

The Economic Impact of Tourism in North Carolina

Tourism Satellite Account
Calendar Year 2017



U.S. TRAVEL
ASSOCIATION



TOURISM
ECONOMICS

AN OXFORD ECONOMICS COMPANY

Key results

- Total tourism demand tallied \$30.6 billion in 2017, expanding 3.8%. This marks another new high for the North Carolina tourism sector and the eighth consecutive year of growth.
- The direct GDP of the tourism sector grew 3.9% to \$12.5 billion in 2017.
- Tourism demand sustained 439,057 jobs in 2017, including direct, indirect, and induced impacts.
- 9.4% of all jobs* in the state are directly or indirectly sustained by tourism activities. This marks a steady increase in share since 2008 (8.6% of all jobs).
- Including indirect and induced impacts, tourism in North Carolina generated \$3.6 billion in state and local taxes and \$3.8 billion in federal taxes in 2017.

* Compared to BEA Wage and Salary Employment, SA25N

Detailed Results

Key definitions

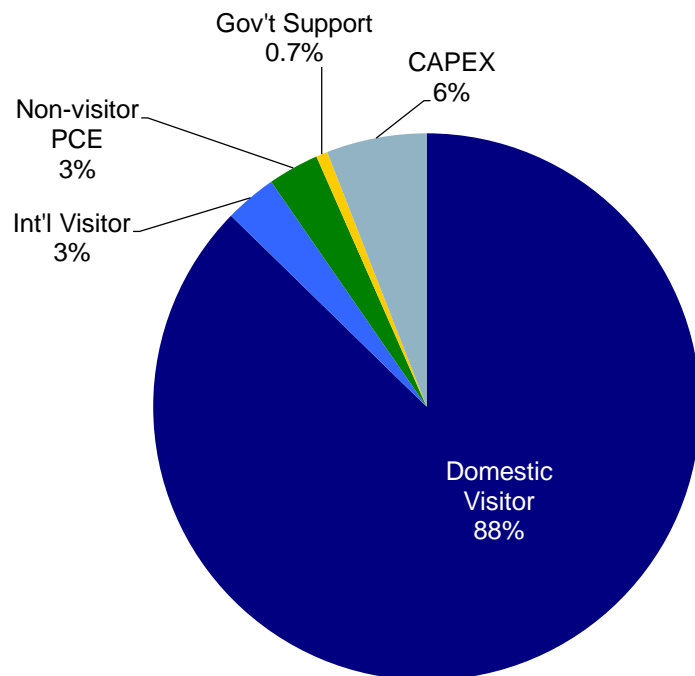
1. **Total Tourism Demand:** Includes visitor spending plus other spending streams in support of the traveler industry. This includes government spending and capital investment in support of tourism.
2. **Tourism Industry GDP:** Measures the value of production of “tourism characteristic industries” on behalf of travelers. This concept measures only the direct impact of the travel industry.
3. **Tourism Economic Impact:** Measures the full economic impacts of tourism demand, including indirect and induced impacts.

Tourism demand (spending)

- Total tourism demand in NC rose 3.8% in 2017, building on the growth of the prior seven years, and reaching another new peak of \$30.6 billion.
- Non-visitor private consumption expenditures (PCE) represent tourism consumer durables such as an RV, boat, or furniture for a vacation home. These rose 3% to \$925 million.
- International visitor spending expanded 3.1% as visits from both overseas and Canadian markets increased.
- Government support for tourism, including the budgets for tourism promotion around the state and visitor centers, increased 9.1%.
- Capital investment, including construction of hotels and attractions, as well as tourism infrastructure, fell slightly to \$1.8 billion.

Tourism Demand by Category, \$ million							
	Domestic Visitor	Int'l Visitor	Non-visitor PCE	Gov't Support	CAPEX	Total	% change
2011	\$ 20,818	\$ 618	\$ 804	\$ 152	\$ 1,330	\$ 23,722	9.0%
2012	\$ 21,925	\$ 720	\$ 812	\$ 138	\$ 1,384	\$ 24,978	5.3%
2013	\$ 22,792	\$ 745	\$ 832	\$ 146	\$ 1,447	\$ 25,962	3.9%
2014	\$ 23,949	\$ 826	\$ 851	\$ 156	\$ 1,538	\$ 27,319	5.2%
2015	\$ 24,674	\$ 829	\$ 873	\$ 178	\$ 1,736	\$ 28,290	3.6%
2016	\$ 25,689	\$ 911	\$ 898	\$ 191	\$ 1,828	\$ 29,517	4.3%
2017	\$ 26,753	\$ 940	\$ 925	\$ 208	\$ 1,816	\$ 30,641	3.8%
% change	4.1%	3.1%	3.0%	9.1%	-0.7%	3.8%	

Tourism demand by source

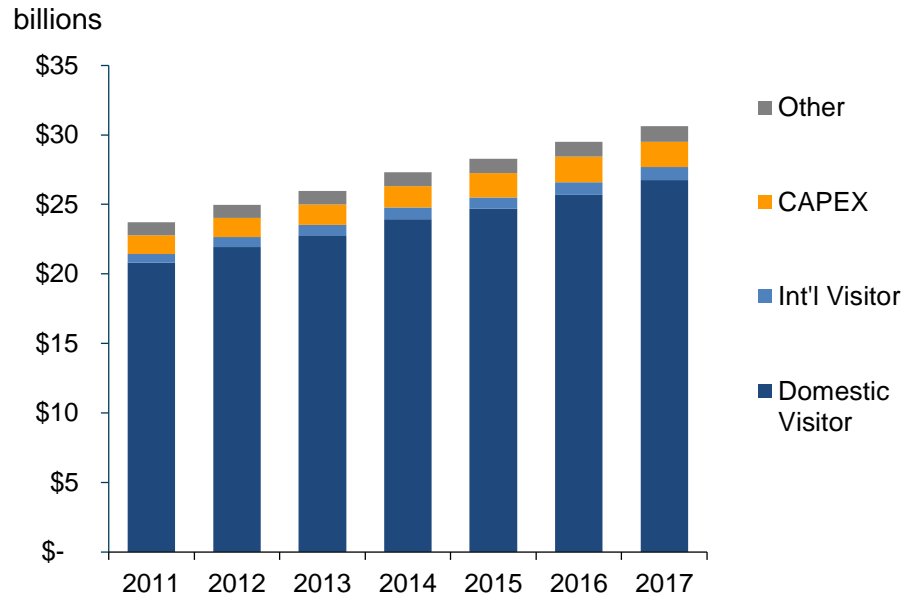


- Domestic visitor markets comprised the majority (88%) of tourism demand in 2017.
- Capital investment in tourism-related construction and machinery & equipment represents 6% of all tourism-related demand.
- International visitor markets contributed 3% of tourism demand in North Carolina in 2017.

Tourism demand growth

- The North Carolina visitor economy reached a new peak of \$30.6 billion in 2017.
- Tourism demand has grown by an average of 5.0% per annum over the past seven years.
- Since the recession of 2009, tourism demand has expanded 52%.

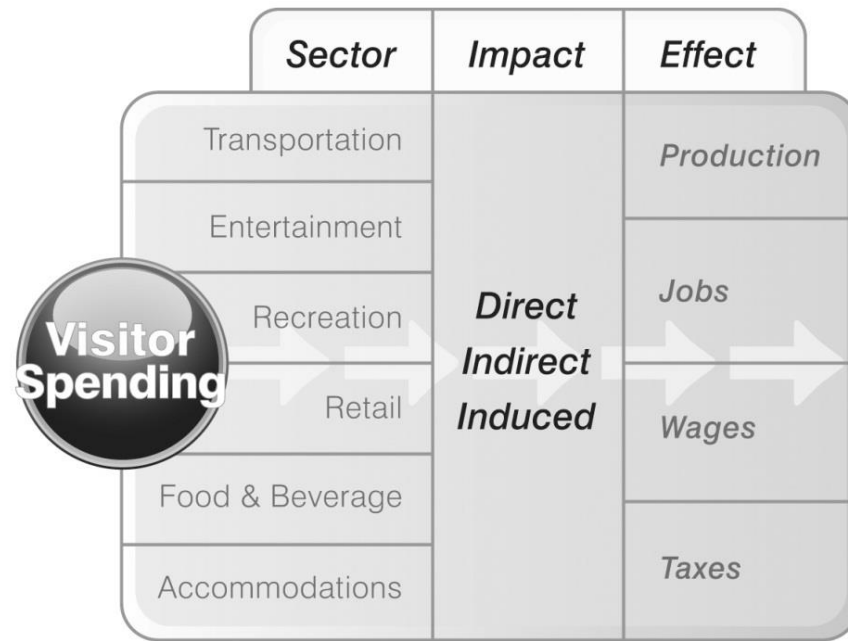
Tourism Demand Trend



Source: Tourism Economics

Translating spending into impact

- The direct impacts are quantified within travel-related sectors.
- The indirect impacts include the benefits realized by the supply chain.
- The induced impacts are generated as wages are spent within the state's economy.



Tourism business sales by sector

Tourism Sales (Output)					
US\$ Million, 2017					
	Direct*	Indirect	Induced	Total	% Change
Agriculture, Fishing, Mining		142	73	215	3.6%
Construction and Utilities	531	443	193	1,167	-1.3%
Manufacturing		1,320	965	2,286	3.6%
Wholesale Trade	1,284	447	431	2,163	2.7%
Air Transport	3,649	17	19	3,684	1.3%
Other Transport	385	550	223	1,158	3.5%
Retail Trade	6,127	214	968	7,309	4.0%
Gasoline Stations	1,944	16	65	2,025	8.2%
Communications		450	253	703	3.6%
Finance, Insurance and Real Estate**	2,553	1,453	1,057	5,063	4.8%
Business Services	372	1,713	466	2,551	3.3%
Education and Health Care		8	1,356	1,364	3.7%
Recreation and Entertainment	2,443	77	113	2,634	4.2%
Lodging	4,620	63	58	4,742	3.9%
Food & Beverage	5,477	193	414	6,084	4.0%
Personal Services	1,048	152	331	1,531	3.4%
Government	208	173	1,186	1,567	4.3%
TOTAL (2017)	30,641	7,431	8,173	46,245	3.7%
% change	3.8%	3.6%	3.7%	3.7%	

* Direct sales include cost of goods for retail sectors

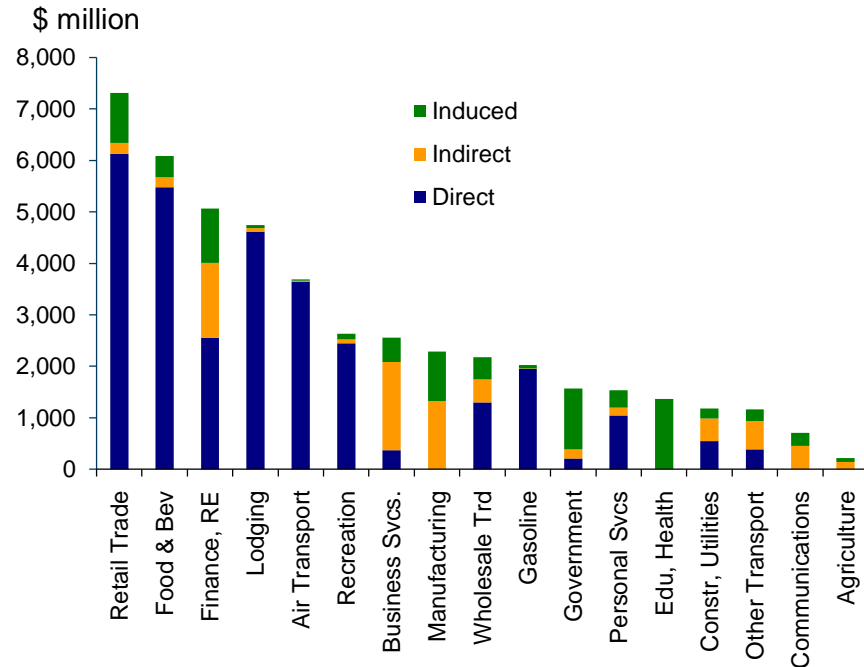
**Includes seasonal second homes

- Tourism demand of \$30.6 billion generated \$46.2 billion in business sales, including indirect and induced impacts. Total tourism-generated business sales expanded 3.7% in 2017.

Tourism sales

- All sectors of the North Carolina economy benefit from tourism activity directly and/or indirectly.
- Finance, insurance & real estate (FIRE), business services, and manufacturing sectors realize substantial indirect business from tourism activities.

Tourism Business Sales



Tourism industry GDP

Tourism GDP (Value Added)							
(US\$ Million)							
	2012	2013	2014	2015	2016	2017	%
Air Transport	1,144	1,217	1,279	1,309	1,280	1,297	1.3%
Other Transport	186	197	206	211	219	226	3.1%
Retail Trade	1,118	1,155	1,212	1,270	1,325	1,379	4.1%
Gasoline Stations	336	341	337	344	348	355	2.0%
Finance, Insurance and Real Estate	1,535	1,553	1,582	1,657	1,690	1,791	6.0%
Business Services	283	122	136	122	152	154	1.6%
Recreation and Entertainment	1,090	1,119	1,169	1,231	1,338	1,394	4.2%
Lodging	2,027	2,126	2,350	2,524	2,808	2,917	3.9%
Food & Beverage	1,913	2,003	2,129	2,258	2,407	2,504	4.1%
Personal Services	189	394	412	369	462	478	3.3%
Government	7	7	8	9	10	10	9.1%
TOTAL	9,828	10,233	10,822	11,305	12,038	12,506	3.9%
% change	5.7%	4.1%	5.8%	4.5%	6.5%	3.9%	

- Tourism GDP is the value added of those sectors directly interacting with travelers.
- The narrow definition of the tourism industry counts only tourism consumption, which excludes capital investment and general government support. This definition is consistent with economic accounts.
- On this basis, tourism industry GDP reached \$12.5 billion in 2017, accounting for 2.3% of total North Carolina GDP.

Tourism GDP impact

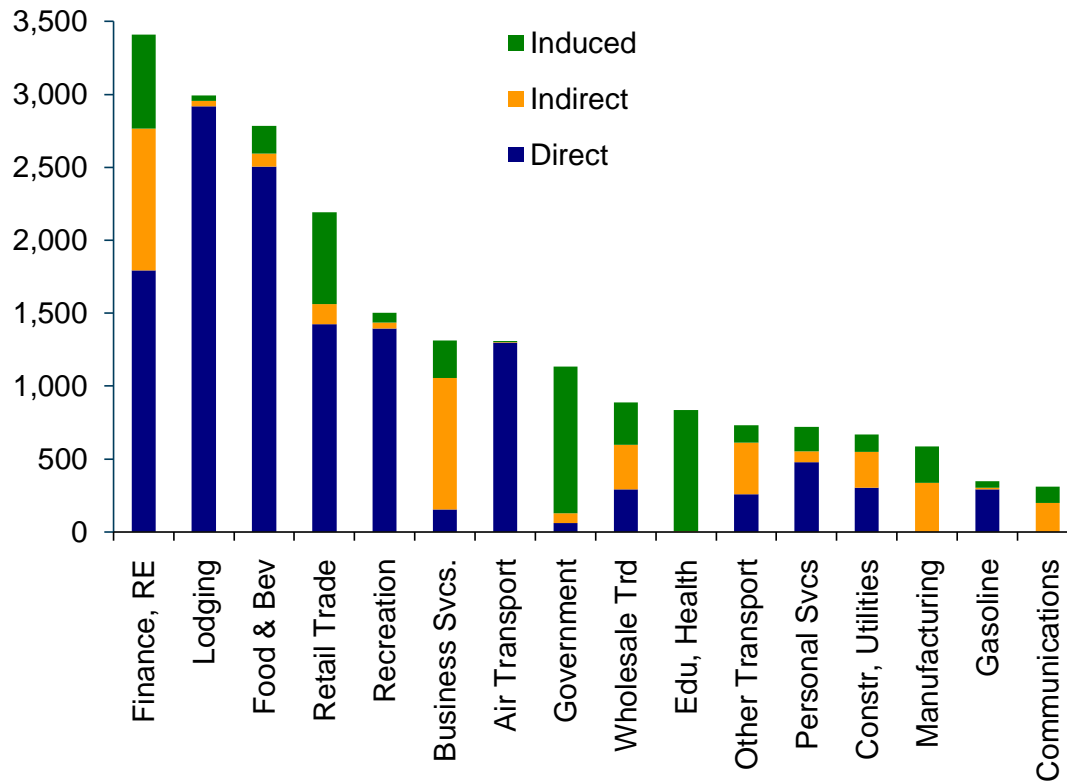
Tourism GDP (Value Added)					
(2017, US\$ Million)					
	Direct	Indirect	Induced	Total	% change
Agriculture, Fishing, Mining		32	21	53	3.6%
Construction and Utilities	302	246	120	668	-1.3%
Manufacturing		336	249	585	3.6%
Wholesale Trade	290	303	292	885	3.1%
Air Transport	1,297	5	5	1,308	1.3%
Other Transport	259	355	119	733	3.4%
Retail Trade	1,423	140	630	2,192	3.9%
Gasoline Stations	291	11	45	347	7.6%
Communications		198	112	310	3.6%
Finance, Insurance and Real Estate	1,791	974	645	3,410	4.9%
Business Services	154	903	255	1,311	3.4%
Education and Health Care		5	831	836	3.7%
Recreation and Entertainment	1,394	43	67	1,504	4.2%
Lodging	2,917	40	35	2,992	3.9%
Food & Beverage	2,504	89	190	2,783	4.0%
Personal Services	478	75	168	721	3.4%
Government	60	66	1,006	1,133	3.9%
TOTAL	13,162	3,820	4,791	21,773	3.7%
% change	3.7%	3.6%	3.7%	3.7%	

- Including the direct, indirect and induced impacts of total tourism demand, the tourism sector generated \$21.8 billion of state GDP in 2017. This was 4.0% of the state economy.

Tourism GDP impact

Tourism GDP Impact

\$ million



Total tourism employment

Tourism Employment					
2017					
	Direct	Indirect	Induced	Total	% change
Agriculture, Fishing, Mining	-	1,465	773	2,238	1.9%
Construction and Utilities	7,425	1,865	411	9,700	-1.6%
Manufacturing	3,750	3,914	2,303	9,967	1.2%
Wholesale Trade	2,503	2,404	2,299	7,207	1.6%
Air Transport	13,627	71	78	13,776	6.4%
Other Transport	5,564	5,713	1,878	13,155	1.8%
Retail Trade	81,238	3,016	13,579	97,833	2.0%
Gasoline Stations	4,681	151	621	5,454	2.0%
Communications	-	1,705	758	2,463	1.9%
Finance, Insurance and Real Estate	14,733	7,623	4,972	27,327	2.5%
Business Services	1,121	15,397	4,561	21,079	1.9%
Education and Health Care	-	110	15,537	15,647	2.0%
Recreation and Entertainment	35,789	1,725	2,011	39,525	2.3%
Lodging	49,873	860	763	51,496	3.1%
Food & Beverage	91,411	3,521	7,502	102,434	2.0%
Personal Services	9,013	2,289	6,137	17,440	1.8%
Government	846	847	623	2,316	2.9%
TOTAL	321,574	52,677	64,806	439,057	2.2%
% change	2.3%	1.9%	2.0%	2.2%	

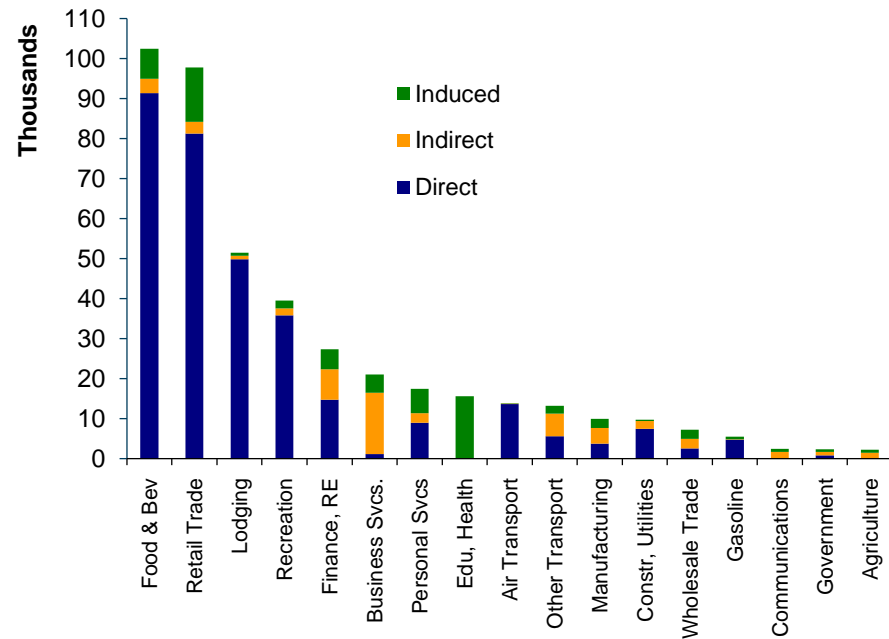
- The tourism sector directly and indirectly supported 439,057 jobs, or 9.4% of all employment* in North Carolina in 2017.
- Tourism-related employment grew 2.2% in 2017 as businesses hired to support visitor spending increases.
- Tourism is leading the state in job creation. Total NC employment grew 1.5% in 2017.

* Compared to BEA Wage and Salary Employment, SA25N

Total tourism employment

- The restaurant, lodging, and retail sectors employed the most persons in the tourism sector.
- Secondary benefits are realized across the entire economy through the supply chain and incomes as they are spent.
- For example, 21,000 people are employed in business services as a result of tourism activity.

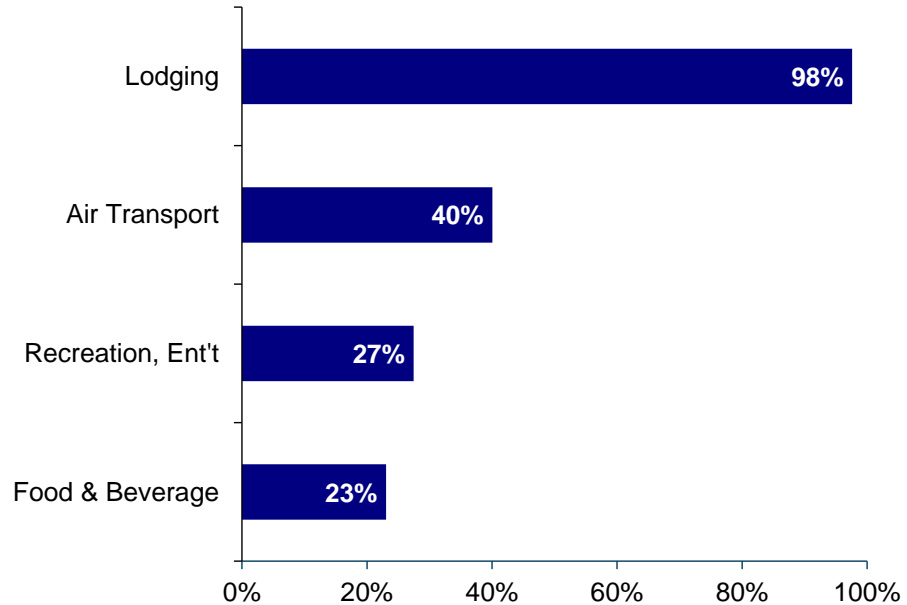
Tourism Employment Impact



Tourism employment shares

- Tourism represents substantial shares of the air transport, recreation, lodging, and food & beverage industries.

Tourism Employment Share of Key Industries



Tourism personal income

Tourism Income (Compensation)					
(2017, US\$ Million)					
	Direct	Indirect	Induced	Total	% change
Agriculture, Fishing, Mining		25	17	41	4.3%
Construction and Utilities	241	134	48	423	-1.4%
Manufacturing		220	142	362	4.3%
Wholesale Trade	158	176	165	498	3.5%
Air Transport	973	4	5	982	11.7%
Other Transport	174	301	91	566	3.8%
Retail Trade	1,908	92	404	2,405	3.8%
Gasoline Stations	125	5	20	151	2.1%
Communications		119	53	173	4.3%
Finance, Insurance and Real Estate	408	352	271	1,030	4.7%
Business Services	60	746	210	1,017	4.1%
Education and Health Care		4	727	731	4.2%
Recreation and Entertainment	729	36	46	811	5.0%
Lodging	1,777	23	20	1,820	10.6%
Food & Beverage	1,704	65	135	1,903	3.4%
Personal Services	306	61	134	500	2.8%
Government	31	40	26	98	4.4%
TOTAL	8,592	2,403	2,515	13,511	5.1%
% change	5.6%	5.6%	5.4%	5.1%	

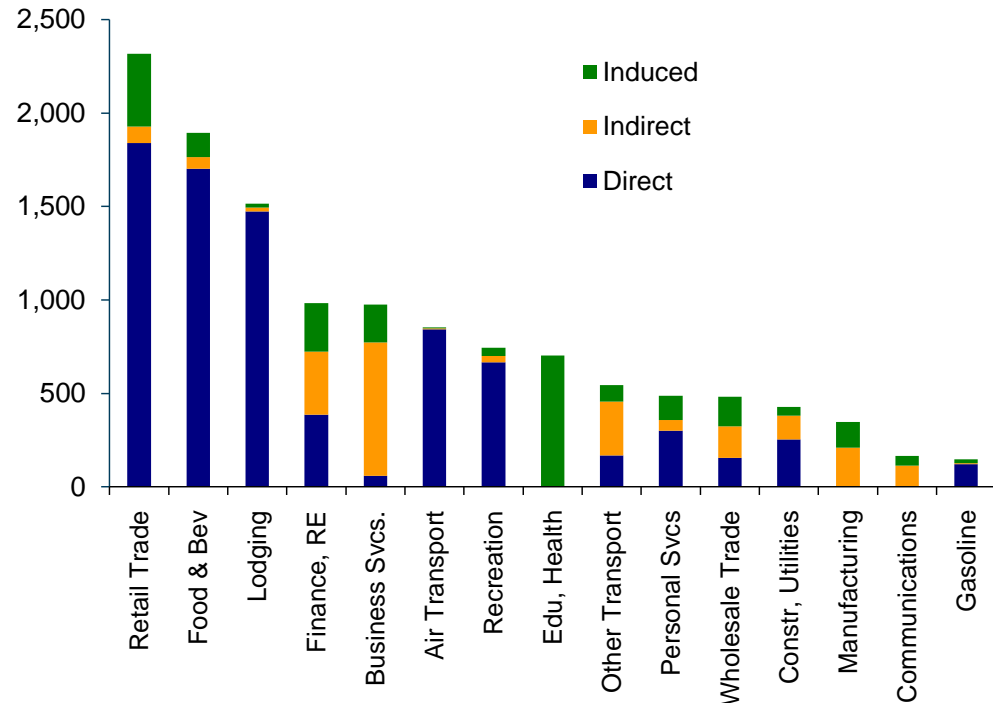
- \$13.5 billion in compensation was generated by tourism demand in 2017, an increase of 5.1%.

Tourism personal income

- Tourism generated the most personal income in the retail trade, food & beverage, and lodging sectors.
- The business services sector benefits strongly as a supplier to other tourism sectors.

Tourism Income Impact

\$ million



Tourism tax generation

Tourism-Generated Taxes					
(US\$ Million)					
	2013	2014	2015	2016	2017
Federal Taxes	3,136	3,339	3,477	3,651	3,823
Corporate	560	586	606	632	655
Indirect Business	433	454	470	489	508
Personal Income	867	930	971	1,024	1,076
Social Security	1,276	1,368	1,430	1,506	1,584
State and Local Taxes	3,037	3,233	3,365	3,501	3,630
Corporate	377	395	409	426	442
Personal Income	336	360	377	397	417
Sales	1,229	1,288	1,331	1,387	1,439
Property	824	863	892	930	965
Excise and Fees	93	97	100	105	109
State Unemployment	23	24	25	27	28
Lodging Taxes	156	205	230	230	230
TOTAL	6,172	6,572	6,842	7,153	7,453
% change	4.2%	6.5%	4.1%	4.5%	4.2%

- Taxes of \$7.4 billion were directly and indirectly generated by tourism in 2017.
- State and local taxes alone tallied \$3.6 billion.
- Each household in North Carolina would need to be taxed an additional \$951 per year to replace the tourism taxes received by state and local governments.

Government support of tourism

Tourism Administration and Promotion				
2017/18*				
Government	Individual	Collective	Total	% change
State	\$ 2,513,283	\$ 12,921,483	\$ 15,434,766	9.1%
Counties	\$ 25,203,002	\$ 142,817,010	\$168,020,012	7.8%
Municipalities	\$ 3,732,385	\$ 21,150,180	\$ 24,882,565	18.6%
TOTAL	\$ 31,448,670	\$ 176,888,673	\$208,337,343	9.1%

* County and municipality figures are based on previous fiscal year based on availability

- Government support of tourism is divided between collective (general support) and individual (specific support) spending.
- Total state government support of tourism was \$15.4 million.
- County government support of tourism rose 7.8% to \$168 million.
- Municipality government support of tourism expanded 18.6% to \$25 million.
- Total government support of tourism tallied \$208 million in the most recent fiscal year.
- State and local taxes generated by tourism (\$3.6 billion) surpass this funding by a rate of 17.4-to-1.

Tourism capital investment

Tourism Capital Investment							
Total Tourism Related							
	2011	2012	2013	2014	2015	2016	2017
Construction	\$ 336,083,006	\$ 340,743,963	\$ 351,822,738	\$ 387,957,500	\$ 528,500,000	\$ 569,397,000	\$ 531,409,800
Recreation and Entertainment	\$ 181,782,000	\$ 130,659,000	\$ 186,363,750	\$ 259,938,750	\$ 205,500,000	\$ 331,089,000	\$ 256,537,500
Hotels and Motels	\$ 126,119,000	\$ 182,335,000	\$ 152,263,000	\$ 115,250,000	\$ 310,000,000	\$ 232,568,000	\$ 272,502,000
Government Capital Outlays	\$ 28,182,006	\$ 27,749,963	\$ 13,195,988	\$ 12,768,750	\$ 13,000,000	\$ 5,740,000	\$ 2,370,300
Machinery and Equipment	\$ 993,475,014	\$ 1,043,148,765	\$ 1,095,306,203	\$ 1,150,071,513	\$ 1,207,575,089	\$ 1,258,969,373	\$ 1,284,148,761
Total	\$ 1,329,558,020	\$ 1,383,892,727	\$ 1,447,128,940	\$ 1,538,029,013	\$ 1,736,075,089	\$ 1,828,366,373	\$ 1,815,558,561
% change	11.5%	4.1%	4.6%	6.3%	12.9%	5.3%	-0.7%

- \$1.8 billion was invested by the tourism sector last year, including hotels, recreational facilities, and related government capital outlays.

Definitions

Why quantify the tourism economy?

- By monitoring tourism's economic impact, policy makers can make informed decisions regarding the funding and prioritization of tourism development.
- It can also carefully monitor its successes and future needs.
- In order to do this, tourism must be measured in the same categories as other economic sectors – i.e. tax generation, employment, wages, and gross domestic product.

What is this a challenge?

- Most economic sectors such as financial services, insurance, or construction are easily defined within a country's national accounts statistics.
- Tourism is not so easily measured because it is not a single industry. It is a demand-side activity which affects multiple sectors to various degrees.
- Tourism spans nearly a dozen sectors including lodging, recreation, retail, real estate, air passenger transport, food & beverage, car rental, taxi services, travel agents...

The Tourism Satellite Account

- The TSA was conceived by the UN World Tourism Organization and has since been ratified by the UN, Eurostat, and OECD.
- The standard has been adopted by over fifty countries around the world.
- The TSA deals with the challenge of measuring tourism in two important ways:
 1. Defines the tourism economy
 2. Provides methodology for calculating tourism GDP in a way that is consistent with economic accounts

Benefits of a TSA

- Enables comparisons of the importance of tourism to other sectors of the economy in terms of GDP, employment, and income
- Allows for benchmarking to other destinations
- Tracks the economic contribution of tourism over time
- Monitors strength by tracking capital investment
- Allows for extension analysis for of the full impact of tourism

Illustrating the concepts

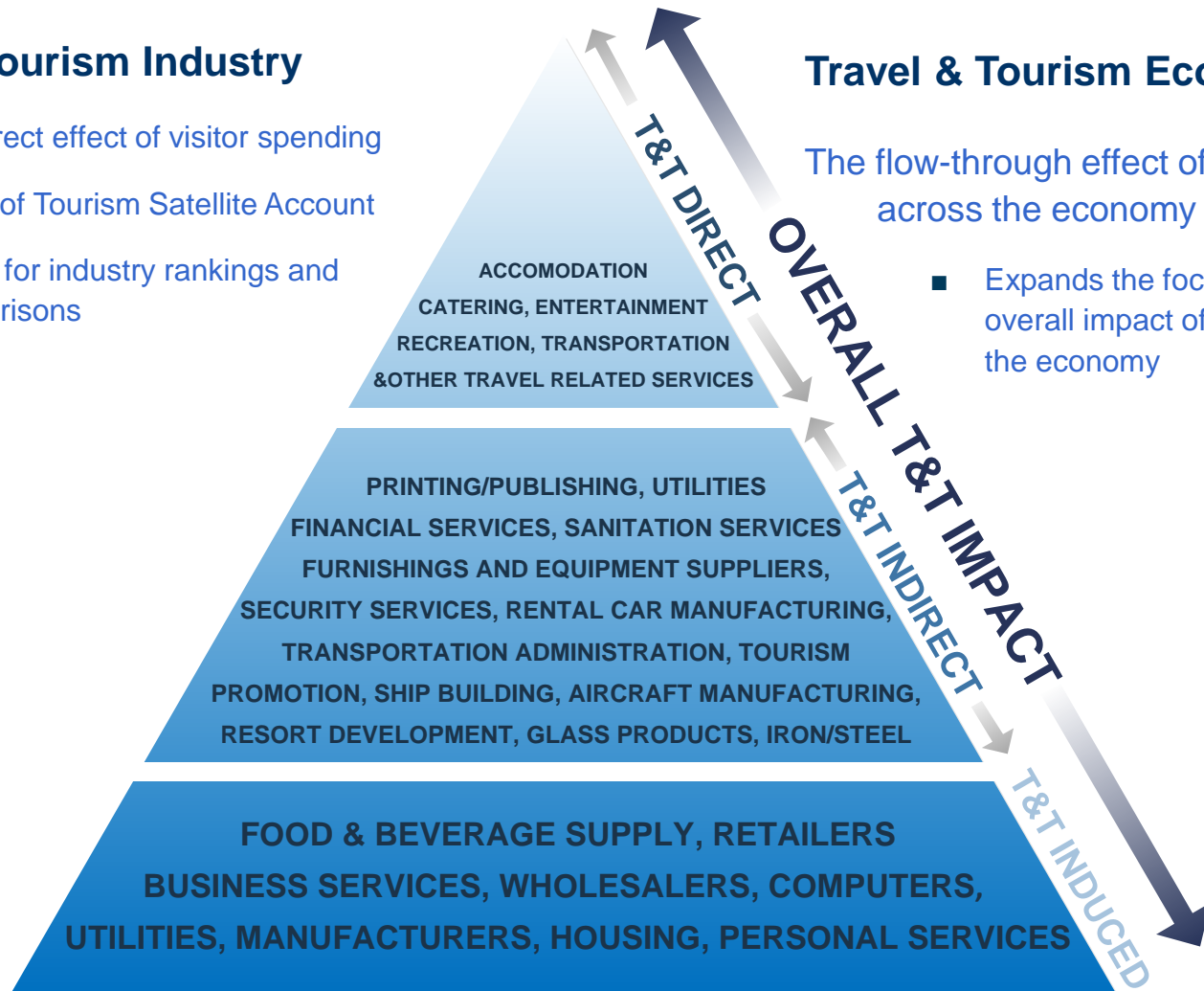
Travel & Tourism Industry

- The direct effect of visitor spending
- Focus of Tourism Satellite Account
- Allows for industry rankings and comparisons

Travel & Tourism Economic Impact

The flow-through effect of total T&T demand across the economy

- Expands the focus to measure the overall impact of T&T on all sectors of the economy



About Tourism Economics

- Tourism Economics is an Oxford Economics company dedicated to providing high value, robust, and relevant analyses of the tourism sector that reflects the dynamics of local and global economies. By combining quantitative methods with industry knowledge, Tourism Economics designs custom market strategies, project feasibility analysis, tourism forecasting models, tourism policy analysis, and economic impact studies.
- Our staff have worked with more than 200 destinations to quantify the economic value of tourism, forecast demand, guide strategy, or evaluate tourism policies.
- Oxford Economics is one of the world's leading providers of economic analysis, forecasts and consulting advice. Founded in 1981 as a joint venture with Oxford University's business college, Oxford Economics is founded on a reputation for high quality, quantitative analysis and evidence-based advice. For this, it draws on its own staff of 250 highly-experienced professional economists; a dedicated data analysis team; global modeling tools; close links with Oxford University, and a range of partner institutions in Europe, the US and in the United Nations Project Link.
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