



TOURISM
ECONOMICS

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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 2008, total tourism expenditures (demand) tallied \$22.2 billion, growing 2.1% from a revised figure of \$21.7 billion in 2007.
- This economic activity sustained 378,000 jobs, growing 1% in 2008.
- 8.6% of all wage and salary employment in the state is directly or indirectly dependent on tourism.
- The direct (core) GDP of the tourism sector was \$8.5 billion in 2008. The full GDP impact tallied \$17 billion (4.3% of total GDP).
- Including indirect and induced impacts, tourism in North Carolina generated \$2.6 billion in state and local taxes and \$2.7 billion in Federal taxes in 2008.

Tourism Demand

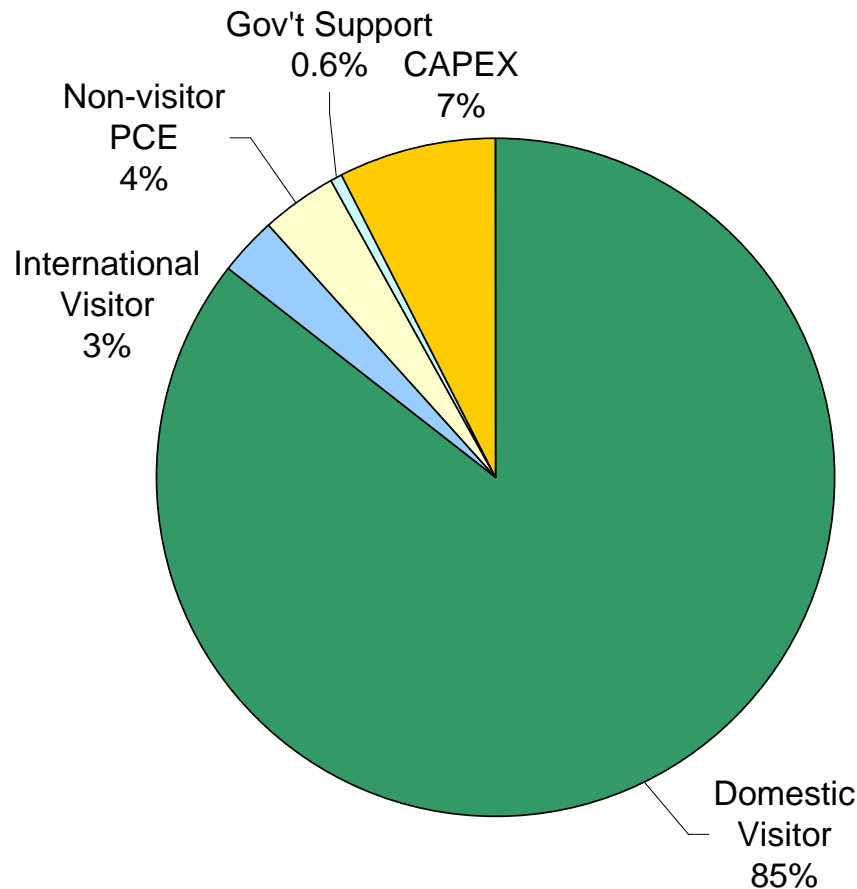
- The Tourism Satellite Account looks at the full range of tourism-related expenditures.

Tourism Demand by Category, \$ million

	Domestic Visitor	International Visitor	Non-visitor PCE	Gov't Support	CAPEX	Total
2007	\$ 18,551	\$ 607	\$ 792	\$ 128	\$ 1,671	\$ 21,749
2008	\$ 18,978	\$ 623	\$ 808	\$ 136	\$ 1,664	\$ 22,209
% change	2.3%	2.6%	2.0%	6.1%	-0.4%	2.1%

- 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

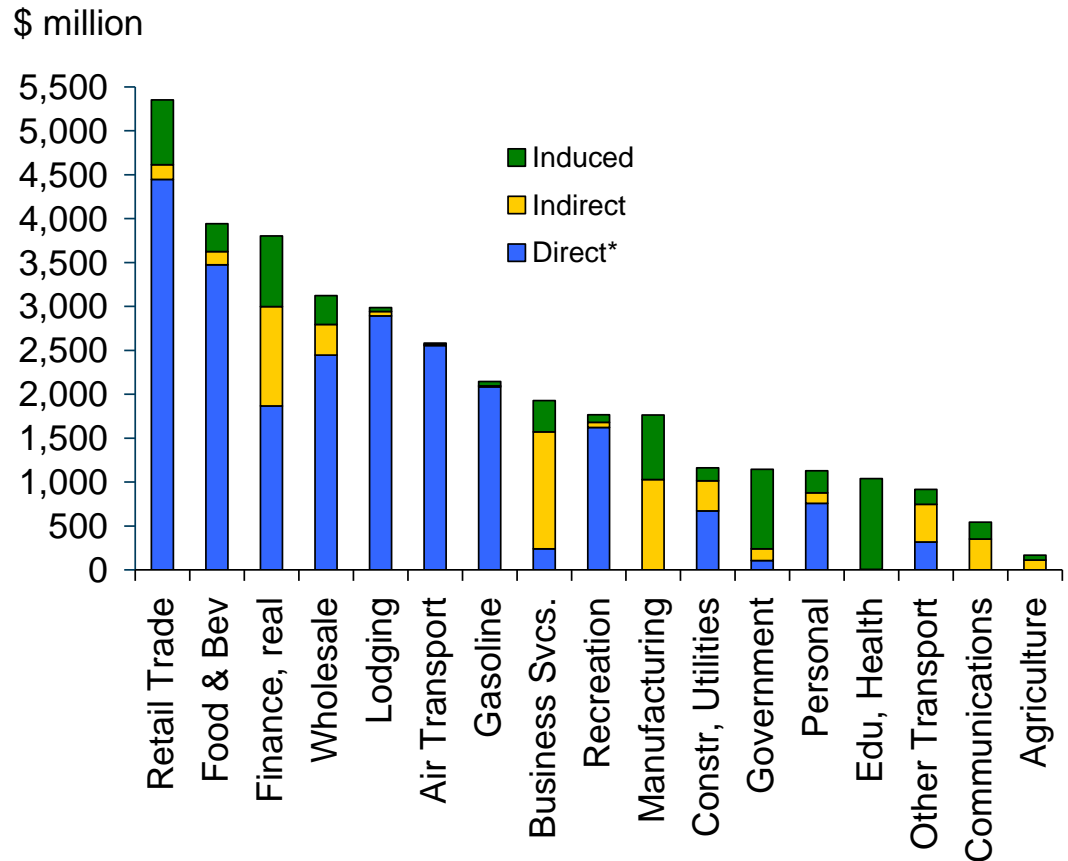
Tourism Sales (Output)					
(US\$ Million)					
	Direct*	Indirect	Induced	Total	% Change
Agriculture, Fishing, Mining	-	110	55	165	1.0%
Construction and Utilities	573	342	146	1,061	-2.5%
Manufacturing	-	1,020	731	1,751	1.0%
Wholesale Trade	1,091	346	327	1,763	1.8%
Air Transport	2,556	13	14	2,583	9.6%
Other Transport	319	425	169	913	1.6%
Retail Trade	4,467	166	733	5,366	-0.5%
Gasoline Stations	2,083	12	49	2,145	13.4%
Communications	-	347	192	539	1.0%
Finance, Insurance and Real Estate	1,872	1,123	800	3,795	0.5%
Business Services	239	1,324	353	1,916	1.4%
Education and Health Care	-	6	1,027	1,033	1.0%
Recreation and Entertainment	1,621	60	86	1,766	-1.7%
Lodging	2,892	49	44	2,985	-1.3%
Food & Beverage	3,475	149	314	3,938	0.5%
Personal Services	759	117	251	1,127	1.7%
Government	106	133	898	1,138	1.5%
TOTAL (2008)	22,209	5,743	6,188	34,139	2.1%

* Direct sales include cost of goods for retail sectors

- Direct tourism sales of \$22.2 generated \$34.3 billion in total business sales, including indirect and induced impacts. The industry registered growth of 2.1% in 2008.

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	961
Other Transport	156
Retail Trade	1,016
Gasoline Stations	296
Communications	-
Finance, Insurance and Real Estate	1,313
Business Services	99
Education and Health Care	-
Recreation and Entertainment	927
Lodging	1,822
Food & Beverage	1,589
Personal Services	339
Government	7
TOTAL	8,525
% change	1.2%

- 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 \$8.5 billion in 2008, sustaining 2.1% of total state 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 indirect impacts generated via local supply chains and induced impacts generated by incomes as they are spent in the NC economy.
- By this broader definition, tourism activity generated GDP of \$17 billion. This is 4.3% of the state economy.

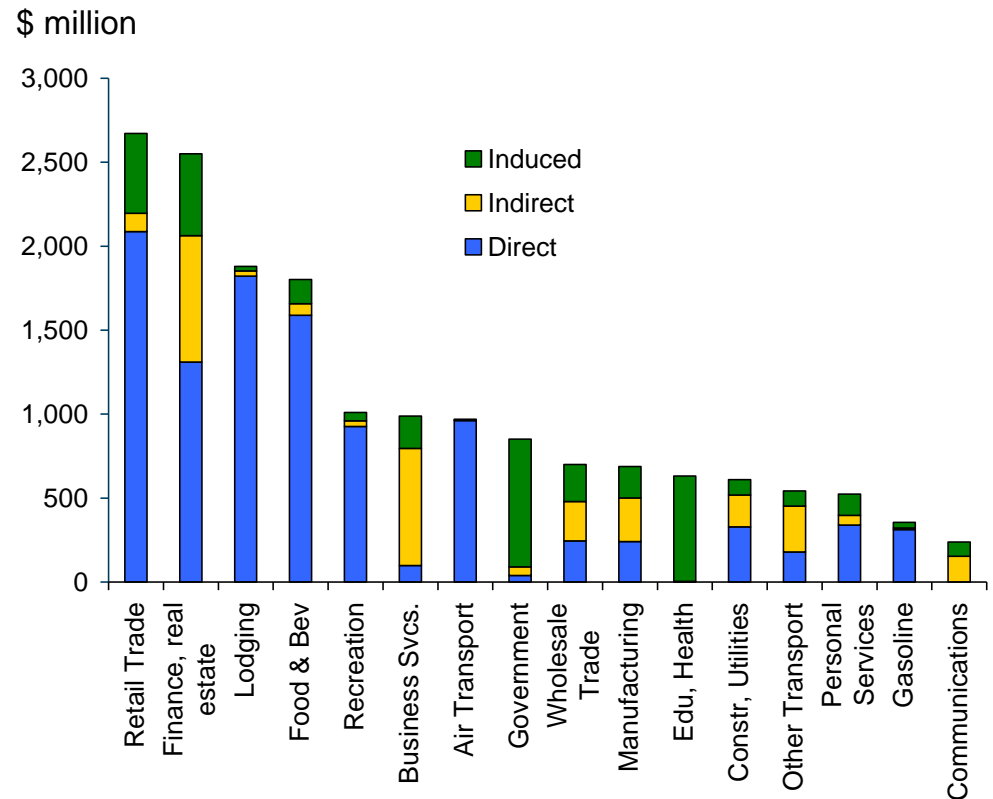
Tourism GDP Impact

Tourism GDP (Value Added)					
(US\$ Million)					
	Direct*	Indirect	Induced	Total	% change
Agriculture, Fishing, Mining	0	24	16	40	1.5%
Construction and Utilities	329	190	91	610	-2.3%
Manufacturing	241	260	188	689	1.8%
Wholesale Trade	246	234	221	702	0.6%
Air Transport	961	4	4	969	9.7%
Other Transport	179	274	90	543	1.9%
Retail Trade	2,098	108	477	2,682	-0.4%
Gasoline Stations	313	8	34	355	12.2%
Communications	-	153	85	238	1.5%
Finance, Insurance and Real Estate	1,313	753	488	2,554	0.7%
Business Services	99	698	193	989	1.7%
Education and Health Care	-	3	629	633	1.5%
Recreation and Entertainment	927	33	50	1,010	-1.7%
Lodging	1,822	31	27	1,879	-0.6%
Food & Beverage	1,589	68	144	1,802	0.6%
Personal Services	339	58	127	525	1.9%
Government	39	51	762	853	1.7%
TOTAL	10,495	2,952	3,627	17,074	1.1%

Capital investment appears in the construction, manufacturing, and wholesale trade sectors. Government support of the travel sector in the form of marketing and administration appear in the government line item. Each of these concepts is unique to the total tourism GDP impact.

Total GDP Impact

- 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 components of tourism's economic impact.



Ranking Tourism Employment

- The direct contribution of the core tourism industry was 212,291 in 2008. 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.

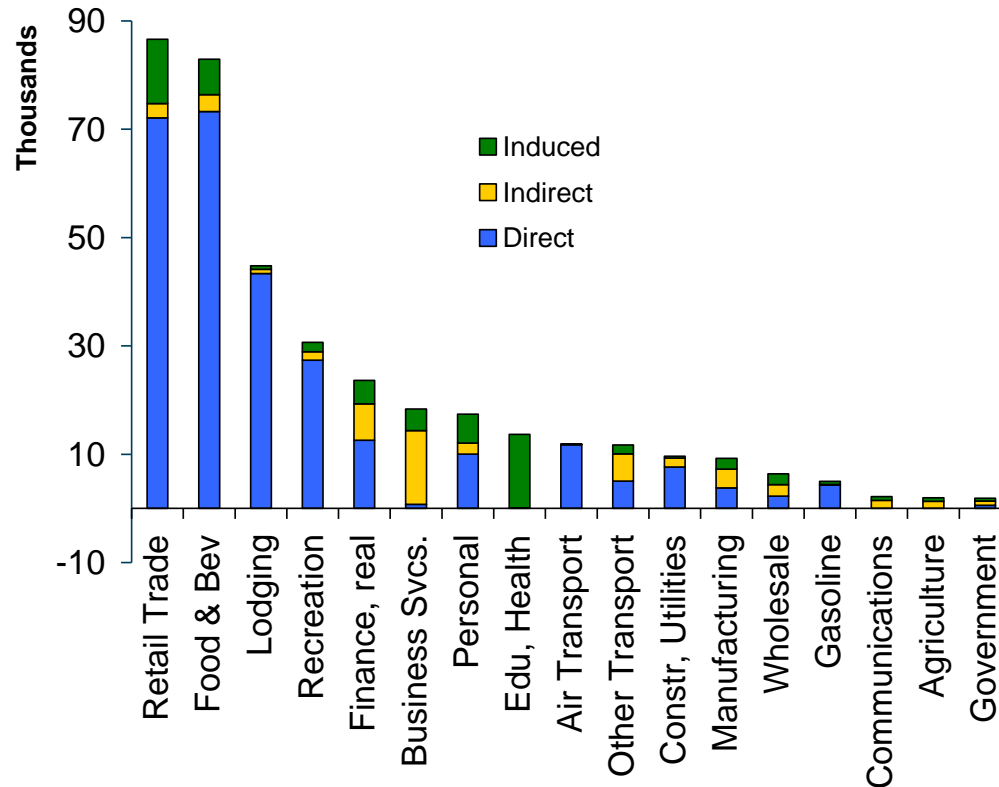
Employment Ranking		
Rank	Industry	Jobs
1	Manufacturing	515,438
2	Retail Trade	462,615
3	Health Care and Social Assistance	452,010
4	Accommodation and Food Services	346,067
5	Administrative and Support and Waste Management	238,766
6	Construction	236,350
7	Tourism	212,291
8	Professional, Scientific, and Technical Services	189,005
9	Wholesale Trade	181,080
10	Finance and insurance	153,225
11	Transportation and Warehousing	111,164
12	Other services, except public administration	102,790
13	Management of companies and enterprises	75,310
14	Information	72,014
15	Educational Services	59,018
16	Arts, entertainment, and recreation	52,858
17	Real estate and rental and leasing	52,813
18	Agriculture, forestry, fishing and hunting	29,051
19	Utilities	12,645
20	Mining	3,804

Total Tourism Employment

Tourism Employment		
	Total	% change
Agriculture, Fishing, Mining	1,971	0.9%
Construction and Utilities	9,634	-1.9%
Manufacturing	9,265	1.0%
Wholesale Trade	6,392	0.4%
Air Transport	11,904	5.3%
Other Transport	11,720	1.1%
Retail Trade	86,622	-0.3%
Gasoline Stations	4,987	-1.8%
Communications	2,170	0.9%
Finance, Insurance and Real Estate	23,667	0.4%
Business Services	18,365	1.0%
Education and Health Care	13,668	0.9%
Recreation and Entertainment	30,666	4.2%
Lodging	44,807	-0.3%
Food & Beverage	82,945	1.3%
Personal Services	17,423	1.0%
Government	1,886	1.6%
TOTAL	378,092	0.8%

- The tourism sector directly and indirectly supported 378,092 jobs, or 8.6% 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

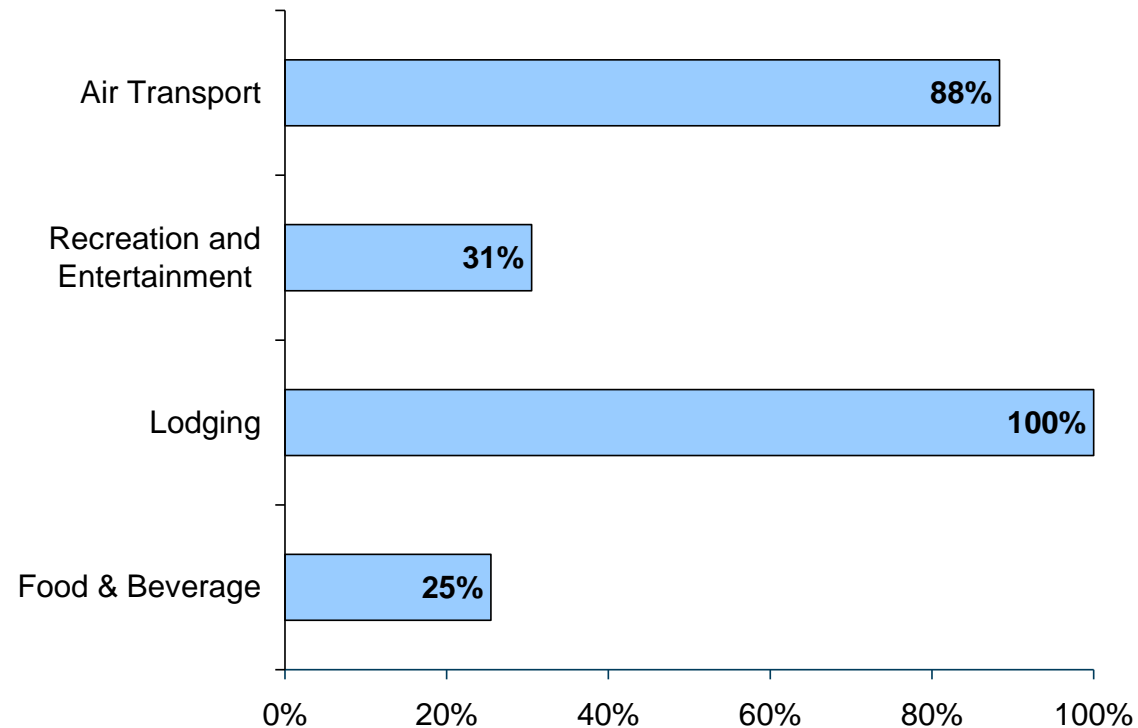


- The retail, restaurant, and lodging sectors employed the most persons in the tourism sector.

Total Tourism Employment

- Tourism sustains 88% of the air transport sector and 100% of the lodging sector.
- It is also a significant component of the recreation and food & beverage services sectors.

Tourism Employment Share of Key Industries

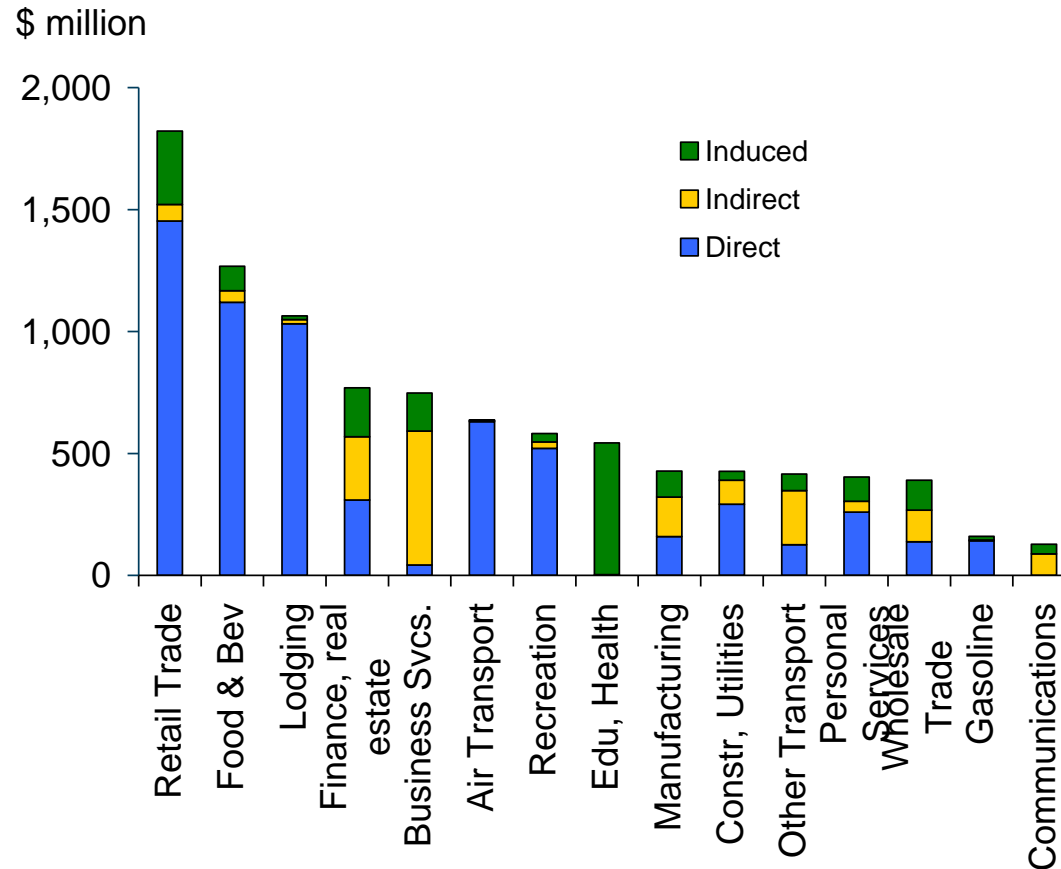


Tourism Income

Tourism Income (Compensation)					
(US\$ Million)					
	Direct	Indirect	Induced	Total	% change
Agriculture, Fishing, Mining	0	18	12	30	0.0%
Construction and Utilities	292	99	36	426	-3.7%
Manufacturing	160	162	106	427	0.9%
Wholesale Trade	138	130	122	390	-0.3%
Air Transport	631	3	3	637	9.6%
Other Transport	126	221	68	415	0.8%
Retail Trade	1,460	68	301	1,828	-0.7%
Gasoline Stations	121	4	15	140	-2.3%
Communications	-	88	40	127	0.0%
Finance, Insurance and Real Estate	310	259	201	770	0.0%
Business Services	42	549	156	748	0.2%
Education and Health Care	-	3	540	543	0.0%
Recreation and Entertainment	521	26	34	582	-1.7%
Lodging	1,032	17	15	1,064	-0.7%
Food & Beverage	1,120	48	100	1,267	0.4%
Personal Services	259	45	100	404	1.3%
Government	24	30	20	73	1.9%
TOTAL	6,235	1,769	1,869	9,872	0.3%

- \$9.9 billion in compensation was generated by tourism demand in 2008.

Tourism Income



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

Tourism Tax Generation

Tourism-Generated Taxes (US\$ Million)		
	2007	2008
Federal Taxes	2,589	2,644
Corporate	450	459
Indirect Business	348	356
Personal Income	725	740
Social Security	1,067	1,089
State and Local Taxes	2,498	2,551
Corporate	303	310
Personal Income	298	305
Sales	987	1,008
Property	662	676
Excise and Fees	74	76
State Unemployment	20	20
Lodging Taxes	153	166
TOTAL	5,088	5,195
% change		2.1%

- A total of \$5.2 billion in taxes were directly and indirectly generated by tourism in 2008, posting growth of 2.1%.
- State and local taxes alone tallied \$2.6 billion.
- Each household in NC would need to be taxed an additional \$815 per year to replace the tourism taxes received by state and local governments.

Government support of tourism

Tourism Administration and Promotion			
2007/2008			
Government	Individual	Collective	Total
State	\$ 1,950,000	\$ 11,050,000	\$ 13,000,000
Counties	\$ 16,321,160	\$ 92,486,574	\$108,807,734
Municipalities	\$ 2,111,399	\$ 11,964,597	\$ 14,075,996
TOTAL	\$ 20,382,560	\$ 115,501,171	\$135,883,730

- 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 \$108 million.
- Municipality government support of tourism was \$14 million.
- Total government support of tourism tallied \$136 million in 2008.
- State and local taxes generated by tourism (\$2.5 billion) surpass this funding by a rate of 19 to 1.

Tourism Capital Investment

Tourism Capital Investment		
Total Tourism Related		
	2007	2008
Construction	\$ 604,576,350	\$ 572,622,307
Recreation and Entertainment	\$ 245,439,000	\$ 264,856,000
Hotels and Motels	\$ 342,119,000	\$ 270,062,000
Government Capital Outlays	\$ 17,018,350	\$ 37,704,307
Machinery and Equipment	\$ 1,066,460,166	\$ 1,091,156,982
Total	\$ 1,671,036,516	\$ 1,663,779,289
% change		-0.4%

- Over \$1.6 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.
- 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 40 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.