

ECONOMIC IMPACT OF VISITORS IN NORTH CAROLINA 2020

Prepared for:
Visit North Carolina



WWW.TOURISMECONOMICS.COM

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

Tourism remained a key component of the state's economy despite declines in demand.



Tourism Demand

Total tourism demand in NC tallied \$23.7 billion in 2020, a decline of 30.8% and the first decline after ten consecutive growth years.



Spending Losses

Domestic visitor spending declined 28.0%, and international spending fell 79.3%.



Employment Generation

The travel economy supported 368,981 jobs in 2020, or 6.3% of total employment in North Carolina. This figure is down from 462,964 jobs in 2019, a decline of 20.3% or 93,983 total jobs.



Fiscal Contributions

Travelers generated \$3.2 billion in state and local taxes in 2020, which is equivalent to \$805 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

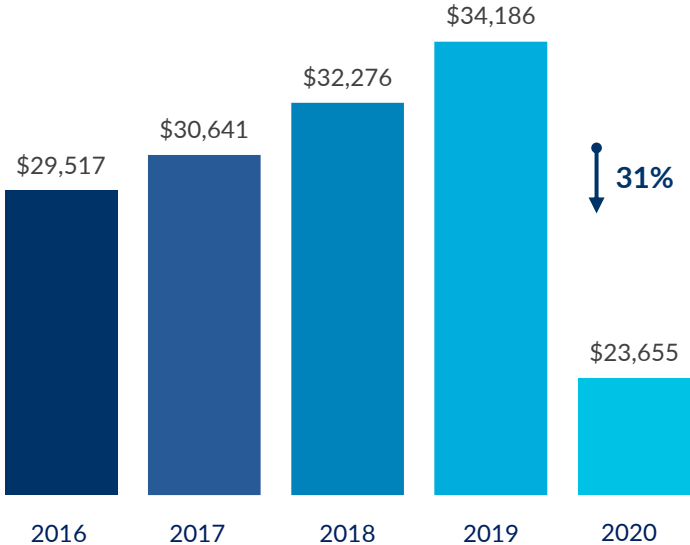
The travel economy in North Carolina contracted for the first time in over a decade.

Total tourism demand in NC tallied \$23.7 billion in 2020, a decline of 30.8% and the first decline after ten consecutive growth years.

Before this decline, tourism demand was growing quickly. Over the five-year period from 2015 to 2019, tourism demand had expanded 21%, an annualized growth rate of 4.8%.

North Carolina travel-related expenditures

Tourism Satellite Account: Total Demand



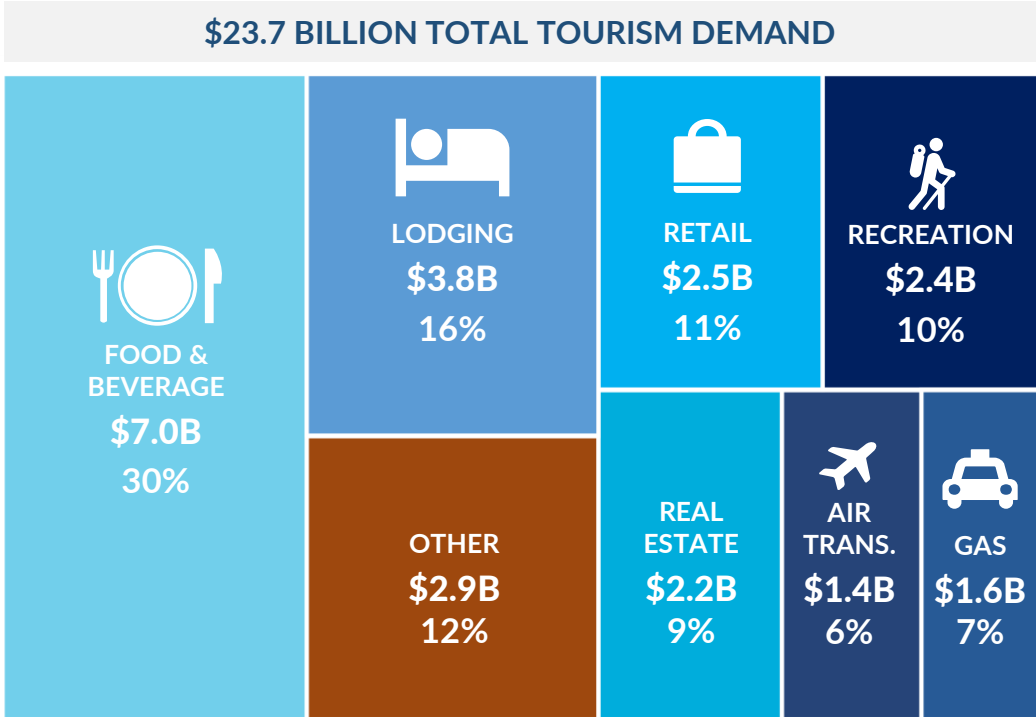
Source: U.S. Travel Association; Tourism Economics

VISITOR ECONOMY DISTRIBUTION

Tourism demand by industry

Tourism demand of \$23.7 billion spanned a wide range of sectors in 2020

In 2020, the North Carolina travel industry generated \$2.5 billion in retail, \$7.0 billion in food & beverage services, \$3.8 billion in the lodging sector, \$1.4 billion in air transportation, \$2.2 billion in the real estate sector, \$2.4 billion in recreation, \$1.6 billion in gasoline purchases, and \$2.9 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

Declines were seen across the visitor economy in 2020. International visitor spending fell the most (-79.3%), while domestic spending (-28.0%) and government support (-23.4%) experienced the smallest declines.

Non-visitor private consumption expenditures (PCE) represent tourism consumer durables such as an RV, boat, or furniture for a vacation home. These declined 41.9%, while capital investment fell 42.9%.

North Carolina Tourism demand

Millions of nominal dollars

	2015	2016	2017	2018	2019	2020	2020 change
Tourism Demand	\$28,290	\$29,517	\$30,641	\$32,276	\$34,186	\$23,655	-30.8%
Domestic	\$24,674	\$25,689	\$26,753	\$28,134	\$29,698	\$21,384	-28.0%
International	\$829	\$911	\$940	\$940	\$952	\$197	-79.3%
Non-visitor PCE	\$873	\$898	\$925	\$952	\$988	\$575	-41.9%
Gov't Support	\$178	\$191	\$208	\$218	\$233	\$178	-23.4%
Capital Investment	\$1,736	\$1,828	\$1,816	\$2,032	\$2,315	\$1,322	-42.9%

Source: Tourism Economics, U.S. Travel Association

VISITOR ECONOMY DISTRIBUTION

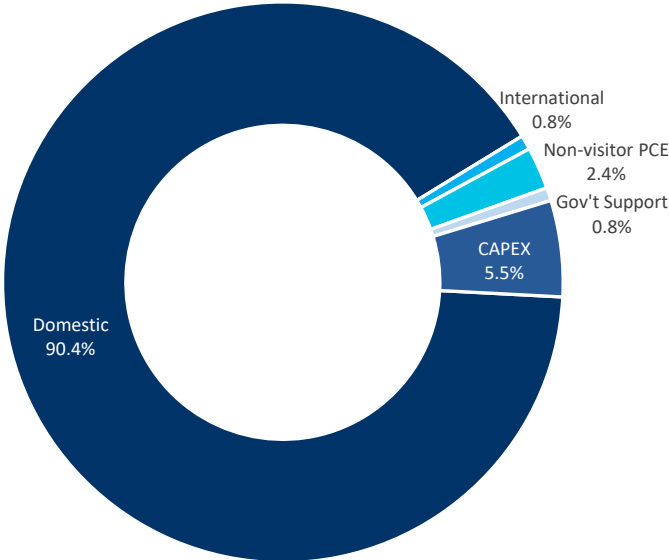
Tourism demand by source

Domestic visitor markets comprised the majority (90.4%) of tourism demand in 2020, a higher share than any previous year on record.

Capital investment in tourism-related construction and machinery & equipment represented 5.5% of all tourism-related demand.

International visitor markets, non-visitor PCE, and government support combined to contribute 4.0% of all tourism demand.

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 wither directly or indirectly by visitors, spend those wages in the local economy.

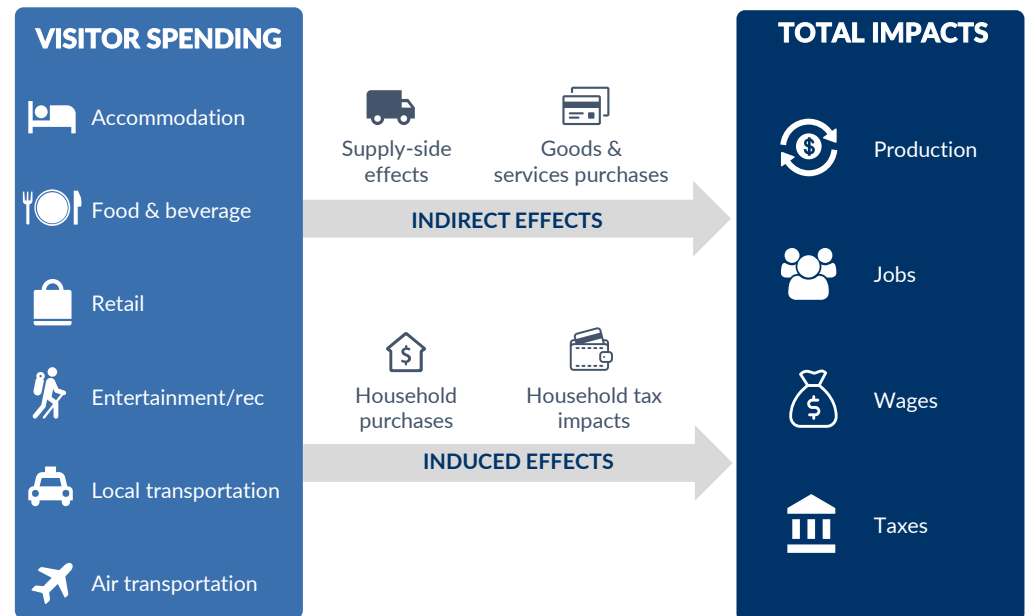
ECONOMIC IMPACTS

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

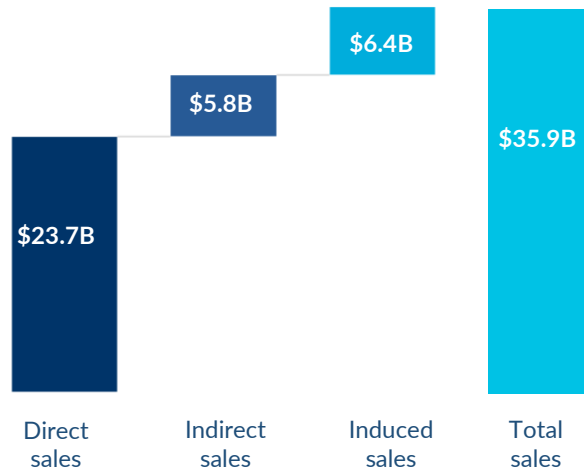


ECONOMIC IMPACTS

Business sales impacts by industry

North Carolina visitor spending of \$23.7 billion produced \$35.9 billion in business sales including indirect and induced impacts.

Summary economic impacts (\$ millions)



Visitor business sales impacts by industry

Amounts in millions of current dollars	Direct sales	Indirect sales	Induced sales	Total sales
Total, all industries	\$23,656	\$5,834	\$6,423	\$35,912
By industry				
Food & Bev	\$6,981	\$151	\$326	\$7,458
Finance, insur. & real estate	\$2,151	\$1,141	\$831	\$4,122
Lodging	\$3,751	\$50	\$46	\$3,847
Retail Trade	\$2,520	\$168	\$761	\$3,449
Recreation	\$2,428	\$61	\$89	\$2,577
Business Svcs.	\$303	\$1,345	\$366	\$2,014
Manufacturing	\$0	\$1,036	\$759	\$1,795
Gasoline	\$1,639	\$12	\$51	\$1,702
Wholesale Trd	\$961	\$351	\$339	\$1,651
Air Transport	\$1,380	\$13	\$15	\$1,408
Government	\$178	\$135	\$932	\$1,246
Personal Svcs	\$820	\$119	\$260	\$1,199
Edu, Health	\$0	\$6	\$1,066	\$1,072
Constr, Utilities	\$361	\$348	\$151	\$860
Other Transport	\$184	\$432	\$175	\$791
Communications	\$0	\$353	\$199	\$552
Agriculture	\$0	\$112	\$57	\$169

Source: Tourism Economics

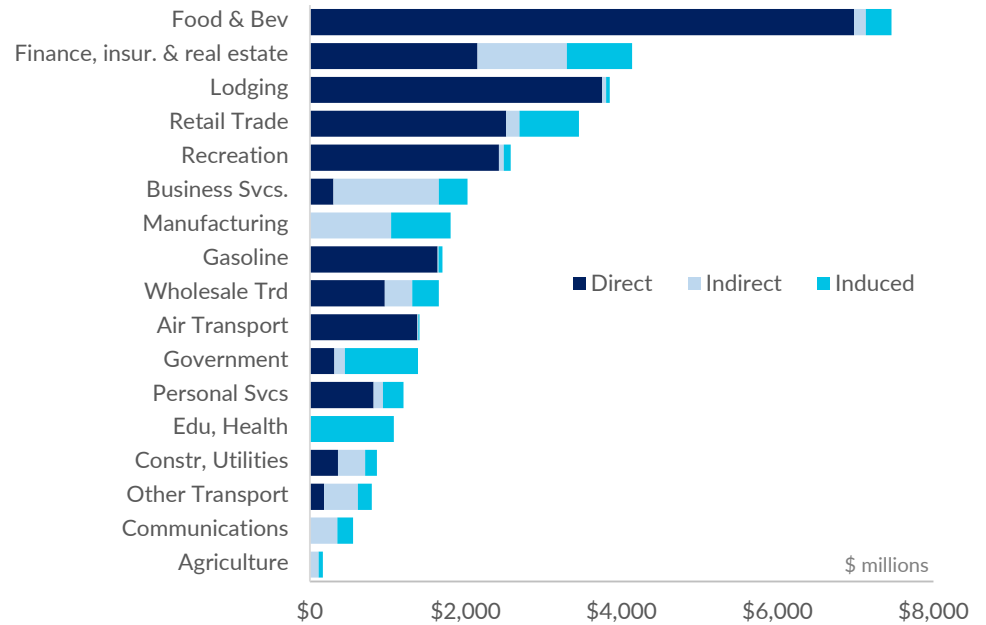
ECONOMIC IMPACTS

Business sales impacts by industry

While most business sales are in industries directly serving visitors, \$4.1 billion in business sales accrue to the finance, insurance, and real estate industry as a result of selling to visitors, tourism businesses, and their employees.

Similarly, significant indirect and induced benefits accrue to sectors such as business services (\$2.0 billion), manufacturing (\$1.8 billion), education & health care (\$1.1 billion), and communications (\$552 million).

Visitor 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 tallied \$10.3 billion in 2020, accounting for 1.7% of total North Carolina GDP.

Including the direct, indirect and induced impacts of all total tourism demand, the tourism sector generated \$17.6 billion of state GDP in 2020. This was 3.0% of the state economy.

Tourism GDP impacts by industry

Amounts in millions of current dollars

	Direct GDP	Indirect GDP	Induced GDP	Total GDP
Total, all industries	\$10,873	\$2,999	\$3,765	\$17,637
By industry				
Food & Bev	3,192	\$70	\$150	\$3,411
Finance, insur. & real estate	1,509	\$765	\$507	\$2,781
Lodging	2,368	\$31	\$28	\$2,427
Recreation	1,385	\$34	\$52	\$1,471
Retail Trade	585	\$110	\$495	\$1,190
Business Svcs.	125	\$709	\$200	\$1,034
Government	52	\$52	\$791	\$895
Wholesale Trd	\$217	\$238	\$230	\$684
Edu, Health	\$0	\$4	\$653	\$657
Personal Svcs	374	\$59	\$132	\$565
Air Transport	491	\$4	\$4	\$499
Other Transport	124	\$278	\$94	\$496
Constr, Utilities	\$205	\$193	\$94	\$493
Manufacturing	\$0	\$264	\$195	\$459
Gasoline	\$246	\$9	\$35	\$290
Communications	\$0	\$156	\$88	\$244
Agriculture	\$0	\$25	\$17	\$41

Tourism Industry GDP **10,314**

Source: Tourism Economics

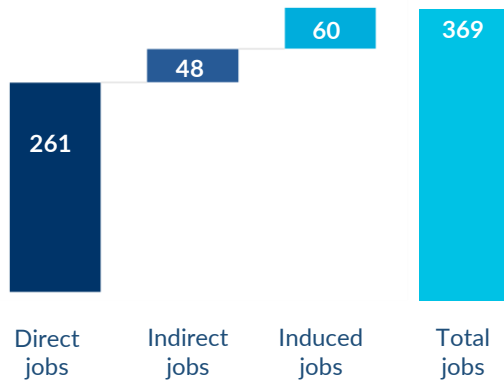
ECONOMIC IMPACTS

Job impacts by industry

North Carolina tourism demand directly generated 261,058 jobs and 368,981 jobs when indirect and induced impacts are included.

Summary tourism job impacts

Thousands



Visitor economy job impacts by industry

	Direct	Indirect	Induced	Total
Total, all industries	261,058	48,417	59,506	368,981
By industry				
Food & Bev	79,818	3,236	6,889	89,943
Retail Trade	58,400	2,772	12,468	73,641
Lodging	39,746	790	701	41,237
Recreation	29,254	1,586	1,846	32,686
Finance, RE	13,641	7,006	4,565	25,213
Business Svcs.	1,026	14,151	4,188	19,366
Personal Svcs	8,088	2,104	5,635	15,827
Edu, Health	-	101	14,266	14,368
Other Transport	4,318	5,251	1,725	11,293
Air Transport	10,149	65	71	10,286
Manufacturing	3,750	3,598	2,114	9,462
Constr, Utilities	5,838	1,714	377	7,929
Wholesale Trade	2,198	2,210	2,111	6,519
Gasoline	4,042	139	571	4,751
Communications	-	1,568	696	2,263
Government	790	778	572	2,141
Agriculture	-	1,347	710	2,057

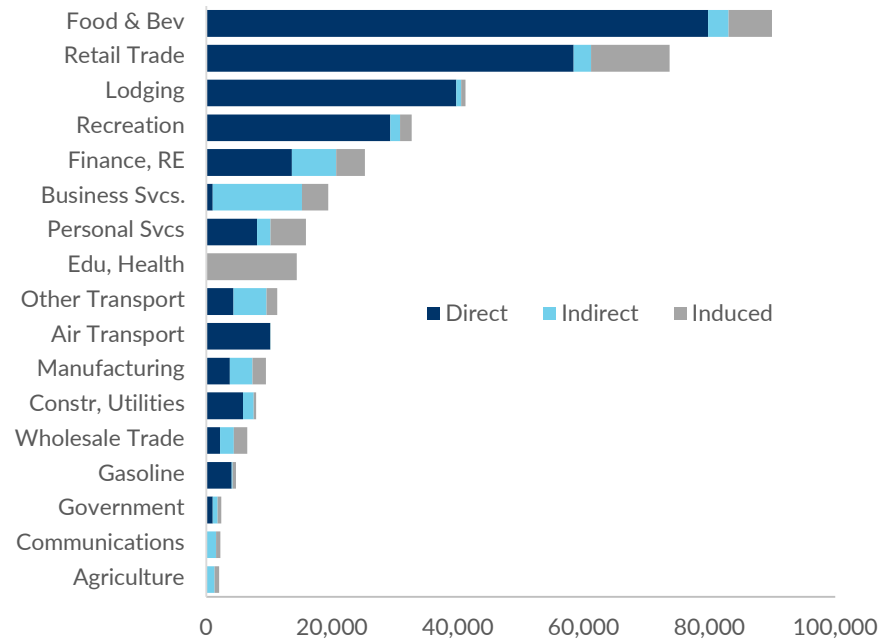
Source: Tourism Economics

ECONOMIC IMPACTS

Employment impacts by industry

The visitor economy's total employment of 368,981 jobs in 2020 accounts for 6.2% of total employment in North Carolina, a decline from 7.5% of all employment in 2019.

Visitor economy employment impacts by industry



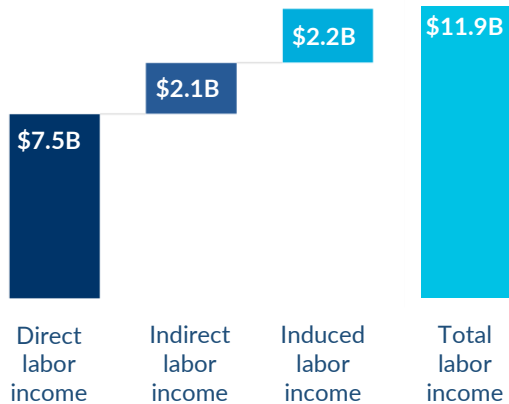
Source: Tourism Economics

ECONOMIC IMPACTS

Labor income impacts by industry

North Carolina visitors directly generated \$7.5 billion in direct personal income and \$11.9 billion including indirect and induced impacts.

Summary labor income impacts (\$ millions)



Visitor economy labor income impacts by industry

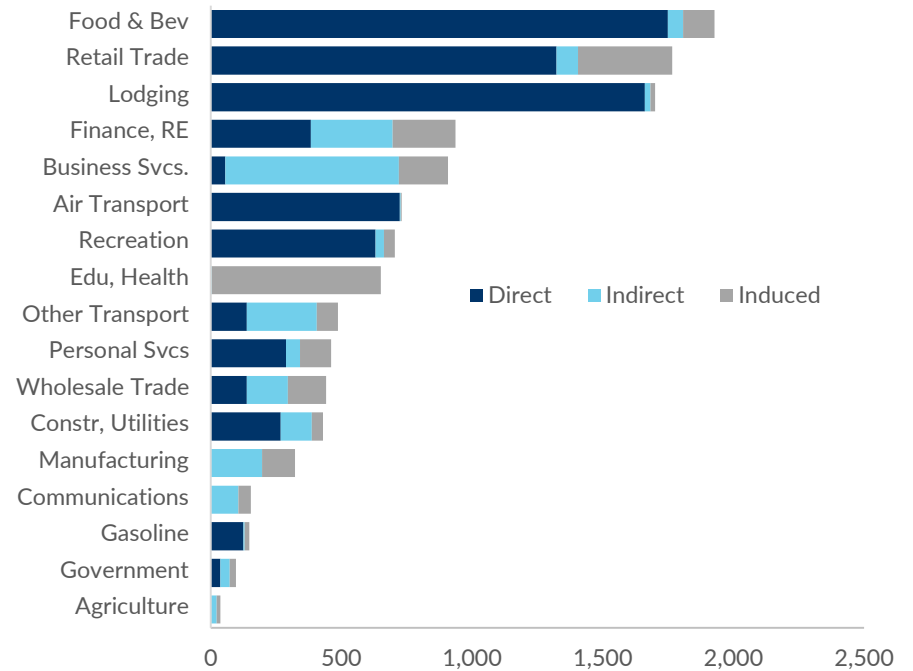
Amounts in millions of current dollars	Direct	Indirect	Induced	Total
Total, all industries	\$7,513	\$2,137	\$2,239	\$11,890
By industry				
Food & Bev	\$1,750	\$57	\$120	\$1,927
Retail Trade	\$1,324	\$82	\$360	\$1,766
Lodging	\$1,662	\$21	\$18	\$1,700
Finance, RE	\$383	\$313	\$241	\$937
Business Svcs.	\$56	\$664	\$187	\$907
Air Transport	\$723	\$4	\$4	\$731
Recreation	\$631	\$32	\$41	\$704
Edu, Health	\$0	\$4	\$647	\$651
Other Transport	\$138	\$268	\$81	\$487
Personal Svcs	\$287	\$54	\$119	\$461
Wholesale Trade	\$138	\$157	\$147	\$441
Constr, Utilities	\$268	\$119	\$43	\$430
Manufacturing	\$0	\$196	\$127	\$322
Communications	\$0	\$106	\$47	\$154
Gasoline	\$125	\$5	\$18	\$147
Government	\$30	\$36	\$24	\$90
Agriculture	\$0	\$22	\$15	\$37

Source: Tourism Economics

ECONOMIC IMPACTS

Labor income impacts by industry

Visitor economy labor income impacts by industry



Source: Tourism Economics

ECONOMIC IMPACTS

Fiscal (tax) impacts

Visitor spending, visitor supported jobs, and business sales generated \$6.4 billion in governmental revenues in 2020.

State and local taxes alone tallied \$3.2 billion in 2020, a decline of 23.1% from 2019.

Despite this decline, the tax saving provided to North Carolina households by tourism remain substantial. Each household in North Carolina would need to be taxed an additional \$805 to replace the traveler taxes received by state and local governments in 2020.

Visitor economy fiscal (tax) impacts

Amounts in millions of current dollars

	2017	2018	2019	2020	2020 change
Total tax revenues	\$7,492.6	\$7,904.5	\$8,359.2	\$6,396.6	-23.5%
Federal	\$3,820.6	\$4,038.3	\$4,261.3	\$3,243.8	-23.9%
Personal income	\$1,075	\$1,139	\$1,200	\$947	-21.1%
Corporate	\$655.5	\$689.9	\$730.1	\$509.0	-30.3%
Indirect business	\$507.7	\$534.3	\$565.5	\$394.2	-30.3%
Social security	\$1,582.2	\$1,675.4	\$1,765.7	\$1,393.5	-21.1%
State and Local	\$3,672.0	\$3,866.2	\$4,097.9	\$3,152.7	-23.1%
Sales	\$1,439.3	\$1,514.9	\$1,603.2	\$1,117.7	-30.3%
Bed taxes	\$272.7	\$285.4	\$310.5	\$222.6	-28.3%
Personal income	\$416.9	\$441.4	\$465.2	\$367.2	-21.1%
Corporate	\$442.0	\$465.3	\$492.4	\$343.3	-30.3%
State unemployment	\$28.0	\$29.6	\$31.2	\$24.7	-21.1%
Excise and fees	\$108.5	\$114.2	\$120.9	\$84.3	-30.3%
Property	\$964.6	\$1,015.3	\$1,074.5	\$993.1	-7.6%

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 \$22 million in the 2020/21 fiscal year, increasing 58.0% due to fiscal stimulus allocations.

County and municipal government support of tourism declined 28.3% as a function of declines in bed taxes.

Total government support of tourism fell to \$178 million in the most recent fiscal year.

State and local taxes generated by tourism (\$3.2 billion) still surpassed this funding by a rate of 18-to-1.

Tourism Administration and Promotion

2020/21 Fiscal Year

	Individual	Collective	Total	% change
State	\$2,700,719	\$18,921,483	\$21,622,202	58.0%
Counties	\$20,622,777	\$116,862,402	\$137,485,179	-28.3%
Municipalities	\$2,893,108	\$16,394,279	\$19,287,387	-28.3%
TOTAL	\$26,216,604	\$152,178,164	\$178,394,768	-23.2%

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.

\$1.3 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

millions	2015	2016	2017	2018	2019	2020	2020 change
Construction	\$529	\$569	\$531	\$748	\$962	\$361	-62.5%
Rec. & Entertainment	\$206	\$331	\$257	\$298	\$344	\$172	-50.0%
Hotels and Motels	\$310	\$233	\$273	\$438	\$608	\$189	-68.9%
Government Capital	\$13	\$6	\$2	\$12	\$10	\$0	-100.0%
Machinery and Equip.	\$1,208	\$1,259	\$1,284	\$1,284	\$1,353	\$961	-28.9%
Total	\$1,736	\$1,828	\$1,816	\$2,032	\$2,315	\$1,322	-42.9%

Source: Tourism Economics

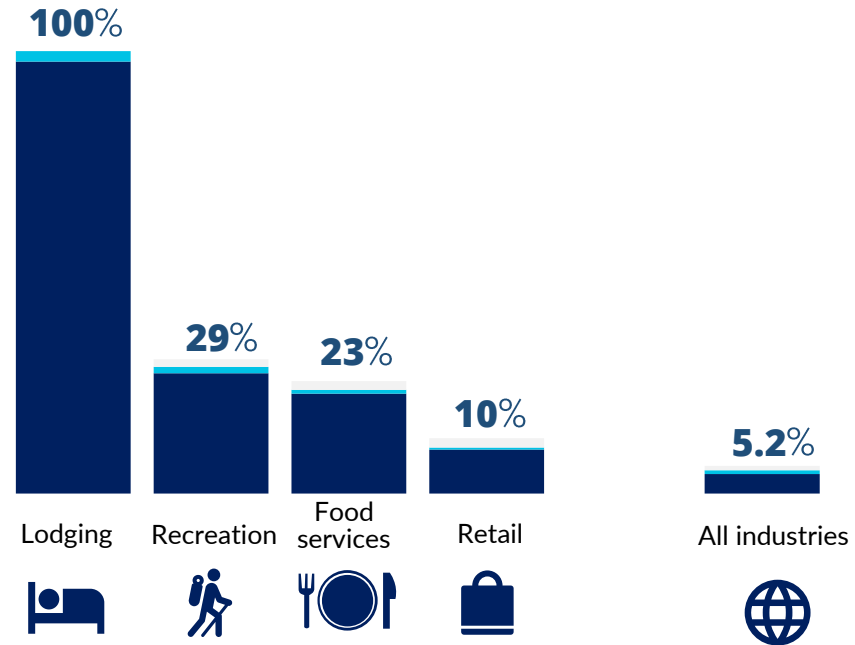
ECONOMIC IMPACTS IN CONTEXT

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 29% of recreation, and 23% 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 \$35.9 billion in total tourism supported sales implies that \$98 million in business activity happens EVERY DAY as a result of the North Carolina tourism sector.



Personal income

The \$11.9 billion in total income supported by the tourism sector is the equivalent of \$2,998 for every household in North Carolina.



Employment

The number of jobs sustained by the travel economy (368,981) is enough to fill the Spectrum Center for 19 Charlotte Hornets games.



Taxes

The \$3.1 billion in state and local taxes supported by the travel economy would cover the starting salaries of 58,200 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, 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 400 full-time staff, including 250 professional economists, industry experts and business editors—one of the largest teams of macroeconomists and thought leadership specialists.

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