

# How Important is Tourism in North Carolina?



## *The Tourism Satellite Account Perspective*

*North Carolina Tourism in 2005*

*December, 2006*



- **Premier** economic analysis & forecasting, global intelligence, and consulting organization
- Most **comprehensive** coverage of countries, regions, and industries available from any single source
- Common **analytical framework** and a consistent set of assumptions
- Broad range of **capabilities** include:
  - Tourism Market Analysis
  - Feasibility & Risk Assessment
  - Destination Analysis & Impact
  - Demographic Analysis
  - Performance Benchmarking
  - Strategic & Tactical Planning Tools
- **Global Insight** has the **best track record** among all commercial forecasters.

# Tourism Satellite Accounting

- The **Tourism Satellite Account** is the international (UN/WTO, OECD) standard for measuring the contribution of tourism to an economy
- The tourism 'industry' is not measured in standard economic accounting systems.
- 'Industry' is a *supply-side* concept: the focus is on what is being produced.
- But 'Tourism' is a *demand-side* concept: the focus is on who's buying products - the visitor.
- Tourism affects parts of many industries

# Benefits of a TSA

- **Compares government support** of the tourism sector **with government revenue** generated by tourism.
- Allows policy-makers to compare the **size & growth of tourism** to other industrial sectors.
- Enables analysts to **assess long-term health** of the tourism sector via capital investment and government support.
- Provides an accepted international standard for **benchmarking**.
- Quantifies how **other industry sectors benefit** from tourism.



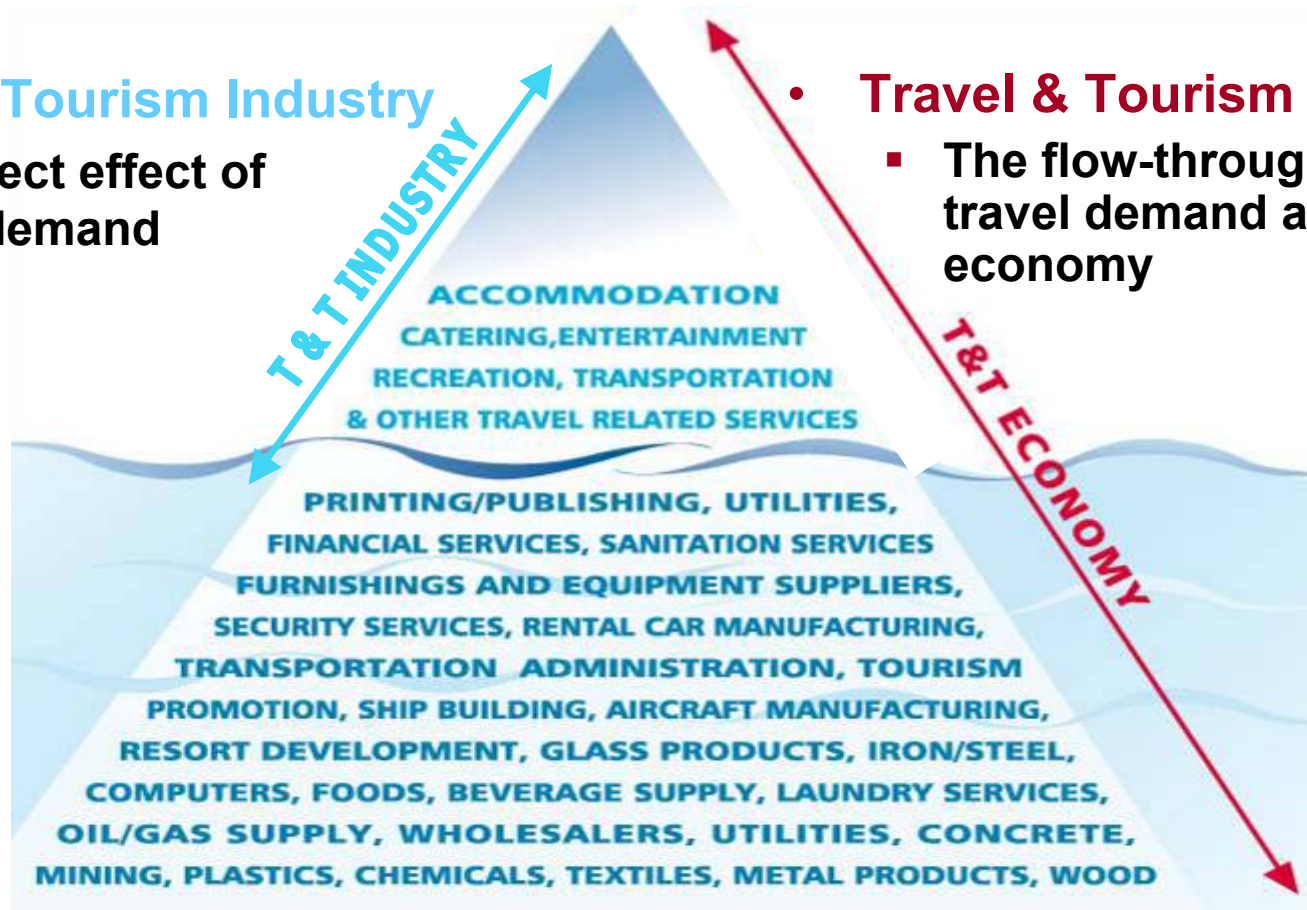
# T&T Industry and Economy

- **Travel & Tourism Industry**

- The direct effect of travel demand

- **Travel & Tourism Economy**

- The flow-through effect of travel demand across the economy



The TSA provides both a narrow & a broad understanding of the *Tourism "Industry"*



# How Important is North Carolina Tourism... Really?

# North Carolina Tourism: 2005 in Review



## 2005 Bottom Line:

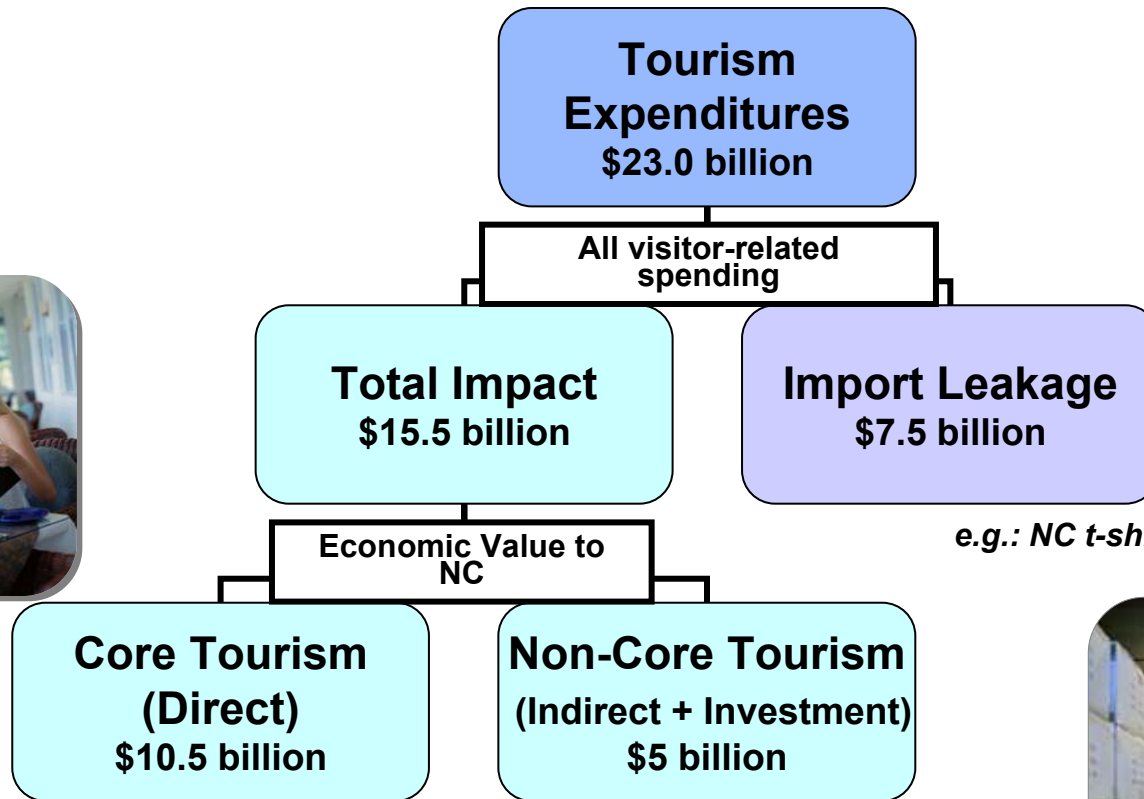
Measurement	2005	Perspective
<b>NC Visitation</b> <ul style="list-style-type: none"> <li>▪ Total</li> </ul>	64.5 M	<ul style="list-style-type: none"> <li>• Total visits have increased 3% from 2004.</li> </ul>
<b>Economic Value</b> <ul style="list-style-type: none"> <li>▪ Core Tourism</li> <li>▪ Total Impact</li> </ul>	\$10.5 B \$15.5 B	<ul style="list-style-type: none"> <li>• Core Tourism contributes 3.0% to GSP.</li> <li>• Core Tourism ranked as the 9<sup>th</sup> largest private industry in the State.</li> </ul>
<b>Wages &amp; Salaries</b> <ul style="list-style-type: none"> <li>▪ Core Tourism</li> <li>▪ Total Impact</li> </ul>	\$6.4 B \$9.5 B	<ul style="list-style-type: none"> <li>• Average annual tourism wages are \$34,671.</li> </ul>
<b>Employment ('000)</b> <ul style="list-style-type: none"> <li>▪ Core Tourism</li> <li>▪ Total Impact</li> </ul>	184.6 335.3	<ul style="list-style-type: none"> <li>• 1 out of every 12 NC workers owes his/her job to tourism.</li> </ul>
<b>Taxes –Total Impact</b>	\$6.2 B	<ul style="list-style-type: none"> <li>• Tourism saves each North Carolina household \$1,821 in state and local taxes.</li> </ul>

# Industry Structure: Definitions



Industries directly providing goods & services to the visitor.

*e.g.: Restaurants.*



Tourism goods & services from outside the state.

*e.g.: NC t-shirts made outside NC.*



Industries directly providing goods & services to core tourism providers.

*e.g.: Food Distribution*



# 2005 / 2003 Comparison

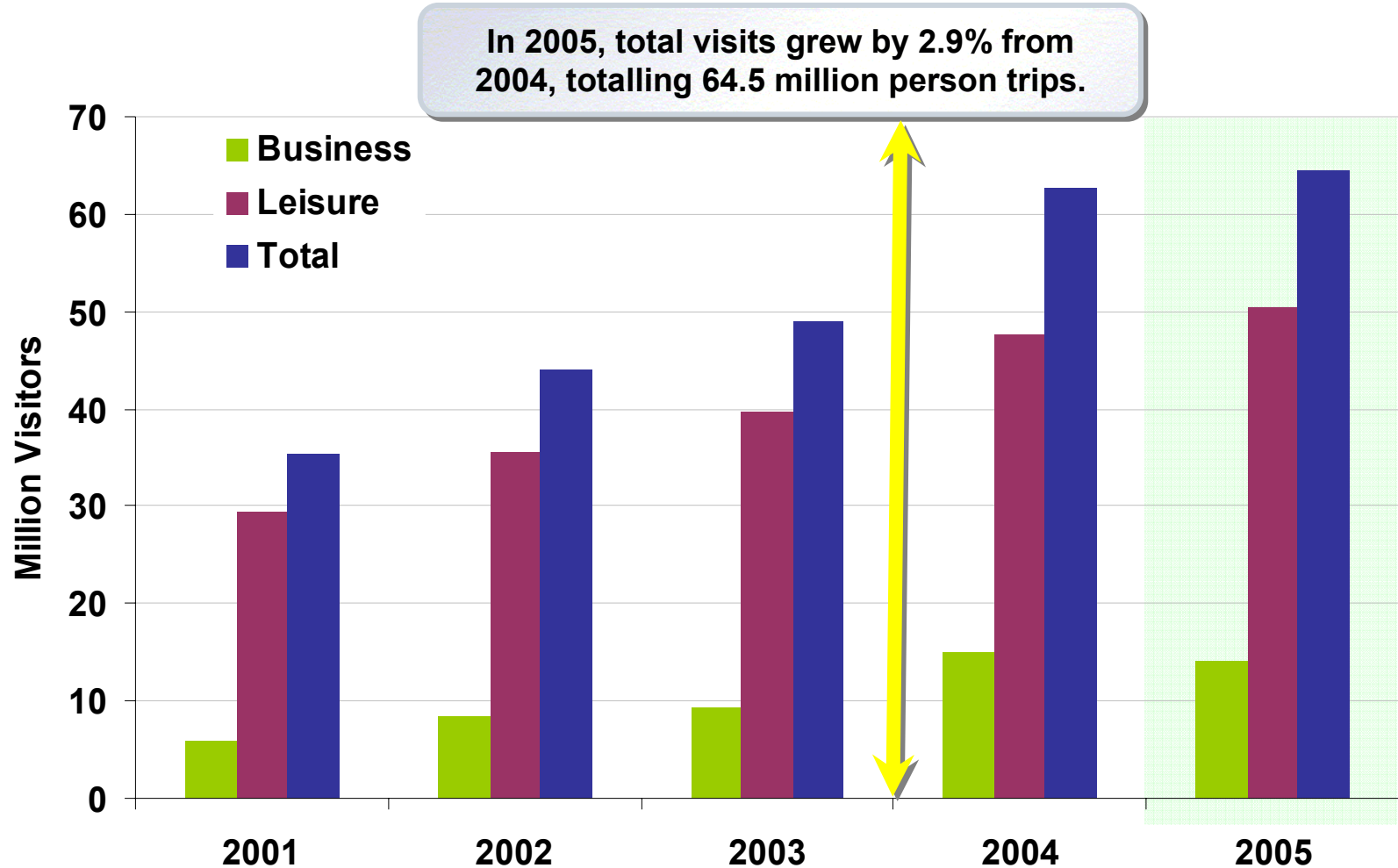
Concept	Revised 2003 (billions)	2005 (billions)	Compound Annual Growth
Total Expenditures	\$20.8	\$23.0	5.2%
● Total Impact	\$14.0	\$15.5	5.2%
● Core Tourism (direct)	\$9.4	\$10.5	5.7%
● Non-Core Tourism	\$4.6	\$5.0	4.3%
● Import Leakage	\$6.8	\$7.5	5.0%

Note: The 2005 TSA results are not directly comparable to the original 2003 results. Global Insight has revised 2003 to facilitate that comparison. The sources of revision include: change to the Travelscope survey methodology, changes in reported and estimated industry employment and output, other historical revisions, revisions to NC input-output model by MIG (Implan).

# *Comparison to Economic Impact Analysis*

- **Economic Impact study by Travel Industry Association reveals \$14.2 billion in domestic traveler spending.**
- **Supporting 185,200 jobs (includes seasonal employment), \$3.75 billion in tourism sector wages & salaries and \$2.3 billion in tax receipts.**
- **Tourism Satellite Account estimate is \$23 billion and includes the spending of international and resident outbound visitors as well as North Carolina's Tourism Office budget, the construction of tourism sector infrastructure and the rental income from a large number of seasonal second homes.**

# Visitors to North Carolina

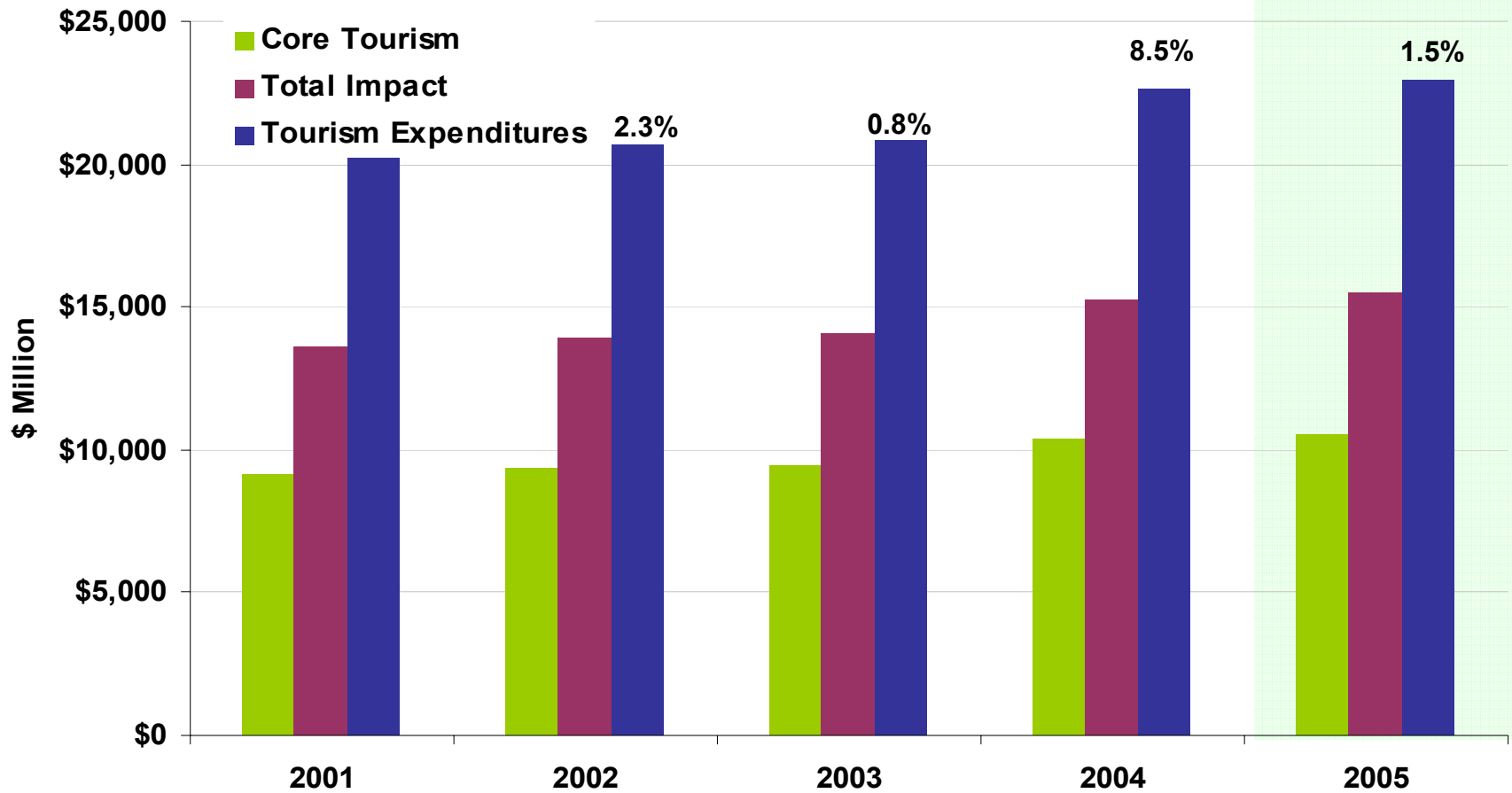


Note: Data is not comparable prior to 2004 due to change in survey methodology.

Source: TIA Travelscope and DK Shifflet & Associates, Ltd

# Total Tourism Expenditures

Tourism expenditures advanced by  
**1.5%** to **\$23.0 billion** in 2005



Source: TIA, TEIM Model.

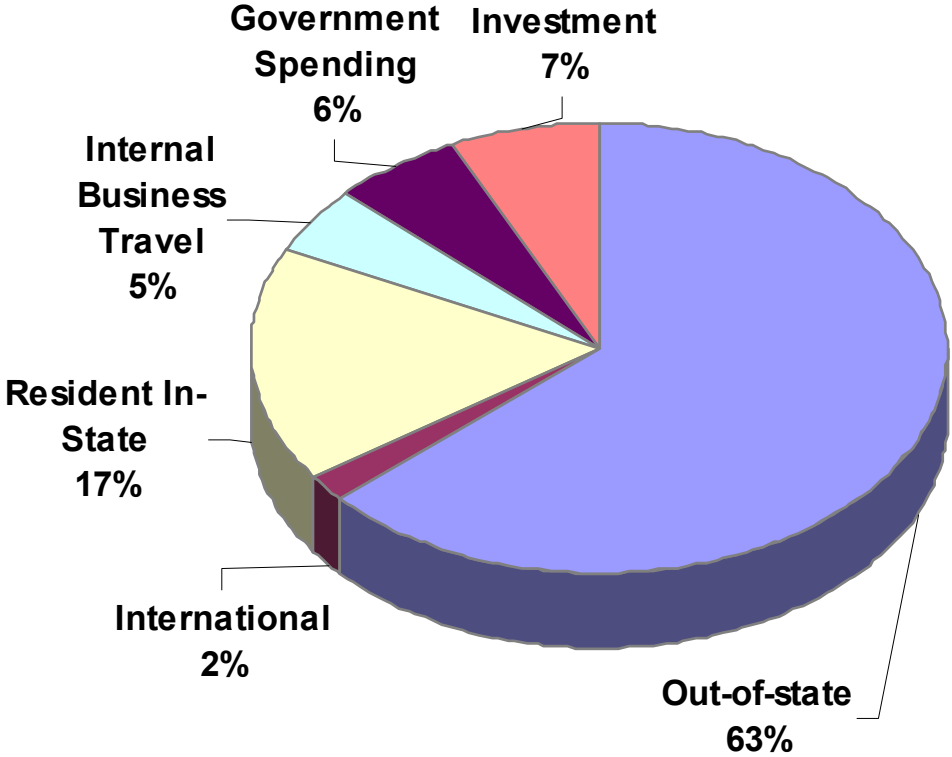
# Breaking Down Tourism Expenditures

- **Resident In-State** – In-state travel expenditures of North Carolina residents
- **In-state Business Travel** – North Carolina businesses' spending within the State economy on travel
- **Government Spending** – North Carolina Tourism Office Budget, transportation functions related to tourism, publicly funded attractions and funding for security in tourism-intensive areas
- **Investment** – Construction of hotels, attractions, tourism infrastructure, operating and transportation equipment
- **Domestic Out-of-State** – Spending of all visitors to North Carolina coming from other parts of the country (Key Category)
- **International** – Spending of international visitors to North Carolina

# Breaking Down Total Tourism Expenditures – \$23.0 Billion

Visitors from other states represent the largest portion of tourism expenditures in North Carolina. Residents' travel in the State is also important with 17% of the total.

	\$ Millions	Share
In-State	\$7,948	35%
Other U.S.	\$14,514	63%
International	\$489	2%
<b>Total *</b>	<b>\$22,952</b>	<b>100%</b>



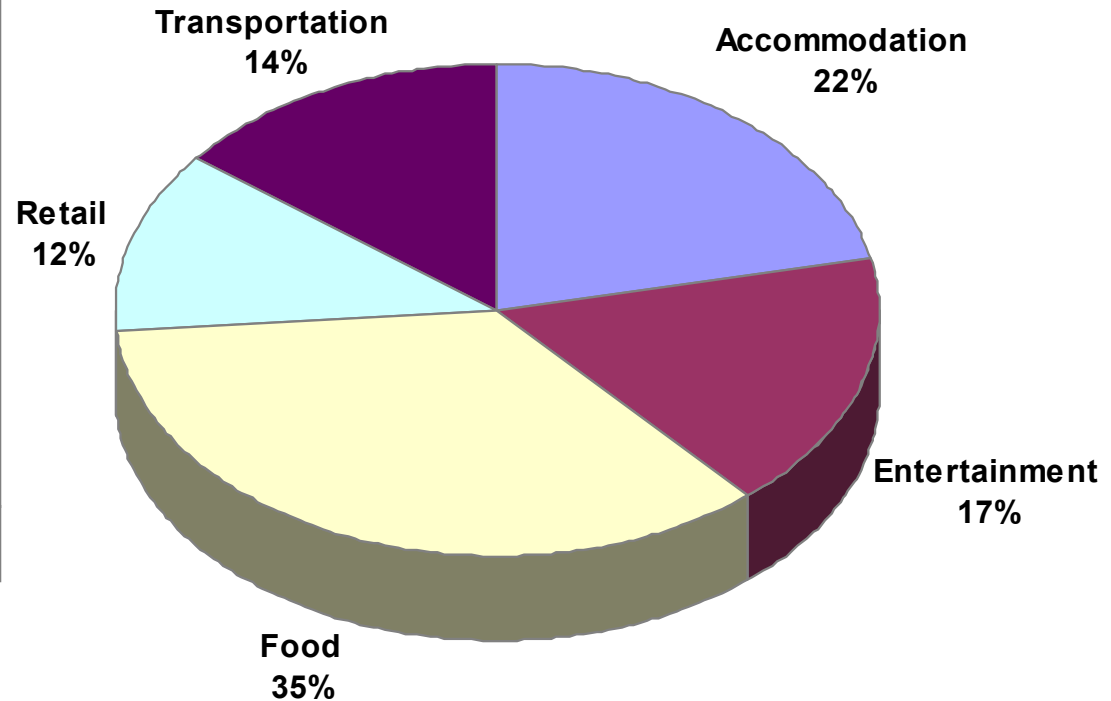
• Numbers may differ due to rounding. Total includes construction and investment spending.

Source: TIA Travelscope, Office of Travel and Tourism Industries and Global Insight, Inc.

# Category Distribution of Expenditures

Food accounts for the largest share of tourism expenditure in the State of North Carolina. Combined with accommodation and entertainment, these three components represent over 73% of visitor expenditures.

\$ Millions	
Accommodation	\$4,642
Entertainment	\$3,664
Food	\$7,557
Retail	\$2,567
Transportation	\$3,117
<b>Total*</b>	<b>\$21,547</b>



\*Tourism Expenditures without construction & investment

Source: TIA Travelscope and Global Insight, Inc.

# Core Tourism



- Answers the question “How does tourism compare with other industries?”
- Core Tourism measures the size of the industry directly providing goods & services to the visitor.
- Therefore, all indirect effects are excluded – these are part of other supplier industries such as wholesalers. The impact of capital investment is also excluded.
- Core Tourism generated **\$10.5 billion** in economic value in 2005. This ranks core tourism as the **9th largest private industry** in North Carolina in terms of gross state product.



# Total Impact of Tourism

- In 2005, the total impact of travel & tourism (direct and indirect) was **\$15.5 billion**.
  - **4.5% of Gross State Product**
- The ratio of the total impact to total expenditures reveals that **67% of each tourism dollar spent in North Carolina is retained in the State**. The remainder represents import leakages.
- **335,331 jobs** – direct, indirect and induced – were created by travel & tourism economic activity compared to 313,057 in 2003.
  - **8.6% of total employment** in the State
- Approximately **\$9.5 billion in wages & salaries** was generated by travel & tourism in 2005.

# Core Tourism – Gross State Product

Core Tourism contributed \$10.5 billion in economic value in 2005. The industry ranked as the 9<sup>th</sup> largest private industry in the State.

Rank	Industry	Millions \$	% of State
1	Nondurable Goods Manufacturing	\$42,031	13.9%
2	Real estate	\$28,596	9.5%
3	Credit Intermediation / Banking	\$25,372	8.4%
4	Durable Goods Manufacturing	\$25,202	8.4%
5	Retail Trade	\$23,053	7.6%
6	Health Care and Social Assistance	\$21,902	7.3%
7	Wholesale Trade	\$19,387	6.4%
8	Construction	\$16,549	5.5%
9	Administrative and Waste Services	\$9,089	3.0%
10	Transportation and Warehousing	\$8,514	2.8%
11	Management of Companies and Enterprises	\$7,477	2.5%
12	Other Services, except Government	\$7,116	2.4%
13	Utilities	\$6,208	2.1%
14	Broadcasting and Telecommunications	\$5,839	1.9%
15	Food Services and Drinking Places	\$5,718	1.9%
	Other Industries	\$49,647	16.5%
	<b>Total</b>	<b>\$301,700</b>	<b>100.0%</b>
	Government	\$44,941	
	<b>Travel &amp; Tourism</b>	<b>\$10,528</b>	<b>3.5%</b>



Core Travel & Tourism has 3.5% of private industry GSP

Source: Bureau of Economic Analysis and Global Insight, Inc.

# Core Tourism Impact – Composition

The TSA model measures how spending of visitors touches diverse sectors to create the aggregate Core Tourism.

Includes Rental Income from 134,718 Seasonal 2<sup>nd</sup> Homes

<b>Composition of Core Tourism</b>			
<b>Rank</b>	<b>Industry</b>	<b>\$ Value (Millions)</b>	<b>% of Total</b>
1	Food Services & Drinking Places	\$3,482	33.1%
2	Accommodations	\$1,768	16.8%
3	Amusement- Gambling & Recreation	\$1,767	16.8%
4	Real Estate	\$1,225	11.6%
5	Air Transportation	\$482	4.6%
6	Admin Support Services	\$480	4.6%
7	Rental & Leasing Services	\$380	3.6%
8	Performing Arts & Spectator Sports	\$175	1.7%
9	Food & Beverage Stores	\$150	1.4%
10	Miscellaneous Retailers	\$145	1.4%
11	Clothing & Accessories Stores	\$140	1.3%
12	Rail Transportation	\$92	0.9%
13	General Merchandise Stores	\$63	0.6%
14	Gasoline Stations	\$51	0.5%
15	Water transportation	\$46	0.4%
	Other Industries	\$82	0.8%
<b>Total*</b>		<b>\$10,528</b>	<b>100.0%</b>

Source: Global Insight, Inc.

\* Numbers may differ due to rounding

# *Core Tourism - Employment*

- Core Tourism is the 8<sup>th</sup> largest private sector employer in the State with **184,620 direct full-time equivalent jobs** in 2005 compared to 171,630 in 2003.
- Core Tourism generated **4.7% of non-farm state employment** in 2005.
- Core Tourism jobs provided **\$6.4 billion in wages & salaries** in 2005.

# Core Tourism Impact – Employment

Travel & tourism is North Carolina's ***eighth largest private-sector employer*** with 4.7% of total non-farm employment.

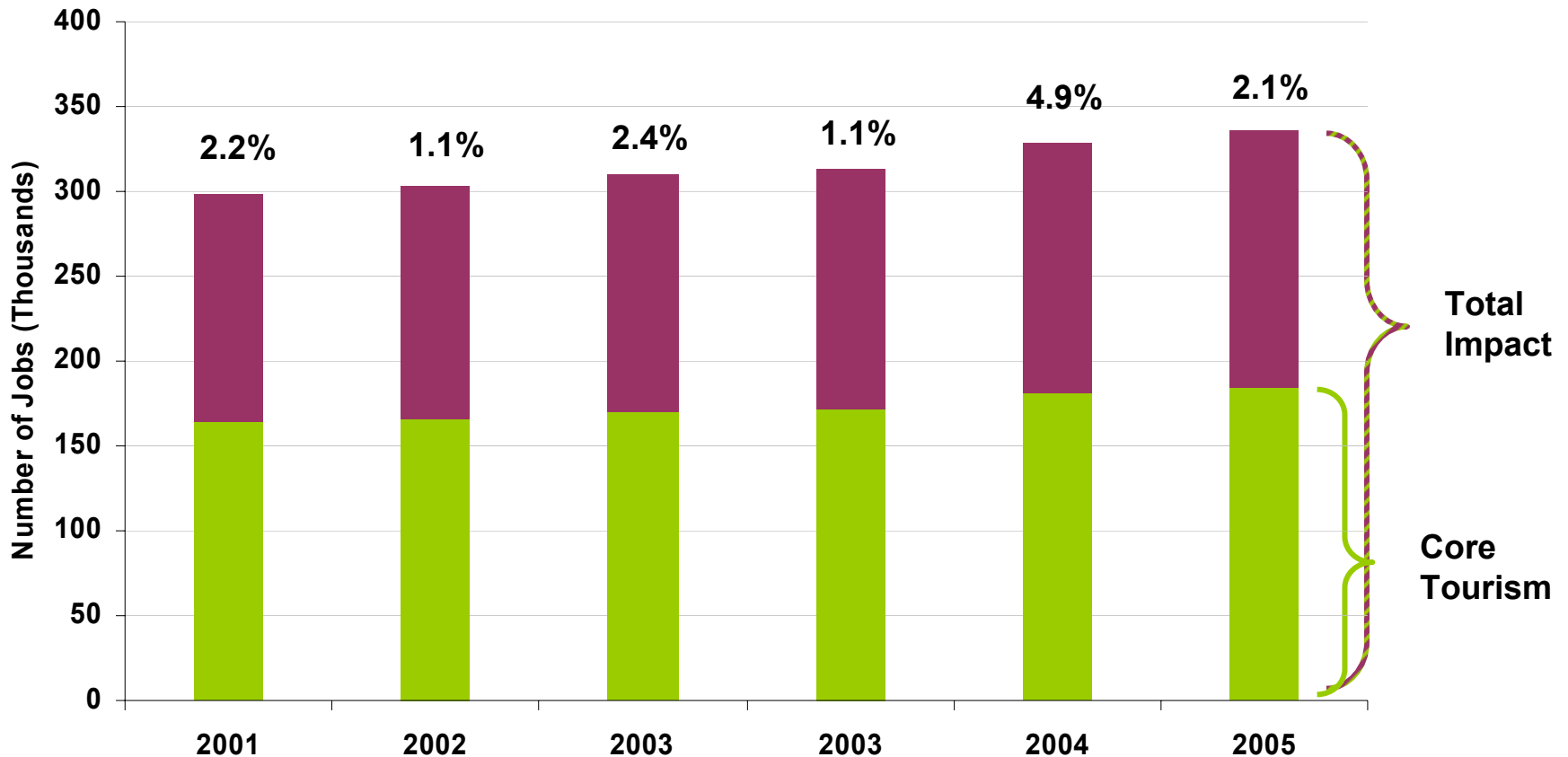
Rank	Industry	Employment (Thousands)	% of State
1	Retail Trade	440.0	11.2%
2	Health Care and Social Assistance	397.2	10.2%
3	Accommodation and Food Services	309.7	7.9%
4	Manufacturing, Durables	295.7	7.6%
5	Manufacturing, Nondurables	270.8	6.9%
6	Construction	230.4	5.9%
7	Administrative, Support, Waste Management	222.9	5.7%
8	Other Services	172.6	4.4%
9	Wholesale Trade	168.2	4.3%
10	Professional, Scientific, and Technical Services	157.7	4.0%
11	Finance and Insurance	147.8	3.8%
12	Transportation and Warehousing	113.8	2.9%
13	Information	76.4	2.0%
14	Educational Services	66.2	1.7%
15	Management of Companies and Enterprises	63.0	1.6%
	Other Industries	115.2	2.9%
	Government	663.8	17.0%
	<b>Total Non-farm</b>	<b>3,911.5</b>	<b>100.0%</b>
	<b>Travel &amp; Tourism</b>	<b>184.6</b>	<b>4.7%</b>

Core Tourism represented 184,620 jobs in 2005.

Source: Bureau of Labor Statistics and Global Insight, Inc.

# Total Tourism grew 2.1% in 2005

Core Tourism jobs comprise 55% of total tourism-generated employment and have grown steadily over time.



Source: Bureau of Labor Statistics and Global Insight, Inc.

# Non-Core Tourism – Indirect Benefits

Many industries not thought of as “tourism” but that supply goods and services to the tourism industry are beneficiaries of tourism.

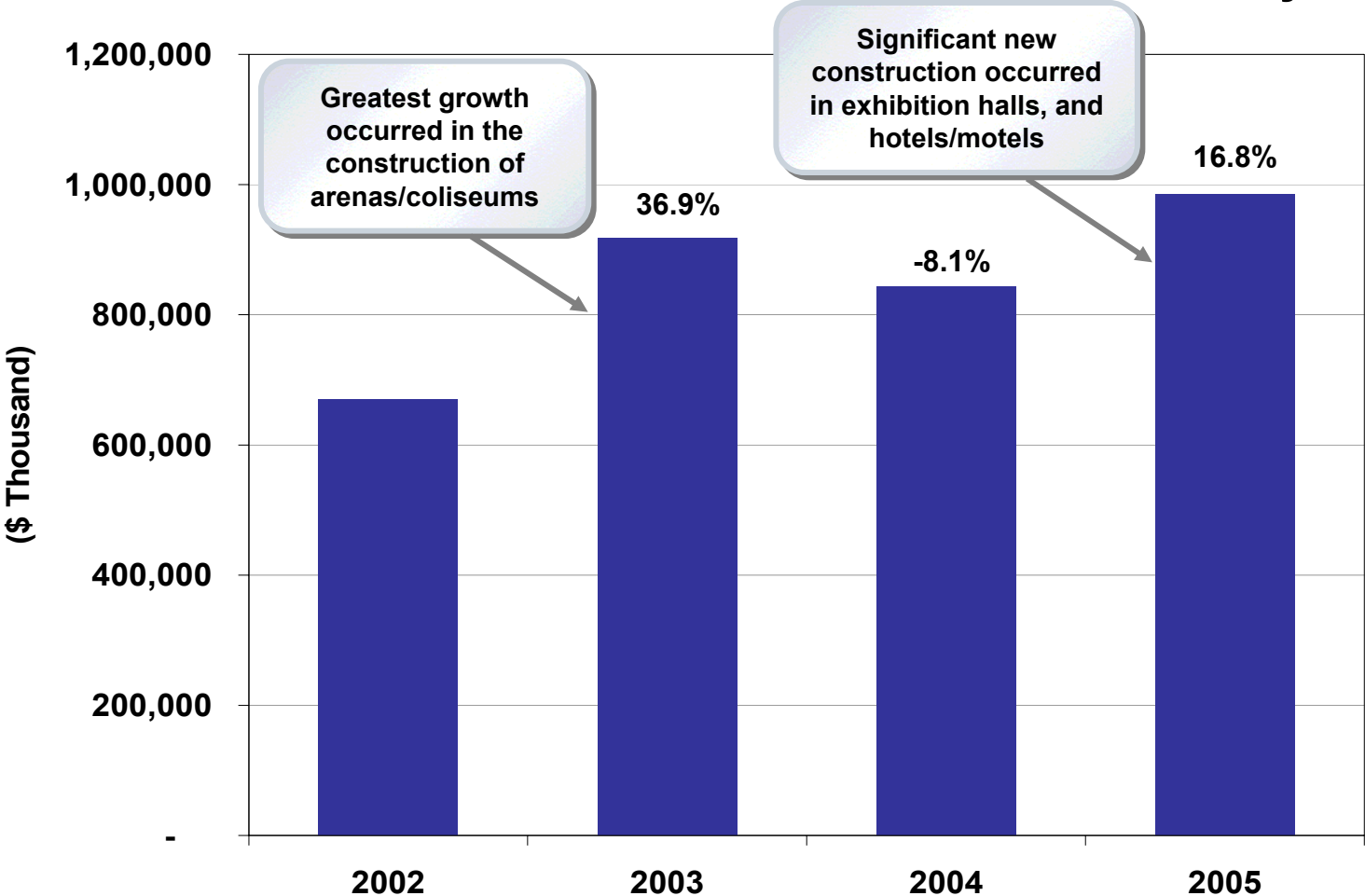
<b>Indirect Benefits of Tourism</b>			
<b>Rank</b>	<b>Industry</b>	<b>\$ Value (Millions)</b>	<b>% of Total</b>
1	Real estate	\$536	9.4%
2	Professional- Scientific & Tech services	\$400	7.0%
3	Wholesale Trade	\$383	6.7%
4	Admin Support Services	\$270	4.7%
5	Food products	\$257	4.5%
6	Government & Non NAICs	\$195	3.4%
7	Beverage & Tobacco	\$167	2.9%
8	Utilities	\$160	2.8%
9	Management of Companies	\$121	2.1%
10	Credit Intermediation/Banking	\$115	2.0%
11	Broadcasting	\$112	2.0%
12	Monetary authorities	\$104	1.8%
13	Repair & Maintenance	\$100	1.8%
14	Performing Arts & Spectator Sports	\$94	1.6%
15	Food services & Drinking Places	\$86	1.5%
	Other Industries	\$1,196	21.0%
	Investment	\$1,405	24.6%
<b>Total*</b>		<b>\$5,701</b>	<b>100.0%</b>

\* Numbers may differ due to rounding

Source: Global Insight, Inc.

# Non-Core Tourism – Construction Benefits

The Construction sector is also a significant beneficiary of tourism.



Source: FW Dodge and Global Insight, Inc.



# Federal, State and Local Government Revenue

- **Tourism Generated \$6.2 bn in Federal, State and Local Tax Revenue in 2005**
- **Tourism activity generated \$3.0 bn in state and local government revenue in 2005.**
- **Tourism saves each North Carolina household \$1,821 in state and local taxes**

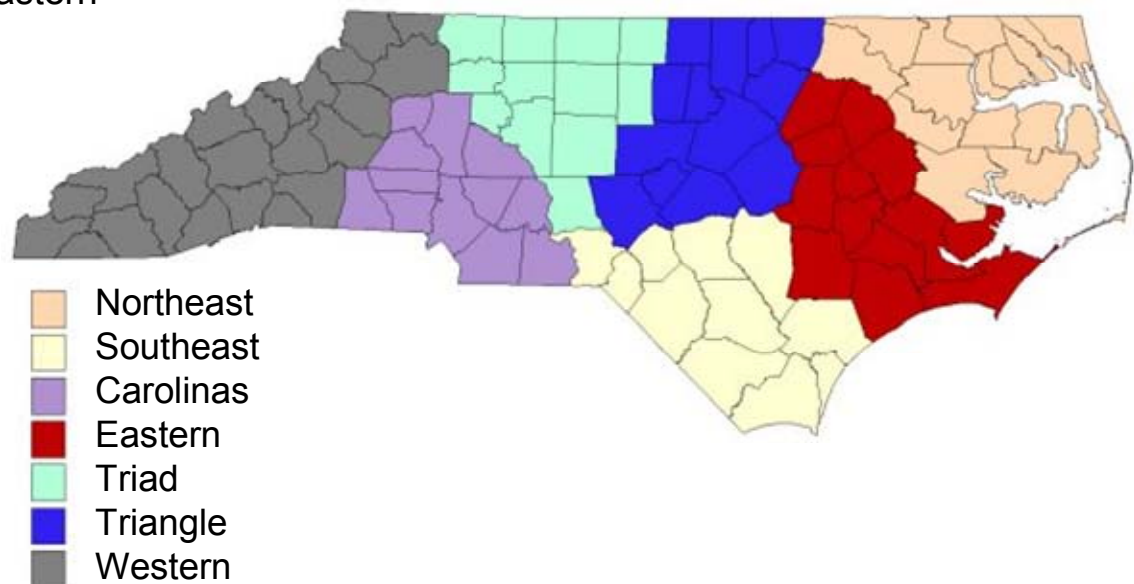
<b>Tax Revenues from Tourism</b>	<b>2005 (Million)</b>
<b>Federal Government</b>	
Corporate Profits Tax	\$429.9
Indirect Business Tax	\$405.1
Personal Tax	\$888.8
Social Insurance Tax	\$1,494.8
<b>Subtotal</b>	<b>\$3,218.7</b>
<b>State/Local Government</b>	
Corporate Profits Tax	\$71.3
Dividends	\$177.4
County and Municipal Occupancy Tax	\$116.6
Indirect Business Tax	\$2,102.7
Personal Tax	\$506.9
Social Insurance Tax	\$27.1
<b>Subtotal</b>	<b>\$3,002.0</b>
<b>Grand Total</b>	<b>\$6,220.7</b>

Source: Global Insight, Inc. and the North Carolina Department of Revenue

# Detailed Regional Distribution of Tourism

North Carolina's **seven economic development regions** are analyzed as part of three larger regions:

- 1. Piedmont**
  - Triad, Triangle & Carolinas
- 2. Coastal**
  - Northeast, Southeast & Eastern
- 3. Mountain**
  - Western



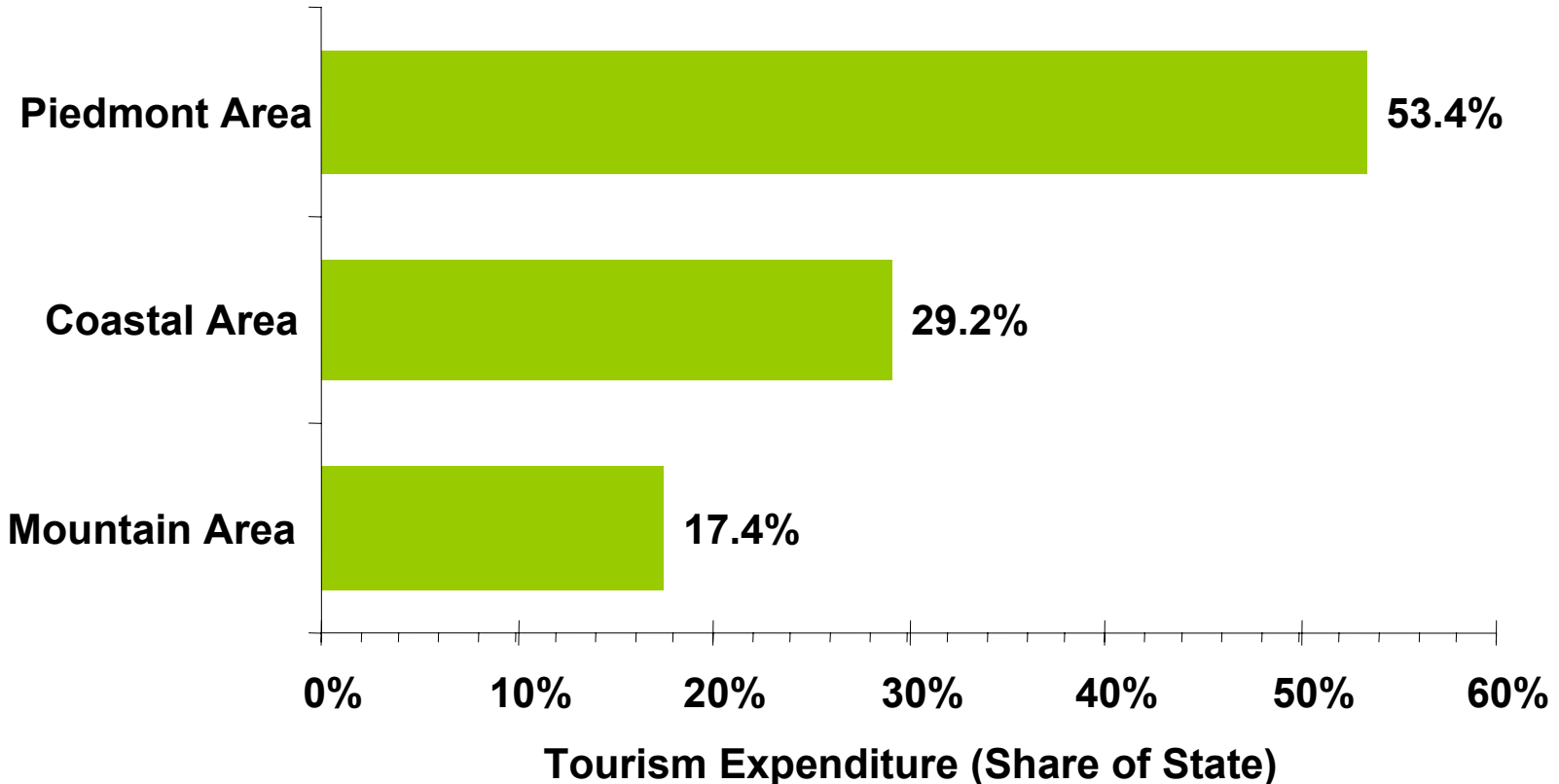
# ***Regional Distribution of Tourism***

**To understand the region breakdown, Global Insight approached the North Carolina Division of Tourism & North Carolina Vacation Rental Managers Association to develop local level analysis. This research included analysis of:**

- **Seasonal second homes**
- **Main attractions by region and their rankings**
- **Seasonality of employment – compared across counties/regions**

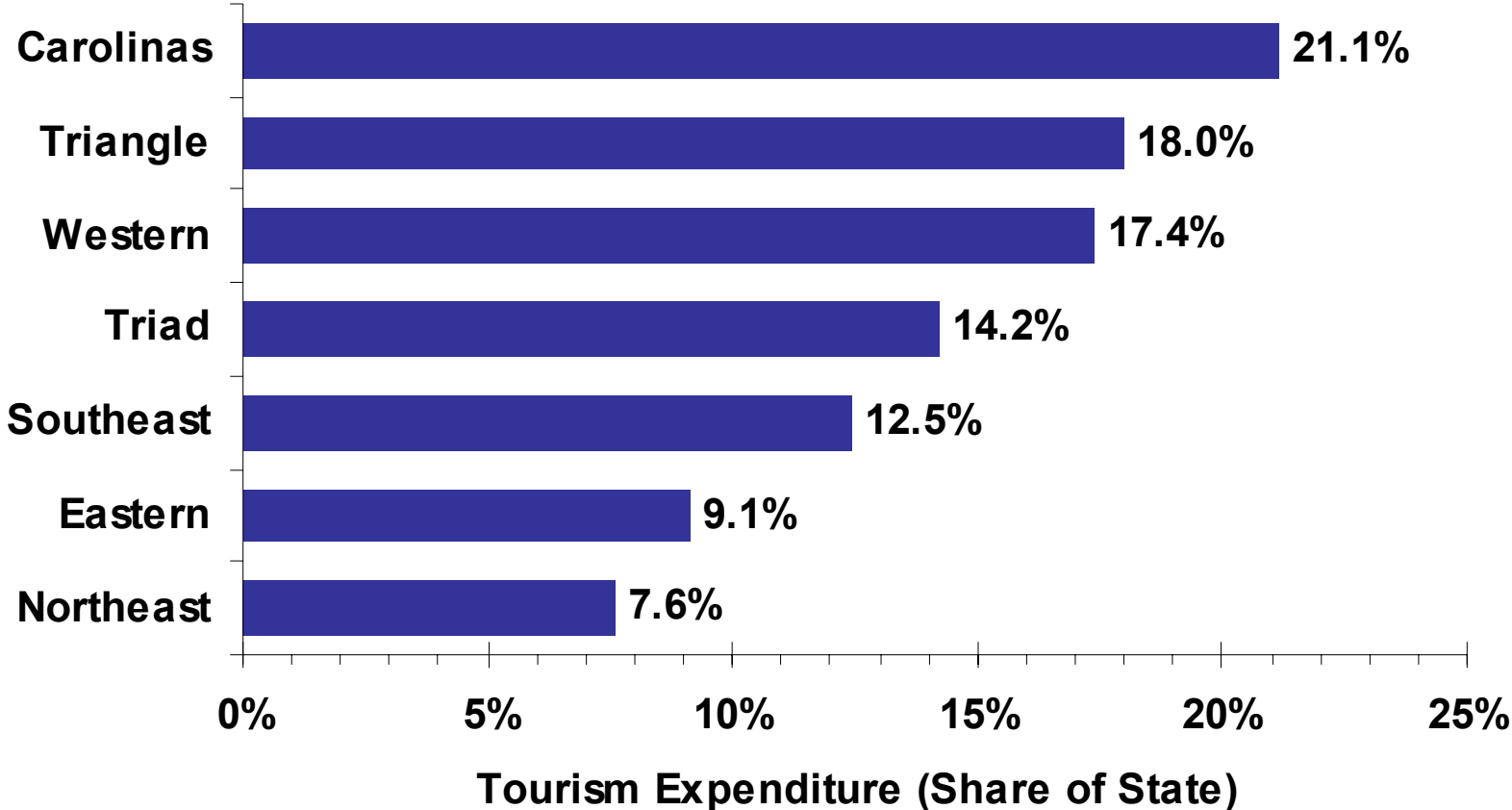
# Area Distribution of Tourism

The Piedmont area has the largest share of statewide tourism spending.

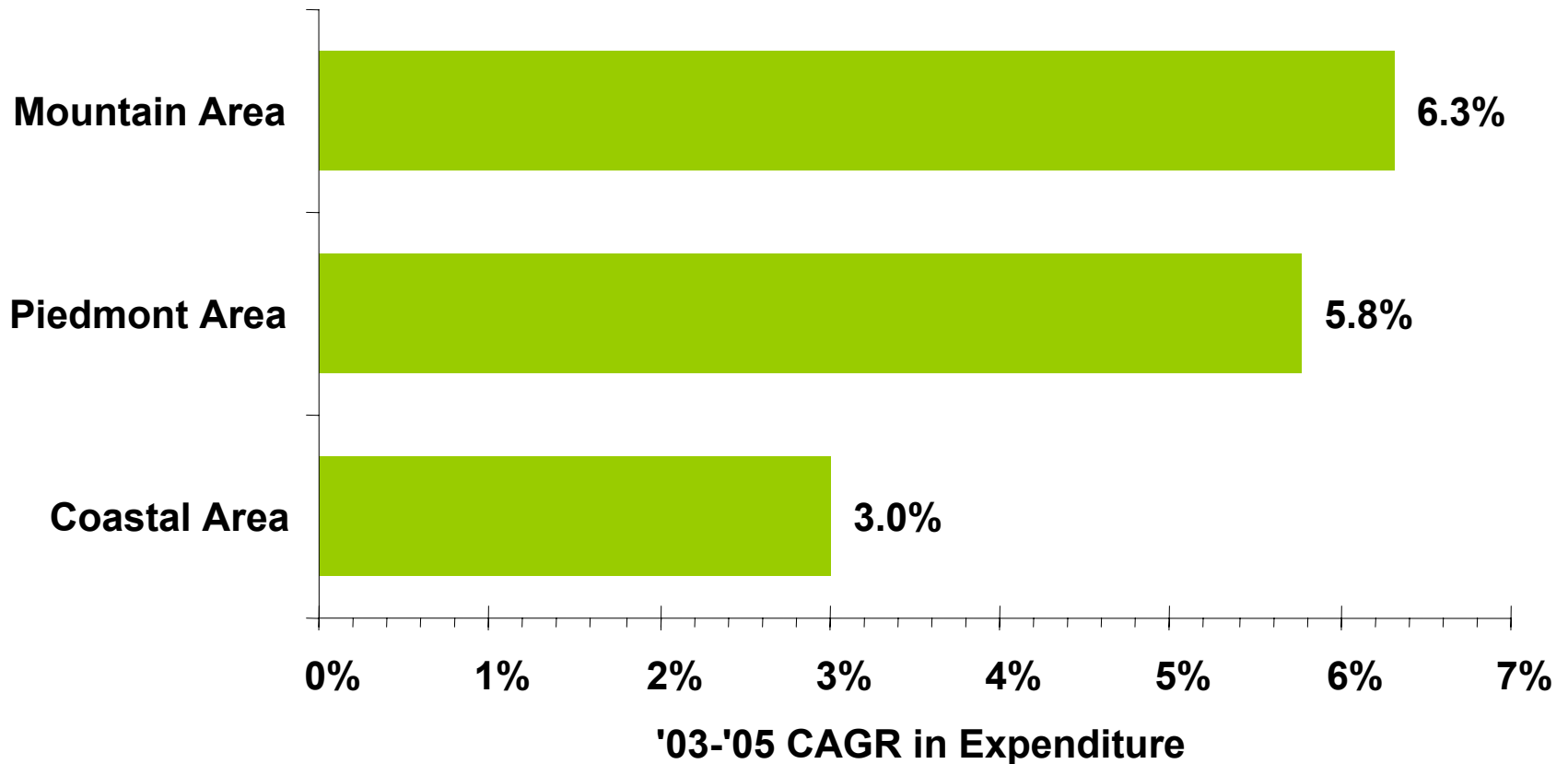


# Regional Distribution of Tourism

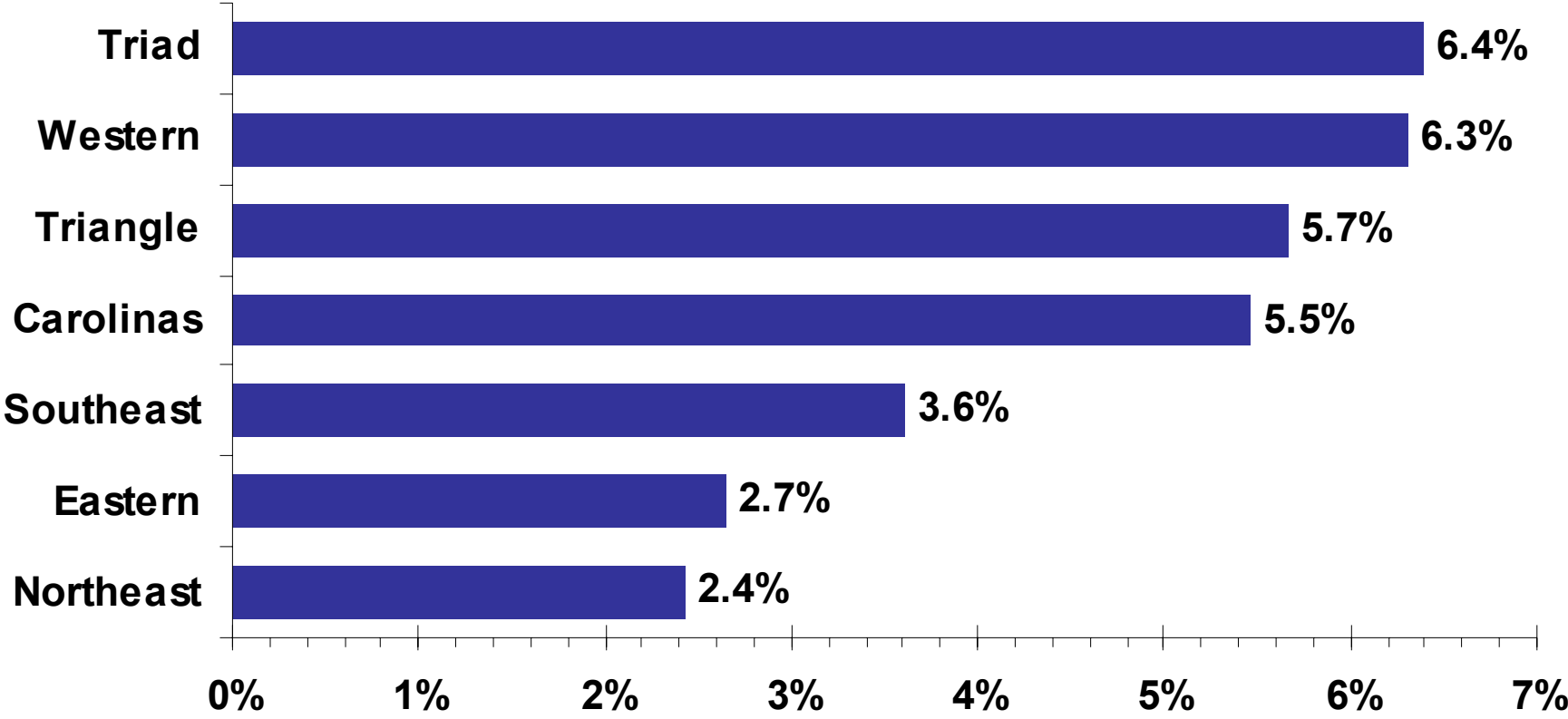
The Carolinas region has the largest share of statewide tourism spending, followed closely by Triangle and Western.



# Area Growth in Expenditure



# Regional Growth in Expenditure

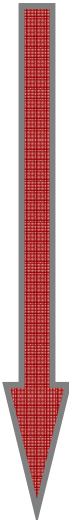


'03-'05 CAGR in Expenditure

# Regional/Area Share of Statewide Tourism

## Regional Share of Expenditure Category

	Entertainment	Accommodation	Transportation	Food	Shopping	Total
<b>Piedmont Area</b>	<b>70.0%</b>	<b>42.2%</b>	<b>86.9%</b>	<b>42.2%</b>	<b>42.2%</b>	<b>53.4%</b>
Carolinans	32.1%	13.4%	44.8%	13.4%	13.4%	21.1%
Triad	14.8%	12.2%	23.1%	12.2%	12.2%	14.2%
Triangle	23.1%	16.6%	19.0%	16.6%	16.6%	18.0%
<b>Coastal Area</b>	<b>18.6%</b>	<b>36.1%</b>	<b>8.8%</b>	<b>36.1%</b>	<b>36.1%</b>	<b>29.2%</b>
Northeast	2.1%	10.3%	1.6%	10.3%	10.3%	7.6%
Southeast	9.9%	14.7%	4.7%	14.7%	14.7%	12.5%
Eastern	6.6%	11.1%	2.5%	11.1%	11.1%	9.1%
<b>Mountain Area</b>	<b>11.4%</b>	<b>21.7%</b>	<b>4.3%</b>	<b>21.7%</b>	<b>21.7%</b>	<b>17.4%</b>
Western	11.4%	21.7%	4.3%	21.7%	21.7%	17.4%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>





# Regional/Area Share of Statewide Tourism

<b>Expenditure Category Share of Regional Tourism Spending</b>						
	<b>Entertainment</b>	<b>Accommodation</b>	<b>Transportation</b>	<b>Food</b>	<b>Shopping</b>	<b>Total</b>
<b>Piedmont Area</b>	<b>22.3%</b>	<b>17.0%</b>	<b>23.5%</b>	<b>27.7%</b>	<b>9.4%</b>	<b>100.0%</b>
Carolinias	25.8%	13.7%	30.6%	22.3%	7.6%	100.0%
Triad	17.7%	18.5%	23.5%	30.1%	10.2%	100.0%
Triangle	21.8%	19.8%	15.2%	32.2%	11.0%	100.0%
<b>Coastal Area</b>	<b>10.8%</b>	<b>26.7%</b>	<b>4.4%</b>	<b>39.1%</b>	<b>13.3%</b>	<b>100.0%</b>
Northeast	4.6%	29.0%	3.1%	47.2%	16.0%	100.0%
Southeast	13.5%	25.5%	5.4%	41.5%	14.1%	100.0%
Eastern	12.4%	26.3%	4.0%	42.8%	14.5%	100.0%
<b>Mountain Area</b>	<b>11.1%</b>	<b>26.8%</b>	<b>3.6%</b>	<b>43.7%</b>	<b>14.8%</b>	<b>100.0%</b>
Western	11.1%	26.8%	3.6%	43.7%	14.8%	100.0%
<b>Total</b>	<b>17.0%</b>	<b>21.5%</b>	<b>14.5%</b>	<b>35.1%</b>	<b>11.9%</b>	<b>100.0%</b>



# Expenditures by Industry

(million \$, 2005)	Entertainment	Accommodation	Transportation	Food	Shopping	Total
Piedmont Area	\$2,565	\$1,959	\$2,709	\$3,189	\$1,083	\$11,505
Carolinas	\$1,177	\$624	\$1,396	\$1,015	\$345	\$4,557
Triad	\$242	\$516	\$78	\$840	\$285	\$1,960
Triangle	\$544	\$566	\$722	\$922	\$313	\$3,066
Coastal Area	\$681	\$1,676	\$274	\$2,730	\$927	\$6,288
Northeast	\$76	\$477	\$51	\$777	\$264	\$1,645
Southeast	\$363	\$684	\$145	\$1,113	\$378	\$2,683
Eastern	\$845	\$769	\$591	\$1,252	\$425	\$3,882
Mountain Area	\$418	\$1,007	\$134	\$1,639	\$557	\$3,754
Western	\$418	\$1,007	\$134	\$1,639	\$557	\$3,754
<b>Total</b>	<b>\$3,664</b>	<b>\$4,642</b>	<b>\$3,117</b>	<b>\$7,557</b>	<b>\$2,567</b>	<b>\$21,547*</b>

\*Tourism Expenditures without construction & investment

# Accommodation – Seasonal 2<sup>nd</sup> Homes

Seasonal 2<sup>nd</sup> homes are an important part of accommodation expenditure for the regions along the coast (Southeast, Northeast & Eastern) .

Region	# of Seasonal 2 <sup>nd</sup> Homes	Regional Share of Total Seasonal 2 <sup>nd</sup> Homes
<b>Piedmont Area</b>	<b>21,290</b>	<b>15.8%</b>
Carolinas	6,228	4.6%
Triad	7,351	5.5%
Triangle	7,711	5.7%
<b>Coastal Area</b>	<b>67,127</b>	<b>49.8%</b>
Northeast	22,916	17.0%
Southeast	25,450	18.9%
Eastern	18,761	13.9%
<b>Mountain Area</b>	<b>46,453</b>	<b>34.4%</b>
Western	46,453	34.4%
<b>Total</b>	<b>134,870</b>	<b>100.0%</b>

# How Important?



## TOTAL

**Gross State Product: \$15.5 billion**

4.5% of GSP

**Total Employment: 335,331 jobs**

8.6% of Employment

## CORE

**Core GSP: \$10.5 billion**

3.0% of GSP

**Core Employment: 184,620 jobs**

4.7% of Employment

**8<sup>th</sup> largest private sector employer**

## ***Appendix – Piedmont Area***

- **Includes Carolinas, Triad and Triangle regions.**
- **Well-known for golf courses, lakes and recreational areas.**
- **Also camping, shopping and museums.**
- **Charlotte, Piedmond-Triad and Raleigh Durham International airports are located in this area.**
- **Lowe's Motor Speedway hosts NASCAR events.**
- **Over 21,000 seasonal second homes.**

## ***Appendix – Coastal Area***

- **Includes Northeast, Southeast and Eastern regions.**
- **North Carolina has one of the largest operational ferry systems.**
- **Offers a variety of outdoor / nature based activities that include: fishing, surfing & sailing.**
- **Small towns and villages along the Coast are supported by farming and fishing.**
- **Over 67,000 seasonal second homes.**
- **Contributes nearly 60% of state revenue from seasonal second homes.**

## ***Appendix – Mountain Area***

- **Includes Western Region.**
- **Home to the Blue Ridge Parkway and the Biltmore Estate “America’s Castle”.**
- **Some of the activities include: hiking, skiing, white water rafting, shopping, museums and historical sites.**
- **Over 46,000 seasonal second homes.**
- **Contributes more than 20% to state revenues from rental homes.**

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