Georgia travel spending fell dramatically, but has been improving.

Georgia monthly travel spending
$ millions, year-over-year change

<table>
<thead>
<tr>
<th>Month</th>
<th>Change from last year</th>
<th>Percent change</th>
</tr>
</thead>
<tbody>
<tr>
<td>March</td>
<td>$-2,500</td>
<td>-48%</td>
</tr>
<tr>
<td>April</td>
<td>$-2,000</td>
<td>-85%</td>
</tr>
<tr>
<td>May</td>
<td>$-1,500</td>
<td>-71%</td>
</tr>
<tr>
<td>June</td>
<td>$-1,000</td>
<td>-45%</td>
</tr>
<tr>
<td>July</td>
<td>$-500</td>
<td>-38%</td>
</tr>
<tr>
<td>August (thru 22nd)</td>
<td>$0</td>
<td>-34%</td>
</tr>
</tbody>
</table>

Source: Tourism Economics
And Georgia is recovering at a faster rate than the US

Travel spending losses
Year-over-year % change

Source: Tourism Economics
Nevertheless, travel spending losses are approaching $10 billion.

Georgia travel spending loss by month

<table>
<thead>
<tr>
<th>Month</th>
<th>$ millions</th>
</tr>
</thead>
<tbody>
<tr>
<td>March</td>
<td>-$1,306</td>
</tr>
<tr>
<td>April</td>
<td>-$2,274</td>
</tr>
<tr>
<td>May</td>
<td>-$1,967</td>
</tr>
<tr>
<td>June</td>
<td>$1,276</td>
</tr>
<tr>
<td>July</td>
<td>$1,092</td>
</tr>
<tr>
<td>August (thru 22nd)</td>
<td>-$686</td>
</tr>
<tr>
<td>Total</td>
<td>-$8,600</td>
</tr>
</tbody>
</table>

Source: Tourism Economics
...with implications for state and local government

Georgia tax revenue losses on travel spending
$ millions, year-over-year change

Source: Tourism Economics
Weekly Room Demand: First Decrease Since 4/11
Total U.S., by Week

Source: STR. 2020 © CoStar Realty Information, Inc.
TSA Count Growth Fluctuates Around the “0 %” Line
TSA Checkpoint Count, Week over Week, from 4/18

Source: STR. 2020 © CoStar Realty Information, Inc.

https://www.tsa.gov/coronavirus/passenger-throughput
Class Performance: Low Price Point = High Occupancy
Total U.S., Occupancy %, week ending August 22

<table>
<thead>
<tr>
<th>Class Performance</th>
<th>Occupancy %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Luxury Class</td>
<td>38.3</td>
</tr>
<tr>
<td>Upper Upscale Class</td>
<td>33.8</td>
</tr>
<tr>
<td>Upscale Class</td>
<td>47.1</td>
</tr>
<tr>
<td>Upper Midscale Class</td>
<td>51.9</td>
</tr>
<tr>
<td>Midscale Class</td>
<td>52.3</td>
</tr>
<tr>
<td>Economy Class</td>
<td>54.6</td>
</tr>
</tbody>
</table>

Source: STR. 2020 © CoStar Realty Information, Inc.
Location Performance: Three Locations with 50%+ Occ
Total U.S., Occupancy %, week ending August 22

- Urban: 37.1%
- Suburban: 51.0%
- Airport: 44.4%
- Interstate: 51.7%
- Resort: 43.9%
- Small Metro/Town: 56.0%

Source: STR. 2020 © CoStar Realty Information, Inc.
Segmentation: National Group Occ Still at 3.8%
Total U.S., Segmentation KPIs, % Change, week ending August 22

<table>
<thead>
<tr>
<th></th>
<th>Transient</th>
<th>Group</th>
</tr>
</thead>
<tbody>
<tr>
<td>Occupancy</td>
<td>-45.7</td>
<td>-80.3</td>
</tr>
<tr>
<td>ADR</td>
<td>-16.1</td>
<td>-25.7</td>
</tr>
<tr>
<td>RevPAR</td>
<td>-54.4</td>
<td>-85.4</td>
</tr>
</tbody>
</table>
Economic indicators that matter
Q2 GDP: Historic and meaningless

Quarterly GDP numbers are expressed as an annualized rate (i.e. if conditions were to persist for 12 months).

Not annualized, GDP has fallen 10.6% over the past two quarters.

US: The worst quarterly decline in GDP

Percent change, q/q annualized

Source: Oxford Economics/Haver Analytics
Historic

US: Peak-to-trough GDP decline during recessions

- Great Depression: 1929, -26.3%
- WWII Demobilization: 1946, -13.5%
- Global Coronavirus Recession: 2020, -10.5%
- GFC: 2008, -4.0%
- Previous recessions with lesser declines

Source: Oxford Economics/BEA
Jobs recovery has paused

US: Recovery Tracker -- Employment

% (January 31st = 100)

Sources: Oxford Economics, Homebase, Google, Burning Glass, Department of Labor, American Staffing Association
1.8 million jobs added in July; still down 13 million jobs

US: Nonfarm payroll employment

Millions

<table>
<thead>
<tr>
<th>Year</th>
<th>Employment (in millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1998</td>
<td>120</td>
</tr>
<tr>
<td>2000</td>
<td>125</td>
</tr>
<tr>
<td>2003</td>
<td>130</td>
</tr>
<tr>
<td>2006</td>
<td>135</td>
</tr>
<tr>
<td>2008</td>
<td>140</td>
</tr>
<tr>
<td>2010</td>
<td>145</td>
</tr>
<tr>
<td>2012</td>
<td>150</td>
</tr>
<tr>
<td>2014</td>
<td>155</td>
</tr>
</tbody>
</table>

Source: Oxford Economics/Haver Analytics

- Feb-Apr: -22.1mn
- June: +4.8mn
- July: +1.8mn
This represents a massive income loss.

**US: Aggregate weekly payrolls**

Source: Oxford Economics/Haver Analytics

Aggregate weekly payrolls -3.1% y/y in July
Unemployment claims remain high (base of 30 mn)

US: Total initial claims for unemployment benefits
Millions, nsa

Source: Oxford Economics/Haver Analytics
Retail sales are back above their pre-pandemic peak

US: Retail sales

Source: Oxford Economics/Haver Analytics
Our forecast
US recovery should continue into 2021 but will remain below par

**Deepest US recession since WWII**

GDP Q4 2019 = 100

- **Phase 1**: Q2-Q3 2020 (10% reduction)
- **Phase 2**: Q4 2020 - 2021

-10% 90%

**Risks are skewed to the downside**

*Source: Oxford Economics*
Growing pessimism for small businesses

US: A bifurcated small businesses outlook

"How much time do you think will pass before business operations return to year-ago levels?

Source: Oxford Economics/Census Bureau Small Business Pulse Survey
Five global scenarios: (US GDP in 2020 and 2021; probability)

• **Baseline forecast** (-4.2%, 3.9%; 40% probability)
  • While growth bounces back following a peak in infections and lockdown stringency in Q2 2020, the COVID-19 induced recession in the first half of the year has some lingering costs for global GDP.

• **Recovery fades amid renewed wave of infections** (-4.7%, -6.4%; 20% probability)
  • A second coronavirus wave results in renewed lockdowns, with persistent public health concerns weighing on confidence and activity in the medium term.

• **Scientific advances speed up return to normal** (-3.3%, 5.4%; 20% probability)
  • Restrictions are eased more quickly, facilitating a more rapid recovery and limiting permanent damage on the global economy.
…but easing of lockdowns will release stimulus impact

Debt-to-GDP ratio will rise above 100% for the first time since WWII

Source: Oxford Economics/CBO
Income & savings were supported by fiscal aid

US: Nominal income
Total personal income, $bn

- Other transfers
- UI benefits
- Other income
- Compensation

Source: Oxford Economics/Haver Analytics

Source: Oxford Economics/Haver Analytics
Rebound in spending supported by savings

US: Personal saving rate
Share of disposable income, %

Source: Oxford Economics/Haver Analytics
High income earners least impacted by the crisis

US: Share of workers who can telework by wage level, in %

- Earnings greater than the 75th percentile: 61.5%
- Earnings from 50th to 75th percentiles: 37.3%
- Earnings from 25th to 50th percentiles: 20.1%
- Earnings less than or equal to the 25th percentile: 9.2%

Anatomy of a travel recovery

Return to “normal” volumes: target 2023

- **Initial Phase**: Begins Summer 2020
  - Domestic leisure drive
  - Domestic leisure fly

- **Secondary Phase**: Begins 2021Q1
  - Essential meetings
  - Small- and medium events
  - Regional International

- **Final Phase**: Begins 2021Q2
  - Large events
  - Long-haul international
Destination performance will largely hinge on exposure

Hotel room demand by customer type
Share of 2019 room nights sold

Most resilient mix

Least resilient mix

But historical mix is only part of the story.

Ability to transition to new markets will be key to accelerating recovery.
What happens if all international travel stops? Domestic opportunity

19 million more US outbound trips than inbound

Source: Tourism Economics
US hotel room demand: 3-year recovery period (2023Q3)

Compares to 2 years after GFC…

But we start the timer in 2021Q2 in a post-pandemic world

However, next year will recover to 81% of 2019 demand levels

Source: STR; Tourism Economics
Georgia room demand will be whole in 2023

Baseline outlook:
2021 will recover to 90% of 2019 demand levels
And 2022 will reach 96% of prior peak

Hotel room demand in Georgia, three scenarios
Rooms, millions

Source: Tourism Economics
Georgia room revenue will take a bit longer

The baseline outlook anticipates 2021 will recover to 80% of 2019 REVENUE levels.

Hotel room revenue in Georgia, three scenarios
Dollars, billions

- **Upside**
- **Baseline**
- **Downside**

Source: Tourism Economics
Leisure & hospitality sector has led job growth in Georgia

L&H employment in Georgia
Index (2010=100)

Source: BLS, BEA
But no sector has been hit as hard as travel.

Georgia employment loss by industry
% of industry lost since February

Leisure and hospitality: 17%
Information: 10%
Other services: 5%
Professional and business services: 20%
Manufacturing: 15%
Education and health services: 10%
Financial activities: 0%
Construction: 0%
Trade, transportation, and utilities: 0%
Mining and logging: 0%
Government: 0%

Source: BLS
...but now represents more than a third of all jobs lost

Georgia employment share of employment loss
% of all jobs lost since February

- Leisure & hospitality: 36%
- Professional & business services: 18%
- Trade, transportation, and utilities: 10%
- Education & health services
- Manufacturing
- Information
- Other services
- Government
- Financial activities
- Construction

Source: BLS
Key guideposts for the next 18 months

• Recovery has begun (notwithstanding the risks)

• Economic recovery has plateaued but will accelerate as virus is contained

• Georgia hotel demand will approach normalcy in the second half of 2021 with full recovery in 2023

• Market-level recovery timeline will be largely a function of:
  1. Pandemic developments
  2. Ability to pivot to recovering markets
  3. Capacity of destination marketing

• Risks exist on both sides of this forecast. But recovery is inevitable.
This should not be controversial

Adam Sacks
President, Tourism Economics
1d · 🔐

All our forecasts and scenarios are moored to the non-negotiable assumption that travel will fully recover. The pandemic will end. The drivers of travel – income growth, demographic shifts, the importance of meetings and the intrinsic value of a vacation – will still be intact on the other side. History supports the premise; recovery is inevitable.

276 · 42 Comments

Like Comment Share Send

24,566 views of your post in the feed
Rebuttal and counterargument

“Words to that effect also said by music industry, newspaper industry and video industry in the last two decades as well. "Non-negotiable assumption" seems like a strange hill to stand on for an economist...”

- Unnamed author

Adam Sacks ✉️ Author
President, Tourism Economics

With those other industries (music, newspaper, video), new platforms emerged to provide the same service more efficiently while improving the customer experience. **There is no clear substitute for travel.**