

# The Economic Impact of Tourism in North Carolina

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Tourism Satellite Account  
Calendar Year 2010



**U.S. TRAVEL**  
ASSOCIATION



**TOURISM**  
**ECONOMICS**

AN OXFORD ECONOMICS COMPANY

# Key results

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- Total tourism demand tallied \$22 billion in 2010, rebounding 7.6% after a 9.0% decline in prior year.
- The direct GDP of the tourism sector grew 7.4% to \$8.6 billion in 2010.
- Tourism demand sustained 370,000 jobs in 2010, including direct, indirect, and induced impacts.
- 9.0% of all jobs\* in the state are directly or indirectly sustained by tourism activities. This is an increase in share since 2008 (8.6%) and 2009 (8.7%).
- 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 2010.

# Important definitions

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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.

# 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



# Why quantify the tourism economy?

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- 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?

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- 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

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- 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

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- 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



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# Detailed Results

# Tourism demand (spending)

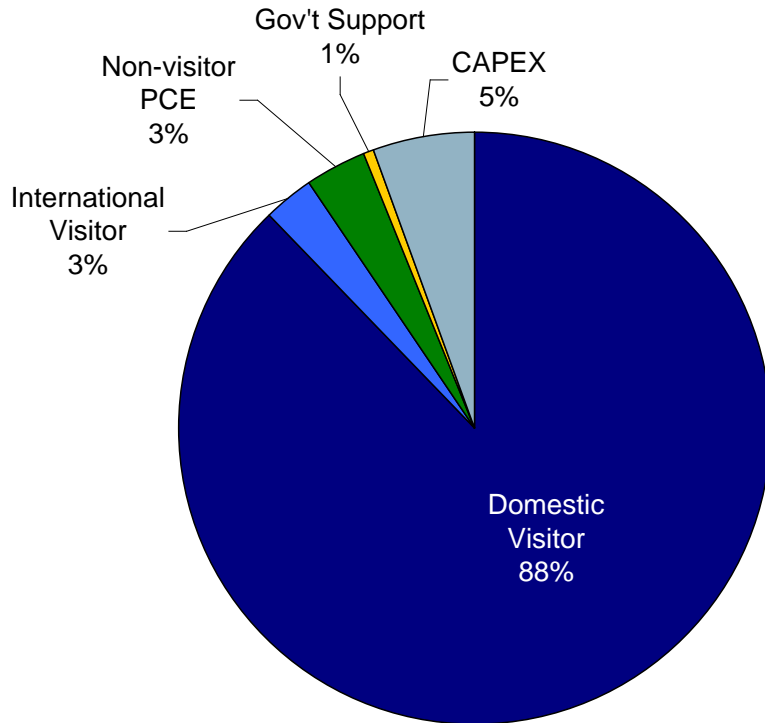
**Tourism Demand by Category, \$ million**

	Domestic Visitor	International Visitor	Non-visitor PCE	Gov't Support	CAPEX	Total
2007	\$ 18,551	\$ 607	\$ 792	\$ 128	\$ 1,677	\$ 21,754
2008	\$ 18,978	\$ 623	\$ 808	\$ 136	\$ 1,670	\$ 22,215
2009	\$ 17,608	\$ 551	\$ 668	\$ 127	\$ 1,258	\$ 20,213
2010	\$ 19,112	\$ 591	\$ 724	\$ 140	\$ 1,192	\$ 21,758
% change	8.5%	7.2%	8.3%	9.6%	-5.3%	7.6%

- Total tourism demand rose 7.6% in 2010.
- Non-visitor private consumption expenditures (PCE) represent tourism consumer durables such as an RV, boat, or furniture for a vacation home. These rose 8.3% last year.
- Government support for tourism, including the budgets for tourism promotion and visitor centers, increased 9.6%.
- Capital investment, including construction of hotels and attractions, as well as tourism infrastructure, continued to fall in 2010 with a 5.3% decline after a 25% decline in 2009.

# Tourism demand by source

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- Domestic visitor markets comprise the majority (88%) of tourism demand.
- Capital investment in tourism-related construction and machinery & equipment is second in importance even after two consecutive years of contraction.
- International visitor markets contributed 3% of tourism demand in North Carolina last year.

# Tourism demand growth

- The North Carolina visitor economy rebounded in 2010, reaching 98% of 2008's peak tourism spending.

## Tourism Demand Trend

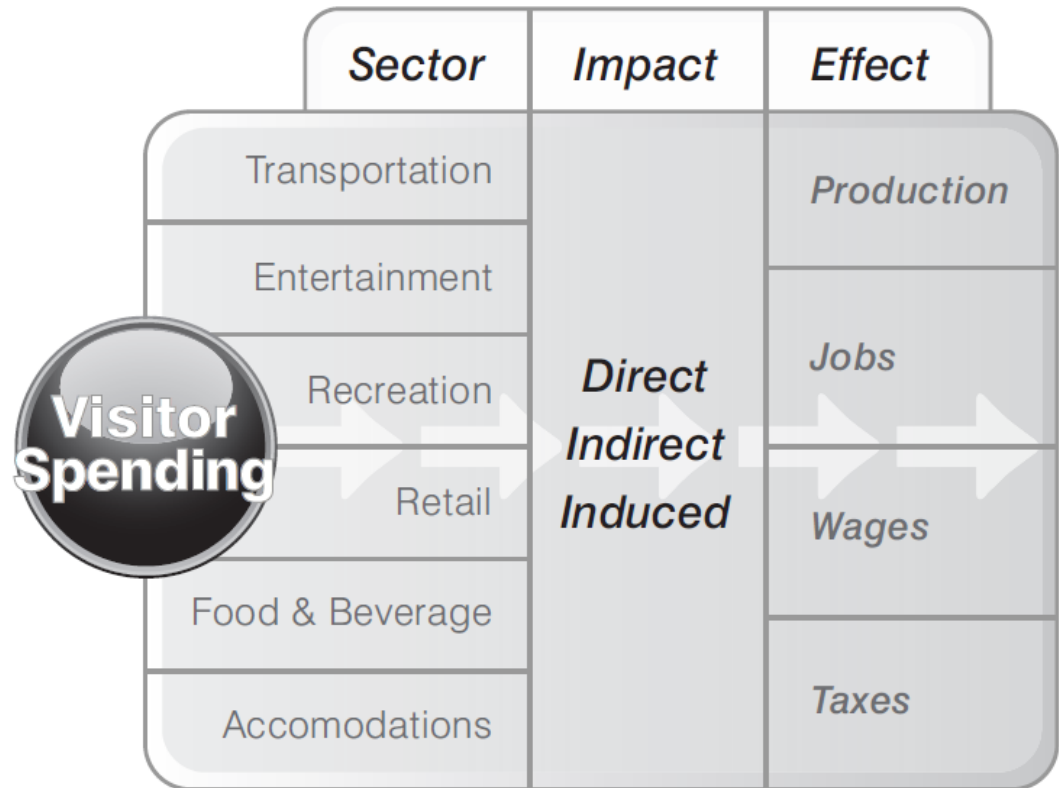
billions



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

<b>Tourism Sales (Output)</b>					
US\$ Million, 2010					
	Direct*	Indirect	Induced	Total	% Change
Agriculture, Fishing, Mining		109	54	164	6.2%
Construction and Utilities	237	340	144	722	-10.4%
Manufacturing		1,014	722	1,737	6.3%
Wholesale Trade	955	344	323	1,622	5.5%
Air Transport	2,644	13	14	2,671	14.7%
Other Transport	281	423	167	871	8.3%
Retail Trade	4,478	165	724	5,367	5.7%
Gasoline Stations	1,863	12	49	1,924	20.9%
Communications		345	189	535	6.3%
Finance, Insurance and Real Estate**	1,909	1,117	791	3,816	4.6%
Business Services	261	1,316	349	1,926	6.0%
Education and Health Care		6	1,015	1,021	6.5%
Recreation and Entertainment	1,717	59	85	1,861	2.7%
Lodging	2,761	48	44	2,853	7.8%
Food & Beverage	3,716	148	310	4,174	8.8%
Personal Services	797	117	248	1,162	5.9%
Government	140	133	887	1,159	7.0%
<b>TOTAL (2010)</b>	<b>21,758</b>	<b>5,710</b>	<b>6,115</b>	<b>33,582</b>	<b>7.2%</b>
<b>% change</b>	<b>7.7%</b>	<b>6.1%</b>	<b>6.5%</b>	<b>7.2%</b>	

\* Direct sales include cost of goods for retail sectors

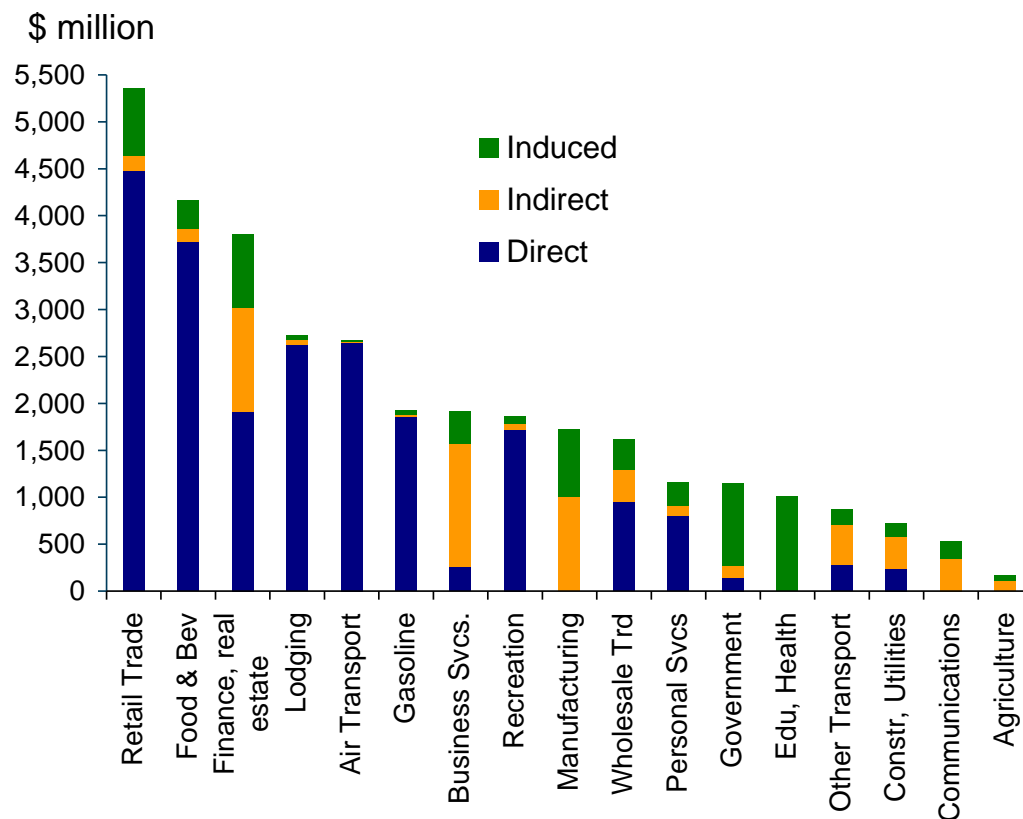
\*\*Includes seasonal second homes

- Tourism demand of \$22 billion generated \$34 billion in business sales, including indirect and induced impacts. Total tourism-generated business sales expanded 7.2% in 2010.

# 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

<b>Tourism GDP (Value Added)</b>				
<b>(US\$ Million)</b>				
	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>%</b>
Agriculture, Fishing, Mining				
Construction and Utilities				
Manufacturing				
Wholesale Trade				
Air Transport	961	819	940	14.8%
Other Transport	156	147	165	12.8%
Retail Trade	1,016	955	1,008	5.6%
Gasoline Stations	296	218	265	21.5%
Communications				
Finance, Insurance and Real Estate	1,313	1,302	1,339	2.9%
Business Services	99	103	108	4.8%
Education and Health Care				
Recreation and Entertainment	927	957	980	2.4%
Lodging	1,822	1,616	1,743	7.8%
Food & Beverage	1,589	1,557	1,699	9.1%
Personal Services	339	344	363	5.7%
Government	7	6	7	10.9%
<b>TOTAL</b>	<b>8,525</b>	<b>8,023</b>	<b>8,617</b>	<b>7.4%</b>

- 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 of tourism. This definition is consistent with economic accounts.
- On this basis, tourism industry GDP reached \$8.6 billion in 2010, accounting for 2.0% of total North Carolina GDP.



# Tourism GDP Impact

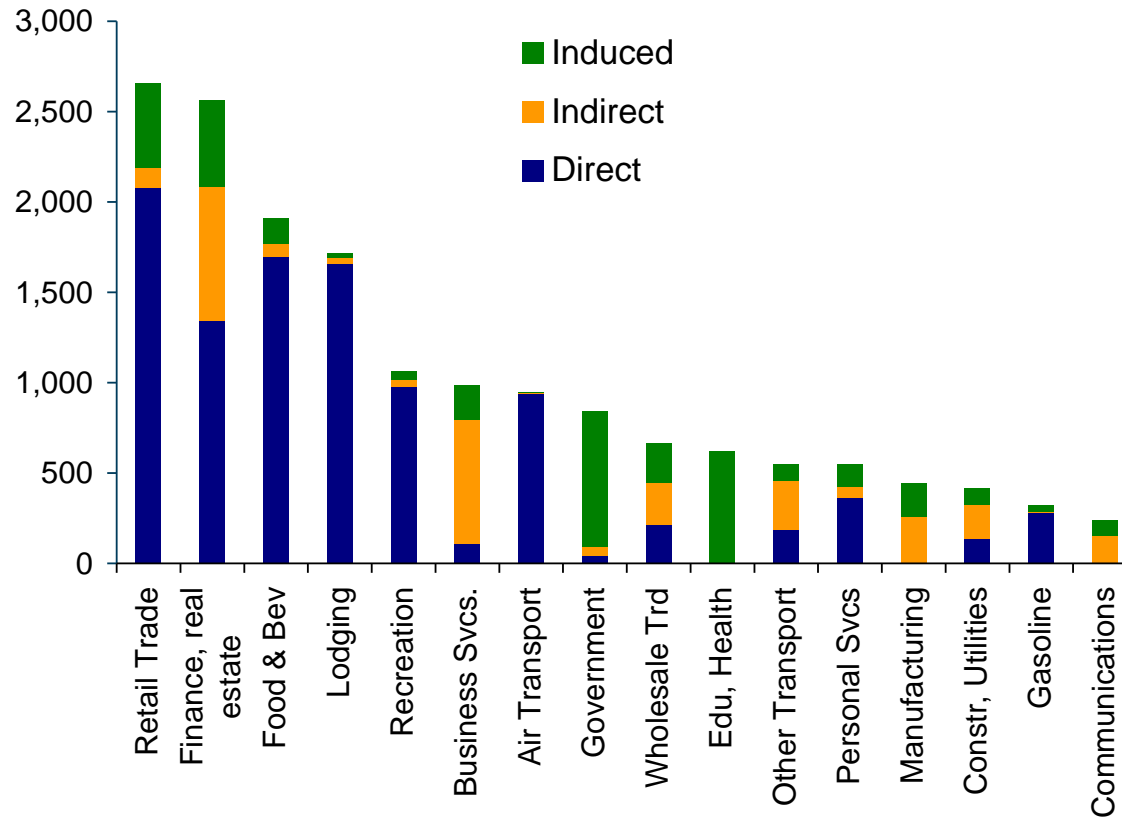
<b>Tourism GDP (Value Added)</b>					
<b>(US\$ Million)</b>					
	<b>Direct*</b>	<b>Indirect</b>	<b>Induced</b>	<b>Total</b>	<b>% change</b>
Agriculture, Fishing, Mining		24	16	40	6.3%
Construction and Utilities	135	189	90	414	-10.2%
Manufacturing		258	186	444	6.3%
Wholesale Trade	216	233	219	667	5.9%
Air Transport	940	4	4	948	14.7%
Other Transport	190	272	89	551	8.4%
Retail Trade	2,080	107	471	2,659	5.7%
Gasoline Stations	279	8	34	321	19.3%
Communications		152	84	236	6.3%
Finance, Insurance and Real Estate	1,339	748	482	2,570	4.5%
Business Services	108	694	191	992	6.0%
Education and Health Care		3	622	625	6.5%
Recreation and Entertainment	980	33	50	1,063	2.7%
Lodging	1,743	30	27	1,800	7.8%
Food & Beverage	1,699	68	142	1,909	8.8%
Personal Services	363	58	126	547	5.9%
Government	40	51	753	844	6.7%
<b>TOTAL</b>	<b>10,112</b>	<b>2,935</b>	<b>3,585</b>	<b>16,632</b>	<b>6.4%</b>
<b>% change</b>	<b>6.4%</b>	<b>6.1%</b>	<b>6.5%</b>	<b>6.4%</b>	

- Including the direct, indirect and induced impacts of total tourism demand, the tourism sector generated \$16.6 billion of state GDP. This is 3.9% of the state economy.

# Tourism GDP impact

## Tourism GDP Impact

\$ million



# Ranking tourism industry employment

- The NC tourism industry directly employed 268,561 in 2010. This narrow measurement of tourism includes only those jobs directly supported by visitor activity and enables inter-industry ranking.
- On this basis, tourism is the 4<sup>th</sup> largest private employer in the state of North Carolina.\*

Employment Ranking		
2010		
Rank	Industry	Jobs
1	Health Care and Social Assistance	456,853
2	Manufacturing	431,622
3	Retail Trade *	361,322
4	Tourism	268,561
5	Administrative and Support and Waste Management	254,859
6	Accommodation and Food Services *	220,974
7	Professional, Scientific, and Technical Services	180,552
8	Construction	176,597
9	Wholesale Trade	164,957
10	Finance and Insurance	146,615
11	Other Services (except Public Administration)	92,145
12	Transportation and Warehousing *	83,677
13	Management of Companies and Enterprises	73,193
14	Information	68,132
15	Educational Services	62,309
16	Real Estate and Rental and Leasing	47,324
17	Agriculture, forestry, fishing and hunting	28,845
18	Arts, Entertainment, and Recreation *	26,853
19	Utilities	12,152
20	Mining	3,008

\* net of tourism employment

\* Ranked to BLS Wage and Salary Employment, QCEW

# Total tourism employment

Tourism Employment					
2010					
	Direct	Indirect	Induced	Total	% change
Agriculture, Fishing, Mining	-	1,279	664	1,943	3.1%
Construction and Utilities	4,480	1,628	353	6,461	-14.8%
Manufacturing	3,750	3,417	1,978	9,145	1.8%
Wholesale Trade	2,155	2,099	1,975	6,230	2.9%
Air Transport	11,402	62	67	11,531	-0.1%
Other Transport	4,748	4,987	1,614	11,349	4.5%
Retail Trade	69,327	2,633	11,667	83,627	2.9%
Gasoline Stations	4,273	132	534	4,939	1.1%
Communications	-	1,489	651	2,140	3.1%
Finance, Insurance and Real Estate	12,710	6,655	4,272	23,637	2.2%
Business Services	803	13,441	3,919	18,164	3.1%
Education and Health Care	-	96	13,349	13,445	3.3%
Recreation and Entertainment	28,553	1,506	1,728	31,787	0.4%
Lodging	40,293	751	656	41,700	0.5%
Food & Beverage	75,088	3,074	6,446	84,608	4.4%
Personal Services	10,290	1,999	5,273	17,561	3.0%
Government	688	739	535	1,963	3.9%
<b>TOTAL</b>	<b>268,561</b>	<b>45,988</b>	<b>55,680</b>	<b>370,229</b>	<b>2.3%</b>
<b>% change</b>	<b>1.9%</b>	<b>3.1%</b>	<b>3.3%</b>	<b>2.3%</b>	

The tourism sector directly and indirectly supported more than 370,000 jobs, or 9.0% of all payroll employment\* in North Carolina last year.

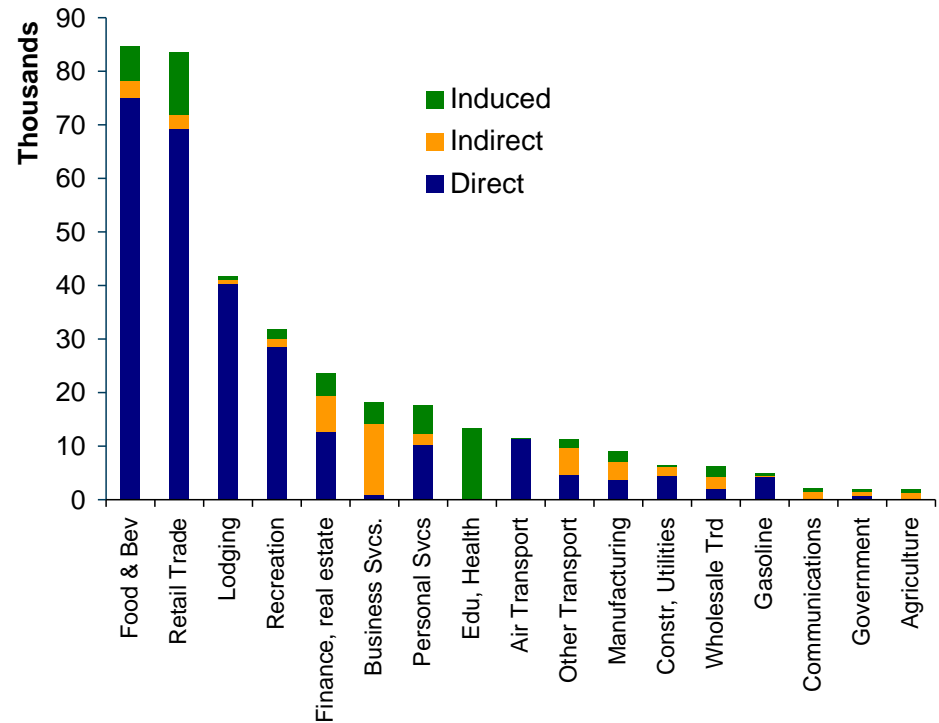
Tourism-related employment grew 2.3 in 2010 as visitor spending recovered.

\* 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, more than 18,000 people are employed in business services as a result of tourism activity.

**Tourism Employment Impact**

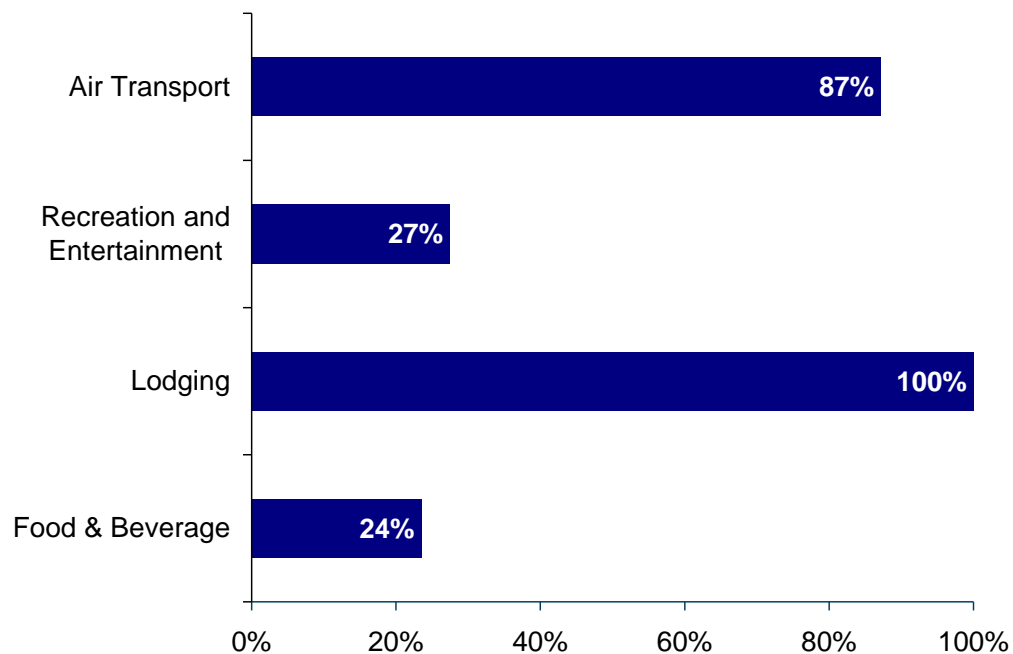


# Tourism employment shares

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

**Tourism Employment Share of Key Industries**



# Tourism personal income

<b>Tourism Income (Compensation)</b>					
<b>(US\$ Million)</b>					
	<b>Direct</b>	<b>Indirect</b>	<b>Induced</b>	<b>Total</b>	<b>% change</b>
Agriculture, Fishing, Mining		18	12	30	6.3%
Construction and Utilities	128	98	35	261	-13.3%
Manufacturing		161	105	266	6.3%
Wholesale Trade	120	129	121	370	5.6%
Air Transport	555	3	3	562	3.3%
Other Transport	131	220	67	418	7.6%
Retail Trade	1,436	68	297	1,801	5.1%
Gasoline Stations	105	4	15	124	16.3%
Communications		87	39	126	6.2%
Finance, Insurance and Real Estate	315	257	199	771	4.7%
Business Services	46	546	154	746	6.1%
Education and Health Care		3	534	537	6.5%
Recreation and Entertainment	549	26	34	609	2.4%
Lodging	1,067	17	15	1,099	16.2%
Food & Beverage	1,182	47	99	1,328	7.6%
Personal Services	276	44	98	419	5.4%
Government	24	30	19	73	7.2%
<b>TOTAL</b>	<b>5,934</b>	<b>1,758</b>	<b>1,847</b>	<b>9,539</b>	<b>6.2%</b>
<b>% change</b>	<b>6.1%</b>	<b>6.1%</b>	<b>6.5%</b>	<b>6.2%</b>	

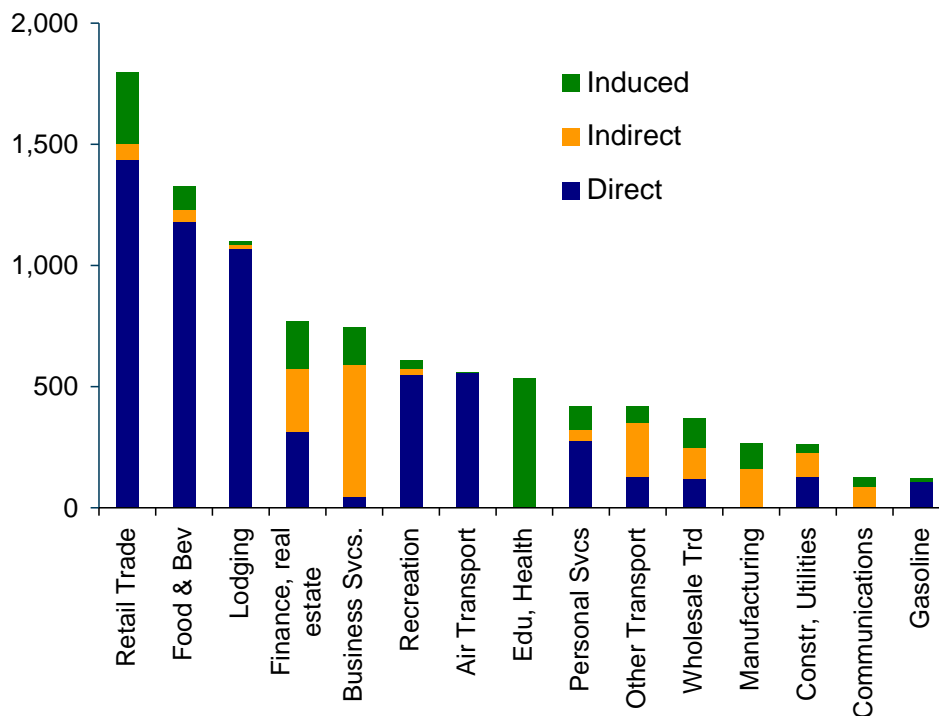
- \$9.5 billion in compensation was generated by tourism demand in 2010, an increase of 6.2%.

# 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

<b>Tourism-Generated Taxes</b>				
<b>(US\$ Million)</b>				
	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>
<b>Federal Taxes</b>	<b>2,589</b>	<b>2,787</b>	<b>2,543</b>	<b>2,708</b>
Corporate	450	484	444	476
Indirect Business	348	375	344	369
Personal Income	725	780	710	754
Social Security	1,067	1,148	1,045	1,109
<b>State and Local Taxes</b>	<b>2,498</b>	<b>2,690</b>	<b>2,442</b>	<b>2,582</b>
Corporate	303	326	300	321
Personal Income	298	321	292	292
Sales	987	1,063	975	1,045
Property	662	712	654	700
Excise and Fees	74	80	74	79
State Unemployment	20	22	20	20
Lodging Taxes	153	166	128	124
<b>TOTAL</b>	<b>5,088</b>	<b>5,477</b>	<b>4,985</b>	<b>5,290</b>
<b>% change</b>		<b>7.7%</b>	<b>-9.0%</b>	<b>6.1%</b>

- Taxes of \$5.3 billion were directly and indirectly generated by tourism in 2010.
- State and local taxes alone tallied \$2.6 billion.
- Each household in North Carolina would need to be taxed an additional \$729 per year to replace the tourism taxes received by state and local governments.

# Government support of tourism

<b>Tourism Administration and Promotion</b>				
<b>2009/10</b>				
<b>Government</b>	<b>Individual</b>	<b>Collective</b>	<b>Total</b>	<b>% change</b>
State	\$ 1,900,000	\$ 9,500,000	\$ 11,400,000	3.7%
Counties	\$ 17,091,692	\$ 96,852,921	\$113,944,613	11.9%
Municipalities	\$ 2,137,326	\$ 12,111,516	\$ 14,248,842	9.4%
<b>TOTAL</b>	<b>\$ 21,129,018</b>	<b>\$ 118,464,437</b>	<b>\$139,593,455</b>	<b>10.9%</b>

- Government support of tourism is divided between collective (general support) and individual (specific support) spending.
- Total state government support of tourism was \$11.4 million – an increase of 3.7%.
- County government support of tourism reached \$114 million as higher bed taxes flowed to CVB destination promotion.
- Municipality government support of tourism was \$14 million.
- Total government support of tourism tallied \$140 million in the 2009/10 fiscal year.
- State and local taxes generated by tourism (\$2.6 billion) surpass this funding by a rate of 19 to 1 (up from 17 to 1 in 2009).

# Tourism capital investment

<b>Tourism Capital Investment</b>				
Total Tourism Related				
	2007	2008	2009	2010
<b>Construction</b>	\$ 610,330,725	\$ 578,551,532	\$ 348,723,507	\$ 236,881,875
Recreation and Entertainment	\$ 245,439,000	\$ 264,856,000	\$ 239,565,000	\$ 122,779,500
Hotels and Motels	\$ 342,119,000	\$ 270,062,000	\$ 54,529,000	\$ 84,690,000
Government Capital Outlays	\$ 22,772,725	\$ 43,633,532	\$ 54,629,507	\$ 29,412,375
<b>Machinery and Equipment</b>	<b>\$ 1,066,460,166</b>	<b>\$ 1,091,156,982</b>	<b>\$ 909,775,654</b>	<b>\$ 955,264,436</b>
<b>Total</b>	<b>\$ 1,676,790,891</b>	<b>\$ 1,669,708,514</b>	<b>\$ 1,258,499,161</b>	<b>\$ 1,192,146,311</b>
% change		-0.4%	-24.6%	-5.3%

- Nearly \$1.2 billion was invested by the tourism sector last year, including hotels, recreational facilities, and related government capital outlays.
- Tourism-related investment continued to fall in 2010 with a 5.3% decline after a 25% decline in 2009.

# About Tourism Economics

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- 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.
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# TOURISM ECONOMICS

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