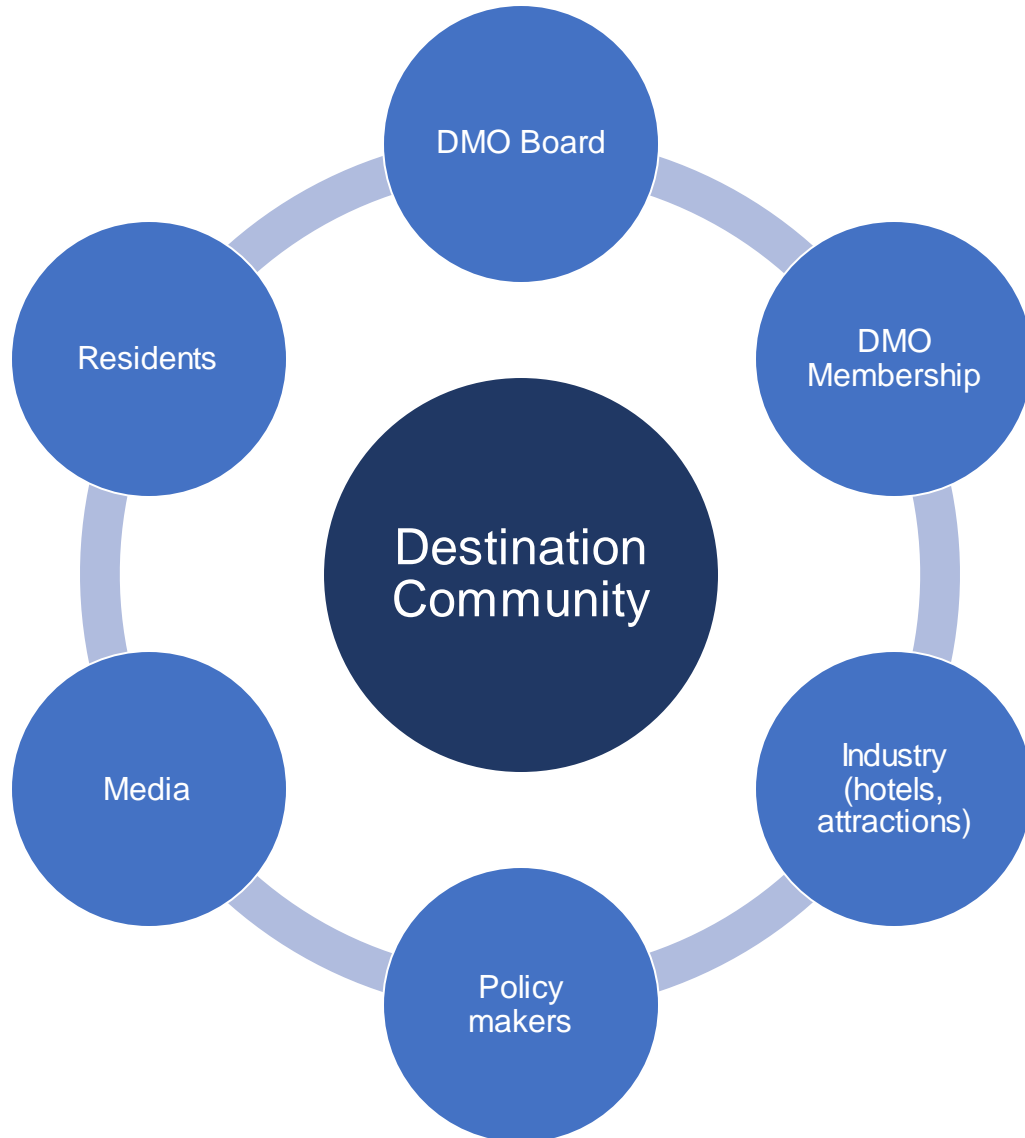


WHERE DOES THE TRAVEL INDUSTRY GO FROM HERE?

Adam Sacks
President
Tourism Economics
adam@tourismeconomics.com

The goal: transform community into allies



Harness the power of analytics to:

- 1. Deliver nimble and effective destination sales and marketing**
- 2. Highlight DMO achievements so you can continue to deliver**
- 3. Be the industry's “north star”**

Then your community becomes your:

- Collaborators**
- Advocates**

Characteristics of the travel recovery

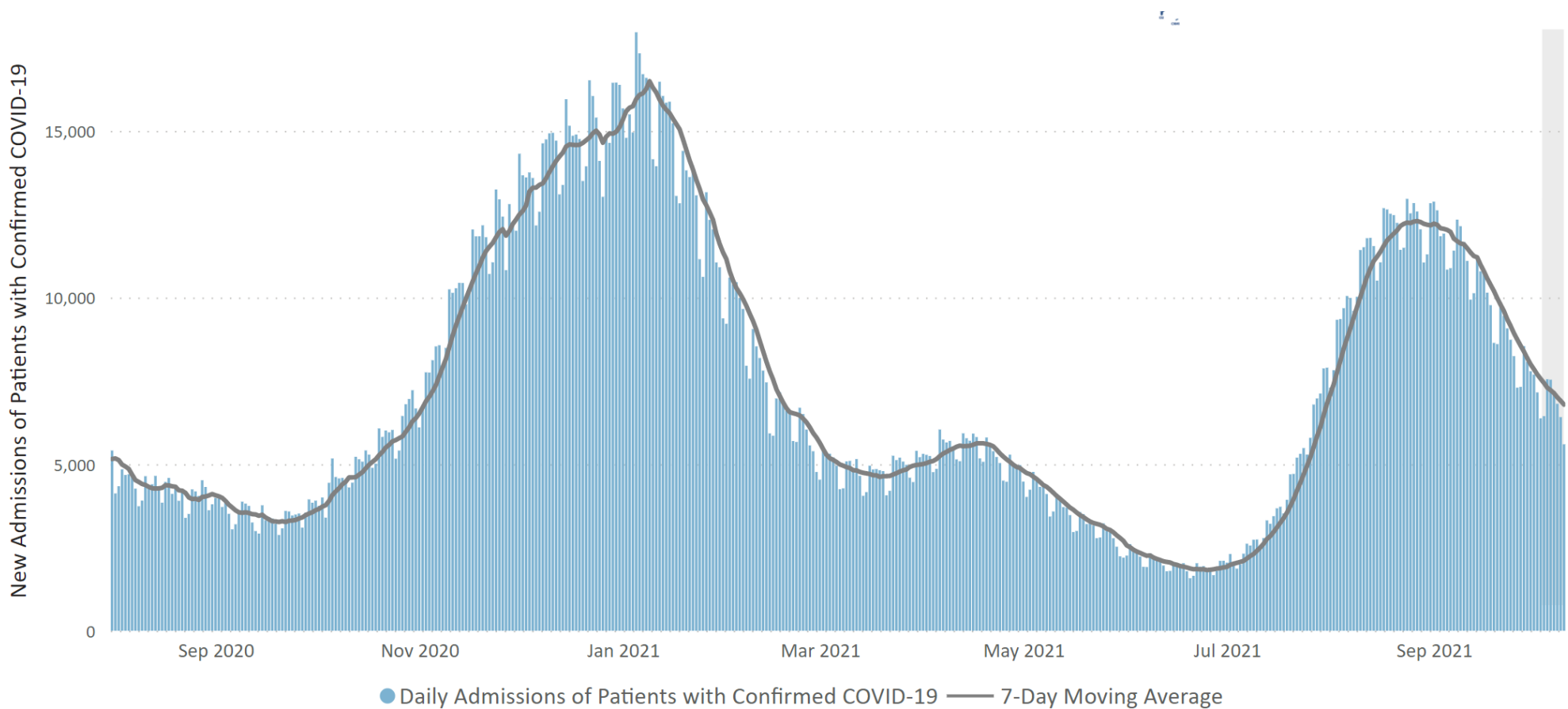
Recovery continues under storm clouds

The economy will fuel a rebound

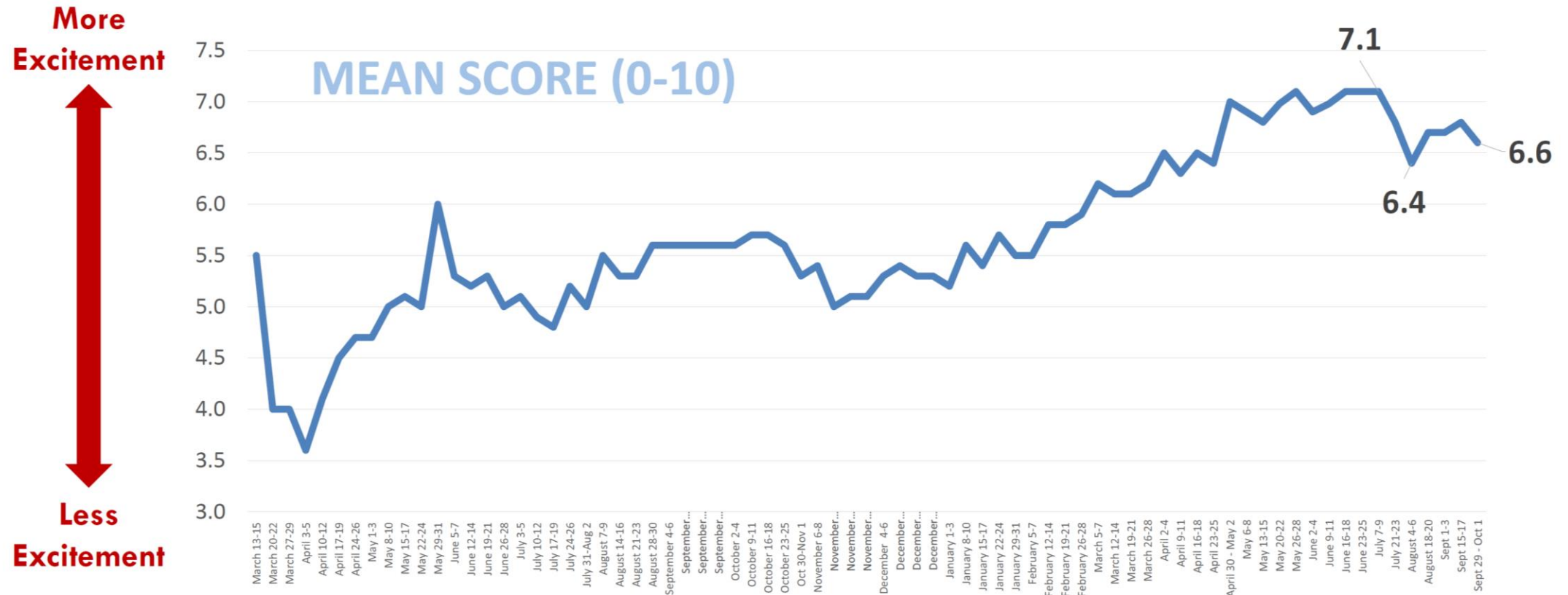
Labor markets present major challenge

The recovery will come in stages

Elevated but falling hospitalizations



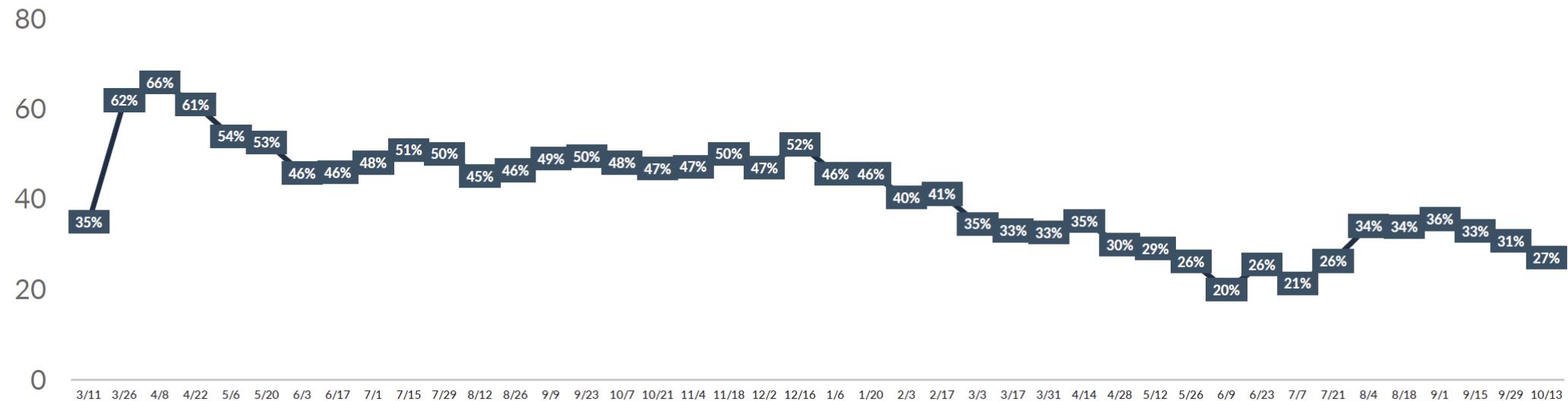
Travel confidence has slipped



Question: Imagine that a good friend (or close family member) asks you to take a weekend getaway with them sometime in the next month. How excited would you be to go? (Assume the getaway is to a place you want to visit)

...with 1-in-4 saying their plans will be affected

Indicated that Coronavirus Would Greatly Impact their Decision to Travel in the Next Six Months



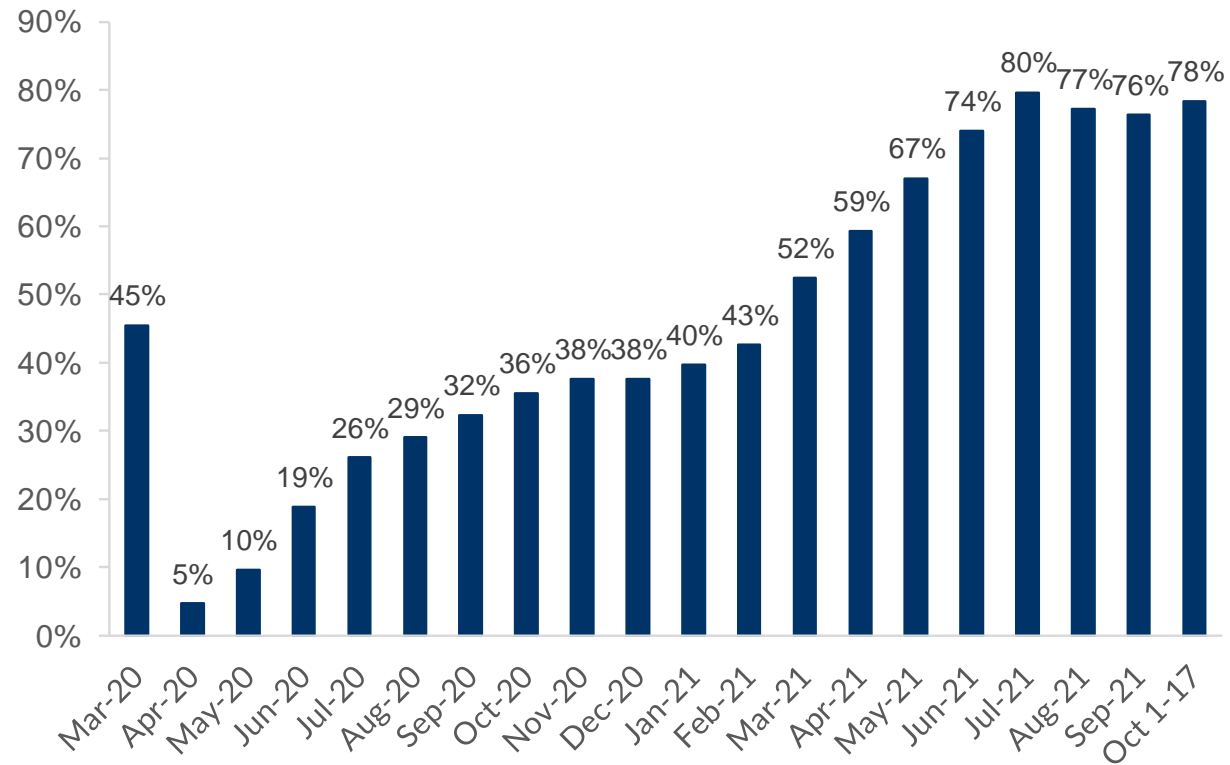
Travel Sentiment Study Wave 48

Longwoods INTERNATIONAL | miles PARTNERSHIP

But... air travel has been holding steady

Air Passenger Volume

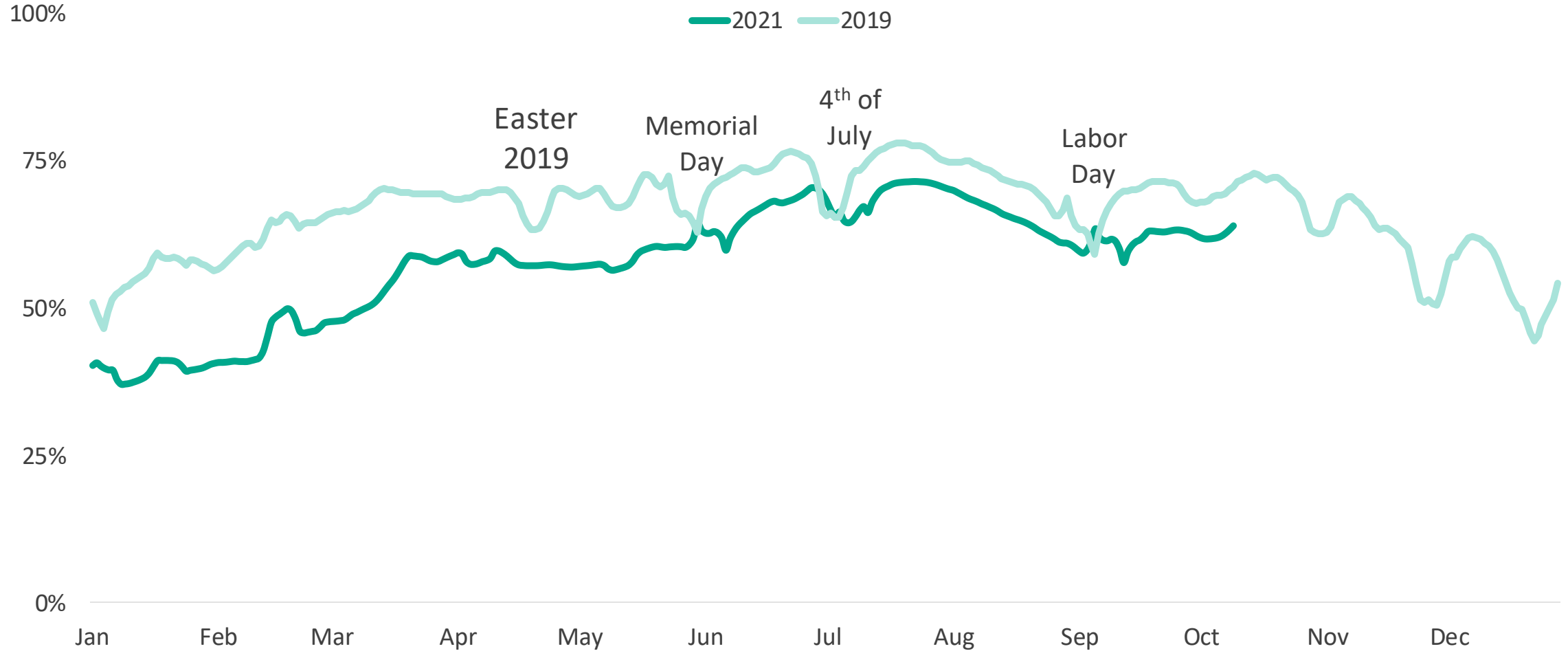
% of 2019 level



Source: TSA

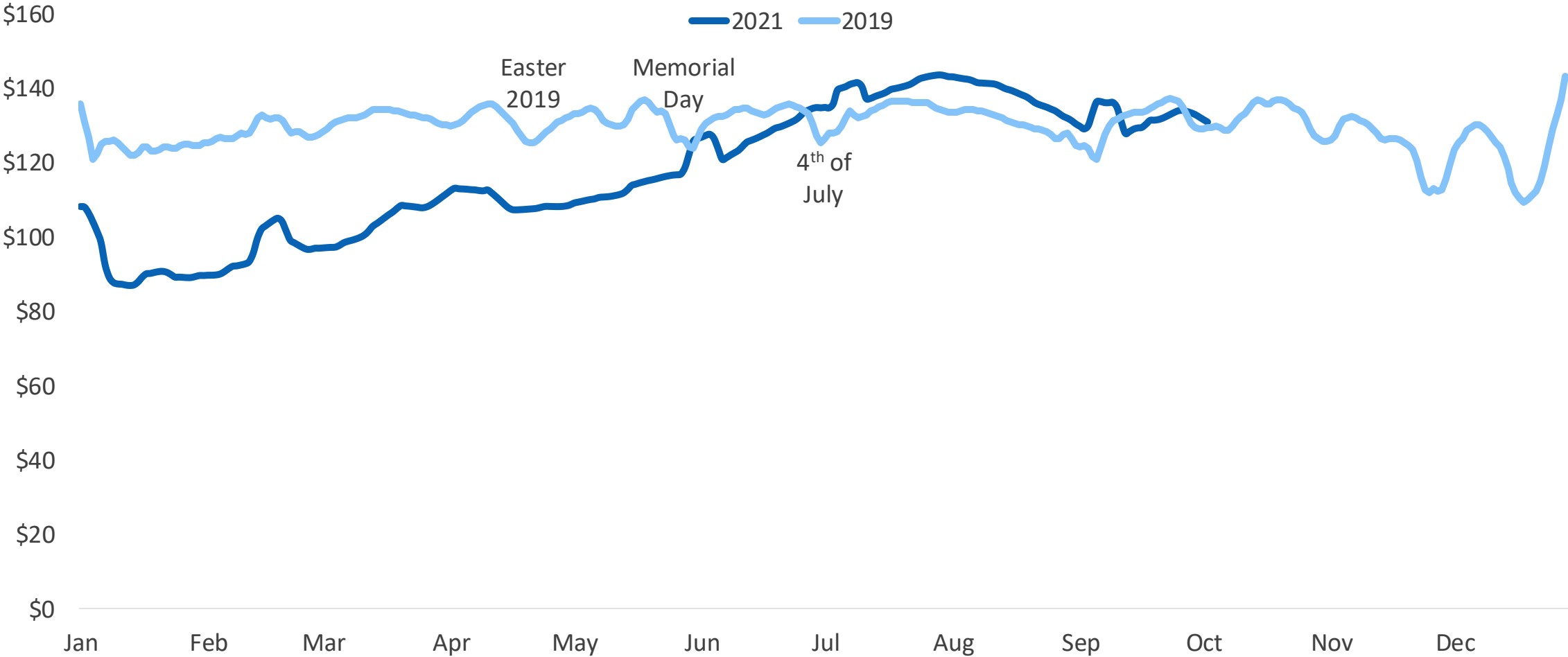
Occupancy = 91% of 2019 rates

Total U.S., R7 occupancy (standard), 2019 and 2021



ADR trend in line with 2019

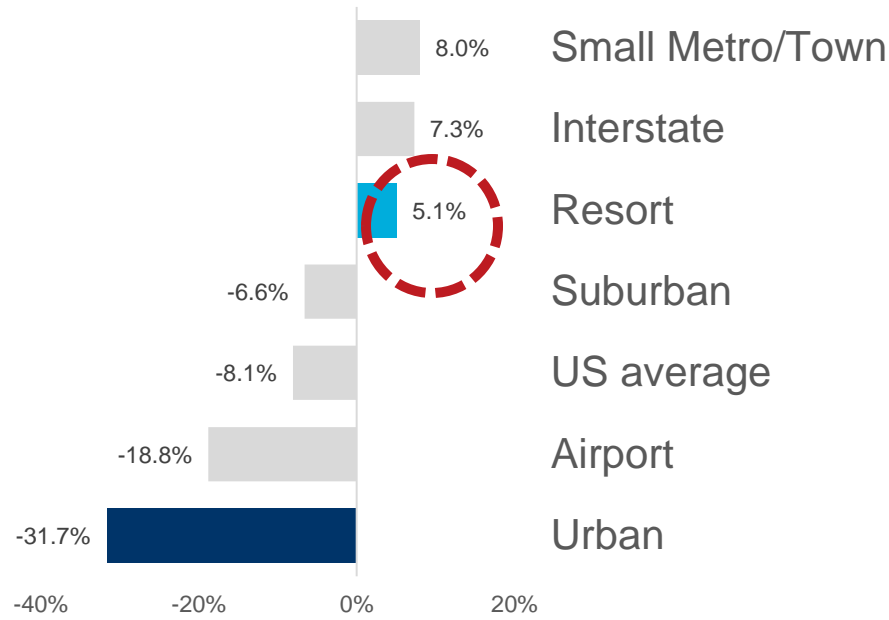
Total U.S., R7 ADR, 2019 and 2021



Performance has been quite varied

US RevPAR by location

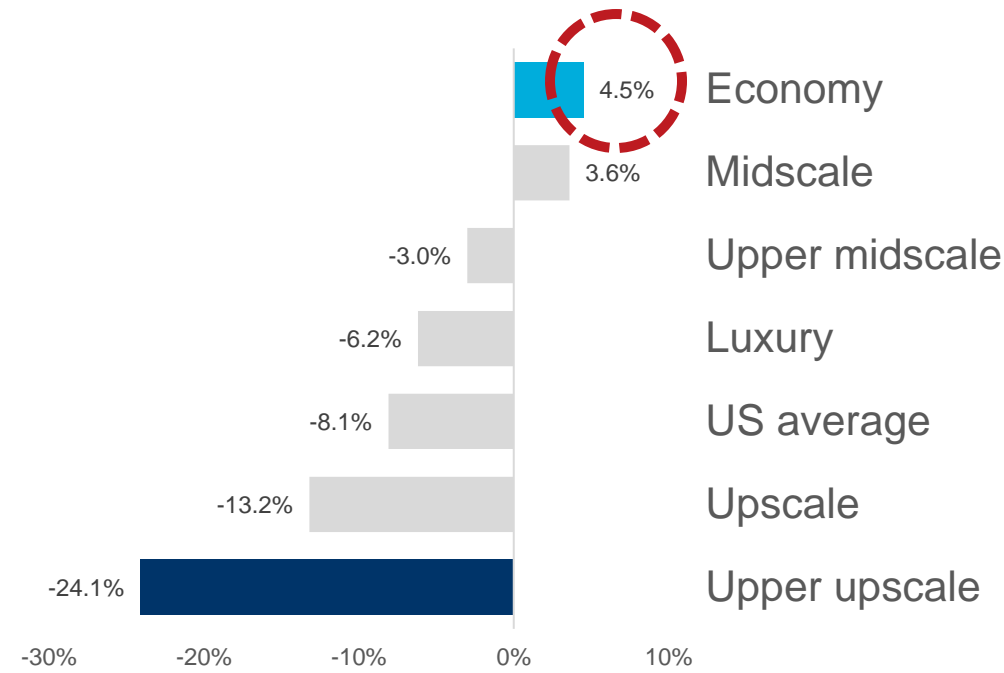
August 2021 relative to same month of 2019



Note: Reflects standard RevPAR.
Source: STR

US RevPAR by class

August 2021 relative to same month of 2019



Note: Reflects standard RevPAR.
Source: STR

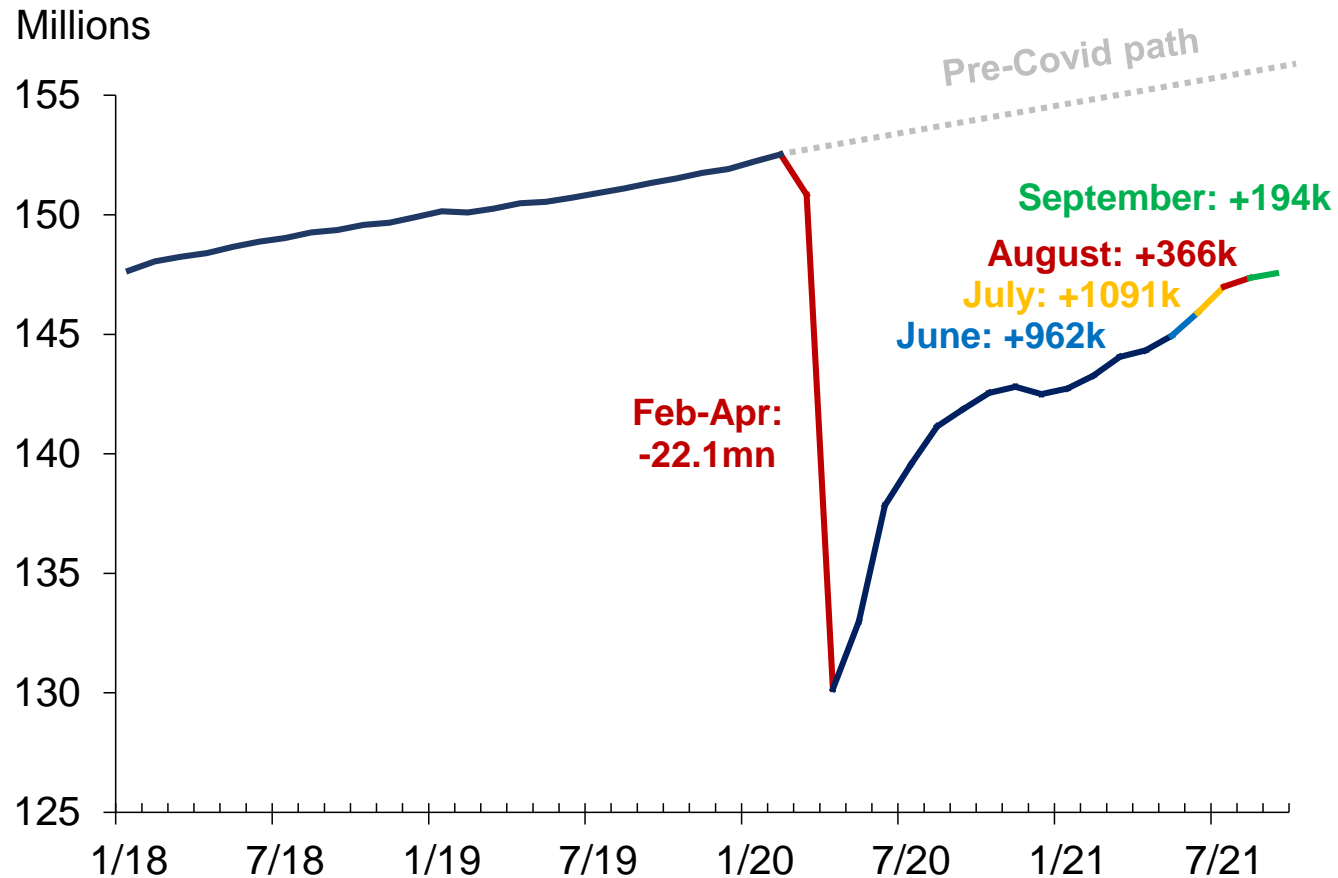
Characteristics of the travel recovery

Recovery continues under storm clouds

The economy will fuel a rebound

An underwhelming jobs report, but more growth expected

US: Nonfarm payroll employment



Down 5 million jobs as of July

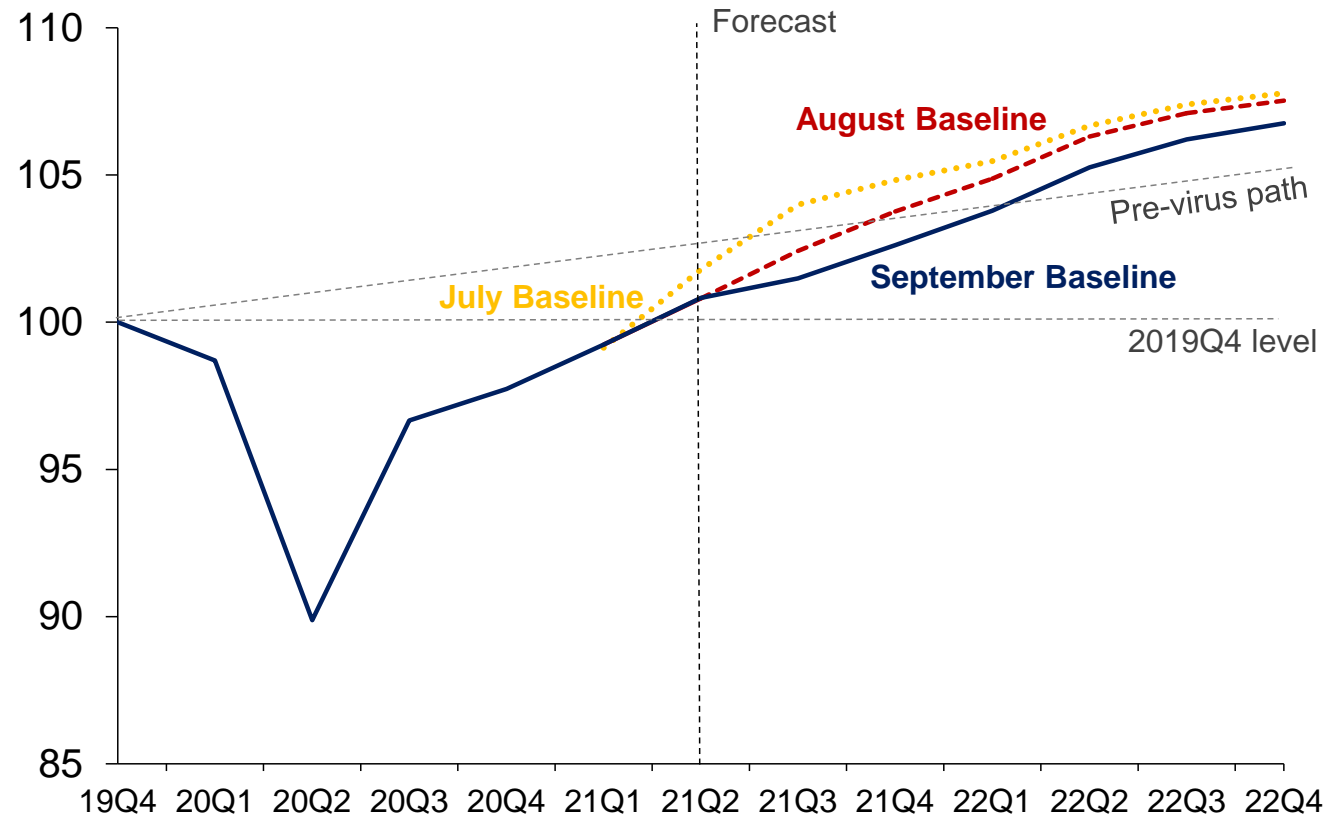
4.8% unemployment rate

Source: Oxford Economics/BLS/Haver Analytics

Summer boom coincides with peak growth

US: Moving forward at a cooler pace

GDP Q4 2019 = 100



Source: Oxford Economics

GDP growth forecast (Sep 2021):

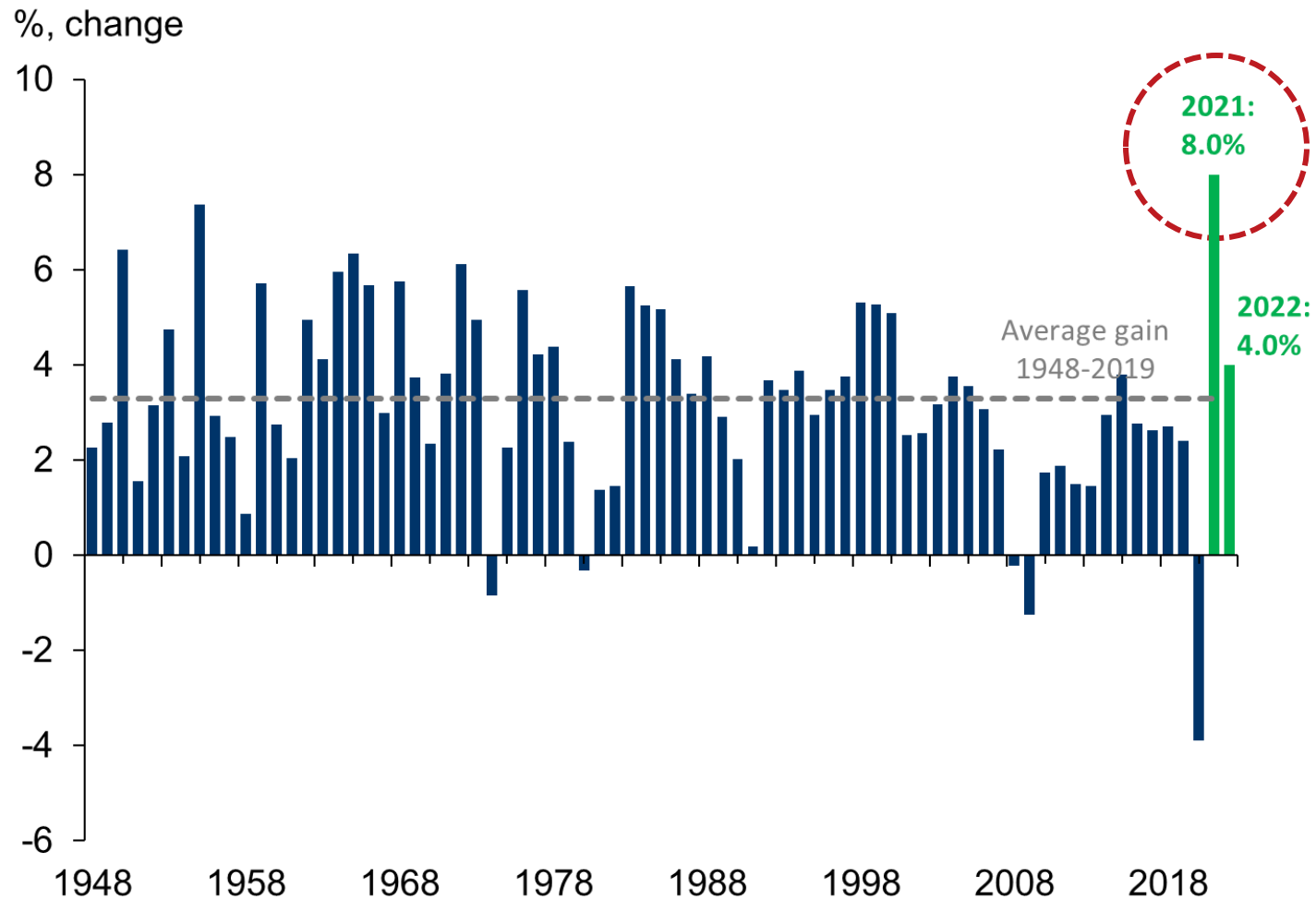
2020: -3.4%

2021: 5.4%

2022: 4.3%

Strongest consumer spending growth in 70+ years

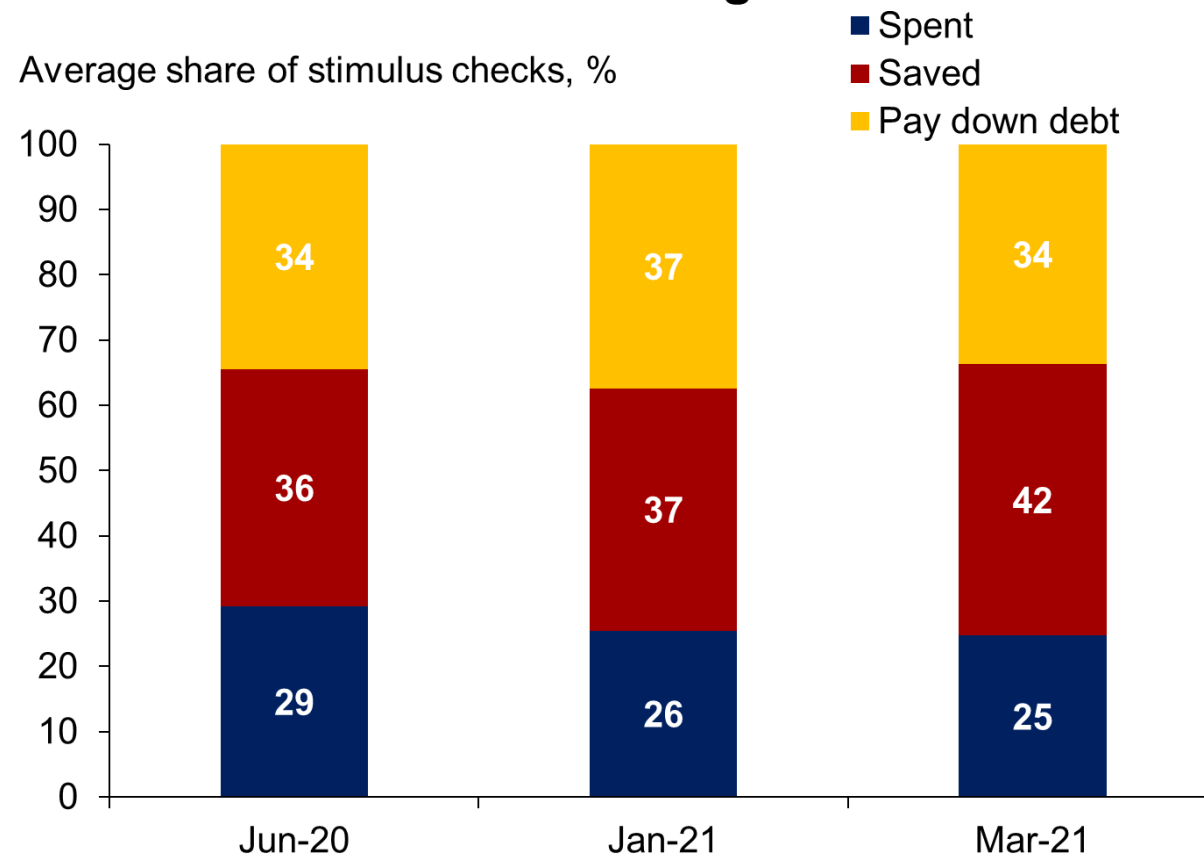
Strongest consumer spending growth since WWII



Source : Oxford Economics/Haver Analytics

Only 25% of stimulus checks have been spent

How US households are using stimulus checks

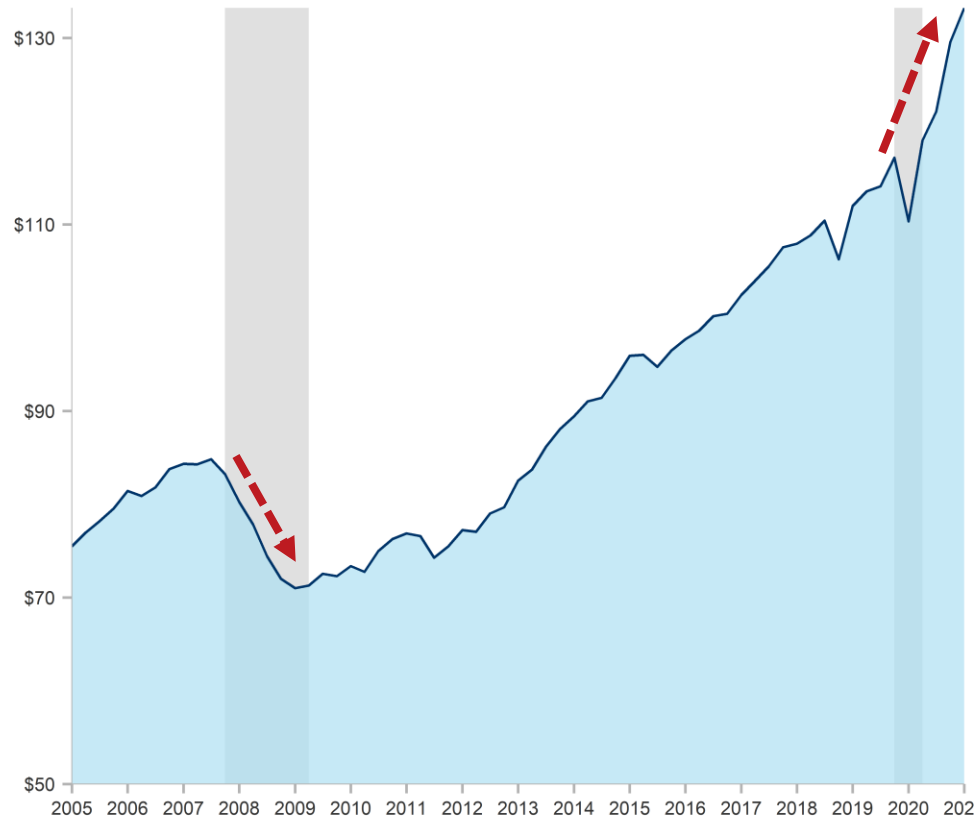


Source: New York Fed Survey of Consumer Expectations, Oxford Economics

Consumer wealth is at record levels and debt service is low

Household net worth

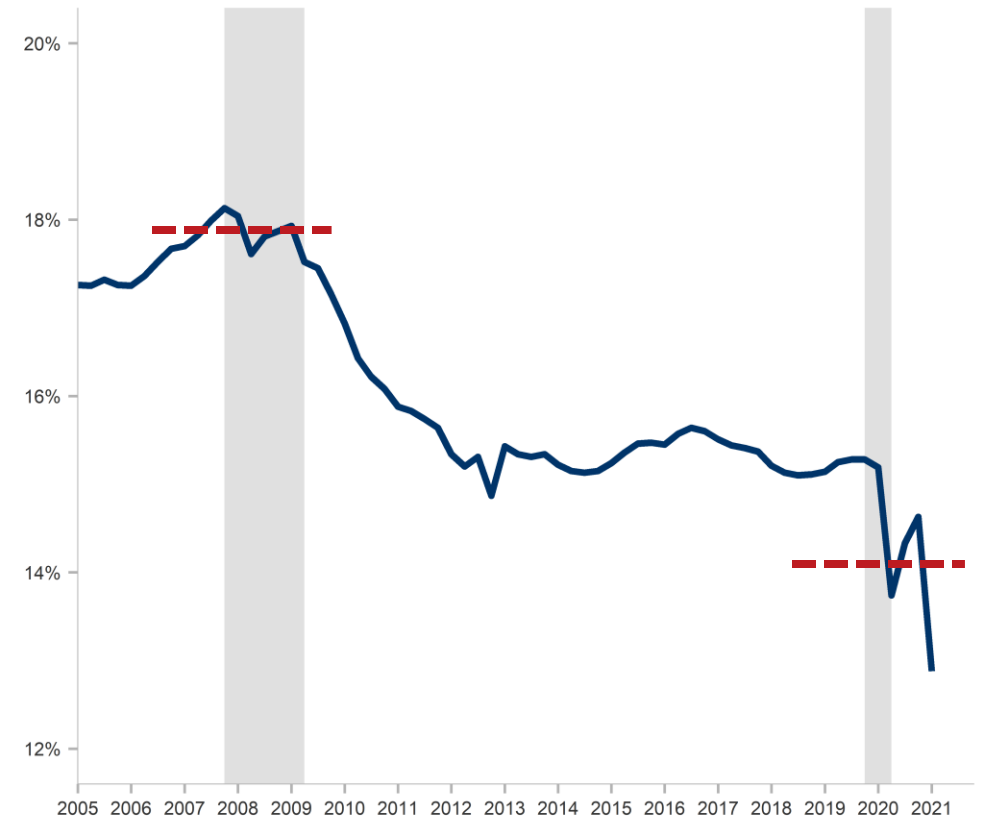
In trillions, real



Note: 2019 dollars. Quarterly data through 2021Q1. Net worth of households and nonprofit organizations. Measures minus liabilities. Source: Federal Reserve, NBER

Household debt service

Financial obligations as ratio to disposable income

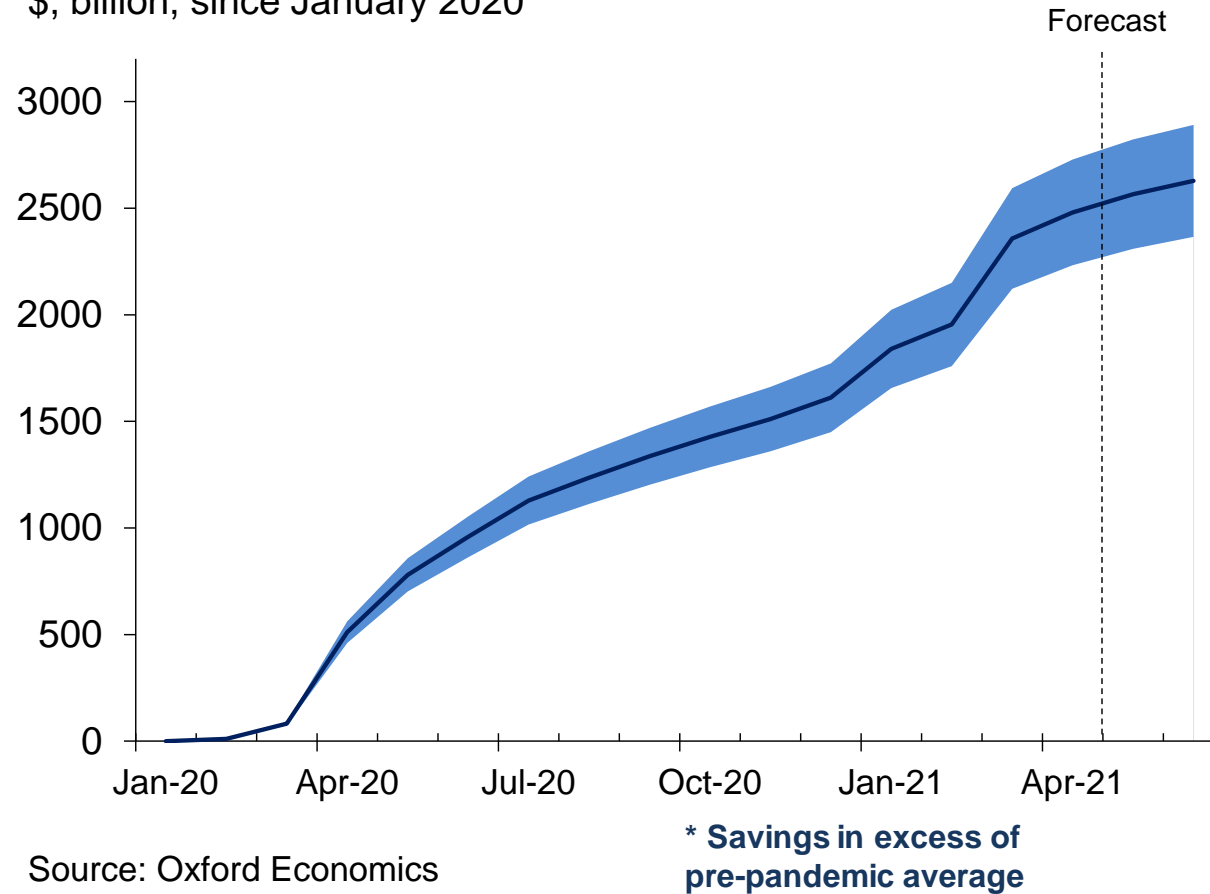


Note: Quarterly data through 2021Q1. Financial obligations ratio is the ratio of household debt payments, and payments such as rent and auto leases, to disposable income. Source: Federal Reserve, NBER

Contributing to excess savings of \$2.5 trillion

US: Cumulative excess household savings

\$, billion, since January 2020



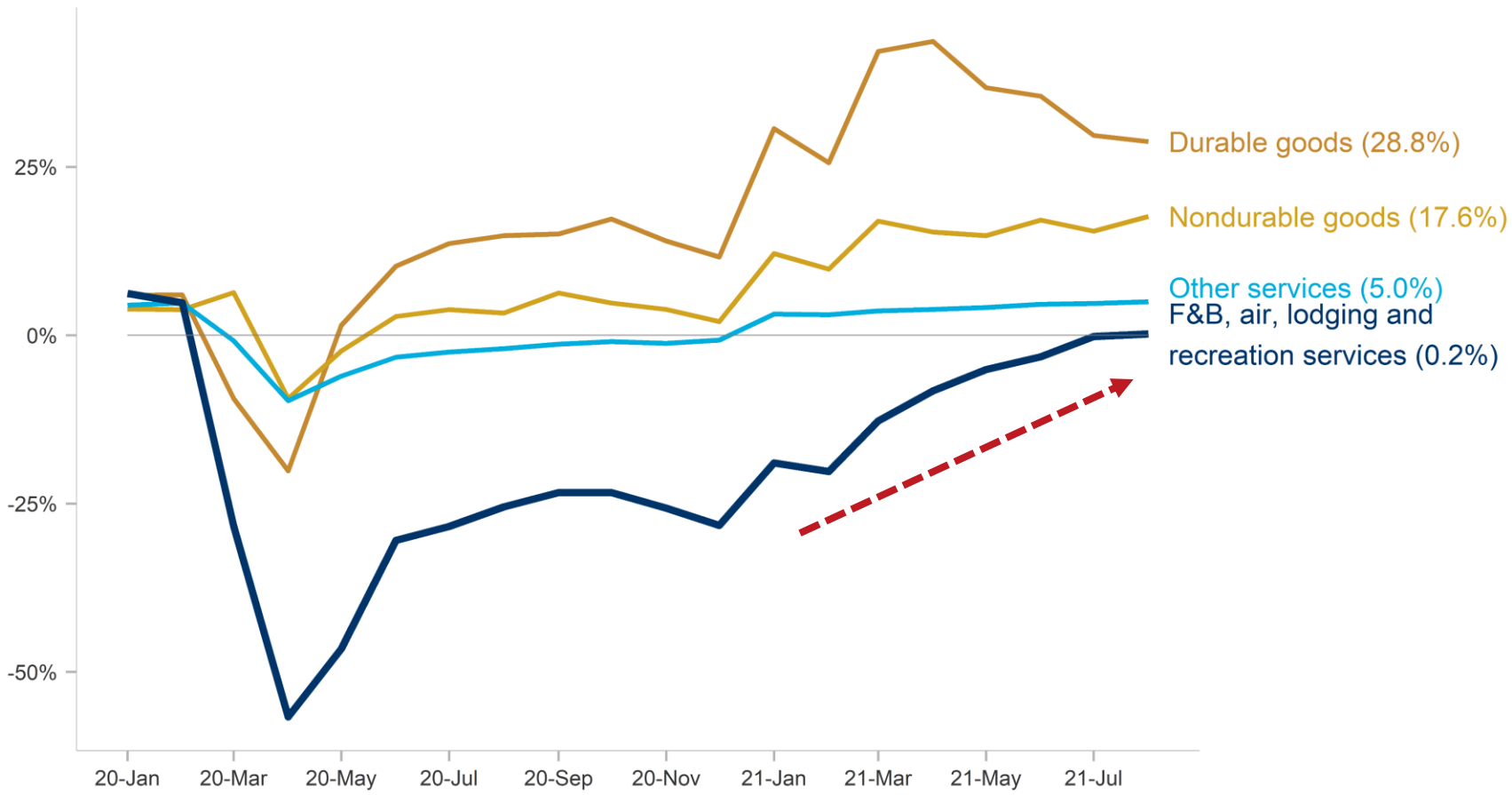
Source: Oxford Economics

Consumers reduced spending during the pandemic, and many households have built up “excess savings”.

Spending is rotating from goods to services

Consumer spending

Change relative to same month in 2019

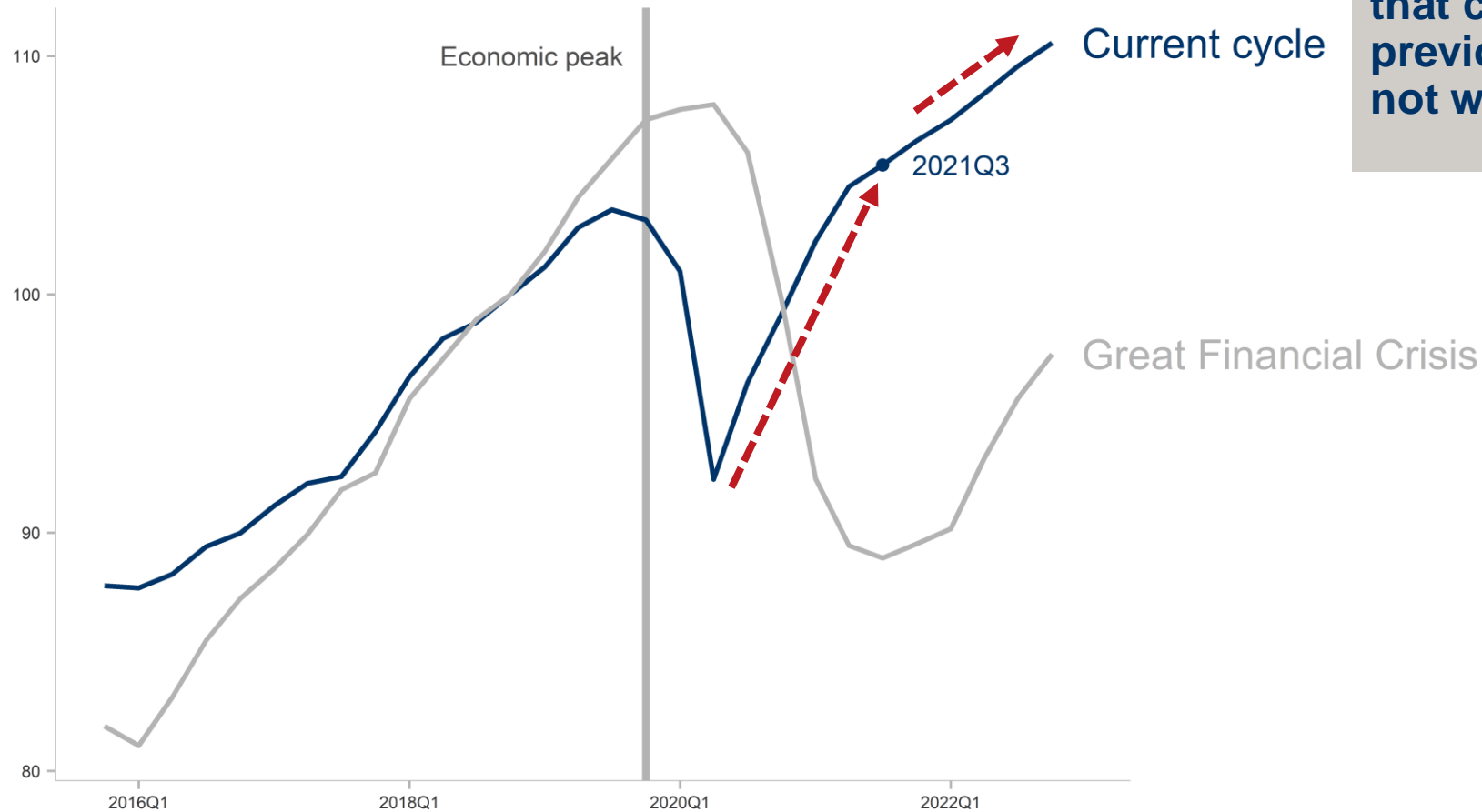


Note: Nominal. Monthly data through August 2021
Source: Bureau of Economic Analysis

US companies are resuming capital spending

Business investment

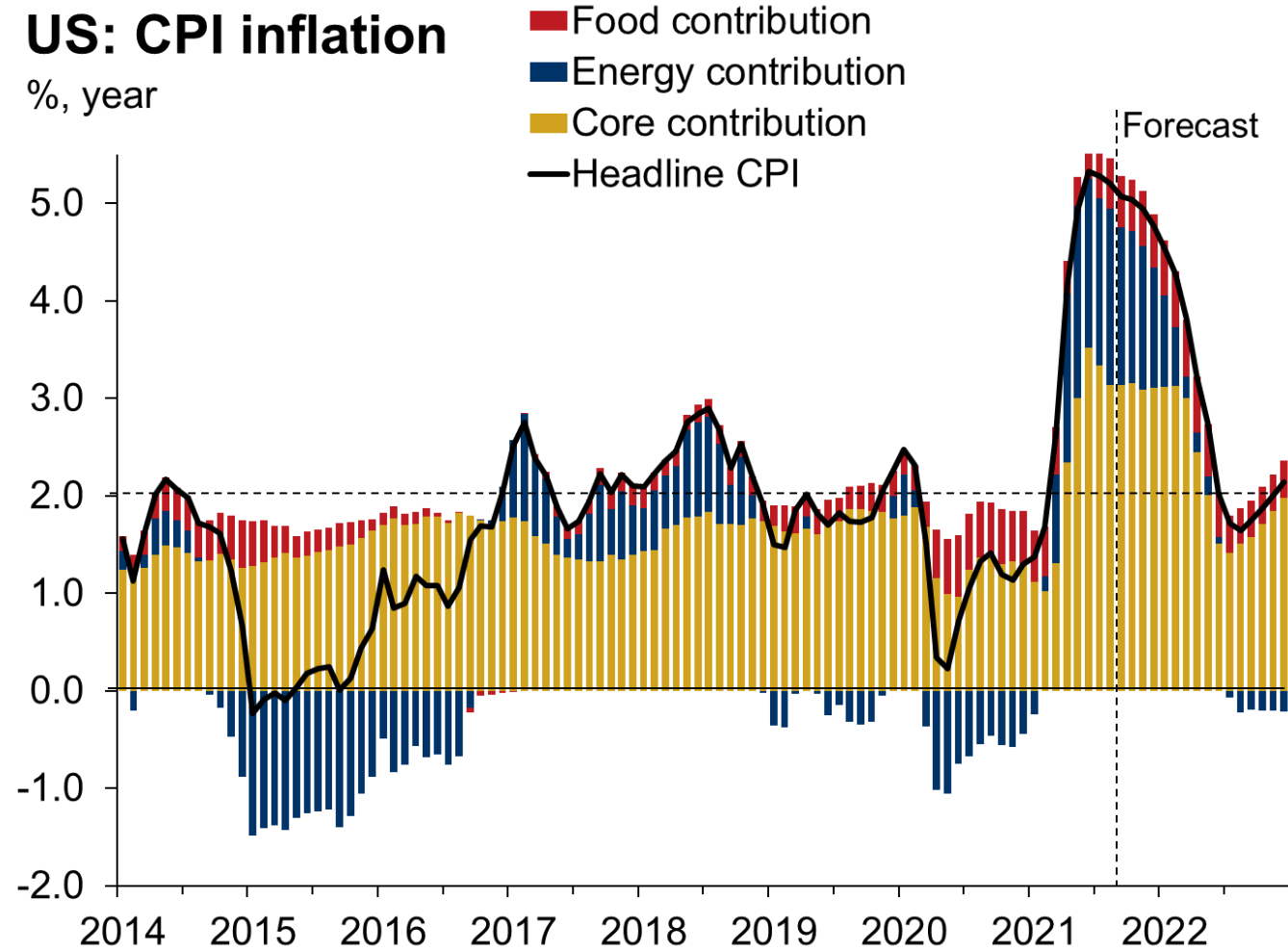
Nonresidential fixed investment, US



The corporate budget cuts that characterized the previous US recession are not widespread.

Note: Index equals 100 one year before economic peak.
Source: Bureau of Economic Analysis; Oxford Economics

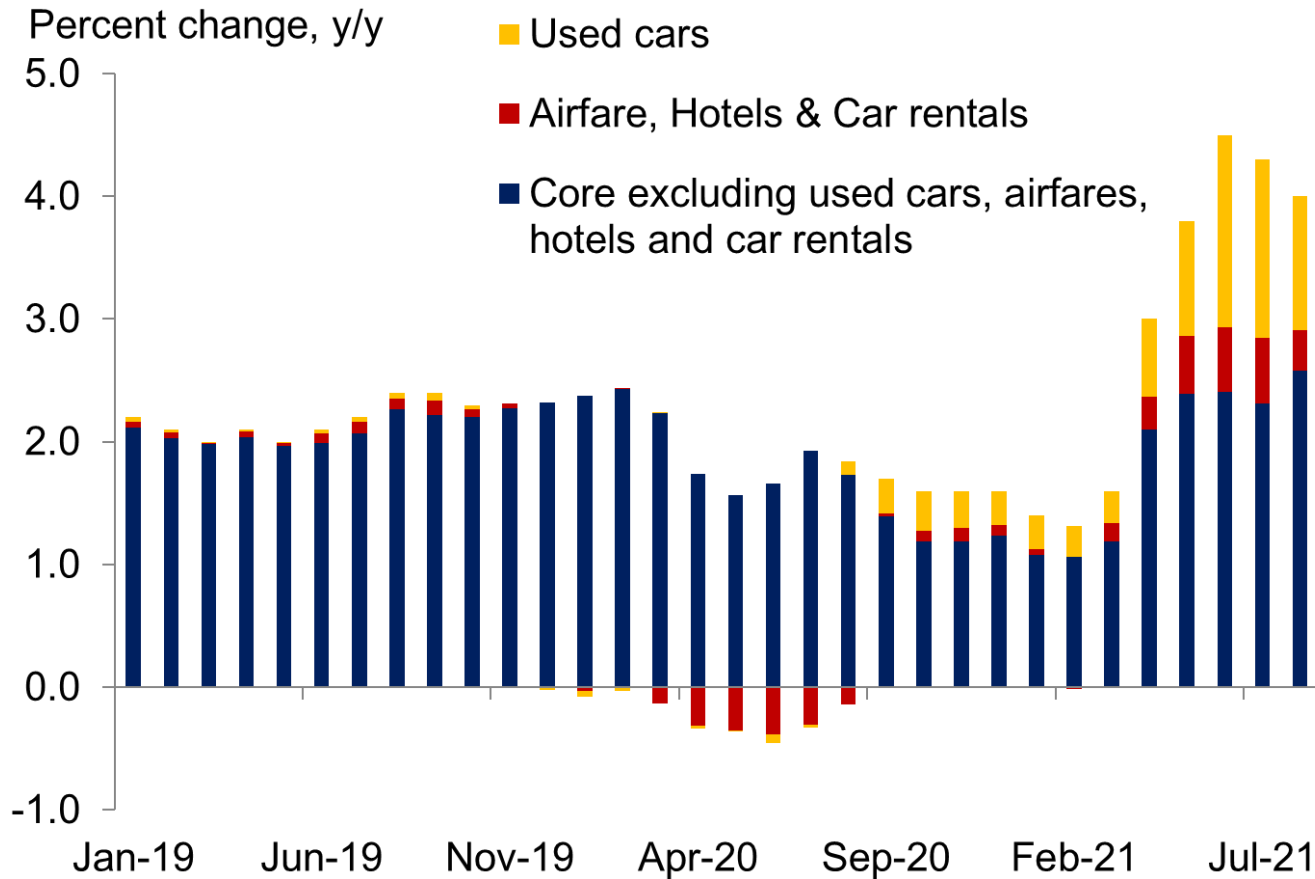
How concerned should we be about inflation?



Source: Oxford Economics

“Base effects” and major price hikes in a few components

US: Core consumer price index (CPI)

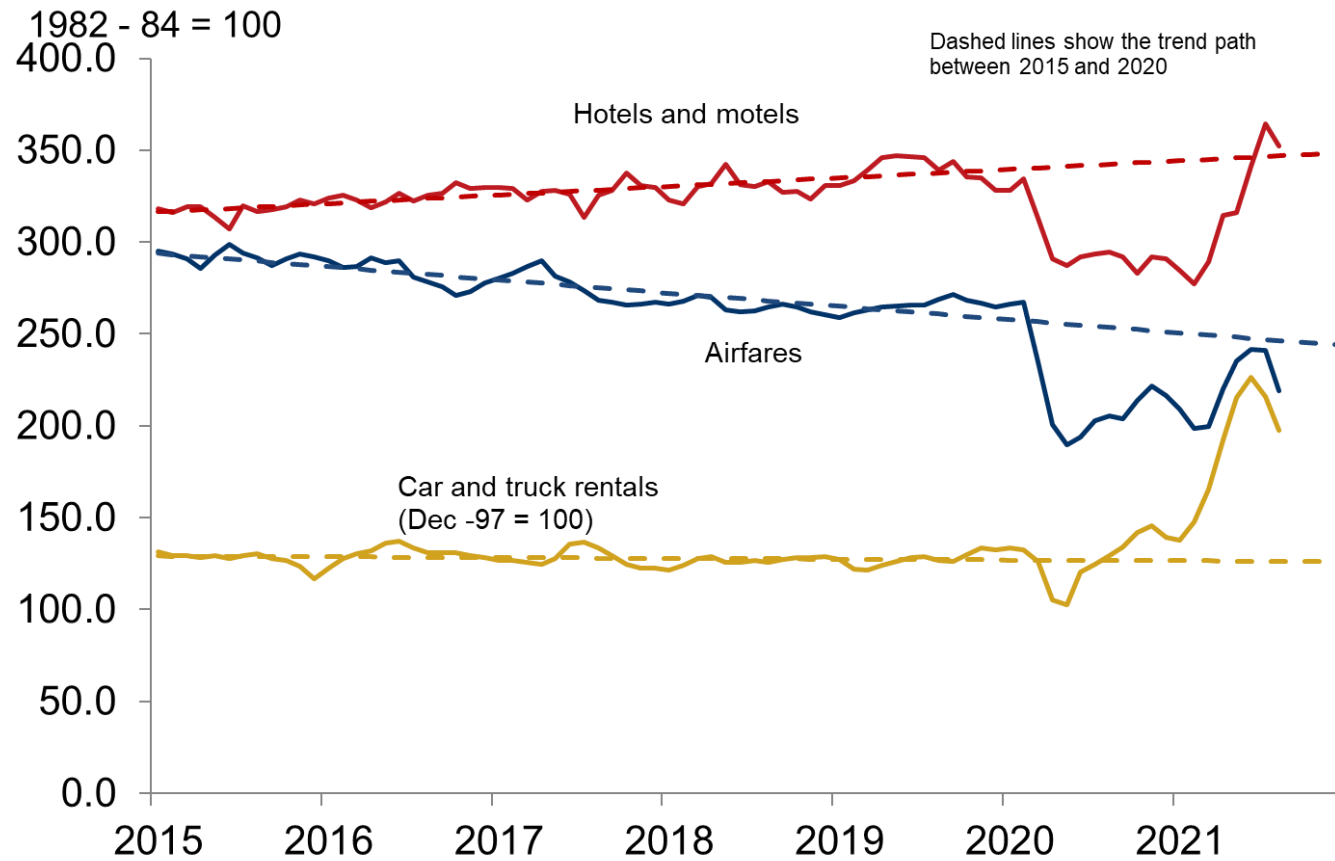


Core inflation will likely remain sticky around 3% heading into 2022, but we don't foresee runaway inflation

Source : Oxford Economics/BLS

Travelers not on course to be priced out

US: Reopening travel price response



Source : Oxford Economics/Haver Analytics

Characteristics of the travel recovery

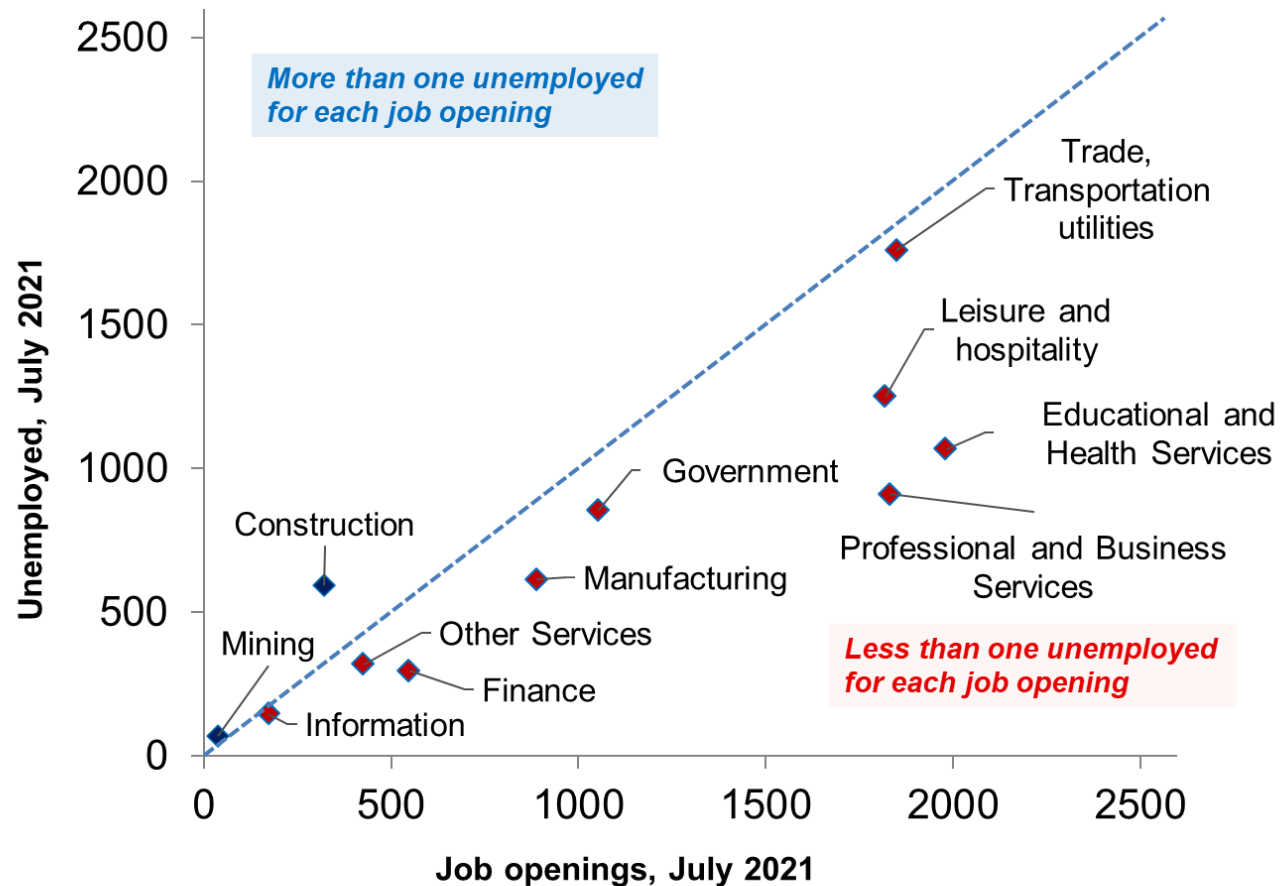
Recovery continues under storm clouds

The economy will fuel a rebound

Labor markets present major challenge

Nearly all industries are facing labor imbalances

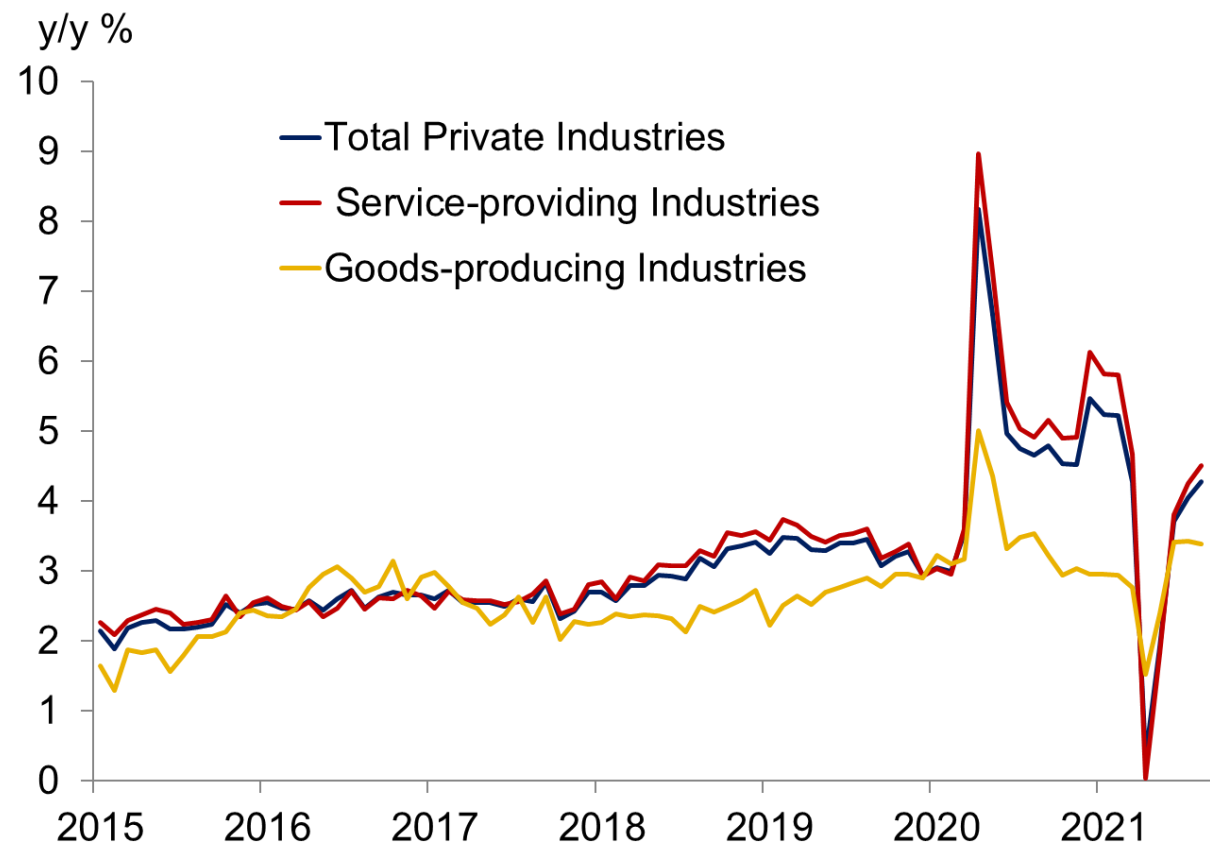
US: Job openings and unemployed



Source : Oxford Economics/Haver Analytics

Labor shortages are pushing services wage growth higher

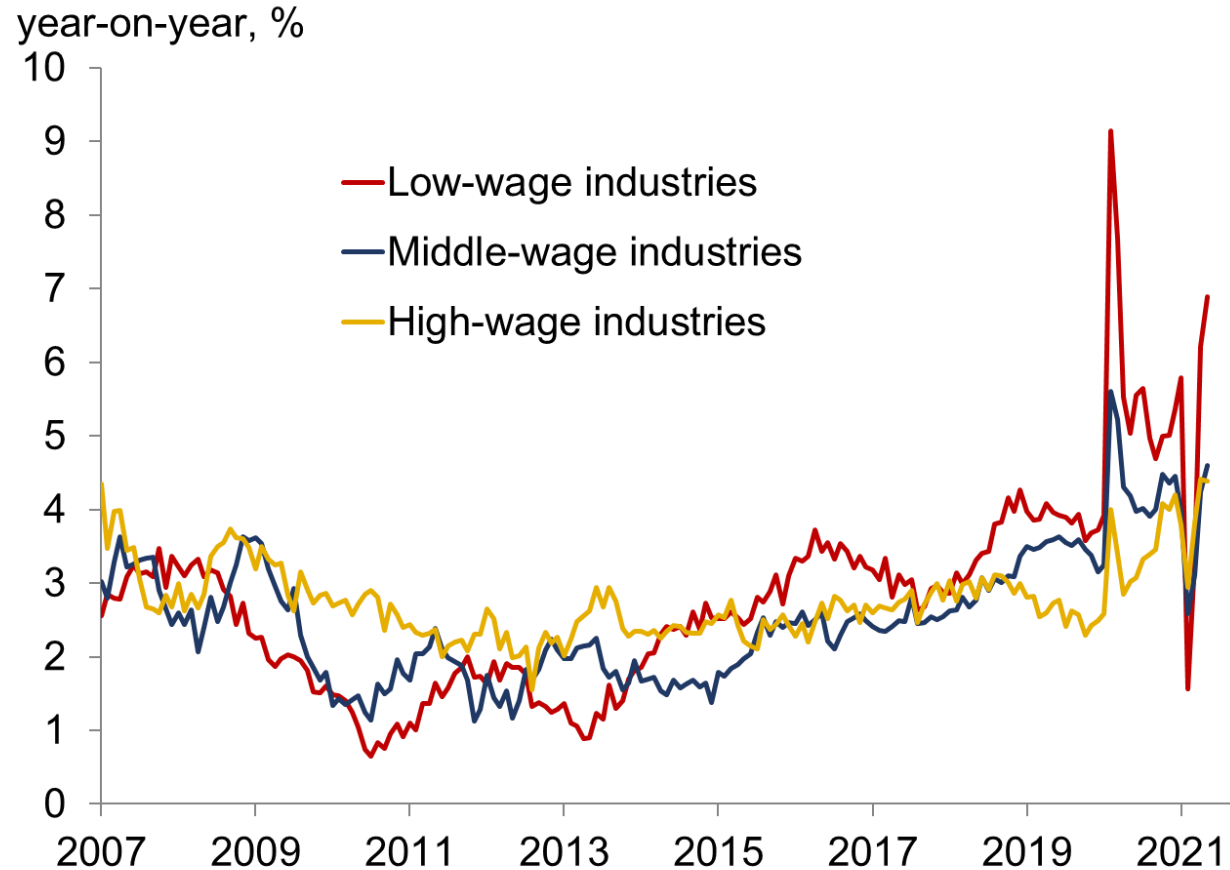
US: Total private average hourly earnings



Source : Oxford Economics/Haver Analytics

Low-paid industries seeing strongest wage gains

US: Average hourly earnings

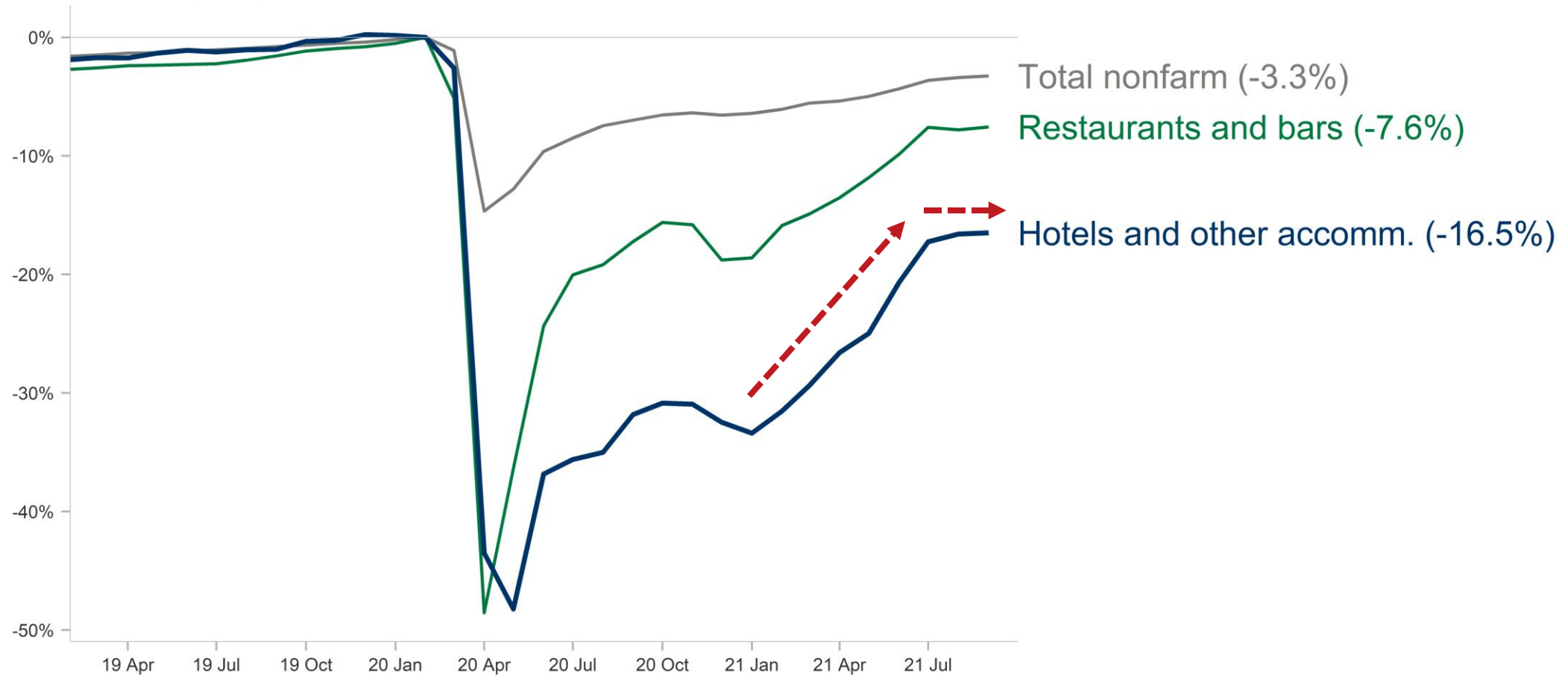


Source : Oxford Economics/Haver Analytics

Hotels were bringing back employees

Employment losses by sector

Relative to February 2020, US

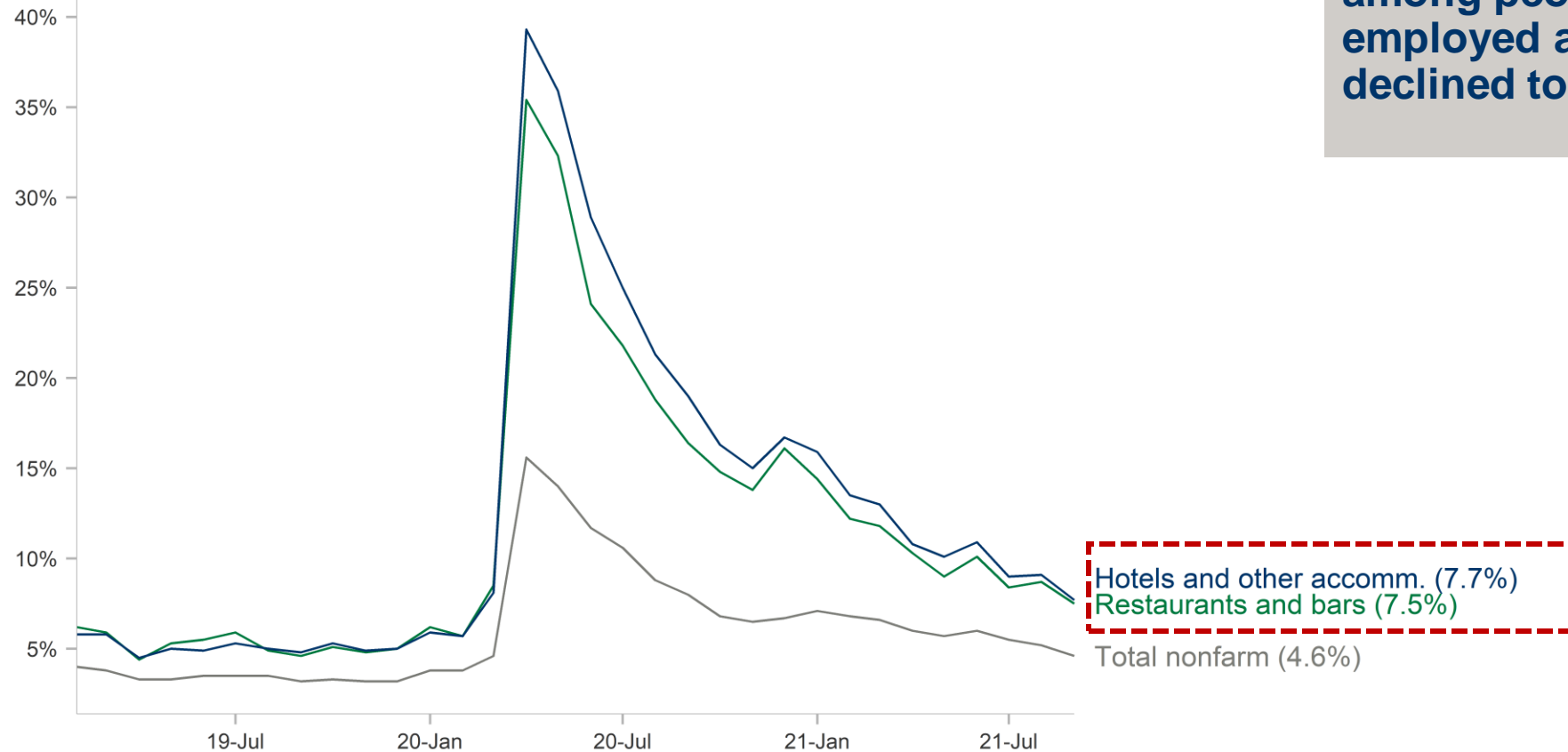


Note: Seasonally adjusted. Data through September 2021. Source: Bureau of Labor Statistics

Not all former employees are “standing by”

Unemployment rate by sector

Average, US



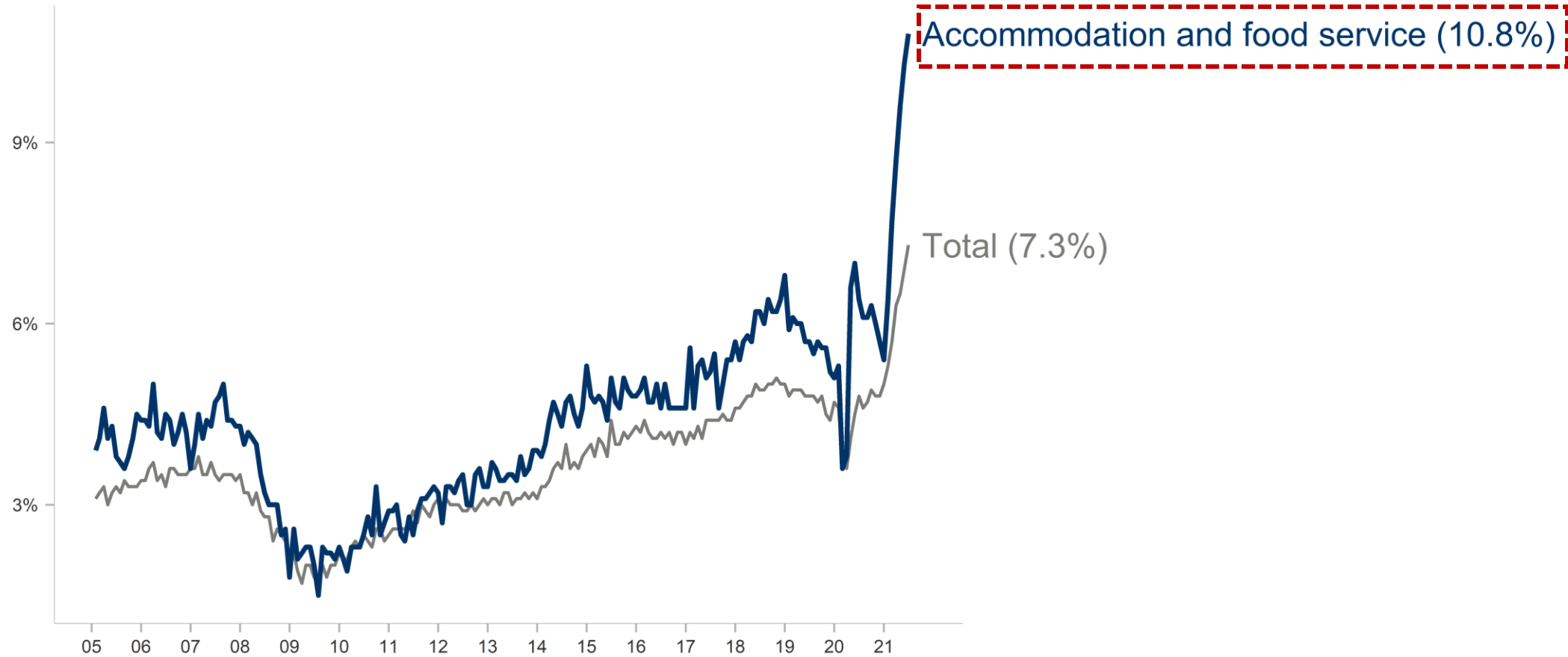
The unemployment rate among people previously employed at hotels has declined to 7.7%

Note: Not seasonally adjusted. Based on sector of previous employment. Data through September 2021.
Source: Bureau of Labor Statistics

... and one in 10 positions remain open

Job openings

Openings rate, US

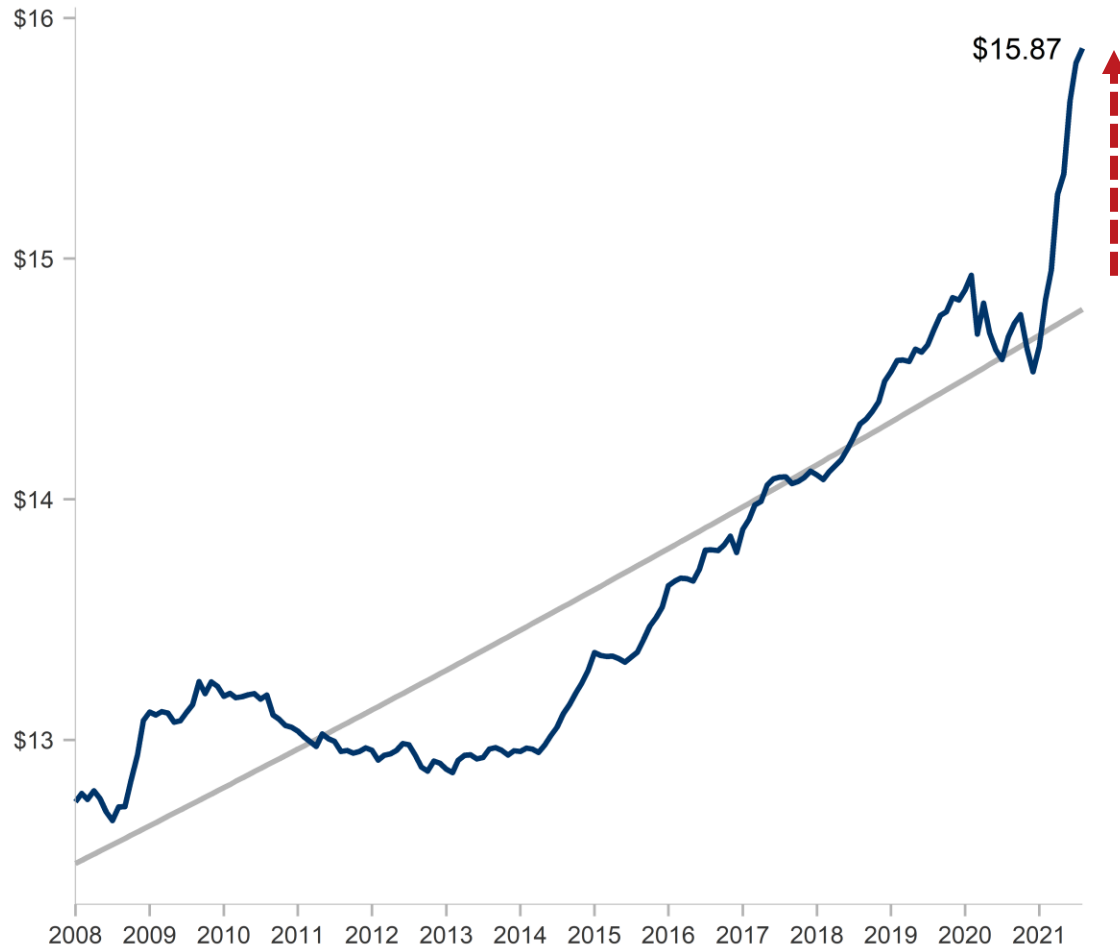


Note: The job openings rate is the job openings level as a percent of total employment plus job openings level. Data through July 2021. Seasonally adjusted. Source: Bureau of Labor Statistics

Wage rates are rising

Hourly earnings: Leisure and hospitality (BLS)

Nonsupervisory positions, in 2020 dollars, US

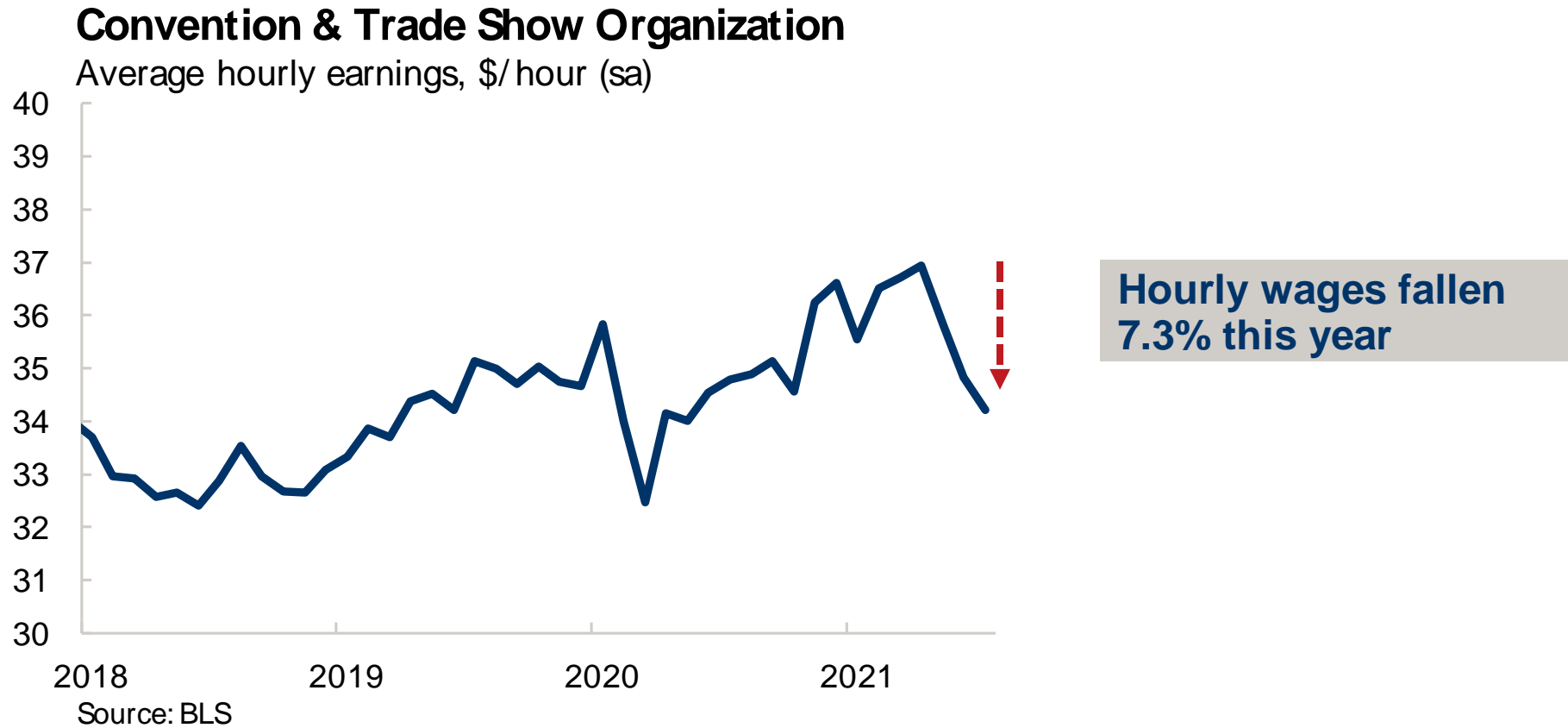


Note: Data shown through August 2021. Seasonally adjusted.
Trend wage growth 2008 to 2021: 2.7% nominal (1.5% inflation + 1.3% real growth)
Source: Bureau of Labor Statistics

Hourly wages have increased 11.3% (nominal) relative to pre-pandemic (Feb 2020).

Adjusted for inflation, wages are 7.3% ahead of trend.

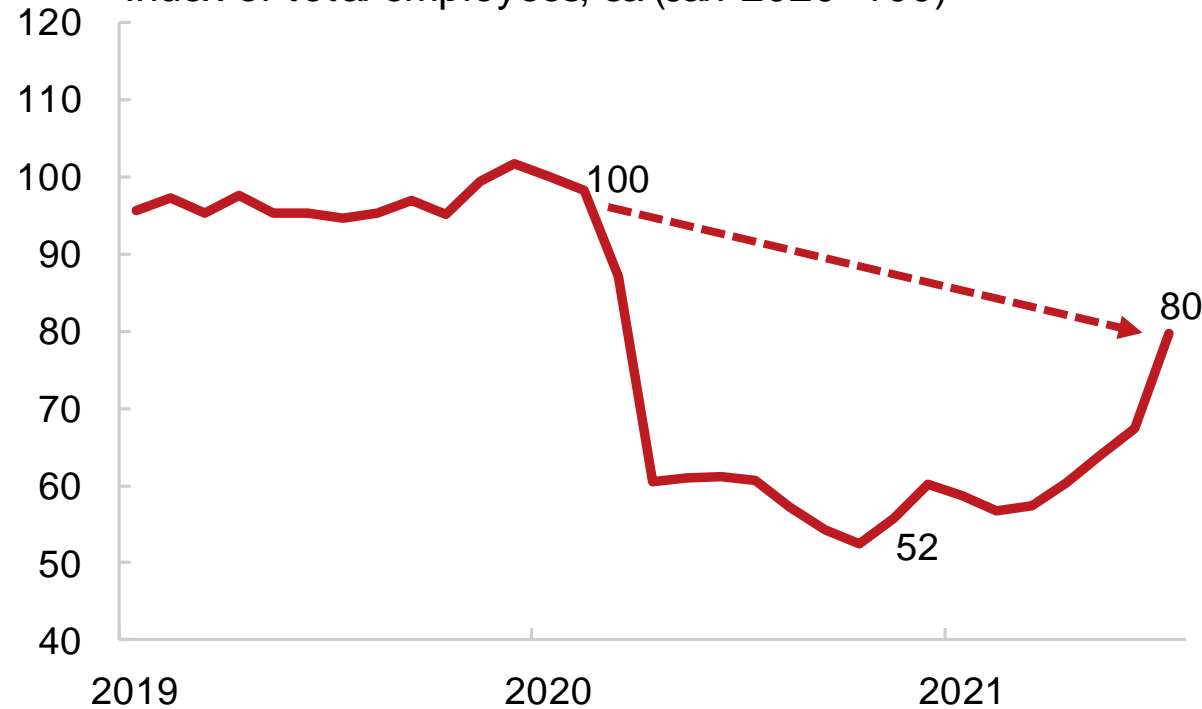
An opposite trend for events...



Reflective of a continued challenging market

Convention & Trade Show Organization

Index of total employees, sa (Jan-2020=100)

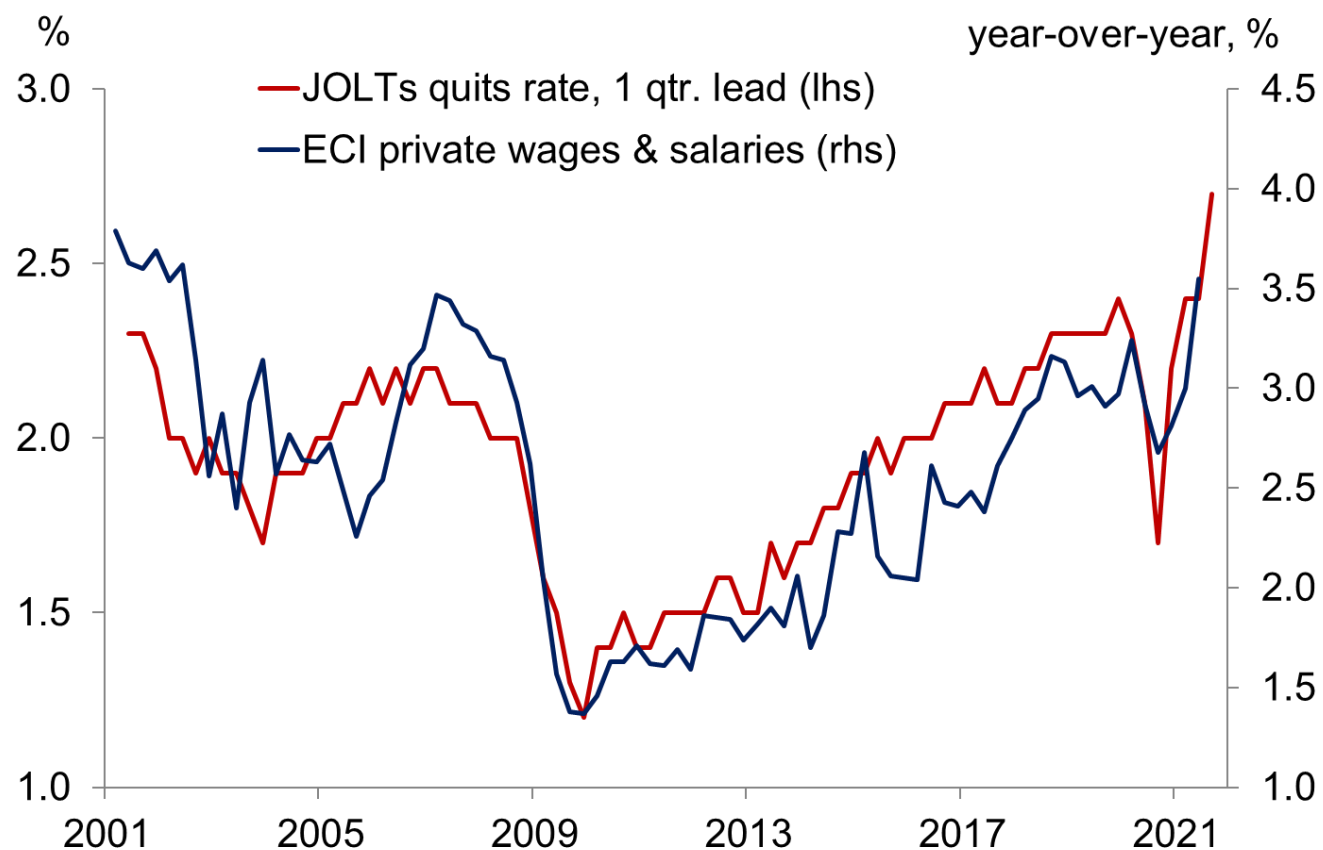


Source: BLS

**Total employment
remains down 20% on
the organizer side of
the business**

Leading indicators point to elevated wage pressures

US: JOLTs quits rate and the ECI

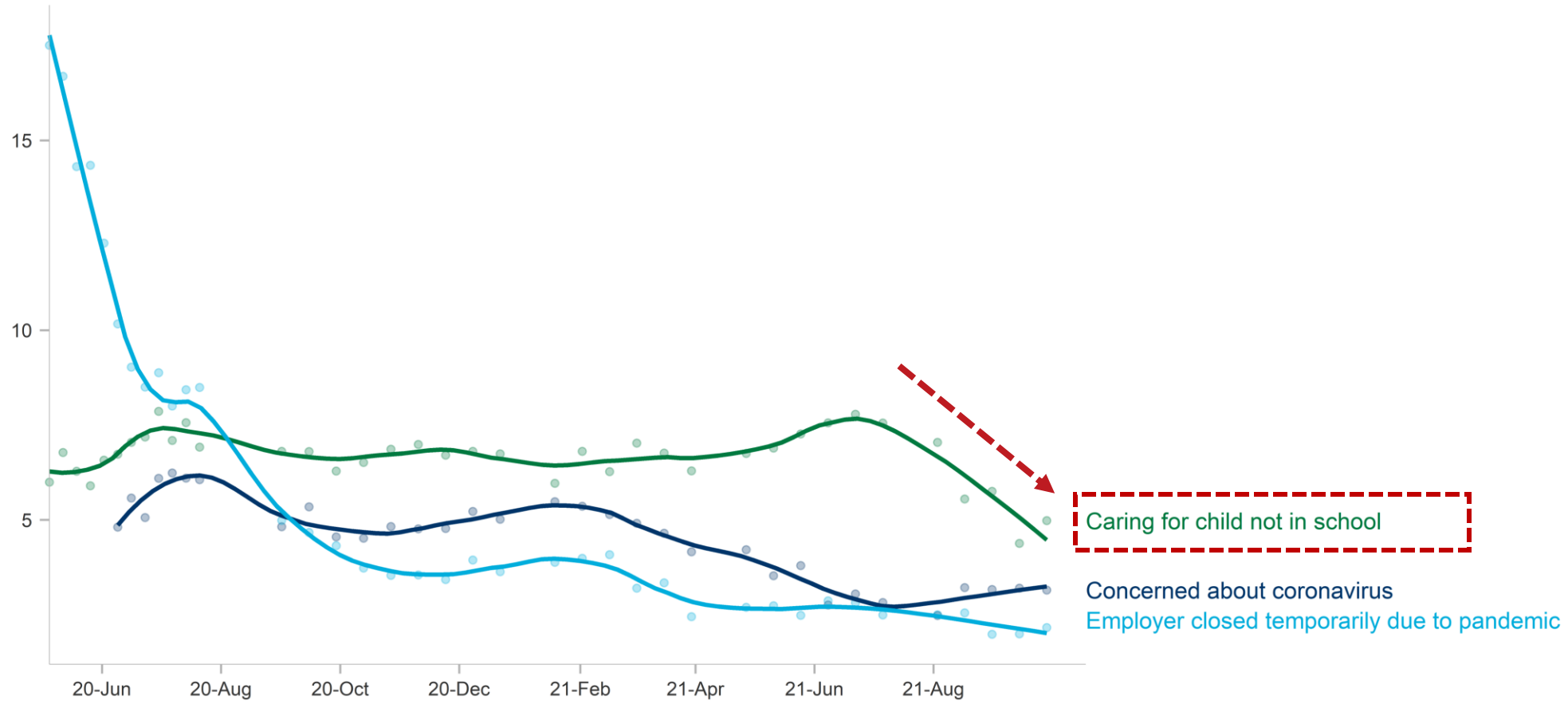


Source : Oxford Economics/Haver Analytics

With schools reopening, childcare issues are easing

Main reason for not working: US

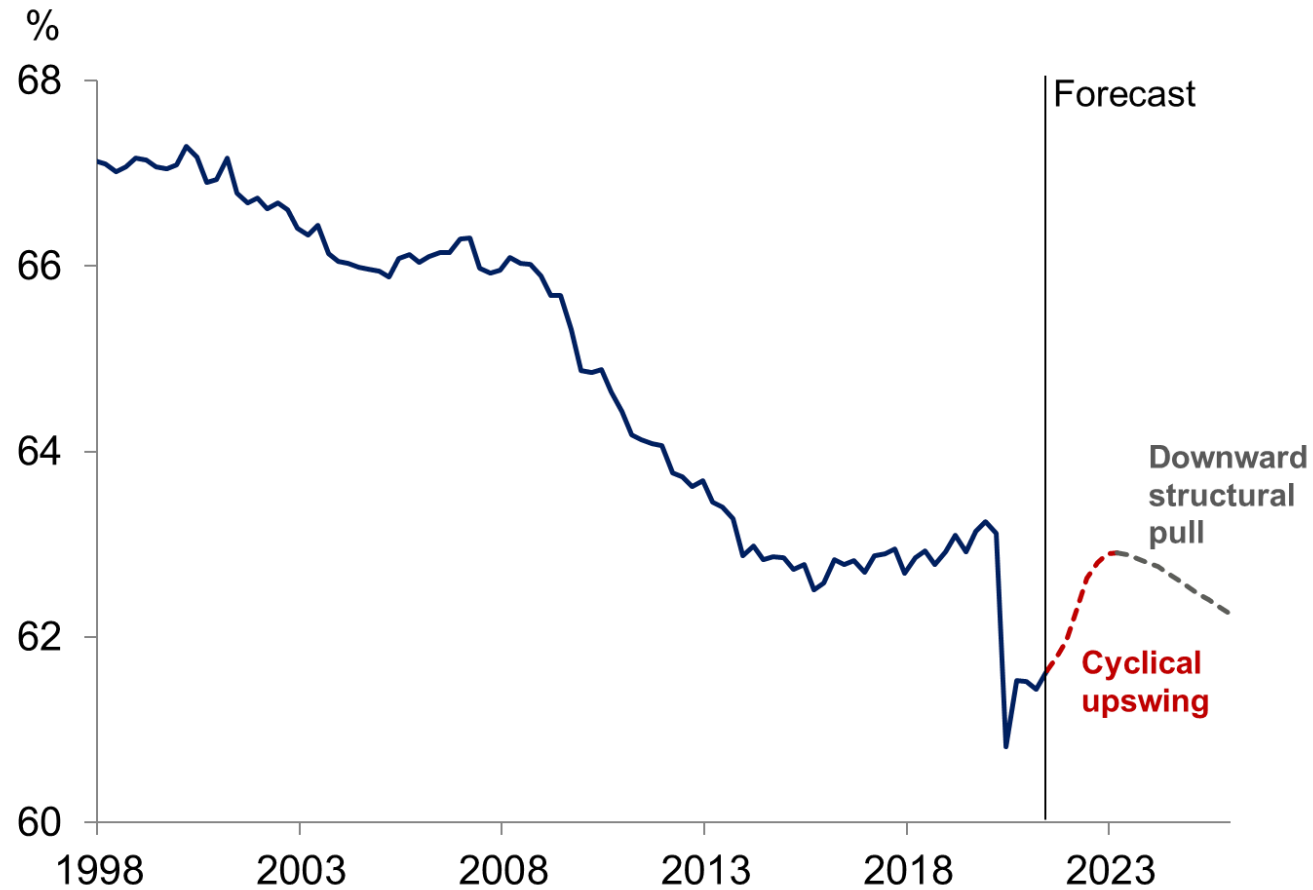
Millions of persons



Note: Based on respondents not working at time of survey. Data based on weekly surveys, history through September 28, 2021.
Source: Census Bureau

Labor supply likely to rebound in coming quarters

US: Labor force participation rate



Source : Oxford Economics/Haver Analytics

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The economy will fuel a rebound

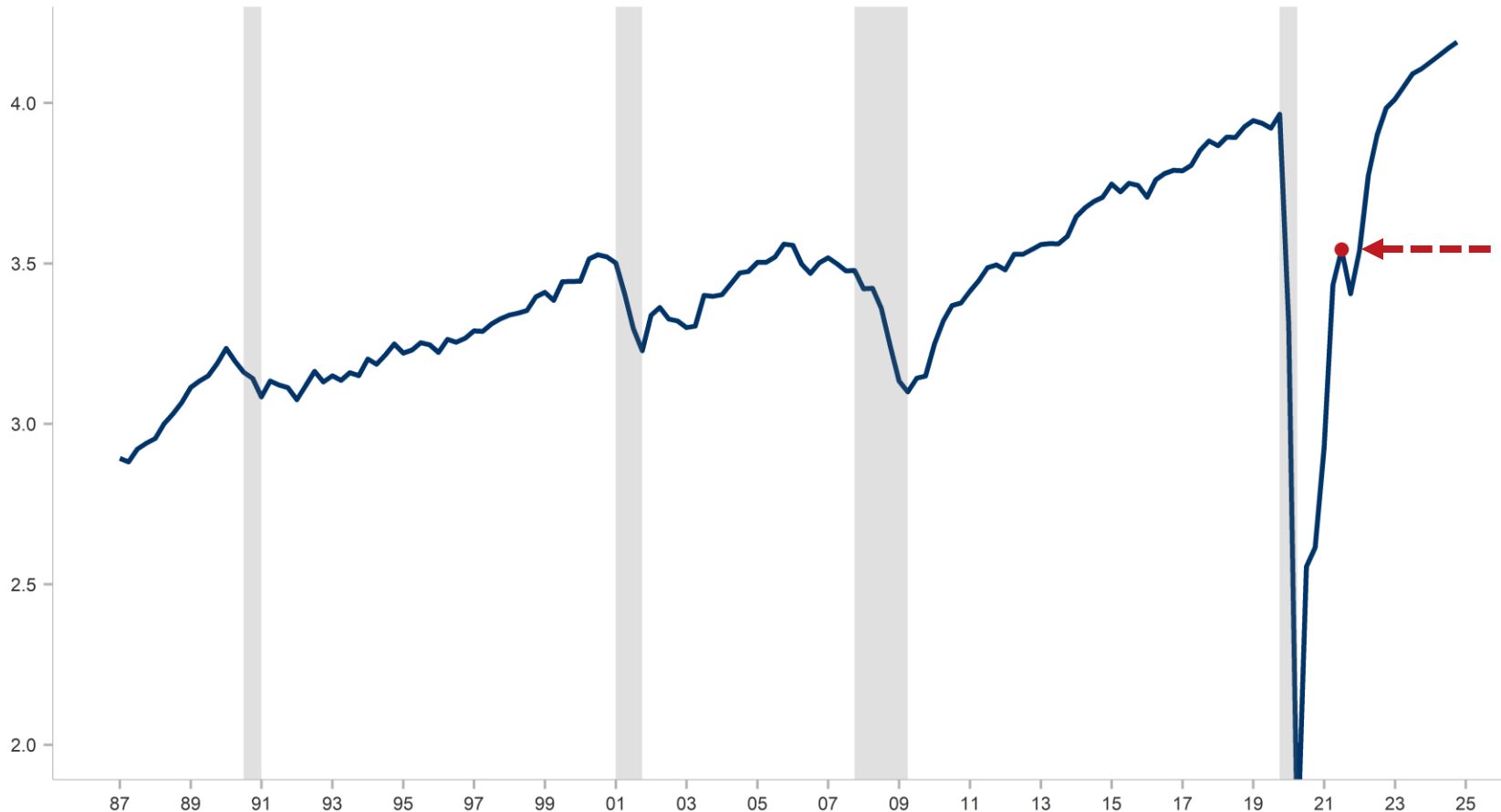
Labor markets present major challenge

The recovery will come in stages

Recent performance helps confirm that long-run trends remain intact

Demand per capita

Annual room nights



Note: Seasonally adjusted. Grey bars indicate recessions.
Source: Census Bureau, NBER, STR, Tourism Economics

WE ARE
HERE

Predictions don't always age well

“We don’t like their sound, and guitar music is on the way out.”

On the Beatles

Decca Recording Company, 1962

“He’s a very good offensive player.... But he won’t turn this franchise around.”

On Michael Jordan

Rod Thorn, the Chicago Bulls general manager

“There’s no chance that <this> is going to get any significant market share.”

On the iPhone

Steve Balmer, 2007

Speaking of which...

“More than 50% will disappear in post-coronavirus world.”



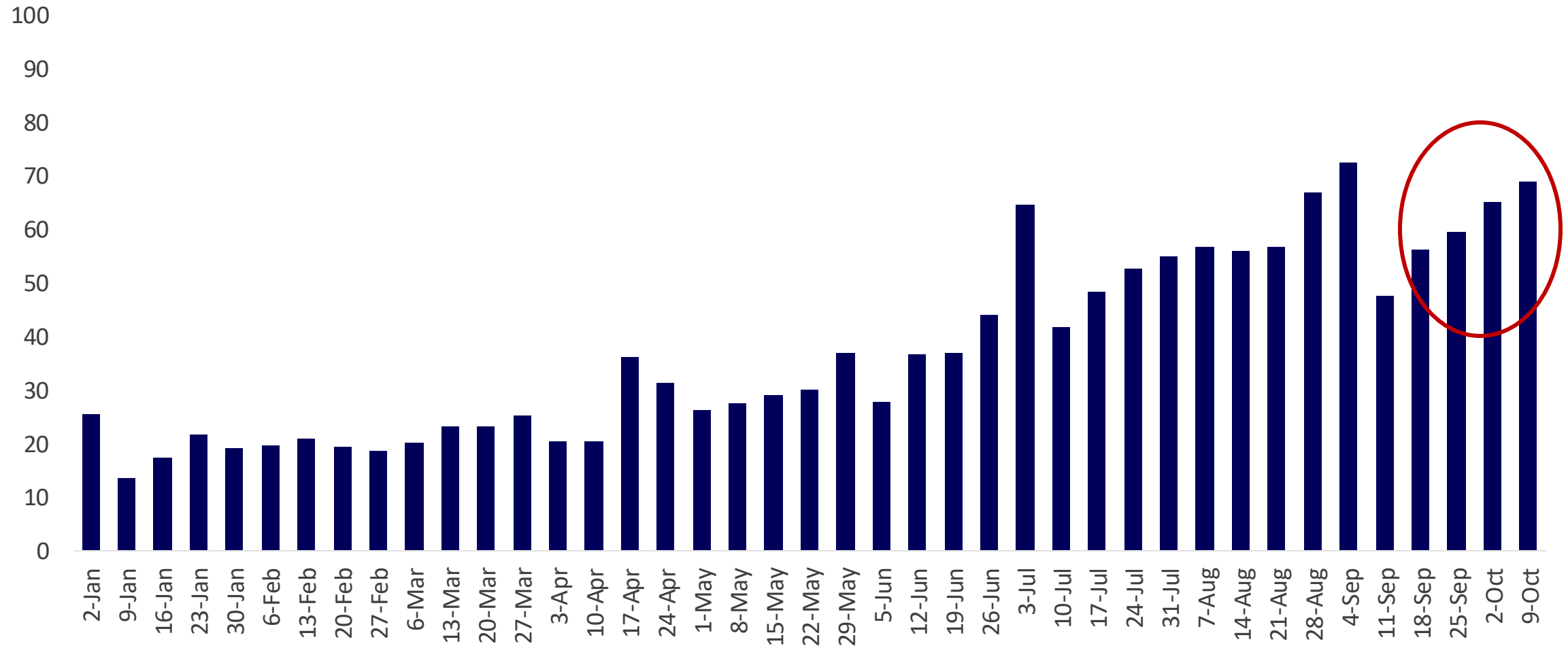
HEALTH AND SCIENCE

Bill Gates says more than 50% of business travel will disappear in post-coronavirus world

PUBLISHED TUE, NOV 17 2020•3:52 PM EST | UPDATED WED, NOV 18 2020•7:28 AM EST

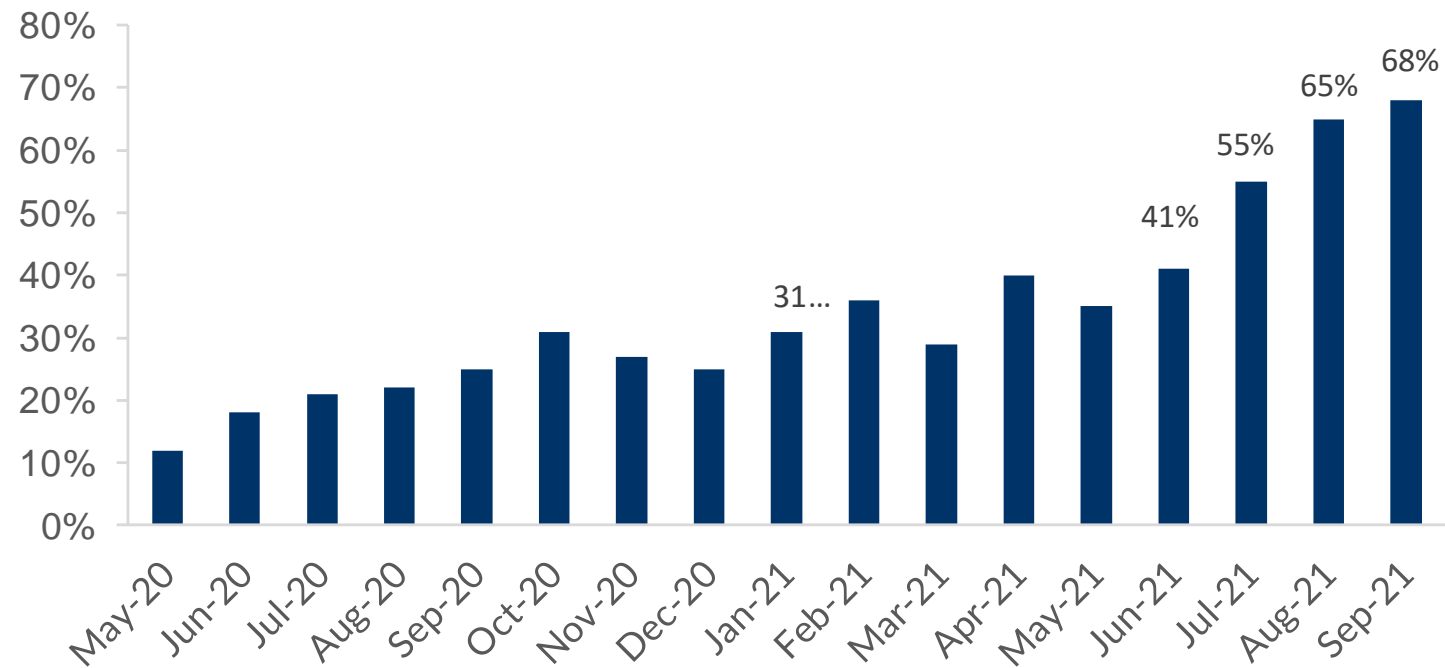
Groups averaging 63% of pre-crisis levels over past month

Total U.S., Weekly group demand indexed to 2019



68% of businesses are traveling now

Currently conducting domestic business travel
% of US companies

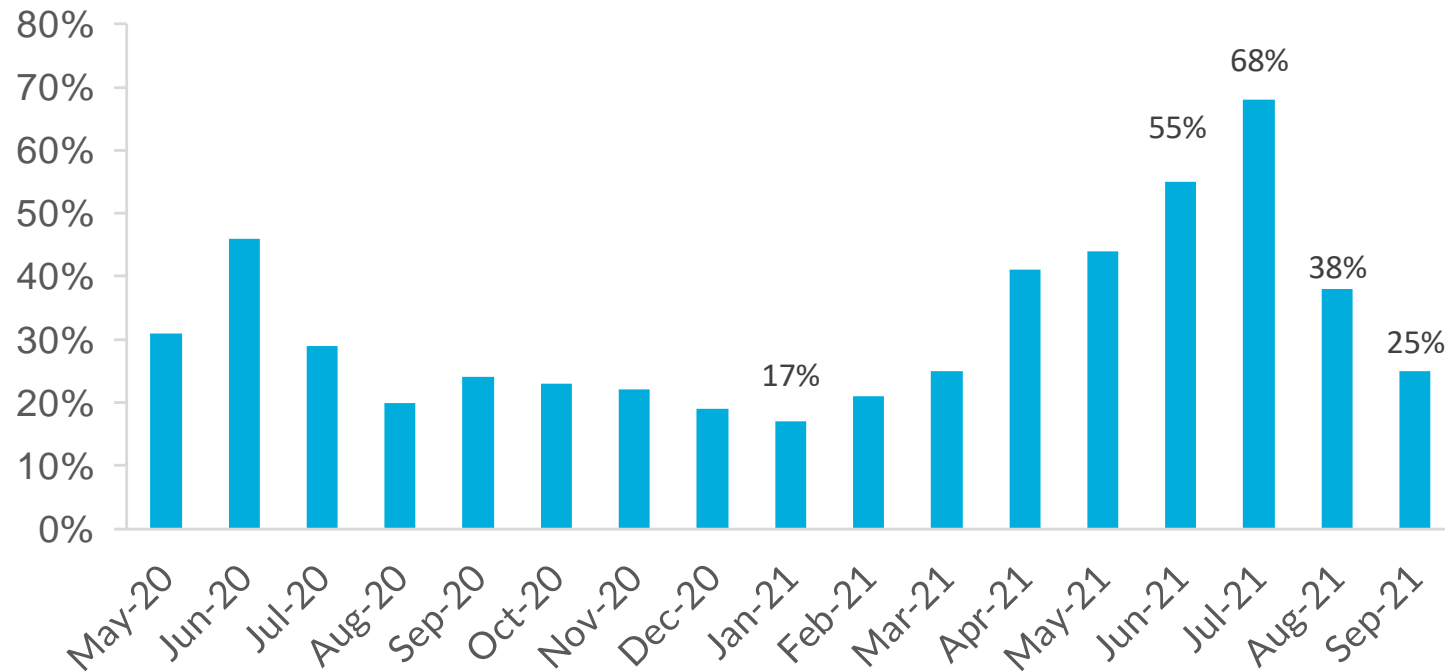


Source: GBTA

...but intentions to resume travel have taken a hit

Business travel planned to resume within 3 months

% of US companies not currently traveling

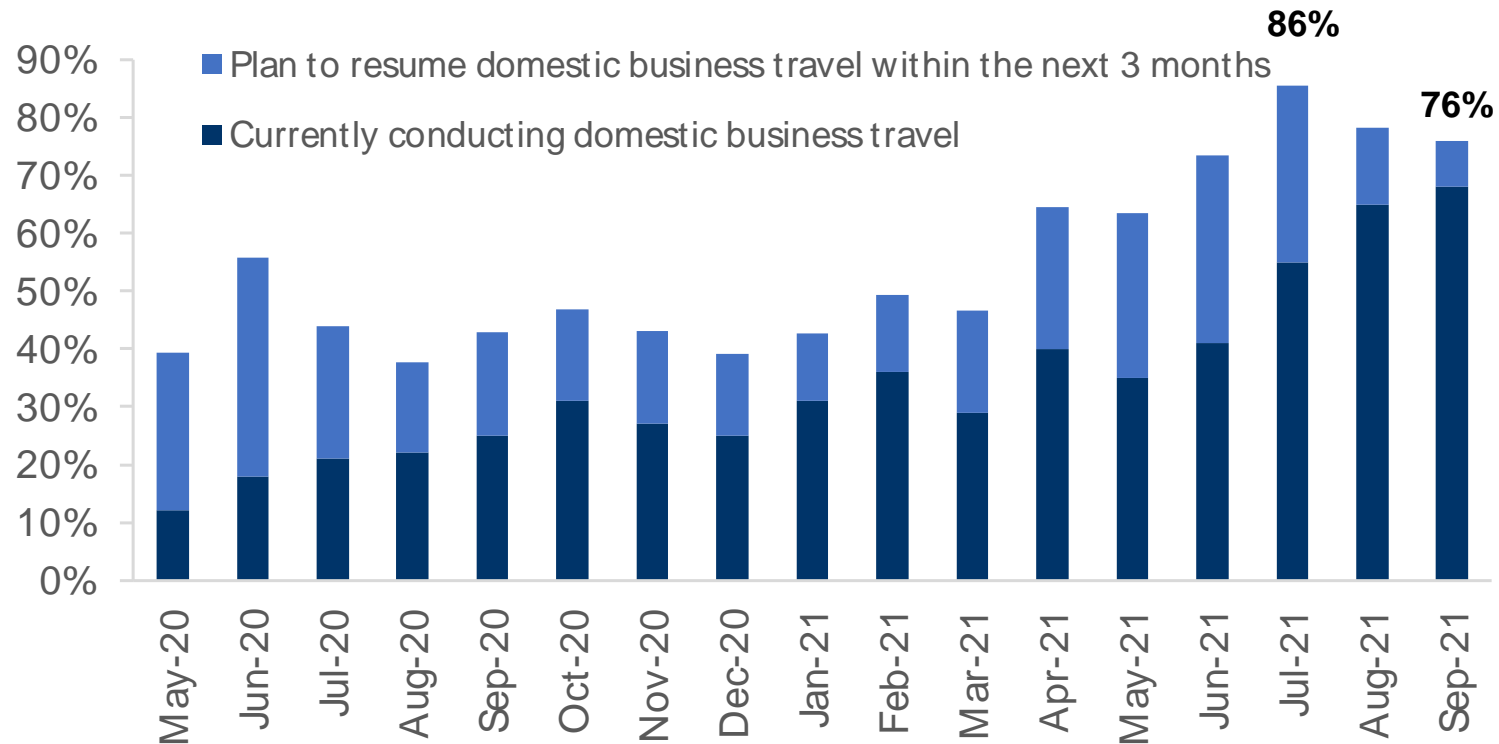


Source: GBTA

Three-quarters of US companies planning to be in the game soon

Domestic business travel outlook

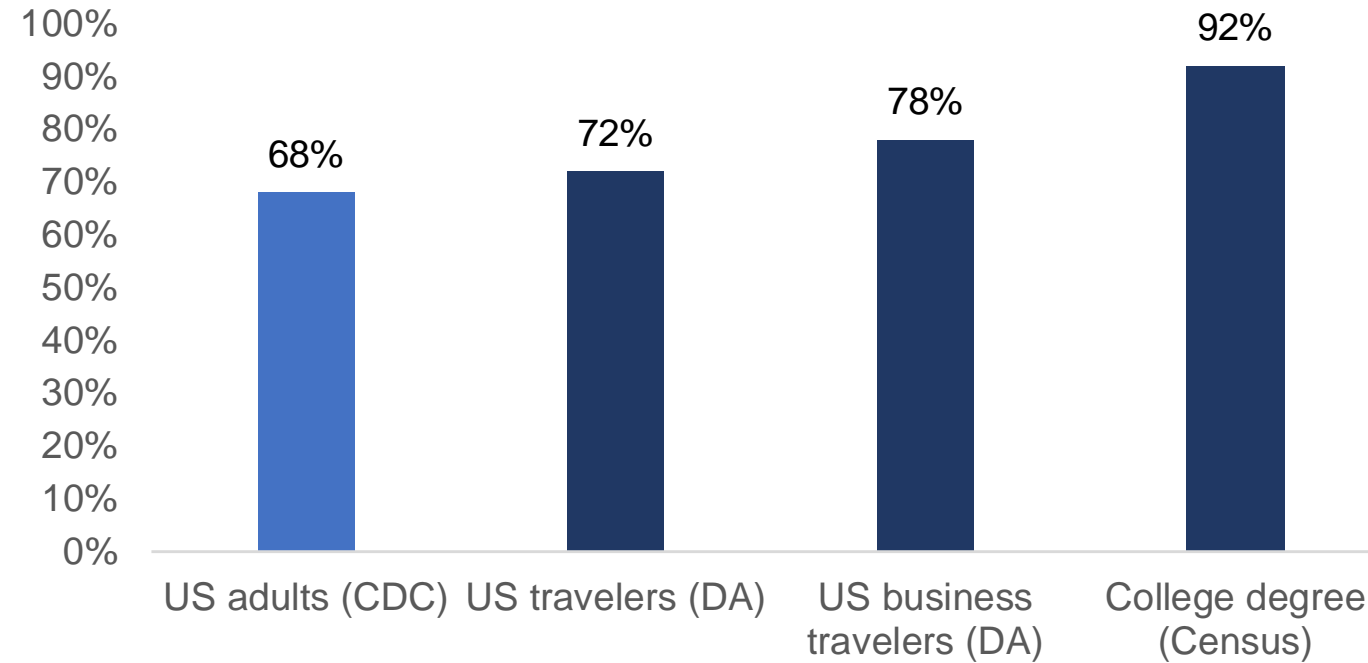
% of US companies



Source: GBTA

Travelers are highly likely to be vaccinated

U.S. resident vaccination rates

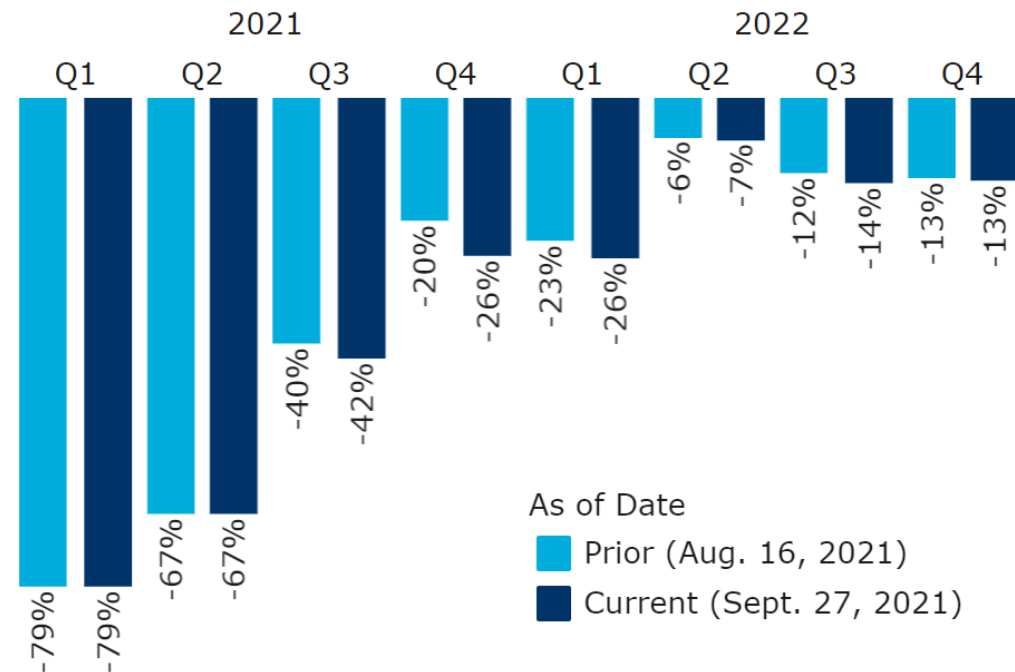


Source: CDC, Destination Analysts (DA), U.S. Census

Improvements in sight, but slipping

DMO/CVB Room Nights on the Books

Pace for future dates, relative to the same period in 2019

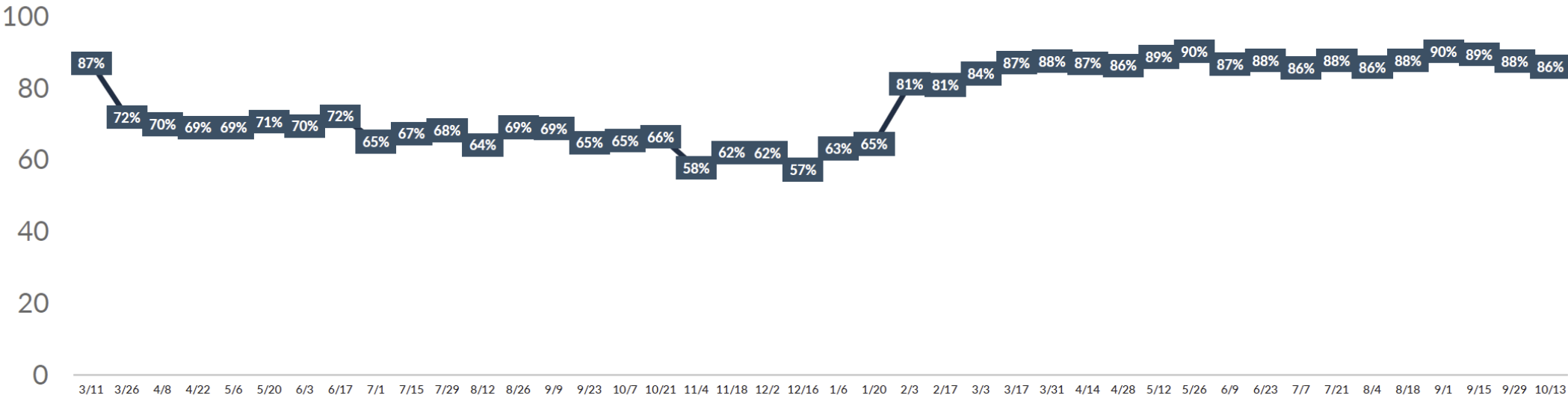


Source: Simpleview CRM (250+ U.S. DMOs)

SYMPHONY | TOURISM ECONOMICS

Intentions to travel remain steady around 9-in-10

Travelers with Travel Plans in the Next Six Months Comparison

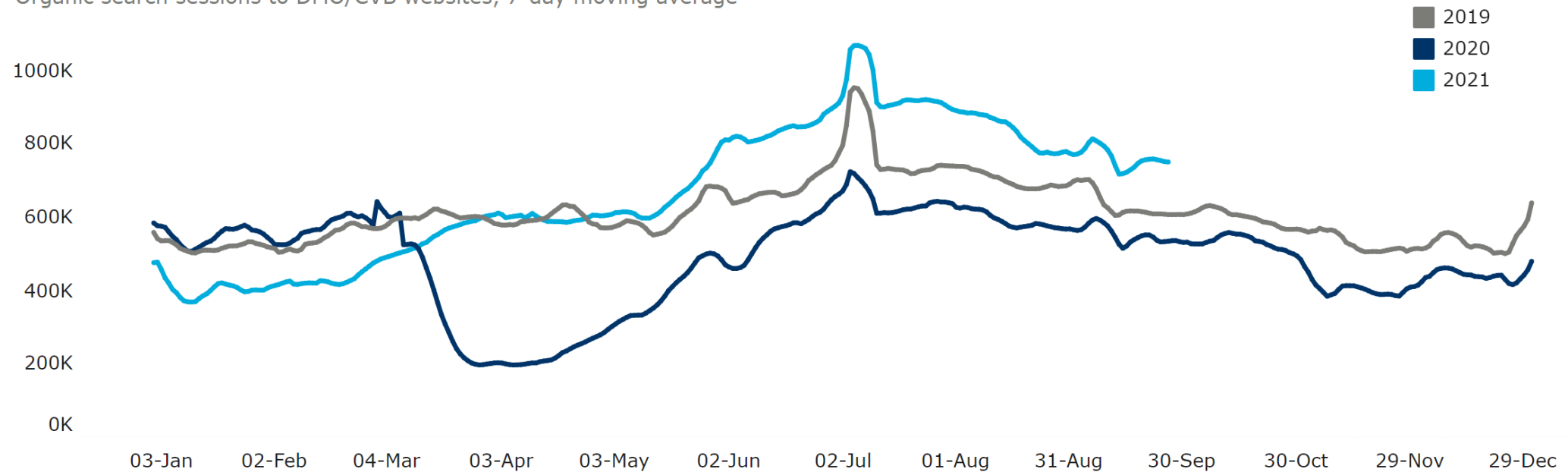


Travel Sentiment Study Wave 48

US DMO website searches remain above 2019 levels

Website Traffic

Organic search sessions to DMO/CVB websites, 7-day moving average

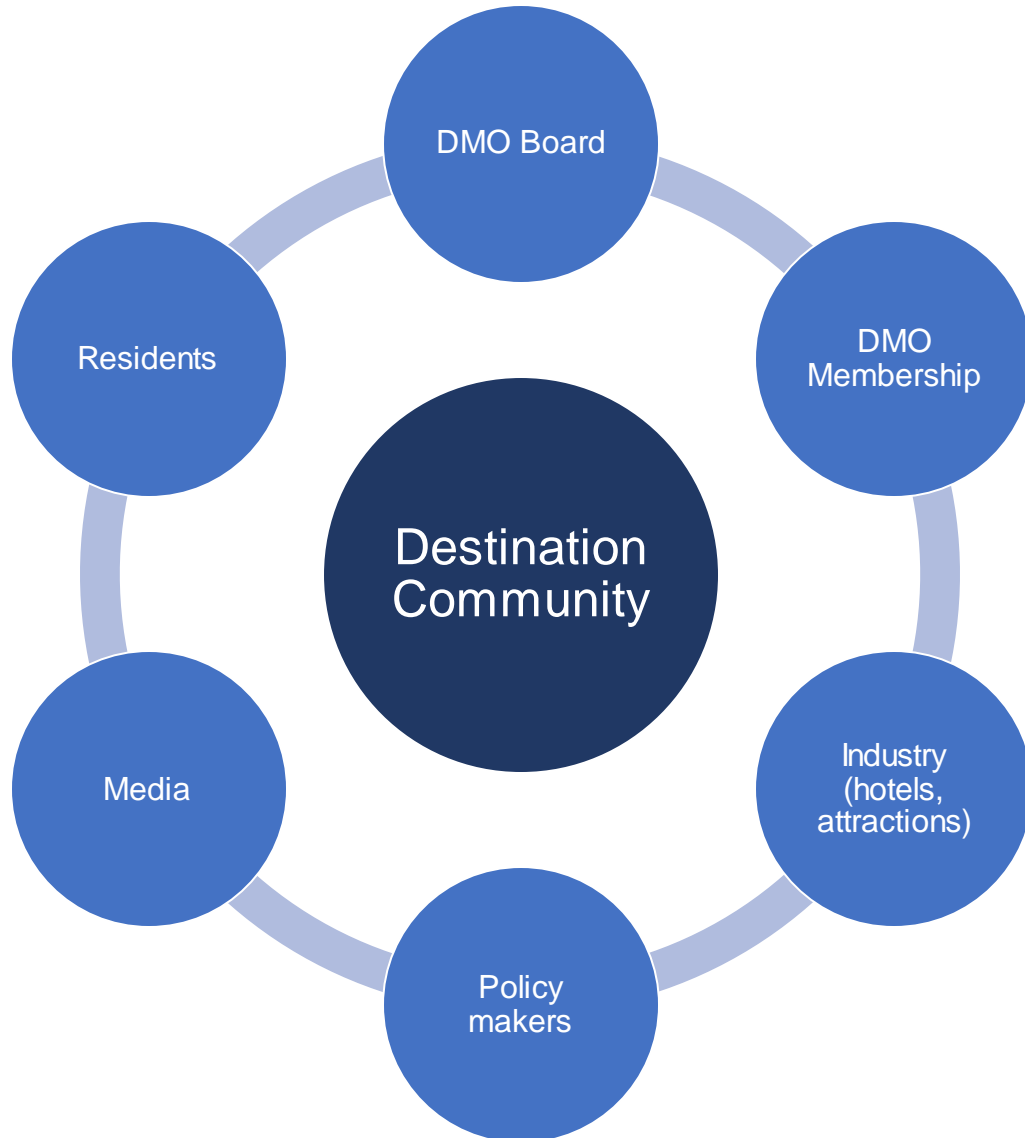


Source: Simpleview (250+ U.S. DMOs)

Sharp downturn and fast recovery



The goal: transform community into allies



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October 2021