

ECONOMIC IMPACT OF VISITORS IN KENTUCKY 2019

Prepared for:
Kentucky Department of Tourism



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INTRODUCTION

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 Kentucky's future. Gross output (business sales) attributable to visitor spending in Kentucky totaled \$11.8 billion in 2019.

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 continues to expand upon its visitor economy, and by establishing a baseline of economic impacts, the industry can track its progress over time.

To quantify the economic significance of the tourism sector in Kentucky, Tourism Economics has prepared a comprehensive model detailing the far-reaching impacts arising from visitor spending. The results of this study show the scope of the travel sector in terms of direct visitor spending, as well as the 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 local 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.

The value of seasonal and second homes was estimated based on census data for seasonal units and estimated gross rents.

Visitors included those who stayed in overnight accommodations or those who came from a distance greater than 50 miles and deviated from their normal routine.

The primary source of the employment and wage data is the Regional Economic Information System (REIS), 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
- Bureau of Economic Analysis and Bureau of Labor Statistics: employment and wage data, by industry
- STR: Lodging performance data, including room demand, room rates, occupancy, and room revenue
- Tax collections: Lodging and sales tax receipts
- Tourism Economics: international travel data for overseas, Canadian, and Mexican travel to Kentucky based on aviation, survey, and credit card information

KEY FINDINGS

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The visitor economy is an engine for economic growth

Growth in visitation, spending, and employment

Tourism is an integral part of the Kentucky economy and continues to be a key driver of business sales, employment, and tax revenue.

Approximately 3.7% (1 in 26) of all jobs in the state were sustained by tourism.



Visitor Spending

Visitors to Kentucky spent nearly \$8.0 billion in 2019, which generated \$11.8 billion in total business sales, including indirect and induced impacts.



Continued Growth

Tourism-sustained jobs generated total income of \$3.1 billion in 2019 up from \$2.9 million in 2018.



Employment Generator

A total of 95,803 jobs were sustained by visitors to Kentucky in 2019. This included 68,563 direct and 27,240 indirect and induced jobs.



Fiscal Contributions

Tourism in Kentucky generated \$1.5 billion in tax revenues in 2019, with \$823 million accruing to state and local governments.

KEY FINDINGS

The visitor economy is an engine for economic growth

Visitor Spending

Visitor spending has grown 17% over the past five years, increasing from \$6.8 billion in 2015 to nearly \$8.0 billion in 2019.

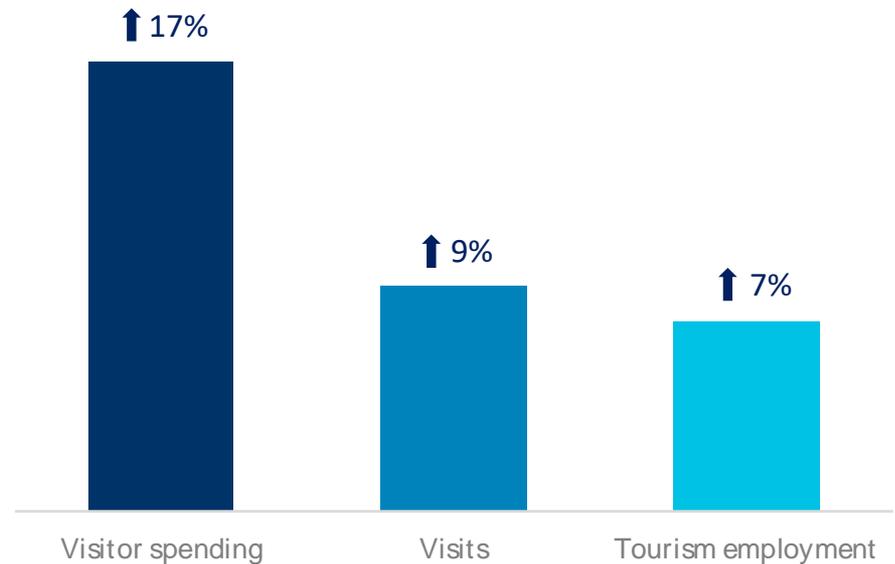
Visits

The number of visits to Kentucky increased from 68 million visits in 2015 to 74 million visits in 2019, a cumulative increase of 9%.

Tourism employment

Direct tourism-supported employment continued to expand, surpassing 68,500 jobs in 2019.

Cumulative Growth in Key Indicators, 2015-2019



Source: Tourism Economics

VISITOR ECONOMY TRENDS

VISITATION AND SPENDING

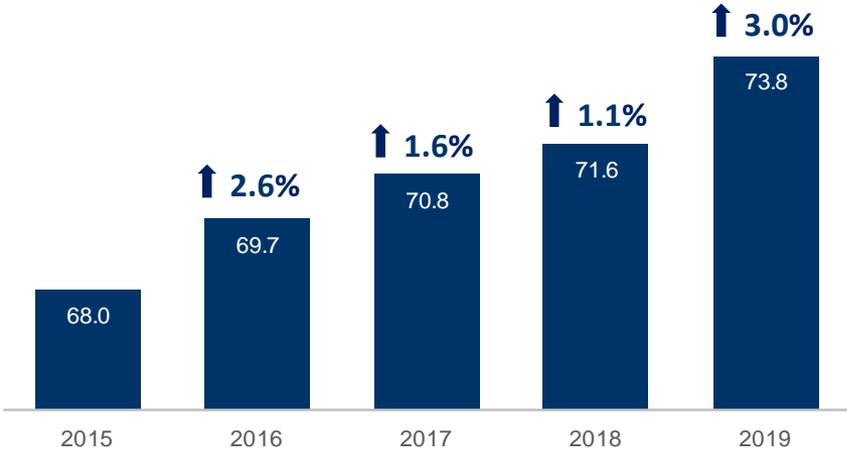
Visitation trends

Visitation growth experienced highest increase in five years

Visitation grew by more than 2,000,000 visitors to reach 73.8 million. An increase of 3.0%, the highest rate of growth in five years, growth was supported by both overnight and day visitation.

Kentucky visitor levels and annual growth

Amounts in millions of visitors and year-on-year percentage growth



Source: Tourism Economics

VISITATION AND SPENDING

Visitor spending trends

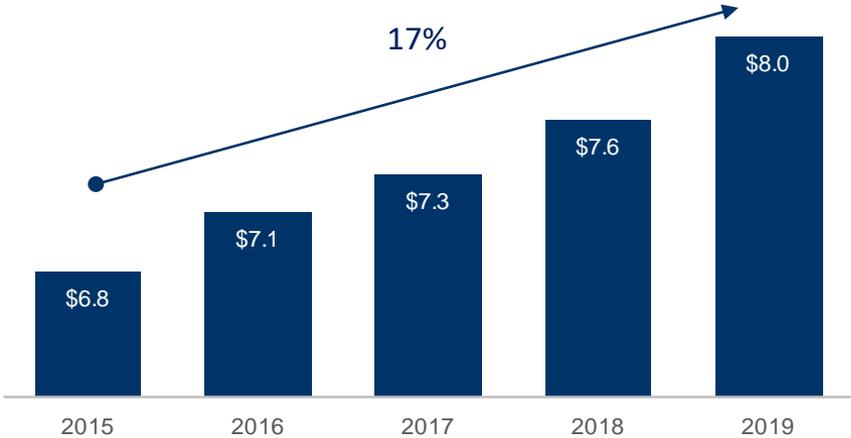
Visitor spending has increased for five straight years

Visitor spending in 2019 reached nearly \$8.0 billion, an increase of 5.4% year-over-year, and a more than \$1 billion increase over 2015.

Over the five-year period, visitor spending has cumulatively increased 17%: an annualized growth rate of 4.0%.

Kentucky total visitor spending

Amounts in billions of nominal dollars



Source: Tourism Economics

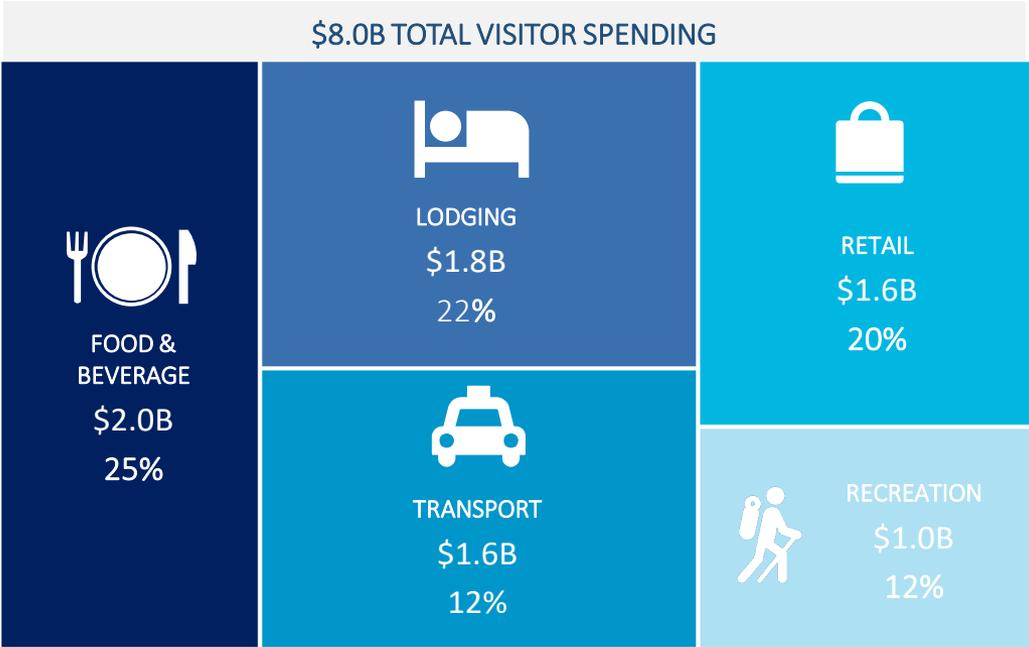
VISITATION AND SPENDING

Visitor spending by industry

Visitors to Kentucky spent \$8.0 billion across a wide range of sectors in 2019

Visitors spent \$2.0 billion on food and beverages, \$1.8 billion on lodging, \$1.6 billion on transportation, including both local transportation and air, \$1.6 billion on retail shopping, and nearly \$1.0 billion on recreational activities in 2019.

The value of second home accommodations, included in lodging spend, tallied \$157 million.



Note: Lodging spending is calculated as an industry, including meetings, catering, etc. Spending also includes dollars spend on second homes. Transport includes both air and local transportation.

Source: Tourism Economics

VISITATION AND SPENDING

Visitor spending by industry

Visitor spending increased by 5.4% in 2019, supported by broad growth across all sectors. Indeed, all spending sectors increased at a faster rate than its five-year average.

Of the more than \$400 million increase in 2019, nearly half was concentrated in lodging and food & beverage.

Visitor Spending in Kentucky

Amounts in billions of nominal dollars and growth rates

	2015	2016	2017	2018	2019	2019 Growth	CAGR 2015-2019
Total visitor spending	\$6.81	\$7.11	\$7.29	\$7.56	\$7.97	5.4%	4.0%
Food & beverages	\$1.70	\$1.78	\$1.84	\$1.91	\$2.01	5.5%	4.3%
Lodging*	\$1.52	\$1.58	\$1.63	\$1.68	\$1.77	5.4%	3.9%
Transportation**	\$1.34	\$1.41	\$1.45	\$1.54	\$1.61	4.6%	4.6%
Retail	\$1.41	\$1.47	\$1.48	\$1.52	\$1.61	6.0%	3.3%
Recreation	\$0.84	\$0.86	\$0.89	\$0.92	\$0.98	5.8%	3.8%

* Lodging includes 2nd home spending

** Transportation includes both ground and air transportation

Source: Tourism Economics

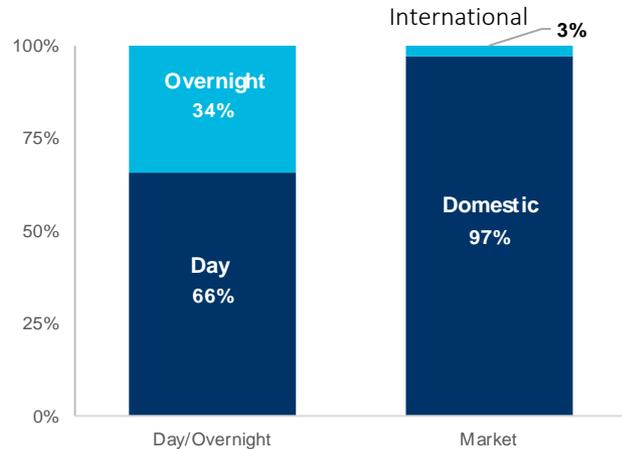
VISITOR ECONOMY TRENDS

Visitation segments

Visitation increased 3.0 % in 2019, supported by solely by domestic visitors as international arrivals ticked up just 0.1%. Although domestic visits and spending account for the majority of tourism in Kentucky, international visitors spend nearly eight times more than domestic visitors on a per person basis.

Kentucky visitation share by segment

Expressed as percentage of total visitation by market



Source: Tourism Economics

Visitor Volume and Spending

Amounts in millions of visitors, millions of nominal dollars, and dollars per person

	2015	2016	2017	2018	2019
Total visitors	68.0	69.7	70.8	71.6	73.8
Domestic	67.62	69.41	70.52	71.20	73.39
International	0.35	0.32	0.31	0.38	0.38
Total visitor spending	\$6,813.3	\$7,107.1	\$7,294.1	\$7,563.2	\$7,974.9
Domestic	\$6,813.0	\$7,106.8	\$7,293.8	\$7,562.9	\$7,974.6
International	\$0.29	\$0.29	\$0.31	\$0.32	\$0.33
Per visitor spending	\$100	\$102	\$103	\$106	\$108
Domestic	\$101	\$102	\$103	\$106	\$109
International	\$835	\$904	\$1,002	\$831	\$853

Source: Longwoods International; Tourism Economics

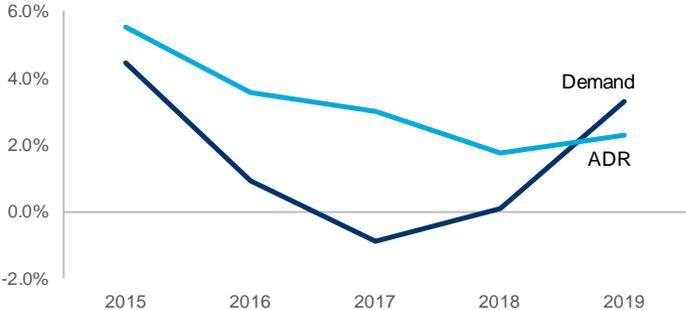
VISITOR ECONOMY TRENDS

Hotel sector

In 2019, a reversal of trends revealed strength in both demand and average daily rates, contributing to strong growth in visitor spending in the lodging industry.

Average daily rates were up 2.3% in 2019, and total room revenues increased by 5.7% over the prior year.

Kentucky hotel revenue contributors
Year-on-year percentage growth



Source: STR

VISITOR ECONOMY TRENDS

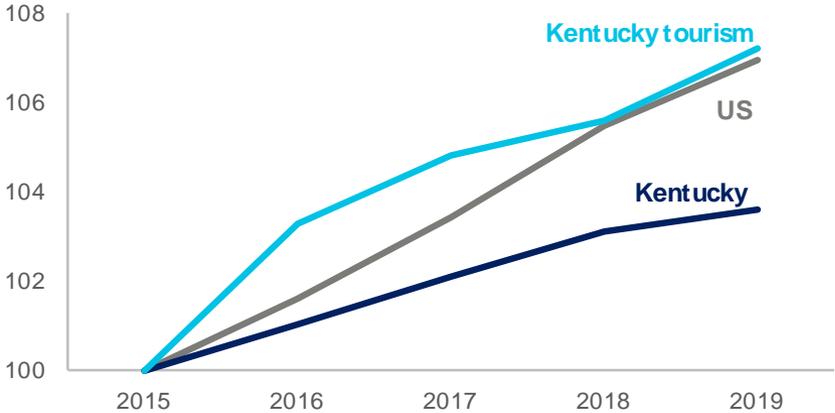
Labor Market

Tourism job growth in Kentucky is outpacing the state and US

Within Kentucky, tourism employment has consistently outpaced overall state employment.

Employment in the tourism industry in Kentucky has increased 7.2% since 2015, versus just 3.6% growth in overall state employment.

Tourism employment in Kentucky
Index (2015=100)



Source: BEA; BLS; Tourism Economics

ECONOMIC IMPACTS



ECONOMIC IMPACTS

How visitor spending generates employment and income

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 move calculates three distinct types of impact: direct, indirect, and induced.

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

1. **Direct Impacts:** 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.
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.
3. **Induced 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.

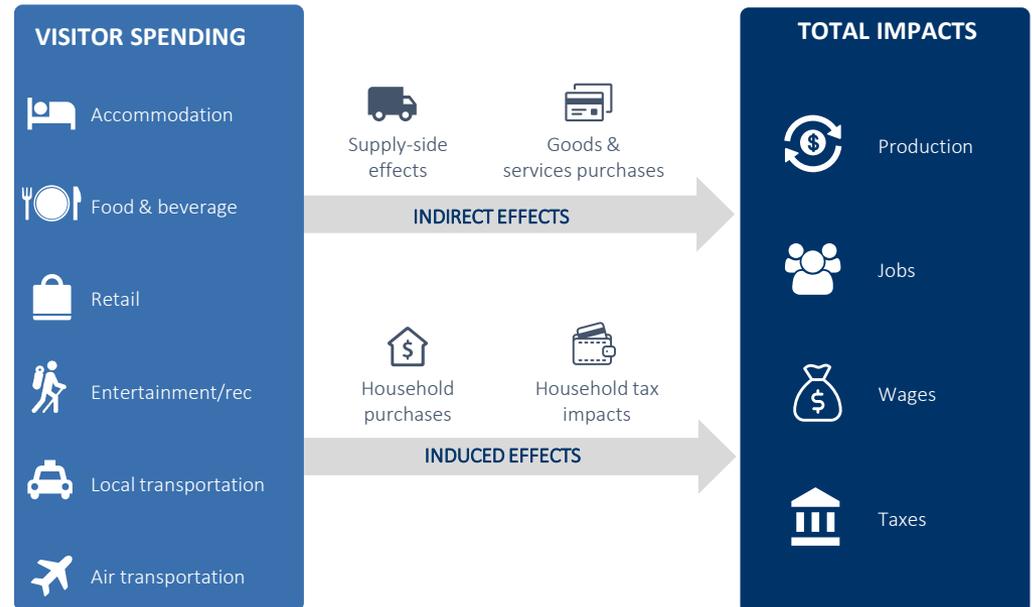
ECONOMIC IMPACTS

How visitor spending generates employment and income

Economic impact flowchart

IMPLAN is particularly effective because it calculates these three levels of impact – direct, indirect, and induced – for a broad set of indicators. These include the following:

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

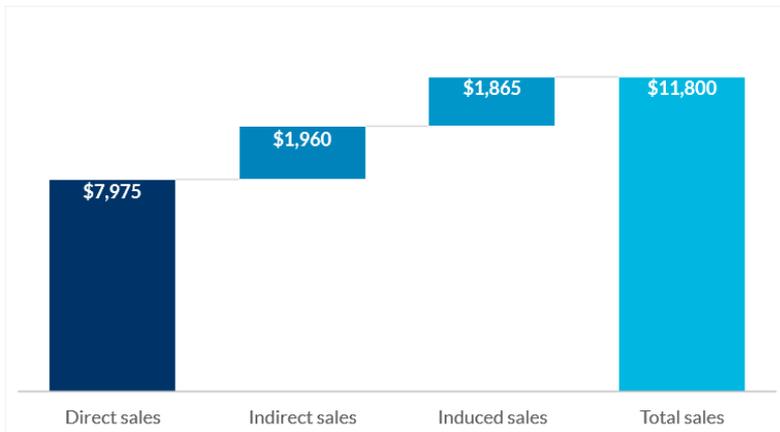


ECONOMIC IMPACTS

Business sales impacts by industry

Visitors and tourism businesses spent nearly \$8 billion in Kentucky in 2019. This supported a total of \$11.8 billion in business sales when indirect and induced impacts are considered.

Summary economic impacts (\$ millions)



Business sales impacts by industry

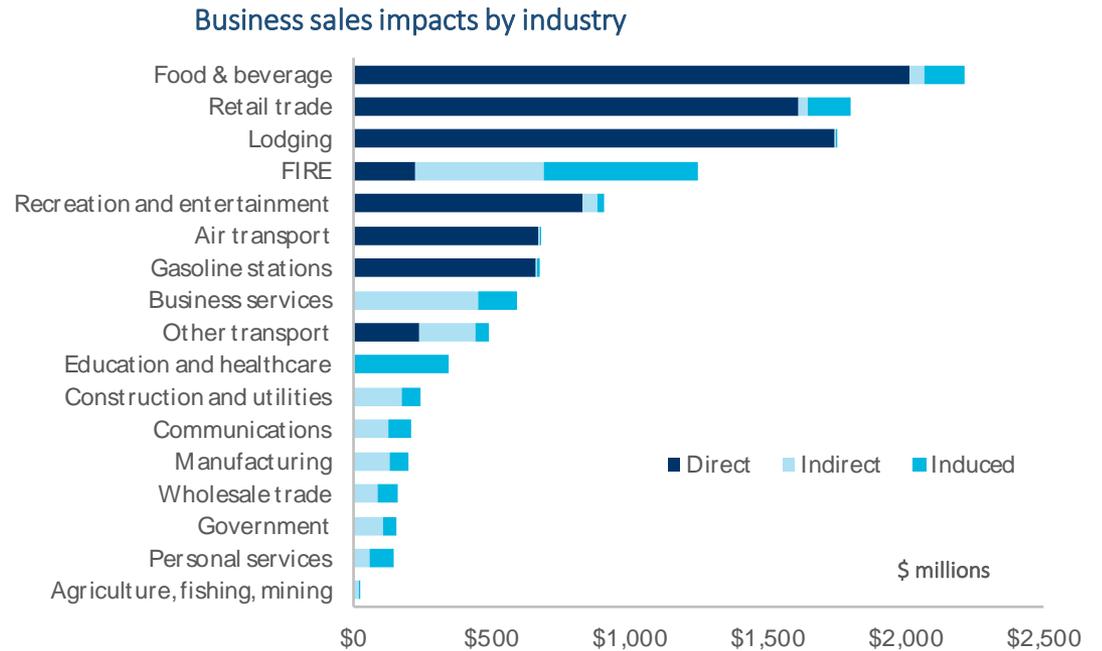
Amounts in millions of current dollars	Direct sales	Indirect sales	Induced sales	Total sales
Total, all industries	\$7,975	\$1,960	\$1,865	\$11,800
By industry				
Food & beverage	\$2,012	\$52	\$149	\$2,213
Retail trade	\$1,609	\$35	\$155	\$1,799
Lodging	\$1,743	\$2	\$1	\$1,745
FIRE	\$219	\$469	\$555	\$1,243
Recreation and entertainment	\$829	\$51	\$26	\$907
Air transport	\$668	\$3	\$4	\$675
Gasoline stations	\$659	\$3	\$10	\$673
Business services		\$448	\$141	\$589
Other transport	\$235	\$203	\$48	\$487
Education and healthcare		\$3	\$339	\$342
Construction and utilities		\$175	\$66	\$241
Communications		\$123	\$84	\$207
Manufacturing		\$131	\$66	\$197
Wholesale trade		\$84	\$75	\$159
Government		\$103	\$52	\$154
Personal services		\$58	\$88	\$146
Agriculture, fishing, mining		\$17	\$7	\$24

Source: Tourism Economics

ECONOMIC IMPACTS

Business sales impacts by industry

While the majority of sales are in industries directly serving visitors, \$470 million in business sales is happening in finance, insurance and real estate as a result of selling to tourism businesses.



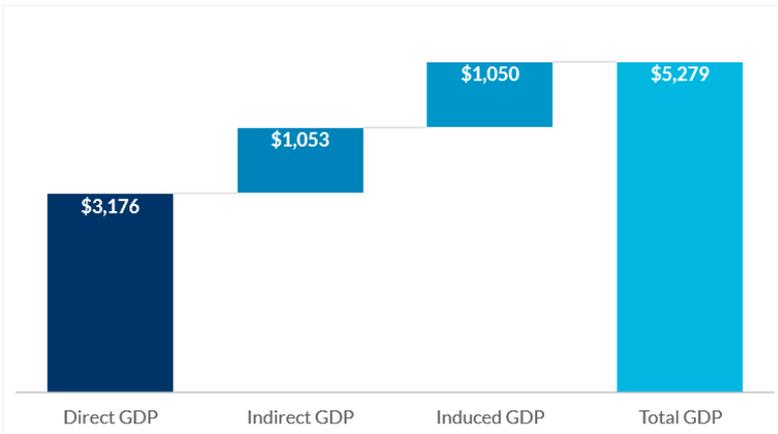
Source: Tourism Economics

ECONOMIC IMPACTS

GDP impacts by industry

Travel generated a total \$5.3 billion in state GDP in 2019, when indirect and induced values are considered.

Summary GDP impacts (\$ millions)



GDP impacts by industry

Amounts in millions of current dollars	Direct value	Indirect value	Induced value	Total value
Total, all industries	\$3,176	\$1,053	\$1,050	\$5,279
By industry				
Lodging	\$1,127	\$1	\$1	\$1,128
Food & beverage	\$894	\$28	\$79	\$1,001
FIRE	\$29	\$296	\$338	\$662
Retail trade	\$347	\$21	\$95	\$464
Recreation and entertainment	\$360	\$20	\$12	\$392
Business services		\$281	\$85	\$366
Air transport	\$265	\$1	\$2	\$268
Other transport	\$106	\$99	\$22	\$227
Education and healthcare		\$2	\$209	\$211
Wholesale trade		\$52	\$46	\$98
Construction and utilities		\$70	\$26	\$96
Personal services		\$38	\$56	\$94
Government		\$54	\$22	\$76
Communications		\$43	\$30	\$74
Manufacturing		\$40	\$18	\$58
Gasoline stations	\$49	\$2	\$5	\$56
Agriculture, fishing, mining		\$4	\$2	\$6

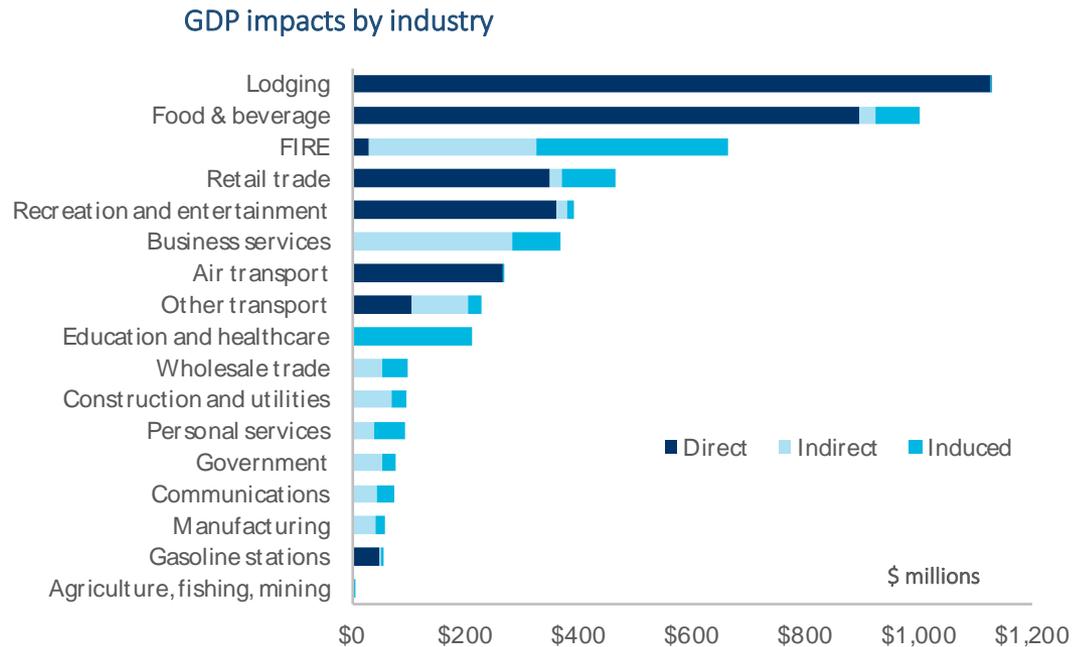
Source: Tourism Economics

ECONOMIC IMPACTS

GDP impacts by industry

The lodging industry has the largest economic contribution from visitor spending, followed by food and beverages.

Finance, insurance and real estate (FIRE) impacts GDP through mainly indirect and induced effects.



Source: Tourism Economics

ECONOMIC IMPACTS

Tourism employment

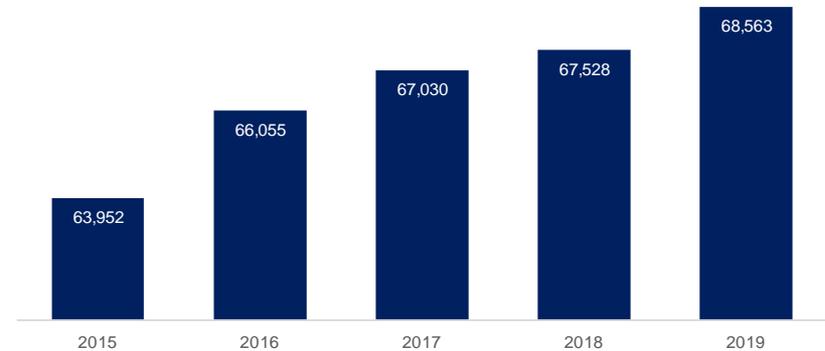
Visitor spending directly supported 65,563 jobs

In 2019, direct visitor spending supported 68,563 jobs in Kentucky. Growing 1.5% from the previous year, tourism employment has increased just over 7% since 2015.

The 68,563 jobs directly supported by visitors represents 2.7% of all jobs within Kentucky.

Direct tourism employment in Kentucky

Amounts in number of jobs



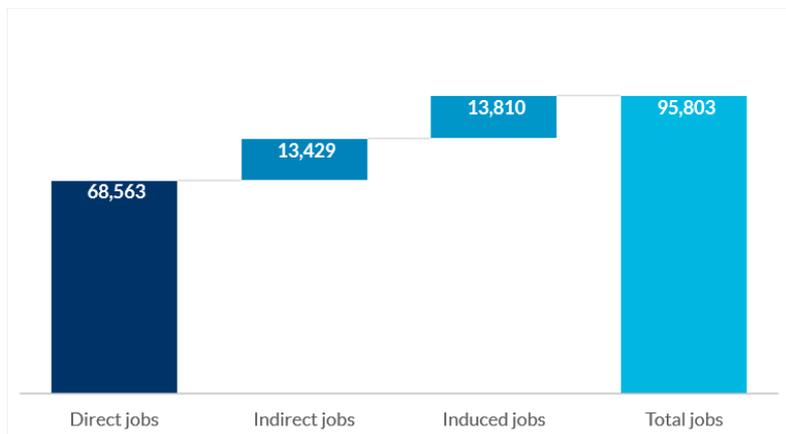
Source: BEA; BLS; Tourism Economics

ECONOMIC IMPACTS

Employment impacts by industry

Tourism supported a total of 95,803 jobs when indirect and induced impacts are considered.

Summary employment impacts (number of jobs)



Employment impacts by industry

Amounts in number of jobs	Direct jobs	Indirect jobs	Induced jobs	Total jobs
Total, all industries	68,563	13,429	13,810	95,803
By industry				
Food & beverage	26,599	948	2,276	29,823
Lodging	15,388	15	8	15,411
Recreation and entertainment	11,716	996	382	13,094
Retail trade	9,278	472	1,898	11,649
Business services		4,414	1,459	5,873
FIRE	177	2,211	1,467	3,854
Other transport	2,017	1,376	335	3,728
Education and healthcare		86	3,358	3,443
Personal services		565	1,392	1,957
Air transport	1,918	10	12	1,940
Gasoline stations	1,471	50	151	1,672
Government		514	192	706
Construction and utilities		505	199	704
Wholesale trade		341	302	643
Communications		407	173	580
Manufacturing		338	118	456
Agriculture, fishing, mining		183	88	272

Source: Tourism Economics

ECONOMIC IMPACTS

Employment impacts by industry

As a labor-intensive collection of services, tourism-related sectors represent significant employment to Kentucky.

The 95,803 jobs supported by Kentucky tourism span every sector of the economy, either directly or indirectly.

Employment impacts by industry



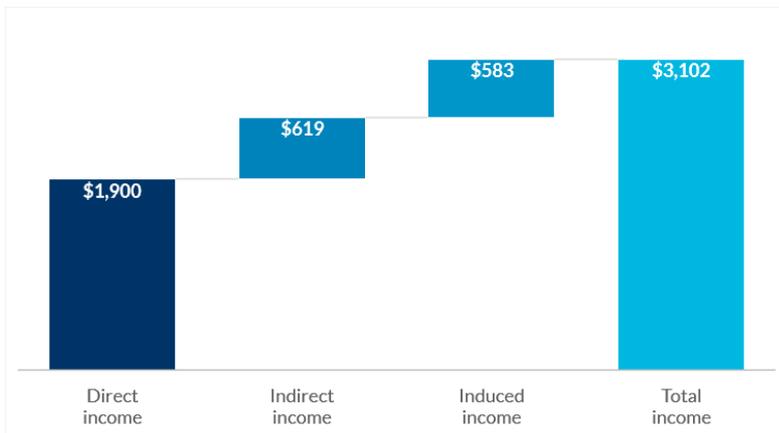
Source: Tourism Economics

ECONOMIC IMPACTS

Personal income impacts by industry

Tourism generated \$1.9 billion in direct income and \$3.1 billion when indirect and induced impacts are considered.

Summary personal income impacts (\$ millions)



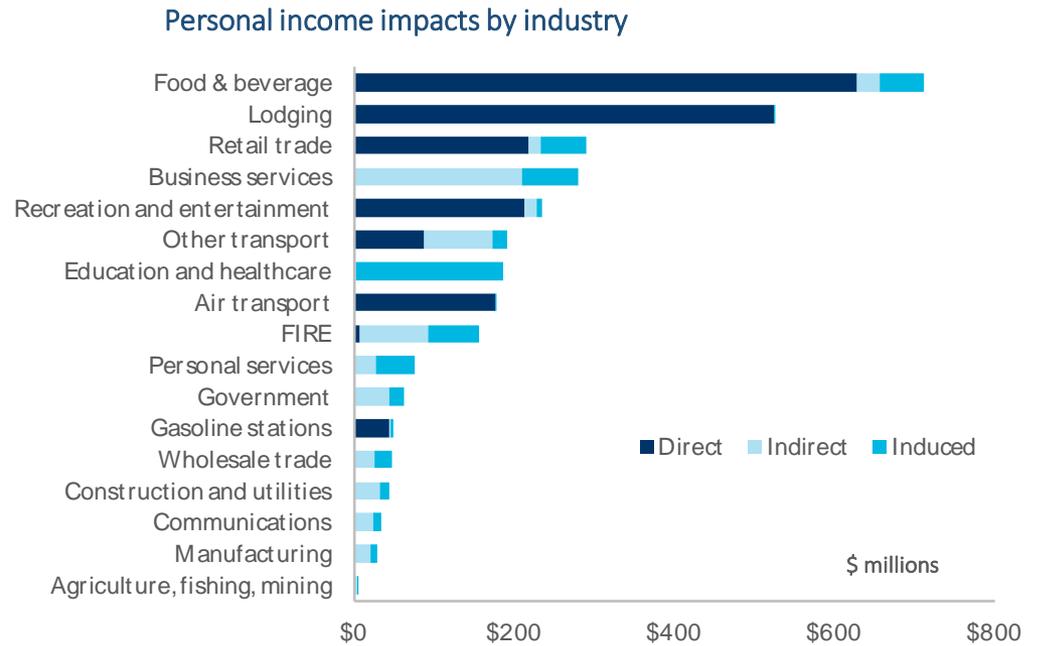
Personal income impacts by industry

Amounts in millions of current dollars	Direct income	Indirect income	Induced income	Total income
Total, all industries	\$1,900	\$619	\$583	\$3,102
By industry				
Food & beverage	\$628	\$28	\$56	\$712
Lodging	\$524	\$0	\$0	\$525
Retail trade	\$219	\$14	\$57	\$290
Business services		\$210	\$70	\$280
Recreation and entertainment	\$214	\$14	\$6	\$234
Other transport	\$88	\$85	\$19	\$192
Education and healthcare		\$2	\$184	\$186
Air transport	\$176	\$1	\$1	\$178
FIRE	\$8	\$84	\$65	\$157
Personal services		\$27	\$48	\$76
Government		\$45	\$17	\$62
Gasoline stations	\$43	\$1	\$4	\$49
Wholesale trade		\$25	\$22	\$48
Construction and utilities		\$32	\$13	\$45
Communications		\$24	\$11	\$35
Manufacturing		\$21	\$8	\$28
Agriculture, fishing, mining		\$4	\$2	\$6

Source: Tourism Economics

ECONOMIC IMPACTS

Personal income impacts by industry



Source: Tourism Economics

ECONOMIC IMPACTS

Fiscal (tax) impacts

Visitor spending, visitor supported jobs, and business sales generated \$1.5 billion in governmental revenues.

State and local taxes alone tallied \$800 million in 2019.

Each household in Kentucky would need to be taxed an additional \$475 to replace the visitor taxes received by the state and local governments in 2019.

Fiscal (tax) impacts

Amounts in millions of current dollars	Direct	Indirect/ Induced	Total
Total	\$1,083	\$442	\$1,524
Federal	\$433	\$269	\$702
Personal income	\$105	\$66	\$171
Corporate	\$58	\$49	\$106
Indirect business	\$62	\$21	\$83
Social insurance	\$208	\$133	\$340
State and Local	\$650	\$173	\$823
Sales	\$345	\$76	\$421
Bed tax	\$88	\$0	\$88
Personal income	\$48	\$30	\$78
Corporate	\$11	\$10	\$21
Social insurance	\$3	\$2	\$5
Excise and fees	\$29	\$11	\$41
Property	\$126	\$43	\$169

Source: Tourism Economics

ECONOMIC IMPACTS IN CONTEXT

ECONOMIC IMPACTS

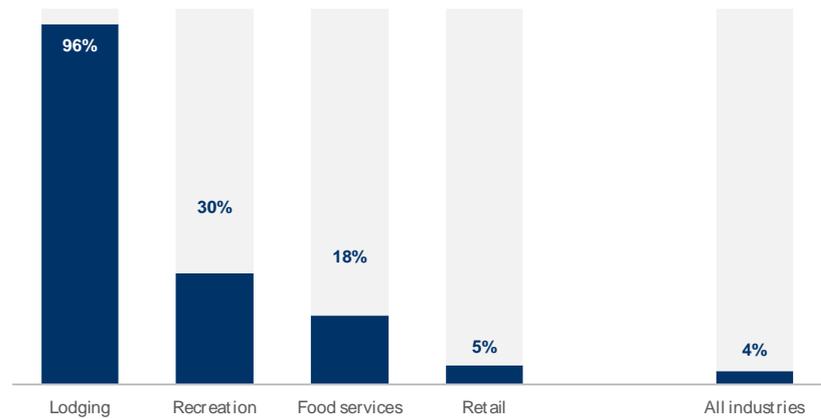
Tourism employment

Visitor-generated employment is a significant part of key industries

Nearly the entire lodging industry, as well as 30% of recreation, and 18% of food & beverage employment is supported by visitor spending, including indirect and induced benefits.

Tourism employment intensity

Amounts in percentage of total industry employment



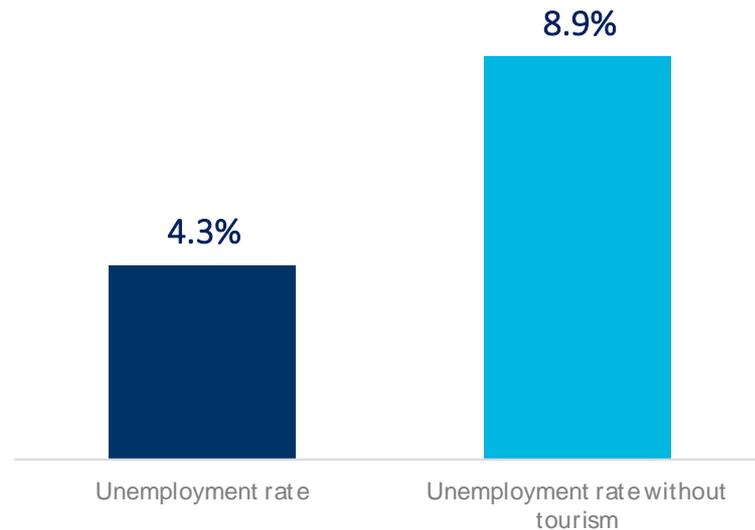
Source: BEA; BLS; Tourism Economics

ECONOMIC IMPACTS IN CONTEXT

Visitor-generated employment

In 2019, the unemployment rate was 4.3%.
Without jobs supported by visitors, the
unemployment rate would double to 8.9%.

Unemployment with and without the visitor economy



Source: BEA; BLS; Tourism Economics

ECONOMIC IMPACTS IN CONTEXT

Spending, jobs, and income impacts in context



\$8.0
BILLION

VISITOR SPENDING

The \$8.0 billion in visitor spending means that almost \$22 million was spent EVERY DAY by visitors in Kentucky.



\$3.1
BILLION

PERSONAL INCOME

The \$3.1 billion in total income generated by tourism is the equivalent of \$1,800 for every household in Kentucky.



95,803
JOBS

EMPLOYMENT

The number of jobs sustained by tourism (95,803) supports 3.7% of all jobs in Kentucky.



\$823
BILLION

STATE AND LOCAL TAXES

Each household in Kentucky would need to be taxed an additional \$475 to replace the visitor taxes received by the state and local governments in 2019.

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, Buenos Aires, Dubai, Frankfurt, and Ontario.

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 250 full-time staff, including 150 professional economists, industry experts and business editors—one of the largest teams of macroeconomists and thought leadership specialists.

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