The Economic Impact of Out-of-State Visitor Spending in Florida

September 2016
What are we measuring here

Florida Destination

Out of State Visitors

$\text{Out of State Visitors}$

$\text{Out of State Visitors}$
What are we measuring here

Yes, even Kylo Ren has to pay taxes

Florida Jobs
The importance understanding impact
Why quantify the tourism economy?

- Inform decisions regarding the funding and prioritization of tourism marketing
- Compare tourism to other industries
- Track tourism’s role in economic diversification
- Monitor yield per visitor
- Understand how tourism affects specific industries

In order to do this, tourism must be measured in the same categories as other economic sectors – e.g. employment and gross domestic product.
Why is this a challenge?

- Most economic sectors such as energy and banking are easily defined within national accounts statistics.
- Tourism is not so easily measured because it is not a single industry. It is a demand-side activity, defined by visitors.
- Tourism spans nearly a dozen sectors including lodging, recreation, retail, real estate, air passenger transport, food & beverage, car rental, taxi services, and travel agents.
Full impact, with industry detail

ACCOMODATION
CATERING, ENTERTAINMENT
RECREATION, TRANSPORTATION
&OTHER TRAVEL RELATED SERVICES

PRINTING/PUBLISHING, UTILITIES
FINANCIAL SERVICES, SANITATION SERVICES
FURNISHINGS AND EQUIPMENT SUPPLIERS,
SECURITY SERVICES, RENTAL CAR MANUFACTURING,
TRANSPORTATION ADMINISTRATION, TOURISM
PROMOTION, SHIP BUILDING, AIRCRAFT MANUFACTURING,
RESORT DEVELOPMENT, GLASS PRODUCTS, IRON/STEEL

FOOD & BEVERAGE SUPPLY, RETAILERS
BUSINESS SERVICES, WHOLESALERS, COMPUTERS,
UTILITIES, MANUFACTURERS, HOUSING, PERSONAL SERVICES

T&T DIRECT

OVERALL T&T IMPACT

T&T INDIRECT

T&T INDUCED
Approach and concepts
Multiple datasets inform measurements

Visitor Spending

- Tax
- Survey
- Income
- Employment
Data sources

- Syndicated traveler survey projections – D.K. Shifflet
- Bureau of Labor Statistics (employment and income by industry)
- Bureau of Economic Analysis (GDP by industry)
- Census (business sales by industry)
- Smith Travel Research (hotel performance)
- NTTO / US Department of Commerce (international inbound)
- Statistics Canada (visits and spending from Canada)
- Bureau of Transportation Statistics (air arrivals)
- Department of Revenue (tourism taxes)
- Credit Card reports - VisaVue
Travel drivers
The recent past:

1. Domestic consumers improving and confident
2. Fluctuating transportation costs
3. Dollar depreciation in 2013, appreciation in 2015 affecting international travel
Household net wealth up 22% from pre-recession peak

Household net wealth, real, US

In trillions of 2015 dollars

$120 -

$90 -

$60 -

$30 -

$0 -

95 96 97 98 99 00 01 02 03 04 05 06 07 08 09 10 11 12 13 14 15 16 17 18

2016 Q2:
21.6% above the prior peak

Source: Federal Reserve; Oxford Economics
Household balance sheets much improved
Healthy employment gains in last three years

US: Nonfarm payrolls

- Monthly change
- 3-months average
- 12-months average

Source: Oxford Economics/Haver Analytics

<table>
<thead>
<tr>
<th>Jul 2016</th>
<th>255,000</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>190,000</td>
</tr>
<tr>
<td></td>
<td>204,000</td>
</tr>
</tbody>
</table>
... & consumers remain optimistic

US: Consumer attitudes

- Consumer confidence (LHS)
- Consumer sentiment (RHS)

Source: Oxford Economics/Haver Analytics
…wage growth picking up

**US: Leading indicators suggest wages to rise**

- Net % planning wage raise (LHS; 2 quarter lead)
- ECI, private wages & salaries (RHS)

Source: Oxford Economics/Haver Analytics
Lower fuel prices free up resources

Gas Prices Are On a Three Year Decline

Texas gasoline price, all grades, dollars per gallon

Source: Energy Information Administration
Emergers no longer the locomotive of global growth

World: GDP growth

% year


Source: Oxford Economics/Haver Analytics

Forecast

Emergers no longer the locomotive of global growth

World: GDP growth

% year


Source: Oxford Economics/Haver Analytics

Forecast
US Travel is more expensive for Canadians

- Canadian dollar has lost 30% of its value in 3 years – half of the loss was in 2015.

**Canadian US Exchange rate**

CN$ per US$

Source: Tourism Economics
Thus, visitation declined

- As a result, visitation has declined.

Canada/US exchange rate & Canadian departures

Source: Tourism Economics
The US has become much more expensive.

**Exchange rate depreciation, 2016 / 2014**

<table>
<thead>
<tr>
<th>Country</th>
<th>% Depreciation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Russia</td>
<td>-52%</td>
</tr>
<tr>
<td>Brazil</td>
<td>-46%</td>
</tr>
<tr>
<td>Argentina</td>
<td>-42%</td>
</tr>
<tr>
<td>Colombia</td>
<td>-40%</td>
</tr>
<tr>
<td>Mexico</td>
<td>-23%</td>
</tr>
<tr>
<td>Australia</td>
<td>-23%</td>
</tr>
<tr>
<td>Chile</td>
<td>-22%</td>
</tr>
<tr>
<td>Canada</td>
<td>-21%</td>
</tr>
<tr>
<td>Euro</td>
<td>-20%</td>
</tr>
<tr>
<td>Japan</td>
<td>-15%</td>
</tr>
<tr>
<td>S Korea</td>
<td>-13%</td>
</tr>
<tr>
<td>China</td>
<td>-9%</td>
</tr>
<tr>
<td>India</td>
<td>-7%</td>
</tr>
</tbody>
</table>

Source: Tourism Economics
Still, air arrivals showing resilience

YTD growth for air arrivals in the US, May-16

Annual % change, YTD

Source: Tourism Economics, APIS
Takeaways

- International visitation has declined but not as bad as would be expected.

- Spending, however, has been affected.

- Domestically, lower gas prices, high consumer confidence, increasing employment and wages is driving tourism demand.

- This has been a very recent phenomenon – only in the last 24 months or so.

- Prior to that, international visitation and spending dominated growth.
Understanding Out-of-State Visitor Spending
$108.8 billion in out-of-state visitor spending

Note: This study reports the visitor spending and associated economic impacts for out-of-state visitors to Florida. All spending and impacts stated in this report occur within the state.
Visitor spending shares

1. Lodging captured 28.3% of out-of-state visitor spending in 2015.

2. Food & beverage spending followed, comprising 20.4% of visitor spending.

3. 14.3 cents of every visitor dollar was spent on recreational activities in 2015.
Visitor spending profiles

Overseas visitors spend a larger share of their vacation dollars in Florida, when compared with their domestic counterparts, on shopping and recreational activities.

Domestic spending profile

- Lodging: 28.3%
- FnB: 20.9%
- Retail: 11.6%
- Trans: 15.6%
- Rec: 10.9%
- Air: 9.8%
- Other: 2.8%

Overseas spending profile

- Lodging: 18.7%
- FnB: 17.4%
- Retail: 31.4%
- Trans: 5.8%
- Rec: 13.9%
- Air: 10.6%
- Other: 2.2%

Source: DKS, Tourism Economics

Source: NTTO, Tourism Economics
Visitor spending by industry

Florida's Out-of-State Visitor Spending by Year, Billions of $

- Recreation
- Air
- Retail
- Food & Beverages
- Transp w/in destination
- Lodging
Visitor spending by travel sector

Florida's Out-of-State Visitor Spending by Year, Billions of $

- 2010: $20.1
- 2011: $21.8
- 2012: $21.2
- 2013: $24.8
- 2014: $27.5
- 2015: $25.7

Domestic Spending:
- 2010: $58.7
- 2011: $65.6
- 2012: $70.3
- 2013: $73.7
- 2014: $77.2
- 2015: $83.1

International Spending:
- 2010: $0
- 2011: $0
- 2012: $0
- 2013: $0
- 2014: $0
- 2015: $0
Understanding the impact on the Florida economy
Illustrating the concepts

Travel & Tourism Industry

The direct effect of visitor spending
Focus of Tourism Satellite Account

Travel & Tourism Economic Impact

The flow-through effect of T&T all demand across the economy
Expands the focus to measure the overall impact of T&T on all sectors of the economy

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Visitor spending impacts

Tourism Sales by Industry

$ million

- **FIRE**: Finance, Insurance, Real Estate
- **F&B**: Food and Beverage
- **Bus. Services**: Business Services
- **Gas**: Gasoline Stations
- **Other Transp**: Other Transportation
- **Manu.**: Manufacturing
- **Personal Serv.**: Personal Services
- **Comm.**: Communication

Note: Direct sales include cost of goods sold for retail
Tourism employment surging (direct)

Direct Supported Employment

<table>
<thead>
<tr>
<th>Year</th>
<th>Employment</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>697,396</td>
</tr>
<tr>
<td>2010</td>
<td>705,016</td>
</tr>
<tr>
<td>2011</td>
<td>734,694</td>
</tr>
<tr>
<td>2012</td>
<td>762,496</td>
</tr>
<tr>
<td>2013</td>
<td>787,842</td>
</tr>
<tr>
<td>2014</td>
<td>820,353</td>
</tr>
<tr>
<td>2015</td>
<td>852,495</td>
</tr>
</tbody>
</table>
Tourism employment growth

And not only is the out-of-state tourism employment industry large, it has consistently grown faster than the state economy, driving Florida’s employment growth.
Tourism share of key industry employment

Tourism Employment Intensity by Industry

- Lodging: 81.1%
- Recreation: 53.2%
- Food services: 41.2%
- Retail: 7.3%
- Total: 7.6%
Total Impacts include 1.4 million jobs earning $50 billion in income – all supported by out-of-state visitor spending.
### Tourism tax generation

#### Out-of-State Tourism Generated Taxes (US$ Million)

<table>
<thead>
<tr>
<th>Tax Type</th>
<th>Direct</th>
<th>Indirect/Induced</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Federal</strong></td>
<td>6,879.6</td>
<td>6,185.0</td>
<td>13,064.6</td>
</tr>
<tr>
<td>Personal Income</td>
<td>2,298.5</td>
<td>2,063.9</td>
<td>4,362.4</td>
</tr>
<tr>
<td>Corporate</td>
<td>674.3</td>
<td>973.5</td>
<td>1,647.8</td>
</tr>
<tr>
<td>Indirect business</td>
<td>803.7</td>
<td>440.8</td>
<td>1,244.5</td>
</tr>
<tr>
<td>Social Security</td>
<td>3,103.1</td>
<td>2,706.8</td>
<td>5,809.9</td>
</tr>
<tr>
<td><strong>State and Local</strong></td>
<td>7,594.5</td>
<td>3,668.0</td>
<td>11,262.5</td>
</tr>
<tr>
<td>Sales</td>
<td>3,844.1</td>
<td>1,788.4</td>
<td>5,632.4</td>
</tr>
<tr>
<td>Bed Tax</td>
<td>600.4</td>
<td>-</td>
<td>600.4</td>
</tr>
<tr>
<td>Personal Income</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Corporate</td>
<td>90.5</td>
<td>130.7</td>
<td>221.2</td>
</tr>
<tr>
<td>Social Security</td>
<td>34.3</td>
<td>29.4</td>
<td>63.7</td>
</tr>
<tr>
<td>Excise and Fees</td>
<td>742.1</td>
<td>463.2</td>
<td>1,205.3</td>
</tr>
<tr>
<td>Property</td>
<td>2,283.2</td>
<td>1,256.3</td>
<td>3,539.5</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>14,474.1</td>
<td>9,853.0</td>
<td>24,327.1</td>
</tr>
</tbody>
</table>

- Each household in Florida would need to be taxed an additional $1,535 per year to replace the tourism taxes received by state and local governments.
## Tourism Generated Taxes - State and Local Government Revenues

(US$ Million)

<table>
<thead>
<tr>
<th>Tax Type</th>
<th>Direct</th>
<th>Indirect/Induced</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>State Tax Subtotal</strong></td>
<td>4,074.3</td>
<td>2,011.4</td>
<td>6,024.6</td>
</tr>
<tr>
<td>Corporate</td>
<td>90.5</td>
<td>130.7</td>
<td>221.2</td>
</tr>
<tr>
<td>Personal Income</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>Sales</td>
<td>3,513.9</td>
<td>1,643.2</td>
<td>5,096.0</td>
</tr>
<tr>
<td>Lodging</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>Property</td>
<td>0.0</td>
<td>0.0</td>
<td>0.1</td>
</tr>
<tr>
<td>Excise and Fees</td>
<td>435.6</td>
<td>208.1</td>
<td>643.6</td>
</tr>
<tr>
<td>State Unemployment</td>
<td>34.3</td>
<td>29.4</td>
<td>63.7</td>
</tr>
<tr>
<td><strong>Local Tax Subtotal</strong></td>
<td>3,520.3</td>
<td>1,656.6</td>
<td>5,237.9</td>
</tr>
<tr>
<td>Corporate</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>Personal Income</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>Sales</td>
<td>330.2</td>
<td>145.2</td>
<td>536.5</td>
</tr>
<tr>
<td>Lodging</td>
<td>600.4</td>
<td>0.0</td>
<td>600.4</td>
</tr>
<tr>
<td>Property</td>
<td>2,283.2</td>
<td>1,256.3</td>
<td>3,539.4</td>
</tr>
<tr>
<td>Excise and Fees</td>
<td>306.5</td>
<td>255.1</td>
<td>561.6</td>
</tr>
<tr>
<td>State Unemployment</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
</tr>
</tbody>
</table>
**2015 Wrap-up**

- Visitor spending in Florida grew 3.9% in 2015, reaching $108.8 billion with a total impact on business sales of more than $183.5 billion.

- Despite a 25% decline in gasoline prices, visitor spending grew, supported by strong increases in accommodations and food & beverage spending.

- 1-in-6 non-farm jobs in Florida is supported by out-of-state visitor spending.

- Out-of-state visitor supported employment growth has been higher than overall state employment growth.

- Total state and local tax revenue supported by tourism activity reached $11.3 billion in 2015.
Tourism in context
Tourism in context

- On average, out-of-state visitors spend $300 million per DAY in Florida.

- The 1.4 million jobs are enough jobs for every resident of Palm Beach County – the 3rd largest county in Florida.
Tourism in context

- The $6.0 billion in state revenue is enough to fully fund six state agencies – including three of the top ten: Economic Opportunity, Environmental Protection, and Health Departments along with Law Enforcement, Executive Office of the Governor and Citrus Departments.

- State and local tax revenue supported by out-of-state visitors reached $11.3 billion. The state’s contribution to all levels of education in the 2014-2015 budget was $10.6 billion – a record amount.
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