

ECONOMIC IMPACT OF VISITORS IN NORTH CAROLINA 2018

Prepared for:
Visit North Carolina



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INTRODUCTION

The travel sector is an integral part of the North Carolina economy. Visitors generate significant economic benefits to households, businesses, and government alike and represent a critical driver of North Carolina's future.

By monitoring the visitor economy, policymakers can inform decisions regarding the funding and prioritization of the sector's development. They can also carefully monitor its successes and future needs. By establishing a baseline of economic impacts, the industry can track its progress over time.

To quantify the economic significance of the tourism sector in North Carolina, Tourism Economics has prepared a comprehensive model using multiple primary and secondary data sources to quantify the economic impacts arising from all travel-related economic activity using the Tourism Satellite Account framework.

Impact modeling is based on an IMPLAN Input-Output (I-O) model for North Carolina. The results of this study show the scope of the travel sector in terms of direct visitor spending, as well as total economic impacts, including employment, household income, and tax impacts in the broader economy.

The analysis draws on the following data sources:

- U.S. Travel Association Travel Economic Impact Model (TEIM): survey and industry-based analysis of visitor spending split by commodity and point of origin (domestic/international)
- Bureau of Economic Analysis and Bureau of Labor Statistics: employment and wage data, by industry
- STR: Lodging performance data, including room demand, room rates, occupancy, and room revenue
- Tax collections: Lodging and restaurant tax receipts (county and municipal)
- US Census: business sales by industry and seasonal second homes inventory
- OAG: airport and passenger statistics
- Tourism Economics: international travel data for overseas, Canadian, and Mexico travel to North Carolina based on aviation, survey, mobile device, and credit card information.

KEY FINDINGS

KEY FINDINGS

The visitor economy is an engine for economic growth



Tourism Demand

Total tourism demand tallied \$32.5 billion in 2018. This marks another new high for the North Carolina tourism sector and the ninth consecutive year of growth.



Continued Growth

Tourism demand increased 6.0% in 2018. Since 2009, visitor spending has grown at an annualized rate of 5.1% per year. This measure of direct expenditures in 2018 stood at 61% above 2009 levels.



Employment Generation

The travel economy supported more than 451,000 jobs in 2018, or 9.5% of total employment in North Carolina. This marks a steady increase in share since 2008 (8.6% of all jobs).



Fiscal Contributions

Travelers generated \$3.8 billion in state and local taxes in 2018, which is equivalent to \$1,002 in tax savings for every household in North Carolina.

VISITOR ECONOMY TRENDS

KEY DEFINITIONS

Tourism Satellite Account (TSA)

Background

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 80 countries around the world and a growing number of subnational states and regions.

The TSA deals with the challenge of measuring tourism in two important ways:

- Defines the tourism economy
- Provides methodology for measuring the travel economy in a way that is consistent with economic accounts

The entire travel industry is measured within the TSA, including leisure, business, group, transit, and the local spending of outbound travelers.

Total Tourism Demand

Includes all visitor spending plus other spending streams in support of the traveler industry. This includes government spending and capital investment in support of travel.

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.

Tourism Economic Impact

Measures the full economic impacts of tourism demand, including indirect and induced impacts. This expands on the TSA framework to quantify the downstream impacts of the travel sector.

TRAVEL ECONOMY TRENDS

Visitation

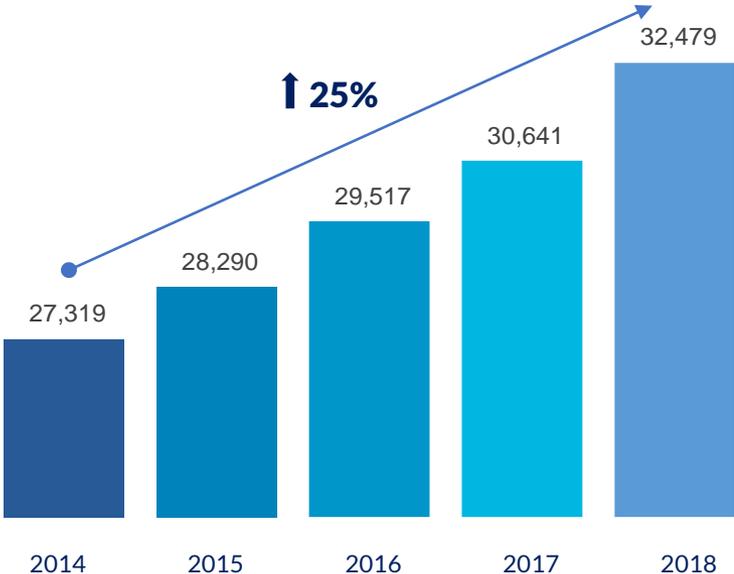
The travel economy in North Carolina has been expanding for nine straight years

Total tourism demand in NC rose 6% in 2018, expanding for a ninth consecutive year, and reaching another new peak of \$32.5 billion.

Over the five-year period from 2013 to 2018, tourism demand expanded 25%: an annualized growth rate of 4.6%.

North Carolina travel-related expenditures

Tourism Satellite Account: Total Demand



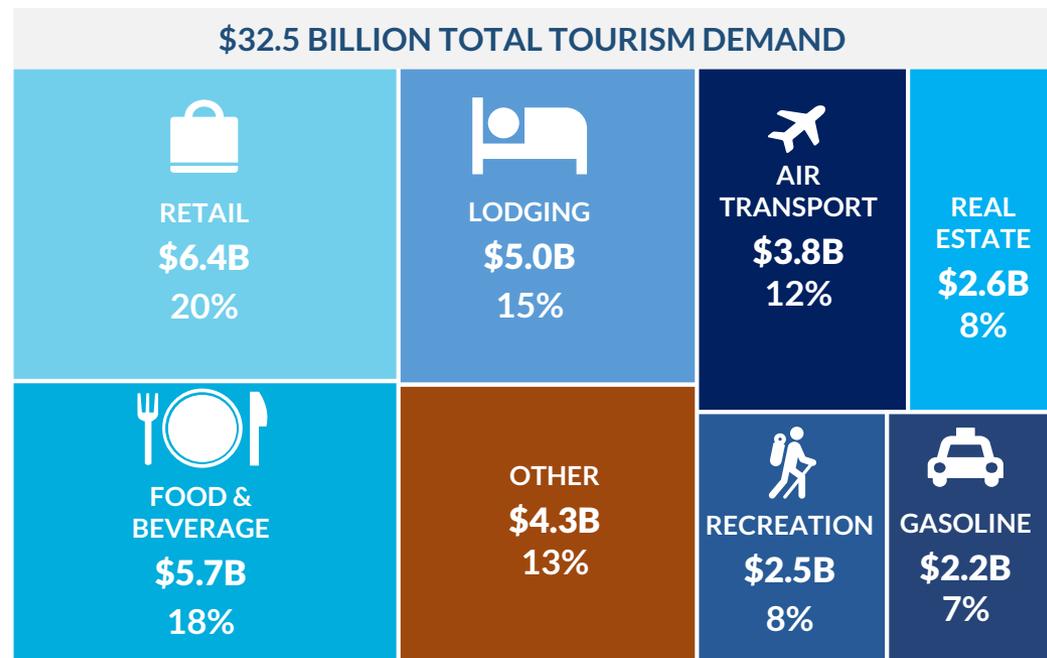
Source: U.S. Travel Association; Tourism Economics

VISITOR ECONOMY DISTRIBUTION

Tourism demand by industry

Tourism Demand of \$32.5 billion spanned a wide range of sectors in 2018

In 2018, the North Carolina travel industry generated \$6.4 billion in retail, \$5.7 billion in food & beverage services, \$5 billion in the lodging sector, \$3.8 billion in air transportation, \$2.6 billion in the real estate sector, \$2.5 billion in recreation, \$2.2 billion in gasoline purchases, and \$4.3 billion in other industries, including construction and local transportation.



Note: Lodging spending includes all industry activity, including meetings, catering, etc.
Real Estate includes home rentals

Source: Tourism Economics, U.S. Travel Association

VISITOR ECONOMY TRENDS

Tourism Demand by source

Growth in the visitor economy was broad-based in 2018 but especially strong in domestic visitor markets. Domestic traveler spending increased by \$1.4 billion with a 5.2% surge.

International markets held at \$940 million in 2018 while construction within the travel industry jumped 23% to \$2.2 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 \$952 million.

Government support for tourism, including the budgets for tourism promotion around the state and visitor centers, increased 9.1%.

North Carolina Tourism Demand

Millions of nominal dollars

	2013	2014	2015	2016	2017	2018	2018 growth	2013-2018 CAGR
Tourism Demand	\$25,962	\$27,319	\$28,290	\$29,517	\$30,641	\$32,479	6.0%	4.6%
Domestic	\$22,792	\$23,949	\$24,674	\$25,689	\$26,753	\$28,134	5.2%	4.3%
International	\$745	\$826	\$829	\$911	\$940	\$940	0.0%	4.8%
Non-visitor PCE	\$832	\$851	\$873	\$898	\$925	\$952	3.0%	2.7%
Gov't Support	\$146	\$156	\$178	\$191	\$208	\$218	4.5%	8.3%
Capital Investment	\$1,447	\$1,538	\$1,736	\$1,828	\$1,816	\$2,236	23.1%	9.1%

Source: Tourism Economics, U.S. Travel Association

VISITOR ECONOMY DISTRIBUTION

Tourism Demand by source

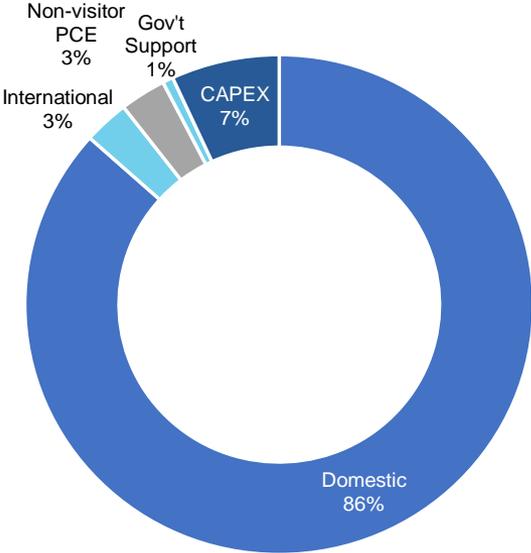
Domestic visitor markets comprised the majority (86%) of tourism demand in 2018.

Capital investment in tourism-related construction and machinery & equipment represented 7% of all tourism-related demand.

International visitor markets and non-visitor PCE each contributed 3% of tourism demand in North Carolina in 2018.

North Carolina Tourism Demand

Percentage distribution



Source: Tourism Economics, U.S. Travel Association

ECONOMIC IMPACTS



ECONOMIC IMPACTS

How tourism demand generates employment, income, and taxes

Our analysis of the North Carolina visitor economy begins with spending by and on behalf of travelers, then measures the downstream effects of this injection of spending into the local economy. To determine the total economic impact of tourism in North Carolina, we analyze visitor spending within a model of the local economy based on an IMPLAN input-output model. This process calculates three distinct types of impact: direct, indirect, and induced.

The impacts on business sales, jobs, wages, and taxes are calculated for all three levels of impact.

1. **Direct Impacts:** Visitors create direct economic value within a discrete group of sectors (e.g. recreation, transportation). This supports a relative proportion of jobs, wages, taxes, and GDP within each sector.
2. **Indirect Impacts:** Each directly affected sector also purchases goods and services as inputs (e.g. food wholesalers, utilities) into production. These impacts are called indirect impacts.
3. **Induced Impacts:** Lastly, the induced impact is generated when employees whose wages are generated either directly or indirectly by visitors, spend those wages in the local economy.

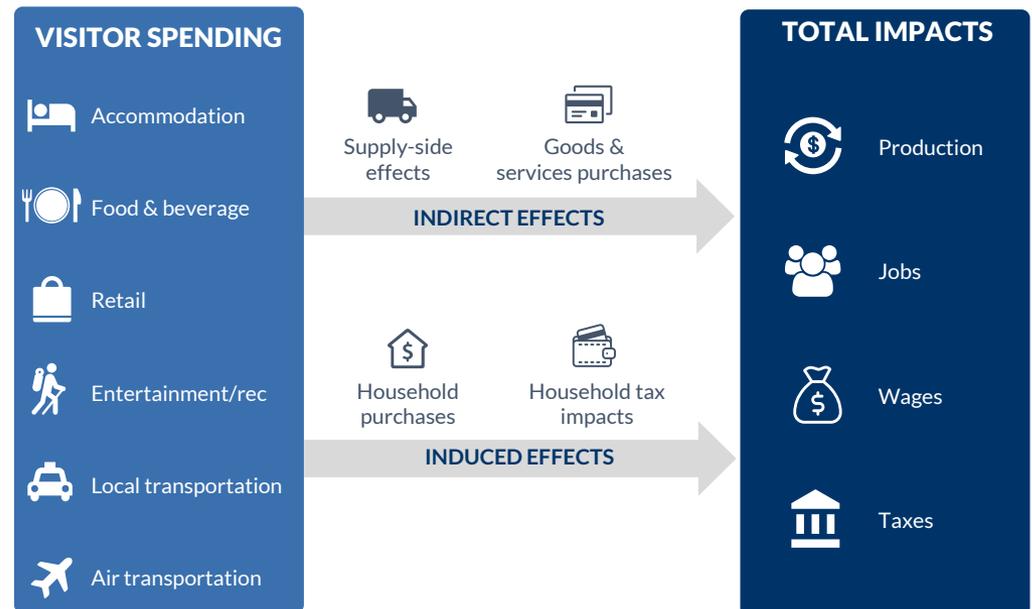
ECONOMIC IMPACTS

How tourism demand flows to businesses, households, and government

Illustration of economic impact flows

The modelling process calculates three levels of impact – direct, indirect, and induced – for a broad set of indicators. These include the following:

- Spending
- Wages
- Employment
- Federal Taxes
- State Taxes
- Local Taxes

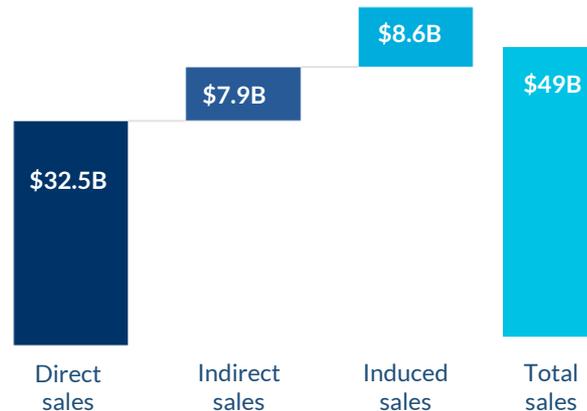


ECONOMIC IMPACTS

Business sales impacts by industry

North Carolina visitor spending of \$32.5 billion produced \$49 billion in business sales including indirect and induced impacts.

Summary economic impacts (\$ millions)



Tourism business sales impacts by industry

Amounts in millions of current dollars

	Direct sales	Indirect sales	Induced sales	Total sales
Total, all industries	\$32,479	\$7,855	\$8,644	\$48,978
By industry				
Retail Trade	\$6,358	\$227	\$1,024	\$7,609
Food & Bev	\$5,715	\$204	\$438	\$6,357
Finance, RE	\$2,613	\$1,536	\$1,118	\$5,267
Lodging	\$4,953	\$67	\$62	\$5,081
Air Transport	\$3,805	\$18	\$20	\$3,843
Recreation	\$2,505	\$82	\$119	\$2,707
Business Svcs.	\$390	\$1,810	\$493	\$2,694
Manufacturing	\$0	\$1,395	\$1,021	\$2,416
Gasoline	\$2,179	\$17	\$69	\$2,265
Wholesale Trd	\$1,284	\$473	\$456	\$2,213
Government	\$218	\$182	\$1,254	\$1,654
Constr, Utilities	\$951	\$468	\$204	\$1,624
Personal Svcs	\$1,099	\$161	\$350	\$1,610
Edu, Health	\$0	\$8	\$1,434	\$1,443
Other Transport	\$407	\$582	\$236	\$1,224
Communications	\$0	\$475	\$268	\$743
Agriculture	\$0	\$150	\$77	\$227

Source: Tourism Economics

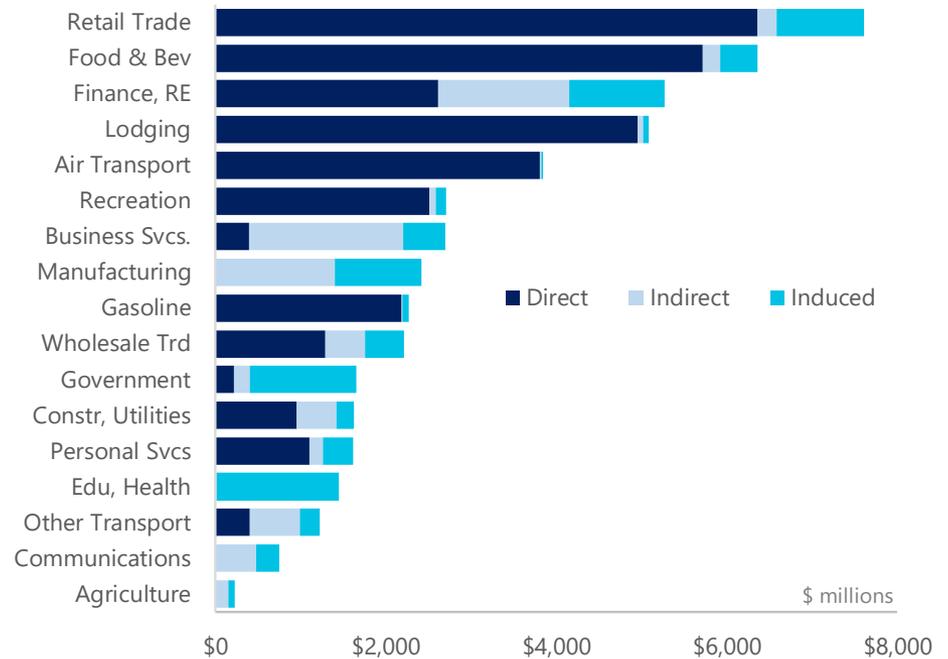
ECONOMIC IMPACTS

Business sales impacts by industry

While most business sales are in industries directly serving visitors, \$5.3 billion in business sales accrue to the finance, insurance, and real estate industry as a result of selling to travelers and tourism businesses.

Similarly, significant benefits accrue to sectors such as business services (\$2.7 billion), manufacturing (\$2.4 billion), education & health care (\$1.4 billion), and communications (\$743 million).

Tourism business sales impacts by industry



Source: Tourism Economics

ECONOMIC IMPACTS

GDP impacts by industry

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 \$12.8 billion in 2018, accounting for 2.4% of total North Carolina GDP.

Including the direct, indirect and induced impacts of all total tourism demand, the tourism sector generated \$23.1 billion of state GDP in 2018. This was 4.1% of the state economy.

Tourism GDP impacts by industry

Amounts in millions of current dollars

	Direct sales	Indirect sales	Induced sales	Total sales
Total, all industries	\$13,991	\$4,037	\$5,067	\$23,096
By industry				
Finance, insur. & real estate	1,834	1,030	682	3,546
Lodging	3,127	42	38	3,206
Food & Bev	2,613	94	201	2,908
Retail Trade	1,477	148	666	2,290
Recreation	1,430	45	70	1,546
Business Svcs.	162	954	270	1,385
Air Transport	1,353	5	6	1,364
Government	63	70	1,064	1,198
Constr, Utilities	541	260	127	928
Wholesale Trd	290	320	309	919
Edu, Health	-	5	879	884
Other Transport	274	375	126	775
Personal Svcs	501	80	178	759
Manufacturing	-	355	263	618
Gasoline	327	11	48	386
Communications	-	209	118	328
Agriculture	-	33	22	56
Tourism Industry GDP	12,780			

Source: Tourism Economics

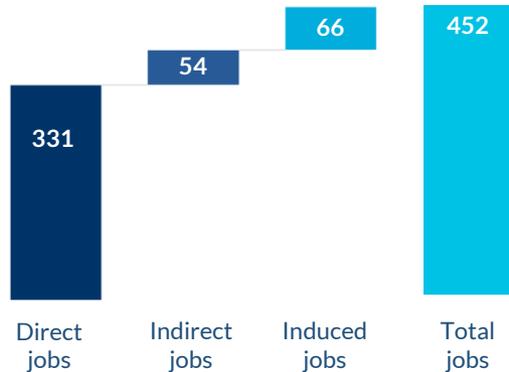
ECONOMIC IMPACTS

Job impacts by industry

North Carolina tourism demand directly generated 331,435 jobs and 451,612 jobs when indirect and induced impacts are included.

Summary job impacts

Thousands



Job impacts by industry

	Direct	Indirect	Induced	Total
Total, all industries	331,435	53,878	66,298	451,612
By industry				
Food & Bev	93,402	3,601	7,675	104,678
Retail Trade	82,773	3,085	13,892	99,750
Lodging	51,533	879	781	53,193
Recreation	37,732	1,765	2,057	41,554
Finance, RE	14,907	7,796	5,086	27,790
Business Svcs.	1,149	15,748	4,666	21,563
Personal Svcs	9,235	2,342	6,278	17,855
Edu, Health	-	113	15,895	16,008
Air Transport	14,595	73	79	14,747
Other Transport	5,720	5,843	1,921	13,484
Constr, Utilities	8,598	1,907	420	10,926
Manufacturing	3,750	4,004	2,356	10,109
Wholesale Trade	2,503	2,459	2,352	7,314
Gasoline	4,673	155	636	5,463
Communications	-	1,744	775	2,520
Government	865	866	637	2,368
Agriculture	-	1,498	791	2,290

Source: Tourism Economics

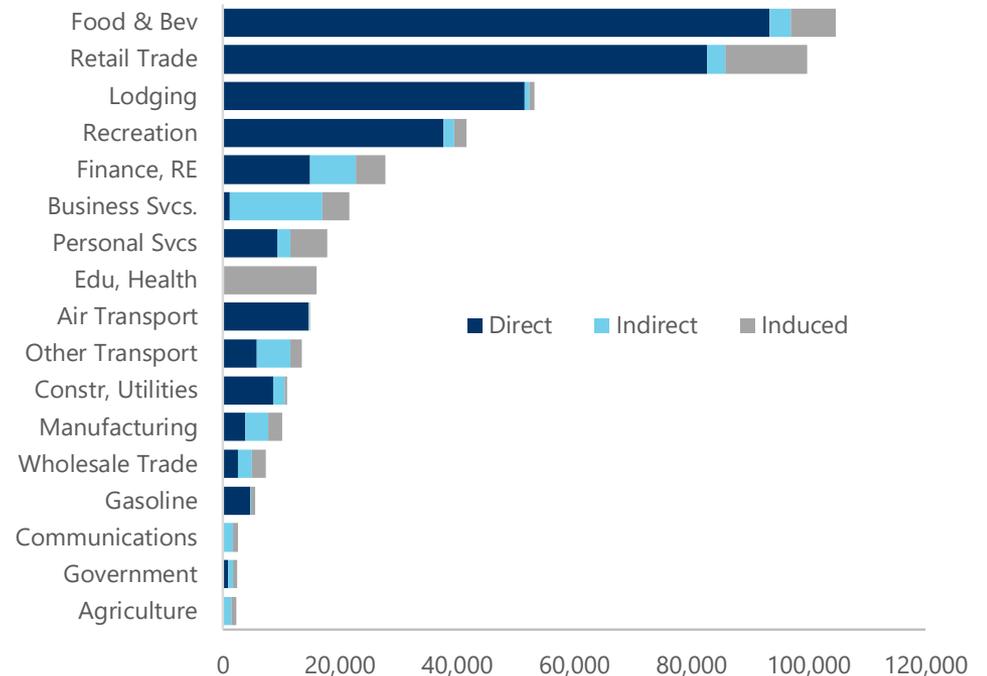
ECONOMIC IMPACTS

Job impacts by industry

Visitor economy total employment of 451,612 jobs accounts for 9.5% of all wage and salary employment in North Carolina.

Tourism-generated employment grew 2.5% in 2018. This outpaced the total NC job market, which expanded 1.8%*.

Job impacts by industry



* BEA SA25N Wage and Salary Employment

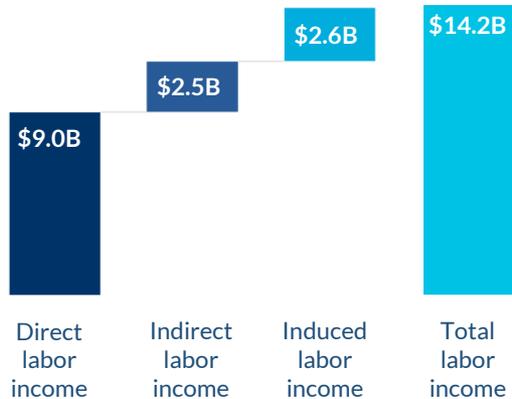
Source: Tourism Economics

ECONOMIC IMPACTS

Labor income impacts by industry

North Carolina visitors directly generated \$9 billion in direct personal income and \$14.2 billion including indirect and induced impacts.

Summary labor income impacts (\$ millions)



Tourism labor income impacts by industry

Amounts in millions of current dollars

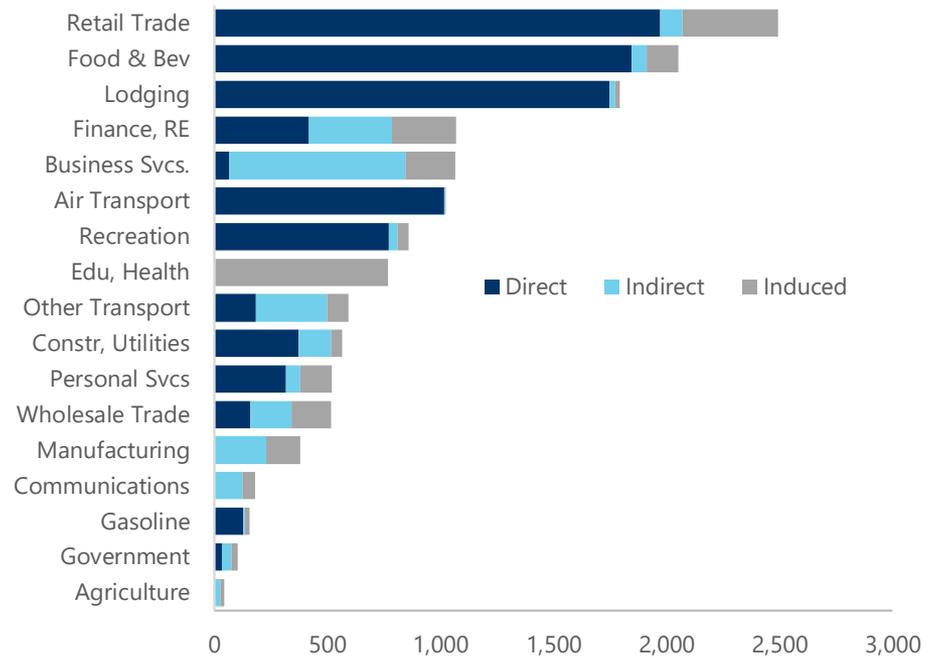
	Direct	Indirect	Induced	Total
Total, all industries	\$9,017	\$2,520	\$2,638	\$14,175
By industry				
Retail Trade	\$1,973	\$97	\$424	\$2,494
Food & Bev	\$1,844	\$68	\$141	\$2,053
Lodging	\$1,747	\$24	\$21	\$1,792
Finance, RE	\$416	\$369	\$284	\$1,069
Business Svcs.	\$63	\$782	\$220	\$1,066
Air Transport	\$1,015	\$5	\$5	\$1,024
Recreation	\$771	\$38	\$49	\$858
Edu, Health	\$0	\$4	\$762	\$767
Other Transport	\$183	\$315	\$96	\$594
Constr, Utilities	\$374	\$140	\$50	\$565
Personal Svcs	\$315	\$64	\$141	\$519
Wholesale Trade	\$158	\$185	\$173	\$515
Manufacturing	\$0	\$231	\$149	\$380
Communications	\$0	\$125	\$56	\$181
Gasoline	\$128	\$5	\$21	\$155
Government	\$32	\$42	\$28	\$102
Agriculture	\$0	\$26	\$17	\$43

Source: Tourism Economics

ECONOMIC IMPACTS

Labor income impacts by industry

Tourism labor income impacts by industry



Source: Tourism Economics

ECONOMIC IMPACTS

Fiscal (tax) impacts

Visitor spending, visitor supported jobs, and business sales generated \$149 million in governmental revenues.

Taxes of \$7.8 billion were directly and indirectly generated by tourism in 2018.

State and local taxes alone tallied \$3.8 billion in 2018.

Each household in North Carolina would need to be taxed an additional \$1,002 to replace the traveler taxes received by state and local governments in 2018.

Fiscal (tax) impacts

Amounts in millions of current dollars

	2016	2017	2018	2018 growth
Total tax revenues	\$7,152.5	\$7,449.9	\$7,848.5	5.3%
Federal	\$3,651.3	\$3,820.6	\$4,022.3	5.3%
Personal income	\$1,024	\$1,075	\$1,129	5.0%
Corporate	\$631.8	\$655.5	\$694.2	5.9%
Indirect business	\$489.3	\$507.7	\$537.7	5.9%
Social security	\$1,506.4	\$1,582.2	\$1,661.4	5.0%
State and Local	\$3,501.2	\$3,629.3	\$3,826.1	5.4%
Sales	\$1,387.3	\$1,439.3	\$1,524.3	5.9%
Bed taxes	\$230.0	\$230.0	\$230.0	0.0%
Personal income	\$396.9	\$416.9	\$437.7	5.0%
Corporate	\$426.1	\$442.0	\$468.2	5.9%
State unemployment	\$26.7	\$28.0	\$29.4	5.0%
Excise and fees	\$104.6	\$108.5	\$114.9	5.9%
Property	\$929.8	\$964.6	\$1,021.6	5.9%

Source: Tourism Economics

GOVERNMENT SUPPORT

Expenditures in support of travel

Government support of tourism is divided between collective (general support) and individual (specific support) spending.

Total state government support of tourism tallied \$15 million in the 2018/19 fiscal year.

County government support of tourism rose 6.2% to \$178 million.

Municipality government support of tourism contracted 2.6% to \$24 million.

Total government support of tourism reached \$218 million in the most recent fiscal year.

State and local taxes generated by tourism (\$3.8 billion) surpass this funding by a rate of 18-to-1.

Tourism Administration and Promotion

2018/19 Fiscal Year

	Individual	Collective	Total	% change
State	\$2,631,843	\$12,421,483	\$15,053,326	-2.5%
Counties	\$26,767,847	\$151,684,466	\$178,452,313	6.2%
Municipalities	\$3,633,573	\$20,590,248	\$24,223,821	-2.6%
TOTAL	\$33,033,263	\$184,696,197	\$217,729,460	4.5%

Source: Tourism Economics

Note: County and municipality figures are based on previous fiscal year based on availability

CAPITAL INVESTMENT

Travel-related construction and equipment expenditures

Capital investments in new buildings, infrastructure, and machinery & equipment are vital to the ongoing growth of the tourism economy.

\$2.2 billion was invested by and on behalf of the travel sector last year, including hotels, recreational facilities, and related government capital outlays.

Tourism Capital Investment

2018	2013	2014	2015	2016	2017	2018	2018 growth
Construction	\$352	\$388	\$529	\$569	\$531	\$951	79.0%
Rec. & Entertainment	\$186	\$260	\$206	\$331	\$257	\$359	40.1%
Hotels and Motels	\$152	\$115	\$310	\$233	\$273	\$580	113.0%
Government Capital	\$13	\$13	\$13	\$6	\$2	\$12	390.1%
Machinery and Equip.	\$1,095	\$1,150	\$1,208	\$1,259	\$1,284	\$1,284	0.0%
Total	\$1,447	\$1,538	\$1,736	\$1,828	\$1,816	\$2,236	23.1%

Source: Tourism Economics

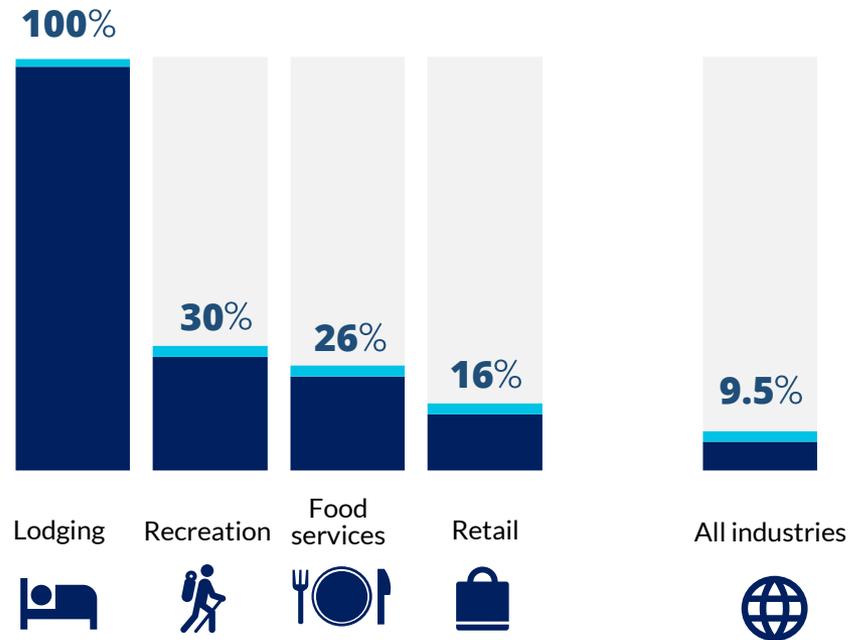
ECONOMIC IMPACTS IN CONTEXT

ECONOMIC IMPACTS IN CONTEXT

Visitor-generated employment intensity

Visitor-generated employment is a significant part of key industries

The entire lodging industry, as well as 30% of recreation, and 16% of food & beverage employment is supported by visitor spending, including indirect and induced benefits.



Source: BEA; Tourism Economics

- Indirect & induced employment contribution
- Direct employment contribution

ECONOMIC IMPACTS IN CONTEXT

Figures in context



Tourism Impact per Day

The \$48 billion in total tourism sales implies that \$134 million in business activity happens EVERY DAY as a result of the North Carolina tourism sector.



Personal income

The \$14.1 billion in total income generated by the tourism sector is the equivalent of \$3,715 for every household in North Carolina.



Employment

The number of jobs sustained by the travel economy (451,612) is enough to fill the Spectrum Center for 24 Charlotte Hornets games.



Taxes

The \$3.8 billion in state and local taxes generated by the travel economy would cover the starting salaries of 70,877 public schoolteachers in North Carolina.

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. Our team of highly-specialized economists deliver:

- Global travel data-sets with the broadest set of country, city, and state coverage available
- Travel forecasts that are directly linked to the economic and demographic outlook for origins and destinations
- Economic impact analysis that highlights the value of visitors, events, developments, and industry segments
- Policy analysis that informs critical funding, taxation, and travel facilitation decisions
- Market assessments that define market allocation and investment decisions

Tourism Economics operates out of regional headquarters in Philadelphia and Oxford, with offices in Belfast, Buenos Aires, Dubai, Frankfurt, and Ontario.

Oxford Economics is one of the world's foremost independent global advisory firms, providing reports, forecasts and analytical tools on 200 countries, 100 industrial sectors and over 3,000 cities. Our best-of-class global economic and industry models and analytical tools give us an unparalleled ability to forecast external market trends and assess their economic, social and business impact. Headquartered in Oxford, England, with regional centers in London, New York, and Singapore, Oxford Economics has offices across the globe in Belfast, Chicago, Dubai, Miami, Milan, Paris, Philadelphia, San Francisco, and Washington DC, we employ over 250 full-time staff, including 150 professional economists, industry experts and business editors—one of the largest teams of macroeconomists and thought leadership specialists.

For more information:

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