IMPACTS OF CORONAVIRUS ON GLOBAL TOURISM

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Coronavirus is spreading more widely and rapidly than expected

- Over 220,000 cases worldwide
- More cases outside China than inside China
- Over 140 countries affected
- Travel restrictions imposed by over 150 countries accounting for the majority of travel demand

Countries with travel restrictions, shaded according to inbound travel spending

Source: Tourism Economics Global Travel Service (GTS)
Coronavirus is having a major impact on economic activity

### Impact of Coronavirus

**Travel & Tourism**
- Official bans and restrictions
- Reduced appetite for business travel
- Reduce demand for leisure travel

**Confidence**
- Consumers pull demand forward
- Businesses reduce activity
- Events cancelled
- Lockdown risk

**Supply chains**
- Inventories run down
- Factory closures in the US
- Lockdown risk

Financial conditions = **Accelerator**
Q1 economic impact will be greater than during GFC

World: GDP

Forecast

Source: Oxford Economics/Haver Analytics

Questions: Use the question panel on the right
Unemployment spikes are likely in the near-term

**World GDP & employment**

Source: Oxford Economics/Haver Analytics

**Questions:** Use the question panel on the right
Travel impacts will far exceed those for GDP

Global GDP and tourist arrivals

Source: Tourism Economics

Questions: Use the question panel on the right
Impacts are being felt across all world regions

Inbound travel by region, 2020
Annual growth, %

Source: Tourism Economics

Questions: Use the question panel on the right
Hotel occupancy rates falling across APAC

Hotel Occupancy Evolution in Selected APAC Cities

2020 occupancy rate, rolling 7-day averages

Source: STR, Tourism Economics

Questions: Use the question panel on the right
Hotel occupancy rates have tumbled across EMEA

Hotel Occupancy Evolution in Selected EMEA Cities
2020 occupancy rate, rolling 7-day averages

Source: STR, Tourism Economics

Questions: Use the question panel on the right
All major destinations will be affected across Europe

Annual expected fall in arrivals by city, 2020

Questions: Use the question panel on the right
Hit to industrial production will be large

**US: Recessionary manufacturing activity**
Share of manufacturing sub-sectors contracting (%; weighted average)

![Graph showing US recessionary manufacturing activity]

Shaded bars denote US recessions

Source: Oxford Economics/Haver Analytics
Worrisome amid elevated corporate leverage

US: Nonfinancial corporate debt

Source: Oxford Economics/Haver Analytics
Large share of consumer spending is discretionary or social

US: Consumer spending at risk from virus

- Lowest risk
  - Housing and utilities: 19%
  - Medical care services: 17%
  - Transportation services: 3%
  - Fin services & insurance: 8%
- Higher risk
  - Food & beverage services: 15%
  - Recreation services: 4%
  - Other services: 9%
  - Gasoline & fuel: 2%
  - Clothing & shoes: 3%
  - Recreational gds & vehicles: 3%
  - Motor vehicles: 4%

Source: Oxford Economics/Haver Analytics
As in GFC, greatest social risks among low income earners

US: Worker benefits by average wage

Source: Oxford Economics/BLS
The disruptions to GDP growth in Q2 will be massive

We expect a 0.2% GDP contraction in 2020
Central banks with aggressive easing around the world

US: Rates slashed to the effective lower bound

Central bank policy rates

Questions: Use the question panel on the right

Source: Oxford Economics/Haver Analytics
US travel sector revenue will average 75% below normal in March and April.

Gradually lessening declines are expected in the summer as travel restrictions are loosened. However, losses will continue through the rest of the year.

Projected COVID-19 impact on tourism industry revenue

Source: Oxford Economics

Questions: Use the question panel on the right
Employment losses

The US economy is projected to lose 4.6 million jobs as a result of travel declines in 2020. This alone will increase the unemployment rate to 6.3% in the second quarter.

Total US unemployment rate likely to surge above 10%
International markets will be hard hit

Decline in International Visitors to the US in 2020

% change

-16.5%  -18.0%  -19.0%  -23.0%  -29.0%  -32.6%

Latin America  Mexico  Canada  World  Europe  Asia

Source: Tourism Economics

Decline in International Visitors to the US in 2020

Thousands

-4,592  -4,487  -3,937  -1,480  -20,000  -18,000  -16,000  -14,000  -12,000  -10,000  -8,000  -6,000  -4,000  -2,000  0

Europe  Asia  Canada  Mexico  Latin America  World

Source: Tourism Economics

Questions: Use the question panel on the right
International visitor spending impacts

• International market impacts will tally 13 times the impact of SARs and nearly double the impact of 9/11.

Decline in International Visitor Spending in the US

<table>
<thead>
<tr>
<th>Year</th>
<th>Spending Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001</td>
<td>$25.2 billion</td>
</tr>
<tr>
<td>2002</td>
<td>$-3.6 billion</td>
</tr>
<tr>
<td>2003</td>
<td>$-49.2 billion</td>
</tr>
<tr>
<td>2020</td>
<td>$-60 billion</td>
</tr>
<tr>
<td>2021</td>
<td>$-50 billion</td>
</tr>
<tr>
<td>2022</td>
<td>$-40 billion</td>
</tr>
<tr>
<td>2023</td>
<td>$-30 billion</td>
</tr>
<tr>
<td>2024</td>
<td>$-20 billion</td>
</tr>
<tr>
<td>2025</td>
<td>$-10 billion</td>
</tr>
<tr>
<td>2026</td>
<td>$0 billion</td>
</tr>
</tbody>
</table>

Source: Tourism Economics

Questions: Use the question panel on the right
Total US travel industry impacts

- Including international and domestic travel, $355 billion in travel spending will be lost in 2020.
- 6x impact of 9/11

Source: Tourism Economics

Questions: Use the question panel on the right
Do Italy and China show what’s to come?

China OCC Data Seems 8 Weeks Ahead of US OCC Data

Absolute Occ %, Select Countries, Aligned by level of OCC

Week End:
US 3/7
Italy: 2/22
China: 1/18

Week End:
US 3/14
Italy: 3/7
China: 2/8

Week End:
Italy: 2/29
China: 1/25

Week End:
Italy: 3/14
China: 2/15

Week End:
China: 3/14

Single Digit Occupancy

Source: STR. 2020 © CoStar Realty Information, Inc.
<table>
<thead>
<tr>
<th>Class Performance: High End Occupancy Below 50%</th>
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</thead>
<tbody>
<tr>
<td>Occupancy %, week ending March 14</td>
</tr>
<tr>
<td>Luxury Class</td>
</tr>
<tr>
<td>Upper Upscale Class</td>
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<tr>
<td>Upscale Class</td>
</tr>
<tr>
<td>Upper Midscale Class</td>
</tr>
<tr>
<td>Midscale Class</td>
</tr>
<tr>
<td>Economy Class</td>
</tr>
</tbody>
</table>

Source: STR. 2020 © CoStar Realty Information, Inc.
Strong demand rebound is typical in recovery

European tourist arrivals

Source: Tourism Economics

Questions: Use the question panel on the right
Uncertainty in outlook is related to duration of effects

European arrivals: average monthly seasonality
% share annual arrivals, 2013-18

Cumulative share arrivals

• Current forecasts assume 5-8 month period until containment.

• Continued travel restrictions are possible which will further impact peak travel season.

• “Typical airline had 2 months of cash at the start of the year” according to IATA.

Source: UNWTO, Tourism Economics

Questions: Use the question panel on the right
Short-haul prospects remain crucial for destination performance

**Europe: Long-Haul vs Short-Haul Arrivals**

% year, contribution to growth

Source: Tourism Economics

Questions: Use the question panel on the right
Once recovery begins, travel will surge

- A 20% drop in US outbound travel this year equals roughly 20 million trips—a share of which will eventually convert to domestic.

Questions: Use the question panel on the right
Economic rebound in 2021

Real GDP Growth Contribution

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

Global tourist arrivals: downside
Annual growth, %

Source: Tourism Economics

Questions: Use the question panel on the right
3-month access for tourism forecast services

- Forecasts and associated research briefs will be updated on a more regular basis during this period of uncertainty

- Tourism Economics are extending a time-limited offer to access our forecasts for a 3-month period

- Including access to Global Travel Service (GTS) flows for 185 countries and Global City Travel (GCT) data and forecasts for over 300 cities

- Please contact Becky Hindley: bhindley@oxfordeconomics.com

Questions: Use the question panel on the right