

# PLANNING FOR THE RECOVERY

**Adam Sacks**  
President  
Tourism Economics  
[adam@tourismeconomics.com](mailto:adam@tourismeconomics.com)

**January 2021**



“It is said that the darkest hour of the night comes just before the dawn.”

---

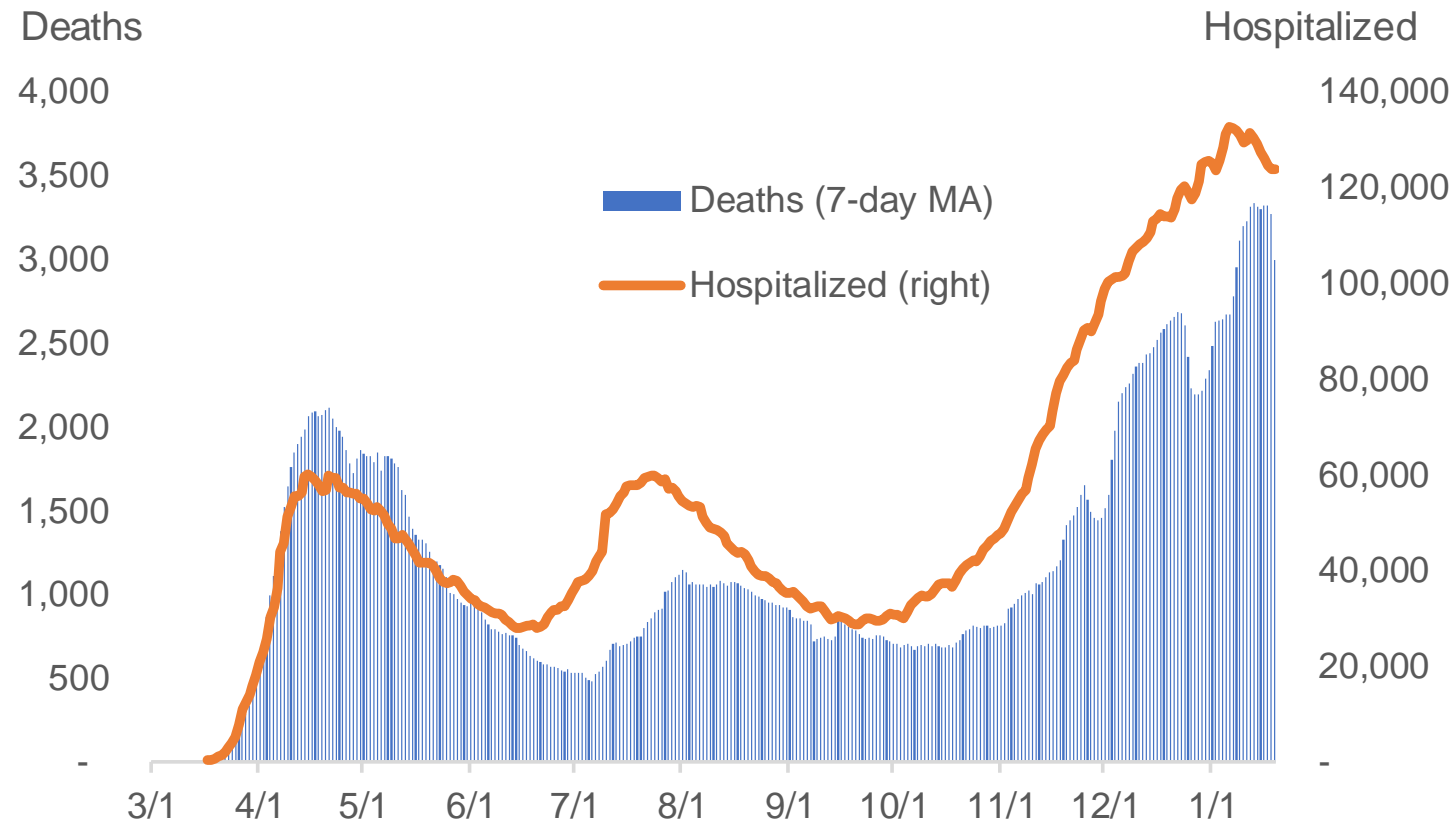
Thomas Fuller, 1608-1661  
English churchman and historian

**Penned within a travelogue of the Holy Land**

**Died at age 53 of epidemic infectious disease**

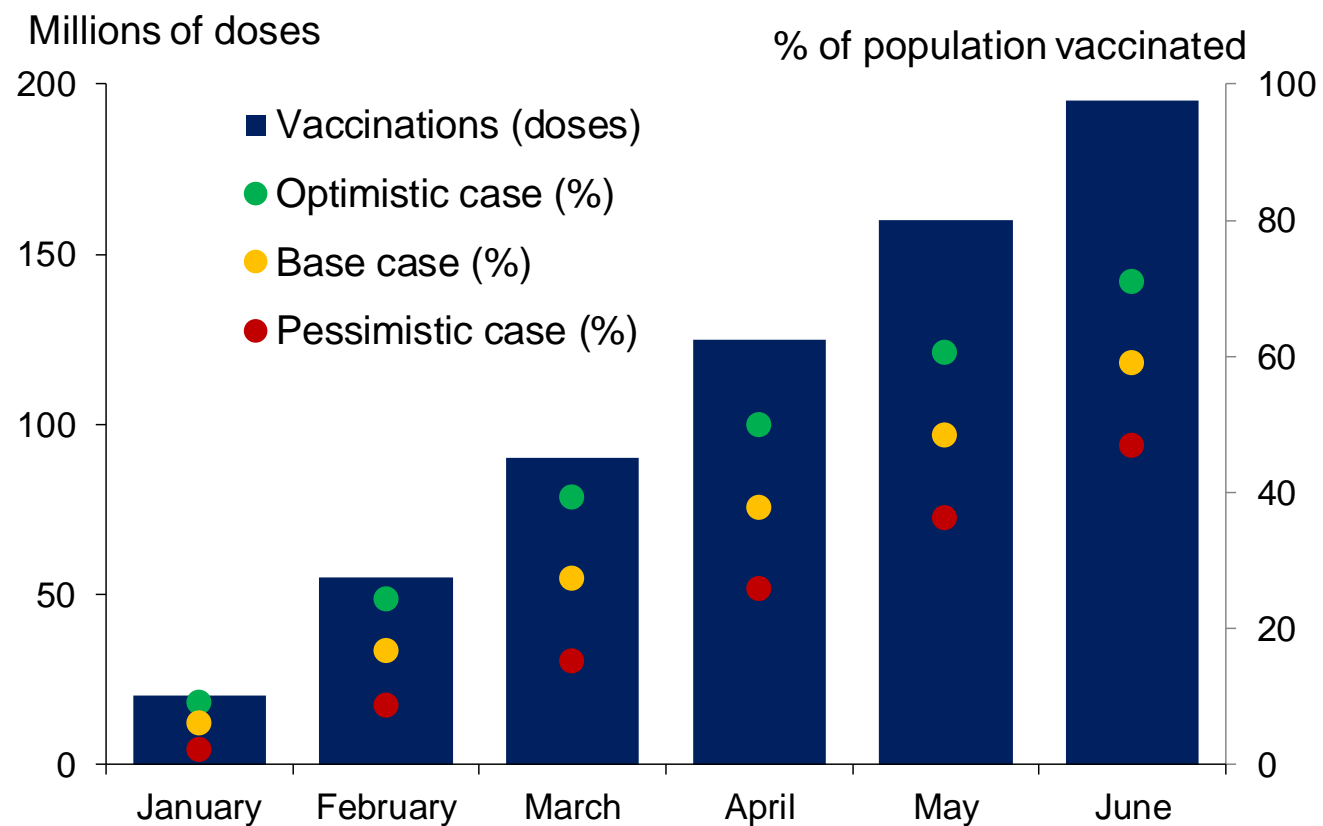
# The worst of times

## US COVID Deaths and Hospitalizations



## ...but the best of times may be in sight

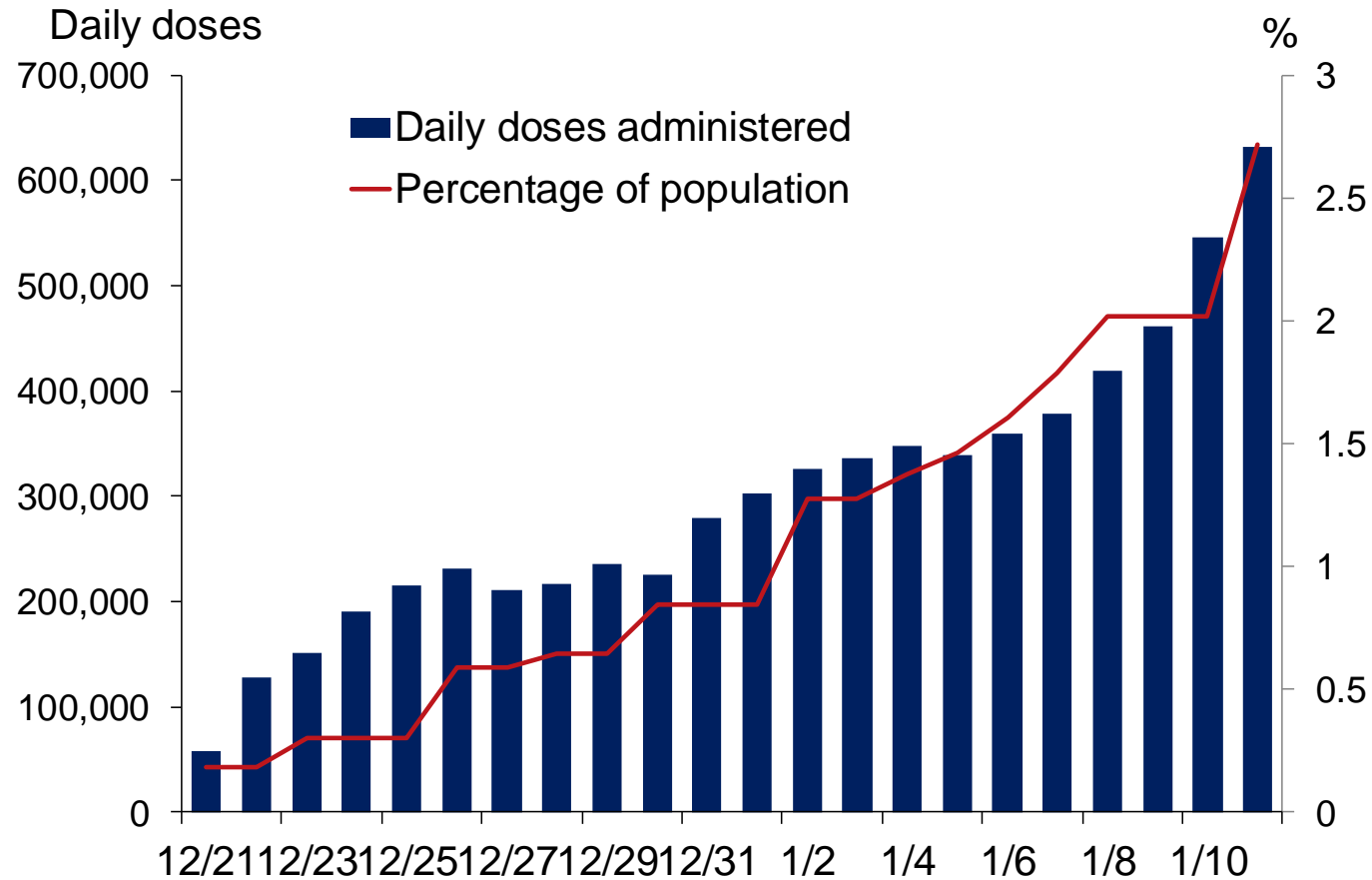
### US: Estimated vaccine distribution



Source: Oxford Economics/CDC

## Vaccine diffusion will be gradual in 2021

### US: Covid-19 vaccination doses administered

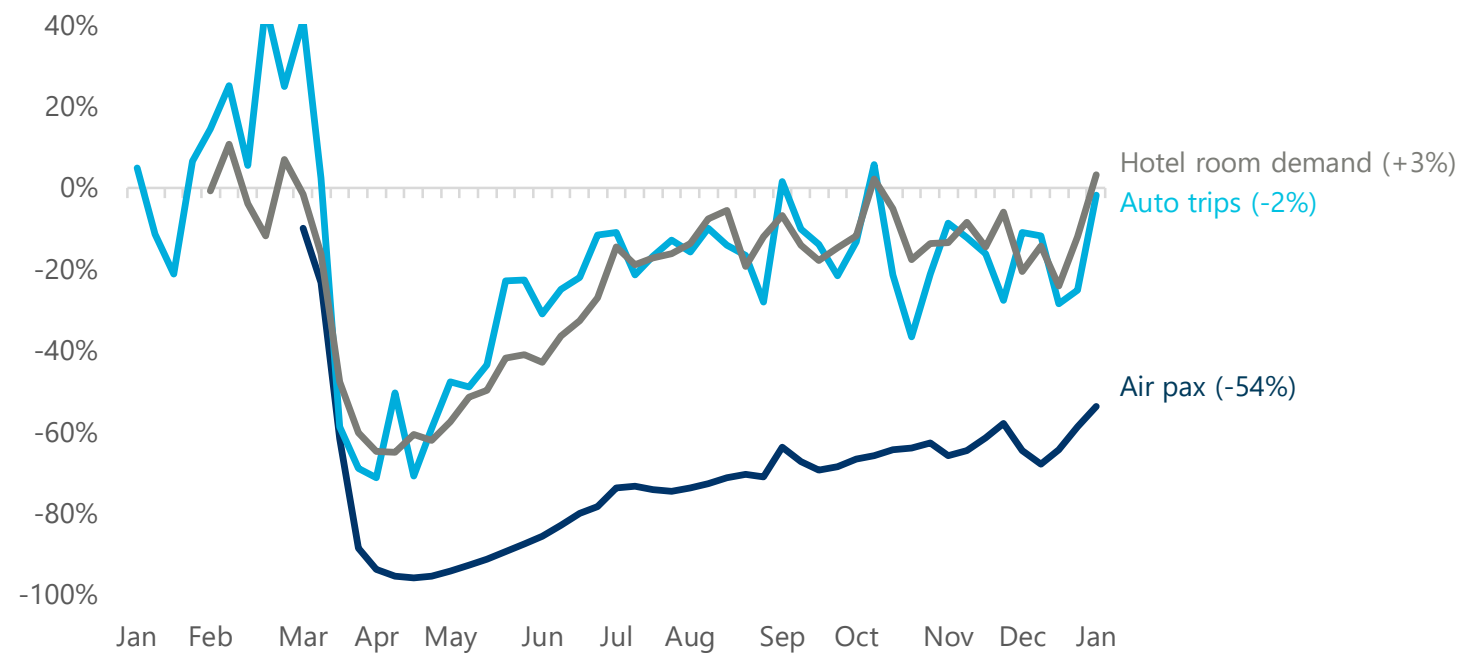


Source: Oxford Economics/Our World in Data

# Three snapshots of the travel landscape

## Travel performance

Year-over-year % change

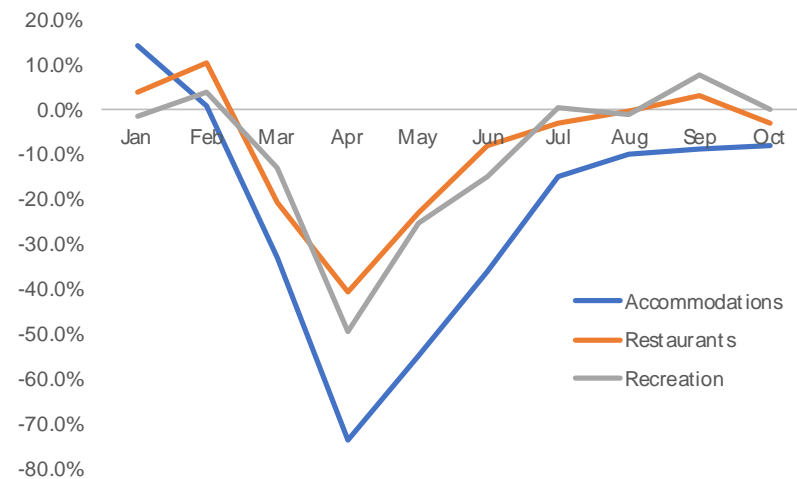


Source: TSA, Arrivalist, STR

# After a steep drop, SD travel has begun its ascent

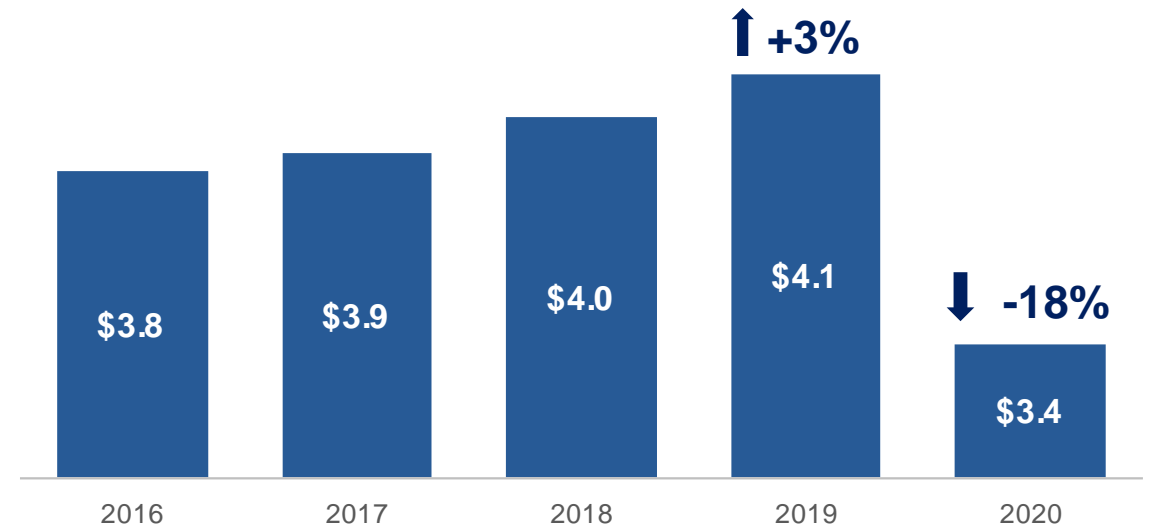
## South Dakota monthly sales tax collections

Y-o-y growth, by month, 2020



Source: Tourism Economics, South Dakota Department of Revenue

## South Dakota visitor spending (\$ billions)

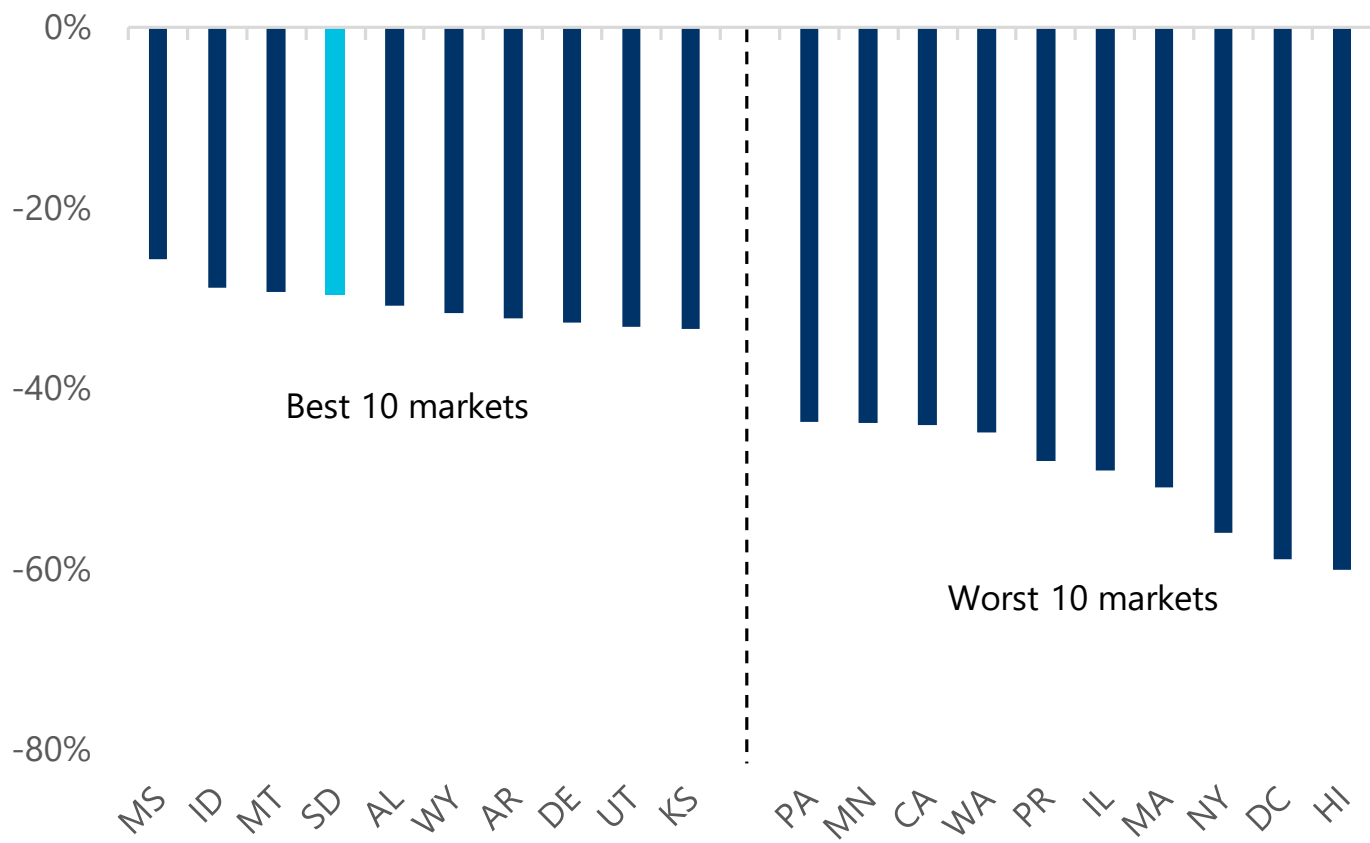


Source: D. K. Shifflet, Tourism Economics

## ...placing SD among the best performing markets in the country

### Annual travel spending losses by state

Year-over-year % change

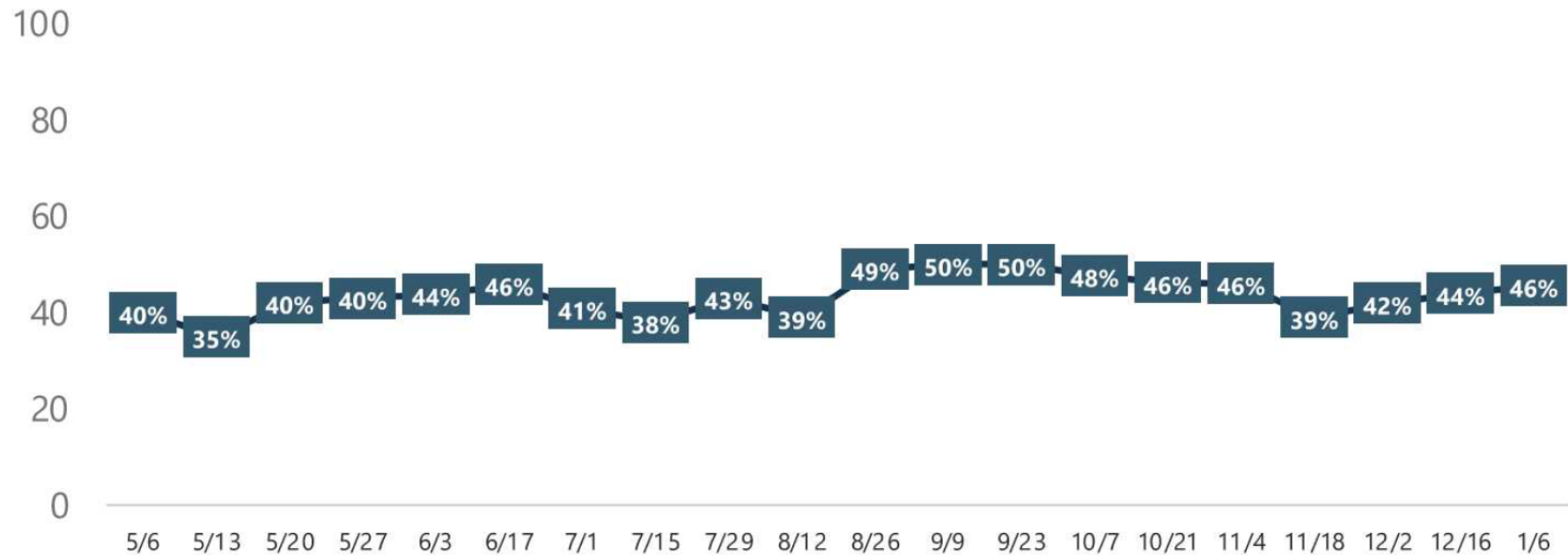


Source: U.S. Travel Association, Tourism Economics



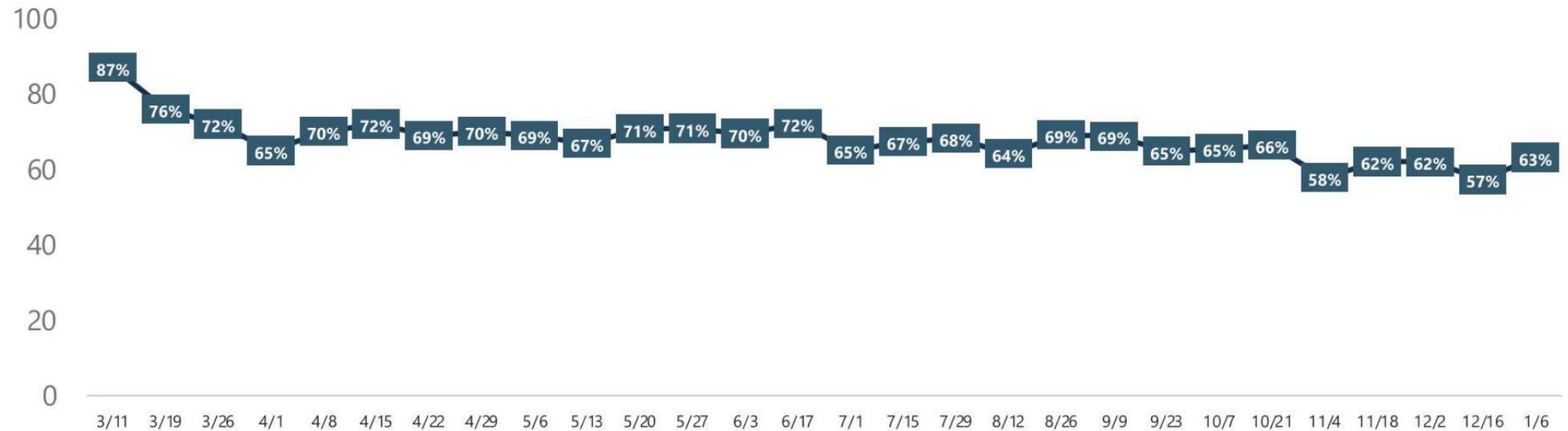
# Travel confidence remains low but is trending... up!

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



# And intentions to travel remain steady

## Travelers with Travel Plans in the Next Six Months Comparison



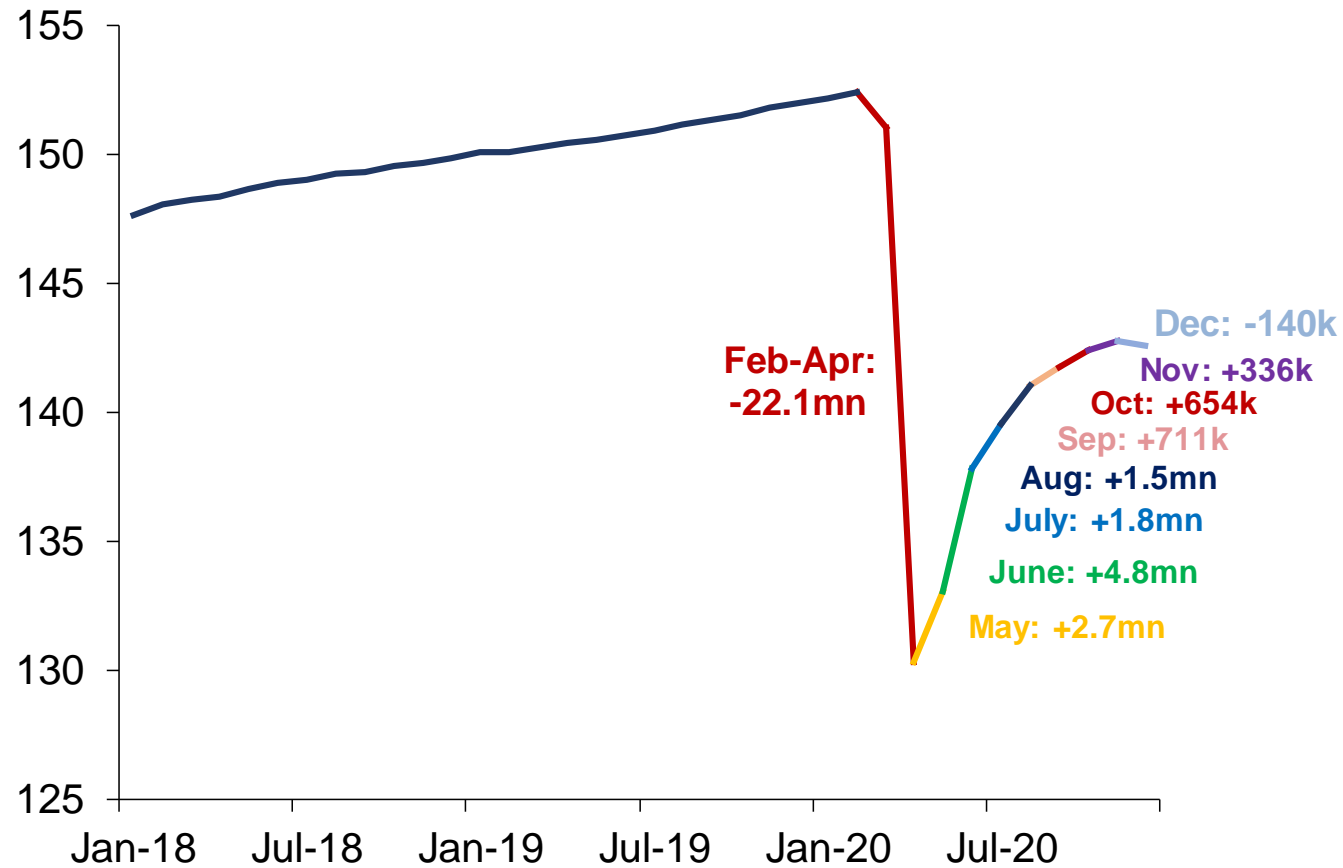
---

How will the economy influence the travel recovery?

## After recovering about half of losses, jobs fall

### US: Nonfarm payroll employment

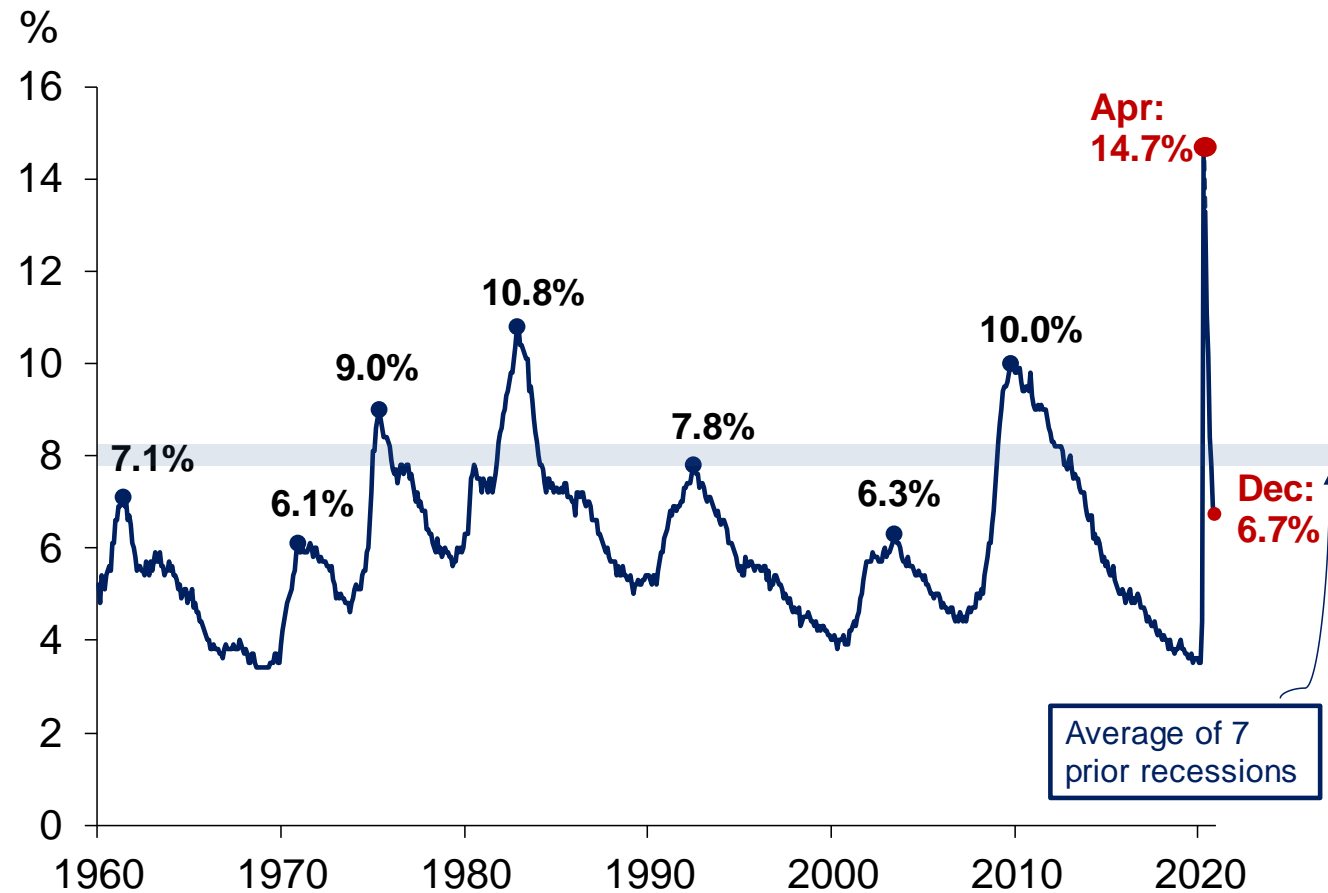
Millions



Source: Oxford Economics/Haver Analytics

# Unemployment rate still near recession peaks

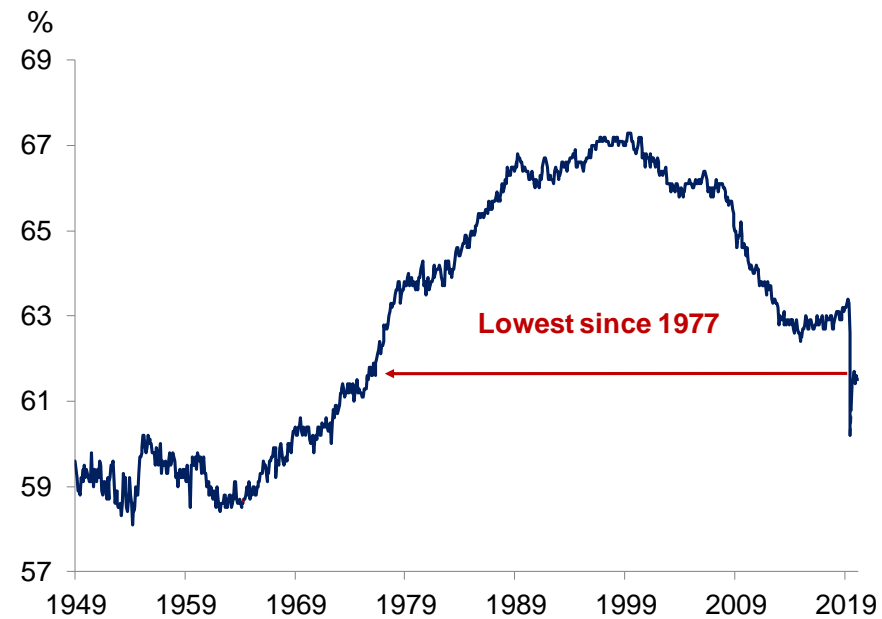
## US: U3 unemployment rate



Source: Oxford Economics/Haver Analytics

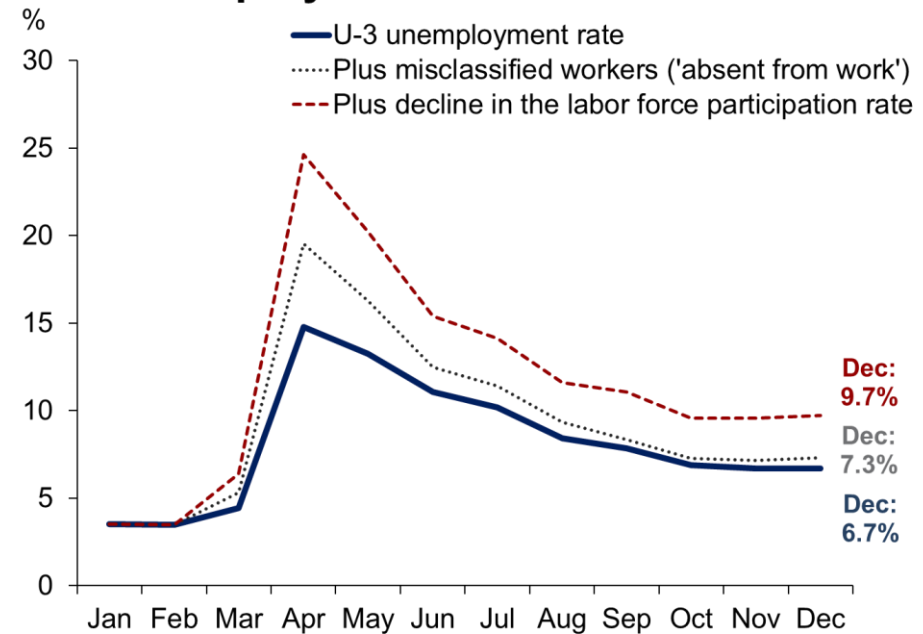
# Participation rate at its lowest since the 1970s

US: Labor force participation rate



Source: Oxford Economics/Haver Analytics

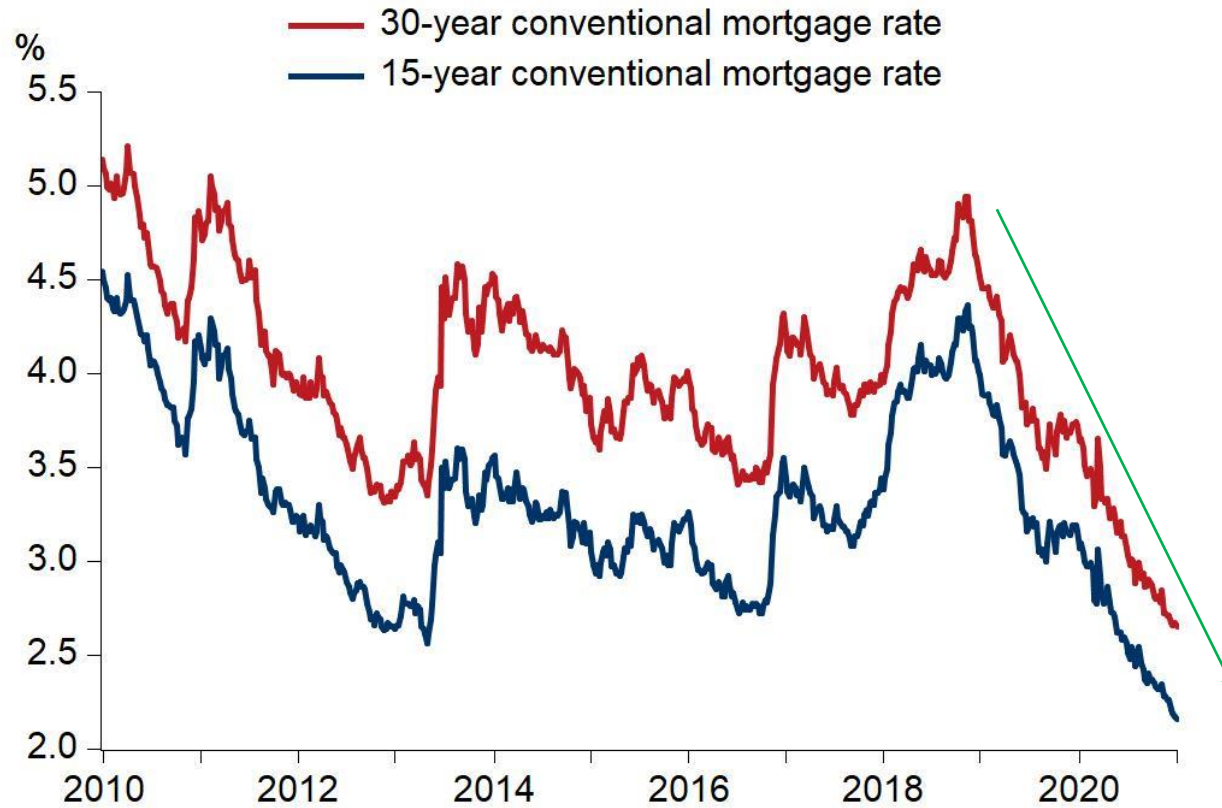
US: Unemployment rates



Source: BLS/Oxford Economics/Haver Analytics

# Fed policy acting as wind in the sails

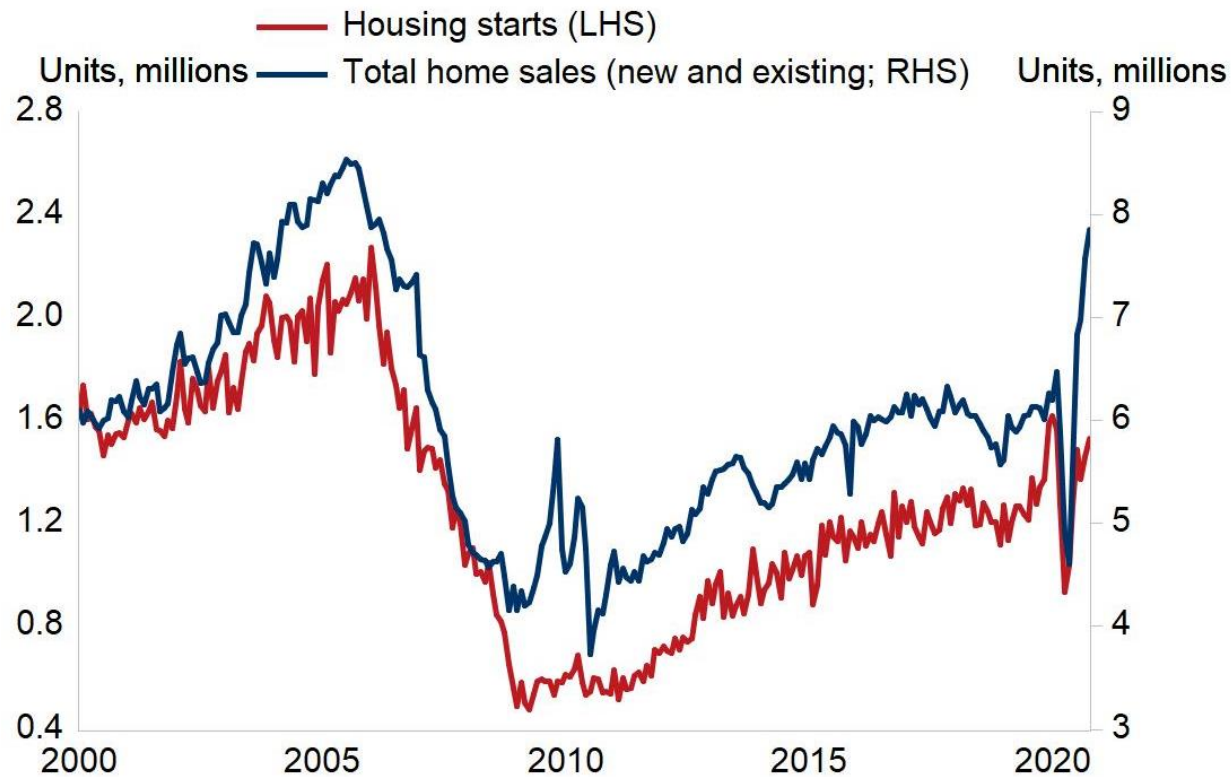
## US: Weekly mortgage rates



Source: Oxford Economics/Haver Analytics

# Housing activity remains very buoyant

## US: Housing starts aren't keeping pace with sales activity

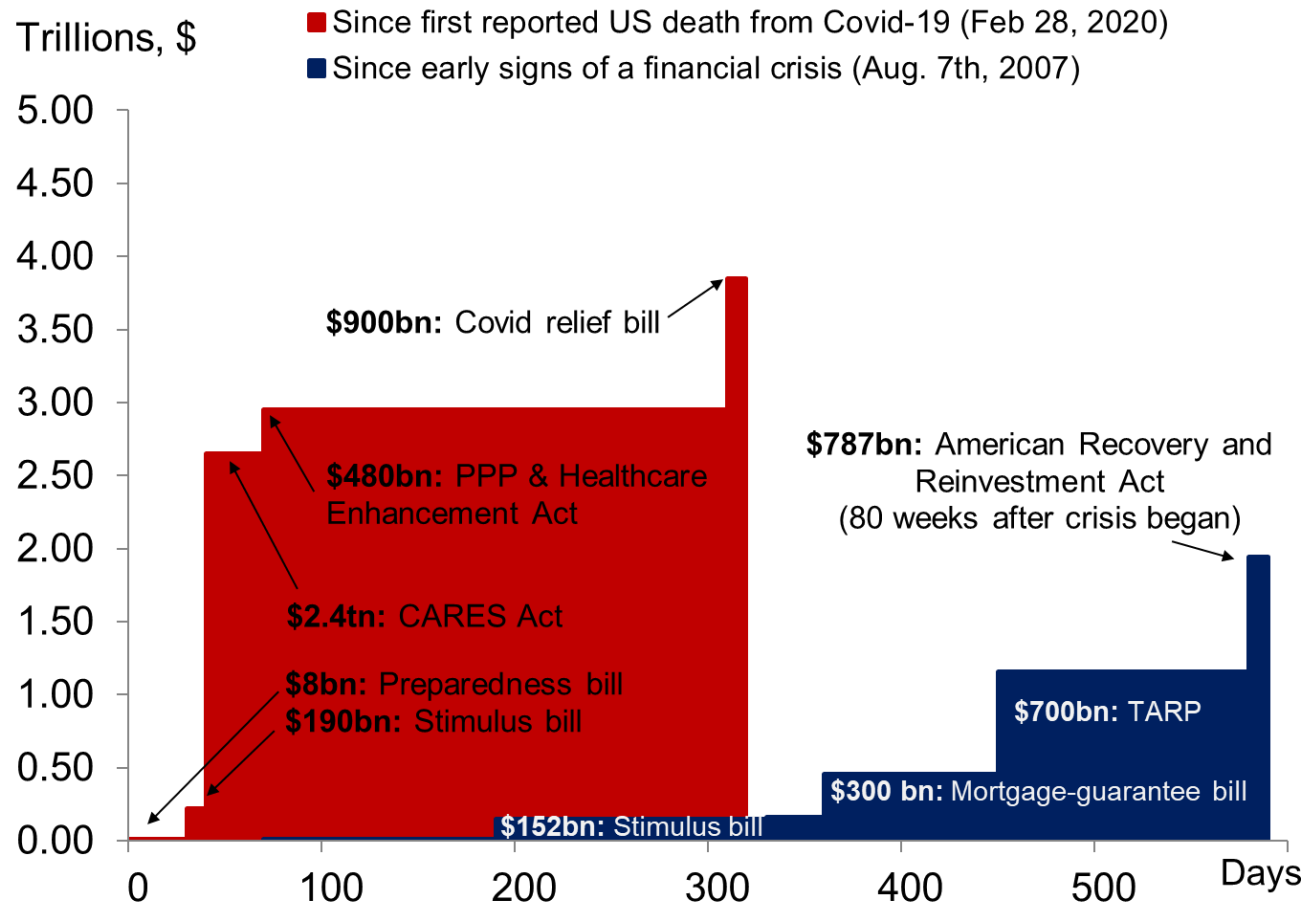


Source: Oxford Economics/Haver Analytics



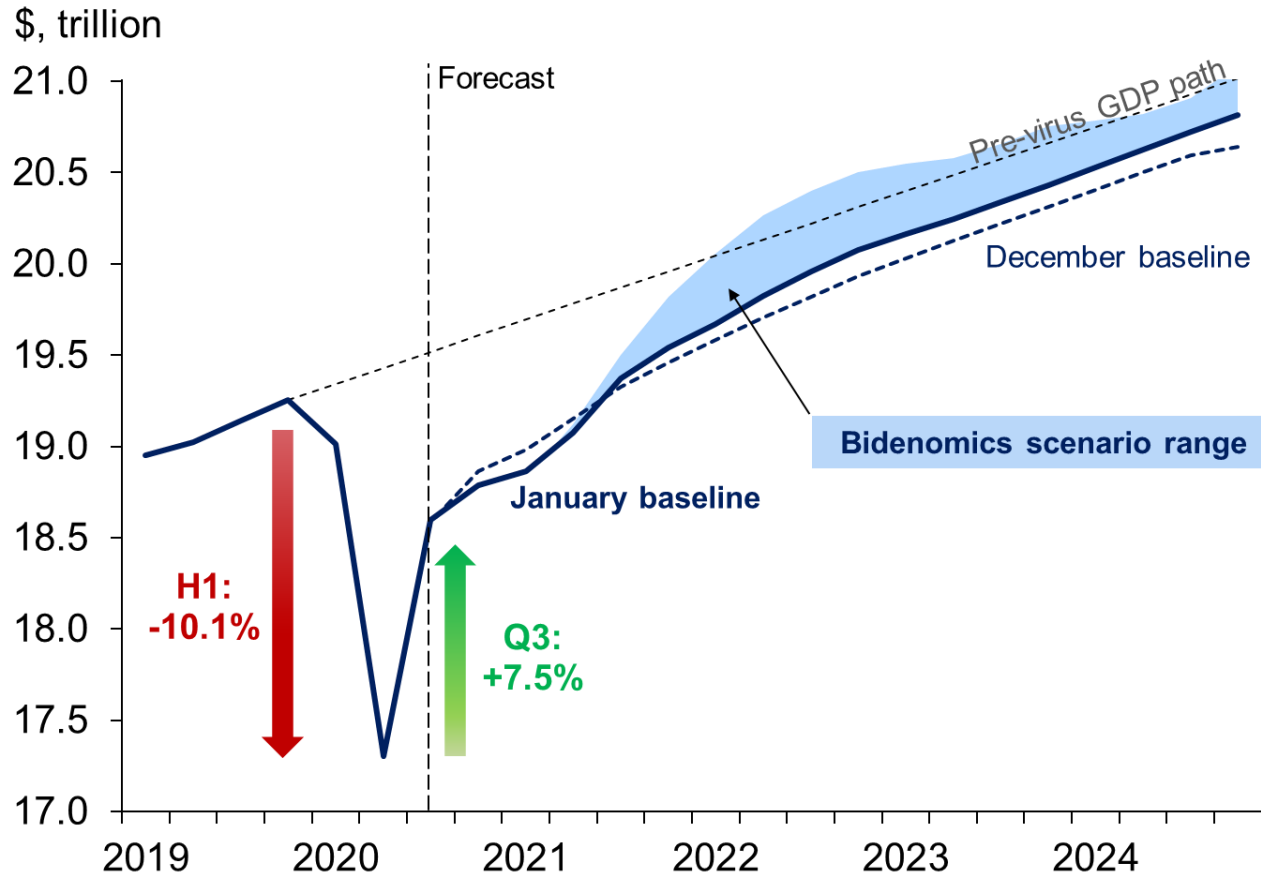
# Large and rapid fiscal stimulus without precedent

## US: Funds authorized by Congress



# Policy upside risk shouldn't be discounted

## US: Real GDP



Source : Oxford Economics

- Congress will likely pass, on a bipartisan basis, additional stimulus checks totaling \$1,400/ person on top of the \$600 checks passed at the end last year.
- President Biden will attempt to pass some of his spending and tax proposals via the budget reconciliation process requiring only a simple majority.
- 3rd round of stimulus checks should lift GDP by 0.7%.

---

When will travel recover?

# Assumptions: Baseline

---

- **2021 Q1**

- Difficult start to year. Concerted efforts to get disease under control
- Vaccine distribution accelerates in earnest

- **2021 Q2-Q3**

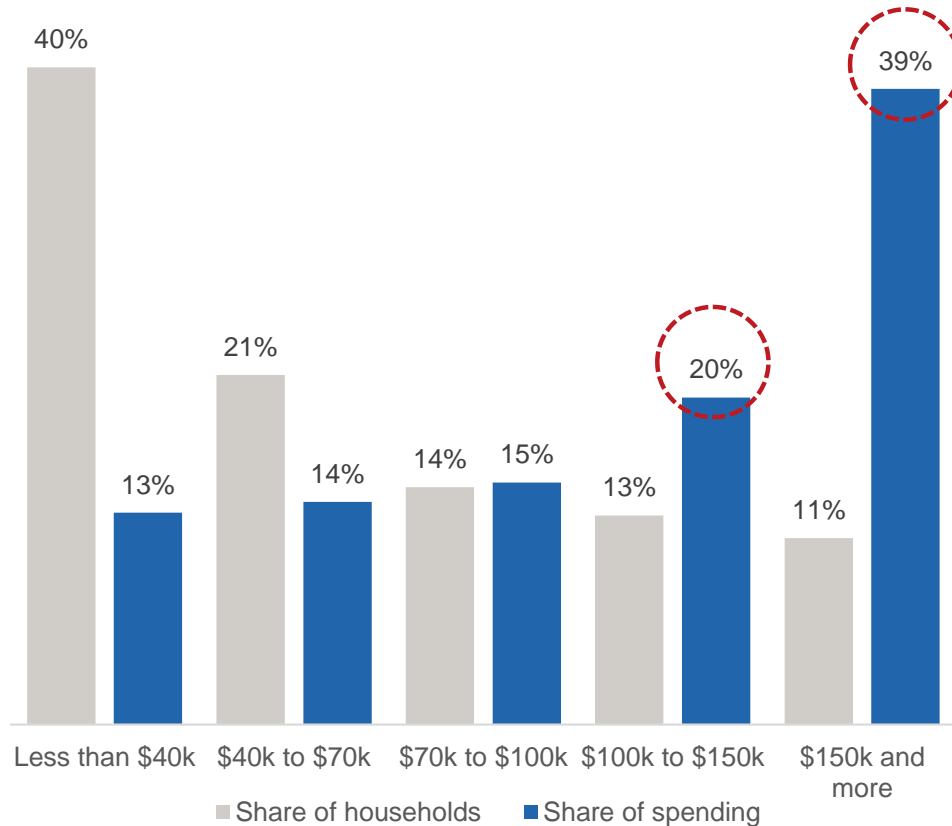
- Vaccination programs make a meaningful impact
- Through ramp-up of vaccination programs, compliance with public health guidance, and improved testing, disease prevalence declines, immunity rises, and cases decline
- Assume by the end of 2021 Q2, Covid-19 infection rates are low
- Leisure travel picks up headed into summer

- **2021 Q4**

- Post-Labor Day, context for business travel and group events has normalized substantially. Corporate travel restrictions are eased. Group events are permitted in most areas, though certain restrictions continue.
- With US perceived as substantially “safe from COVID”, group and business travel returns strongly (group demand recovering to about 20%-30% below 2019 levels in 2021Q4)

# Will higher income households support recovery?

## Share of leisure lodging spending by income



**Households earning \$100k+ account for 24% of households... but 59% of leisure spending on lodging**

### Unemployment rate (October):

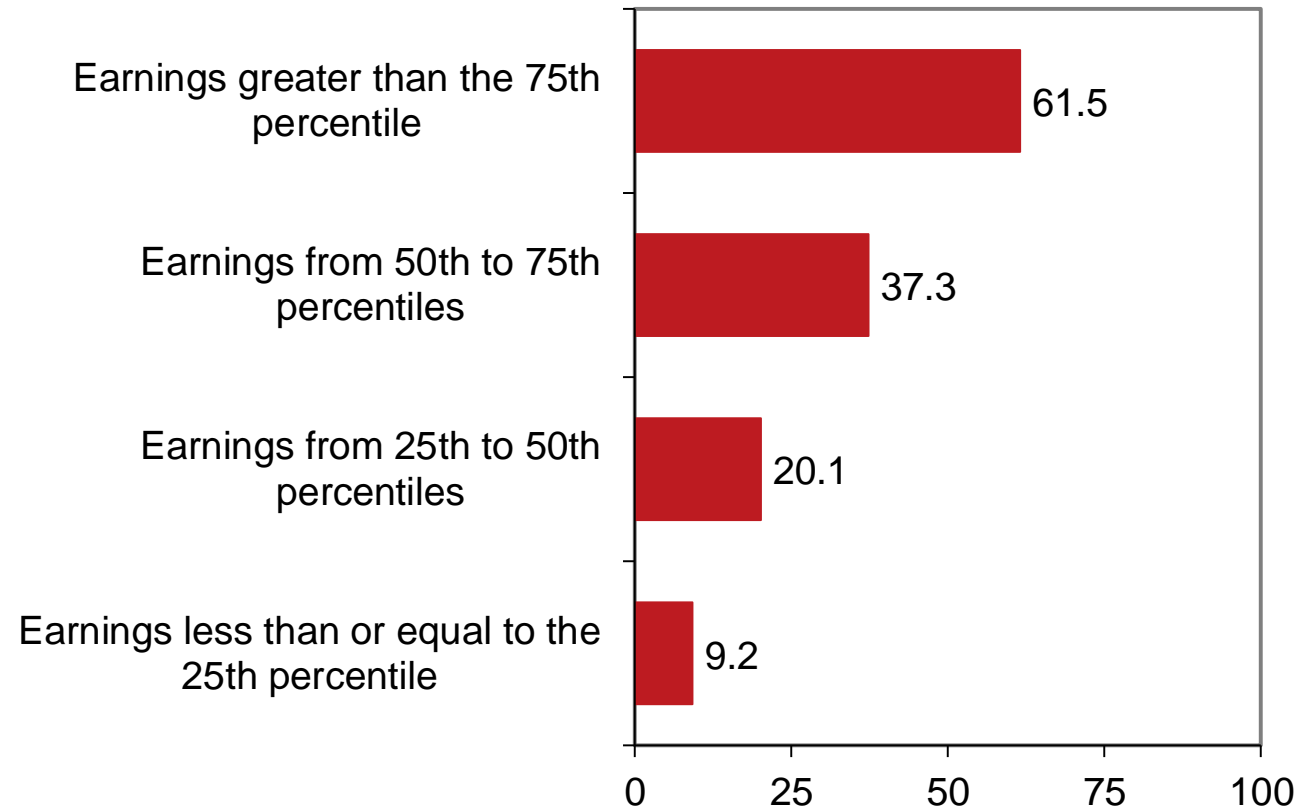
- High school grad: 8.1%
- Bachelor's or higher: 4.2%

Note: Lodging spending is based on recent three-year average (2015 to 2018). Consumer spending represents leisure trips. Pre-tax annual income, in thousands.  
Source: BLS; Tourism Economics

# High income earners least impacted by the crisis

---

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

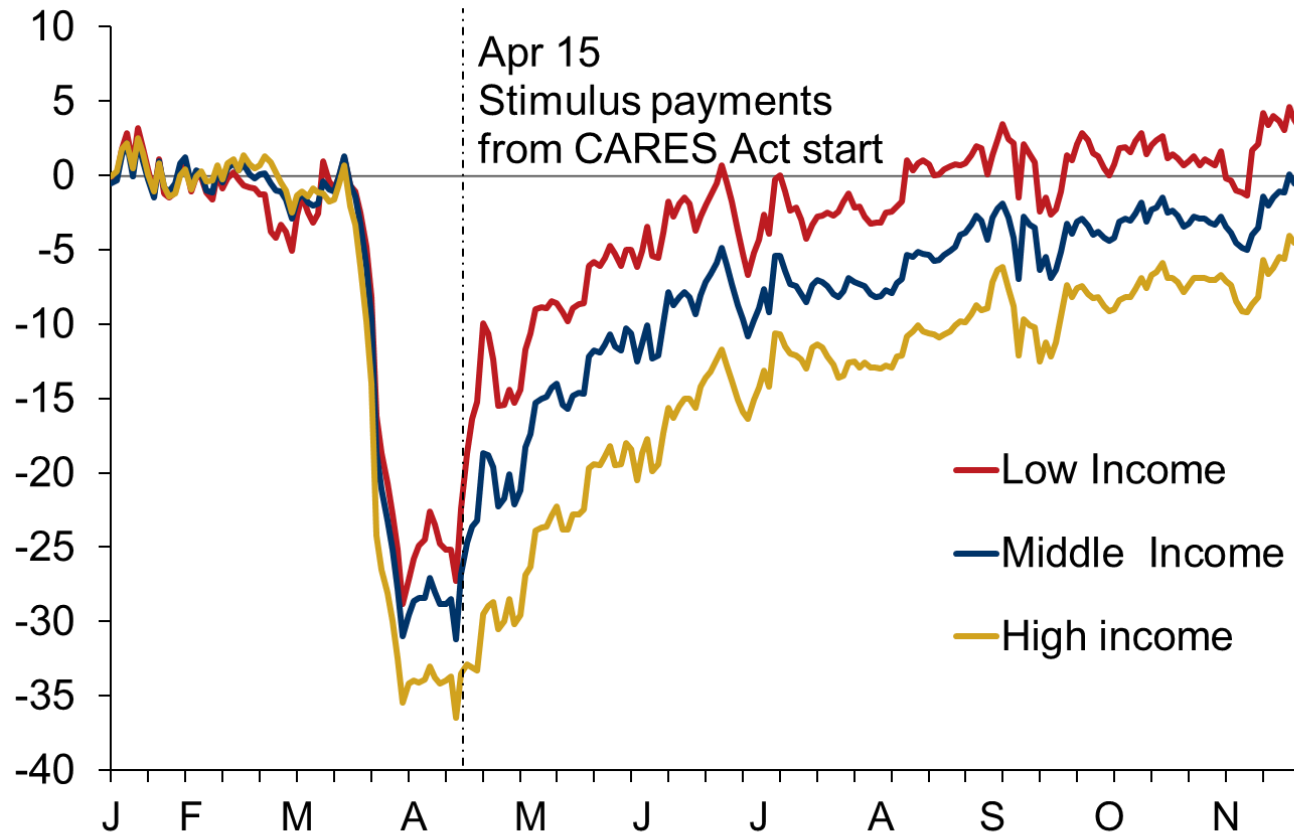


Source: Bureau of Labor Statistics/Oxford Economics

# Rebound in consumer spending driven by low-income families

## US: Consumer credit and debit card spending

% difference from January 2020

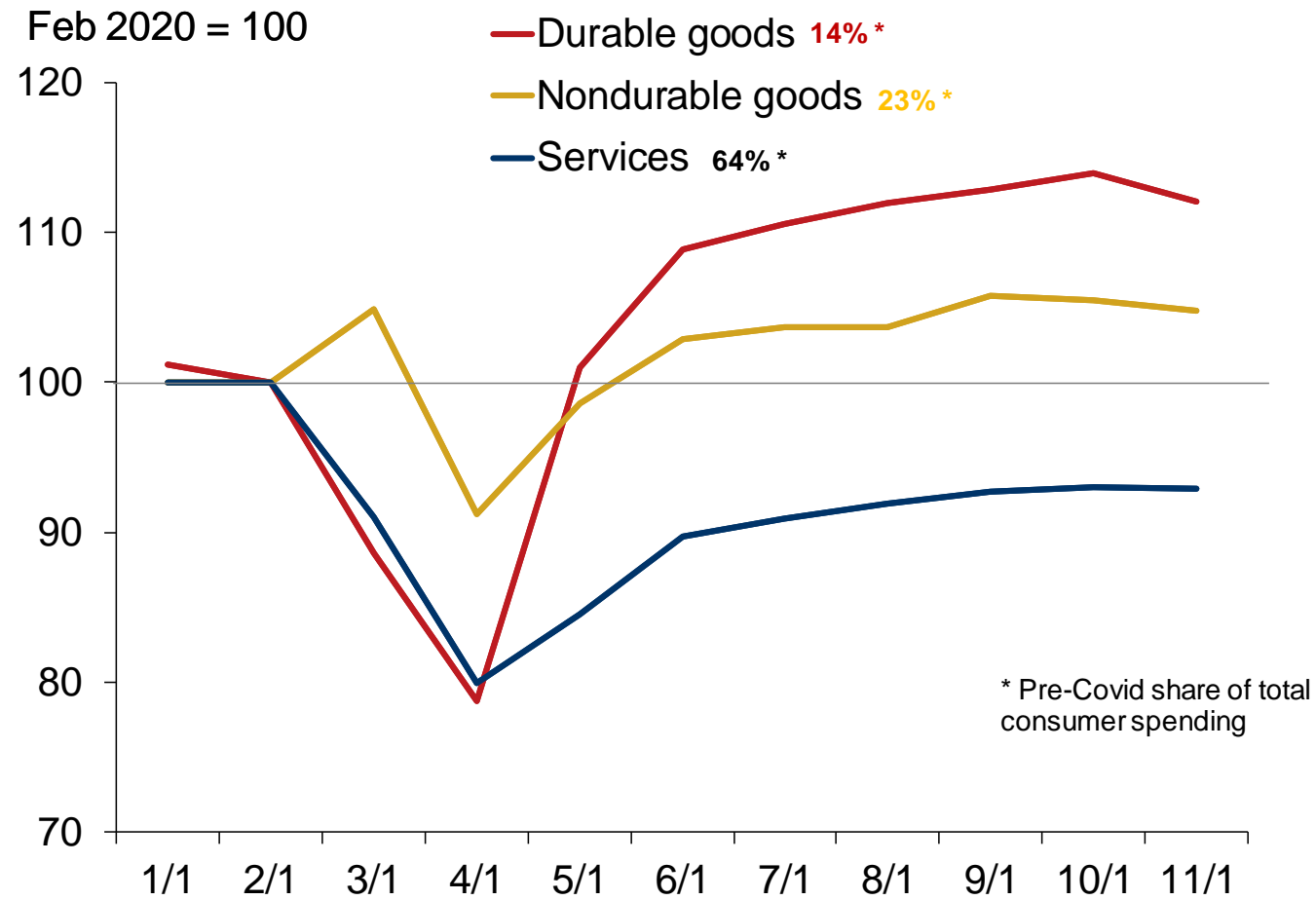


Source: Oxford Economics/Opportunity Insights/Haver Analytics

# With spending on goods outpacing services

## US: The K-shaped consumer spending recovery

Feb 2020 = 100



Source : Oxford Economics/Haver Analytics

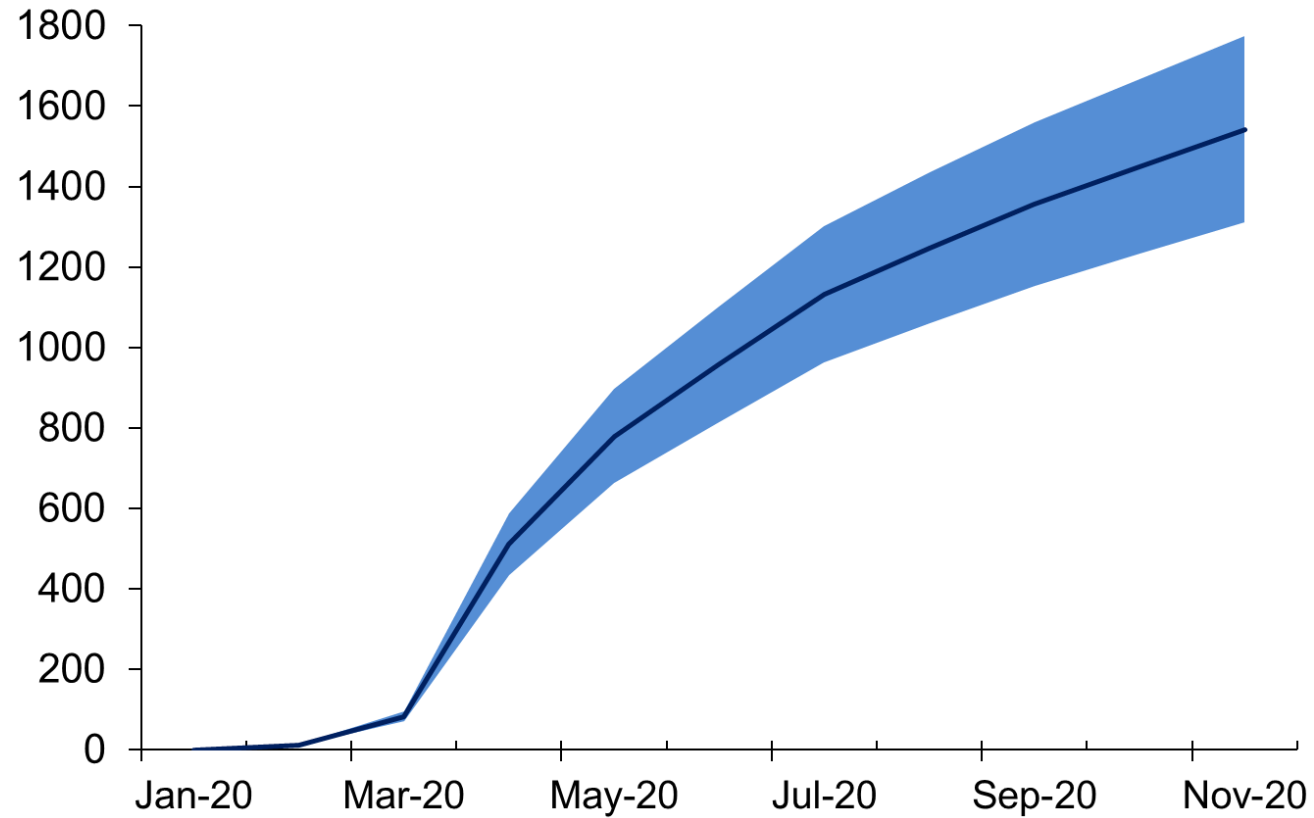


# \$1.4tn cash stash for households

---

## US: Cumulative household savings

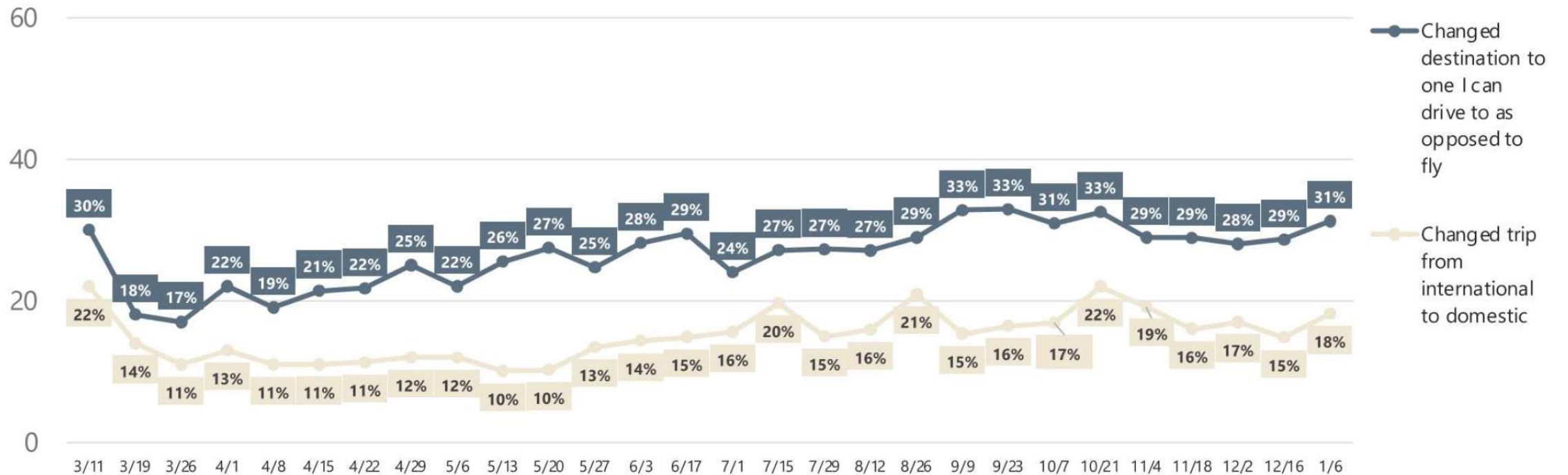
\$, billion, since January 2020



Source: Oxford Economics

# Major reshuffling of the deck

## Impact of COVID-19 on Upcoming Travel Plans Comparison

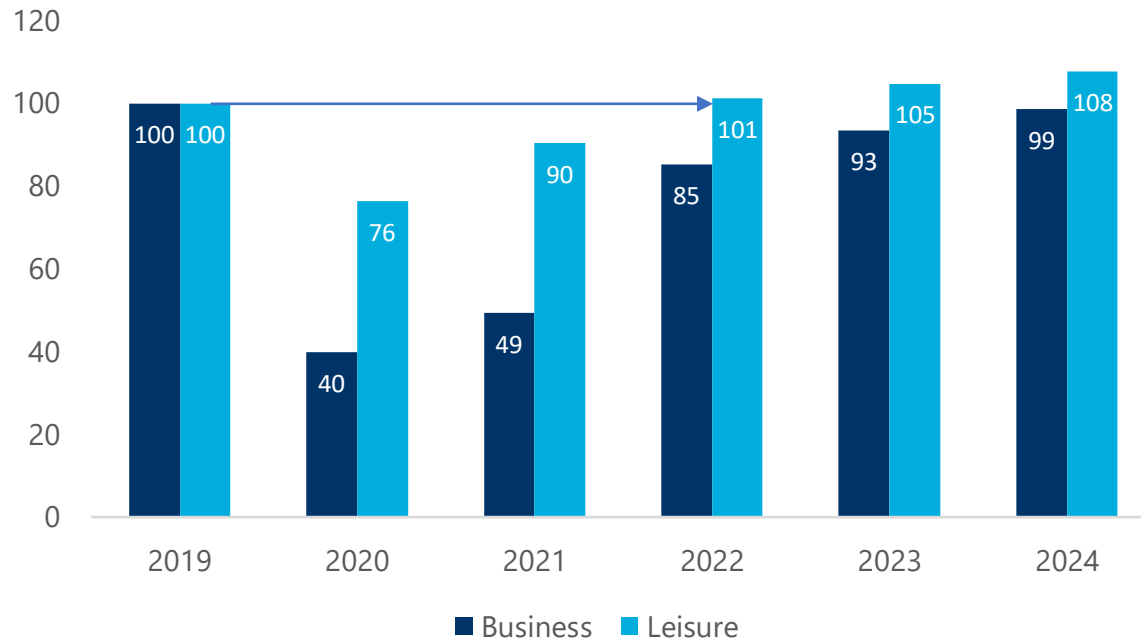


Base: Coronavirus Changed Travel Plans

# Leisure travel will fuel the recovery

## Business and leisure trips

Index (2019=100)



**Leisure back to 2019 levels  
in 2022**

**Business nearly back in  
2024**

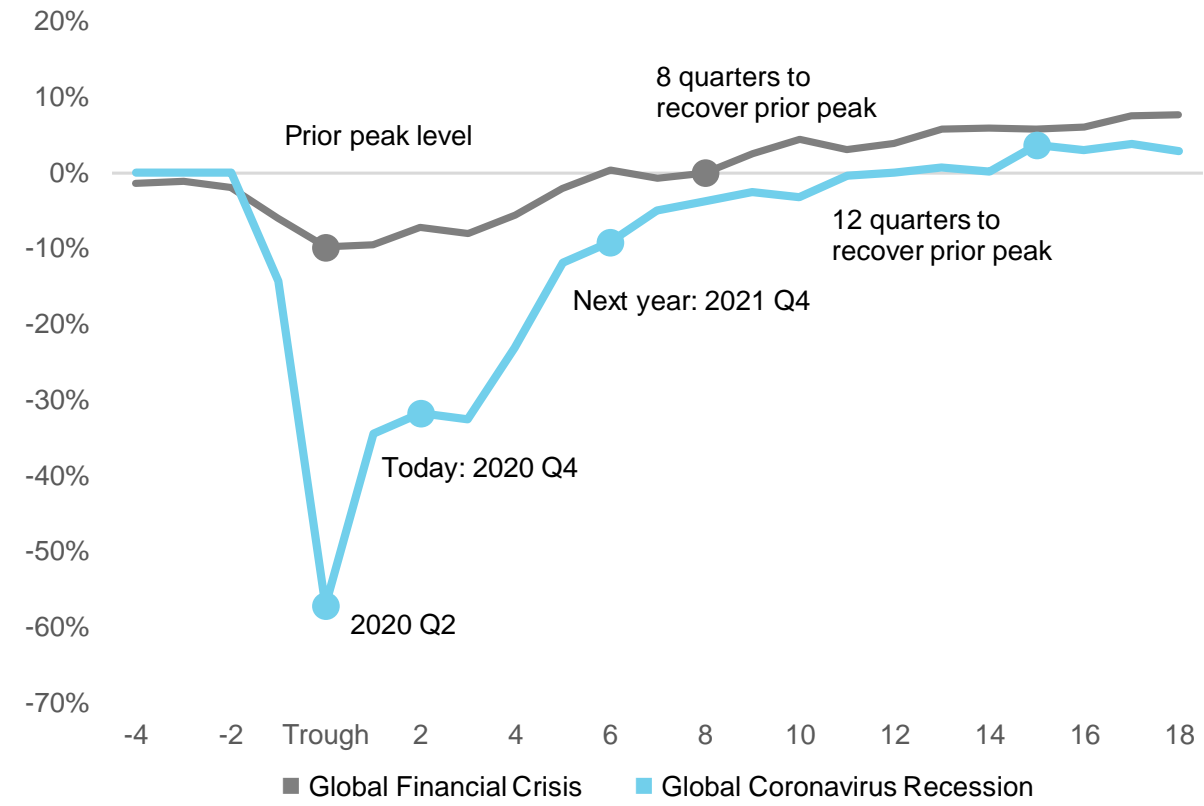
Note: Only domestic trips

Source: U.S. Travel Association, Tourism Economics

# Approximately three years to recover room demand levels

## Room demand: US

Quarters relative to trough, level relative to prior peak



**Room revenue is expected to recover to its prior peak level in early 2024, about four years after prior peak.**

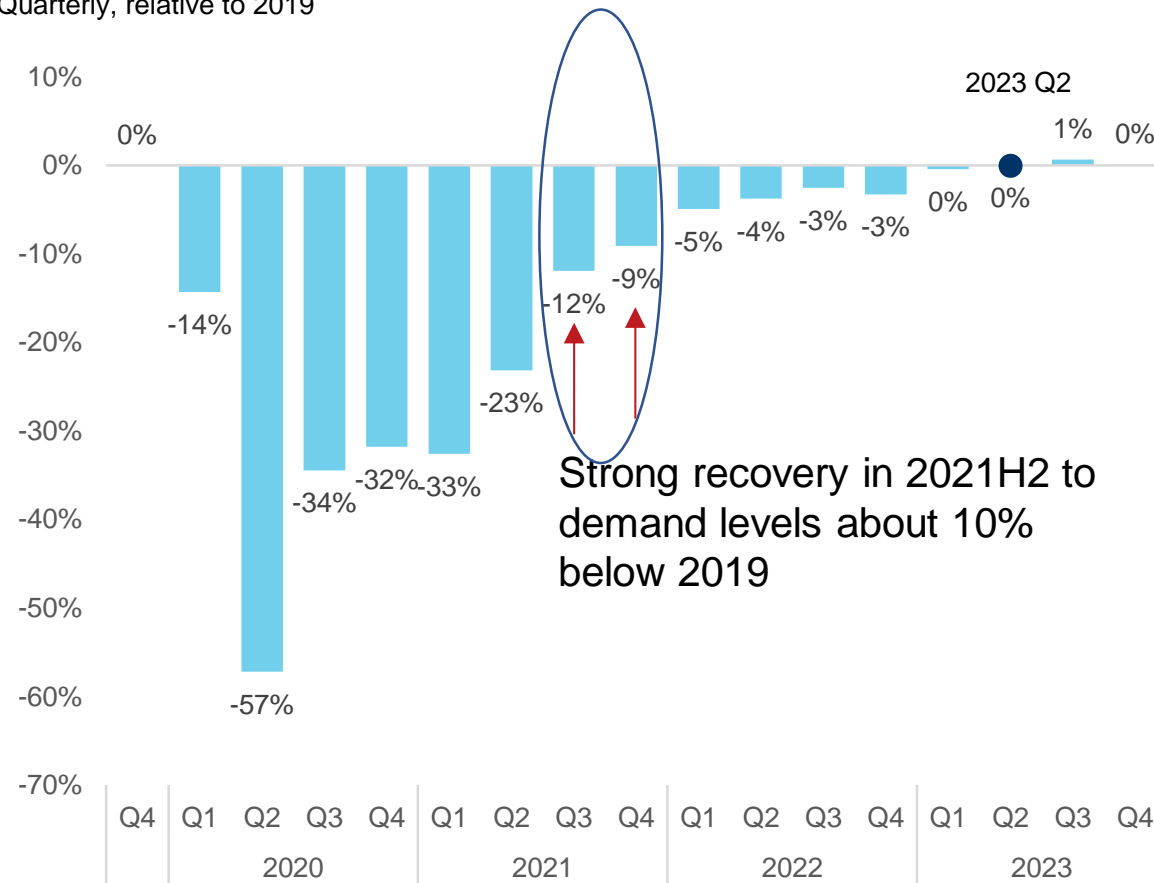
Source: STR; Tourism Economics



# ...but the second half of next year will look very different

## Room demand

Quarterly, relative to 2019



Strong recovery in 2021H2 to demand levels about 10% below 2019

Source: STR; Tourism Economics

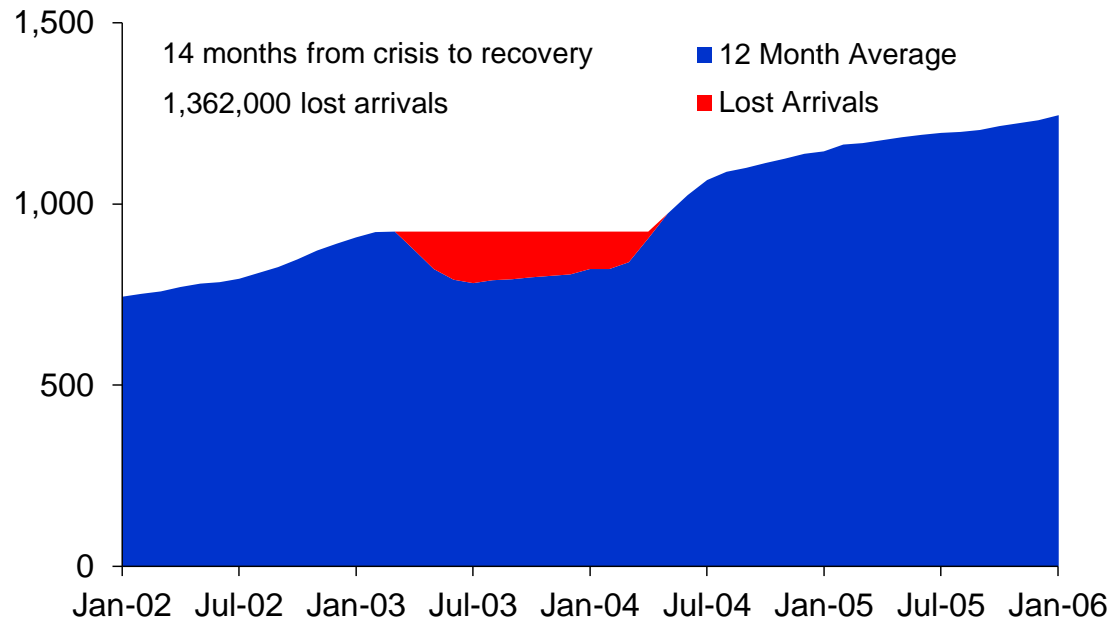
\* Total room inventory RevPAR is calculated without removing temporarily closed hotels. On a standard RevPAR basis, growth is forecasted as -47.0% in 2020 and 25.0% in 2021.



# Recovery after a pandemic: 14-17 months

## 2003 SARS outbreak in Hong Kong

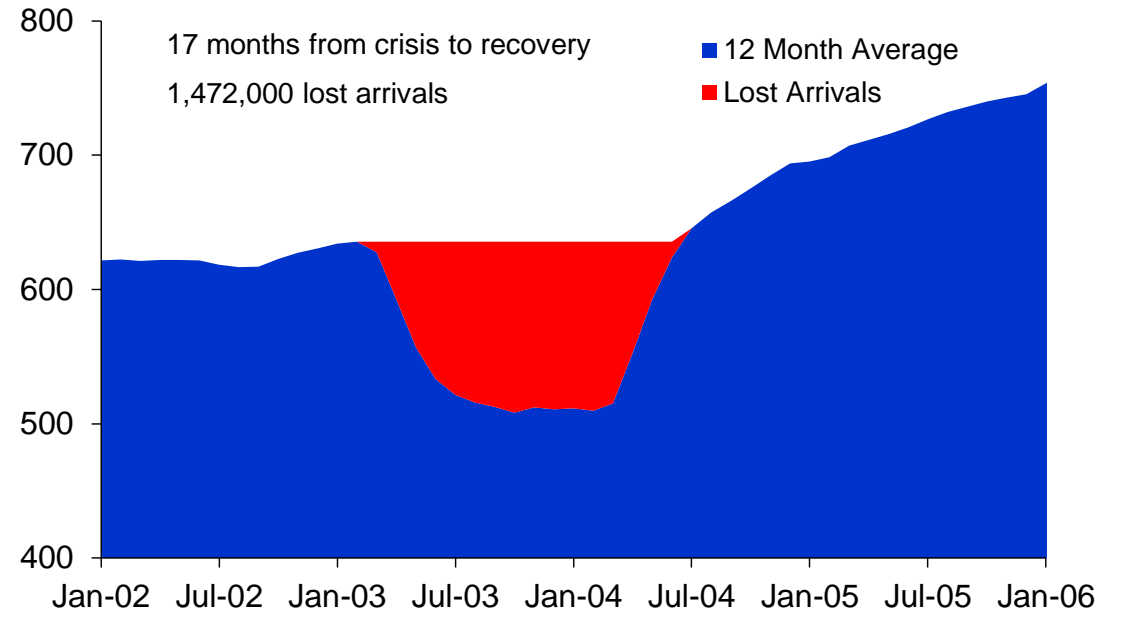
International arrivals (thousands)



Source: Tourism Economics

## 2003 SARS outbreak in Singapore

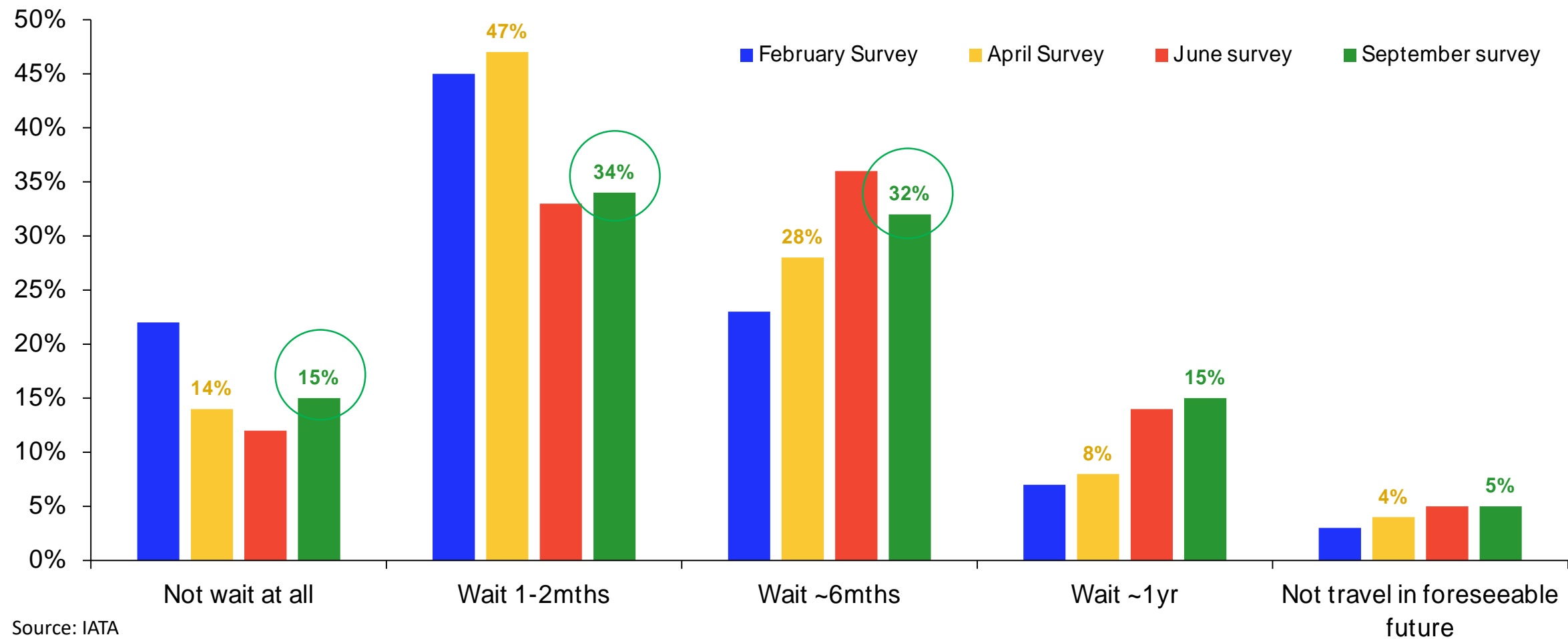
International arrivals (thousands)



Source: Tourism Economics

# 80% of travellers indicate return within six months of virus containment

How long to return to travel 'as usual' after the pandemic has subsided?



Source: IATA

---

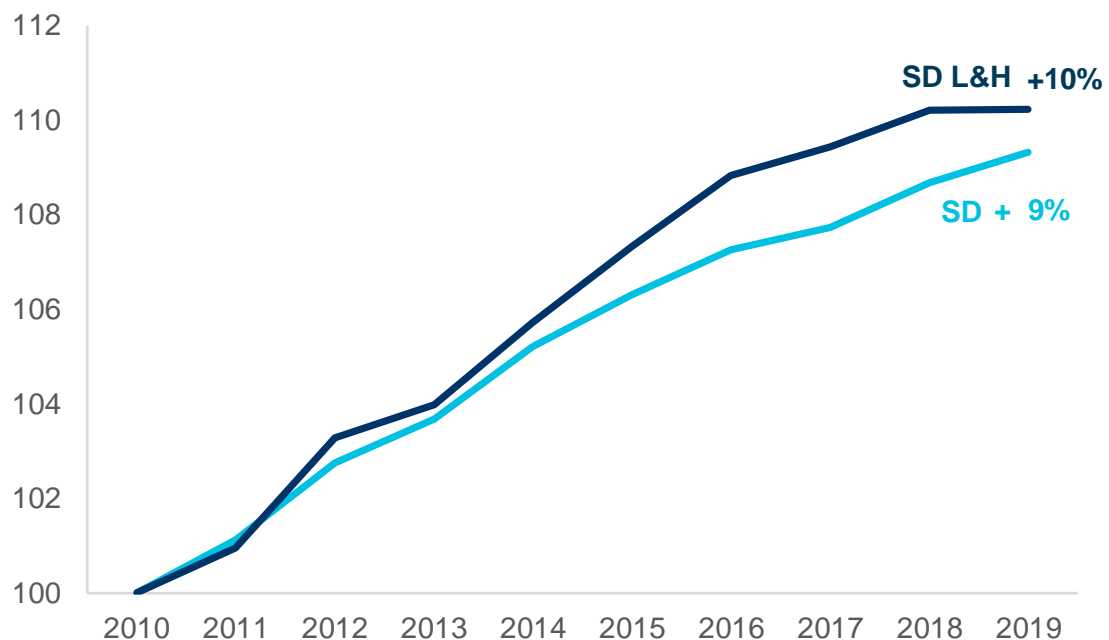
**How do we advocate for  
the industry during this  
crisis?**



# Reminder: the travel sector was a leader of SD job growth

## L&H employment in South Dakota

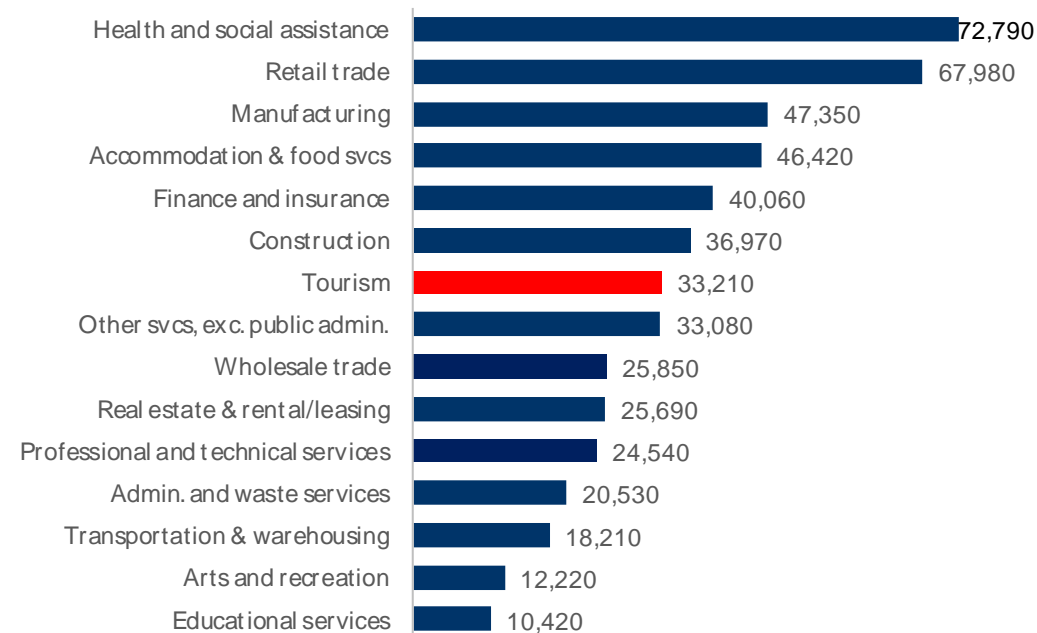
Index (2010=100)



Source: BLS

## Employment in South Dakota, by major industry

Amounts in number of jobs

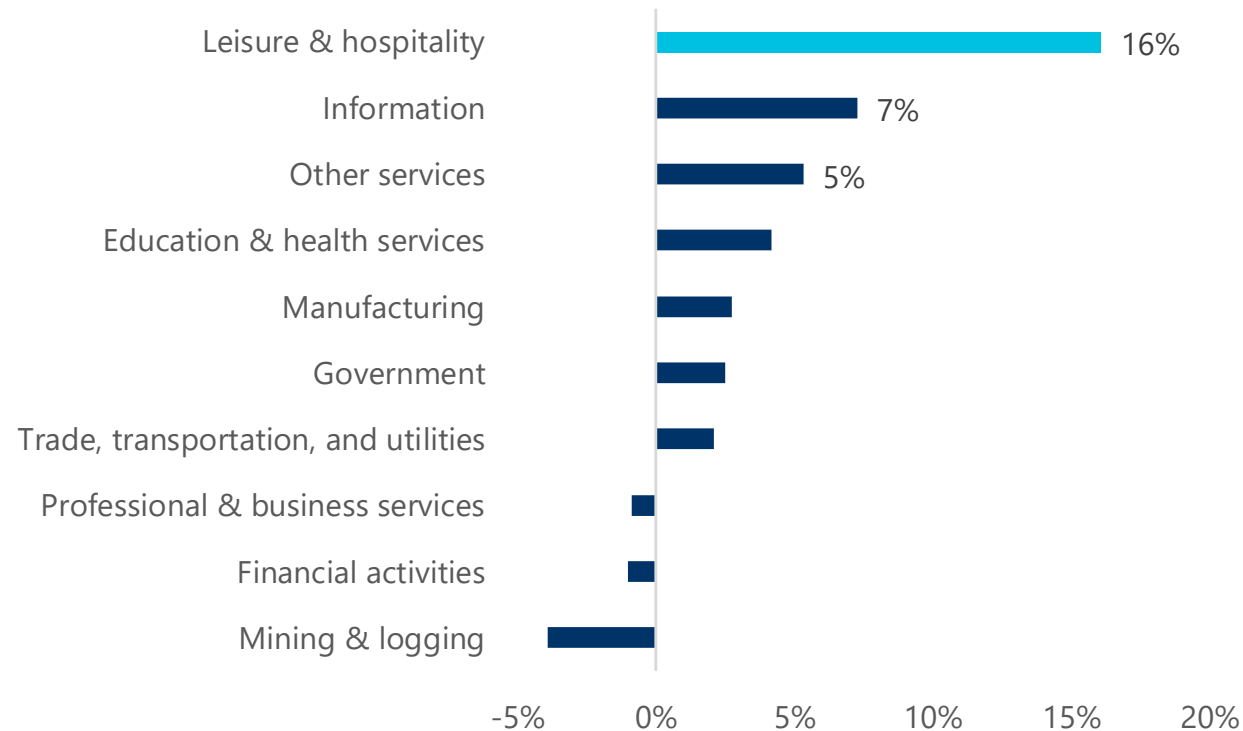


Source: Tourism Economics, BEA

# Industry in crisis: no sector has been hit as hard at travel

## South Dakota employment loss by industry

% of industry lost since February

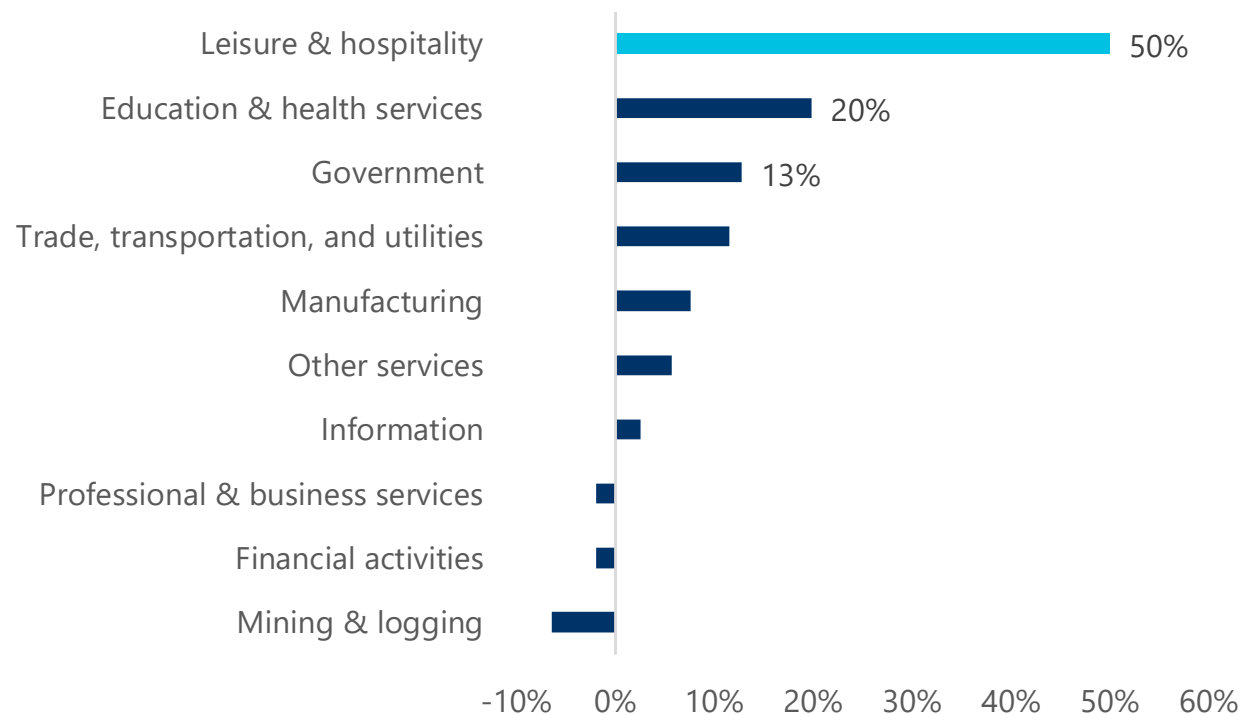


Source: BLS

# Travel must be our focus for an economic recovery

## Share of total SD employment loss by industry

% of all jobs lost since February



Source: BLS

# This should not be controversial



**Adam Sacks**

President, Tourism Economics

1mo • Edited •



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.

402 • 58 Comments

Like Comment Share Send

35,985 views of your post in the feed

---

**Will there be an enduring  
legacy of this crisis?**

**Gratitude.**

**THANK YOU!**

**Adam Sacks**  
President  
Tourism Economics  
[adam@tourismeconomics.com](mailto:adam@tourismeconomics.com)



**January 2021**