



# Can Huntington Beach Defy Economic Gravity?

Huntington Beach, CA  
June 2023



# Tourism Economics

The background of the slide is a blue-tinted photograph of an airport terminal. The ceiling is a prominent feature, with a complex grid of structural beams and skylights. In the lower half of the image, a security checkpoint is visible, featuring a tall, narrow metal detector and a conveyor belt system. The overall atmosphere is clean and modern, typical of a large transportation hub.

# 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 topped Focus Economics Analyst Forecast Awards, with 66 first-place rankings across macroeconomic indicators for 100 countries in 2021.



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

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

The Bloomberg logo, consisting of the word "Bloomberg" in a bold, black, sans-serif font.

## **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.

# 66 1<sup>ST</sup> PLACE RANKINGS ACROSS 100 COUNTRIES



**FOCUS**ECONOMICS  
Economic Forecasts from the World's Leading Economists

Ranking of forecasters' performance 2017-2021

	2021	2020	2019	2018	2017	5-year total
1 Oxford Economics	165	100	111	114	105	595
2 EIU	119	118	90	124	99	550
3 Citigroup Global Mkts	67	83	69	97	95	411
4 Fitch Solutions	115	56	89	89		349
5 Capital Economics	50	85	98	62	48	343
6 JPMorgan	64	64	43	55	59	285
7 HSBC	29	49	49	57	47	231
8 Euromonitor International	56	41	45	57	26	225
9 Standard Chartered	50	32	41	37	36	196
10 ING	25	32	26	31	61	175



TE serves 500+ destinations, companies, and associations



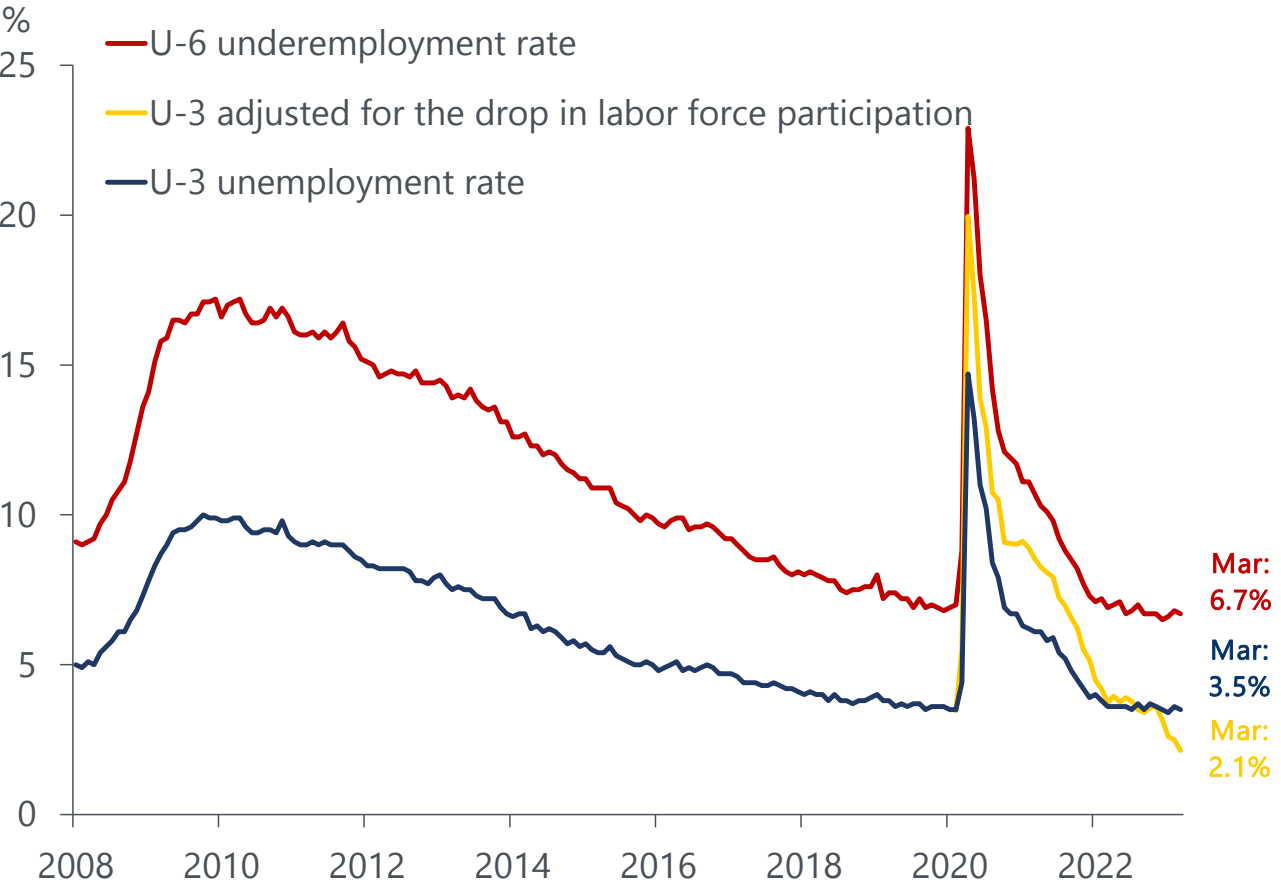
**Let's answer this by asking a few questions...**

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



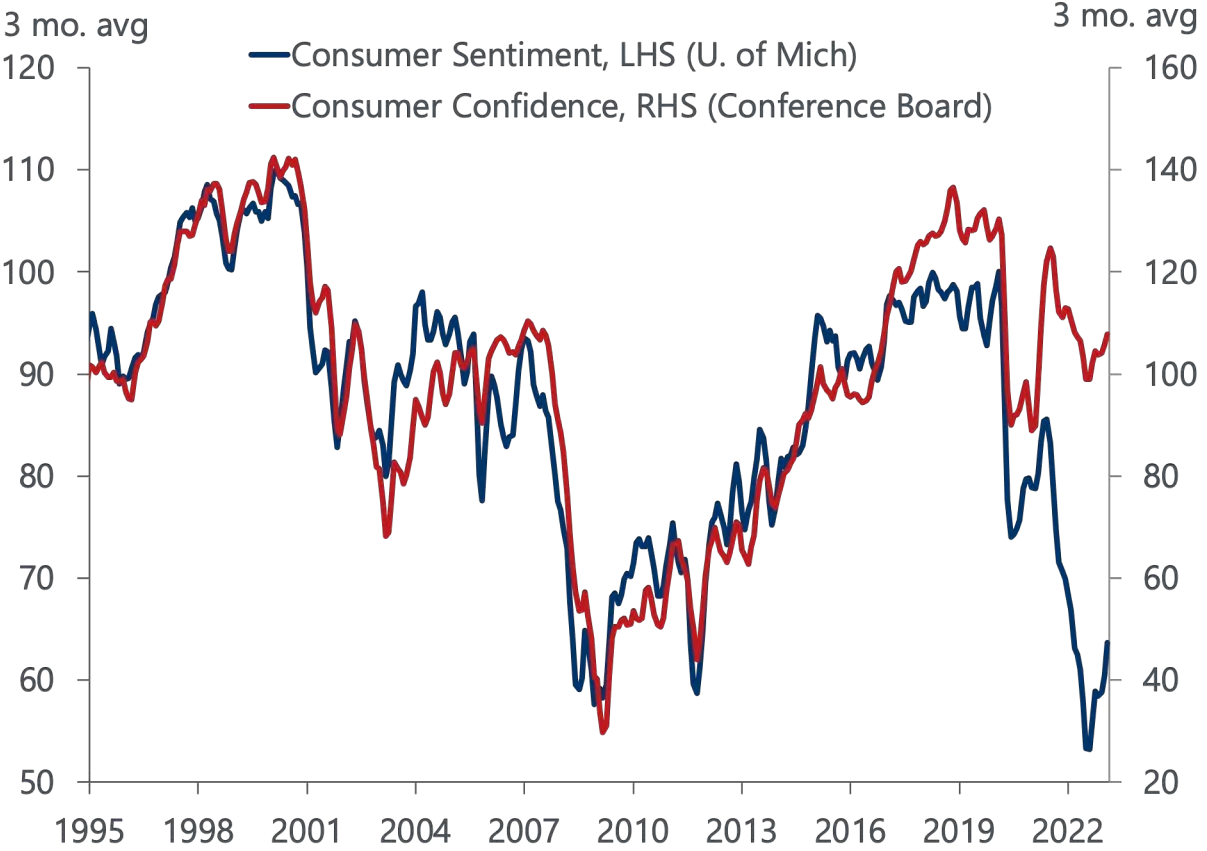
# U.S. unemployment rate the lowest in 50 years

US: Unemployment rates



# Yet, consumers are feeling uneasy

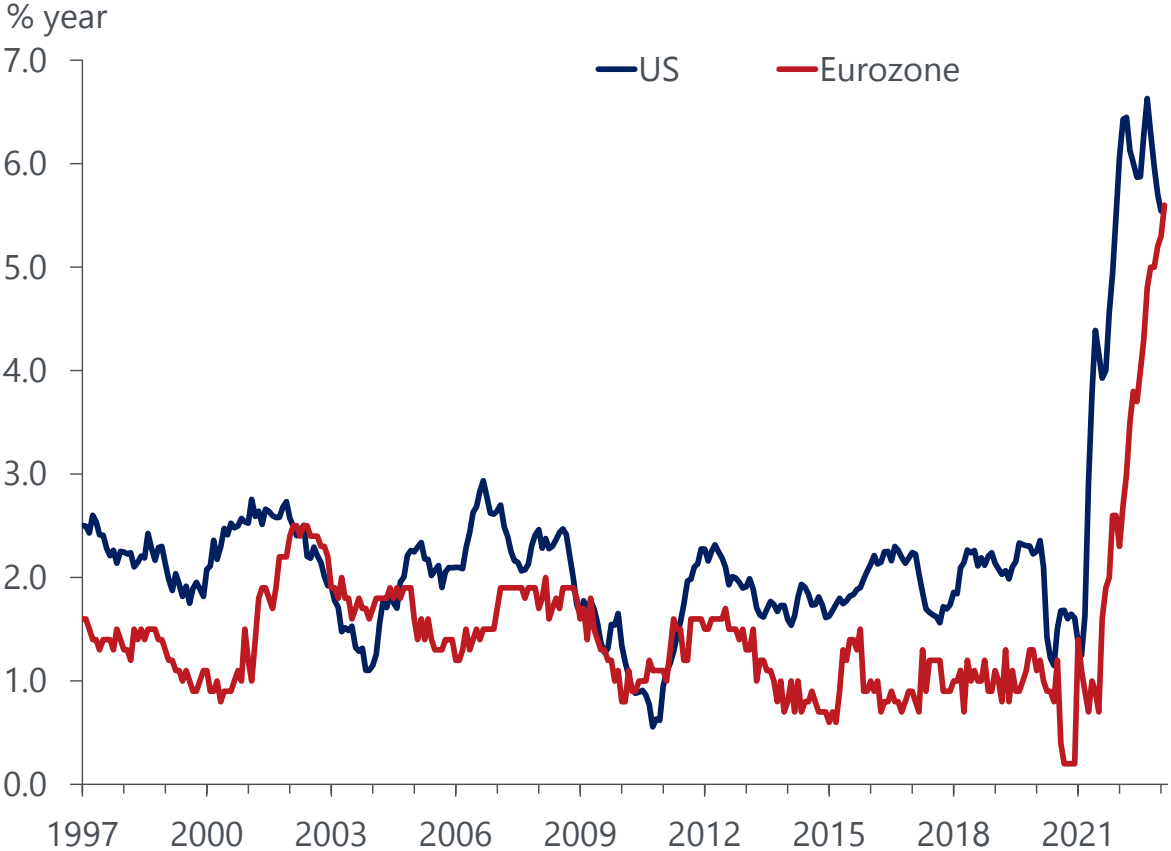
## US: Consumer surveys



Source: Oxford Economics/Haver Analytics

# The culprit? Inflation

Advanced economies: Core CPI inflation

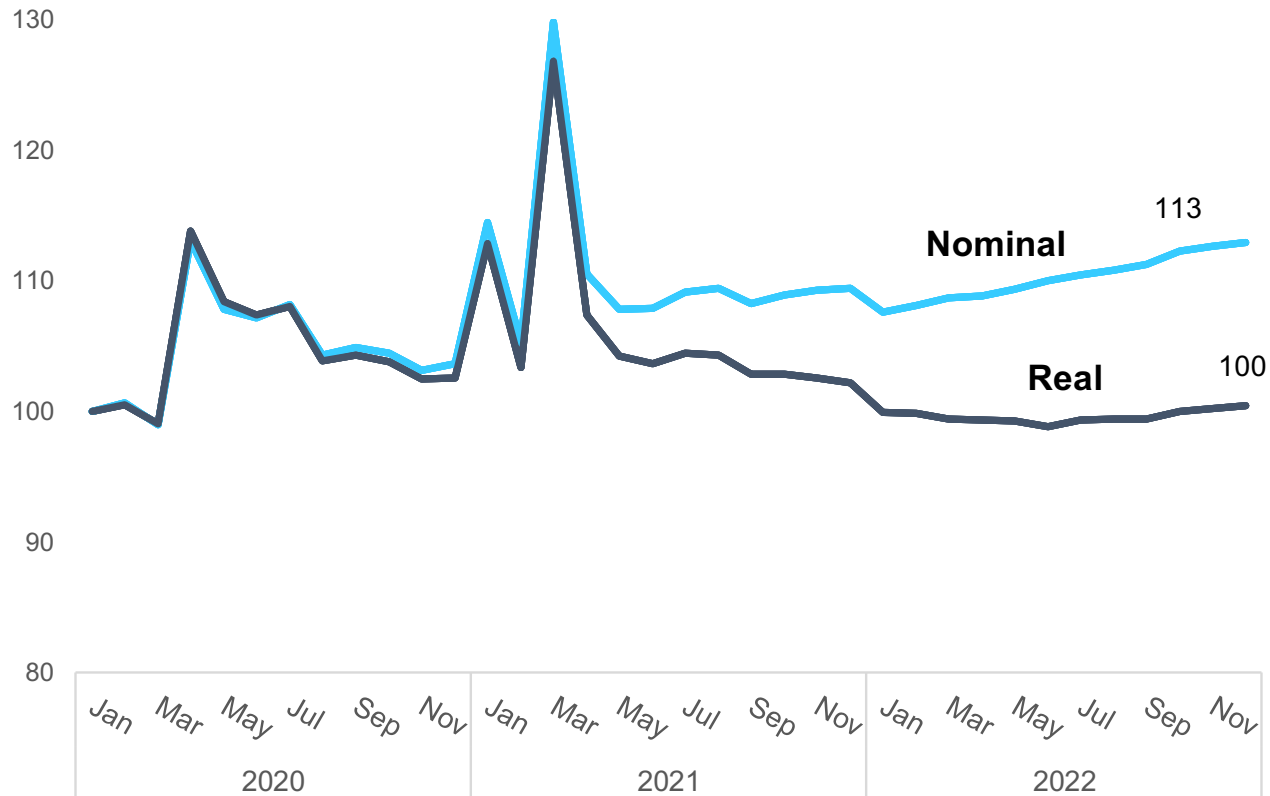


Source : Oxford Economics/Haver Analytics

# 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.

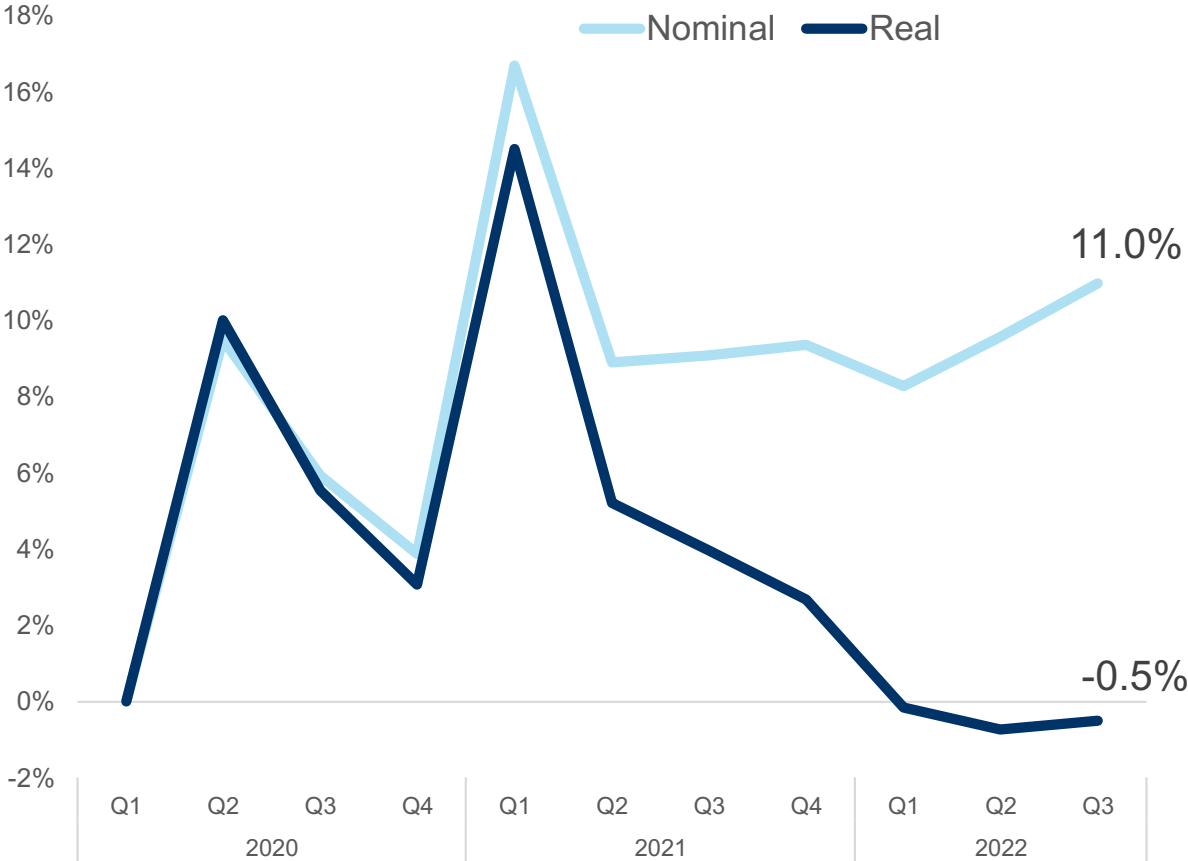
Note: Disposable personal income, seasonally adjusted

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 worth of pre-inflation stuff."

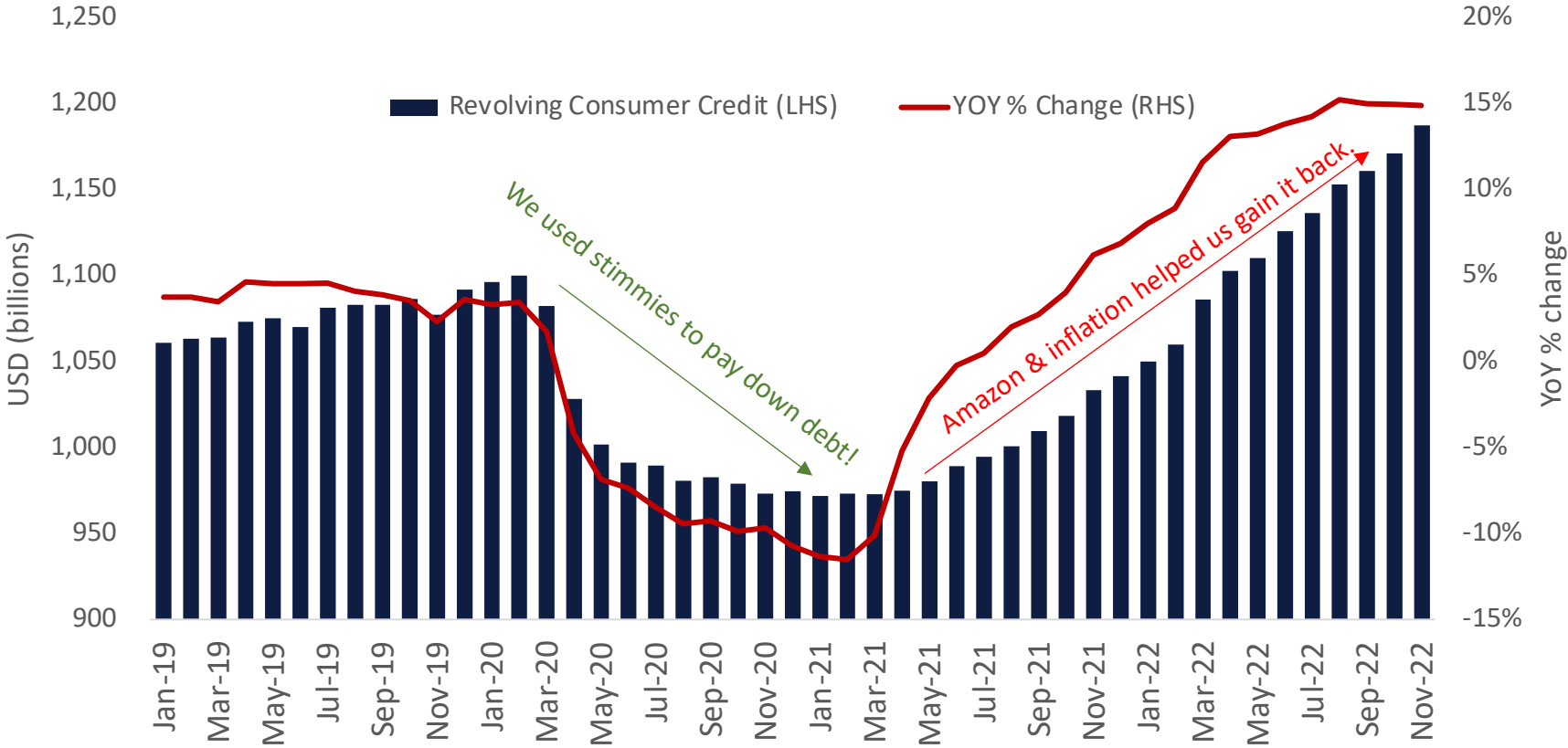
Less bang for your buck!

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

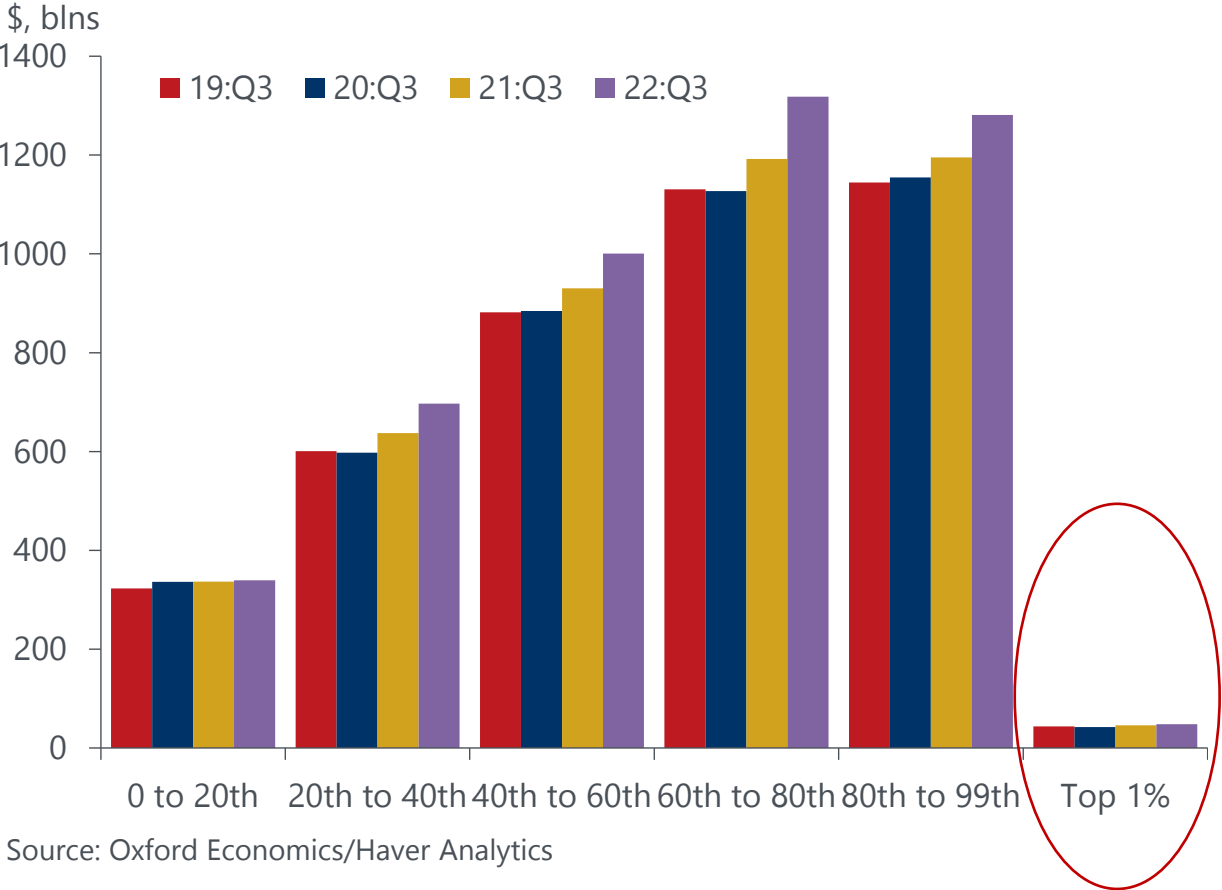
## U.S.: Revolving credit has surpassed pre-pandemic levels



Oxford Economics/Haver Analytics

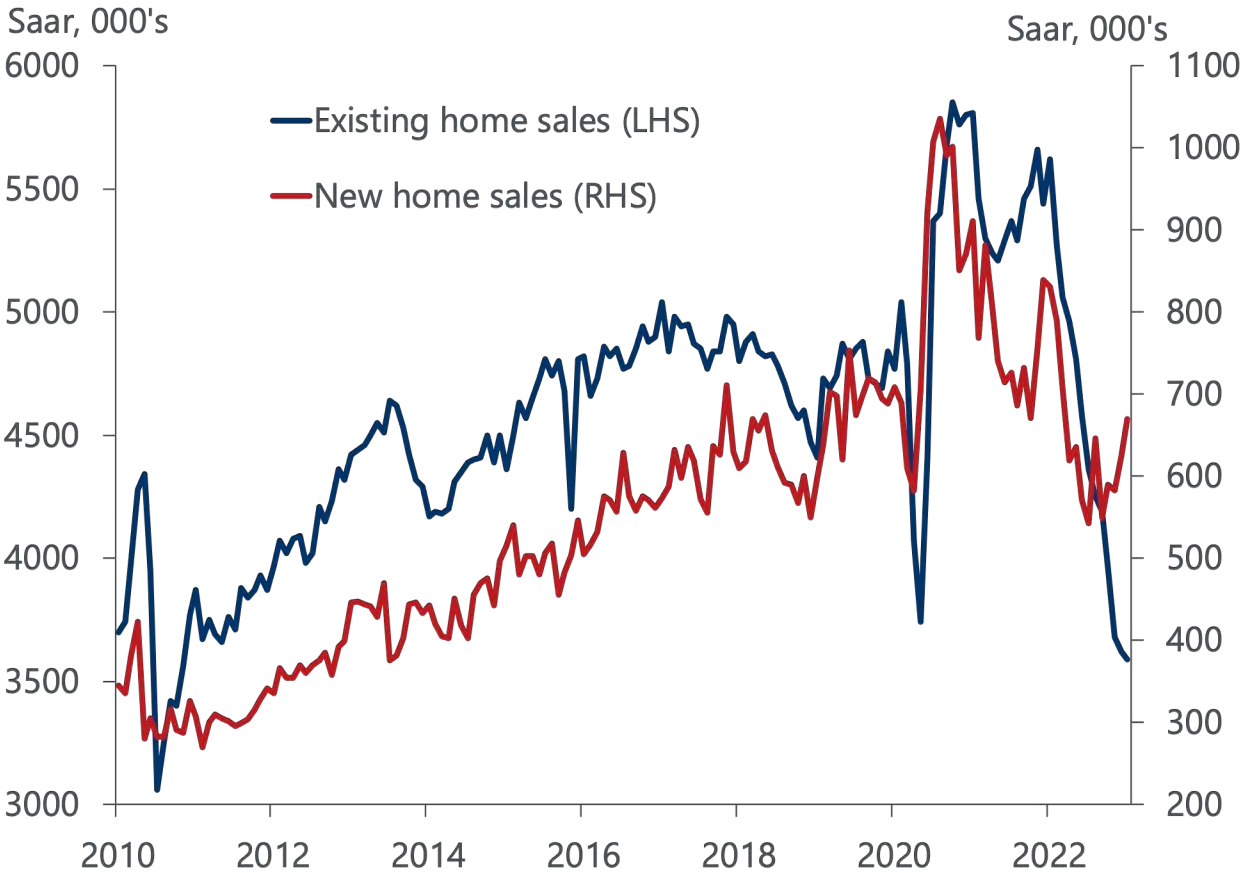
# Shout out to the 1% in here for living within their means

US: Outstanding consumer credit



# Housing market is already in recession

US: New and existing home sales

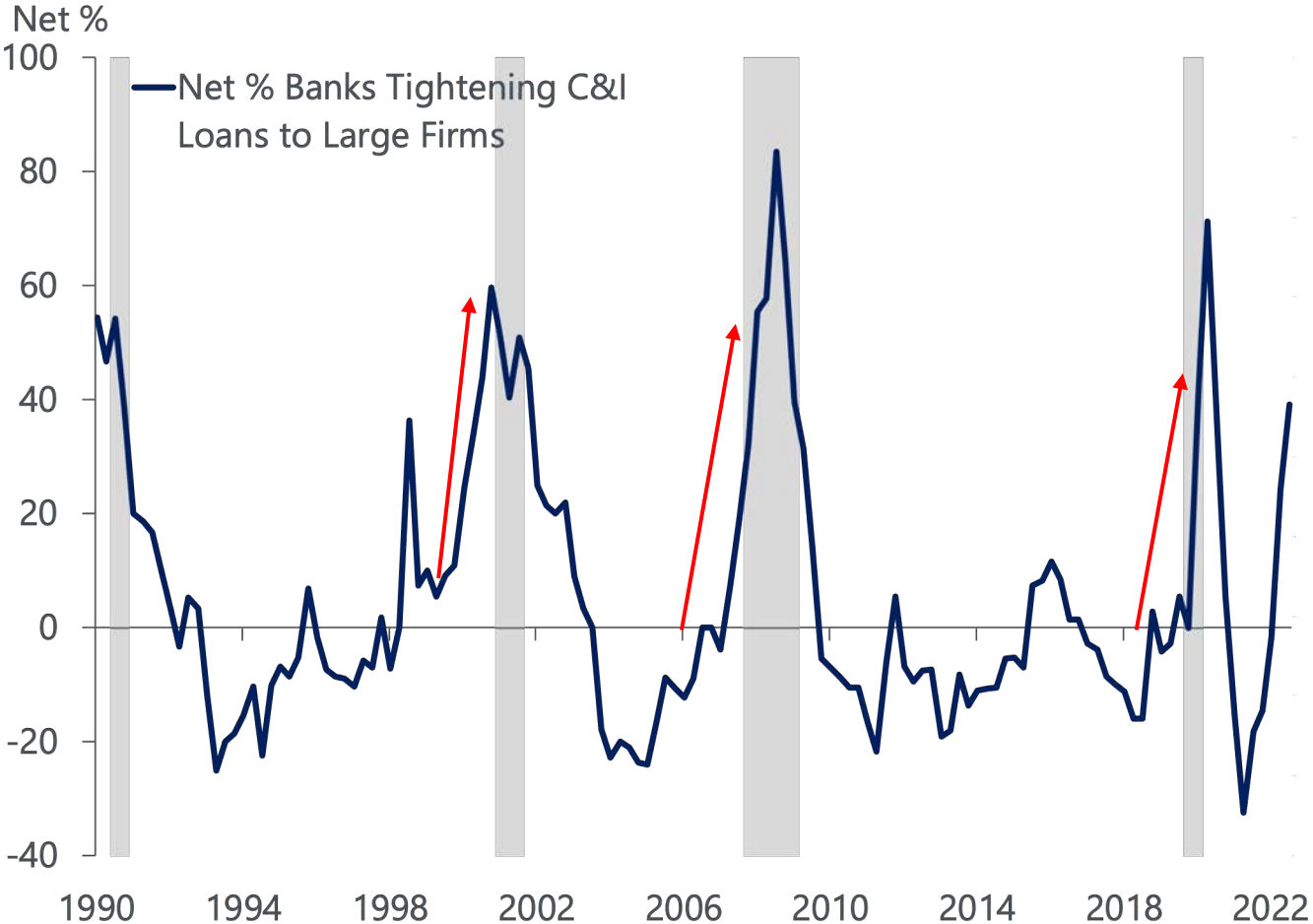


Source: Oxford Economics/Haver Analytics



# Credit conditions becoming less favorable...

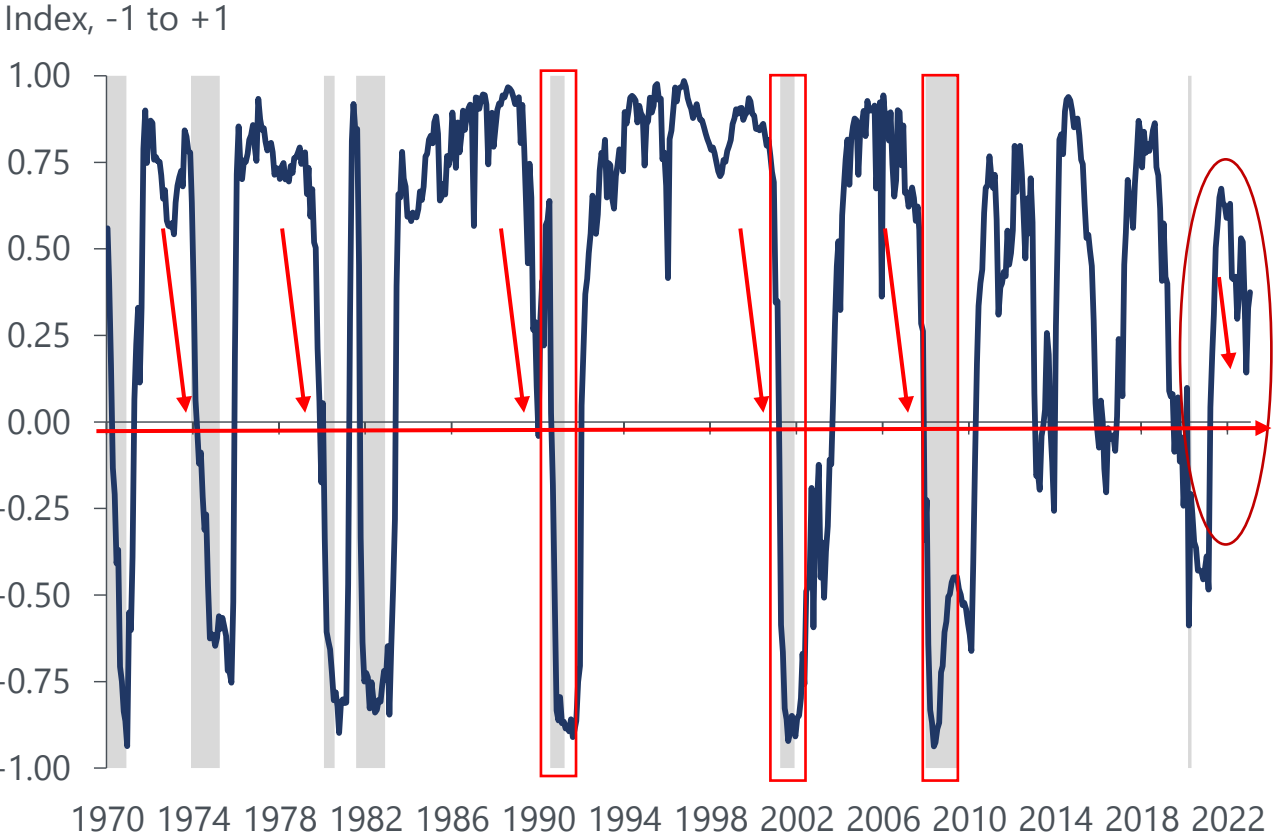
US: FRB Sr Officers Survey: Banks Tightening C&I Loans



Source: Oxford Economics/Haver Analytics

# Oxford indicator points to an economic contraction later this year

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

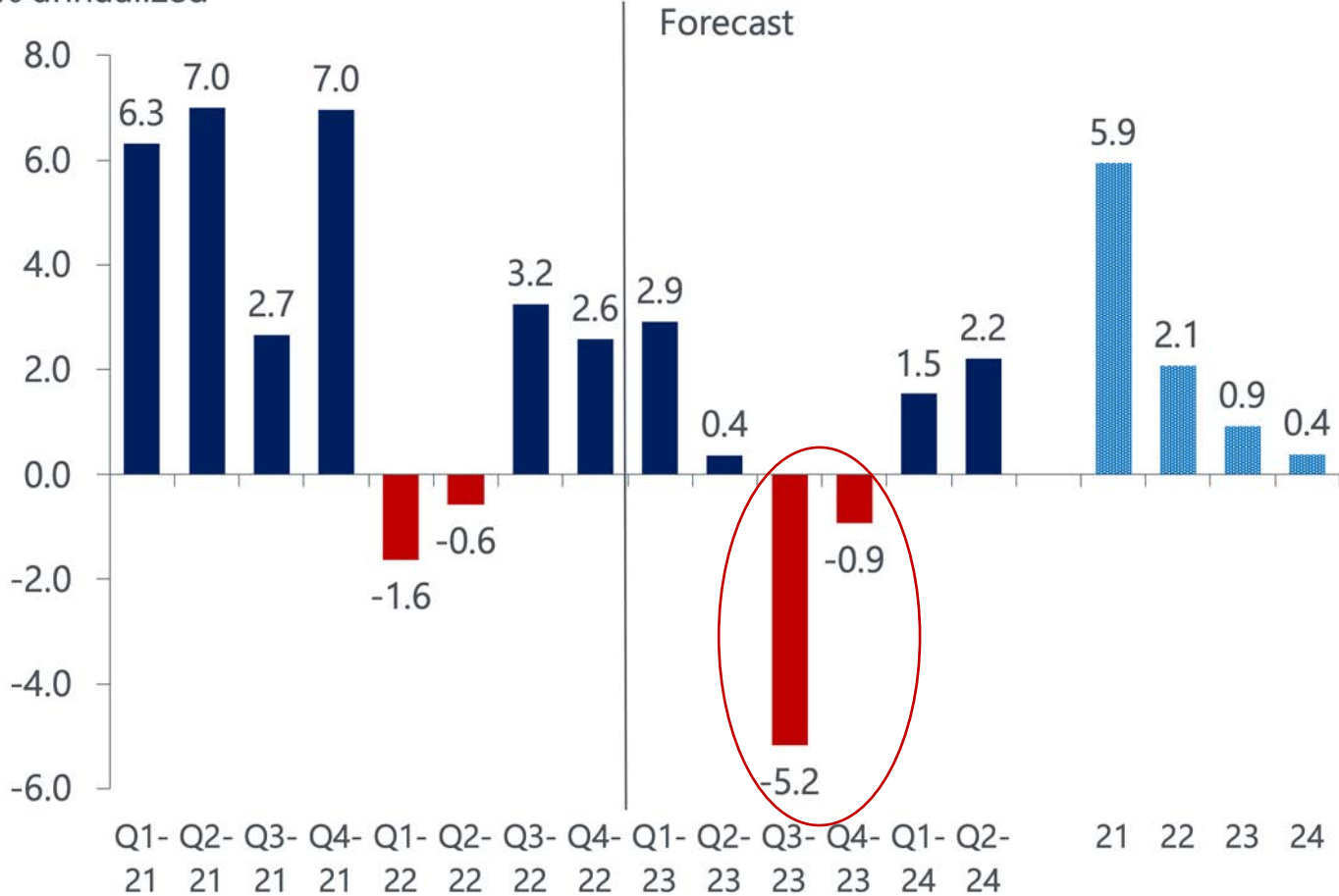


The sharp fall in our U.S. business cycle indicator in February suggests the economy lost momentum midway through Q1.

Source: Oxford Economics/Haver Analytics

# We are headed toward a recession in the second half of 2023

US: GDP Forecast  
% annualized

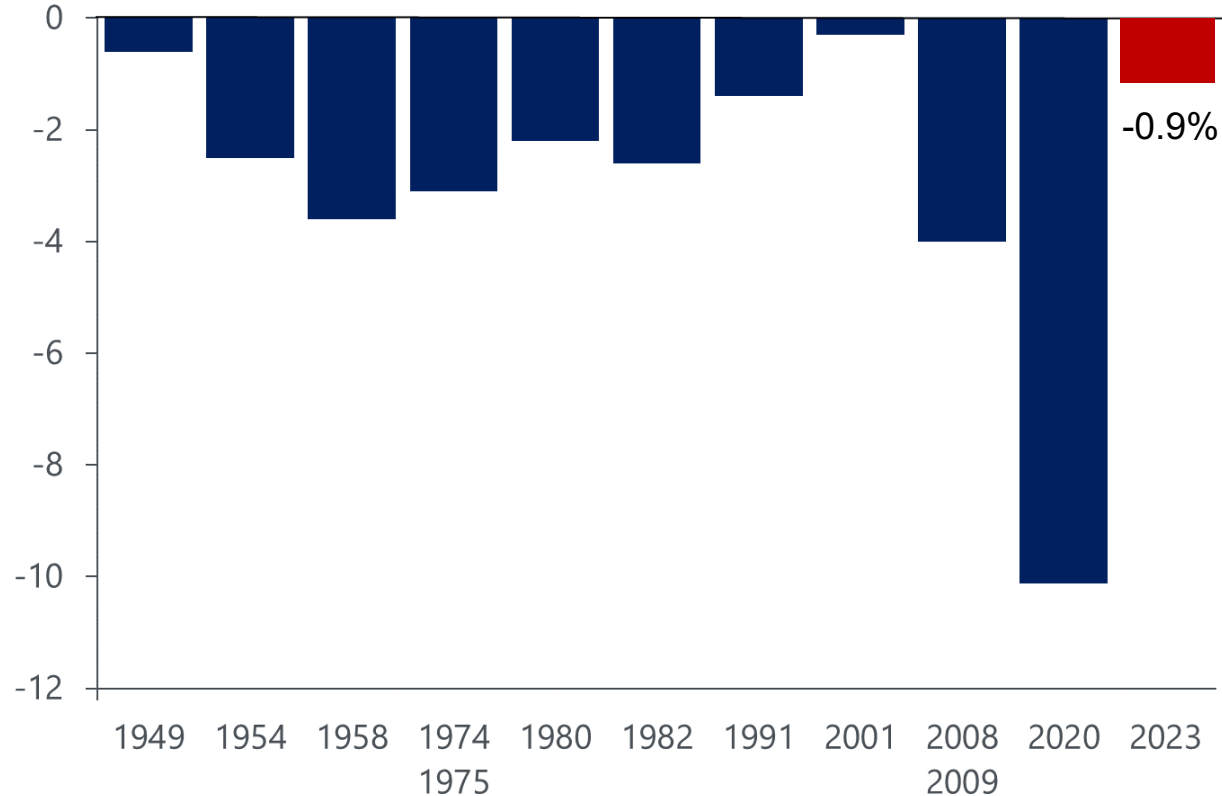


Source: Oxford Economics/Haver Analytics

# But a recession will be mild by historical standards

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

% change, peak to trough

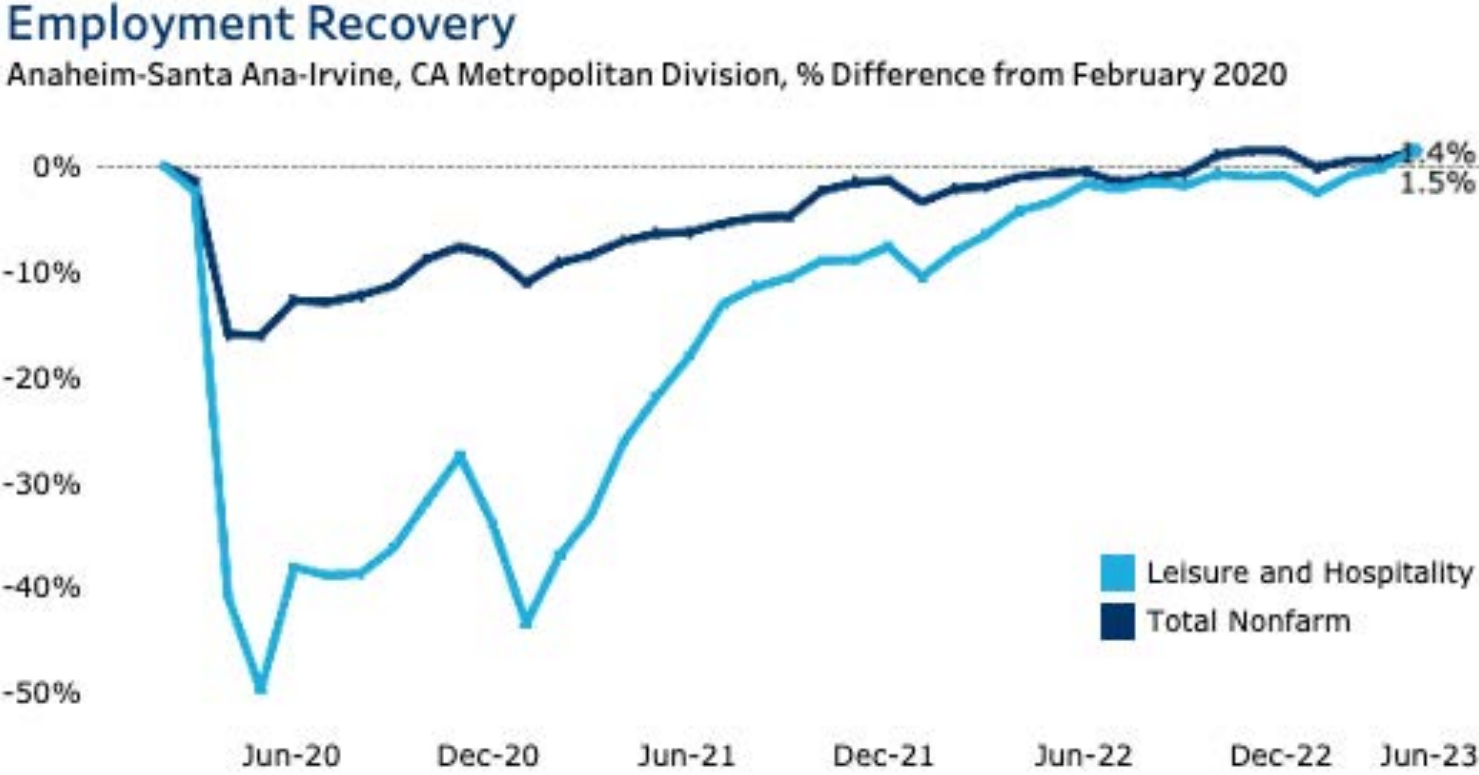


Source : Oxford Economics/Haver Analytics

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.

# L & H jobs are trending toward full recovery

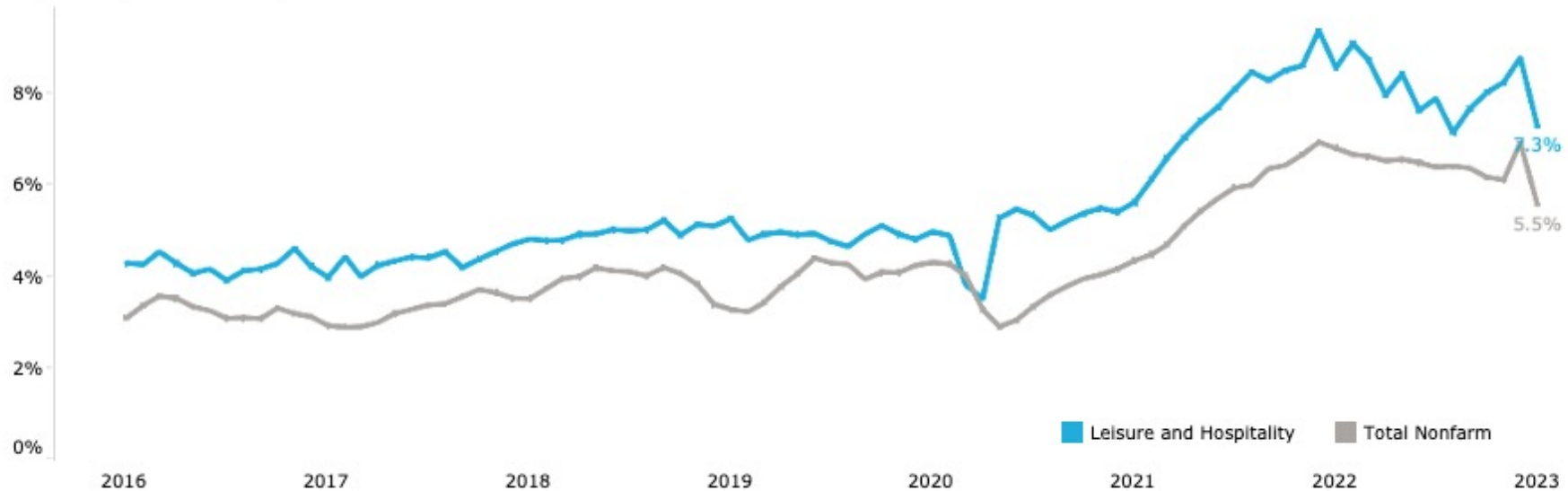


Source: BLS – Current Employment Statistics

# But nearly 1-in-10 leisure & hospitality jobs remains unfilled

Job Openings Rate: Leisure and Hospitality vs. Total Nonfarm

Los Angeles-Long Beach-Anaheim, CA



The **7.3%** open rate in March represented **53k** unfilled L & H jobs.

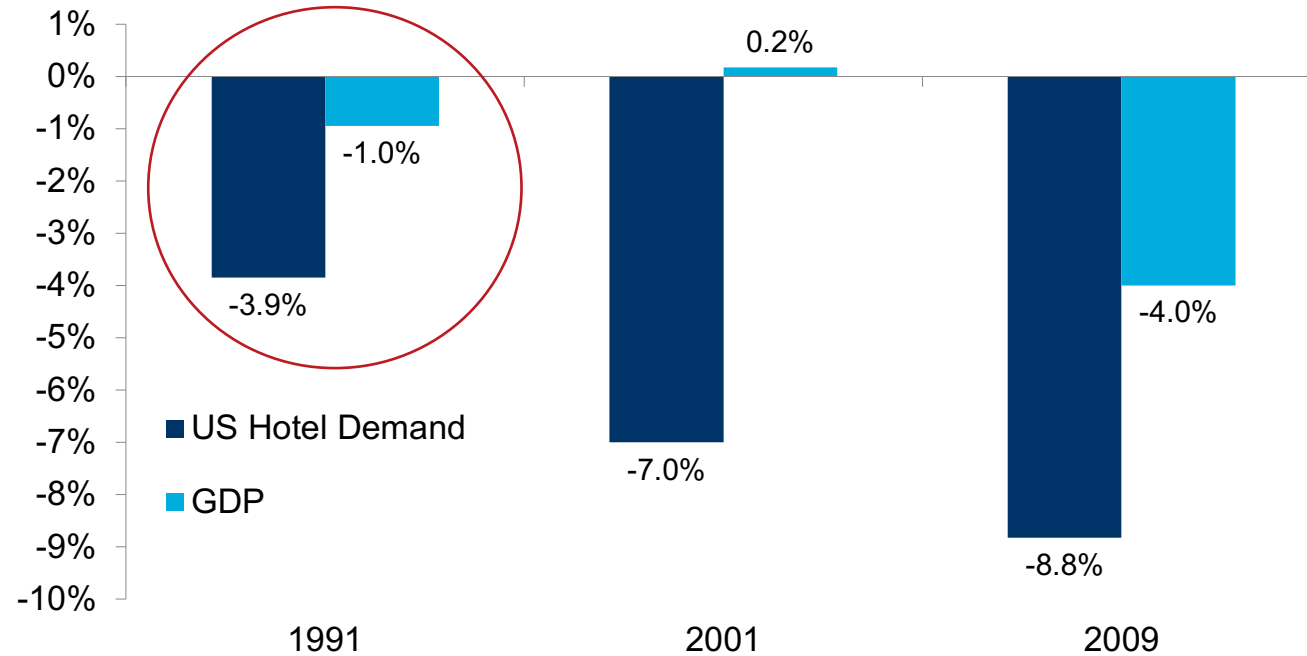
Source: Tourism Economics; BLS

- 1** Are we headed for a recession?
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# 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 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

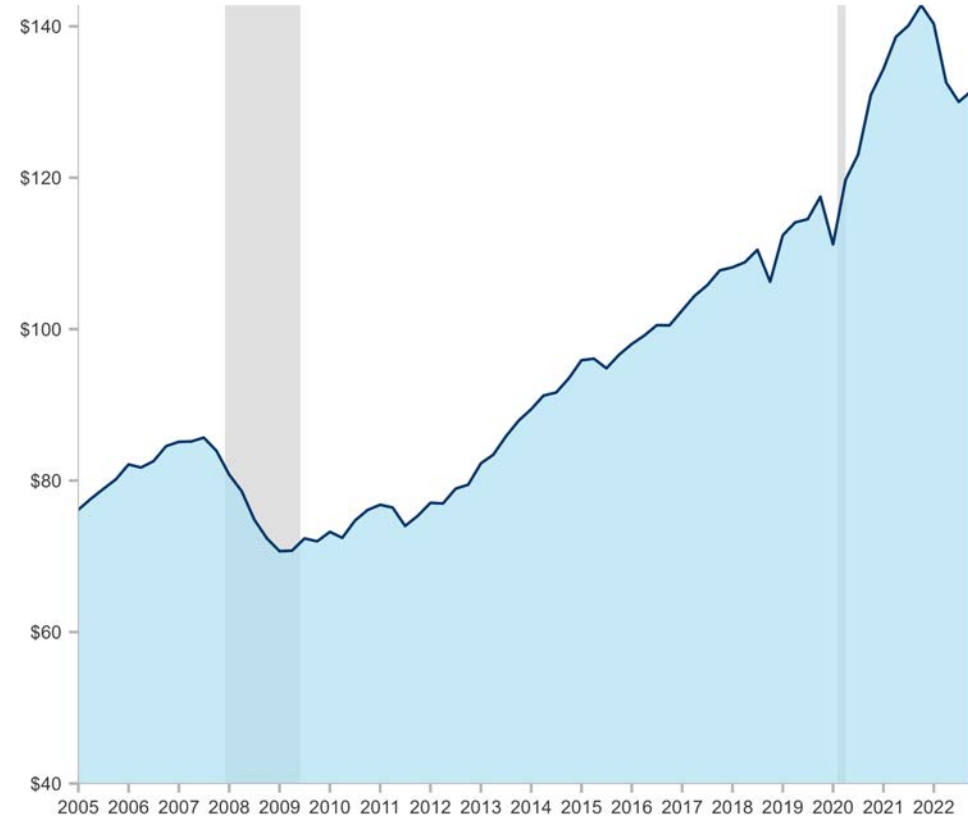
Financial obligations as ratio to disposable income



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

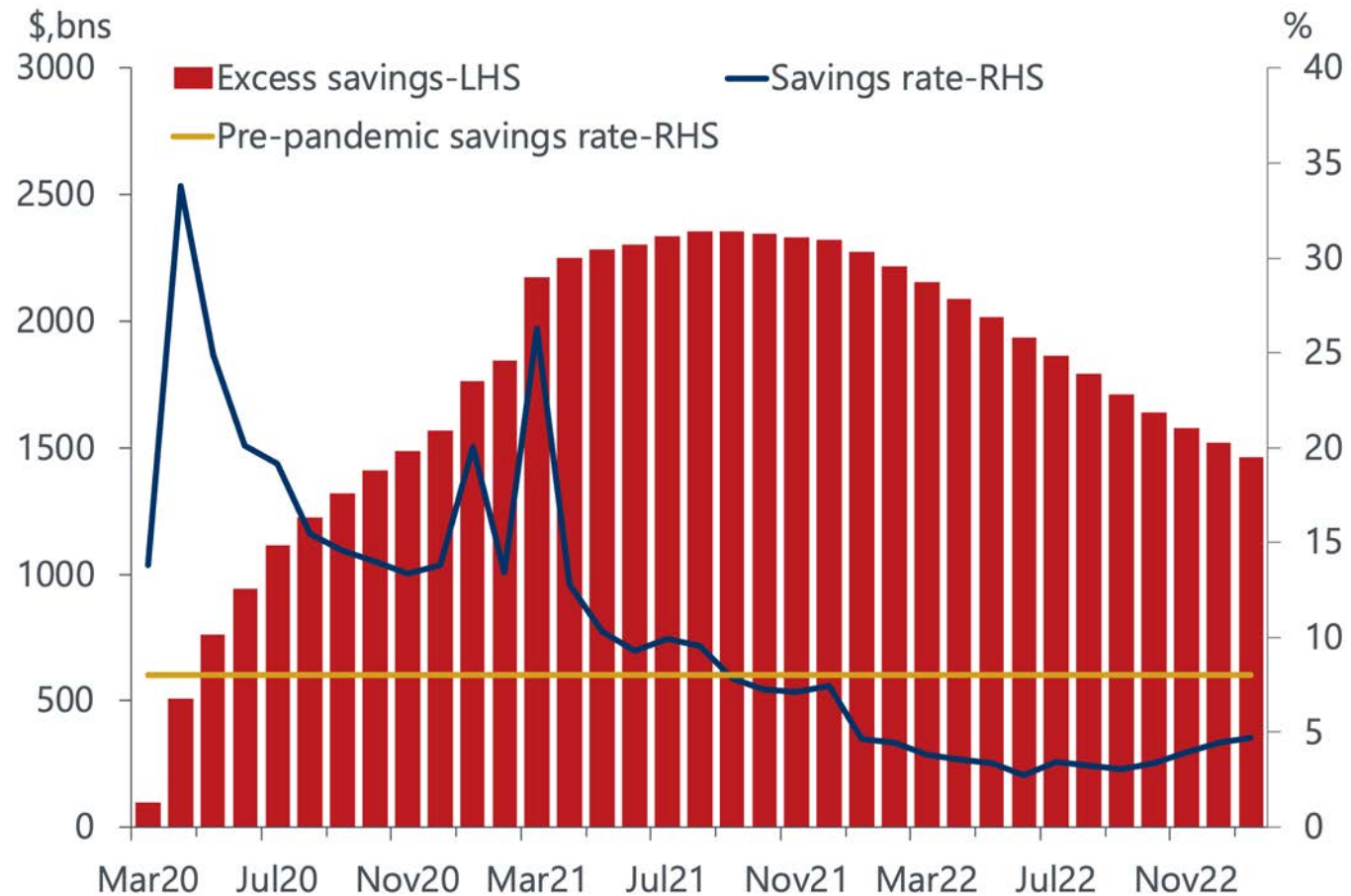
In trillions, real



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

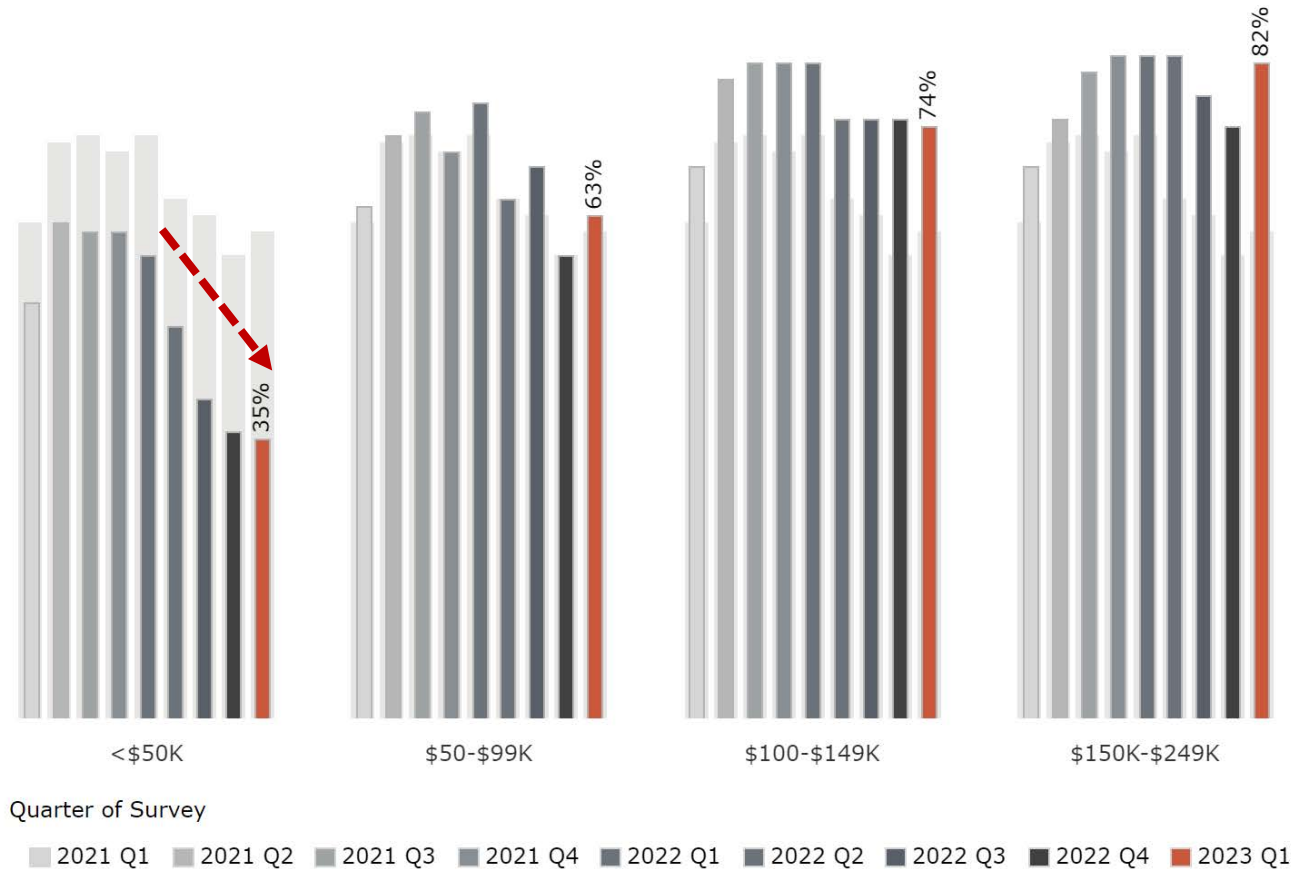
(Remarks edited for clarity)

# Why the travel industry may defy economic gravity

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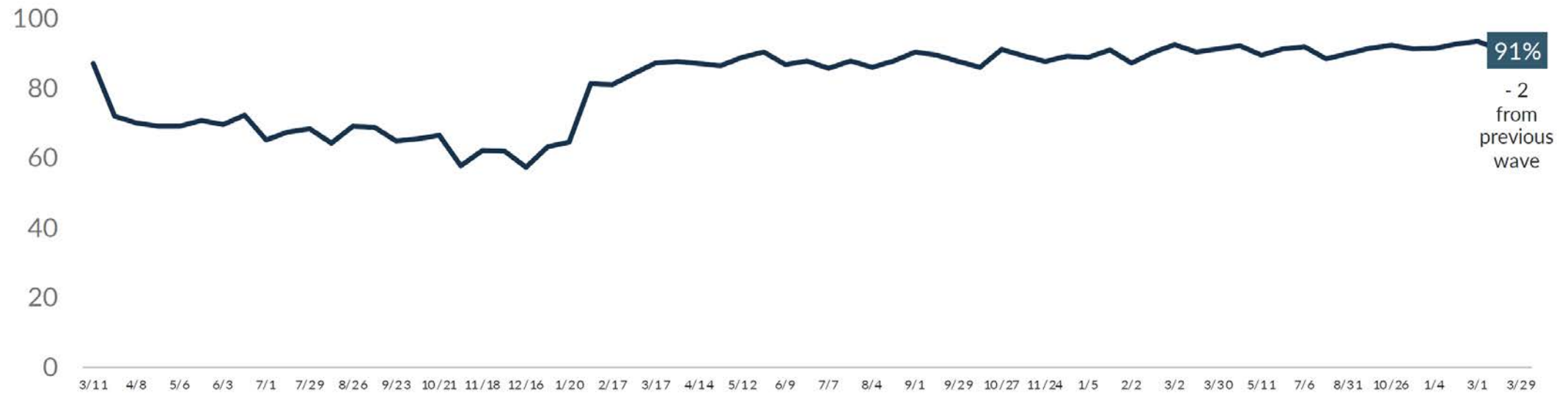
# Slippage evident among lower income earners

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



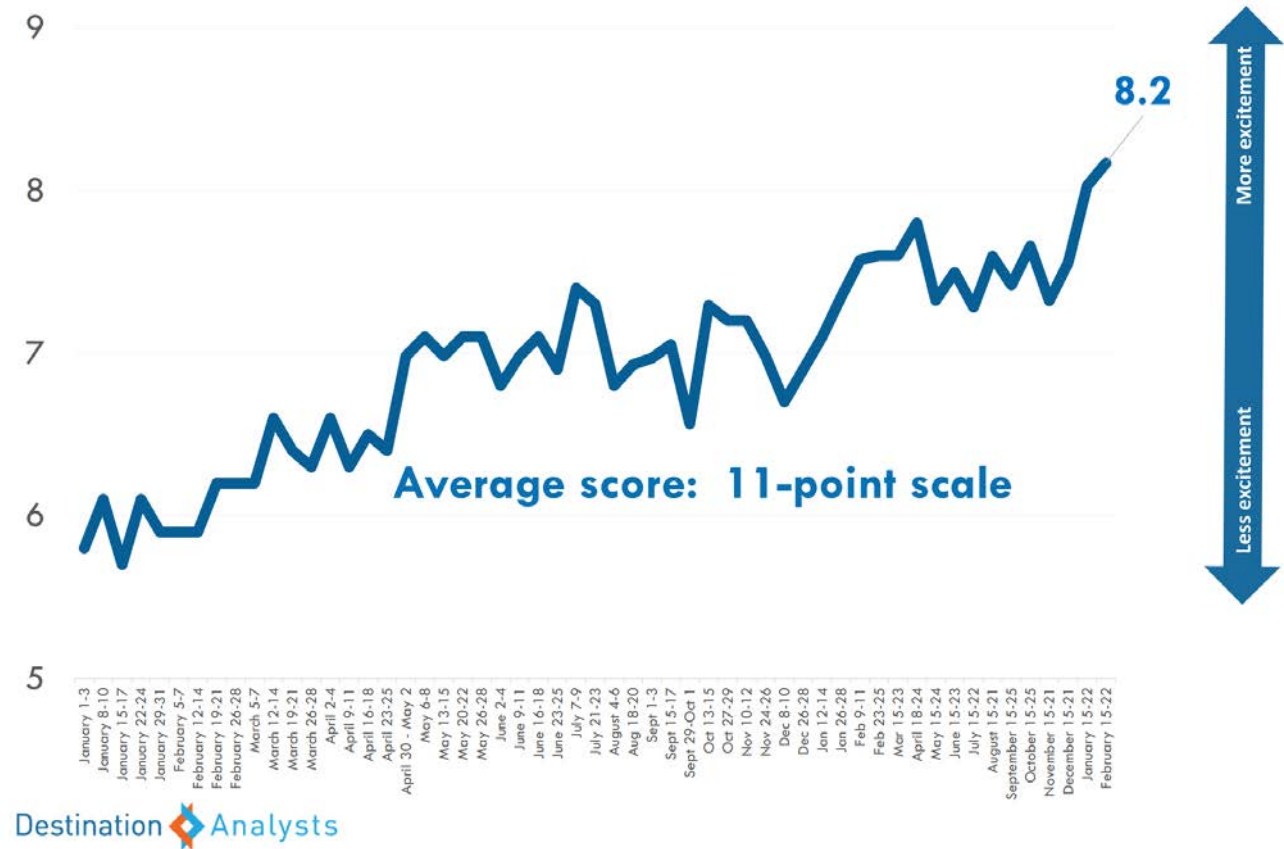
“We continue to see that people are prioritizing travel over just about everything.”

“Maybe it's still the effect of COVID and people realizing there are more valuable things to do with their lives.”

Expedia earnings call, February 9, 2023

(Remarks edited for clarity)

**Question:** Which best describes how excited you are about **LEISURE TRAVEL** in the **NEXT TWELVE (12) MONTHS?**



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

## Maximum Expected Annual Travel Budget

Destination  Analysts



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 ▼

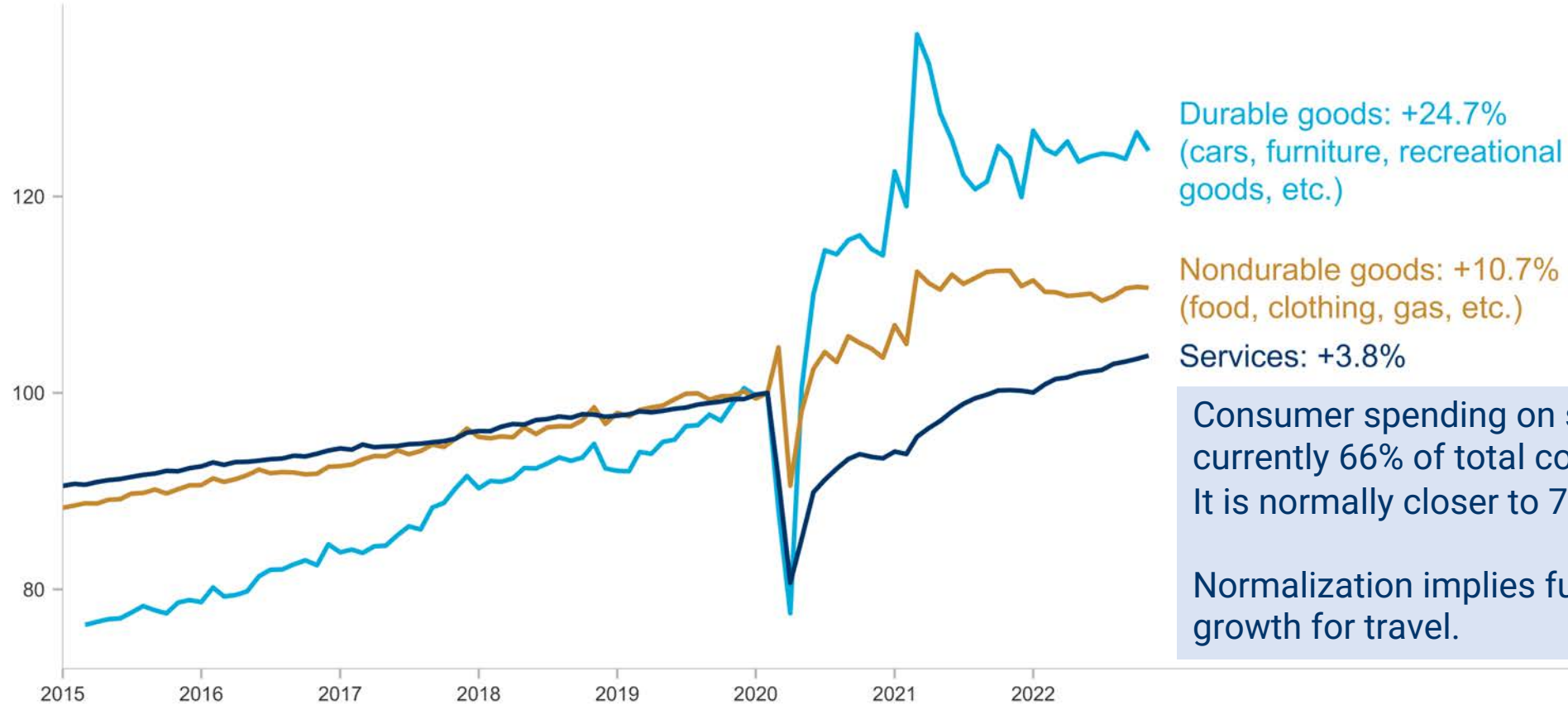
179 orders placed in 2020 ▼

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

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## Predictions don't always age well

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**“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

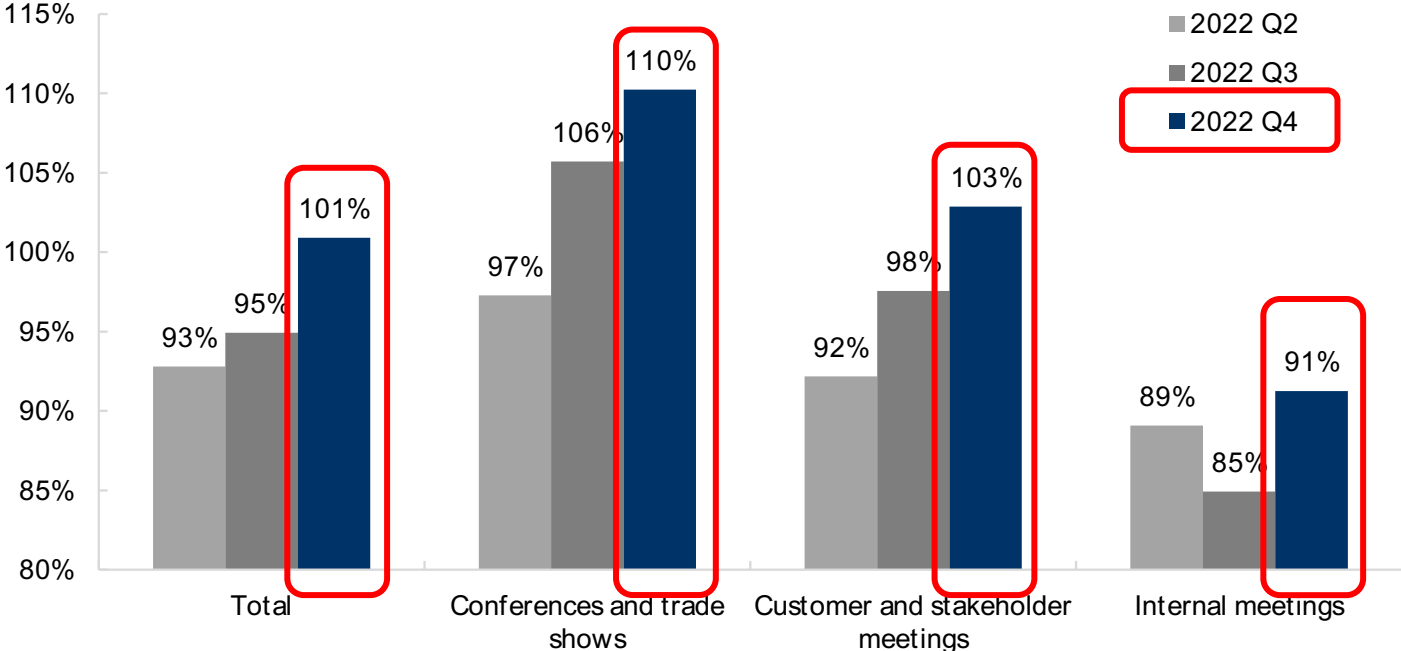
### **Bill Gates says more than 50% of business travel will disappear in post-coronavirus world**

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

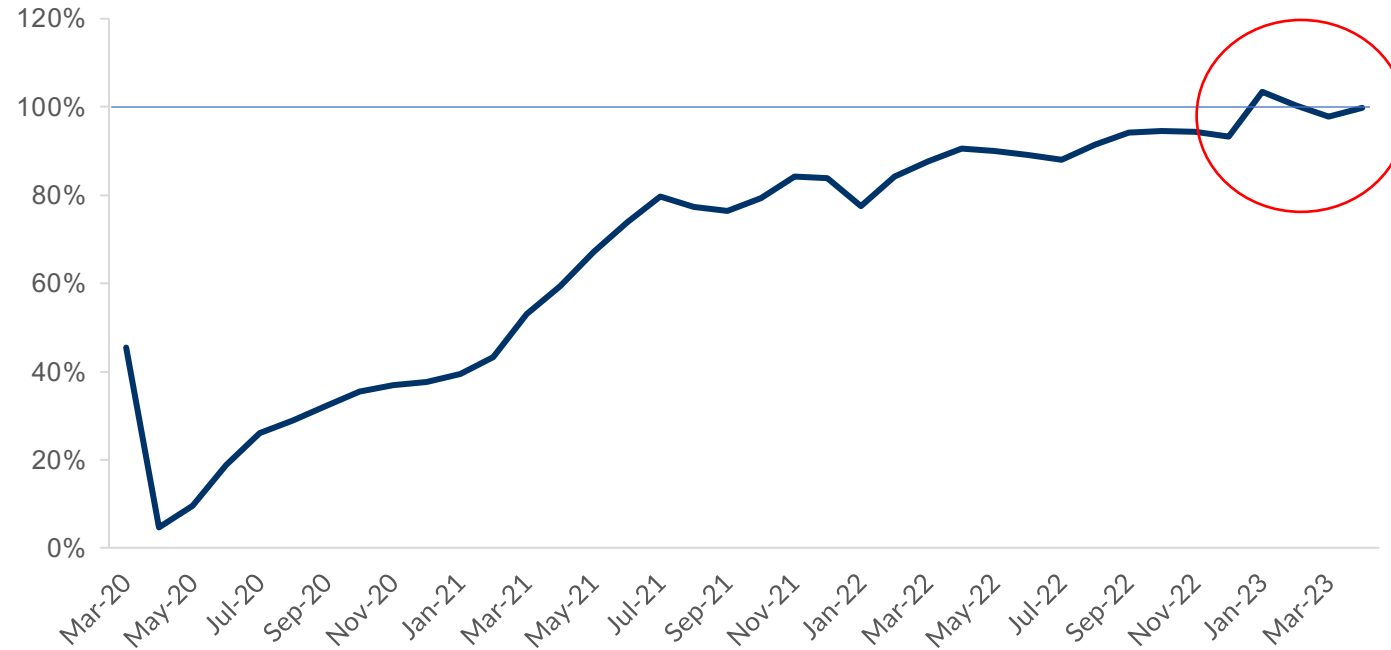
"...in our recent corporate survey, results were positive with 96% of respondents expecting to travel as much or more in Q1 than Q4."

Delta Airlines earnings call, January 13, 2023

# Air travel has fully recovered!

## Air Passenger Volume

% of 2019 level

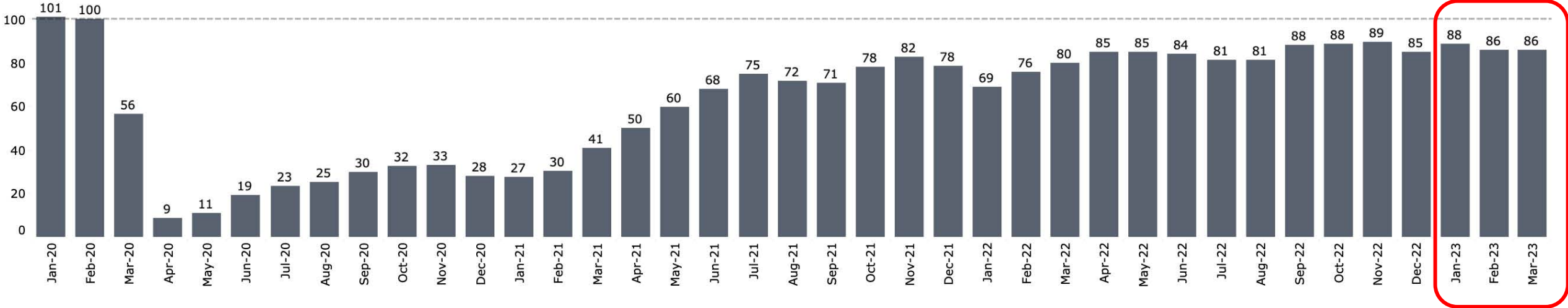


Source: TSA

# Air travel in the region still has room to grow...

## Visitor Arrivals by Air

Los Angeles area airports (LAX, SNA, LGB) (Index 2019=100)



# 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
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“We expect a strong demand environment to continue in 2023 and anticipate further improvement in long-haul international travel this year.”

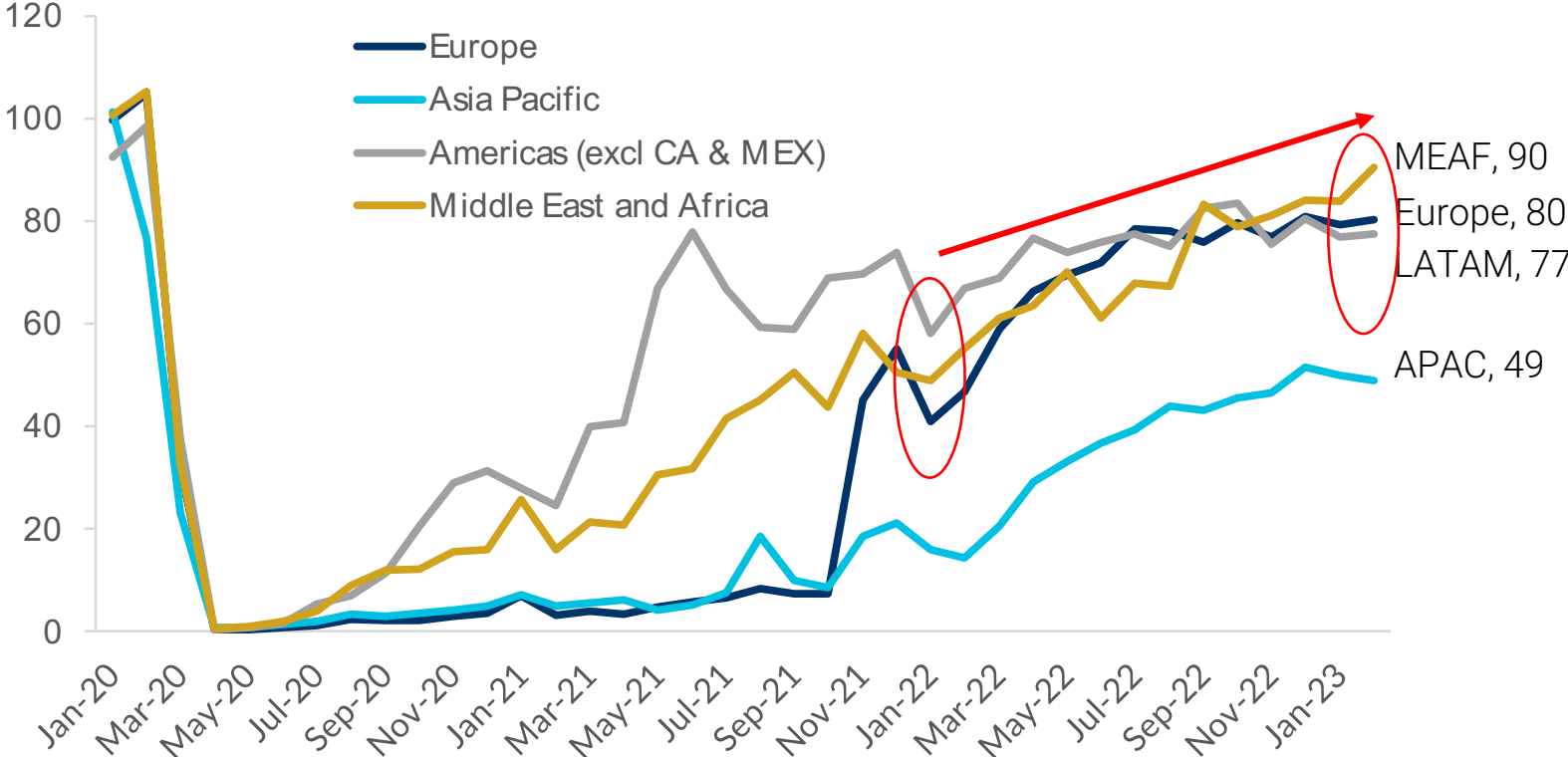
American Airlines earnings call, January 26, 2023



# SIGNIFICANT YEAR OVER YEAR GROWTH

## International arrivals to U.S.

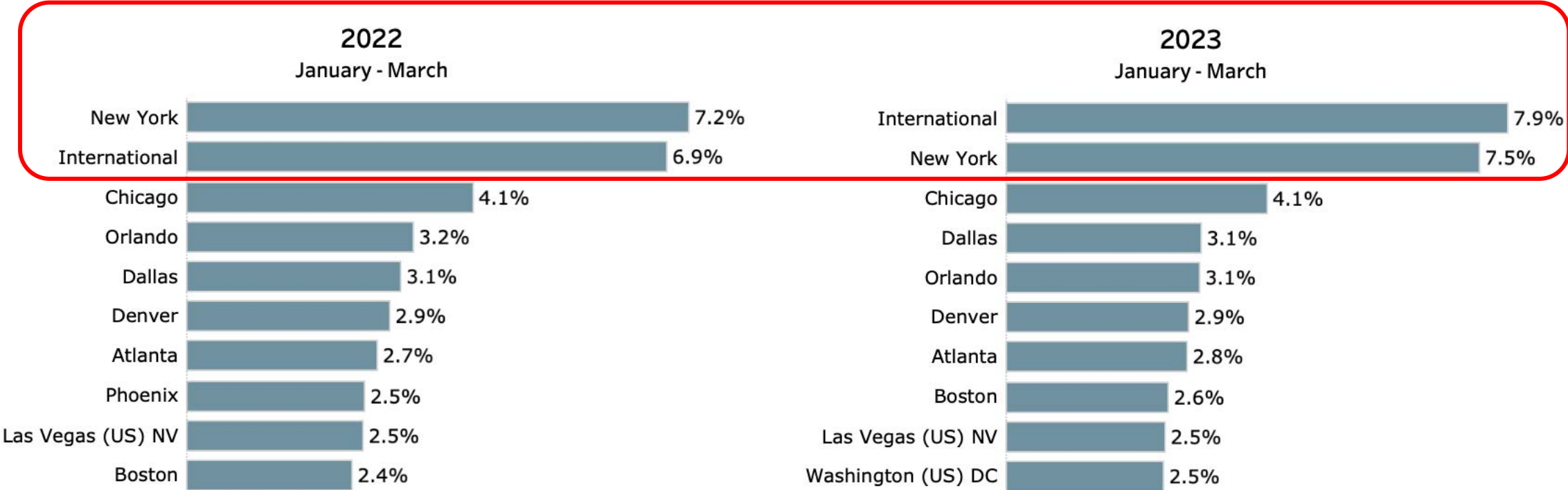
Index, same month 2019=100



# Inbound international (LA Airports) increased 1% YOY...

## Top-10 Origin Markets by Air

Visitor arrivals to Los Angeles by air, % share of total arrivals



# Huntington Beach Lodging Picture



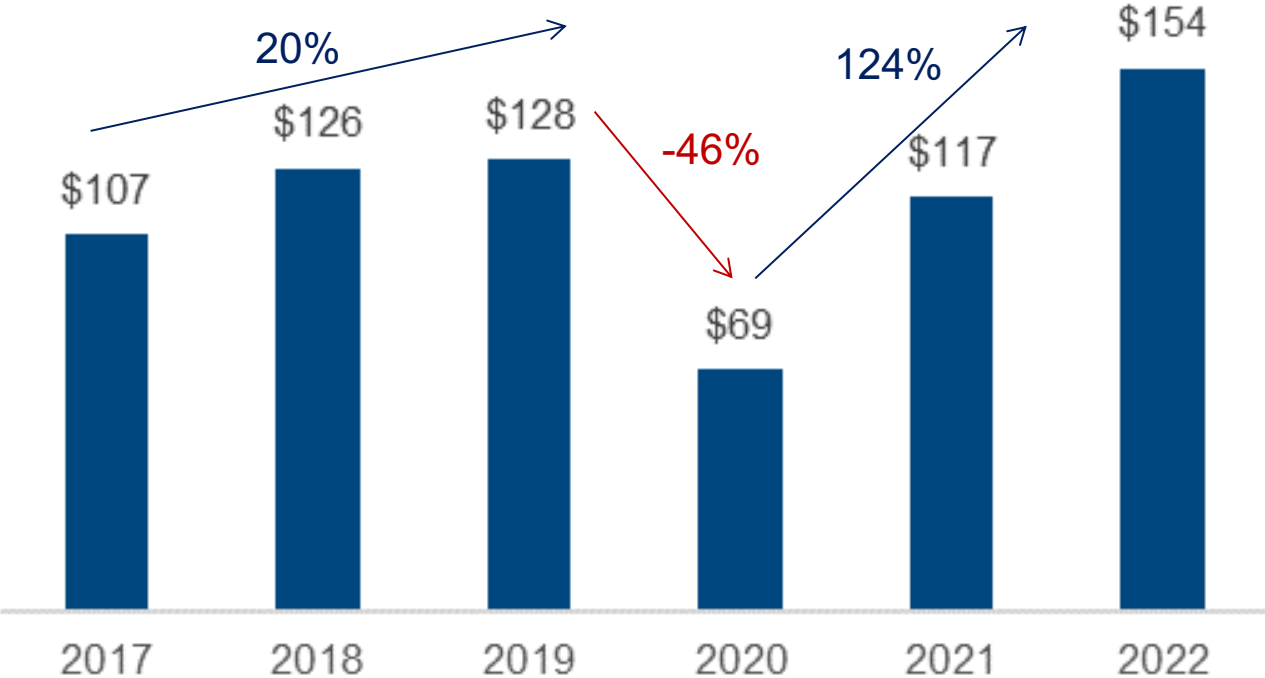
**Can Huntington Beach Defy Economic Gravity?**

**Actually, it already has...**

# Huntington Beach, by the numbers...

## Hotel revenue in Huntington Beach

Dollars, millions



Source: STR

# Huntington Beach, by the numbers...

## Key indicators in Huntington Beach's tourism sector

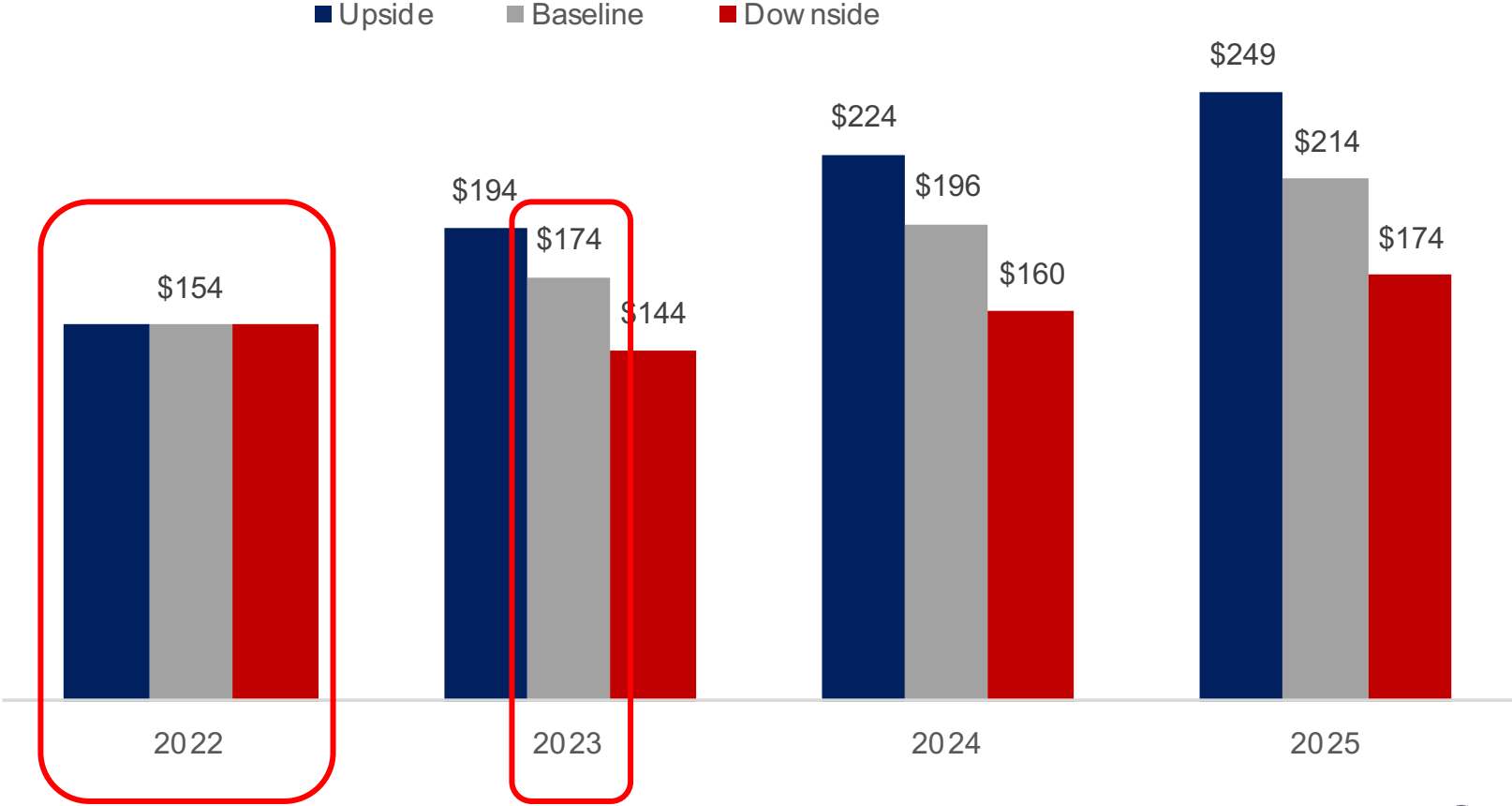
Values	2019					Percent relative to 2019 (2019=100)			
	2019	2022	2023	2024	2025	2022	2023	2024	2025
<b>Room demand, thousands</b>									
Upside	540	503	595	640	675	93	110	118	125
Baseline	540	503	549	590	622	93	101	109	115
Downside	540	503	513	540	564	93	95	100	104
<b>Room revenue, \$millions</b>									
Upside	\$128	\$154	\$194	\$224	\$249	120	151	175	195
Baseline	\$128	\$154	\$174	\$196	\$214	120	136	153	167
Downside	\$128	\$154	\$144	\$160	\$174	120	112	125	136

Source: STR; Tourism Economics

# Huntington Beach, by the numbers...

## Hotel revenue in Huntington Beach, three scenarios

Dollars, millions

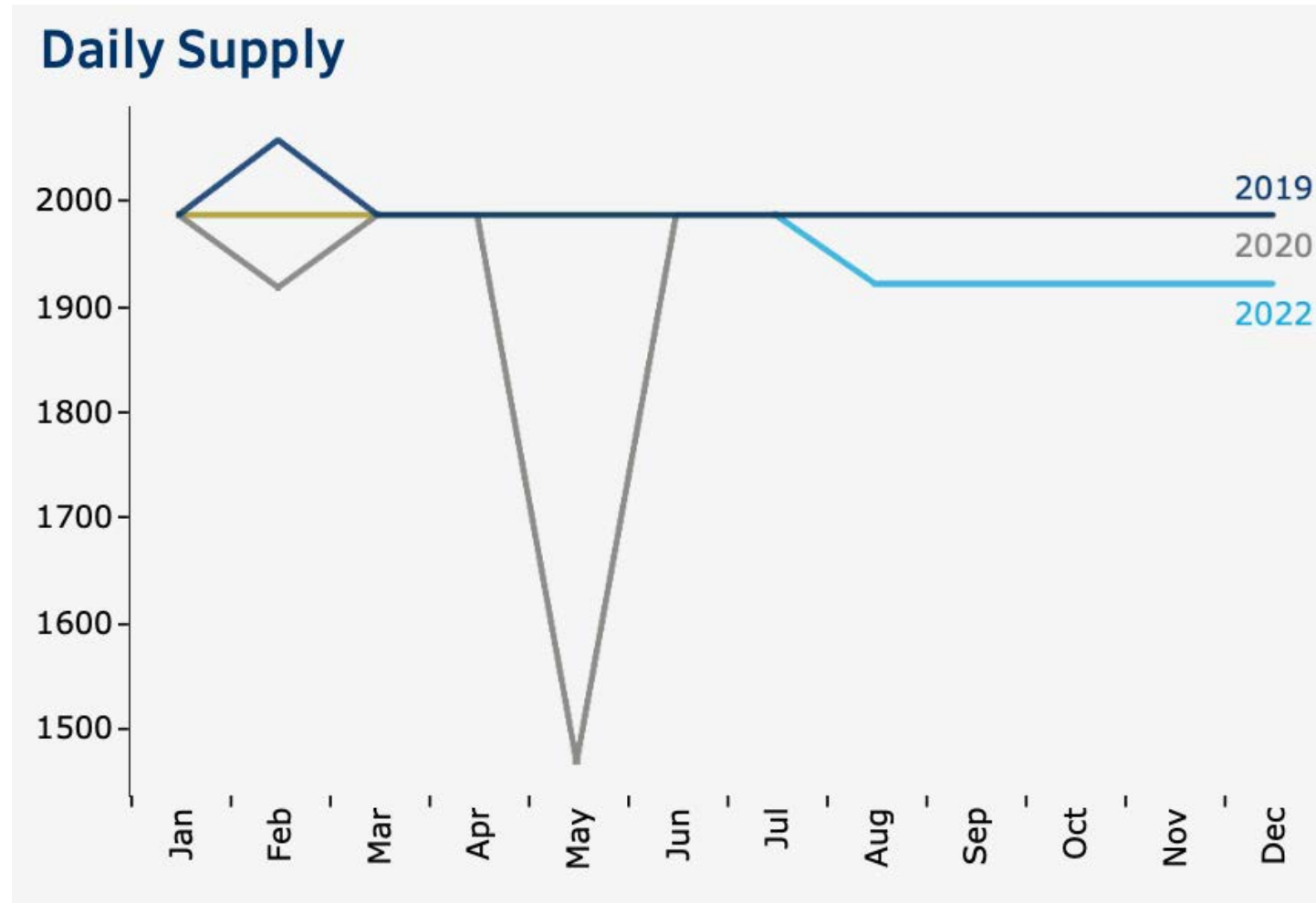


**How is 2023 shaping up?**

**Performance is strong, but there are headwinds...**

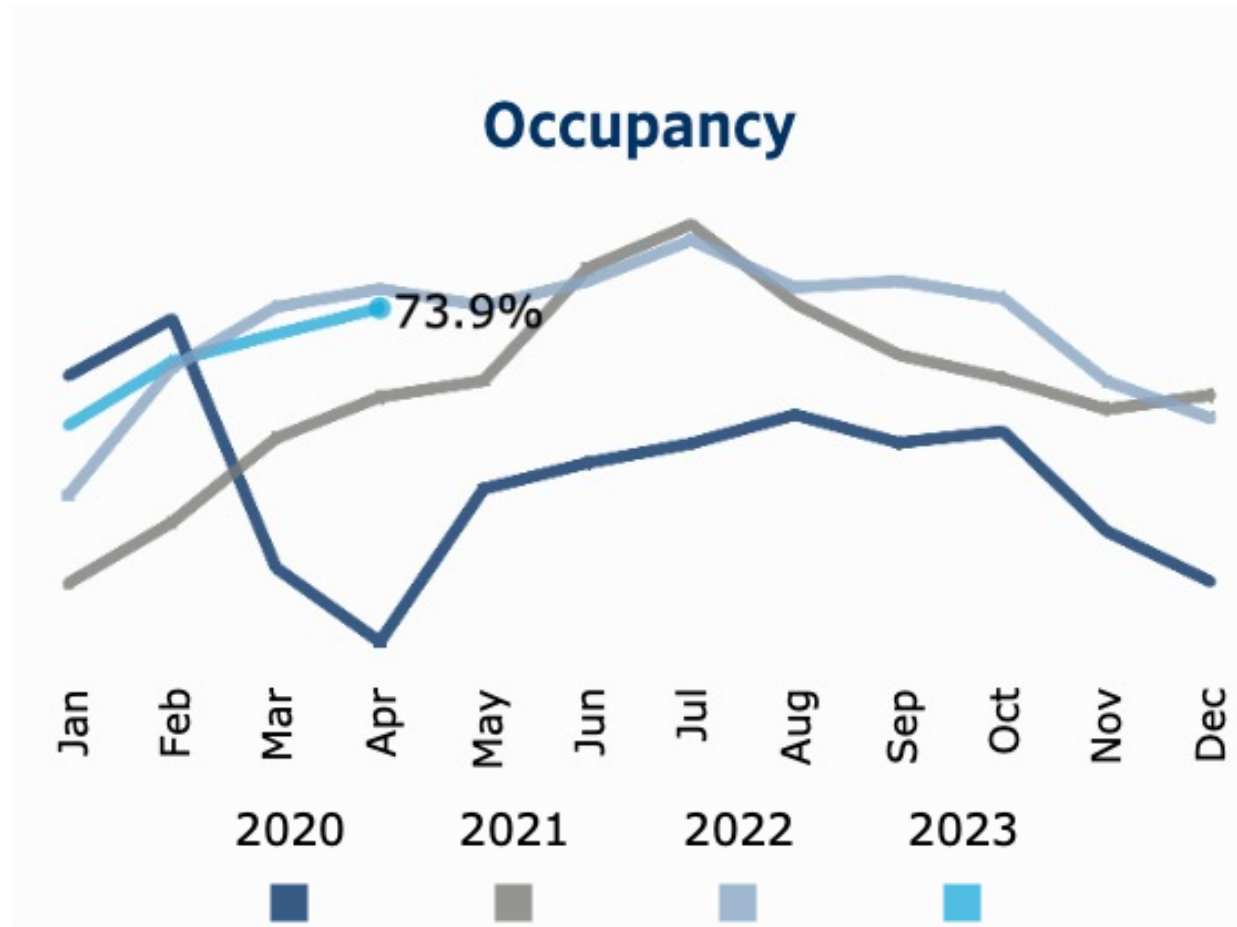


## 2022's decrease in supply is impacting revenue...



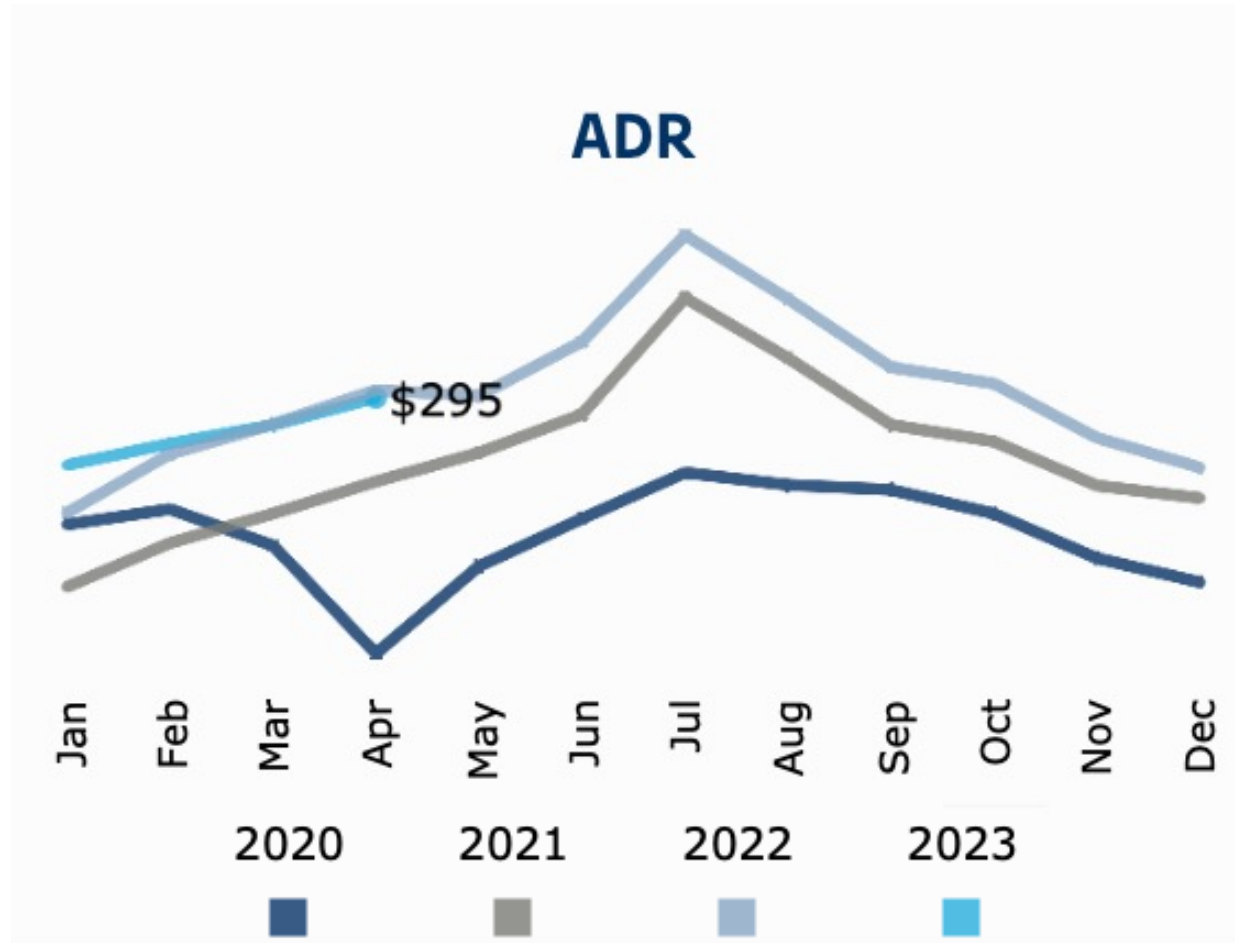
Source: STR

# Occupancy still strong YOY...



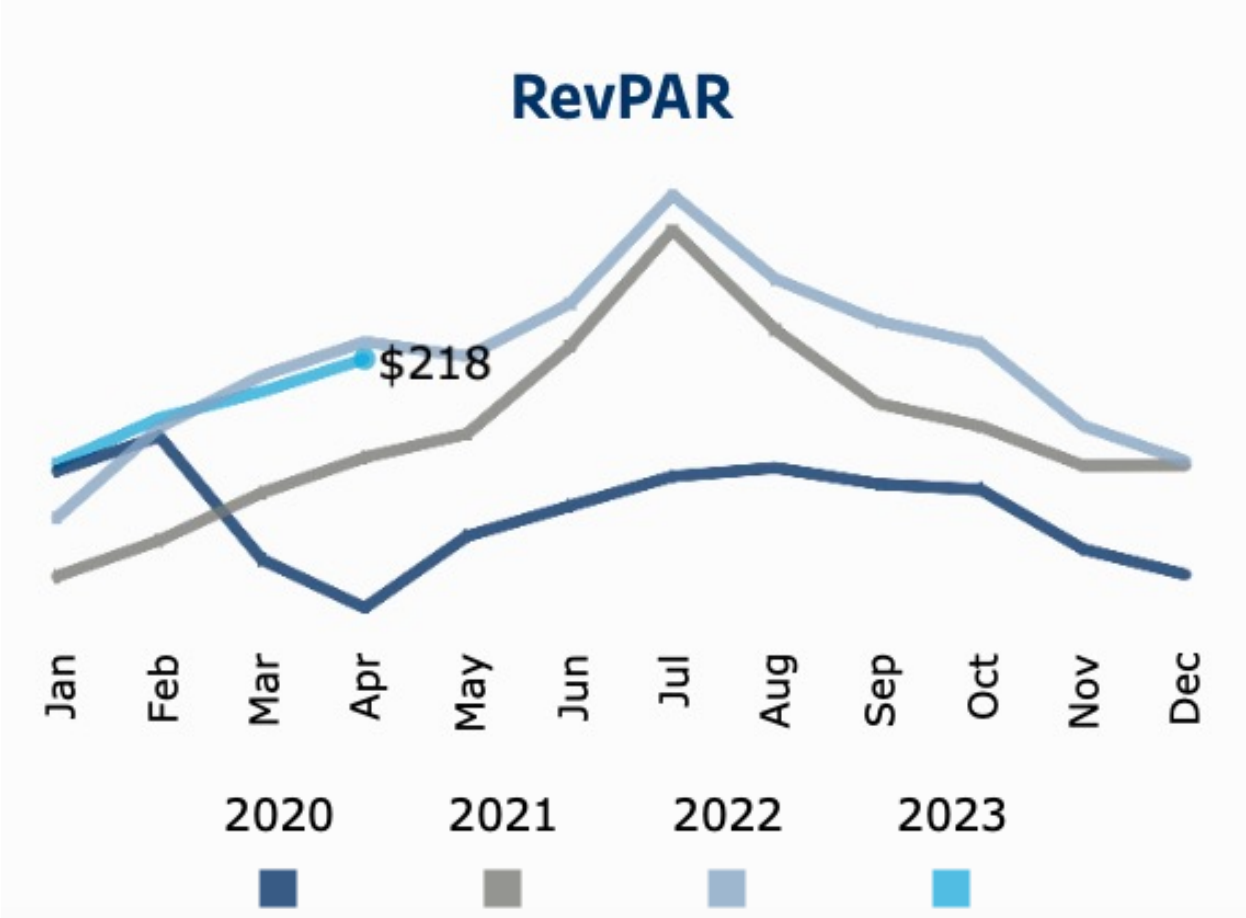
Source: STR

# ADR remains elevated...



Source: STR

# Resulting in strong RevPAR, despite economic headwinds...



Source: STR

# Strong Regional Performance vs. Comp Set...

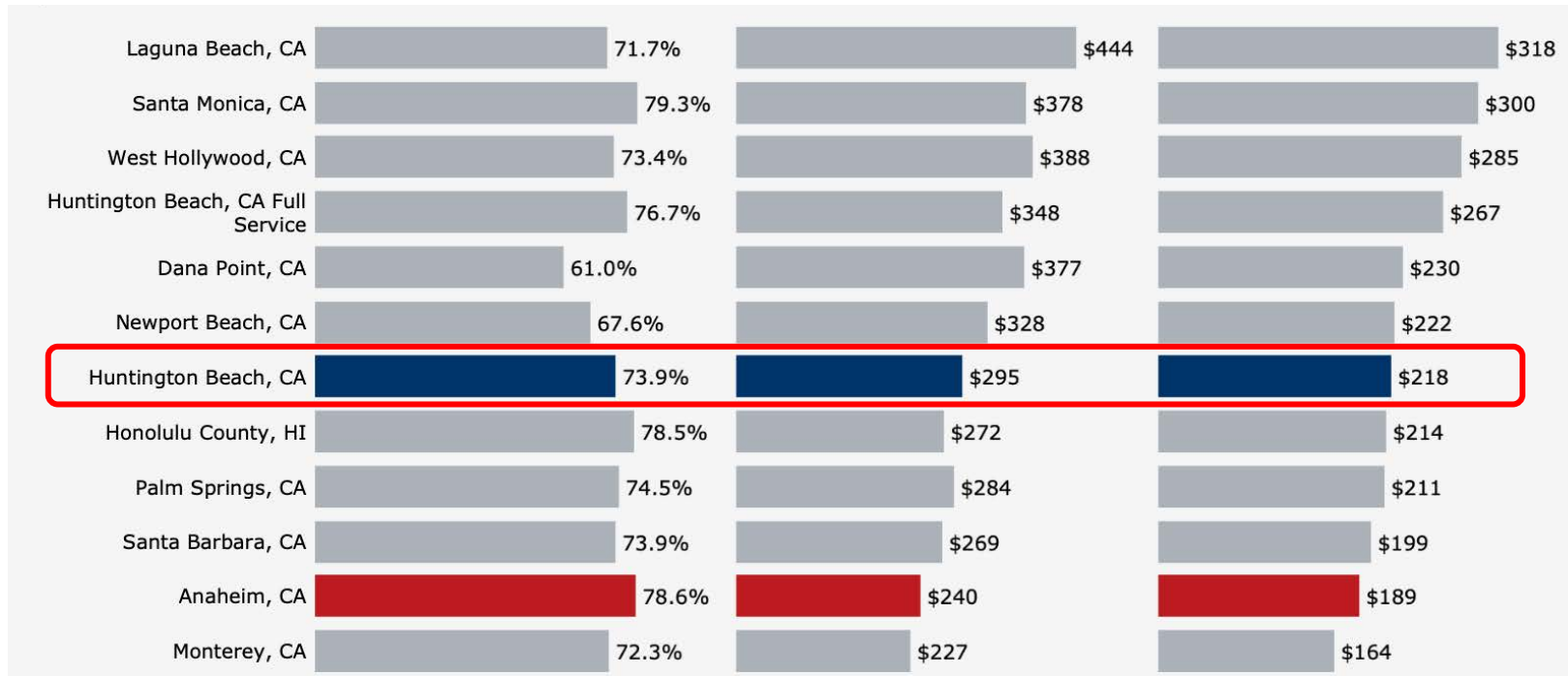
## Hotel RevPAR

March 2023

Occupancy

ADR

RevPAR



Source: STR

# 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

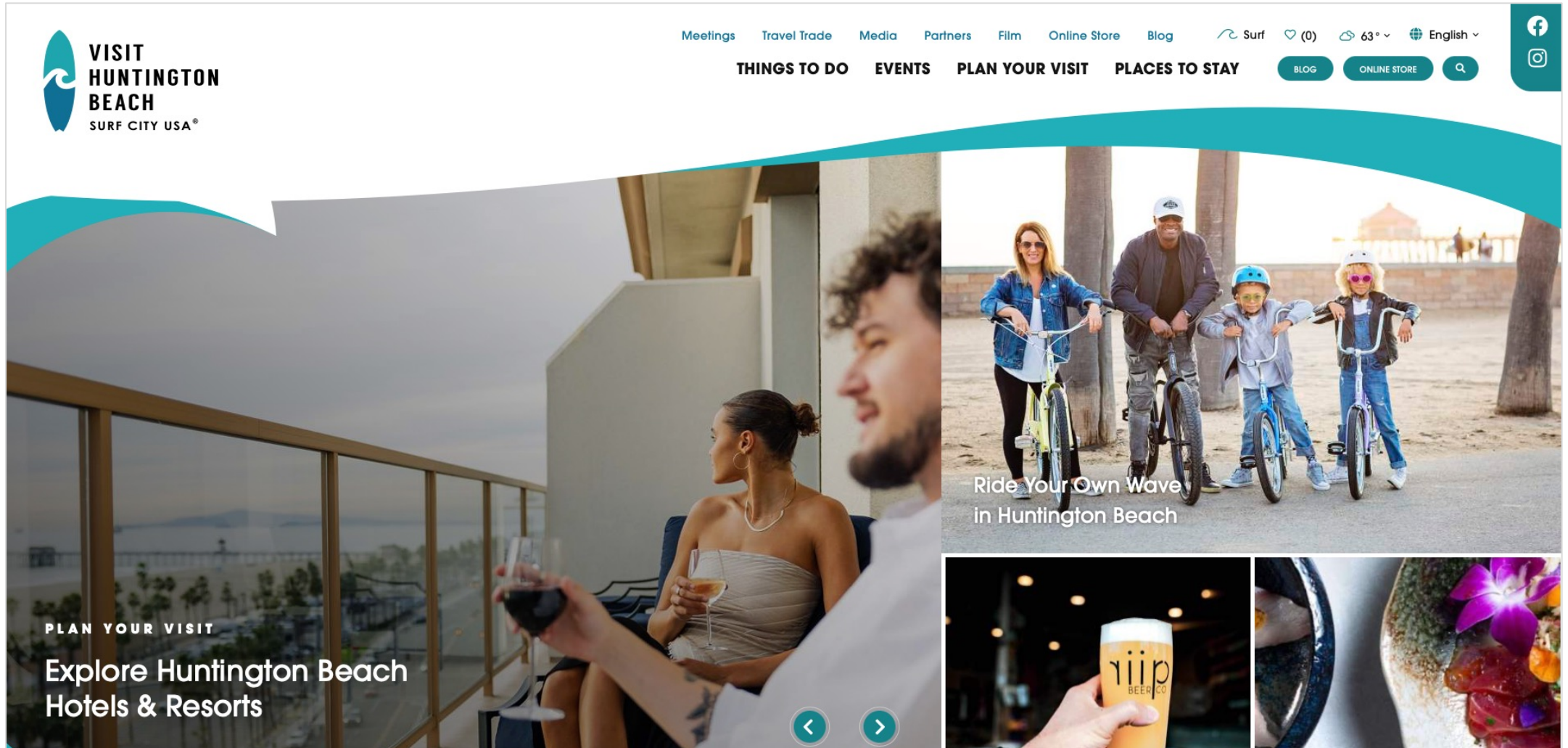
NEWS

ABOUT US

## The Rise and Fall of Colorado Tourism

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

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





# Summary

## 1 A mild recession is likely in 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

# The future is bright in Huntington Beach!



Questions?



# Thank You!

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ECONOMICS**

AN OXFORD ECONOMICS COMPANY