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S&P: Hospitality Sector Rating Outlook Revised To Negative Amid COVID-19 Impact.

(**Editor's Note:** In the original report published April 3, 2020, bond ratings on Dickinson, Glendale, Hillsborough County, and Orlando were misstated in the table as a result of an administrative error. A corrected version follows.)

FARMERS BRANCH (S&P Global Ratings) April 3, 2020–S&P Global Ratings revised the outlook to negative from stable and affirmed numerous long-term ratings and underlying ratings on bonds secured by priority-lien tax revenue pledges. The outlook revision and rating action are taken on bonds secured by hospitality taxes (including hotel occupancy taxes and sales taxes on prepared food and beverage sales). The negative outlook reflects our view that the affected credits face at least a one-in-three likelihood of a negative rating action over the intermediate term (generally up to two years).

As the COVID-19 pandemic persists and the social risk from the spread of the virus grows, the implications on the leisure and hospitality sector have been acute and dramatic. Restrictions on travel and consumer activity–driven by social distancing and stay-at-home orders intended to flatten the curve and slow the viral infection rate–have led to hotel booking cancellations and deferrals, convention and conference cancellations, and the widespread closure of bars and restaurants. Although the closure decisions are prudent, in our opinion, the health and safety aspect of this action in the near term will materially affect coverage, financial results, and liquidity, which we believe might deteriorate further as a result of the onset of a global recession, and is reflective of our analysis of environmental, social, and governance risks. While the precise impact on bonds secured by hotel occupancy taxes and by sales taxes on prepared food and beverages is unknown, we believe that the decline in pledged revenue will be precipitous and likely last well into the second quarter.

With almost 200 million Americans either under shelter-in-place orders or being urged to stay at home in a concerted effort to contain the spread of COVID-19, we believe that the longest economic expansion in U.S. history has come to an abrupt end. (See "It's Game Over For The Record U.S. Run; The Timing Of A Restart Remains Uncertain," published March 27, 2020 on RatingsDirect.) S&P Global Economics now forecasts a global slowdown in GDP growth, with a base case assumption of a 1.3% decline in U.S. GDP in 2020 and annualized declines of 2.1% in the first quarter and 12.7% in the second quarter. We also believe that there is a high risk to credit if the coronavirus outbreak widens substantially in the U.S., with the impact being a protracted and more prolonged period of coronavirus-containment measures that further amplify the current U.S. economic recession.

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