



Economic Impact of Tourism in Kentucky, 2018

May 2019

Prepared for:
Kentucky Department of Tourism



**TOURISM
ECONOMICS**

AN OXFORD ECONOMICS COMPANY

1. Key Findings

1) Tourism is a major contributor to Kentucky's economy

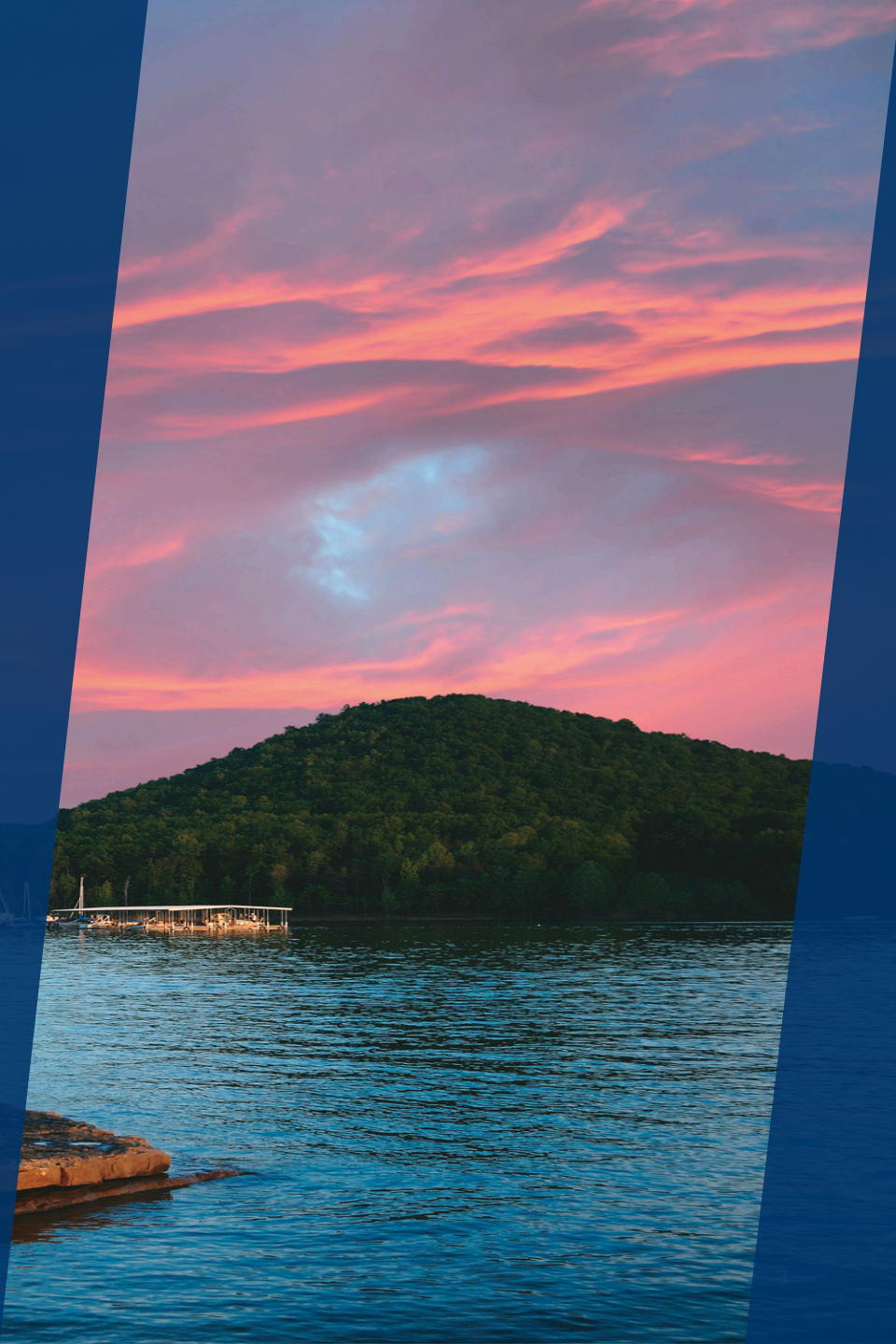
Key facts about Kentucky's tourism sector

In 2018, 71.6 million visitors spent nearly \$7.6 billion in Kentucky

Visitor spending increased 3.7% in 2018

Visitor spending directly supported 4.4% of all jobs in Kentucky

Visitors generated the equivalent of \$456 in state and local taxes for every household in Kentucky



2) Visitor spending generates income, jobs, and tax revenue

Key tourism indicators in Kentucky 2018

Dollar figures in millions

Visitor spending	\$7,563
Economic impact (direct, indirect, and induced)	\$11,248
Employment impact	94,583
Personal income impact	\$2,948
Tax impacts	\$1,456
Federal	\$669
State & Local	\$787

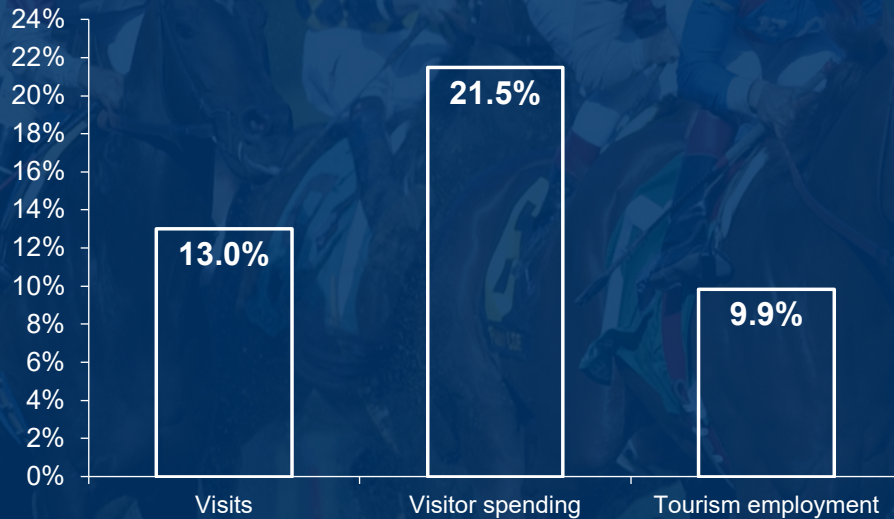
Source: Tourism Economics



3) Tourism indicators and economic impacts have steadily increased since 2013

Growth in key indicators

Percent growth 2013-2018



Source: Tourism Economics



2. Tourism Economy Trends

Trends in Kentucky tourism

1

Visitor spending is increasing – and has been for five straight years

- Visitor spending reached nearly \$7.6 billion in 2018, increasing 3.7% over the prior year.

2

Tourism employment has increased 10% since 2013

- Consistent visitor spending growth has positively impacted tourism employment in Kentucky

3

Visitation growth increased 1.1% in 2018

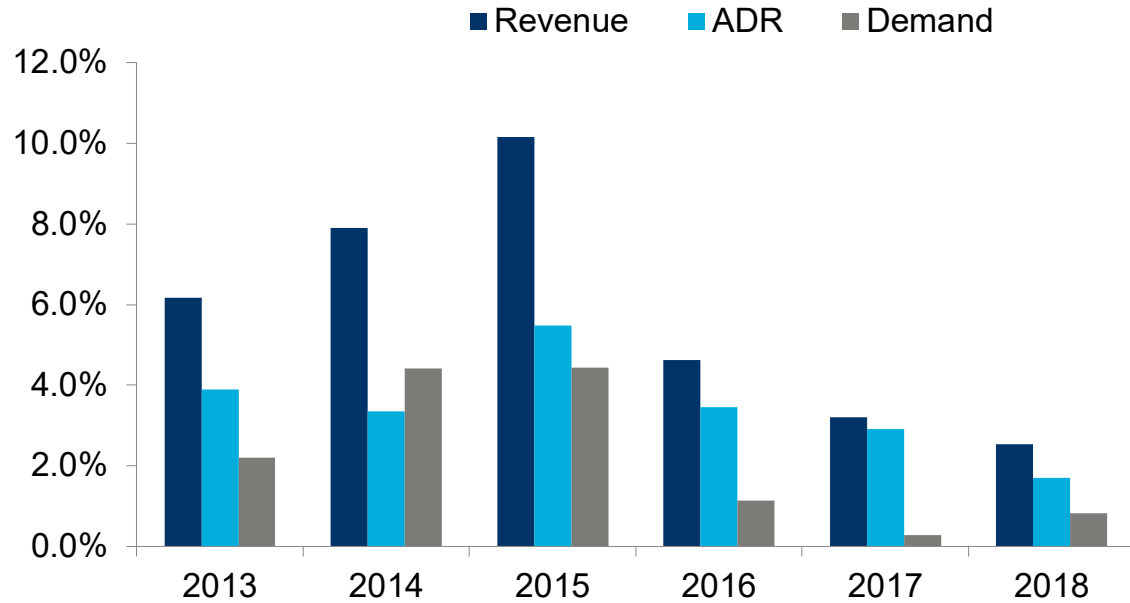
- Visitation growth was supported mainly by those visiting Kentucky for the day (1.2%), though overnight visitation ticked up 0.8% in 2018.

Lodging trends

Key indicators in the lodging industry point to continued, yet decelerating, growth in the industry. While demand growth remained modest at 0.8%, continued average daily rate (ADR) growth fueled an increase in visitor spending. Gains in hotel room revenue also saw growth in 2018, but at a slower pace than 2013-2015.

Hotel sector KPIs in Kentucky

percent change, year over year



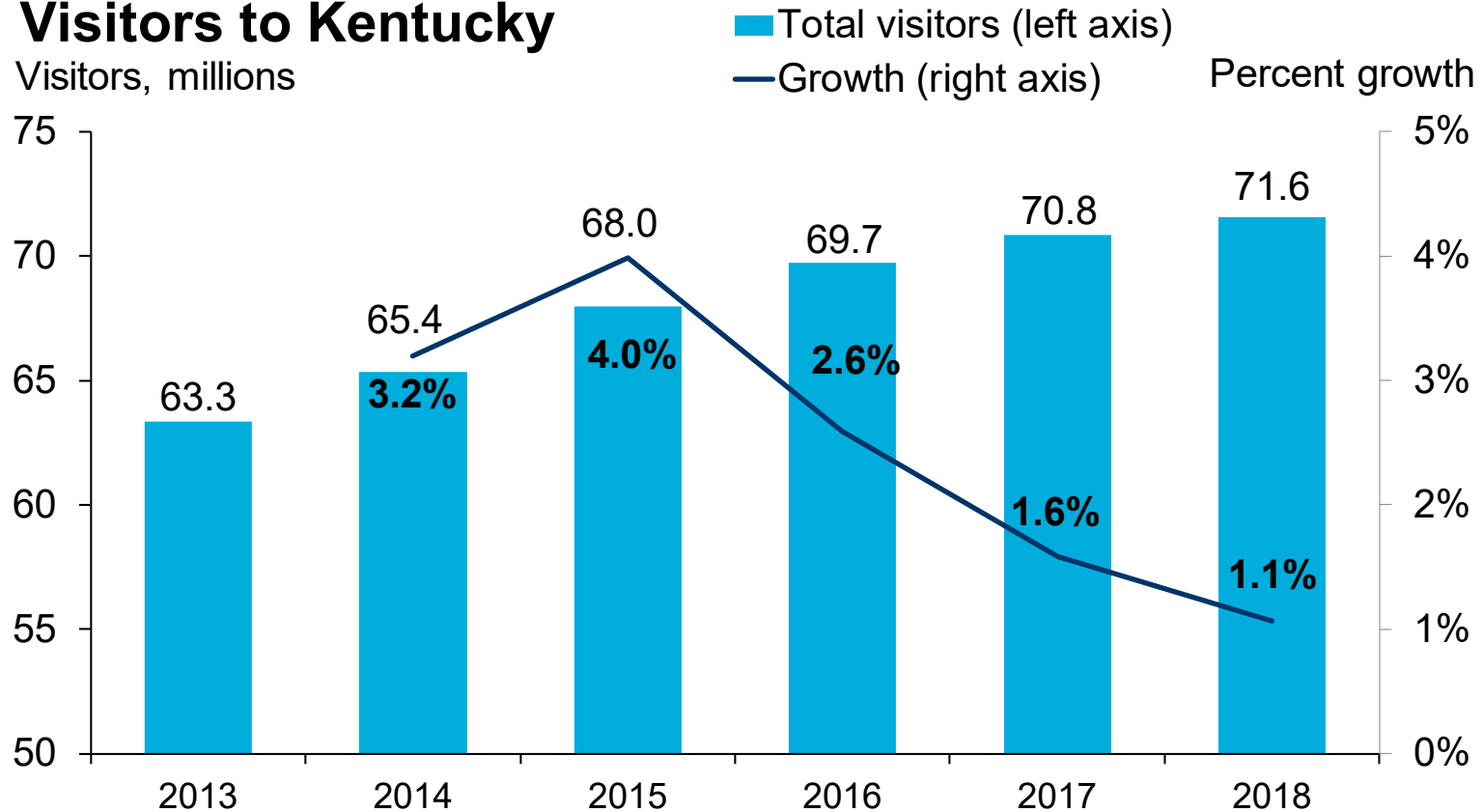
Source: STR

Visitation in 2018

Visitation growth to Kentucky has consistently ticked up each year, leading to new highs, yet in recent years it has been doing so at a decelerating pace.

Visitors to Kentucky

Visitors, millions



Source: Longwoods International; Tourism Economics

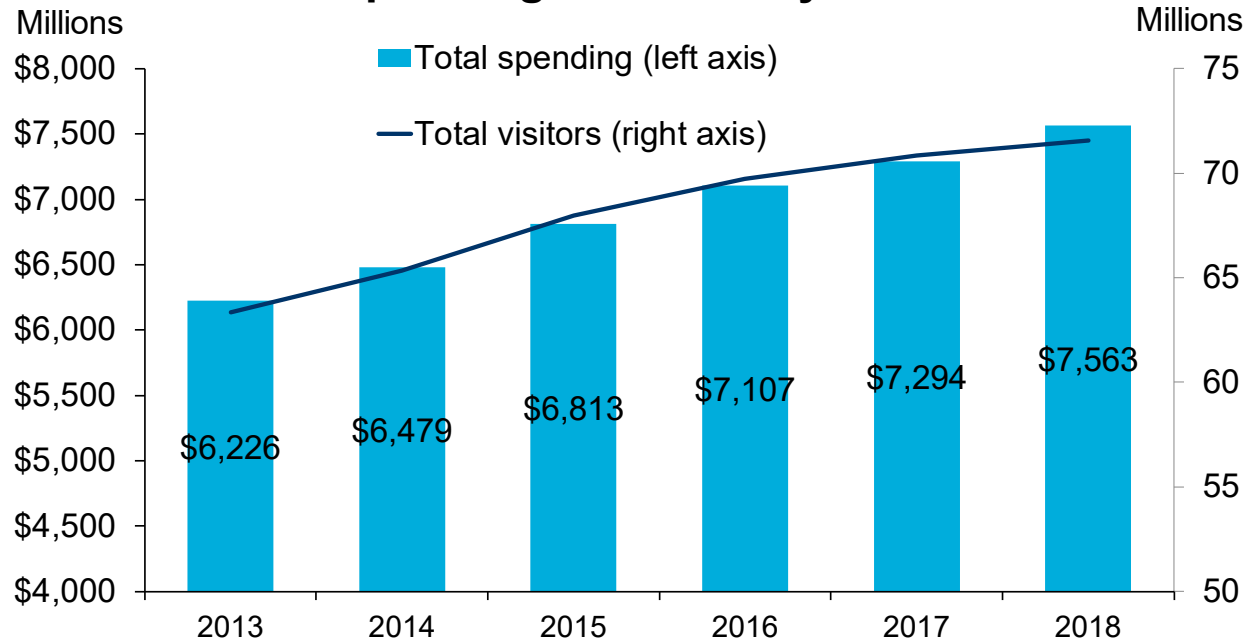
Visitor & spending trends in 2018

An estimated 71.6 million visitors to Kentucky spent nearly \$7.6 billion in 2018. Visitor spending has increased 21% since 2013.

Visits expanded 1.1% while spending rose 3.7%; average spending per visitor increased.

While 2018 visitation growth was modest, the impacts of visitor spending continue to support job, income, and tax revenue growth.

Visitation and spending in Kentucky

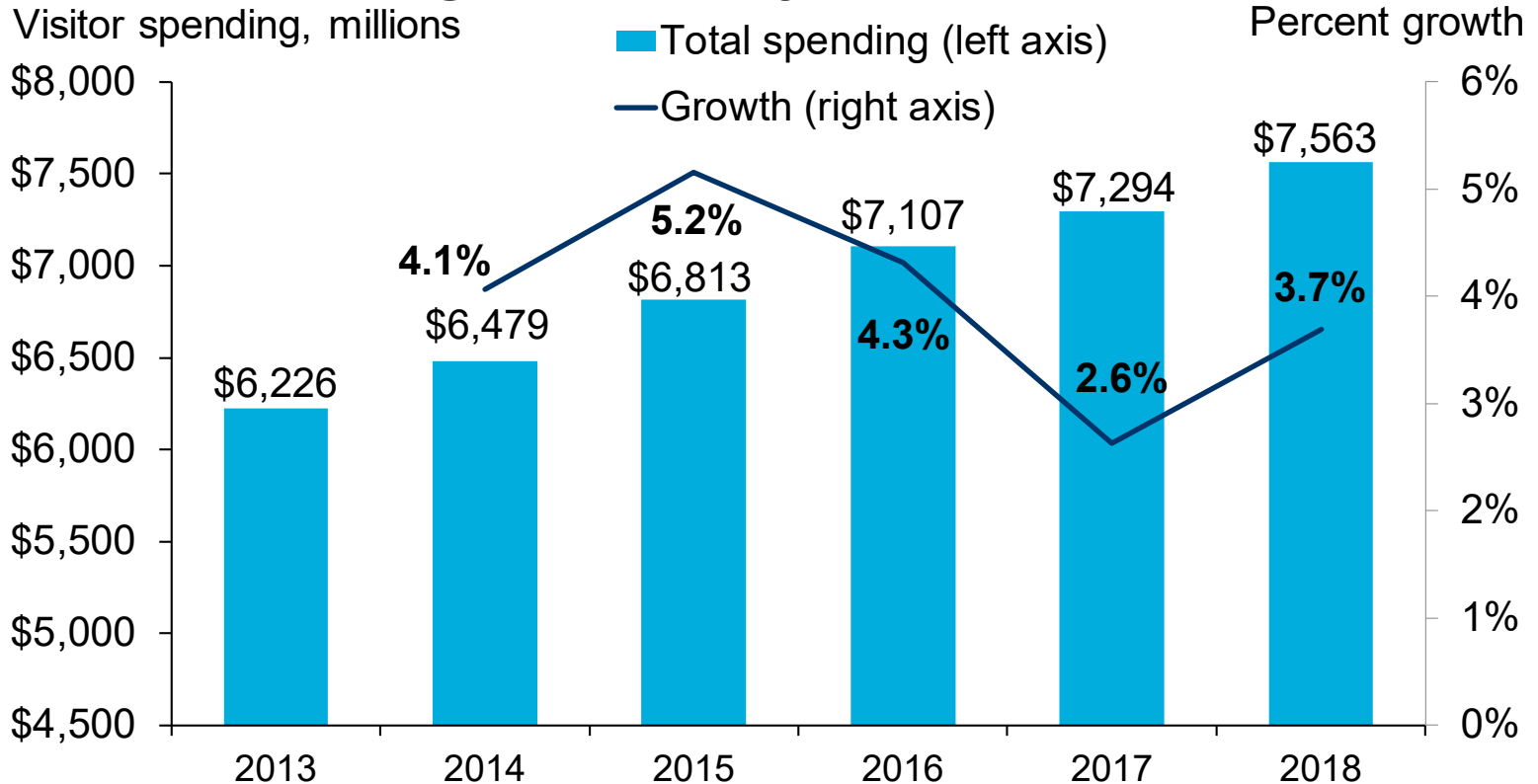


Source: Longwoods International; Tourism Economics

Visitor spending growth

Visitor spending has increased every year since 2013, reaching a new peak of \$7.6 billion in 2018.

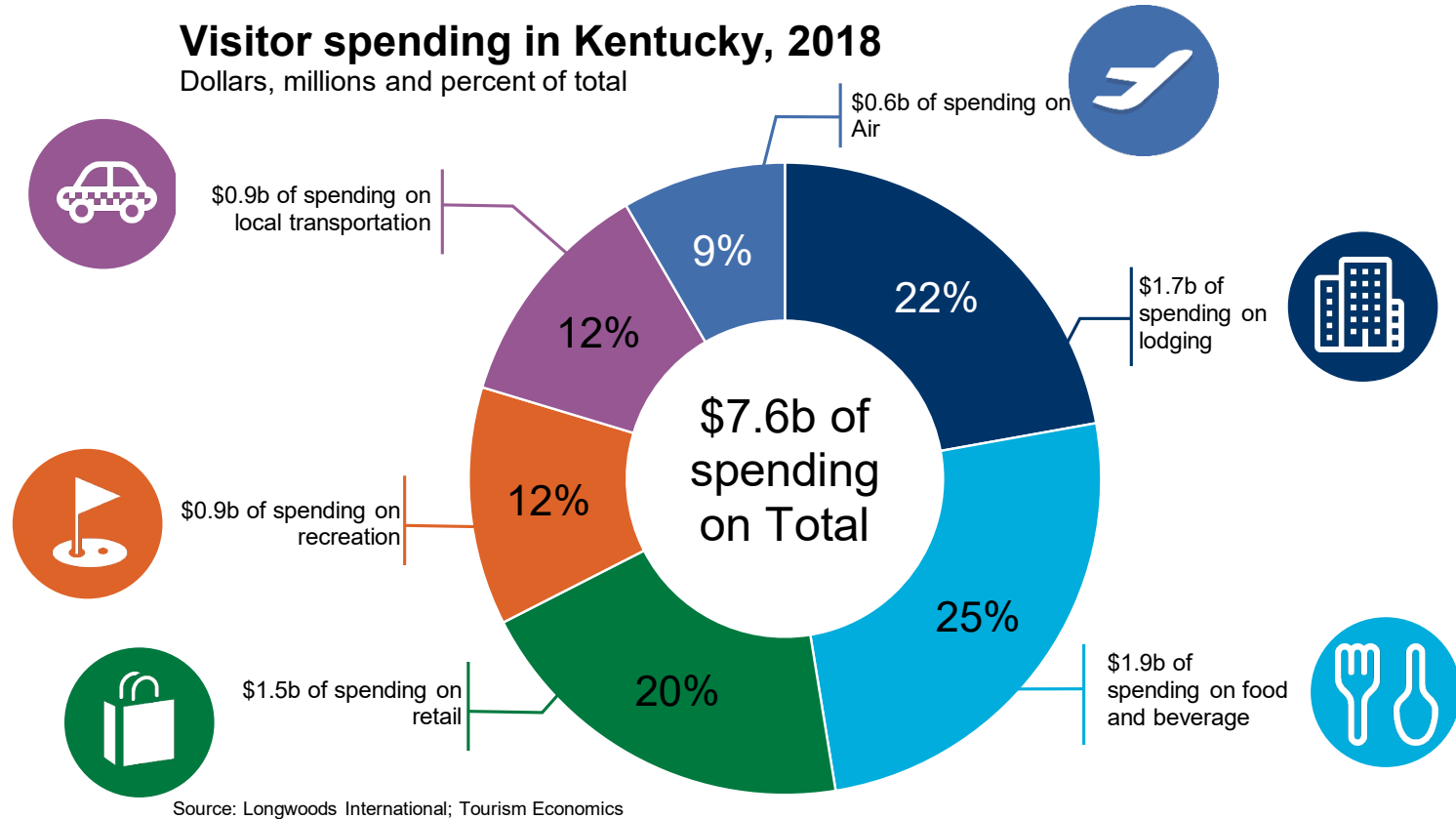
Visitor spending in Kentucky



Source: Longwoods International; Tourism Economics

Visitor spending in Kentucky

Visitors to Kentucky spent nearly \$7.6 billion across a wide range of sectors in 2018.



Note: Lodging spending is calculated as an industry, including meetings, catering, etc. Spending also includes dollars spent on second homes.

Visitor spending in Kentucky

Spending on food and beverage represents the largest spending sector at \$1.9 billion, followed closely by spending on accommodations (including all spending at hotels and other visitor accommodations*).

Visitor spending increased \$269 million in 2018, with spending on food and beverages increasing the highest dollar amount (\$65 million).

*Lodging spending includes industry spend, such as meetings and conventions, catering, etc. as well as spending related to second home usage and rentals.

Visitor spending grew 3.7% in 2018, led by increases in local transportation and food & beverages. Overall spending growth has averaged 4.0% each year since 2013.

Visitor spending in Kentucky

Nominal dollars, millions

	2013	2014	2015	2016	2017	2018	2018 Growth	2013-2018 CAGR
Lodging*	\$1,286	\$1,386	\$1,520	\$1,583	\$1,632	\$1,679	2.9%	5.5%
Food and beverage	\$1,550	\$1,612	\$1,700	\$1,783	\$1,841	\$1,907	3.6%	4.2%
Retail	\$1,344	\$1,363	\$1,411	\$1,466	\$1,479	\$1,518	2.6%	2.5%
Recreation	\$778	\$807	\$839	\$863	\$892	\$922	3.4%	3.4%
Local transportation	\$803	\$811	\$824	\$840	\$855	\$904	5.7%	2.4%
Air transportation	\$464	\$501	\$519	\$572	\$595	\$634	6.6%	6.4%
Total	\$6,226	\$6,479	\$6,813	\$7,107	\$7,294	\$7,563	3.7%	4.0%

Source: Longwoods International; Tourism Economics

*Lodging includes spending on second homes

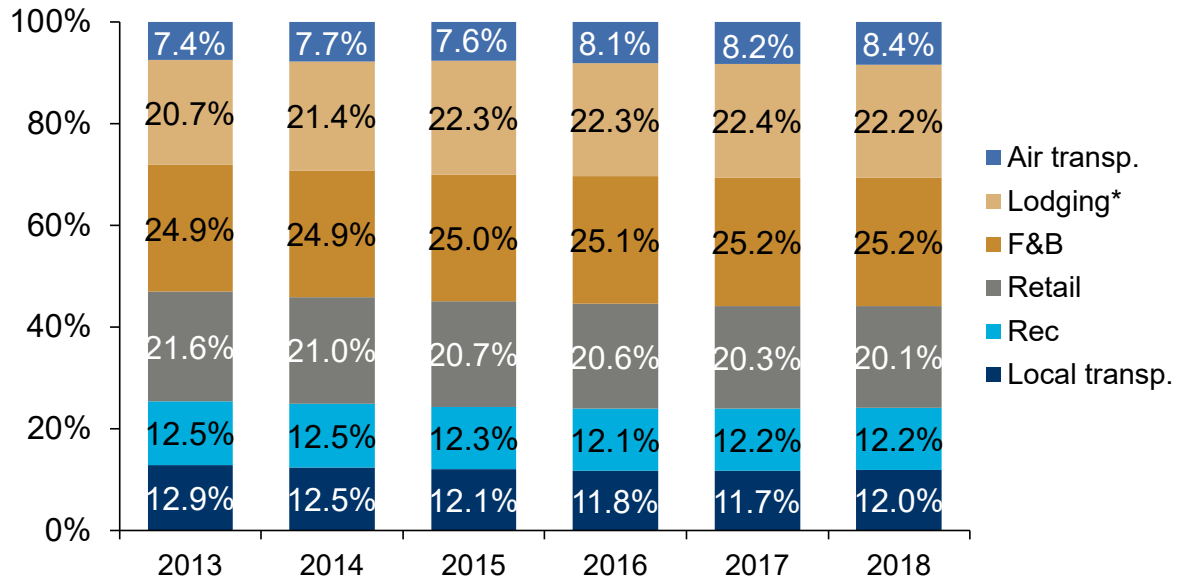
Visitor spending shares

The lodging sector, an integral part of Kentucky's tourism economy, received 22.2% of the visitor dollar in 2018. This is a 1.5 percentage point increase over 2013.

The share of the visitor dollar spent on local transportation has increased as gas prices across the country increased nearly 14% in 2018.

Kentucky visitor spending

Percent of total



Source: Longwoods International; Tourism Economics

*Note: Lodging includes visitor spending for second homes

Visitation segments – domestic and international

Kentucky experienced an increase across overseas, Canadian, and Mexican visitation in 2018. Even with the increase, international visitors comprise just a small portion of overall visitation.

Domestic visits and spending vastly outpace that of international visitors; however, international visitors spend more per person.

Trips and Spend

Nominal dollars, millions

	2013	2014	2015	2016	2017	2018
Visits	63.3	65.4	68.0	69.7	70.8	71.6
Domestic	62.97	65.02	67.62	69.41	70.52	71.20
International	0.36	0.35	0.35	0.32	0.31	0.38
Spending	\$6,226	\$6,479	\$6,813	\$7,107	\$7,294	\$7,563
Domestic	\$5,932	\$6,206	\$6,523	\$6,819	\$6,980	\$7,245
International	\$294	\$273	\$291	\$288	\$314	\$318

Source: Longwoods International; Tourism Economics

3. Visitor Economic Impact

Introduction and definitions

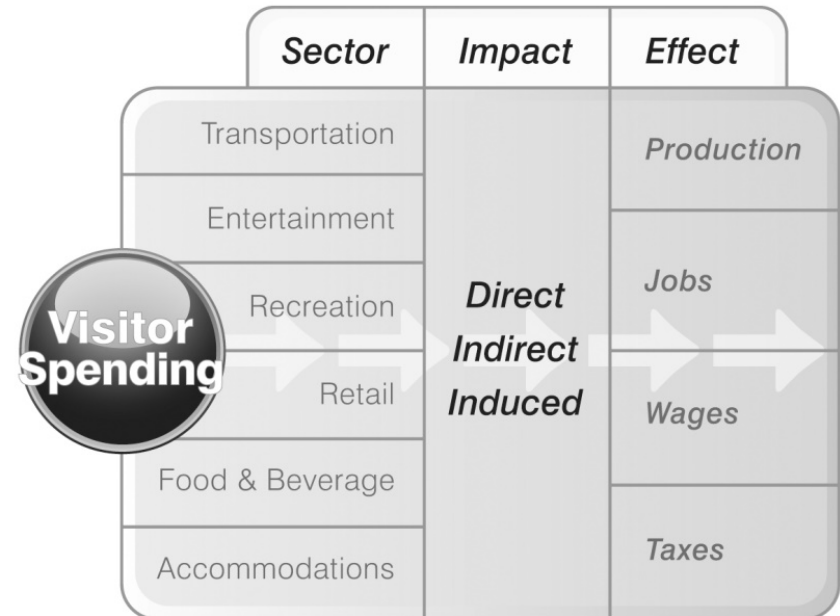
This study measures the economic impact of visitors in the state of Kentucky. Our analysis of tourism's impact on Kentucky begins with actual spending by visitors, but also considers the downstream effects of this injection of spending into the local economy. To determine the total economic impact of tourism in Kentucky, we input visitor spending into a model of the Kentucky state economy created in IMPLAN. This model calculates three distinct types of impact: direct, indirect, and induced.

- 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.
- 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 wages are generated either directly or indirectly by visitors, spend those wages in the local economy.

The impacts on business sales, jobs, wages, and taxes are calculated for all three levels of impact.

How visitor spending generates employment and income

Visitor spending flows through the Kentucky economy and generates indirect benefits through supply chain and income effects.



Business sales impacts (1 of 2)

Kentucky visitor spending of \$7.6 billion translated into \$11.2 billion in business sales including indirect and induced impacts.

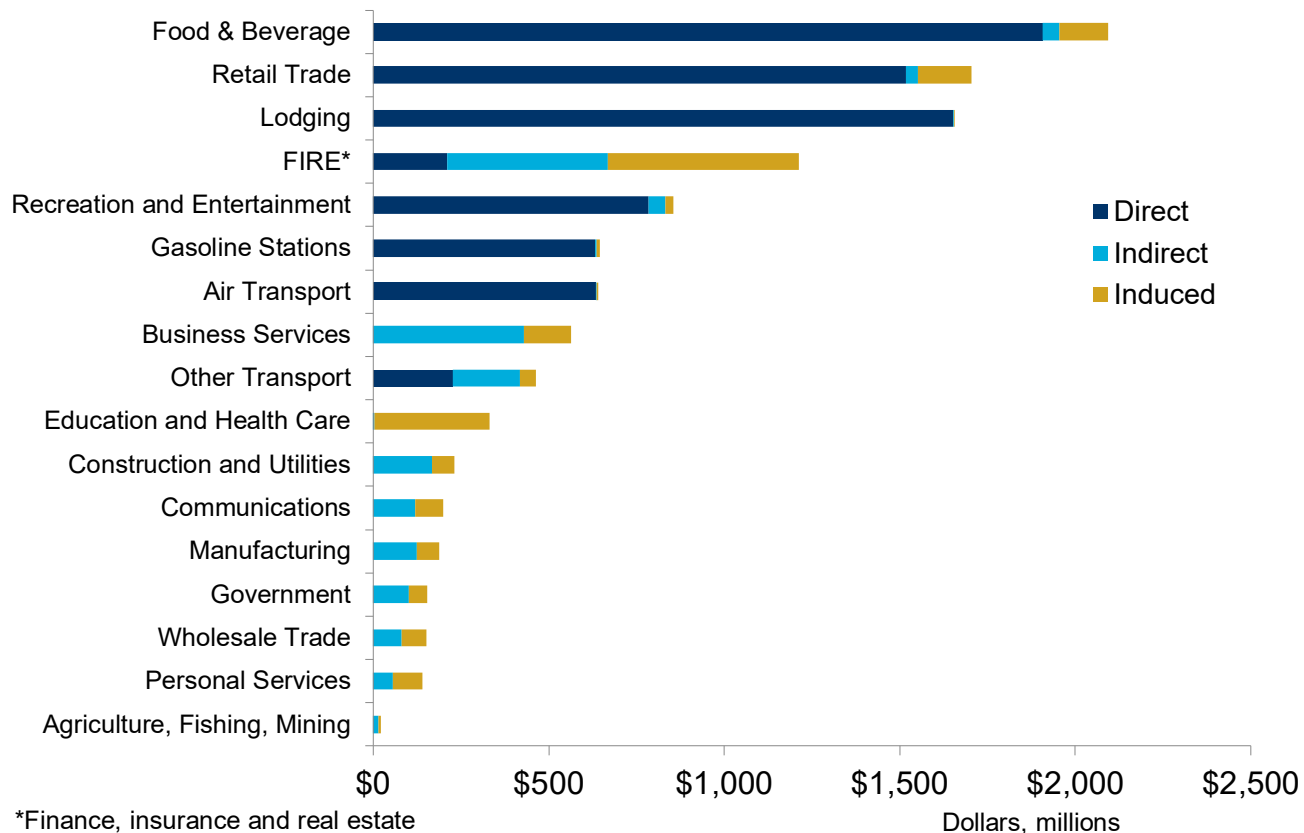
Business sales impacts, millions				
	Direct	Indirect	Induced	Total
Agriculture, Fishing, Mining		\$15.0	\$6.4	\$21.4
Construction and Utilities		\$167.7	\$63.6	\$231.4
Manufacturing		\$125.4	\$63.1	\$188.6
Wholesale Trade		\$80.7	\$71.6	\$152.3
Air Transport	\$633.9	\$3.0	\$3.6	\$640.5
Other Transport	\$226.1	\$191.9	\$45.4	\$463.4
Retail Trade	\$1,517.6	\$34.3	\$151.3	\$1,703.2
Gasoline Stations	\$633.0	\$3.1	\$9.2	\$645.3
Communications		\$119.2	\$81.2	\$200.4
Finance, Insurance and Real Estate	\$208.7	\$458.5	\$543.2	\$1,210.5
Business Services		\$428.3	\$134.3	\$562.6
Education and Health Care		\$3.2	\$327.3	\$330.5
Recreation and Entertainment	\$783.6	\$47.7	\$24.5	\$855.8
Lodging	\$1,653.4	\$1.7	\$0.9	\$1,656.1
Food & Beverage	\$1,906.8	\$48.3	\$138.2	\$2,093.3
Personal Services		\$55.9	\$84.3	\$140.2
Government		\$101.5	\$51.4	\$152.9
TOTAL	\$7,563.2	\$1,885.4	\$1,799.6	\$11,248.2
% change	3.7%	1.2%	1.9%	3.0%

Source: Tourism Economics

Business sales impacts (2 of 2)

While the majority of sales are in industries directly serving visitors, significant benefits accrue in sectors like finance, insurance and real estate from selling to tourism businesses and employees.

Business sales impacts by industry, 2018



*Finance, insurance and real estate

Source: Tourism Economics

GDP impacts (1 of 2)

Visitors generated nearly \$5.1 billion in state GDP (value added) in 2018, or 2.4% of the Kentucky economy. This excludes all import leakages to arrive at the economic value generated by visitors.

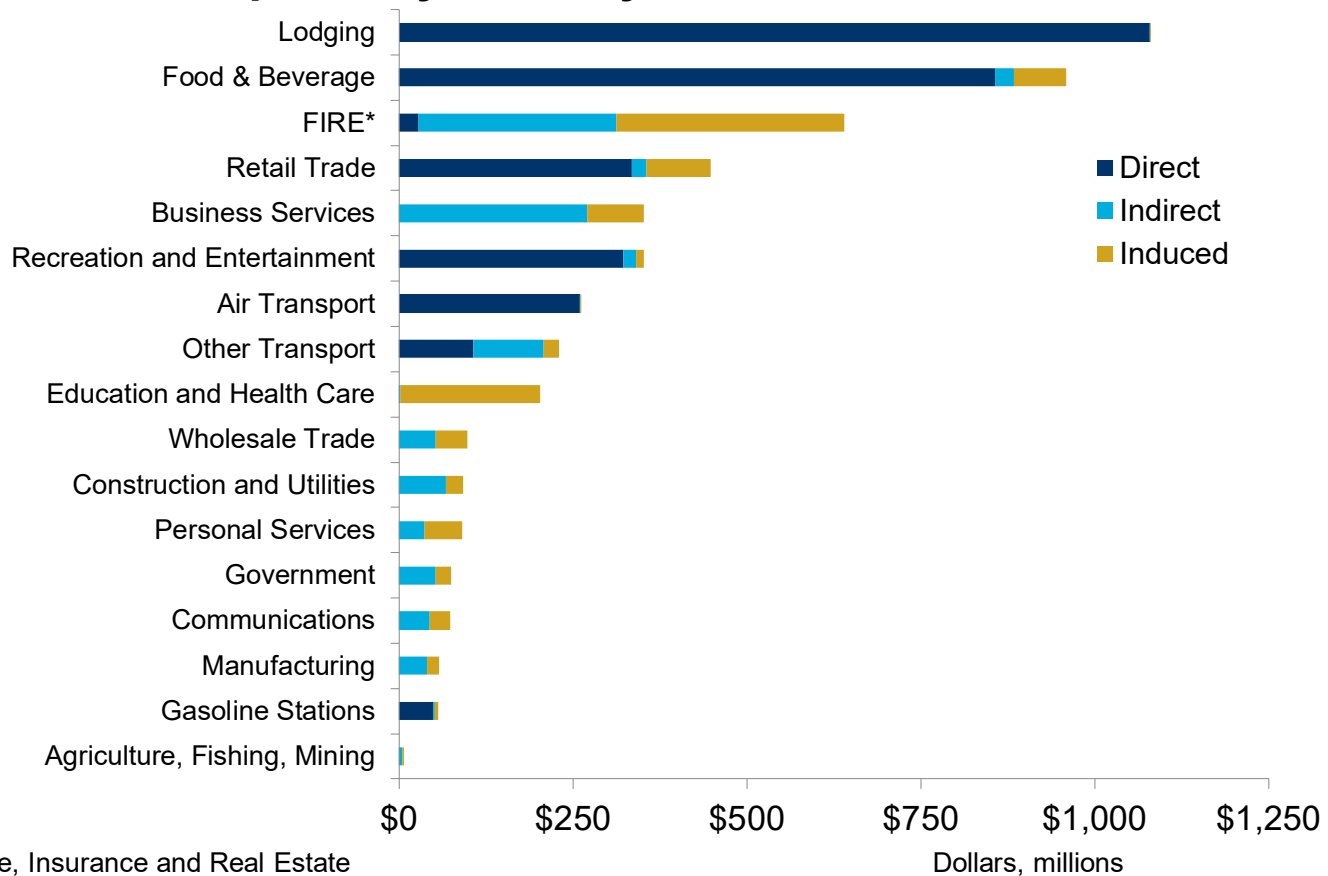
Value added impacts, millions				
	Direct	Indirect	Induced	Total
Agriculture, Fishing, Mining		\$4.8	\$2.2	\$7.0
Construction and Utilities		\$67.0	\$25.4	\$92.4
Manufacturing		\$39.7	\$17.5	\$57.2
Wholesale Trade		\$52.0	\$46.1	\$98.2
Air Transport	\$259.1	\$1.3	\$1.6	\$262.1
Other Transport	\$106.9	\$100.4	\$22.2	\$229.5
Retail Trade	\$334.7	\$20.6	\$92.1	\$447.4
Gasoline Stations	\$49.0	\$1.7	\$5.0	\$55.7
Communications		\$43.4	\$30.5	\$73.8
Finance, Insurance and Real Estate	\$27.5	\$285.4	\$326.6	\$639.5
Business Services		\$270.1	\$81.8	\$351.8
Education and Health Care		\$1.8	\$200.8	\$202.6
Recreation and Entertainment	\$322.6	\$17.9	\$10.9	\$351.4
Lodging	\$1,079.3	\$1.0	\$0.6	\$1,080.9
Food & Beverage	\$856.7	\$26.9	\$75.6	\$959.2
Personal Services		\$36.6	\$54.4	\$91.0
Government		\$52.8	\$21.9	\$74.7
TOTAL	\$3,035.9	\$1,023.4	\$1,015.3	\$5,074.6
% change	3.1%	3.0%	2.9%	3.0%

Source: Tourism Economics

GDP impacts (2 of 2)

The lodging industry has the largest economic contribution from visitor spending, followed closely by restaurants.

Value added impacts by industry, 2018



*Finance, Insurance and Real Estate
Source: Tourism Economics

Employment impacts (1 of 2)

Visitor spending directly generated 67,528 jobs and 94,583 jobs when indirect and induced impacts are considered.

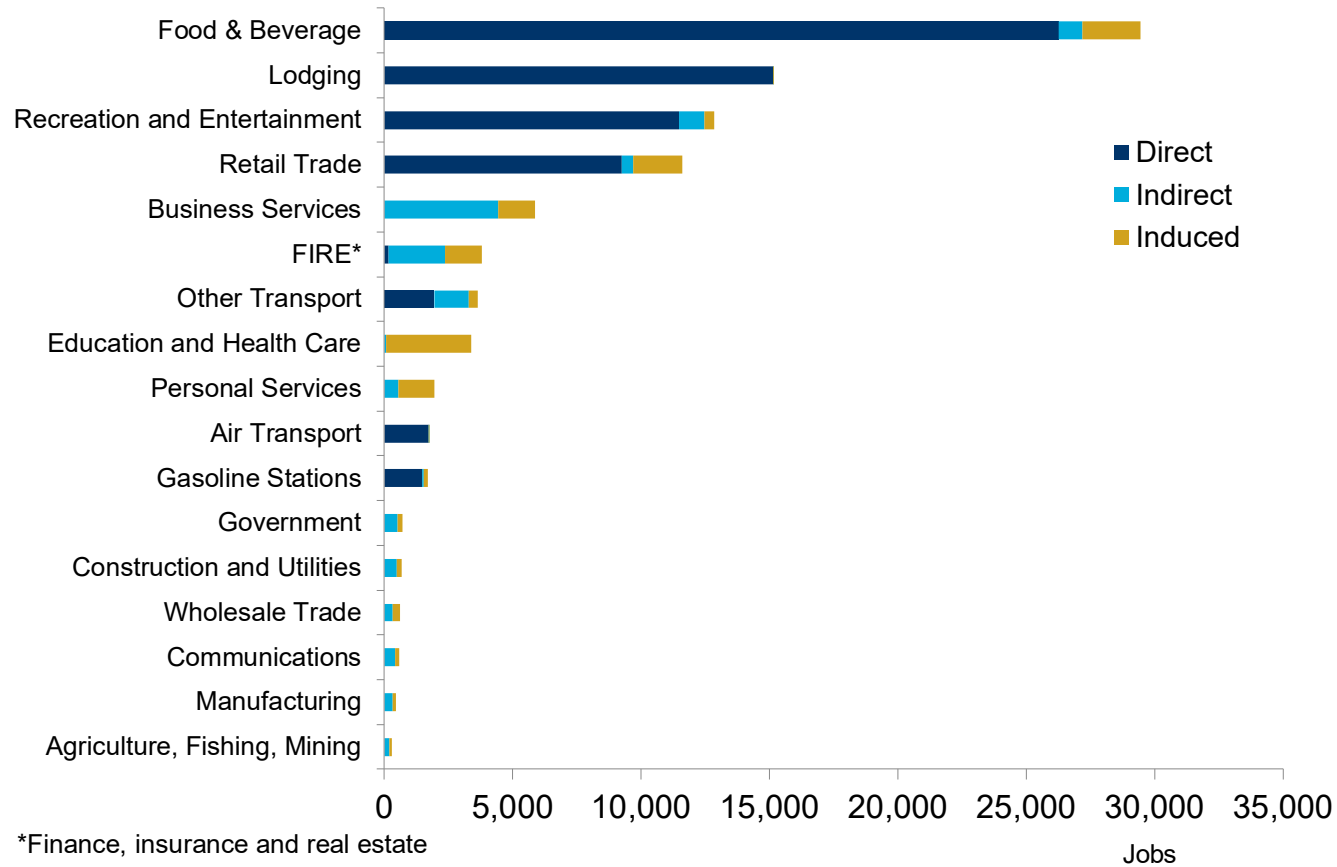
Employment Impacts				
	Direct	Indirect	Induced	Total
Agriculture, Fishing, Mining		185	89	274
Construction and Utilities		490	193	684
Manufacturing		337	118	455
Wholesale Trade		338	300	637
Air Transport	1,725	9	11	1,745
Other Transport	2,008	1,370	334	3,712
Retail Trade	9,289	472	1,900	11,662
Gasoline Stations	1,481	51	152	1,683
Communications		407	173	580
Finance, Insurance and Real Estate	175	2,195	1,456	3,827
Business Services		4,411	1,458	5,870
Education and Health Care		84	3,310	3,395
Recreation and Entertainment	11,455	974	374	12,802
Lodging	15,132	14	8	15,155
Food & Beverage	26,263	936	2,247	29,447
Personal Services		563	1,388	1,951
Government		514	192	706
TOTAL	67,528	13,352	13,703	94,583
% change	0.7%	0.5%	0.6%	0.7%

Source: Tourism Economics

Employment impacts (2 of 2)

The total employment impact of just over 94,500 jobs accounts for 6.2% of all jobs in the state of Kentucky.

Employment impacts by industry, 2018



*Finance, insurance and real estate

Source: Tourism Economics

Personal income impacts (1 of 2)

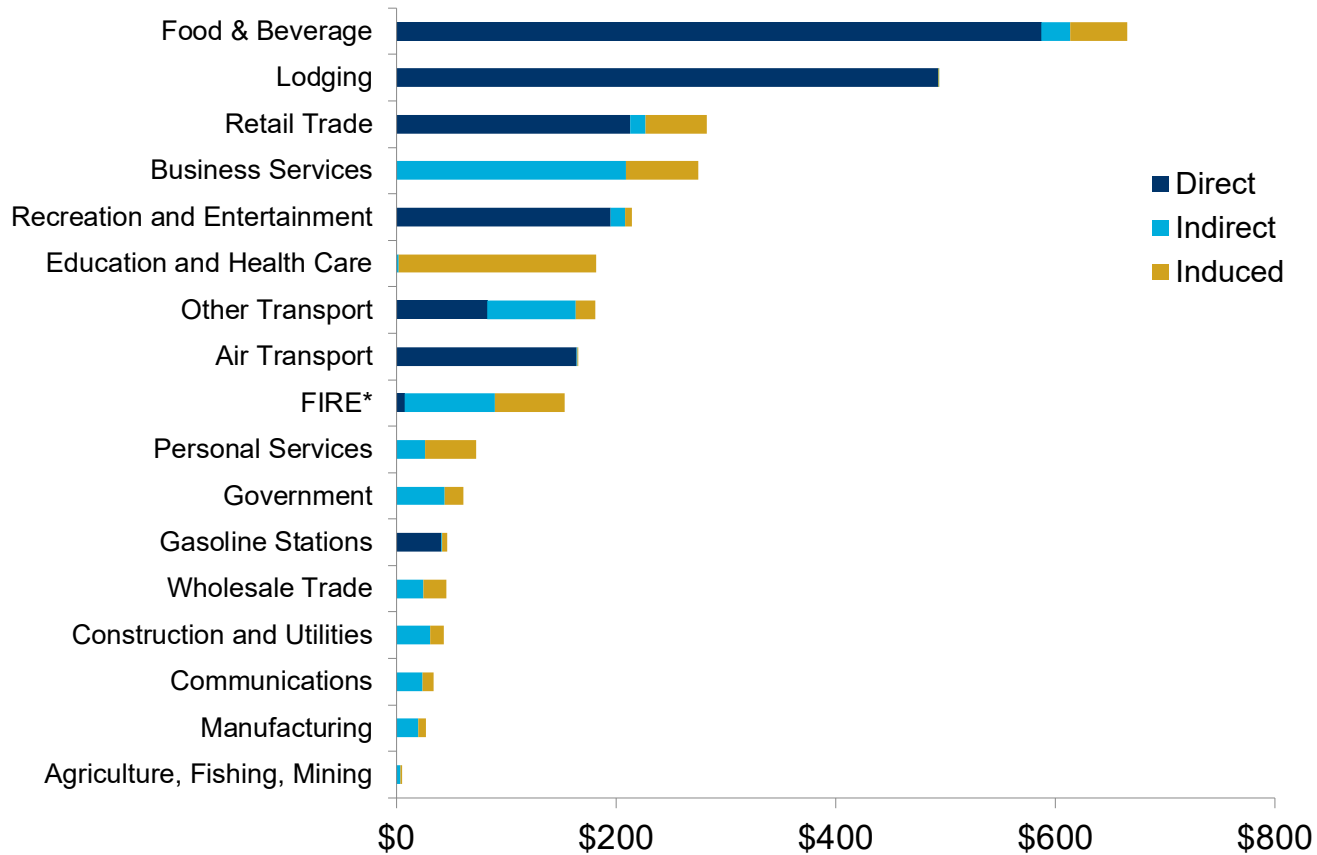
Visitors generated just over \$1.7 billion in direct personal income and \$2.9 billion including indirect and induced impacts.

Personal income impacts, millions				
	Direct	Indirect	Induced	Total
Agriculture, Fishing, Mining		\$3.6	\$1.5	\$5.2
Construction and Utilities		\$30.8	\$12.0	\$42.8
Manufacturing		\$19.7	\$7.4	\$27.1
Wholesale Trade		\$24.2	\$21.5	\$45.7
Air Transport	\$163.7	\$0.8	\$1.0	\$165.6
Other Transport	\$82.8	\$80.7	\$17.7	\$181.2
Retail Trade	\$213.2	\$13.6	\$55.5	\$282.3
Gasoline Stations	\$40.5	\$1.4	\$4.2	\$46.1
Communications		\$23.5	\$10.5	\$34.1
Finance, Insurance and Real Estate	\$7.5	\$82.5	\$63.4	\$153.4
Business Services		\$208.6	\$65.9	\$274.6
Education and Health Care		\$1.8	\$180.1	\$181.9
Recreation and Entertainment	\$194.9	\$13.3	\$6.1	\$214.3
Lodging	\$493.4	\$0.5	\$0.3	\$494.1
Food & Beverage	\$587.3	\$26.0	\$52.5	\$665.8
Personal Services		\$26.3	\$46.4	\$72.6
Government		\$44.2	\$16.7	\$60.8
TOTAL	\$1,783.4	\$601.5	\$562.6	\$2,947.5
% change	3.1%	1.6%	2.3%	2.6%

Source: Tourism Economics

Personal income impacts (2 of 2)

Personal income impacts by industry, 2018



*Finance, insurance and real estate

Source: Tourism Economics

Dollars, millions

Tax impacts

Visitors generated state and local taxes of \$787 million in 2018.

Visitors generated nearly \$1.5 billion in federal, state, and local taxes in 2018.

Each household in Kentucky would need to be taxed an additional \$456 per year to replace the state and local taxes generated by visitors.

Tax impacts, millions			
	Direct	Indirect/Induced	Total
Federal	\$408.5	\$260.3	\$668.8
Personal Income	\$98.6	\$64.3	\$162.9
Corporate	\$54.8	\$46.7	\$101.5
Indirect business	\$60.0	\$20.9	\$81.0
Social insurance	\$195.0	\$128.4	\$323.4
State and Local	\$618.3	\$168.7	\$787.0
Sales	\$327.1	\$74.7	\$401.8
Bed Tax	\$83.1	\$0.0	\$83.1
Personal Income	\$44.8	\$29.2	\$74.0
Corporate	\$10.8	\$9.2	\$20.0
Social insurance	\$3.0	\$2.0	\$4.9
Excise and Fees	\$27.7	\$11.1	\$38.8
Property	\$121.9	\$42.5	\$164.4
Total	\$1,026.8	\$429.0	\$1,455.8

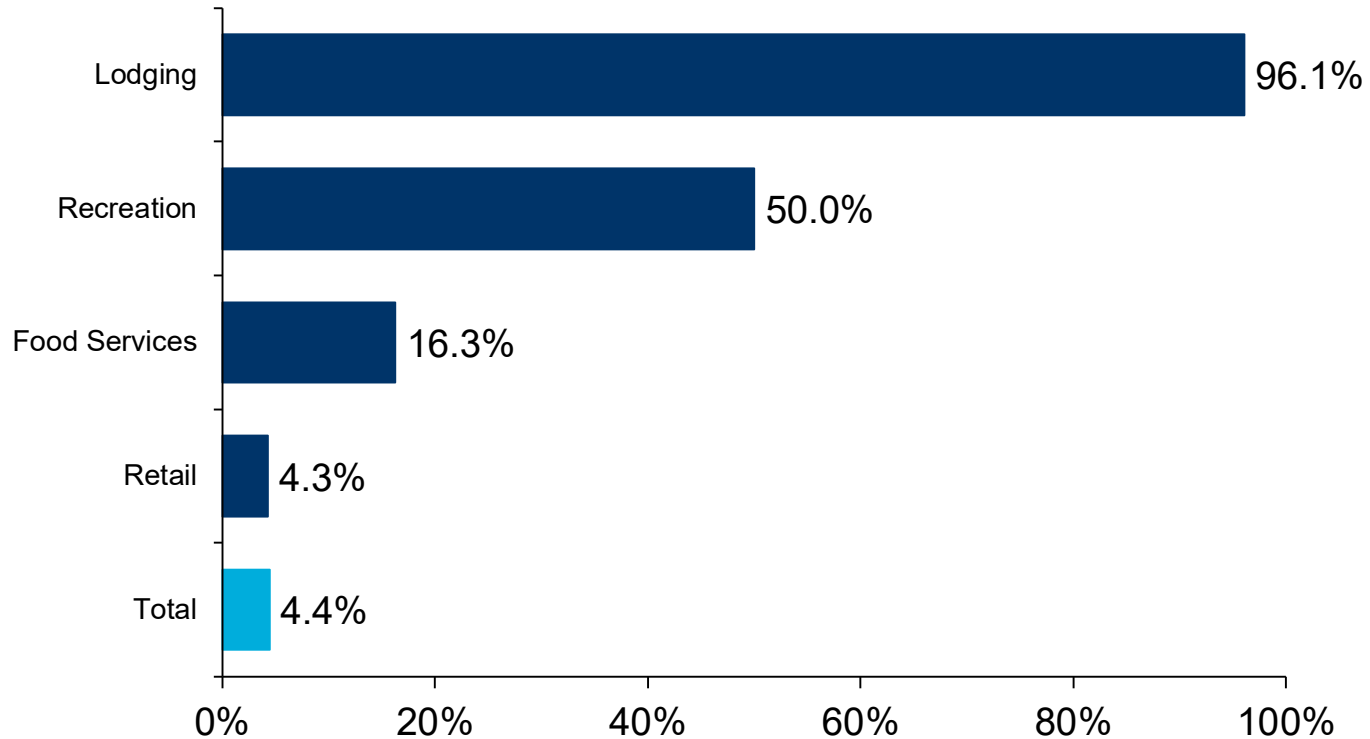
Source: Tourism Economics

4. Economic Impact in Context

Visitor generated employment intensity

Visitor generated employment is a significant part of several industries—almost all of lodging, 50% of recreation, and 16% of food & beverage employment is supported by visitor spending.

Visitor employment intensity



Source: BEA, BLS, Tourism Economics

Results in context

Visitor spending

The nearly \$7.6 billion in direct visitor spending means that close to \$21 million was spent EVERY DAY in Kentucky in 2018.

Employment

The number of jobs sustained by visitor spending (nearly 95,000) is nearly 12 times the number of people employed at the Toyota plant in Georgetown, KY (~8,000 employees).

Taxes

Each household in Kentucky would need to be taxed an additional \$456 per year to replace the state and local taxes generated by visitors.

Income

The \$2.9 billion in total wages generated by visitor spending is the equivalent of \$1,700 for every household in Kentucky.

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 more than 250 professional economists; 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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