



TOURISM
ECONOMICS

AN OXFORD ECONOMICS COMPANY



U.S. TRAVEL
ASSOCIATION

The Economic Contribution of Tourism to the State of Georgia in 2009

Tourism Satellite Account Method

Prepared by:
Tourism Economics
121, St Aldates, Oxford, OX1 1HB UK
303 W Lancaster Ave. Wayne PA 19087 USA
+44 1865 268900 / +1 610 995 9600
www.tourismeconomics.com

Big picture themes

- 2009 proved to be a challenging year for travel providers. The recession of 2008-2009 spurred millions of job losses nationwide and cut household wealth with the drop in housing prices and the stock market. These declines in both wealth and income, in tandem with fundamental uncertainty, affected both leisure and business travel last year.
- Georgia was not immune to these shifts in travel patterns. The state hosted fewer visitors and those that did come, spent less. As a result, fewer Georgia residents were employed by the travel industry and governments collected less in travel-generated tax receipts.

Key results

- Total tourism demand tallied \$26 billion in 2009, declining 9.7% from the prior year.
- The direct GDP of the tourism sector fell 6.6% to \$9.3 billion in 2009.
- This economic activity sustained 383,000 jobs in 2009, including direct, indirect, and induced impacts.
- 10.1% of all jobs in the state are directly and indirectly sustained by tourism activities. This is an increase in share since 2008 when 9.9% of employment was tourism-generated.
- Including indirect and induced impacts, tourism in Georgia generated \$2.3 billion in state and local taxes and \$3.0 billion in Federal taxes in 2009.

Important definitions

1. **Total Tourism Demand:** Includes visitor spending plus other spending streams in support of the traveler industry. This includes government spending and capital investment in support of tourism.
2. **Tourism Industry GDP:** Measures the value of production of “tourism characteristic industries” on behalf of travelers. This concept measures only the direct impact of the travel industry.
3. **Tourism Economic Impact:** Measures the full economic impacts of tourism demand, including indirect and induced impacts.

Illustrating the concepts

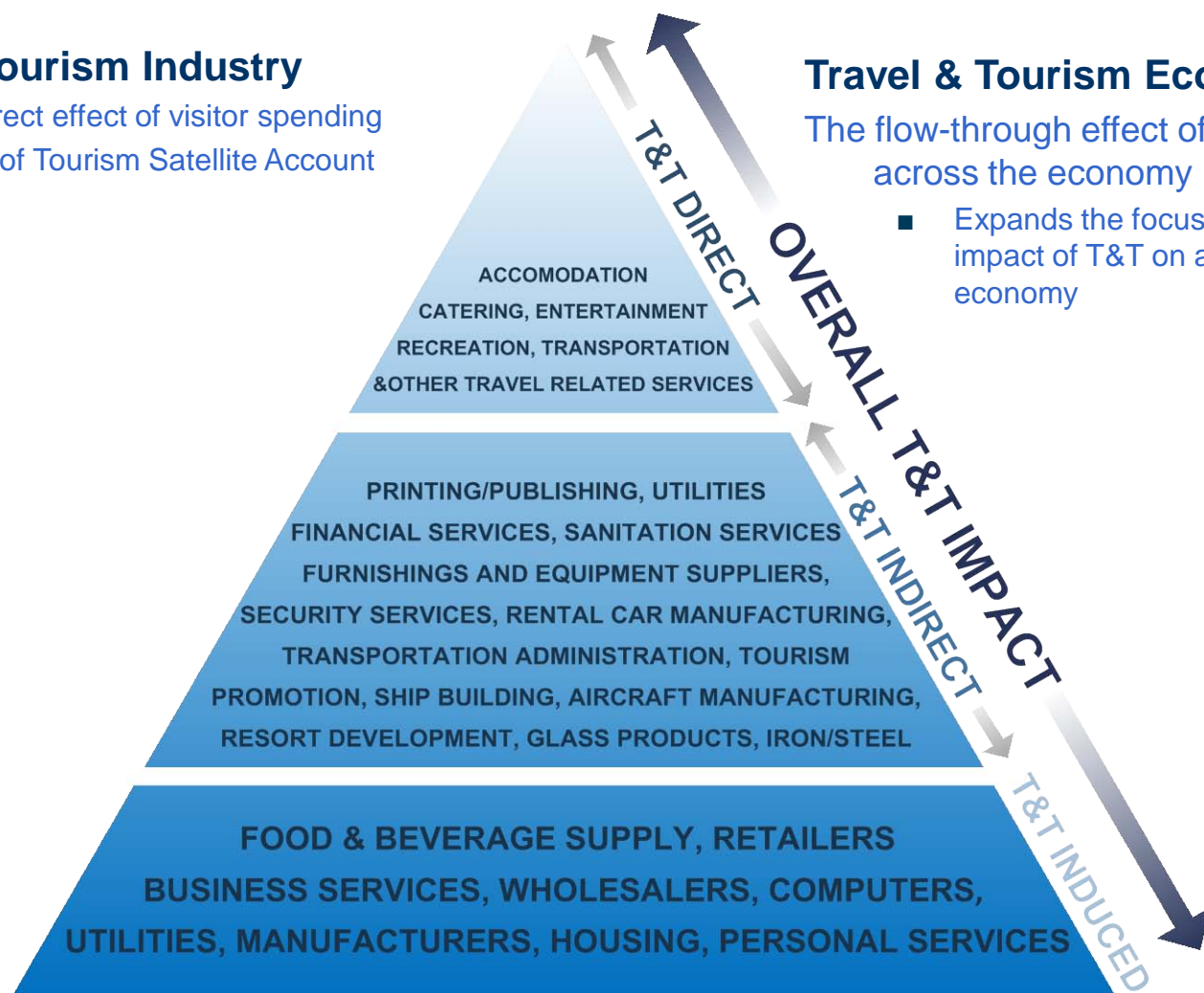
Travel & Tourism Industry

- 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



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.
- 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.

What is this a challenge?

- Most economic sectors such as financial services, insurance, or construction are easily defined within a country's national accounts 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...

The Tourism Satellite Account

- The TSA was conceived by the UN World Tourism Organization and has since been ratified by the UN, Eurostat, and OECD.
- The standard has been adopted by over fifty countries around the world.
- The TSA deals with the challenge of measuring tourism in two important ways:
 1. Defines the tourism economy
 2. Provides methodology for calculating tourism GDP in a way that is consistent with economic accounts

Benefits of a TSA

- Enables comparisons of the importance of tourism to other sectors of the economy in terms of GDP, employment, and income
- Allows for benchmarking to other destinations
- Tracks the economic contribution of tourism over time
- Monitors strength by tracking capital investment
- Allows for extension analysis for of the full impact of tourism

Detailed Results

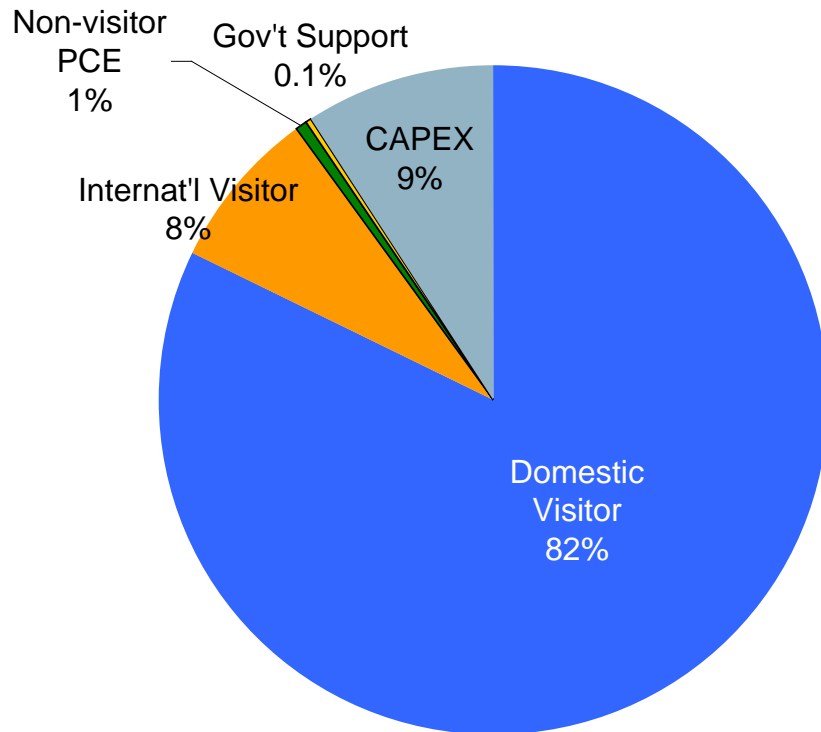
Tourism Demand

- The Tourism Satellite Account looks at the full range of tourism-related business activity.

Tourism Demand by Category, \$ million						
	Domestic Visitor	Internat'l Visitor	Non-visitor PCE	Gov't Support	CAPEX	Total
2007	\$ 22,781	\$ 1,706	\$ 189	\$ 35	\$ 3,737	\$ 28,449
2008	\$ 23,285	\$ 1,950	\$ 189	\$ 38	\$ 3,309	\$ 28,771
2009	\$ 21,353	\$ 2,039	\$ 165	\$ 36	\$ 2,394	\$ 25,987
% change 2009/08	-8.3%	4.6%	-12.9%	-3.9%	-27.6%	-9.7%

- Non-visitor private consumption expenditures (PCE) represent tourism consumer durables such as an RV, boat, or furniture for a vacation home. These fell 13% last year.
- Government support for tourism, including the budgets for the Division of Tourism, tourism attractions, security, and other budget items in broad support of tourism, fell 4% .
- Capital investment includes construction of hotels and attractions, as well as tourism infrastructure and declined 28% in 2009.

Tourism Demand by Source

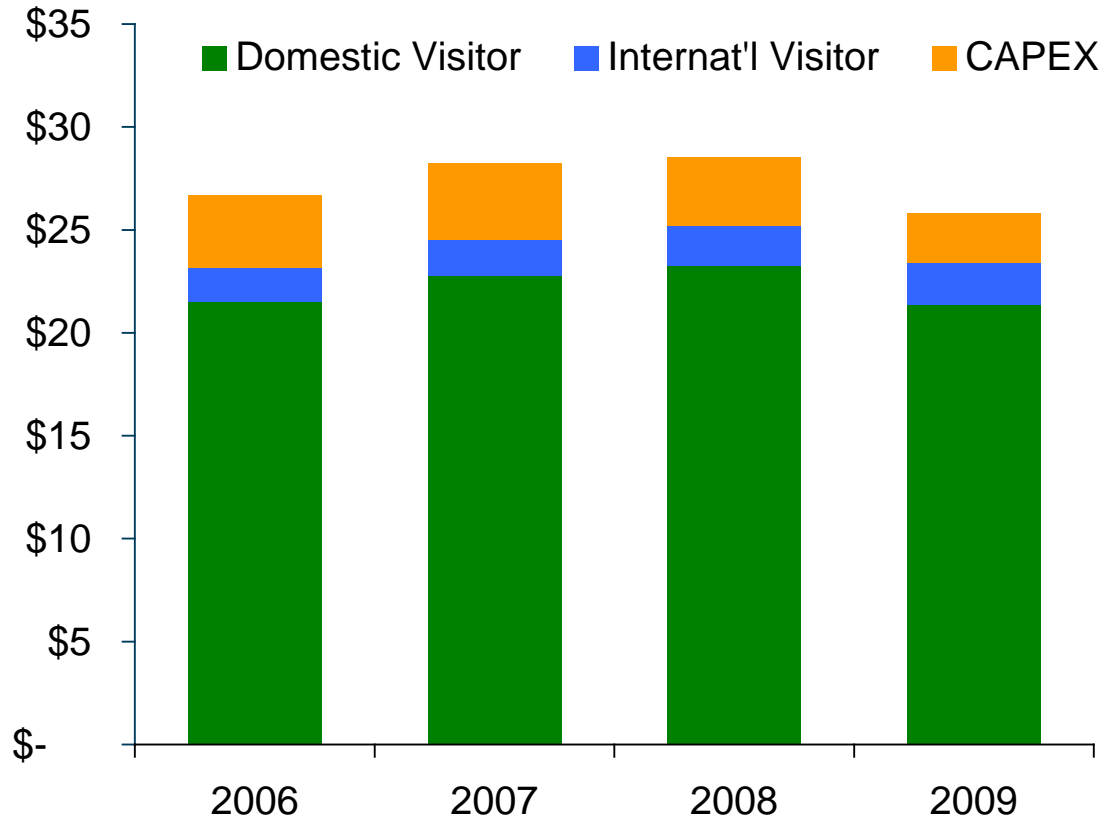


- Domestic visitor markets comprise the majority (82%) of tourism demand.
- Capital investment in tourism-related construction and machinery & equipment is second in importance even after two consecutive years of contraction.
- International visitor markets contributed 8% of tourism demand in Georgia last year.

Tourism Demand Growth

Tourism Demand Trend

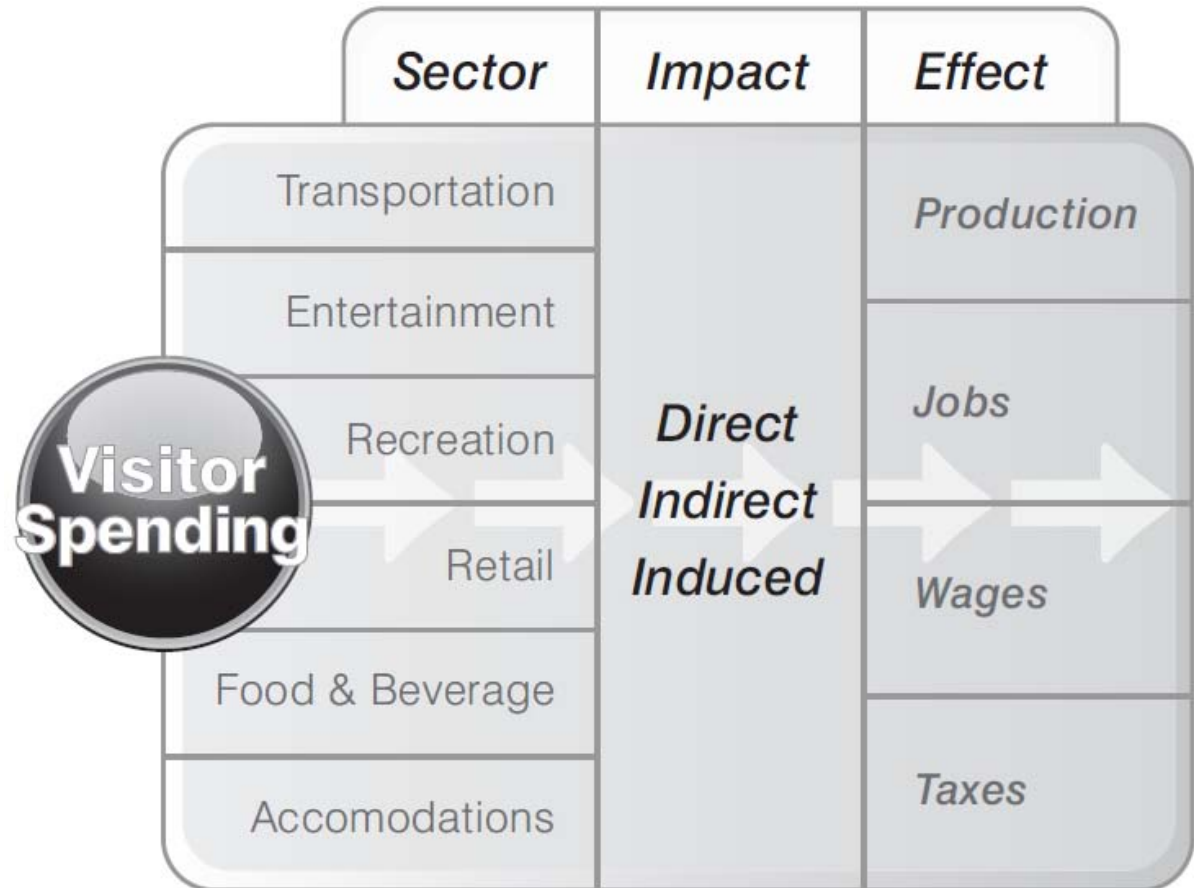
billions



Source: Tourism Economics

Translating spending into impact

- The direct impacts are quantified within travel-related sectors.
- The indirect impacts include the benefits realized by the supply chain.
- The induced impacts are generated as wages are spent within the state's economy.



Tourism business sales by sector

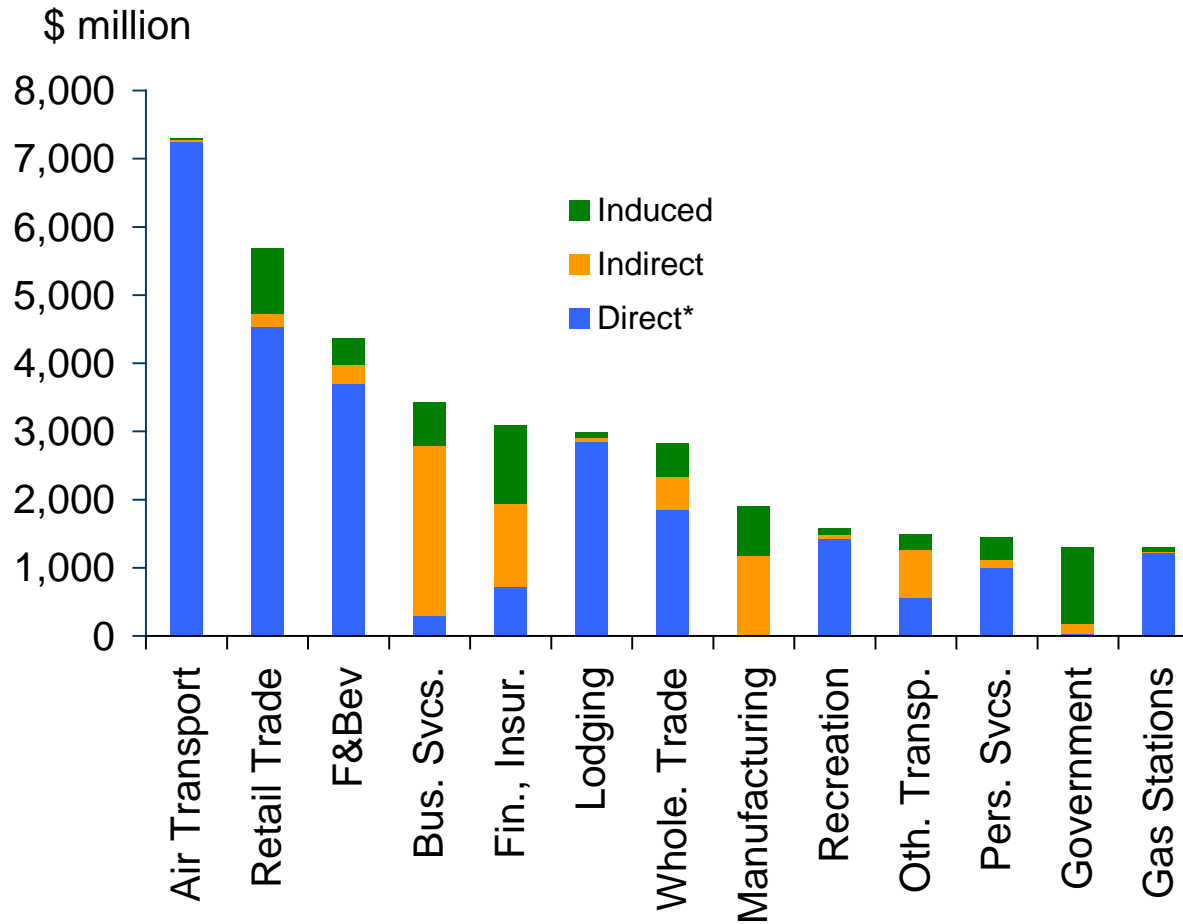
Tourism Sales (Output)					% change from year earlier
US\$ Million, 2009					
	Direct*	Indirect	Induced	Total	
Agriculture, Fishing, Mining		89	68	157	-7.5%
Construction and Utilities	544	345	256	1,144	-39.7%
Manufacturing		1,173	732	1,905	-7.4%
Wholesale Trade	1,851	481	492	2,824	-9.3%
Air Transport	7,252	24	28	7,304	-12.0%
Other Transport	562	711	220	1,493	-5.3%
Retail Trade	4,537	193	958	5,688	-2.2%
Gasoline Stations	1,220	13	61	1,294	-28.9%
Communications		472	294	766	-7.4%
Finance, Insurance and Real Estate	716	1,218	1,148	3,081	-6.1%
Business Services	293	2,493	636	3,422	-6.5%
Education and Health Care		77	1,129	1,206	-7.7%
Recreation and Entertainment	1,432	47	101	1,581	-1.8%
Lodging	2,847	70	75	2,991	-9.8%
Food & Beverage	3,702	283	382	4,367	-1.4%
Personal Services	996	120	333	1,449	-1.2%
Government	36	143	1,116	1,295	-7.6%
TOTAL (2009)	25,987	7,950	8,030	41,967	-8.9%
TOTAL (2008)	28,771	8,572	8,704	46,046	1.1%
TOTAL (2007)	28,449	8,476	8,606	45,532	5.8%

* Direct sales include cost of goods for retail sectors

- Tourism demand of \$26 generated \$42 billion in business sales, including indirect and induced impacts. Total tourism-generated business sales contracted 8.9% in 2009.

Tourism Sales

Tourism Business Sales



Tourism Industry GDP

Tourism GDP (Value Added)
(US\$ Million)

Industry Composition	2008	2009	%
Agriculture, Fishing, Mining	-		
Construction and Utilities			
Manufacturing	-		
Wholesale Trade			
Air Transport	2,894	2,547	-12.0%
Other Transport	278	273	-1.8%
Retail Trade	751	746	-0.7%
Gasoline Stations	248	174	-29.9%
Communications			
Finance, Insurance and Real Estate	436	431	-1.1%
Business Services	119	124	3.5%
Education and Health Care			
Recreation and Entertainment	739	731	-1.1%
Lodging	2,273	2,047	-9.9%
Food & Beverage	1,770	1,766	-0.2%
Personal Services	460	469	2.0%
Government			
TOTAL	9,968	9,307	-6.6%

- Tourism GDP is the value added of those sectors directly interacting with travelers.
- The narrow definition of the tourism industry counts only tourism consumption, which excludes capital investment and general government support of tourism. This definition is consistent with economic accounts.
- On this basis, tourism industry GDP was \$9.3 billion in 2009, accounting for 2.5% of total Georgia GDP.

Tourism GDP Impact

- The complete definition of the tourism demand includes capital investment and general government support of tourism. By this broader definition, tourism activity directly contributed \$9.8 billion to the state GDP in 2009.
- In total, including all direct tourism demand, indirect and induced impacts, the tourism sector generated GDP of \$19 billion. This is 5.1% of the state economy.

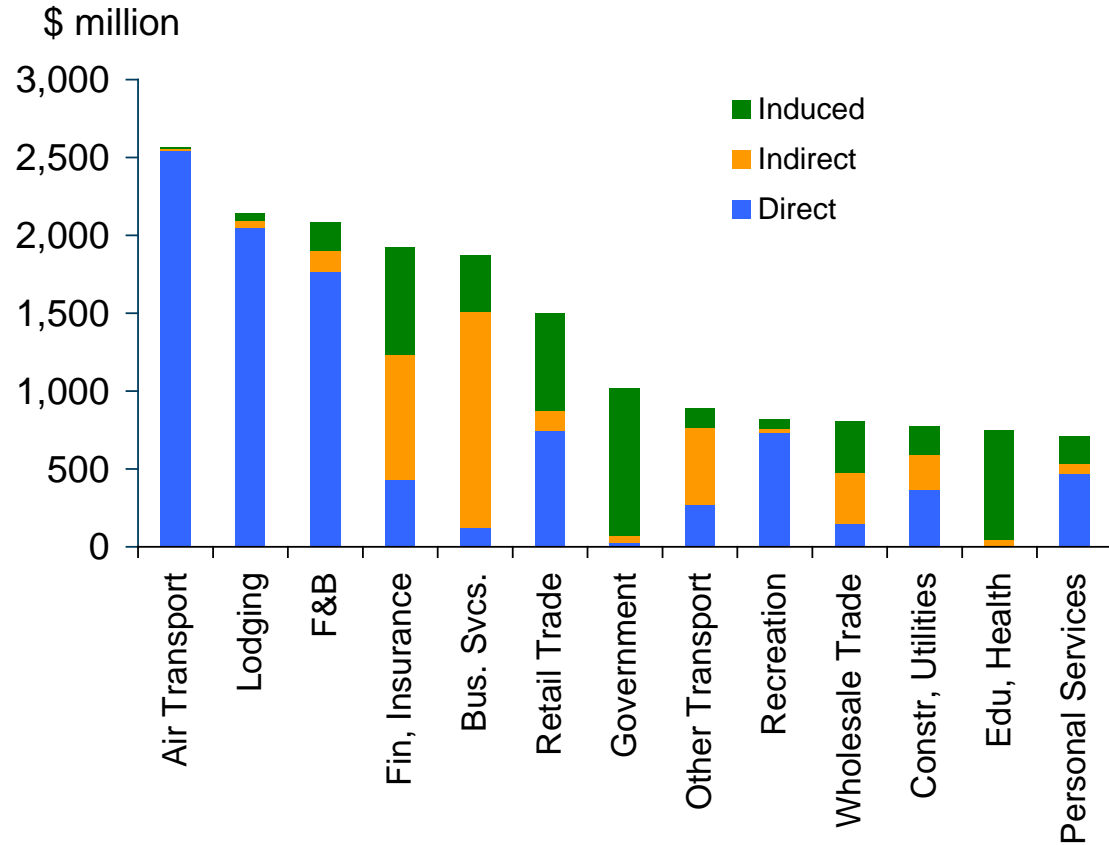
Tourism GDP Impact

Tourism GDP (Value Added) (US\$ Million)					% change from year earlier
	Direct*	Indirect	Induced	Total	
Agriculture, Fishing, Mining		25	28	52	-7.5%
Construction and Utilities	364	230	182	775	-39.5%
Manufacturing		286	206	492	-7.5%
Wholesale Trade	149	325	332	806	-8.0%
Air Transport	2,547	8	10	2,565	-12.0%
Other Transport	273	495	121	889	-5.7%
Retail Trade	746	126	626	1,498	-4.3%
Gasoline Stations	174	9	42	224	-25.9%
Communications		237	145	383	-7.4%
Finance, Insurance and Real Estate	431	801	691	1,923	-6.1%
Business Services	124	1,387	364	1,875	-6.7%
Education and Health Care		46	702	748	-7.7%
Recreation and Entertainment	731	27	59	817	-1.8%
Lodging	2,047	45	47	2,139	-9.8%
Food & Beverage	1,766	135	182	2,083	-1.4%
Personal Services	469	63	175	707	-1.4%
Government	23	52	947	1,022	-7.6%
TOTAL (2009)	9,843	4,296	4,859	18,999	-9.1%
TOTAL (2008)	10,995	4,632	5,267	20,894	1.3%
TOTAL (2007)	10,839	4,580	5,208	20,628	5.8%

Tourism GDP impact

- All sectors of the Georgia economy benefit from tourism activity directly and/or indirectly.

Tourism GDP Impact



Ranking Tourism Industry Employment

- The tourism industry directly employed 234,112 Georgians in 2009. This narrow measurement of tourism includes only those jobs directly supported by visitor activity and enables inter-industry ranking.
- On this basis, tourism is the 5th largest private employer in the state of Georgia.

Ranking of Employment		
Rank	Industry	Value*
1	Retail trade	406,300
2	Health care	388,600
3	Manufacturing	358,100
4	Administration and waste management	238,700
5	Tourism	234,112
6	Accommodation and food services (minus tourism)	226,203
7	Professional, Scientific, and Technical Services	217,300
8	Wholesale Trade	199,200
9	Construction	166,100
10	Finance and insurance	150,800

* Comparative data is BLS QCEW employment

Total Tourism Employment

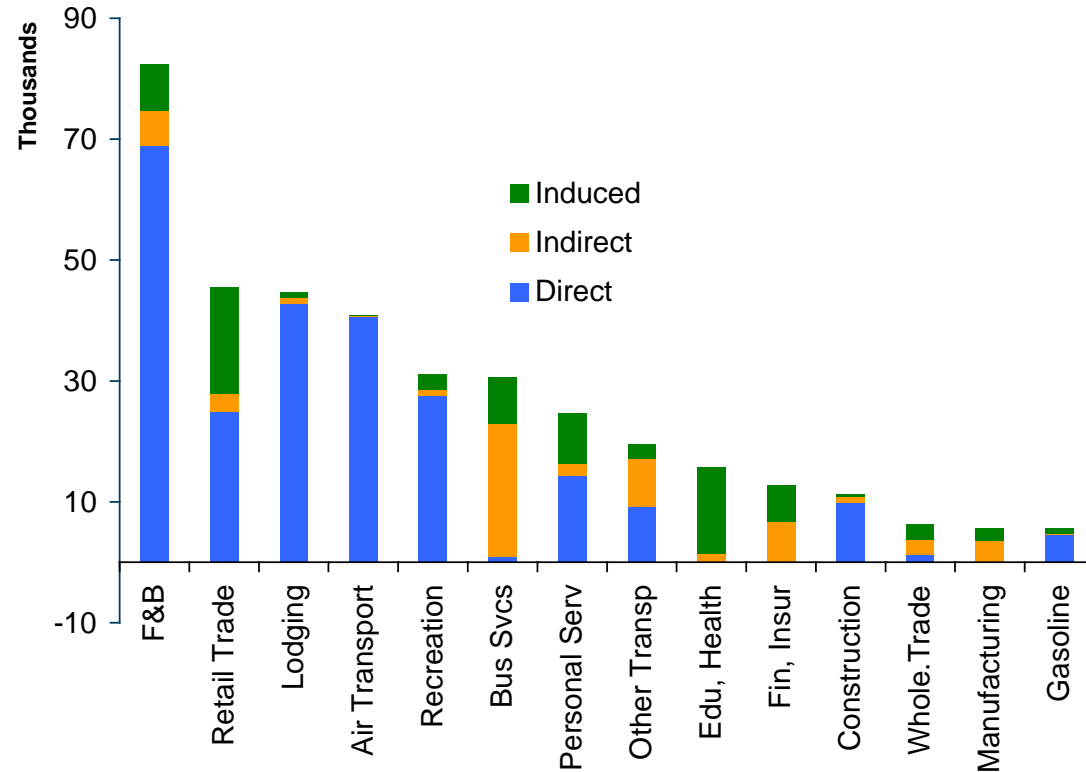
Tourism Employment					% change from year earlier
	Direct	Indirect	Induced	Total	
Agriculture, Fishing, Mining		1,477	1,207	2,684	-3.3%
Construction and Utilities	9,913	929	336	11,179	-22.0%
Manufacturing		3,642	2,083	5,725	-3.3%
Wholesale Trade	1,212	2,547	2,611	6,370	-3.8%
Air Transport	40,656	105	124	40,886	-1.7%
Other Transport	9,164	7,924	2,417	19,506	-3.7%
Retail Trade	24,897	2,943	17,674	45,514	-2.3%
Gasoline Stations	4,624	174	848	5,646	-1.8%
Communications		1,494	754	2,248	-3.3%
Finance, Insurance and Real Estate		6,736	5,975	12,711	-3.3%
Business Services	996	21,872	7,701	30,570	-3.2%
Education and Health Care		1,311	14,380	15,691	-3.4%
Recreation and Entertainment	27,525	1,035	2,528	31,088	-3.6%
Lodging	42,860	867	929	44,656	-6.4%
Food & Beverage	68,968	5,704	7,734	82,405	-3.2%
Personal Services	14,357	1,950	8,410	24,717	-1.9%
Government	65	909	780	1,754	-3.4%
TOTAL (2009)	245,238	61,619	76,492	383,348	-4.0%
TOTAL (2008)	256,319	63,684	79,232	399,235	-2.0%
TOTAL (2007)	262,542	64,590	80,362	407,494	

The tourism sector directly and indirectly supported over 383,000 jobs, or 10.1% of all employment in Georgia last year. Tourism-related employment contracted in 2009 as the recession continued with the greatest losses in capital investment-related sectors such as construction.

Total Tourism Employment

- The restaurant, lodging, and retail sectors employed the most persons in the tourism sector.
- Secondary benefits are realized across the entire economy through the supply chain and incomes as they are spent.

Tourism Generated Employment



Tourism Personal Income

Tourism Income (Compensation) (US\$ Million)					% change from year earlier
	Direct	Indirect	Induced	Total	
Agriculture, Fishing, Mining		16	20	36	-7.5%
Construction and Utilities	536	93	62	690	-24.1%
Manufacturing		192	116	307	-7.4%
Wholesale Trade	87	182	186	456	-7.3%
Air Transport	2,262	7	8	2,278	-8.4%
Other Transport	189	416	92	698	-6.4%
Retail Trade	522	79	394	995	-4.5%
Gasoline Stations	90	4	19	113	-18.0%
Communications		126	64	190	-7.4%
Finance, Insurance and Real Estate	292	301	305	899	-6.5%
Business Services	49	1,079	294	1,422	-7.3%
Education and Health Care		34	606	640	-7.7%
Recreation and Entertainment	843	22	41	906	-1.7%
Lodging	1,175	25	27	1,227	-8.7%
Food & Beverage	1,235	95	129	1,458	-2.1%
Personal Services	343	50	141	534	-3.4%
Government		37	25	61	-7.5%
TOTAL (2009)	7,622	2,759	2,529	12,911	-7.4%
TOTAL (2008)	8,232	2,975	2,742	13,949	1.3%
TOTAL (2007)	8,116	2,942	2,711	13,769	

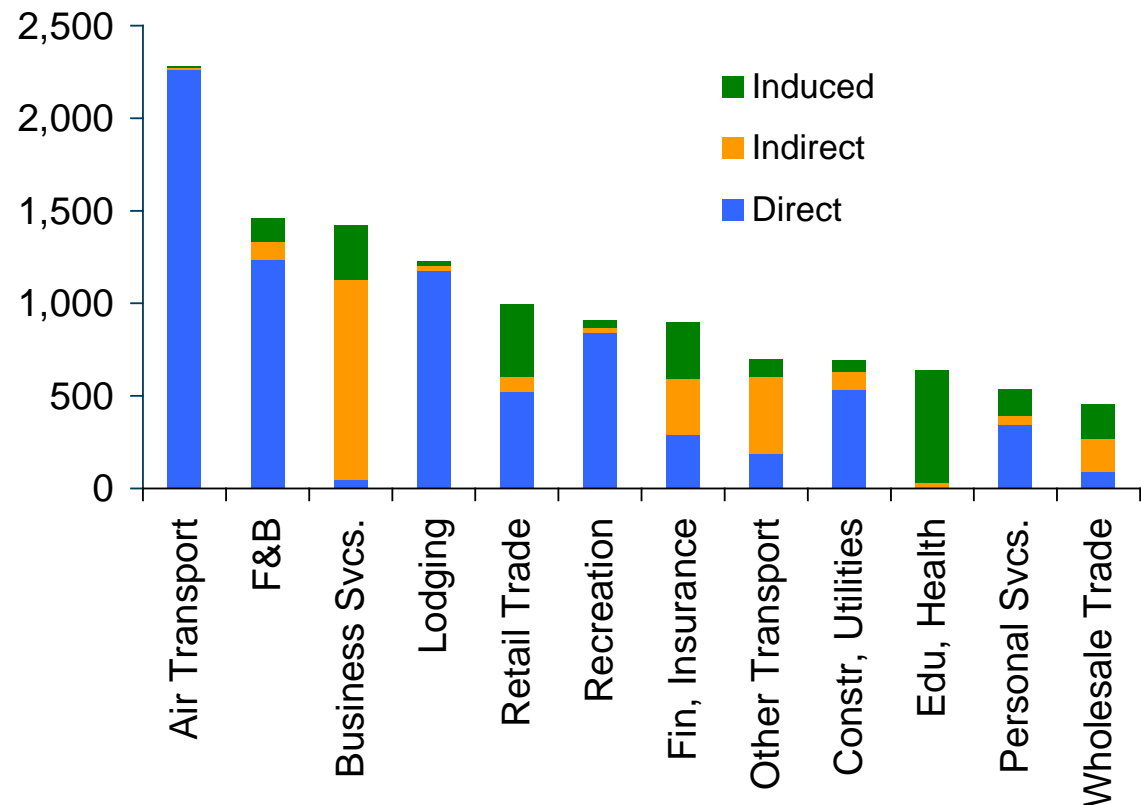
- Nearly \$13 billion in compensation was generated by tourism demand in 2009, a decline of 7.4%

Tourism Personal Income

- Tourism generated the most personal income in the air transport, business services and food & beverage sectors.
- The business services sector benefits strongly as a supplier to other tourism sectors.

Tourism Generated Income

\$ million



Tourism Tax Generation

Tourism-Generated Taxes (US\$ Million)		
	2008	2009
Federal Taxes	3,254	3,000
Corporate	443	404
Indirect Business	330	301
Personal Income	1,102	1,020
Social Security	1,378	1,276
State and Local Taxes	2,457	2,277
Corporate	184	168
Personal Income	350	323
Sales	1,027	936
Property	745	712
Excise and Fees	131	119
State Unemployment	21	19
TOTAL	5,710	5,278
% change year ago	1.1%	-7.6%

- Taxes of \$5.3 billion were directly and indirectly generated by tourism in 2009.
- State and local taxes alone tallied \$2.3 billion.
- Each household in Georgia would need to be taxed an additional \$700 per year to replace the tourism taxes received by state and local governments.

State Government's Role

Government Expenditures on Tourism

FY 2010	TOURISM ATTRIBUTION	
	Current	Capital
Economic Development		
Aviation Hall of Fame	\$ 20,067	
Civil War Commission	\$ 6,789	
Music Hall of Fame	\$ 263,803	
Sports Hall of Fame	\$ 230,950	
Tourism	\$ 10,104,209	
Film, Video, and Music	\$ 492,721	
Natural Resources		
Historic Preservation	\$ 1,284,759	
Parks, Recreation and Historic Sites	\$ 14,384,696	
Coastal Resources	\$ 2,935,512	
Public Safety		
Aviation	\$ 1,252,892	
Georgia Aviation Authority	\$ 5,262,694	
Highway construction and improvement		\$ 107,474,569
Total	\$ 10,596,930	\$ 25,642,161
		\$ 107,474,569

- Government support of tourism is divided between collective (general support) and individual (specific support) spending.
- Capital expenditures are also considered in proportion to tourists' usage.
- Total state government support of tourism is estimated at \$143.7 mn including current and capital expenditures.

Tourism Capital Investment

Tourism Capital Investment				
	2007	2008	2009	2009 % change
Construction	\$ 1,110,340,200	\$ 1,093,385,055	\$ 436,326,674	-60%
Machinery and Equipment	\$ 2,478,577,839	\$ 2,059,535,755	\$ 1,850,605,775	-10%
Government Capital Outlays	\$ 147,650,000	\$ 155,870,608	\$ 107,474,569	-31%
Total	\$ 3,736,570,046	\$ 3,308,793,425	\$ 2,394,409,027	-28%

- Nearly \$2.4 billion was invested by the tourism sector last year, including hotels, recreational facilities, and related government capital outlays.
- However, 2009 marked the second year of contraction in tourism construction and equipment purchases by tourism companies with a 28% decline in total tourism-related capital investment.

About Tourism Economics

- Tourism Economics, headquartered in Philadelphia, is an Oxford Economics company dedicated to providing high value, robust, and relevant analyses of the tourism sector that reflects the dynamics of local and global economies. By combining quantitative methods with industry knowledge, Tourism Economics designs custom market strategies, project feasibility analysis, tourism forecasting models, tourism policy analysis, and economic impact studies.
- Our staff have worked with over 100 destinations to quantify the economic value of tourism, forecast demand, guide strategy, or evaluate tourism policies.
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- For more information: info@tourismeconomics.com / +1 610 995 9600.