THE TRAVEL RECOVERY: AN EPIC STORY

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Storyline

Storm clouds and resilience
The economy is a driving force
What could possibly go wrong?
Travel forecast milestones
Only 6% choosing not to travel.

**Influence of COVID-19 on Travel Plans in the Next Six Months**

- I am reducing the number of trips I'm taking: 30%
- I am choosing destinations I can drive to as opposed to fly: 30%
- I am traveling within the U.S. instead of internationally: 26%
- I am choosing rural destinations over city destinations: 14%
- I am choosing not to travel at all: 9%
- I am canceling trips: 6%

30% COVID-19 is not influencing my travel plans

Travel Sentiment Study Wave 51
US COVID-19 new hospitalizations edging upward
Travel confidence fell then quickly recovered

Question: When it comes to getting back out and traveling again, which best describes your current state of mind? (Select one)
Air travel picking up

Air Passenger Volume
% of 2019 level

Source: TSA
Since June, room demand has averaged 93% of 2019 levels.

U.S. monthly room demand, indexed to 2019

October 2021 prelim estimate

Source: STR. © 2021 CoStar Group
While auto trips and short-term rentals have outperformed

<table>
<thead>
<tr>
<th>Travel Recovery Indicators</th>
<th>United States, September 2021 % change relative to same month in 2019</th>
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<tbody>
<tr>
<td><strong>Auto Trips (Arrivalist)</strong></td>
<td><img src="image1" alt="Chart" /></td>
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<td><strong>Air Passengers (TSA)</strong></td>
<td><img src="image2" alt="Chart" /></td>
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<td><strong>Overseas Arrivals (NTTO)</strong></td>
<td><img src="image3" alt="Chart" /></td>
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<td><strong>Hotel Demand (STR)</strong></td>
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<td><strong>Short-term Rental Demand (AIRDNA)</strong></td>
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<td>Overseas Arrivals (NTTO)</td>
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<td>Hotel Demand (STR)</td>
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<td>Short-term Rental Demand (AIRDNA)</td>
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New Jersey welcomed 84.6 million visitors to the Garden State in 2020.

Visitation fell by 31.6 million person-trips in 2020, a decrease of 27% as a result of the pandemic.

Visitation fell to 2012 levels.
Visitor spending in New Jersey fell 36.8% in 2020 to $29.4 billion.

Visitor spending decreased by $17 billion in 2020, falling below levels seen during the last recession in 2009.

Pandemic closures and capacity limitations weighed heavily on spending.

Source: Tourism Economics, D.K. Shifflet
NJ traveler spending approaching breakeven point

Travel spending losses
% change relative to 2019

Source: Tourism Economics
...but hotel performance continues to lag

Hotel room demand
% change relative to 2019

Source: STR
THE MAIN OBSERVATION: RESILIENCE DESPITE WORRIES
Storyline

Storm clouds and resilience
**The economy is a driving force**
What could possibly go wrong?
Travel forecast milestones
Employment revs up in October

US: Nonfarm payroll employment

Millions

Source: Oxford Economics/BLS/Haver Analytics

Down 4.2 million jobs as of October
4.6% unemployment rate
Surge in consumer spending underway

Strongest consumer spending growth since WWII

Source: Oxford Economics/Haver Analytics

Average gain
1948-2019: 4.3%
2021: 8.0%
2022: 4.3%

Source: Oxford Economics/Haver Analytics
Consumer wealth is at record levels and debt service is low

**Household net worth**

In trillions, real

$130

$110

$90

$70

$50


**Household debt service**

Financial obligations as ratio to disposable income

20%

18%

16%

14%

12%


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
Spending is shifting towards services

**Consumer spending**
Change relative to same month in 2019

- Durable goods (28.7%)
- Nondurable goods (19.8%)
- Other services (5.8%)
- F&B, air, lodging and recreation services (-1.2%)

Note: Nominal. Monthly data through September 2021
Source: Bureau of Economic Analysis
Confidence strong while sentiment sags
Evidence that confidence is winning

US: Retail sales and consumer spending

Source: Oxford Economics/Haver Analytics/Census Bureau
A historically brisk economic recovery

US: A perspective on the Covid recession

Real GDP, Pre-recession peak=100

GDP growth forecast (Sep 2021):
- 2020: -3.4%
- 2021: 5.5%
- 2022: 4.5%

Source: Oxford Economics, BEA

*Dotted line represents forecast
MAIN POINT: UNDERPINNINGS OF ECONOMY REMAIN STRONG
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Risk #1: Covid-19 resurgence

Hospitalizations: US regions
Per million people

Note: Hospitalization data through November 14. Data shows patients with Covid-19 reported by hospitals for the four days prior, graphed as a seven-day average. Source: U.S. Department of Health & Human Services.
PSA: the vaccines work

Evidence continues to build that increasing vaccination rates is a difference maker.

Age-Adjusted Rates of COVID-19-Associated Hospitalizations by Vaccine Status in Adults Aged ≥18 Years, January–August 2021
Vaccination rates and treatments offer hope

U.S. resident vaccination rates

- US adults (CDC): 71%
- US business travelers (DA): 78%
- College degree (Census): 92%

Source: CDC, Destination Analysts (DA), U.S. Census
Risk #2: Supply chain bottlenecks

US: The cost of shipping a container from...

- China to the US (west coast): +334%
- China to the US (east coast): +339%
- North Europe to the US (east coast): +358%
- Global container index: +288%

Source: Oxford Economics/Freightos Baltic Index

Shipping Containers Waiting at Long Beach, CA

Marine Traffic 11/14/21
Businesses expect disruption to last well into 2022

When do you expect supply-chain disruption to end for your business?

% of respondents affected by disruption

Source: Oxford Economics Global Risk Survey
In the debate between transitory and runaway inflation, the truth lies somewhere in the middle:

Inflation likely to be “sticky but not oppressive”

Supply-driven inflation will remain high before moderating gradually in 2022.
The key question: Is there a risk of a wage-inflation spiral?
Risk 4: Labor shortages

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 September 2021. Seasonally adjusted. Source: Bureau of Labor Statistics
People quitting jobs, especially in hospitality

Quits rate, US

Accommodation and food service (6.6%)
Total (3.4%)

Note: The quits rate is the number of quits during the entire month as a percent of total employment. Data through September 2021. Seasonally adjusted. Source: Bureau of Labor Statistics
Wage rates are rising

Hourly earnings: Leisure and hospitality
Nonsupervisory positions, in 2020 dollars, US

Hourly wages have increased 11% relative to pre-pandemic.
Adjusted for inflation, wages are 7% ahead of trend.

Note: Data shown through September 2021. Seasonally adjusted.
Trend wage growth 2008 to 2021: 2.7% nominal (1.5% inflation + 1.3% real growth)
Source: Bureau of Labor Statistics
Reasons for not working are easing

**Main reason for not working: US**

Note: Based on respondents not working at time of survey. Data based on weekly surveys, history through October 12, 2021. Source: Census Bureau
THE MAIN POINT: COVID, SUPPLY CHAIN ISSUES, INFLATION, LABOR FORCE CONSTRAINTS...

ALL REPRESENT HEADWINDS AND RISKS YET ALSO ARE LIKELY TO IMPROVE IN 2022
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Travel forecast milestones
Room demand breaks through 2019 peak in 2022 Q3

Room demand
Quarterly, relative to 2019

Source: STR; Tourism Economics
Border closures delaying expected rebound until next year

International inbound forecast
% of 2019

Source: Tourism Economics
• Despite the large decline in inbound travel spending, the travel trade surplus fell just $16 bn in 2020 (and should be similar in 2021)

• Another way to think about this… the fall in inbound spending ($150 bn) was largely offset by the fall in outbound spending ($134 bn) as US residents traveled domestically.
Domestic leisure in “touching distance” of recovery

Domestic leisure person trips
% of time period in 2019

Forecast

2020H1 2020H2 2021H1 2021H2 2022H1 2022H2 2023H1 2023H2

Source: Tourism Economics, U.S. Travel Association
On a spending basis, business travel at $\frac{3}{4}$ peak next year

Travel expenditures – return to peak

Index (2019=100)

Note: Only domestic travel expenditures
Source: Tourism Economics, U.S. Travel Association
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.”
Groups already at 60% of 2019 demand levels

U.S. group demand, indexed to 2019 (luxury & upper upscale classes only)

October 2021 prelim estimate

Source: STR. © 2021 CoStar Group
64% of businesses are traveling now

Currently conducting domestic business travel
% of US companies

Source: GBTA
...intentions to resume travel are building

Business travel planned to resume within 3 months
% of US companies not currently traveling

Source: GBTA
8-in-10 US companies planning to be in the game soon

**Domestic business travel outlook**

% of US companies

- Plan to resume domestic business travel within the next 3 months
- Currently conducting domestic business travel

Source: GBTA
Visitation, measured as person-trips, registered 84.6 million in 2020. Visitation is expected to rebound to 100 million in 2021 and will reach pre-crisis levels in 2023.
Intentions to travel remain high at around 9-in-10
And MMGY Traveler Sentiment Index at an all-time high!
Industry in crisis: no sector has been hit as hard at travel

New Jersey employment loss by industry
% of industry lost since February 2020

- Leisure & hospitality: 19%
- Other services: 16%
- Education & health services: 6%
- Construction
- Information
- Government
- Trade, transportation, and utilities
- Financial activities
- Manufacturing
- Mining & logging
- Professional & business services

Source: BLS
Travel must be the focus for an economic recovery

Share of New Jersey employment loss by industry
% of all jobs lost since February 2020

- Leisure & hospitality: 37%
- Education & health services: 22%
- Other services: 13%
- Government:
- Trade, transportation, and utilities:
- Construction:
- Financial activities:
- Information:
- Manufacturing:
- Mining & logging:
- Professional & business services:

Source: BLS
TOTAL EMPLOYMENT IMPACTS

Employment

Tourism supported a total of 393,135 jobs when indirect and induced impacts are considered. This represents 7.0% of all jobs in the state—or one out of every fourteen jobs in New Jersey.

NJ Tourism-Supported Employment

- Direct: 247,245
- Indirect: 60,444
- Induced: 85,447
- Total: 393,135
ECONOMIC IMPACTS IN CONTEXT

Figures in context

**Employment**
Tourism supported 393,135 New Jersey jobs in 2020—that's enough to employ every resident of Mercer County.

**Taxes**
Splitting up the $4.0 billion in state and local taxes generated by visitor activity among all NJ households is $1,200 per household.
US DMO website searches remain above 2019 levels

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

Source: Simpleview & Tempest (300+ U.S. DMOs)
KEY POINTS:

• DOMESTIC LEISURE CONTINUES TO WIN THE DAY
• BUSINESS TRAVEL RECOVERS OVER NEXT 2 YEARS
• IMPORTANCE OF TRAVEL DEMANDS FOCUS

• BUT WHO IS THE HERO?
THANK YOU!

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