

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

April 1st, 2022

PREPARED FOR:

VIRGINIA TOURISM CORPORATION



AN OXFORD ECONOMICS COMPANY

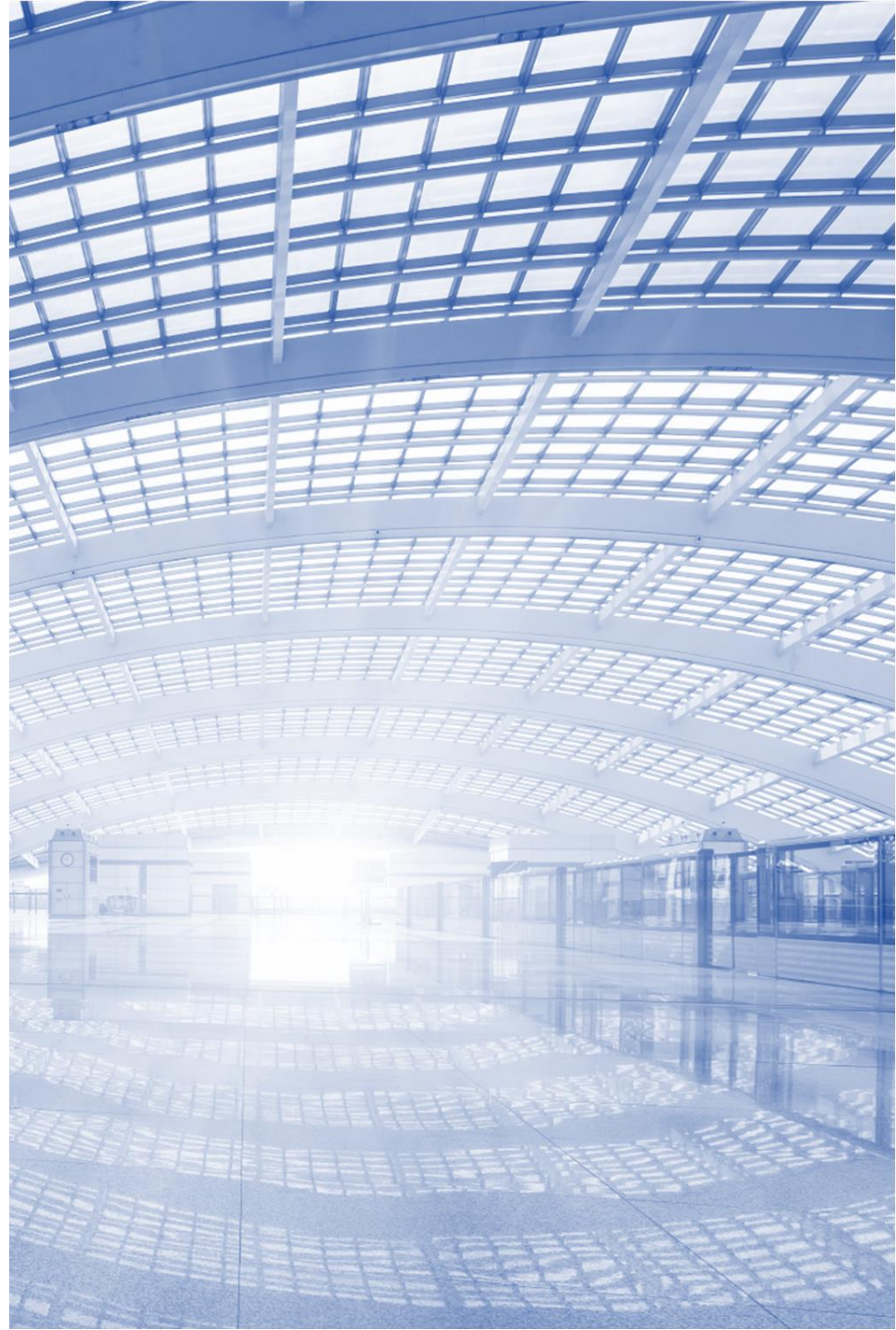


TABLE OF CONTENTS

• REPORT HIGHLIGHTS	3
• THE MACROECONOMIC ENVIRONMENT	8
• SCENARIO OVERVIEW	20
• THE UPSIDE SCENARIO	23
• THE BASELINE SCENARIO	28
• THE DOWNSIDE SCENARIO	33



REPORT HIGHLIGHTS

REPORT HIGHLIGHTS

Impact overview

Summary of COVID-19 related visitor economy changes – Baseline estimate

Dollar figures in millions, change compared to 2019

	2020	2021	2022	2023
Change in visitor spending, \$	-\$11,548	-\$6,546	-\$958	\$474
Change in visitors spending, %	-40%	-23%	-3%	2%
Change in room revenue, \$	-\$1,967	-\$807	-\$35	\$147
Change in jobs	-98,878	-39,274	-8,660	-603
Change in wages	-\$4,031	-\$785	\$363	\$640
Change in state taxes	-\$412	-\$275	-\$45	\$14
Change in local taxes	-\$514	-\$173	\$54	\$107

Sources: Tourism Economics; STR

REPORT HIGHLIGHTS

We developed three scenarios to determine a range of possible future impacts.



Upside Scenario

In 2022, total tourism spending surpasses 2019 levels by \$1.3 billion. The visitor economy supports 3,400 more jobs than in 2019.



Baseline Scenario

In 2022, total tourism spending losses decline to \$958 million in 2021, a 3% drop compared to 2019. 8,700 jobs supported by tourism spending are still missing.



Downside Scenario

In 2022, total tourism spending losses decline to \$3.6 billion in 2021, a 12% drop compared to 2019. 23,900 jobs supported by tourism spending are still missing.

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

Dollar figures in millions

	2020	2021	2022	2023
Upside				
Change in visitor spending, \$	-\$11,548	-\$6,546	\$1,275	\$3,587
Change in visitors spending, %	-40%	-23%	4%	12%
Change in jobs	-98,878	-39,274	3,439	16,309
Change in room revenue, \$	-\$1,967	-\$807	\$307	\$577
Baseline				
Change in visitor spending, \$	-\$11,548	-\$6,546	-\$958	\$474
Change in visitors spending, %	-40%	-23%	-3%	2%
Change in jobs	-98,878	-39,274	-8,660	-603
Change in room revenue, \$	-\$1,967	-\$807	-\$35	\$147
Downside				
Change in visitor spending, \$	-\$11,548	-\$6,546	-\$3,570	-\$2,927
Change in visitors spending, %	-40%	-23%	-12%	-10%
Change in jobs	-98,878	-39,274	-22,859	-18,776
Change in room revenue, \$	-\$1,967	-\$807	-\$383	-\$332

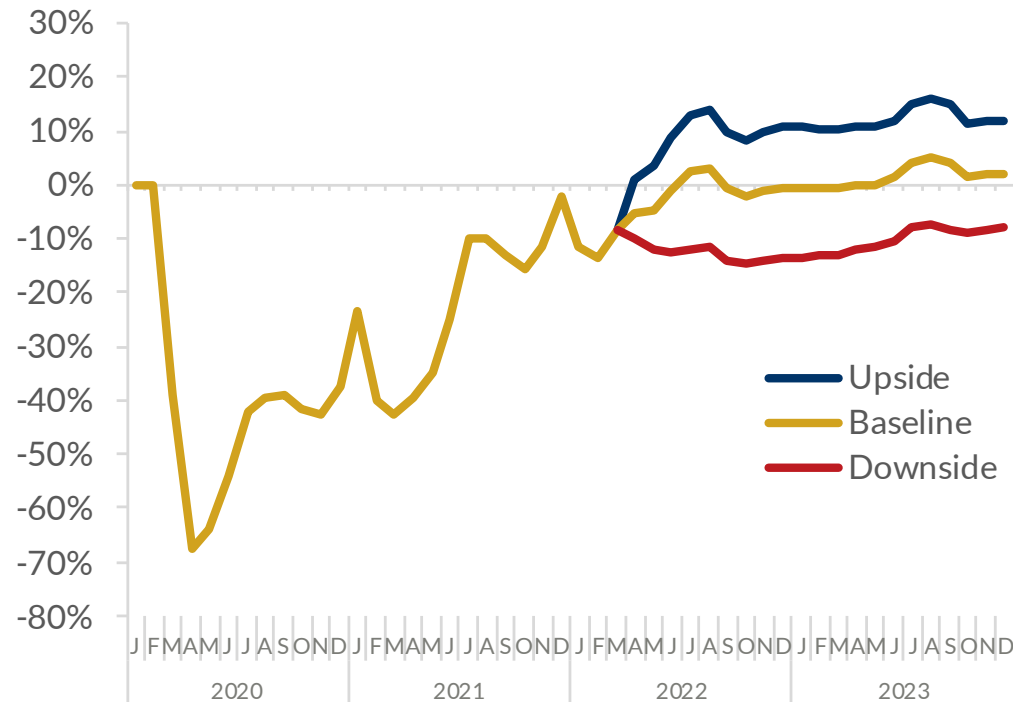
Sources: Tourism Economics; STR

REPORT HIGHLIGHTS

Lost spending by month

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

Percent changes compared to 2019



Sources: Tourism Economics; STR

REPORT HIGHLIGHTS

Lost room revenue by month

Virginia's forecasted room revenue in three scenarios

Dollars, billions - changes compared to 2019

	Calendar years				Fiscal years				
	2019	2020	2021	2022	2019	2020	2021	2022	2023
Forecast									
Upside	\$4.1	\$2.1	\$3.3	\$4.4	\$4.2	\$3.1	\$2.5	\$4.0	\$4.6
Baseline	\$4.1	\$2.1	\$3.3	\$4.0	\$4.2	\$3.1	\$2.5	\$3.8	\$4.2
Downside	\$4.1	\$2.1	\$3.3	\$3.7	\$4.2	\$3.1	\$2.5	\$3.8	\$3.7
Changes									
Upside	--	\$2.0	\$0.8	-\$0.3	--	\$1.1	\$1.7	\$0.2	-\$0.4
Baseline	--	\$2.0	\$0.8	\$0.0	--	\$1.1	\$1.7	\$0.3	\$0.0
Downside	--	\$2.0	\$0.8	\$0.4	--	\$1.1	\$1.7	\$0.4	\$0.5

Sources: Tourism Economics; STR

THE MACROECONMIC ENVIRONMENT

THE MACROECONOMIC ENVIRONMENT

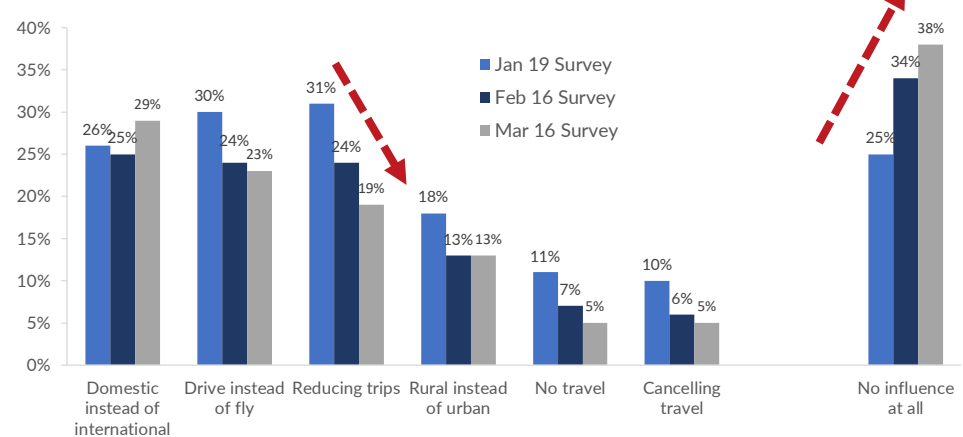
State of the pandemic

Covid is a factor, but situation is rapidly improving.

The pandemic remains the main obstacle to the travel sector's recovery (more so than inflation fears or the Ukraine conflict), however its impact is steadily waning.

Influence of COVID-19 on travel plans in the next six months

% of travelers



Source: Longwoods International

THE MACROECONMIC ENVIRONMENT

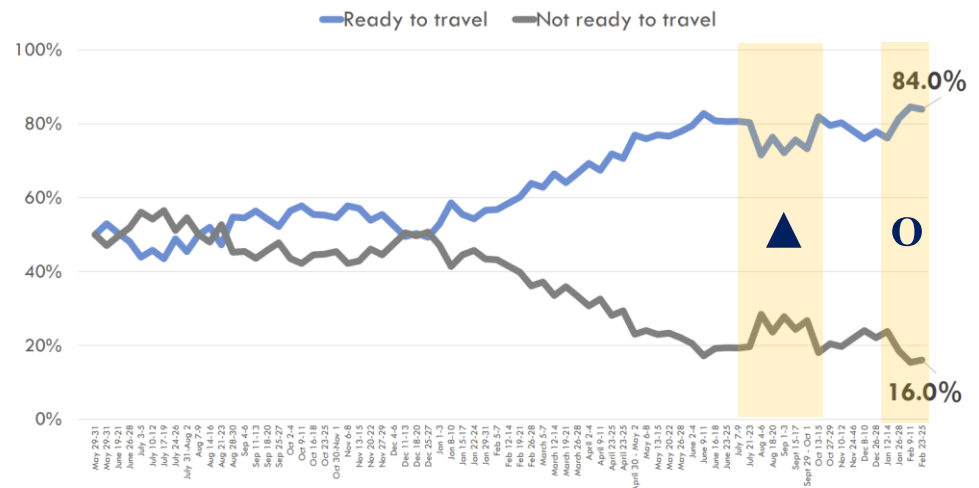
Traveler confidence

Travel confidence is increasingly undeterred through new variants.

Assuming new variants do not have increased severity or vaccine avoidance in comparison to Delta or Omicron, they should not impact the recovery in a meaningful way.

Growth in readiness to travel

% of respondents



Destination  Analysts
DO YOUR RESEARCH

Question: When it comes to getting back out and traveling again, which best describes your current state of mind? (Select one)

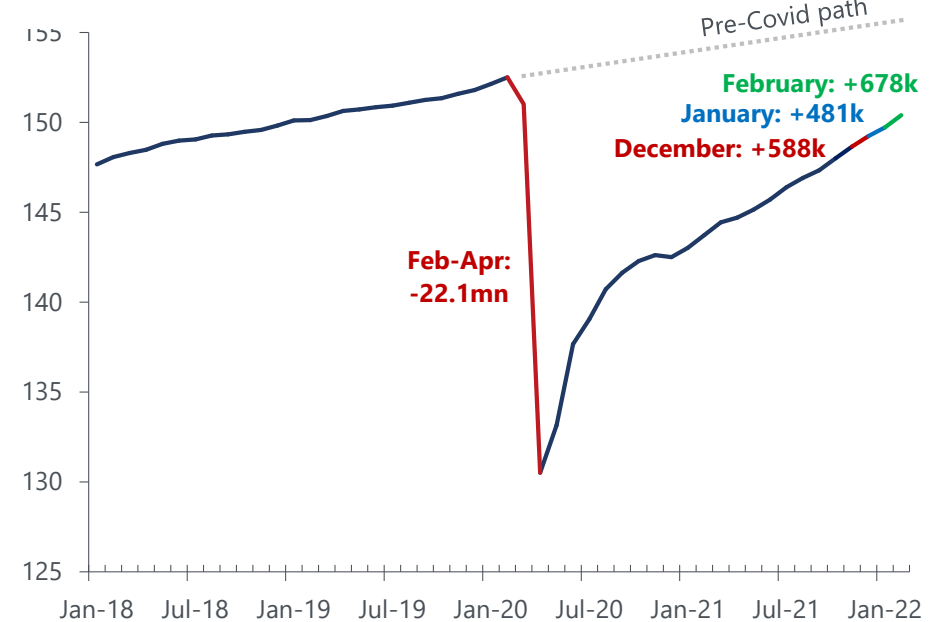
THE MACROECONMIC ENVIRONMENT

The job market recovery

The employment recovery steadily continues, now just 2.1 million jobs below peak.

US: Nonfarm payroll employment

Millions



Source: Oxford Economics; Haver Analytics; BLS

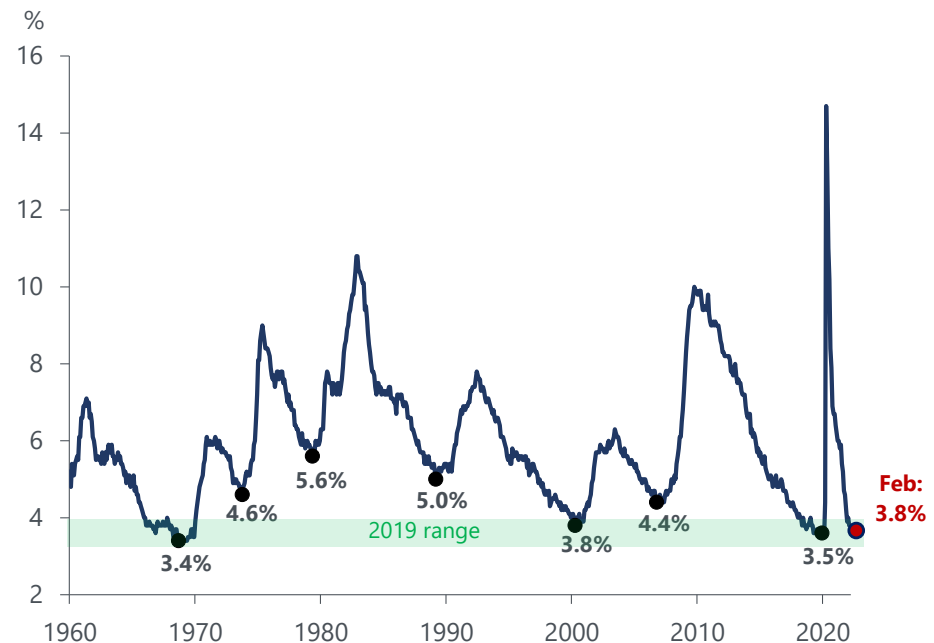
THE MACROECONMIC ENVIRONMENT

A rosy unemployment rate

The unemployment rate fell from 15% to 4% in record time.

We foresee the economy adding around 4.7 million jobs in 2022 with the unemployment rate moving toward 3.5% by year-end.

US: Unemployment rate



Source: Oxford Economics; Haver Analytics; BLS

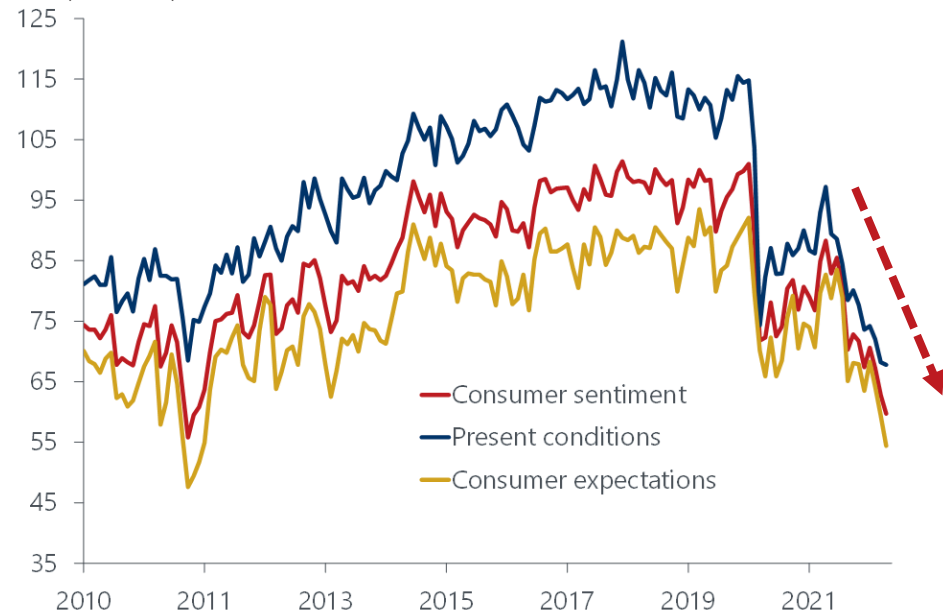
THE MACROECONMIC ENVIRONMENT

Consumer sentiment

Inflation and the Ukraine conflict have consumers feeling uneasy.

US: Consumer sentiment

Index (1966=100)



Source: Haver Analytics

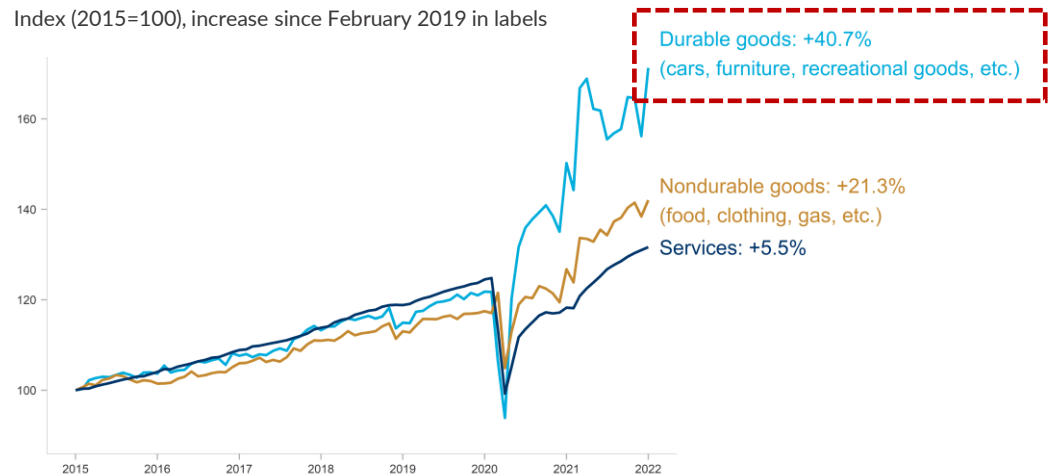
THE MACROECONMIC ENVIRONMENT

Consumer spending

Durable goods represent only 13% of monthly spending, but are an important indicator of positive household sentiment.

US: Consume spending

Index (2015=100), increase since February 2019 in labels



Source: BEA

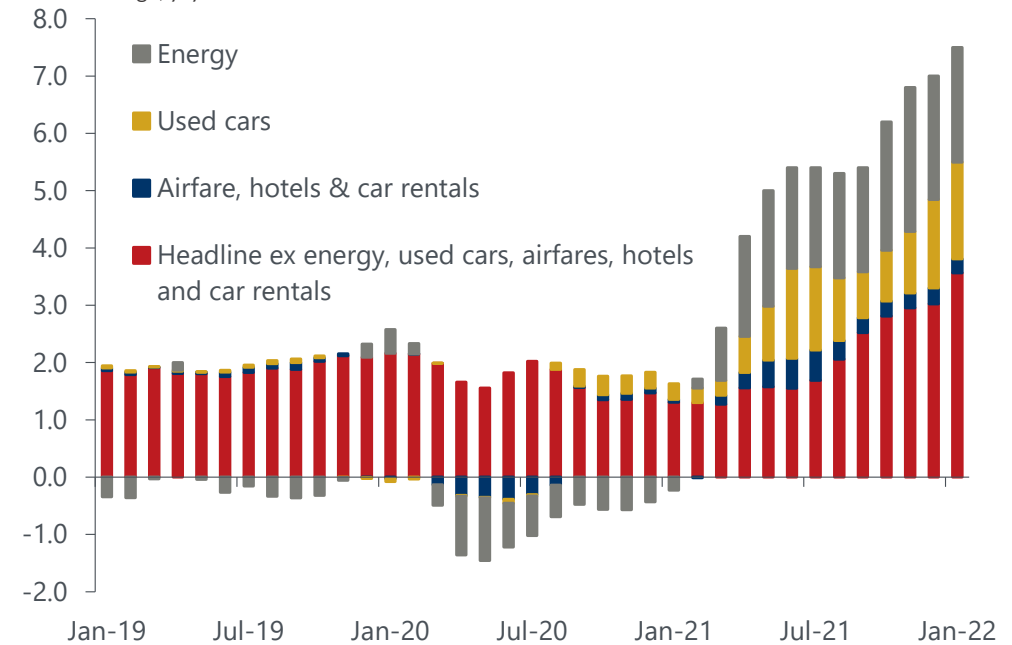
THE MACROECONMIC ENVIRONMENT

Inflation

Consumer prices are in sharp ascent, led by energy and used cars.

US: CPI inflation

Percent change, y/y



Source: BLS

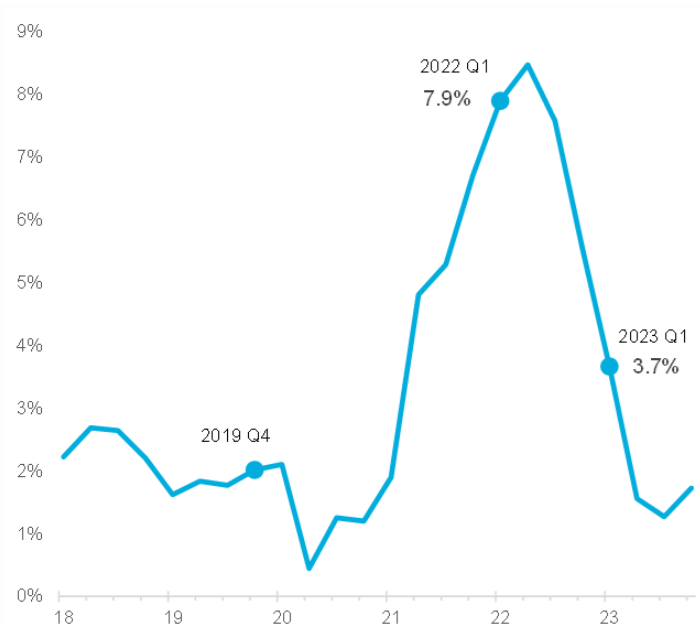
THE MACROECONMIC ENVIRONMENT

Inflation forecast

Inflation will accelerate before slowing; we believe it will return to more typical levels in 2023.

US: CPI inflation

Percent change, y/y



Source: BLS

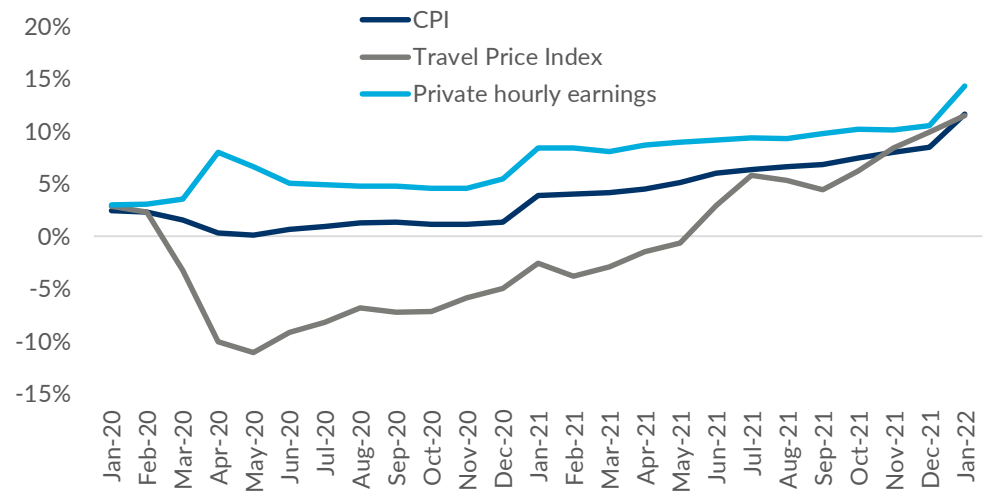
THE MACROECONMIC ENVIRONMENT

Earnings vs. inflation

The good news is that wages are also growing at a rapid pace, even outpacing inflation.

US: Earnings and prices

Percent change relative to 2019



Source: BLS; BEA

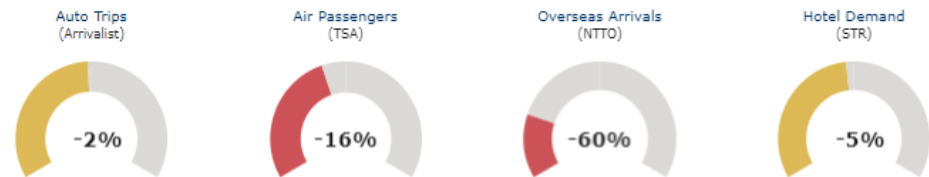
THE MACROECONOMIC ENVIRONMENT

State of the travel sector

Recovery across the travel industry has varied widely, but all indicators point towards improvement, with some segments (auto trips and hotel demand) nearing their pre-pandemic highs.

Travel recovery indicators

February 2022, % change compared to same month in 2019



	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22
Auto Trips (Arrivalist)	-16%	-3%	-2%	-8%	2%	-16%	1%	3%	-8%	-2%	-12%	-2%
Air Passengers (TSA)	-48%	-41%	-33%	-26%	-20%	-23%	-24%	-21%	-16%	-16%	-23%	-16%
Overseas Arrivals (NTTO)	-87%	-87%	-81%	-77%	-78%	-76%	-79%	-78%	-57%	-51%	-65%	-60%
Hotel Demand (STR)	-20%	-15%	-13%	-9%	-4%	-10%	-7%	-7%	-5%	0%	-10%	-5%
Top 25 Group Hotel Demand* (STR)	-84%	-79%	-77%	-70%	-54%	-49%	-44%	-46%	-40%	-26%	-57%	-42%
Short-term Rental Demand (AIRDNA)	-7%	0%	8%	7%	3%	-2%	3%	11%	13%	11%	22%	23%

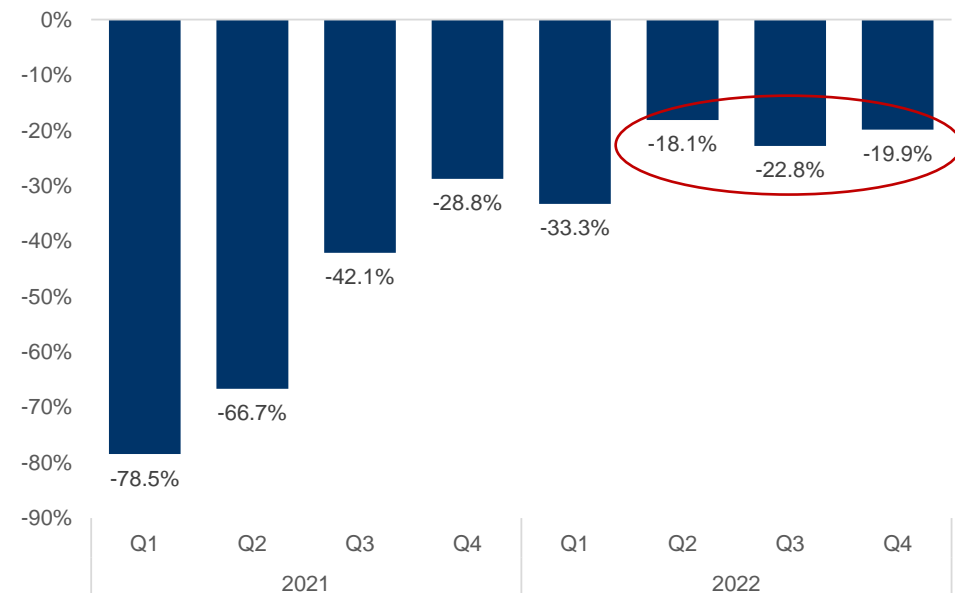
THE MACROECONMIC ENVIRONMENT

The group segment

Improvements for groups is in sight (but bookings remain are still down 20% below their pre-pandemic level).

National 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 future COVID variants and the rate of economic recovery.

Scenario	Virus progression	Key economic indicators (forecast current as of March 8th, 2022)	Economic drag	Virus drag	Combined impact to travel
Upside	<ul style="list-style-type: none"> No further variants of concern emerge after Omicron. 	<ul style="list-style-type: none"> National GDP grows 4.8% in 2022 The unemployment rate falls to 3.3% in 2022 			
Baseline	<ul style="list-style-type: none"> Further variants (after Omicron) emerge, and make small and short-lived impacts on travel. 	<ul style="list-style-type: none"> National GDP grows 3.4% in 2022 The unemployment rate falls to 3.6% in 2022 			
Downside	<ul style="list-style-type: none"> A new variant emerges that poses more significant health threat than prior variants 	<ul style="list-style-type: none"> National GDP grows 1.6% in 2022 The unemployment rate rises to 3.9% in 2022 			

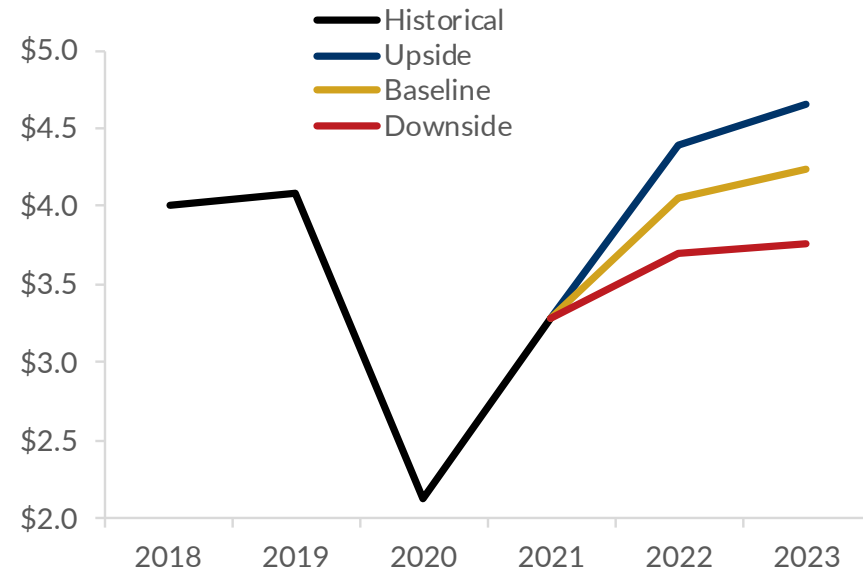
THE SCENARIO OVERVIEW

Spending overview

Virginia is approaching pre-pandemic room revenue levels and may surpass its 2019 figure as early as this year (though we believe 2023 is more likely).

Room revenue in Virginia, three scenarios

Percent change compared 2019



Source: STR; Tourism Economics

THE UPSIDE SCENARIO

THE UPSIDE SCENARIO

Summary data

Compared to 2019, visitor spending was down \$6.5 billion in 2021, but surpasses 2019 levels by \$1.3 billion billion in 2022.

Upside Scenario visitor economy changes in Virginia (vs. 2019)

Dollar figures in millions

	2020	2021	2022	2023
Change in economic impacts				
Visitor spending, \$	-\$11,548	-\$6,546	\$1,275	\$3,551
Visitors spending, %	-40%	-23%	4%	12%
Jobs	-98,878	-39,274	3,439	16,162
Wage	-\$4,031	-\$785	\$843	\$1,307
State taxes	-\$412	-\$275	\$47	\$141
Local taxes	-\$514	-\$173	\$148	\$236
Change in hotel KPIs				
Room demand (000's)	-12,530	-4,919	-1,111	234
Room revenue, \$	-\$1,967	-\$807	\$305	\$574

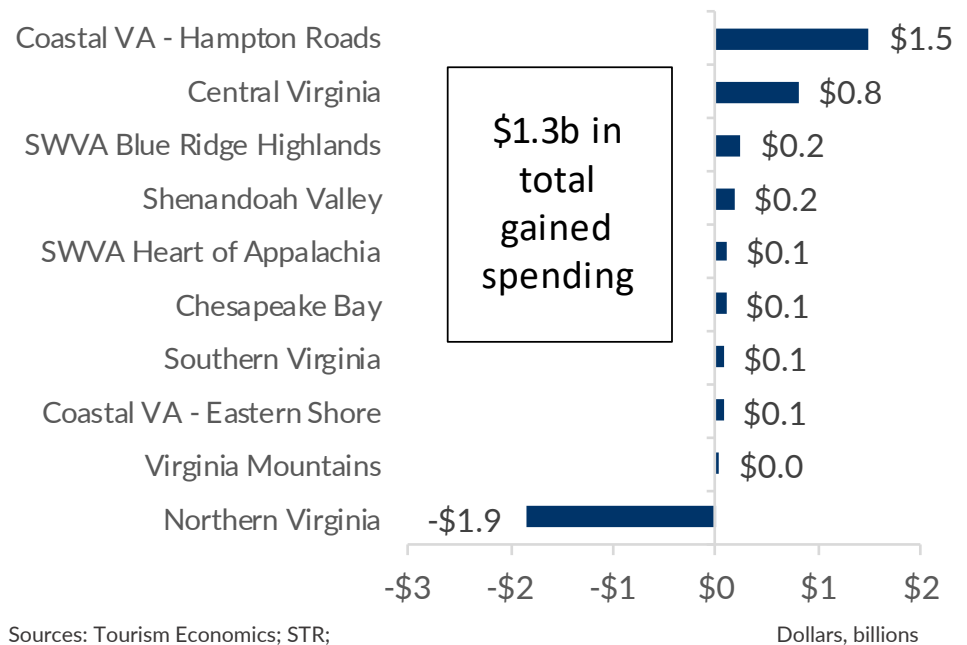
Sources: Tourism Economics; STR

THE UPSIDE SCENARIO

Regional spending losses

2022 visitor spending surpasses 2019
by \$1.3 billion.

Upside Scenario visitor spending changes in Virginia, 2022 vs 2019

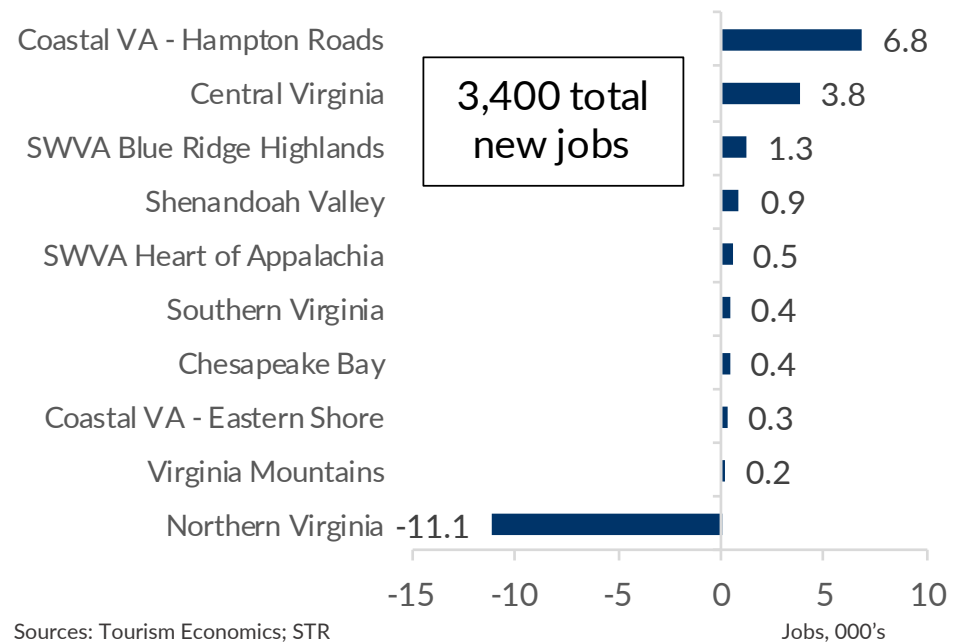


THE UPSIDE SCENARIO

Job losses

2022 visitor economy employment surpasses 2019 levels by 3,400 jobs.

Upside Scenario visitor economy job changes in Virginia, 2022 vs 2019



THE UPSIDE SCENARIO

Fiscal year room revenue

Compared to FY 2019, total Virginia room revenue is down \$205 million in FY 2022.

Upside Scenario room revenue forecast and losses

Dollars, millions – assumes a July-June Fiscal year

	Forecast					Changes				
	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Central Virginia	\$737	\$569	\$510	\$799	\$897	--	-\$168	-\$227	\$62	\$160
Chesapeake Bay	\$21	\$19	\$22	\$26	\$31	--	-\$2	\$1	\$5	\$10
Coastal VA - Eastern Shore	\$34	\$28	\$32	\$41	\$46	--	-\$7	-\$2	\$7	\$12
Coastal VA - Hampton Roads	\$904	\$708	\$762	\$1,072	\$1,151	--	-\$196	-\$142	\$168	\$247
Northern Virginia	\$1,835	\$1,255	\$689	\$1,339	\$1,734	--	-\$580	-\$1,146	-\$497	-\$101
Shenandoah Valley	\$220	\$171	\$167	\$237	\$251	--	-\$49	-\$53	\$17	\$30
Southern Virginia	\$68	\$58	\$63	\$77	\$89	--	-\$10	-\$5	\$9	\$21
SWVA Blue Ridge Highlands	\$153	\$122	\$112	\$172	\$199	--	-\$31	-\$41	\$19	\$46
SWVA Heart of Appalachia	\$21	\$18	\$19	\$26	\$32	--	-\$3	-\$2	\$5	\$11
Virginia Mountains	\$162	\$124	\$106	\$161	\$173	--	-\$38	-\$56	-\$1	\$11
Virginia total	\$4,157	\$3,073	\$2,483	\$3,952	\$4,602	--	-\$1,084	-\$1,674	-\$205	\$445

Sources: Tourism Economics; STR

THE BASELINE SCENARIO

THE BASELINE SCENARIO

Summary data

Compared to 2019, visitor spending was down \$6.5 billion in 2021, and remains down \$1.0 billion in 2022.

Baseline Scenario visitor economy changes in Virginia (vs. 2019)

Dollar figures in millions

	2020	2021	2022	2023
Change in economic impacts				
Visitor spending, \$	-\$11,548	-\$6,546	-\$958	\$474
Visitors spending, %	-40%	-23%	-3%	2%
Jobs	-98,878	-39,274	-8,660	-603
Wage	-\$4,031	-\$785	\$363	\$640
State taxes	-\$412	-\$275	-\$45	\$14
Local taxes	-\$514	-\$173	\$54	\$107
Change in hotel KPIs				
Room demand (000's)	-12,530	-4,919	-1,946	-1,401
Room revenue, \$	-\$1,967	-\$807	-\$35	\$147

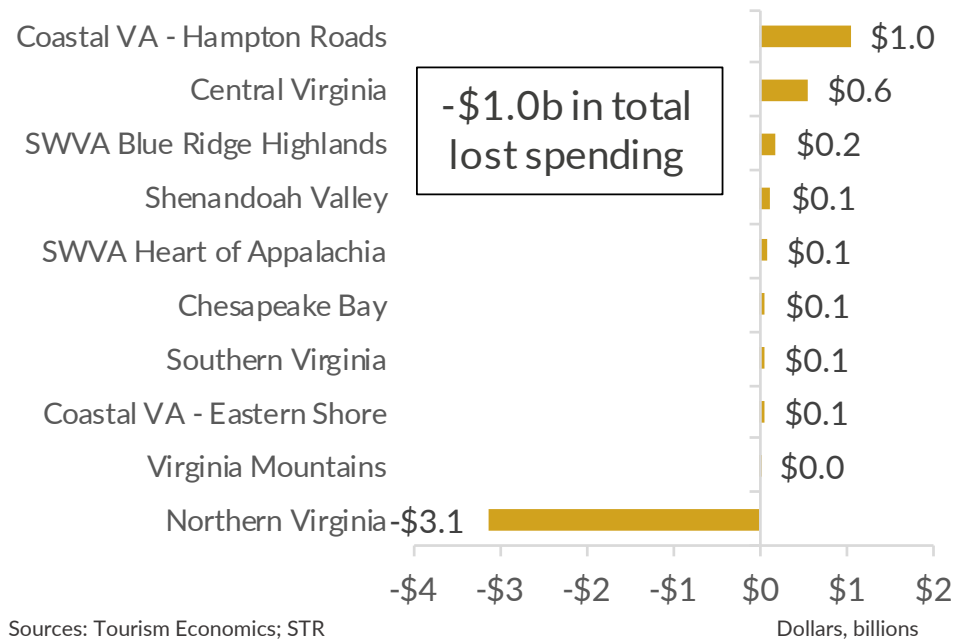
Sources: Tourism Economics; STR

THE BASELINE SCENARIO

Regional spending losses

2022 visitor spending is down \$1.0 billion compared to 2019.

Baseline Scenario visitor spending changes in Virginia, 2022 vs 2019

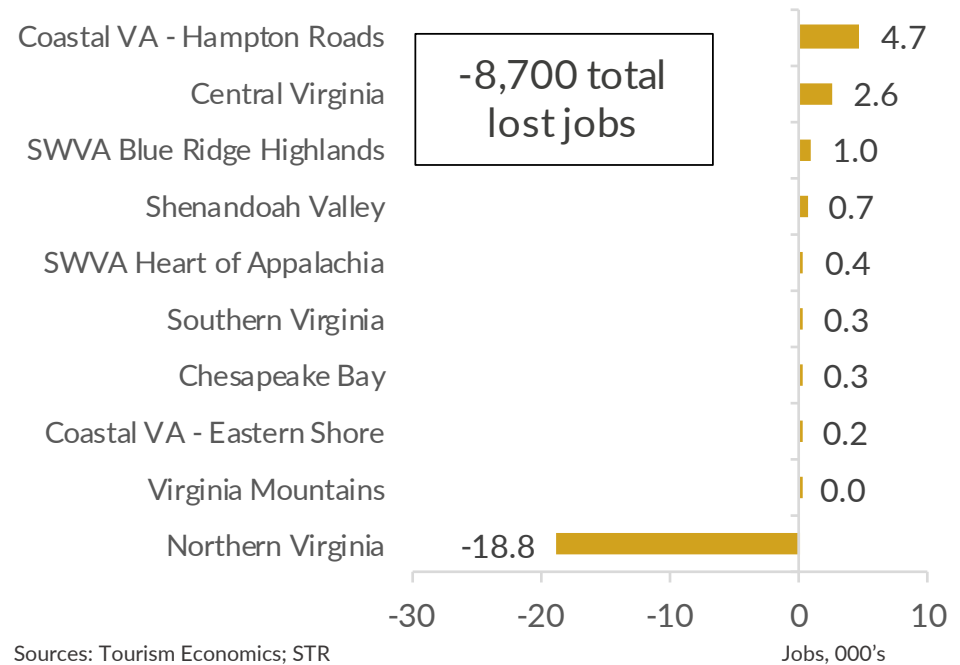


THE BASELINE SCENARIO

Job losses

2022 visitor economy employment is down 8,700 compared to 2019.

Baseline Scenario visitor economy job changes in Virginia, 2022 vs 2019



THE BASELINE SCENARIO

Fiscal year room revenue

Compared to FY 2019, total Virginia room revenue is down \$329 million in FY 2022.

Baseline Scenario room revenue forecast and losses

Dollars, millions – assumes a July-June Fiscal year

	Forecast					Changes				
	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Central Virginia	\$737	\$569	\$510	\$786	\$839	--	-\$168	-\$227	\$49	\$102
Chesapeake Bay	\$21	\$19	\$22	\$26	\$28	--	-\$2	\$1	\$5	\$7
Coastal VA - Eastern Shore	\$34	\$28	\$32	\$40	\$42	--	-\$7	-\$2	\$6	\$7
Coastal VA - Hampton Roads	\$904	\$708	\$762	\$1,048	\$1,058	--	-\$196	-\$142	\$144	\$154
Northern Virginia	\$1,835	\$1,255	\$689	\$1,264	\$1,506	--	-\$580	-\$1,146	-\$571	-\$330
Shenandoah Valley	\$220	\$171	\$167	\$235	\$239	--	-\$49	-\$53	\$14	\$19
Southern Virginia	\$68	\$58	\$63	\$76	\$82	--	-\$10	-\$5	\$7	\$14
SWVA Blue Ridge Highlands	\$153	\$122	\$112	\$169	\$184	--	-\$31	-\$41	\$16	\$31
SWVA Heart of Appalachia	\$21	\$18	\$19	\$26	\$28	--	-\$3	-\$2	\$5	\$7
Virginia Mountains	\$162	\$124	\$106	\$158	\$164	--	-\$38	-\$56	-\$4	\$2
Virginia total	\$4,157	\$3,073	\$2,483	\$3,828	\$4,170	--	-\$1,084	-\$1,674	-\$329	\$13

Sources: Tourism Economics; STR

THE DOWNSIDE SCENARIO

THE DOWNSIDE SCENARIO

Summary data

Compared to 2019, visitor spending was down \$6.5 billion in 2021, and remains down \$3.6 billion in 2022.

Downside Scenario visitor economy changes in Virginia (vs. 2019)

Dollar figures in millions

	2020	2021	2022	2023
Change in economic impacts				
Visitor spending, \$	-\$11,548	-\$6,546	-\$3,570	-\$2,927
Visitors spending, %	-40%	-23%	-12%	-10%
Jobs	-98,878	-39,274	-22,859	-18,776
Wage	-\$4,031	-\$785	-\$199	-\$151
State taxes	-\$412	-\$275	-\$153	-\$125
Local taxes	-\$514	-\$173	-\$55	-\$44
Change in hotel KPIs				
Room demand (000's)	-12,530	-4,919	-3,735	-3,417
Room revenue, \$	-\$1,967	-\$807	-\$383	-\$332

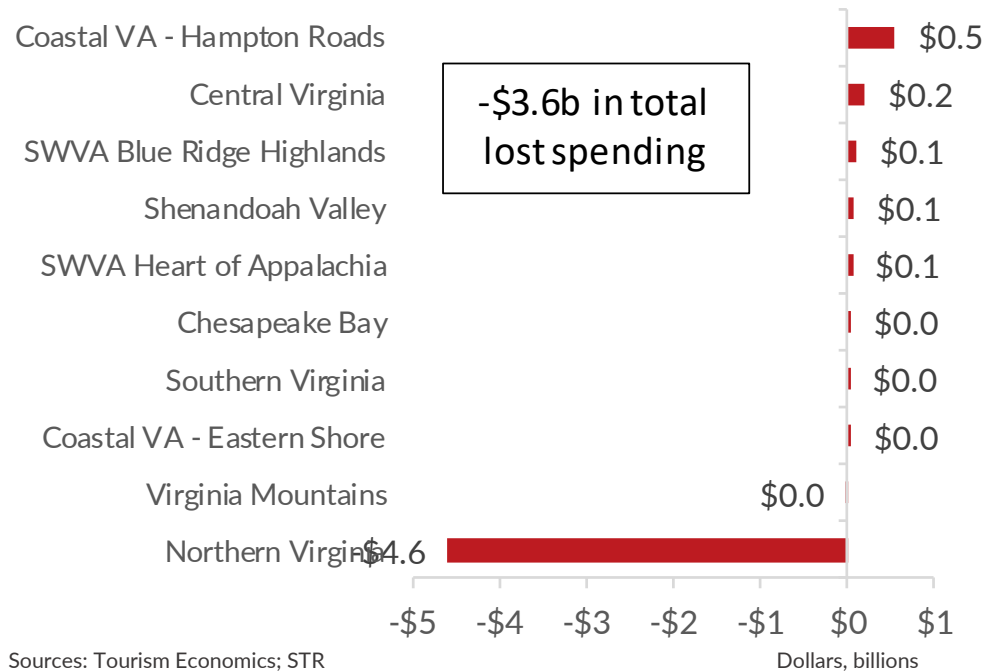
Sources: Tourism Economics; STR

THE DOWNSIDE SCENARIO

Regional spending losses

2022 visitor spending is down \$3.6 billion compared to 2019.

Downside Scenario visitor spending changes in Virginia, 2022 vs 2019

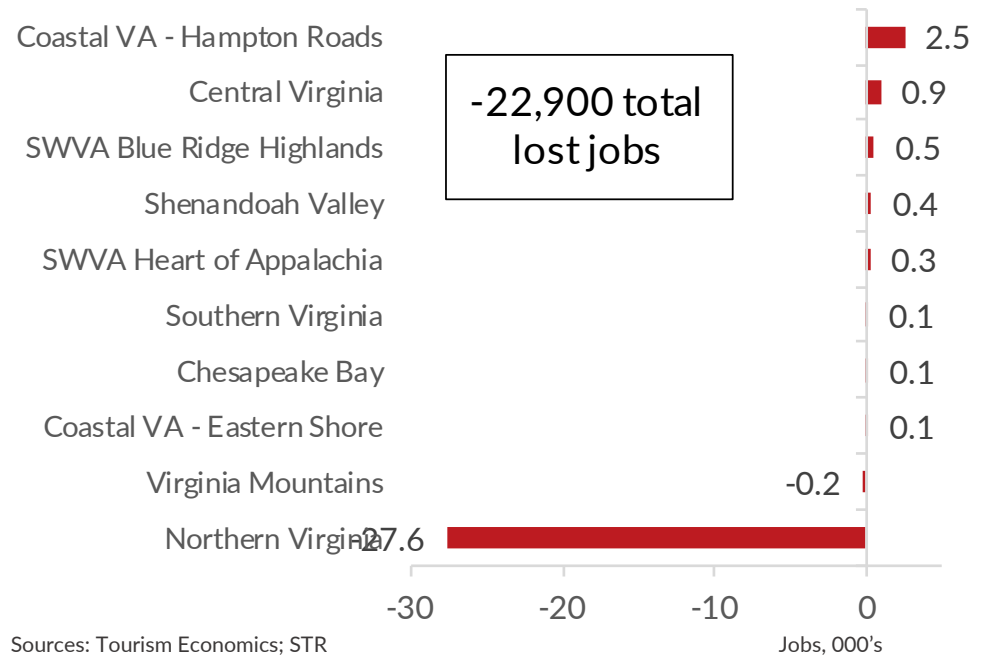


THE DOWNSIDE SCENARIO

Job losses

2022 visitor economy employment is down 22,900 compared to 2019.

Downside Scenario visitor economy job changes in Virginia, 2022 vs 2019



THE DOWNSIDE SCENARIO

Fiscal year room revenue

Compared to FY 2019, total Virginia room revenue is down \$400 million in FY 2022.

Downside Scenario room revenue forecast and losses

Dollars, millions – assumes a July-June Fiscal year

	Forecast					Changes				
	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Central Virginia	\$737	\$569	\$510	\$774	\$761	--	-\$168	-\$227	\$38	\$24
Chesapeake Bay	\$21	\$19	\$22	\$25	\$24	--	-\$2	\$1	\$4	\$3
Coastal VA - Eastern Shore	\$34	\$28	\$32	\$40	\$36	--	-\$7	-\$2	\$5	\$2
Coastal VA - Hampton Roads	\$904	\$708	\$762	\$1,028	\$946	--	-\$196	-\$142	\$124	\$42
Northern Virginia	\$1,835	\$1,255	\$689	\$1,235	\$1,250	--	-\$580	-\$1,146	-\$600	-\$586
Shenandoah Valley	\$220	\$171	\$167	\$232	\$226	--	-\$49	-\$53	\$12	\$6
Southern Virginia	\$68	\$58	\$63	\$74	\$73	--	-\$10	-\$5	\$6	\$4
SWVA Blue Ridge Highlands	\$153	\$122	\$112	\$166	\$161	--	-\$31	-\$41	\$13	\$8
SWVA Heart of Appalachia	\$21	\$18	\$19	\$26	\$24	--	-\$3	-\$2	\$4	\$3
Virginia Mountains	\$162	\$124	\$106	\$157	\$154	--	-\$38	-\$56	-\$5	-\$9
Virginia total	\$4,157	\$3,073	\$2,483	\$3,757	\$3,655	--	-\$1,084	-\$1,674	-\$400	-\$502

Sources: Tourism Economics; STR

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.

Oxford Economics is one of the world's foremost independent global advisory firms, providing reports, forecasts and analytical tools on 200 countries, 100 industrial sectors and over 3,000 cities. Our best-of-class global economic and industry models and analytical tools give us an unparalleled ability to forecast external market trends and assess their economic, social and business impact. Headquartered in Oxford, England, with regional centers in London, New York, and Singapore, Oxford Economics has offices across the globe in Belfast, Chicago, Dubai, Miami, Milan, Paris, Philadelphia, San Francisco, and Washington DC, we employ over 250 full-time staff, including 150 professional economists, industry experts and business editors—one of the largest teams of macroeconomists and thought leadership specialists.

For more information:

info@tourismeconomics.com