

# COVID-19's Impact on Virginia's Visitor Economy

May 1<sup>st</sup>, 2020

PREPARED FOR:

VIRGINIA TOURISM CORPORATION



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# REPORT HIGHLIGHTS

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We developed three scenarios to determine a range of possible impacts



## Upside Scenario

Total tourism spending losses falls by \$9.6 billion in 2020, a 36% drop compared to 2019. 60,000 jobs supported by tourism spending are lost.



## Baseline Scenario

Total tourism spending losses falls by \$12.6 billion in 2020, a 47% drop compared to 2019. 79,000 jobs supported by tourism spending are lost.



## Downside Scenario

Total tourism spending losses falls by \$16.0 billion in 2020, a 60% drop compared to 2019. 100,000 jobs supported by tourism spending are lost.

## Summary of COVID-19 related tourism spending losses in three scenarios

Dollar figures in millions

	2020	2021
<b>Upside</b>		
Lost visitor or spending, \$	\$9,627	\$2,387
Lost visitor or spending, %	36%	9%
Lost jobs	60,421	14,981
Room revenue	\$1,711	\$532
Lost state taxes	\$401	\$100
Lost local taxes	\$261	\$65
<b>Baseline</b>		
Lost visitor or spending, \$	\$12,611	\$6,395
Lost visitor or spending, %	47%	24%
Lost jobs	79,154	40,142
Room revenue	\$22,310	\$1,145
Lost state taxes	\$526	\$267
Lost local taxes	\$342	\$174
<b>Downside</b>		
Lost visitor or spending, \$	\$15,976	\$9,427
Lost visitor or spending, %	60%	35%
Lost jobs	100,275	59,168
Room revenue	\$2,746	\$1,685
Lost state taxes	\$666	\$393
Lost local taxes	\$434	\$256

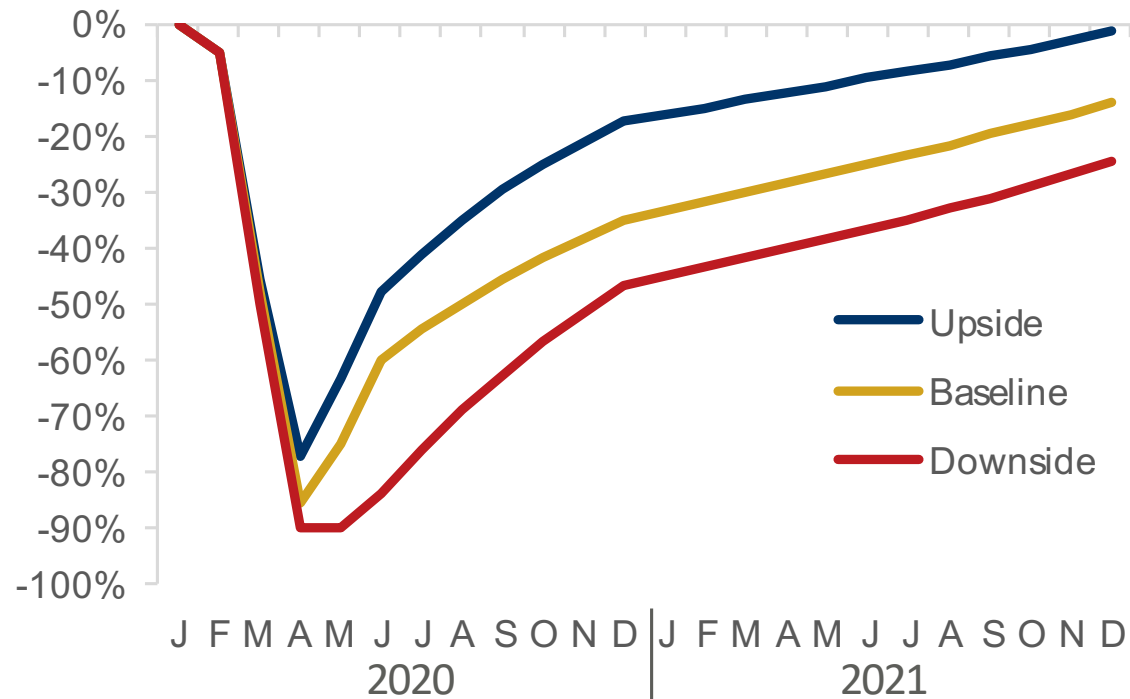
Sources: Tourism Economics; STR; US Travel

# REPORT HIGHLIGHTS

Lost spending by month

## Virginia's COVID-19 related traveler spending losses in three scenarios

Percent losses compared to 2019

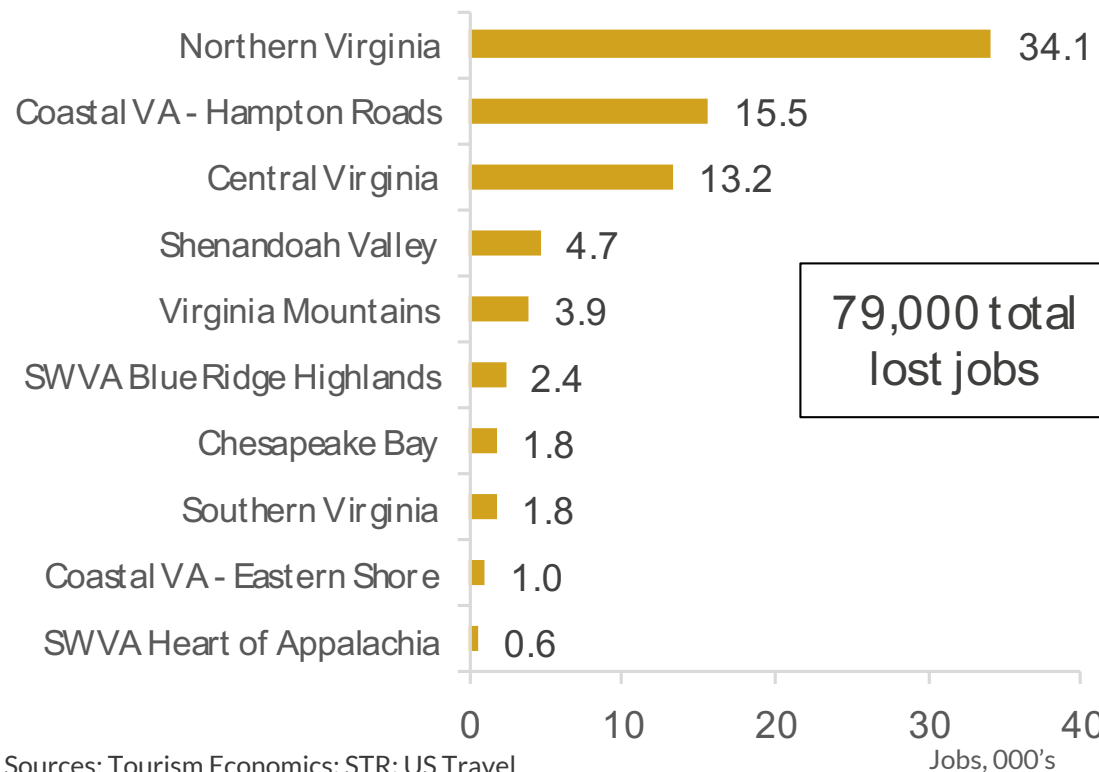


Sources: Tourism Economics; STR; US Travel

# REPORT HIGHLIGHTS

Lost jobs by region

Virginia regional job losses due to COVID-19, Baseline Scenario, 2020



# REPORT HIGHLIGHTS

Lost room revenue by month

## Virginia's forecasted room revenue in three scenarios

Dollars, billions - losses compared to 2019

	Calendar years			Fiscal years			
	2019	2020	2021	2019	2020	2021	2022
<b>Forecast</b>							
Upside	\$4.1	\$2.4	\$3.6	\$4.0	\$3.1	\$3.0	\$3.9
Baseline	\$4.1	\$1.8	\$2.9	\$4.0	\$2.9	\$2.3	\$3.4
Downside	\$4.1	\$1.3	\$2.4	\$4.0	\$2.8	\$1.7	\$2.9
<b>Losses</b>							
Upside	--	\$1.7	\$0.5	--	\$0.9	\$1.0	\$0.1
Baseline	--	\$2.3	\$1.2	--	\$1.1	\$1.7	\$0.6
Downside	--	\$2.8	\$1.7	--	\$1.3	\$2.3	\$1.1

Sources: Tourism Economics; STR; US Travel

# THE KEYS

**KEY CONSIDERATIONS, ASSUMPTIONS,  
DRIVERS, AND UNKNOWNNS**



# KEY CONSIDERATIONS

We are entering uncharted territory



## **This is an unprecedented crisis for the travel industry.**

From a macroeconomic perspective, the GDP impact on 2020 Q2 will be unlike anything we have seen in the modern era. This sudden recession, combined with the specific impact that COVID-19 will have on the tourism sector, will create what is by far the largest single year impact on travel that we have ever seen.



## **We are still in the early stages of analyzing the pandemic.**

Many key data points in the travel sector have lags of a month or more, consequently we are relying on experiences with other major downturns in the travel industry and what data we can obtain to conduct our analysis at the moment. Therefore, we provide three different scenarios for how the crisis may unfold.



## **The domestic market will likely drive the recovery**

When the pandemic fades, there will be significant pent-up demand for leisure travel and (given that a severe recession does not follow the pandemic) we may see strong y/y increases. Short-haul travel will likely be the driver of this rebound due to consumers' lingering wariness of booking long-haul trips.

# KEY ASSUMPTIONS

## Baseline Scenario

Economic assumptions are based on Oxford Economics' April 22 databank and STR weekly hotel performance data through April 21:

- Economic recession started in early March.
- Expect sharp contraction of real GDP in Q2, followed by a firm economic rebound in the second half of 2020, hinging on effective containment measures in coming months. Overall, real GDP decline of -6.9% in 2020, followed by 9.9% growth in 2021.
- The unemployment rate reached 15.2% in 2020 Q2.
- Substantial fiscal stimulus is anticipated to help combat the economic damage from the coronavirus pandemic.

Disease response assumptions:

- Extent and duration of necessary disease containment and suppression measures is unknown.
- Restrictions, such as stay-at-home orders, are assumed to be concentrated in March, April and May, with continued disease management policies through the end of 2020.
- The forecast assumes gradually improving context for travel beginning in July.

Recovery assumptions:

The Baseline Scenario assumes a moderate overhang on travel due to virus-related factors continues in 2020Q4. These assumptions are summarized in the below:

- Virus contained regionally, some restrictions and containment measures continue
- Groups are allowed to meet with minor modifications, but some risk aversion by participants, organizers, and corporate sponsors reduces attendance
- Some households remain cautious, and reduce travel relative to a year earlier
- International inbound travel substantially reduced by virus-related factors

# KEY DRIVERS

The crisis will be profound, pervasive and persistent

## 1 Profound

Travel sector revenue will average 81% below normal in April and May. Gradually lessening declines are expected in the summer as travel restrictions are loosened regionally. However, losses will continue through the rest of the year.

## 2 Pervasive

Group/transient, leisure/business/VFR, day/overnight segments will all be impacted. We already see similar sharp downturns across different segments in ADARA's booking data. In both Scenarios, all types of travel are deeply impacted.

## 3 Persistent

Our pre-crisis forecast had the US economy growing at a slow but steady rate in 2020. In the Baseline Scenario, the pandemic leads to a GDP contraction of 6.9%% in 2020. This downturn curtails household discretionary spending through 2021.

# KEY DRIVERS

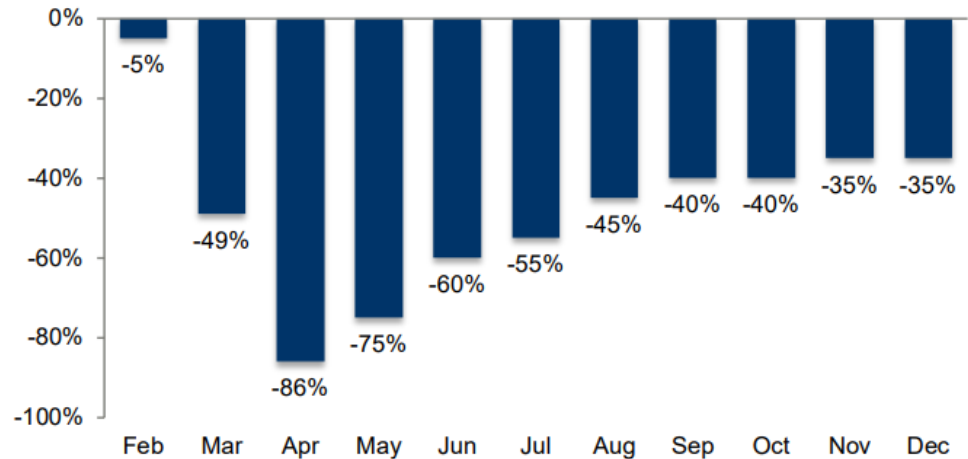
A profound, pervasive, and persistent impact

Profound – the crisis will severely impact the travel industry.

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

y/y percent losses



Source: Tourism Economics

# KEY DRIVERS

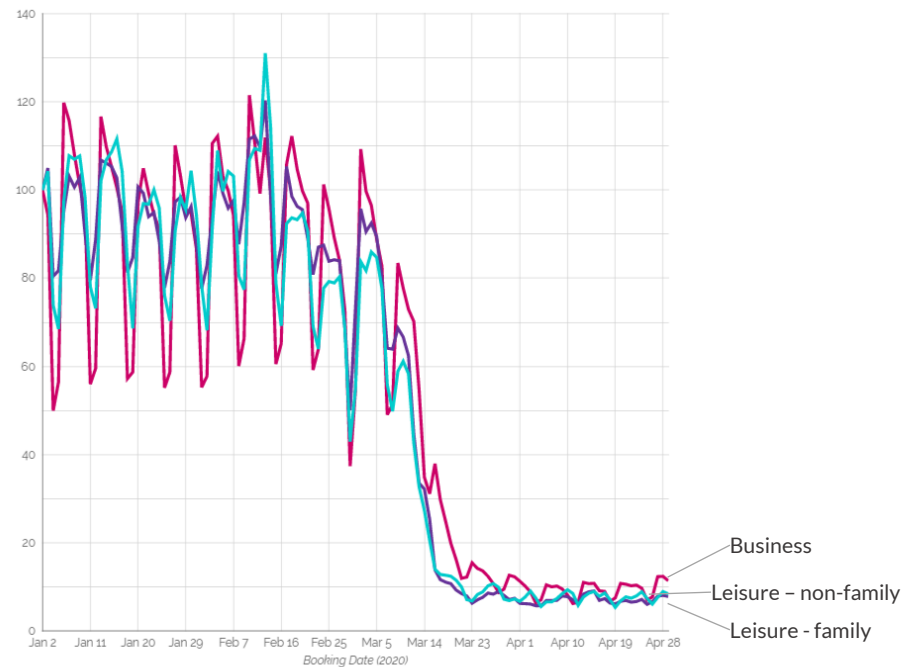
A profound, pervasive, and persistent impact

Pervasive - the crisis will severely curtail all forms of travel.

Group/transient, leisure/business/VFR, day/overnight segments will all be impacted. We already see similar sharp downturns across different segments in ADARA's US booking data. In both scenarios, all types of travel are deeply impacted.

## US hotel booking volume, 2020

Index (Jan. 2<sup>nd</sup> = 100)



Source: ADARA - <https://adara.com/traveler-trends-tracker/>

# KEY DRIVERS

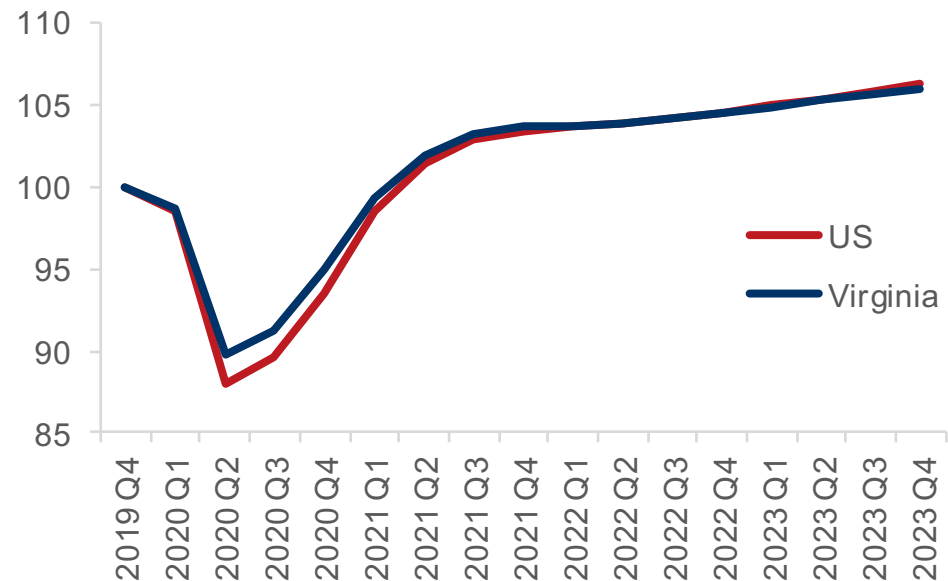
A profound, pervasive, and persistent impact

**Persistent** - the COVID-19 crisis will slow the economy and therefore hamper the post-crisis recovery.

Expect sharp contraction of real GDP in Q2, followed by a firm economic rebound in the second half of 2020, hinging on effective containment measures in coming months. Overall, real GDP decline of -6.9% in 2020, followed by 9.9% growth in 2021.

USA and Virginia Baseline Scenario GDP growth

Index (2019 Q4 = 100)



Source: Oxford Economics

# KEY UNKNOWNNS

The questions that will determine the impact of the COVID-19 crisis on Virginia's visitor economy

## When will the recovery start?

Hotel occupancy rates in the US averaged 66% over the year in 2019. In April 2020 they fell close to 25%. How long will they remain there?

## How big could an August recovery be?

If the COVID-19 crisis begins to clear over the early summer, July and August may receive a massive amount of latent demand. However, these are already Virginia's most popular travel month, so will supply struggle to match demand?

## How long will recovery take?

Will the spread of COVID-19 slow in the summer months? How severely will the pandemic impact GDP growth and consumer spending? Will bankruptcies negatively impact air capacity and room supply well into the future?

## Could the crisis get worse than we imagine?

There remains a great deal of uncertainty surrounding COVID-19, and the pandemic is moving quickly. While the Downside Scenario already represents an incredible loss, could an unforeseen twist cause the losses to mount at an even greater rate?

# THE UPSIDE SCENARIO



# THE UPSIDE SCENARIO

## Summary data

Losses in 2020 amount to 36% of all spending or \$9.6 billion.

### Upside Scenario COVID-19 related losses in Virginia

Dollar figures in millions

	2020	2021
<b>Economic impacts</b>		
Lost visitor spending, \$	\$9,627	\$2,387
Lost visitors spending, %	36%	9%
Lost jobs	60,421	14,981
Lost wages	\$2,247	\$557
Lost state taxes	\$401	\$100
Lost local taxes	\$261	\$65
<b>Hotel impacts</b>		
Lost room demand (millions)	8.6	0.8
Lost room revenue	\$1,711	\$532

Sources: Tourism Economics; STR; US Travel

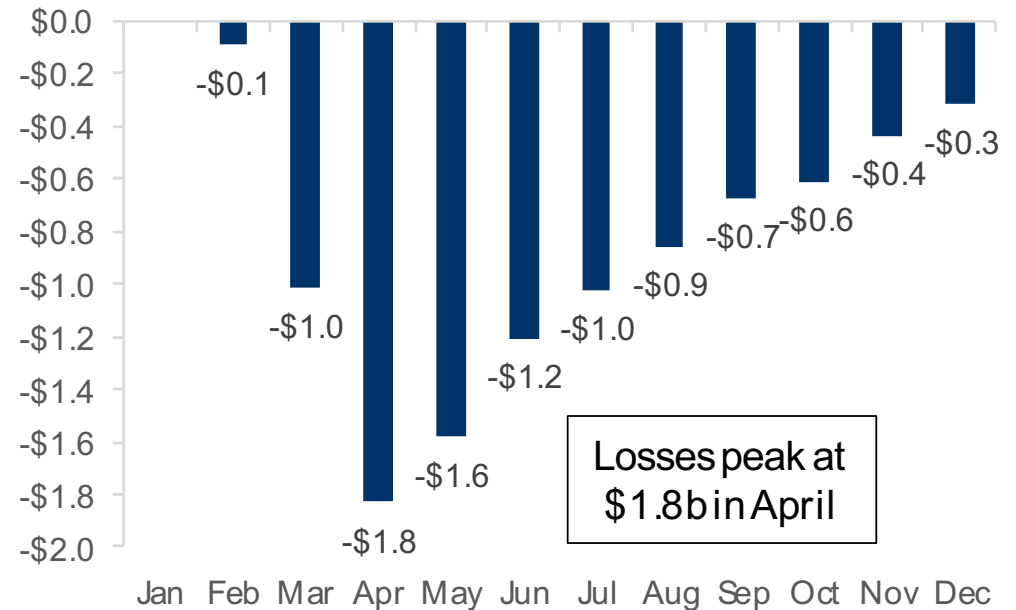
# THE UPSIDE SCENARIO

## Monthly impacts

Dollar losses peak in April at \$1.8 billion for the month.

Upside Scenario COVID-19 related tourism spending losses in Virginia, 2020

Spending, billions



Sources: Tourism Economics; STR; US Travel

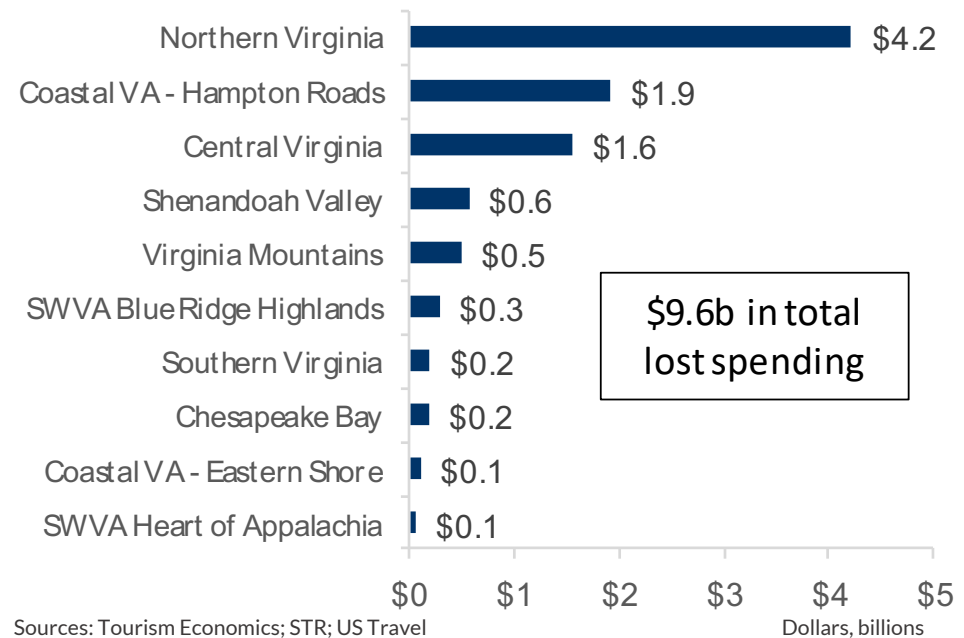
Losses peak at  
\$1.8b in April

# THE UPSIDE SCENARIO

## Regional spending losses

44% of all losses occur in Northern Virginia.

Baseline COVID-19 related tourism spending losses in Virginia's region

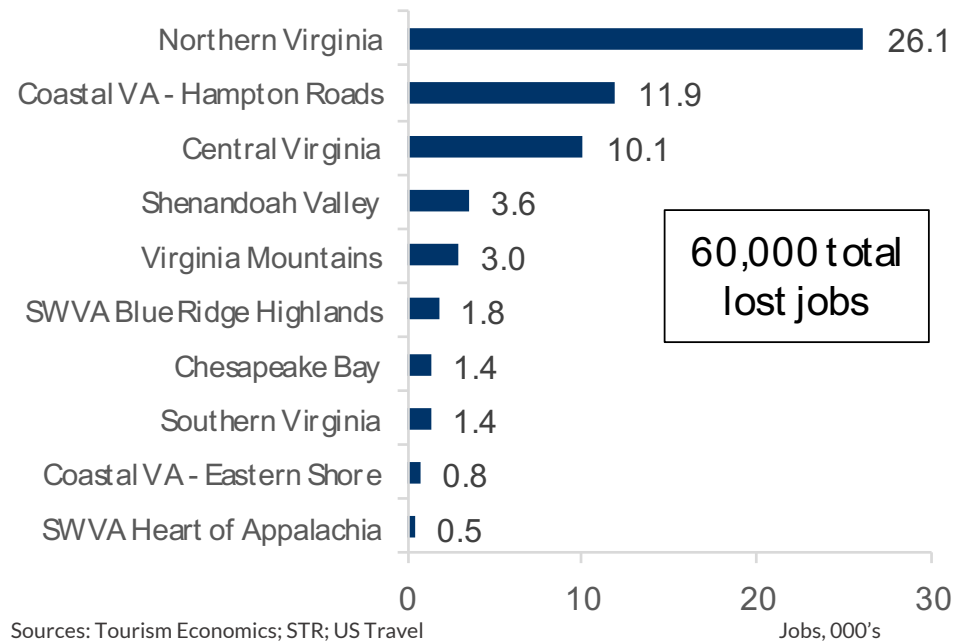


# THE UPSIDE SCENARIO

## Job losses

43% of all job losses occur in Northern Virginia.

Upside Scenario COVID-19 related tourism spending losses by region, 2020



# THE UPSIDE SCENARIO

## Room revenue

Room revenue losses amount to \$2.5 billion dollars in FYs 2020-2022.

### Upside Scenario room revenue forecast and losses

Dollars, millions – assumes a July-June Fiscal year

	Forecast				Losses			
	FY 2019	FY 2020	FY 2021	FY 2022	FY 2019	FY 2020	FY 2021	FY 2022
Central Virginia	\$737	\$560	\$541	\$691	--	\$177	\$196	\$46
Chesapeake Bay	\$21	\$16	\$16	\$20	--	\$5	\$6	\$1
Coastal VA - Eastern Shore	\$34	\$25	\$23	\$30	--	\$9	\$11	\$4
Coastal VA - Hampton Roads	\$904	\$681	\$651	\$844	--	\$223	\$253	\$60
Northern Virginia	\$1,835	\$1,334	\$1,343	\$1,711	--	\$501	\$492	\$124
Shenandoah Valley	\$220	\$166	\$160	\$206	--	\$54	\$60	\$15
Southern Virginia	\$68	\$53	\$51	\$65	--	\$16	\$17	\$3
SWVA Blue Ridge Highlands	\$153	\$114	\$107	\$138	--	\$39	\$46	\$15
SWVA Heart of Appalachia	\$21	\$16	\$15	\$20	--	\$5	\$6	\$2
Virginia Mountains	\$162	\$124	\$118	\$152	--	\$38	\$44	\$11
<b>Virginia total</b>	<b>\$4,157</b>	<b>\$3,090</b>	<b>\$3,026</b>	<b>\$3,877</b>	<b>--</b>	<b>\$1,067</b>	<b>\$1,131</b>	<b>\$280</b>

Sources: Tourism Economics; STR; US Travel

# THE BASELINE SCENARIO

# THE BASELINE SCENARIO

## Summary data

Losses in 2020 amount to 47% of all spending or \$12.6 billion.

### Baseline Scenario COVID-19 related losses in Virginia

Dollar figures in millions

	2020	2021
<b>Economic impacts</b>		
Lost visitor spending, \$	\$12,611	\$6,395
Lost visitors spending, %	47%	24%
Lost jobs	79,154	40,142
Lost wages	\$2,942	\$1,492
Lost state taxes	\$526	\$267
Lost local taxes	\$342	\$174
<b>Hotel impacts</b>		
Lost room demand (millions)	15.7	5.4
Lost room revenue	\$2,310	\$1,145

Sources: Tourism Economics; STR; US Travel

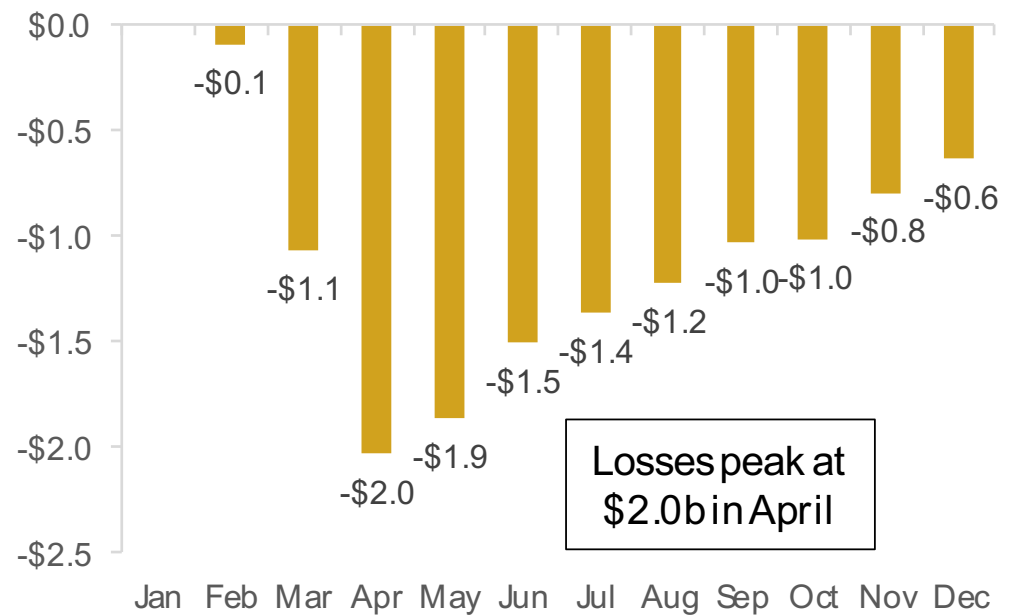
# THE BASELINE SCENARIO

## Monthly impacts

Dollar losses peak in April at \$2.0 billion for the month.

Baseline Scenario COVID-19 related tourism spending losses in Virginia, 2020

Spending, billions



Sources: Tourism Economics; STR; US Travel



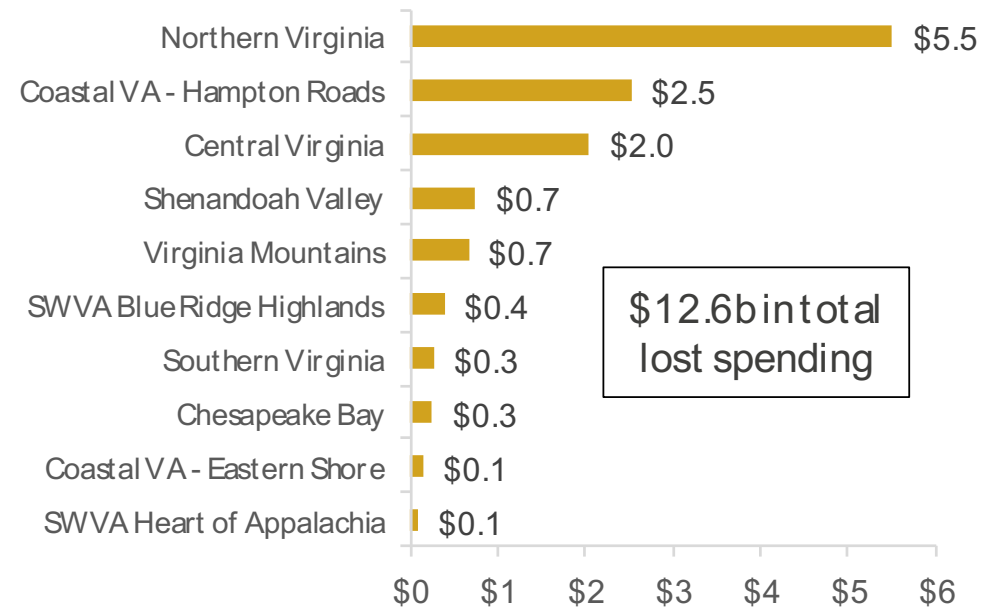
# THE BASELINE SCENARIO

## Regional spending losses

44% of all losses occur in Northern Virginia.

Baseline COVID-19 related tourism spending losses in Virginia's regions

Dollars, billions



Sources: Tourism Economics; STR; US Travel

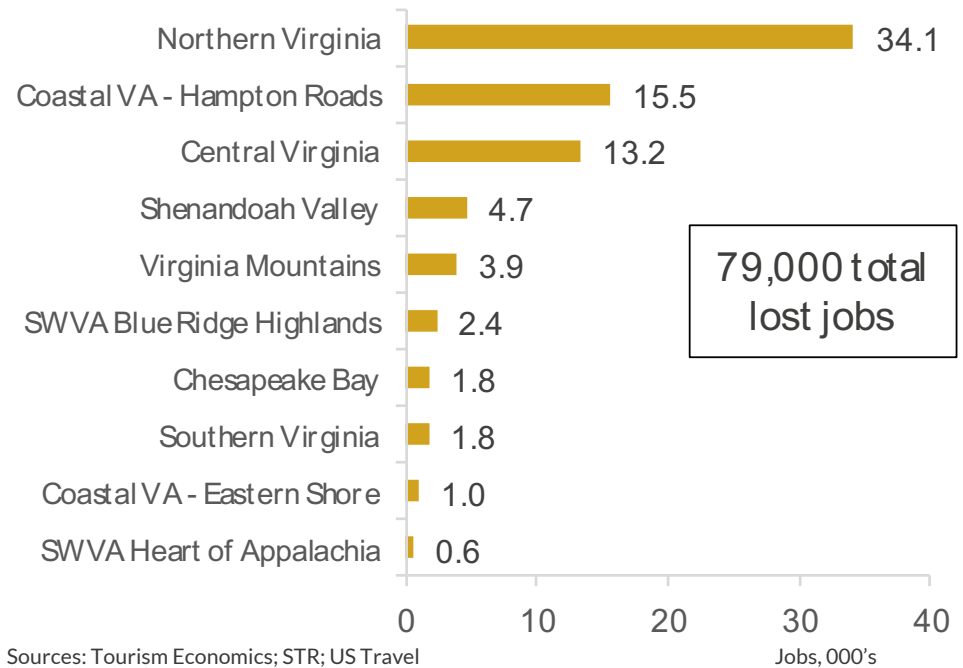
Dollars, billions

# THE BASELINE SCENARIO

## Regional job losses

43% of all losses occur in Northern Virginia.

Baseline Scenario COVID-19 related tourism spending losses by region, 2020



# THE BASELINE SCENARIO

## Room revenue

Room revenue losses amount to \$3.9 billion dollars in FYs 2020-2022.

### Baseline Scenario room revenue forecast and losses

Dollars, millions – assumes a July-June Fiscal year

	Forecast				Losses			
	FY 2019	FY 2020	FY 2021	FY 2022	FY 2019	FY 2020	FY 2021	FY 2022
Central Virginia	\$737	\$526	\$411	\$603	--	\$211	\$326	\$134
Chesapeake Bay	\$21	\$15	\$12	\$18	--	\$6	\$9	\$4
Coastal VA - Eastern Shore	\$34	\$24	\$18	\$26	--	\$10	\$17	\$8
Coastal VA - Hampton Roads	\$904	\$636	\$492	\$735	--	\$268	\$412	\$169
Northern Virginia	\$1,835	\$1,241	\$1,025	\$1,495	--	\$595	\$811	\$340
Shenandoah Valley	\$220	\$156	\$121	\$179	--	\$65	\$99	\$41
Southern Virginia	\$68	\$50	\$39	\$57	--	\$19	\$30	\$12
SWVA Blue Ridge Highlands	\$153	\$108	\$81	\$120	--	\$45	\$72	\$33
SWVA Heart of Appalachia	\$21	\$15	\$11	\$17	--	\$6	\$10	\$4
Virginia Mountains	\$162	\$117	\$90	\$132	--	\$45	\$73	\$30
<b>Virginia total</b>	<b>\$4,157</b>	<b>\$2,886</b>	<b>\$2,299</b>	<b>\$3,384</b>	<b>--</b>	<b>\$1,271</b>	<b>\$1,858</b>	<b>\$773</b>

Sources: Tourism Economics; STR; US Travel

# THE DOWNSIDE SCENARIO

# THE DOWNSIDE SCENARIO

## Summary data

Losses in 2020 amount to 60% of all spending or \$16.0 billion.

### Downside Scenario COVID-19 related losses in Virginia

Dollar figures in millions

	2020	2021
<b>Economic impacts</b>		
Lost visitor spending, \$	\$15,976	\$9,427
Lost visitors spending, %	60%	35%
Lost jobs	100,275	59,168
Lost wages	\$3,725	\$2,198
Lost state taxes	\$666	\$393
Lost local taxes	\$434	\$256
<b>Hotel impacts</b>		
Lost room demand (millions)	20.9	10.0
Lost room revenue	\$2,746	\$1,685

Sources: Tourism Economics; STR; US Travel

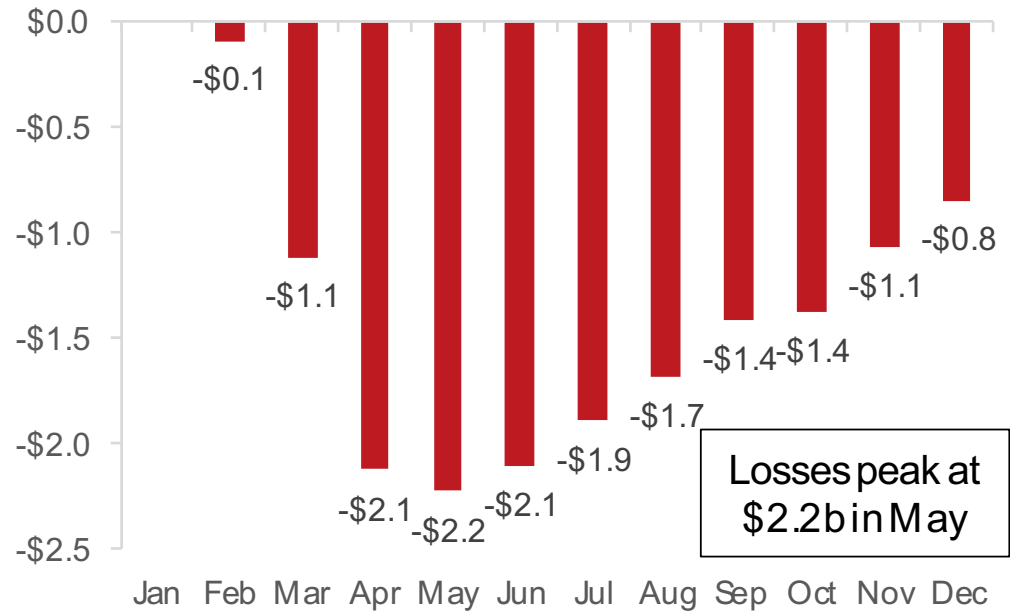
# THE DOWNSIDE SCENARIO

## Monthly impacts

Dollar losses peak in May at \$2.2 billion for the month.

Downside COVID-19 related tourism spending losses in Virginia, 2020

Spending, billions



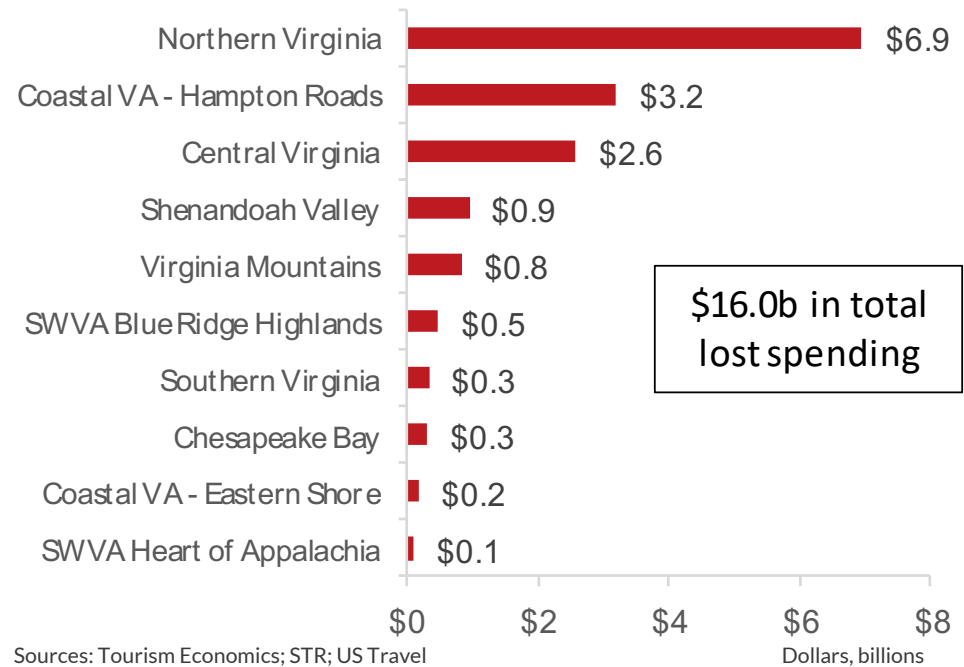
Sources: Tourism Economics; STR; US Travel

# THE DOWNSIDE SCENARIO

## Regional spending losses

44% of all losses occur in Northern Virginia.

Downside COVID-19 related tourism spending losses in Virginia's region

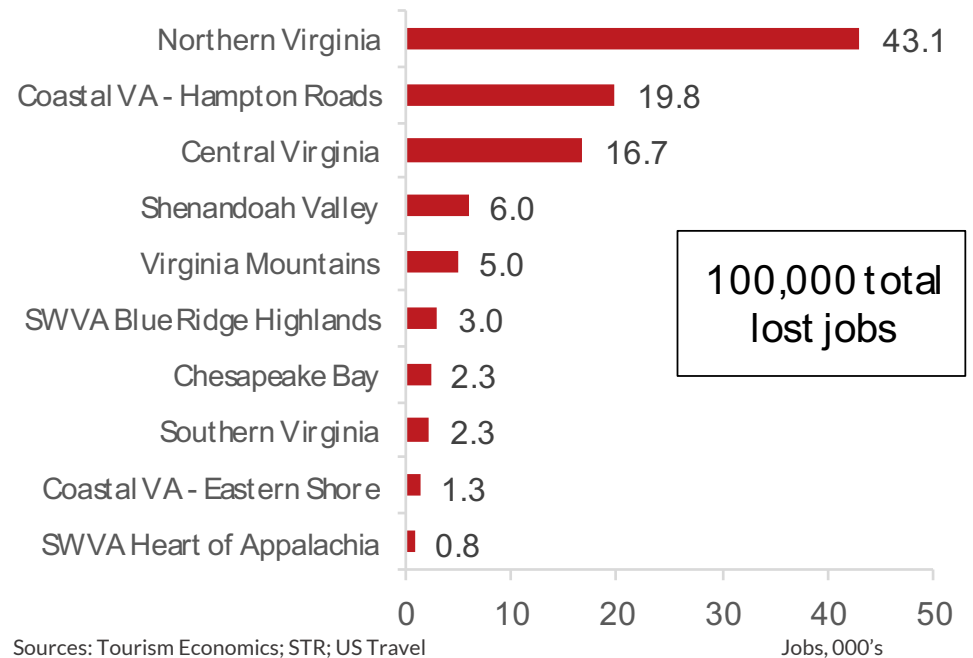


# THE DOWNSIDE SCENARIO

## Regional job losses

43% of all losses occur in Northern Virginia.

Downside Scenario COVID-19 related tourism spending losses by region, 2020





# THE DOWNSIDE SCENARIO

## Room revenue

Room revenue losses amount to \$5.1 billion dollars in FYs 2020-2022.

### Downside Scenario room revenue forecast and losses

Dollars, millions – assumes a July-June Fiscal year

	Forecast				Losses			
	FY 2019	FY 2020	FY 2021	FY 2022	FY 2019	FY 2020	FY 2021	FY 2022
Central Virginia	\$737	\$505	\$312	\$511	--	\$232	\$425	\$226
Chesapeake Bay	\$21	\$15	\$9	\$15	--	\$6	\$12	\$6
Coastal VA - Eastern Shore	\$34	\$23	\$13	\$22	--	\$11	\$21	\$12
Coastal VA - Hampton Roads	\$904	\$608	\$366	\$622	--	\$296	\$538	\$282
Northern Virginia	\$1,835	\$1,183	\$782	\$1,270	--	\$652	\$1,054	\$565
Shenandoah Valley	\$220	\$149	\$92	\$152	--	\$71	\$129	\$69
Southern Virginia	\$68	\$48	\$29	\$48	--	\$21	\$39	\$20
SWVA Blue Ridge Highlands	\$153	\$104	\$61	\$102	--	\$49	\$92	\$51
SWVA Heart of Appalachia	\$21	\$15	\$9	\$14	--	\$7	\$13	\$7
Virginia Mountains	\$162	\$112	\$68	\$112	--	\$50	\$95	\$50
<b>Virginia total</b>	<b>\$4,157</b>	<b>\$2,761</b>	<b>\$1,739</b>	<b>\$2,869</b>	<b>--</b>	<b>\$1,396</b>	<b>\$2,418</b>	<b>\$1,288</b>

Sources: Tourism Economics; STR; US Travel

# ABOUT TOURISM ECONOMICS

Tourism Economics is an Oxford Economics company with a singular objective: combine an understanding of the travel sector with proven economic tools to answer the most important questions facing our clients. More than 500 companies, associations, and destination work with Tourism Economics every year as a research partner. We bring decades of experience to every engagement to help our clients make better marketing, investment, and policy decisions. Our team of highly-specialized economists deliver:

- Global travel data-sets with the broadest set of country, city, and state coverage available
- Travel forecasts that are directly linked to the economic and demographic outlook for origins and destinations
- Economic impact analysis that highlights the value of visitors, events, developments, and industry segments
- Policy analysis that informs critical funding, taxation, and travel facilitation decisions
- Market assessments that define market allocation and investment decisions

Tourism Economics operates out of regional headquarters in Philadelphia and Oxford, with offices in Belfast, Buenos Aires, Dubai, Frankfurt, and Ontario.

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