

ECONOMIC IMPACT OF TOURISM IN GREATER PALM SPRINGS 2020

Prepared for:
Greater Palm Springs CVB



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INTRODUCTION

The travel sector is an integral part of the Greater Palm Springs regional economy. Visitors generate significant economic benefits to households, businesses, and government alike and represent a critical driver of the region's future. Gross output (business sales) attributable to tourism spending in the Greater Palm Springs region totaled \$4.5 billion in calendar year (CY) 2020.

By monitoring the visitor economy, policymakers can inform decisions regarding the funding and prioritization of the sector's development. They can also carefully monitor its successes and future needs. This is particularly true for municipalities in the Greater Palm Springs region, as the visitor economy has been severely affected by the COVID-19 pandemic. By establishing a baseline of economic impacts, the industry can track its progress over time as recovery takes hold.

To quantify the economic significance of the tourism sector in Greater Palm Springs, Tourism Economics has prepared a comprehensive analysis detailing the far-reaching impacts arising from visitor spending. The results of this study show the scope of the travel sector in terms of direct visitor spending, as well as the total economic impacts, jobs, and fiscal (tax) impacts in the broader economy.

METHODOLOGY AND DATA SOURCES

An IMPLAN input-output model was constructed for Riverside County. The model traces the flow of visitor-related expenditures through the local economy and their effects on employment, wages, and taxes. IMPLAN also quantifies the indirect (supplier) and induced (income) impacts of tourism. Tourism Economics then cross-checked these findings with employment and wage data for each sector to ensure the findings are within reasonable ranges. Modeling results were then calibrated to reflect the benefits realized only in the nine municipalities included in the Greater Palm Springs region. These include:

- Palm Springs
- Desert Hot Springs
- Cathedral City
- Rancho Mirage
- Palm Desert
- Indian Wells
- La Quinta
- Indio
- Coachella

Data covering regional gasoline price levels and changes were obtained from the BLS and the U.S. Energy Information Administration.

Data from the US National Travel and Tourism Office (NTTO) and data from VisaVue Travel were consulted to develop estimates for international visitor volume and spending.

Estimates of visitor expenditures in Greater Palm Springs were based on several sources including:

- Smith Travel Research (STR) data on hotel room demand, supply, and revenues.
- Prior visitor profile survey research completed by the Greater Palm Springs CVB.
- Mobile location data obtained from Uber Media
- Industry data on employment, wages and sales from the U.S. Census, the Bureau of Economic Analysis, and the Bureau of Labor Statistics.

KEY FINDINGS

KEY FINDINGS

The COVID-19 pandemic weighed heavily on visitor volume and spending in 2020.

Visitation, spending, and employment

Tourism is an integral part of the Greater Palm Springs regional economy and is a key driver of business sales, employment, and tax revenue. Visitation in 2020 was reduced by health and safety concerns of travelers and by travel restrictions and business closures.

Nearly 18% (1 in 6) of all jobs in the Greater Palm Springs region were sustained by tourism in 2020, a share down almost 5 percentage points from 2019.



Visitor Spending

Visitors to Greater Palm Springs spent \$3.6 billion in 2020, 39.7% less than in 2019. This direct spending generated \$4.5 billion in total business sales, including indirect and induced impacts.



Pandemic affected results

Visitor volume to Greater Palm Springs declined 38.6%, to 8.6 million.



Employment supporter

A total of 33,377 jobs were sustained by visitors to Greater Palm Springs in 2020, generating \$1.1 billion in income for workers in the region.



Fiscal Contributions

Tourism in the Greater Palm Springs region generated \$744 million in tax revenues in 2020, with \$428 million accruing to state and local governments.

TOURISM ECONOMY TRENDS

TOURISM ECONOMY TRENDS

Pandemic affected visitor spending in 2020

Shutdowns and health and safety concerns cut spending, but the recovery is progressing.

The 2020 visitor volume and visitor spending results have been significantly impacted by the pandemic. Both the limitations and restrictions to mobility, as well as economic disruptions, hit travel hard in Greater Palm Springs, and other destinations.

While the annual numbers are poor, indicators in the latter part of 2020 reflect some recovery. The shutdowns in the spring cut Leisure and hospitality employment about 45% in the broader Riverside County. However, by the end of the year, with relaxation of restrictions and federal stimulus support, employment levels were slightly higher at about 40% below pre-pandemic levels.



Despite declines, Greater Palm Springs still welcomed 8.6 million visitors in 2020.

Overnight visitation declined faster than day visitation, by 43.2% compared to a 34.8% decline on the day side.



Visitor spending amounted to \$3.6 billion

Visitor spending was also about 40% lower in 2020 versus a year earlier, but visitors still spent significantly in the regional economy in 2020.



Retail spending held its own

Employment in the retail sector fell 23% at the lowest point during the Spring, in the broader Riverside County. By the end of the year, employment levels were only 8% lower than at the start of the year. Local demand helped to offset lost visitor spending.

TOURISM ECONOMY TRENDS

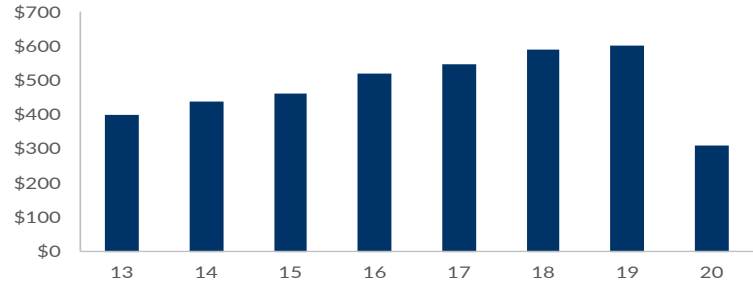
Hotel industry

Overall, room revenues in Greater Palm Springs region contracted 48.8% in 2020.

Room revenues were impacted by both lower demand and reduced room rates and declined to an estimated \$309 million. Room demand fell to 2.0 million room-nights, the lowest level in at least a decade.

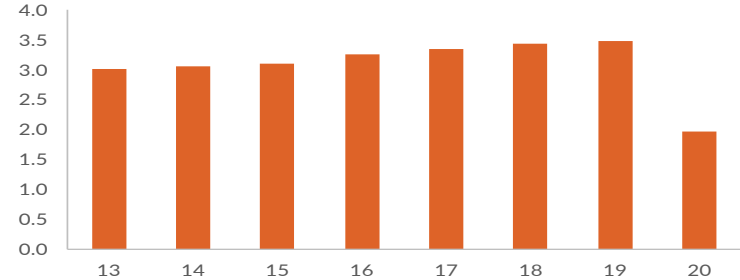
Hotel room revenue

Millions of nominal dollars



Hotel room demand

Millions of room nights



Sources: STR, Tourism Economics

TOURISM ECONOMY TRENDS

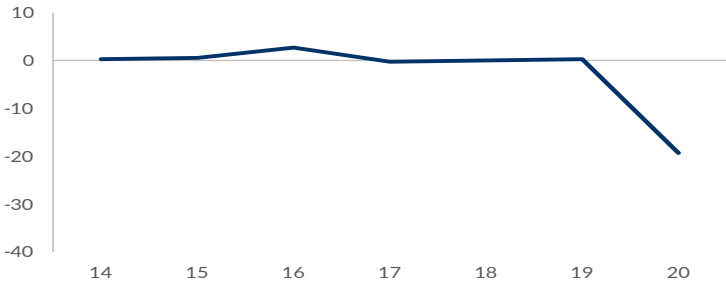
Hotel industry

Occupancy fell to 42.8% overall from 62.1%, and ADR was lower at \$155.

Occupancy rates and room rates tend to move together, and with occupancy soft, room rates fell accordingly. Occupancy was nearly 20 percentage points lower than a year earlier, and average room rates were about 10% lower in 2020.

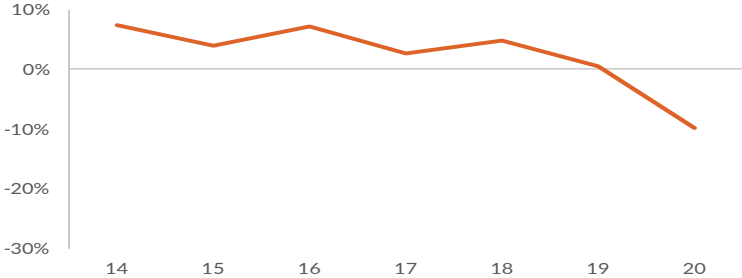
Hotel occupancy 2014-2020

Amounts expressed as the change in occupancy rate, percentage points



Average daily rate (ADR) 2014-2020

Amounts expressed as year over year percent change



Sources: STR, Tourism Economics

TOURISM ECONOMY TRENDS

Labor market

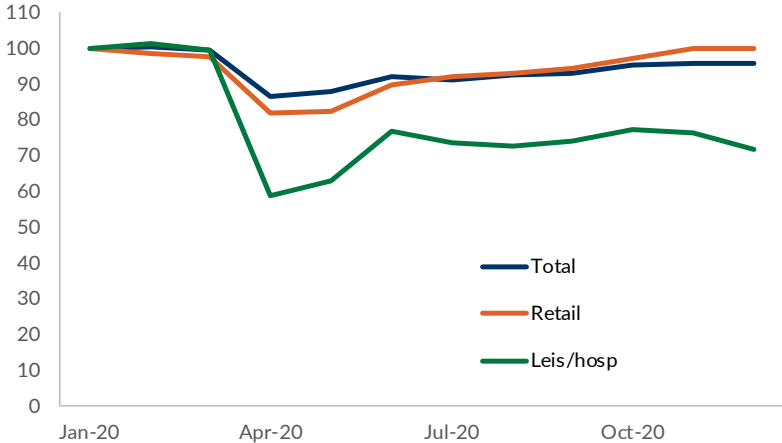
Leisure & Hospitality was hit hard in the region.

The impact of the COVID-19 pandemic was felt across all sectors of the economy, but Leisure & Hospitality was severely affected. While retail employment was reduced to a lesser degree and recovery was more robust, the broader Leisure & Hospitality sector experienced a deeper trough in the Spring of 2020 and recovery has been more muted.

Leisure & Hospitality includes Arts, Entertainment and Recreation, Accommodations, and Food and Beverage Services, sectors that serve significant non-local demand.

Employment trends in Riverside County

Employment index Jan 2020 = 100



Sources: CA EDD, Tourism Economics

VISITATION AND SPENDING

VISITATION AND SPENDING

Total visitor count

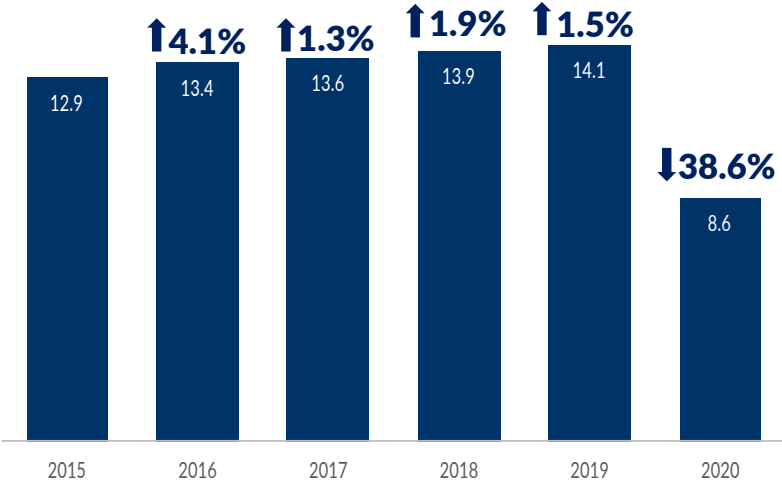
Visitation levels fell 38.6% in 2020.

Total visitor volume had been consistently expanding prior to the pandemic. In 2020, 8.6 million visitors came to Greater Palm Springs, nearly 38.6% fewer than the prior year.

Overnight visitation, a key revenue-generating segment of the market declined 43.2% in 2020.

Greater Palm Springs visitor levels and annual growth

Amounts in millions of visitors and year-on-year percentage growth



Source: Tourism Economics

VISITATION AND SPENDING

Total visitor volume trends

Visitor volume fell to 8.6 million in 2020.

Visitor volume declined in both the day and overnight segments. Day visitation fell 34.8%, while overnight visitors contracted more, by 43.2%.

Visitor Spending in Greater Palm Springs region

Amounts in billions of nominal dollars and growth rates

	2016	2017	2018	2019	2020	2020 % ch	CAGR 2016-2020
Total visitor volume, mils	13.43	13.60	13.86	14.06	8.63	-38.6%	-10.5%
Day	7.45	7.54	7.60	7.68	5.01	-34.8%	-9.5%
Overnight	5.98	6.06	6.26	6.38	3.62	-43.2%	-11.8%

Source: Tourism Economics

VISITATION AND SPENDING

Total visitor spending

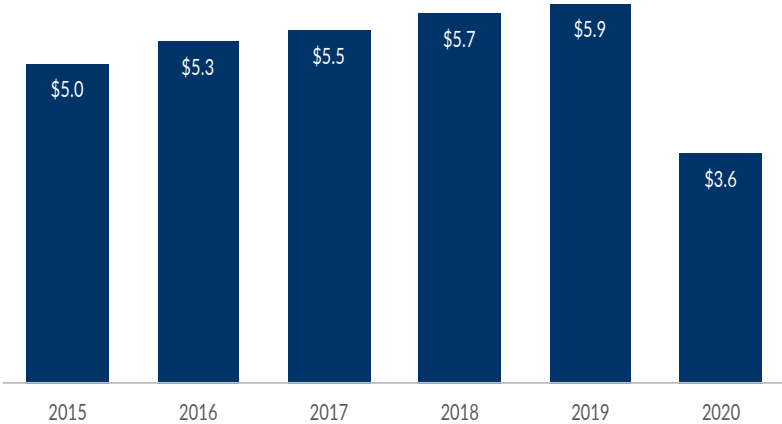
Visitor spending decreased 39.7%, to \$3.6 billion.

The COVID-19 pandemic cut about \$2.3 billion of visitor spending out of the local economy in 2020.

Prices in lodging, retail, and gasoline, were all lower than in 2019, and recreation prices were relatively flat at 0.9% higher than a year earlier. Prices for food were the only category with some inflation at 5.6% above 2019, likely driven more by local demand.

Greater Palm Springs total visitor spending

Amounts in billions of nominal dollars



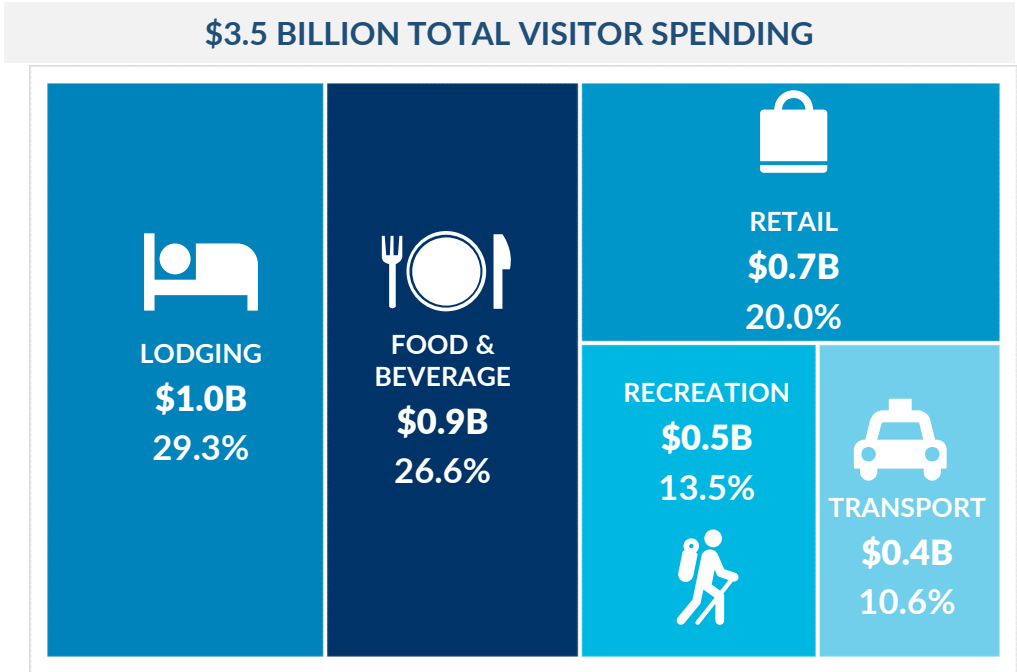
Source: Tourism Economics

VISITATION AND SPENDING

Total visitor spending count

Visitors to Greater Palm Springs region spent \$3.6 billion across a range of sectors.

Visitors spent \$1.0 billion on lodging, \$0.9 billion on food and beverages, and \$0.7 billion on retail shopping in 2020.



Note: Lodging spending is calculated as an industry, including meetings, catering, etc. Transport includes both air and local transportation.

Source: Tourism Economics

VISITATION AND SPENDING

Total visitor spending trends

Visitor spending fell to \$3.6 billion in 2020.

Visitor spending decreased 39.7% in 2020, driven by primarily by lower visitor volume, but also by lower prices in lodging, retail, and transportation.

Visitor Spending in Greater Palm Springs region

Amounts in billions of nominal dollars and growth rates

	2016	2017	2018	2019	2020	2020 Growth	CAGR 2016-2020
Total visitor spending	\$5.299	\$5.471	\$5.732	\$5.892	\$3.555	-39.7%	-9.5%
Lodging	\$1.523	\$1.566	\$1.683	\$1.735	\$1.040	-40.1%	-9.1%
Food & beverages	\$1.272	\$1.339	\$1.393	\$1.450	\$0.944	-34.9%	-7.2%
Retail	\$1.134	\$1.169	\$1.209	\$1.220	\$0.711	-41.7%	-11.0%
Recreation	\$0.781	\$0.794	\$0.818	\$0.842	\$0.481	-42.8%	-11.4%
Transportation*	\$0.589	\$0.603	\$0.629	\$0.645	\$0.378	-41.3%	-10.5%

* Transportation includes both ground and air transportation

Source: Tourism Economics

VISITATION AND SPENDING

Visitor segmentation

Of the visitors that came to Greater Palm Springs in 2020, most (58%) came for the day, while 42% stayed overnight.

International visitors accounted for an estimated 1% of visitor volume. This share is down from 3 percentage points from 2019. International visitors tend to stay longer and spend more than domestic visitors, but international visitation was severely curtailed in 2020.

Greater Palm Springs region visitation by segment

Amounts in millions of visitors and percent of total

	Visitors of total	
Stay	8.6	
Day	5.0	58%
Overnight	3.6	42%
Market	8.6	
Domestic	8.5	99%
International	0.1	1%

Sources: D.K. Shifflet, NTTO, Tourism Economics

ECONOMIC IMPACT: TOTAL TOURISM



ECONOMIC IMPACTS

How visitor spending generates employment and income

Our analysis of tourism's impact on Greater Palm Springs begins with actual spending by visitors, but also considers the downstream effects of this injection of spending into the local economy. To determine the total economic impact of tourism in Greater Palm Springs, we input visitor spending into a model of the Greater Palm Springs regional economy created in IMPLAN. The model calculates three distinct types of impact: direct, indirect, and induced.

The impacts on business sales, jobs, wages, and taxes are calculated for all three levels of impact.

- 1. Direct Impacts:** Visitors create direct economic value within a discrete group of sectors (e.g. recreation, transportation). This supports a relative proportion of jobs, wages, taxes, and GDP within each sector.
- 2. Indirect Impacts:** Each directly affected sector also purchases goods and services as inputs (e.g. food wholesalers, utilities) into production. These impacts are called indirect impacts.
- 3. Induced Impacts:** Lastly, the induced impact is generated when employees whose wages are generated wither directly or indirectly by visitors, spend those wages in the local economy.

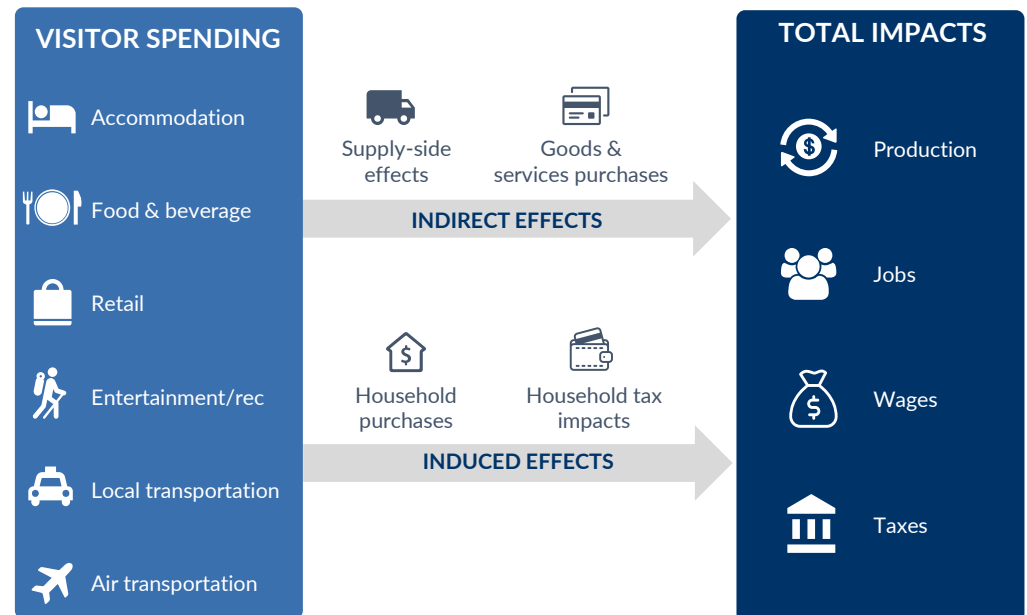
ECONOMIC IMPACTS

How visitor spending generates employment and income

Economic impact flowchart

IMPLAN is particularly effective because it calculates these three levels of impact – direct, indirect, and induced – for a broad set of indicators. These include the following:

- Spending
- Wages
- Employment
- Federal Taxes
- State Taxes
- Local Taxes

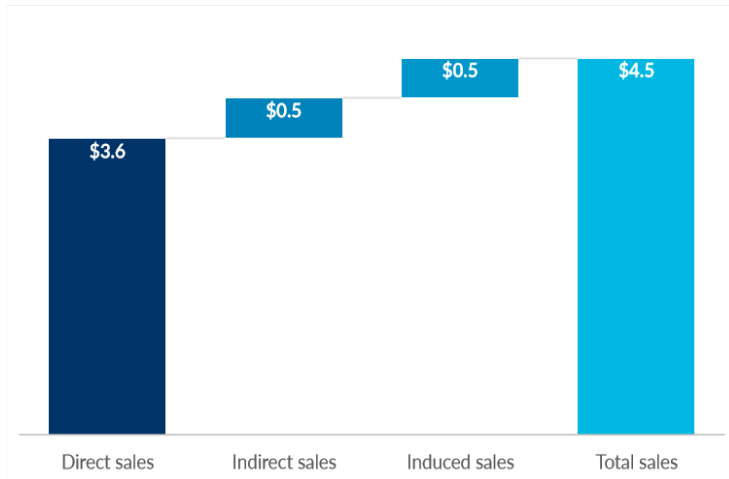


ECONOMIC IMPACTS

Business sales impacts by industry

Visitors and tourism businesses spent \$3.6 billion in the Greater Palm Springs region in 2020. This supported a total of \$4.5 billion in business sales when indirect and induced impacts are considered.

Summary economic impacts (\$ billions)



Business sales impacts by industry

Amounts in millions of current dollars	Direct sales	Indirect sales	Induced sales	Total sales	2019-20 % ch
Total, all industries	\$3,555.2	\$489.4	\$477.7	\$4,522.3	-40.0%
By industry					
Food & beverage	\$944.2	\$23.2	\$41.5	\$1,008.9	-35.3%
FIRE	\$535.7	\$142.1	\$148.1	\$825.9	-33.0%
Retail trade	\$711.4	\$3.7	\$51.6	\$766.7	-41.7%
Lodging	\$511.6	\$4.2	\$4.8	\$520.6	-48.8%
Recreation and entertainment	\$373.3	\$14.3	\$10.0	\$397.5	-42.7%
Gasoline stations	\$244.0	\$0.4	\$3.6	\$248.0	-41.0%
Business services	\$22.4	\$124.7	\$28.0	\$175.1	-42.2%
Personal services	\$107.9	\$20.8	\$28.5	\$157.2	-42.3%
Education and healthcare		\$0.5	\$96.4	\$96.9	-41.2%
Construction and utilities		\$60.0	\$17.2	\$77.2	-41.2%
Other transport	\$51.0	\$12.9	\$4.2	\$68.0	-41.0%
Air transport	\$53.8	\$1.6	\$2.5	\$58.0	-42.9%
Communications		\$32.8	\$8.9	\$41.7	-41.2%
Government		\$26.9	\$12.7	\$39.7	-41.1%
Wholesale trade		\$10.1	\$12.7	\$22.7	-40.9%
Manufacturing		\$8.5	\$4.8	\$13.3	-41.0%
Agriculture, fishing, mining		\$2.7	\$2.0	\$4.7	-41.2%

Source: Tourism Economics

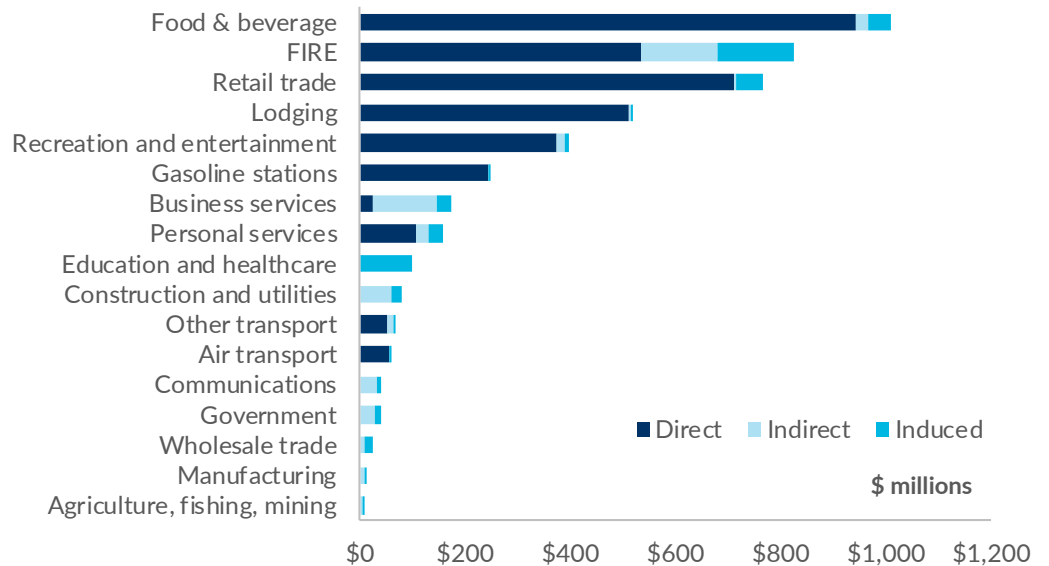
ECONOMIC IMPACTS

Business sales impacts by industry

While the majority of sales are in industries directly serving visitors, about \$270 million in business sales were in finance, insurance and real estate as a result of selling to tourism businesses.

Total indirect and induced benefits sum to nearly \$1.0 billion in business sales.

Business sales impacts by industry



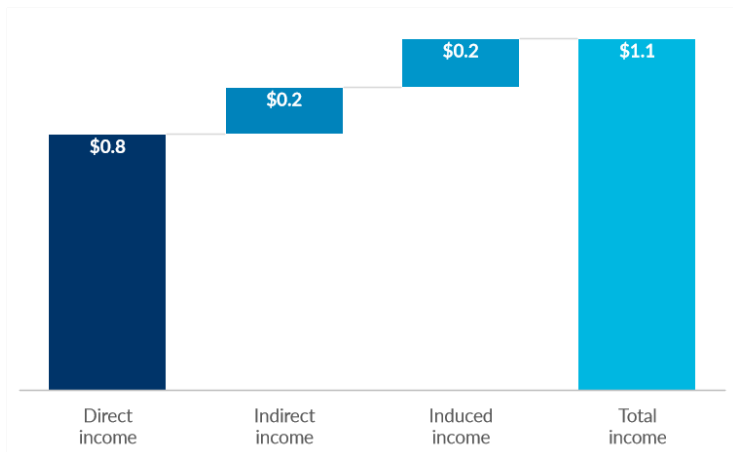
Source: Tourism Economics

ECONOMIC IMPACTS

Personal income impacts by industry

Tourism generated \$830 million in direct income and \$1.1 billion when indirect and induced impacts are considered.

Summary personal income impacts (\$ billions)



Personal income impacts by industry

Amounts in millions of current dollars	Direct income	Indirect income	Induced income	Total income	2019-20 % ch
Total, all industries	\$830.5	\$153.6	\$158.2	\$1,142.4	-36.9%
By industry					
Food & beverage	\$299.6	\$8.2	\$16.3	\$324.1	-33.4%
Lodging	\$154.6	\$1.2	\$1.5	\$157.2	-37.5%
Retail trade	\$112.3	\$1.7	\$22.9	\$136.8	-37.6%
Recreation and entertainment	\$128.4	\$5.0	\$3.2	\$136.6	-37.4%
Personal services	\$58.7	\$11.7	\$14.3	\$84.8	-37.4%
Business services	\$9.2	\$51.8	\$12.2	\$73.2	-40.1%
Education and healthcare	\$0.0	\$0.2	\$55.3	\$55.5	-40.7%
FIRE		\$20.7	\$11.1	\$55.5	-36.0%
Other transport	\$20.7	\$6.6	\$2.1	\$29.4	-37.0%
Government		\$15.5	\$5.4	\$20.9	-40.6%
Construction and utilities		\$16.6	\$4.2	\$20.9	-40.7%
Gasoline stations	\$13.3	\$0.1	\$1.2	\$14.6	-37.0%
Air transport	\$10.0	\$0.4	\$0.6	\$11.0	-42.2%
Wholesale trade		\$4.1	\$5.0	\$9.1	-41.1%
Communications		\$7.1	\$1.5	\$8.5	-41.4%
Manufacturing		\$2.3	\$1.0	\$3.3	-40.1%
Agriculture, fishing, mining		\$0.6	\$0.5	\$1.1	-43.0%

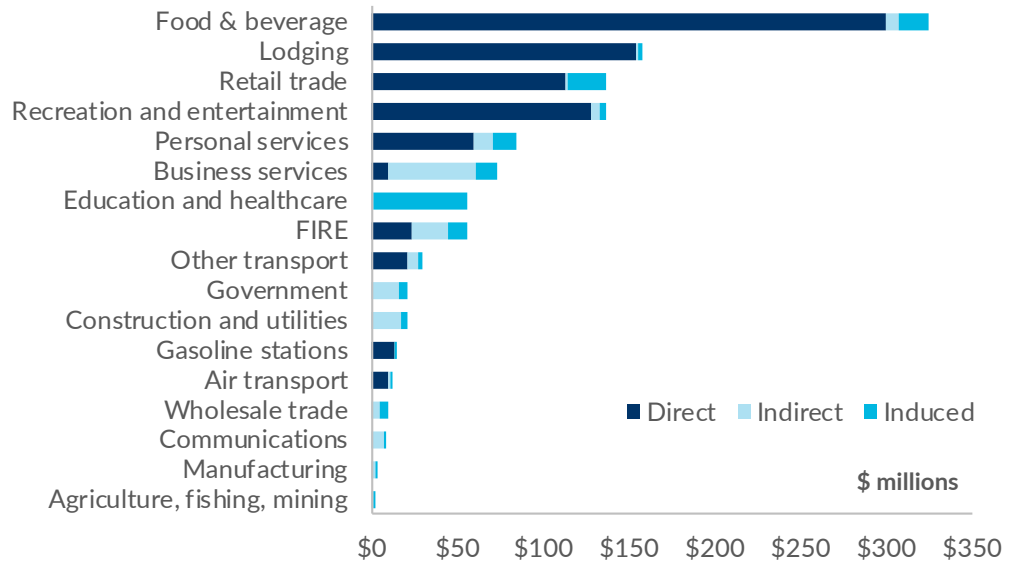
Source: Tourism Economics

ECONOMIC IMPACTS

Personal income impacts by industry

Most of the personal income impacts are the direct result of visitor spending, compared to other impact results.

Personal income impacts by industry



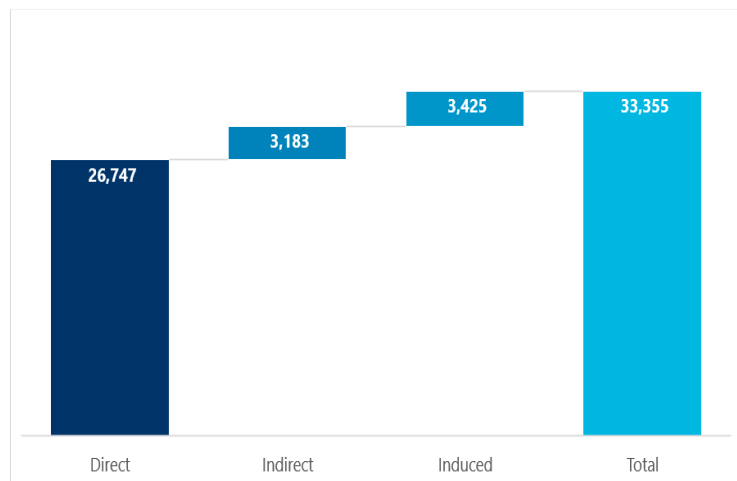
Source: Tourism Economics

ECONOMIC IMPACTS

Employment impacts by industry

Tourism supported a total of 33,377 jobs when indirect and induced impacts are considered.

Summary employment impacts (number of jobs)



Employment impacts by industry

Amounts in number of jobs	Direct jobs	Indirect jobs	Induced jobs	Total jobs	2019-20 % ch
Total, all industries	26,755	3,190	3,432	33,377	-37.7%
By industry					
Food & beverage	11,563	324	566	12,453	-34.7%
Recreation and entertainment	4,480	188	123	4,791	-38.7%
Retail trade	3,607	41	584	4,232	-38.7%
Lodging	4,139	31	39	4,209	-39.6%
FIRE	995	563	366	1,924	-37.2%
Personal services	1,159	191	349	1,699	-39.0%
Business services	148	1,166	269	1,583	-42.2%
Education and healthcare	-	8	860	868	-42.7%
Other transport	250	102	35	387	-39.5%
Gasoline stations	236	2	21	259	-38.2%
Construction and utilities	-	173	40	213	-42.7%
Government	-	143	52	195	-42.6%
Air transport	179	6	9	194	-37.6%
Communications	-	147	32	179	-42.8%
Wholesale trade	-	50	62	112	-42.3%
Manufacturing	-	40	15	55	-42.1%
Agriculture, fishing, mining	-	15	10	25	-44.4%

Source: Tourism Economics

ECONOMIC IMPACTS

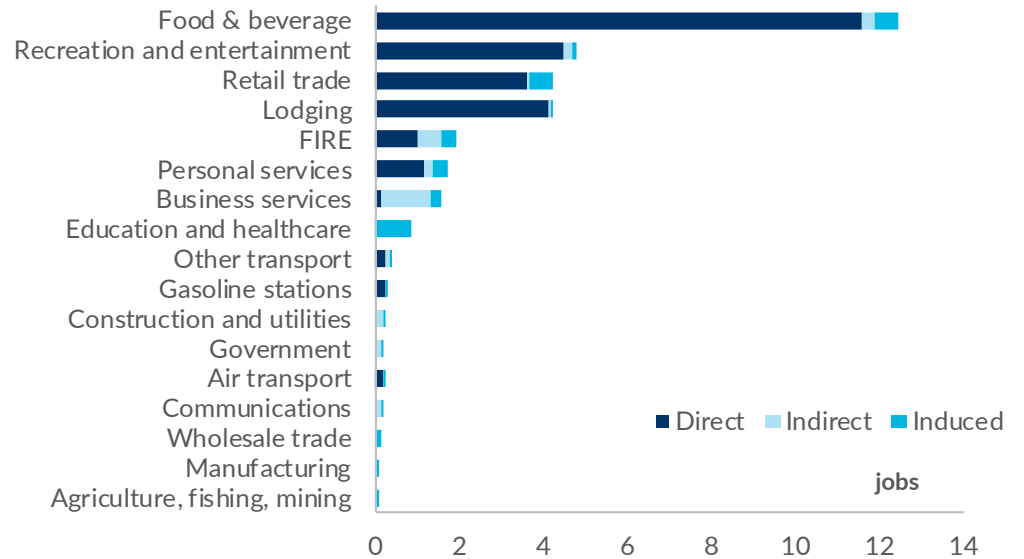
Employment impacts by industry

As a labor-intensive collection of services, tourism-related sectors represent significant employment to Greater Palm Springs.

The more than 33,000 jobs supported by Greater Palm Springs region tourism span every sector of the economy, either directly or indirectly.

The most significant indirect impacts come in business services, education and healthcare, and FIRE.

Employment impacts by industry



Source: Tourism Economics

DIRECT TOURISM INDUSTRY

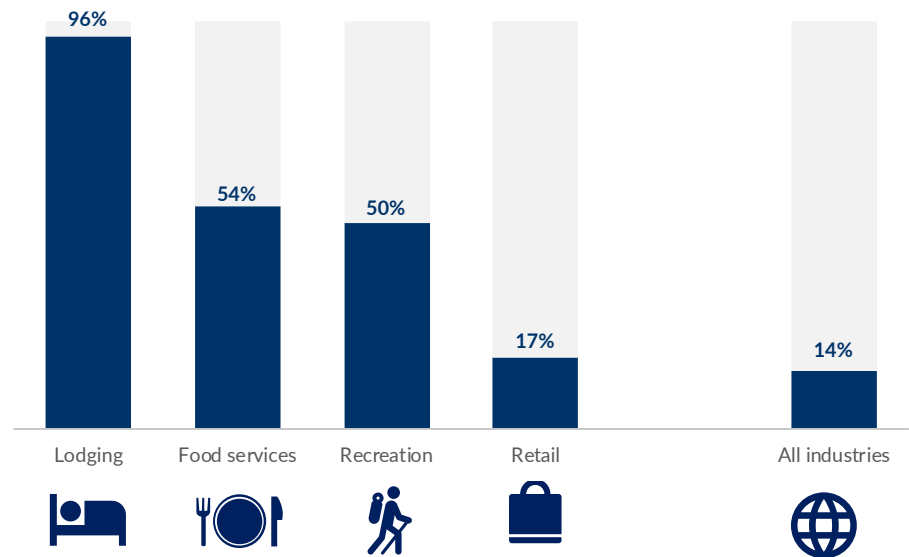
Tourism employment

Despite the challenges of 2020, tourism employment is a significant part of several industries

Tourism supports significant shares of several industries – nearly all of lodging, 54% of food and beverage employment, 50% of recreation, and 17% of retail employment.

Tourism employment intensity

Amounts in percentage of total industry employment



Source: Tourism Economics

DIRECT TOURISM INDUSTRY

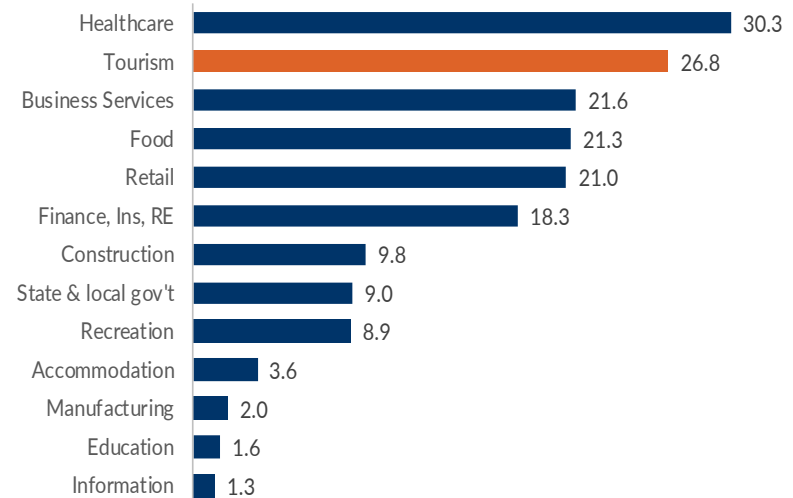
Tourism employment

In 2020, despite the impacts of the COVID-19 pandemic, tourism was still the second largest employer in Greater Palm Springs region, among major industries.

Tourism jobs span across sectors and include many small businesses and independent proprietors. Total *direct* employment from tourism in 2020, when taken as a group, amounted to nearly 27,000 jobs.

Employment in Greater Palm Springs region, by major industry

Amounts in thousands of jobs



Sources: BEA, BLS, Tourism Economics

ECONOMIC IMPACTS

Fiscal (tax)

Total tourism-generated tax revenues amounted to nearly \$744 million, 38.2% lower than in 2019.

State and local tax revenues totaled \$427.9 million in 2020, 37.7% less than a year earlier.

Fiscal (tax) impacts

Amounts in millions of nominal dollars

	2019	2020	2020 growth
Total tax revenues	\$1,204.9	\$744.4	-38.2%
Federal	\$517.8	\$316.5	-38.9%
Personal income	\$132.0	\$81.0	-38.6%
Corporate	\$85.7	\$46.9	-45.3%
Indirect business	\$64.6	\$38.8	-40.0%
Social insurance	\$235.4	\$149.7	-36.4%
State and Local	\$687.0	\$427.9	-37.7%
Sales	\$262.7	\$166.7	-36.5%
Bed tax	\$85.1	\$44.2	-48.0%
Personal income	\$51.7	\$33.8	-34.7%
Corporate	\$23.5	\$14.1	-40.0%
Social insurance	\$14.4	\$10.2	-28.9%
Excise and fees	\$71.3	\$47.3	-33.6%
Property	\$178.4	\$111.6	-37.5%

Source: Tourism Economics

ECONOMIC IMPACTS IN CONTEXT

Spending, jobs, and income impacts in context



**\$3.6
BILLION**

VISITOR SPENDING

The \$3.5 billion in visitor spending corresponds to \$9.7 million per day in visitor spending, on average, 39.7% lower than in 2019.



**\$1.1
BILLION**

PERSONAL INCOME

The \$1.1 billion in total income generated by tourism is the equivalent of \$7,416 for every household in the Greater Palm Springs region.



**33,355
JOBS**

EMPLOYMENT

The number of total jobs sustained by tourism accounts for 17% of jobs in Greater Palm Springs.



**\$428
MILLION**

STATE AND LOCAL TAXES

The \$428 million in state and local taxes generated by tourism would cover the average salaries for 4,000 firemen or 7,900 teachers in the Greater Palm Springs region.

Sources: BLS, BEA, US Census, Tourism Economics

ABOUT TOURISM ECONOMICS

Tourism Economics is an Oxford Economics company with a singular objective: combine an understanding of the travel sector with proven economic tools to answer the most important questions facing our clients. More than 500 companies, associations, and destination work with Tourism Economics every year as a research partner. We bring decades of experience to every engagement to help our clients make better marketing, investment, and policy decisions. Our team of highly-specialized economists deliver:

- Global travel data-sets with the broadest set of country, city, and state coverage available
- Travel forecasts that are directly linked to the economic and demographic outlook for origins and destinations
- Economic impact analysis that highlights the value of visitors, events, developments, and industry segments
- Policy analysis that informs critical funding, taxation, and travel facilitation decisions
- Market assessments that define market allocation and investment decisions

Tourism Economics operates out of regional headquarters in Philadelphia and Oxford, with offices in Belfast, Buenos Aires, Dubai, Frankfurt, and Ontario.

Oxford Economics is one of the world's foremost independent global advisory firms, providing reports, forecasts and analytical tools on 200 countries, 100 industrial sectors and over 3,000 cities. Our best-of-class global economic and industry models and analytical tools give us an unparalleled ability to forecast external market trends and assess their economic, social and business impact. Headquartered in Oxford, England, with regional centers in London, New York, and Singapore, Oxford Economics has offices across the globe in Belfast, Chicago, Dubai, Miami, Milan, Paris, Philadelphia, San Francisco, and Washington DC, we employ over 250 full-time staff, including 150 professional economists, industry experts and business editors—one of the largest teams of macroeconomists and thought leadership specialists.

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