



# 2018

## REPORT ON THE ECONOMIC IMPACT OF TOURISM

---

*Raleigh, North Carolina*







BRIAN STRICKLAND



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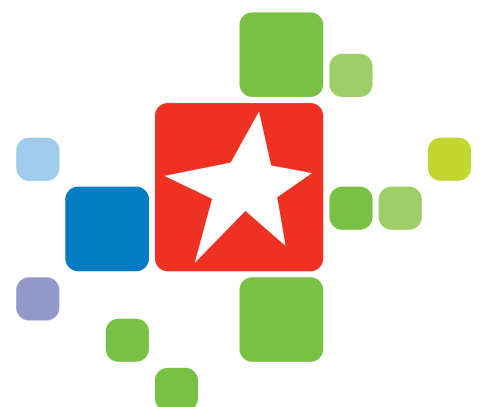
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# Overview

To gain insight into the overall economic impact of tourism in Raleigh, N.C., the CVB contracted with Tourism Economics – An Oxford Economics Company to undergo an in-depth analysis of visitor spending and its impact on Wake County.

*This study measures the economic impact of tourism in the Raleigh, N.C., area, defined as Wake County.*

*Visitors included those who stayed in overnight accommodations or travelers who came from a distance greater than 50 miles.*

*The impact of tourism includes direct spending, the indirect (supply-chain) effects, and induced (income) effects.*

*Impacts were measured in terms of employment, income, business sales, and tax revenues.*





## Headline Results







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## Headline Results

Tourism is an integral part of the Raleigh area economy, and the industry is making significant contributions to economic growth, generating business sales, employment, and tax revenues.

Visitors to Raleigh spent **\$2.7 billion** in 2018, which generated more than **\$4.2 billion** in total business sales, including indirect and induced impacts.

Tourism in Raleigh generated **\$522 million** in tax revenues in 2018, including **\$268 million** in state and local revenues.

Including direct, indirect, and induced impacts, **37,844 jobs** were sustained by visitors to Raleigh in 2018 with total income of **\$1.3 billion**.

Approximately **5.0% (1 in 20)** of all jobs in Wake County were sustained by tourism.

An estimated **29%** of tourism-supported jobs were in the food and beverage industry, **22%** in recreation, **12%** in lodging, and **11%** in retail, shares that are consistent with a year ago.



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# Key Trends





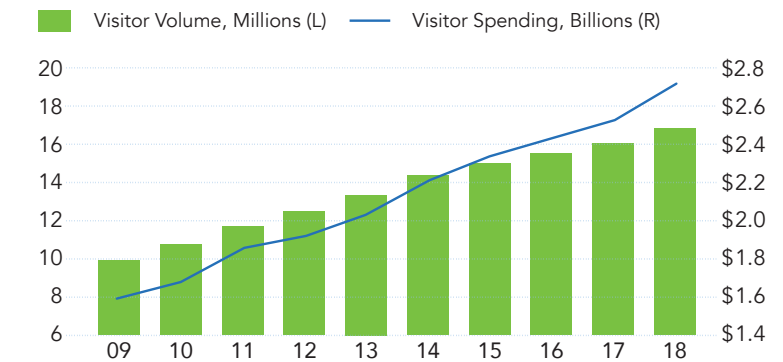
# Key Trends



Visitor volume and spending to the Raleigh area expanded in 2018, driven by continued job and income growth in the broader North Carolina and regional economy.

An estimated **16.8 million** visitors (including day and overnight) spent a total of **\$2.7 billion** in 2018, increases of **4.8%** and **7.2%**, respectively from 2017.

## Visitor Volume and Spending Wake County

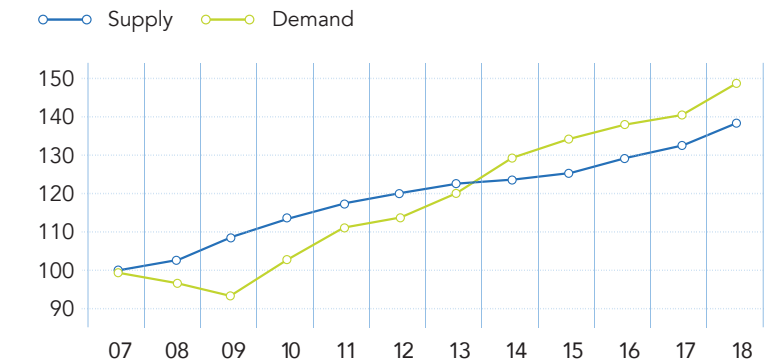


Sources: DKS, Tourism Economics

Room demand growth in Raleigh has outpaced supply in recent years.

In 2018, room demand expanded **6.1%** compared with a **4.3%** increase in supply.

## Lodging Demand Continues to Outpace Supply Wake County room supply and demand, index 2007 = 100



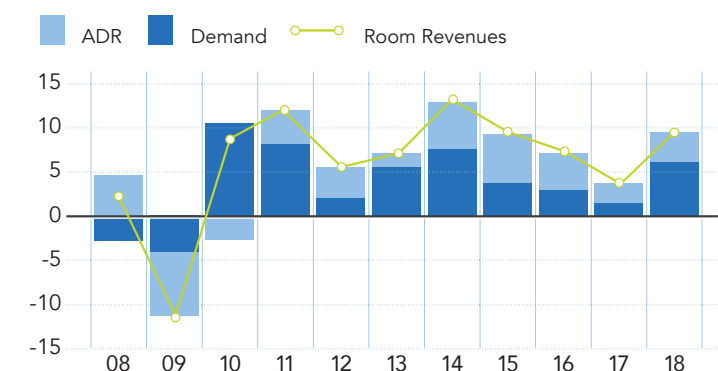
Sources: STR, Tourism Economics

Occupancy ticked up to **70.3%** from **69.1%** a year earlier, and the average daily rate rose **3.4%** to **\$106.55**.

Overall room revenue growth jumped **9.7%**, driven more by room demand than higher prices.

## Demand Drove Revenues in 2018

Wake County, contribution to growth, % change from year ago



Sources: STR, Tourism Economics



# Key Trends



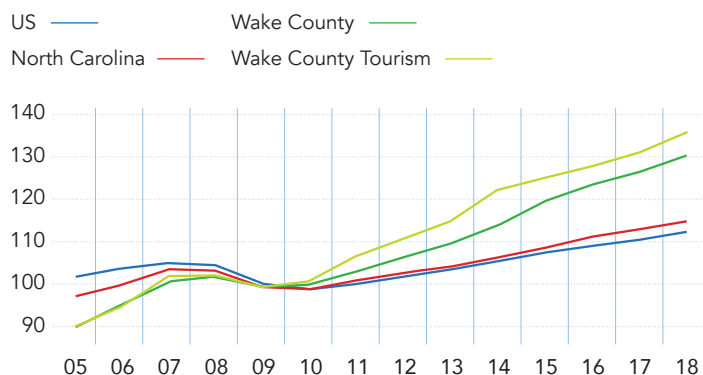
Employment growth in Wake County continues to outpace that of the state and nation.

Within the county, tourism employment is expanding faster than overall job growth. Tourism employment is **36.3%** higher than in 2009, versus **30.8%** for the county overall.

Tourism has added more than **800** jobs per year since 2009, average annual growth of **3.5%**.

## Tourism Jobs Outpace the Broader Economy

Employment indexes, 2009 = 100



Sources: BEA, BLS, Tourism Economics



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# Visitors & Spending

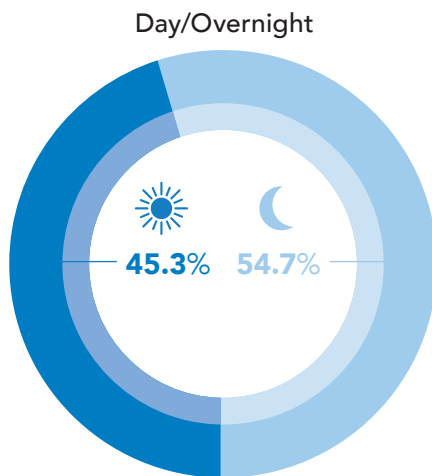






Raleigh hosted a total of **16.8 million visitors** in 2018.

## Visitor Characteristics



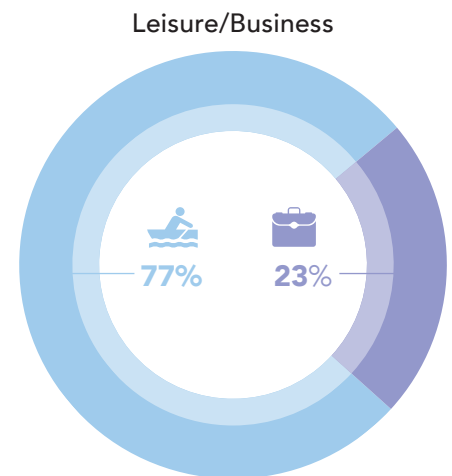
**45.3%**

**Day vs. Overnight**



**99.3%**

**Domestic vs. International**



**77%**

**Leisure vs. Business**

Sources: DKS, Tourism Economics  
Note: Day/Overnight and Business/Leisure segments are domestic only



**\$85**

Average per visitor per day, level with the average daily spending in 2017.



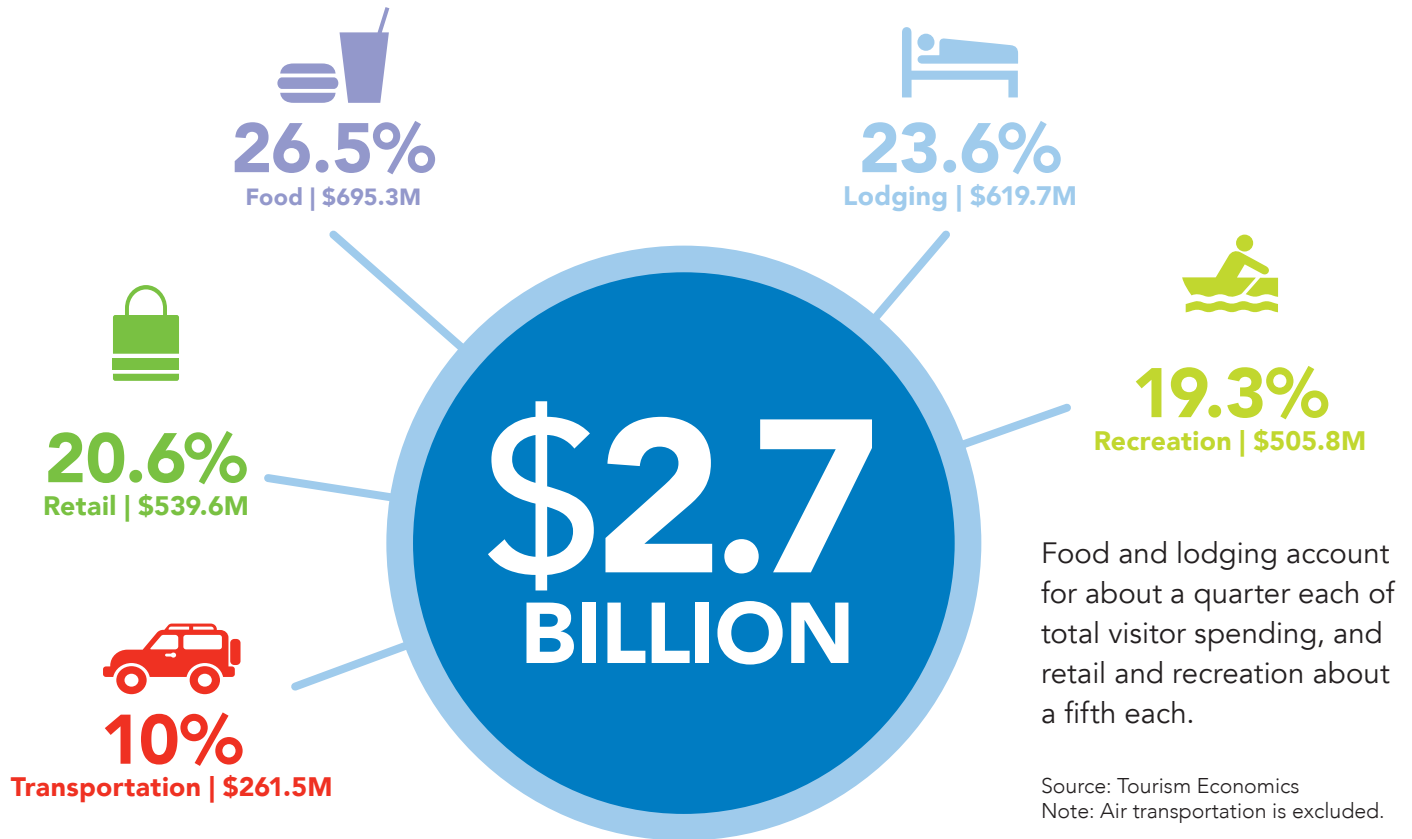
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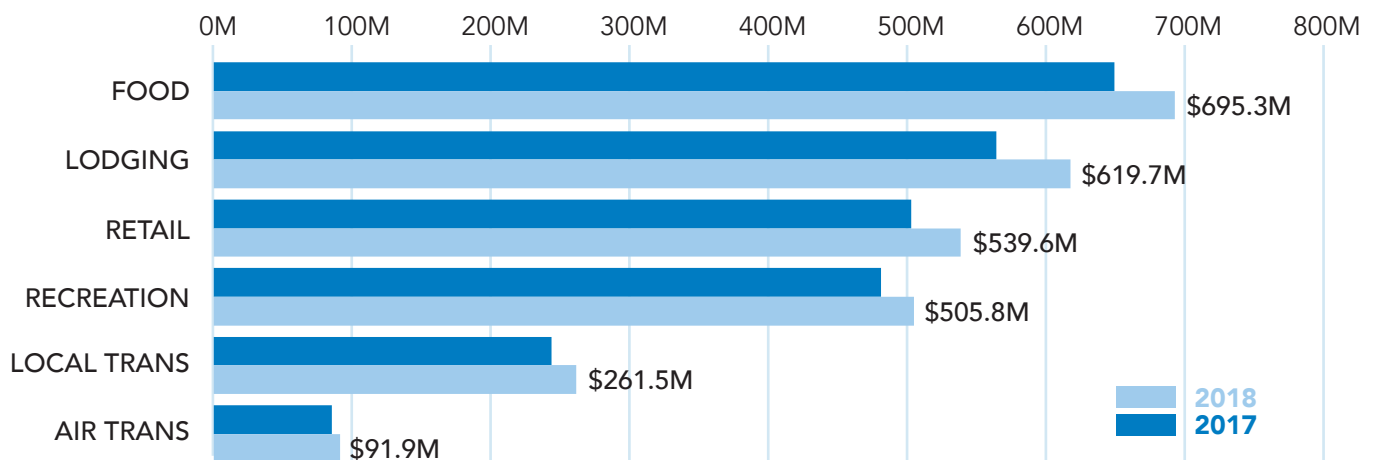
# Composition of Tourism Spending



Food and beverage accounted for most visitor spending with **\$695.3 million**, followed by lodging at **\$619.7 million**, **\$539.6 million** in retail spending, and **\$505.8 million** in recreation spending in 2018.



## Visitor Spending by Category



Source: Tourism Economics



# Fuel Prices Rose in 2018



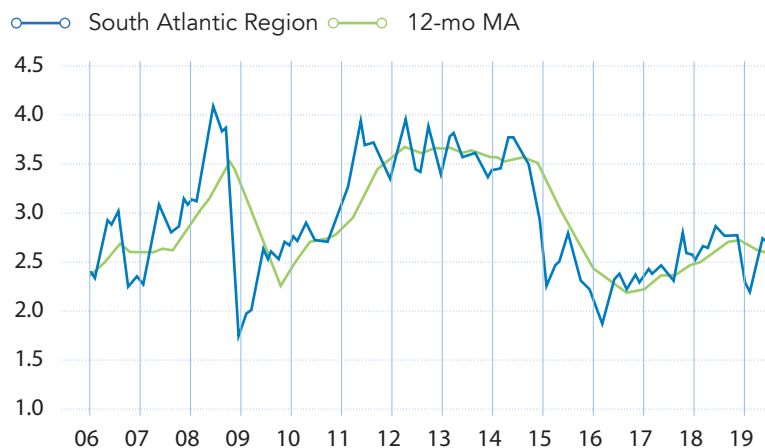
Higher oil prices pushed up regional fuel prices nearly **9%** in 2018.

Gas prices are still at relatively low levels, and boost consumer confidence and encourage more visitor spending that otherwise might not occur.

Oxford Economics forecasts oil prices to remain **under \$65** per barrel by 2022, implying an average price in Raleigh **under \$2.75** per gallon over the next two years.

## Fuel Prices Remain Low After a Long Fall

South Atlantic Region average gasoline price, dollars per gallon



Source: Energy Information Administration





# Visitor Spending Trends



Visitor spending increased **7.2%** in 2018, with lodging, food and beverage, and retail leading growth.

Lodging spending grew **9.7%** driven primarily by rising room demand.

Visitor Spending By Category							
(US\$ Million)							
	2013	2014	2015	2016	2017	2018	2017-18 % change
Food and Beverage	493.2	543.9	587.5	617.1	650.2	695.3	6.9%
Retail	434.5	467.2	481.6	493.9	504.7	539.6	6.9%
Lodging	410.4	464.0	509.0	546.8	565.1	619.7	9.7%
Transportation (local)	237.0	244.2	238.7	234.3	244.4	261.5	7.0%
Recreation	390.5	421.1	441.5	462.9	482.5	505.8	4.8%
Air	66.8	73.3	76.6	79.0	85.0	91.9	8.2%
<b>Total</b>	<b>2,032.3</b>	<b>2,213.7</b>	<b>2,335.0</b>	<b>2,434.0</b>	<b>2,531.9</b>	<b>2,713.9</b>	<b>7.2%</b>
% change	5.8%	8.9%	5.5%	4.2%	4.0%	7.2%	



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# *Economic Impacts*





# How Visitor Spending Generates Impact



## Direct


Travelers 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.

## Indirect

Each directly affected sector also purchases goods and services as inputs (e.g., food wholesalers, utilities) into production. These impacts are called indirect impacts.

## Induced

Lastly, the induced impact is generated when employees whose incomes are generated either directly or indirectly by tourism spend those incomes in the Wake County economy.

 Visitor Spending		
SECTOR	IMPACT	EFFECT
Transportation	DIRECT INDIRECT INDUCED	Production
Entertainment		Jobs
Recreation		Wages
Retail		Taxes
Food & Beverage		
Accommodations		



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Including indirect and induced business sales, tourism generated more than **\$4.2 billion** in revenue in 2018.

Tourism Sales				
(US\$ Million)				
	Direct	Indirect	Induced	Total
Agriculture, Fishing, Mining	–	4.0	1.6	5.6
Construction and Utilities	–	75.0	26.3	101.3
Manufacturing	–	15.3	7.1	22.3
Wholesale Trade	–	17.6	34.3	52.0
Air Transportation	91.9	3.7	6.2	101.8
Other Transportation	98.4	21.5	8.8	128.8
Retail Trade	539.6	5.3	64.7	609.6
Gasoline Stations	120.9	0.3	4.7	125.8
Communications	–	65.8	34.6	100.4
Finance, Insurance and Real Estate	42.2	197.8	264.5	504.4
Business Services	–	236.0	62.0	298.1
Education and Health Care	–	2.1	139.1	141.2
Recreation and Entertainment	455.2	28.1	10.2	493.5
Lodging	619.7	0.5	0.3	620.6
Food & Beverage	695.3	37.5	54.7	787.6
Personal Services	50.6	24.5	30.9	106.0
Government	–	26.3	10.0	36.3
<b>Total</b>	<b>2,713.9</b>	<b>761.3</b>	<b>760.1</b>	<b>4,235.3</b>

Note: Direct sales include cost of goods sold for retail sectors

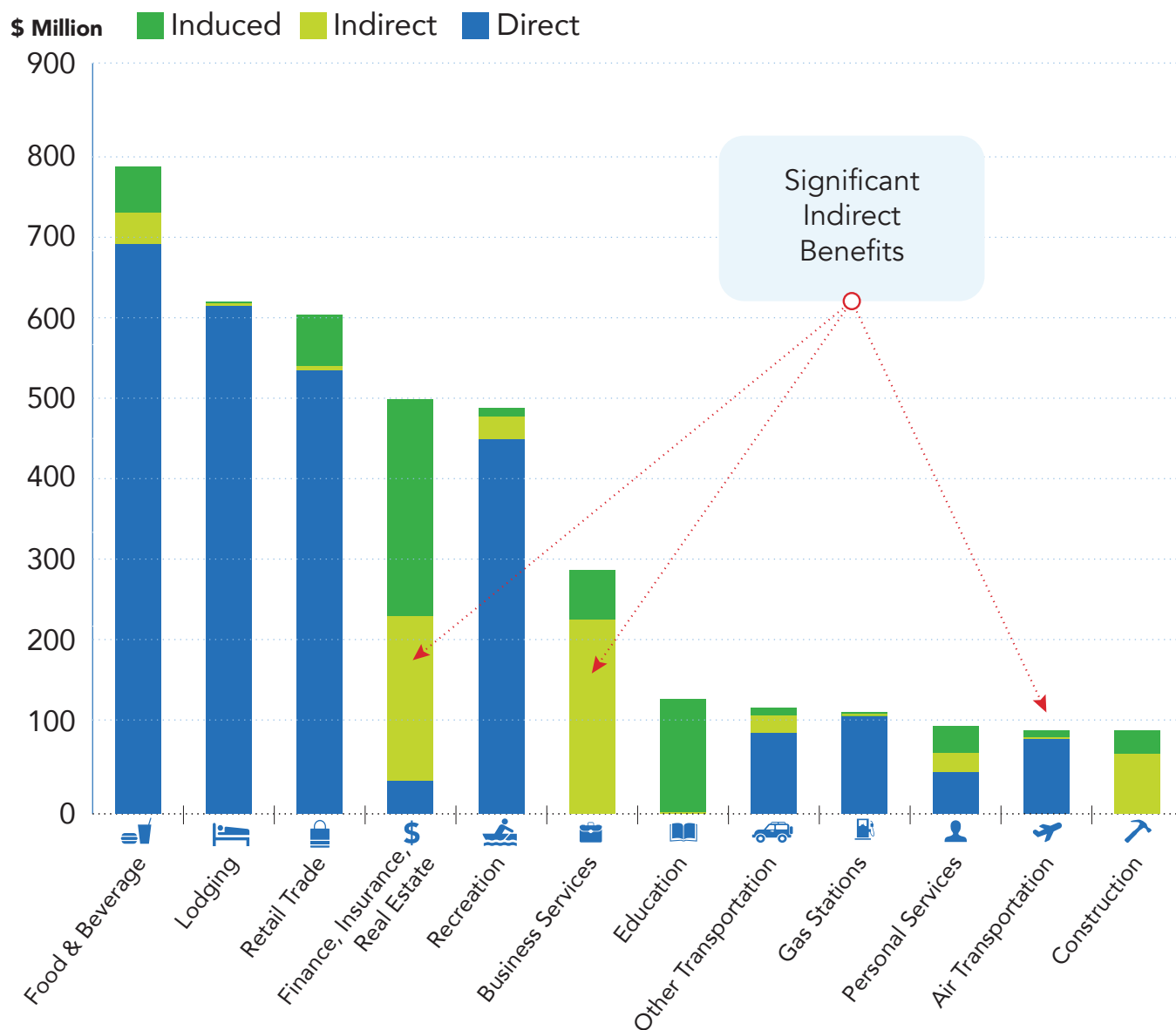


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## Tourism Sales by Industry



Note: Direct sales include retail cost of goods sold



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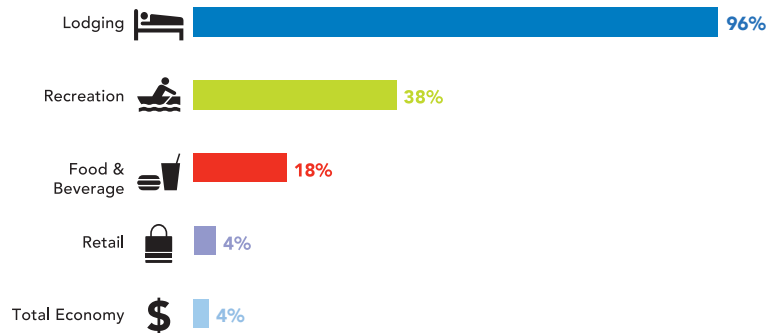
# Tourism Share of Key Industry Employment



Tourism is a significant part of several industries – tourism directly supports nearly all of lodging employment, **38%** of recreation, and **18%** of food and beverage employment.

## Tourism Employment Intensity by Industry

Direct only



Source: Tourism Economics

## Tourism Employment Details

The tourism industry supported **37,844** jobs or **5.0%** of employment (1-in-20 jobs) in the Raleigh area in 2018, including indirect and induced impacts.

Tourism Employment				
	Direct	Indirect	Induced	Total
Agriculture, Fishing, Mining	–	15	7	21
Construction and Utilities	–	255	74	329
Manufacturing	–	53	16	69
Wholesale Trade	–	90	174	264
Air Transportation	284	11	19	315
Other Transportation	900	158	66	1,123
Retail Trade	3,160	71	855	4,087
Gasoline Stations	151	2	40	193
Communications	–	189	82	271
Finance, Insurance and Real Estate	215	978	763	1,956
Business Services	–	2,029	548	2,577
Education and Health Care	–	28	1,237	1,265
Recreation and Entertainment	7,580	457	166	8,203
Lodging	4,638	4	3	4,645
Food & Beverage	9,497	585	882	10,965
Personal Services	675	279	371	1,325
Government	–	181	56	236
<b>Total</b>	<b>27,101</b>	<b>5,384</b>	<b>5,359</b>	<b>37,844</b>



# Tourism Employment Summary

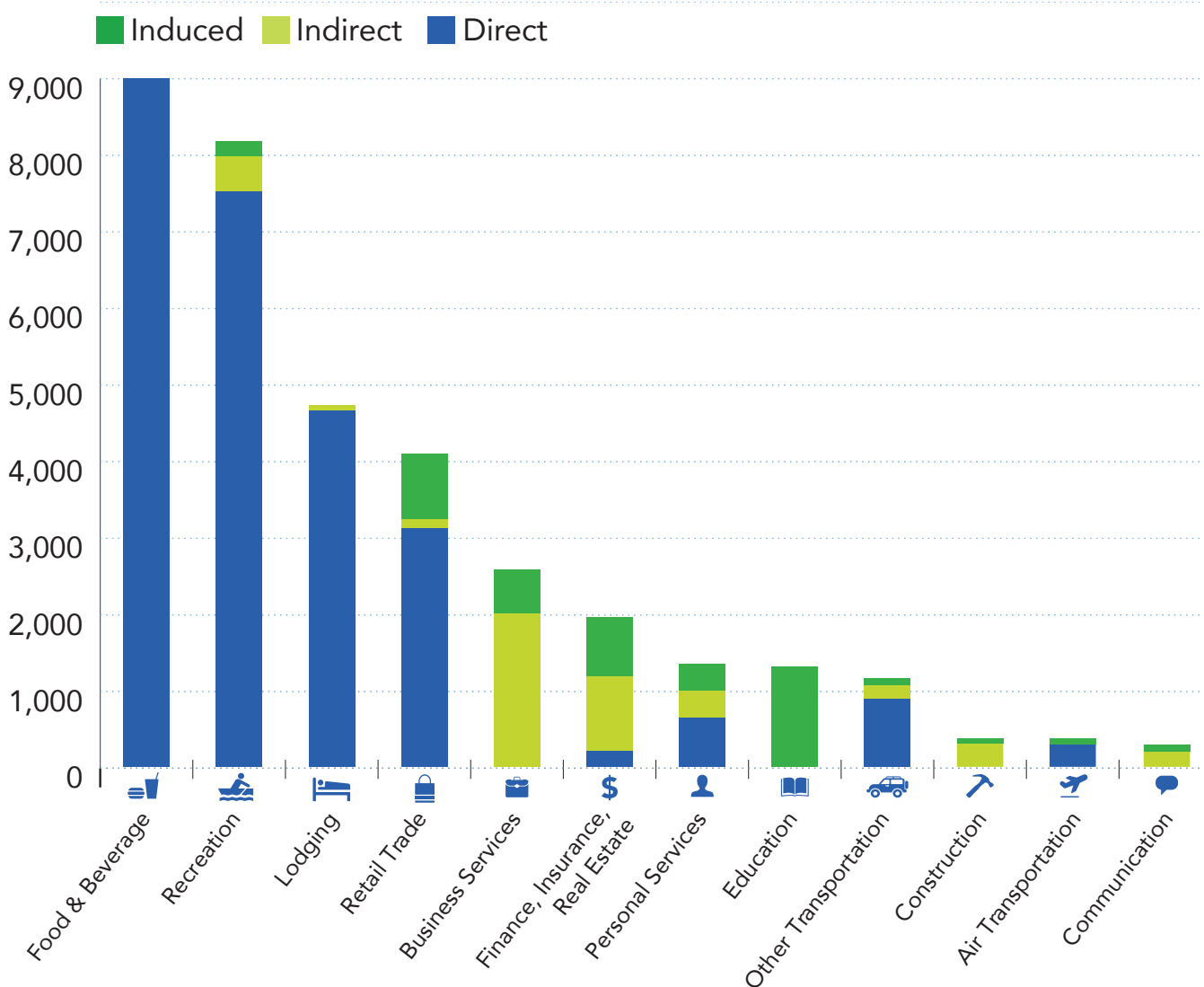


As a labor-intensive collection of services, tourism-related industries are significant Raleigh area employers.

The nearly **38,000** jobs supported by Raleigh area tourism span every sector of the economy, either directly or indirectly.

The most significant indirect impacts are in business services and finance, insurance and real estate.

## Tourism Employment by Industry



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# Tourism Personal Income



Employees in the Raleigh area earned **\$1.3 billion** as a result of visitor activity in 2018.

Tourism Labor Income (Compensation)				
(US\$ Million)				
	Direct	Indirect	Induced	Total
Agriculture, Fishing, Mining	–	0.1	0.1	0.2
Construction and Utilities	–	22.9	6.8	29.6
Manufacturing	–	4.1	1.2	5.2
Wholesale Trade	–	8.8	17.1	25.9
Air Transportation	16.2	0.6	1.1	17.9
Other Transportation	56.5	8.9	3.7	69.1
Retail Trade	95.6	2.5	30.6	128.7
Gasoline Stations	7.0	0.1	1.9	9.0
Communications	–	15.5	6.7	22.2
Finance, Insurance and Real Estate	8.9	38.3	33.6	80.8
Business Services	–	120.4	32.1	152.5
Education and Health Care	–	1.0	73.7	74.8
Recreation and Entertainment	174.2	12.5	4.0	190.7
Lodging	173.0	0.1	0.1	173.3
Food & Beverage	221.4	13.6	21.3	256.3
Personal Services	32.3	15.8	19.0	67.2
Government	–	15.7	3.7	19.4
<b>Total</b>	<b>785.2</b>	<b>280.9</b>	<b>256.7</b>	<b>1,322.7</b>



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# Tourism Tax Generation



Tourism generated **\$522 million** in taxes in 2018.

Tourism-driven state and local tax proceeds of **\$268 million** helped offset the average household tax burden by **\$700** per household.

Local taxes generated by tourism included property, sales, and lodging tax revenues and amounted to **\$136.5 million** in 2018.

Tourism-Generated Tax Revenues	
(US\$ Million)	
	Amount
<b>Federal</b>	<b>254.1</b>
Personal Income	75.8
Corporate	31.8
Indirect Business	23.4
Social Security	123.0
<b>State</b>	<b>131.1</b>
Personal Income	32.0
Corporate	3.9
Sales	71.5
Social Security	1.8
Other Taxes and Fees	21.9
<b>Local</b>	<b>136.5</b>
Sales	30.1
Lodging	27.9
Property	73.7
Other Taxes and Fees	4.8
<b>Total</b>	<b>521.7</b>

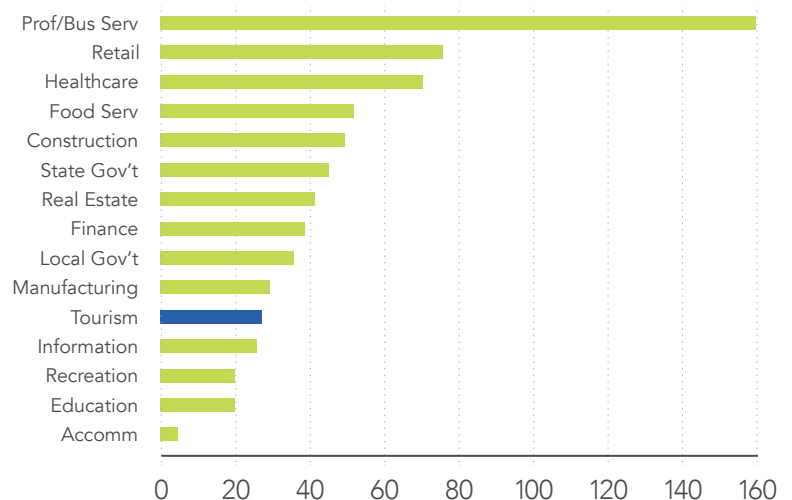
## Wake County Tourism in Context

The Raleigh area has a large and diverse economy, with research, business services, healthcare, finance, and real estate as key drivers.

Taken as an industry, with more than **27,000** direct jobs, tourism is a key employer in the Raleigh area, on par with manufacturing, and larger than information and private education.

### Wake County Jobs by Industry

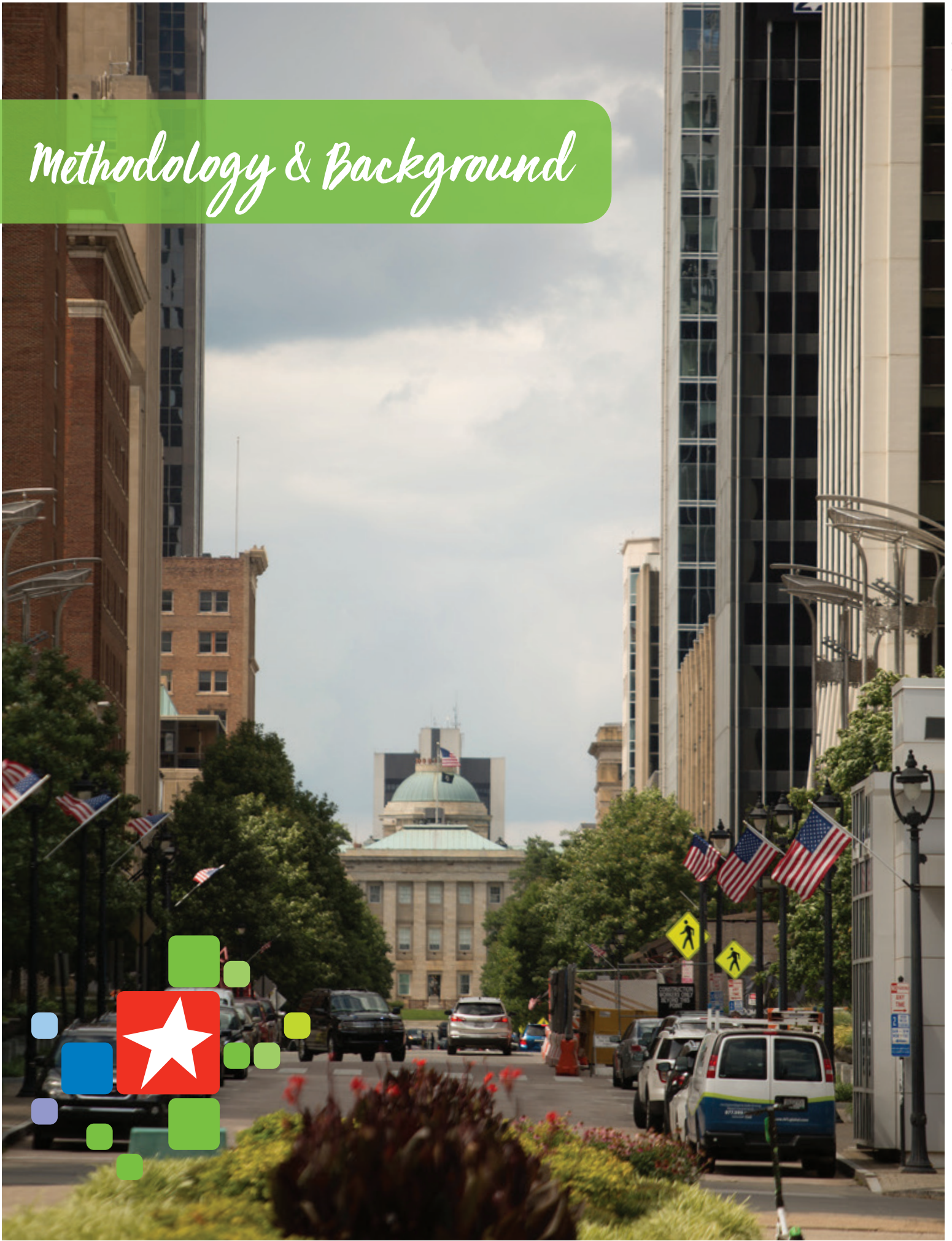
Thousands, 2018



Sources: BEA, BLS, Tourism Economics



# Methodology & Background







## 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.

The destination 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.

## Why is this a challenge?

Most economic sectors such as financial services, insurance, or construction are easily defined within a region's economic 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, museums, and theme parks.

## Methods and data sources

Estimates of visitor expenditures in Wake County were based on several sources:

*Smith Travel Research (STR) data on hotel room demand, supply and revenues.*

*County and City level tax data on sales and hotel occupancy receipts.*

*Visitor profile and volume, and spending estimates from D.K. Shifflet & Associates, a national tourism research firm.*

*Industry data on employment, wages and sales from the U.S. Census, the Bureau of Economic Analysis, and the Bureau of Labor Statistics.*

An IMPLAN input-output model was constructed for Wake 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.

The primary source of the employment and wage data is the Regional Economic Information System (REIS), Bureau of Economic Analysis. This is more comprehensive than Bureau of Labor Statistics (ES202/QCEW) data because sole-proprietors do not require unemployment insurance and are not counted in the ES202 data.

Gasoline price data were obtained from the U.S. Energy Information Administration.

All images were provided by GRCVB/visitRaleigh.com.

## Description of spending categories

### Lodging

*Includes visitor spending in the accommodation sub-sector. This includes food and other services provided by hotels and similar establishments.*

### Recreation

*Includes visitors spending within the arts, entertainment and recreation sub-sector.*

### Local Transport

*Includes visitor spending on local transport services such as taxis, limos, trains, rental cars, and buses.*

### Shopping

*Includes visitor spending in all retail sub-sectors within the Wake County economy.*

### Service Stations

*Visitor spending on gasoline. Only the margin counts as local economic impact.*

### Second Homes

*Where applicable, spending associated with the upkeep of seasonal second homes for recreational use as defined by the Census Bureau.*

### Food and Beverage

*Includes all visitor spending at restaurants and bars.*



