

The Economic Impact of Tourism in North Carolina

Tourism Satellite Account
Calendar Year 2011



U.S. TRAVEL
ASSOCIATION



TOURISM
ECONOMICS

AN OXFORD ECONOMICS COMPANY

Key results

- Total tourism demand tallied \$24 billion in 2011, expanding 9.0% after a 7.6% increase in prior year. This marks a new high in the North Carolina tourism sector.
- The direct GDP of the tourism sector grew 7.8% to \$9.3 billion in 2011.
- Tourism demand sustained 380,000 jobs in 2011, including direct, indirect, and induced impacts.
- 9.1% of all jobs* in the state are directly or indirectly sustained by tourism activities. This marks a steady increase in share since 2008 (8.6%).
- Including indirect and induced impacts, tourism in North Carolina generated \$2.6 billion in state and local taxes and \$2.8 billion in Federal taxes in 2011.

* Compared to BEA Wage and Salary Employment, SA25N

Important definitions

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

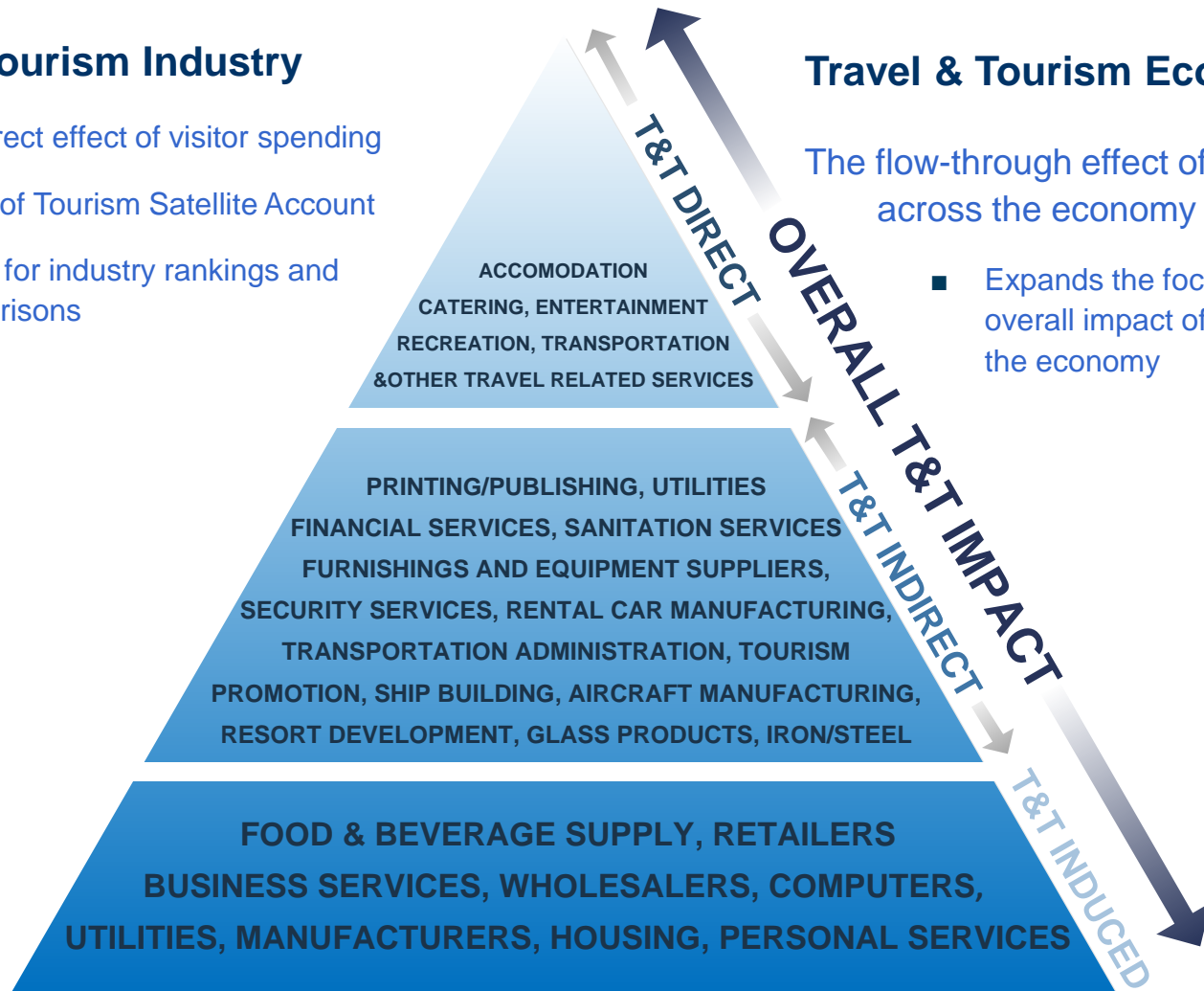
Travel & Tourism Industry

- 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?

- 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 including lodging, recreation, retail, real estate, air passenger transport, food & beverage, car rental, taxi services, travel agents...

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

- 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

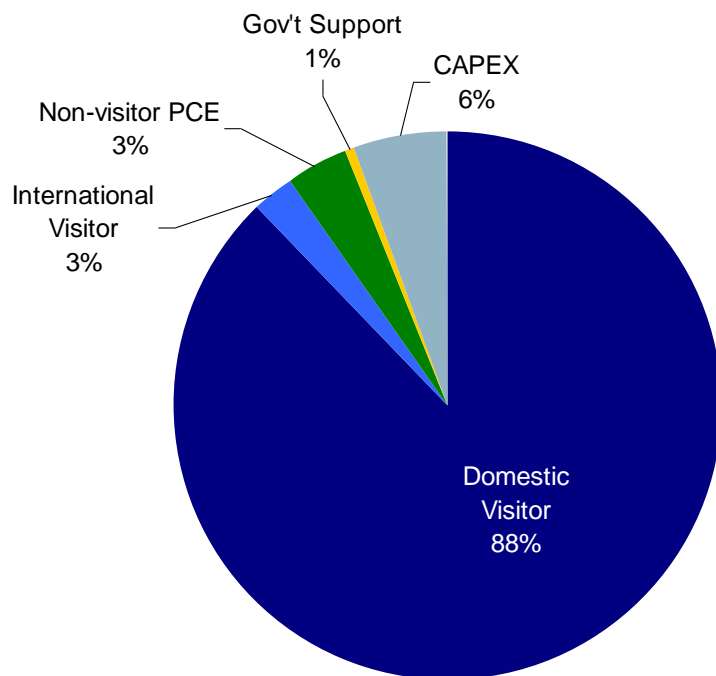
Detailed Results

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
2011	\$ 20,818	\$ 618	\$ 804	\$ 150	\$ 1,330	\$ 23,720
% change	8.9%	4.7%	11.1%	7.4%	11.5%	9.0%

- Total tourism demand rose 9.0% in 2011 driven by a similar (8.9%) increase in domestic visitor spending.
- Non-visitor private consumption expenditures (PCE) represent tourism consumer durables such as an RV, boat, or furniture for a vacation home. These rose 11.1% last year – almost reaching their peak from 2008.
- Government support for tourism, including the budgets for tourism promotion and visitor centers, increased 7.4%.
- Capital investment, including construction of hotels and attractions, as well as tourism infrastructure, began to recover in 2011 but still remains 21% below 2007 levels.

Tourism demand by source

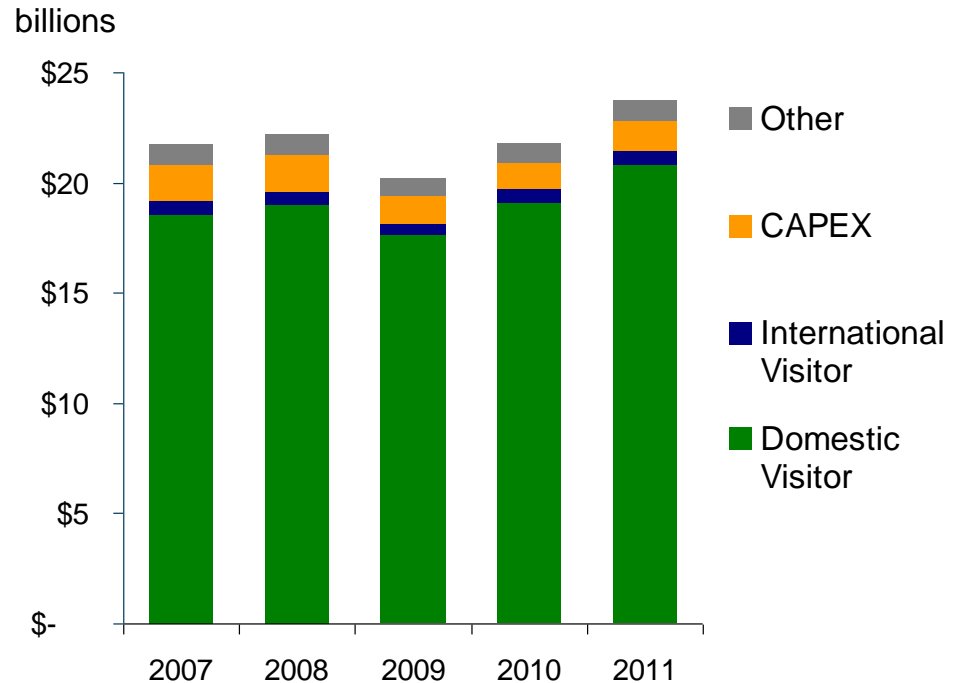


- Domestic visitor markets comprised the majority (88%) of tourism demand in 2011.
- Capital investment in tourism-related construction and machinery & equipment increased its share to 6% in 2011 from 5% in 2010.
- International visitor markets contributed 3% of tourism demand in North Carolina last year.

Tourism demand growth

- The North Carolina visitor economy reached a new peak of \$24 billion in 2011.

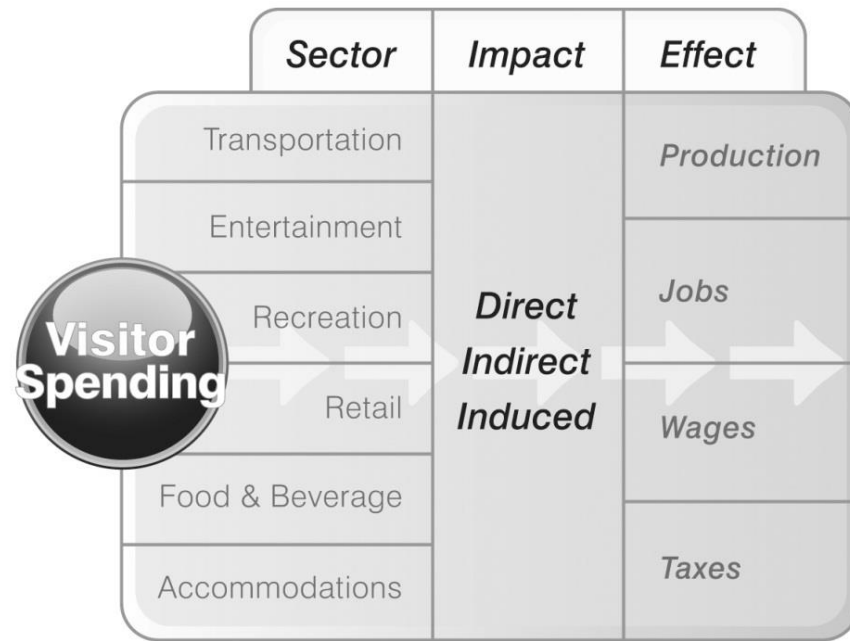
Tourism Demand Trend



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

Tourism Sales (Output)					
US\$ Million, 2011					
	Direct*	Indirect	Induced	Total	% Change
Agriculture, Fishing, Mining		116	58	174	6.6%
Construction and Utilities	336	362	155	853	18.2%
Manufacturing		1,078	774	1,853	6.7%
Wholesale Trade	993	365	346	1,705	5.1%
Air Transport	2,989	14	15	3,017	13.0%
Other Transport	300	449	179	928	6.6%
Retail Trade	4,740	175	777	5,692	6.1%
Gasoline Stations	2,310	13	52	2,375	23.5%
Communications		367	203	570	6.6%
Finance, Insurance and Real Estate**	2,117	1,187	848	4,152	8.8%
Business Services	663	1,399	374	2,436	26.5%
Education and Health Care		6	1,088	1,094	7.2%
Recreation and Entertainment	1,827	63	91	1,981	6.5%
Lodging	2,956	52	47	3,055	7.1%
Food & Beverage	3,933	158	332	4,423	6.0%
Personal Services	406	124	266	795	-31.5%
Government	150	141	951	1,242	7.1%
TOTAL (2010)	23,720	6,070	6,556	36,346	8.2%
% change	9.0%	6.3%	7.2%	8.2%	

* Direct sales include cost of goods for retail sectors

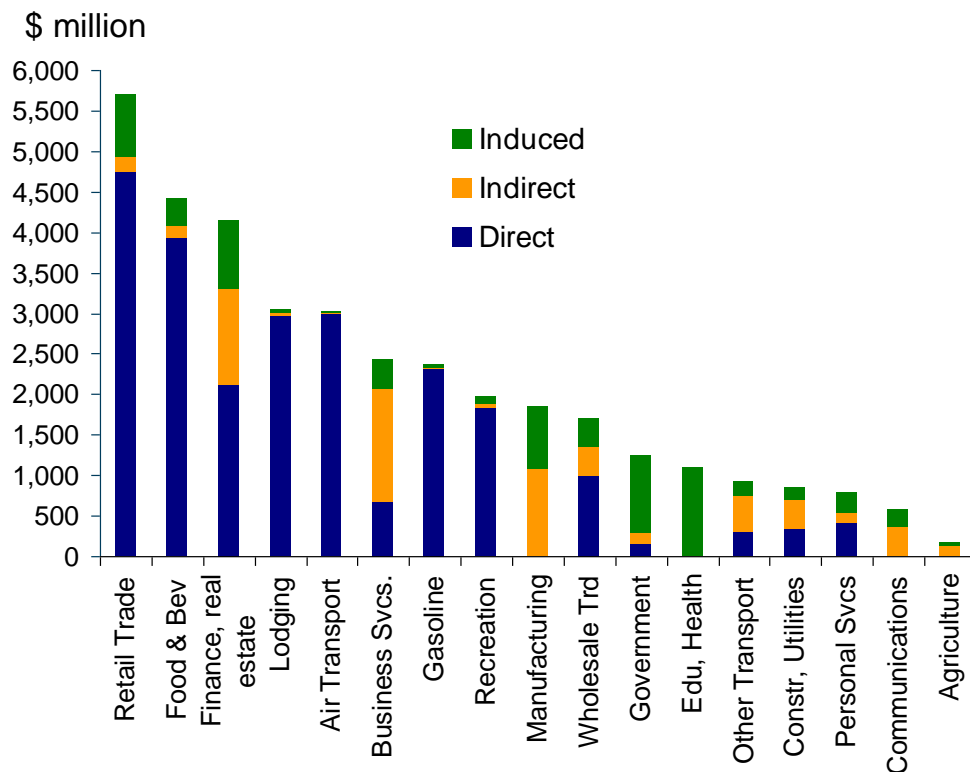
**Includes seasonal second homes

- Tourism demand of \$24 billion generated \$36 billion in business sales, including indirect and induced impacts. Total tourism-generated business sales expanded 8.2% in 2011.

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

Tourism GDP (Value Added)				
(US\$ Million)				
	2008	2009	2010	2011
Agriculture, Fishing, Mining				
Construction and Utilities				
Manufacturing				
Wholesale Trade				
Air Transport	961	819	940	1,063
Other Transport	156	147	165	176
Retail Trade	1,016	955	1,008	1,067
Gasoline Stations	296	218	265	328
Communications				
Finance, Insurance and Real Estate	1,313	1,302	1,339	1,486
Business Services	99	103	108	274
Education and Health Care				
Recreation and Entertainment	927	957	980	1,043
Lodging	1,822	1,616	1,743	1,866
Food & Beverage	1,589	1,557	1,699	1,798
Personal Services	339	344	363	185
Government	7	6	7	7
TOTAL	8,525	8,023	8,617	9,294
% change	1.2%	-5.9%	7.4%	7.8%

- 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 \$9.2 billion in 2011, accounting for 2.1% of total North Carolina GDP.

Tourism GDP Impact

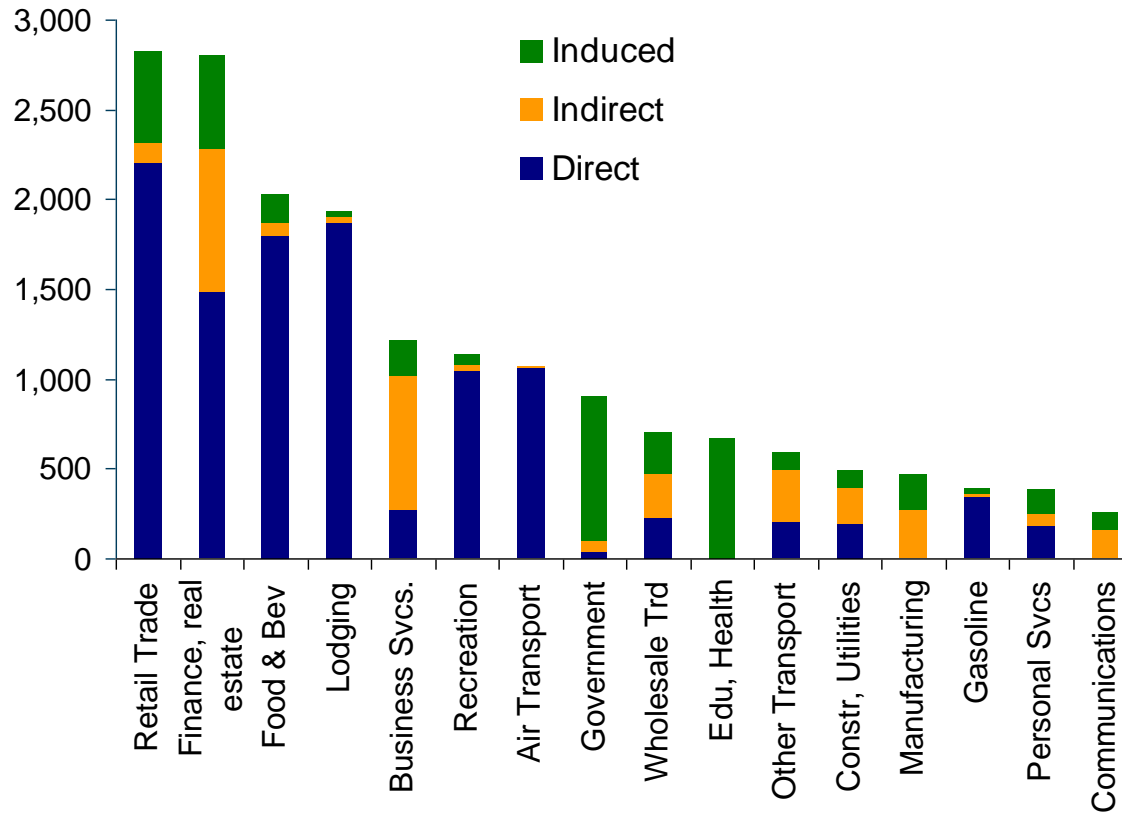
Tourism GDP (Value Added)					
(2011, US\$ Million)					
	Direct*	Indirect	Induced	Total	% change
Agriculture, Fishing, Mining		26	17	43	6.7%
Construction and Utilities	191	201	96	489	18.1%
Manufacturing		275	200	474	6.7%
Wholesale Trade	224	247	234	706	5.9%
Air Transport	1,063	4	4	1,071	13.0%
Other Transport	202	290	96	587	6.5%
Retail Trade	2,202	114	505	2,821	6.1%
Gasoline Stations	346	9	36	391	21.8%
Communications		162	90	252	6.6%
Finance, Insurance and Real Estate	1,486	796	517	2,799	8.9%
Business Services	274	737	204	1,216	22.6%
Education and Health Care		4	667	671	7.2%
Recreation and Entertainment	1,043	35	53	1,131	6.5%
Lodging	1,866	32	28	1,927	7.1%
Food & Beverage	1,798	72	153	2,023	6.0%
Personal Services	185	62	135	382	-30.3%
Government	43	54	807	905	7.2%
TOTAL	10,924	3,120	3,843	17,887	7.5%
% change	8.0%	6.3%	7.2%	7.5%	

- Including the direct, indirect and induced impacts of total tourism demand, the tourism sector generated \$17.8 billion of state GDP. This is 4.1% of the state economy.

Tourism GDP impact

Tourism GDP Impact

\$ million



Ranking tourism industry employment

- The NC tourism industry directly employed 275,522 in 2011. 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 4th largest private employer in the state of North Carolina.*

Employment Ranking		
2011		
Rank	Industry	Jobs
1	Health Care and Social Assistance	458,050
2	Manufacturing	434,767
3	Retail Trade*	365,755
4	Tourism	275,522
5	Administrative and Support and Waste Management	247,968
6	Accommodation and Food Services*	224,352
7	Professional, Scientific, and Technical Services	188,008
8	Construction	173,754
9	Wholesale Trade	168,204
10	Finance and Insurance	147,823
11	Other Services (except Public Administration)	94,216
12	Transportation and Warehousing*	86,812
13	Management of Companies and Enterprises	77,297
14	Information	68,681
15	Educational Services	64,124
16	Real Estate and Rental and Leasing	47,213
17	Agriculture, forestry, fishing and hunting	28,399
18	Arts, Entertainment, and Recreation*	27,082
19	Utilities	12,142
20	Mining	3,044

* net of tourism employment

* Ranked to BLS Wage and Salary Employment, QCEW

Total tourism employment

Tourism Employment					
2011					
	Direct	Indirect	Induced	Total	% change
Agriculture, Fishing, Mining	-	1,311	684	1,995	2.6%
Construction and Utilities	5,700	1,669	363	7,732	19.7%
Manufacturing	3,750	3,504	2,035	9,289	1.6%
Wholesale Trade	2,198	2,152	2,032	6,383	2.5%
Air Transport	12,029	64	69	12,161	5.3%
Other Transport	4,903	5,113	1,660	11,676	2.9%
Retail Trade	71,357	2,700	12,004	86,060	2.9%
Gasoline Stations	4,213	135	549	4,898	-0.4%
Communications	-	1,526	670	2,196	2.6%
Finance, Insurance and Real Estate	13,403	6,823	4,395	24,621	4.2%
Business Services	1,422	13,781	4,032	19,235	5.9%
Education and Health Care	-	99	13,734	13,833	2.9%
Recreation and Entertainment	29,388	1,544	1,778	32,710	2.2%
Lodging	41,399	769	675	42,843	2.5%
Food & Beverage	77,284	3,151	6,632	87,067	2.9%
Personal Services	7,763	2,049	5,425	15,237	-13.2%
Government	714	758	551	2,022	3.0%
TOTAL	275,522	47,150	57,287	379,958	2.5%
% change	2.5%	2.5%	2.9%	2.5%	

The tourism sector directly and indirectly supported nearly 380,000 jobs, or 9.1% of all payroll employment* in North Carolina last year.

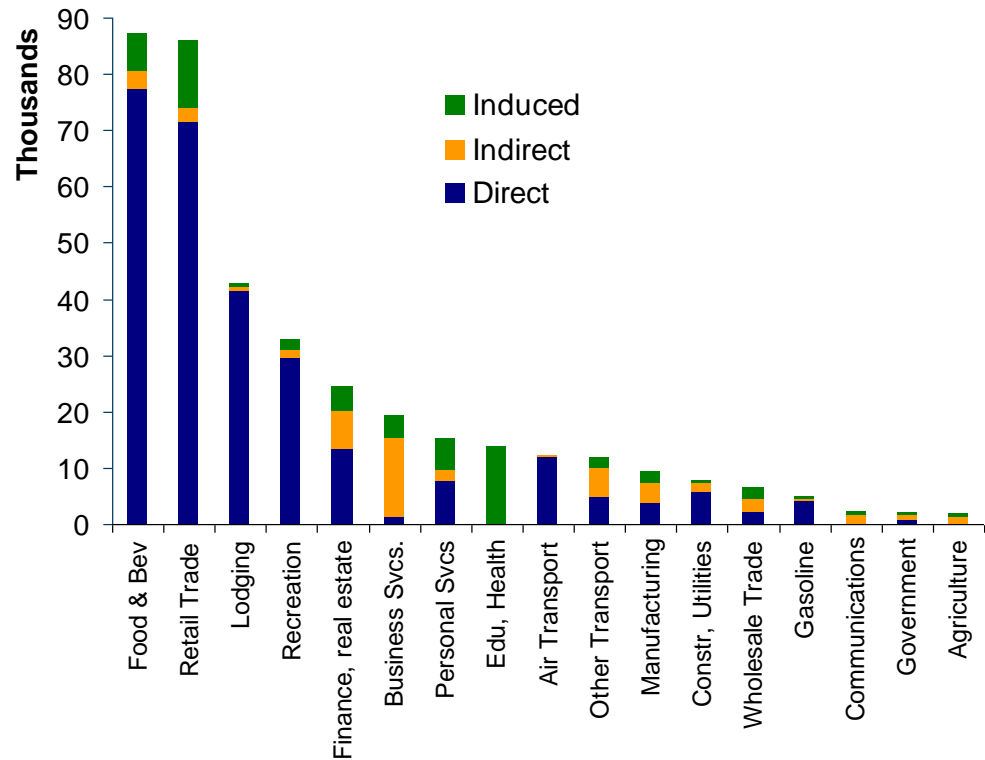
Tourism-related employment grew 2.5 in 2011 as visitor spending reached a new high.

* Compared to BEA 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 19,000 people are employed in business services as a result of tourism activity.

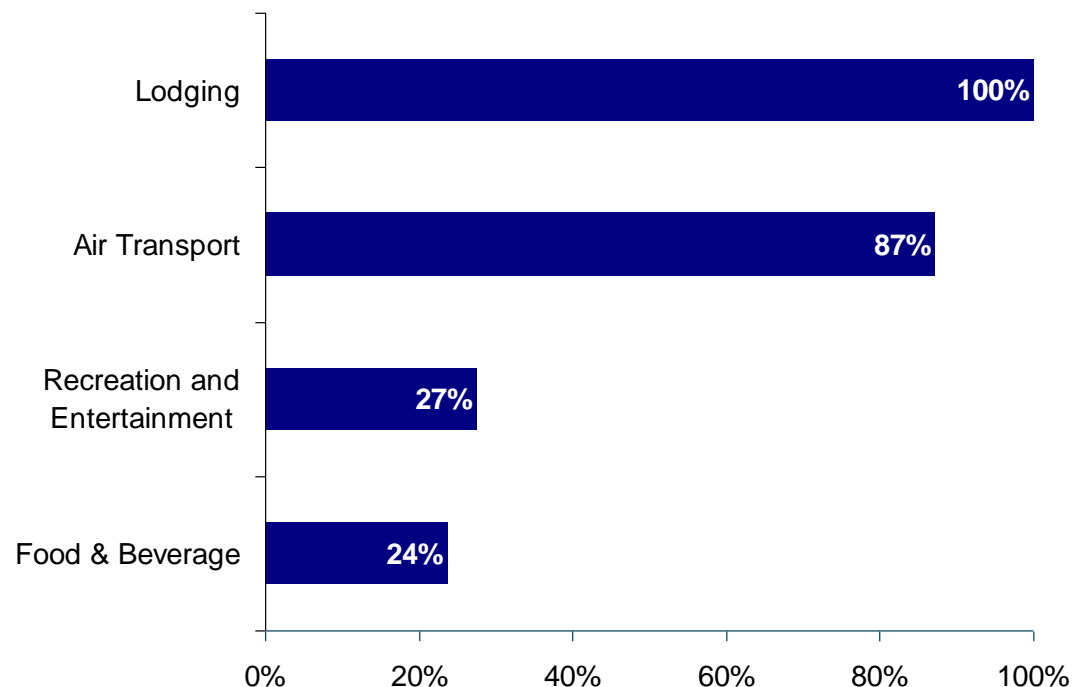
Tourism Employment Impact



Tourism employment shares

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

Tourism Employment Share of Key Industries



Tourism personal income

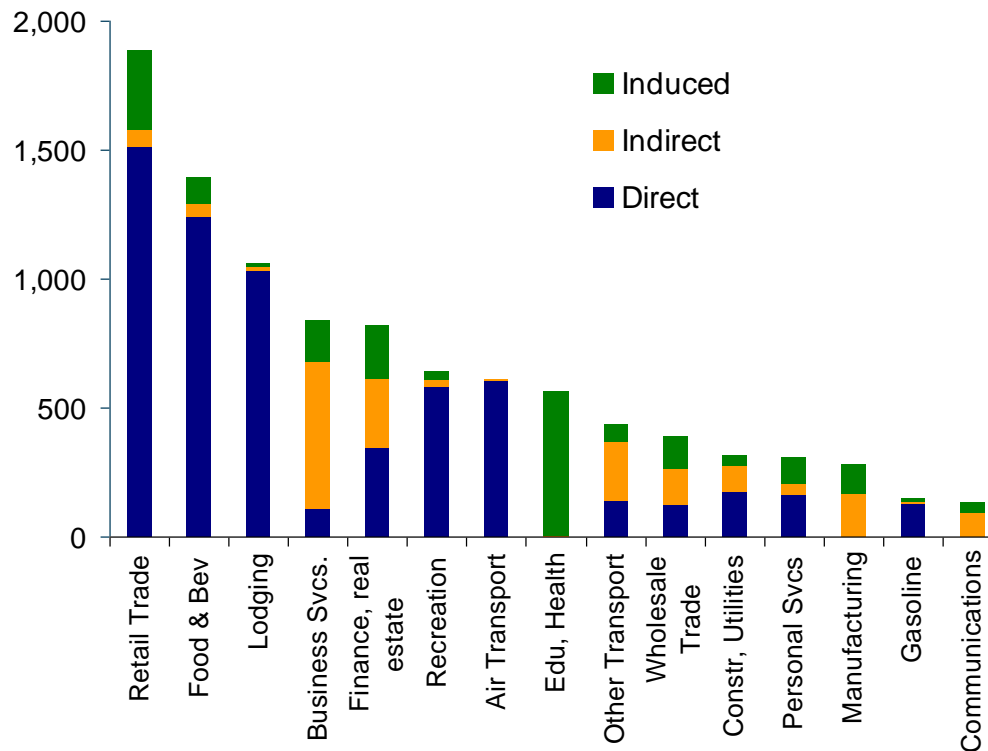
Tourism Income (Compensation)					
(2011, US\$ Million)					
	Direct	Indirect	Induced	Total	% change
Agriculture, Fishing, Mining		19	13	31	4.3%
Construction and Utilities	174	102	37	313	19.6%
Manufacturing		167	110	277	4.3%
Wholesale Trade	124	134	127	385	4.1%
Air Transport	603	3	4	610	7.8%
Other Transport	138	229	70	438	4.6%
Retail Trade	1,508	70	311	1,889	4.9%
Gasoline Stations	127	4	16	146	18.0%
Communications		91	41	132	4.3%
Finance, Insurance and Real Estate	344	268	208	820	6.4%
Business Services	106	568	162	836	12.0%
Education and Health Care		3	559	562	4.7%
Recreation and Entertainment	579	27	36	642	5.4%
Lodging	1,028	18	15	1,061	5.4%
Food & Beverage	1,241	49	104	1,393	4.9%
Personal Services	161	46	103	310	-26.0%
Government	25	31	20	76	5.0%
TOTAL	6,157	1,830	1,933	9,921	5.0%
% change	5.3%	4.1%	4.7%	5.0%	

- \$9.9 billion in compensation was generated by tourism demand in 2011, an increase of 5.0%.

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

Tourism-Generated Taxes					
(US\$ Million)					
	2007	2008	2009	2010	2011
Federal Taxes	2,589	2,787	2,543	2,708	2,898
Corporate	450	484	444	476	515
Indirect Business	348	375	344	369	399
Personal Income	725	780	710	754	754
Social Security	1,067	1,148	1,045	1,109	1,230
State and Local Taxes	2,498	2,690	2,442	2,582	2,788
Corporate	303	326	300	321	347
Personal Income	298	321	292	292	311
Sales	987	1,063	975	1,045	1,131
Property	662	712	654	700	758
Excise and Fees	74	80	74	79	85
State Unemployment	20	22	20	20	21
Lodging Taxes	153	166	128	124	134
TOTAL	5,088	5,477	4,985	5,290	5,687
% change		7.7%	-9.0%	6.1%	7.5%

- Taxes of \$5.7 billion were directly and indirectly generated by tourism in 2011.
- State and local taxes alone tallied \$2.8 billion.
- Each household in North Carolina would need to be taxed an additional \$769 per year to replace the tourism taxes received by state and local governments.

Government support of tourism

Tourism Administration and Promotion				
2010/11				
Government	Individual	Collective	Total	% change
State	\$ 1,900,000	\$ 8,560,649	\$ 10,460,649	-8.2%
Counties	\$ 18,743,114	\$ 106,210,978	\$124,954,092	9.7%
Municipalities	\$ 2,179,035	\$ 12,347,867	\$ 14,526,902	2.0%
TOTAL	\$ 22,822,149	\$ 127,119,494	\$149,941,643	7.4%

- Government support of tourism is divided between collective (general support) and individual (specific support) spending.
- Total state government support of tourism was \$10.5 million – a decrease of 8.2%.
- County government support of tourism reached \$125 million – an increase of 9.7% as higher bed taxes flowed to CVB destination promotion.
- Municipality government support of tourism increased slightly to \$14.5 million.
- Total government support of tourism tallied \$149 million in the 2010/11 fiscal year.
- State and local taxes generated by tourism (\$2.8 billion) surpass this funding by a rate of 19 to 1 (up from 17 to 1 in 2009).

Tourism capital investment

Tourism Capital Investment					
Total Tourism Related					
	2007	2008	2009	2010	2011
Construction	\$ 610,330,725	\$ 578,551,532	\$ 348,723,507	\$ 236,881,875	\$ 336,083,006
Recreation and Entertainment	\$ 245,439,000	\$ 264,856,000	\$ 239,565,000	\$ 122,779,500	\$ 181,782,000
Hotels and Motels	\$ 342,119,000	\$ 270,062,000	\$ 54,529,000	\$ 84,690,000	\$ 126,119,000
Government Capital Outlays	\$ 22,772,725	\$ 43,633,532	\$ 54,629,507	\$ 29,412,375	\$ 28,182,006
Machinery and Equipment	\$ 1,066,460,166	\$ 1,091,156,982	\$ 909,775,654	\$ 955,264,436	\$ 993,475,014
Total	\$ 1,676,790,891	\$ 1,669,708,514	\$ 1,258,499,161	\$ 1,192,146,311	\$ 1,329,558,020
% change		-0.4%	-24.6%	-5.3%	11.5%

- More than \$1.3 billion was invested by the tourism sector last year, including hotels, recreational facilities, and related government capital outlays.
- The 11.5% rebound begins the recovery in tourism-related investment though it still remains 21% below 2007 levels.

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.
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