



TOURISM
ECONOMICS

AN OXFORD ECONOMICS COMPANY

Can Georgia's Travel Industry Defy Economic Gravity?

Zeek Coleman | VP, Americas | ZColeman@OxfordEconomics.com



But first...

**Why listen to
the 6'6 black
guy?**

An Oxford Economics Company

Oxford Economics leads the globe in forecasting and quantitative analysis, helping navigate economic uncertainty and find growth opportunities in a challenging world economy. Tourism Economics, an Oxford Economics company, specializes in combining deep knowledge of tourism dynamics with rigorous economics to answer essential questions facing travel businesses.



40+ Years of Experience

Founded in 1981 in collaboration with Oxford University



700+ Staff, 20 Global Offices

Including 400+ economists in London, NYC, Frankfurt, Paris, Sydney, Singapore and more



Over 4,000 Clients Worldwide

Travel, Government, Corporate, B2C, Real Estate, Technology, Financial, Asset & Investment Management



Unique Macroeconomic Model

World-leading sets of global linked models that set us apart

Award Winning Analysis



Leading Economic Models

Top companies rely on Oxford's proprietary globally integrated economic, industry and regional models. These replicate the world economy by **linking 85 countries** and **more than 100 industry sectors**



Industry Expertise

Our team of data-driven leaders, analysts and economists bring **decades of combined travel industry experience** and specialized training—uniquely allowing us to understand and meet the specific needs of your sector.



Independent & Objective

Our team's extensive experience is leveraged to ensure **trends are covered impartially**—plus, pairs with advanced research tools to provide best-in-class insights into key business, financial and policy issues.



Global Insights Coverage

With offices worldwide, our boots-on-the-ground coverage provides **deep knowledge of local economies**, critical for more accurate forecasts and recognition of future opportunities and risks before they occur.



*Best overall forecaster
over the last six years for the
Focus Economics Awards*



*Most Innovative Global
Economic Forecasting
Specialists*

Bloomberg

*Best Global Economic
Forecasting Specialists for Asia
Pacific & Middle East Business*



*Economic Forecasting
Specialists of 2021; Innovation
& Excellence Awards*



**Best Overall
Forecaster**

Most Accurate Among Big Names

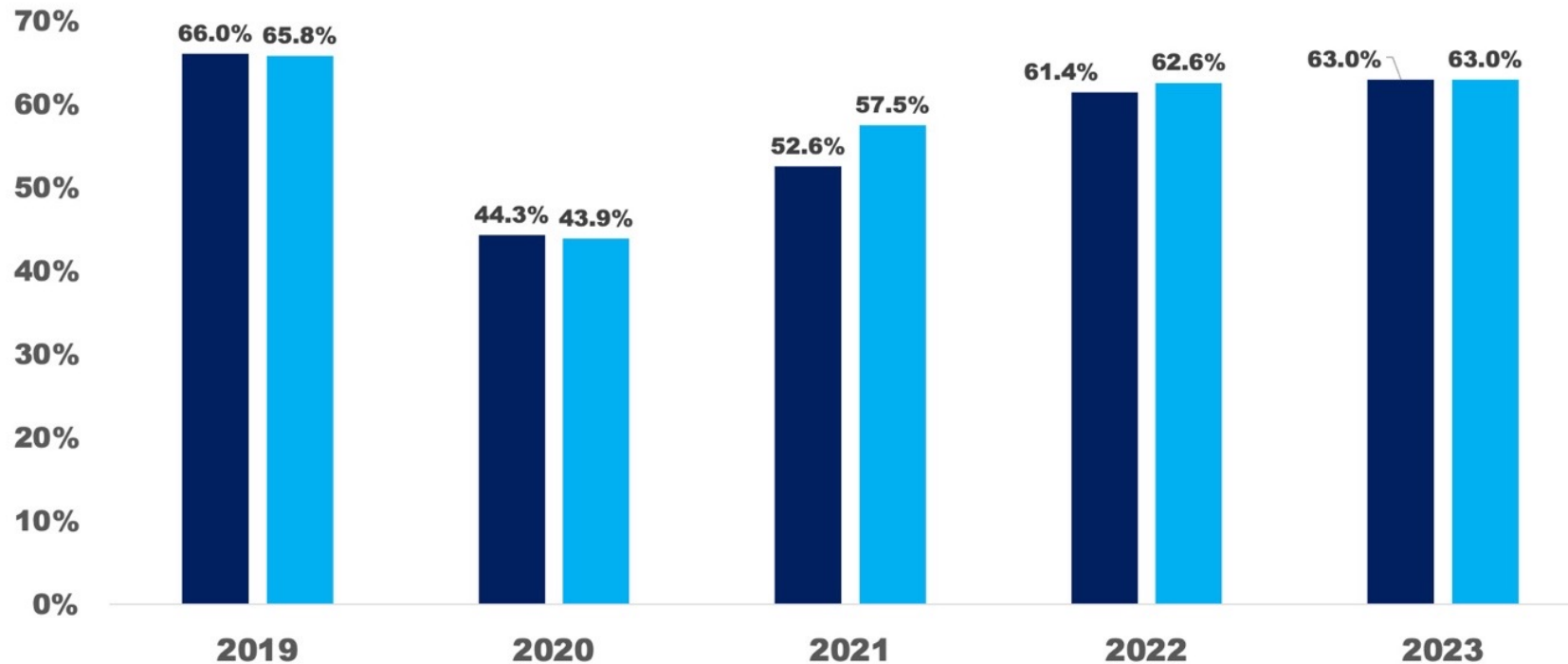
	2023	2022	2021	2020	2019	5 year total
 Oxford Economics	101	115	165	100	111	605
EIU	132	131	119	118	90	582
Fitch Solutions	124	137	115	56	89	486
Capital Economics	64	73	50	85	98	368
Citigroup Global Mkts	58	92	67	83	69	408
JPMorgan	76	82	64	64	43	308
Moody's Analytics	87	68	42	40	43	221
HSBC	68	52	29	49	49	236
Euromonitor International	59	40	56	41	45	239
Standard Chartered	44	40	50	32	41	200



**We build upon the
accuracy of
Oxford...**

Tourism Economics' Forecast in 2020 vs. Actual

U.S. Hotel Occupancy Rate



● NOVEMBER 2020 FORECAST ● ACTUAL

Source: STR, Tourism Economics



**This is why large
brands trust us...**

Trusted by Clients Worldwide



Aviation
Lodging
Cruise

Government
Financial Institutions

Internet Marketing
Travel Trade
International organizations



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**Let's answer this
by asking a few
questions...**

A vertical photograph on the left side of the slide shows a winding asphalt road with yellow double lines, curving along a grassy hillside. In the distance, the ocean and a coastline are visible under a clear blue sky. A few cars are parked on the shoulder of the road.

What We'll Cover

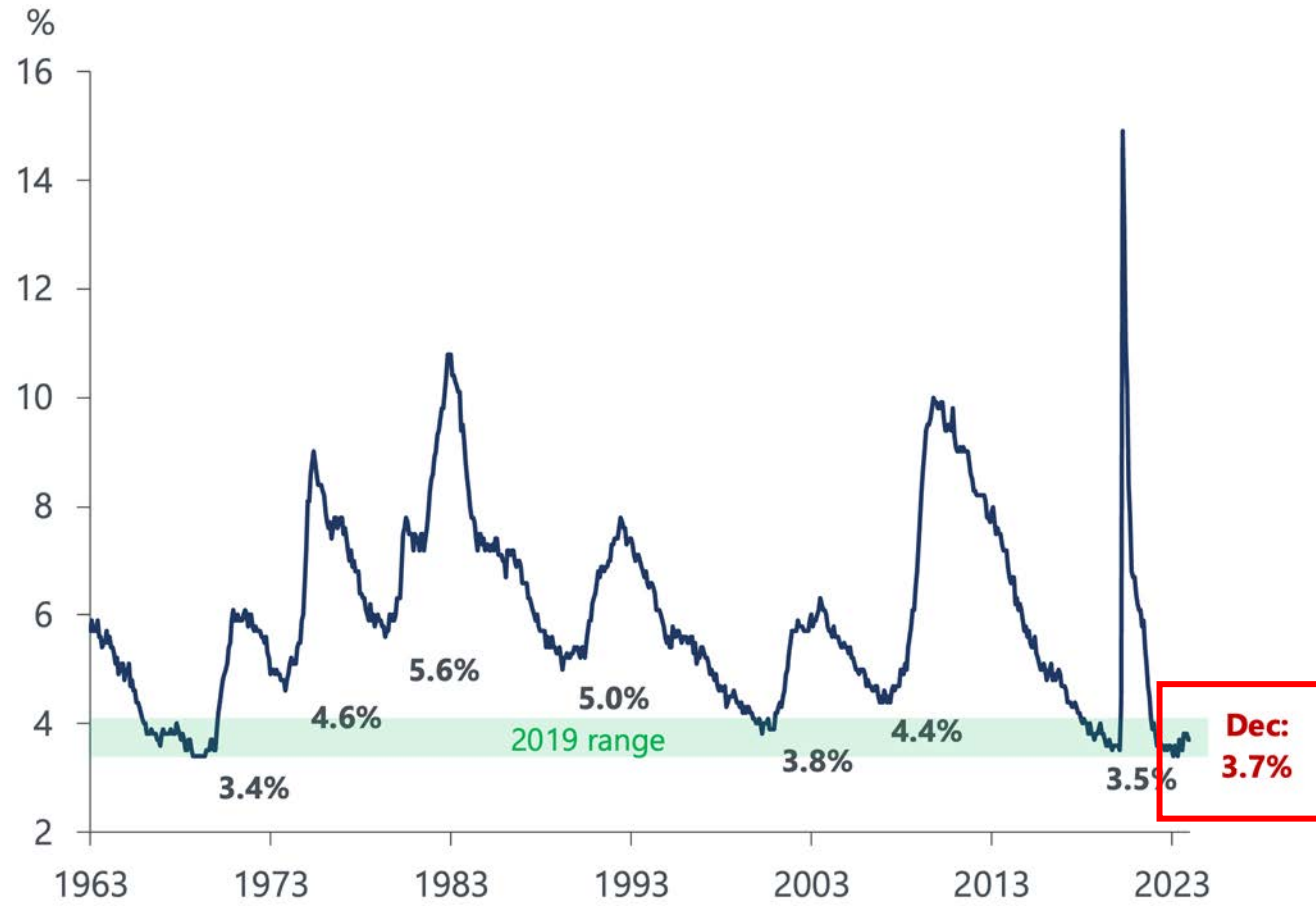
- 1 How did we avoid a recession?
- 2 What challenges remain in 2024?
- 3 Should we be Optimistic?

**Now let's take a trip down
memory lane...**

**...a little after the
pandemic...to 2023.**

In 2023, Unemployment remained historically low...

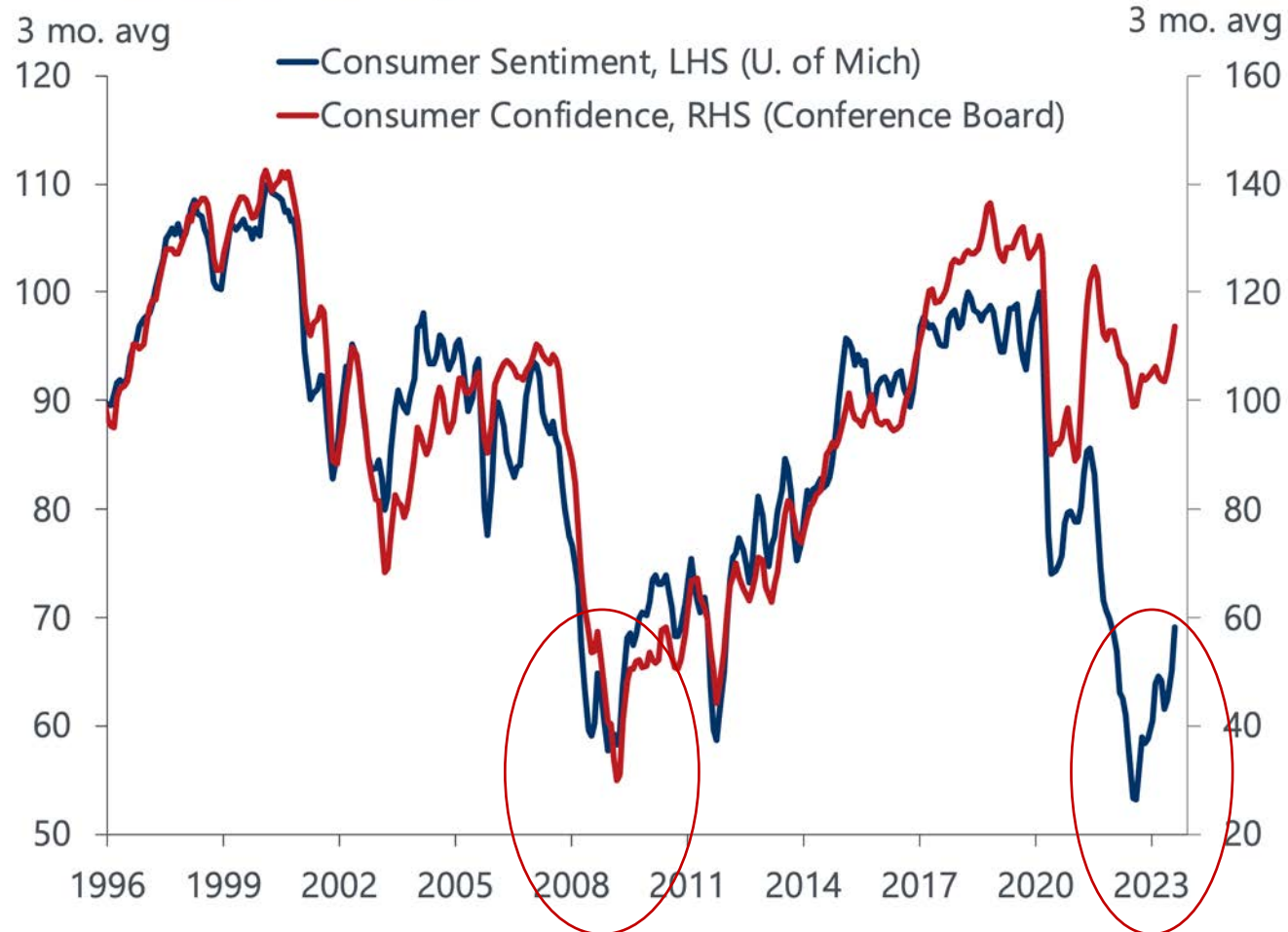
US: U-3 unemployment rate



Source: Oxford Economics/Haver Analytics

Yet consumers felt uneasy...

US: Consumer surveys

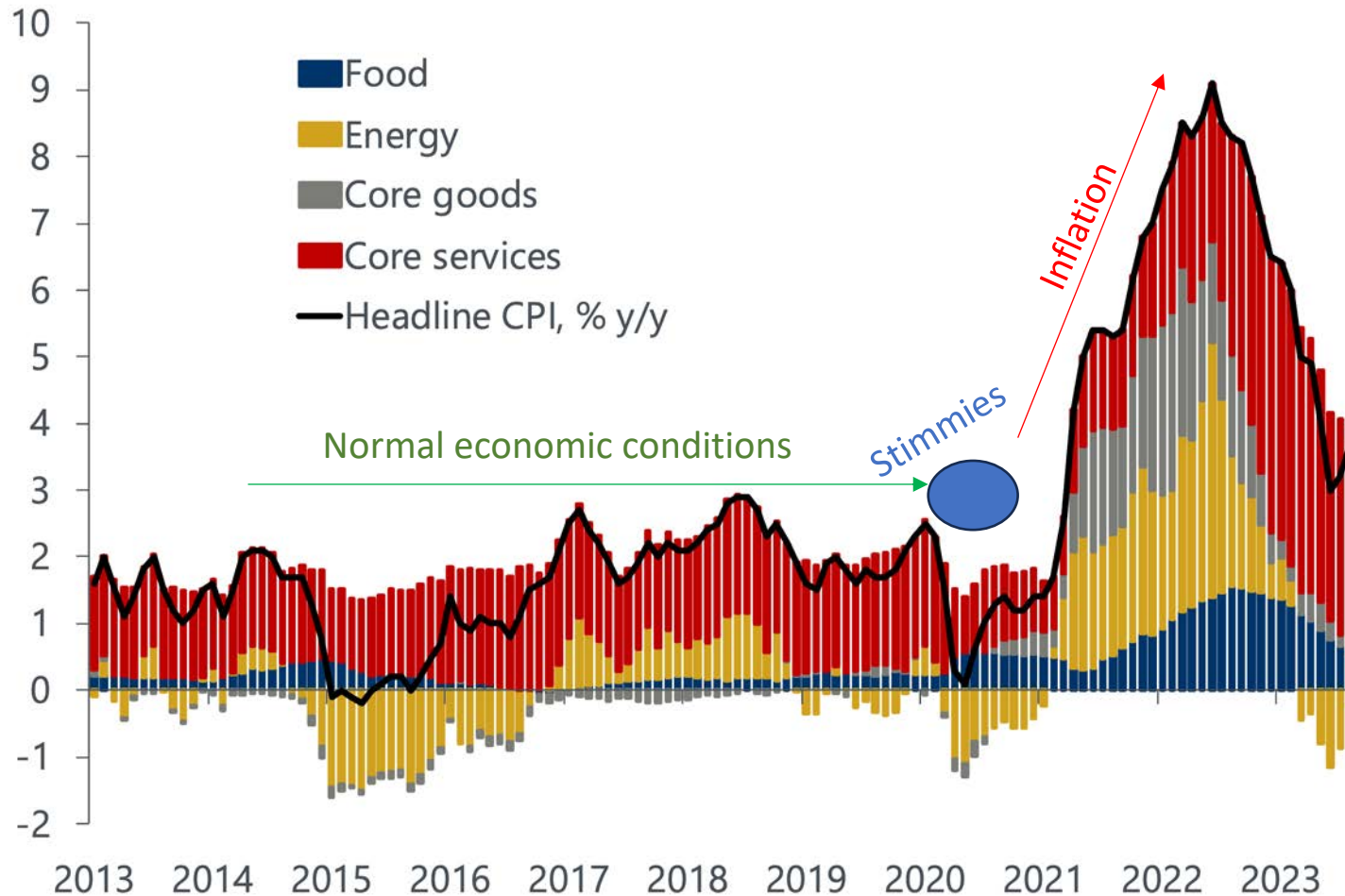


Source: Oxford Economics/Haver Analytics

The culprit? Inflation

US: Breakdown of CPI by components

PPT contribution to headline CPI inflation



*1,400 dollar stimulus hits

Me at Petsmart:



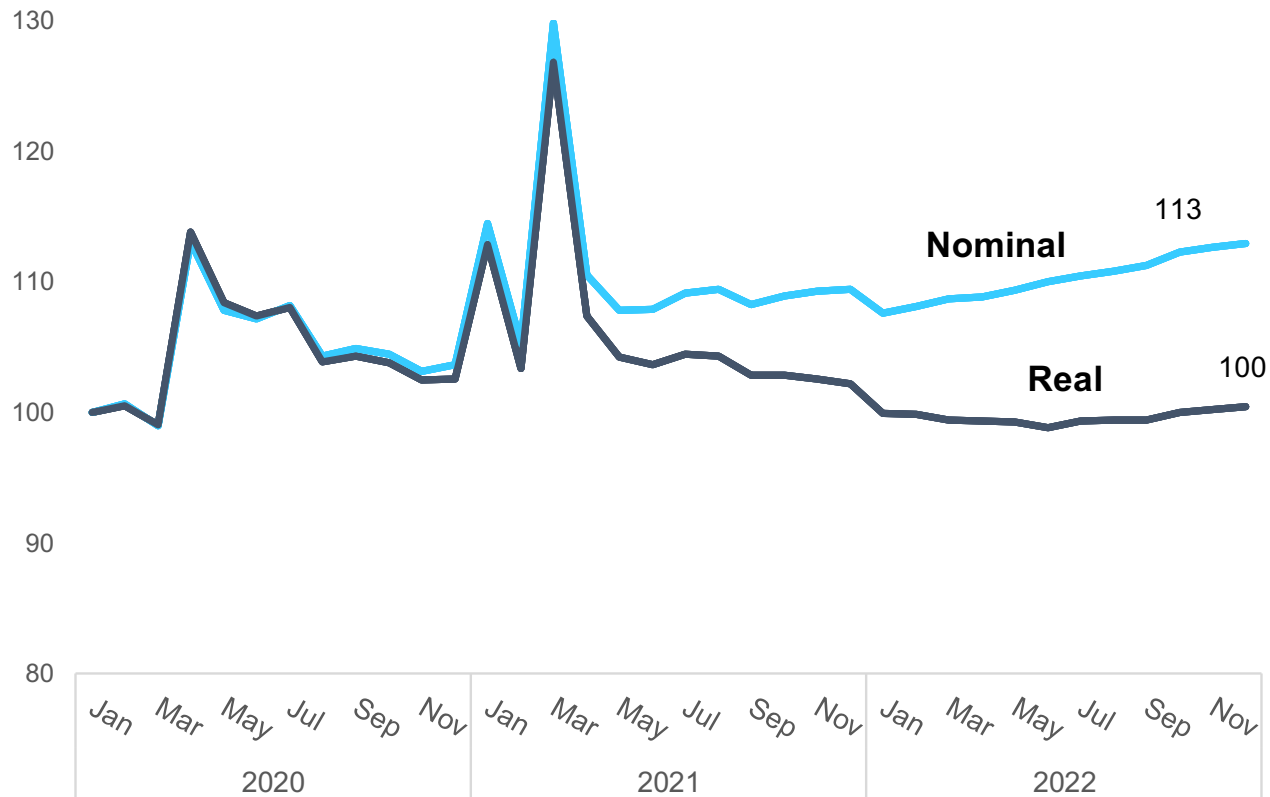
“Ya’ll got tigers?”

- Prices in August were 3.7% higher than a year earlier
- Core prices were 4.3% higher

Inflation took a bite out of disposable income

Personal income

January 2020 = 100



- The average U.S. household is spending an additional \$400/month to buy the same goods and services as last year.

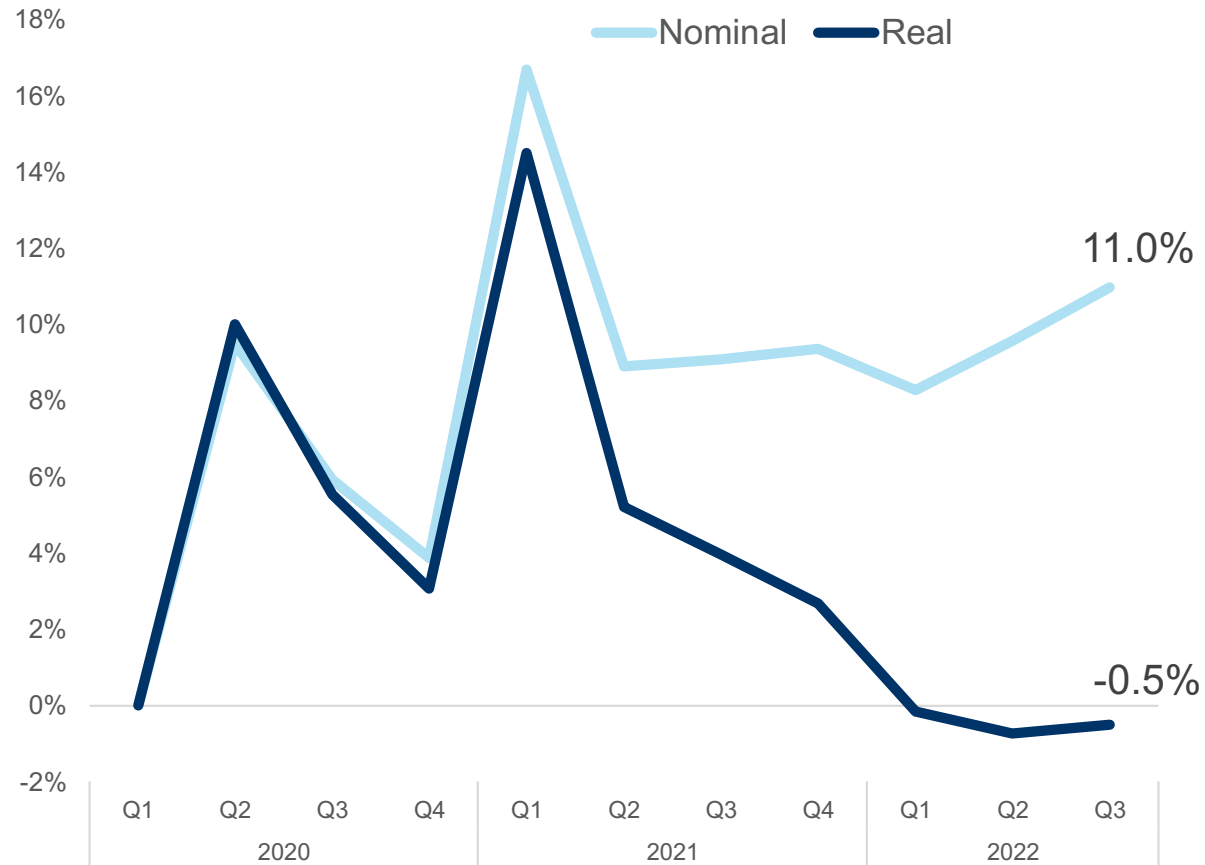
Note: Disposable personal income, seasonally adjusted

Source: BEA; FRED

This chart is for my fellow "C" students

Disposable personal income growth

Change relative to 2020 Q1



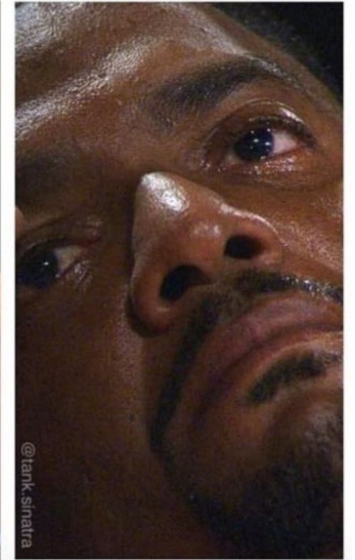
Note: Disposable personal income (measures income after taxes), seasonally adjusted. Real series deflated by PCE price index.

Source: BEA; Tourism Economics

Getting \$1200
in Georgia



Getting \$1200 in
NYC



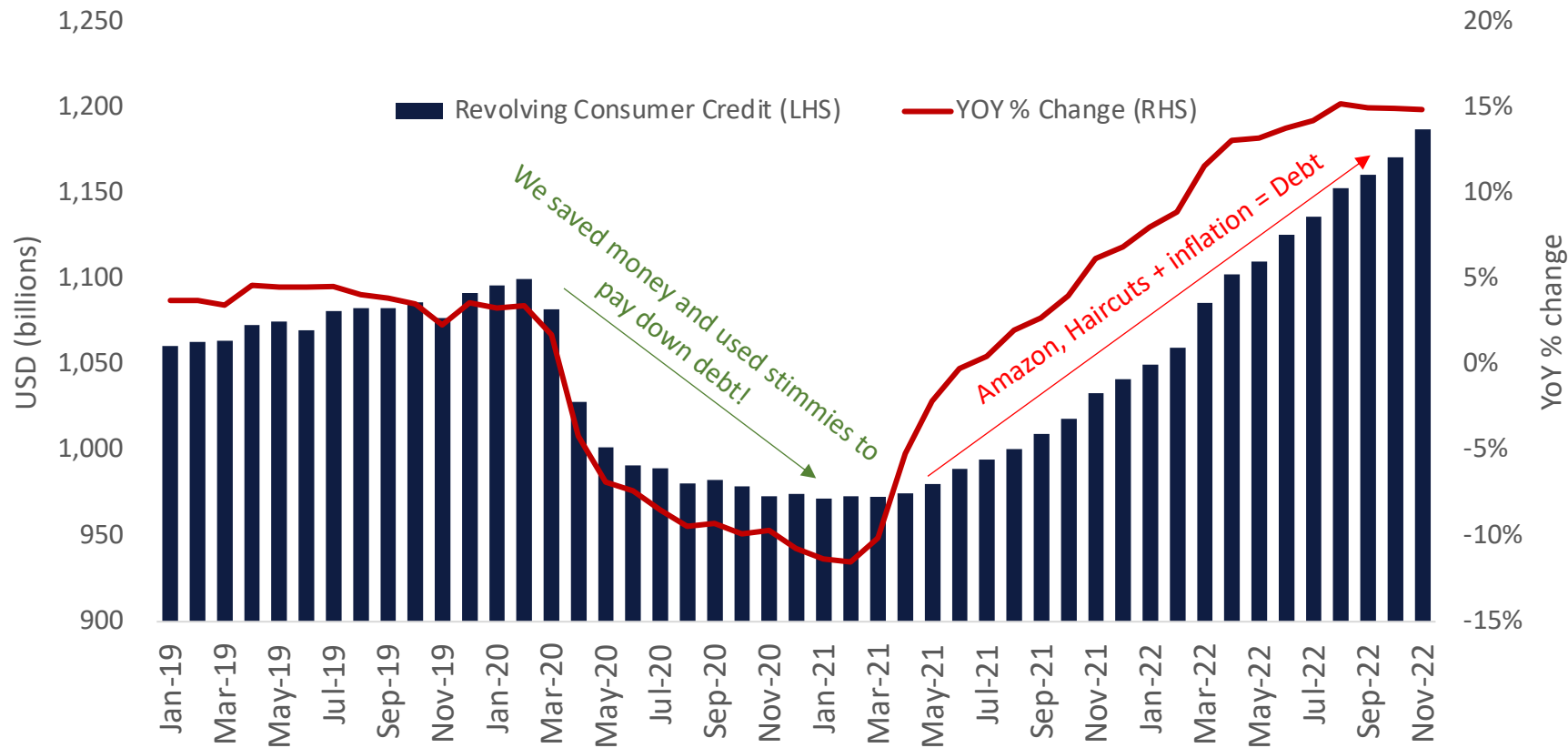
In "C student" terms:

"If you made \$100K and your wage increased to \$111K, you can actually only buy \$100K of pre-inflation stuff."

Less bang for your buck!

And households were taking on more debt

U.S.: Revolving credit has surpassed pre-pandemic levels



Oxford Economics/Haver Analytics



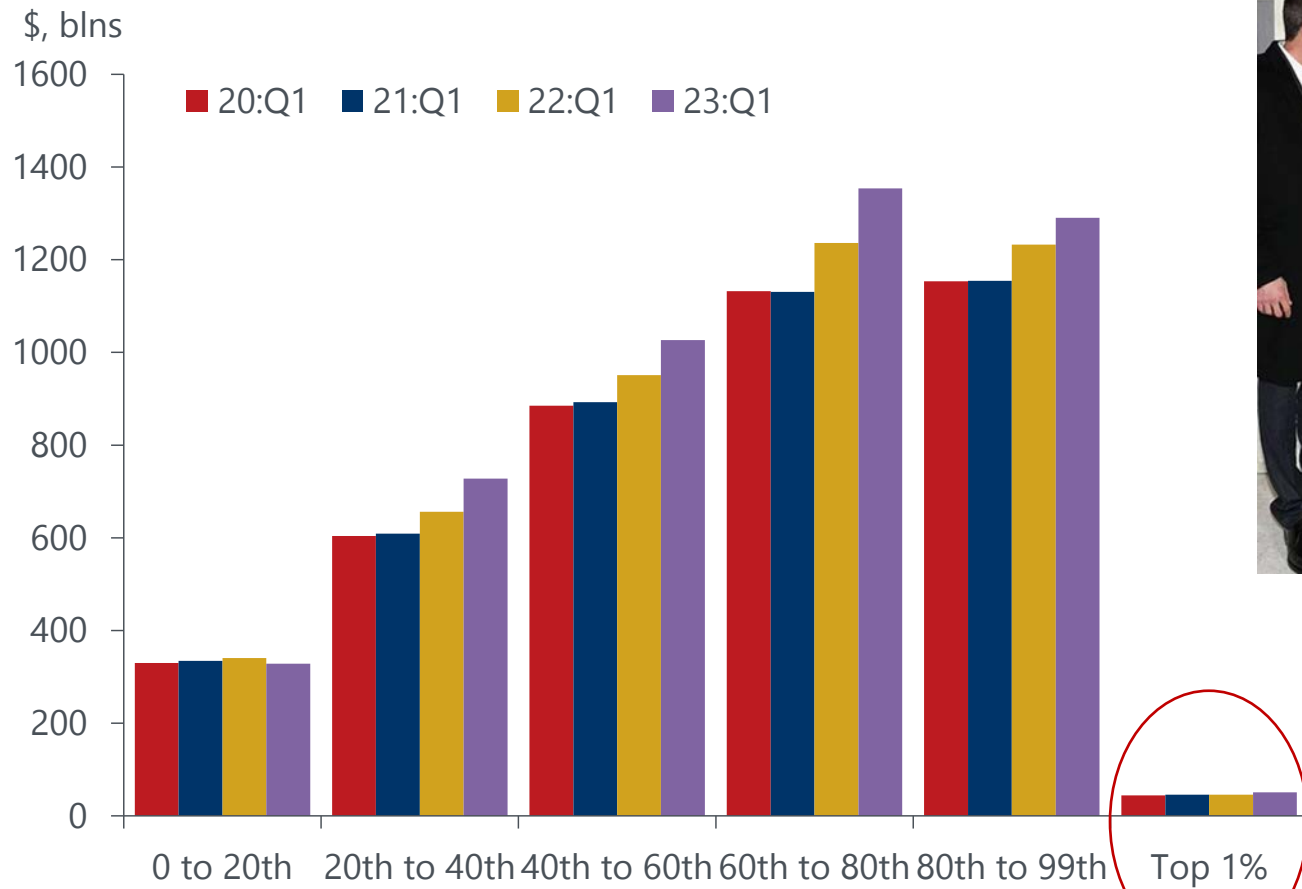
Before Stimmyes...



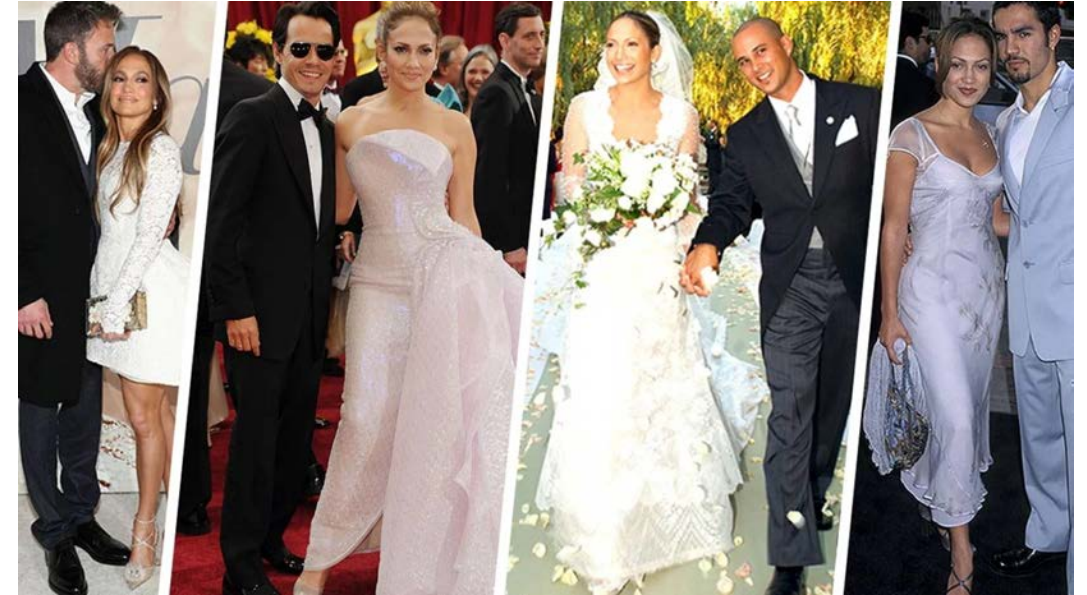
After Stimmyes...

Outstanding debt by income level in the US

US: Outstanding consumer credit



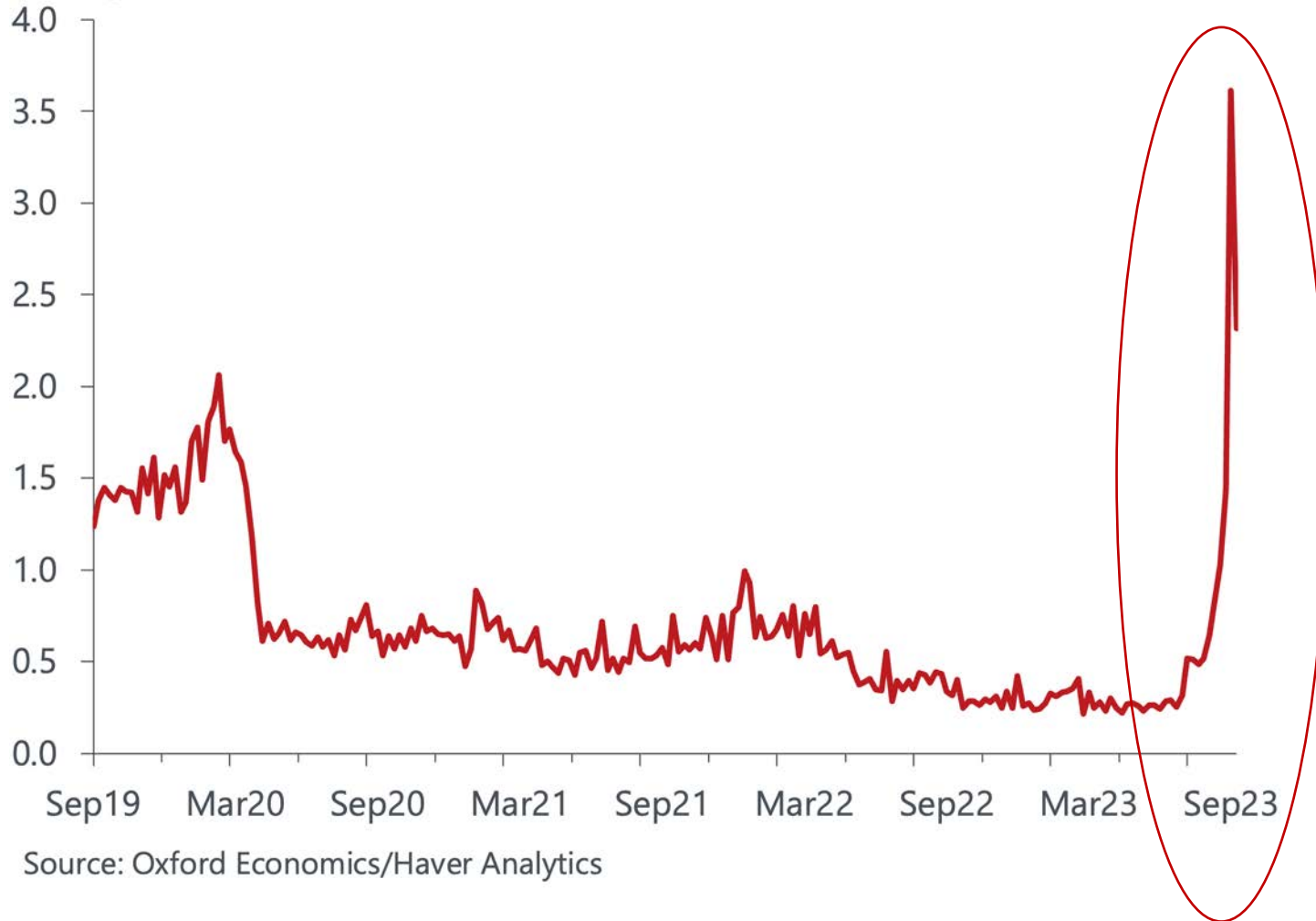
Source: Oxford Economics/Haver Analytics



Shout out to the 1% for living within their means... 😊

Student loan payments resumed...

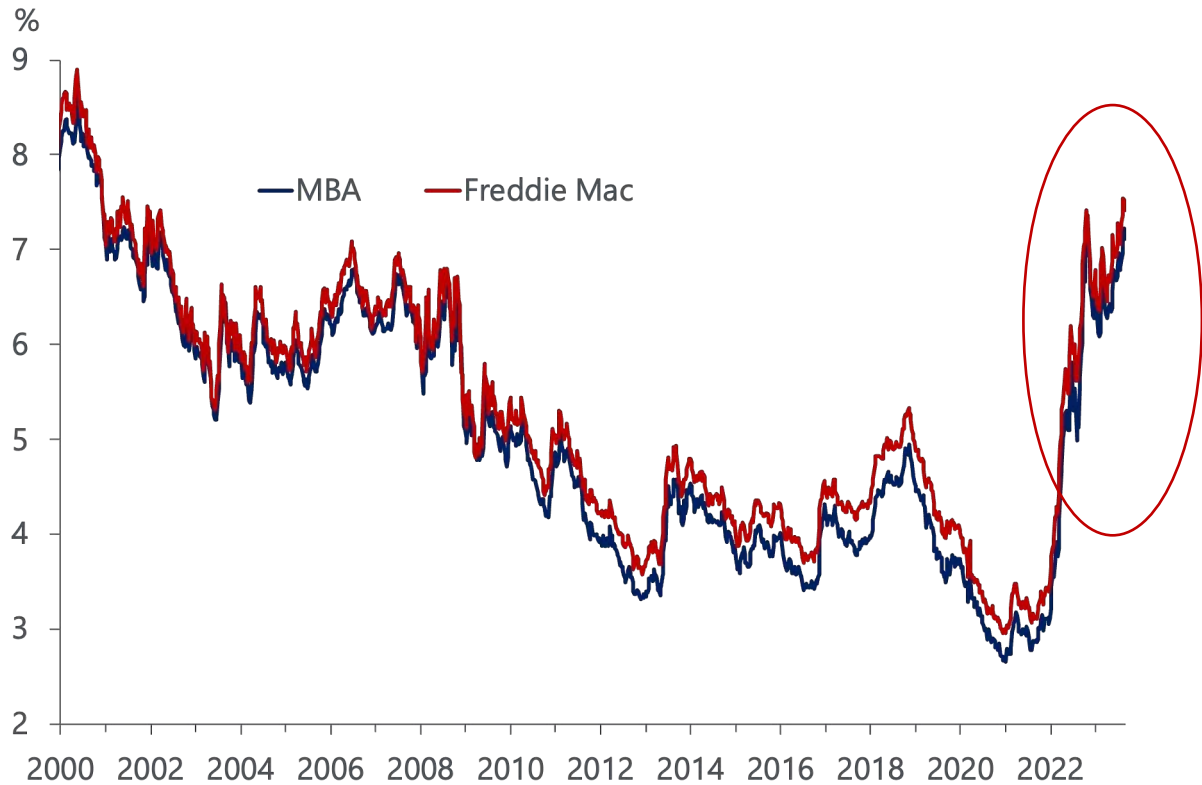
US: Treasury receipts from the Department of Education
weekly totals, \$bn



Millennial budgets were
hammered...

Housing market was in recession

US: 30-year mortgage rates



Source: Oxford Economics/Haver Analytics

Cottage Style Home!

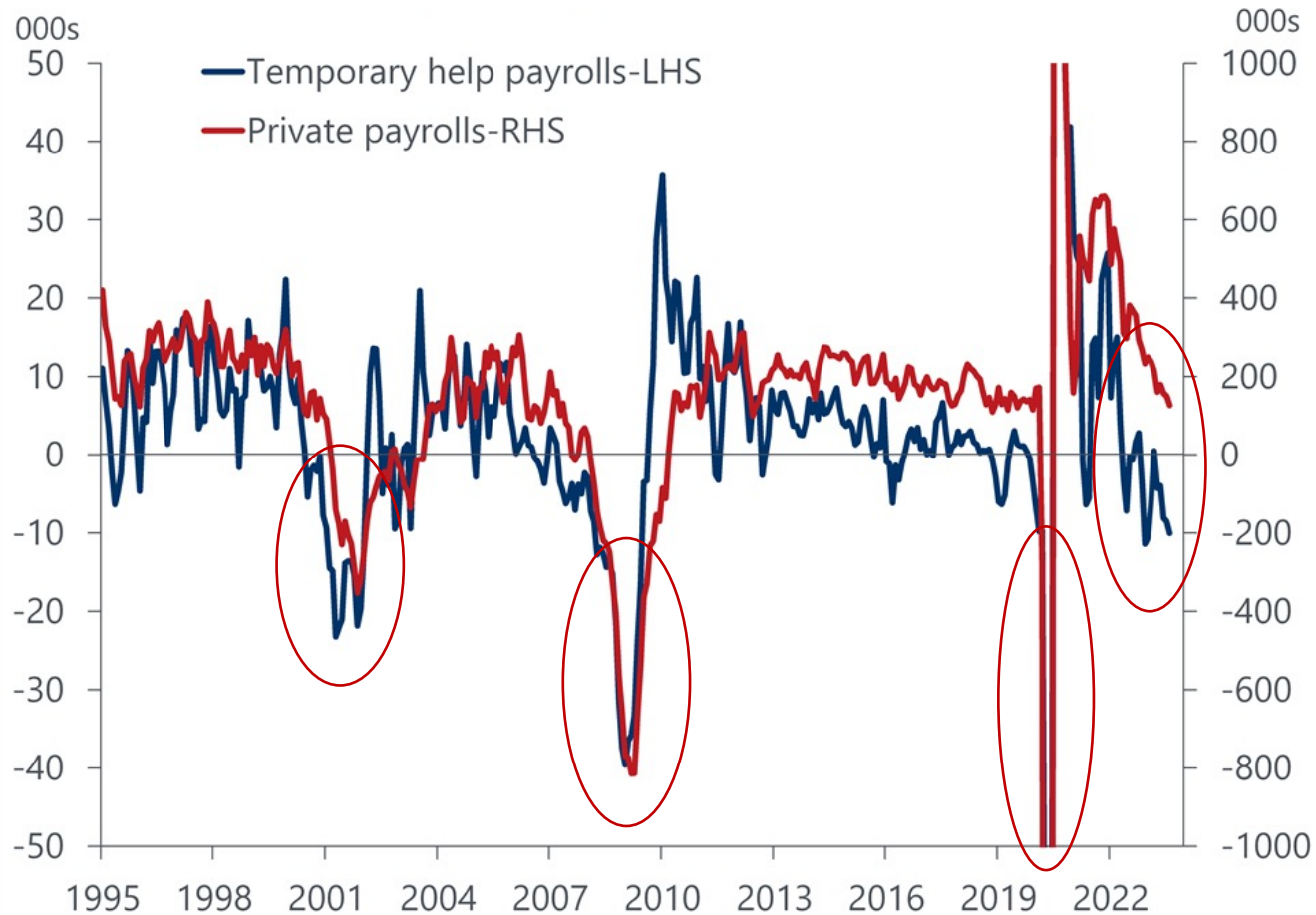


> NEW LISTING
COMING SOON!

List Price: \$299,900

Temporary employment is often a harbinger

3-month average change in payroll employment



Source: Oxford Economics/Haver Analytics



har·bin·ger

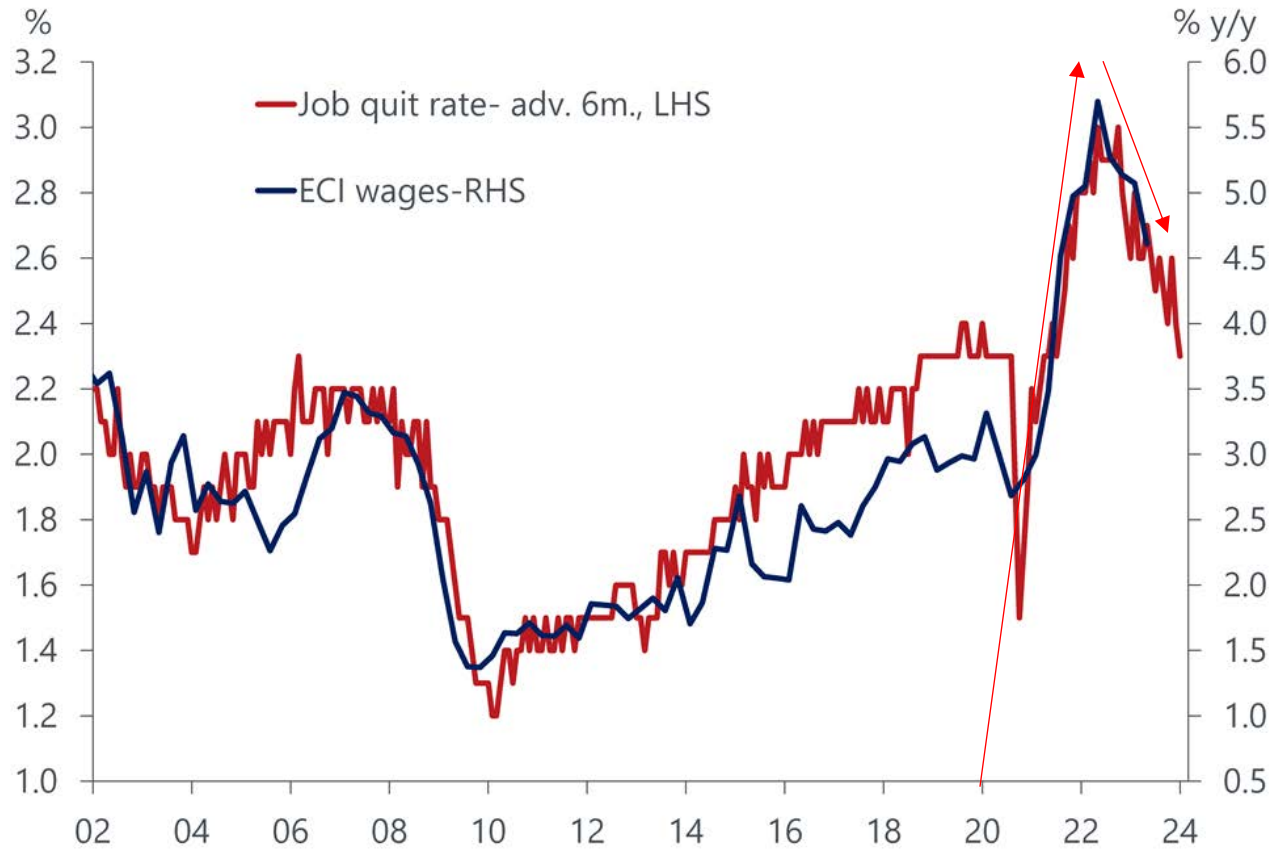
/ˈhərbənjər/

a person or thing that
announces or signals the
approach of another.

*"witch hazels are the harbingers of
spring"*

Workers lost some confidence

Quit rate and Wage Growth



Source: Oxford Economics/Haver Analytics



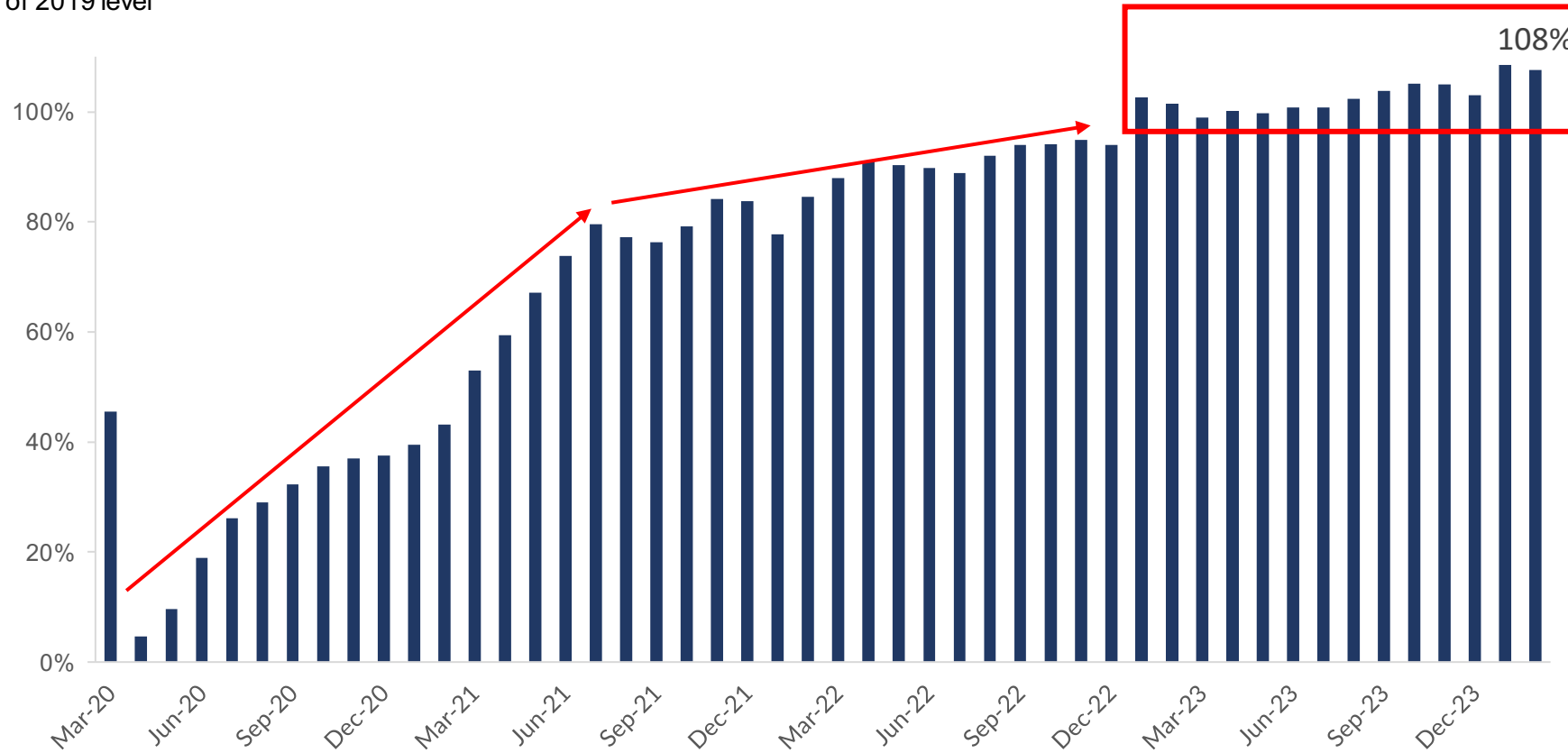


**Despite these
headwinds, travel
continued to
thrive!**

Air travel continued to lift

Air Passenger Volume

% of 2019 level

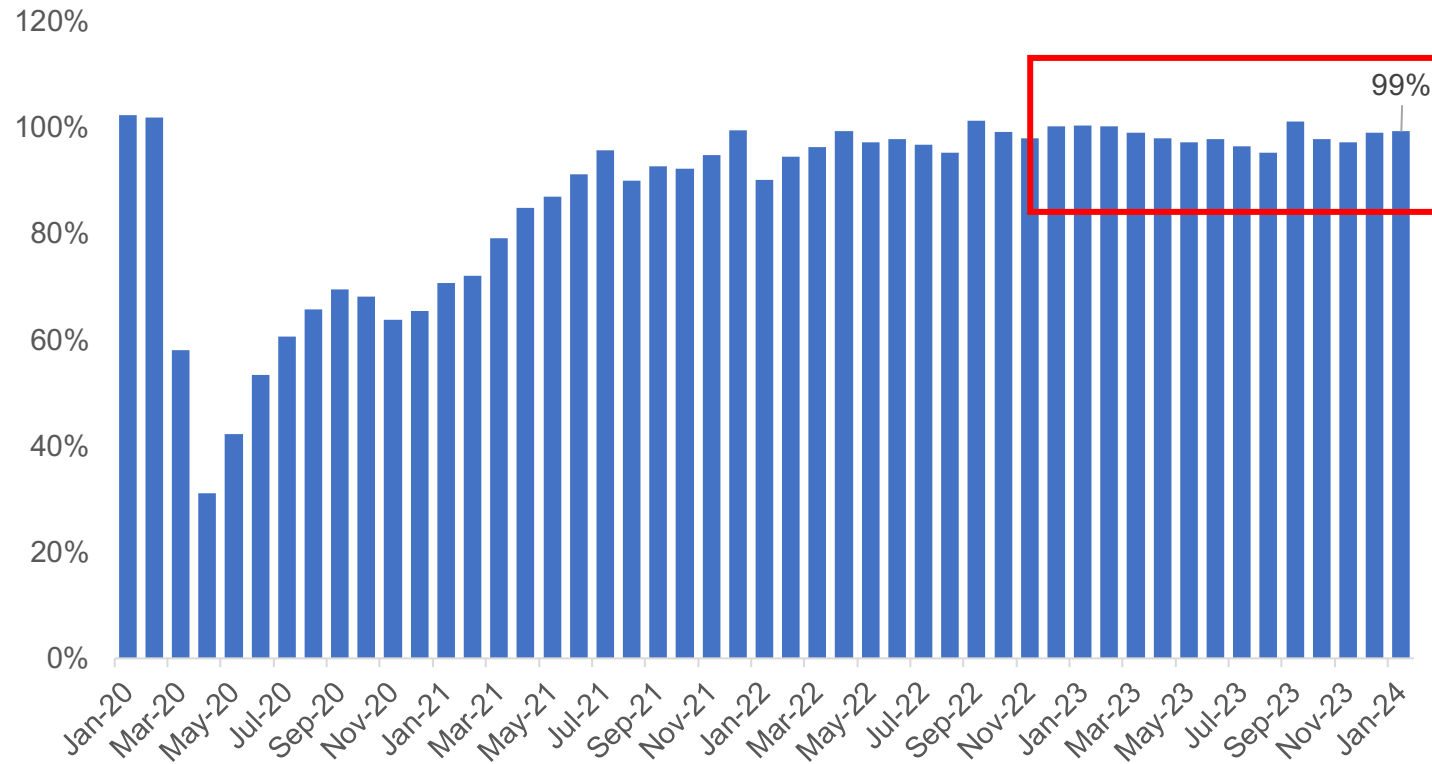


Source: TSA

Hotel rooms sold nearly fully recovered in 2023

US Hotel Room Demand (Monthly)

% of 2019 level

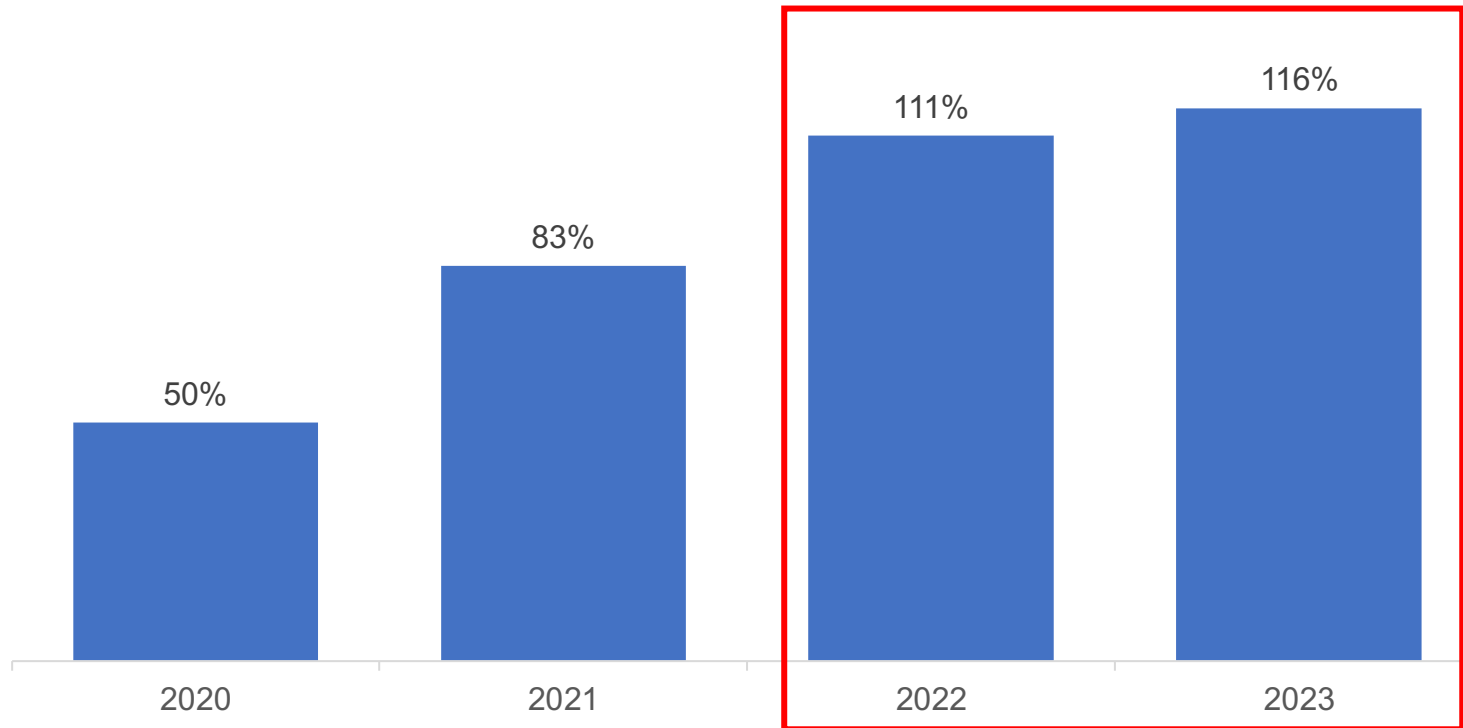


Source: STR

Revenue growth was remarkable | 16% over 2019

US Hotel Room Revenue (Annual)

% of 2019 level



Source: STR

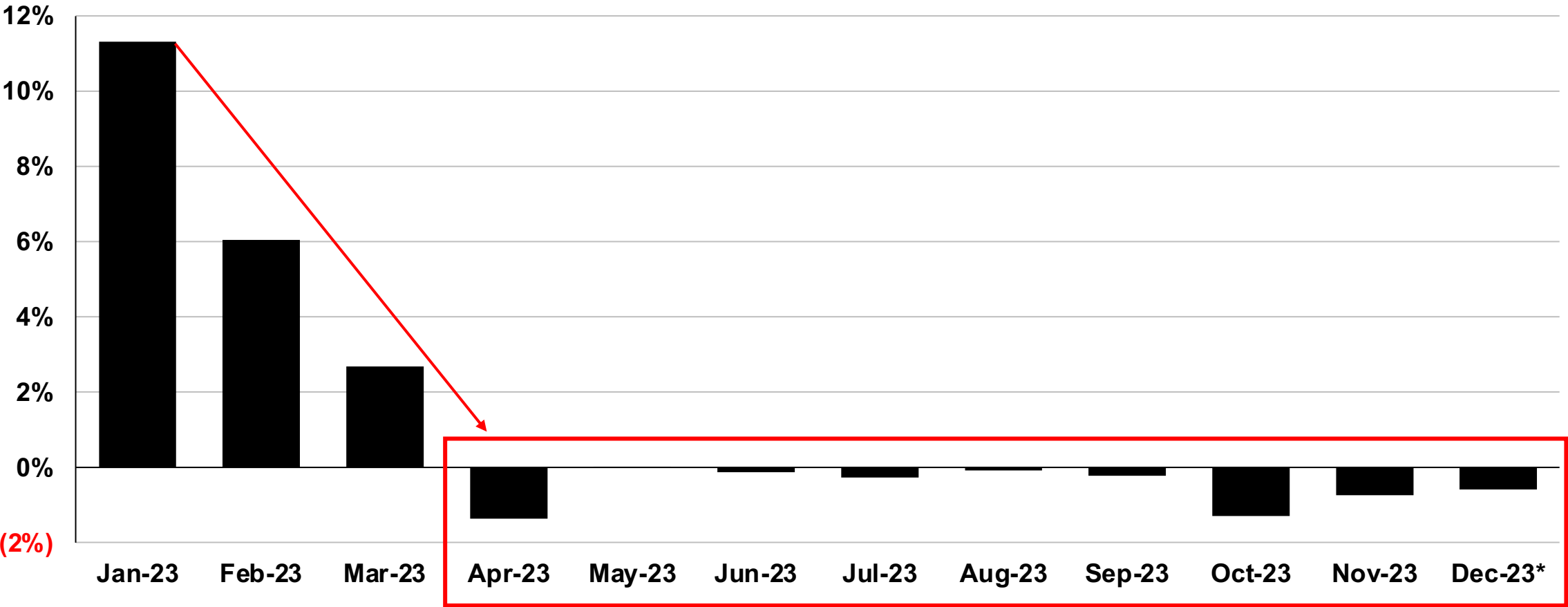
...but growth occurred at a slower pace

National Travel Indicators Through Mar 2024

	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
Travel Spending (Tourism Economics)	6%	7%	6%	7%	7%	8%	5%	6%	5%	1%	2%	1%
Air Passengers (TSA)	12%	10%	13%	12%	11%	10%	11%	10%	10%	6%	11%	7%
Overseas Arrivals (NTTO)	26%	28%	24%	21%	27%	28%	21%	24%	24%	24%	26%	25%
Hotel Demand (STR)	-1%	0%	0%	0%	0%	0%	-1%	-1%	-1%	-1%	-1%	-2%
Top 25 Group Hotel Demand** (STR)	5%	5%	0%	3%	3%	1%	4%	3%	-3%	10%	6%	-5%
Short-term Rental Demand (AIRDNA)	15%	14%	16%	11%	8%	10%	17%	8%	4%	1%	16%	15%
National Park Visits (National Park Service)	3%	7%	3%	3%	4%	2%	4%	1%	5%	-12%	-6%	-1%

Demand was flat to down for most of the year

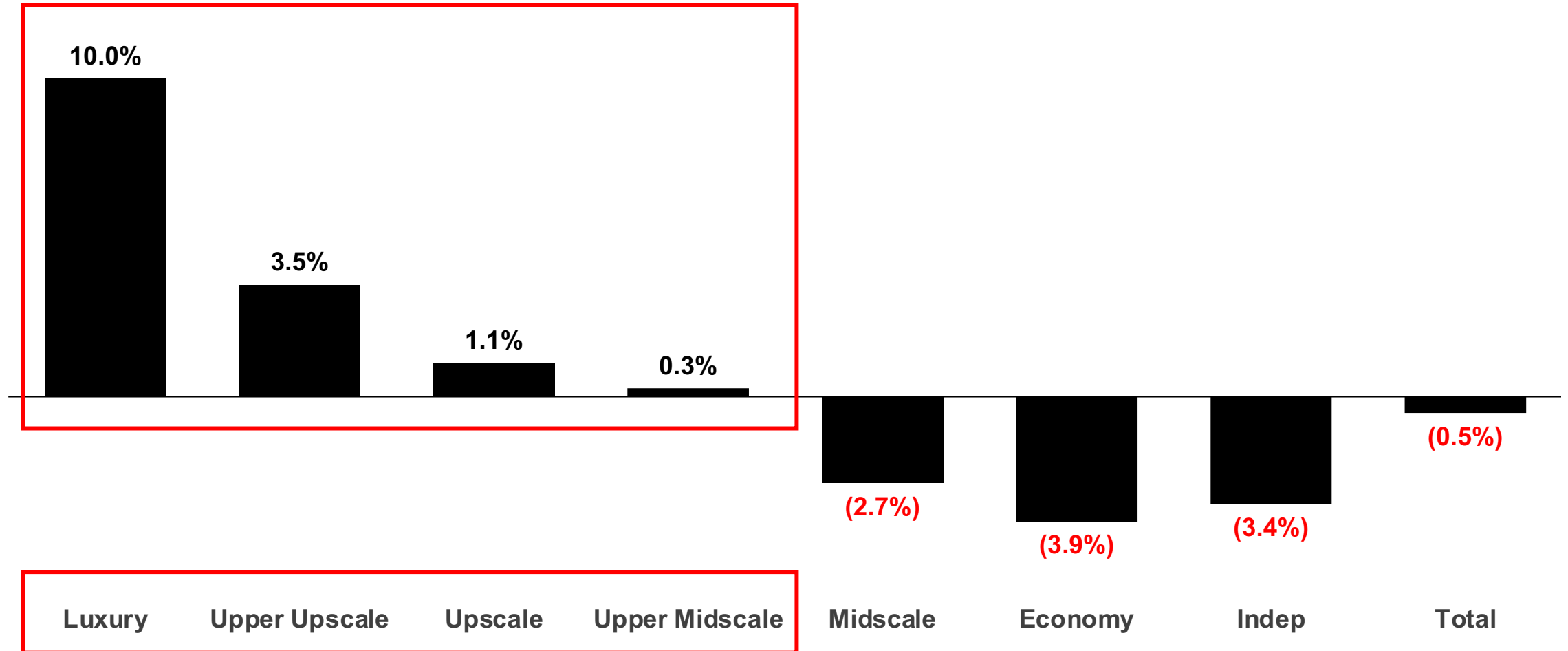
U.S. room demand, year over year percentage change



*Includes December preliminary results

Demand decreases led by Economy and Midscale class hotels

U.S. room demand change, April YTD



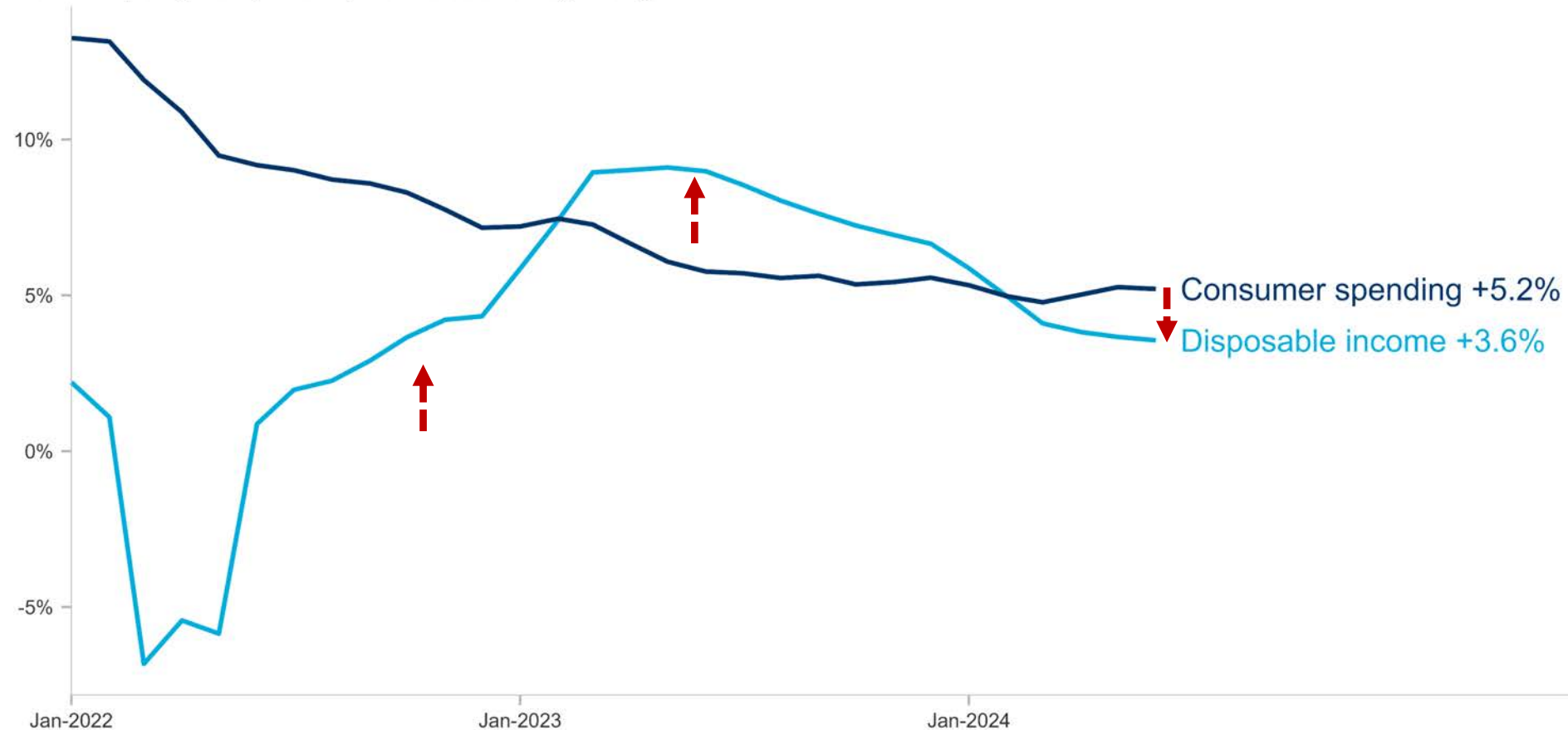


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Unnerving transition to slower growth

Consumer spending and income

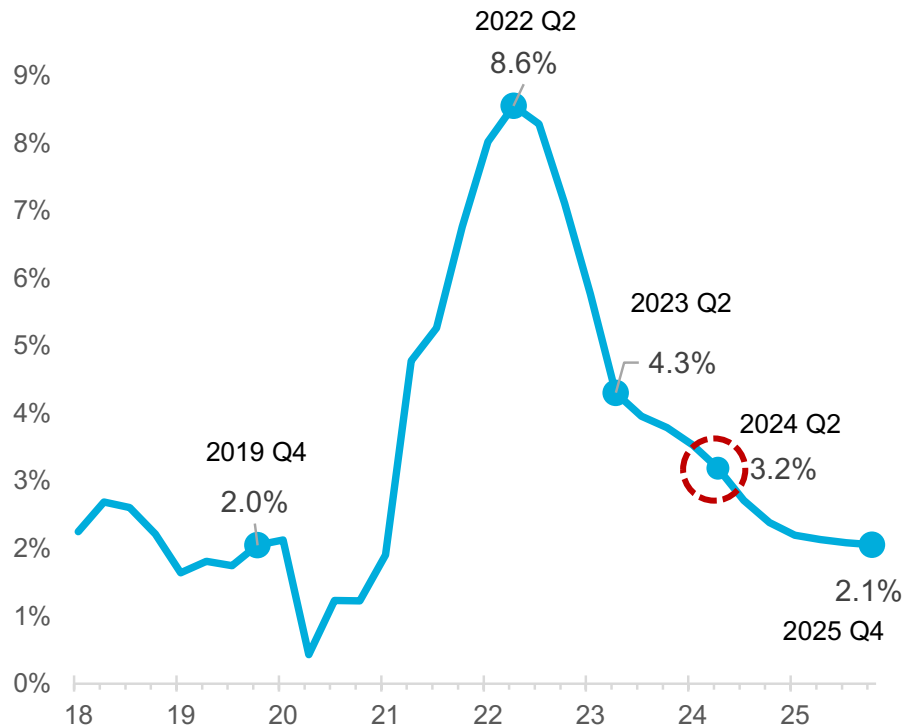
Year-over-year growth, nominal, three-month moving average



Note: History through June 2024. Source: BEA

With the backdrop of still-elevated inflation...

Consumer price index: Year-over-year change



Note: Seasonally adjusted, quarterly data.

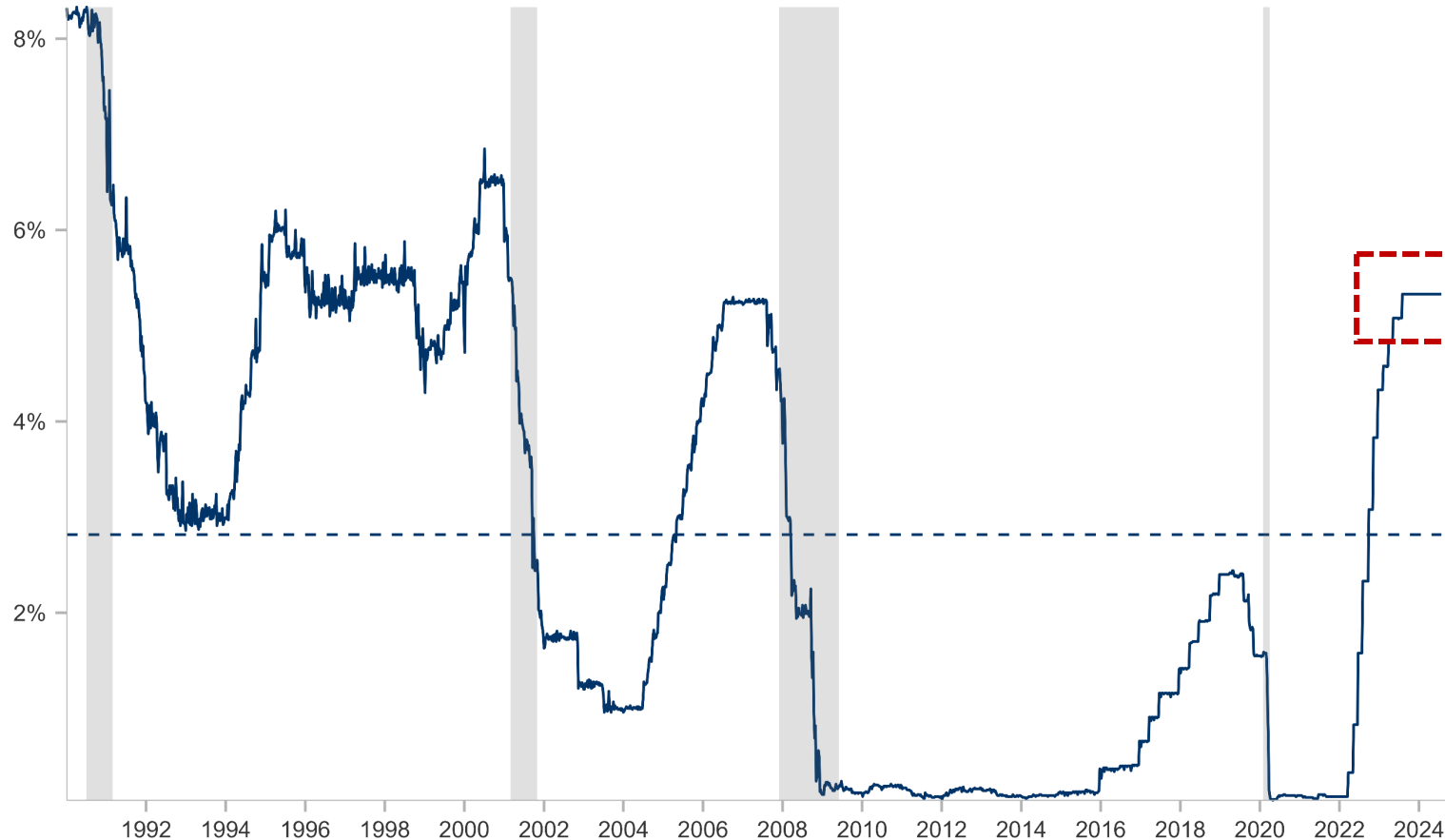
Source: BLS, Oxford Economics



And a cautious Federal Reserve

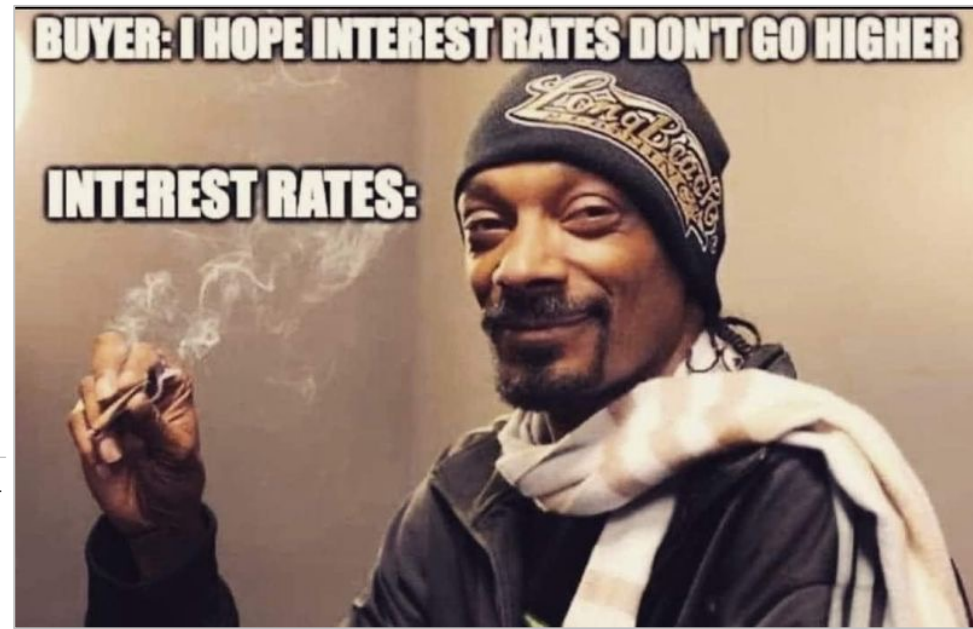
Federal Funds Rate

Effective



Note: Dashed line indicates historical average. Grey shading indicates recessions. Most recent data point is July 24, 2024. Weekly frequency. Source: Federal Reserve

The Fed has kept its policy rate at the highest level in over a decade, aiming to stave off persistent inflation.



Employers have filled positions and reduced openings

Job openings

Openings rate, US

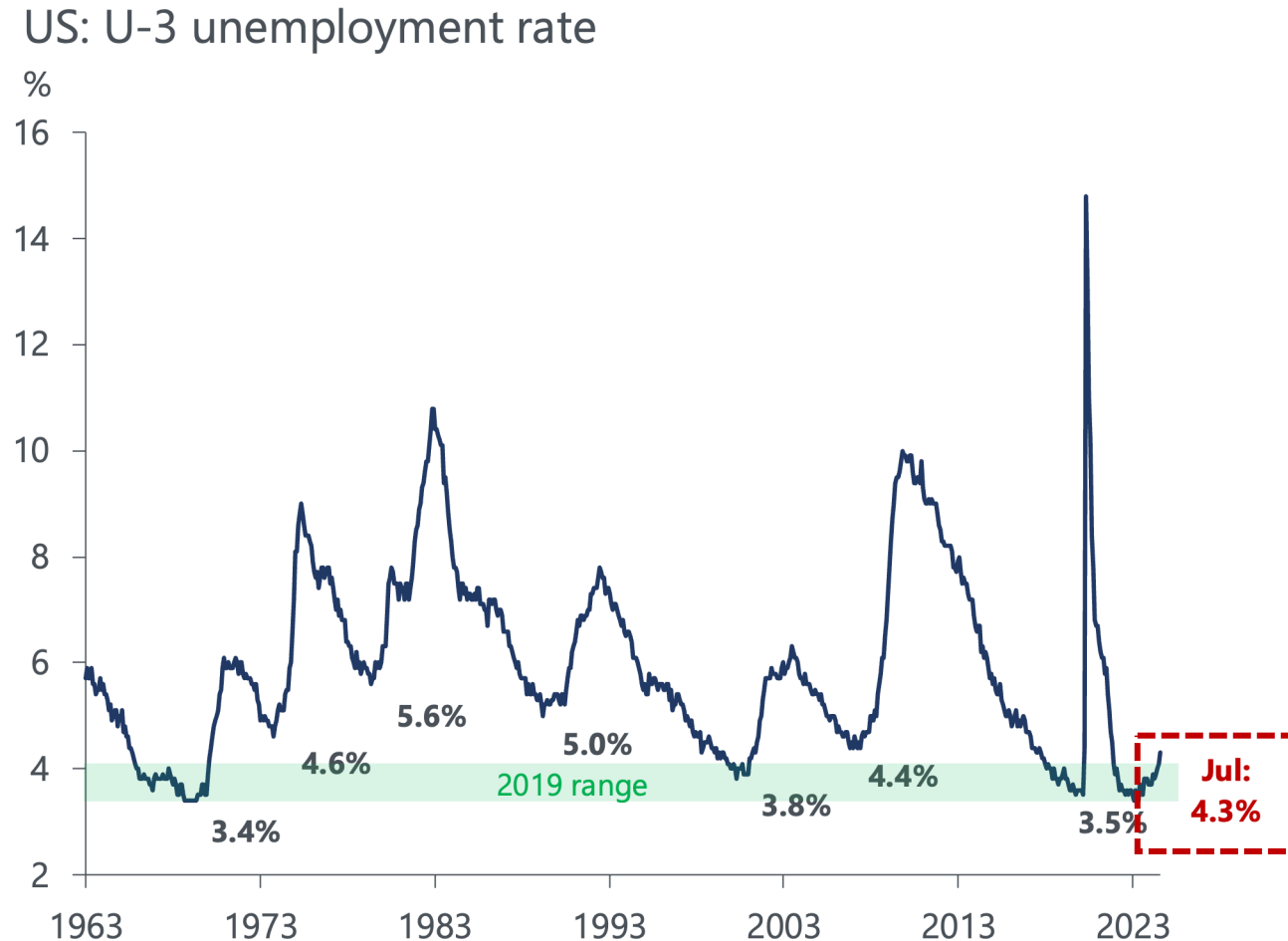


This increases the competition for work!

Note: The job openings rate is the job openings level as a percent of total employment plus job openings level. Data through June 2024. Seasonally adjusted. Total refers total private. Source: Bureau of Labor Statistics

Resulting in slightly higher unemployment, but avoiding recession

Unemployment rate rose for the fourth month in a row

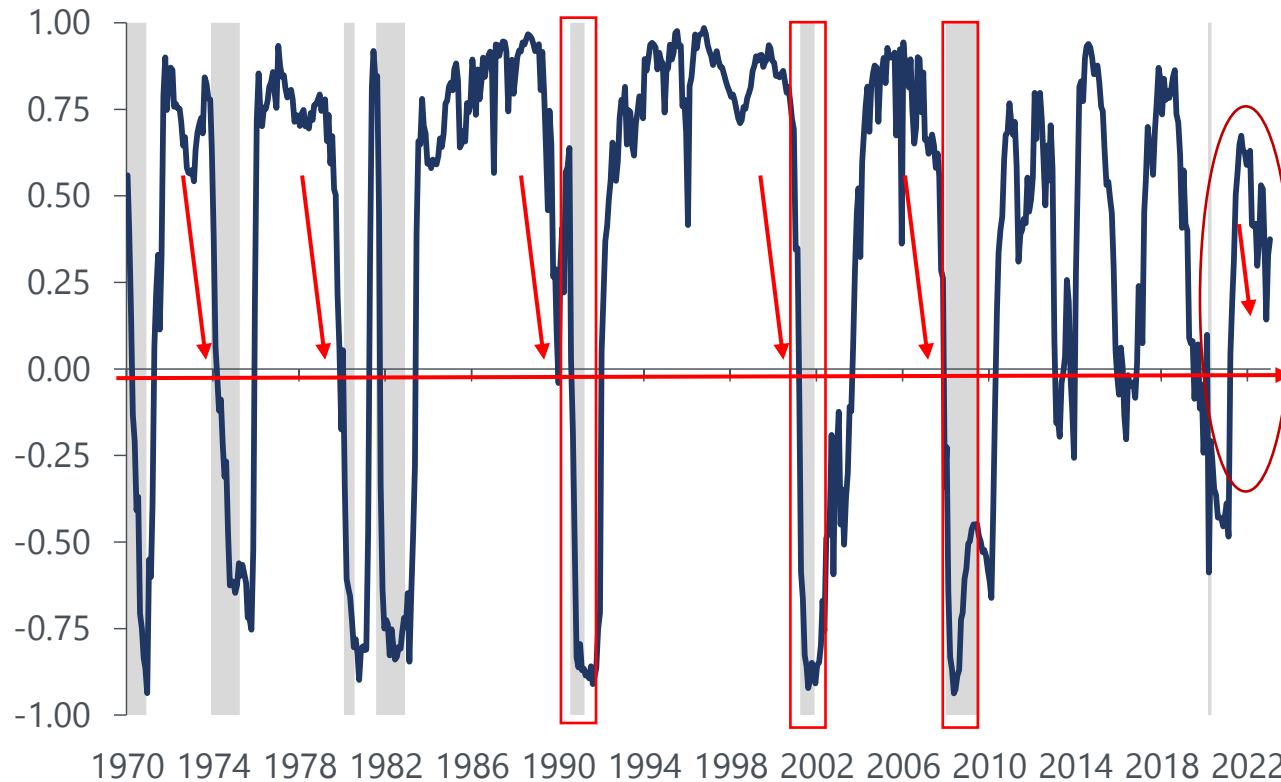


Source: Oxford Economics/Haver Analytics

Oxford indicator was pointing to an economic contraction

US: Oxford Economics' US Business Cycle Indicator (BCI)

Index, -1 to +1

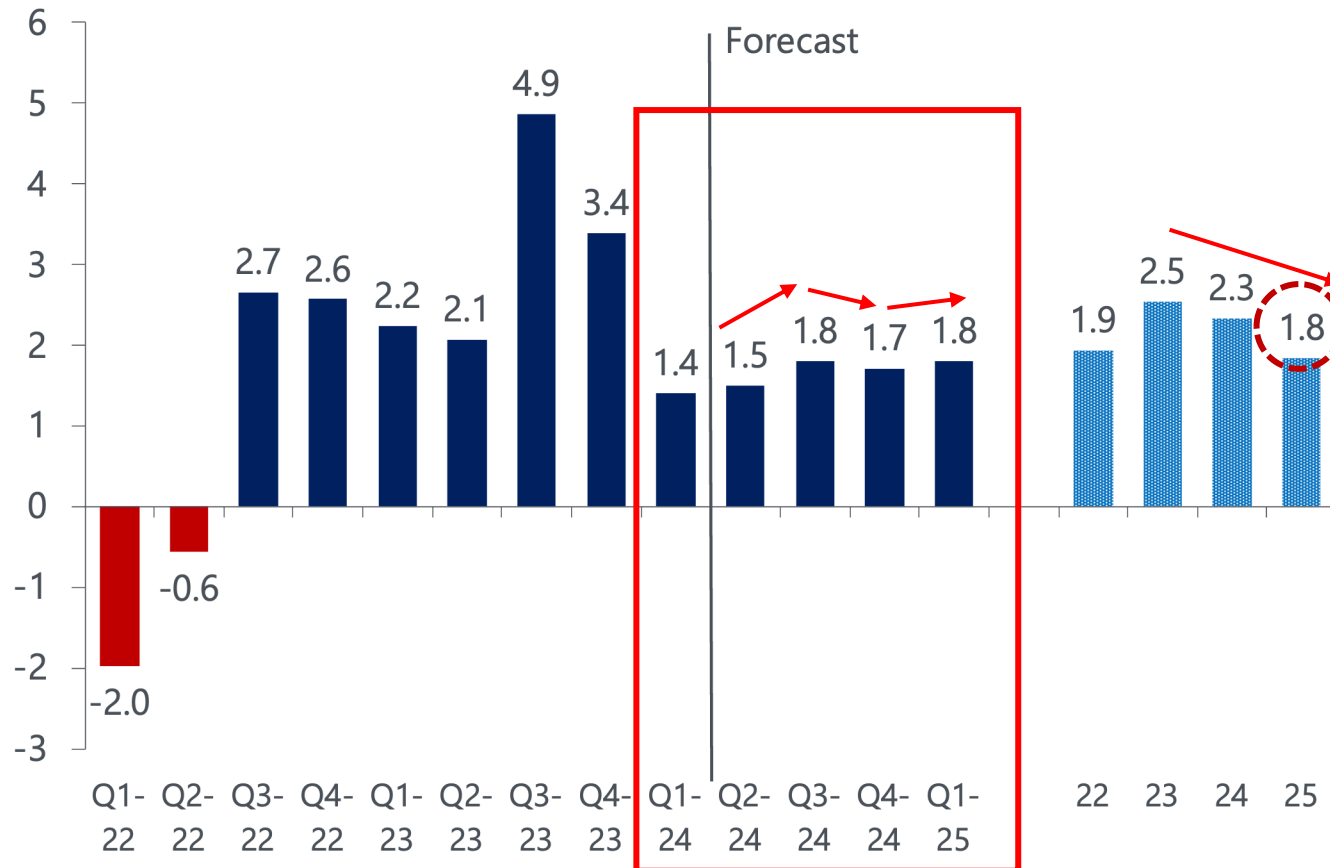


Source: Oxford Economics/Haver Analytics

The sharp fall in our U.S. business cycle indicator in February suggests the economy lost momentum midway through Q1.

The economy is amid a transition to more sustainable growth

US: GDP Forecast
% annualized



Source: Oxford Economics July 2024 forecast

GDP growth will slow to 1.8%.
Avoiding recession with a successful “soft-landing”.

Expect nominal consumer spending growth to slow from 4.7% this year to 4.3% in 2025.

Real consumer spending growth is expected to be stable at 2.1% for both years.



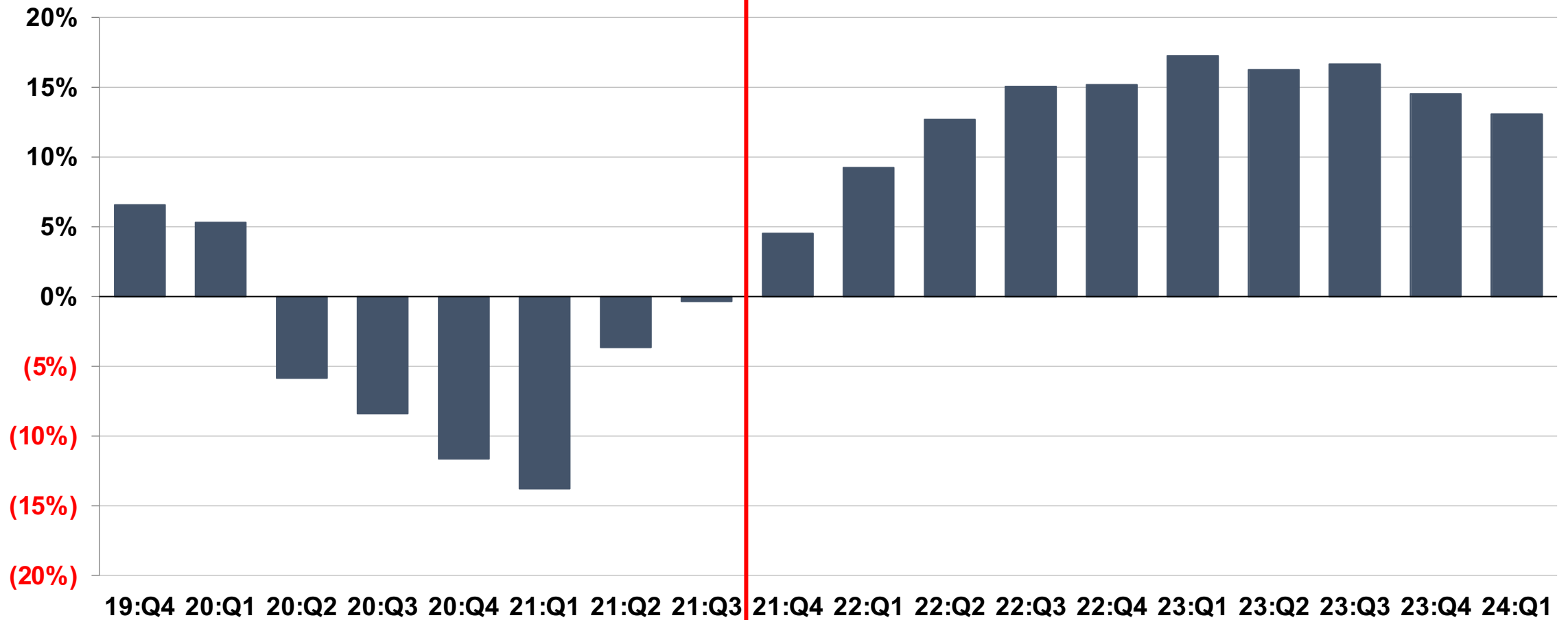
- 1** How did we avoid a recession?
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**Yes, but also
realistic...**

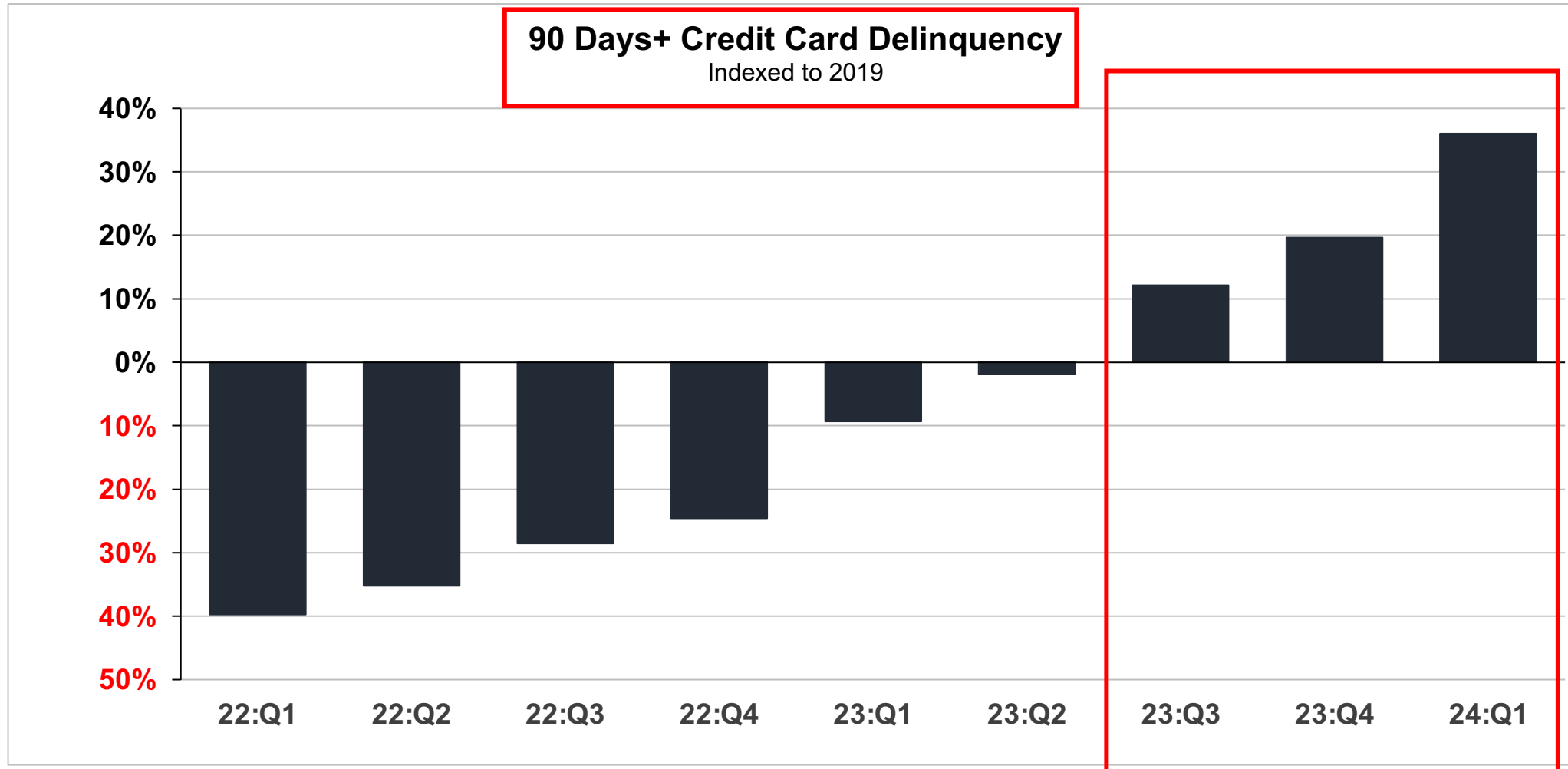
Credit card debt up substantially

U.S. credit card debt YoY % change



Source: Federal Reserve Bank of New York

Delinquency rates are rising



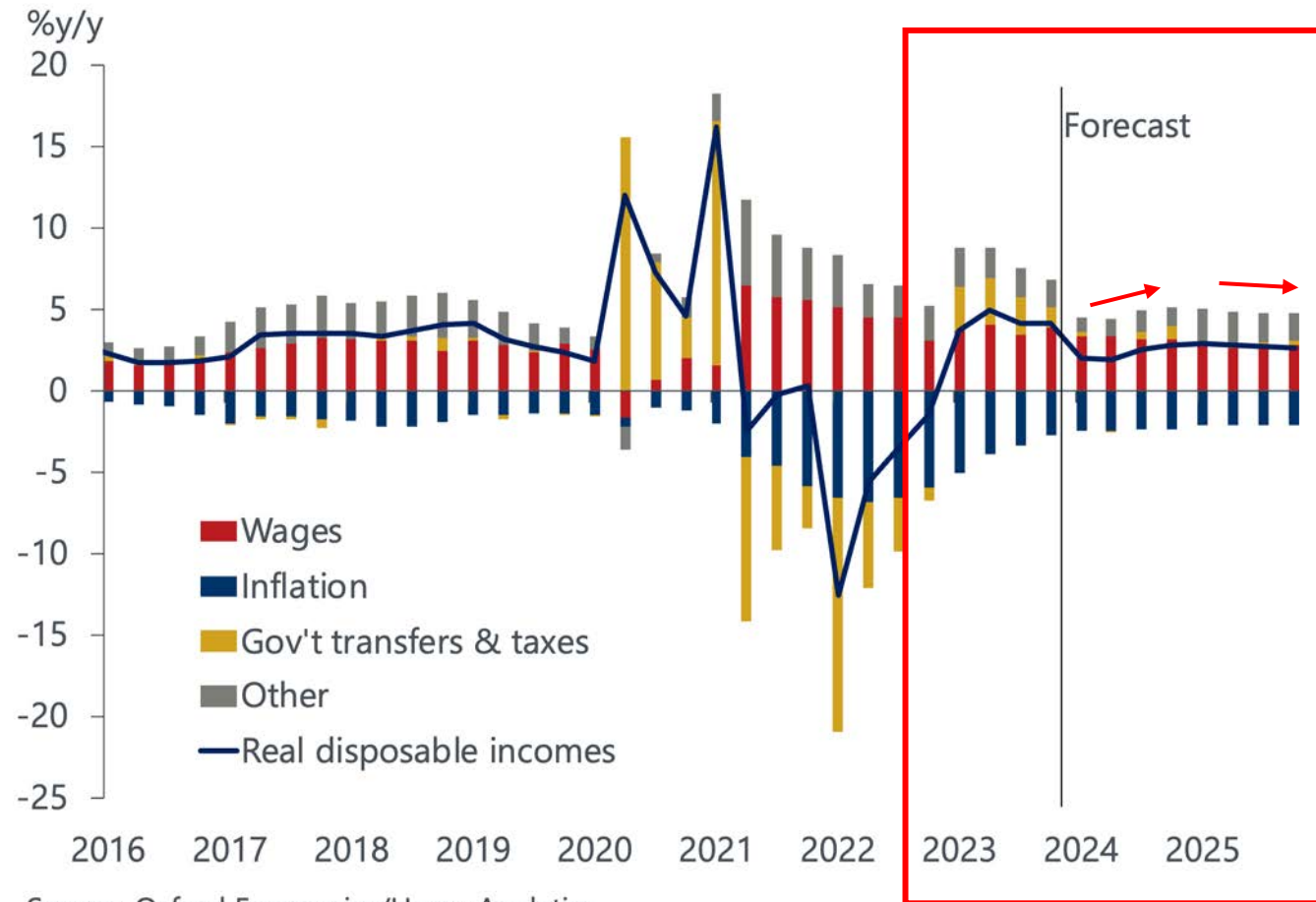
Source: Federal Reserve Bank of New York



**There are some
bright spots
though...**

Incomes rising faster than inflation

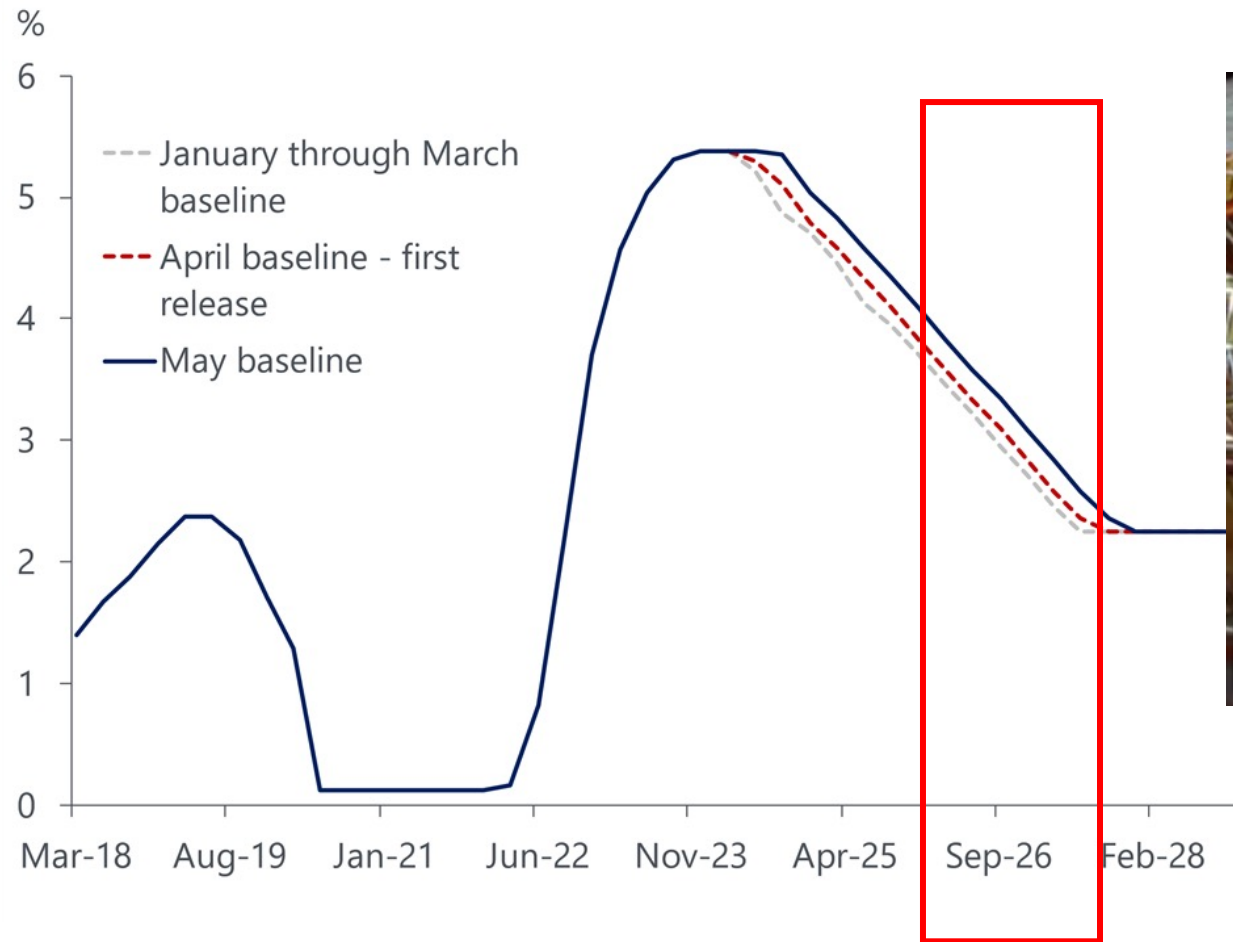
US: Contributions to real disposable income growth



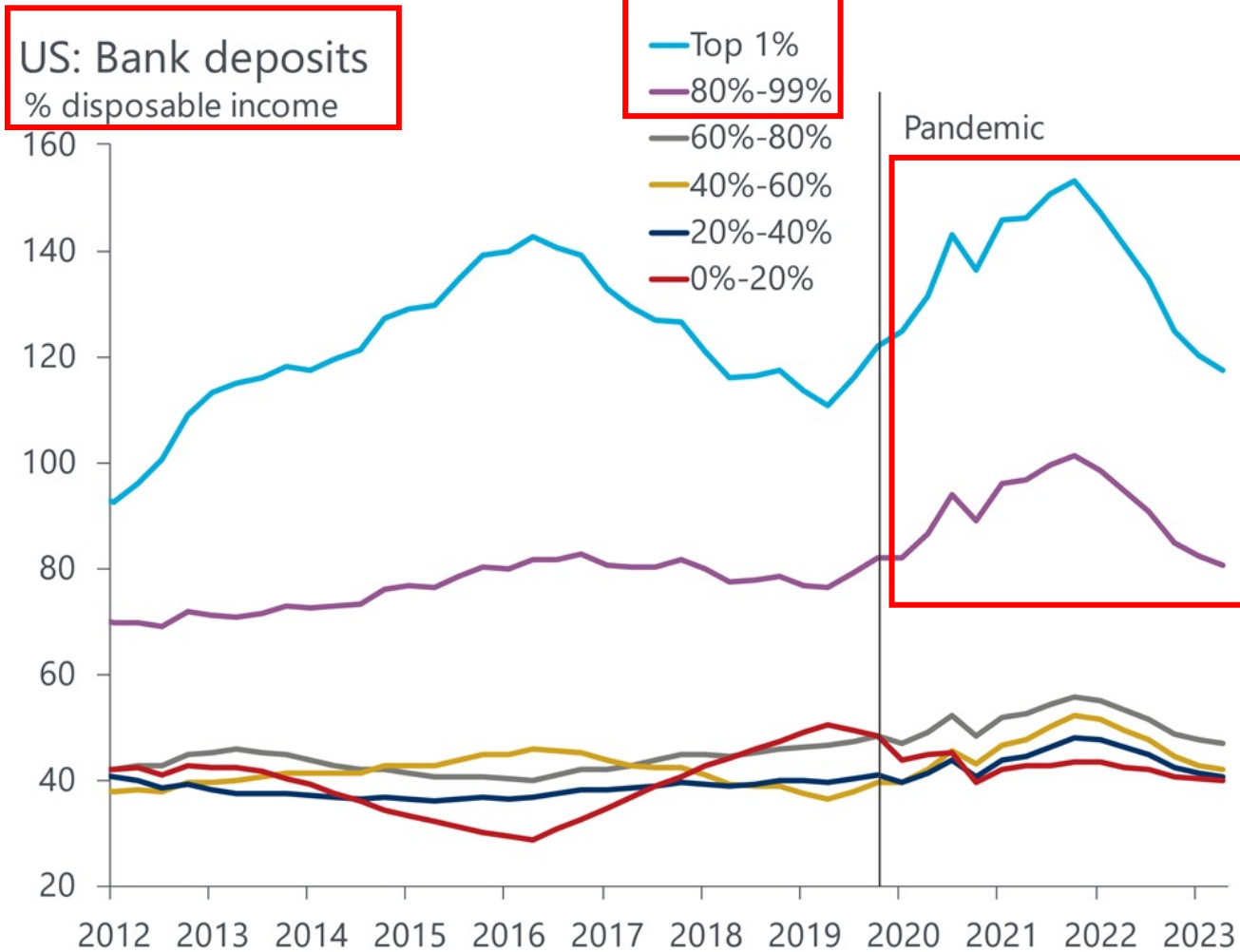
Source: Oxford Economics/Haver Analytics

The Fed will likely cut rates in September

US: Fed funds rate



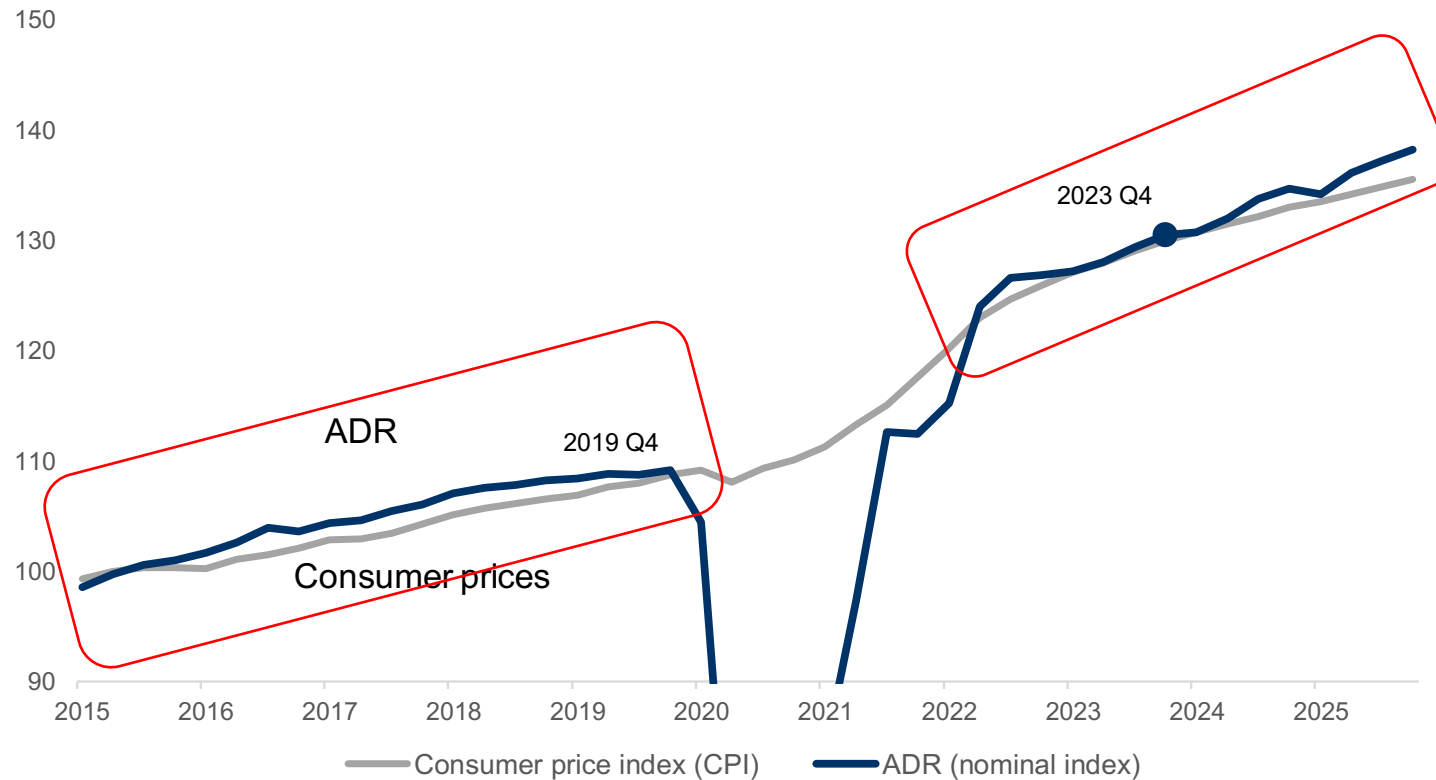
Savings concentrated among top 20% of income earners



ADR is essentially tracking with inflation

US ADR

ADR and CPI index (2015=100)

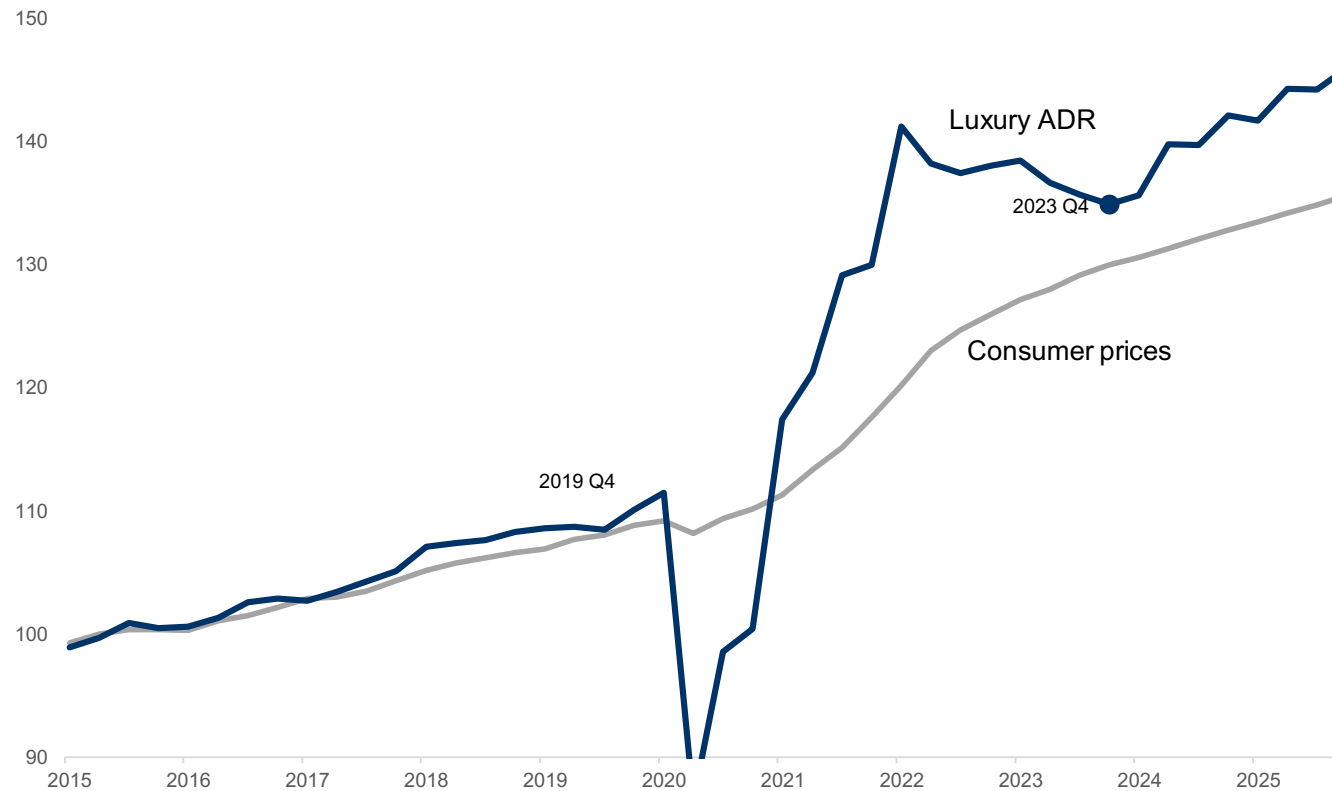


Source: STR; Tourism Economics

And luxury rates are WELL AHEAD

US Luxury ADR

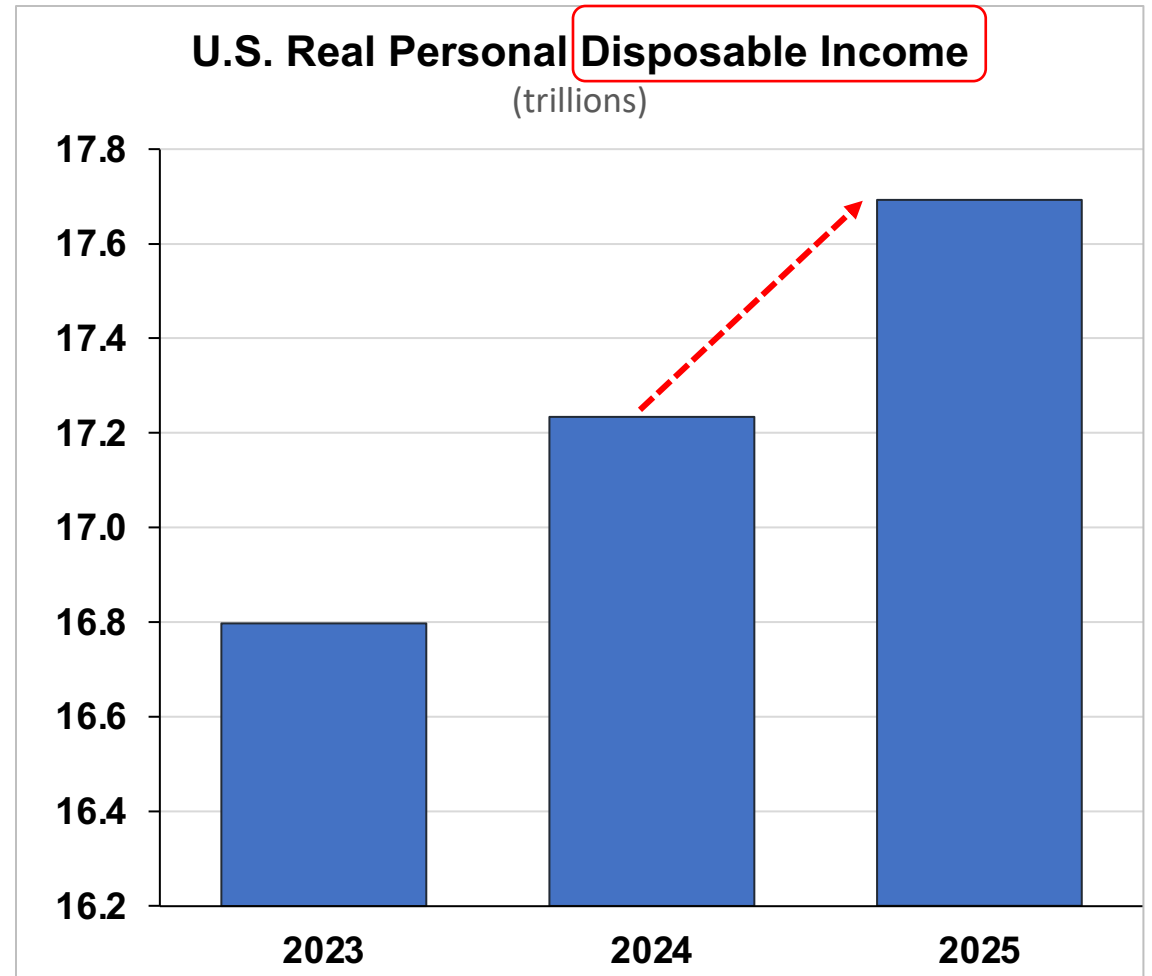
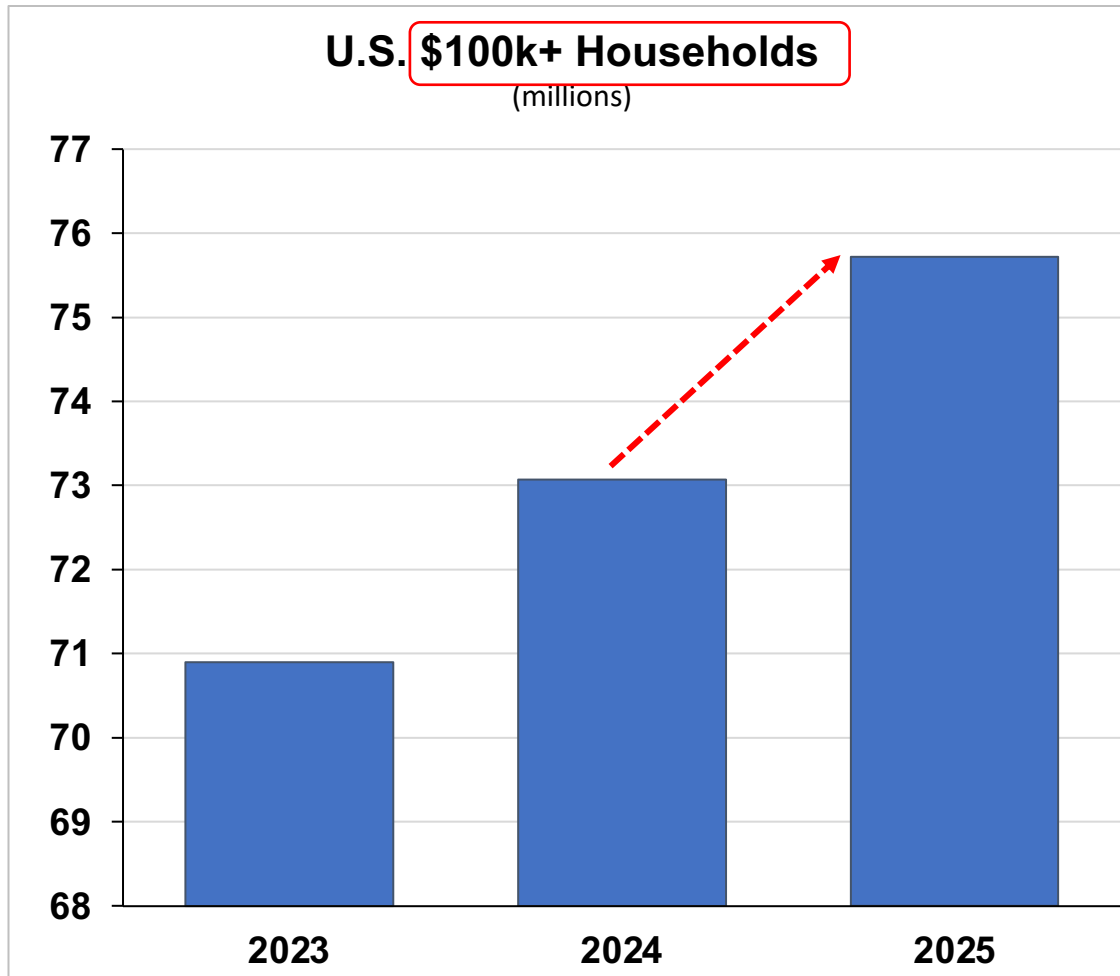
ADR and CPI index (2015=100)



Source: STR; Tourism Economics

Households With the Means to Travel Expected to Increase

U.S. households indicators





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LEISURE **TRAVEL.**

Feeling it most at the lower income levels...

“When you look below the surface and really dig into what is happening across differing consumers, you see that the **lower-income folks are struggling**”

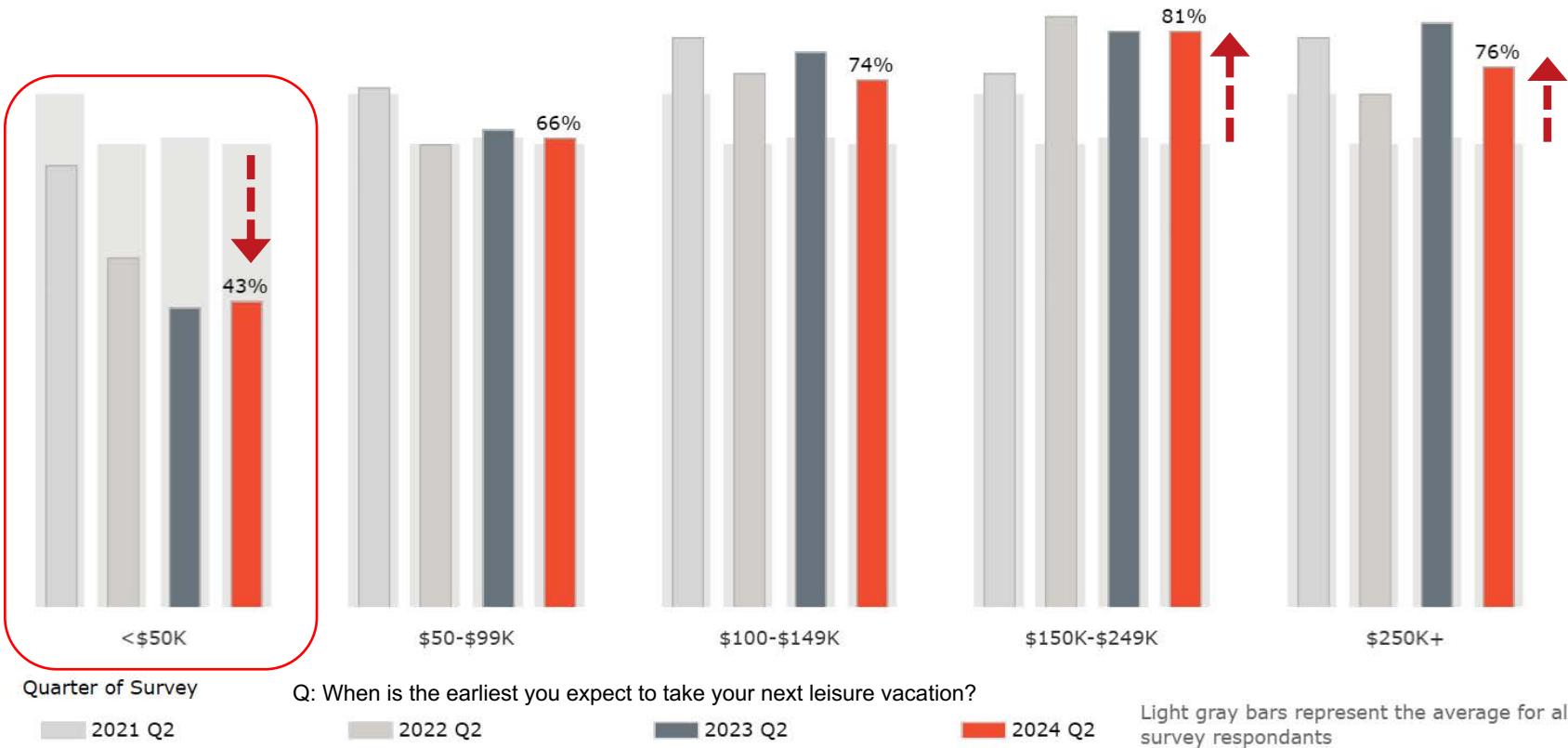
Wells Fargo CFO Mike Santomassimo (July 12, 2024)

“...behavior that’s consistent with a little bit of **weakness in the lower-income segment**, where you start to see a little bit of evidence of some **rotation of the spend out of discretionary into non-discretionary**”

JPMorgan CFO Jeremy Barnum (July 12, 2024)

Yet leisure travel intentions remain strong among higher-income households

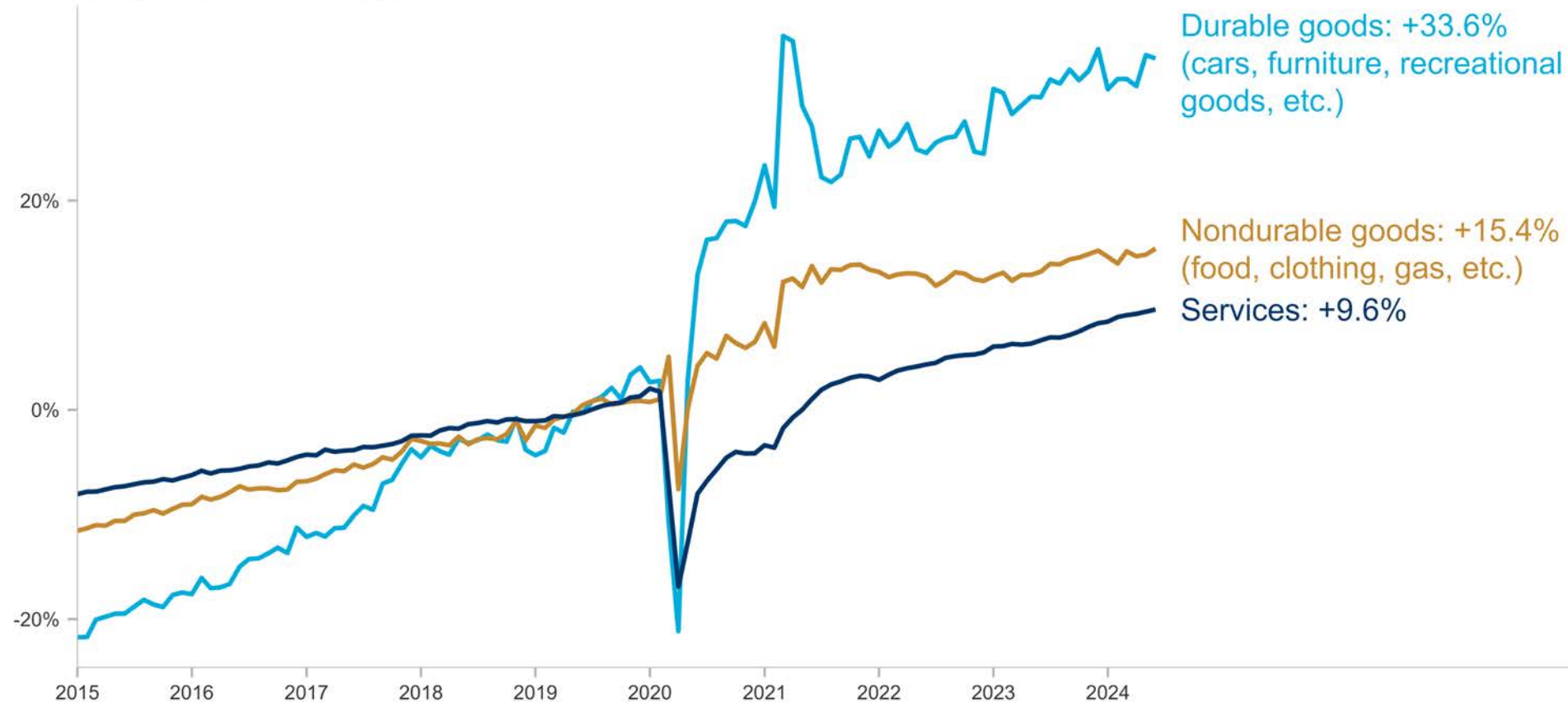
Planning Leisure Travel Within the Next 6 Months
% of American Consumers



Durable goods spending indicates confidence

Consumer spending

Percent difference relative to 2019, real



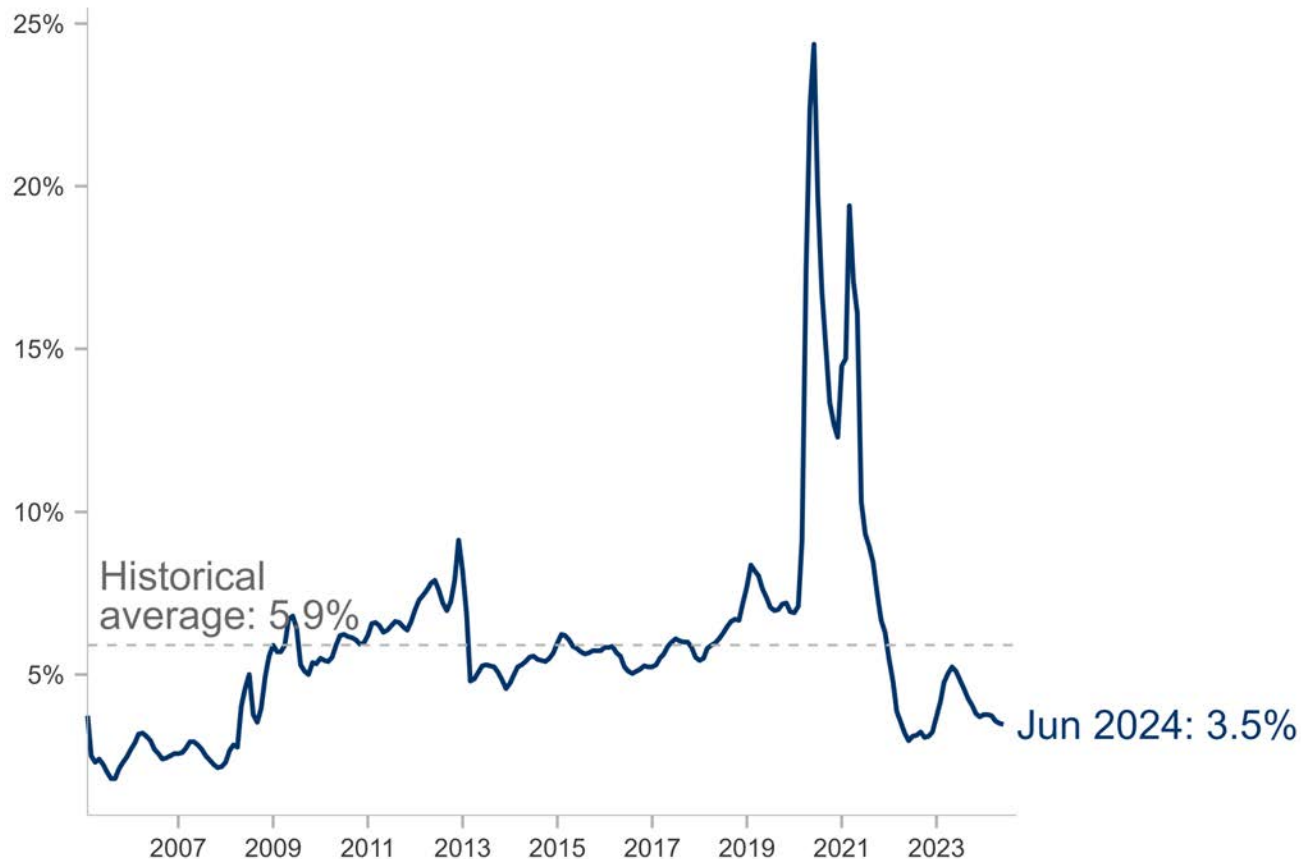
Note: Real. Seasonally adjusted monthly data through June 2024
Source: Bureau of Economic Analysis

Low savings rate is a sign of confidence

But comes with a risk

Personal savings rate

% of income



Note: Data is seasonally adjusted, three-month average. Source: Bureau of Economic Analysis

Me: I'm so happy I'm saving money

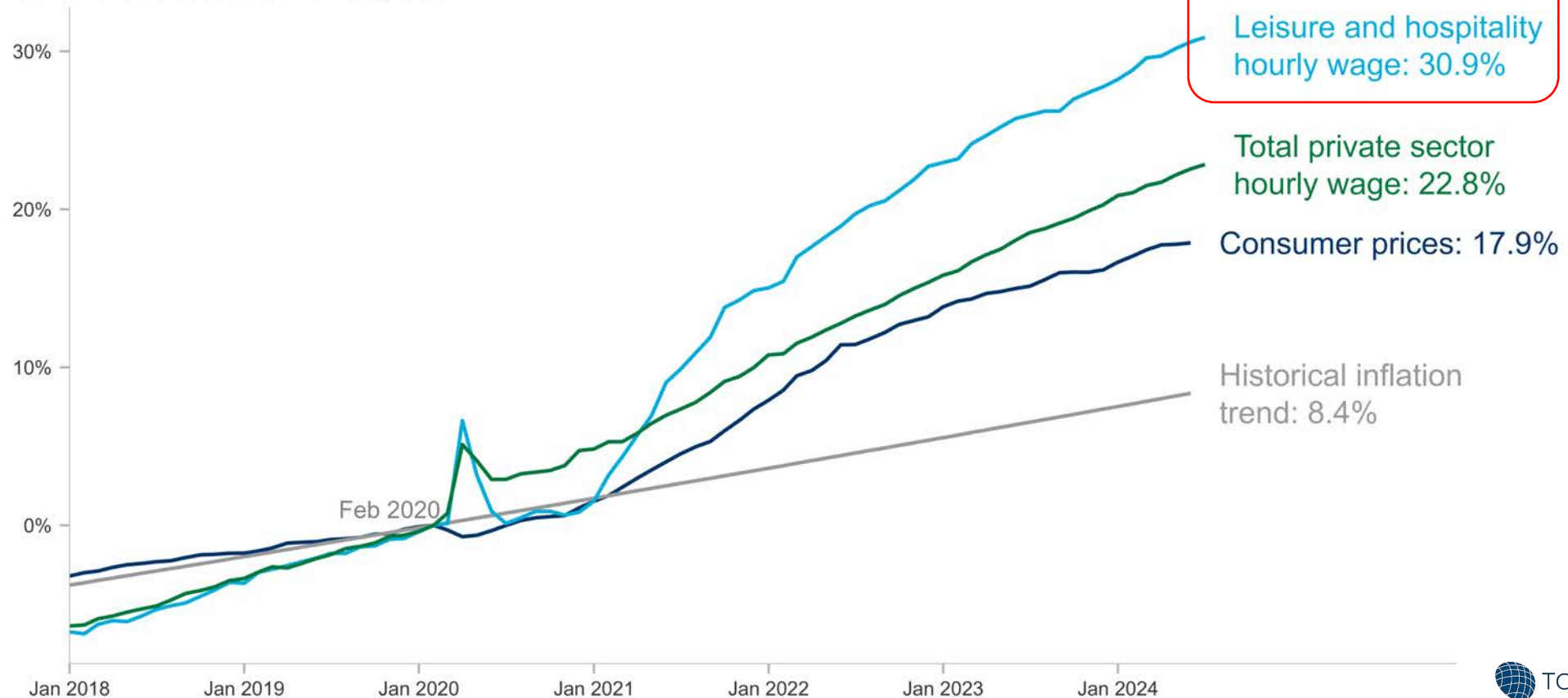
Me to me: Now spend all of it



Wage gains have outpaced strong inflation, leaving us with a larger economy than pre-pandemic

Wage growth comparison

Cumulative increase since February 2020

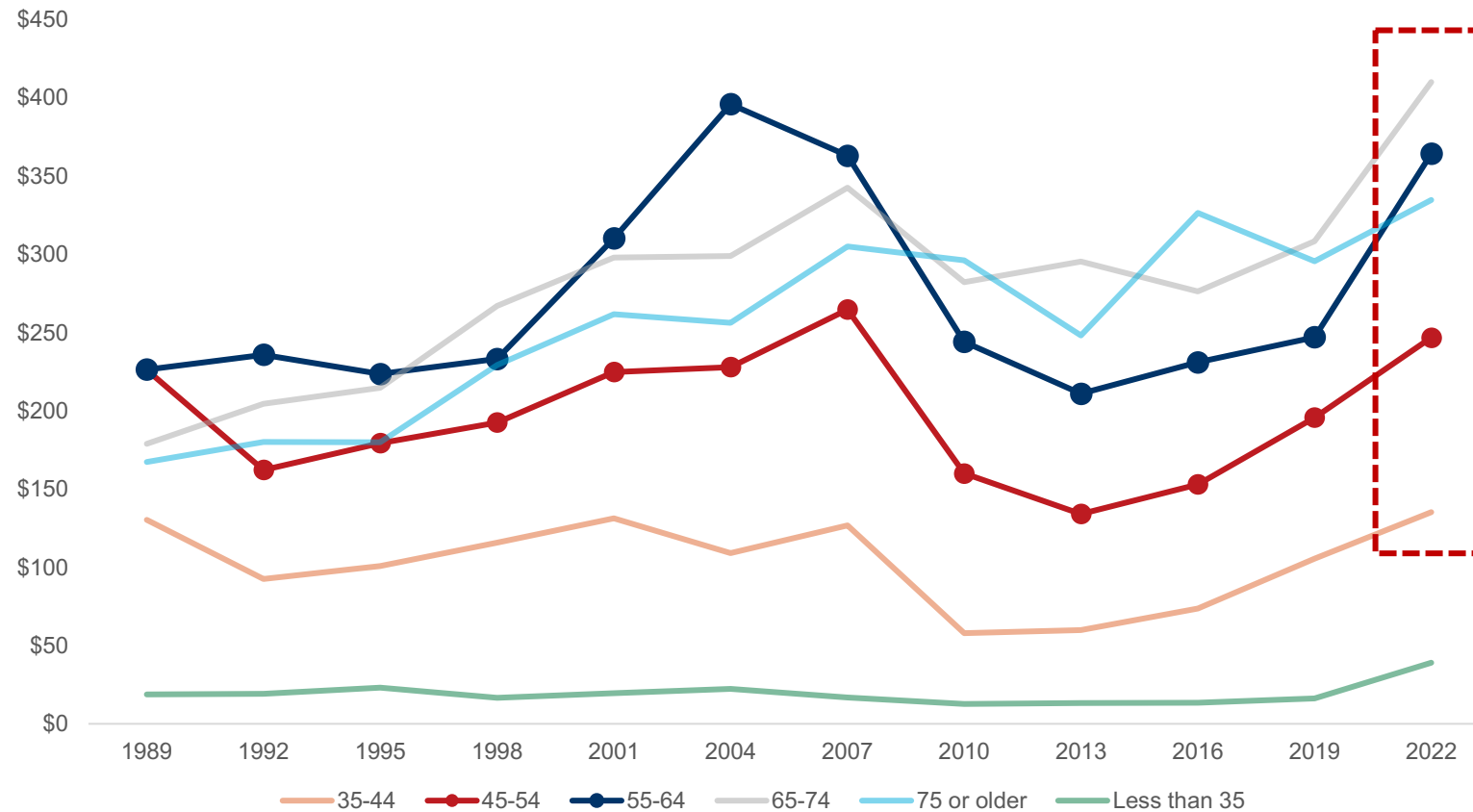


Note: Data shown through July 2024. Historical inflation trend measured since 2008. Consumer price inflation measured by PCE price deflator. Wage rates measure all private-sector employees. Source: BLS (average hourly earnings, establishment survey), BEA

Boomers haven't been the only to benefit from wealth gains

Net worth by age

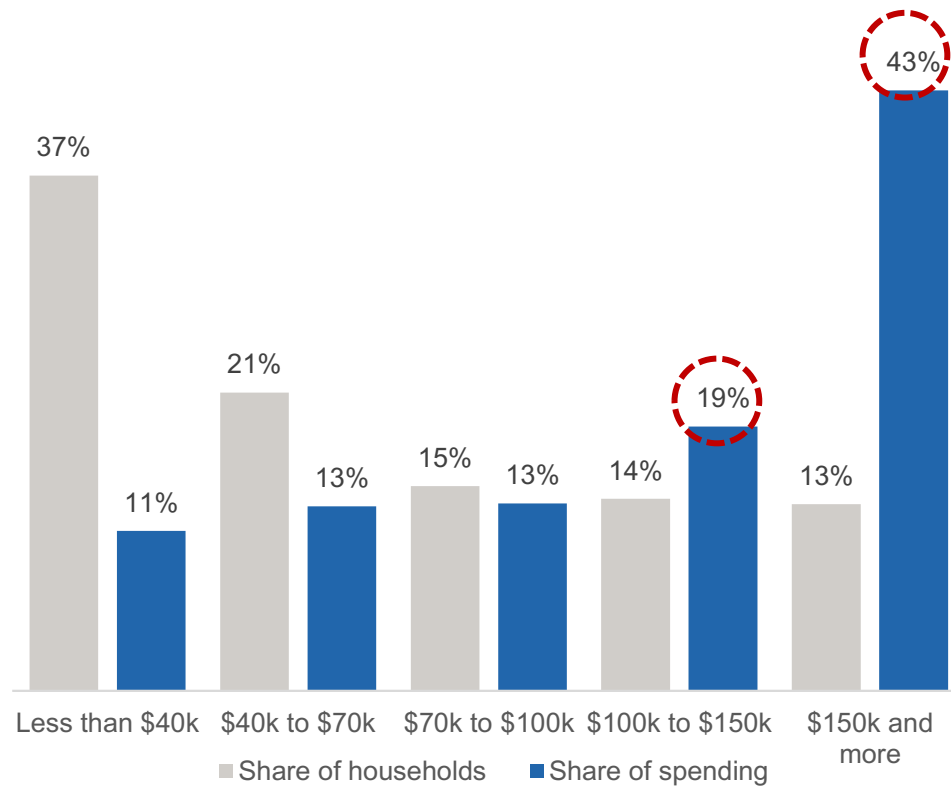
Household net worth, median, by reference person age, in thousands of 2022 dollars



Source: Federal Reserve Survey of Consumer Finances

Higher-income households account for more than 60% of hotel spending

Lodging spending by household income
Leisure travel



Pinched spending among lower-income households has less impact on lodging overall.

Note: Based on three-year average through 2020.
Source: BLS, Tourism Economics



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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.”



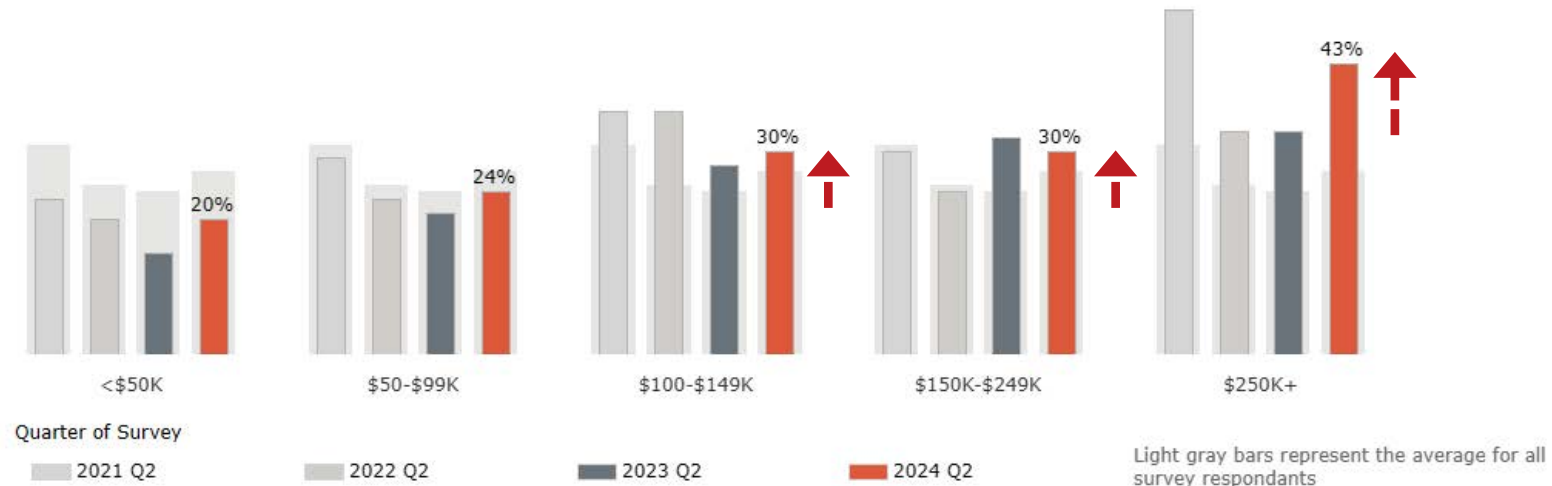
HEALTH AND SCIENCE

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

Business travel intentions are gaining

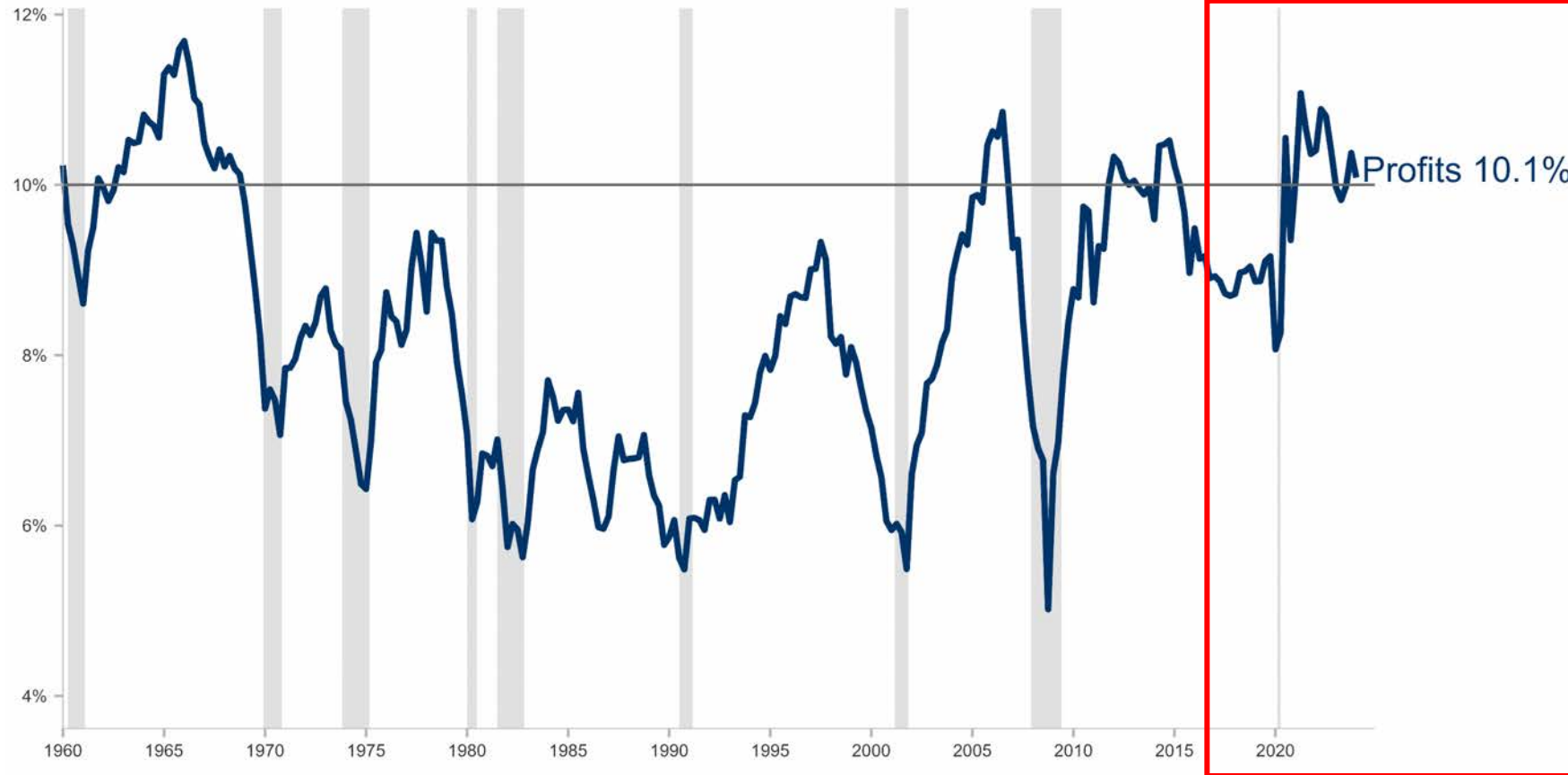
Planning Business Travel Within the Next 6 Months
% of American Consumers



Corporate profit margins are strong

Corporate profit margins

Corporate profits before tax as a ratio to GDP



Equity analysts expect
2024 earnings growth
for S&P to top 11%

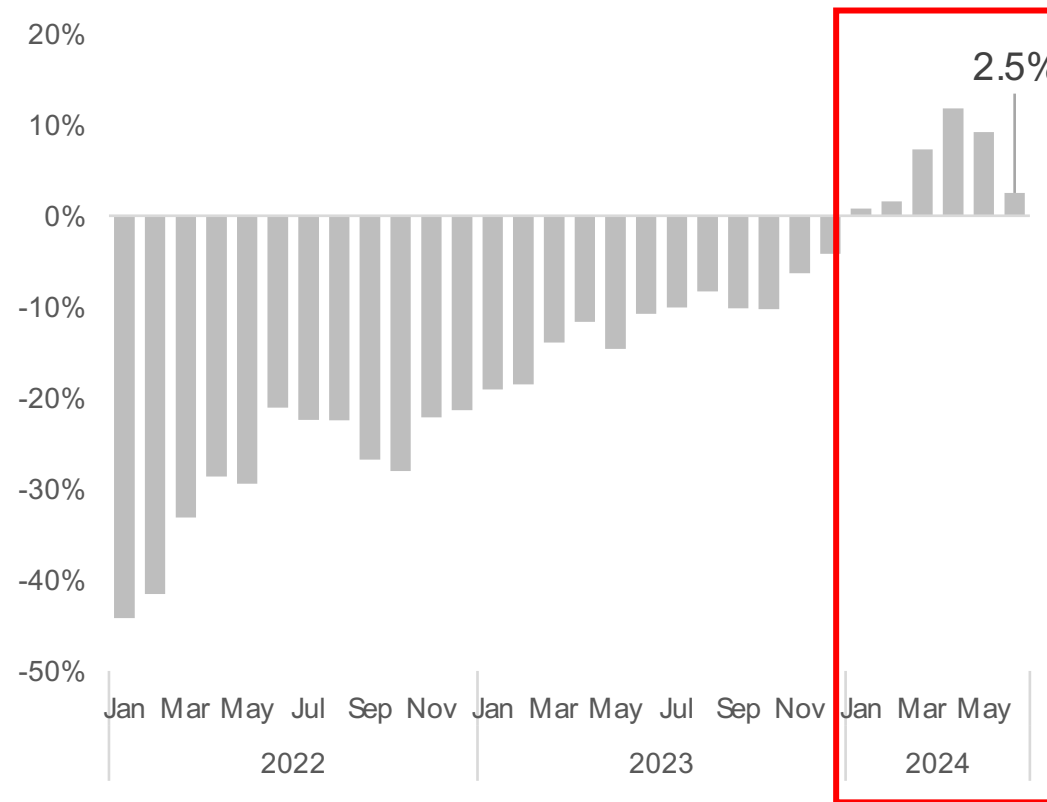
- *FactSet Research*

Note: Quarterly data through 2024Q1. Grey bars indicate recessions. Based on corporate profits with inventory valuation and capital consumption adjustments, domestic industries. Source: BEA, NBER

DMOs are securing new bookings at rates slightly ahead of 2019 (at last)

DMO booking activity, trailing six months

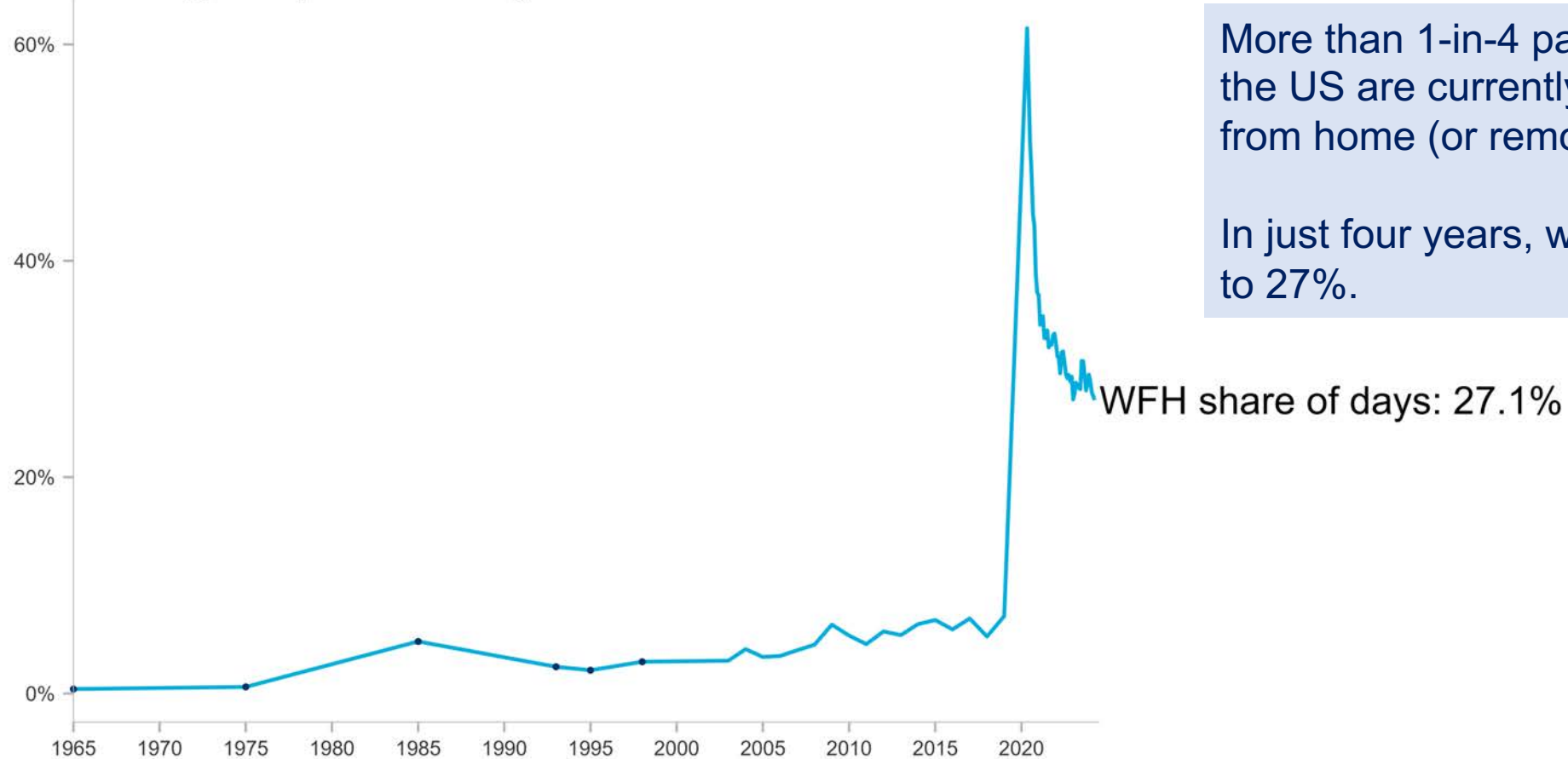
Hotel room nights contracted, trailing six-month sum, relative to 2019



Source: Simpleview CRM (250+ DMOs)

Work patterns have shifted toward remote work

Percentage of paid full days worked at home since 1965



More than 1-in-4 paid work days in the US are currently happening from home (or remote/telework).

In just four years, we went from 5% to 27%.

WFH share of days: 27.1%

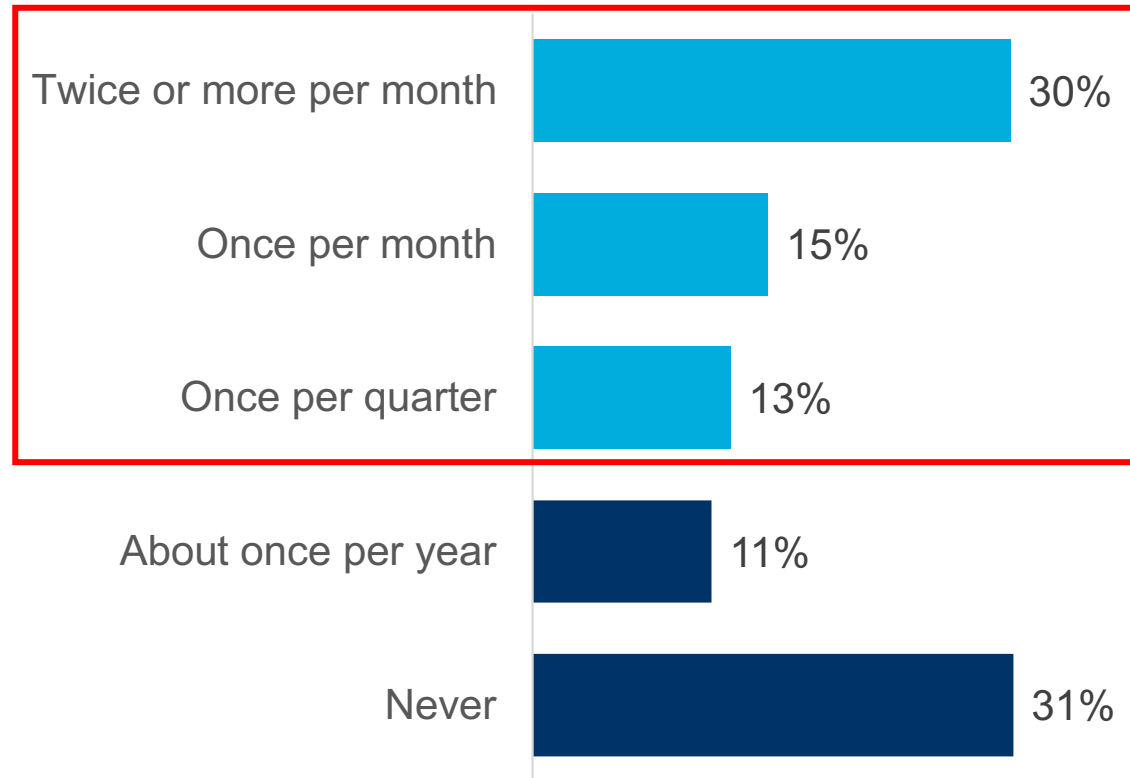
Note: Most recent data point is April 2024.

Source: Barrero, Jose Maria, Nicholas Bloom, and Steven J. Davis, 2021. "Why working from home will stick," National Bureau of Economic Research Working Paper 28731.

Most fully remote workers meet with colleagues in person

Do you ever meet with your coworkers in person?

Sample: Workers who were fully remote last week



58% of fully remote workers meet their colleagues in person at least quarterly

Note: June 5, 2023 research release. Source: Barrero, Jose Maria, Nicholas Bloom, and Steven J. Davis, 2021. "Why working from home will stick," National Bureau of Economic Research Working Paper 28731. www.wfhresearch.com



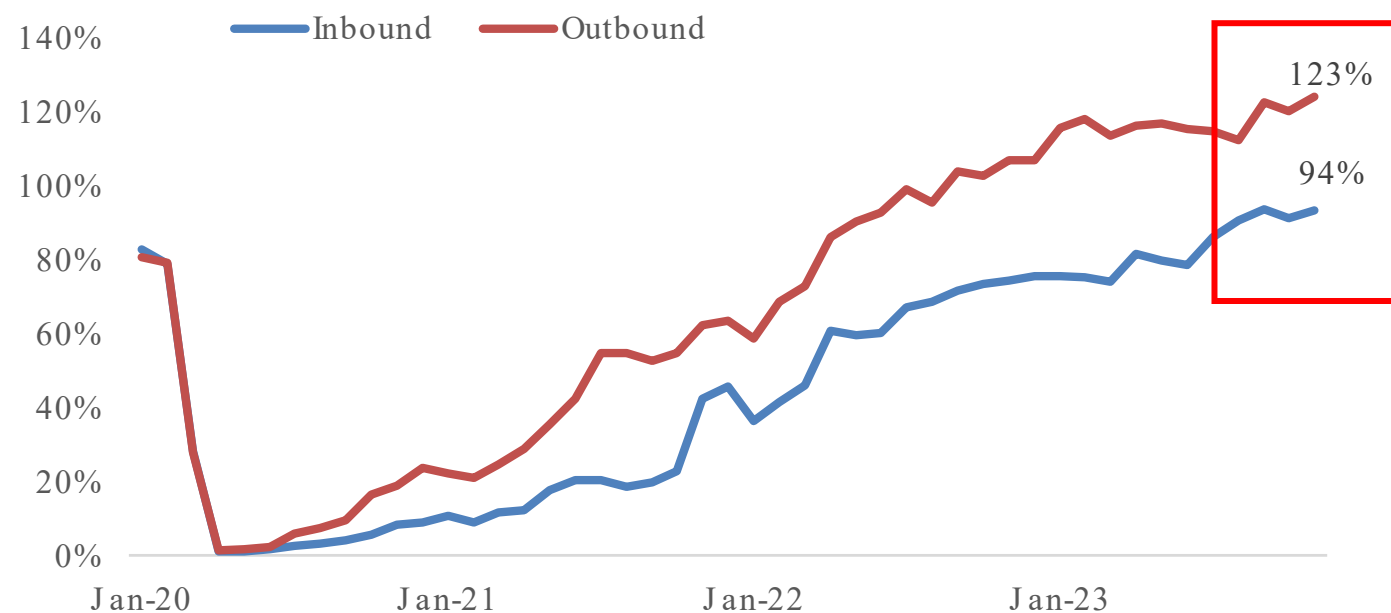
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INTERNATIONAL **TRAVEL.**

Outbound recovery was well ahead of inbound

Inbound and Outbound Travel Spending
% of same month in 2019

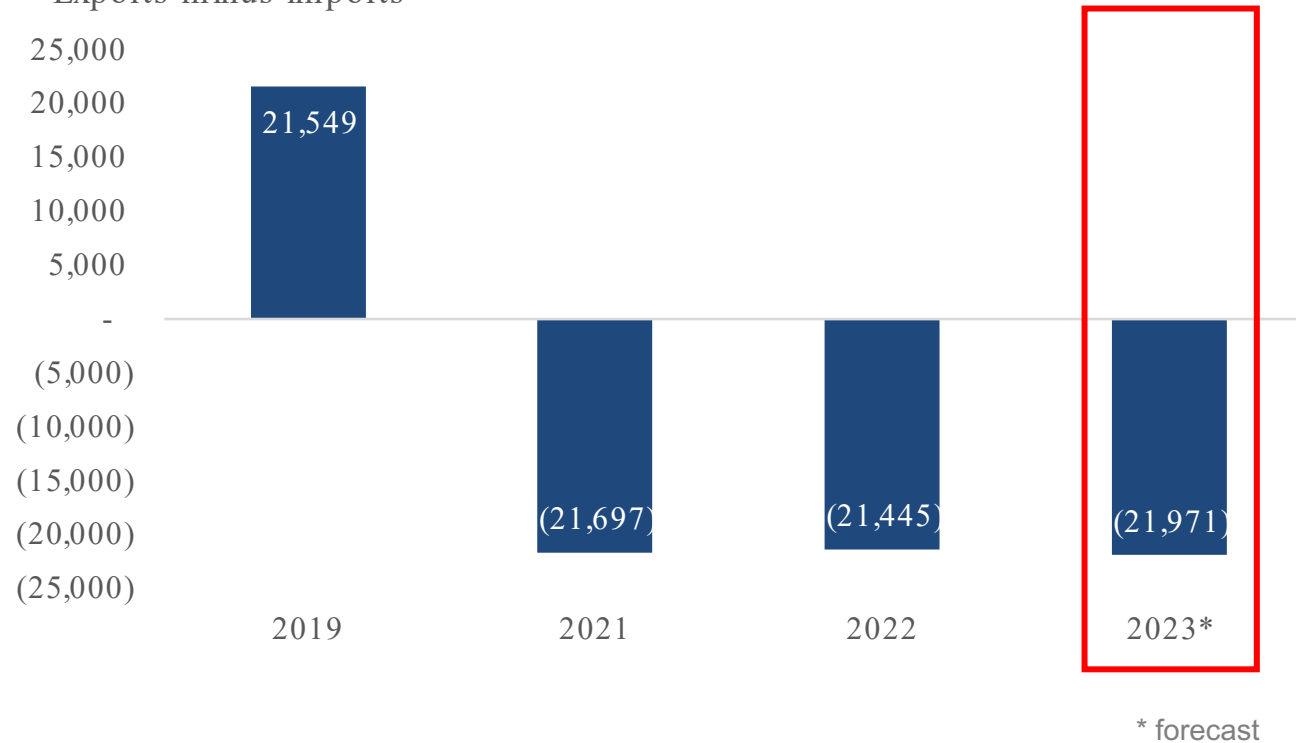


Highly unusual travel trade deficit

U.S. International Travel Trade Balance

Millions of dollars, seasonally adjusted

Exports minus imports

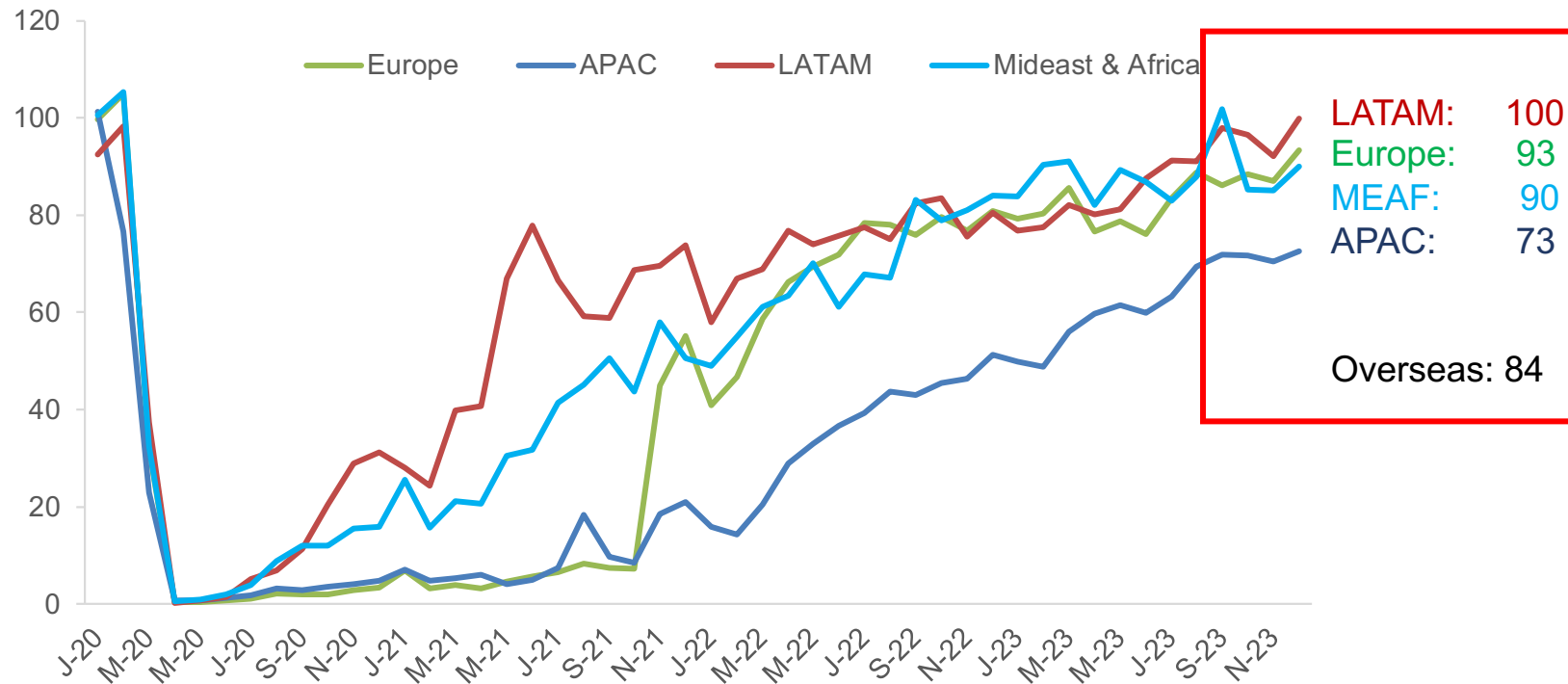


\$43 bn swing implies 39 million lost room nights
(3% of 2023 US hotel room demand)

Recovery was accelerating... and the market was swinging back

International visits to USA

2019 = 100 (same month comparison)

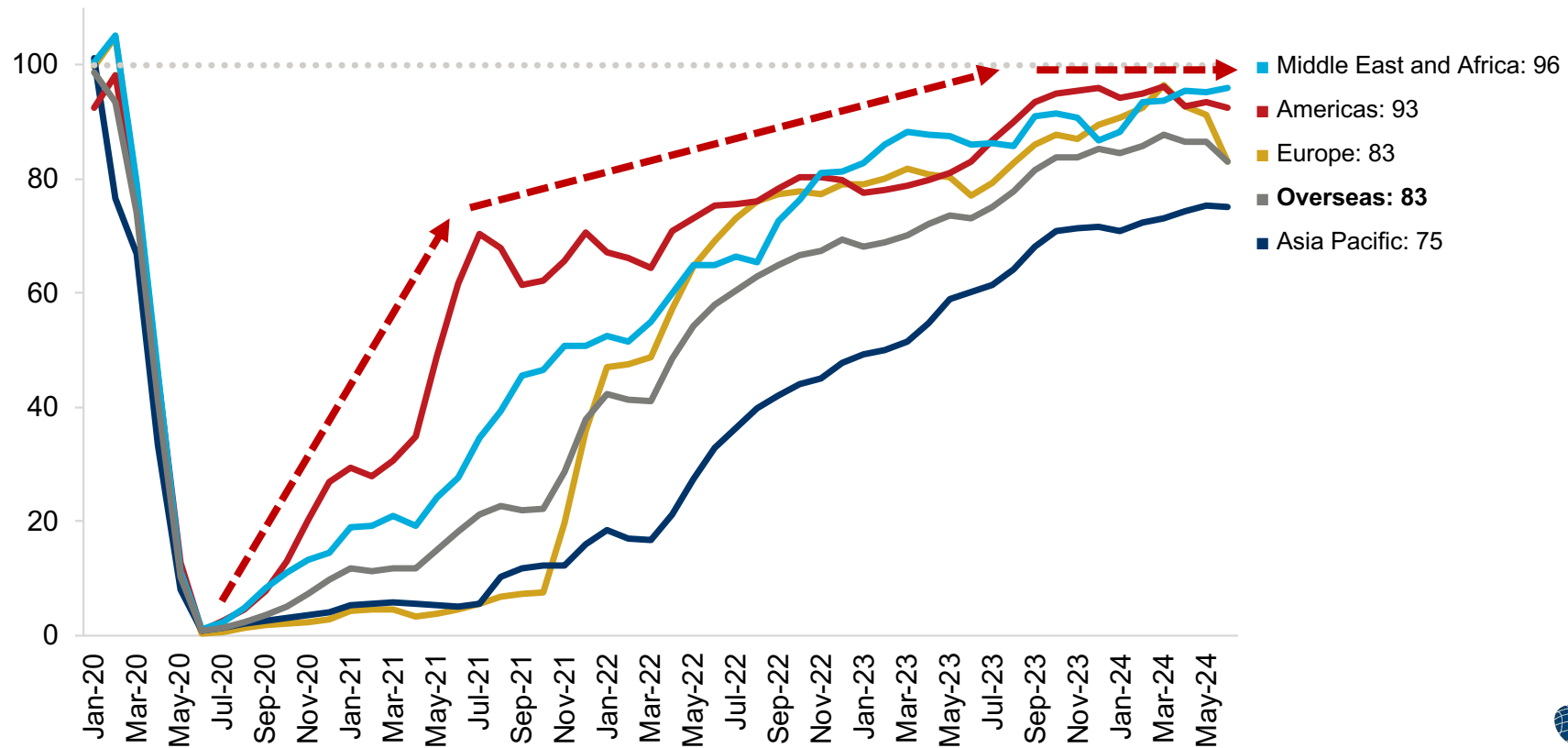


Source: NTTO

Inbound recovery pace slows but remains positive

Visits to US by global region

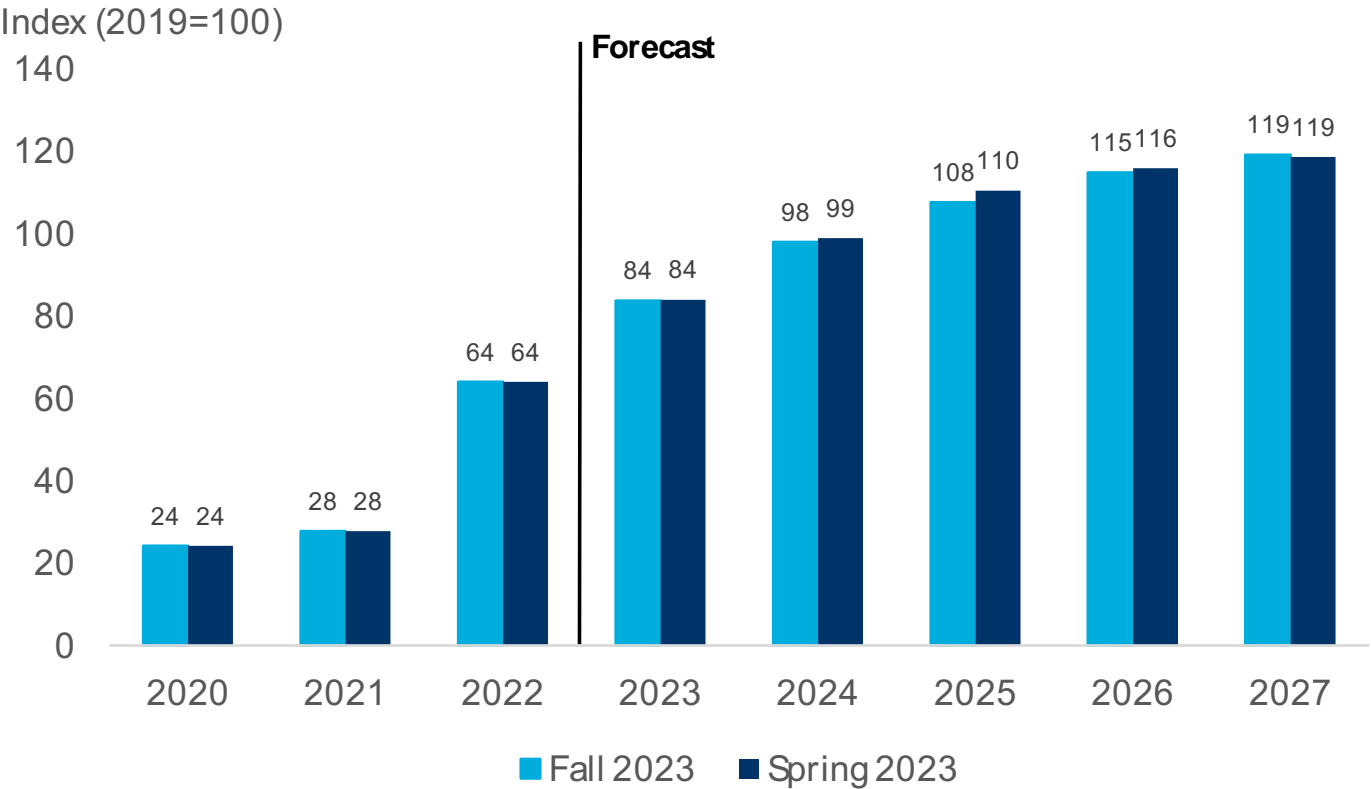
Index (2019=100, same month comparison), three-month moving average



Note: Americas excludes Canada and Mexico. Most recent data point is June 2024.
Source: NTTO

Recovery will add 3% to US occupancy

International trips



Source: Tourism Economics

Recovery timelines of top ten inbound markets

(ranked in order of 2019 visitations)

Canada	2023
Mexico	2024
United Kingdom	2025
Japan	2026
China	2026
South Korea	2025
Brazil	2025
Germany	2024
France	2025
India	2023

Source: Tourism Economics



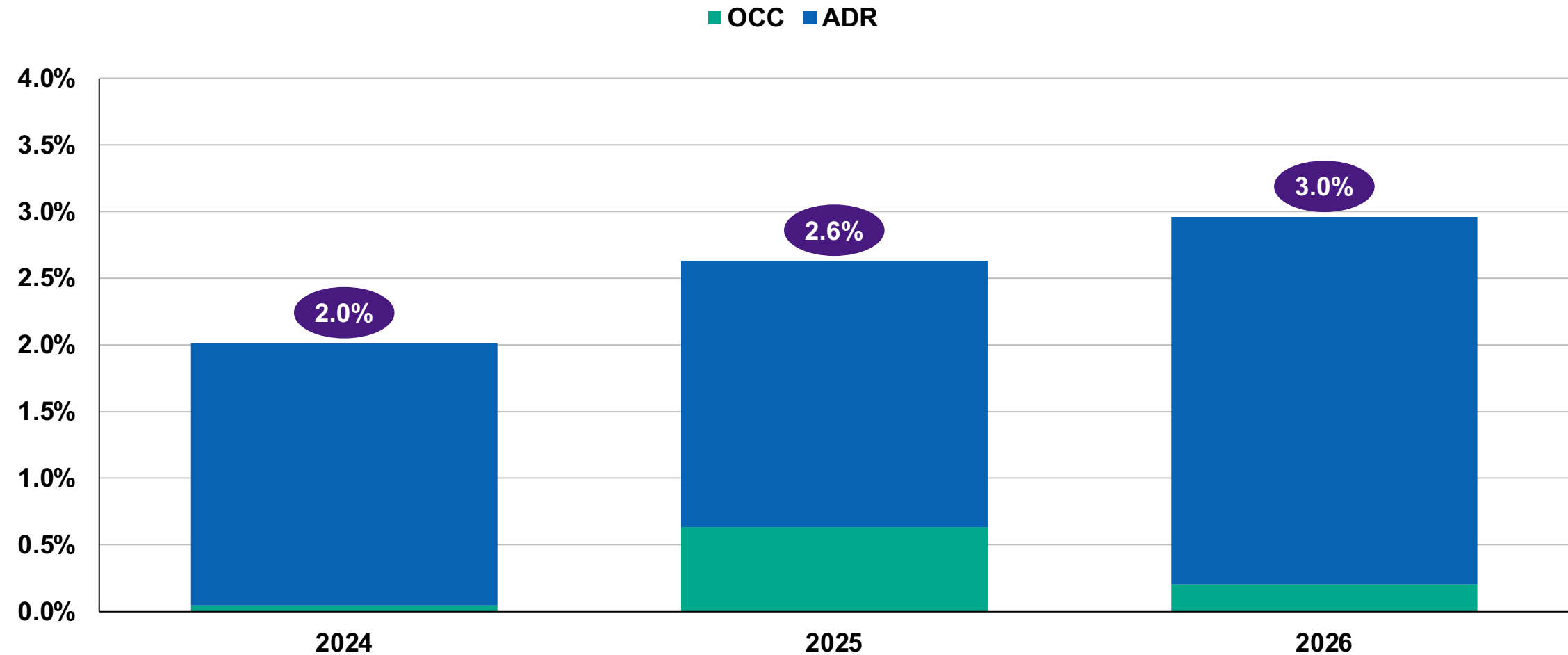
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NATIONAL **OUTLOOK.**

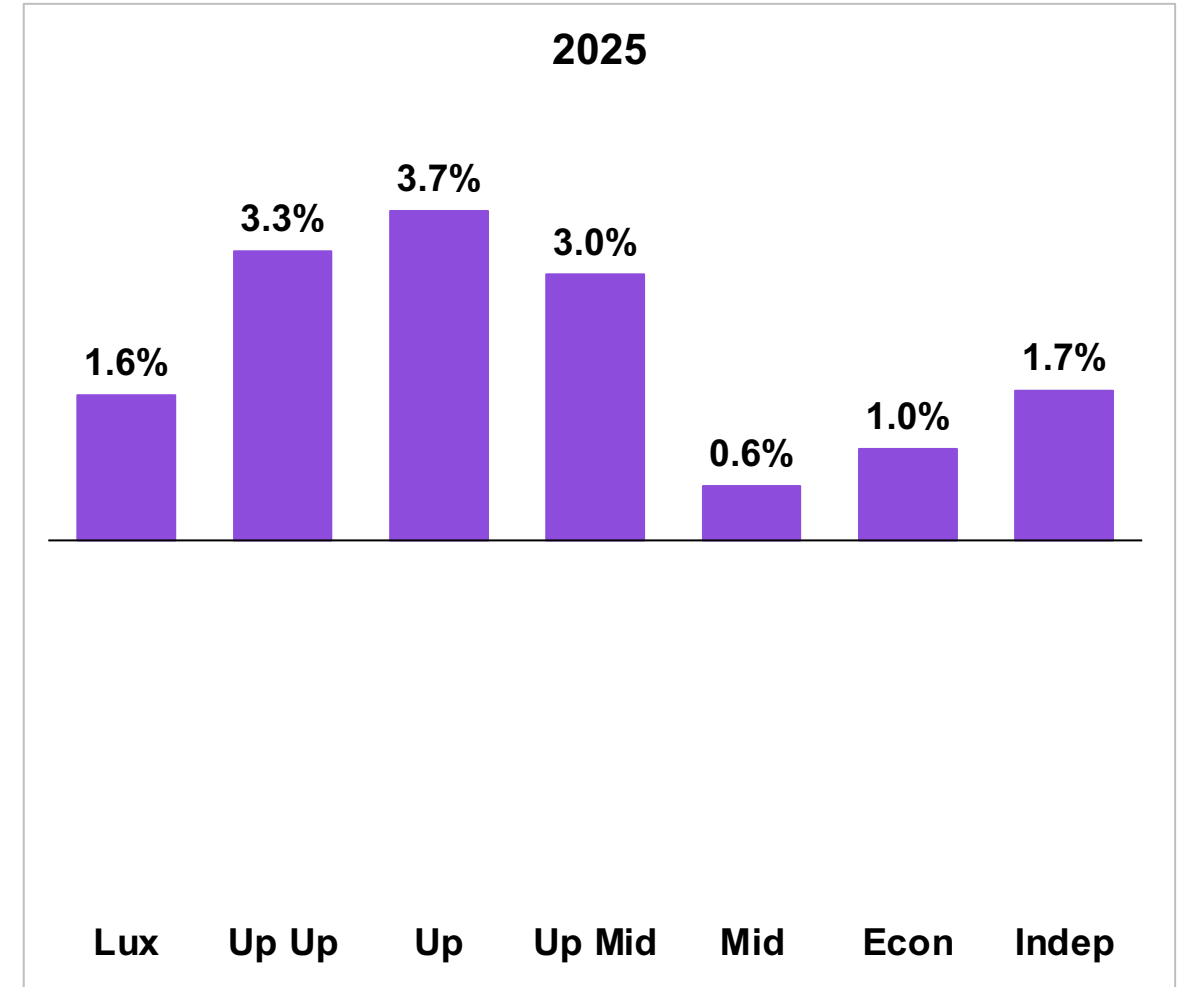
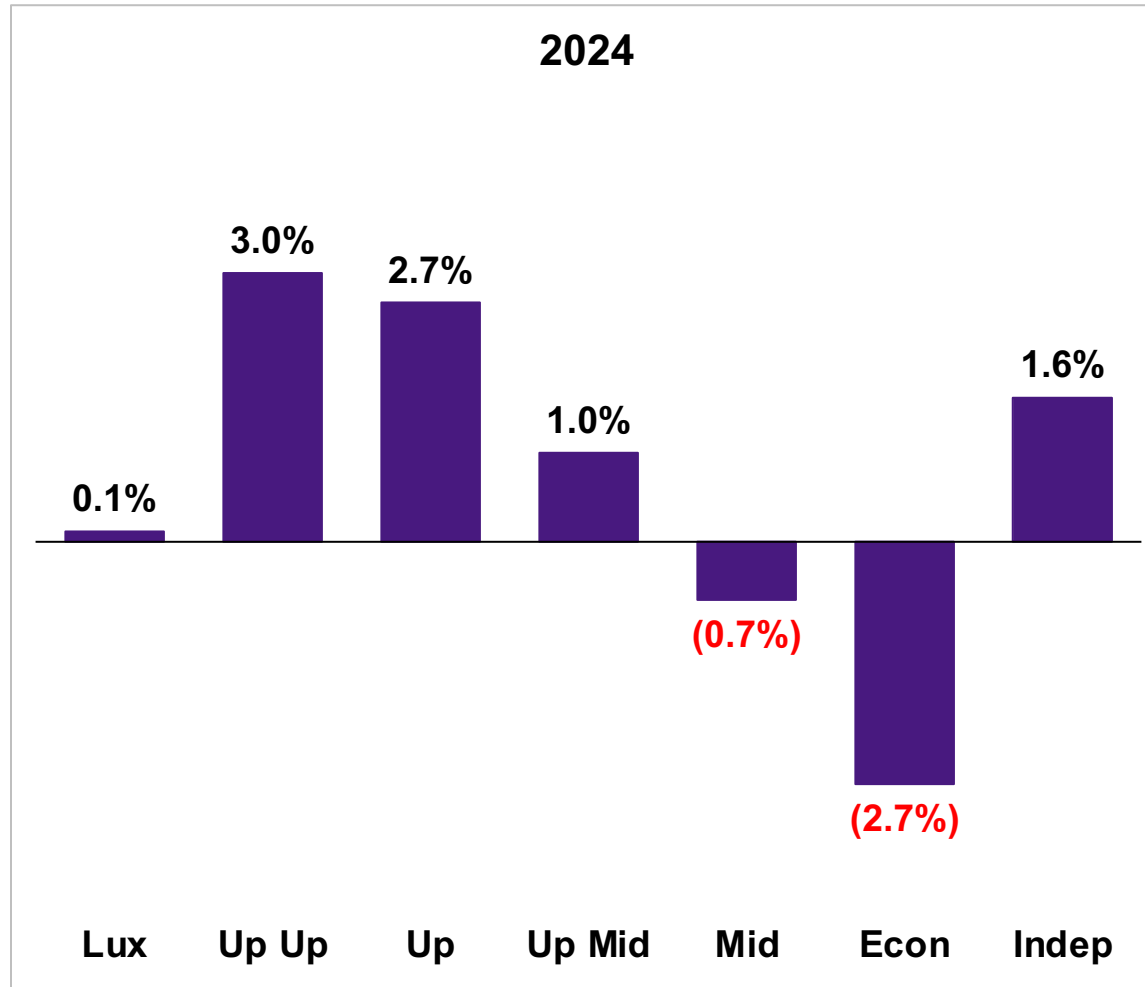
Moderate RevPAR growth still expected in U.S.

U.S. KPI forecast, August 2024



U.S. performance to vary by hotel type

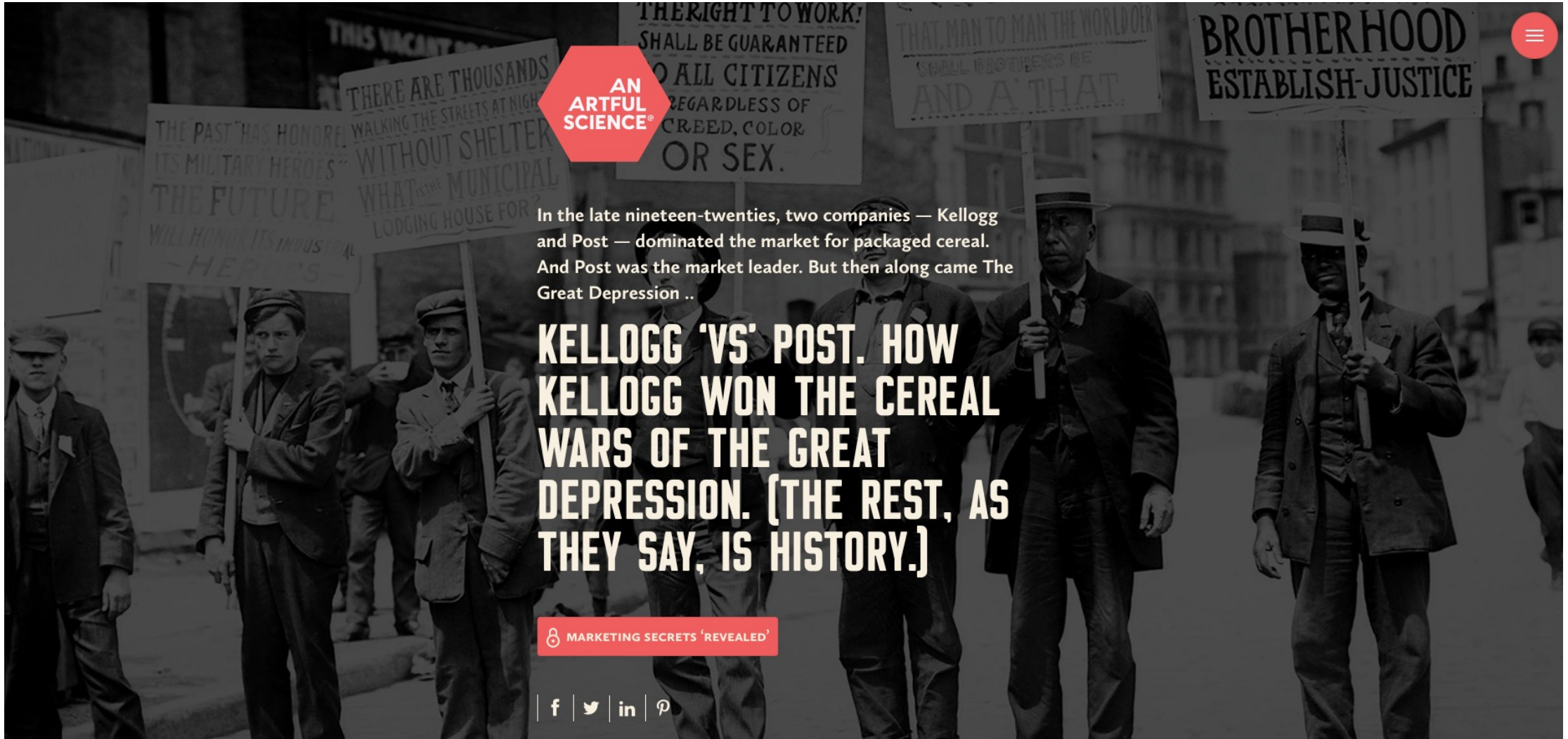
U.S. chain scale RevPAR YoY change, August 2024





**Have you heard
this story?**

Post vs. Kellogg during the Great Depression...



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In the late nineteen-twenties, two companies — Kellogg and Post — dominated the market for packaged cereal. And Post was the market leader. But then along came The Great Depression ..

KELLOGG 'VS' POST. HOW KELLOGG WON THE CEREAL WARS OF THE GREAT DEPRESSION. (THE REST, AS THEY SAY, IS HISTORY.)

MARKETING SECRETS 'REVEALED'

f | t | in | p

History Favors the Bold: Colorado vs. UT, AZ & NV



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A large commercial airplane is shown from a rear perspective, flying over a city at night. The landing gear is deployed, and the city lights are visible in the background. The word "Summary" is overlaid on the left side of the image.

Summary

Summary

Economy

- Fears about the economy are overdone. Economy is decelerating this year and next, but not alarmingly so.
- A resilient labor market and cooling inflation continues to underpin consumer spending
- Though many lower income households will be pinched
- Election impacts in 2025 will likely be limited

Travel

- Lower-tier hotels face softening demand
- Though some markets are easing, leisure travel continues to experience a tailwind, as consumer budgets have capacity
- Business travel still rebuilding, positive trends for group
- International inbound still with strongest gains

Risks

- No shortage of global risks (Middle East, Taiwan, Russia-NATO)
- Baseline outlook has only 45% probability
- Alternatives could be stronger (e.g., inflation victory scenario), or weaker (e.g., higher for longer interest rates, Full-blown Trump, Middle East escalation)

Thank You!

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