

# The Economic Impact of Tourism in North Carolina

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Tourism Satellite Account  
Calendar Year 2014



AN OXFORD ECONOMICS COMPANY

# Key results

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- Total tourism demand tallied \$27.3 billion in 2014, expanding 5.2%. This marks another new high for the North Carolina tourism sector and the fifth consecutive year of growth.
- The direct GDP of the tourism sector grew 5.8% to \$10.8 billion in 2014.
- Tourism demand sustained 406,577 jobs in 2014, including direct, indirect, and induced impacts.
- 9.2% 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 \$3.2 billion in state and local taxes and \$3.3 billion in Federal taxes in 2014.

\* Compared to BEA Wage and Salary Employment, SA25N

# 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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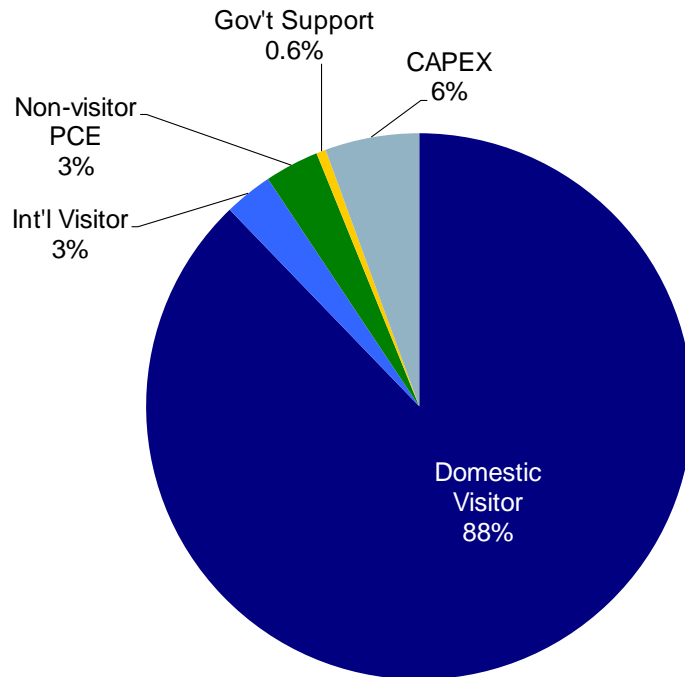
# Detailed Results

# Tourism demand (spending)

Tourism Demand by Category, \$ million							
	Domestic Visitor	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%
% change	5.1%	10.9%	2.4%	6.4%	6.3%	5.2%	

- Total tourism demand in NC rose 5.2% in 2014, building on the strength of the prior four years, and reaching another new peak of \$27.3 billion.
- Non-visitor private consumption expenditures (PCE) represent tourism consumer durables such as an RV, boat, or furniture for a vacation home. These rose 2.4% to \$851 million.
- International visitor spending expanded 10.9% as NC continues to rise as a destination for global travelers.
- Government support for tourism, including the budgets for tourism promotion and visitor centers, increased 6.4%.
- Capital investment, including construction of hotels and attractions, as well as tourism infrastructure, continued to rally in 2014 with a 6.3% increase.

# Tourism demand by source

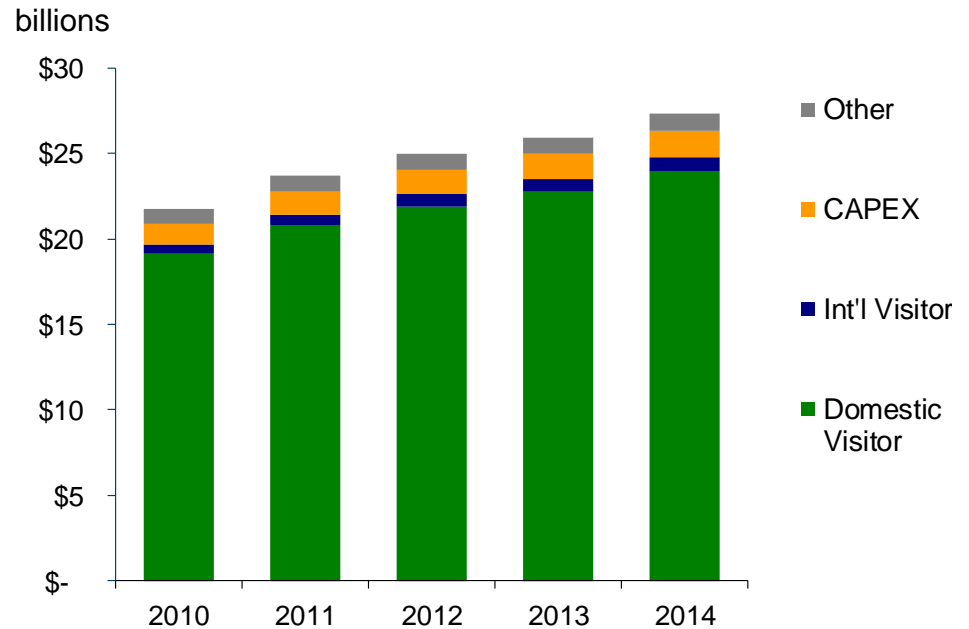


- Domestic visitor markets comprised the majority (88%) of tourism demand in 2014.
- Capital investment in tourism-related construction and machinery & equipment represents 6% of all tourism-related demand.
- International visitor markets contributed 3% of tourism demand in North Carolina last year.

# Tourism demand growth

- The North Carolina visitor economy reached a new peak of \$27.3 billion in 2014.
- Tourism demand has grown by an average of 6.2% per annum over the past five years.

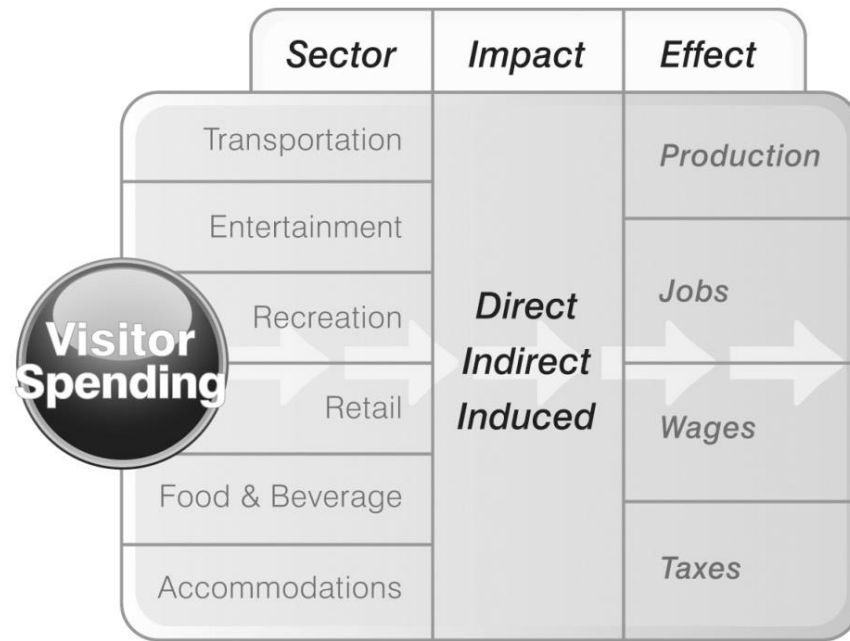
**Tourism Demand Trend**



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

<b>Tourism Sales (Output)</b>					
US\$ Million, 2014					
	Direct*	Indirect	Induced	Total	% Change
Agriculture, Fishing, Mining		128	65	194	3.8%
Construction and Utilities	388	400	173	961	6.3%
Manufacturing		1,191	868	2,059	3.9%
Wholesale Trade	1,150	404	388	1,941	4.6%
Air Transport	3,599	15	17	3,631	5.1%
Other Transport	352	496	200	1,048	4.2%
Retail Trade	5,384	193	870	6,448	4.8%
Gasoline Stations	2,376	14	59	2,449	-0.9%
Communications		406	227	633	3.8%
Finance, Insurance and Real Estate**	2,255	1,311	950	4,516	2.9%
Business Services	329	1,546	419	2,294	4.8%
Education and Health Care		7	1,219	1,226	4.2%
Recreation and Entertainment	2,049	70	102	2,221	4.5%
Lodging	3,722	57	52	3,831	10.3%
Food & Beverage	4,657	174	372	5,203	6.0%
Personal Services	904	137	297	1,339	4.5%
Government	156	156	1,066	1,377	4.4%
<b>TOTAL (2014)</b>	<b>27,319</b>	<b>6,706</b>	<b>7,344</b>	<b>41,369</b>	<b>4.8%</b>
<b>% change</b>	<b>5.2%</b>	<b>3.7%</b>	<b>4.2%</b>	<b>4.8%</b>	

\* Direct sales include cost of goods for retail sectors

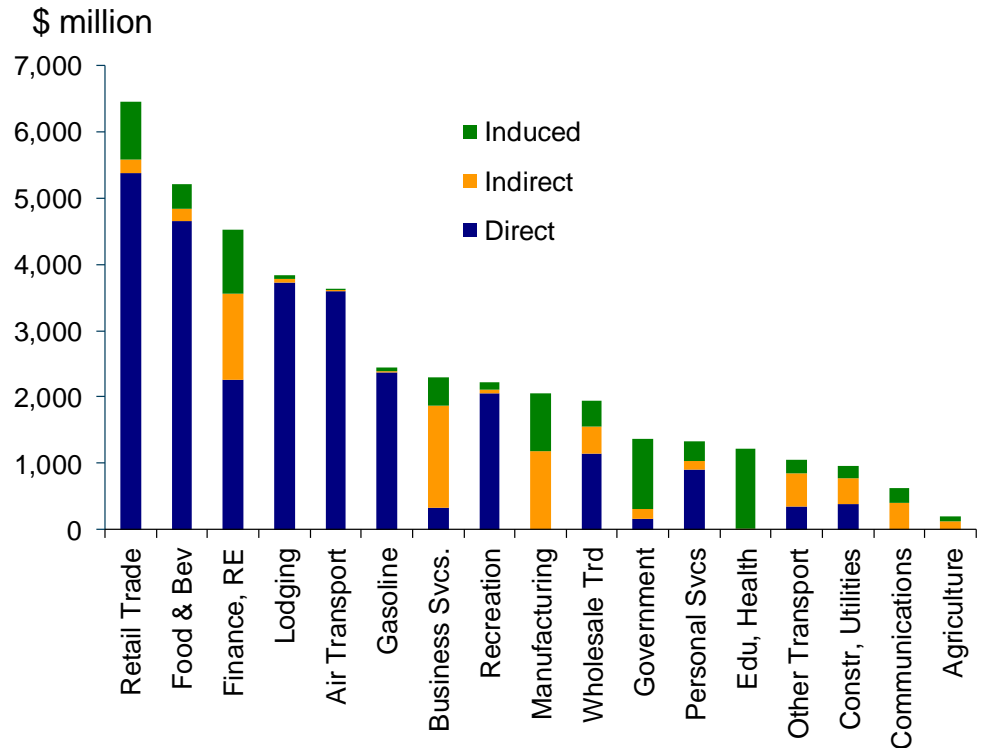
\*\*Includes seasonal second homes

- Tourism demand of \$27.3 billion generated \$41.3 billion in business sales, including indirect and induced impacts. Total tourism-generated business sales expanded 4.8% in 2014.

# 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>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>%</b>
<b>Air Transport</b>	940	1,063	1,144	1,217	1,279	5.1%
<b>Other Transport</b>	165	176	186	197	206	4.9%
<b>Retail Trade</b>	1,008	1,067	1,118	1,155	1,212	4.9%
<b>Gasoline Stations</b>	265	328	336	341	337	-1.0%
<b>Communications</b>					-	
<b>Finance, Insurance and Real Estate</b>	1,339	1,486	1,535	1,553	1,582	1.9%
<b>Business Services</b>	108	274	283	122	136	11.7%
<b>Education and Health Care</b>					-	
<b>Recreation and Entertainment</b>	980	1,043	1,090	1,119	1,169	4.5%
<b>Lodging</b>	1,743	1,866	2,027	2,126	2,350	10.5%
<b>Food &amp; Beverage</b>	1,699	1,798	1,913	2,003	2,129	6.3%
<b>Personal Services</b>	363	185	189	394	412	4.7%
<b>Government</b>	7	7	7	7	8	6.4%
<b>TOTAL</b>	<b>8,617</b>	<b>9,294</b>	<b>9,828</b>	<b>10,233</b>	<b>10,822</b>	<b>5.8%</b>
<b>% change</b>	<b>7.4%</b>	<b>7.8%</b>	<b>5.7%</b>	<b>4.1%</b>	<b>5.8%</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 \$10.8 billion in 2014, accounting for 2.2% of total North Carolina GDP.



# Tourism GDP impact

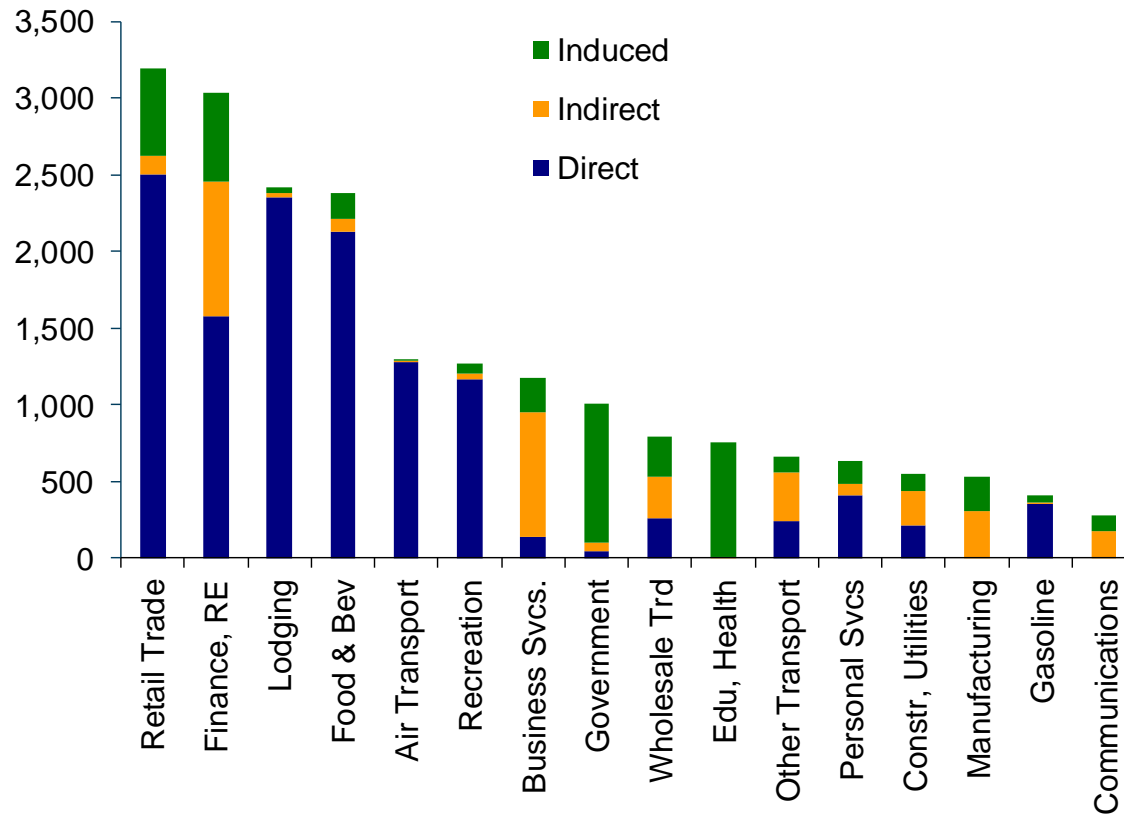
<b>Tourism GDP (Value Added)</b>					
<b>(2014, US\$ Million)</b>					
	<b>Direct*</b>	<b>Indirect</b>	<b>Induced</b>	<b>Total</b>	<b>% change</b>
Agriculture, Fishing, Mining		29	19	47	3.9%
Construction and Utilities	221	222	108	551	6.3%
Manufacturing		303	223	527	3.9%
Wholesale Trade	260	273	262	795	4.3%
Air Transport	1,279	4	5	1,289	5.1%
Other Transport	237	320	107	664	4.2%
Retail Trade	2,501	126	566	3,193	4.7%
Gasoline Stations	356	10	40	406	-0.4%
Communications		179	101	280	3.8%
Finance, Insurance and Real Estate	1,582	879	579	3,041	2.8%
Business Services	136	815	229	1,180	4.6%
Education and Health Care		4	747	751	4.2%
Recreation and Entertainment	1,169	39	60	1,268	4.5%
Lodging	2,350	36	32	2,417	10.3%
Food & Beverage	2,129	80	171	2,380	6.0%
Personal Services	412	68	151	632	4.5%
Government	45	60	904	1,009	4.2%
<b>TOTAL</b>	<b>12,678</b>	<b>3,447</b>	<b>4,305</b>	<b>20,430</b>	<b>5.0%</b>
<b>% change</b>	<b>5.7%</b>	<b>3.7%</b>	<b>4.2%</b>	<b>5.0%</b>	

- Including the direct, indirect and induced impacts of total tourism demand, the tourism sector generated \$20.4 billion of state GDP in 2014. This was 4.2% of the state economy.

# Tourism GDP impact

## Tourism GDP Impact

\$ million



# Ranking tourism industry employment

- The NC tourism industry directly employed 295,773 in 2014. 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		
2014		
Rank	Industry	Jobs
1	Health Care and Social Assistance	480,273
2	Manufacturing	448,715
3	Retail Trade*	391,359
4	Tourism (Direct Impact)	295,773
5	Administrative and Support and Waste Management	279,901
6	Accommodation and Food Services*	253,635
7	Professional, Scientific, and Technical Services	207,766
8	Construction	179,049
9	Wholesale Trade	176,786
10	Finance and Insurance	153,421
11	Other Services (except Public Administration)	101,407
12	Transportation and Warehousing*	93,847
13	Management of Companies and Enterprises	80,434
14	Information	72,495
15	Educational Services	68,226
16	Real Estate and Rental and Leasing	51,737
17	Arts, Entertainment, and Recreation*	28,982
18	Agriculture, Forestry, Fishing and Hunting	28,864
19	Utilities	13,648
20	Mining, Quarrying, and Oil and Gas Extraction	2,819

\* net of tourism employment

\* Ranked to BLS Wage and Salary Employment, QCEW

# Total tourism employment

<b>Tourism Employment</b>					
2014					
	Direct	Indirect	Induced	Total	% change
Agriculture, Fishing, Mining	-	1,385	728	2,113	1.9%
Construction and Utilities	6,265	1,763	386	8,414	5.4%
Manufacturing	3,750	3,701	2,167	9,618	1.2%
Wholesale Trade	2,368	2,274	2,164	6,805	2.1%
Air Transport	12,359	67	73	12,499	5.3%
Other Transport	5,314	5,402	1,768	12,484	2.1%
Retail Trade	76,101	2,852	12,780	91,734	2.4%
Gasoline Stations	4,428	143	585	5,156	2.4%
Communications	-	1,613	713	2,326	1.9%
Finance, Insurance and Real Estate	13,836	7,208	4,679	25,723	1.4%
Business Services	1,094	14,559	4,293	19,946	2.1%
Education and Health Care	-	104	14,623	14,727	2.1%
Recreation and Entertainment	32,280	1,632	1,893	35,805	2.0%
Lodging	44,316	813	719	45,848	2.9%
Food & Beverage	84,195	3,329	7,061	94,585	3.0%
Personal Services	8,739	2,165	5,776	16,680	1.2%
Government	728	801	586	2,115	2.4%
<b>TOTAL</b>	<b>295,773</b>	<b>49,811</b>	<b>60,993</b>	<b>406,577</b>	<b>2.5%</b>
%change	2.7%	1.8%	2.1%	2.5%	

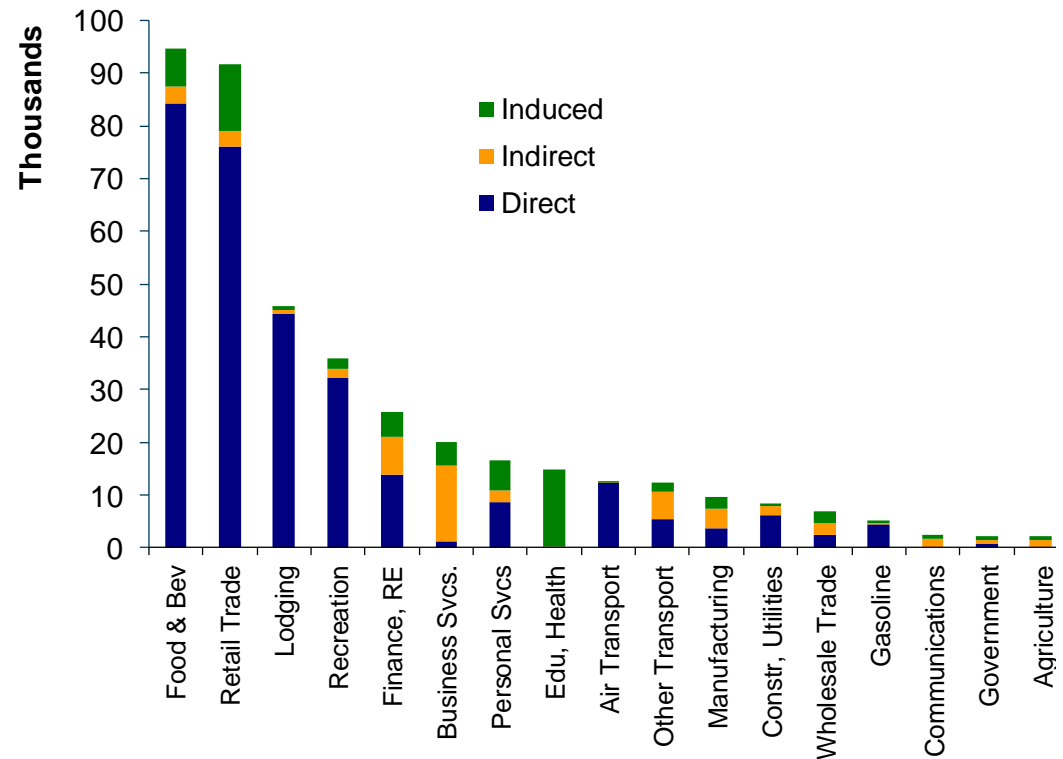
- The tourism sector directly and indirectly supported 406,577 jobs, or 9.2% of all payroll employment\* in North Carolina last year.
- Tourism-related employment grew 2.5% in 2014 as businesses hired to support visitor spending increases.
- Tourism is leading the state in job creation. Total NC employment grew just 1.9% in 2014.

\* 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

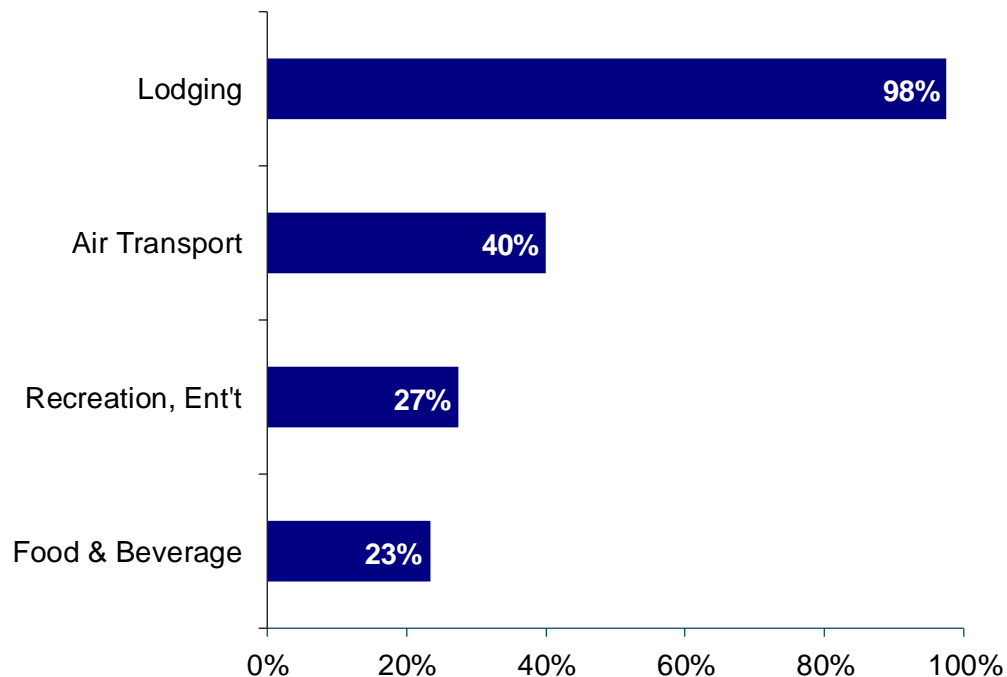


# Tourism employment shares

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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>(2014, US\$ Million)</b>					
	<b>Direct</b>	<b>Indirect</b>	<b>Induced</b>	<b>Total</b>	<b>% change</b>
Agriculture, Fishing, Mining		21	14	36	5.0%
Construction and Utilities	200	116	42	358	7.8%
Manufacturing		191	124	315	5.0%
Wholesale Trade	143	153	144	439	4.9%
Air Transport	732	4	4	740	10.0%
Other Transport	160	261	80	501	5.0%
Retail Trade	1,698	80	353	2,131	4.8%
Gasoline Stations	130	4	18	152	-0.2%
Communications		103	46	150	5.0%
Finance, Insurance and Real Estate	364	305	236	905	3.7%
Business Services	54	647	183	884	5.4%
Education and Health Care		4	634	638	4.7%
Recreation and Entertainment	681	31	40	753	5.9%
Lodging	1,275	20	18	1,312	5.8%
Food & Beverage	1,465	56	118	1,639	6.6%
Personal Services	278	53	117	447	3.6%
Government	27	35	23	85	5.4%
<b>TOTAL</b>	<b>7,206</b>	<b>2,082</b>	<b>2,195</b>	<b>11,483</b>	<b>5.5%</b>
<b>% change</b>	<b>5.9%</b>	<b>5.1%</b>	<b>4.7%</b>	<b>5.5%</b>	

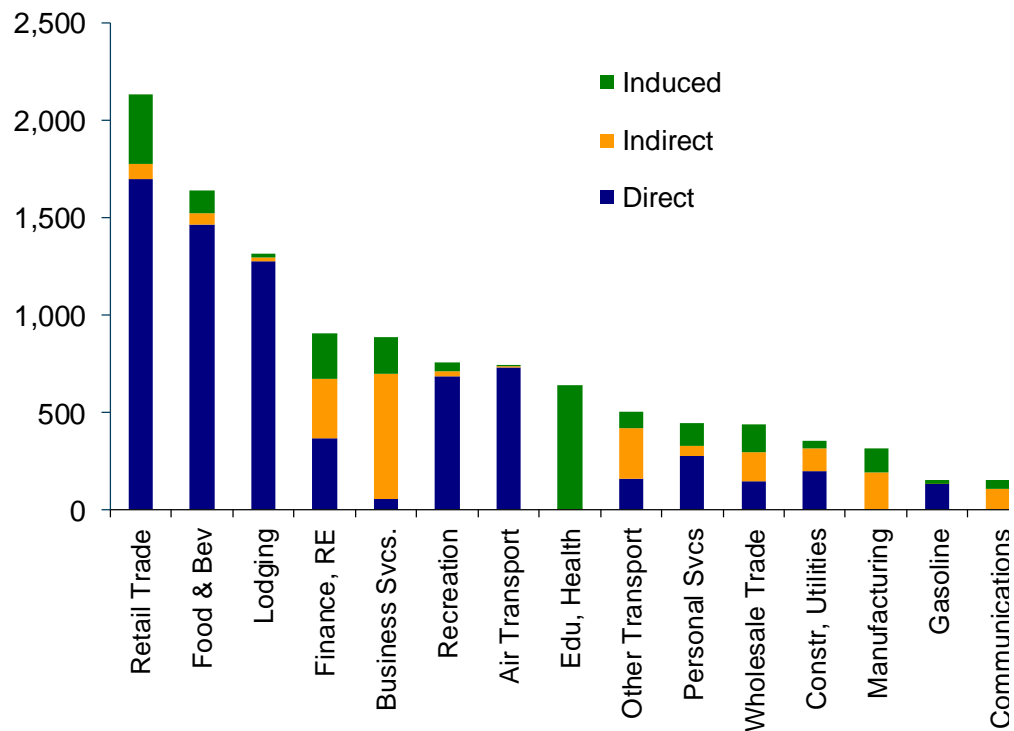
- \$11.5 billion in compensation was generated by tourism demand in 2014, an increase of 5.5%.

# 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

\$ million





# Tourism tax generation

<b>Tourism-Generated Taxes</b>						
<b>(US\$ Million)</b>						
	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
<b>Federal Taxes</b>	<b>2,543</b>	<b>2,708</b>	<b>2,875</b>	<b>3,011</b>	<b>3,136</b>	<b>3,301</b>
Corporate	444	476	515	540	560	586
Indirect Business	344	369	399	418	433	454
Personal Income	710	754	793	830	867	915
Social Security	1,045	1,109	1,168	1,222	1,276	1,346
<b>State and Local Taxes</b>	<b>2,442</b>	<b>2,582</b>	<b>2,785</b>	<b>2,914</b>	<b>3,037</b>	<b>3,227</b>
Corporate	300	321	347	364	377	395
Personal Income	292	292	308	322	336	355
Sales	975	1,045	1,131	1,186	1,229	1,288
Property	654	700	758	795	824	863
Excise and Fees	74	79	85	89	93	97
State Unemployment	20	20	21	22	23	24
Lodging Taxes	128	124	134	136	156	205
<b>TOTAL</b>	<b>4,985</b>	<b>5,290</b>	<b>5,660</b>	<b>5,925</b>	<b>6,172</b>	<b>6,528</b>
<b>% change</b>	<b>-9.0%</b>	<b>6.1%</b>	<b>7.0%</b>	<b>4.7%</b>	<b>4.2%</b>	<b>5.8%</b>

- Taxes of \$6.5 billion were directly and indirectly generated by tourism in 2014.
- State and local taxes alone tallied \$3.2 billion.
- Each household in North Carolina would need to be taxed an additional \$868 per year to replace the tourism taxes received by state and local governments.

# Government support of tourism

<b>Tourism Administration and Promotion</b>				
2014/15				
Government	Individual	Collective	Total	% change
State	\$ 1,795,271	\$ 10,105,583	\$ 11,900,854	5.5%
Counties	\$ 18,786,357	\$ 106,456,025	\$ 125,242,382	4.3%
Municipalities	\$ 2,770,397	\$ 15,698,915	\$ 18,469,312	24.3%
TOTAL	\$ 23,352,025	\$ 132,260,523	\$ 155,612,548	6.4%

- 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 4.3% to \$125.2 million.
- Municipality government support of tourism surged 24.3% to \$18.5 million.
- Total government support of tourism tallied \$155.6 million in the 2014/15 fiscal year.
- State and local taxes generated by tourism (\$3.2 billion) surpass this funding by a rate of 21-to-1 (up from 17-to-1 in 2009).

# Tourism capital investment

<b>Tourism Capital Investment</b>						
Total Tourism Related						
	2009	2010	2011	2012	2013	2014
<b>Construction</b>	\$ 348,723,507	\$ 236,881,875	\$ 336,083,006	\$ 340,743,963	\$ 351,822,738	\$ 387,957,500
Recreation and Entertainment	\$ 239,565,000	\$ 122,779,500	\$ 181,782,000	\$ 130,659,000	\$ 186,363,750	\$ 259,938,750
Hotels and Motels	\$ 54,529,000	\$ 84,690,000	\$ 126,119,000	\$ 182,335,000	\$ 152,263,000	\$ 115,250,000
Government Capital Outlays	\$ 54,629,507	\$ 29,412,375	\$ 28,182,006	\$ 27,749,963	\$ 13,195,988	\$ 12,768,750
<b>Machinery and Equipment</b>	\$ 909,775,654	\$ 955,264,436	\$ 993,475,014	\$ 1,043,148,765	\$ 1,095,306,203	\$ 1,150,071,513
<b>Total</b>	\$ 1,258,499,161	\$ 1,192,146,311	\$ 1,329,558,020	\$ 1,383,892,727	\$ 1,447,128,940	\$ 1,538,029,013
% change	-24.6%	-5.3%	11.5%	4.1%	4.6%	6.3%

- \$1.5 billion was invested by the tourism sector last year, including hotels, recreational facilities, and related government capital outlays.
- The 6.3% increase continues the recovery in tourism-related investment, bringing the level to nearly the \$1.7 billion registered in 2007.

# About Tourism Economics

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- 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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