

The Market Situation in the United States per April 15th, 2020.

How is the Covid-19 situation affecting your country?

The industry in Norway are searching for information, insights and knowledge, helping them understand the market situation better and to guide them in making the best choices for the future.

IN ENGLISH - USA:

The market situation in general:

Per April 14: The United States has the most Coronavirus cases and deaths in the World: 603,002

Deaths: 25,136. Recovered: 38,015.

New York is hardest hit, with 202,000 cases, and 10,900 deaths so far.

What are the rules for social distancing?

CDC (Centers for Disease Controls and Prevention) recommends that Americans maintain a distance of at least 6 feet (2 meters) from others, and stay out of crowded places, however there are additional state regulated measures in effect. The President has mentioned that current guidelines on quarantine and social distancing will remain in place until April 30th at least, and may even become more stringent. The announcement suggests that Americans should continue to avoid all nonessential travel, including going to work (unless essential), eating at bars and restaurants, and gathering in groups of more than 10 people. The President noted June 1 as a date where he hopes to see the country recovering. Many states have issued a "stay at home" order today, directing residents to stay in their homes except for getting food and other essential household goods, obtaining medical care, traveling to perform "essential" work and a few other exceptions, including outside recreation. States with Stay-At-Home orders now include: Alaska, California, Colorado, Connecticut, Delaware, Idaho, Hawaii, Illinois, Indiana, Kansas, Louisiana, Massachusetts, Michigan, Minnesota, Montana, New Hampshire, New Jersey, New Mexico, New York, North Carolina, Ohio, Oregon, Rhode Island, Vermont, Washington, West Virginia, and Wisconsin.

New York is the hardest hit state at the current time, with 4,160 deaths and close to 123,160 case on April 6.

How is business affected in your market?

USA unemployment is now estimated at 13% from 3.5 % in February, and is expected to increase further. Many companies have either laid off employees or plan to furlough employees. The strain on the system is overwhelming with lack of capacity to handle all the cases, causing delays in payment and serious consequences for individuals needing to pay their bills. Each of the last two weeks set records for the most Americans applying for unemployment in the history of the country.

The Paycheck Protection Program prioritizes millions of Americans employed by small businesses by authorizing up to \$349 billion toward job retention and certain other expenses. This program is designed to enable small business, including many in the travel industry, to keep staff employed through this crisis by shifting the burden of payroll to the State.

What would you say are the socioeconomic consequences?

We have never had a shutdown in the U.S. economy to the extent it is shuttered now - which makes economic forecasting guesswork. Some estimates of the economic shutdown see U.S. GDP dropping by as much as 40% in the second quarter. The average of estimates tracked is -12.4% for the second quarter.

The good news is that the economy will bounce back rapidly once people return to work and consumers start spending again. The sooner that happens the sooner we will recover as much of the growth we lost as possible. Want to add this link? No one knows when and how we will return, but the consequences will regardless be

enormous and at least through this year.

https://www.nytimes.com/2020/04/06/business/economy/coronavirus-economy.html?algo=top_conversion&fallback=false&imp_id=656248690&imp_id=637240395&action=click&module=Most%20Popular&pgtype=Homepage

Is the health sector functioning well?

It varies from state to state, in New York the density causes a lack of hospital beds and medical workers, and the number of cases has forced Governor Cuomo to open up additional hospital facilities in Central Park and at the Jacob Javitz Center on West Side Manhattan. Volunteer medical staff has been called upon. Generally speaking, in the United States, there is now a lack of medical supplies and ventilators, as well as testing and testing facilities, is an increasing issue. Companies like Ford and GE Healthcare have partnered and announced they will produce 50,000 ventilators in the next 100 days in a factory in Michigan. And, 3M have stepped up production of facemasks. President Trump announced last week a new CDC recommendation for Americans to use masks when in public but stressed that it was voluntary and that he would not be using a mask.

Note: about 44 million people in the U.S. have no health insurance, and another 38 million have inadequate health insurance. In the US, health insurance is typically tied to your employer so as more and more millions of people have filed for unemployment, that also means those people are losing their health care coverage.

Is the transport sector functioning well?

The Department of State advises U.S. citizens to [avoid all international travel](#) at this time due to the global impact of COVID-19. On March 11, President Trump signed a proclamation that restricts travel to the United States from foreign nationals who have recently been in certain European countries. This does not apply to U.S. citizens or legal permanent residents. The *coronavirus* has razed *U.S. transit* and rail systems in the past 3 weeks. The financial losses for the *transit* sector are projected to be in the billions. Airlines have put employees on a leave, many without pay. The aviation industry may not fully recover from the effects of the pandemic, and IATA states that airlines would require \$200 billion in bailouts to survive the crisis. The recently passed CARES Act includes US \$25 Billion for transit systems.

Trip cancellation rates in the U.S. started to trend around 5% in the early weeks (excluding cruise which skews the data much higher) and has now eclipsed 60%+ in the go-forward weeks of Spring Break and April. Group and meeting cancellations have had the largest impact on hotel and tourism interests, and we expect year-over-year consumed hotel rooms to be down over 80% in April and possibly extending into May depending on what the infection curve looks like. Airlines and rental car suppliers are also seeing significant reservation cancellations and are now forced to reduce routes and fleets. It is conceivable that domestic airline load factors will fall into the 45-50% range, even with capacity reductions, and if government shuts down flights all together for 14-20 days, expect a slow return to mainline/full route-map service. Mainline consumer carriers are now resorting to carrying cargo instead of passengers. ([Clayton Reid, CEO - MMGY Global](#))

Are there any new reports published in your market that gives information about the consequences of this Covid-19 situation, short and long term?

Short-term; President Trump warns of that Easter week could be “the toughest week,” with a lot of death -while also saying he would like to consider relaxing social distancing rules for Easter services.

Long-term: The scientists leading the White House administration’s fight estimated the virus could kill between 100,000 and 240,000 Americans as a best case scenario.

One important thing to note is that in its response to this crisis, the US is functioning more like 50 separate countries. Health restrictions and policy are rolling out at the individual state level with wildly different rules being put in place from state to state. No restrictions of movement have been put in place between states and interstate borders are widely open and not controllable.

Tourism Industry:

Are there layoffs?

Yes, of course. Hard to find exact numbers but the tourism industry is one of the biggest industries in the US,

with millions of people employed. The layoff numbers and gigantic and will have enormous ripple effects for small and medium sized independent companies in particular, but also some industry organizations that are losing income and revenues as everything is cancelled or put on hold.

Are there any stimulus packages given?

Yes, particularly for the transportation industry, but dealings from all major travel industry organizations are ongoing. Uncertain for the tour operator and travel agent sector, as of now?

The overall stimulus package known as the CARES Act is a US \$2 Trillion stimulus meant to keep the US economic engine running despite the coronavirus.

Leading **travel industry associations** are urging the Administration to move faster to help their industries by requesting that the Treasury Department and Federal Reserve establish a dedicated program for travel-dependent businesses that provides direct loans, loan guarantees, and other financial tools that are authorized under the CARES Act.

U.S. **passenger airlines** will have access to roughly \$50 billion, half in grants, and half in loans. After airlines accept federal money, the CARES Act bars them from laying off or furloughing frontline employees — typically flight attendants, pilots, gate and airport agents, and ramp staff— through September. In addition, the law limits airlines from buying back shares or increasing executive compensation.

Individual **hotel owners** and big chains also will get a boost from the CARES Act, but insiders say the law offers short-term funding to an industry that needs a longer-term stimulus. Hotel operators are included in the group eligible to tap into federal small business loans set aside for businesses negatively impacted from coronavirus. A provision was added in the bill to enable many one-off hotel operators to qualify for small business benefits even if they operate under the flag of a larger brand like Marriott or Hilton. The large brands are not eligible for these federal loans. These SBA loans are capped at 250 percent of a hotel's monthly payroll. Loans are subject to forgiveness, meaning they don't have to be paid back, if hoteliers re-hire employees by June 30.

In a late change, perhaps due to political pressure, lawmakers implicitly excluded the **cruise industry** from government funds. The bill states that businesses eligible for the allocated \$500 billion in government loans and loan guarantees that might otherwise be allocated to cruise companies must be "created or organized in the United States or under the laws of the United States and has significant operations in and a majority of its employees based in the United States." None of the the big three cruise lines — Carnival Corp., Royal Caribbean, and Norwegian Cruise Lines — can easily make that claim.

There are several facets in the bill that help **travel advisors**, but a key win was securing the eligibility of travel advisors to apply for \$25 billion in loans, loan guarantees, and investments reserved for passenger airlines, other related aviation businesses, and "ticket agents" — the statutory term for travel advisors. Politico characterized this provision as one of a handful of "special deals" included in the bill, as it's a specific pot of money that travel advisors are entitled to that fewer businesses will seek. Travel advisors also will be eligible for the Small Business Interruption Loans/Paycheck Protection Program. In addition, unemployment benefits akin to those normally given to employees will be made available to independent contractors. About 40,000 independent contractor travel advisors work the United States, according to the American Society of Travel Advisors, and these workers usually do not have access to federal and state unemployment benefits.

What measures are taken to keep tourism in as good shape as possible?

We could see a very strong travel resurgence as we move through Summer and into Fall, a call for the industry to prepare promotion and operational capacity that facilitates both leisure and corporate demand that might look a little different, but that will nonetheless be real. We will, however, most likely see a shift in consumer preferences as to both where they choose to travel as well as how, as both safety and cleanliness will play a higher role.

People will debate the timing of a returned strength to both the economy and to travel. We would argue that by late May we will see the return of travel demand, though global tour operations, group and business travel will

be laggards to transient leisure travel (chart below showing this relationship coming out of the Great Recession). And, importantly, this is happening at a time when the hotel industry needs to fill 2 million+ new rooms that are in development today, which in effect drives aggressive revenue management strategies that place a premium on occupancy vs rate. (source: Clayton Reid, CEO - MMGY Global)

One concern is that although this crisis has hit everyone at the same time, not everyone will recover at the same time. As we learn to live with this virus, certain areas will be more impacted than others and that may mean localized travel restrictions being put in place, or restrictions against people coming from specific places, or holding specific passports. For example, if Norway recovers from this virus faster than the US, there may be a period where Norway is open for business, but Americans still are unable to travel there due to Norway's restrictions on US travelers.

What are communicated from the tourism authorities?

There are no real federal tourism authority but US Travel Association along with major travel industry associations and organizations are working on behalf of their members and the entire US travel industry to lobby the government for proper assistance, care packages and knowledge of the catastrophic implication this pandemic has on the whole industry, and all other industries that benefit from tourism. All members get daily updates from USTOA, the United States Tour Operator Association that are very detailed and cover a wide aspect of areas of interest. Very useful.

What does the tourism industry themselves communicate?

Big organizations, such as USTOA, are keeping the travel community closely up to date on a daily basis.

To quote Clayton Reid, CEO - MMGY Global:

“Travel is at the forefront of the economic carnage and expect over \$2 Trillion+ to be carved out of global travel in 2020, with an \$800 Billion+ impact in the U.S. alone. Airlines are facing a \$115 Billion revenue shortfall, and I would expect to see a smaller carrier fall into bankruptcy (probably in Europe). It will take months for even the strongest airlines to recover, and they are cutting flights and operations drastically to enable cost savings. How quickly they will be willing to build back those capacities is an open question and will likely rest in some ways on how much government assistance is offered. Travel demand will be there again before June, and GDP will still grow (at least in the US), so how quickly industry works to stimulate and support demand will be a predicate for the pace of revenue returns.”

As for marketing, and according to *Interactive Advertising Bureau (IAB)* - overall, 74% of Buy-side Decision-makers Anticipate Coronavirus will have Heavier Impact on US Ad Spend than 2008-09 Financial Crisis.