

ECONOMIC IMPACT OF VISITORS IN RALEIGH, N.C. 2020

Prepared for:
Greater Raleigh Convention and Visitors Bureau



WWW.TOURISMECONOMICS.COM

INTRODUCTION

The travel sector is an integral part of the Raleigh/Wake County economy. Visitors generate significant economic benefits to households, businesses, and government alike and represent a critical driver of Raleigh's future. How critical? Even in 2020, tourism supported 3.8% of all jobs in Wake County.

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 Raleigh as it continues to expand upon its visitor economy, and by establishing a baseline of economic impacts, the industry can track its progress over time.

To quantify the economic significance of the tourism sector in Raleigh/Wake County, Tourism Economics has prepared a comprehensive model 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 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.

Visitors included those who stayed in overnight accommodations or those who came from a distance greater than 50 miles and deviated from their normal routine.

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.

The analysis draws on the following data sources:

- Spending and visitor profile characteristics for visitors to Wake County based on historical DK Shifflet survey data
- Bureau of Economic Analysis and Bureau of Labor Statistics: employment and wage data, by industry
- STR: Lodging performance data, including room demand, room rates, occupancy, and room revenue
- Tax collections: Lodging and restaurant tax receipts
- Tourism Economics: international travel data for overseas, Canadian, and Mexican travel to Raleigh based on aviation, survey, and credit card information

KEY FINDINGS

KEY FINDINGS

The pandemic affected 2020 visitor activity

Shutdowns significantly cut visitation and spending, and cities bore the brunt of the impacts.

The 2020 visitor and visitor spending results have been significantly impacted by the pandemic. Business travel disappeared, and both the limitations and restrictions to mobility, as well as economic disruptions, hit travel hard.

But travel did happen in 2020 – it was just a lot different than previous years. Travel leaned towards day trips. With travel limited, overnight visitors stayed longer when they did travel. Travel party sizes grew as more families traveled together while solo business travel declined.

While declines in 2020 were significant, the number of trips and associated spending that occurred in Raleigh during the year was still noteworthy.



Pandemic Affects Results

Visitation and visitor spending declined 29% and 43%, respectively; however, visitors to Raleigh/Wake County still spent \$1.7 billion in 2020, which generated \$2.8 billion in total business sales, including indirect and induced impacts.



Employment Supporter

A total of 25,550 jobs were sustained by visitors to Raleigh in 2020. This included 17,433 direct and 8,117 indirect and induced jobs.



Fiscal Contributions

Tourism in Raleigh/Wake County generated \$369 million in tax revenues in 2020, with \$186 million accruing to state and local governments.

VISITOR ECONOMY TRENDS

VISITOR SPENDING TRENDS

Visitor spending

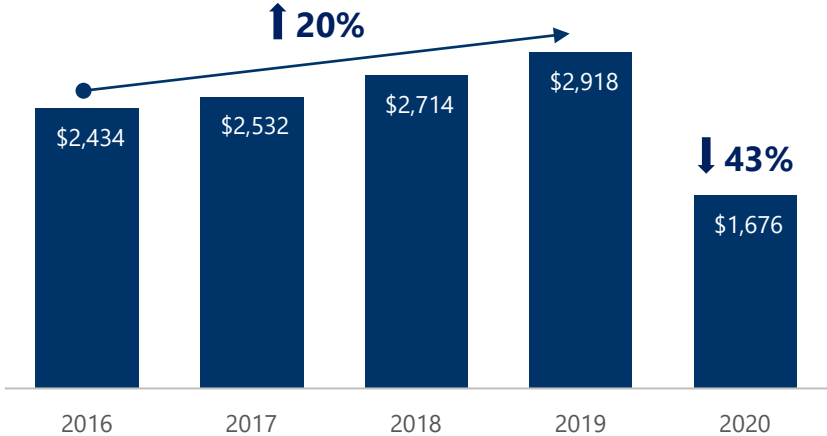
Visitor spending faced a steep drop after years of steady growth.

Visitor spending in Raleigh declined 43% in 2020, falling to \$1.7 billion.

The pandemic and its various travel restrictions and changes in traveler behavior cut \$1.2 billion from 2019 visitor spending levels.

Prices in key traveler sectors – gasoline and lodging – fell, exacerbating the decline in spending.

Raleigh Total Visitor Spending
Amounts in millions of nominal dollars



Source: Tourism Economics

SPENDING DETAILS

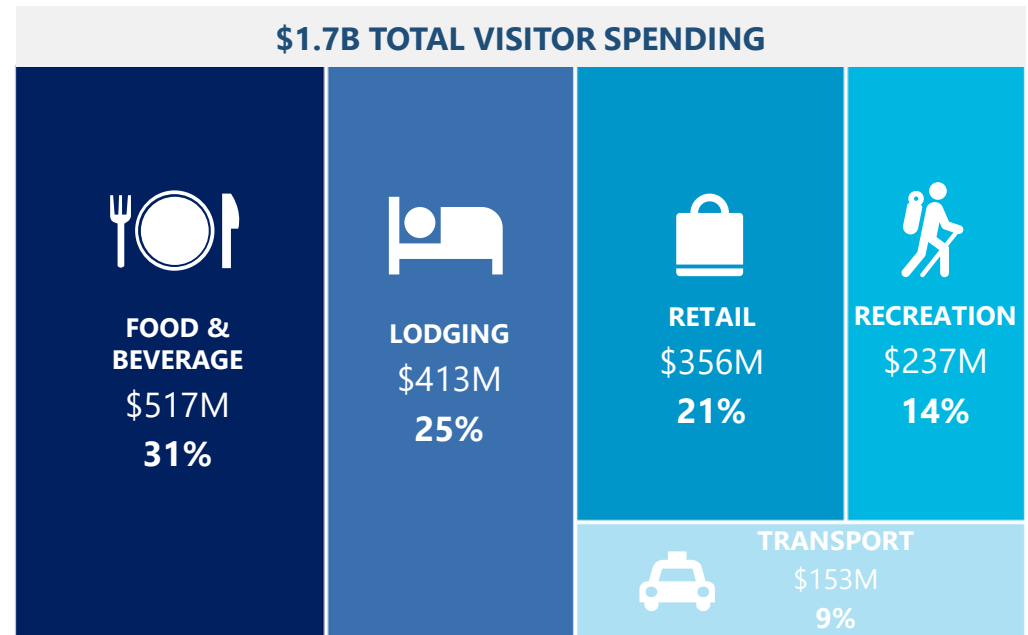
Spending by category 2020

Visitors to Raleigh spent \$1.7 billion across a wide range of sectors.

Of the \$1.7 billion spent in Raleigh in 2020 by visitors, food & beverage spending captured \$517 million—31% of the average visitor dollar.

Lodging and retail spending by visitors were the next largest spending categories in 2020 with 25% and 21%, respectively, of the average visitor dollar.

Air and local transportation and recreational activities' share of the average visitor dollar dwindled significantly in 2020. Recreational activities' visitor spending share fell from 19 cents of the average visitor dollar to 14 cents. Similarly, air and local transportation captured 9 cents of each visitor dollar in 2020, down from 13 cents in 2019.



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

Source: Tourism Economics

SPENDING TIMELINE

Visitor spending by industry

Visitor spending fell by \$1.2 billion in 2020 and still registered \$1.7 billion.

As 2020 travel became more leisure and family-oriented overall, spending sectors with more reliance on those segments declined less. For example, food and beverage spending declined 31% – the least of any category.

Lodging spending was hit hard by the pandemic. With fewer rooms rented coupled with lower prices, lodging spending in 2020 fell by 39%.

Demand for air travel plummeted, and gas prices fell, as did spending on car rentals, driving transportation 59% lower than in 2019.

Visitor Spending in Raleigh

Amounts in millions of nominal dollars and growth rates

	2016	2017	2018	2019	2020	2020 Growth	CAGR 2016-2020
Total visitor spending	\$2,434	\$2,532	\$2,714	\$2,918	\$1,676	-42.6%	-8.9%
Food & beverages	\$617	\$650	\$695	\$754	\$517	-31.4%	-4.3%
Lodging	\$547	\$565	\$620	\$681	\$413	-39.4%	-6.8%
Retail	\$494	\$505	\$540	\$563	\$356	-36.8%	-7.9%
Recreation	\$463	\$482	\$506	\$550	\$237	-56.9%	-15.4%
Transportation*	\$313	\$329	\$353	\$369	\$153	-58.5%	-16.4%

* Transportation includes both ground and air transportation

Source: DKS; Tourism Economics

SPENDING TIMELINE

Visitation segments

Visitation declined 29% in 2020. Day visitation proved more resilient than overnight in 2020, as the share of day visitors rose from 44.4% to 46.7%.

Per traveler spending—due to declining prices, shifts in spending habits, and the absence of business and international travel—fell 20% in 2020.

Domestic visitor spending mitigated the losses experienced by Raleigh in 2020. As international inbound travel was severely restricted in 2020, significant declines were felt across the county.

Visitor Volume and Spending

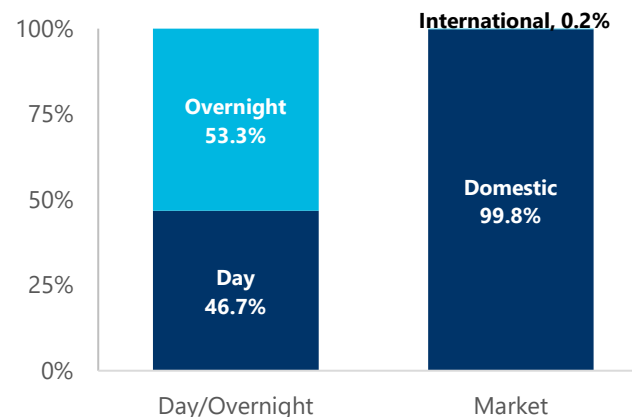
Amounts in millions of visitors, millions of nominal dollars, and dollars per person

	2016	2017	2018	2019	2020
Total visitors	15.6	16.1	16.8	17.9	12.9
Total traveler spending	\$2,434	\$2,532	\$2,714	\$2,918	\$1,676
Per traveler spending	\$157	\$158	\$161	\$163	\$130

Source: DKS; STR; Tourism Economics

Raleigh Visitation Share by Segment

Expressed as percentage of total visitation by market



Source: DKS; Tourism Economics

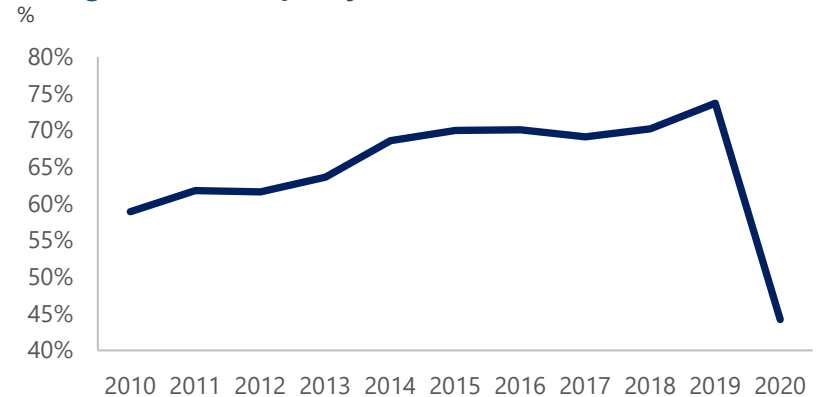
VISITOR ECONOMY

Hotel sector

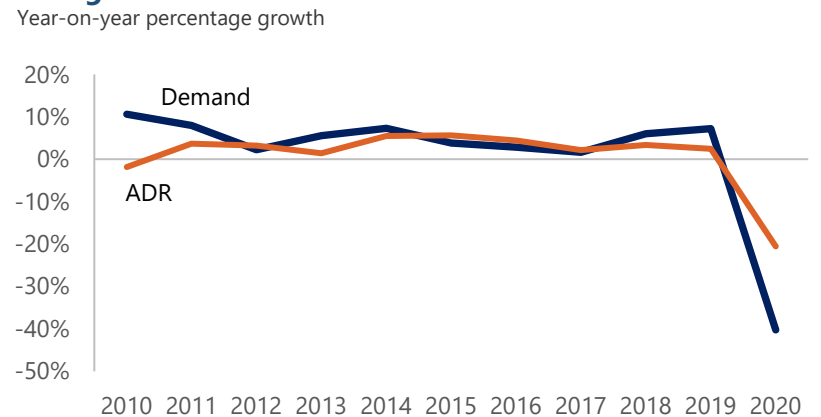
Raleigh/Wake County's hotel room demand collapsed 40.2% in 2020. Supply declined a mere 0.3%. With supply being unable to adjust to the evolving travel environment as quickly as demand, the occupancy rate fell drastically from 73.7% to 44.2%.

Pricing power also heavily contributed to the 52.5% drop in hotel revenue. Average daily rates were down 20.6% in 2020.

Raleigh Hotel Occupancy Rate



Raleigh Hotel Revenue Contributors



Source: STR

VISITOR ECONOMY

Labor market

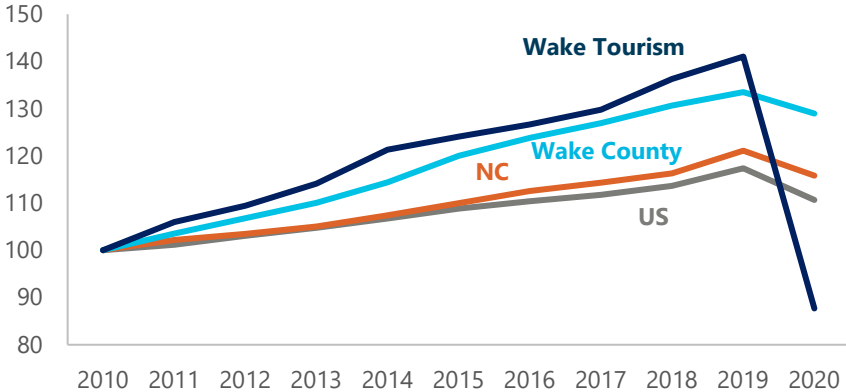
Tourism employment was the most hard-hit sector in the county and nation in 2020.

Within Wake County, tourism employment had consistently outpaced overall county employment, increasing 41.0% between 2010 and 2019 compared to overall county employment growth of 33.5%. However, in 2020, nearly 40% of tourism jobs were lost in Wake County, while total employment in the county only declined 3.4%.

The tourism industry lost more than 10,600 jobs in 2020 alone, setting it back below its 2010 level.

Tourism Employment in Wake County

Index (2010=100)



Source: BEA; BLS; Tourism Economics

VISITOR ECONOMY

Falling fuel prices

Fuel prices continued their downward trajectory in 2020, falling a further 15.5% on average compared to 2019. With the lack of air travel occurring in 2020, relatively low fuel prices helped encourage auto trips that might have otherwise not occurred. However, low fuel prices limited growth in local transportation spending.

Fuel Prices in North Carolina

North Carolina average gasoline price, dollars per gallon



Source: Energy Information Administration

ECONOMIC IMPACTS



ECONOMIC IMPACTS

How visitor spending generates employment and income

Our analysis of tourism's impact on Raleigh/Wake County 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 Raleigh, we input visitor spending into a model of the Raleigh economy created in IMPLAN. This move 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, either directly or indirectly by visitors, spend those wages in the local economy.

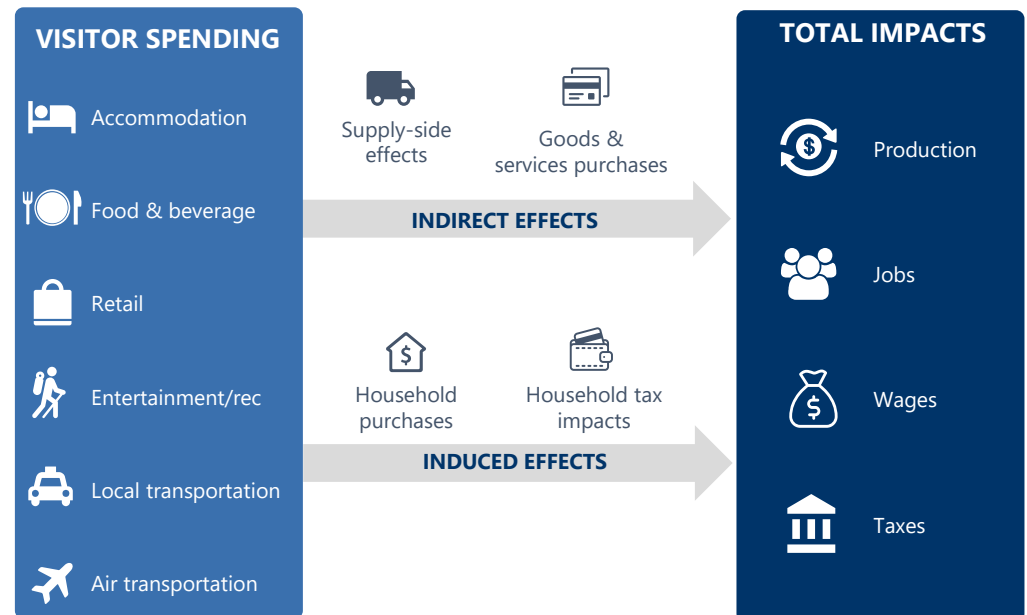
ECONOMIC IMPACTS

How visitor spending generates employment and income

Economic impact flowchart

IMPLAN 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

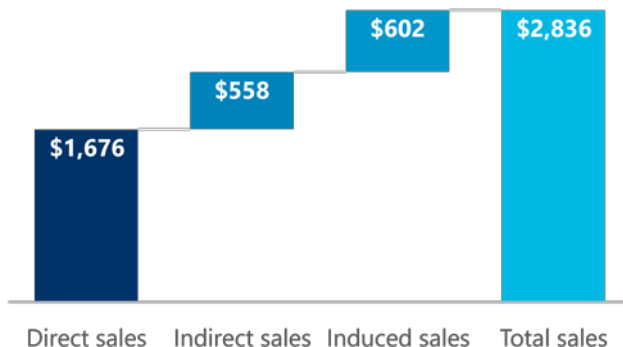


TOTAL BUSINESS SALES IMPACTS

Business sales impacts by industry

Visitors and tourism businesses spent \$1.7 billion in Raleigh/Wake County in 2020. This supported a total of \$2.8 billion in business sales when indirect and induced impacts are considered.

Summary Economic Impacts (\$ millions)



Business Sales Impacts by Industry

Amounts in millions of current dollars	Direct sales	Indirect sales	Induced sales	Total sales
Total, all industries	\$1,676	\$558	\$602	\$2,836
By industry				
Food & beverage	\$517	\$26	\$40	\$583
Retail trade	\$356	\$4	\$51	\$411
Finance, insurance, and real estate	\$20	\$153	\$219	\$393
Lodging	\$392	\$0	\$0	\$393
Recreation and entertainment	\$214	\$18	\$7	\$239
Business services		\$170	\$47	\$217
Education and healthcare		\$2	\$112	\$113
Gasoline stations	\$83	\$0	\$4	\$87
Communications		\$48	\$27	\$75
Construction and utilities		\$54	\$20	\$75
Personal services	\$24	\$19	\$24	\$67
Other transport	\$42	\$16	\$7	\$65
Wholesale trade		\$13	\$27	\$39
Air transport	\$29	\$2	\$3	\$34
Government		\$19	\$7	\$26
Manufacturing		\$10	\$5	\$15
Agriculture, fishing, mining		\$3	\$1	\$4

Source: Tourism Economics

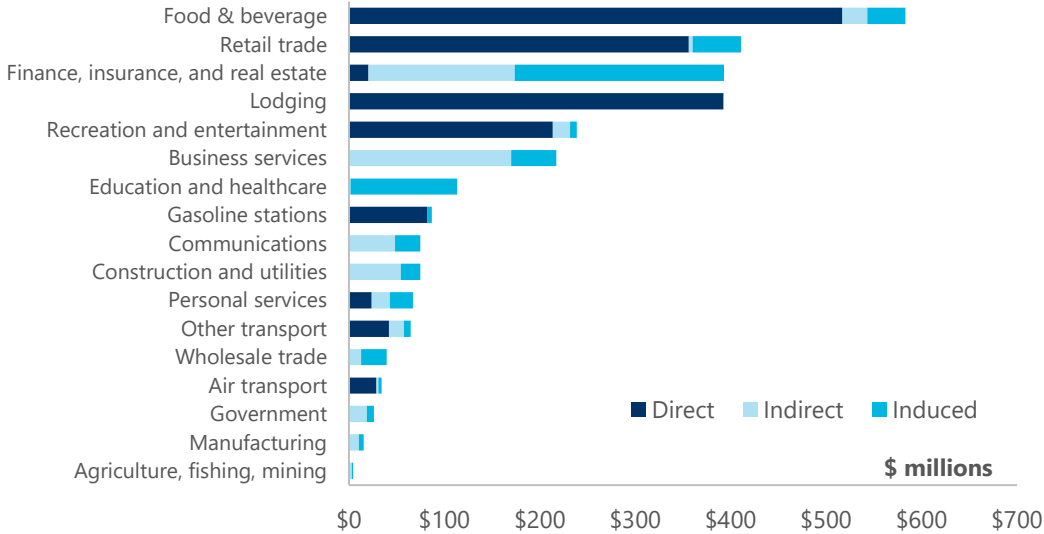
TOTAL BUSINESS SALES IMPACTS

Business sales impacts by industry

The indirect and induced effects add a total of \$1.2 billion in sales to businesses located in Raleigh. This includes \$373 million in sales supported by visitor activity but not by visitors to finance, insurance, and real estate businesses.

Significant benefits also accrue in sectors like business services, education & health care, and communications from selling to tourism businesses and employees.

Business Sales Impacts by Industry



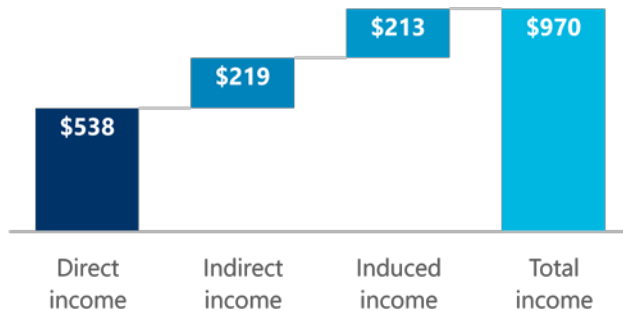
Source: Tourism Economics

TOTAL INCOME IMPACTS

Personal income impacts by industry

Tourism generated \$538 million in direct income and \$970 million when indirect and induced impacts are considered.

Summary Personal Income Impacts (\$ millions)



Personal Income Impacts by Industry

Amounts in millions of current dollars	Direct income	Indirect income	Induced income	Total income
Total, all industries	\$538	\$219	\$213	\$970
By industry				
Food & beverage	\$166	\$10	\$17	\$193
Business services		\$93	\$26	\$120
Lodging	\$116	\$0	\$0	\$117
Recreation and entertainment	\$95	\$10	\$3	\$108
Retail trade	\$74	\$2	\$25	\$101
Finance, insurance, and real estate	\$7	\$31	\$29	\$67
Education and healthcare		\$1	\$62	\$63
Other transport	\$44	\$7	\$3	\$54
Personal services	\$23	\$13	\$16	\$52
Construction and utilities		\$18	\$6	\$23
Wholesale trade		\$7	\$15	\$22
Communications		\$12	\$5	\$18
Government		\$12	\$3	\$15
Gasoline stations	\$6	\$0	\$2	\$8
Air transport	\$7	\$0	\$1	\$8
Manufacturing		\$3	\$1	\$4
Agriculture, fishing, mining		\$0	\$0	\$0

Source: Tourism Economics

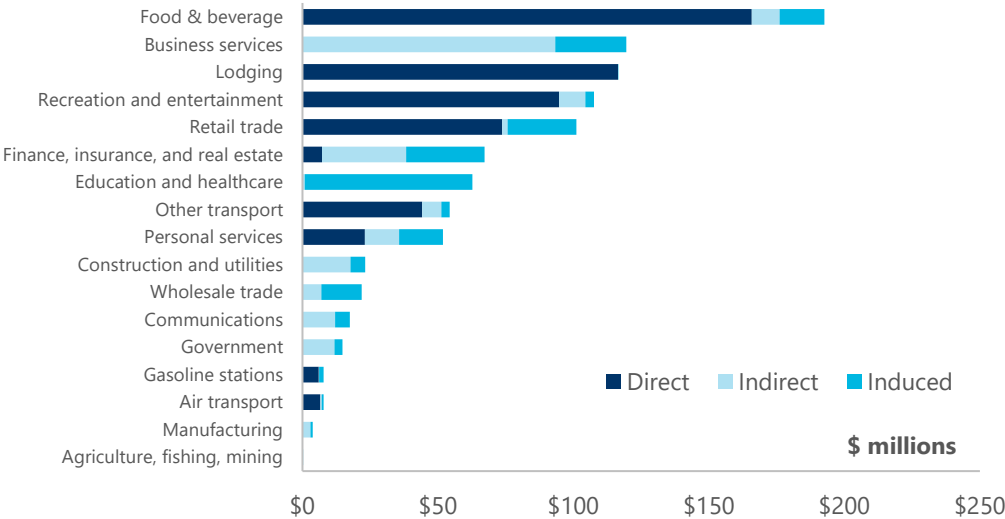
TOTAL INCOME IMPACTS

Personal income impacts by industry

There are nine industries in which visitor activity supports more than \$50 million in personal income. These range from the obvious—food & beverages and lodging—to the less obvious—business services and education & health care.

Despite ranking a distant sixth in terms of jobs supported, the higher wages in the business services industry supported by visitor activity provides \$120 million in income to Raleigh job holders, the second largest impact.

Personal Income Impacts by Industry



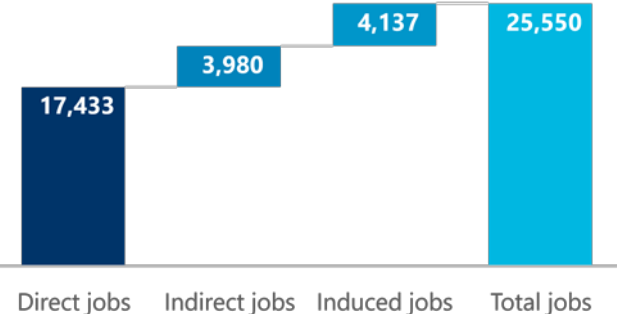
Source: Tourism Economics

TOTAL EMPLOYMENT IMPACTS

Employment impacts by industry

Tourism supported a total of 25,550 jobs, 3.8% of total employment, in Wake County 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
Total, all industries	17,433	3,980	4,137	25,550
By industry				
Food & beverage	6,438	404	637	7,478
Recreation and entertainment	4,234		119	4,668
Retail trade	2,279	53	664	2,996
Lodging	2,924	3	2	2,928
Business services		1,523	431	1,954
Finance, insurance, and real estate	175	742	609	1,526
Education and healthcare		21	968	989
Personal services	449	206	287	942
Other transport	657	121	53	831
Construction and utilities		193	59	252
Communications		138	63	200
Wholesale trade		66	134	200
Air transport	156	10	17	183
Government		134	43	177
Gasoline stations	122	2	33	157
Manufacturing		39	12	51
Agriculture, fishing, mining		11	5	17

Source: Tourism Economics

TOTAL EMPLOYMENT IMPACTS

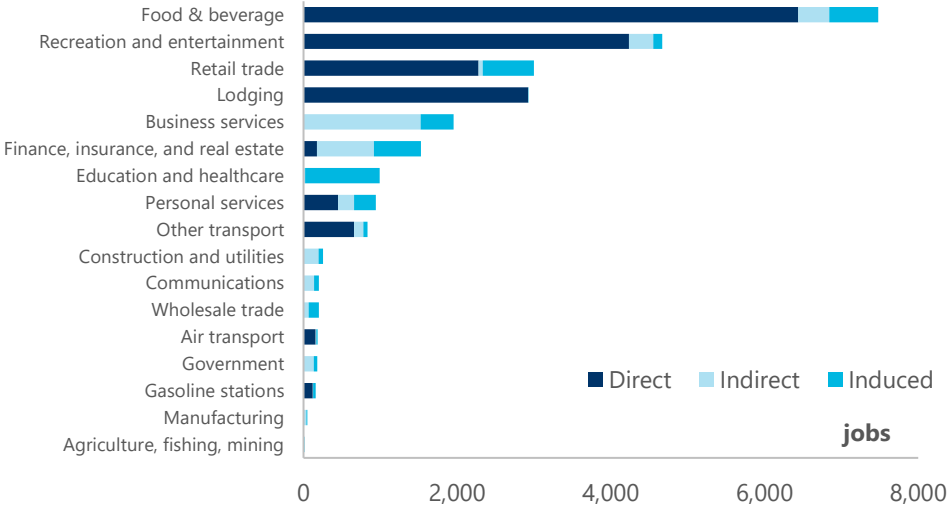
Employment impacts by industry

Visitor spending supports the largest number of jobs in the food & beverage industry—nearly 7,500. The majority of those jobs are directly supported by visitor activity.

Tourism-supported employment in recreational businesses provided almost 4,700 jobs to Wake County job holders with lodging employment registering 2,900 jobs in the county in 2020.

More than 8,000 Wake County-based jobs were either supported indirectly or induced by visitor activity in 2020.

Employment Impacts by Industry



Source: Tourism Economics

DIRECT INDUSTRY EMPLOYMENT

Tourism employment

Visitor spending directly supported 17,433 jobs.

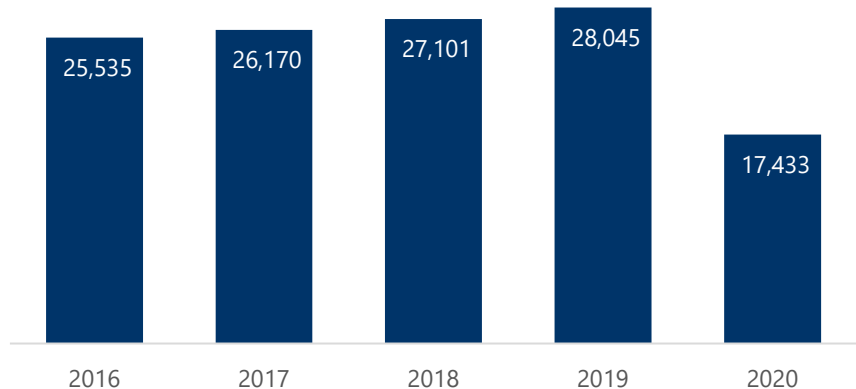
Employment fell by 10,613 jobs as businesses cut jobs due to the drop in visitor spending.

Lodging employment alone fell 38% with the number of jobs in the recreational industry dropping by 48%.

Despite these drops, the 17,433 jobs supported by visitor activity still represent 2.6% of all jobs in Wake County. Even in a year with tourism nearly shut down, one out of every 38 Wake County jobs is directly supported by visitor spending.

Direct Tourism Employment in Wake County

Amounts in number of jobs



Source: BEA; BLS; Tourism Economics

DIRECT INDUSTRY EMPLOYMENT

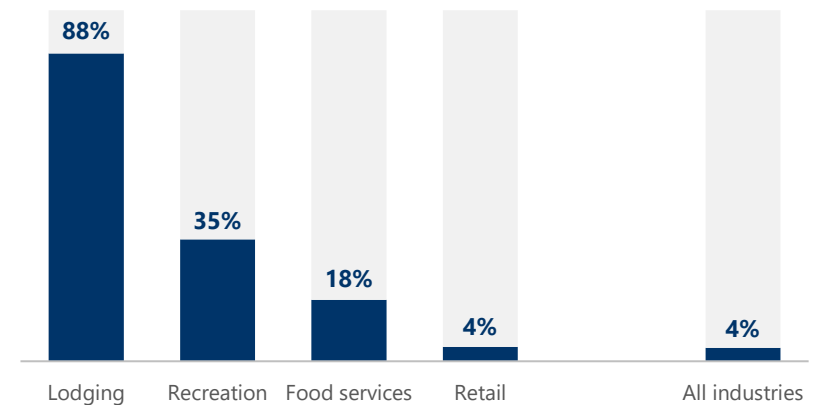
Tourism employment

Tourism employment is a significant part of several industries—the majority of lodging employment, over one-third of recreational employment, and 18% of food services employment is supported by visitor spending, including indirect and induced benefits.

Tourism shares fell in 2020 with the decline in visitor spending. The share of recreational jobs supported by visitor activity dropped six percentage points to 35% in 2020 as resident spending – local demand – rose in importance to these businesses.

Tourism Employment Intensity

Amounts in percentage of total industry employment



Source: BEA; BLS; Tourism Economics

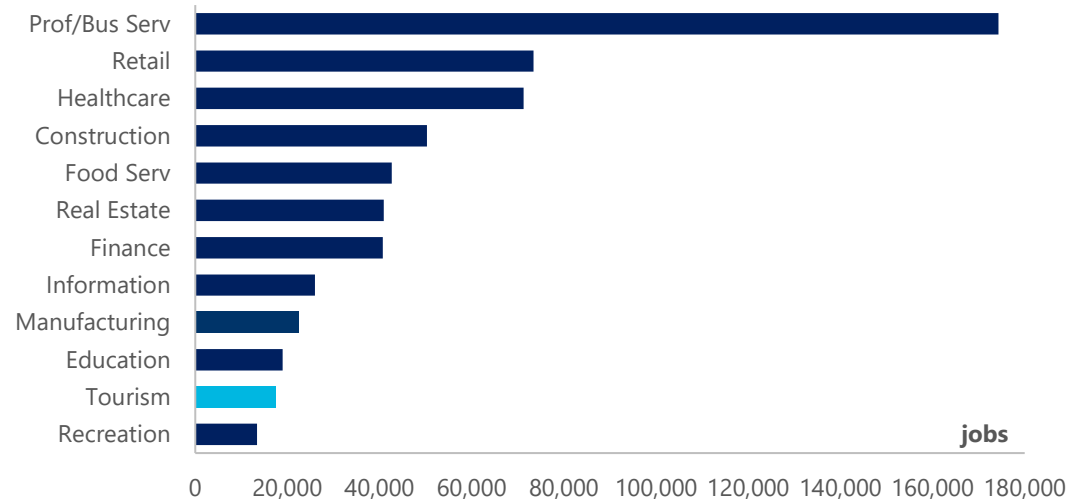
DIRECT INDUSTRY EMPLOYMENT

Tourism employment

In 2020, tourism was the 11th largest employer in Wake County, down from the number nine spot in 2019.

Tourism suffered the largest employment decline of any industry. To complete the Raleigh area's recovery from the pandemic job losses, tourism will need to recover.

Wake County Jobs by Industry



Source: BEA; BLS; Tourism Economics

TOTAL TAX IMPACTS

Fiscal (tax)

Visitor spending, visitor supported jobs, and business sales generated \$369 million in governmental revenues.

State and local taxes alone tallied \$186 million in 2020.

Fiscal (Tax) Impacts

Amounts in millions of current dollars

Total tax revenues	\$369
Federal	\$183
Personal income	\$56
Corporate	\$21
Indirect business	\$16
Social security	\$90
State and Local	\$186
Personal Income	\$21
Sales	\$68
Lodging	\$14
Corporate	\$3
Social security	\$1
Excise and fees	\$19
Property	\$59

Source: Tourism Economics

TOTAL TAX IMPACTS

Fiscal (tax)

The visitor economy supported \$97 million in local tax revenues for Raleigh/Wake County.

Each local household would need to be taxed an additional \$470 to replace the traveler taxes received by state and local governments in 2020.

Fiscal (Tax) Impacts

Amounts in millions of nominal dollars	State	Local
Total tourism taxes	\$89	\$97
Personal income	\$21	
Sales	\$48	\$20
Lodging		\$14
Corporate	\$3	
Social security	\$1	
Excise and fees	\$16	\$4
Property		\$60

Source: Tourism Economics

METHODOLOGY AND BACKGROUND

WHY QUANTIFY THE VISITOR 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.

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.

GLOSSARY – SPENDING

Term	Description
Lodging	Includes visitor spending in the accommodation sub-sector. This includes food and other services provided by hotels and similar establishments.
Food and beverage	Includes all visitor spending on food & beverages, including at restaurants, bars, grocery stores, and other food providers.
Recreation	Includes visitors spending within the arts, entertainment, and recreation sub-sector.
Shopping	Includes visitor spending in all retail sub-sectors within the local economy.
Local transport	Includes visitor spending on local transport services such as taxis, limos, trains, rental cars, and buses.

GLOSSARY – IMPACTS

Term	Description
Direct Impact	Impacts (business sales, jobs, income, and taxes) created directly from spending by visitors to a destination within a discreet group of tourism-related sectors (e.g., recreation, transportation, lodging).
Indirect Impact	Impacts created from purchase of goods and services used as inputs (e.g., food wholesalers, utilities, business services) into production by the directly affected tourism-related sectors (i.e., economic effects stemming from business-to-business purchases in the supply chain).
Induced Impact	Impacts created from spending in the local economy by employees whose wages are generated either directly or indirectly by visitor spending.
Employment	Jobs directly and indirectly supported by visitor activity (includes part-time and seasonal work). One job is defined as one person working at least one hour per week for fifty weeks during the calendar year.
Personal Income	Income (wages, salaries, proprietor income, and benefits) supported by visitor spending.
Value Added (GDP)	The economic enhancement a company gives its products or services before offering them to customers.
Local Taxes	City and County taxes generated by visitor spending. This includes any local sales, income, bed, usage fees, licenses, and other revenue streams of local governmental authorities – from transportation to sanitation to general government.
State Taxes	State tax revenues generated by visitor spending. This will include sales, income, corporate, usage fees, and other assessments of state governments.

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 destinations 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.

For more information:

info@tourismeconomics.com