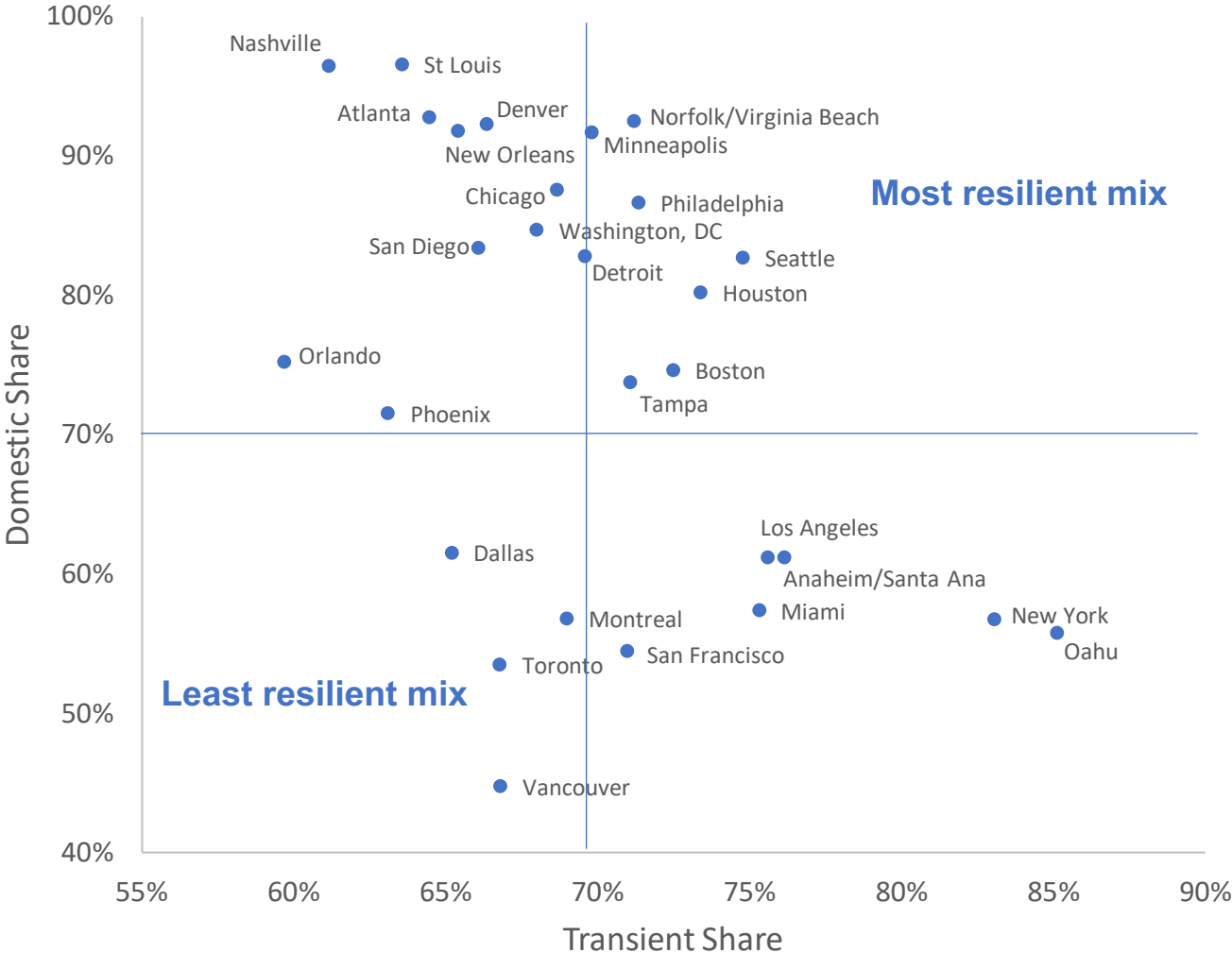
European city reliance on domestic and long-haul arrivals, 2019



Destination performance will partly rely on source market mix

Hotel room demand by customer type

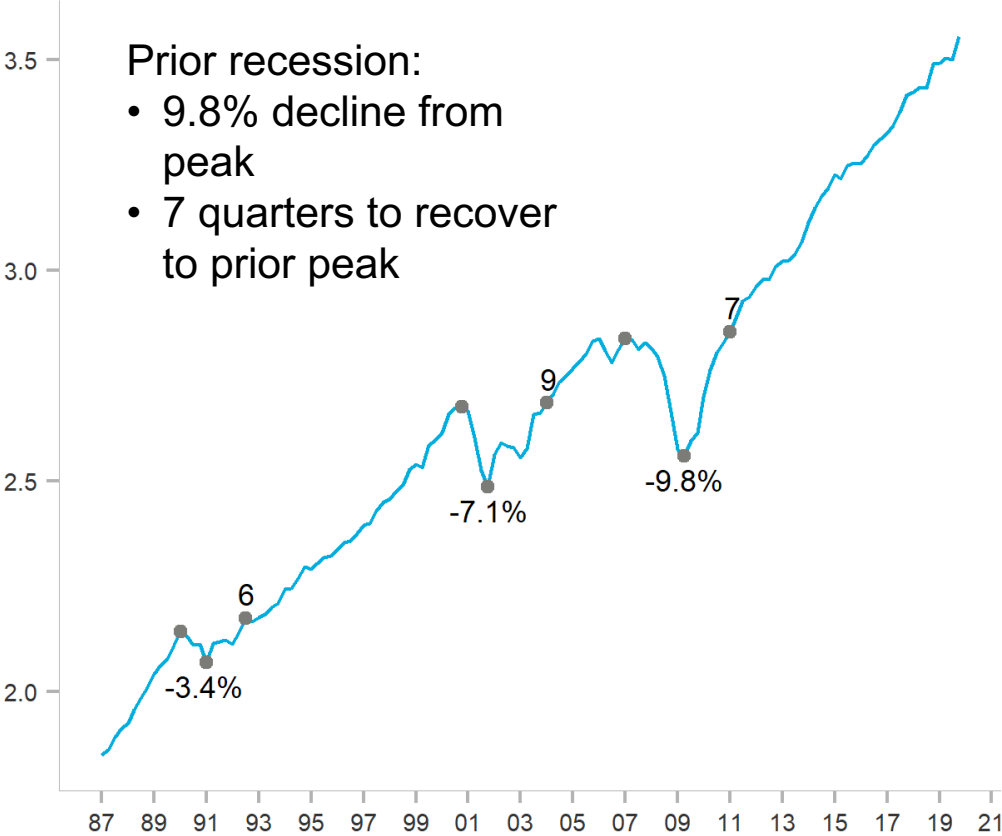
Share of 2019 room nights sold



After previous recession, it took 7 quarters for demand to recover its prior peak, and 12 quarters for ADR in the US

Demand during recessions

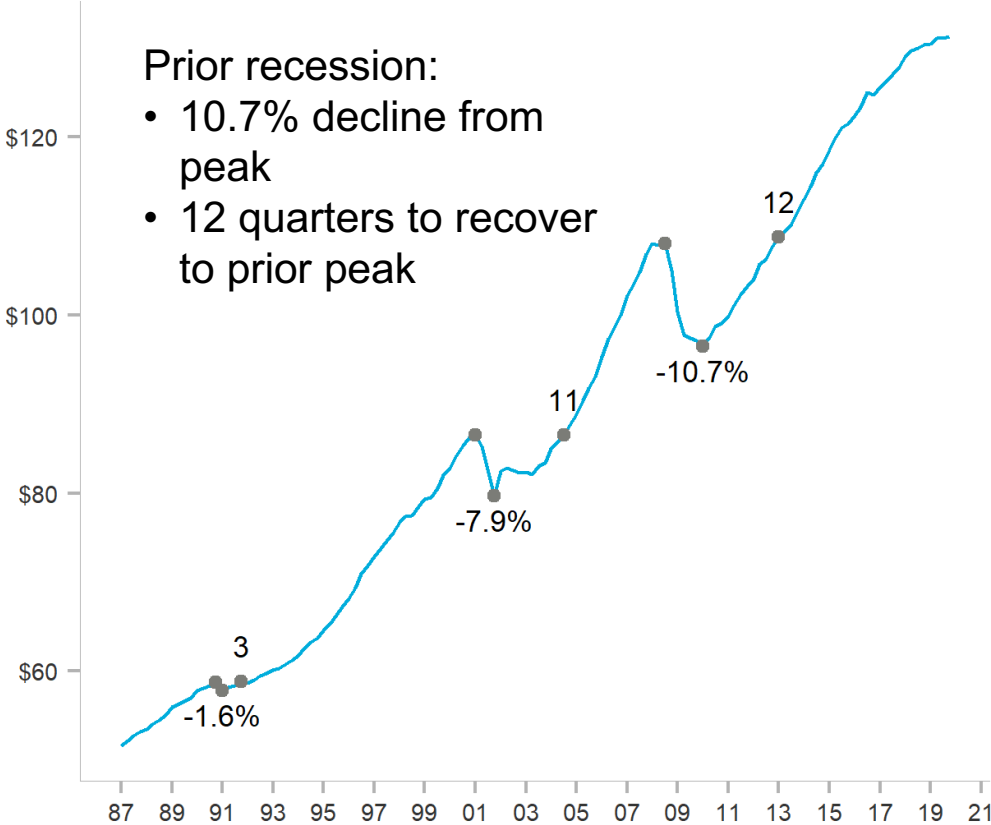
Daily room nights in millions, total US



Note: Data at quarterly frequency, seasonally adjusted. Grey markers indicate quarter of prior peak, trough (with percent decline relative to prior peak). Source: STR, Tourism Economics

ADR during recessions

ADR, total US

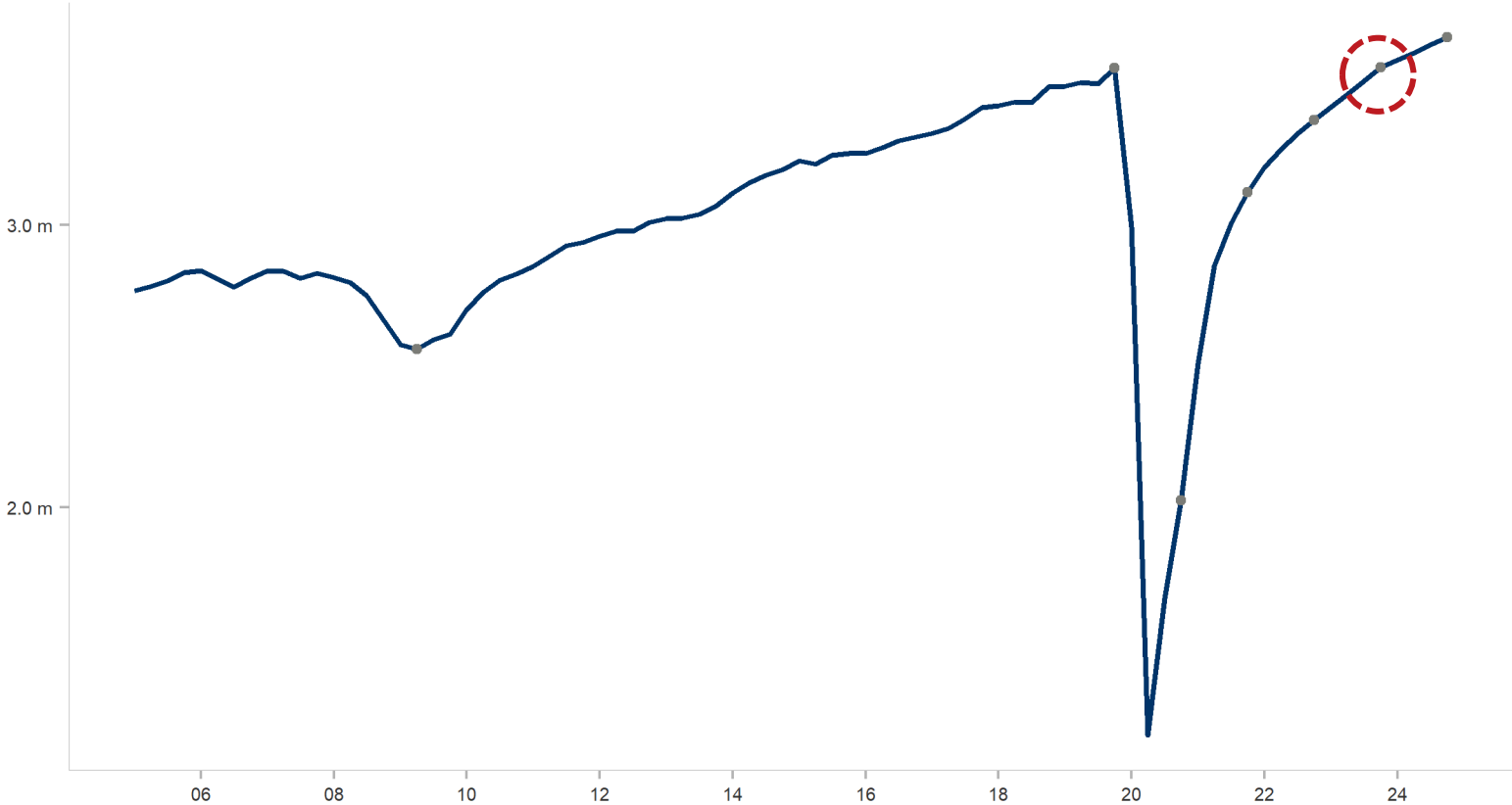


Note: Data at quarterly frequency, seasonally adjusted. Grey markers indicate quarter of prior peak, trough, and recovery to prior peak. Source: STR, Tourism Economics

Full recovery in hotel demand may take twice as long as prior recession

Demand

Average daily room nights, seasonally adjusted



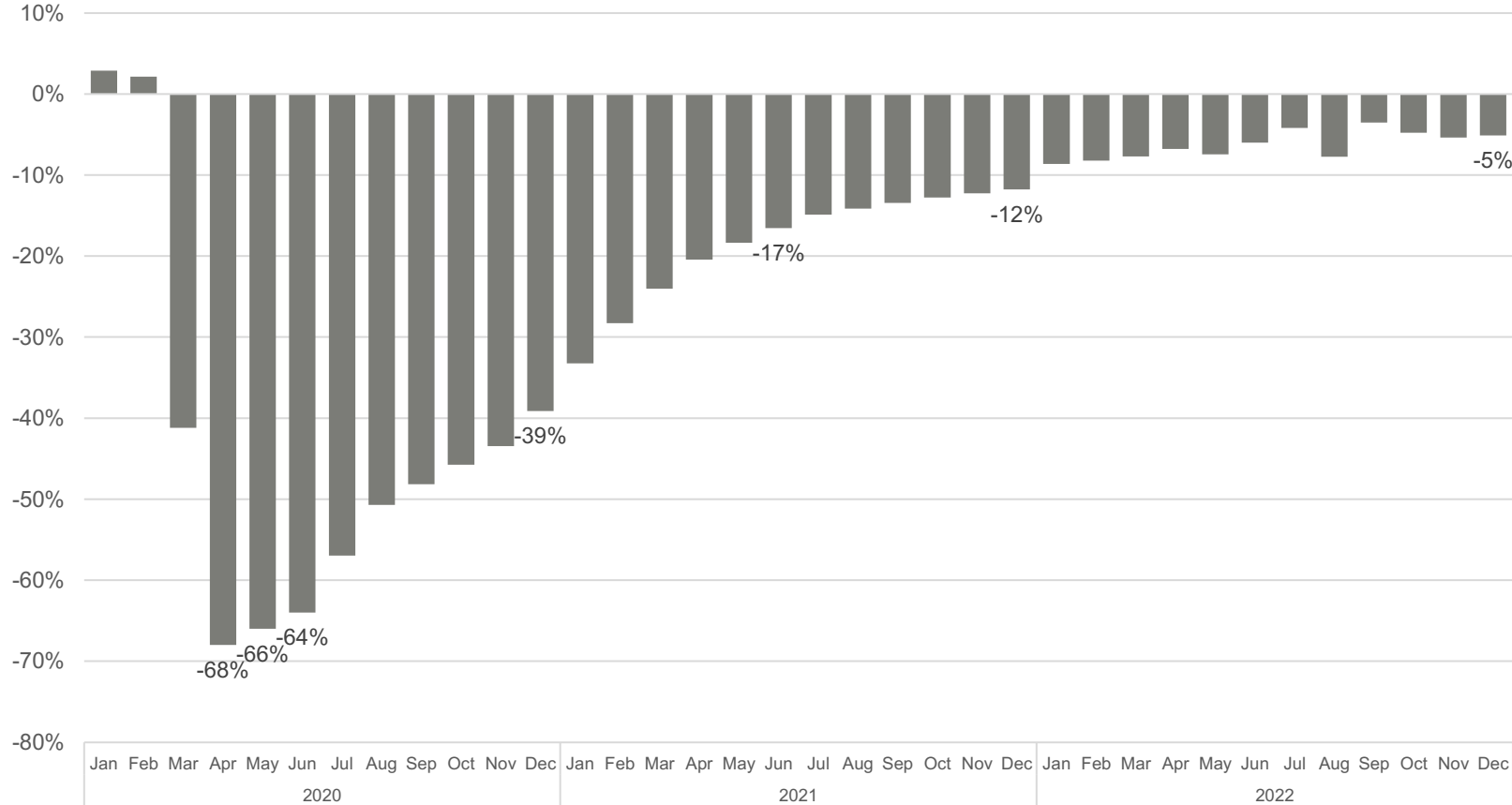
Note: Grey marker indicates fourth quarter of each year.
Source: STR, Tourism Economics

Demand recovers its prior peak by the end of 2023, approximately 14 quarters after trough.

Recovery is tempered...but inevitable

Demand

Relative to 2019



Anatomy of a recovery



Initial recovery

- Leisure
- Especially drive



Secondary recovery

- Essential business
- Small- and medium-size groups
- Regional international (intra-Americas, intra-Europe)



Final recovery

- Long-haul international
- Large events

Return to “normal” levels of travel will be a multi-year effort (likely 2023)

Determine strategies to accelerate recovery

Decisions must be informed by a recovery timeline and profile



Access to global travel forecasts and scenarios

- We are extending a time-limited offer to access our forecasts for a paid 3-month period:
Includes access to our data and forecasts for **Global Travel Service**, 185 countries and **Global City Travel**, over 300 cities plus regularly updated COVID-19 analysis

PLUS

- A popular request is **Custom Scenarios and Analysis** – assess the impact of COVID-19 and expected recovery - when and in what form

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