

The Economic Impact of Tourism in North Carolina

Tourism Satellite Account
Calendar Year 2015



AN OXFORD ECONOMICS COMPANY

Key results

- Total tourism demand tallied \$28.3 billion in 2015, expanding 3.6%. This marks another new high for the North Carolina tourism sector and the sixth consecutive year of growth.
- The direct GDP of the tourism sector grew 4.5% to \$11.3 billion in 2015.
- Tourism demand sustained 418,408 jobs in 2015, including direct, indirect, and induced impacts.
- 9.3% 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 \$3.4 billion in state and local taxes and \$3.5 billion in Federal taxes in 2014.

* 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

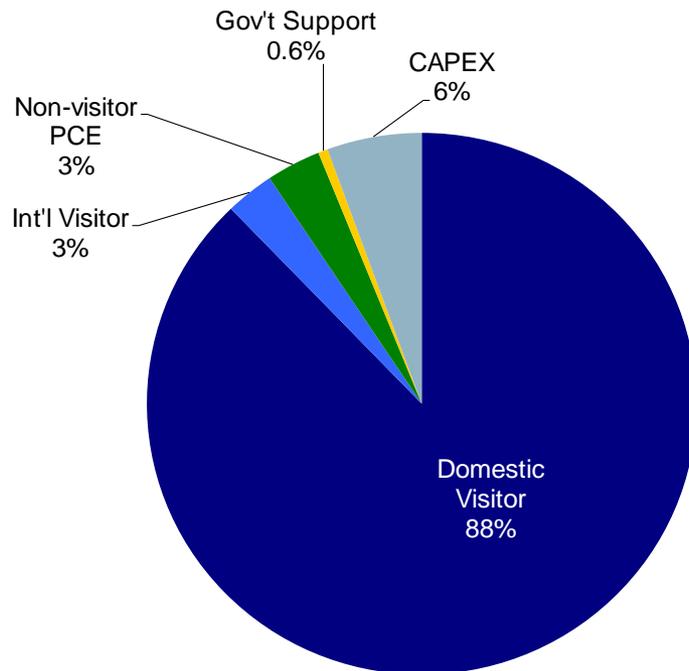
Detailed Results

Tourism demand (spending)

Tourism Demand by Category, \$ million							
	Domestic Visitor	Int'l Visitor	Non-visitor PCE	Gov't Support	CAPEX	Total	% change
2010	\$ 19,112	\$ 591	\$ 724	\$ 140	\$ 1,192	\$ 21,758	7.6%
2011	\$ 20,818	\$ 618	\$ 804	\$ 152	\$ 1,330	\$ 23,722	9.0%
2012	\$ 21,925	\$ 720	\$ 812	\$ 138	\$ 1,384	\$ 24,978	5.3%
2013	\$ 22,792	\$ 745	\$ 832	\$ 146	\$ 1,447	\$ 25,962	3.9%
2014	\$ 23,949	\$ 826	\$ 851	\$ 156	\$ 1,538	\$ 27,319	5.2%
2015	\$ 24,674	\$ 829	\$ 873	\$ 178	\$ 1,736	\$ 28,290	3.6%
% change	3.0%	0.4%	2.5%	14.3%	12.9%	3.6%	

- Total tourism demand in NC rose 3.6% in 2014, building on the strength of the prior four years, and reaching another new peak of \$28.3 billion.
- Non-visitor private consumption expenditures (PCE) represent tourism consumer durables such as an RV, boat, or furniture for a vacation home. These rose 2.5% to \$873 million.
- International visitor spending expanded just .4% as visits from Canada declined and spending was limited by the strong dollar.
- Government support for tourism, including the budgets for tourism promotion around the state and visitor centers, increased 14.3%.
- Capital investment, including construction of hotels and attractions, as well as tourism infrastructure, continued to rally in 2014 with a 12.9% increase.

Tourism demand by source

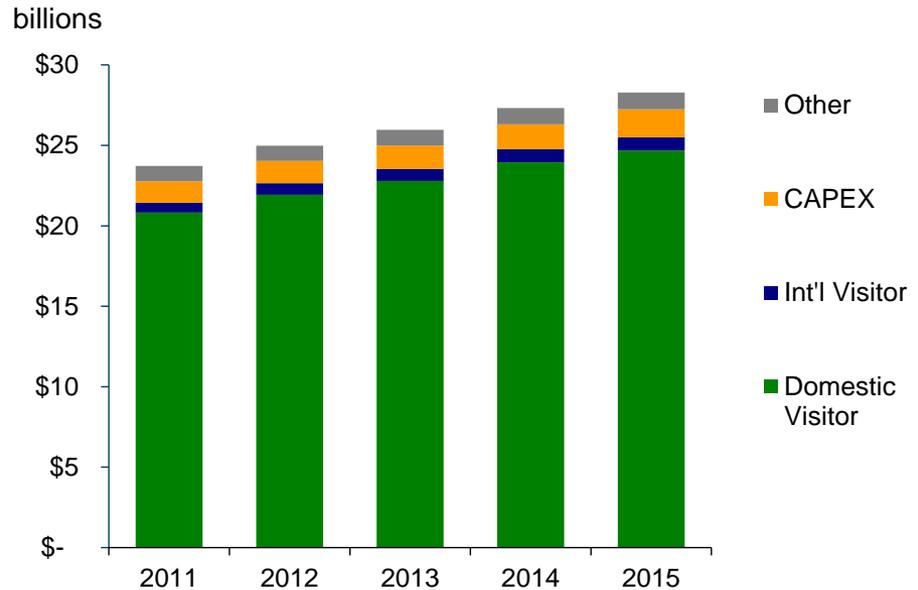


- Domestic visitor markets comprised the majority (88%) of tourism demand in 2015.
- Capital investment in tourism-related construction and machinery & equipment represents 6% of all tourism-related demand.
- International visitor markets contributed 3% of tourism demand in North Carolina last year.

Tourism demand growth

- The North Carolina visitor economy reached a new peak of \$28.3 billion in 2015.
- Tourism demand has grown by an average of 5.4% per annum over the past five years.

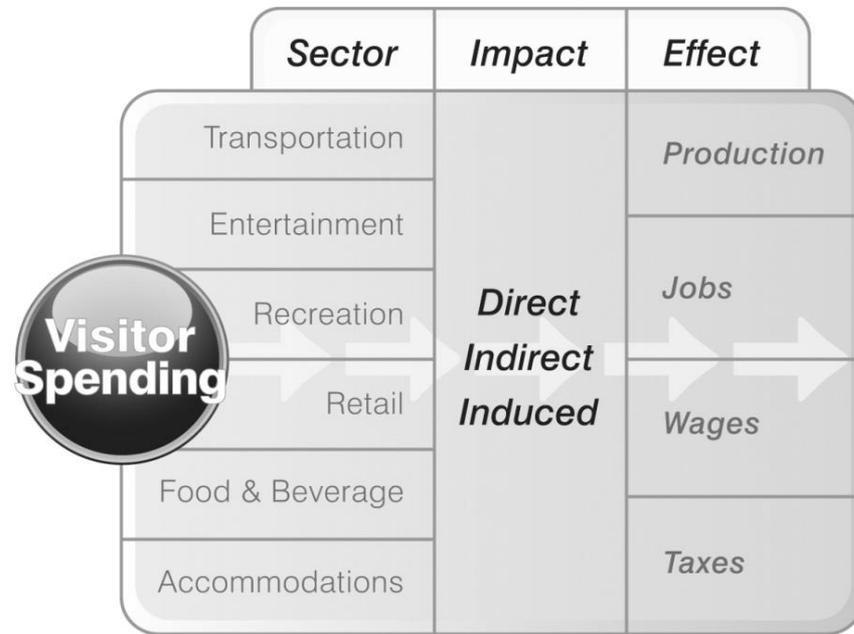
Tourism Demand Trend



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, 2015					
	Direct*	Indirect	Induced	Total	% Change
Agriculture, Fishing, Mining		132	68	200	3.1%
Construction and Utilities	529	412	179	1,119	16.5%
Manufacturing		1,227	895	2,122	3.1%
Wholesale Trade	1,208	416	400	2,023	4.2%
Air Transport	3,683	16	17	3,716	2.3%
Other Transport	359	511	207	1,078	2.8%
Retail Trade	5,645	199	898	6,742	4.6%
Gasoline Stations	2,129	15	61	2,205	-10.0%
Communications		418	235	653	3.1%
Finance, Insurance and Real Estate**	2,362	1,351	980	4,693	3.9%
Business Services	296	1,592	432	2,321	1.2%
Education and Health Care		7	1,258	1,265	3.2%
Recreation and Entertainment	2,156	72	105	2,333	5.1%
Lodging	3,998	59	54	4,111	7.3%
Food & Beverage	4,938	179	384	5,501	5.7%
Personal Services	810	141	307	1,259	-6.0%
Government	178	160	1,100	1,438	4.4%
TOTAL (2015)	28,290	6,908	7,579	42,777	3.4%
% change	3.6%	3.0%	3.2%	3.4%	

* Direct sales include cost of goods for retail sectors

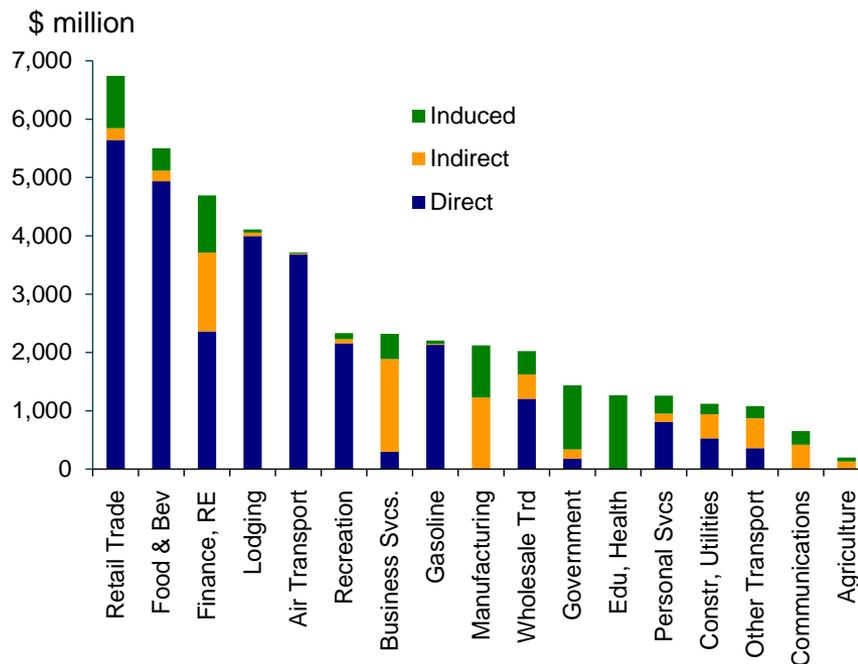
**Includes seasonal second homes

- Tourism demand of \$28.3 billion generated \$42.8 billion in business sales, including indirect and induced impacts. Total tourism-generated business sales expanded 3.4% in 2015.

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)							
	2010	2011	2012	2013	2014	2015	%
Air Transport	940	1,063	1,144	1,217	1,279	1,309	2.3%
Other Transport	165	176	186	197	206	211	2.2%
Retail Trade	1,008	1,067	1,118	1,155	1,212	1,270	4.8%
Gasoline Stations	265	328	336	341	337	344	2.0%
Communications					-	-	
Finance, Insurance and Real Estate	1,339	1,486	1,535	1,553	1,582	1,657	4.7%
Business Services	108	274	283	122	136	122	-10.1%
Education and Health Care					-	-	
Recreation and Entertainment	980	1,043	1,090	1,119	1,169	1,231	5.2%
Lodging	1,743	1,866	2,027	2,126	2,350	2,524	7.4%
Food & Beverage	1,699	1,798	1,913	2,003	2,129	2,258	6.0%
Personal Services	363	185	189	394	412	369	-10.4%
Government	7	7	7	7	8	9	14.3%
TOTAL	8,617	9,294	9,828	10,233	10,822	11,305	4.5%
% change	7.4%	7.8%	5.7%	4.1%	5.8%	4.5%	

- 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 \$11.3 billion in 2015, accounting for 2.3% of total North Carolina GDP.

Tourism GDP impact

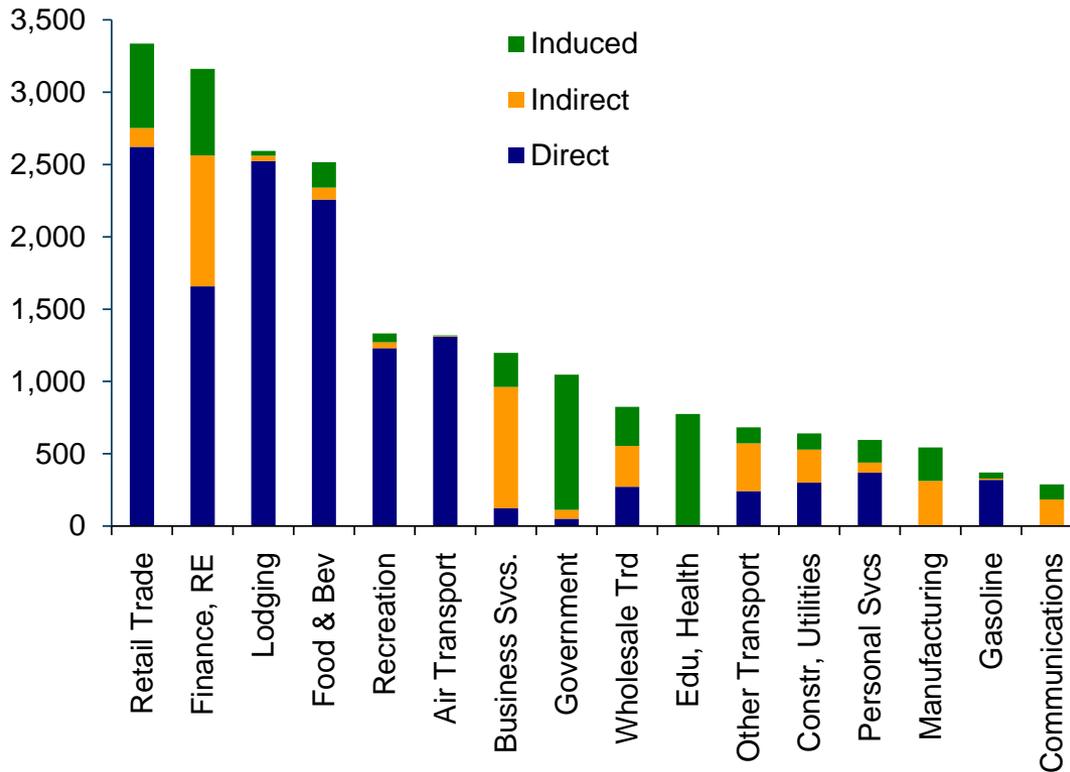
Tourism GDP (Value Added)					
(2015, US\$ Million)					
	Direct*	Indirect	Induced	Total	% change
Agriculture, Fishing, Mining		29.42	19.49	49	3.1%
Construction and Utilities	300.61	228.88	111.27	641	16.4%
Manufacturing		312.56	230.64	543	3.1%
Wholesale Trade	272.53	281.62	270.89	825	3.7%
Air Transport	1,309.37	4.59	5.03	1,319	2.3%
Other Transport	242.01	329.67	110.59	682	2.8%
Retail Trade	2,622.20	129.95	583.83	3,336	4.5%
Gasoline Stations	319.30	10.09	41.67	371	-8.7%
Communications		184.24	103.90	288	3.1%
Finance, Insurance and Real Estate	1,657.29	905.55	598.01	3,161	3.9%
Business Services	122.45	839.18	236.33	1,198	1.5%
Education and Health Care		4.20	770.94	775	3.2%
Recreation and Entertainment	1,230.66	39.94	61.80	1,332	5.1%
Lodging	2,524.00	36.80	32.89	2,594	7.3%
Food & Beverage	2,257.59	82.37	176.54	2,517	5.7%
Personal Services	369.48	70.13	155.99	596	-5.7%
Government	51.50	61.59	933.35	1,046	3.7%
TOTAL	13,279	3,551	4,443	21,273	4.1%
% change	4.7%	3.0%	3.2%	4.1%	

- Including the direct, indirect and induced impacts of total tourism demand, the tourism sector generated \$21.3 billion of state GDP in 2015. This was 4.3% of the state economy.

Tourism GDP impact

Tourism GDP Impact

\$ million



Total tourism employment

Tourism Employment					
2015					
	Direct	Indirect	Induced	Total	% change
Agriculture, Fishing, Mining	-	1,411	743	2,154	1.9%
Construction and Utilities	7,399	1,796	394	9,589	14.0%
Manufacturing	3,750	3,769	2,212	9,731	1.2%
Wholesale Trade	2,427	2,315	2,209	6,951	2.1%
Air Transport	12,773	69	75	12,916	2.0%
Other Transport	5,373	5,501	1,805	12,679	1.6%
Retail Trade	77,946	2,905	13,047	93,898	2.4%
Gasoline Stations	4,543	146	597	5,286	2.4%
Communications	-	1,642	728	2,370	1.9%
Finance, Insurance and Real Estate	14,163	7,340	4,777	26,281	2.2%
Business Services	1,038	14,825	4,383	20,247	1.5%
Education and Health Care	-	106	14,928	15,035	2.1%
Recreation and Entertainment	33,227	1,661	1,932	36,820	2.4%
Lodging	46,615	828	734	48,176	3.7%
Food & Beverage	86,734	3,390	7,208	97,332	2.9%
Personal Services	8,648	2,204	5,897	16,749	0.4%
Government	780	815	599	2,194	3.7%
TOTAL	305,417	50,723	62,268	418,408	2.7%
% change	2.9%	1.8%	2.1%	2.7%	

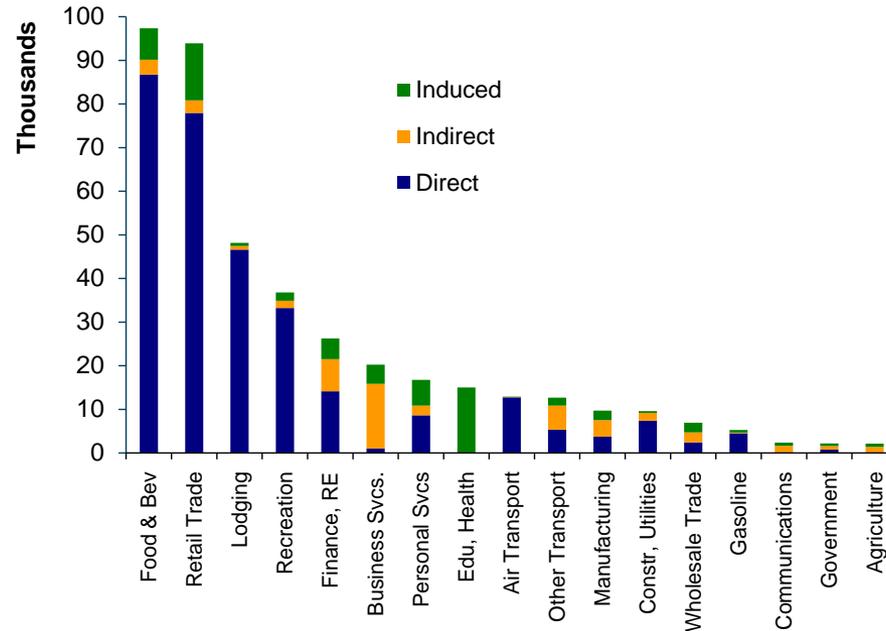
- The tourism sector directly and indirectly supported 418,408 jobs, or 9.3% of all payroll employment* in North Carolina last year.
- Tourism-related employment grew 2.7% in 2015 as businesses hired to support visitor spending increases.
- Tourism is leading the state in job creation. Total NC employment grew 2.5% in 2015.

* 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, 20,000 people are employed in business services as a result of tourism activity.

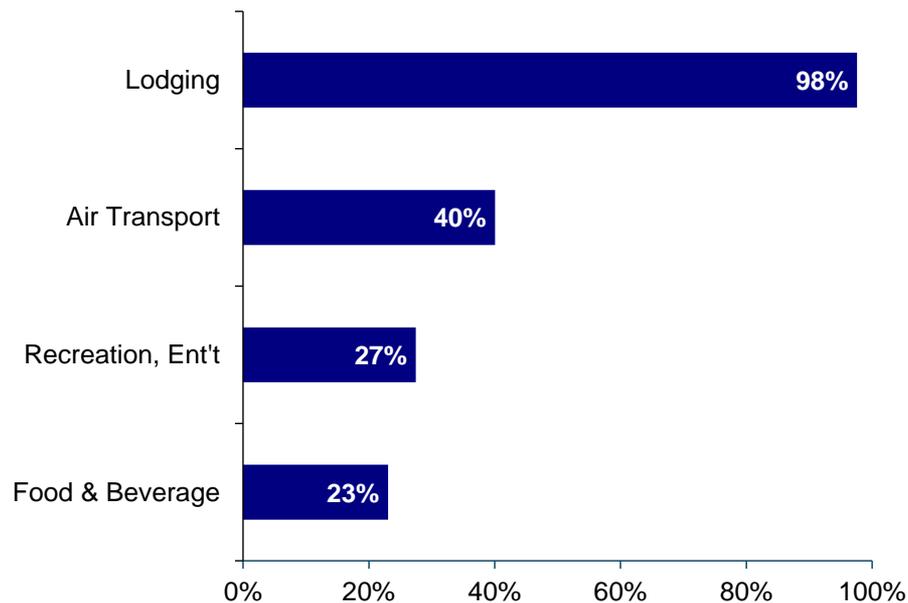
Tourism Employment Impact



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

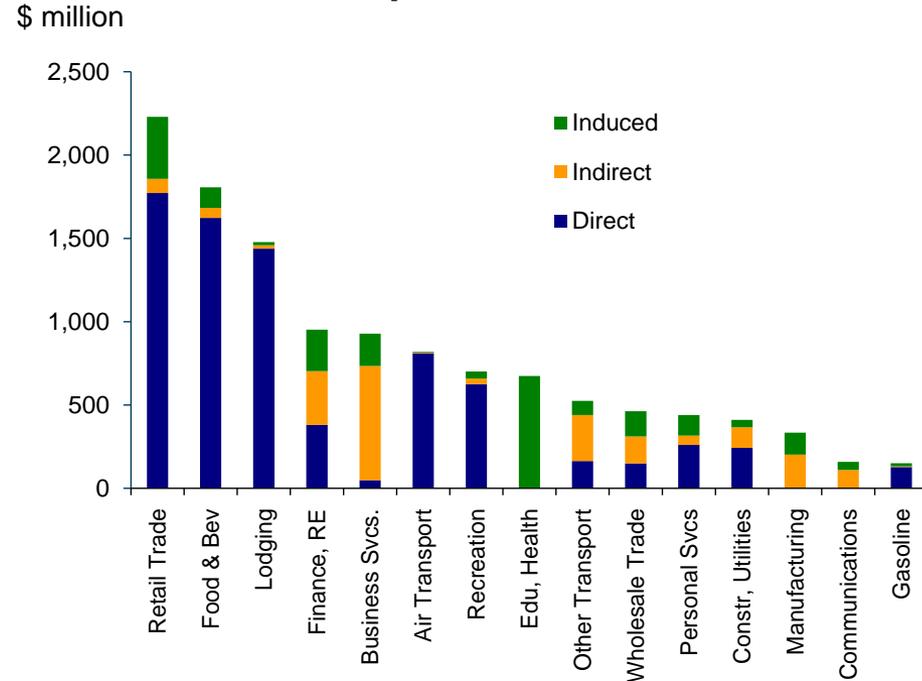
Tourism Income (Compensation)					
(2015, US\$ Million)					
	Direct	Indirect	Induced	Total	% change
Agriculture, Fishing, Mining		23	15	38	4.3%
Construction and Utilities	243	123	44	410	14.0%
Manufacturing		202	131	333	4.3%
Wholesale Trade	149	162	152	463	4.3%
Air Transport	811	4	4	820	7.9%
Other Transport	164	276	84	524	3.6%
Retail Trade	1,772	85	373	2,230	4.3%
Gasoline Stations	127	5	19	150	-1.1%
Communications		110	49	159	4.3%
Finance, Insurance and Real Estate	380	323	250	952	4.3%
Business Services	49	685	194	928	3.5%
Education and Health Care		4	670	674	4.2%
Recreation and Entertainment	626	33	43	701	3.1%
Lodging	1,438	21	19	1,478	4.0%
Food & Beverage	1,623	59	124	1,807	5.5%
Personal Services	260	56	124	440	-2.2%
Government	28	37	24	90	5.2%
TOTAL	7,671	2,207	2,319	12,196	4.5%
% change	4.6%	4.4%	4.2%	4.5%	

- \$12.2 billion in compensation was generated by tourism demand in 2015, an increase of 4.5%.

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



Tourism tax generation

Tourism-Generated Taxes							
(US\$ Million)							
	2009	2010	2011	2012	2013	2014	2015
Federal Taxes	2,543	2,708	2,875	3,011	3,136	3,339	3,491
Corporate	444	476	515	540	560	586	614
Indirect Business	344	369	399	418	433	454	476
Personal Income	710	754	793	830	867	930	971
Social Security	1,045	1,109	1,168	1,222	1,276	1,368	1,429
State and Local Taxes	2,442	2,582	2,785	2,914	3,037	3,233	3,401
Corporate	300	321	347	364	377	395	414
Personal Income	292	292	308	322	336	360	377
Sales	975	1,045	1,131	1,186	1,229	1,288	1,349
Property	654	700	758	795	824	863	904
Excise and Fees	74	79	85	89	93	97	102
State Unemployment	20	20	21	22	23	24	25
Lodging Taxes	128	124	134	136	156	205	230
TOTAL	4,985	5,290	5,660	5,925	6,172	6,572	6,893
% change	-9.0%	6.1%	7.0%	4.7%	4.2%	6.5%	4.9%

- Taxes of \$6.9 billion were directly and indirectly generated by tourism in 2015.
- State and local taxes alone tallied \$3.4 billion.
- Each household in North Carolina would need to be taxed an additional \$909 per year to replace the tourism taxes received by state and local governments.

Government support of tourism

Tourism Administration and Promotion				
2015/16				
Government	Individual	Collective	Total	% change
State	\$ 1,820,000	\$ 10,038,956	\$ 11,858,956	-0.4%
Counties	\$ 21,628,231	\$ 122,559,977	\$144,188,208	15.1%
Municipalities	\$ 3,268,768	\$ 18,523,018	\$ 21,791,786	18.0%
TOTAL	\$ 26,716,999	\$ 151,121,951	\$177,838,950	14.3%

- Government support of tourism is divided between collective (general support) and individual (specific support) spending.
- Total state government support of tourism was \$11.9 million.
- County government support of tourism rose 15% to \$144 million.
- Municipality government support of tourism expanded 18% to \$22 million.
- Total government support of tourism tallied \$178 million in the 2015/16 fiscal year.
- State and local taxes generated by tourism (\$3.4 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						
	2010	2011	2012	2013	2014	2015
Construction	\$ 236,881,875	\$ 336,083,006	\$ 340,743,963	\$ 351,822,738	\$ 387,957,500	\$ 528,500,000
Recreation and Entertainment	\$ 122,779,500	\$ 181,782,000	\$ 130,659,000	\$ 186,363,750	\$ 259,938,750	\$ 205,500,000
Hotels and Motels	\$ 84,690,000	\$ 126,119,000	\$ 182,335,000	\$ 152,263,000	\$ 115,250,000	\$ 310,000,000
Government Capital Outlays	\$ 29,412,375	\$ 28,182,006	\$ 27,749,963	\$ 13,195,988	\$ 12,768,750	\$ 13,000,000
Machinery and Equipment	\$ 955,264,436	\$ 993,475,014	\$1,043,148,765	\$1,095,306,203	\$1,150,071,513	\$1,207,575,089
Total	\$1,192,146,311	\$1,329,558,020	\$1,383,892,727	\$1,447,128,940	\$1,538,029,013	\$1,736,075,089
% change	-5.3%	11.5%	4.1%	4.6%	6.3%	12.9%

- \$1.7 billion was invested by the tourism sector last year, including hotels, recreational facilities, and related government capital outlays.
- The 12.9% increase continues the recovery in tourism-related investment, exceeding the previous peak registered in 2007.

About Tourism Economics

- Tourism Economics 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 more than 200 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 150 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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