

The Economic Impact of Tourism in North Carolina

Tourism Satellite Account
Calendar Year 2016



Key results

- Total tourism demand tallied \$29.5 billion in 2016, expanding 4.3%. This marks another new high for the North Carolina tourism sector and the seventh consecutive year of growth.
- The direct GDP of the tourism sector grew 6.5% to \$12.0 billion in 2016.
- Tourism demand sustained 429,102 jobs in 2016, 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% of all jobs).
- Including indirect and induced impacts, tourism in North Carolina generated \$3.5 billion in state and local taxes and \$3.6 billion in federal taxes in 2016.

* 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

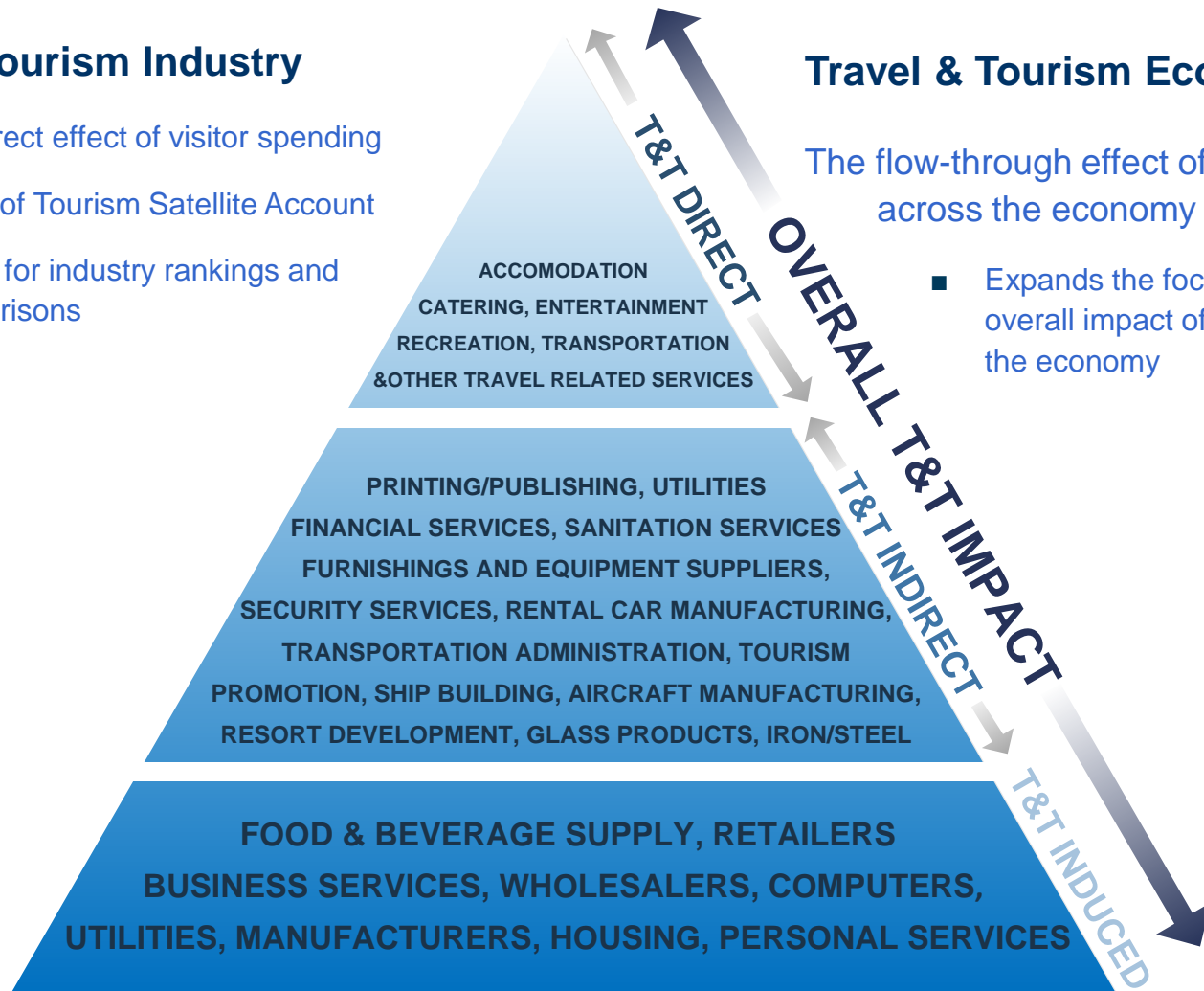
Travel & Tourism Industry

- 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

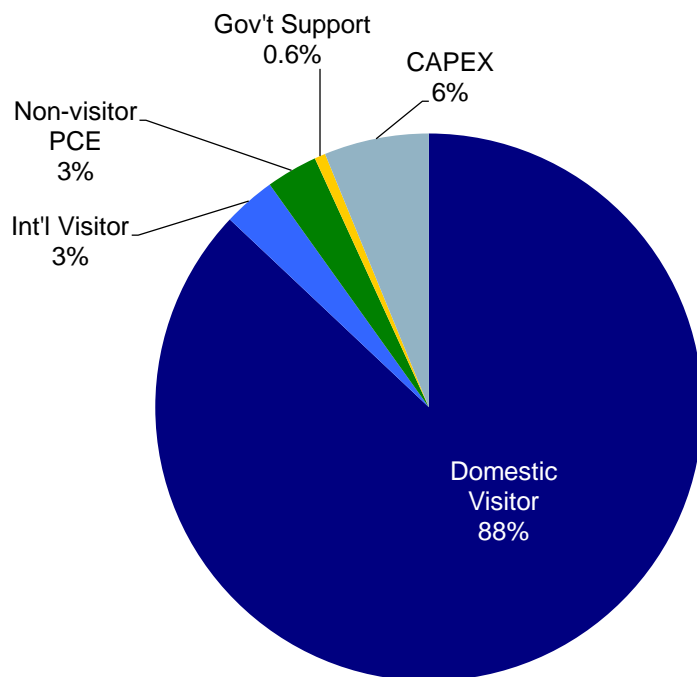
Detailed Results

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%
2016	\$ 25,689	\$ 911	\$ 898	\$ 191	\$ 1,828	\$ 29,517	4.3%
% change	4.1%	9.9%	2.9%	7.4%	5.3%	4.3%	

- Total tourism demand in NC rose 4.3% in 2016, building on the growth of the prior six years, and reaching another new peak of \$29.5 billion.
- Non-visitor private consumption expenditures (PCE) represent tourism consumer durables such as an RV, boat, or furniture for a vacation home. These rose 2.9% to \$898 million.
- International visitor spending expanded 9.9% as visits from overseas and Canadian markets increased.
- Government support for tourism, including the budgets for tourism promotion around the state and visitor centers, increased 7.4%.
- Capital investment, including construction of hotels and attractions, as well as tourism infrastructure, continued to rally in 2016 with a 5.3% increase.

Tourism demand by source

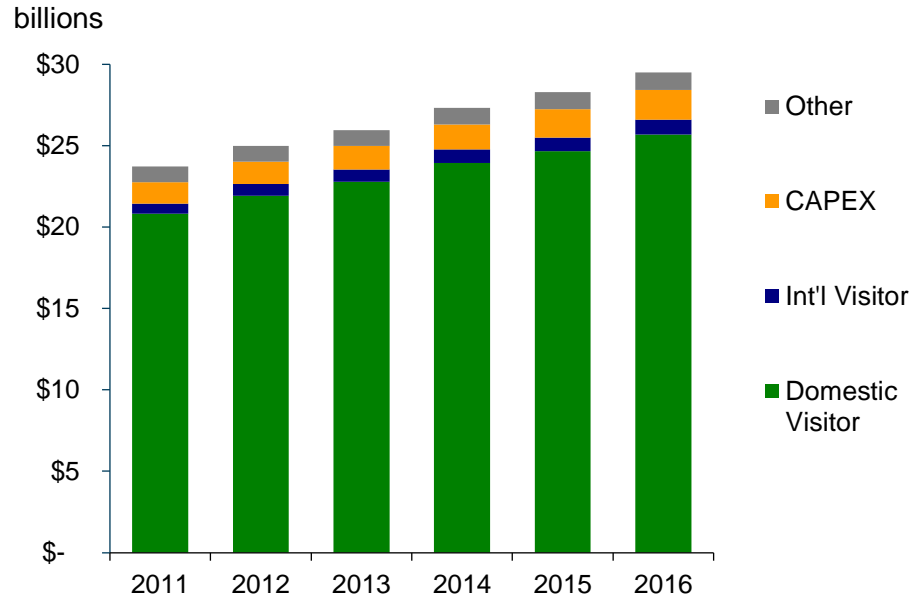


- Domestic visitor markets comprised the majority (88%) of tourism demand in 2016.
- Capital investment in tourism-related construction and machinery & equipment represents 6% of all tourism-related demand.
- International visitor markets contributed 3% of tourism demand in North Carolina in 2016.

Tourism demand growth

- The North Carolina visitor economy reached a new peak of \$29.5 billion in 2016.
- Tourism demand has grown by an average of 5.2% per annum over the past six years.
- Since the recession of 2009, tourism demand has expanded 46%.

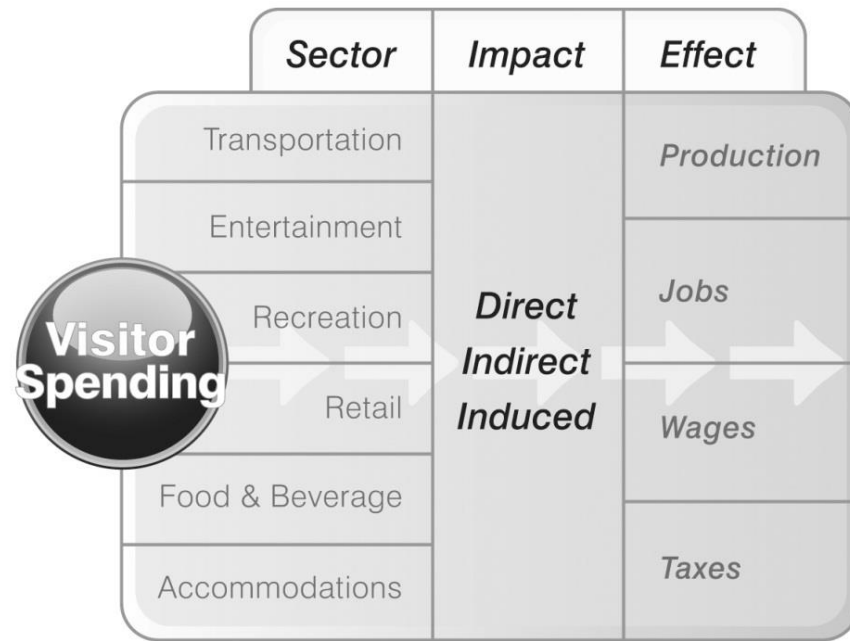
Tourism Demand Trend



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, 2016					
	Direct*	Indirect	Induced	Total	% Change
Agriculture, Fishing, Mining		137	70	207	3.9%
Construction and Utilities	569	428	186	1,183	5.7%
Manufacturing		1,274	931	2,205	3.9%
Wholesale Trade	1,259	432	416	2,107	4.1%
Air Transport	3,601	16	18	3,636	-2.2%
Other Transport	373	531	215	1,120	3.9%
Retail Trade	5,886	207	934	7,027	4.2%
Gasoline Stations	1,793	15	63	1,871	-15.1%
Communications		434	244	678	3.9%
Finance, Insurance and Real Estate**	2,408	1,402	1,020	4,830	2.9%
Business Services	366	1,653	450	2,469	6.4%
Education and Health Care		8	1,309	1,316	4.0%
Recreation and Entertainment	2,345	75	109	2,529	8.4%
Lodging	4,447	61	56	4,564	11.0%
Food & Beverage	5,263	186	400	5,849	6.3%
Personal Services	1,014	147	319	1,480	17.6%
Government	191	167	1,144	1,502	4.4%
TOTAL (2016)	29,517	7,172	7,885	44,574	4.2%
% change	4.3%	3.8%	4.0%	4.2%	

* Direct sales include cost of goods for retail sectors

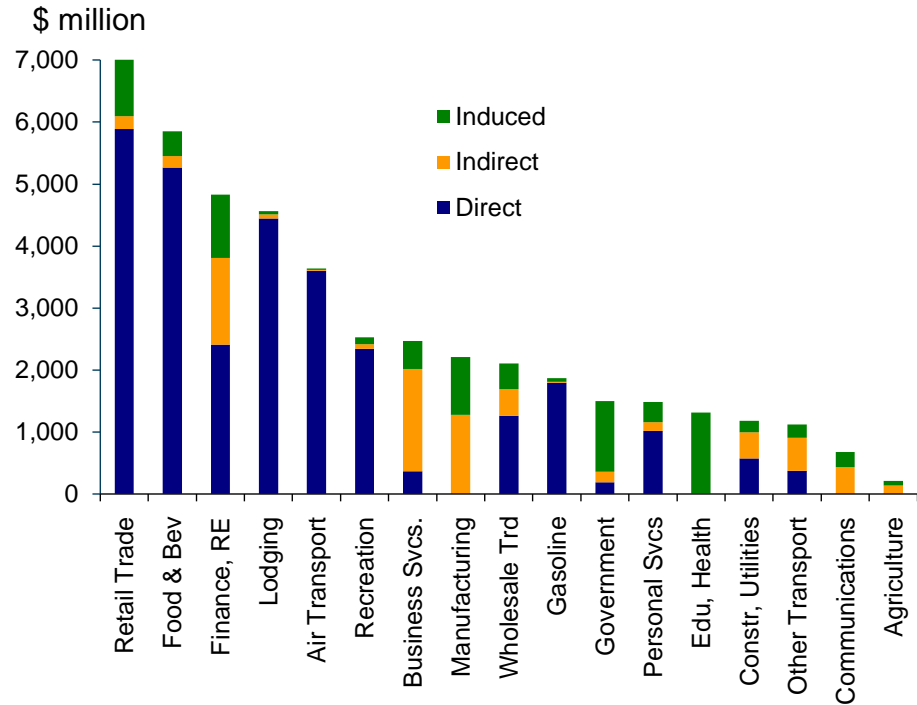
**Includes seasonal second homes

- Tourism demand of \$29.5 billion generated \$44.6 billion in business sales, including indirect and induced impacts. Total tourism-generated business sales expanded 4.2% in 2016.

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)							
	2011	2012	2013	2014	2015	2016	%
Air Transport	1,063	1,144	1,217	1,279	1,309	1,280	-2.2%
Other Transport	176	186	197	206	211	219	3.9%
Retail Trade	1,067	1,118	1,155	1,212	1,270	1,325	4.3%
Gasoline Stations	328	336	341	337	344	348	1.0%
Communications				-	-	-	
Finance, Insurance and Real Estate	1,486	1,535	1,553	1,582	1,657	1,690	2.0%
Business Services	274	283	122	136	122	152	23.8%
Education and Health Care				-	-	-	
Recreation and Entertainment	1,043	1,090	1,119	1,169	1,231	1,338	8.7%
Lodging	1,866	2,027	2,126	2,350	2,524	2,808	11.2%
Food & Beverage	1,798	1,913	2,003	2,129	2,258	2,407	6.6%
Personal Services	185	189	394	412	369	462	25.2%
Government	7	7	7	8	9	10	7.4%
TOTAL	9,294	9,828	10,233	10,822	11,305	12,038	6.5%
% change	7.8%	5.7%	4.1%	5.8%	4.5%	6.5%	

- 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 \$12.0 billion in 2016, accounting for 2.3% of total North Carolina GDP.

Tourism GDP impact

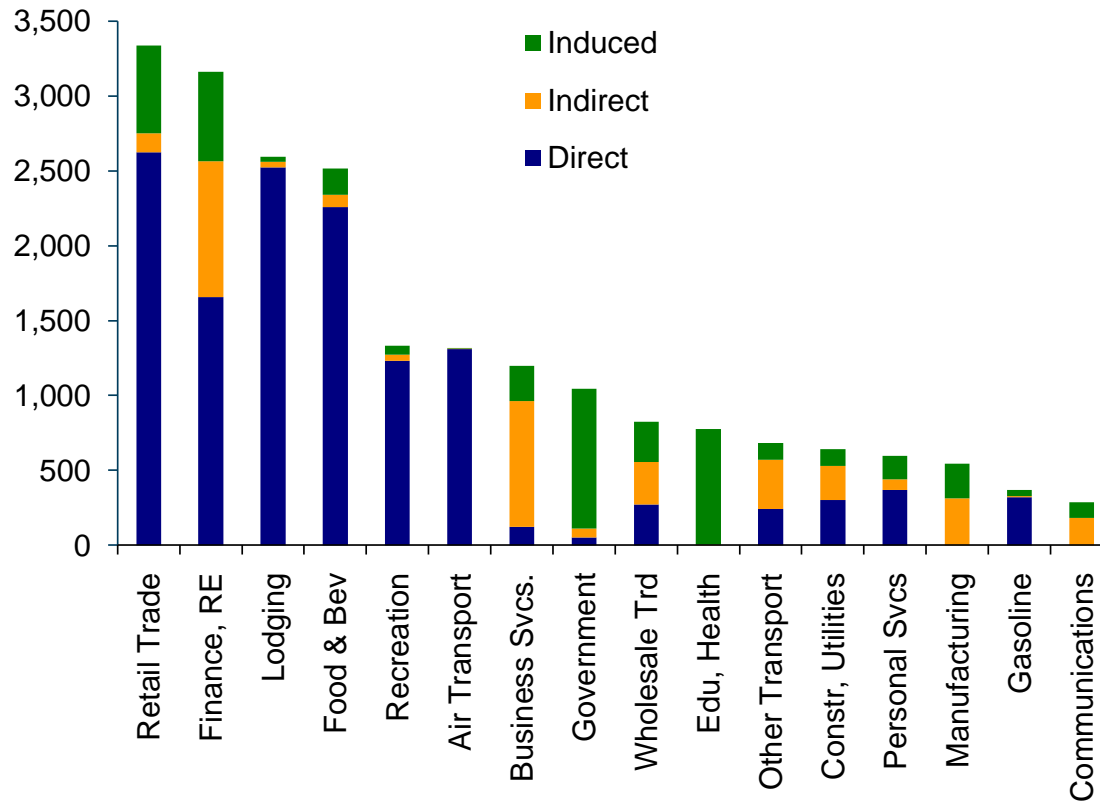
Tourism GDP (Value Added)					
(2016, US\$ Million)					
	Direct*	Indirect	Induced	Total	% change
Agriculture, Fishing, Mining		30.54	20.27	51	3.9%
Construction and Utilities	323.87	237.62	115.76	677	5.7%
Manufacturing		324.49	239.95	564	3.9%
Wholesale Trade	284.13	292.38	281.82	858	4.0%
Air Transport	1,280.41	4.76	5.23	1,290	-2.2%
Other Transport	251.57	342.25	115.05	709	3.9%
Retail Trade	2,734.27	134.91	607.39	3,477	4.2%
Gasoline Stations	268.84	10.48	43.35	323	-13.0%
Communications		191.27	108.09	299	3.9%
Finance, Insurance and Real Estate	1,689.96	940.12	622.14	3,252	2.9%
Business Services	151.55	871.21	245.87	1,269	5.9%
Education and Health Care		4.36	802.04	806	4.0%
Recreation and Entertainment	1,338.24	41.47	64.29	1,444	8.4%
Lodging	2,807.67	38.21	34.22	2,880	11.0%
Food & Beverage	2,406.53	85.51	183.67	2,676	6.3%
Personal Services	462.44	72.81	162.28	698	17.1%
Government	55.29	63.94	971.00	1,090	4.2%
TOTAL	14,055	3,686	4,622	22,363	5.1%
% change	5.8%	3.8%	4.0%	5.1%	

- Including the direct, indirect and induced impacts of total tourism demand, the tourism sector generated \$22.4 billion of state GDP in 2016. This was 4.3% of the state economy.

Tourism GDP impact

Tourism GDP Impact

\$ million



Total tourism employment

Tourism Employment					
2016					
	Direct	Indirect	Induced	Total	% change
Agriculture, Fishing, Mining	-	1,438	758	2,196	1.9%
Construction and Utilities	7,628	1,830	402	9,861	2.8%
Manufacturing	3,750	3,841	2,257	9,848	1.2%
Wholesale Trade	2,478	2,359	2,254	7,091	2.0%
Air Transport	13,413	70	76	13,559	2.0%
Other Transport	5,480	5,606	1,841	12,926	2.0%
Retail Trade	79,612	2,960	13,310	95,882	2.1%
Gasoline Stations	4,610	149	609	5,368	2.1%
Communications	-	1,674	743	2,416	1.9%
Finance, Insurance and Real Estate	14,303	7,480	4,874	26,657	1.4%
Business Services	1,112	15,108	4,471	20,692	2.2%
Education and Health Care	-	108	15,230	15,338	2.0%
Recreation and Entertainment	34,150	1,693	1,971	37,814	4.8%
Lodging	48,081	844	748	49,673	3.1%
Food & Beverage	89,595	3,455	7,354	100,403	3.2%
Personal Services	8,866	2,246	6,016	17,128	2.3%
Government	809	831	611	2,250	2.6%
TOTAL	313,887	51,691	63,524	429,102	2.7%
% change	2.9%	1.9%	2.0%	2.7%	

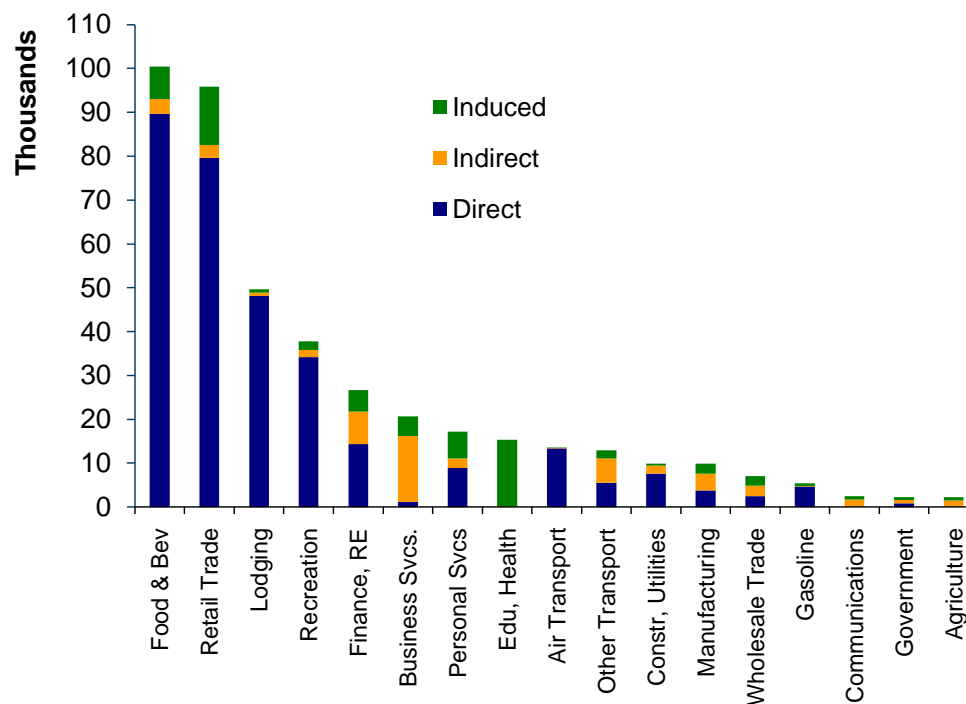
- The tourism sector directly and indirectly supported 429,102 jobs, or 9.3% of all employment* in North Carolina last year.
- Tourism-related employment grew 2.7% in 2016 as businesses hired to support visitor spending increases.
- Tourism is leading the state in job creation. Total NC employment grew 2.2% in 2016.

* 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, 21,000 people are employed in business services as a result of tourism activity.

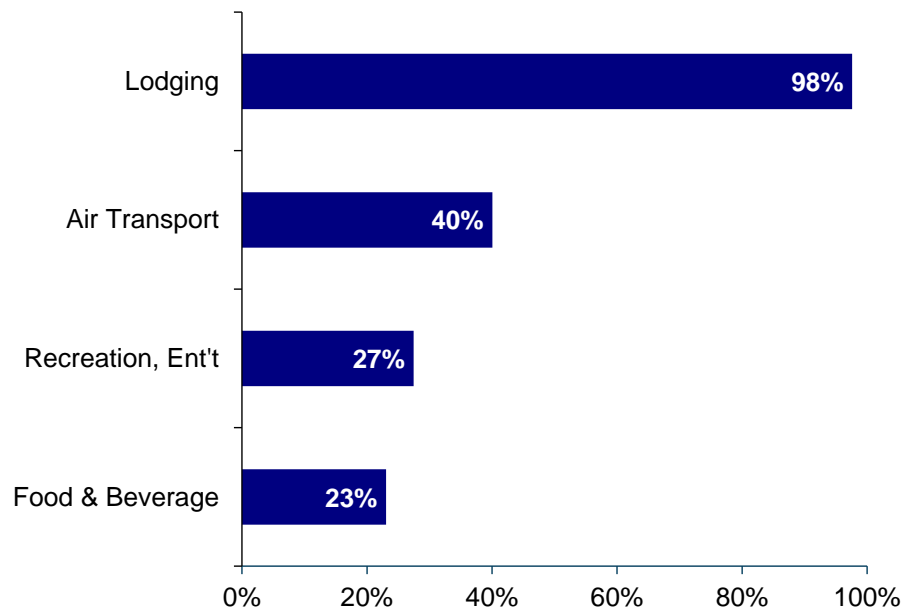
Tourism Employment Impact



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)					
(2016, US\$ Million)					
	Direct	Indirect	Induced	Total	% change
Agriculture, Fishing, Mining		24	16	39	4.3%
Construction and Utilities	254	128	46	429	4.5%
Manufacturing		211	137	348	4.3%
Wholesale Trade	155	169	158	482	4.1%
Air Transport	844	4	4	853	3.7%
Other Transport	169	288	88	546	4.1%
Retail Trade	1,840	88	388	2,317	3.9%
Gasoline Stations	123	5	20	147	-2.0%
Communications		114	51	166	4.3%
Finance, Insurance and Real Estate	387	337	260	983	3.3%
Business Services	59	715	202	976	5.2%
Education and Health Care		4	698	702	4.2%
Recreation and Entertainment	667	34	45	746	5.8%
Lodging	1,473	22	19	1,515	2.3%
Food & Beverage	1,703	62	129	1,894	5.3%
Personal Services	300	58	129	486	10.7%
Government	30	39	25	94	4.1%
TOTAL	8,004	2,303	2,415	12,722	4.3%
% change	4.3%	4.1%	4.0%	4.3%	

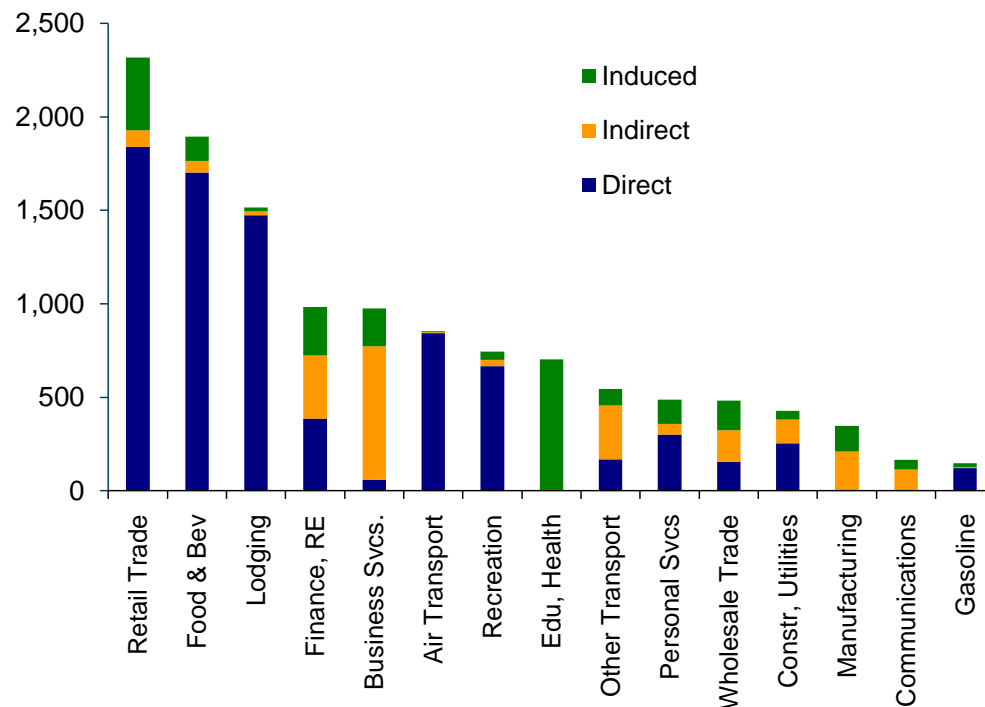
- \$12.7 billion in compensation was generated by tourism demand in 2016, an increase of 4.3%.

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)					
	2012	2013	2014	2015	2016
Federal Taxes	3,011	3,136	3,339	3,477	3,626
Corporate	540	560	586	606	632
Indirect Business	418	433	454	470	489
Personal Income	830	867	930	971	1,013
Social Security	1,222	1,276	1,368	1,430	1,491
State and Local Taxes	2,914	3,037	3,233	3,365	3,497
Corporate	364	377	395	409	426
Personal Income	322	336	360	377	393
Sales	1,186	1,229	1,288	1,331	1,387
Property	795	824	863	892	930
Excise and Fees	89	93	97	100	105
State Unemployment	22	23	24	25	26
Lodging Taxes	136	156	205	230	230
TOTAL	5,925	6,172	6,572	6,842	7,122
% change	4.7%	4.2%	6.5%	4.1%	4.1%

- Taxes of \$7.1 billion were directly and indirectly generated by tourism in 2016.
- State and local taxes alone tallied \$3.5 billion.
- Each household in North Carolina would need to be taxed an additional \$917 per year to replace the tourism taxes received by state and local governments.

Government support of tourism

Tourism Administration and Promotion				
2016/17				
Government	Individual	Collective	Total	% change
State	\$ 2,097,941	\$ 12,050,042	\$ 14,147,983	19.3%
Counties	\$ 23,369,821	\$ 132,428,985	\$155,798,806	8.1%
Municipalities	\$ 3,145,829	\$ 17,826,365	\$ 20,972,194	-3.8%
TOTAL	\$ 28,613,591	\$ 162,305,392	\$190,918,983	7.4%

- Government support of tourism is divided between collective (general support) and individual (specific support) spending.
- Total state government support of tourism was \$14.2 million.
- County government support of tourism rose 8% to \$156 million.
- Municipality government support of tourism fell 3.8% to \$21 million.
- Total government support of tourism tallied \$191 million in the 2016/17 fiscal year.
- State and local taxes generated by tourism (\$3.4 billion) surpass this funding by a rate of 18-to-1.

Tourism capital investment

Tourism Capital Investment							
Total Tourism Related							
	2010	2011	2012	2013	2014	2015	2016
Construction	\$ 236,881,875	\$ 336,083,006	\$ 340,743,963	\$ 351,822,738	\$ 387,957,500	\$ 528,500,000	\$ 569,397,000
Recreation and Entertainment	\$ 122,779,500	\$ 181,782,000	\$ 130,659,000	\$ 186,363,750	\$ 259,938,750	\$ 205,500,000	\$ 331,089,000
Hotels and Motels	\$ 84,690,000	\$ 126,119,000	\$ 182,335,000	\$ 152,263,000	\$ 115,250,000	\$ 310,000,000	\$ 232,568,000
Government Capital Outlays	\$ 29,412,375	\$ 28,182,006	\$ 27,749,963	\$ 13,195,988	\$ 12,768,750	\$ 13,000,000	\$ 5,740,000
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	\$ 1,258,969,373
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	\$ 1,828,366,373
% change	-5.3%	11.5%	4.1%	4.6%	6.3%	12.9%	5.3%

- \$1.8 billion was invested by the tourism sector last year, including hotels, recreational facilities, and related government capital outlays.
- The 5.3% 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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