

The Impact of COVID-19 on the United States Travel Economy

2020 Analysis

April 15, 2020

Key Findings

Overview

Oxford Economics, in coordination with its Tourism Economics subsidiary company, modeled the expected downturns in the US travel industry in 2020 as a result of Coronavirus. We then modeled the economic impacts of these travel industry losses in terms of GDP, unemployment, and taxes.

Travel Industry Losses

A decline of 45% for the entire year is expected. This includes an 81% drop in revenue over the next two months and continued losses over the rest of the year reaching \$519 billion.

GDP Losses

Travel industry losses will result in a cumulative GDP impact of \$651 billion in 2020.

We project the US economy to enter a protracted recession based on the expected downturn in travel alone.

The recession is likely to last at least two quarters with the lowest point in the second quarter of 2020.

Tax Losses

A decline of \$80 billion in taxes will be realized as a result of travel declines in 2020.

Employment Losses

The US economy is projected to lose 8.0 million jobs by the end of April as a result of travel declines in 2020.

The unemployment rate of 4.4% in March will rise substantially in the coming months.

Travel-related employment losses alone will push the unemployment rate up to 8.4% by the end of April.

“FLATTENING THE CURVE” OF THE TRAVEL DOWNTURN

A scenario model was run to assess the potential gains of a more tempered downturn beginning in June.

The mitigated downturn scenario assumes a variety of efforts to lessen the severity of declines in travel beginning in June.

These include opening of travel businesses on a region-by-region basis, enhanced traveler safety measures, and a robust array of marketing campaigns to encourage travel among low risk US residents.

These mitigating efforts hold the potential to “flatten the curve” of losses, resulting in a cumulative decline of \$401 billion instead of \$519 billion and a net gain of \$117 billion.

By mitigating travel losses in the second half of 2020, the US economy could gain close to \$150 billion in GDP and 1.3 million jobs by the end of the year (relative to the baseline scenario).

Travel industry losses will far exceed that of any other sector. This is 9 times the impact of 9/11

A \$519 billion decline in travel spending in the US this year will translate into a total economic loss of \$1.2 trillion in economic output. This is more than nine times the impact of 9/11 on travel sector revenue.

In the second quarter, travel-related jobs will fall by 6.9 million and result in a total employment loss of 8.0 million jobs in the US (including indirect impacts).

A decline of \$80 billion in taxes will be realized as a result of travel declines in 2020.

This equates to a 45% decline in travel economic impacts for the entire year.

Expected Travel-Related Losses in 2020

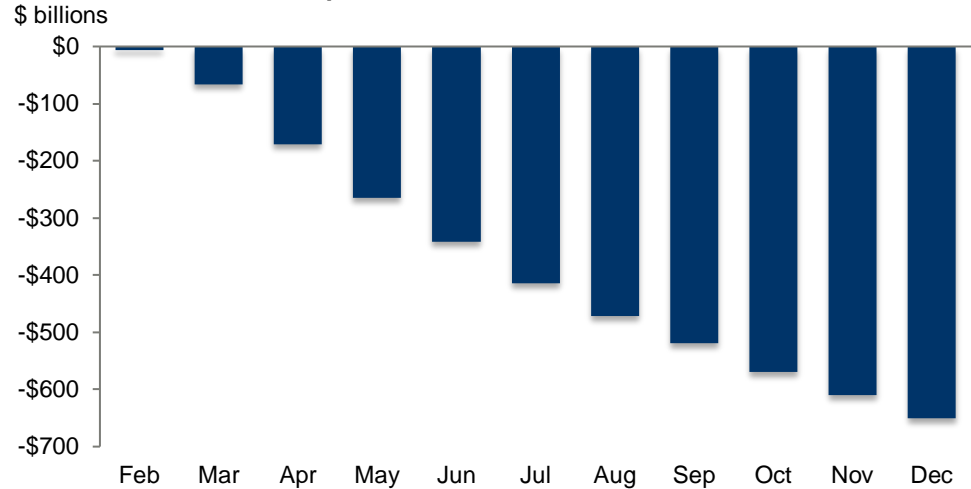
	Direct travel industry	Total impact
Lost spending (\$ billions)	-\$519	-\$1,181
Air transportation	-\$97	
Other Transportation	-\$78	
Lodging	-\$112	
Recreation & Amusement	-\$54	
Retail	-\$49	
Food Services	-\$128	
GDP Impact (\$ billions)	-\$286	-\$651
Jobs (thousands, April)	-6,852	-8,015
Air transportation	-374	
Other Transportation	-448	
Lodging	-1,004	
Recreation & Amusement	-1,110	
Retail	-349	
Food Services	-2,752	
Travel Planning	-96	
Lost taxes (\$ billions)	-\$35.3	-\$80.3
Federal	-\$19.0	-\$43.4
State	-\$10.0	-\$22.7
Local	-\$6.3	-\$14.3

Impact on US GDP

Travel industry losses will result in a cumulative GDP impact of \$651 billion in 2020. This equates to 45% of the travel industry's economic value last year.

GDP impacts will continue to accrue through the end of the year as travel activity continues to lag.

Cumulative COVID-19 impact on US GDP



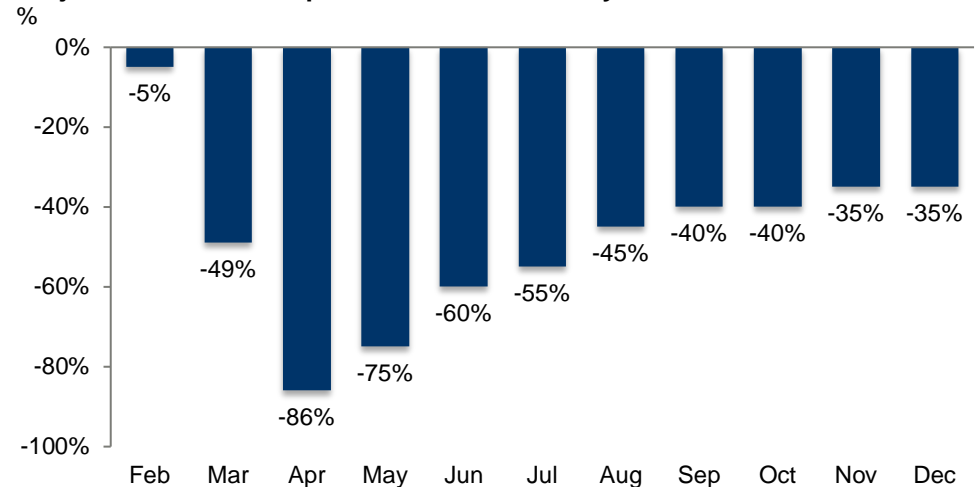
Source: Oxford Economics

Travel sector revenue will average 81% below normal in April and May

- The steepest losses are expected to be experienced in April, including:
 - Travel industry revenue: \$83 billion loss
 - Total economic output: \$189 billion loss
 - Direct travel industry jobs lost: 6.9 million
 - Total travel-supported jobs lost: 8.0 million

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

Projected COVID-19 impact on tourism industry revenue



Source: Oxford Economics

Employment losses

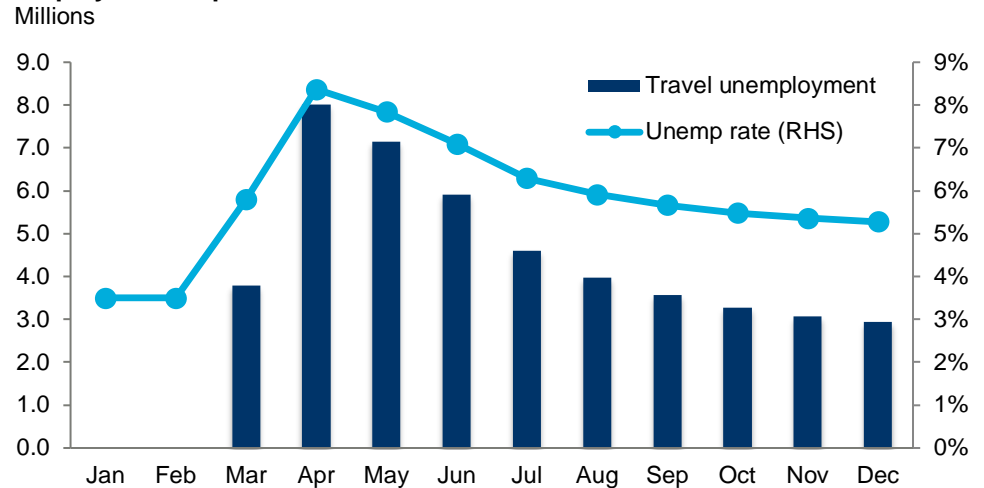
The US economy is projected to lose 8.0 million jobs by the end of April as a result of travel declines in 2020. This alone will increase the unemployment rate to 8.4% in the second quarter.

The unemployment rate rose to 4.4% in March from of 3.5% in February and will rise substantially in the coming months.

Travel-related employment losses alone will push the unemployment rate up to 8.4% over the next few months. Oxford Economics models predict the actual unemployment rate could reach 15% including job losses in all sectors.

This follows historical precedent of the job losses experienced in severe travel downturns.

Employment impacts of travel declines



Source: Oxford Economics

Employment losses

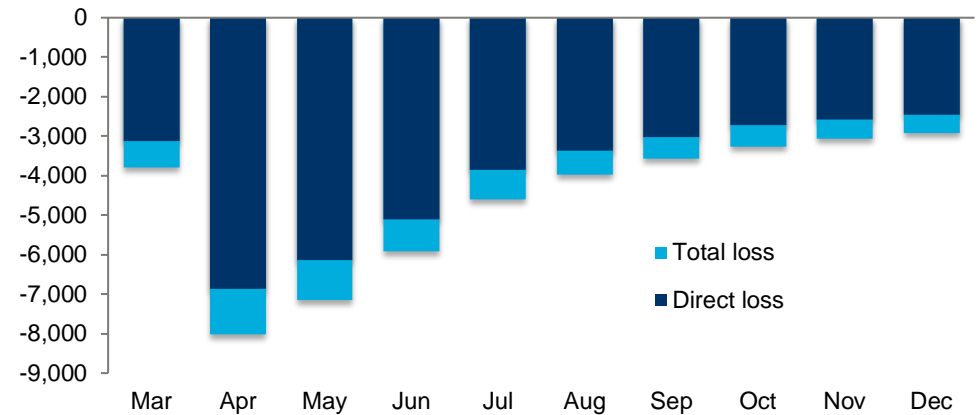
Jobs losses will spike in April and May but continue through the remainder of the year with 2.9 million jobs still lost in December.

At the lowest point, 8.0 million people will lose their jobs this year as a result of travel declines, including 6.9 million jobs directly in the travel industry.

Oxford Economics expects a 24 million job loss in April, implying that travel-related jobs will comprise one-third of this decline.

Tourism industry job loss

Thousands



Source: Oxford Economics

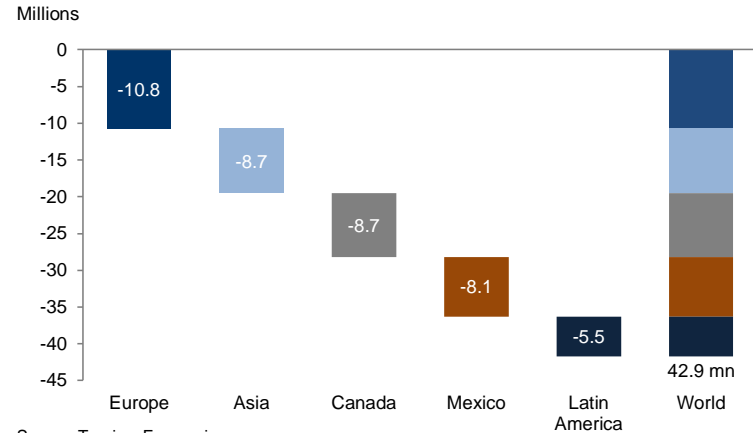
International markets will be hard hit

43 million fewer travelers will visit the US in 2020 than in 2019.

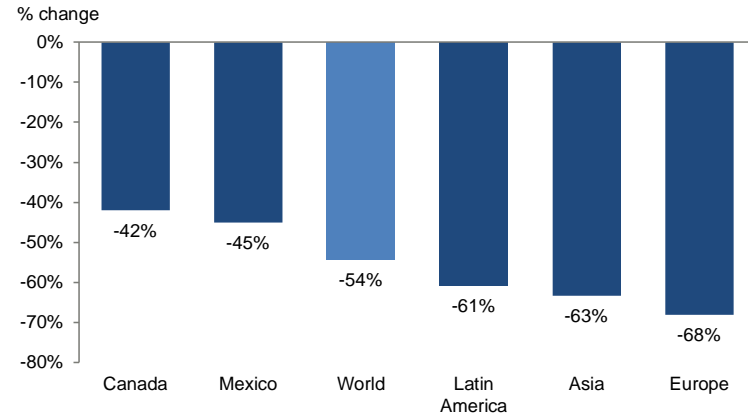
These losses span all markets with the largest declines from Asia and Europe.

International visits to the US will decline 54% this year assuming partial opening of borders in the second half of 2020.

Decline in International Visitors to the US in 2020



Decline in International Visitors to the US in 2020



International visitor spending impacts

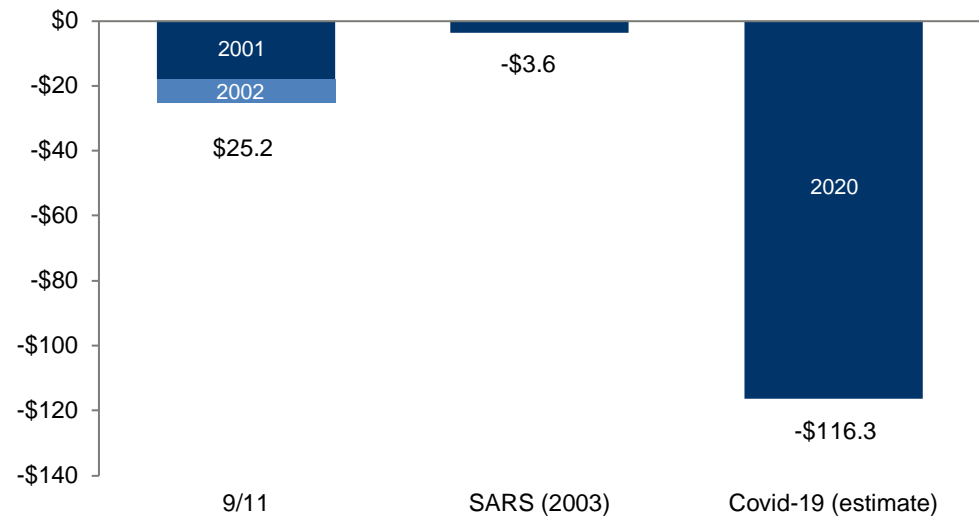
International market impacts of COVID-19 in 2020 alone will exceed four times the impact of 9/11 which was experienced over two years.

A loss of \$116 billion in international spending is anticipated this year.

This will be an unprecedented decline of 60% in one year.

Decline in International Visitor Spending in the US

\$ billions



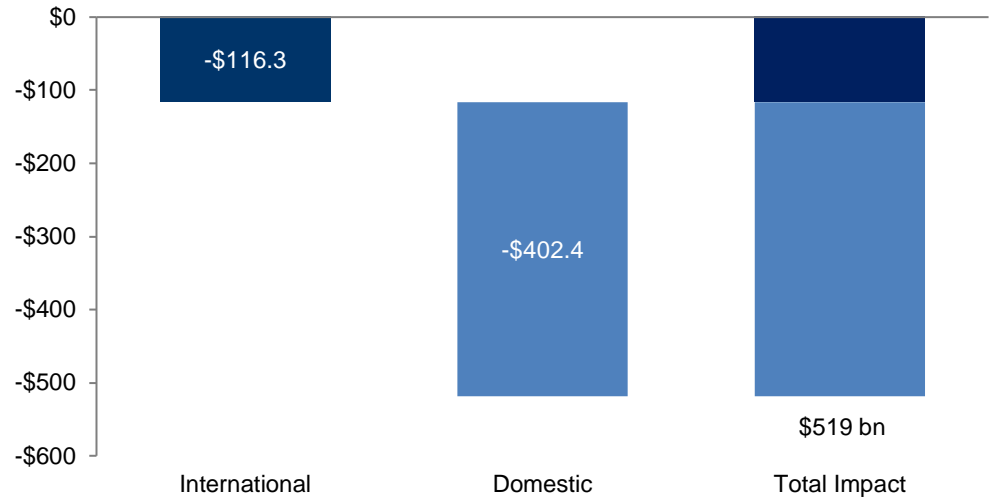
Source: Tourism Economics

Total US travel industry impacts

Including international and domestic travel, \$519 billion in travel spending will be lost in 2020.

Because of its relative size, most of the losses will be connected to declines in domestic travel.

Total Travel Revenue Loss in 2020
\$ billions



Source: Tourism Economics

“Flattening the curve” of the travel downturn

A scenario model was run to assess the potential gains of a more tempered downturn beginning in June, resulting in a net gain of \$117 billion in visitor spending relative to the baseline scenario.

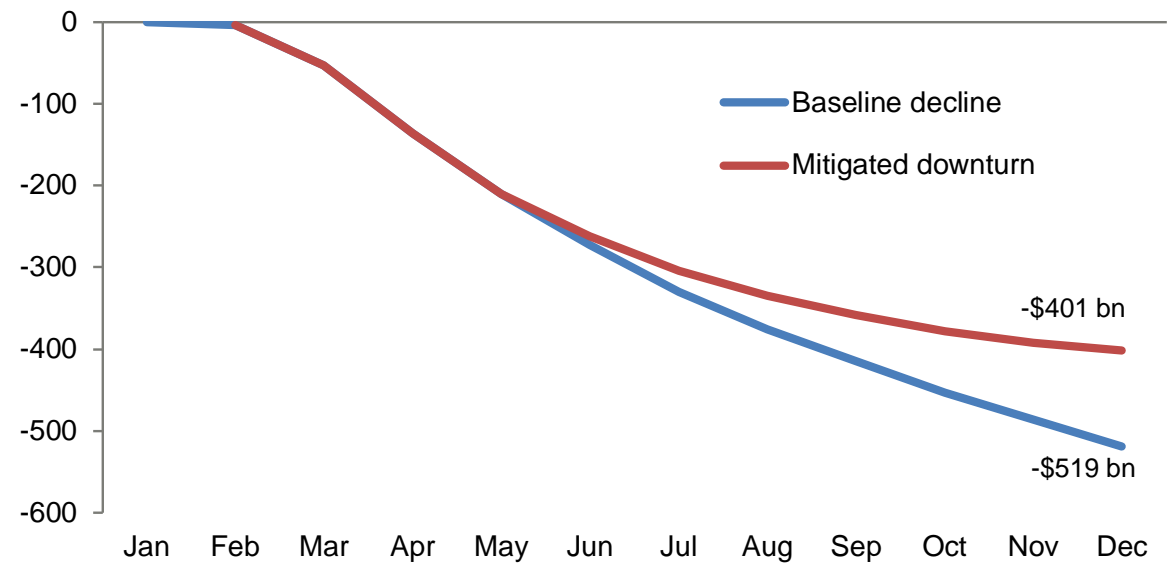
The mitigated downturn scenario assumes a variety of efforts to lessen the severity of declines in travel beginning in June.

These include opening of travel businesses on a region-by-region basis, enhanced traveler safety measures, and a robust array of marketing campaigns to encourage travel among low risk US residents.

These mitigating efforts hold the potential to “flatten the curve” of losses, resulting in a cumulative decline of \$401 billion instead of \$519 billion and a net gain of \$117 billion.

Projected COVID-19 impact on tourism industry revenue

2020 cumulative impact, \$ billions



Source: Oxford Economics

Economic benefits of “flattening the curve” of the travel downturn

By mitigating travel losses in the second half of 2020, the US economy could gain close to \$150 billion in GDP and 1.3 million jobs by the end of the year (relative to the baseline scenario).

Potential Gains from a Mitigated Downturn

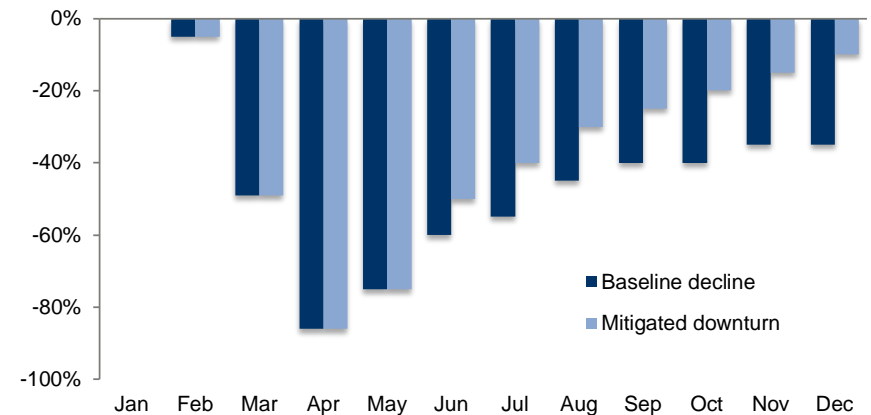
Total economic benefits of mitigating the expected losses in travel would tally \$147 billion in GDP, \$18 billion in taxes, and 1.3 million jobs restored by the end of the year.

	Kick-start recovery*	Share of projected loss	Average gain/month
Spending gains (\$ billions)	\$117.2	23%	\$16.7
Air transportation	\$21.9		\$3.1
Other Transportation	\$17.7		\$2.5
Lodging	\$25.2		\$3.6
Recreation & Amusement	\$12.3		\$1.8
Retail	\$11.2		\$1.6
Food Services	\$29.0		\$4.1
GDP Impact (\$ billions)	\$147.0	23%	\$21.0
Jobs recovered (thousands)	1,320	16%	
Taxes gained (\$ billions)	\$18.1	23%	\$2.6
Federal	\$9.8		
State	\$5.1		
Local	\$3.2		

Economic benefits of “flattening the curve” of the travel downturn

Comparison of monthly results for baseline and mitigated downturn scenarios

Projected COVID-19 impact on tourism industry revenue %



Source: Oxford Economics

2020 Impact Scenarios

	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Net Impact											
Baseline decline	-\$4.4	-\$48.4	-\$83.2	-\$74.9	-\$61.4	-\$57.6	-\$46.0	-\$38.1	-\$39.6	-\$32.3	-\$32.7
Mitigated downturn	-\$4.4	-\$48.4	-\$83.2	-\$74.9	-\$51.2	-\$41.9	-\$30.7	-\$23.8	-\$19.8	-\$13.8	-\$9.3
Difference (improvement)	\$0.0	\$0.0	\$0.0	\$0.0	\$10.2	\$15.7	\$15.3	\$14.3	\$19.8	\$18.5	\$23.4
Percentage Impact											
Baseline decline	-5%	-49%	-86%	-75%	-60%	-55%	-45%	-40%	-40%	-35%	-35%
Mitigated downturn	-5%	-49%	-86%	-75%	-50%	-40%	-30%	-25%	-20%	-15%	-10%
Difference (improvement)	0%	0%	0%	0%	10%	15%	15%	15%	20%	20%	25%
Cumulative Impact											
Baseline decline	-\$4.4	-\$52.8	-\$136.0	-\$210.9	-\$272.3	-\$329.9	-\$375.9	-\$414.0	-\$453.6	-\$485.9	-\$518.7
Mitigated downturn	-\$4.4	-\$52.8	-\$136.0	-\$210.9	-\$262.1	-\$303.9	-\$334.6	-\$358.4	-\$378.2	-\$392.1	-\$401.4
Difference (improvement)	\$0.0	\$0.0	\$0.0	\$0.0	\$10.2	\$25.9	\$41.3	\$55.6	\$75.4	\$93.8	\$117.2

About Oxford Economics

Oxford Economics is one of the world's leading providers of economic analysis, forecasts and consulting advice. Founded in 1981 as a joint venture with Oxford University's business college, Oxford Economics enjoys a reputation for high quality, quantitative analysis and evidence-based advice. For this, it draws on its own staff of 300 highly-experienced professional economists; a dedicated data analysis team; global modeling tools, and a range of partner institutions in Europe, the US and in the United Nations Project Link. Oxford Economics has offices in New York, Philadelphia, London, Oxford, Dubai, and Singapore.

Oxford Economics is a key adviser to corporate, financial and government decision-makers and thought leaders. Our worldwide client base now comprises over 1,000 international organizations, including leading multinational companies and financial institutions; key government bodies and trade associations; and top universities, consultancies, and think tanks.

Tourism Economics is an Oxford Economics subsidiary with vast experience in providing actionable and credible analysis of tourism. Tourism Economics works with national and local tourism offices throughout North America, Europe, Asia, the Middle East and Africa as well as some of the largest tourism service companies in the world. Hundreds of destinations and companies have trusted our staff to help them make better marketing, investment, and policy decisions based on credible fact-based, quantitative analysis.

