

# CALIFORNIA FORECAST 2020 ANALYSIS

Prepared for:  
Visit California  
April 24, 2020



[WWW.TOURISMECONOMICS.COM](http://WWW.TOURISMECONOMICS.COM)

# CONTEXT

The travel sector is being heavily impacted by the disease containment and suppression measures related to the Covid-19 pandemic.

Visit California engaged Tourism Economics to prepare a custom forecast of key indicators for California in 2020. The analysis relies on:

- historical data developed in Tourism Economics' prior research on the California tourism economy;
- STR hotel data through April 11, 2020;
- economic forecasts prepared by Oxford Economics, parent company of Tourism Economics; and,
- assumptions on the future path of tourism sector recovery.

At this point there is a high level of uncertainty around the extent and duration of necessary disease containment and suppression measures. Consequently there is a high level of uncertainty around our forecast estimates. The impact and subsequent recovery could prove quite stronger or weaker than anticipated in this outlook.

# ASSUMPTIONS

Economic assumptions are based on Oxford Economics' April 22 databank and STR weekly hotel performance data through April 11:

- Economic recession started in early March.
- Expect sharp contraction of real GDP in Q2 (-9%), 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 -4.1% in 2020, followed by 7.7% growth in 2021.
- Unemployment rate shoots above 15% mark in Q2 and close to 10% for the year in 2020.
- Substantial fiscal stimulus, including the \$2 trillion act recently passed, 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 in regions of California, and other regions of the US, such as stay-at-home orders, are assumed to be concentrated in March, April and May, with continued disease management policies through the rest of 2020.
- The forecast assumes gradually improving context for travel beginning in July.

Travel impact and recovery assumptions:

- Hotel room revenue in March 2020 is estimated to have declined 57.5% from prior year levels. Through April, May and June, hotel room revenues are estimated to be more than 80% below corresponding months of 2019.
- Recovery in Q3 is assumed to be moderate. Leisure travel is anticipated to resume, but at a lower level than before Covid-19 restrictions. Business travel is anticipated to be weak. Small group events are assumed to be permitted, but attendance is expected to be lower than planned. International travel will fall farther than domestic travel, averaging 62% and 52% below prior year levels, respectively.
- As positive factors, California traditionally has a large proportion of regional drive travel, which is anticipated to resume more quickly than longer-distance air travel.
- The recovery in Q4 is assumed to be moderately strong. Room demand is expected to average 21.1% below prior year levels, and ADR 10.0% below prior year levels.
- The overall travel demand recovery will depend on the extent of the lingering effects of the recession and continued risk aversion among travelers.

# BASELINE RESULTS

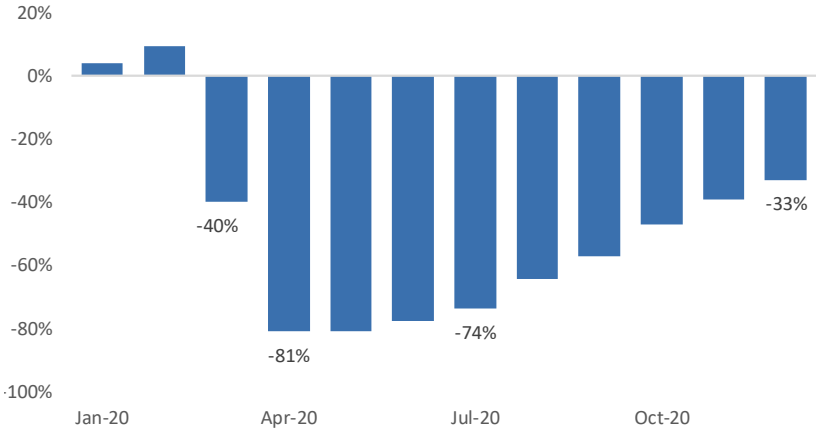
Comparison to 2019 as a base year

The graph below shows monthly travel spending in California compared to the corresponding month in 2019. For example, travel spending in April 2020 is expected to be 81% below April 2019 levels. By December 2020, travel spending is assumed to recover to 33% below December 2019 levels.

Overall, travel spending in 2020 is expected to fall to \$72.8 billion, a level 50% below 2019. This decrease reflects reduced travel activity, as well as reduced average daily rates (ADR) at hotels.

## California travel spending, baseline decline

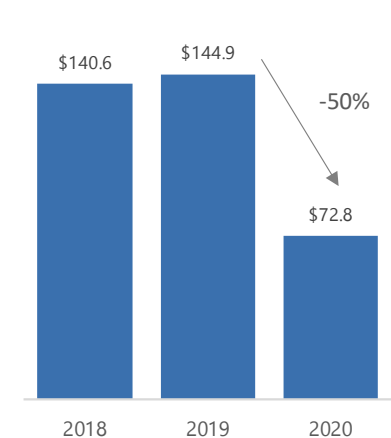
Difference relative to same month in 2019



Source: STR, Tourism Economics (forecast)

## California travel spending, annual

(\$ billions)



Source: Tourism Economics

# SUMMARY TABLE

## Monthly baseline forecast

### Forecast summary: Monthly person trips to California, 2020

	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	2020
<b>Level</b>													
Baseline (millions)	21.6	25.7	13.7	6.2	6.1	7.4	8.4	11.3	13.0	16.2	17.2	17.0	163.7
Mitigated downturn (millions)	21.6	25.7	13.7	6.2	6.1	10.4	13.7	17.1	18.6	22.7	22.4	20.5	198.6
<b>Percent change (y-y)</b>													
Baseline	3%	10%	-44%	-74%	-74%	-71%	-67%	-56%	-47%	-34%	-25%	-18%	-43%
Mitigated downturn	3%	10%	-44%	-74%	-74%	-59%	-47%	-33%	-24%	-8%	-2%	-1%	-31%

Source: Tourism Economics

### Forecast summary: Monthly travel spending in California, 2020

	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	2020
<b>Level</b>													
Baseline (\$ billions)	\$11.0	\$12.9	\$7.4	\$2.3	\$2.3	\$2.9	\$3.4	\$4.6	\$5.3	\$6.6	\$7.0	\$7.0	\$72.8
Mitigated downturn (\$ billions)	\$11.0	\$12.9	\$7.4	\$2.3	\$2.3	\$4.1	\$5.6	\$7.0	\$7.6	\$9.3	\$9.2	\$8.4	\$87.0
<b>Percent change (y-y)</b>													
Baseline	4%	9%	-40%	-81%	-81%	-78%	-74%	-64%	-57%	-47%	-39%	-33%	-50%
Mitigated downturn	4%	9%	-40%	-81%	-81%	-69%	-57%	-46%	-39%	-26%	-20%	-15%	-40%

Source: Tourism Economics

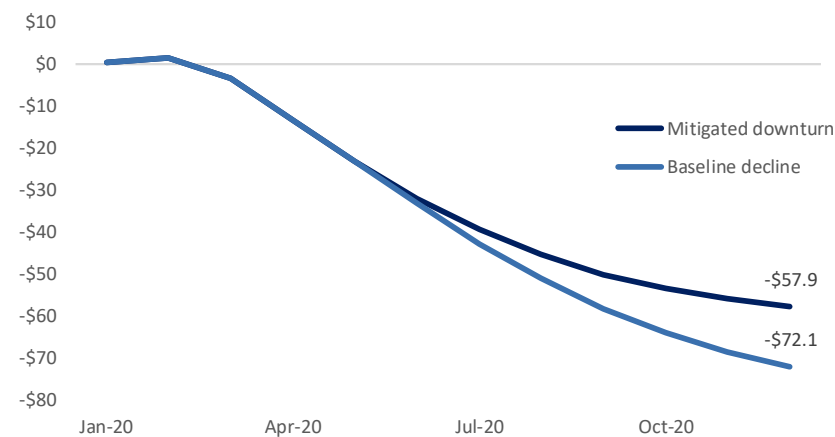
# SCENARIO RESULTS

## “Flattening the curve” of the travel downturn

A scenario model was run to assess the potential gains of a more tempered downturn beginning in June, resulting in a net gain of \$14.2 billion in visitor spending relative to the baseline scenario. The mitigating efforts hold the potential to “flatten the curve” of losses, resulting in a cumulative decline of \$57.9 billion instead of \$72.1 billion.

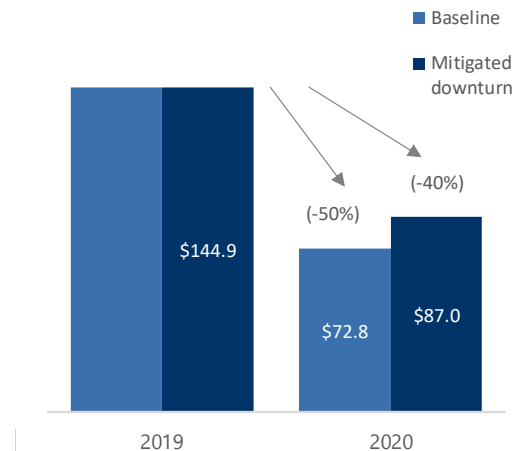
The mitigated downturn scenario assumes a variety of efforts to lessen the severity of declines in travel beginning in June, including opening of travel businesses on a region-by-region basis, enhanced travel safety measures, and a robust array of marketing campaigns to encourage travel among low risk US residents.

**Projected COVID-19 impact on California tourism revenue**  
2020 cumulative impact, \$ billions



Source: Tourism Economics

**California direct travel spending**  
(\$ billions)



Source: Tourism Economics

# SUMMARY TABLE

Comparison of monthly baseline and mitigated downturn scenarios

## Forecast summary: Comparison of baseline and scenario travel spending impacts in California, 2020 (\$ billions)

	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20
<b>Net impact</b>												
<b>Baseline decline</b>	\$0.4	\$1.1	-\$4.9	-\$10.0	-\$9.8	-\$10.0	-\$9.6	-\$8.3	-\$7.1	-\$5.9	-\$4.5	-\$3.4
<b>Mitigated downturn</b>	\$0.4	\$1.1	-\$4.9	-\$10.0	-\$9.8	-\$8.9	-\$7.5	-\$6.0	-\$4.8	-\$3.2	-\$2.4	-\$2.0
<b>Difference (improvement)</b>	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$1.2	\$2.1	\$2.4	\$2.3	\$2.7	\$2.1	\$1.4
<b>Percentage impact</b>												
<b>Baseline decline</b>	4%	9%	-40%	-81%	-81%	-78%	-74%	-64%	-57%	-47%	-39%	-33%
<b>Mitigated downturn</b>	4%	9%	-40%	-81%	-81%	-69%	-57%	-46%	-39%	-26%	-21%	-19%
<b>Difference (improvement)</b>	0%	0%	0%	0%	0%	9%	16%	18%	19%	21%	19%	14%
<b>Cumulative impact</b>												
<b>Baseline decline</b>	\$0.4	\$1.5	-\$3.4	-\$13.4	-\$23.1	-\$33.2	-\$42.8	-\$51.1	-\$58.2	-\$64.1	-\$68.6	-\$72.1
<b>Mitigated downturn</b>	\$0.4	\$1.5	-\$3.4	-\$13.4	-\$23.1	-\$32.0	-\$39.5	-\$45.4	-\$50.2	-\$53.5	-\$55.9	-\$57.9
<b>Difference (improvement)</b>	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$1.2	\$3.3	\$5.7	\$8.0	\$10.6	\$12.8	\$14.2

Source: Tourism Economics

# SUMMARY TABLE

Comparison of monthly baseline and mitigated downturn scenarios in terms of jobs losses

## Forecast summary: Comparison of baseline and scenario travel-related jobs impacts in California, 2020 (thousands)

	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	2020
<b>Direct jobs impact</b>													
<b>Baseline</b>	26	68	-303	-613	-613	-608	-591	-511	-436	-363	-279	-212	(370)
<b>Mitigated downturn</b>	26	68	-303	-613	-613	-537	-460	-366	-295	-199	-148	-124	(297)
<b>Difference (improvement)</b>	0	0	0	0	0	71	132	145	142	163	132	88	73

Source: Tourism Economics

## Temporary job losses relative to average 1.2 million employment in 2019 (percent change from 2019)

	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	2020
<b>Direct jobs impact</b>													
<b>Baseline</b>	2%	6%	-25%	-51%	-51%	-50%	-49%	-43%	-36%	-30%	-23%	-18%	-31%
<b>Mitigated downturn</b>	2%	6%	-25%	-51%	-51%	-44%	-38%	-31%	-25%	-17%	-12%	-10%	-25%
<b>Difference (improvement)</b>	0%	0%	0%	0%	0%	6%	11%	12%	12%	14%	11%	7%	6%

Source: Tourism Economics



# About Tourism Economics

Tourism Economics is an Oxford Economics company with a singular objective: combine an understanding of tourism dynamics with rigorous economics in order to answer the most important questions facing destinations, developers, and strategic planners. By combining quantitative methods with industry knowledge, Tourism economics designs custom market strategies, destination recovery plans, tourism forecasting models, tourism policy analysis and economic impact studies.

With over four decades of experience of our principal consultants, it is our passion to work as partners with our clients to achieve a destination's full potential.

Oxford Economics is one of the world's leading providers of economic analysis, forecasts and consulting advice. Founded in 1981 as a joint venture with Oxford University's business college, Oxford Economics enjoys a reputation for high quality, Quantitative analysis and evidence-based advice. For this, it draws on its own staff of more than 250 professional economics; a dedicated data analysis team; global modeling tools, and a range of partner institutions in Europe, the US and in the United Nations Project Link. Oxford economics has offices in London, Oxford, Dubai, Philadelphia and Belfast.

For more information:

[info@tourismeconomics.com](mailto:info@tourismeconomics.com)