

Florida: An Update on Tourism

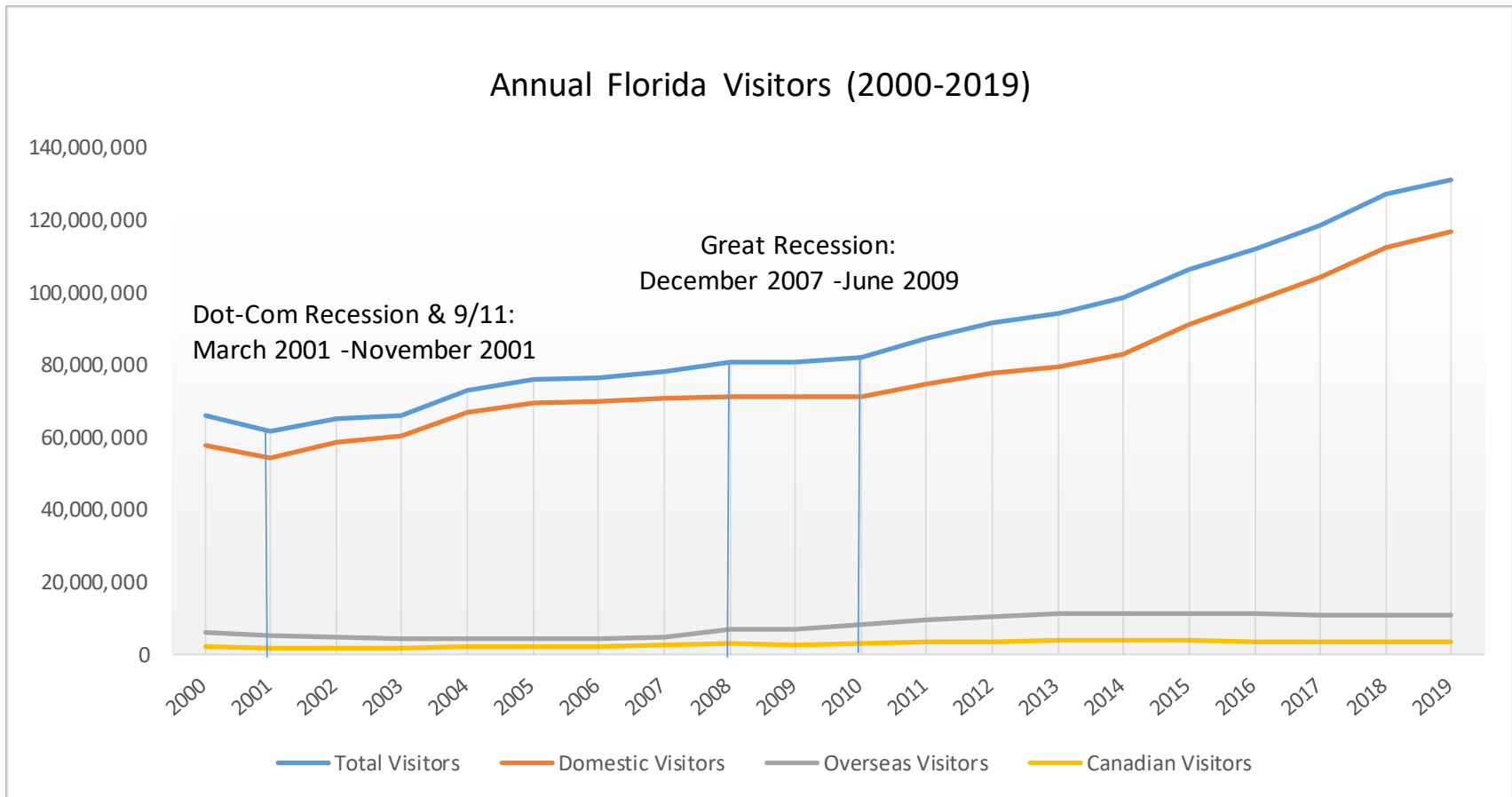
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Presented by:



The Florida Legislature
Office of Economic and
Demographic Research
850.487.1402
<http://edr.state.fl.us>

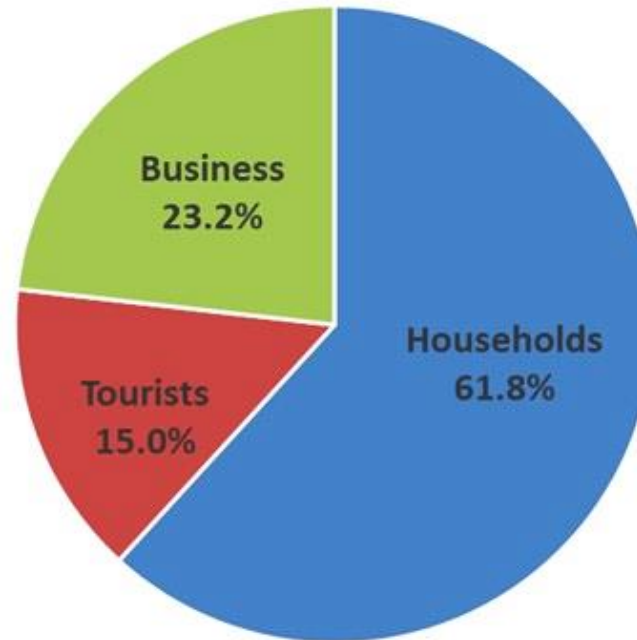
Florida Tourism Pre-Pandemic...



- In the 2000 calendar year, Florida had 65,832,000 visitors.
- In the 2019 calendar year, Florida had nearly double that amount with 131,423,000 visitors. Since the beginning of Florida's recovery from the Great Recession in 2010, tourism has grown each year.

Florida's Tourism Sensitivity...

Contributions to General Revenue from Sales Tax (with CST)
Collections in FY 2018-19, By Source

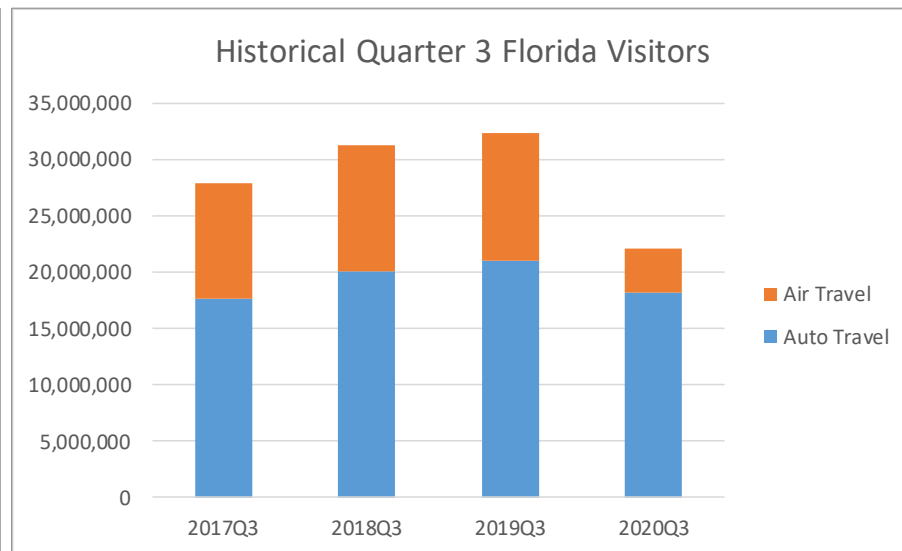
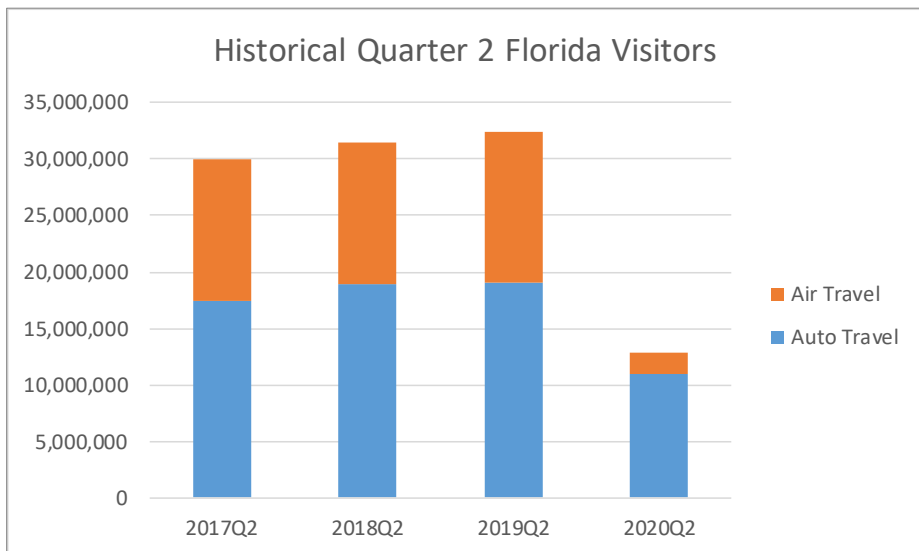


The Legislative Office of Economic and Demographic Research has just updated and refined an empirical analysis of the various sources of the state's sales tax collections. In FY 2018-19, sales tax collections provided nearly \$25.4 billion dollars or 76.0% of Florida's total General Revenue collections. Of this amount, an estimated 15.0% (over \$3.8 billion) was directly attributable to purchases made by tourists.

Pandemic...

- First currently known cases were reported in China in December 2019, but evidence exists that the first case was at least a month earlier.
- Near the end of Florida's 2020 Regular Session, the World Health Organization declared a Global Pandemic (March 11, 2020).
- Global and national recessions have since been called.
 - ✓ The US economy declined in the first quarter (January, February and March) by its fastest rate since the Great Recession. According to the US Commerce Department, Bureau of Economic Analysis, GDP shrank at a 5.0 percent annualized rate. The National Bureau of Economic Research (NBER) had previously dated the business cycle peak to February 2020 after 128 months of expansion, marking that month as the official turning point which began the recession.
 - ✓ During the second quarter (April, May and June), the US economy further contracted—this time, at its greatest rate in postwar history. According to the US Commerce Department, Bureau of Economic Analysis, GDP shrank at an annualized rate of 31.4 percent.
 - ✓ In the third quarter (July, August and September), the US economy gained at a 33.4 percent annual rate according to the just released “third” estimate that was only slightly higher than the “second” estimate. Year over year, the real level is 2.8 percent lower than the third quarter of 2019. [Next Release: January 28, 2021]

Pandemic's Immediate Impact...



2020:Q1

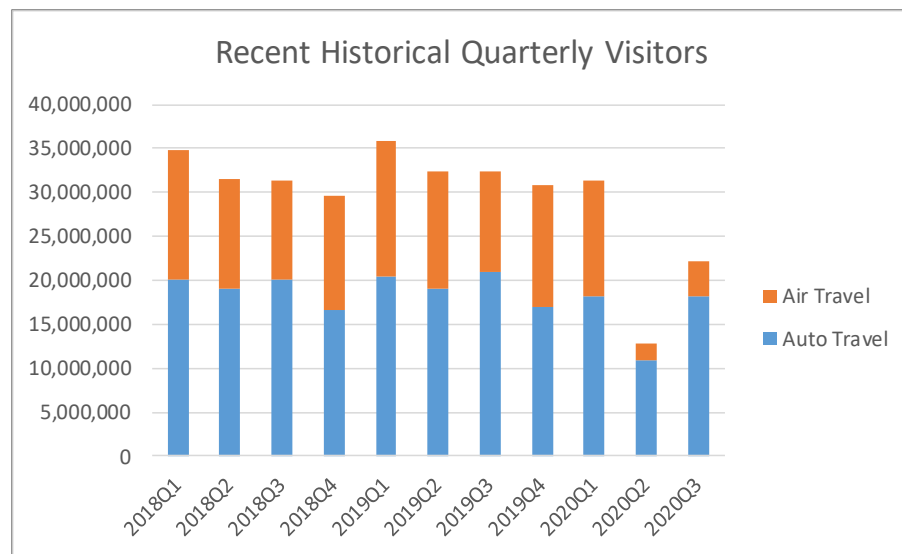
- Total Visitors...31,387,000 (93.7% of PY)
- Air...86.5% of PY
- Auto...88.6% of PY

2020:Q2

- Total Visitors... 12,859,000 (38.0% of PY)
- Air... 14.6% of PY
- Auto...57.2% of PY

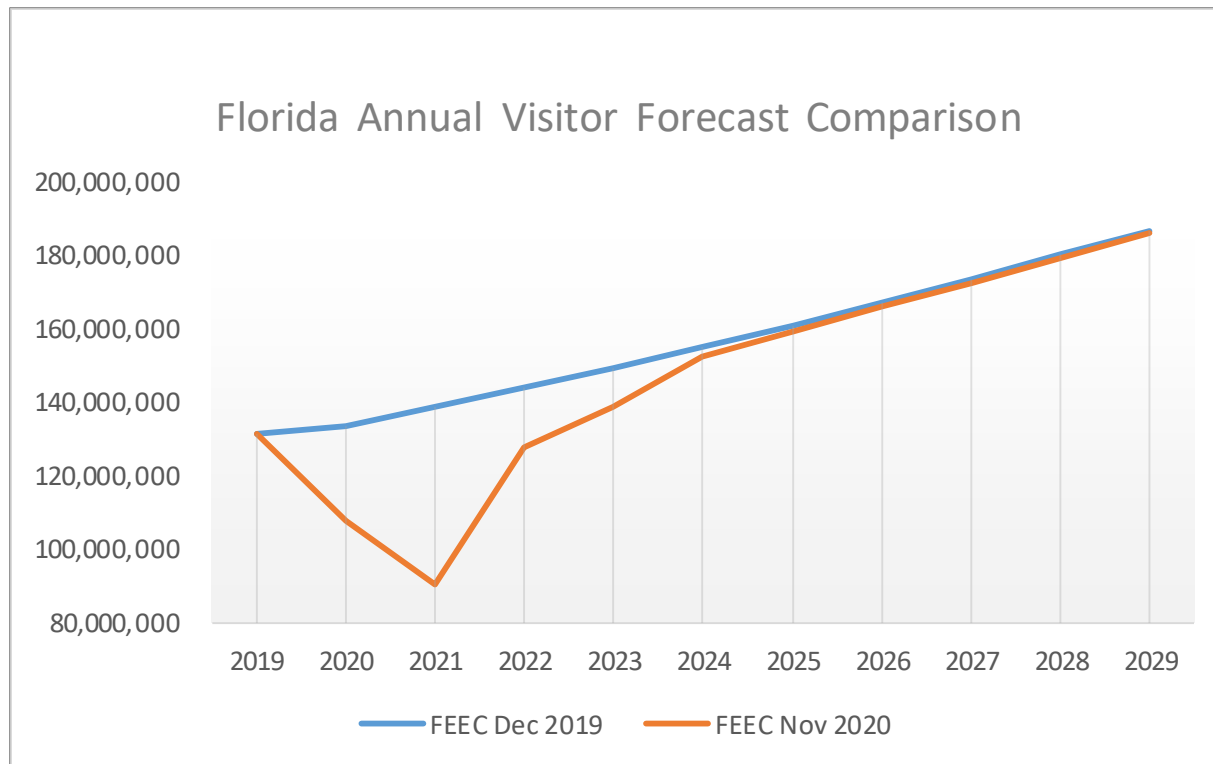
2020:Q3

- Total Visitors...22,112,500 (64.8% of PY)
- Air...34.2% of PY
- Auto...86.8% of PY

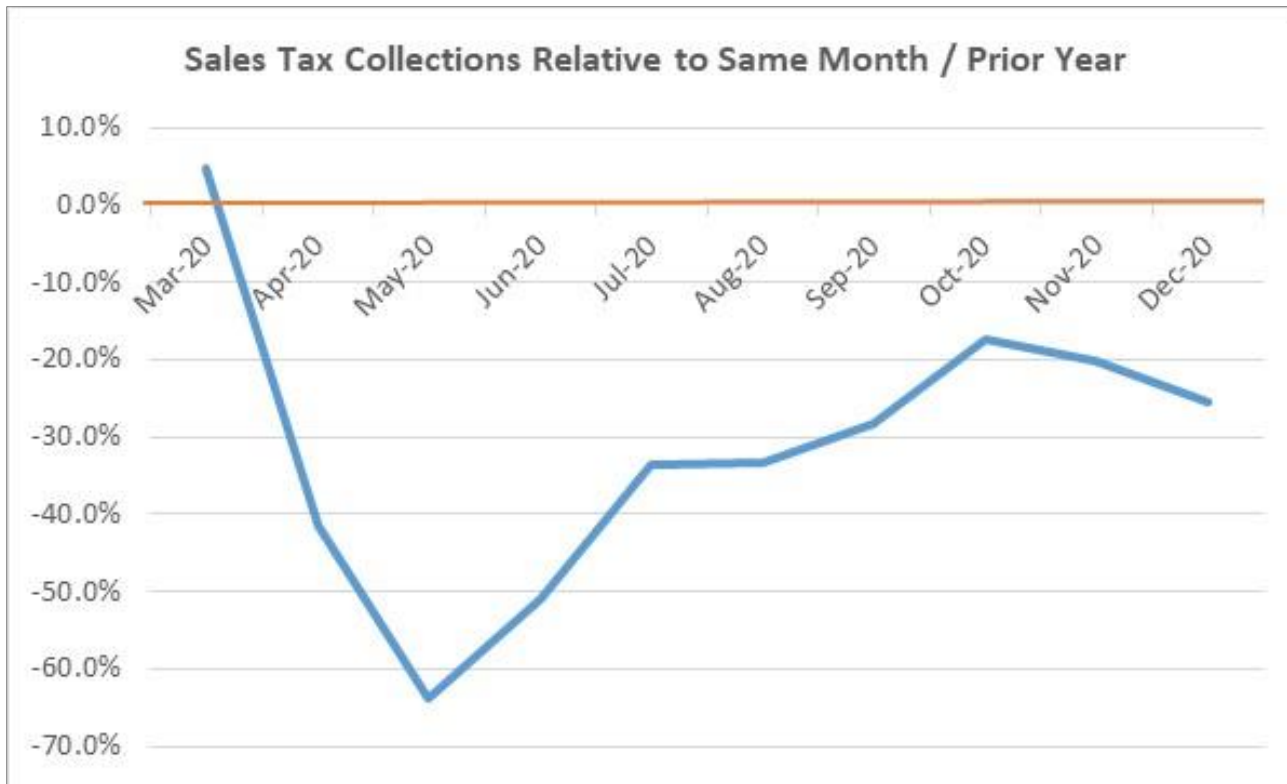


Florida-Based Vulnerability

Florida's tourism-sensitive economy is particularly vulnerable to the longer-term effects of the pandemic. Previous economic studies of disease outbreaks have shown that it can take as much as 12 to 15 months after the outbreak ends for tourism to return to pre-disease levels. The magnitude of this event is greater. Several industry groups have already predicted that it will take at least two years to reach recovery from this pandemic. Current expectations are that leisure driving vacations will recover first, and then—in order—business travel, domestic air travel, and international travel. The new tourism forecast generally follows this pattern with recovery in 2024.



Sales Tax Impact...



Average fiscal year growth over most recent five years: 6.1% from FY 2014-15 through FY 2018-19.

Mar-20	4.6%
Apr-20	-41.3%
May-20	-63.7%
Jun-20	-51.0%
Jul-20	-33.5%
Aug-20	-33.3%
Sep-20	-28.1%
Oct-20	-17.4%
Nov-20	-20.2%
Dec-20	-25.5%
Cumulative	-31.5%

In the ten months that sales tax collections have been reported since Florida's first two cases were officially confirmed by the Department of Health on March 2nd, the tourism category collections have been down cumulatively by -31.5%. Even though a significant part of the loss arises from a reduction in the number of out-of-state tourists, this category also includes sales to Florida residents at restaurants, local attractions and other leisure-based activities which have likewise been negatively affected by the pandemic.

Recent Research...

- A recent report from Skift Research and McKinsey & Company on the status of the travel industry offered insights and proposals, many of which are applicable to State DMOs. The report noted that “travelers are keen to travel but are restrained in the leisure space by the inability to do anything meaningful at the destination, due to necessary public health measures and safety precautions, such as quarantines, closures, and other restrictions.” Business travelers may be further limited by corporate travel policies developed in response to the pandemic that reflect the company’s focus on its duty-of-care obligations to employees.
- Until the travel economy recovers, the report suggests the industry pursue emerging opportunities in tourism. For example, in-state, drive-to “nearby vacations” in outdoor venues are a substitute for out-of-state and international travel. Additionally, “the working-from-anywhere trend has the potential to blur permanently the lines between leisure and business travel.” These digital nomads and “bleisure” travelers are a growth market opportunity for facilities designed for or adapted to extended-stays, provided the traveler’s health safety concerns are addressed.
- Finally, the report recommends that marketers understand customers as microsegments, not monoliths, especially in an environment of diminished demand. The report suggests that micro-segmentation has value in forecasting and stimulating demand, as well as informing commercial and marketing strategies.