



TOURISM
ECONOMICS

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Travel Industry Association

The Economic Contribution of Tourism to the State of North Carolina

Tourism Satellite Account Method
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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. Lodging, recreation, retail, real estate, air passenger transport, food & beverage, car rental, taxi services, travel agents...

Must quantify demand then link to supply

- The economic activity generated by travel and tourism is diverse. It spans various industrial sectors and represents only a part of most of these sectors. Therefore, the “tourism industry” is not identified in state or local economic accounts and must be measured separately.

<i>Sector</i>	<i>Impact</i>	<i>Effect</i>
Transportation	Direct Indirect Induced	<i>Production</i>
Recreation		<i>Jobs</i>
Entertainment		<i>Wages</i>
Accommodations		<i>Taxes</i>
Retail		
Food and Beverage		

- The analysis is based on an examination of visitor spending (the demand side) and related industry sales, value added, wages, and employment (the supply side).
- Economic modeling is used to quantify the linkages between visitor spending and industries and among industries.

- Direct impact:** The benefit to sectors directly providing goods or services to travelers.
- Indirect impact:** The benefit to suppliers to the directly-involved companies.
- Induced impact:** The benefit to the local economy as incomes in the prior two levels of impact are spent on goods and services.

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

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

Highlights

- Tourism is a vital and growing component of the North Carolina economy.
- In 2007, total tourism demand tallied \$23.1 billion, growing 7.2% from 2006.
- This economic activity sustained 375,000 jobs, growing 4.5% in 2007.
- 9% of all wage and salary employment in the state is directly or indirectly dependent on tourism.
- The direct GDP of the tourism sector was \$8.2 billion in 2007. The full GDP impact tallied \$16.9 billion.
- Including indirect and induced impacts, tourism in North Carolina generated \$2.5 billion in state and local taxes and \$2.6 billion in Federal taxes in 2007.

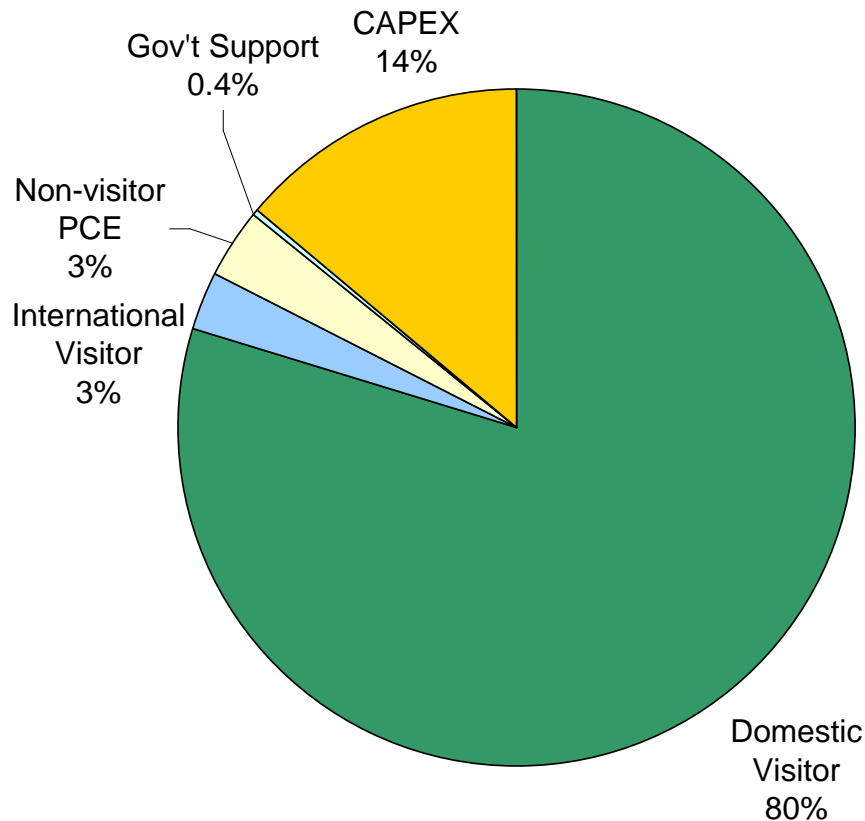
Tourism Demand

- The Tourism Satellite Account looks at the full range of tourism-related expenditures.

Tourism Demand by Category, \$ million					
Domestic Visitor	International Visitor	Non-visitor PCE	Gov't Support	CAPEX	Total
\$ 18,467	\$ 607	\$ 792	\$ 99	\$ 3,186	\$ 23,151

- Non-visitor private consumption expenditures (PCE) represent tourism consumer durables such as an RV, boat, or furniture for a vacation home.
- Government support for tourism includes the budgets for the Division of Tourism, tourism attractions, security, and other budget items in broad support of tourism.
- Capital investment includes construction of hotels and attractions, as well as tourism infrastructure.

Tourism Demand by Source



- Domestic visitor markets comprise the majority of tourism demand.
- Capital investment in tourism-related construction and machinery & equipment is second in importance.

Tourism Sales

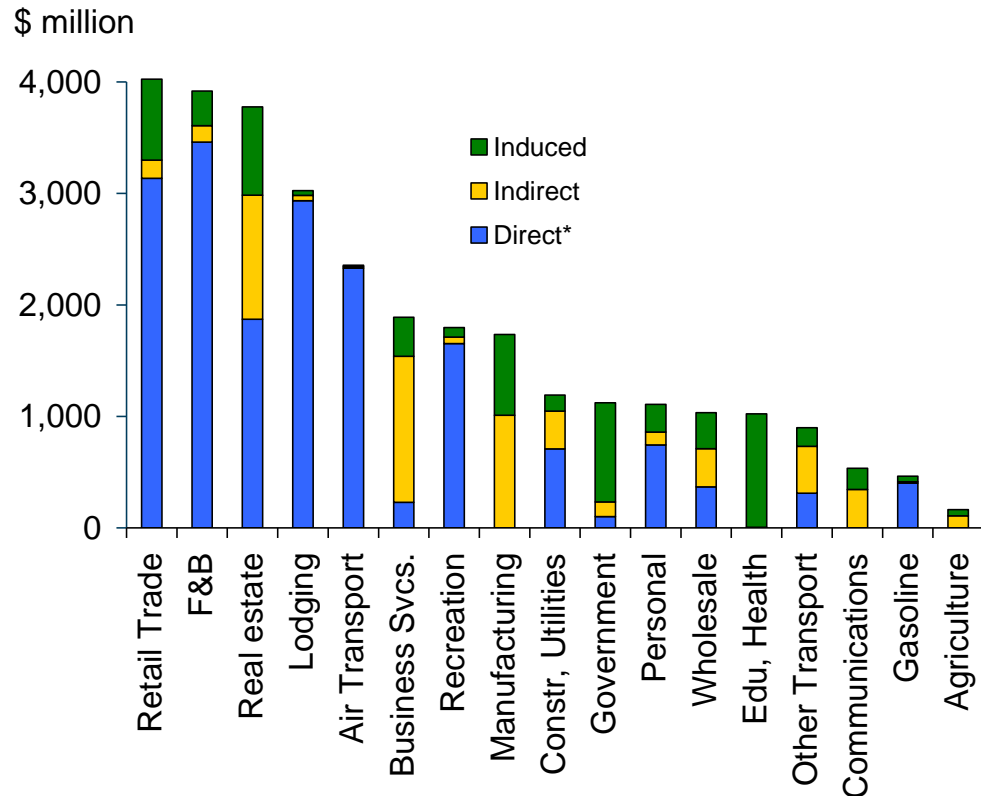
Tourism Sales (Output)				
(US\$ Million)				
	Direct*	Indirect	Induced	Total
Agriculture, Fishing, Mining	-	109	55	163
Construction and Utilities	708	339	144	1,191
Manufacturing	-	1,010	724	1,734
Wholesale Trade	2,479	342	323	3,144
Air Transport	2,329	13	14	2,356
Other Transport	310	421	167	898
Retail Trade	4,505	164	726	5,395
Gasoline Stations	1,830	12	49	1,891
Communications	-	344	190	534
Finance, Insurance and Real Estate	1,872	1,112	792	3,776
Business Services	229	1,311	350	1,889
Education and Health Care	-	6	1,017	1,023
Recreation and Entertainment	1,653	59	85	1,796
Lodging	2,934	48	44	3,026
Food & Beverage	3,460	148	311	3,919
Personal Services	744	116	248	1,108
Government	100	132	889	1,121
TOTAL (2007)	23,151	5,686	6,127	34,964

* Direct sales include cost of goods for retail sectors

- Tourism demand of \$23.1 generated \$35.0 billion in business sales, including indirect and induced impacts. The industry registered growth of 7.2% in 2007.

Tourism Sales

- Visitors spend more in retail (including grocery stores) than in any other sector, followed closely by restaurants.
- The significant seasonal second home market (172,151 units) generated \$1.9 billion in direct economic activity within the real estate sector.



Note: retail trade figures include local manufacturing, wholesaling, and distribution of goods purchased by visitors.

“Core” Tourism GDP

Tourism GDP (Value Added) (US\$ Million)	
	Industry GDP
Agriculture, Fishing, Mining	-
Construction and Utilities	-
Manufacturing	-
Wholesale Trade	-
Air Transport	876
Other Transport	152
Retail Trade	1,025
Gasoline Stations	260
Communications	-
Finance, Insurance and Real Estate	1,314
Business Services	95
Education and Health Care	-
Recreation and Entertainment	945
Lodging	1,835
Food & Beverage	1,582
Personal Services	332
Government	6
TOTAL	8,422

- Tourism GDP is the value added of those sectors providing the goods and service to travelers.
- This narrow definition of the tourism industry counts only tourism consumption, which excludes capital investment and general government support of tourism. Furthermore, it only includes those sectors directly interacting with travelers.
- On this basis, tourism industry GDP was \$8.4 billion in 2007, accounting for 2.1% of total North Carolina GDP.

Total Tourism GDP Impact

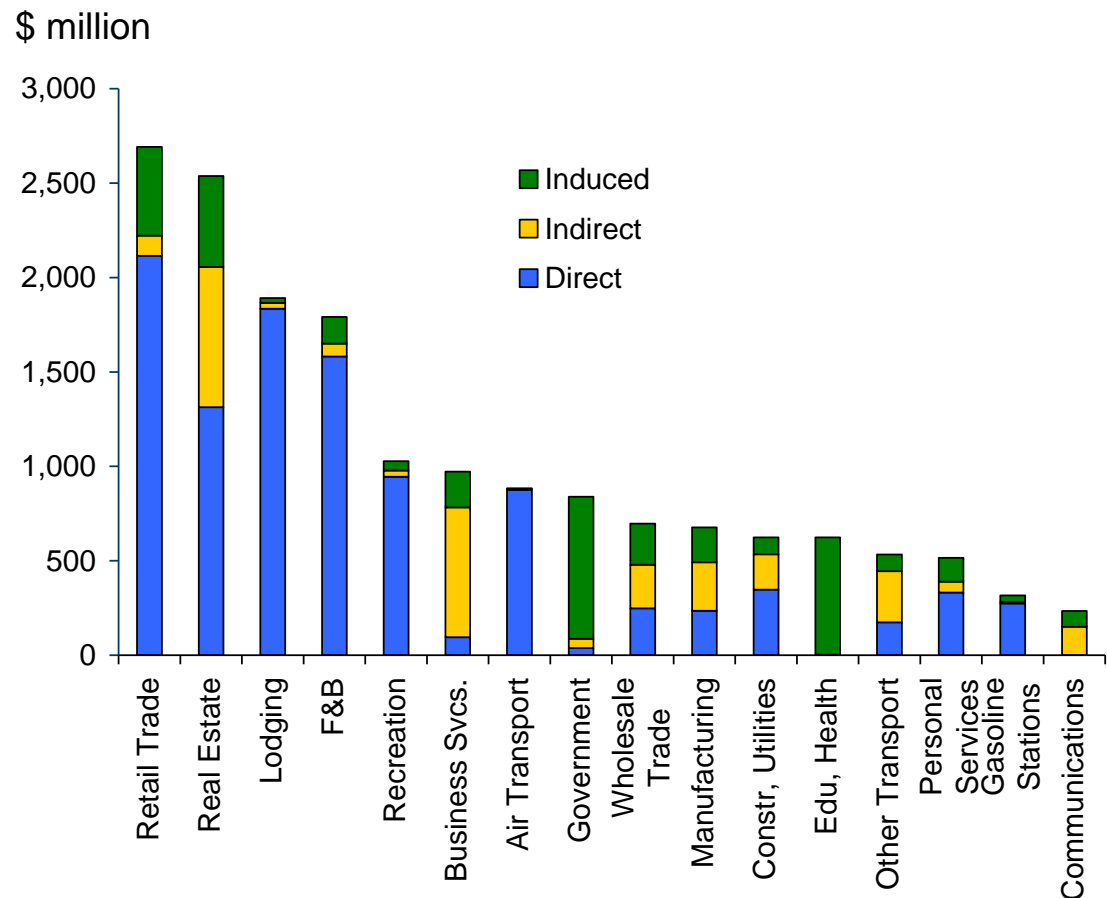
- The complete definition of the tourism demand includes capital investment and general government support of tourism.
- This definition also includes the value added of locally produced goods purchased by tourists, along with associated wholesale and transportation margins.
- By this broader definition, tourism activity directly and indirectly generated GDP of \$16.9 billion. This is 4.2% of the state economy.

Tourism GDP Contribution

Tourism GDP (Value Added)				
(US\$ Million)				
	Direct*	Indirect	Induced	Total
Agriculture, Fishing, Mining	0	24	16	40
Construction and Utilities	347	188	90	624
Manufacturing	235	256	186	677
Wholesale Trade	248	231	218	697
Air Transport	876	4	4	884
Other Transport	174	270	89	533
Retail Trade	2,115	106	470	2,692
Gasoline Stations	275	8	34	317
Communications	-	151	84	235
Finance, Insurance and Real Estate	1,314	742	481	2,537
Business Services	95	688	190	973
Education and Health Care	-	3	620	624
Recreation and Entertainment	945	33	50	1,027
Lodging	1,835	30	26	1,891
Food & Beverage	1,582	67	142	1,792
Personal Services	332	57	126	515
Government	37	50	751	839
TOTAL	10,411	2,909	3,575	16,895

Total tourism GDP

- All sectors of the North Carolina economy benefit from tourism activity directly and/or indirectly.
- Retail trade (including grocery stores), real estate (representing second homes usage), and the lodging industry comprise the largest shares of tourism's economic impact.



Ranking Tourism Employment

- The direct contribution of the core tourism industry was 209,227 in 2007. This narrow measurement allows for inter-industry ranking.
- On this basis, tourism is the 7th largest employer in the state of North Carolina. Comparisons are with BLS, private sector employment.

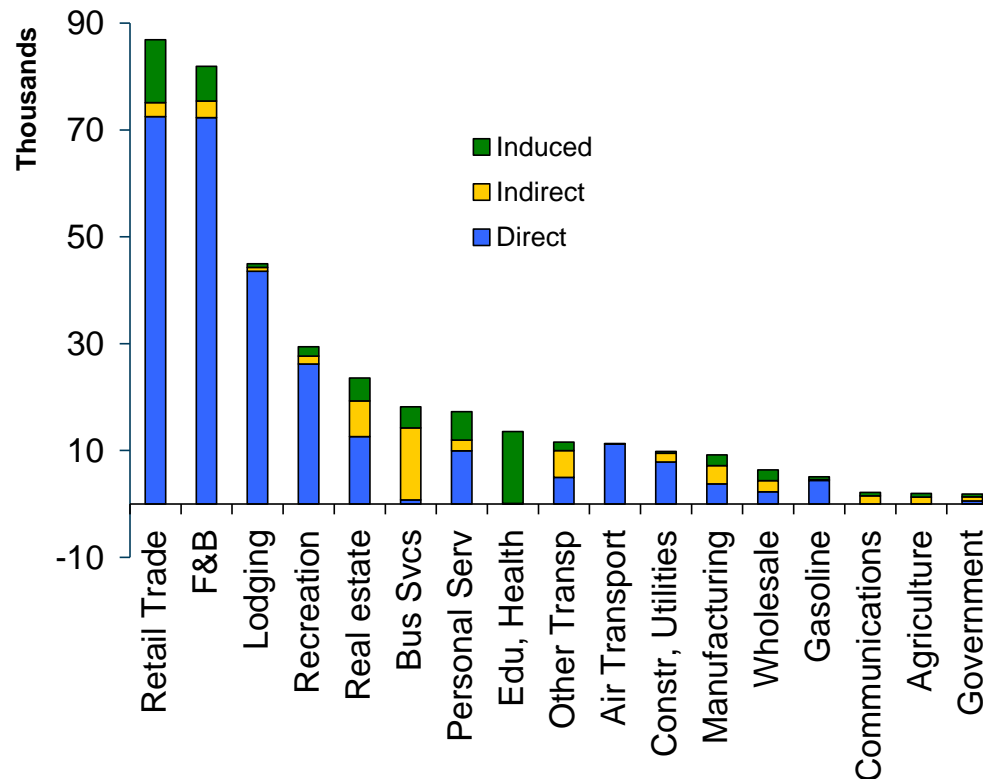
Employment Ranking		
Rank	Industry	Jobs
1	Manufacturing	538,529
2	Retail Trade	465,455
3	Health Care and Social Assistance	436,150
4	Accommodation and Food Services	342,250
5	Construction	254,611
6	Administrative and Waste Management	245,007
7	Travel Industry	209,227
8	Professional, Scientific, and Technical Services	183,892
9	Wholesale Trade	182,352
10	Finance and Insurance	152,678
11	Transportation and Warehousing	115,925
12	Other Services (except Public Administration)	102,839
13	Information	72,762
14	Management of Companies and Enterprises	71,142
15	Educational Services	57,414
16	Real Estate and Rental and Leasing	54,023
17	Arts, Entertainment, and Recreation	51,408
18	Agriculture, Forestry, Fishing and Hunting	29,618
19	Unclassified	16,705
20	Utilities	12,531

Total Tourism Employment

Tourism Employment	
	Total
Agriculture, Fishing, Mining	1,954
Construction and Utilities	9,823
Manufacturing	9,172
Wholesale Trade	6,363
Air Transport	11,306
Other Transport	11,588
Retail Trade	86,874
Gasoline Stations	5,077
Communications	2,150
Finance, Insurance and Real Estate	23,567
Business Services	18,188
Education and Health Care	13,543
Recreation and Entertainment	29,428
Lodging	44,949
Food & Beverage	81,892
Personal Services	17,250
Government	1,856
TOTAL	374,981

- The tourism sector directly and indirectly supported 375,000 jobs, or 9% of all private sector wage and salary employment in North Carolina last year.
- These impacts include the benefits of capital investment and government support of the sector.

Total Tourism Employment



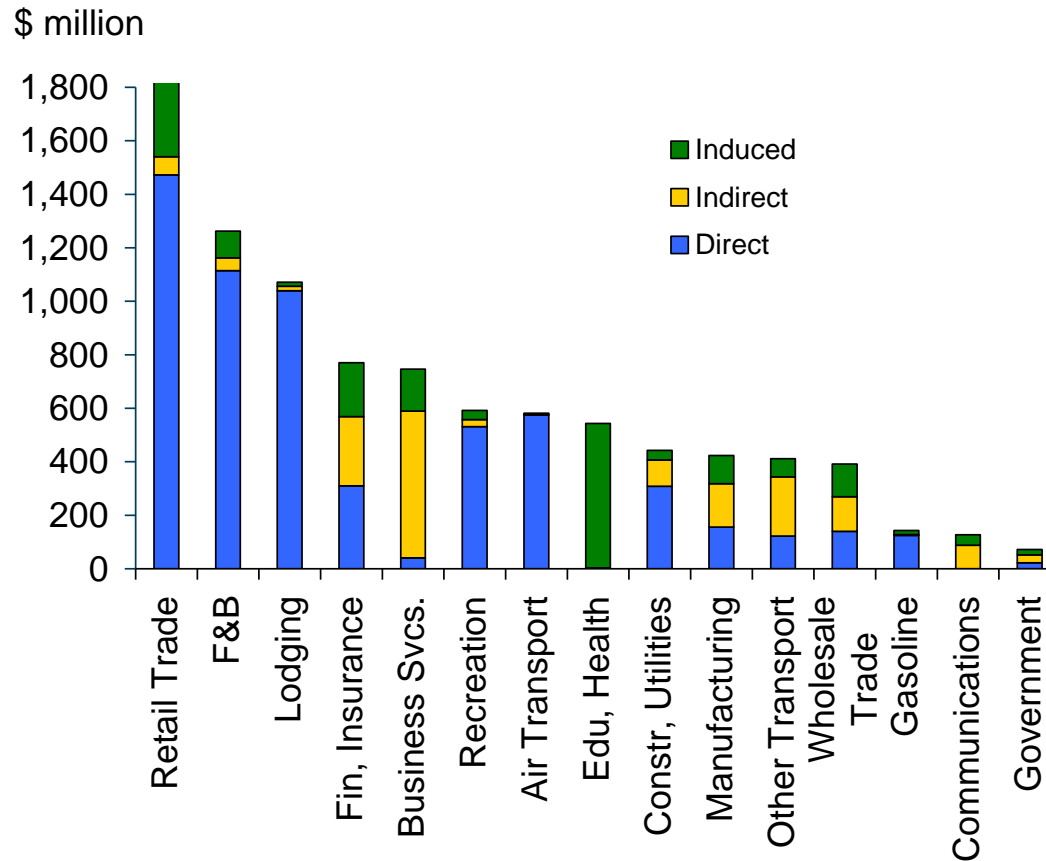
- The retail, restaurant, and lodging sectors employed the most persons in the tourism sector.

Tourism Income

Tourism Income (Compensation)				
(US\$ Million)				
	Direct	Indirect	Induced	Total
Agriculture, Fishing, Mining	0	18	12	30
Construction and Utilities	308	99	36	442
Manufacturing	156	162	106	424
Wholesale Trade	140	130	122	392
Air Transport	575	3	3	581
Other Transport	123	221	68	412
Retail Trade	1,472	68	301	1,841
Gasoline Stations	124	4	15	143
Communications	-	88	40	127
Finance, Insurance and Real Estate	310	259	201	770
Business Services	41	549	156	746
Education and Health Care	-	3	540	543
Recreation and Entertainment	531	26	34	592
Lodging	1,039	17	15	1,071
Food & Beverage	1,115	48	100	1,262
Personal Services	254	45	100	398
Government	22	30	20	72
TOTAL	6,209	1,769	1,869	9,847

- \$9.8 billion in compensation was generated by tourism demand in 2007.

Tourism Income



- Tourism generated the most personal income in the retail, restaurant, and lodging sectors.

Tourism Tax Generation

Tourism-Generated Taxes (US\$ Million)	
	Total
Federal Taxes	2,589.2
Corporate	449.6
Indirect Business	348.2
Personal Income	724.8
Social Security	1,066.6
State and Local Taxes	2,498.4
Corporate	303.2
Personal Income	298.3
Sales	987.2
Property	661.7
Excise and Fees	74.4
State Unemployment	20.0
Lodging Taxes	153.5
TOTAL	5,087.6

- A total of \$5.1 billion in taxes were directly and indirectly generated by tourism in 2007 .
- State and local taxes alone tallied \$2.5 billion.

Government support of tourism

Tourism Administration and Promotion

2007

Government	Individual	Collective	Total
State	\$ 1,950,000	\$11,050,000	\$13,000,000
Counties	\$ 10,830,268	\$61,371,520	\$72,201,788
Municipalities	\$ 1,999,458	\$11,330,265	\$13,329,723
TOTAL	\$ 14,779,727	\$83,751,784	\$98,531,511

- Government support of tourism is divided between collective (general support) and individual (specific support) spending.
- Total state government support of tourism was \$13 million.
- County government support of tourism was \$72 million.
- Municipality government support of tourism was \$13 million.
- Total government support of tourism tallied \$99 million in 2007.

Tourism Capital Investment

Tourism Capital Investment	
2007	
Total	
Construction	\$ 707,764,275
Recreation and Entertainment	\$ 245,439,000
Hotels and Motels	\$ 342,119,000
Government Capital Outlays	\$ 120,206,275
Machinery and Equipment	\$ 2,478,577,839
Total	\$ 3,186,342,114

- Over \$3 billion was invested by the tourism sector last year, including hotels, recreational facilities, and related government capital outlays.

About Tourism Economics

- Tourism Economics, headquartered in Philadelphia, 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 over 100 destinations to quantify the economic value of tourism, forecast demand, guide strategy, or evaluate tourism policies.
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