

# TOURISM ECONOMICS

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## The Economic Impact of Tourism in Lancaster County

June 2019



TOURISM  
ECONOMICS

AN OXFORD ECONOMICS COMPANY

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## 1. Executive Summary

To provide a timely view of the importance of the travel and tourism sector in Lancaster County for Discover Lancaster, Tourism Economics prepared an analysis of visitor spending, growth, and economic impact. The key findings of our research are summarized as follows.

### **Solid Growth in Visitor Metrics**

Tourism Economics estimated visitor spending growth for 2018 and conducted a benchmarking analysis across multiple measures of tourism activity, supporting the following findings.

- Visitor spending in Lancaster County increased 4.6% in 2018, from \$2.14 billion to \$2.24 billion.
- The estimated number of visitors, including both day and overnight visitors, increased 2.5% from 8.64 million to 8.85 million, with average spending per visitor of \$253.
- International visitors accounted for approximately \$49.0 million of total visitor spending in 2018, an increase from approximately \$47.3 million in 2017.
- Since 2005, total visitor spending in Lancaster County has increased by more than half (55.7%).
- Last year represents the ninth consecutive year of visitor, visitor spending and tourism-sector job growth since the national recession.

### **Tourism Supports Lancaster County Business Sales and Jobs**

Tourism Economics finds that tourism supports a substantial portion of Lancaster County business sales and jobs.

- The total impact of travel and tourism in terms of output, or business sales, including indirect and induced sales, during 2018 in Lancaster County was \$2.91 billion, which represents a 4.6% increase from \$2.79 billion in 2017.
- Visitor spending supported almost 25,500 Lancaster County jobs, with \$896.0 million of wages and salaries. Of these total jobs, approximately 16,968 were direct tourism industry jobs, such as at restaurants, hotels, and visitor attractions. while the remaining approximately 8,484 jobs were supported by the indirect and induced effects of visitor spending, such as jobs at businesses providing goods and services to tourism sector businesses or their employees. The total of approximately 16,968 direct tourism industry jobs in 2018 represents an increase of 15.0% from 2011
- Tourism ranks as the sixth largest sector in Lancaster County in terms of private non-agriculture employment, ahead of transportation and finance. Due to the size of the tourism sector, and its continued

growth, it represents a major contributor to private non-agriculture employment growth in the county overall. Indeed, tourism industry employment in 2018 accounted for 2,215 new jobs relative to 2011.

- The tourism sector directly accounts for more than 1 out of every 15 non-agriculture private sector jobs in Lancaster County.

#### **Tourism Supports the Tax Base in Lancaster County**

Tourism Economics estimates the Lancaster County tourism sector supported \$210.6 million in state and local taxes and \$215.9 million in Federal taxes last year. Without this contribution, each Lancaster County household would, on average, pay an additional \$1,060 in state and local taxes annually to maintain current services (i.e. a tax burden of \$210.6 million spread across the county's approximately 198,600 households).

#### **Background on Tourism Economics**

Tourism Economics is part of Oxford Economics, one of the world's leading providers of economic analysis, forecasts and consulting advice. More than 300 leading companies, associations, and destinations work with Tourism Economics as a partner for economic impact, forecasting, and market assessments every year.

## 2. Visitor Spending Analysis

Lancaster County tourism and its visitor spending are key aspects of the local economy. This section summarizes our analysis of visitor spending trends.

As part of its annual analysis for the Commonwealth of Pennsylvania, Tourism Economics estimates visitor spending in each county.<sup>1</sup> To provide a more timely perspective of performance in Lancaster County, we have estimated 2018 visitor spending based on tourism sector performance indicators. These indicators include:

- lodging sector data, such as occupied room nights and average room rates as gathered from local hotels by STR, a third-party lodging research firm;
- bed tax collections reported by Lancaster County;
- information on local employment in tourism-related sectors; and,
- trends in visitor spending surveys.

Our estimates show a total of \$2.24 billion of tourism spending by visitors to Lancaster County in 2018, representing a 4.6% increase over 2017 (\$2.14 billion) and a 55.7% increase from the level of \$1.44 billion in 2005. The 2018 increase represents a continuation of solid growth in the Lancaster County tourism sector. The accompanying table summarizes our estimates of growth in tourism spending by category. The strongest gains are evident in the lodging (5.6%), transport (4.6%) and recreation (4.6%) sectors.

Based on estimated trends in spending per visitor, we estimate that the total number of day and overnight visitors to Lancaster County increased 2.5% in 2018, to 8.85 million, from 8.64 million in 2017.<sup>2</sup>

Visitor and visitor spending growth in 2018 marks the ninth consecutive year of growth following the national recession.

The spending estimates presented in this report reflect updated estimates for 2016, estimates for 2017 previously reported as part of our state research, and new estimates for 2018. The updates to 2016 estimates reflect the availability of more complete information, such as data sources that become available as part of our state-level analysis. Overall, as a result of these updates, our estimate of visitor spending in 2016 increased slightly, with somewhat higher transportation spending offsetting somewhat lower retail and food and beverage spending.

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<sup>1</sup> Tourism Economics (2018). The Economic Impact of Travel in Pennsylvania, Tourism Satellite Account Calendar Year 2017.

<sup>2</sup> The definition of day visitors includes visitors who traveled outside of their normal pattern to spend time in Lancaster County.

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Visitor Spending: Lancaster County									
	2010	2011	2012	2013	2014	2015	2016	2017	2018
In millions									
<b>Visitors</b>									
Day and overnight visitors	7.58	7.75	7.90	7.93	8.15	8.34	8.51	8.64	8.85
<b>Growth</b>		<b>2.3%</b>	<b>1.9%</b>	<b>0.4%</b>	<b>2.8%</b>	<b>2.3%</b>	<b>2.1%</b>	<b>1.5%</b>	<b>2.5%</b>
<b>Visitor spending (Tourism direct sales)</b>									
Lodging	\$227.4	\$235.4	\$242.6	\$246.1	\$265.8	\$281.6	\$298.8	\$306.2	\$323.2
Food & beverage	358.8	367.4	374.2	389.8	408.1	422.1	440.3	459.1	479.1
Retail	332.3	346.8	368.0	372.5	385.6	394.6	402.0	409.6	426.9
Recreation	303.4	318.6	330.1	343.5	354.9	368.3	387.2	402.7	421.2
Transport	447.8	524.5	502.6	503.0	505.8	508.9	537.1	560.8	586.6
<b>Total</b>	<b>\$1,669.7</b>	<b>\$1,792.7</b>	<b>\$1,817.5</b>	<b>\$1,854.9</b>	<b>\$1,920.2</b>	<b>\$1,975.4</b>	<b>\$2,065.4</b>	<b>\$2,138.4</b>	<b>\$2,237.0</b>
<b>Growth</b>		<b>7.4%</b>	<b>1.4%</b>	<b>2.1%</b>	<b>3.5%</b>	<b>2.9%</b>	<b>4.6%</b>	<b>3.5%</b>	<b>4.6%</b>

Source: Tourism Economics

International visitors represent a valuable growth opportunity for Pennsylvania and Lancaster County. Nationally, spending by international visitors has outpaced domestic visitor spending in recent years, growing at an annualized rate of 5.9% between 2006 and 2018. While the recent appreciation of the US dollar continues to weigh on international visitor spending, the outlook for long-term spending growth in future years remains positive. Tourism Economics estimates that international visitors spent approximately \$49.0 million in Lancaster County in 2018, up from approximately \$40.6 million in 2013.<sup>3</sup>

Visitor spending supported approximately 16,968 tourism sector jobs in Lancaster County in 2018, based on Tourism Economics' updated analysis. This job level represents an increase of 2.5% from 2017 and marks the ninth consecutive year of tourism-sector job growth following the national recession. Additional background on tourism sector employment in Lancaster County is provided in the economic impact analysis section of this report.

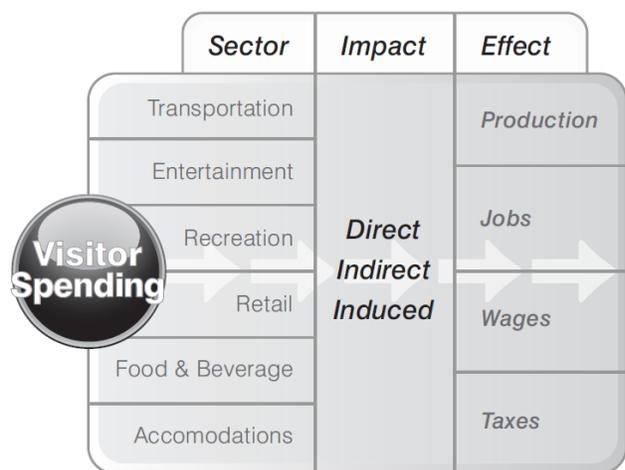
<sup>3</sup> This estimate is based on Tourism Economics' analysis of international visitor spending by region as part of annual research for the Commonwealth of Pennsylvania, scaled for the characteristics of the visitor economy in Lancaster County.

### 3. Economic Impact Analysis

As part of its annual research for the Commonwealth of Pennsylvania, Tourism Economics analyzes the economic impact of travel and tourism in Lancaster County on an annual basis.<sup>4</sup> To provide a timely perspective on impacts, we have updated this analysis to quantify the economic contribution of travel and tourism in Lancaster County in 2018. We have presented these estimates in historical context by also reporting several years of historical data.

Key points of background on economic impact analysis of travel and tourism are summarized as follows.

- 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.
- Each directly affected sector also purchases goods and services as inputs (e.g. food wholesalers, utilities) into production. These impacts are called indirect impacts.
- Lastly, the induced impact is generated when employees whose incomes are generated either directly or indirectly by tourism, spend those incomes in the state economy.



Specific terms are used in the economic impact analysis.

- Traveler: Includes both leisure and business travelers.
- Travel and tourism **industry**: The value of traveler activity within “travel characteristic industries.” This concept measures only the direct impact of the travel industry from the sales made to travelers.
- Travel and tourism **economy**: This expands the focus to measure the overall impact of tourism on all sectors of the economy. This represents the value of traveler activity plus government spending and capital investment in support of travel and tourism and certain personal consumption

<sup>4</sup> Tourism Economics (2018). The Economic Impact of Travel in Pennsylvania, Tourism Satellite Account Calendar Year 2017.

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expenditures. This is the basis of the total economic impact analysis, including the direct impact and the downstream indirect and induced impacts.

Tourism Economics used the IMPLAN modeling system, a well-respected economic impact analysis tool, to quantify key relationships in the Lancaster County economy. The IMPLAN 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. For example, when a visitor purchases a meal at a local restaurant, a portion of the sale supports wages for restaurant employees, while a portion of the sale may consist of locally produced food and beverages. The IMPLAN model captures these types of relationships based on a structured analysis of economic statistics. Tourism Economics' annual report for the Commonwealth provides further discussion of the economic impact methodology.

Overall, as presented in the previous section of this report, Tourism Economics estimates that Lancaster County visitor spending totaled \$2.24 billion in 2018, representing the spending of an estimated 8.85 million day and overnight visitors. Overall, the average spend per visitor is estimated at \$253, which includes some visitors who stay one or more nights, as well as day visitors.

The estimated \$2.24 billion of direct visitor spending, plus corresponding impacts of \$677 million of indirect and induced business sales, is estimated to have supported approximately \$2.91 billion in total visitor-generated business sales in Lancaster County. For example, direct spending by visitors on food and beverages results in additional demand in industries that supply the restaurants, such as food inputs, energy, capital equipment and professional services such as legal and accounting services. Additionally, induced impacts are produced as incomes earned through visitor spending are spent in Lancaster County. To a degree, such impacts tend to leak out of the area in which the direct spending occurs, for example as local businesses purchase inputs that are produced outside of Lancaster County. However, there are also some tourism-related impacts that relate to spending by visitors to other Pennsylvania counties but that accrue to businesses and households in Lancaster County, and these are included.

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Economic Impact Analysis: Lancaster County									
	2011	2012	2013	2014	2015	2016	2017	2018	Growth ('11 to '18)
In millions, except employment									
<b>Tourism industry</b>									
Tourism direct sales	\$1,792.7	\$1,817.5	\$1,854.9	\$1,920.2	\$1,975.4	\$2,065.4	\$2,138.4	\$2,237.0	24.8%
Employment	14,753	15,239	15,478	15,731	15,853	16,310	16,554	16,968	15.0%
Labor income	\$358.3	\$375.4	\$384.8	\$403.1	\$419.2	\$437.3	\$459.2	\$481.7	34.4%
Taxes									
State and local	\$97.2	\$103.4	\$105.4	\$108.6	\$110.7	\$115.2	\$117.7	\$123.3	26.9%
Federal	\$83.5	\$86.4	\$88.6	\$92.4	\$95.7	\$101.0	\$102.5	\$107.4	28.6%
<b>Total tourism economy</b>									
Business sales	\$2,343.3	\$2,422.2	\$2,458.1	\$2,564.9	\$2,627.3	\$2,743.2	\$2,785.1	\$2,913.7	24.3%
Employment	22,530	23,121	23,356	23,659	24,060	24,754	24,902	25,452	13.0%
Labor income	\$713.6	\$737.6	\$748.6	\$774.6	\$798.7	\$844.9	\$857.8	\$896.0	25.6%
Taxes									
State and local	\$170.0	\$179.6	\$183.0	\$188.2	\$191.6	\$198.6	\$203.3	\$210.6	23.8%
Federal	\$168.2	\$174.1	\$178.5	\$186.1	\$192.8	\$203.4	\$206.5	\$215.9	28.4%

Source: Tourism Economics

As shown in the accompanying table, this annual spending activity is estimated to support 25,452 total jobs in Lancaster County, including 16,968 direct tourism industry jobs. Total employee wages and other labor income are estimated at \$896.0 million, including \$481.7 million of direct labor income. These 2018 impacts represent gains ranging between 13.0% (employment) to 25.6% (labor income) relative to 2011. This analysis reflects an updated estimate of direct tourism employment in 2016, previously reported estimates for 2017 that are based on the more complete set of data that is available as part of our annual state-level analysis, and new estimates of impacts in 2018.

Tourism Economics' estimate of direct tourism sector employment is also useful in considering the importance of tourism in the Lancaster County economy relative to other sectors. As shown in the accompanying table, we have summarized employment levels for sectors as reported by the Bureau of Labor Statistics (BLS), and consolidated our estimate of direct tourism employment, moving direct tourism jobs from the sector in which they were originally reported to the

Private-Sector Employment Ranking Lancaster County		
Rank	Industry	2018
1	Health Care and Social Assistance	39,400
2	Manufacturing	37,800
3	Retail Trade	26,030
4	Professional and Business Services	25,700
5	Mining, Logging, and Construction	18,100
<b>6</b>	<b>Tourism</b>	<b>16,968</b>
7	Wholesale Trade	16,200
8	Transportation and Utilities	12,772
9	Other Services	11,923
10	Food Service and Other Accommodations	11,296
11	Financial Activities	8,500
12	Educational Services	7,200
13	Information (e.g. publishing and telecom)	3,000
14	Arts, Entertainment, and Recreation	1,611

Source: Bureau of Labor Statistics, Tourism Economics

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tourism sector row. Based on this analysis, tourism ranks as the sixth largest non-agriculture private sector employer in Lancaster County, accounting for more than one out of every 15 such jobs and ahead of transportation and finance.

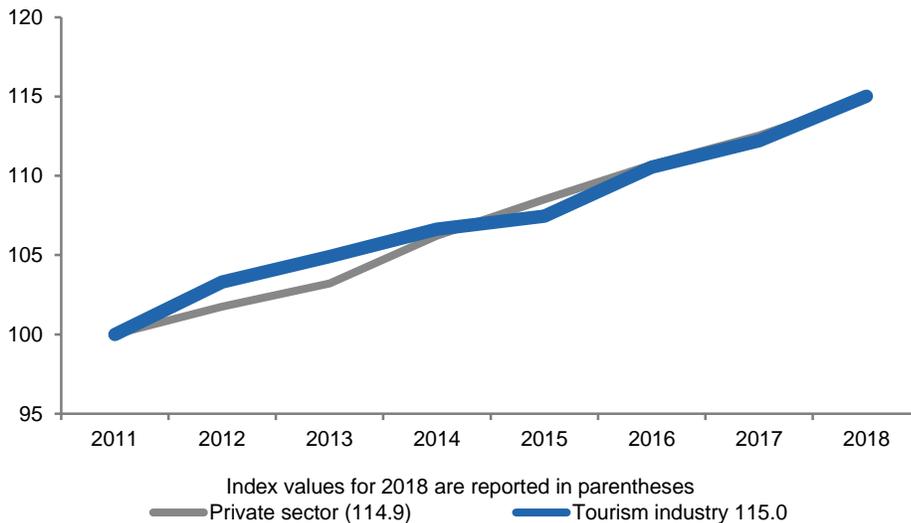
Several additional comments are also relevant:

- This analysis shows employment as tracked using standard BLS categories, adjusted to reclassify tourism sector employment as its own sector. For example, this moves approximately 9,400 tourism jobs from the accommodation and food service sector to the tourism sector, leaving approximately 11,300 non-tourism food service (e.g. restaurant dining by local residents) and other accommodation jobs (e.g. dormitories).
- This analysis only includes direct tourism employment and does not include jobs in other sectors of the economy that are indirectly supported.
- Even beyond this type of ranking relative to other sectors, tourism is also important as an industry because it represents an “export sector”, in which services are provided to visitors from other regions, representing a source of revenue and income that can be spent on services from local businesses, such as at local retail establishments.

As shown in the following graph, Lancaster County tourism industry employment has increased steadily in recent years. The tourism sector has been an important part of private sector job growth, contributing new jobs supported directly by visitor spending, as well as by drawing new dollars into the local economy and thus supporting additional jobs indirectly.

## Lancaster County Employment

Index (2011=100)



Source: Bureau of Labor Statistics; Tourism Economics

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Tourism also supports the Lancaster County tax base. Tourism Economics estimates the Lancaster County tourism sector supported \$210.6 million in state and local taxes and \$215.9 million in Federal taxes. Without this contribution, each Lancaster County household would, on average, pay an additional \$1,060 in state and local taxes annually to maintain current services.<sup>5</sup>

The following recaps the 2018 economic impact of tourism in Lancaster County:

- \$2.91 billion in business sales (output), including \$2.24 billion in direct visitor spending
- \$896.0 million in labor income
- 25,452 jobs, including 16,968 directly in industries serving visitors (more than one out of every 15 non-agriculture private sector jobs)
- \$210.6 million in state and local taxes
- \$215.9 million in Federal taxes

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<sup>5</sup> Calculated as \$210.6 million of annual state and local taxes supported by Lancaster County tourism, divided by approximately 198,600 households in Lancaster County as estimated by the Census Bureau, equals \$1,060 per household.

## 4. About Tourism Economics

Tourism Economics is an Oxford Economics company with a singular objective: combine an understanding of tourism dynamics with rigorous economics in order to answer the most important questions facing destinations, developers, and strategic planners. By combining quantitative methods with industry knowledge, Tourism Economics designs custom market strategies, destination recovery plans, tourism forecasting models, tourism policy analysis, and economic impact studies.

With over four decades of experience of our principal consultants, it is our passion to work as partners with our clients to achieve a destination's full potential.

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 enjoys a reputation for high quality, quantitative analysis and evidence-based advice. For this, it draws on its own staff of 150 professional economists, industry experts and business editors – one of the largest teams of macroeconomists and thought leadership specialists; a dedicated data analysis team; global modeling tools, and a range of partner institutions in Europe, the US and in the United Nations Project Link. Oxford Economics has offices in London, Oxford, Dubai, Philadelphia, and Belfast.



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