

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

June 30th, 2021

PREPARED FOR:

VIRGINIA TOURISM CORPORATION



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REPORT HIGHLIGHTS

REPORT HIGHLIGHTS

2020 impacts

Summary of COVID-19 related tourism spending losses – Baseline estimate

Dollar figures in millions	2020	2021	2022
Lost visitor spending, \$	\$10,298	\$5,714	\$2,773
Lost visitors spending, %	39%	21%	10%
Lost room revenue	\$1,967	\$1,046	\$569
Lost jobs	61,785	34,284	16,640
Lost wages	\$1,236	\$686	\$333
Lost state taxes	\$433	\$240	\$117
Lost local taxes	\$272	\$151	\$73

Sources: Tourism Economics; STR; US Travel

REPORT HIGHLIGHTS

We developed three scenarios to determine a range of possible future impacts. Additionally, we provide a slight range of estimates for 2020



Upside Scenario

Total tourism spending losses reach \$4.3 billion in 2021, a 16% drop compared to 2019. 26,100 jobs supported by tourism spending are lost.



Baseline Scenario

Total tourism spending losses reach \$5.7 billion in 2021, a 21% drop compared to 2019. 34,300 jobs supported by tourism spending are lost.



Downside Scenario

Total tourism spending losses reach \$7.1 billion in 2021, a 27% drop compared to 2019. 42,600 jobs supported by tourism spending are lost.

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

Dollar figures in millions

	2021	2022
Upside		
Lost visitor spending, \$	\$4,351	\$509
Lost visitors spending, %	16%	2%
Lost jobs	26,104	3,055
Lost room revenue	\$838	\$131
Baseline		
Lost visitor spending, \$	\$5,714	\$2,773
Lost visitors spending, %	21%	10%
Lost jobs	34,284	16,640
Lost room revenue	\$1,046	\$569
Downside		
Lost visitor spending, \$	\$7,111	\$6,065
Lost visitors spending, %	27%	23%
Lost jobs	42,666	36,393
Lost room revenue	\$1,235	\$1,051

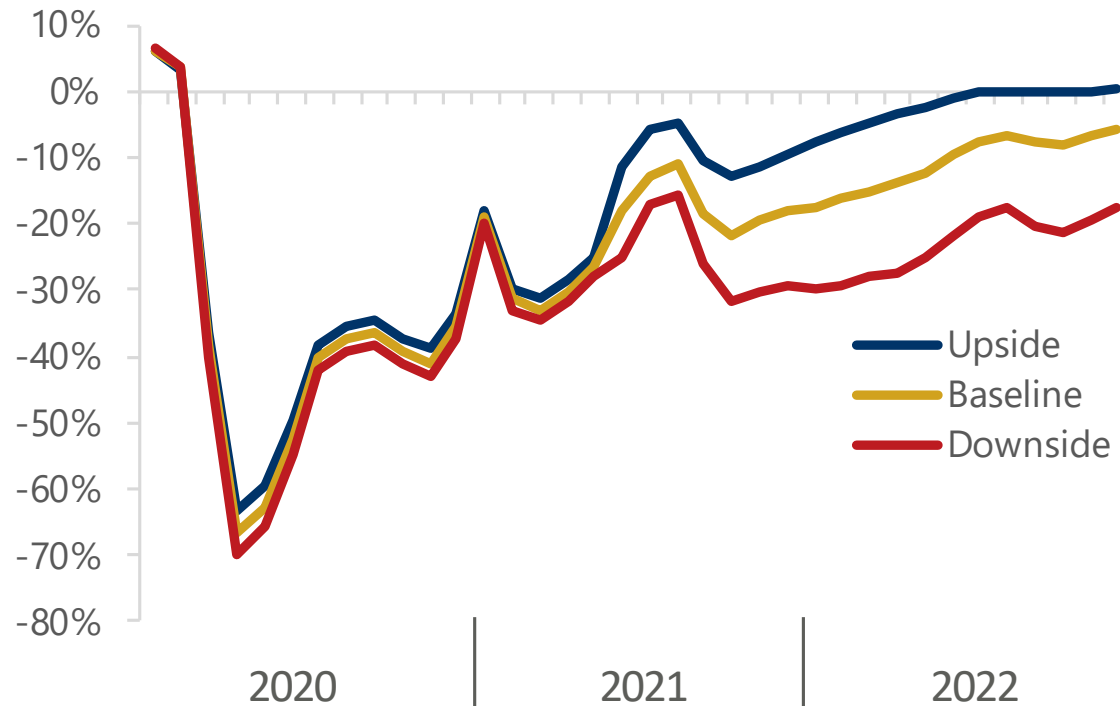
Sources: Tourism Economics; STR; US Travel

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 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
Forecast							
Upside	\$4.1	\$2.1	\$3.2	\$4.2	\$3.1	\$2.5	\$3.7
Baseline	\$4.1	\$2.1	\$3.0	\$4.2	\$3.1	\$2.5	\$3.3
Downside	\$4.1	\$2.1	\$2.8	\$4.2	\$3.1	\$2.5	\$2.9
Losses							
Upside	--	\$2.0	\$0.8	--	\$1.1	\$1.6	\$0.4
Baseline	--	\$2.0	\$1.0	--	\$1.1	\$1.7	\$0.8
Downside	--	\$2.0	\$1.2	--	\$1.1	\$1.7	\$1.2

Sources: Tourism Economics; STR; US Travel

THE COVID-19 PANDEMIC

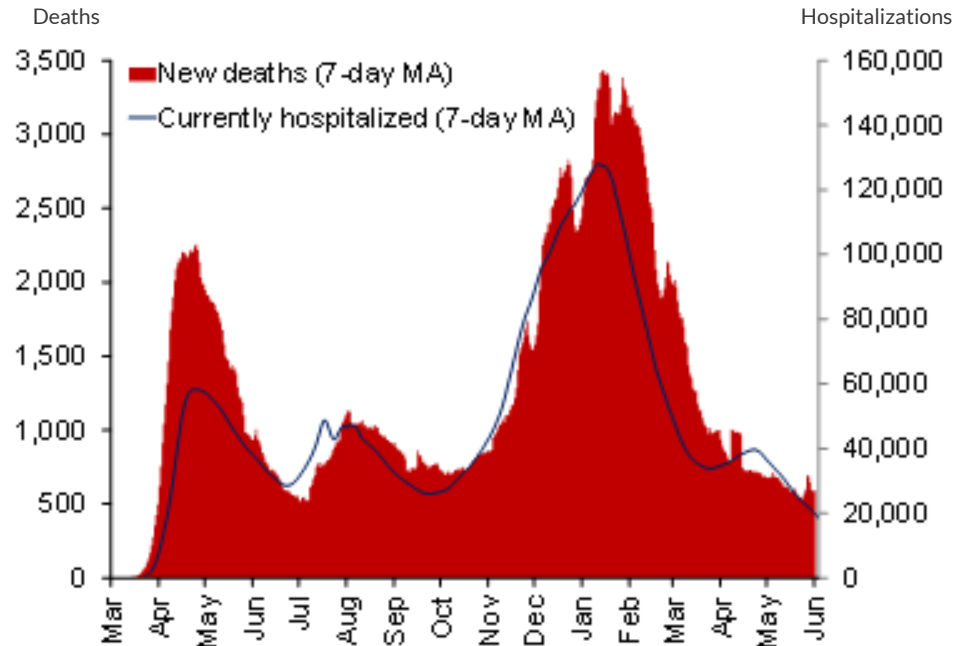
THE COVID-19 PANDEMIC

State of the pandemic

The end appears in sight.

As the vaccination rate has risen, COVID-19 deaths and hospitalization have decreased dramatically, and the economy (and travel sector) have surged.

US: COVID-19 deaths and hospitalizations



Source: Oxford Economics; Haver Analytics; Our World in Data

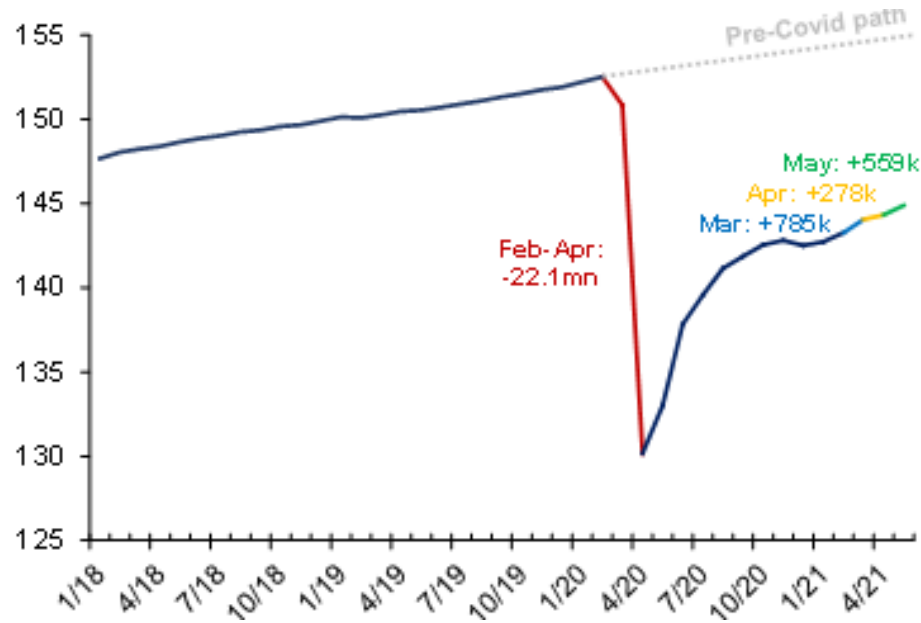
THE COVID-19 PANDEMIC

The job market recovery

The economy is improving quickly, but there remains a long way to go.

US: Nonfarm payroll employment

Millions



Source: Oxford Economics; Haver Analytics; BLS

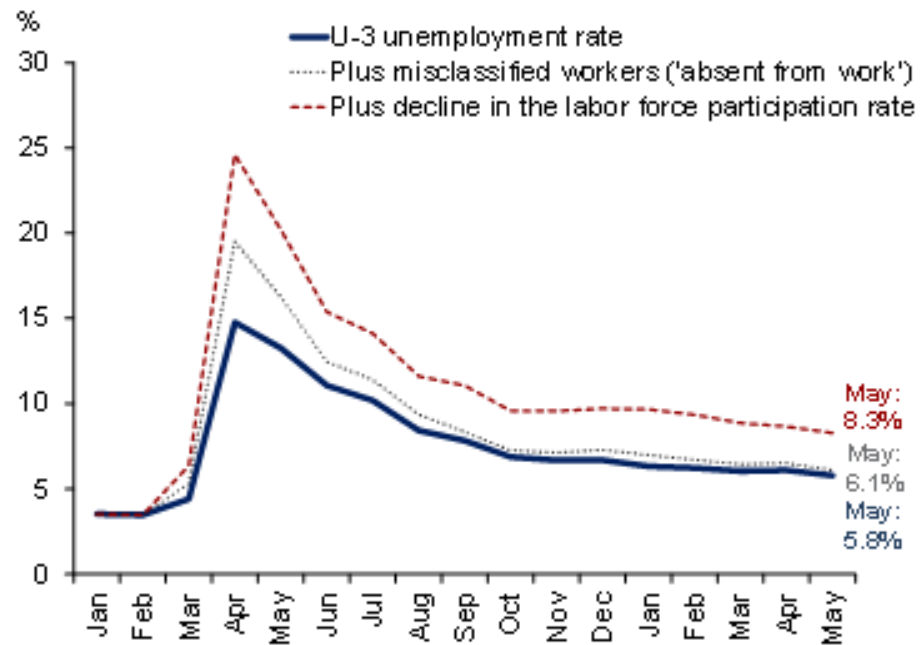
THE COVID-19 PANDEMIC

A rosy unemployment rate

The “real” unemployment rate is about 8%.

Millions of former workers have retired early or left the workforce due to health or childcare concerns. This shrinkage in the workforce boosts makes the unemployment rate look better than the actual job recovery.

US: Unemployment rate



Source: Oxford Economics; Haver Analytics; BLS

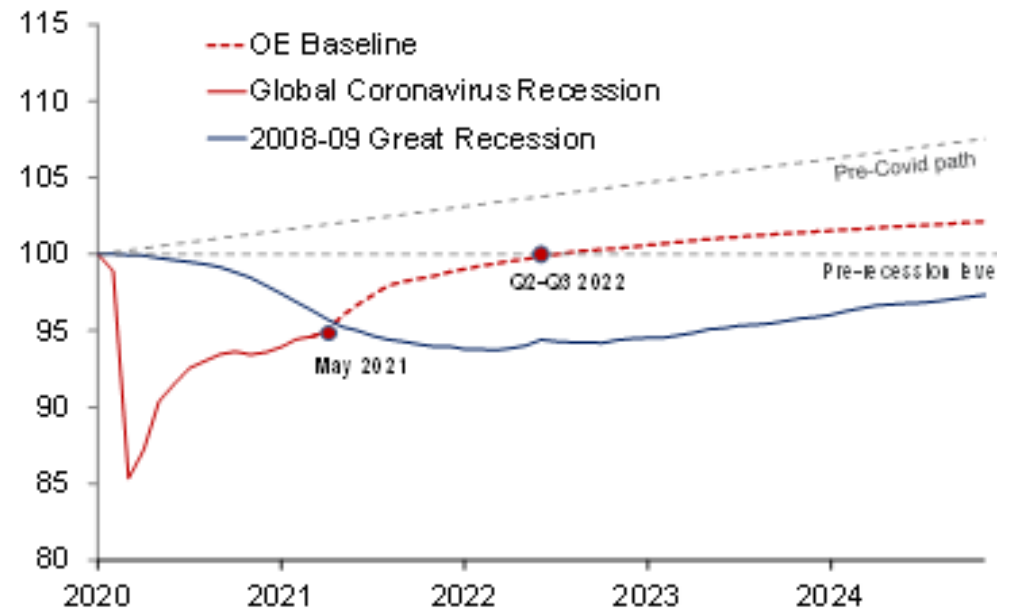
THE COVID-19 PANDEMIC

Return to pre-COVID-19 employment

It will take until 2022 to recoup all Covid job losses.

US: Unemployment recovery paths

Peak pre-recession employment = 100



Source: Oxford Economics; Haver Analytics; BLS

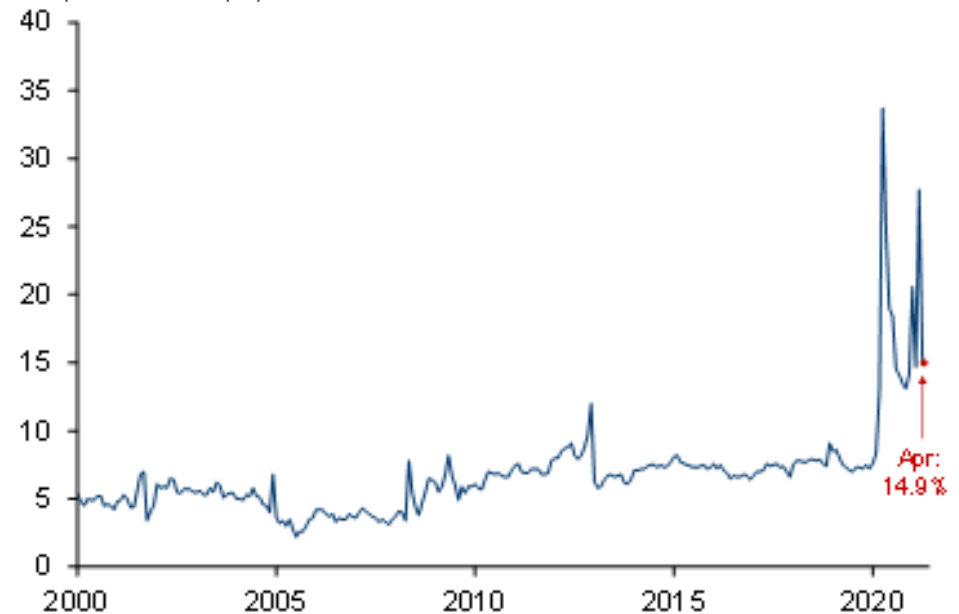
THE COVID-19 PANDEMIC

The incredible savings rate

Stimulus checks, cautious consumers, and a lack of entertainment options led to historical savings rates in 2020.

US: Personal savings rate

Peak pre-recession employment = 100

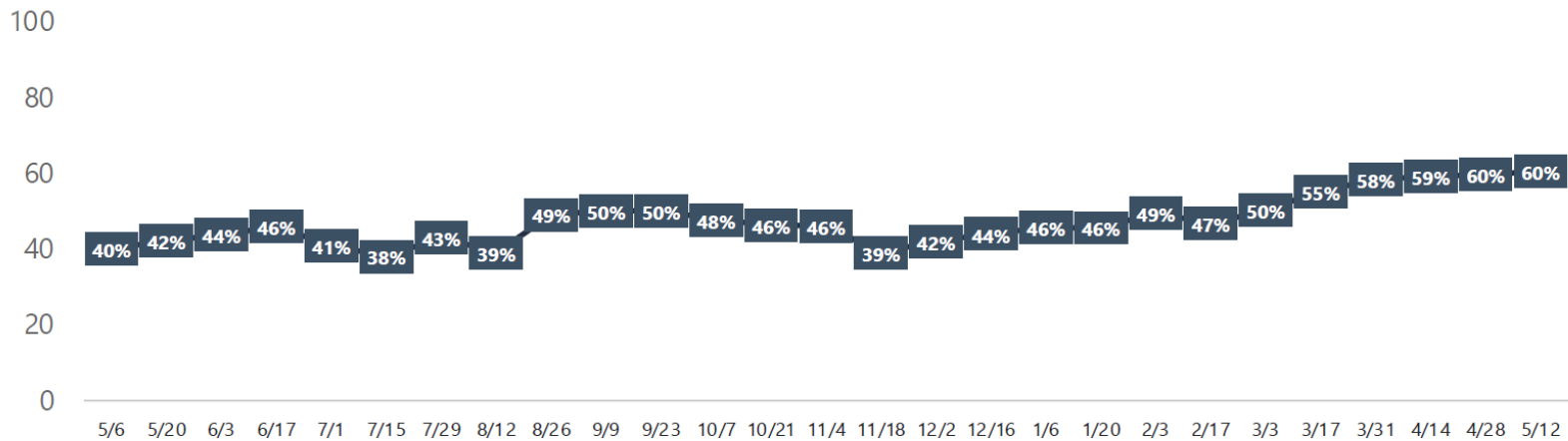


Source: Oxford Economics; Haver Analytics

THE COVID-19 PANDEMIC

Travel Confidence is steadily rising... and households have money to spend.

I Feel Safe Traveling Outside My Community Comparison of Travelers Who Strongly Agree or Agree



Travel Sentiment Study Wave 37

Longwoods INTERNATIONAL | miles PARTNERSHIP

THE COVID-19 PANDEMIC

State of the travel sector

US travel data show a wide profile of performance, but all are improving.

Travel Recovery Indicators

United States, April 2021 % change relative to same month in 2019



	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21	Apr-21
Auto Trips (Arrivalist)	-22%	-22%	-20%	-18%	-6%	-11%	-27%	-23%	-17%	-20%	-14%	0%
Air Passengers (TSA)	-90%	-81%	-74%	-71%	-68%	-64%	-62%	-62%	-60%	-57%	-48%	-41%
Overseas Arrivals (NTTO)	-99%	-99%	-98%	-96%	-95%	-93%	-90%	-88%	-87%	-91%	-87%	-87%
Hotel Demand (STR)	-56%	-46%	-37%	-33%	-29%	-31%	-35%	-32%	-27%	-26%	-19%	-14%
Short-term Rental Demand (AIRDNA)	-29%	-18%	-16%	-20%	-22%	-17%	-17%	-26%	-17%	-8%	-3%	5%

SYMPHONY TOURISM ECONOMICS

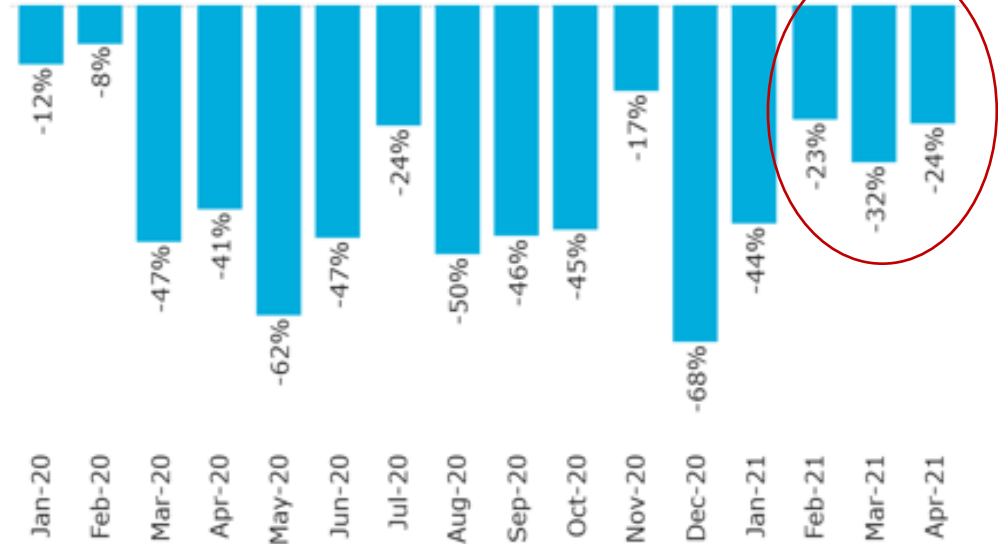
THE COVID-19 PANDEMIC

The group segment

Even group bookings are beginning to rebound.

DMO/CVB group bookings

Hotel rooms nights contracted - % change from 2019












Source: Simpleview CRM (250+ US DMOs)

SCENARIO OVERVIEW

THE SCENARIO OVERVIEW

We developed three scenarios to determine a range of possible impacts

The scenarios vary in the degree of virus containment and the rate of economic recovery. Additionally, we provide a slight range of estimates for 2020

Scenario	Virus-related inhibitions on travel in the second half of 2021	Key economic indicators (forecast current as of June 14th, 2021)	Economic drag	Virus drag	Combined impact to travel
Upside	<ul style="list-style-type: none"> • Virus well contained, most virus related restrictions eased or eliminated • Traveler risk aversion almost eliminated 2021 	<ul style="list-style-type: none"> • National unemployment rate in Q4 2021 - 3.9% • National GDP grows 9.9% in 2021 			
Baseline	<ul style="list-style-type: none"> • Virus well contained in some regions, however many restrictions and containment measures remain through 2021 • Traveler risk aversion slowly eases through 2021 	<ul style="list-style-type: none"> • National unemployment rate in Q4 2021 - 4.4% • National GDP grows 7.7% in 2021 			
Downside	<ul style="list-style-type: none"> • New variants plus vaccine hesitancy results in virus not being well contained, many restrictions and many containment measures remain in place • Very limited group travel, greater risk aversion, many public places closed/limited, restaurants more limited 	<ul style="list-style-type: none"> • National unemployment rate in Q4 2021 - 5.6% • National GDP grows 4.5% in 2021 			

THE SCENARIO OVERVIEW

Key guideposts for the next 18 months

- Recovery has begun (notwithstanding the risks).
- Economic recovery is accelerating as the virus is contained.
- Virginia will approach normalcy in the second half of 2021 with full recovery of visitor spending in 2023 or 2024.
- Performance by destination will be incredibly disparate for the remainder of the year.
- Recovery timeline in individual regions will be largely a function of:
 1. Pandemic exposure;
 2. Travel market exposure (drive, leisure – domestic/international – group/transient); and
 3. Ability to pivot to recovering market segments.

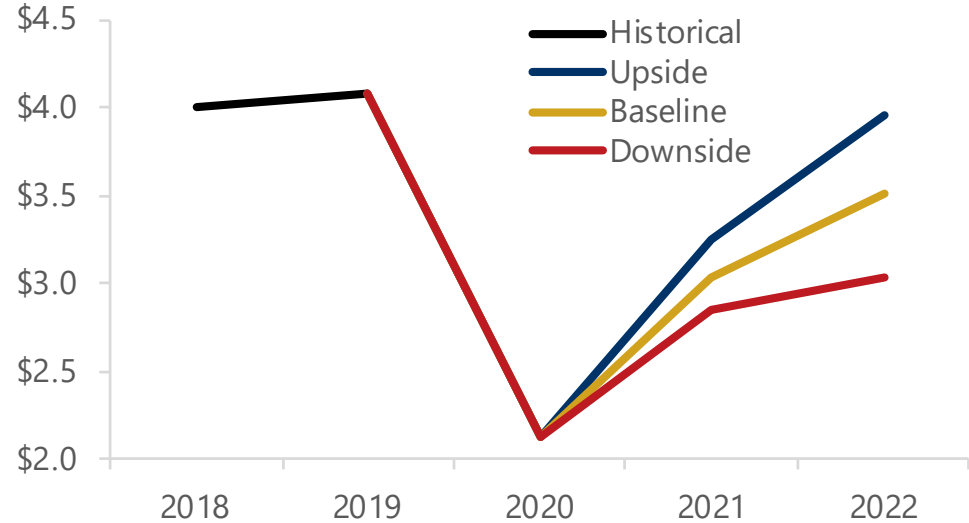
THE SCENARIO OVERVIEW

Spending overview

In all scenarios, recovery will be a multi-year process, spending will not reach 2019 levels until 2023 at the earliest.

Room revenue in Virginia, three scenarios

Percent change compared 2019



Source: STR

THE UPSIDE SCENARIO

THE UPSIDE SCENARIO

Summary data

Losses in 2020 amount to 37% of all spending or \$9.8 billion.

Upside Scenario COVID-19 related losses in Virginia

Dollar figures in millions

	2020	2021	2022
Economic impacts			
Lost visitor spending, \$	\$9,783	\$4,351	\$509
Lost visitors spending, %	37%	16%	2%
Lost jobs	58,696	26,104	3,055
Lost wages	\$1,174	\$522	\$61
Lost state taxes	\$411	\$183	\$21
Lost local taxes	\$259	\$115	\$13
Hotel impacts			
Lost room demand (millions)	12.5	4.9	0.8
Lost room revenue	\$1,967	\$838	\$131

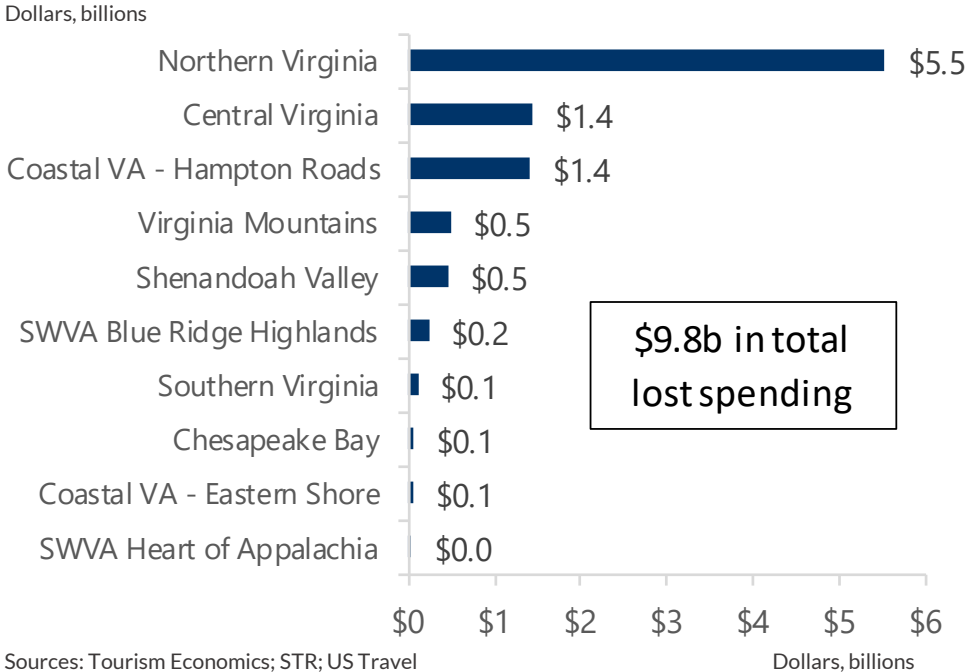
Sources: Tourism Economics; STR; US Travel

THE BASELINE SCENARIO

Regional spending losses

Spending losses reached \$9.8 billion.

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

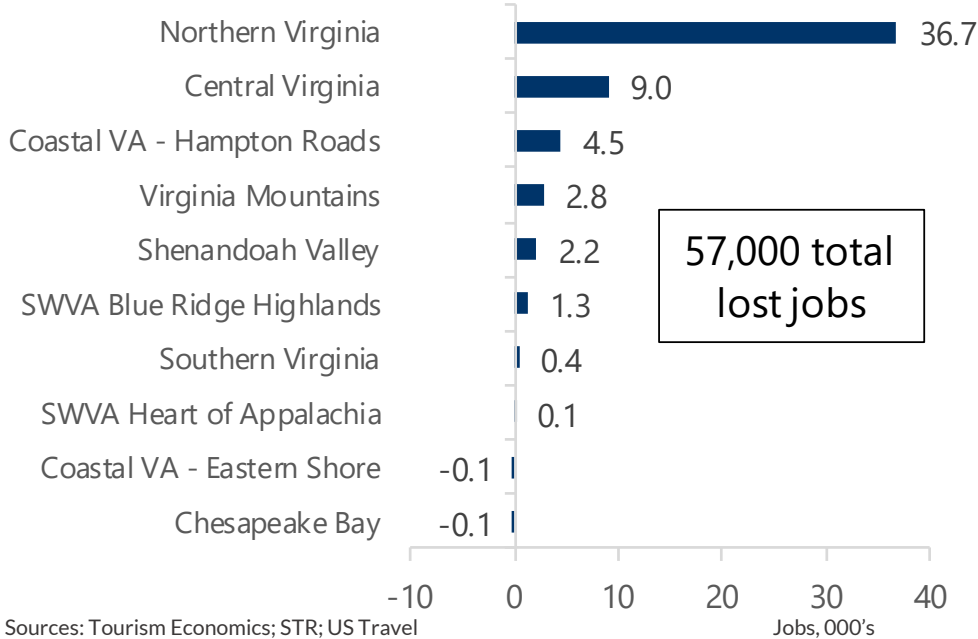


THE UPSIDE SCENARIO

Job losses

Job losses reached 57,000.

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



THE UPSIDE SCENARIO

Room revenue

Room revenue losses amount to \$2.9 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
\$728	\$424	\$626	\$715	--	\$304	\$102	\$13
\$21	\$18	\$25	\$23	--	\$3	-\$4	-\$2
\$32	\$25	\$41	\$38	--	\$7	-\$9	-\$6
\$893	\$576	\$989	\$958	--	\$317	-\$97	-\$66
\$1,796	\$688	\$996	\$1,607	--	\$1,108	\$800	\$189
\$217	\$136	\$199	\$223	--	\$81	\$18	-\$6
\$69	\$53	\$72	\$64	--	\$16	-\$3	\$5
\$146	\$92	\$140	\$144	--	\$55	\$7	\$3
\$21	\$16	\$23	\$20	--	\$5	-\$2	\$1
\$160	\$89	\$135	\$160	--	\$71	\$25	\$0
\$4,083	\$2,117	\$3,246	\$3,953	--	\$1,967	\$838	\$131

Sources: Tourism Economics; STR; US Travel

THE BASELINE SCENARIO

THE BASELINE SCENARIO

Summary data

Losses in 2020 amount to 39% of all spending or \$10.3 billion.

Baseline Scenario COVID-19 related losses in Virginia

Dollar figures in millions

	2020	2021	2022
Economic impacts			
Lost visitor spending, \$	\$10,298	\$5,714	\$2,773
Lost visitors spending, %	39%	21%	10%
Lost jobs	61,785	34,284	16,640
Lost wages	\$1,236	\$686	\$333
Lost state taxes	\$433	\$240	\$117
Lost local taxes	\$272	\$151	\$73
Hotel impacts			
Lost room demand (millions)	12.5	6.0	2.4
Lost room revenue	\$1,967	\$1,046	\$569

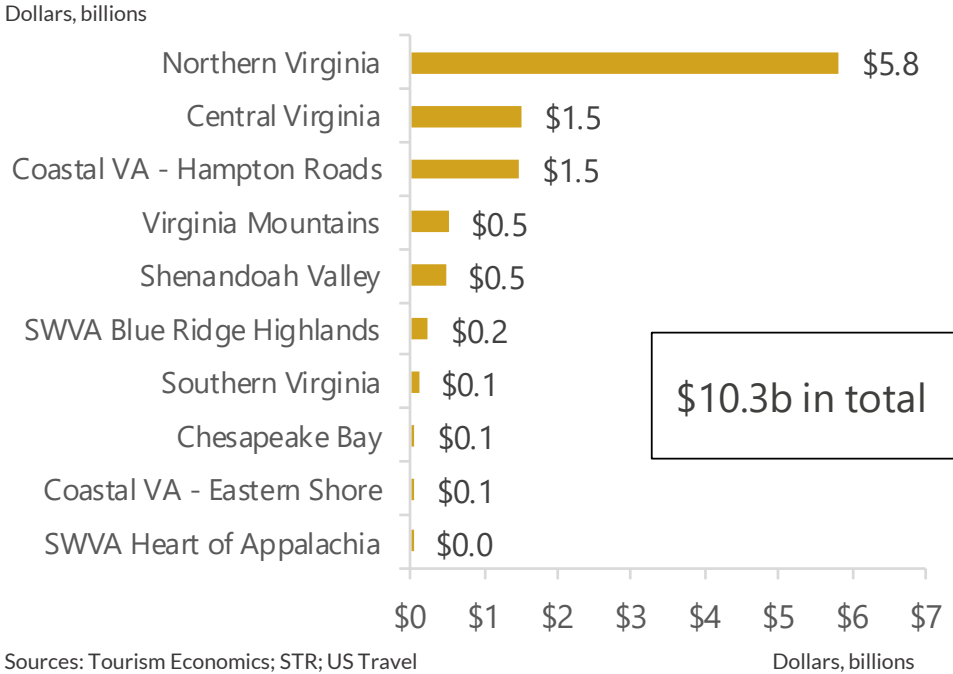
Sources: Tourism Economics; STR; US Travel

THE BASELINE SCENARIO

Regional spending losses

Spending losses reached \$10.3 billion.

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

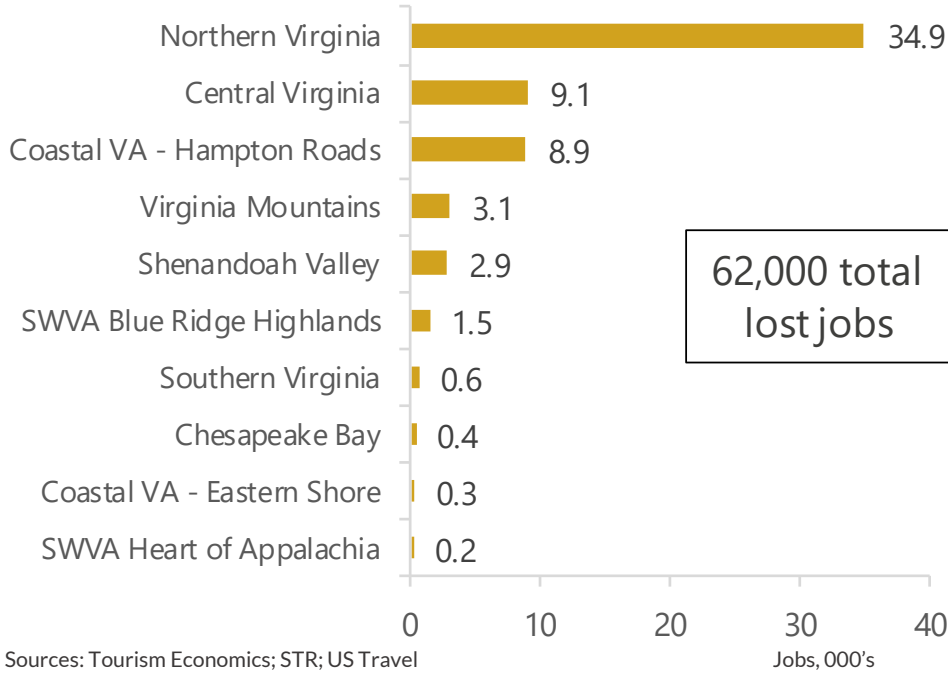


THE BASELINE SCENARIO

Regional job losses

Job losses reached 62,000.

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



THE BASELINE SCENARIO

Room revenue

Room revenue losses amount to \$3.6 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
\$728	\$424	\$596	\$673	--	\$304	\$132	\$55
\$21	\$18	\$24	\$22	--	\$3	-\$3	-\$1
\$32	\$25	\$40	\$36	--	\$7	-\$7	-\$3
\$893	\$576	\$964	\$919	--	\$317	-\$71	-\$26
\$1,796	\$688	\$863	\$1,285	--	\$1,108	\$933	\$511
\$217	\$136	\$192	\$212	--	\$81	\$25	\$5
\$69	\$53	\$69	\$59	--	\$16	\$0	\$10
\$146	\$92	\$141	\$139	--	\$55	\$6	\$8
\$21	\$16	\$22	\$19	--	\$5	-\$1	\$2
\$160	\$89	\$128	\$151	--	\$71	\$32	\$9
\$4,083	\$2,117	\$3,037	\$3,515	--	\$1,967	\$1,046	\$569

Sources: Tourism Economics; STR; US Travel

THE DOWNSIDE SCENARIO

THE DOWNSIDE SCENARIO

Summary data

Losses in 2020 amount to 41% of all spending or \$10.8 billion.

Downside Scenario COVID-19 related losses in Virginia

Dollar figures in millions

	2020	2021	2022
Economic impacts			
Lost visitor spending, \$	\$10,812	\$7,111	\$6,065
Lost visitors spending, %	41%	27%	23%
Lost jobs	64,875	42,666	36,393
Lost wages	\$1,297	\$853	\$728
Lost state taxes	\$455	\$299	\$255
Lost local taxes	\$286	\$188	\$160
Hotel impacts			
Lost room demand (millions)	12.5	6.9	4.1
Lost room revenue	\$1,967	\$1,235	\$1,051

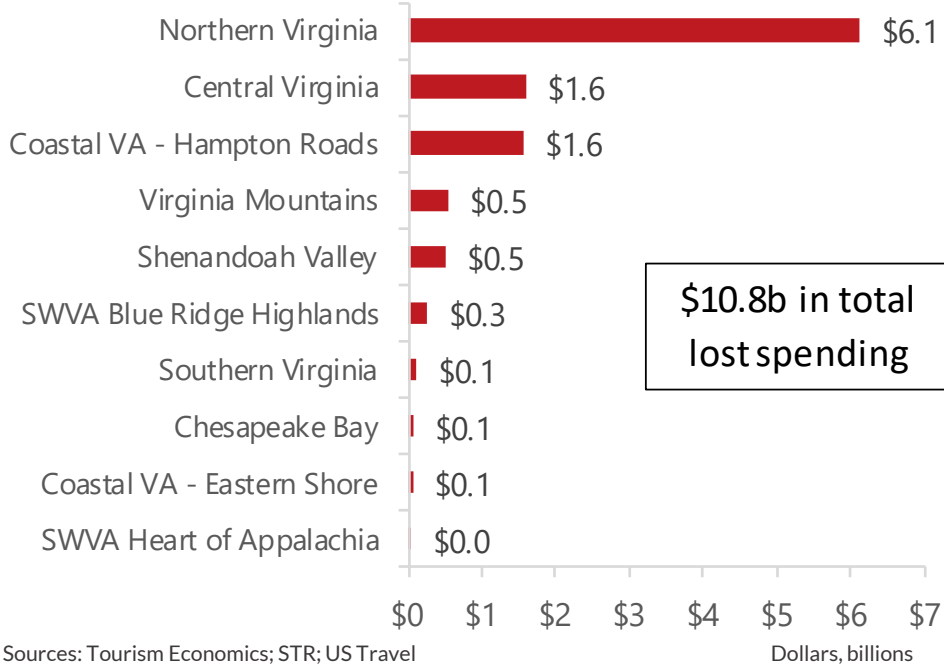
Sources: Tourism Economics; STR; US Travel

THE DOWNSIDE SCENARIO

Regional spending losses

Spending losses reached \$10.8 billion.

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

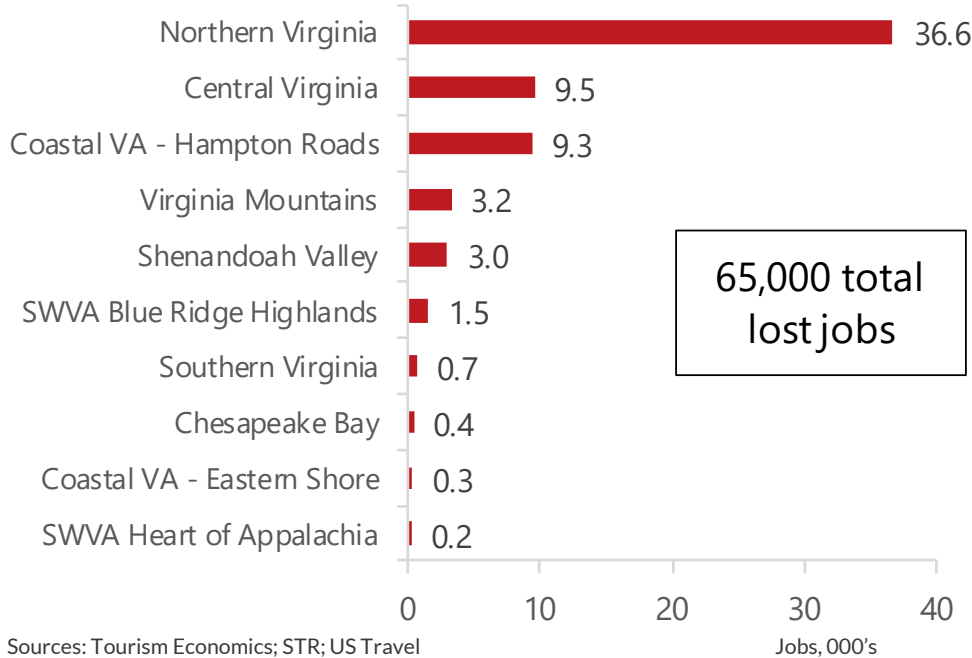


THE DOWNSIDE SCENARIO

Regional job losses

Job losses reached 65,000.

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



THE DOWNSIDE SCENARIO

Room revenue

Room revenue losses amount to \$4.3 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
\$728	\$424	\$573	\$614	--	\$304	\$155	\$114
\$21	\$18	\$23	\$20	--	\$3	-\$2	\$1
\$32	\$25	\$36	\$27	--	\$7	-\$3	\$6
\$893	\$576	\$918	\$846	--	\$317	-\$26	\$47
\$1,796	\$688	\$770	\$988	--	\$1,108	\$1,026	\$808
\$217	\$136	\$182	\$193	--	\$81	\$35	\$24
\$69	\$53	\$65	\$53	--	\$16	\$3	\$16
\$146	\$92	\$140	\$134	--	\$55	\$6	\$12
\$21	\$16	\$21	\$18	--	\$5	\$0	\$3
\$160	\$89	\$120	\$141	--	\$71	\$40	\$20
\$4,083	\$2,117	\$2,848	\$3,033	--	\$1,967	\$1,235	\$1,051

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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For more information:

info@tourismeconomics.com