

# Can Flagstaff's Travel Industry Defy Economic Gravity?

Flagstaff, AZ  
November 2023



TOURISM  
ECONOMICS

AN OXFORD ECONOMICS COMPANY

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# Who is Tourism Economics?



# Oxford Economics



## **Founded in 1981**

Started in collaboration with Oxford University



## **600+ staff across 20 global offices**

Offices in London, NY, Frankfurt, Paris, Sydney, Singapore and more



## **300+ Economists**

Macro, Tourism, City, Industry, Real Estate, Construction, Infrastructure, Housing



## **More than 4,000 international clients & growing**

Travel, Government, Corporate, B2C, Real Estate, Technology, Financial, Asset & Investment Management



## **Consultancy & Thought Leadership**

We combine the analytical skills of our economists and thought leadership teams to deliver groundbreaking research



## **Forecast Services include:**

Macroeconomic, Travel & Tourism, Industry, City and Regional & Real Estate



## **Oxford's Unique Macroeconomic Model**

All based on Oxford's unique set of global linked models that set us apart.



## **World Leading**

In economic forecasting & analytics

# Awards and Accolades



## **Focus Economics Best Economic Forecaster Awards**

Oxford Economics has proven to be a trusted, accurate independent provider of economic forecasts, having been best overall forecaster over the last five years.



## **Corporate Livewire Innovation And Excellence Awards 2021**

Oxford Economics is proud to announce that we have been awarded Economic Forecasting Specialists of the Year.

# **Bloomberg**

## **Bloomberg's U.S. Economics Forecast Rankings: 2021**

Oxford Economics placed top 5 in select underlying indicators and top 20 overall in Bloomberg's U.S. Economics forecast rankings in Q1 2021.



# Awarded Most Accurate Among Big Names



The FocusEconomics Analyst Forecast Awards						
	2022	2021	2020	2019	2018	5 year total
<b>Oxford Economics</b>	115	165	100	111	114	605
<b>EIU</b>	131	119	118	90	124	582
<b>Fitch Solutions</b>	137	115	56	89	89	486
<b>Citigroup Global Mkts</b>	92	67	83	69	97	408
<b>Capital Economics</b>	73	50	85	98	62	368
<b>JPMorgan</b>	82	64	64	43	55	308
<b>Euromonitor International</b>	40	56	41	45	57	239
<b>HSBC</b>	52	29	49	49	57	236
<b>Moody's Analytics</b>	68	42	40	43	28	221
<b>Standard Chartered</b>	40	50	32	41	37	200

# Subscription forecasting services

Understanding the subscription levels and details

## MACRO & INDUSTRY

- Economic Model
- Economic Databank
- Commentary
- Scenarios (Event & Regulatory)
- Climate Service & Model
- Strategy & Allocation Service
- Risk Tools
- Industry Forecasts
- Commodity Forecasts

## CITIES & REGIONS

- US States, MSAs & Counties
- US Construction Forecasts
- Canada Provinces & Metros
- European Cities & Regions
- Asia & China Cities & Regions
- City Scenarios
- UK Regions and LADS
- Africa & Middle East Cities
- Global Cities and FUAs (WRT

## TRAVEL & TOURISM

- County Travel Forecasts
- Country Travel Scenarios
- Country-City Travel Forecasts
- Air Passenger Forecasts
- Cruise Intelligence Platform
- Symphony

## REAL ESTATE

- Global Forecasts
- Global Commentary
- Regional Analysis
- Event Driven Commentary
- Real Estate & Climate Model



TE serves 1,000+ destinations, companies, and associations, globally



# 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.

**Global Travel Data-sets:** The broadest set of country, city and state coverage available.

**Consulting Services:** Travel Forecasts, Economic Impact Analysis, Policy & Market Assessments.

**Symphony Data Platform:** Creating clarity and definition in decision making.





**You've had some amazing teams...**

# Nash's Suns...What a fun group to watch!





You made it to the world Series!



And embarrassed the Cowboys!



A graphic summarizing a football game between the Arizona Cardinals and the Dallas Cowboys. The left side features the Cardinals' red and black logo with the score '28' and the Cowboys' blue and white star logo with the score '16'. The right side shows a photograph of a Cowboys player (number 4) running with the ball while being tackled by a Cardinals player. At the bottom, the text 'COWBOYS EMBARRASSED!' is written in large blue letters, and the 'CHAT SPORTS' logo is in the bottom right corner.

Team	Score
Arizona Cardinals	28
Dallas Cowboys	16

**COWBOYS EMBARRASSED!**

CHAT SPORTS



There's only one issue...

I'm coming to you from Dallas, TX...



# Awww...

## Semien's 5 RBIs, Seager's home run lead Rangers over Diamondbacks 11-7 for 3-1 World Series lead

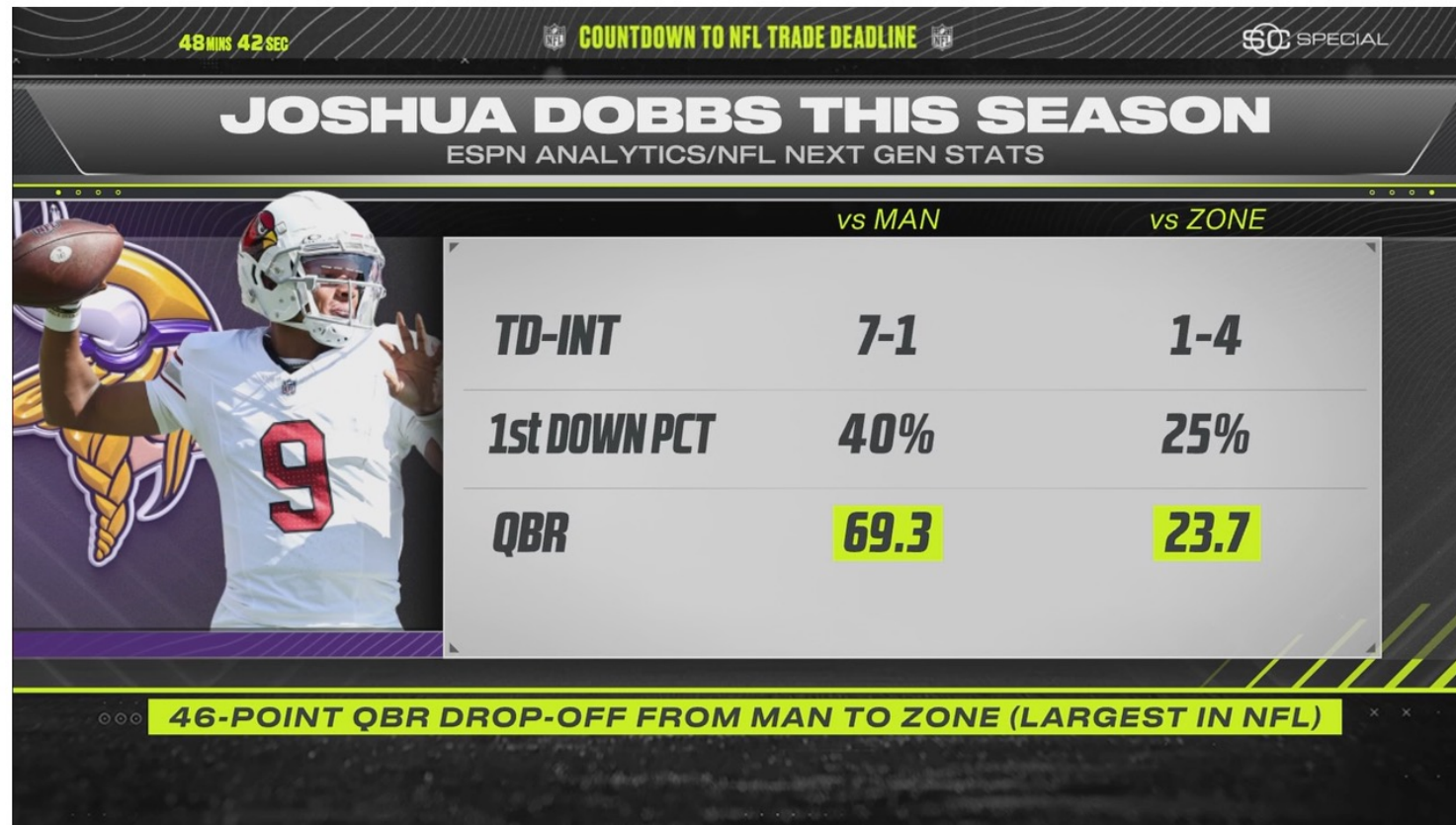


**Rangers take 3-1 World Series lead after offensive showcase** The Rangers take a 3-1 World Series lead after beating the Diamondbacks 11-7 in Arizona.



Awww...

## Vikings trade for Joshua Dobbs with Kirk Cousins out for season



# That one superbowl...

## Holmes' grab secures Steelers' record sixth Super Bowl title

Just when it looked like the [Arizona Cardinals](#) had authored the greatest comeback in Super Bowl history -- scoring 16 unanswered points in the fourth quarter -- the Steelers answered with a monstrous, improbable drive.

Hopefully, you're all good (at) sports...



**In all seriousness...lets talk Travel & the economy...**

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Let's answer this by asking a few questions...



A dark blue background image showing a pair of hands interacting with a tablet. The tablet screen displays various data visualizations, including a bar chart and a line graph. The hands are positioned as if they are pointing at or touching the screen. The overall image has a professional, analytical feel.

**1** Are we still headed for a recession?

**2** How does this usually work?

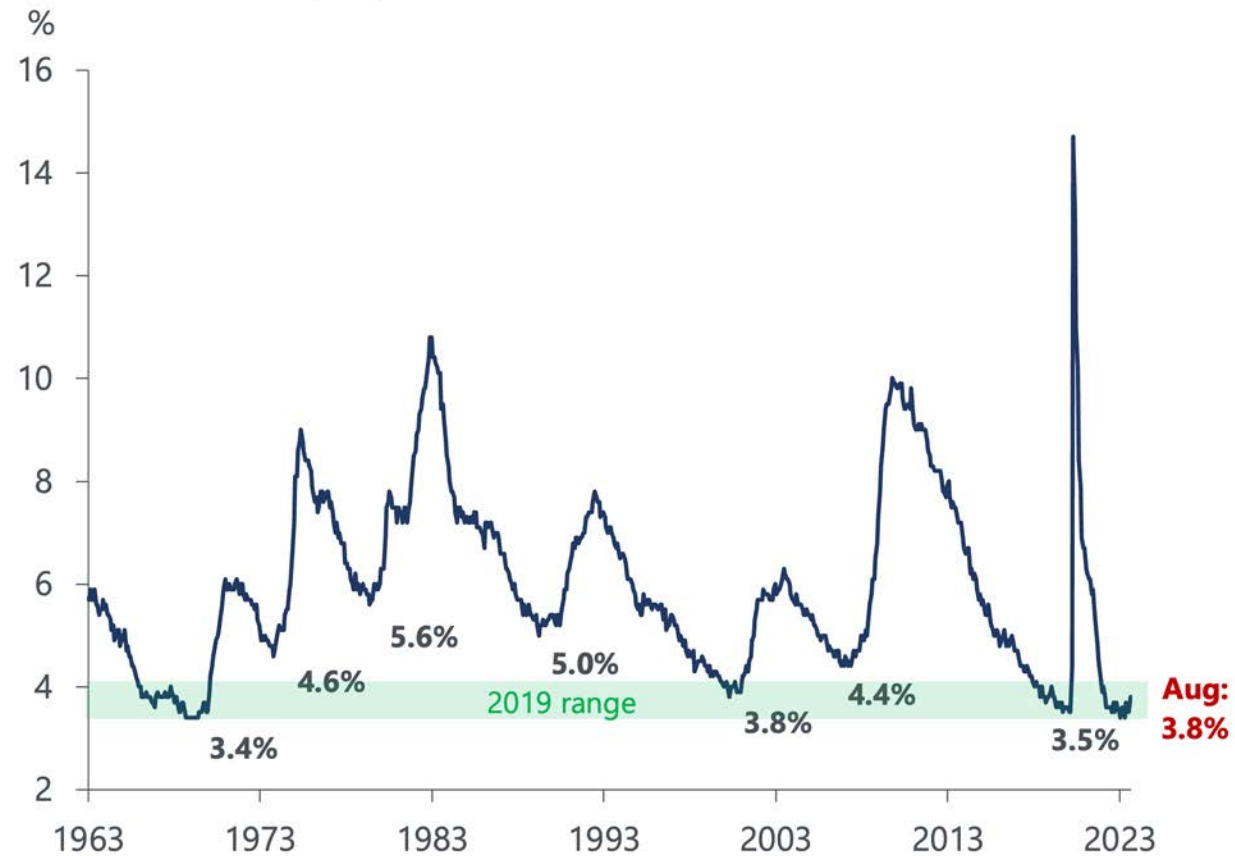
**3** Is this time different?

A grayscale photograph of a turtle walking across a vast, cracked, and dry landscape. The turtle is positioned in the middle ground, facing right. The ground is covered in a network of deep, irregular cracks, suggesting extreme dryness. In the background, there are low, hazy mountains and some sparse, dry vegetation. The sky is filled with soft, diffused clouds. The overall mood is one of desolation and slow movement.

# An economic slowdown

# Unemployment remains historically low

US: U-3 unemployment rate

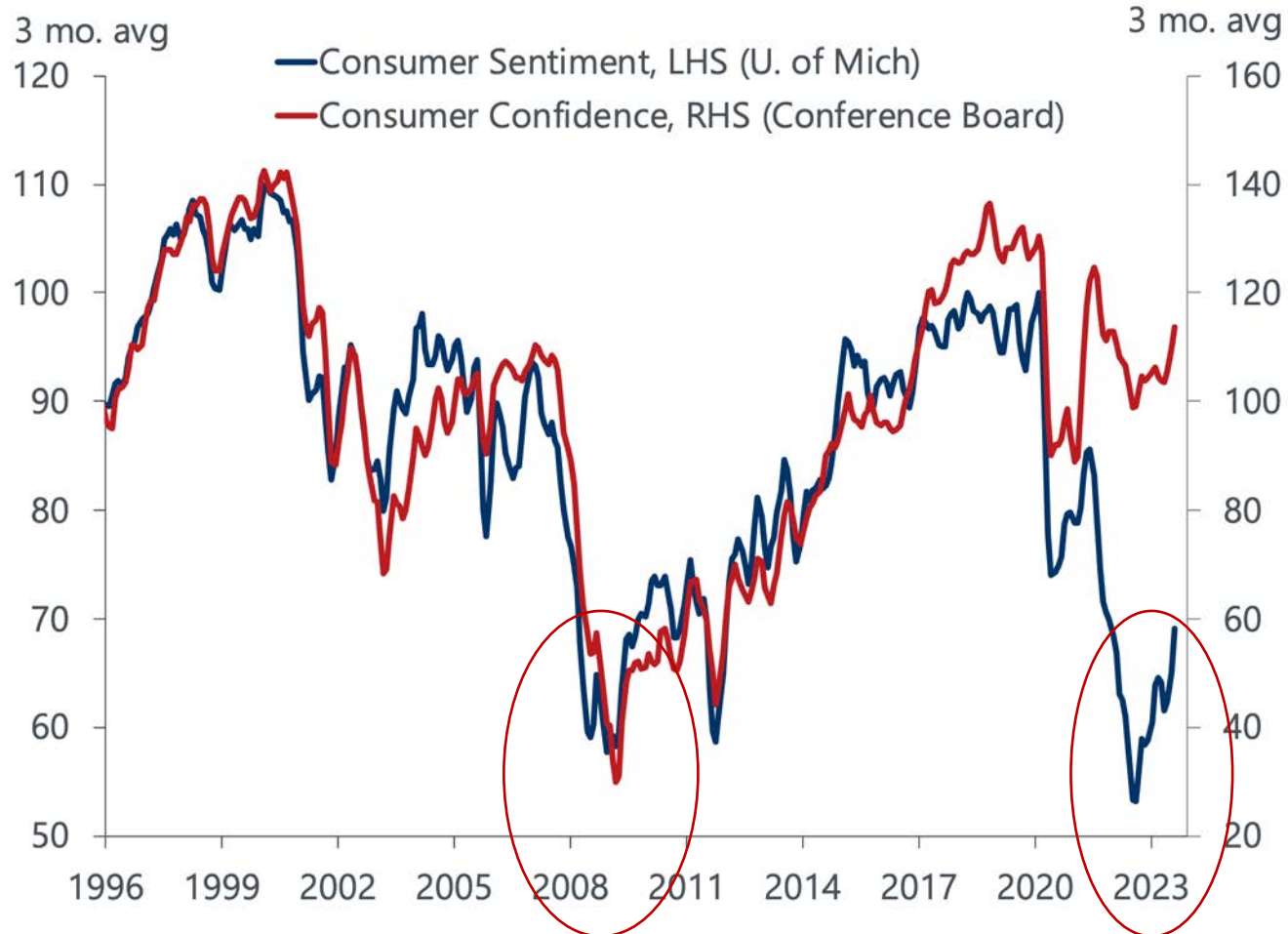


Source: Oxford Economics/Haver Analytics



# Yet, consumers are still feeling uneasy

## US: Consumer surveys

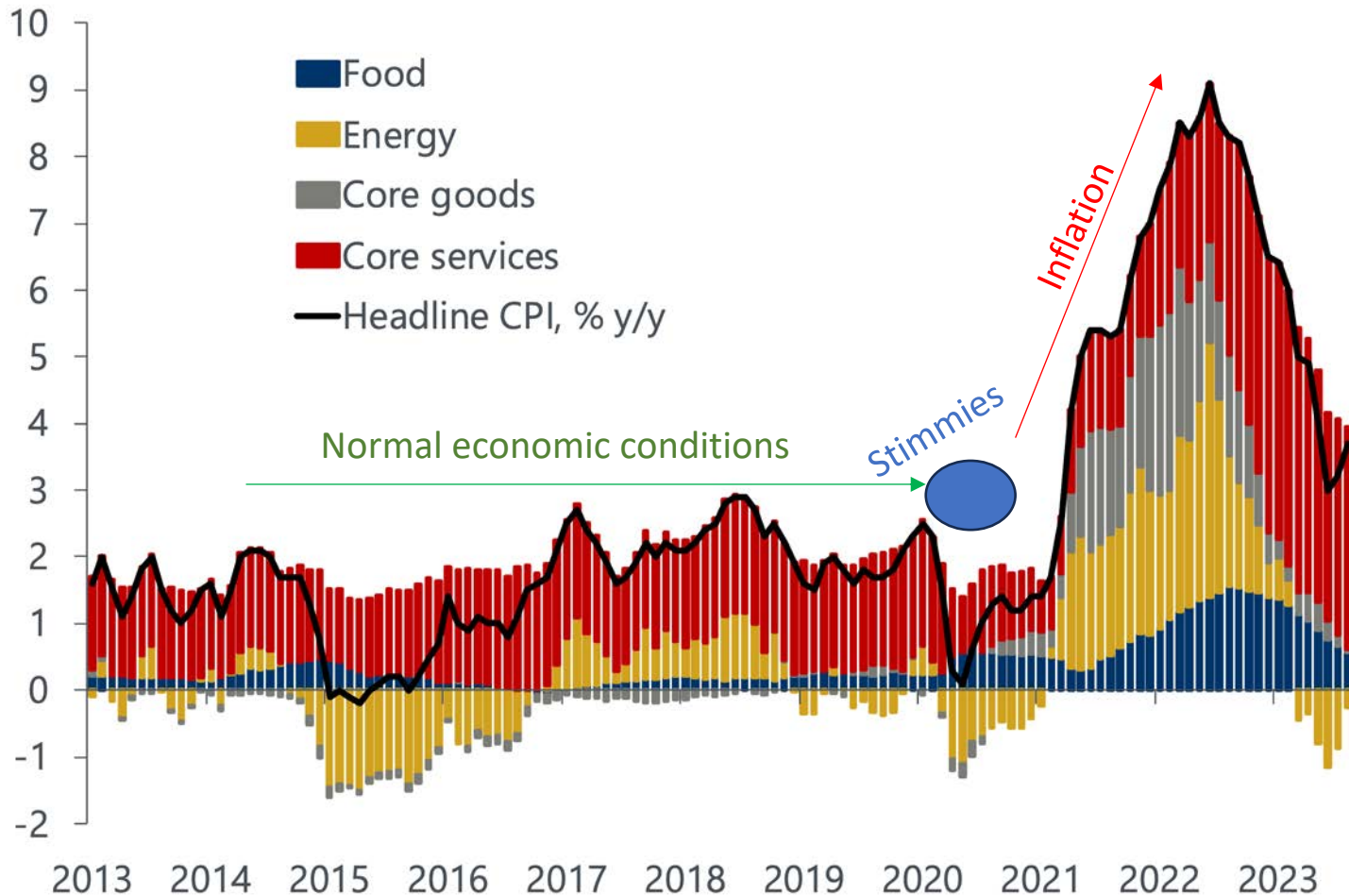


Source: Oxford Economics/Haver Analytics

# The culprit? Inflation

## US: Breakdown of CPI by components

PPT contribution to headline CPI inflation

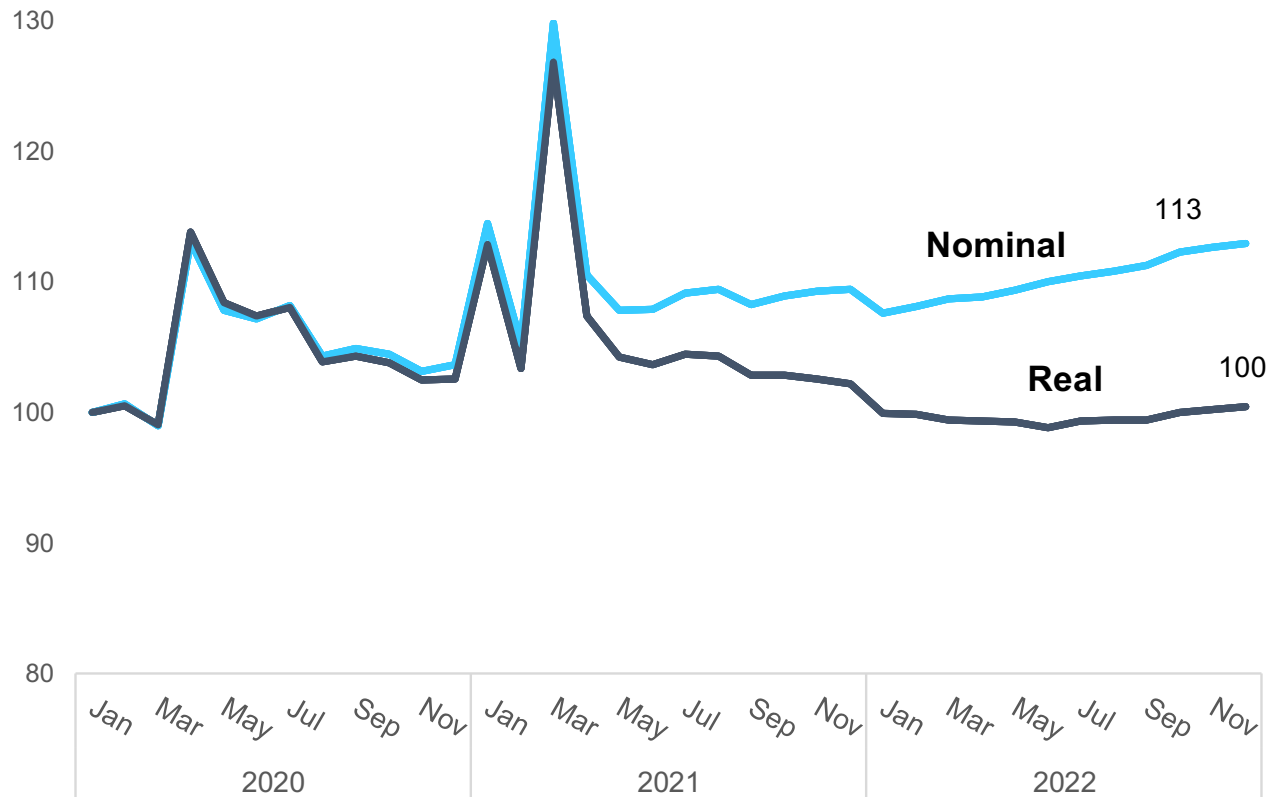


- Prices in August were 3.7% higher than a year earlier
- Core prices were 4.3% higher

# Inflation has taken a bite out of disposable income

## Personal income

January 2020 = 100



- The average U.S. household is spending an additional \$400/month to buy the same goods and services as last year.

Note: Disposable personal income, seasonally adjusted

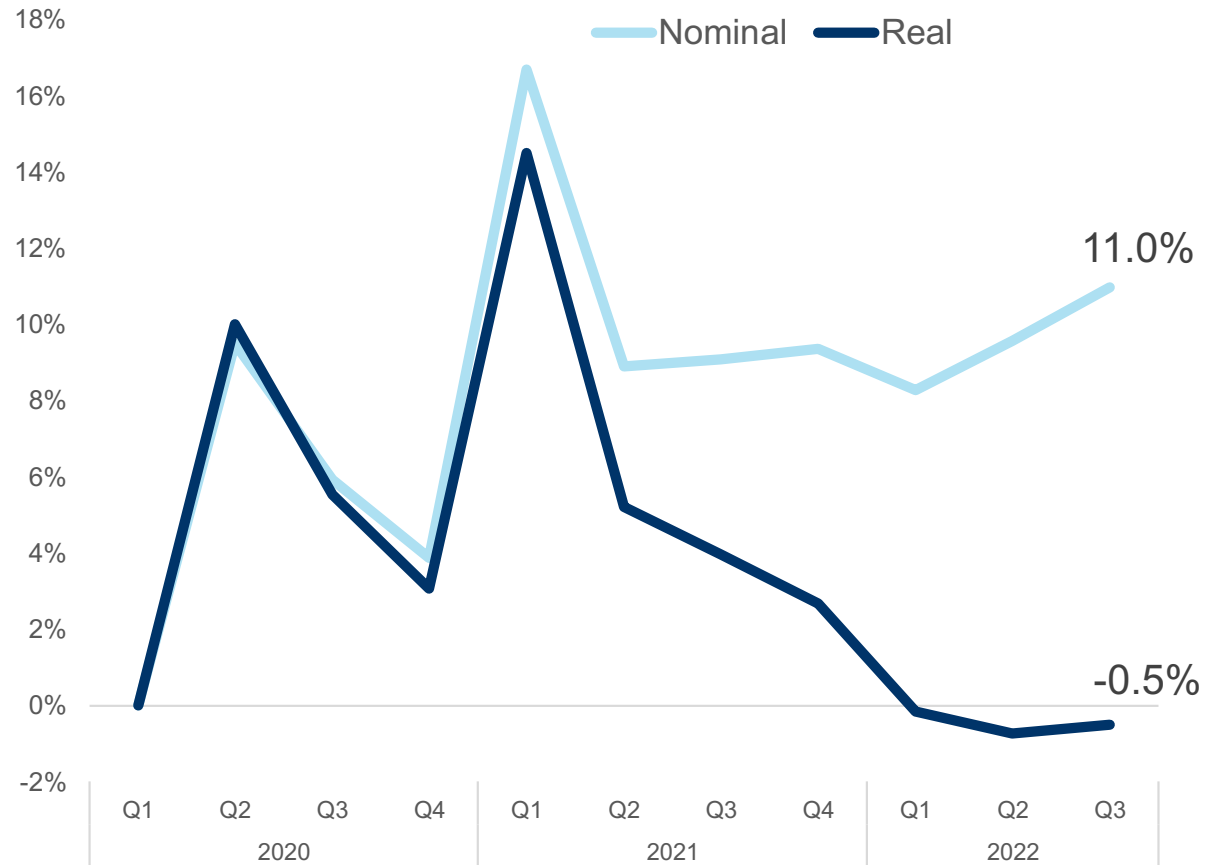
Source: BEA; FRED



# This chart is for my fellow "C" students

## Disposable personal income growth

Change relative to 2020 Q1



In "C student" terms:

"If you made \$100K and your wage increased to \$111K, you can actually only buy \$99K of pre-inflation stuff."

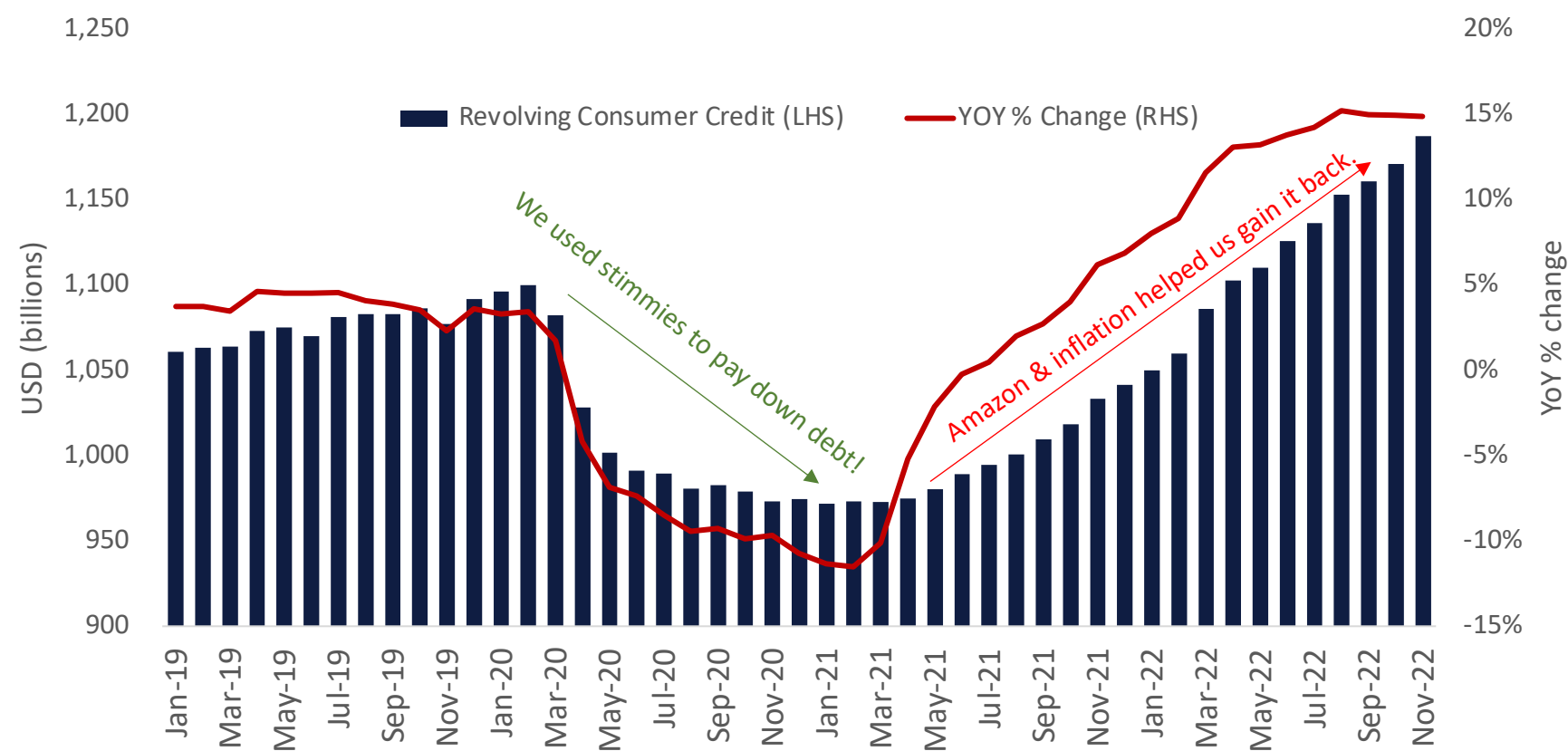
Less bang for your buck!

Note: Disposable personal income (measures income after taxes), seasonally adjusted. Real series deflated by PCE price index.

Source: BEA; Tourism Economics

# And households are taking on more debt

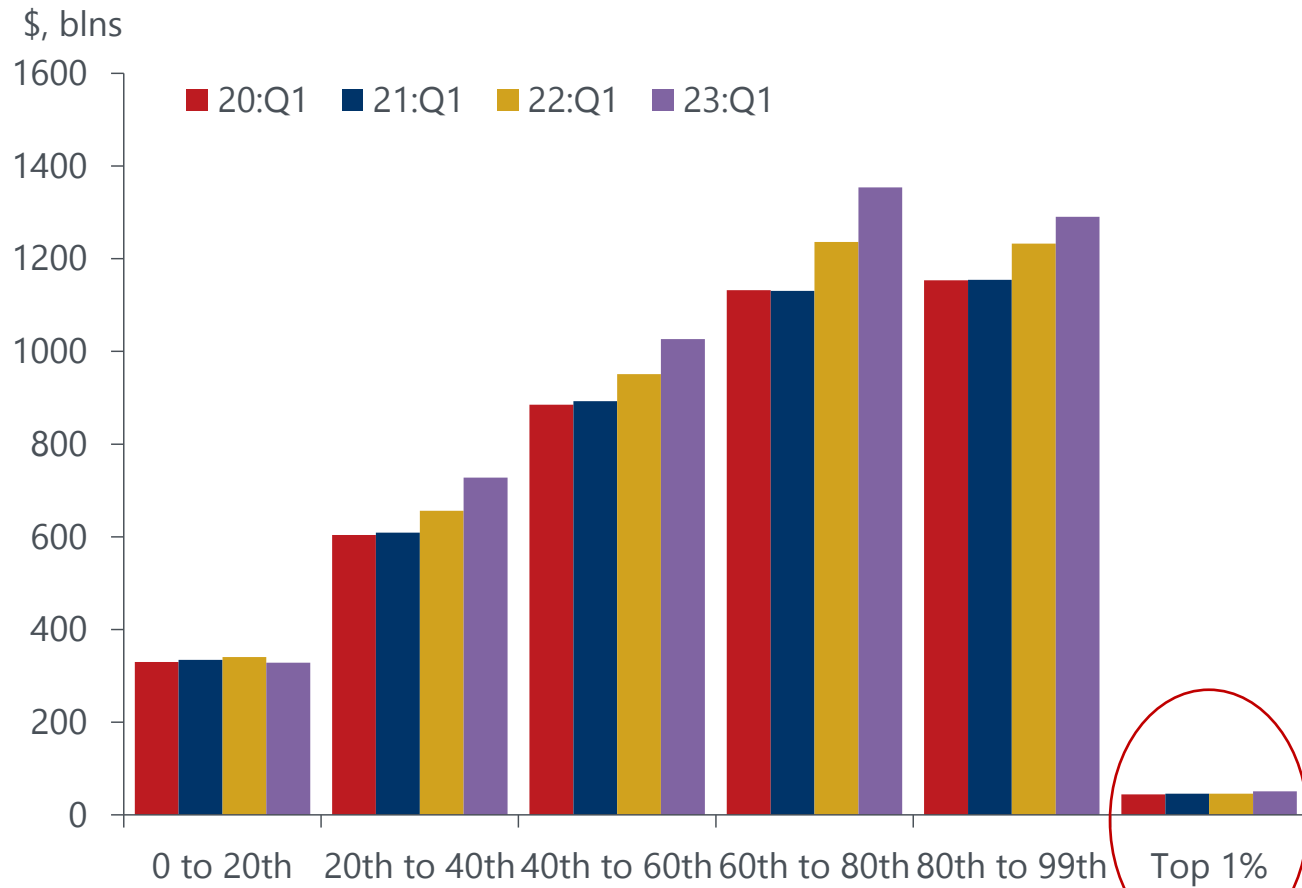
## U.S.: Revolving credit has surpassed pre-pandemic levels



Oxford Economics/Haver Analytics

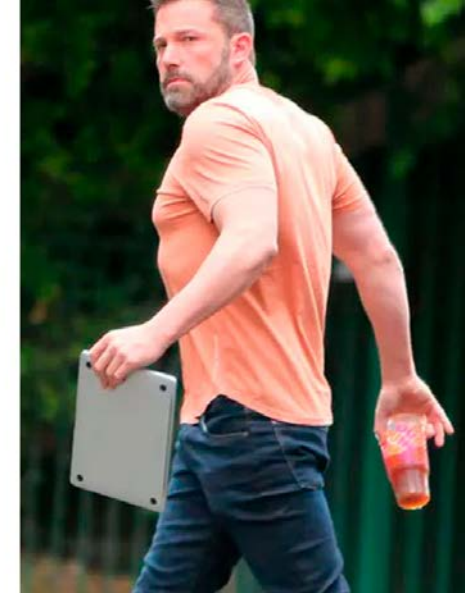
# Outstanding debt by income level in the US

## US: Outstanding consumer credit



Source: Oxford Economics/Haver Analytics

“Wanna be rich enough so I can hold my laptop like this”



Shout out to the 1% for living within their means. 😊



# Saving rate historically low and falling again

## US: Personal saving rate

% disposable income

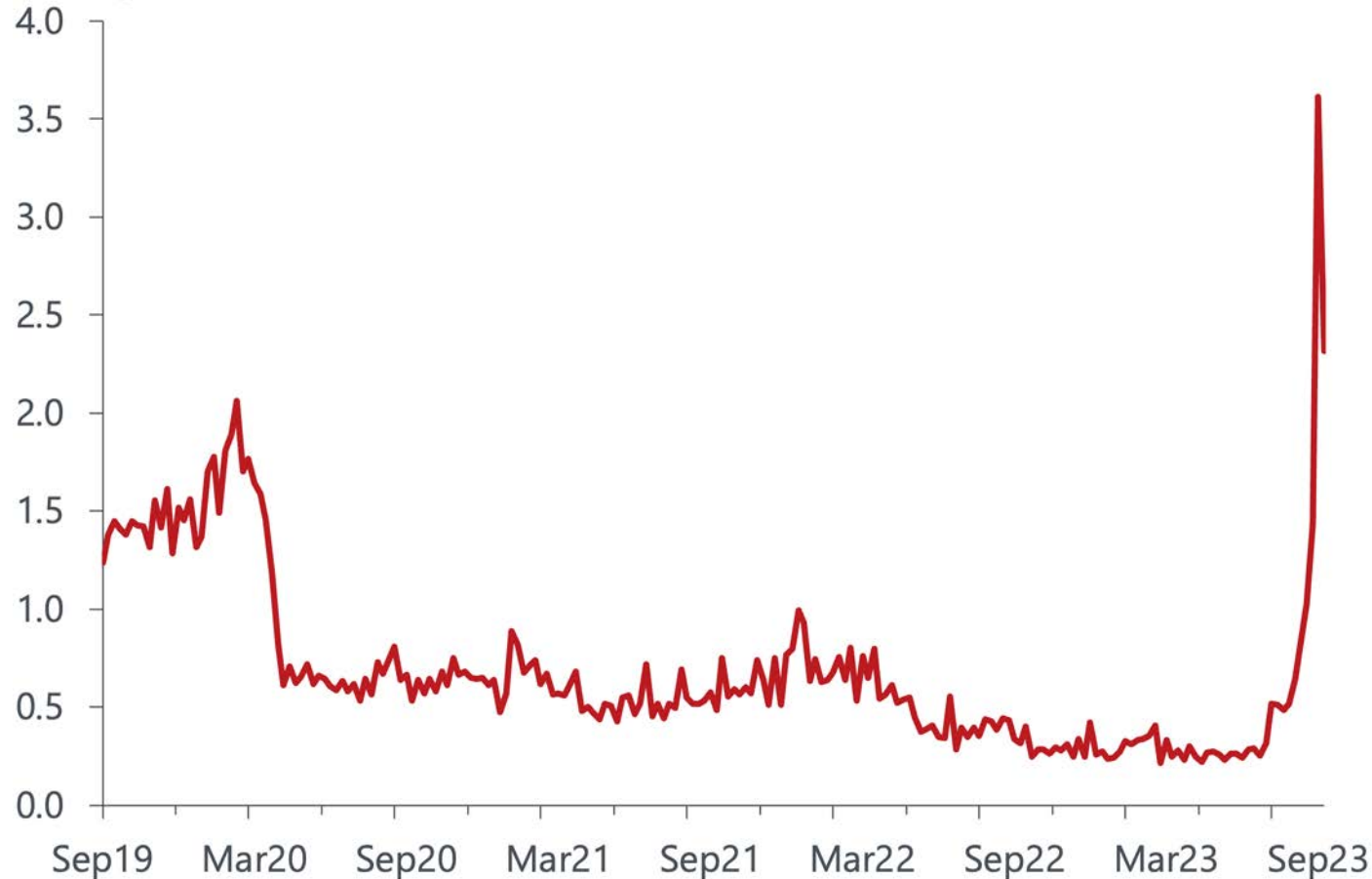


Source: Oxford Economics/Haver Analytics



# Student loan payments surged...

US: Treasury receipts from the Department of Education  
weekly totals, \$bn



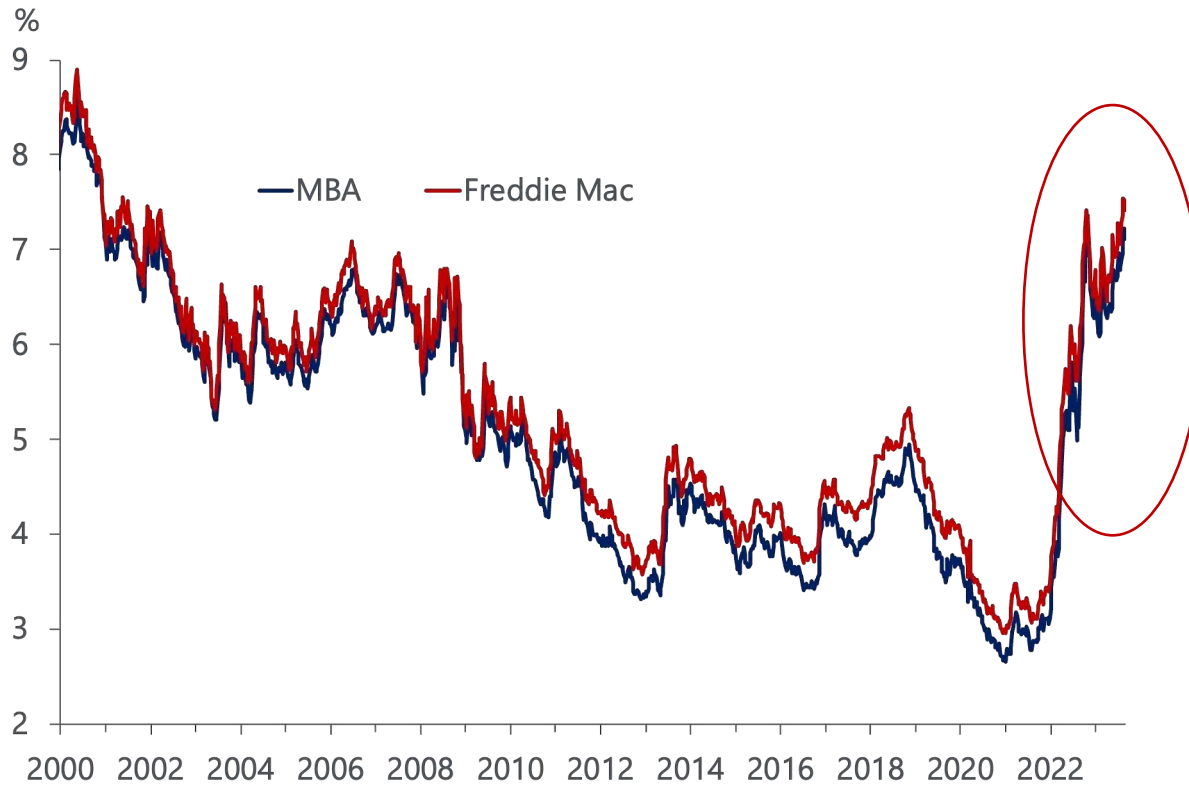
Source: Oxford Economics/Haver Analytics



This will eat into excess savings.

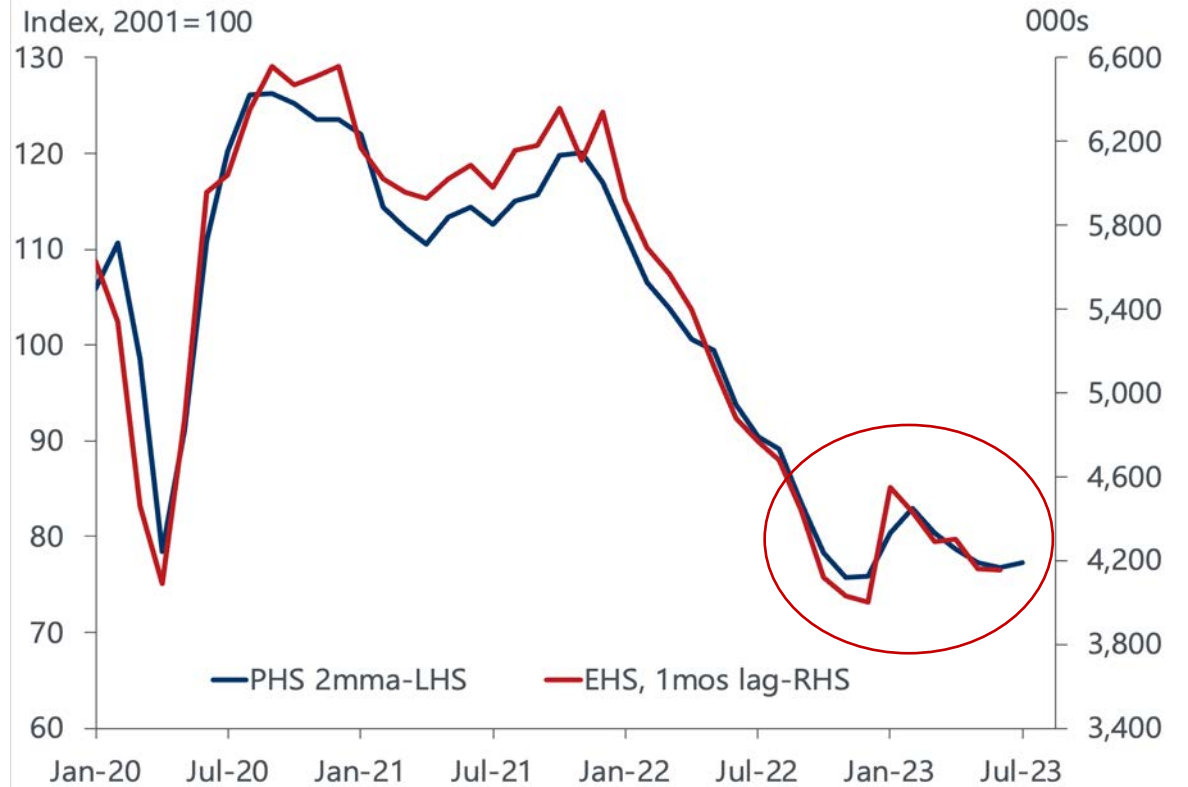
# Housing market is already in recession

US: 30-year mortgage rates



Source: Oxford Economics/Haver Analytics

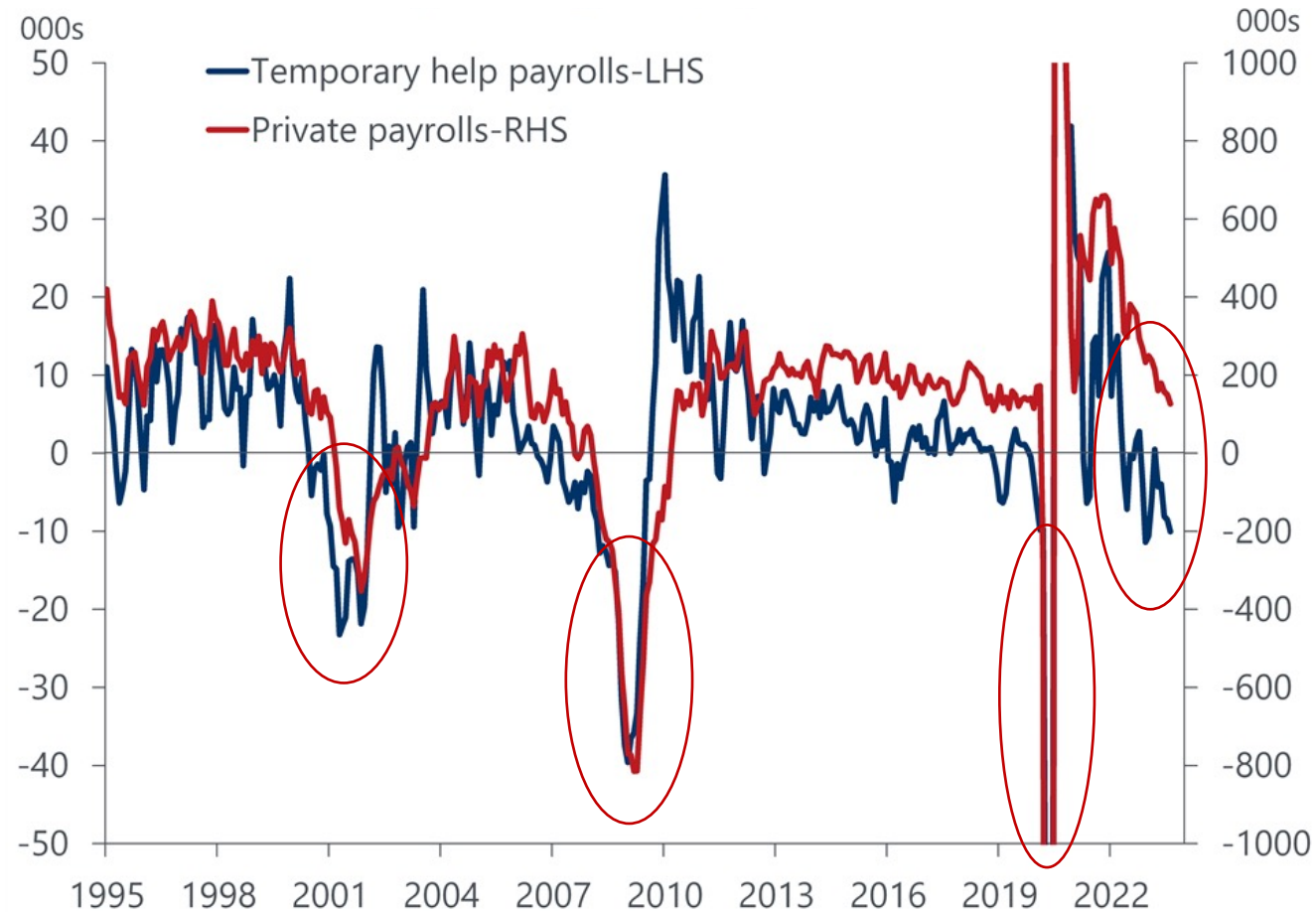
US: Pending and existing home sales





# Temporary employment is often a harbinger

## 3-month average change in payroll employment



Source: Oxford Economics/Haver Analytics



har·bin·ger

/ˈhərbənjər/

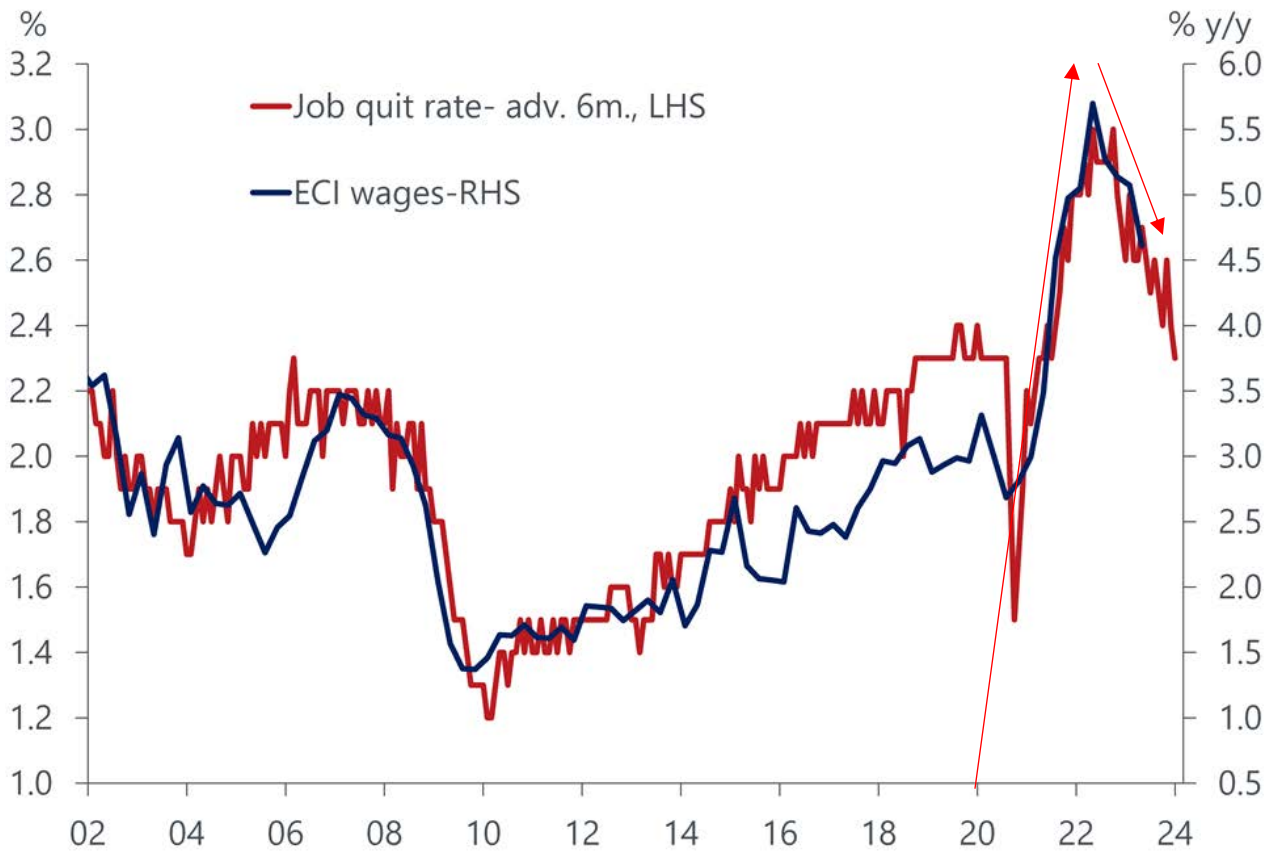
a person or thing that announces or signals the approach of another.

*"witch hazels are the harbingers of spring"*

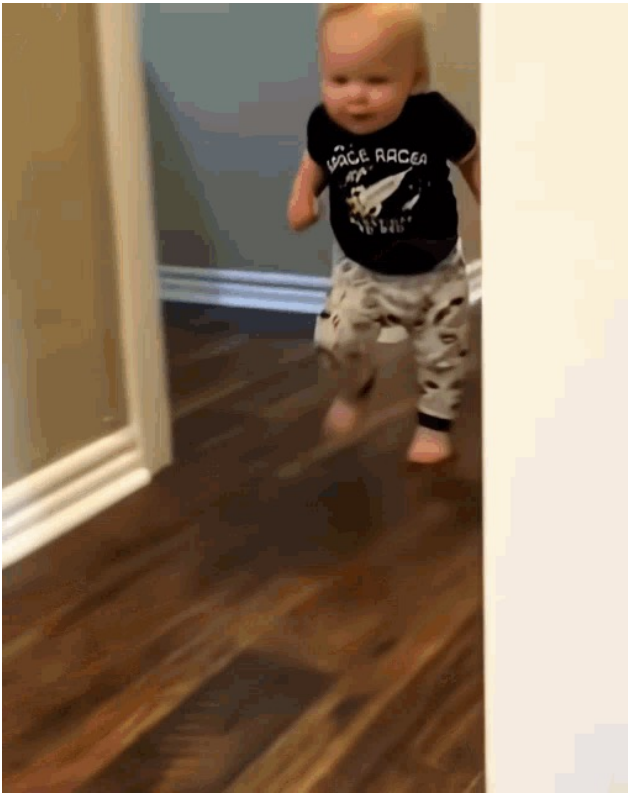


# Workers losing some confidence

Quit rate and Wage Growth



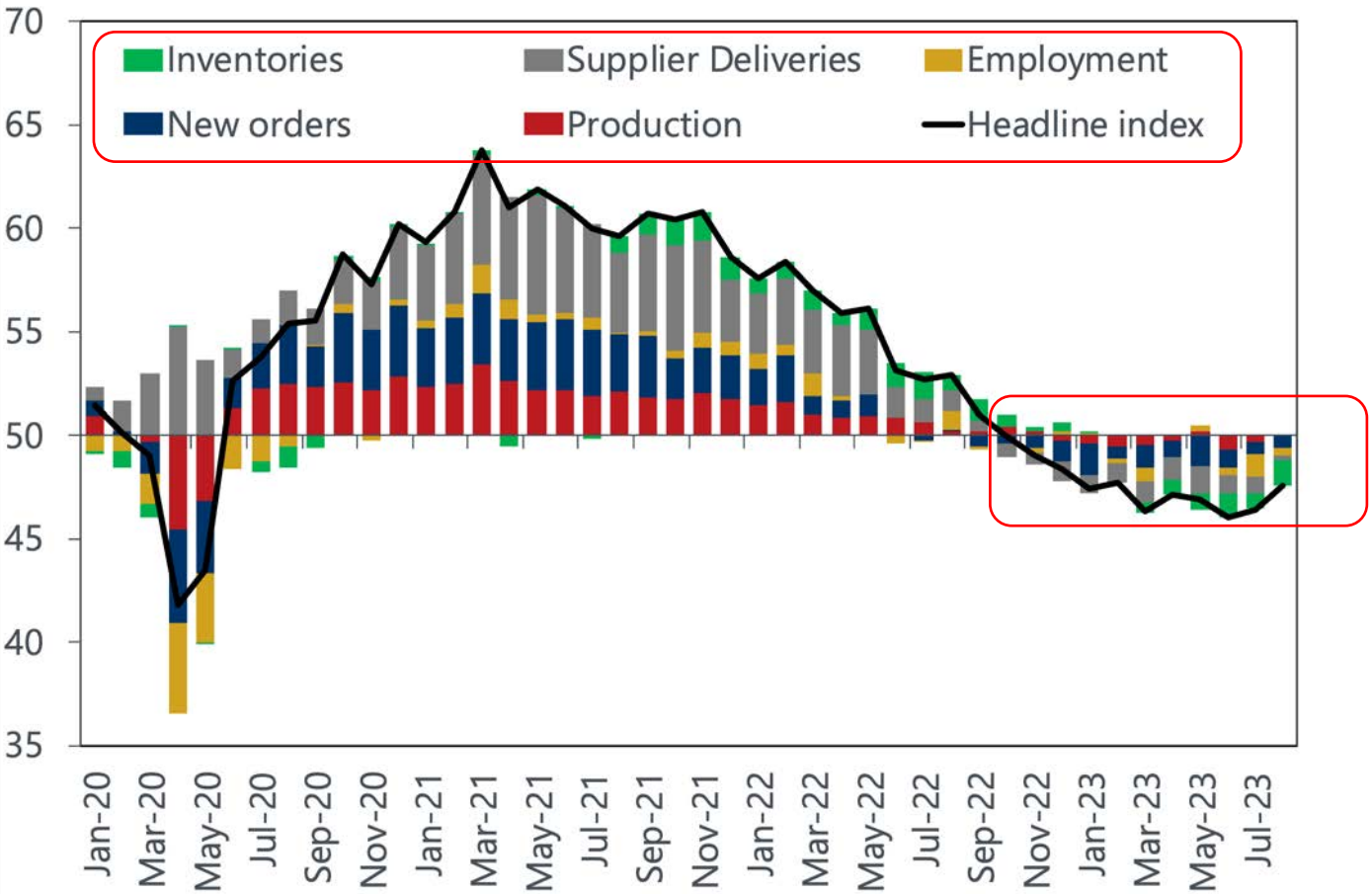
Source: Oxford Economics/Haver Analytics



# Manufacturing is on a weak footing

## US: Contribution to ISM Manufacturing

Index; above 50=expansion



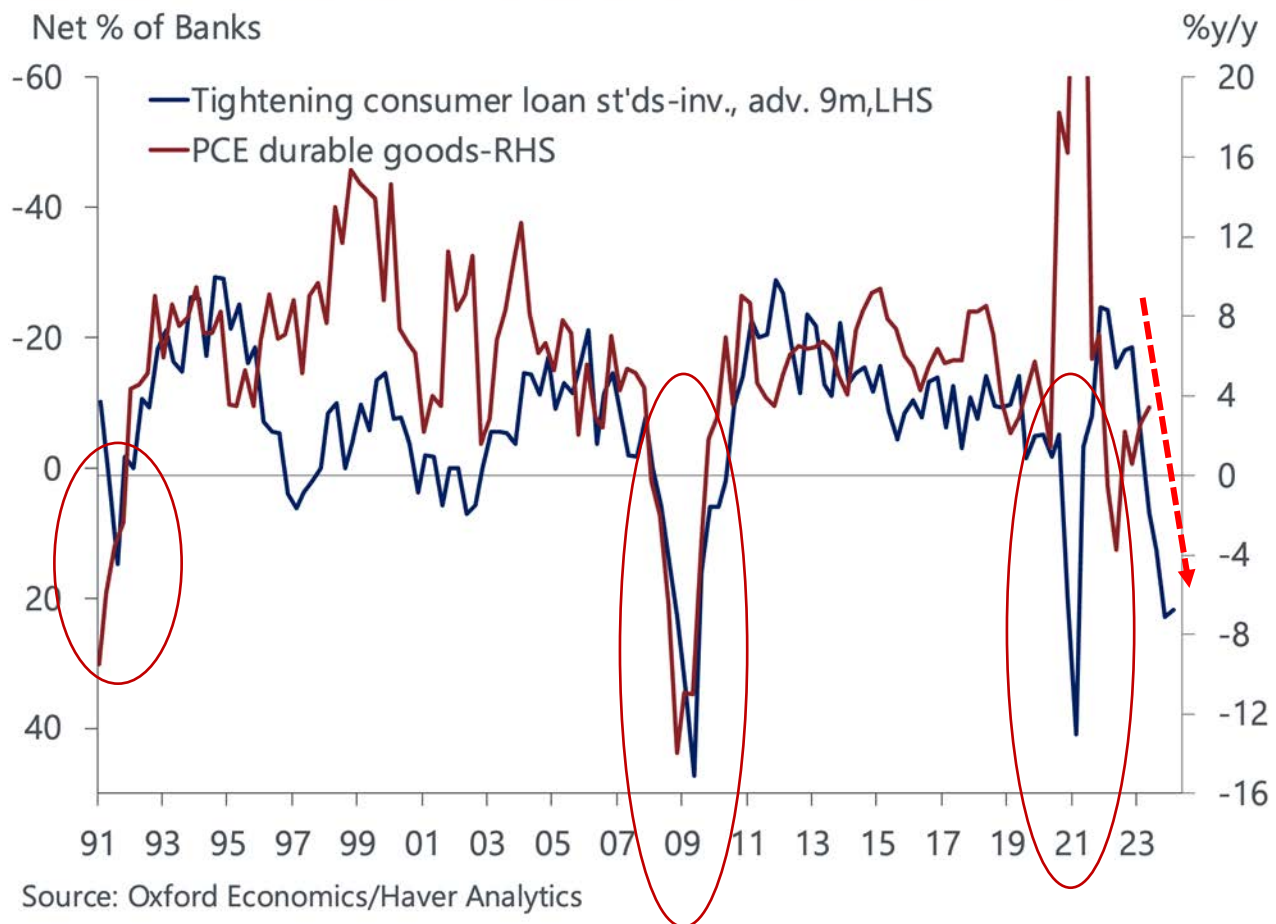
These colors represent indicators for manufacturing.

They're all down. 😞

Source: Oxford Economics/Haver Analytics

# Credit conditions becoming less favorable...

## US: Lending standards & durable goods consumption



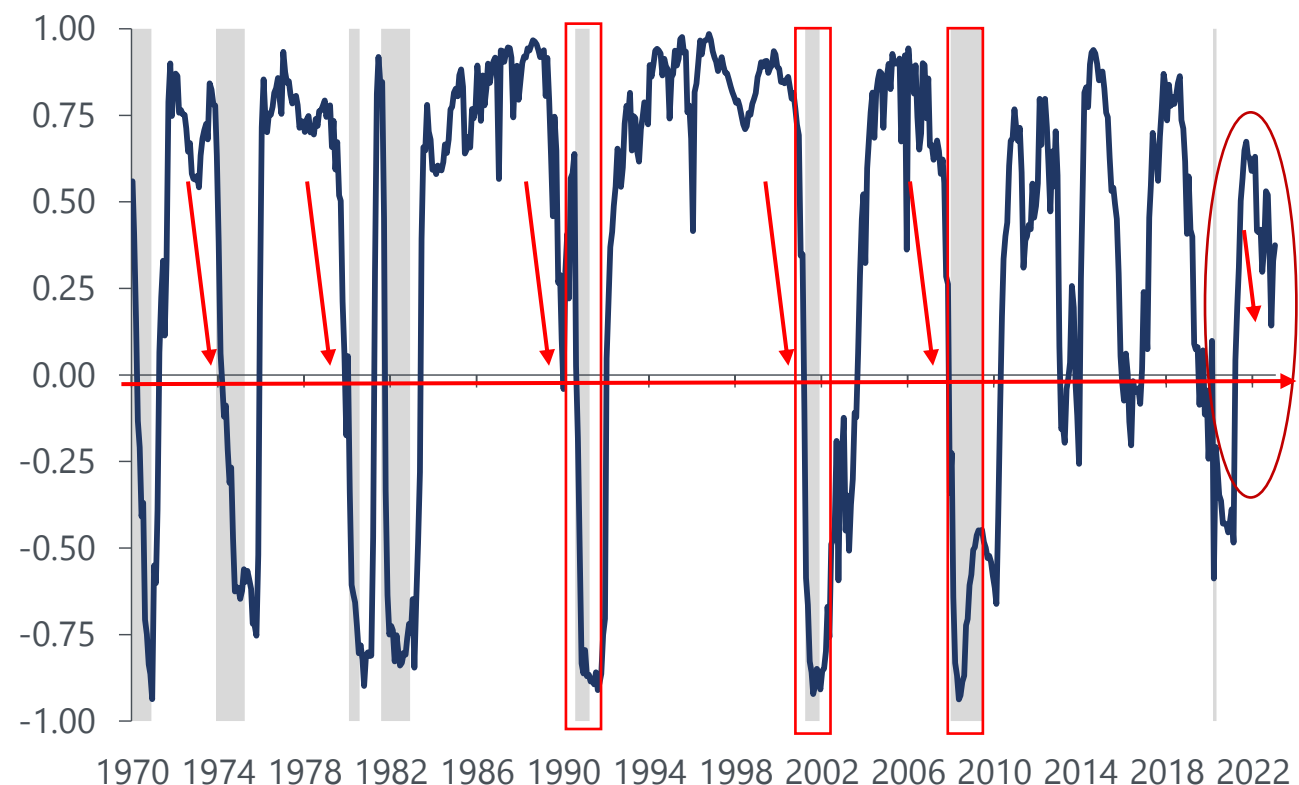
Expect a squeeze on lending standards that constrains consumer spending.



# Oxford indicator points to an economic contraction later this year

US: Oxford Economics' US Business Cycle Indicator (BCI)

Index, -1 to +1

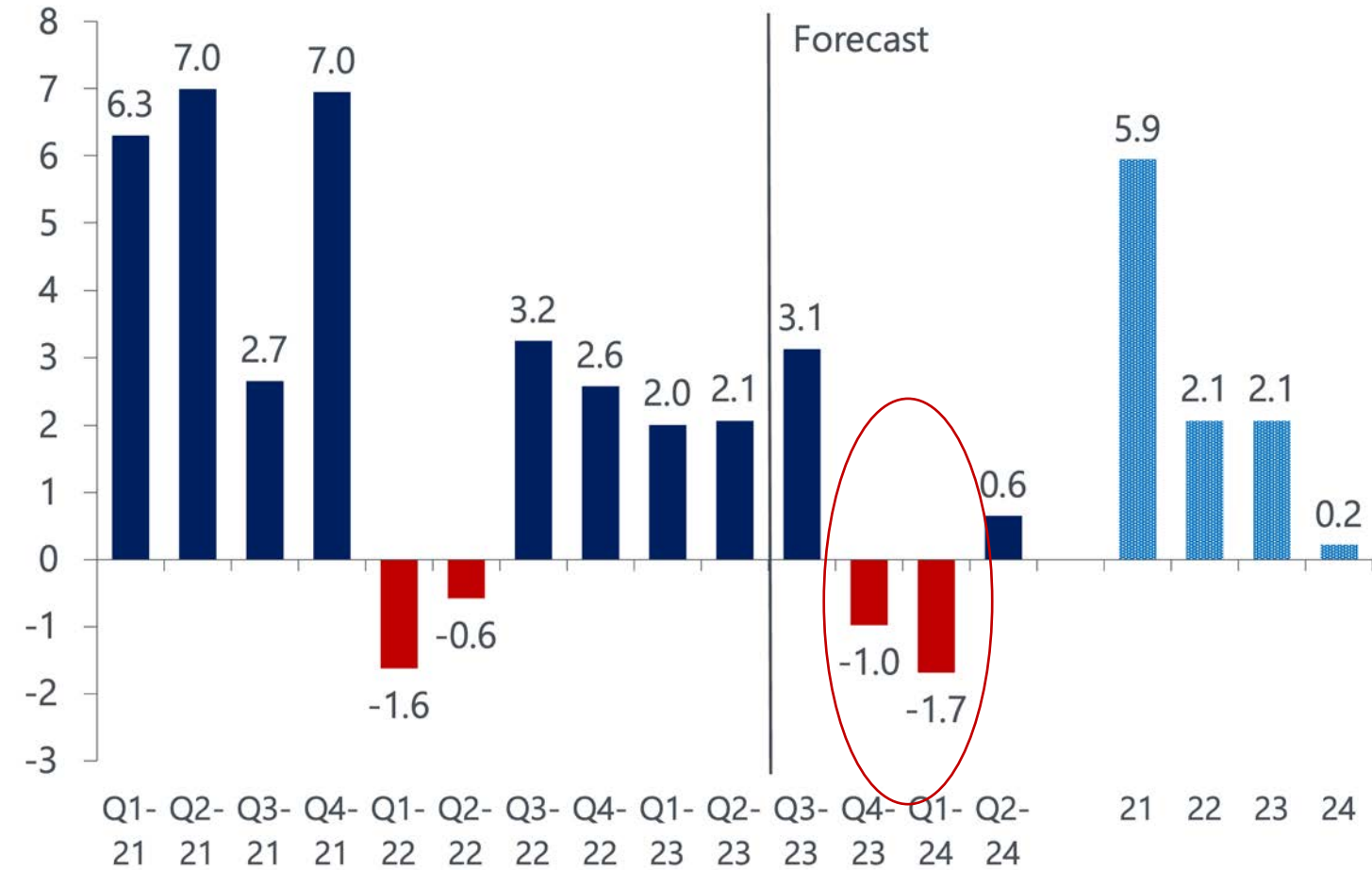


Source: Oxford Economics/Haver Analytics

The sharp fall in our U.S. business cycle indicator in February suggests the economy lost momentum midway through Q1.

# Likely recession in Q4 of 2023, Q1 of 2024

US: GDP Forecast  
% annualized



## Mitigators

- 1. There are no glaring balance sheet imbalances
- 2. Labor market impacts will be modest

# Labor markets remain tight

## Available jobs versus available workers



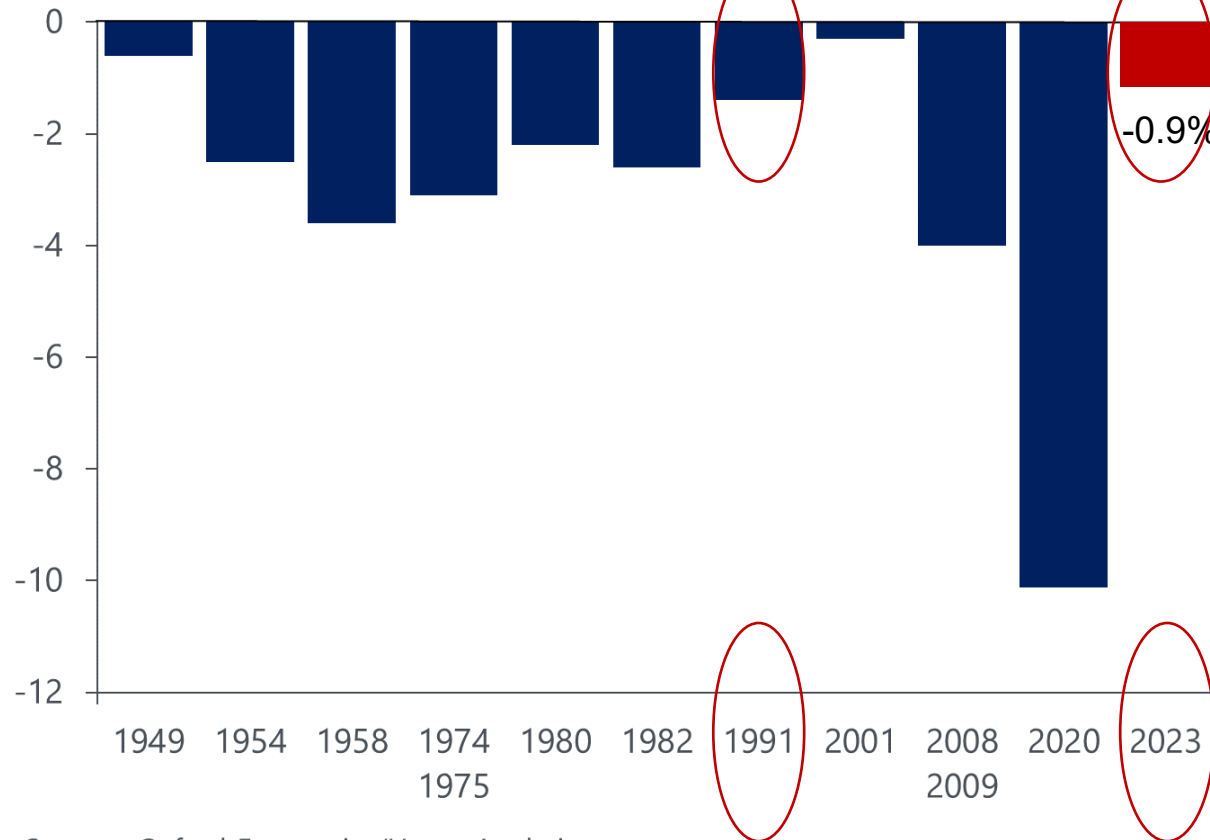
Note: Available jobs are employment plus openings. Available workers are the labor force. Data through May 2023. Seasonally adjusted. Grey shading indicates recessions. Source: Bureau of Labor Statistics

Unemployment rate will only reach 5.1% in 2024

# A recession will be mild by historical standards

## US: Peak-to-trough recessions since 1949

% change, peak to trough




Source : Oxford Economics/Haver Analytics

We expect the recession to be mild because there are no glaring imbalances in the economy's balance sheet.

Household balance sheets are in great shape, nonfinancial corporate balance sheets are healthy, and state and local governments are flush with cash.

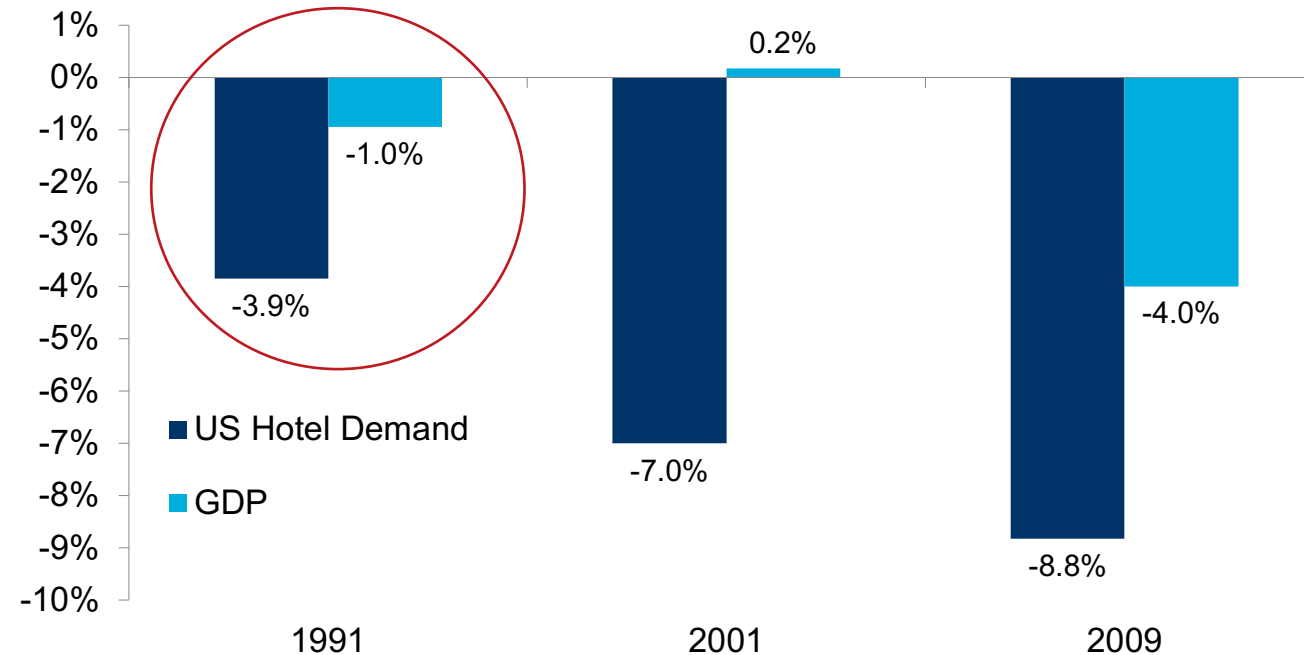


- 
- 1 Are we still headed for a recession?
  - 2 How does this usually work?
  - 3 Is this time different?


# What have the last three “normal” recessions looked like?

## Hotel demand during recessionary periods

Year-over-year %, quarterly peak-to-trough



Source: STR, BEA

- 
- 1 Are we still headed for a recession?
  - 2 How does this usually work?
  - 3 Is this time different?

# Why the travel industry may defy economic gravity

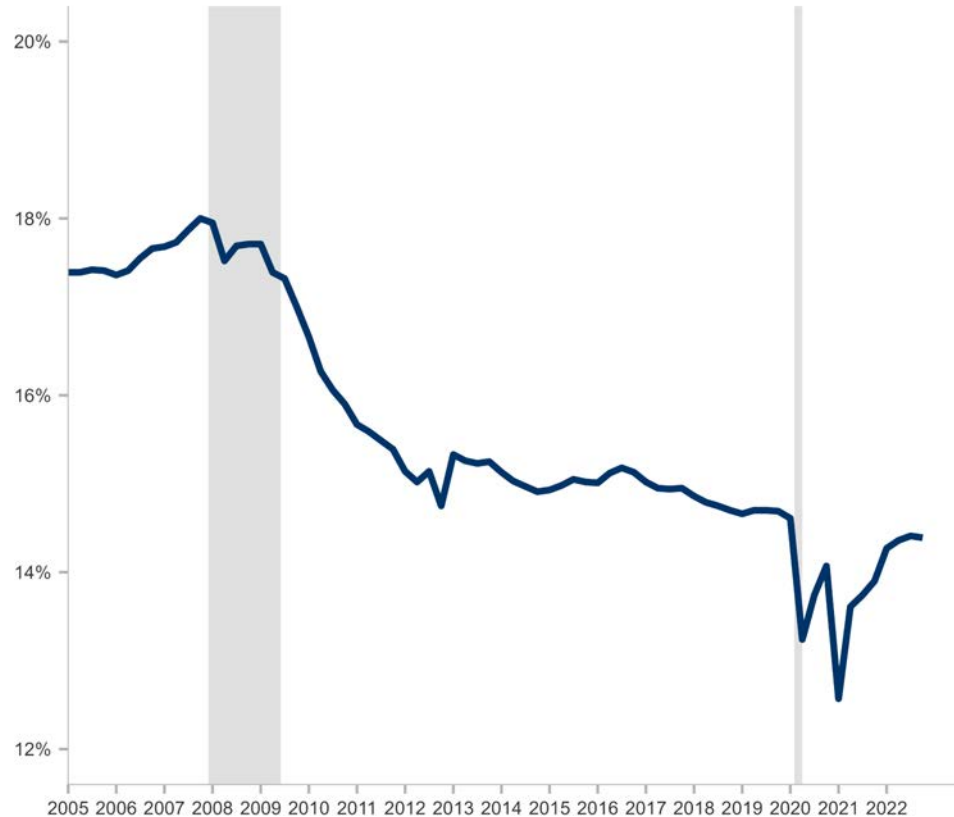
1. U.S. households are in a position of strength
2. Pent-up demand and prioritization of travel is real
3. Businesses are still restoring necessary travel
4. International still rebuilding



# Household balance sheets remain strong

## Household debt service

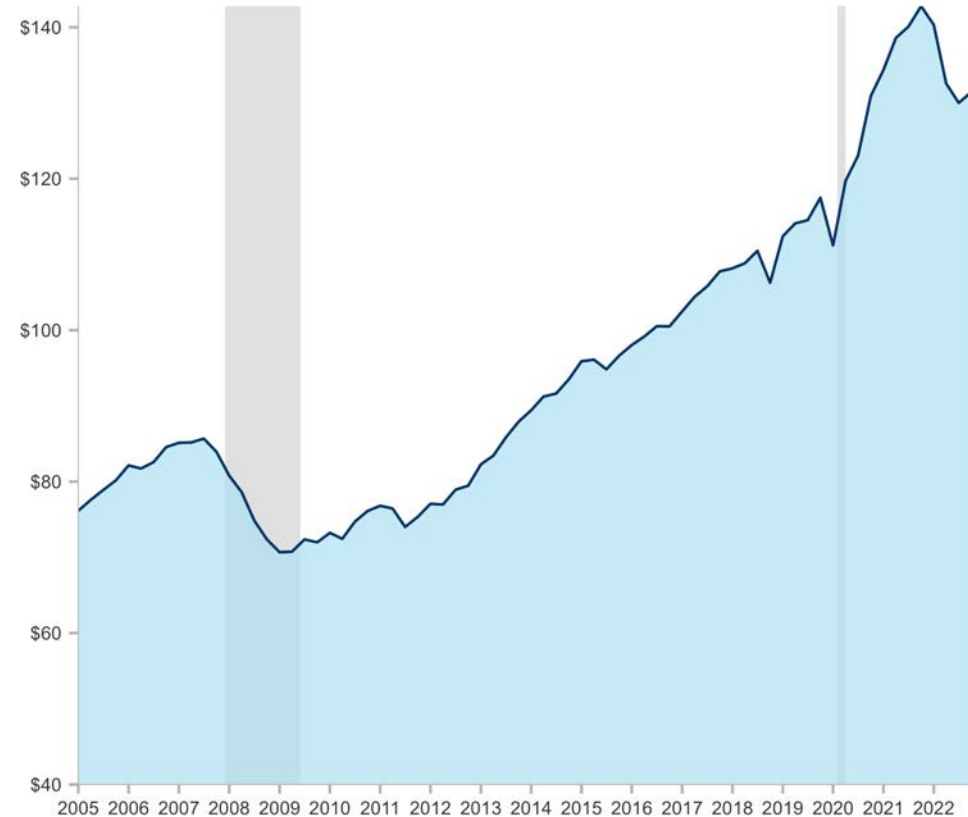
Financial obligations as ratio to disposable income



Note: Quarterly data through 2022Q4. Financial obligations ratio is the ratio of household debt payments, and payments such as rent and auto leases, to disposable income. Source: Federal Reserve, NBER

## Household net worth

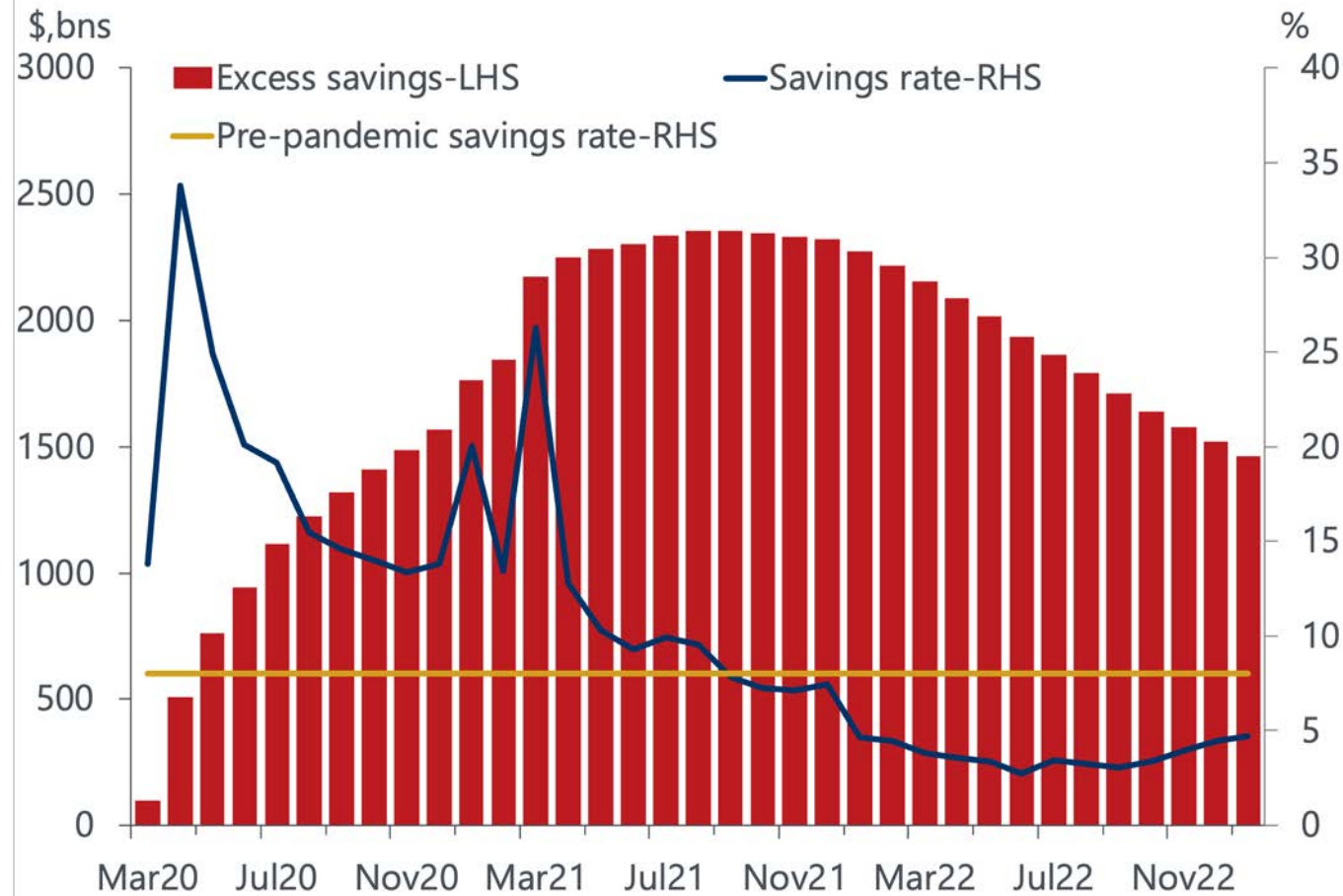
In trillions, real



Note: 2020 dollars. Quarterly data through 2022Q4. Net worth of households and nonprofit organizations. Measures assets such as housing and financial assets, minus liabilities. Source: Federal Reserve, NBER

## Excess savings are a buffer...

US: Excess savings based on reported personal income data



Source: Oxford Economics/Haver Analytics

“To date, however, we have not seen signs of demand softening. Certainly, trends could change quickly but booking demand and pricing remains strong.”

Marriott earnings call, February 14, 2023

(Remarks edited for clarity)

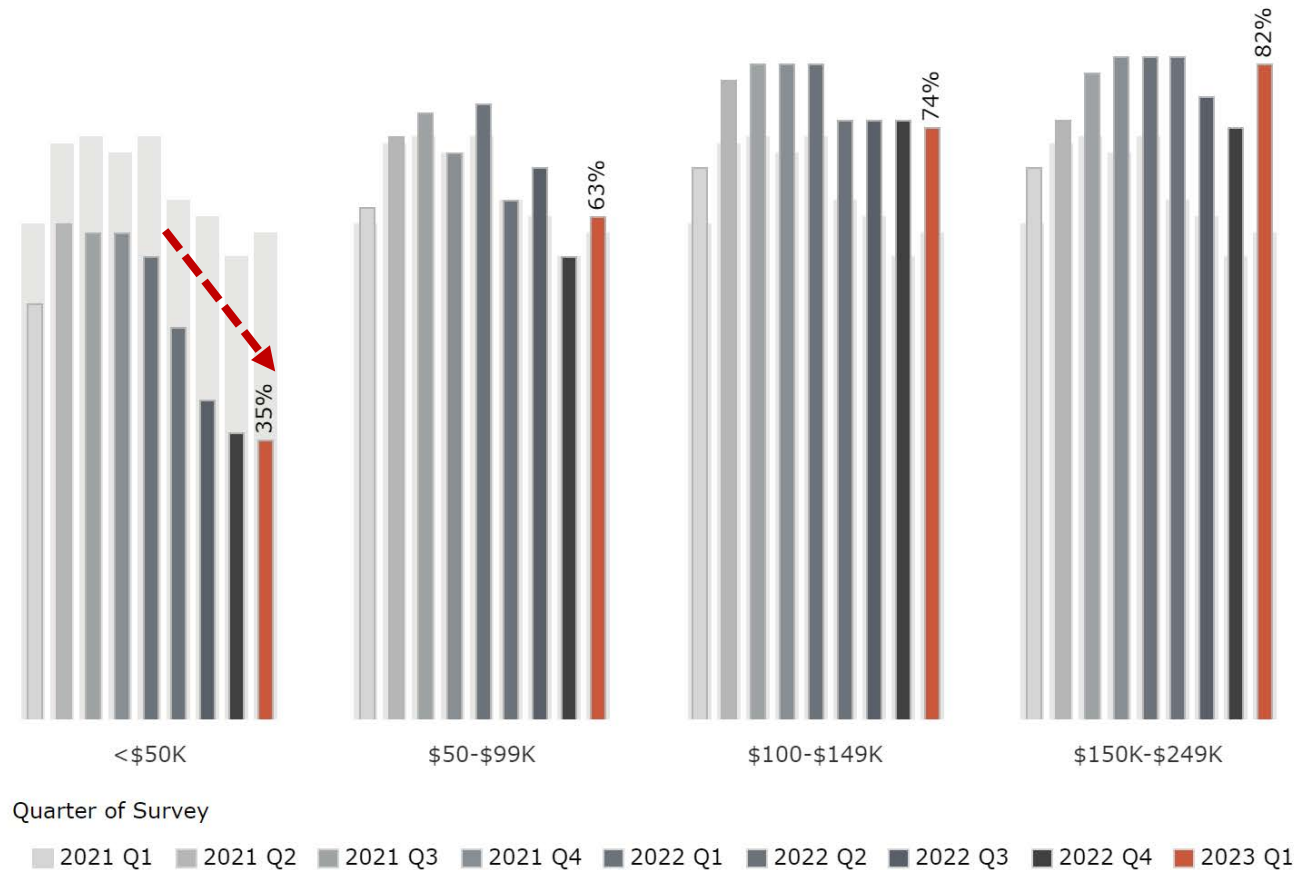
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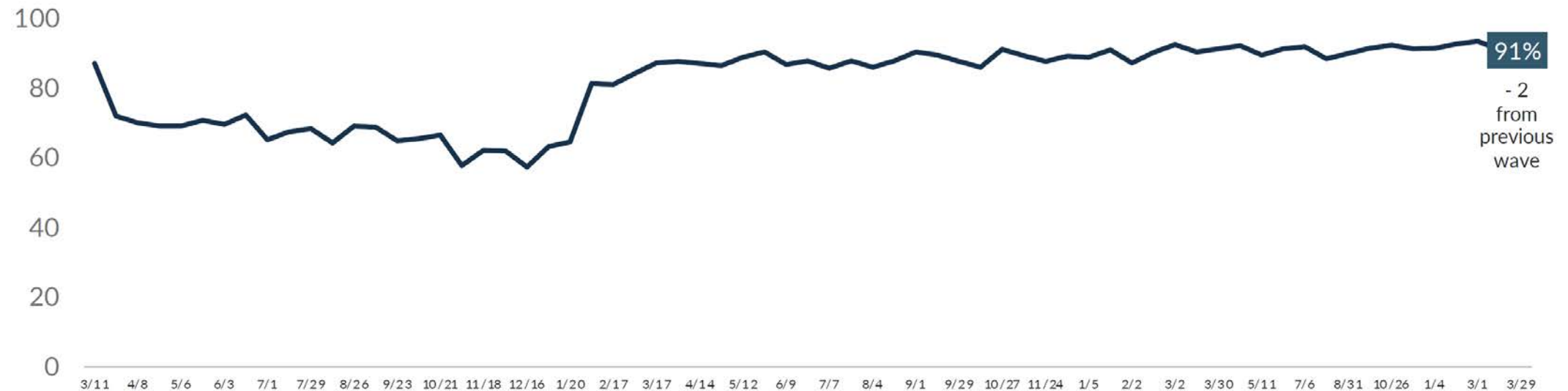
# Slippage evident among lower income earners

Planning Leisure Travel Within the Next 6 Months  
% of American Consumers



# Still... overall intentions to travel remain elevated

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



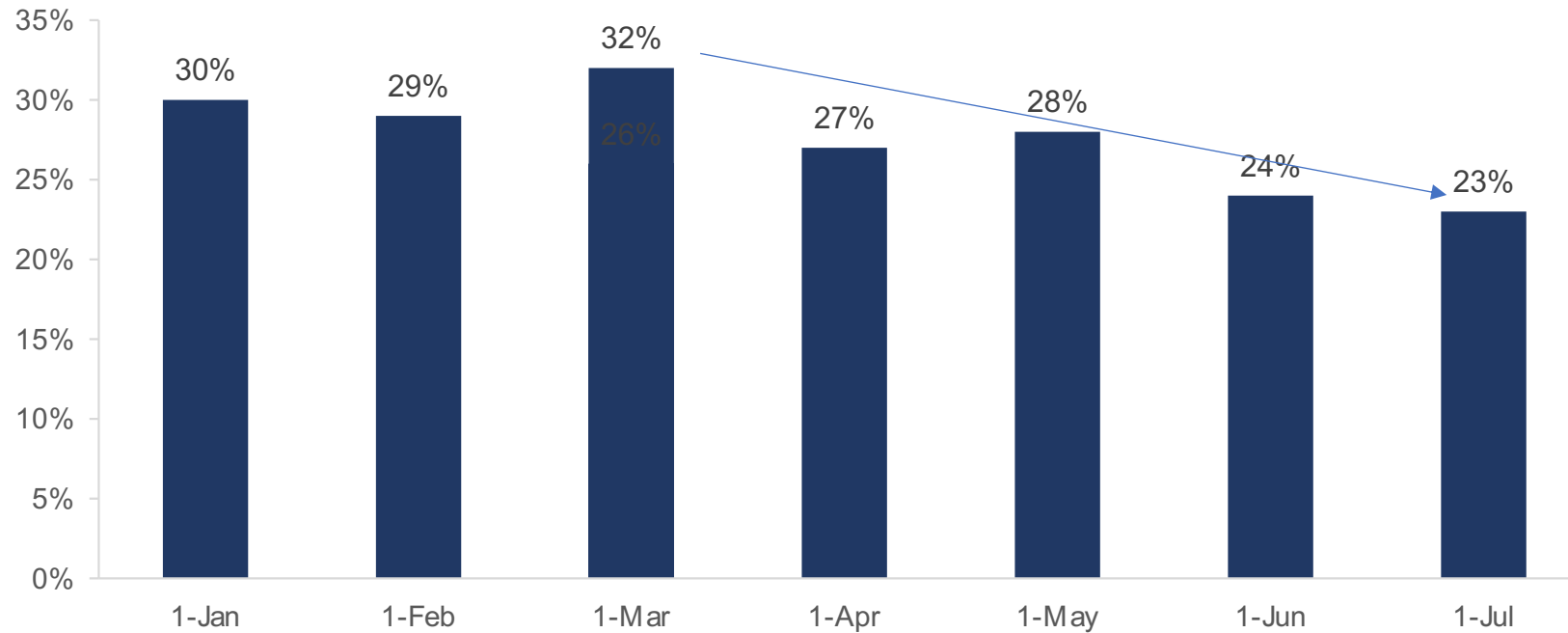
Travel Sentiment Study Wave 72

Longwoods INTERNATIONAL | miles PARTNERSHIP

# Travelers are shrugging off inflation

## Inflation will Greatly Impact Decision to Travel in Next Six Months

% of travelers

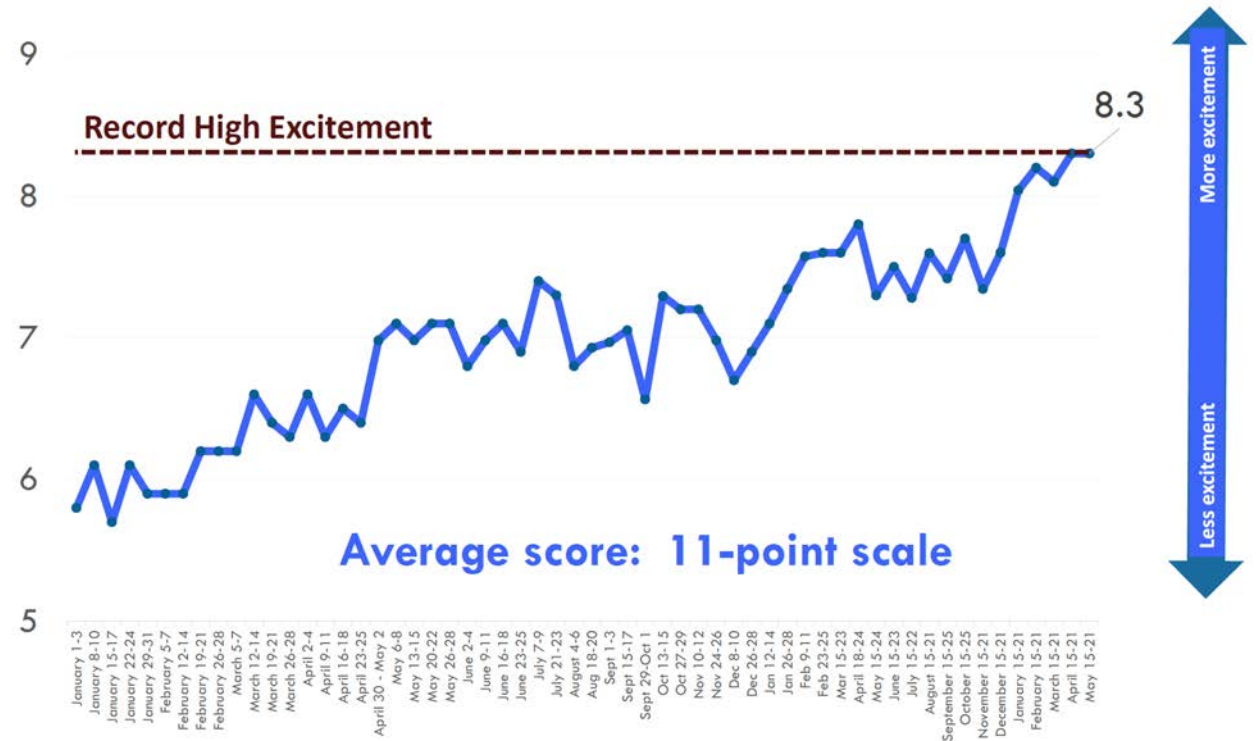


Source: Longwoods International

“The consumer is generally holding up well and our forward bookings remain solid.”

Marriott 2023 Q2 earnings call

**Question:** Which best describes how excited you are about **LEISURE TRAVEL** in the **NEXT TWELVE (12) MONTHS?** (Please answer using the 11-point scale below)





# Travel budget for next 12 months has increased 13% over past year

## Maximum Expected Annual Travel Budget

Destination  Analysts



“Macroeconomic weakness is being offset with the countertrend of consumer spending continuing to rebalance back to services.”

United Airlines, 2023 Q1 earnings call

Speaking of purchases...

Let's go back in time...



***HAIRCUTS?  
WHERE WE'RE GOING,  
WE DON'T NEED HAIRCUTS.***





# 2020: Excess Amazon Orders & No Haircuts

72 orders placed in 2018 ▼



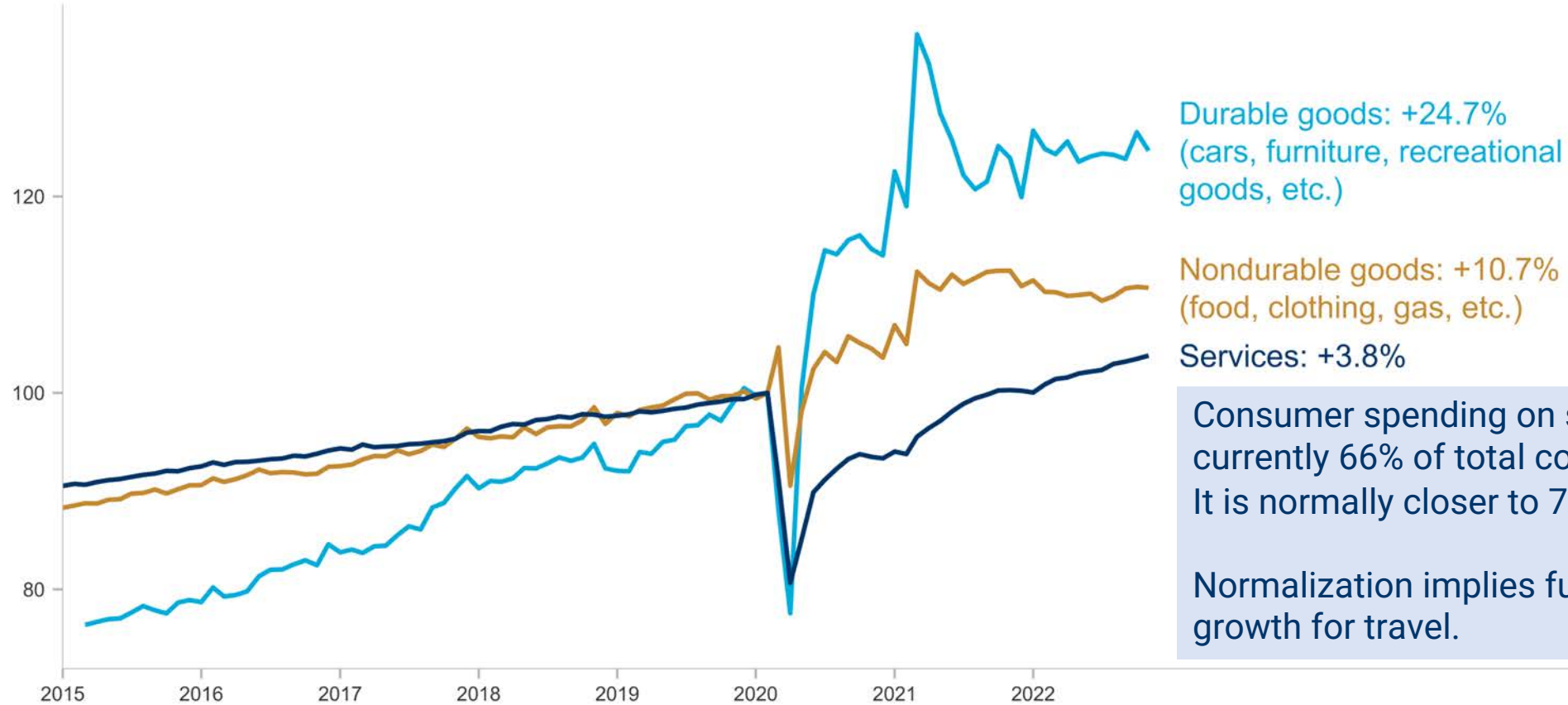
179 orders placed in 2020 ▼

Well that's come to an end...

# Spending on Amazon going down...Spending on services going up!

## Consumer spending, real

Index (Feb 2020=100), increase since February 2020 in labels



Consumer spending on services is currently 66% of total consumption. It is normally closer to 70%.

Normalization implies further growth for travel.

Note: Real. Seasonally adjusted monthly data through November 2022

Source: Bureau of Economic Analysis

# Why the travel industry may defy economic gravity

1. U.S. households are in a position of strength
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4. International still rebuilding



## Predictions don't always age well

---

**"We don't like their sound,  
and guitar music is on the  
way out."**

On the Beatles

Decca Recording Company, 1962

**"He's a very good  
offensive player.... But he  
won't turn this franchise  
around."**

On Michael Jordan

Rod Thorn, the Chicago Bulls  
general manager

**"There's no chance that  
<this> is going to get any  
significant market share."**

On the iPhone

Steve Balmer, 2007

## Speaking of which...

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**“More than 50% will disappear in post-coronavirus world.”**



HEALTH AND SCIENCE

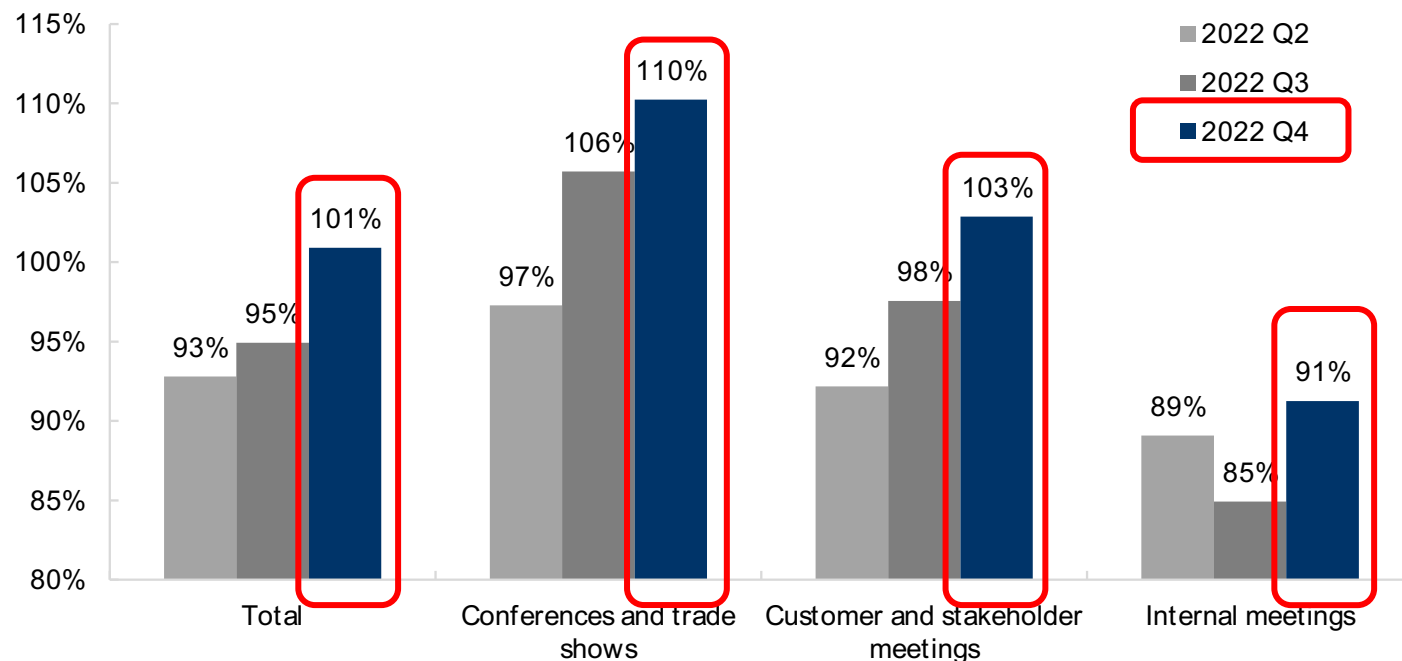
### **Bill Gates says more than 50% of business travel will disappear in post-coronavirus world**

PUBLISHED TUE, NOV 17 2020•3:52 PM EST | UPDATED WED, NOV 18 2020•7:28 AM EST

# Business travel intentions now exceed 2019

## Average expected trips versus 2019

Average monthly trips expected in next six months relative to pre-pandemic (2019=100%)

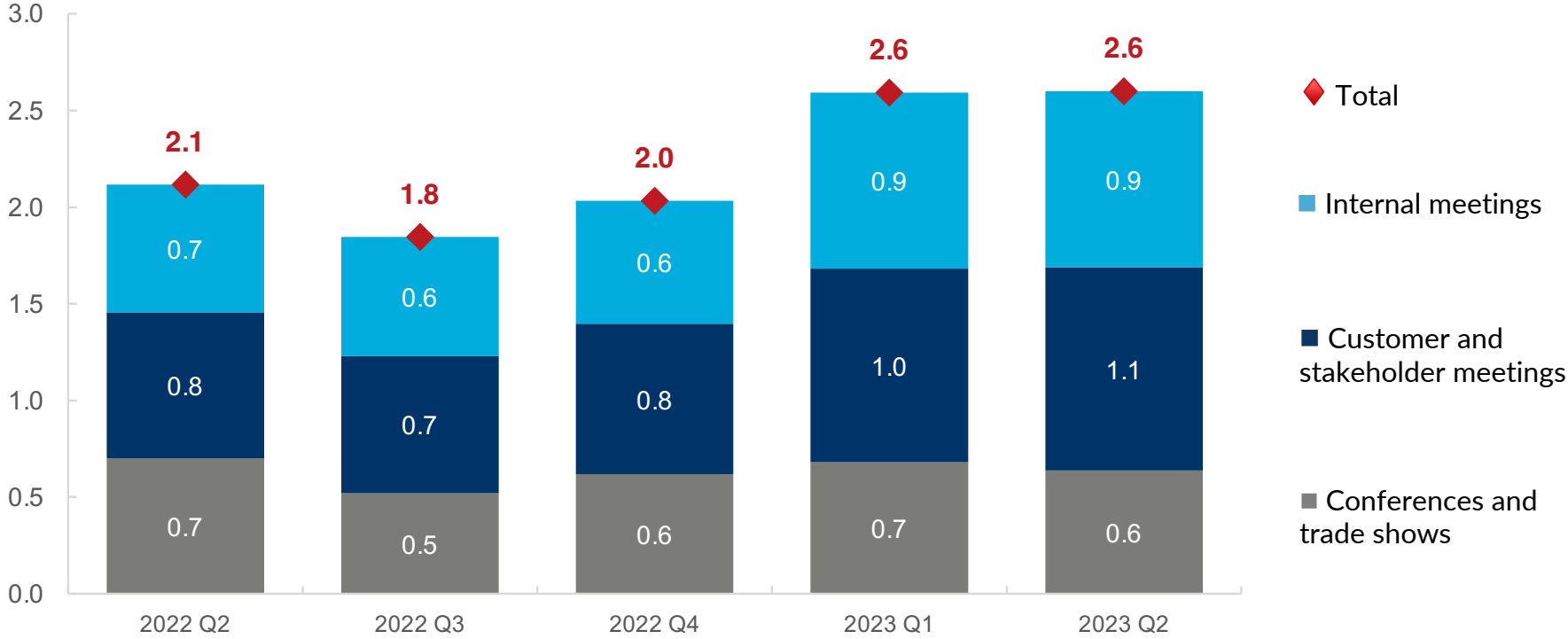


[q1&q2] How many times do you travel on average for business purposes?

Business Travelers Survey BASE: Q4 = 790; Q3 N = 1641; Q2 N = 2545

# Business travelers expect to take more trips in the next 6 months

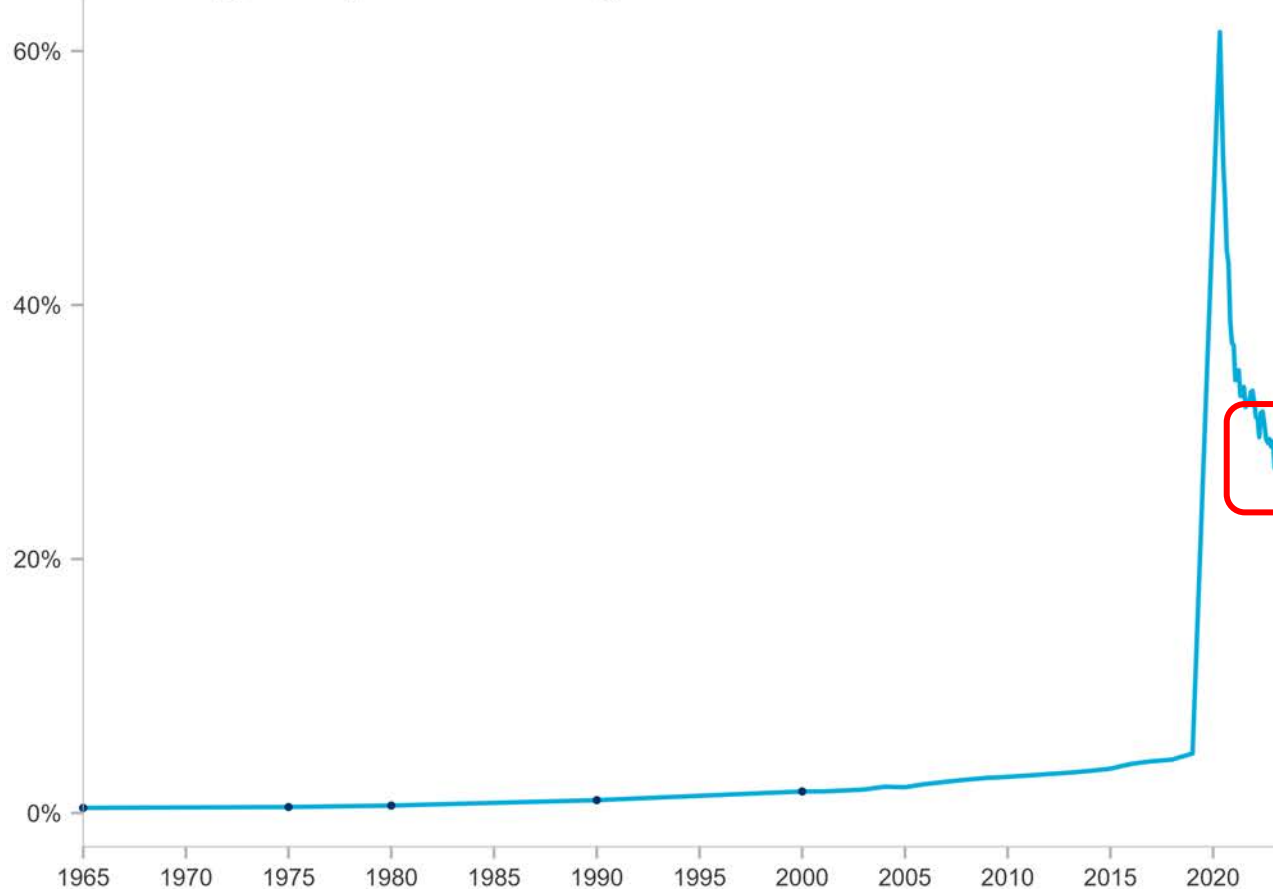
Trips per month over the coming six months



How frequently do you expect to travel for each of the following business purposes over the next six months?  
Source: U.S. Travel Association, JD Power, Tourism Economics

# We now have a new way of working

## Percentage of paid full days worked at home since 1965



More than 1-in-4 workdays are happening from home.

In just three years, we went from 5% to 28%.

WFH share of days: 28.2%

34% of travelers plan to travel as they work remotely

Longwoods International

Note: Most recent data point is May 2023.

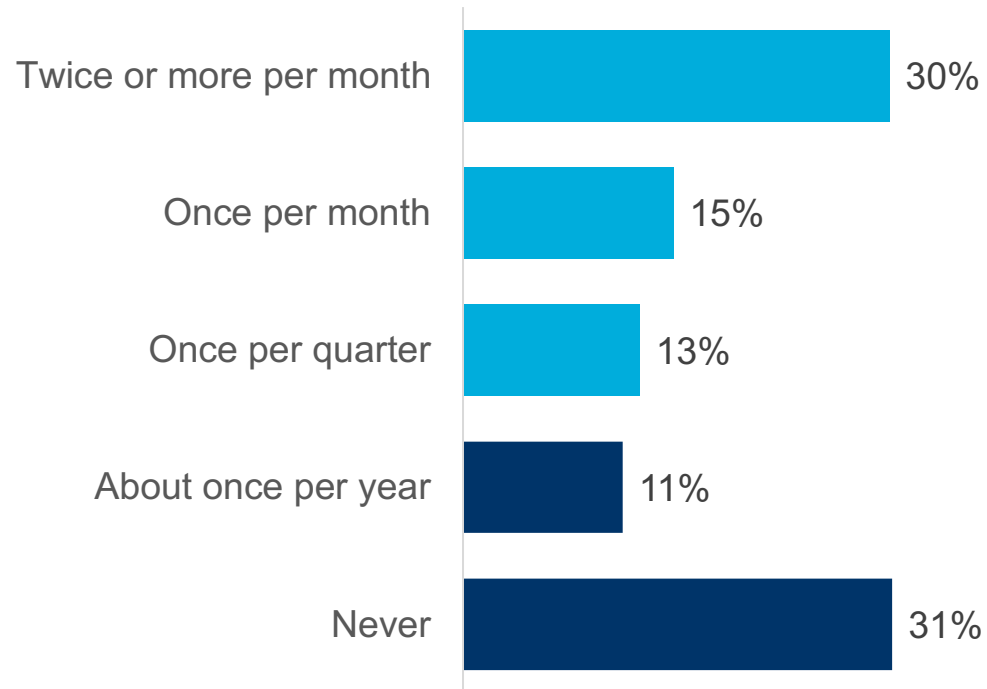
Source: Barrero, Jose Maria, Nicholas Bloom, and Steven J. Davis, 2021. "Why working from home will stick," National Bureau of Economic Research Working Paper 28731.



# Most fully remote workers meet with colleagues in person

## Do you ever meet with your coworkers in person?

Sample: Workers who were fully remote last week



58% of fully remote workers meet their colleagues in person at least quarterly

Note: June 5, 2023 research release. Source: Barrero, Jose Maria, Nicholas Bloom, and Steven J. Davis, 2021. "Why working from home will stick," National Bureau of Economic Research Working Paper 28731. [www.wfhresearch.com](http://www.wfhresearch.com)

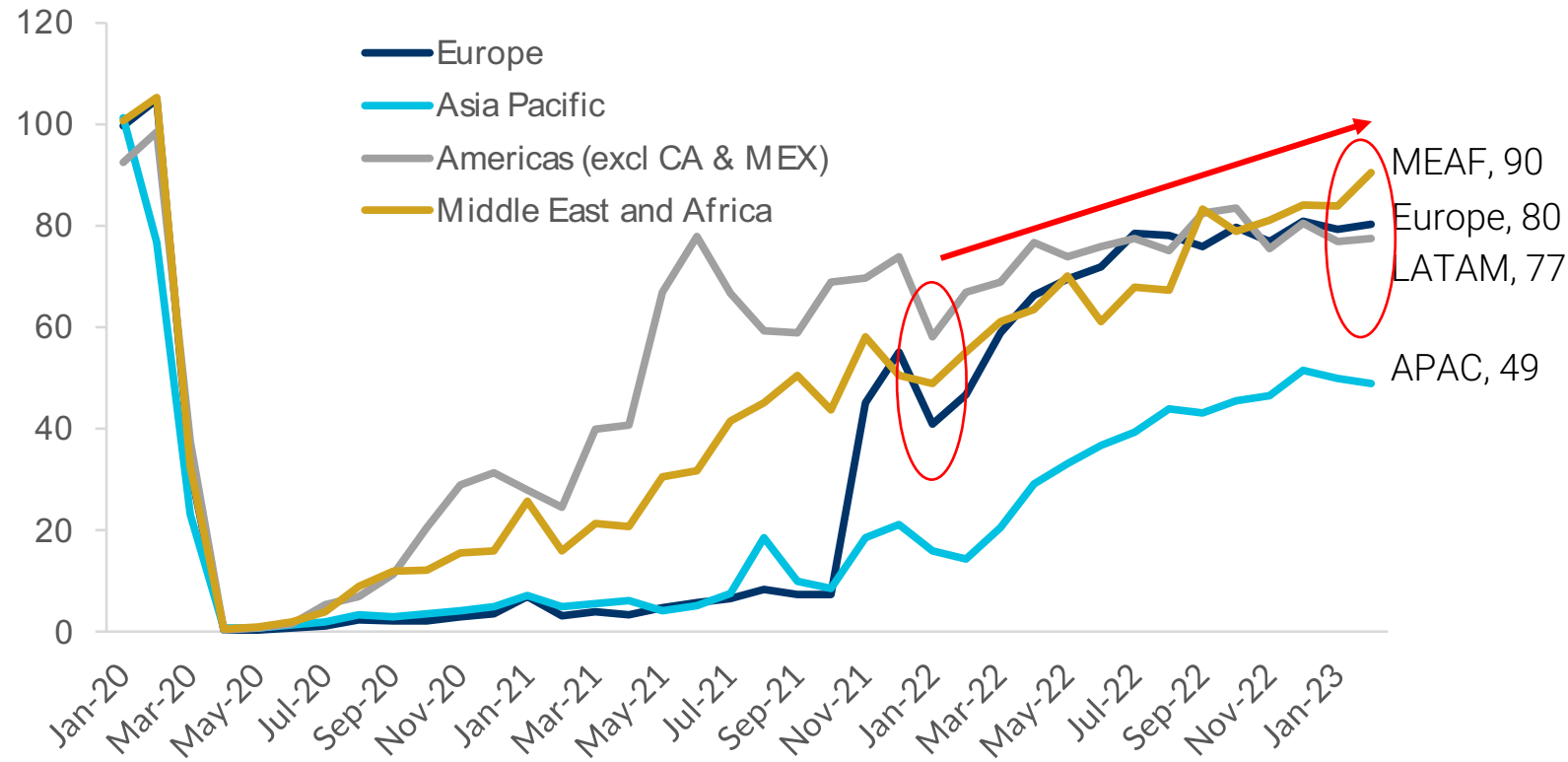
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# SIGNIFICANT YEAR OVER YEAR GROWTH

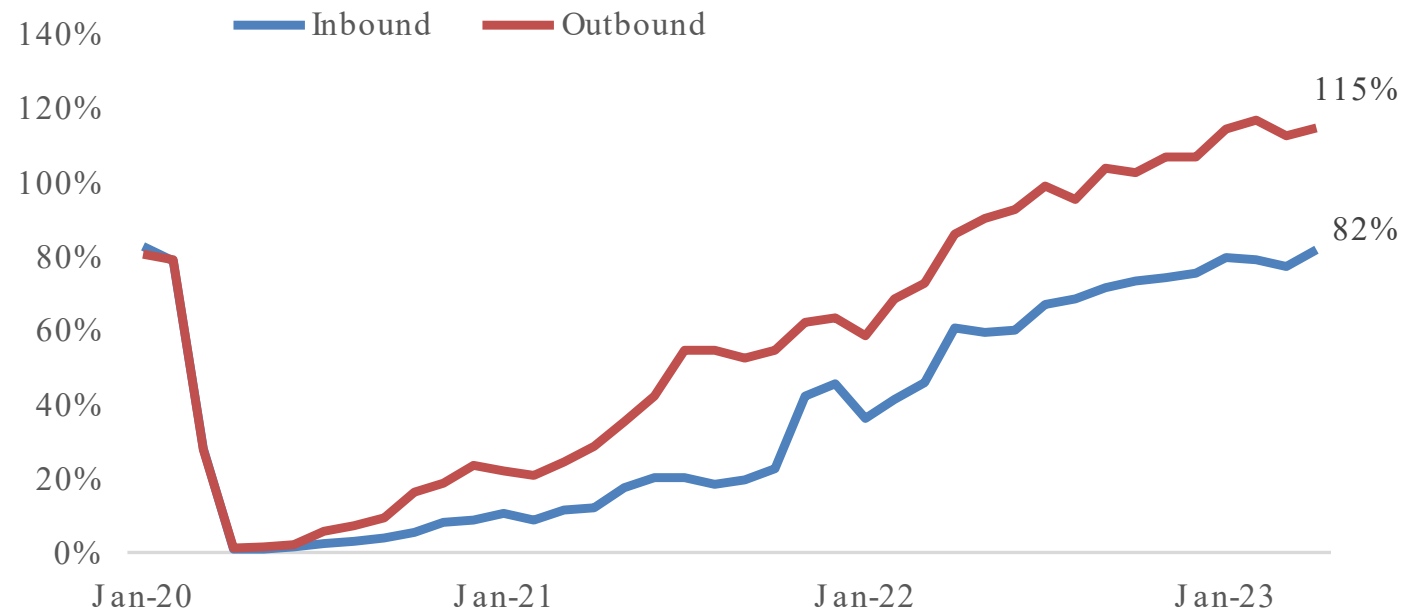
## International arrivals to U.S.

Index, same month 2019=100



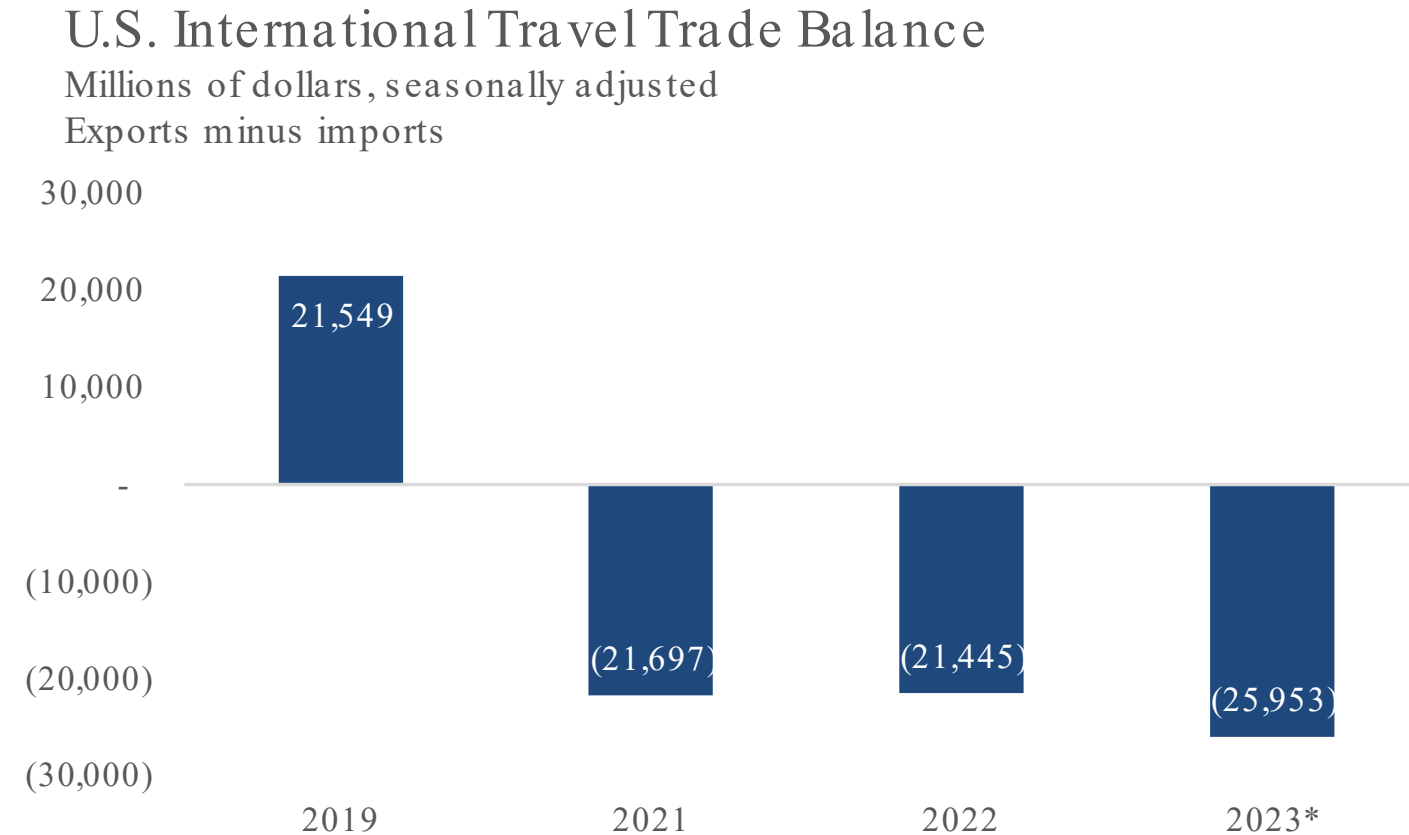
# Outbound recovery is well ahead of inbound

Inbound and Outbound Travel Spending  
Millions of dollars, seasonally adjusted



Implies 38 million lost room nights  
(2.9% of 2023 US hotel room demand)

# The rightsizing of this will boost the US industry



\* Assumes deficits consistent with first 4 months

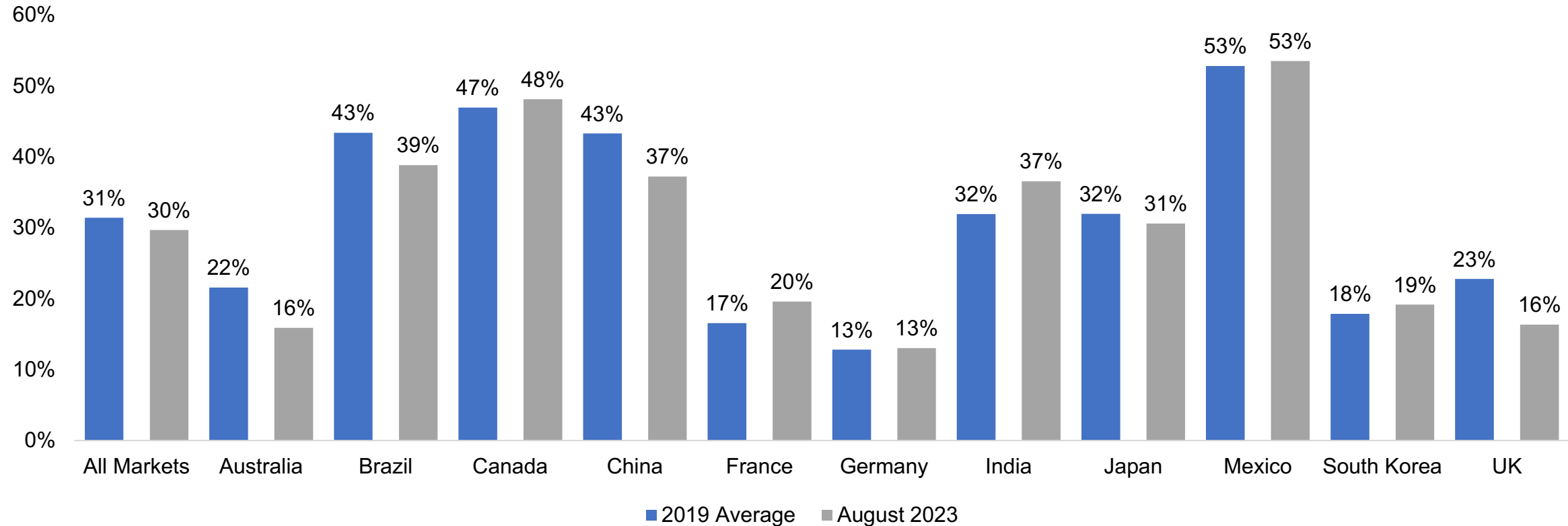
\$47 billion difference between  
2019 and 2023 at current  
performance rates

Implies 38 million room nights  
(2.9% of 2023 room demand)



# International inbound sentiment is gaining momentum

## Likelihood to Travel to the US in the Next 12 Months



Base: Respondents who are likely to take an international holiday in the next 12 months  
Q. In the NEXT 12 MONTHS, what country or countries will you visit on your international holiday(s)? - % United States

Source: Brand USA/Big Village's Caravan Omnibus Study



“International inbound business from Latin America is pacing strong. European travel ...continues to build ...creating opportunity. And perhaps most significantly, ...we believe inbound travel from Japan, Korea and eventually China will yield positive returns for our business.”

Hertz, 2023Q1 earnings call

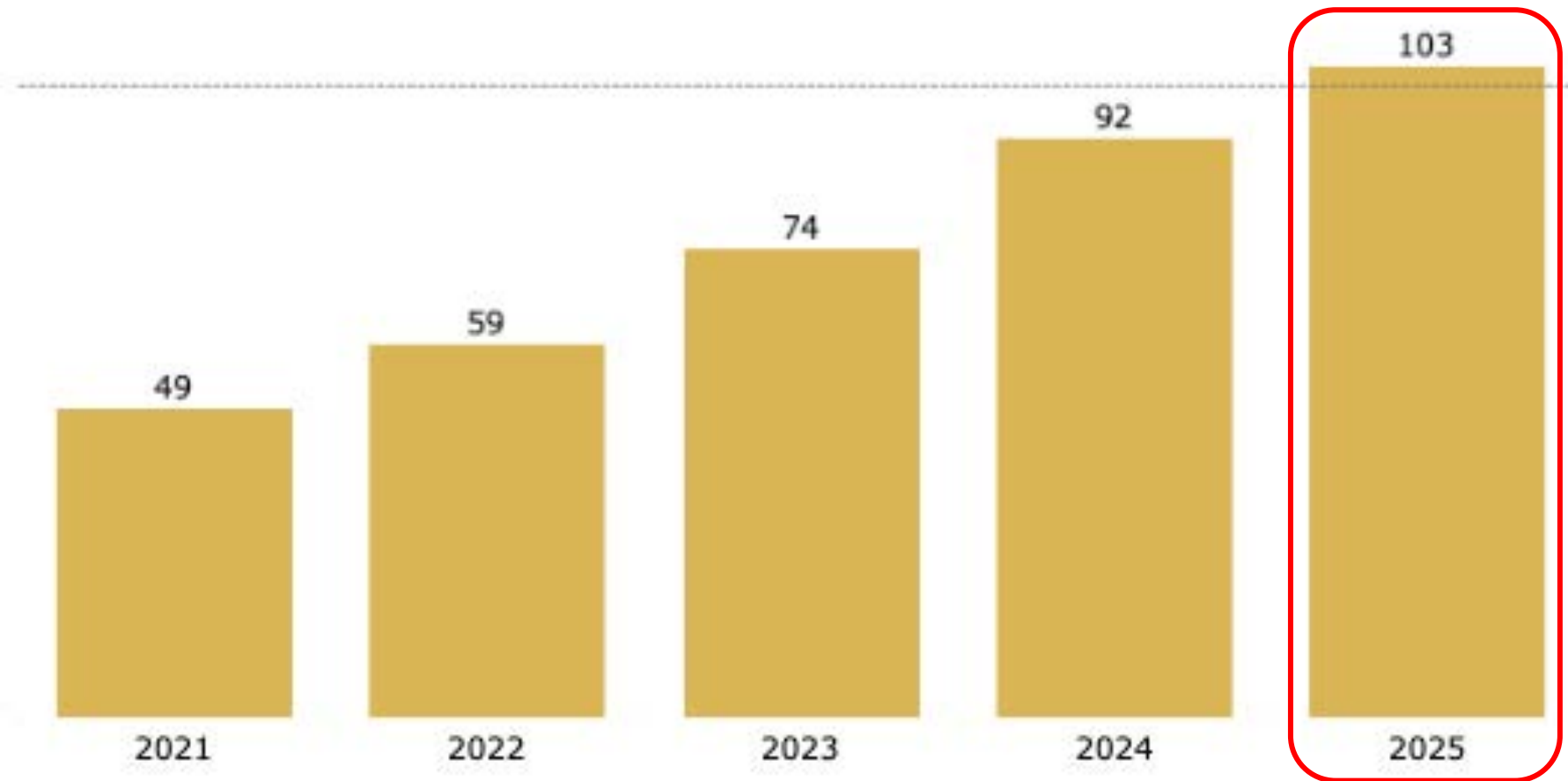


What about the state of Arizona?

# International *visitation* will recover in 2025

## International Visitor Arrivals

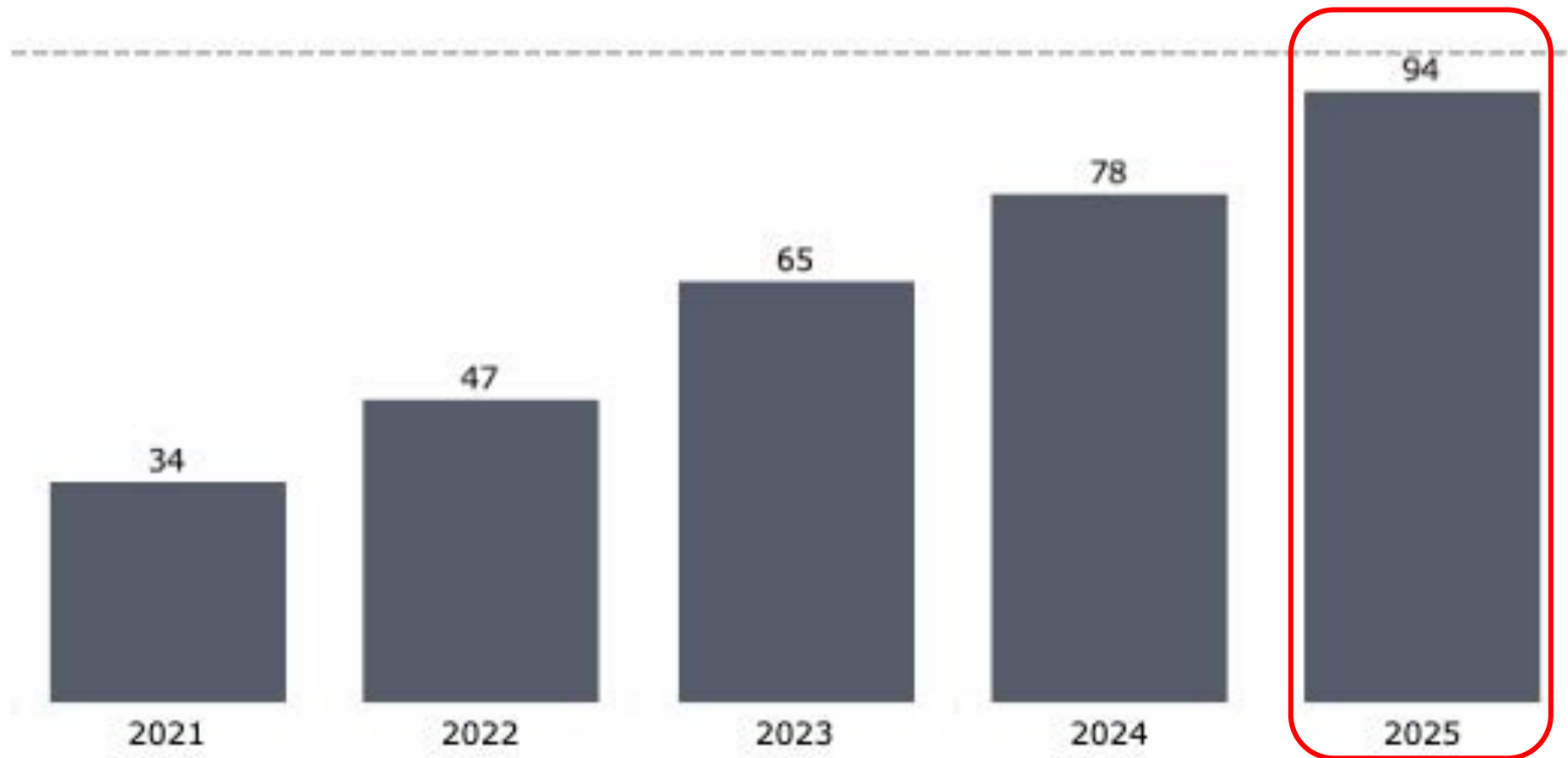
Arizona, (Index 2019 =100)



# International *spending* will almost be recovered in 2025

## Spending by International Visitors

Arizona, (Index 2019 =100)

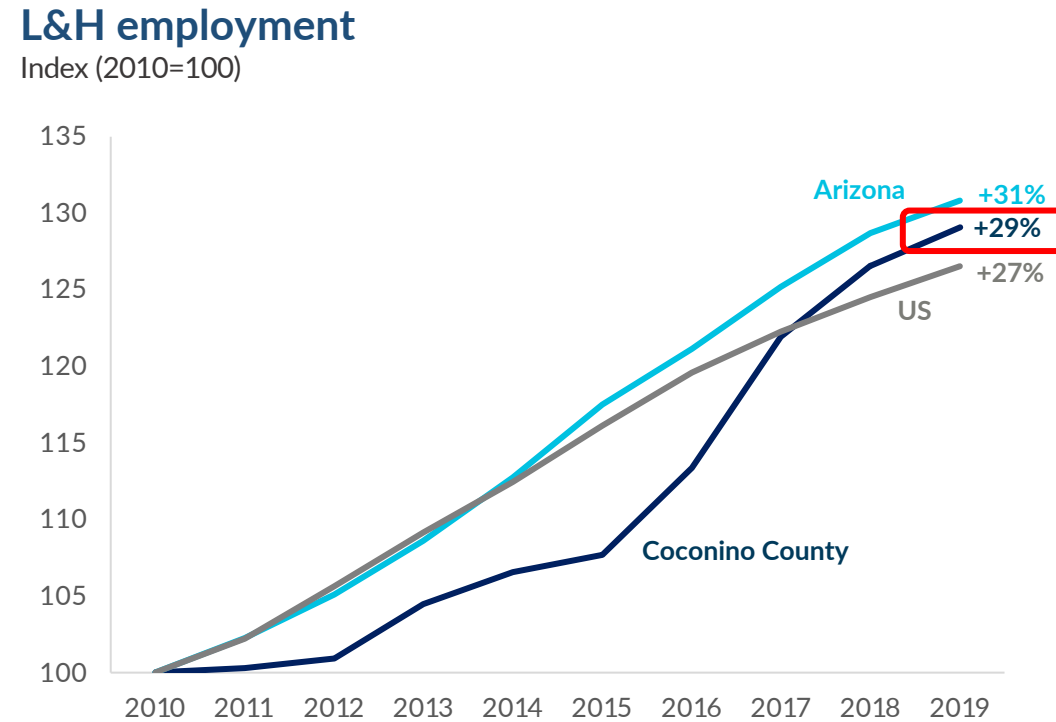






What about Flagstaff's workforce?

# LEISURE & HOSPITALITY SEGMENT EMPLOYMENT IN THE COUNTY OUTPACED THE NATION

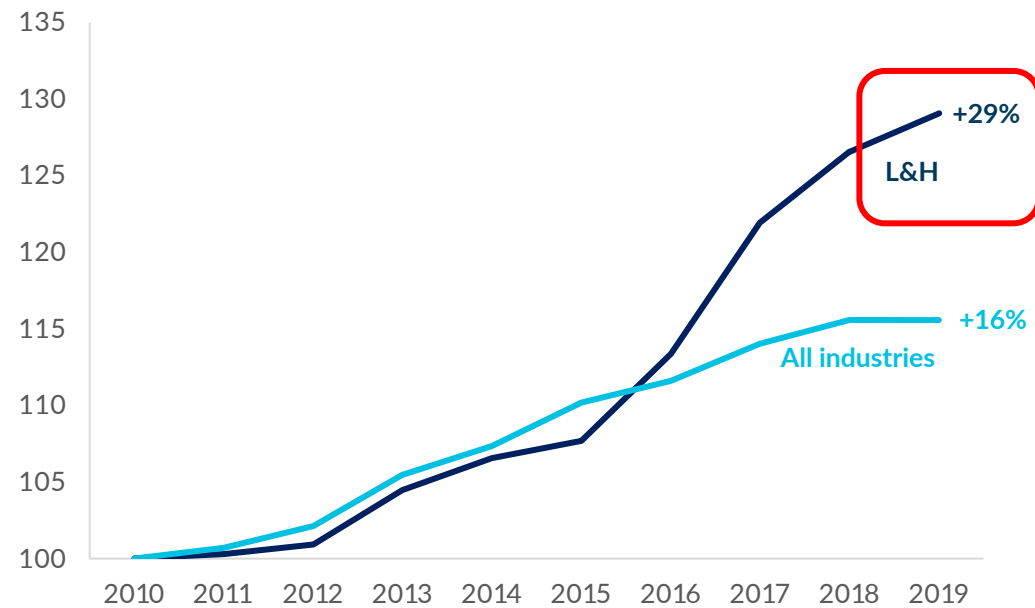


Source: BLS

# LEISURE & HOSPITALITY SEGMENT EMPLOYMENT IN THE COUNTY OUTPACED OTHER INDUSTRIES

## Coconino County Employment

Index (2010=100)

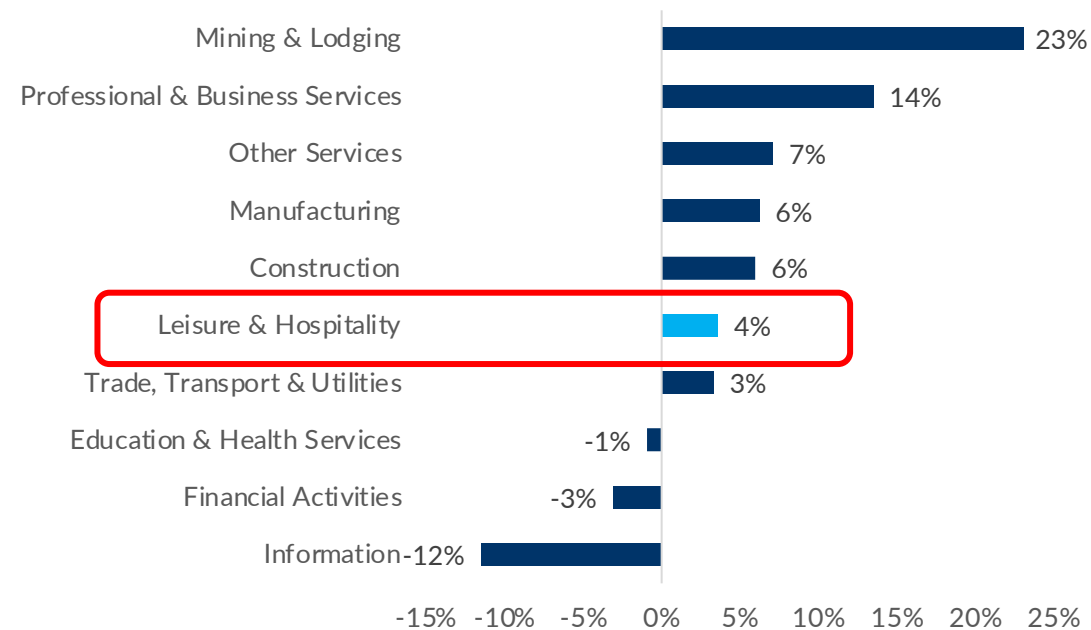


Source: BLS

# L&H EMPLOYMENT HAS RECOVERED ABOVE PRE- PANDEMIC LEVELS

## Coconino jobs recovery by industry, March 2023

% of industry growth relative to same month 2019

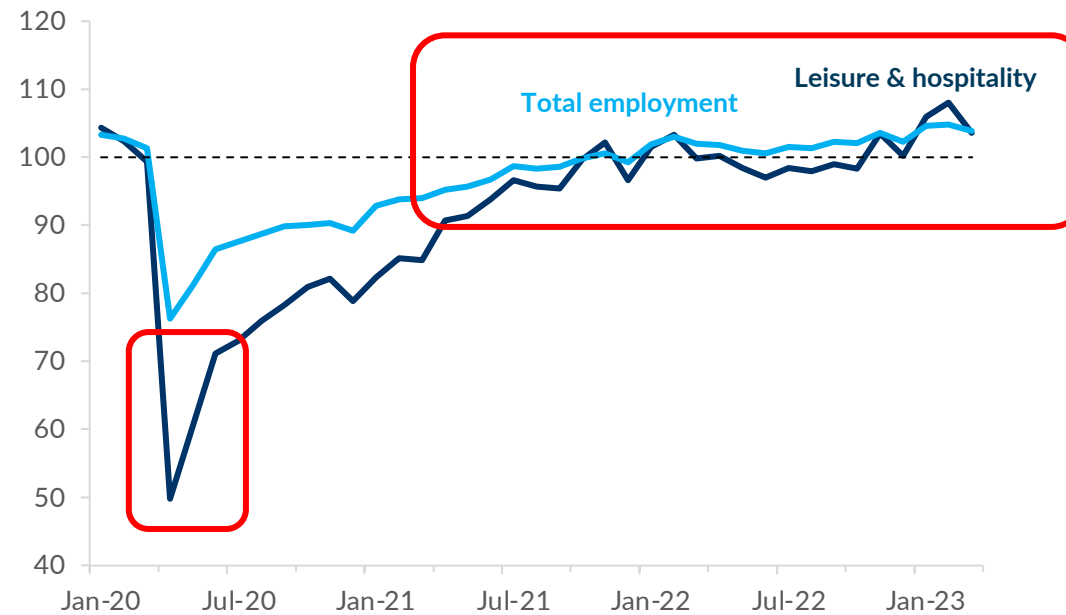


Source: BLS

# LEISURE & HOSPITALITY WITNESSED GREATER JOB LOSSES THAN OTHER INDUSTRIES BUT QUICKLY RECOVERED

## Coconino County employment recovery

Index (same month 2019=100)



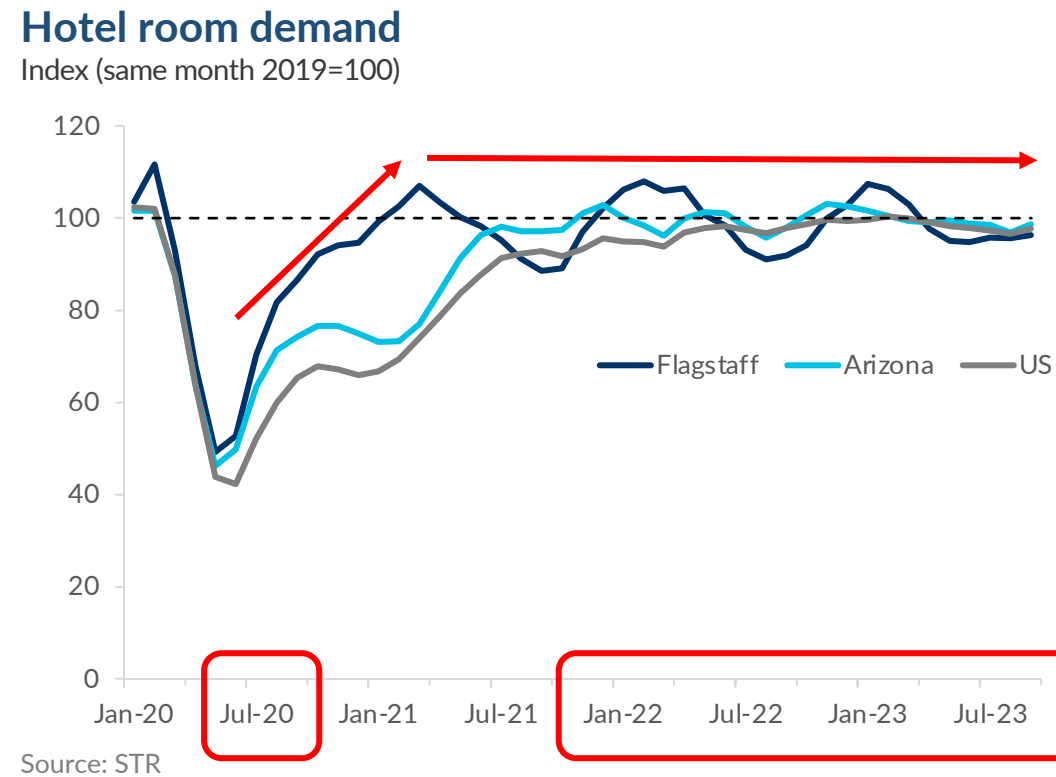
Source: BLS





# What about lodging in Flagstaff?

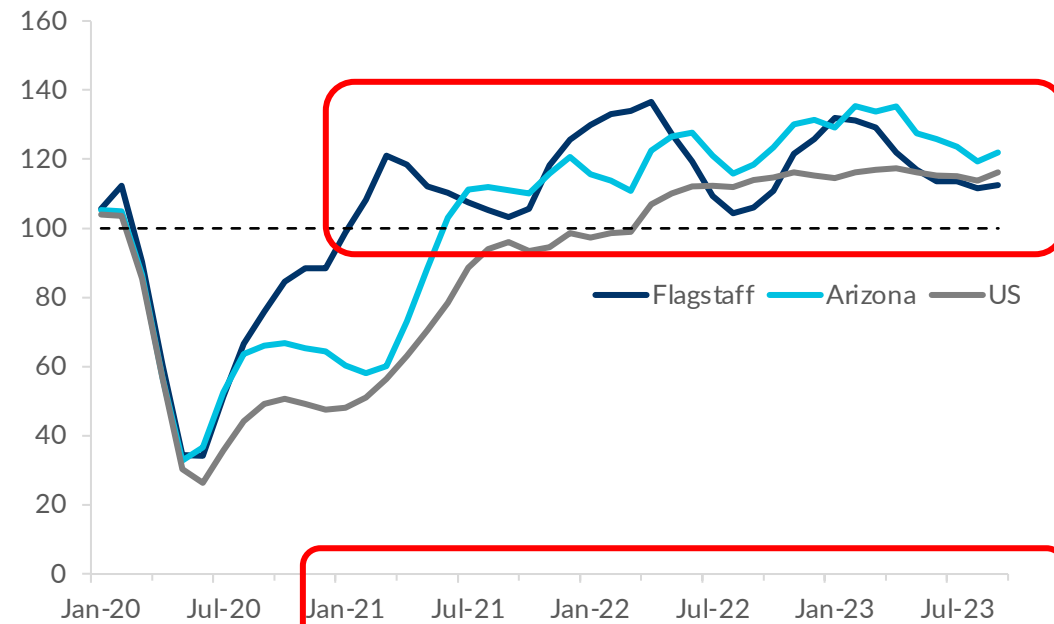
# HOTEL DEMAND IN FLAGSTAFF RECOVERED FASTER FROM PANDEMIC LOWS



# HOTEL REVENUE HAS BEEN ABOVE 2019 LEVELS SINCE JANUARY 2021

## Hotel room revenue

Index (same month 2019=100)

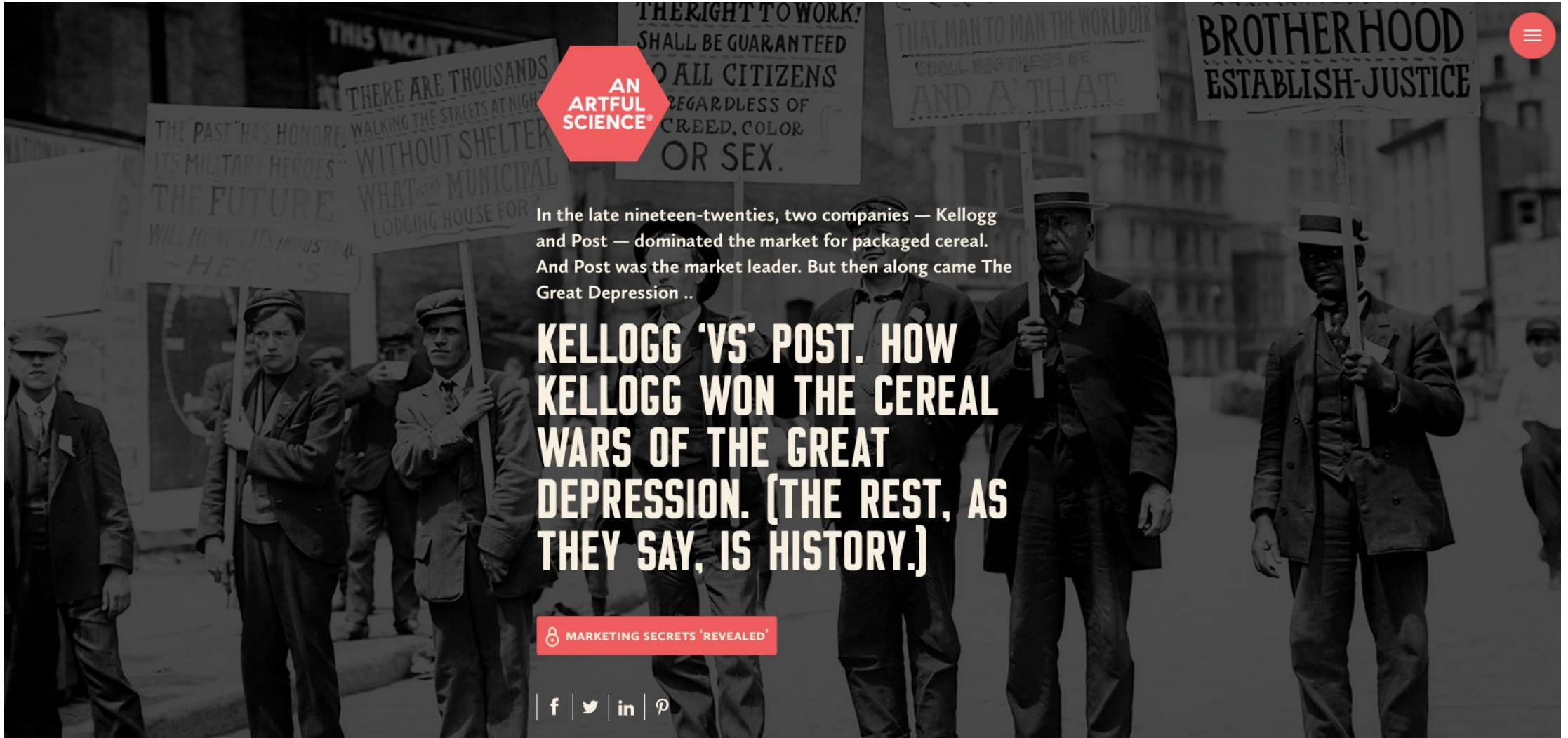


Source: STR



# Key Takeaways & Summary

# Post vs. Kellogg during the Great Depression...



**AN ARTFUL SCIENCE®**

In the late nineteen-twenties, two companies — Kellogg and Post — dominated the market for packaged cereal. And Post was the market leader. But then along came The Great Depression ..

**KELLOGG 'VS' POST. HOW KELLOGG WON THE CEREAL WARS OF THE GREAT DEPRESSION. (THE REST, AS THEY SAY, IS HISTORY.)**

**MARKETING SECRETS 'REVEALED'**

f | t | in | p



# History Favors the Bold: Colorado vs. UT, AZ & NV



WHAT WE DO

INSIGHTS

NEWS

ABOUT US

## The Rise and Fall of Colorado Tourism

What happens when you take a successful advertising campaign and cut the budget to zero?



# Flagstaff's Great Opportunity: Press Forward; Take Over.



# Summary

## 1 A mild recession is likely in Q4 of 2023

- Inflation and higher interest rates will leave a mark
- Strong balance sheets should limit the downside

## 2 Visitor economy is well-positioned

- Households are in a fiscally strong position
- Pent-up demand is prioritizing travel
- Business travel continues to rebuild
- International is coming back



And Hey...Things are looking up for AZ Sports...





# One Game at a time...starting tonight!

World Series - Game 5, TEX LEADS SERIES 3-1

Rangers  
3-1



FOX  
5:03 PM MT  
TEX -115



Diamondbacks  
1-3



## Can the Answerbacks do it again? How D-backs are approaching a must-win Game 5

Arizona has responded every time its improbable postseason run has appeared over -- and that's exactly why it believes it can overcome the biggest challenge yet.

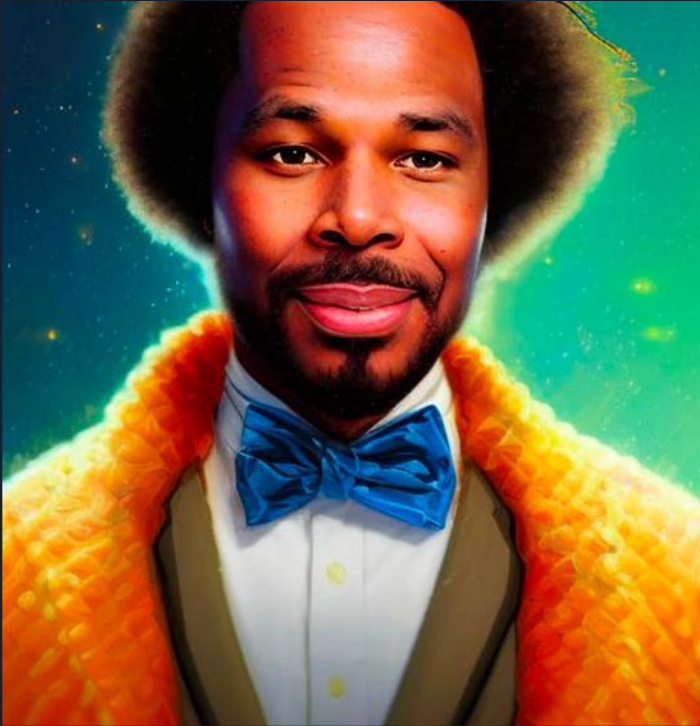
6h • Jesse Rogers



...AND Kyler's Coming BACK! Awww...



# The future is bright in Flagstaff! We have haircuts again!





# Thank You!

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