



TOURISM
ECONOMICS

AN OXFORD ECONOMICS COMPANY

ECONOMIC IMPACT OF VISITORS IN KENTUCKY 2023

March 2024

Prepared for: Kentucky Department of Tourism



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INTRODUCTION

PROJECT BACKGROUND

The travel sector is an integral part of the Kentucky economy. Visitors generate significant economic benefits to households, businesses, and government alike and represent a critical driver of the state's future. In 2023, visitor-supported jobs accounted for more than 3.5% of all jobs in the state.

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 Kentucky as it builds upon its visitor economy. By establishing a timeline of economic impacts, the industry can track its progress.

To quantify the significance of the visitor economy in Kentucky, Tourism Economics developed a comprehensive model detailing the far-reaching impacts arising from visitor spending. The results of this study show the scope of the visitor economy in terms of direct visitor spending, along with total economic impacts, jobs, and fiscal (tax) impacts in the broader economy.

METHODOLOGY AND DATA SOURCES

An IMPLAN input-output model was constructed for the state of Kentucky. The model traces the flow of visitor-related expenditures through the state's 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 overnight or traveled more than 50 miles to the destination.

The primary source of the employment and wage data is the Regional Economic Information System (REIS), maintained by the 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.

The analysis draws on the following data sources:

- Longwoods International: survey data, including spending and visitor profile characteristics for visitors to Kentucky
- STR: lodging performance data, including room demand, room rates, occupancy, and room revenue for hotels
- AirDNA: lodging performance data, including demand, rates, occupancy, and revenue for short-term rentals
- Arrivalist: mobile geolocation data for day and overnight visitors
- Affinity: Credit card spending data
- VisaVue: Credit card spending data
- Taxes: Lodging and sales tax receipts
- State Parks: camping occupancy and revenue
- U.S. Bureau of Economic Analysis and Bureau of Labor Statistics: employment and wage data by industry
- US Census: business sales by industry and seasonal second homes inventory
- Tourism Economics: international travel data for overseas, Canadian, and Mexican visitors to Kentucky

ECONOMIC IMPACTS

KEY FINDINGS

VISITOR SPENDING

In 2023, 79.3 million visitors spent \$9.7 billion on goods and services in Kentucky. Visitor volume grew by 4.5% while spending increased 9.3%. Gas prices eased in 2023 but increases in labor and input costs contributed to spending growth

TOTAL ECONOMIC IMPACT

Visitor spending of \$9.7 billion generated a total economic impact of \$13.8 billion in Kentucky in 2023 including \$4.0 billion in indirect and induced impacts. This total economic impact sustained 95,222 jobs and generated \$1.0 billion in state and local tax revenues in 2023.



\$13.8 BILLION

Total Economic Impact of Tourism in Kentucky in 2023



\$9.7B

Visitor Spending



\$13.8B

Total Economic Impact



95,222

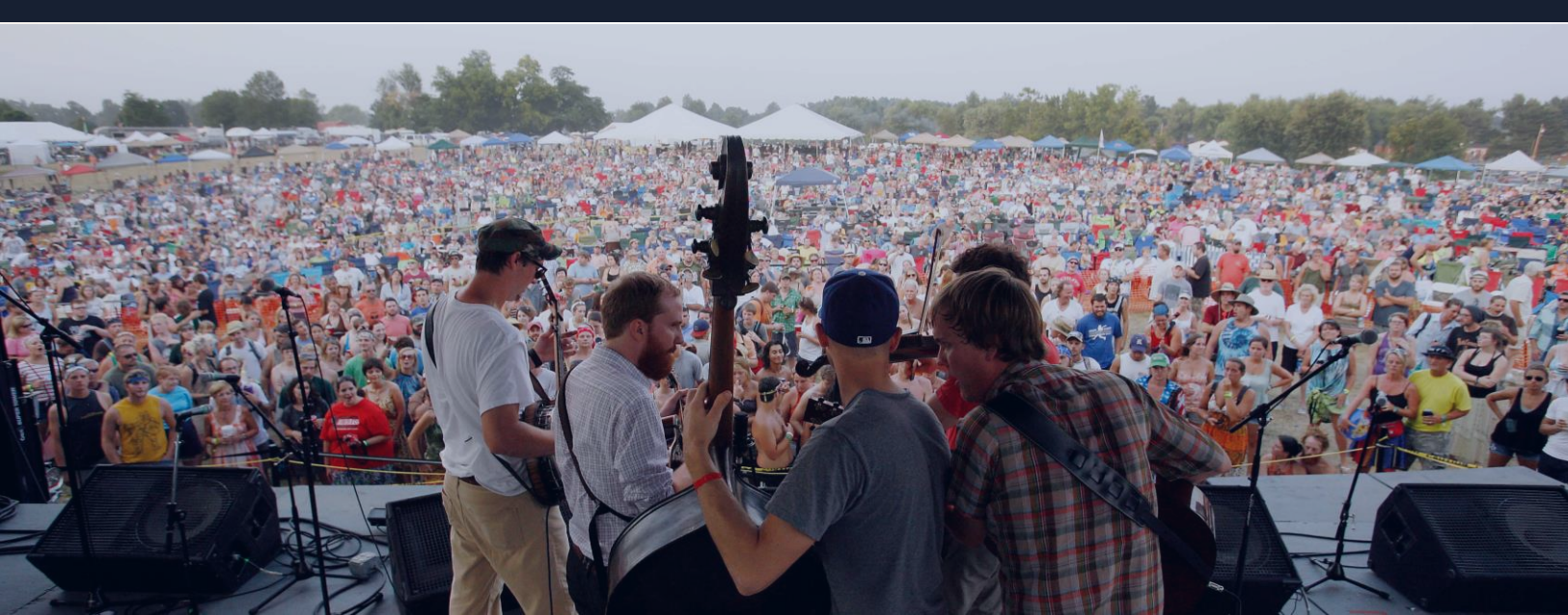
Total Jobs Generated



\$1.0B

State & Local Taxes Generated





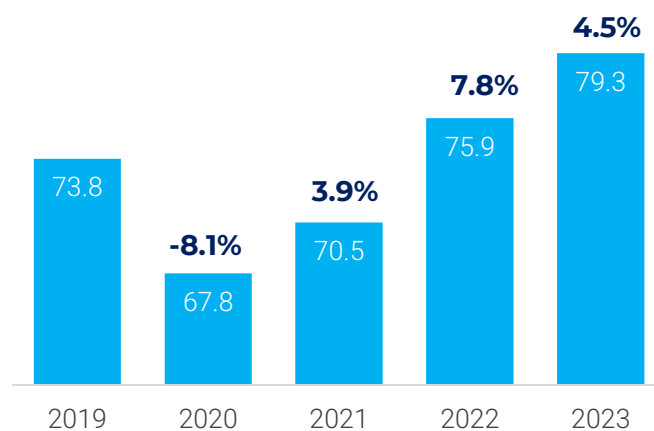
VISITS & VISITOR SPENDING

Kentucky hosted 79.3 million visitors in 2023. Those visitors spent \$9.7 billion, setting a new record. Spending growth moderated to 9.3% after two years of double-digit growth. Data from STR showed spending occurred in almost all of Kentucky's regions, with the strongest performance in the Louisville-Lincoln and Northern Kentucky regions as travelers became more comfortable with higher density destinations.

VISITOR VOLUME

Visitor volume grew 4.5% in 2023 to reach 79.3 million and break the visitor record set in 2022. Kentucky gained 3.4 million visitors over the previous year.

Kentucky visitor volume
Amounts in millions



Source: Longwoods International, Tourism Economics

VISITOR SPENDING

Visitor spending of \$9.7 billion in Kentucky spanned multiple sectors in 2023.

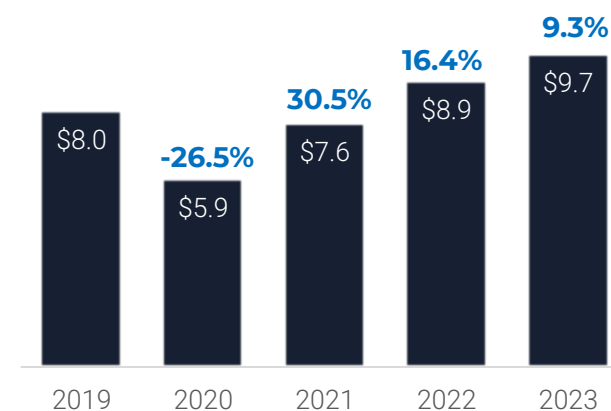
Of the \$9.7 billion spent in 2023 by visitors to Kentucky, food and beverage accounted for \$2.5 billion, or 26% of visitor purchases.

Spending on lodging, including short-term rentals and the value of second homes, resulted in \$2.3 billion of visitor spending or 23% of the total.

Retail spending reached \$1.8 billion or 19% of visitor purchases.

Recreation and entertainment spending totaled \$1.3 billion and accounted for 13% of visitor spending.

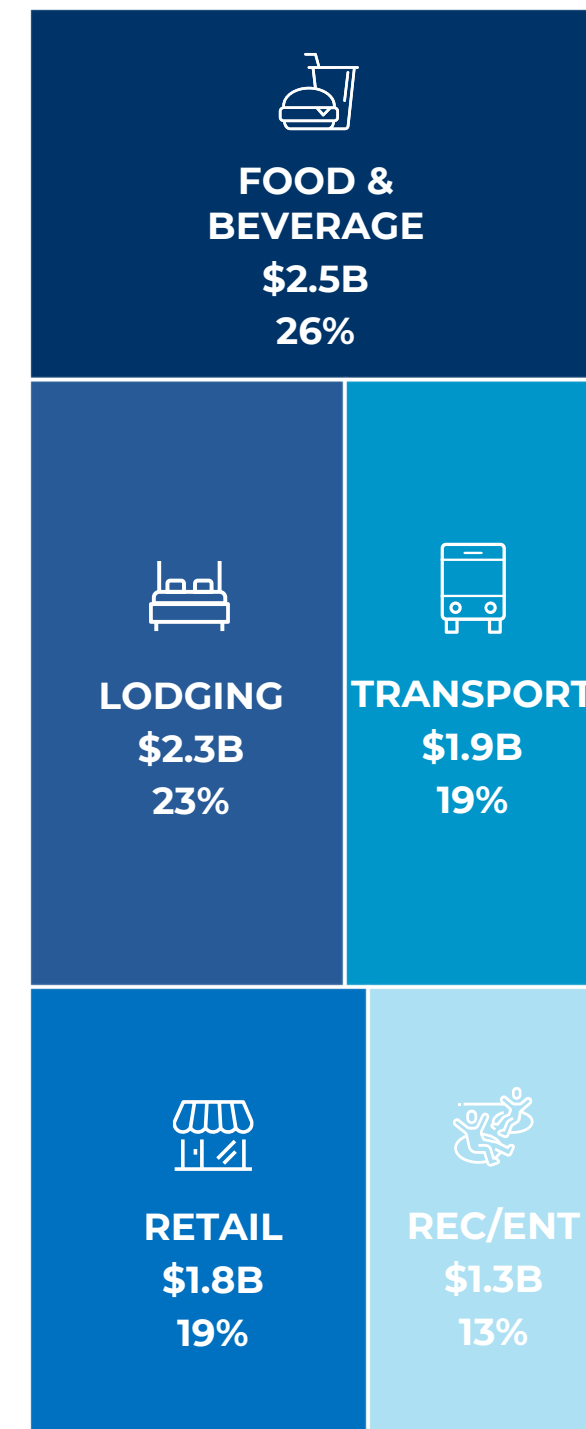
Kentucky visitor spending
Amounts in \$ billions



Source: Longwoods International, Tourism Economics,

\$9.7 BILLION

Visitor Spending in 2023



Source: Longwoods International, Tourism Economics

Note: Lodging spending is calculated as an industry. Spending also includes dollars spent on short-term rentals and second homes. Transport includes both air and local transportation.

VISITOR VOLUME & SPENDING TRENDS

Visitor spending grew 9.3% in 2023, expanding for the third consecutive year. All sectors recorded higher spending as Kentucky continued to attract travelers. Lower gas prices dampened the growth of transportation spending. Lodging, recreation, and food and beverage witnessed higher labor costs.

Lodging was the growth leader for a third year, with a 12.0% growth rate. Average room rates at hotels in Kentucky increased 5.4% and demand grew 1.1%. Recreational spending again placed second for growth, posting an 11.3% rate. Retail posted the slowest growth rate as more visitors chose experiences like recreation or dining over shopping.

The recovery of international visitors continued its longer trajectory to pre-pandemic levels than domestic visitors. The number of international visitors grew 55% in 2023, while international visitor spending increased 70%. In 2023 international visitors represented 86% of 2019's international total, while international spending accounted for 62% of 2019's figure.

Kentucky visitor spending

Amounts in \$ billions, 2023 percent change

	2019	2020	2021	2022	2023	2023 Growth
Total visitor spending	\$7.97	\$5.76	\$7.59	\$8.92	\$9.75	9.3%
Food & beverage	\$2.01	\$1.61	\$1.95	\$2.33	\$2.54	8.9%
Lodging*	\$1.77	\$1.06	\$1.62	\$2.03	\$2.28	12.0%
Transportation**	\$1.61	\$1.09	\$1.47	\$1.72	\$1.86	8.4%
Retail	\$1.61	\$1.32	\$1.60	\$1.71	\$1.82	6.3%
Recreation	\$0.98	\$0.68	\$0.95	\$1.13	\$1.26	11.3%

Source: Longwoods International, Tourism Economics

* Lodging includes second home spending

** Transportation includes both ground and air transportation

Kentucky visitor volume and spending, by market and segment

Amounts in millions of visitors, \$ millions, and \$ per person

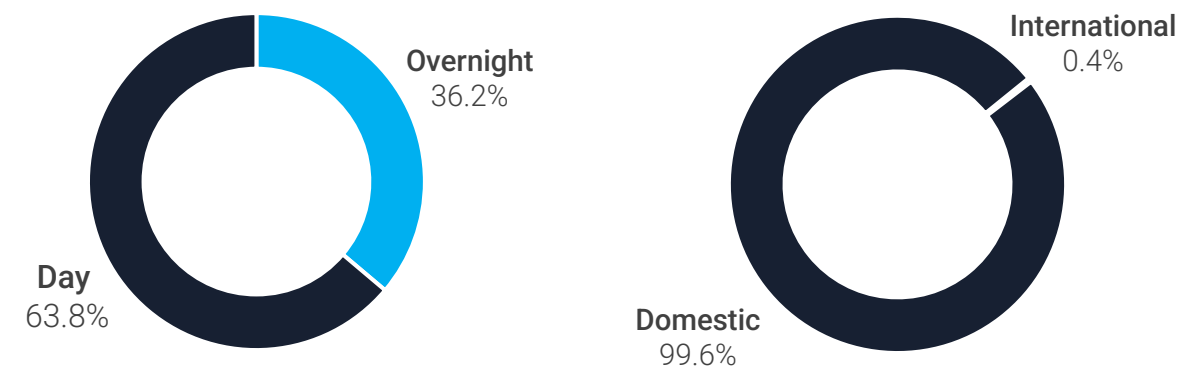
	2019	2020	2021	2022	2023
Total visitors	73.76	67.81	70.47	75.89	79.28
Domestic	73.39	67.73	70.37	75.69	78.95
International *	0.37	0.08	0.10	0.21	0.32
Total visitor spending	\$8,301	\$5,927	\$7,727	\$9,038	\$9,952
Domestic	\$7,975	\$5,865	\$7,657	\$8,919	\$9,749
International *	\$327	\$62	\$70	\$120	\$203
Per visitor spending	\$113	\$87	\$110	\$119	\$126
Domestic	\$109	\$87	\$109	\$118	\$123
International *	\$873	\$782	\$700	\$577	\$632
Per visitor spending	\$108	\$86	\$109	\$117	\$123
Day	\$70	\$58	\$74	\$77	\$73
Overnight	\$180	\$137	\$174	\$190	\$212

Source: Longwoods International, Tourism Economics

* 2023 data are preliminary, and 2022 data were revised

Kentucky visitor share by segment

Expressed as percentage of total visitation by market



Source: Longwoods Int'l, Tourism Economics



ECONOMIC IMPACT METHODOLOGY

Our analysis of the Kentucky visitor economy begins with direct visitor spending and analyzes the downstream effects of this spending on the broader economy. To determine total economic impact, we input direct spending into a model of the Kentucky economy, constructed using an IMPLAN input-output (I-O) model. The model traces the full extent of industry impacts as dollars flow through the local economy.

An I-O model represents a profile of an economy by measuring the relationships among industries and consumers and quantifies three levels of impact:

- 1. Direct impacts:** Visitor spending creates direct economic value within a discrete group of sectors (such as recreation and transportation). This supports a relative proportion of spending, jobs, wages, and taxes 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 or supply-chain effects.
- 3. Induced impacts:** Lastly, the induced impact is generated when employees whose wages are generated either directly or indirectly by visitor spending spend those wages in the local economy. This is called the induced impact or income effect.

The Tourism Economics model calculates these three levels of impact - direct, indirect and induced - for a broad set of indicators, including:

- Spending
- Wages
- Employment
- Federal Taxes
- State Taxes
- Local Taxes

ECONOMIC IMPACT FRAMEWORK

DIRECT IMPACTS

Visitor spending



RETAIL



ENTERTAINMENT/REC



FOOD & BEVERAGE



TRANSPORTATION



LODGING

INDIRECT IMPACTS

Purchases of inputs from suppliers



SUPPLY
CHAIN
EFFECTS



B2B GOODS &
SERVICES
PURCHASED

INDUCED IMPACTS

New consumption generated by household income impacts:



INCOME
EFFECT



HOUSEHOLD
CONSUMPTION

TOTAL IMPACTS

Direct, indirect, and induced impacts



SALES



GDP



JOBS



INCOME



TAXES



ECONOMIC IMPACT FINDINGS

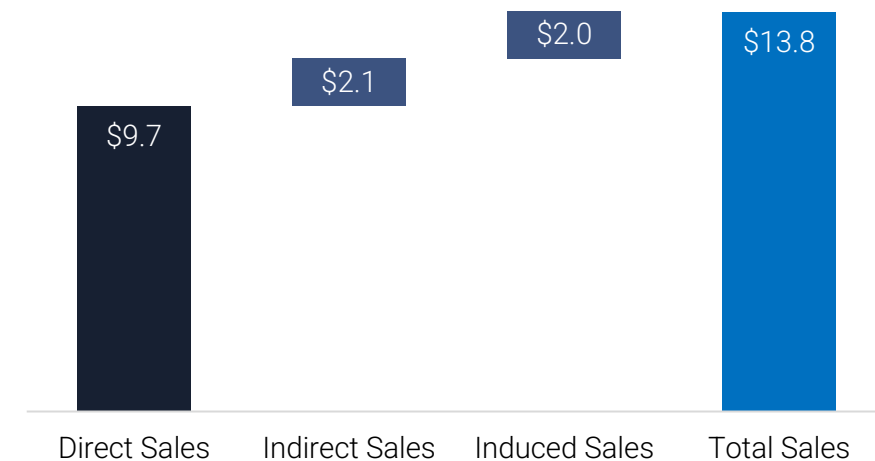
BUSINESS SALES IMPACTS

Spending by visitors reached \$9.7 billion in 2023, 9.3% more than the previous year. This direct impact generated \$4.0 billion in indirect and induced impacts, resulting in a total economic impact of \$13.8 billion in the Kentucky economy, 6.9% higher than a year prior.

Summary Economic impacts (2023)

Amounts in \$ billions

Beyond direct impacts, significant benefits accrue in sectors like finance, insurance, and real estate, and business services as the businesses where visitors spend buy goods and services from other Kentucky businesses.



Source: Tourism Economics

Business sales impacts by industry (2023)

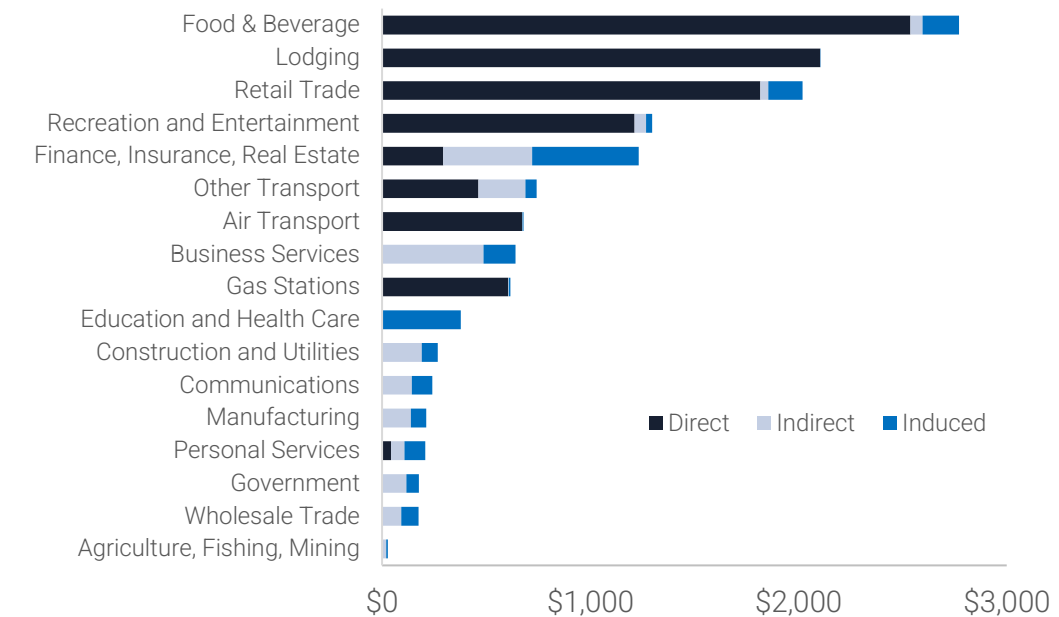
Amounts in \$ millions

	Direct Business Sales	Indirect Business Sales	Induced Business Sales	Total Business Sales
Total, all industries	\$9,749.6	\$2,071.1	\$1,976.8	\$13,797.4
Food & Beverage	\$2,537.7	\$57.6	\$175.8	\$2,771.2
Lodging	\$2,103.3	\$1.8	\$1.2	\$2,106.2
Retail Trade	\$1,816.8	\$37.9	\$164.8	\$2,019.5
Recreation and Entertainment	\$1,212.0	\$56.1	\$29.4	\$1,297.6
Finance, Insurance, Real Estate	\$293.9	\$426.9	\$512.5	\$1,233.3
Other Transport	\$463.3	\$225.4	\$54.4	\$743.1
Air Transport	\$672.7	\$3.0	\$4.0	\$679.7
Business Services		\$488.0	\$152.6	\$640.6
Gas Stations	\$605.9	\$2.7	\$8.5	\$617.0
Education and Health Care		\$3.3	\$374.5	\$377.8
Construction and Utilities		\$191.0	\$77.0	\$268.1
Communications		\$143.5	\$97.7	\$241.2
Manufacturing		\$139.5	\$73.0	\$212.5
Personal Services	\$44.0	\$64.6	\$100.0	\$208.6
Government		\$116.8	\$60.4	\$177.2
Wholesale Trade		\$93.1	\$83.1	\$176.2
Agriculture, Fishing, Mining		\$19.8	\$8.0	\$27.8

Source: Tourism Economics

Visitor economy business sales impacts by industry (2023)

Amounts in \$ millions



Source: Tourism Economics

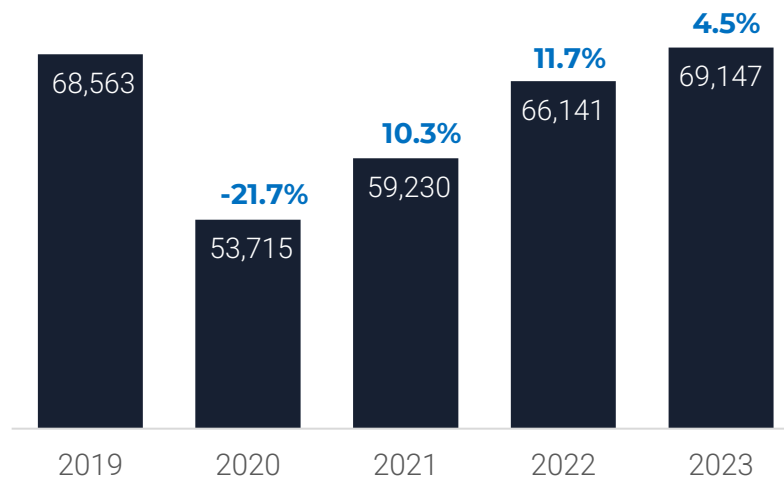
ECONOMIC IMPACT FINDINGS

DIRECT IMPACTS

In 2023, visitor supported jobs reached 69,147 and exceeded its 2019 level by 1.0%. Employment growth lagged the spending recovery as many people laid off from hospitality jobs at the beginning of the pandemic never returned to the industry and fewer people entered it. Spending exceeded its 2019 level in 2022 and stood 22.3% above it in 2023.

Visitor supported employment in Kentucky

Amounts in number of jobs



Source: Tourism Economics

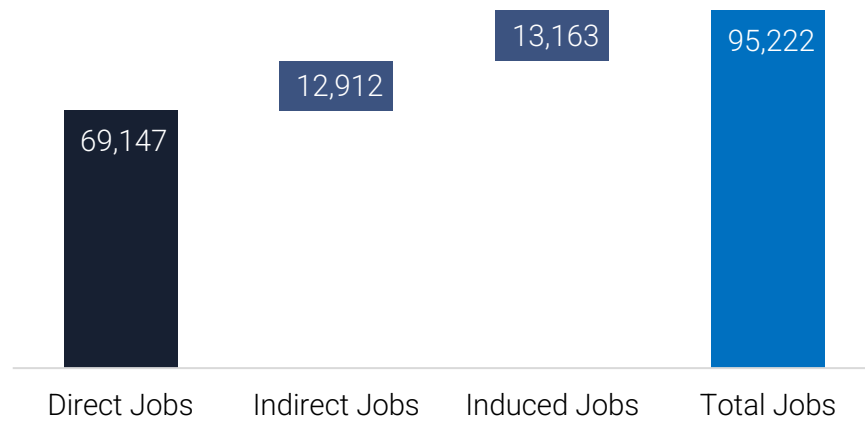


EMPLOYMENT IMPACTS

Visitor spending supported 69,147 direct jobs in 2023, with an additional 26,075 jobs sustained by the indirect and induced impacts of visitor activity. The total jobs impact grew 3.9%, reaching 95,222 in 2023, or 1-in-29 Kentucky jobs.

Summary Employment Impacts (2023)

Amounts in number of jobs



Source: Tourism Economics

Visitor spending supported the largest number of direct jobs in the food & beverage industry at 26,314.

Visitor spending allows businesses reliant on travelers to pay for business services (such as accounting, advertising, building services, and employment services), which generated 4,045 jobs in Kentucky.

Tourism Job Impacts by Industry (2023)

Amounts in number of jobs



Source: Tourism Economics



Summary Employment Impacts by Industry (2023)

Amounts in number of jobs

	Direct Jobs	Indirect Jobs	Induced Jobs	Total Jobs
Total, all industries	69,147	12,912	13,163	95,222
Food & Beverage	26,314	914	2,232	29,459
Lodging	16,504	16	9	16,530
Recreation and Entertainment	10,932	1,057	406	12,395
Retail Trade	8,664	438	1,789	10,891
Business Services		4,045	1,388	5,433
Finance, Insurance, Real Estate	171	2,188	1,429	3,788
Other Transport	2,006	1,271	327	3,604
Personal Services	1,452	575	1,386	3,413
Education and Health Care		67	2,968	3,036
Air Transport	1,879	10	11	1,900
Gas Stations	1,225	50	146	1,421
Government		519	193	712
Construction and Utilities		489	198	687
Wholesale Trade		344	303	648
Communications		414	172	586
Manufacturing		339	119	458
Agriculture, Fishing, Mining		175	86	261

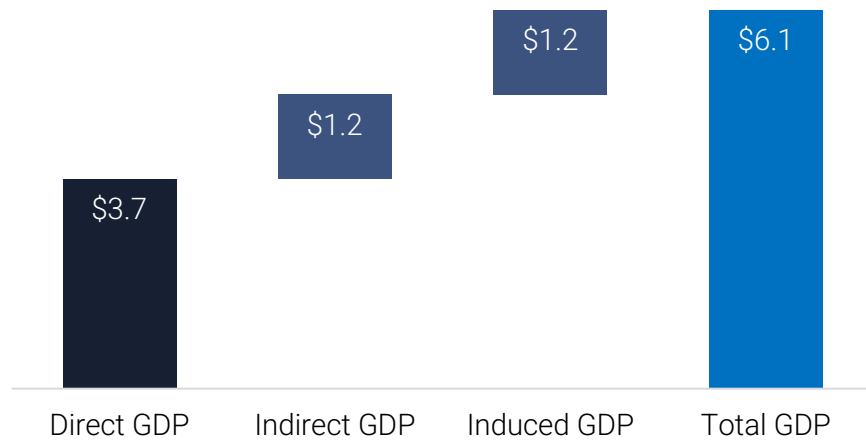
Source: Tourism Economics

VALUE ADDED IMPACTS

The value added of all visitor-associated goods and services produced in Kentucky in 2023 increased to \$6.1 billion, up 7.1% from the prior year. Kentucky's gross domestic product reached \$278 billion in 2023, with the direct visitor economy accounting for 1.3% and the total visitor economy representing 2.2%.

Summary Value-added Impacts (2023)

Amounts in in \$ billions



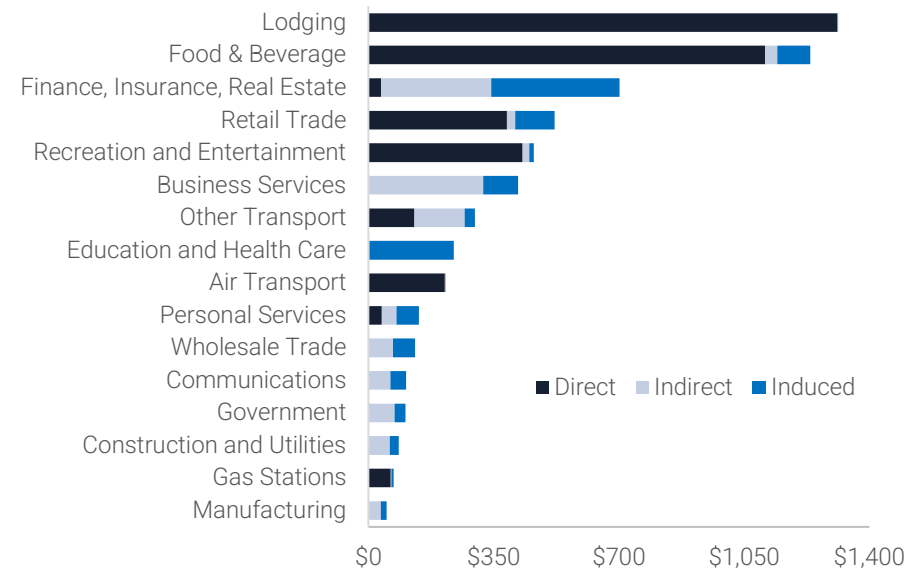
Source: Tourism Economics

Visitor purchases from the food and beverage industry added \$1.1 billion to Kentucky's direct GDP in 2023.

Spending by visitor supported workers generated \$236 million in GDP in the education and health care industries, showing how visitors support businesses across varied industries.

Visitor Value-added Impacts by Industry (2023)

Amounts in in \$ millions



Source: Tourism Economics



Summary Value-added Impacts by Industry (2023)

Amounts in \$ millions

	Direct GDP	Indirect GDP	Induced GDP	Total GDP
Total, all industries	\$3,712.7	\$1,195.5	\$1,185.2	\$6,093.4
Lodging	\$1,310.4	\$1.0	\$0.6	\$1,312.0
Food & Beverage	\$1,108.9	\$34.1	\$91.6	\$1,234.7
Finance, Insurance, Real Estate	\$35.0	\$308.0	\$358.6	\$701.6
Retail Trade	\$386.7	\$23.8	\$110.0	\$520.5
Recreation and Entertainment	\$430.5	\$19.0	\$12.7	\$462.1
Business Services		\$321.0	\$97.0	\$418.0
Other Transport	\$128.8	\$140.1	\$28.8	\$297.8
Education and Health Care		\$1.9	\$236.3	\$238.2
Air Transport	\$213.5	\$1.3	\$1.5	\$216.3
Personal Services	\$36.9	\$41.1	\$62.9	\$140.9
Wholesale Trade		\$68.5	\$61.8	\$130.3
Communications		\$61.7	\$43.5	\$105.2
Government		\$72.9	\$30.3	\$103.2
Construction and Utilities		\$59.6	\$24.9	\$84.5
Gas Stations	\$62.0	\$2.1	\$6.5	\$70.6
Manufacturing		\$34.8	\$16.1	\$50.8
Agriculture, Fishing, Mining		\$4.5	\$2.1	\$6.6

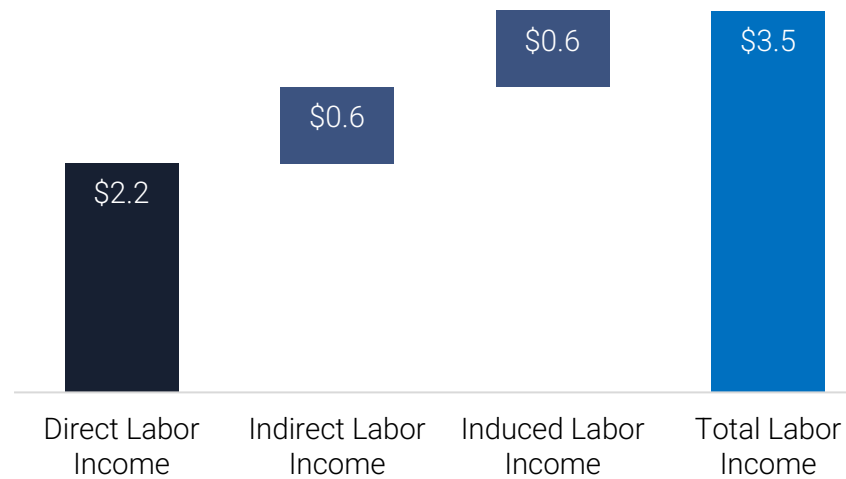
Source: Tourism Economics

LABOR INCOME IMPACTS

Visitor activity generated \$2.2 billion in direct labor income and a total of \$3.5 billion including \$1.2 billion in indirect and induced impacts. Total tourism-generated income in Kentucky in 2023 grew 6.0% over 2022.

Summary labor income impacts (2023)

Amounts in \$ millions

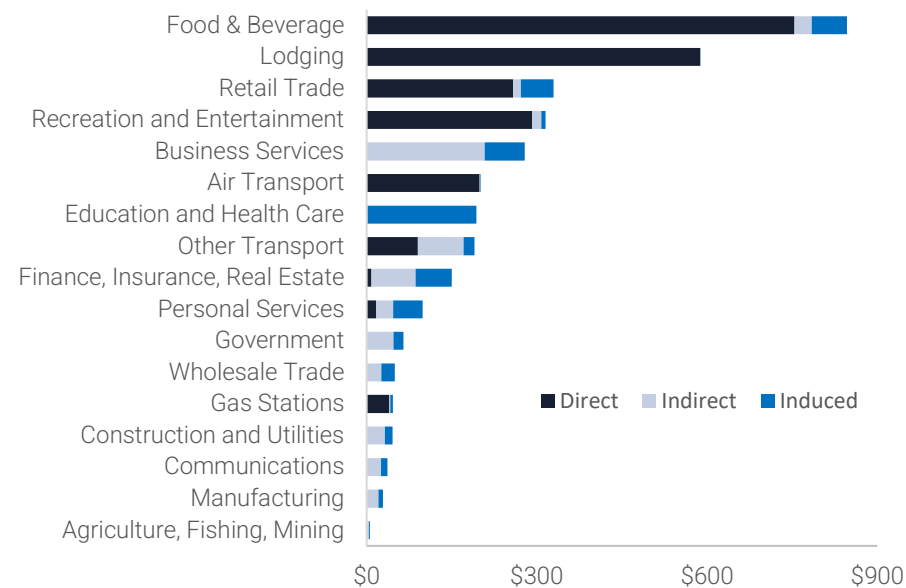


Source: Tourism Economics

There are nine industries in which visitor activity supports more than \$150 million in personal income. These range from the obvious—food and beverage and lodging, to the less obvious—business services and education and healthcare.

Tourism labor income Impacts by Industry (2023)

Amounts in \$ millions



Source: Tourism Economics



Summary labor income impacts (2023)

Amounts in \$ millions

	Direct Labor Income	Indirect Labor Income	Induced Labor Income	Total Labor Income
Total, all industries	\$2,247.0	\$617.7	\$605.4	\$3,470.2
Food & Beverage	\$754.0	\$30.5	\$61.8	\$846.2
Lodging	\$587.6	\$0.6	\$0.3	\$588.5
Retail Trade	\$258.3	\$13.4	\$57.4	\$329.1
Recreation and Entertainment	\$291.8	\$16.4	\$7.0	\$315.2
Business Services		\$208.1	\$70.7	\$278.8
Air Transport	\$199.0	\$0.9	\$1.1	\$201.0
Education and Health Care		\$1.5	\$192.1	\$193.6
Other Transport	\$90.6	\$80.2	\$19.1	\$189.9
Finance, Insurance, Real Estate	\$8.3	\$78.2	\$63.8	\$150.4
Personal Services	\$17.2	\$29.9	\$51.4	\$98.6
Government		\$47.6	\$17.2	\$64.8
Wholesale Trade		\$26.1	\$23.7	\$49.8
Gas Stations	\$40.2	\$1.5	\$4.7	\$46.4
Construction and Utilities		\$32.2	\$13.8	\$46.0
Communications		\$25.4	\$11.6	\$37.0
Manufacturing		\$20.8	\$8.1	\$28.9
Agriculture, Fishing, Mining		\$4.3	\$1.7	\$6.0

Source: Tourism Economics

ECONOMIC IMPACT FINDINGS

FISCAL (TAX) IMPACTS

Visitor spending, visitor supported jobs, and business sales generated \$1.8 billion in government revenues.

State and local taxes alone tallied \$1.0 billion in 2023.

Each household in Kentucky would need to be taxed an additional \$564 to replace the visitor-generated taxes received by Kentucky state and local governments in 2023.

Fiscal (tax) impacts

Amounts in \$ millions

	Direct	Indirect / Induced	Total
Total Tax Revenues	\$1,292	\$497	\$1,786
Federal Taxes	\$511	\$277	\$789
Personal Income	\$124	\$68	\$192
Corporate	\$71	\$53	\$124
Indirect Business	\$71	\$22	\$92
Social Insurance	\$246	\$135	\$381
State and Local Taxes	\$780	\$220	\$997
Sales	\$412	\$112	\$522
Bed Tax	\$107	\$0	\$107
Personal Income	\$56	\$31	\$87
Corporate	\$14	\$10	\$25
Social Insurance	\$4	\$3	\$7
Excise and Fees	\$34	\$12	\$46
Property	\$153	\$51	\$203

Source: Tourism Economics



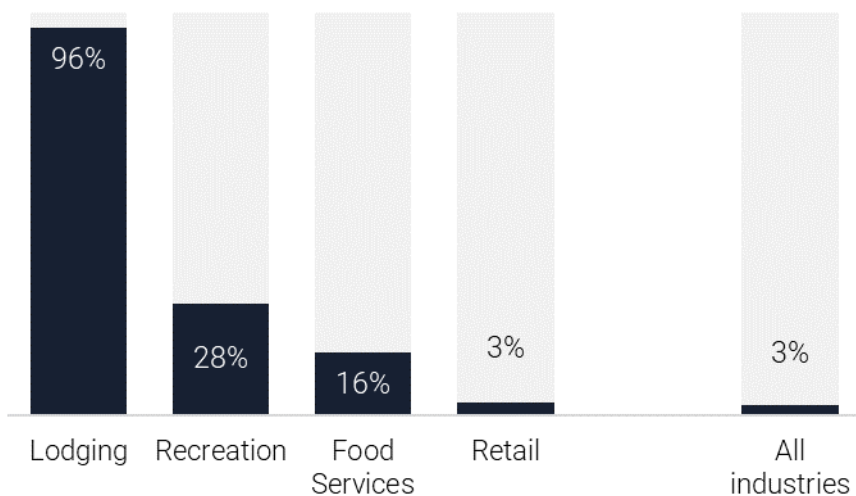


ECONOMIC IMPACTS IN CONTEXT

Visitors sustained nearly all employment in the lodging sector, 28% of recreation employment, and 16% of food services employment in 2023.

Tourism employment intensity

Amounts in percentage of total industry employment



Source: BEA, BLS, Tourism Economics

ECONOMIC IMPACTS IN CONTEXT



\$9.7B VISITOR SPENDING

The \$9.7 billion in visitor spending means that over \$27 million was spent EVERY DAY by visitors in Kentucky.



\$3.5B LABOR INCOME

The \$3.5 billion in total labor income earned by visitor supported workers equals \$1,960 for every household in Kentucky.



95,222 JOBS

The 95,222 workers supported by visitor spending exceeds the seating capacity of 61,000 at the University of Kentucky's Commonwealth Stadium by 56%.



\$1.0B STATE & LOCAL TAXES

Each household in Kentucky would need to be taxed an additional \$564 to replace the visitor taxes received by the state and local governments in 2023.



Glossary – Spending Definitions

Term	Description
Lodging	Includes visitor spending in the accommodation sub-sector. This includes food and other services provided by hotels, rentals 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, buses, and the local share of air transportation spending.
Service stations	Visitor spending on gasoline.
Second homes	Where applicable, spending associated with the upkeep of seasonal second homes for recreational use as defined by the Census Bureau.

Glossary – Economic Impact Definitions

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.
Labor 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 revenues 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 destination 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, London, Frankfurt, Ontario, and Sydney.

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 600 full-time staff, including 300 professional economists, industry experts and business editors—one of the largest teams of macroeconomists and thought leadership specialists.

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