

The Economic Impact of Tourism in Greater Philadelphia



2013 Analysis



TOURISM
ECONOMICS

AN OXFORD ECONOMICS COMPANY

Key themes for 2013

- Philadelphia's visitor economy continue to grow in 2013 welcoming more than 39 million visitors who spent \$6.2 billion in local businesses.
 - U.S. consumers' pro-travel attitude reached and surpassed pre-recession levels in 2013.
 - Visitor volume grew 0.7% bolstered by 1.1% growth in overnight leisure visitors.
 - Overnight visitation outperformed overall visitation as room demand remained strong.
- Total tourism spending grew 3.0% as per trip spending grew 2.3%. Per trip spending growth was likely driven by stronger household finances and improving consumer confidence.

Headline results

- The visitor economy remains a large contributor to business sales, employment, and taxes in the Philadelphia region.
- Direct visitor spending of \$6.2 billion generated \$10 billion in total business sales, including indirect and induced impacts.
- 90,261 jobs were sustained by visitors to the Philadelphia region last year with total income of \$3.05 billion.
- 5.4% (1 in 18.6) of all jobs in the region are sustained by tourism.
- Tourism in Greater Philadelphia generated \$1.44 billion in taxes in 2013, with \$636 million accruing to state and local governments.

Annual visitor trends

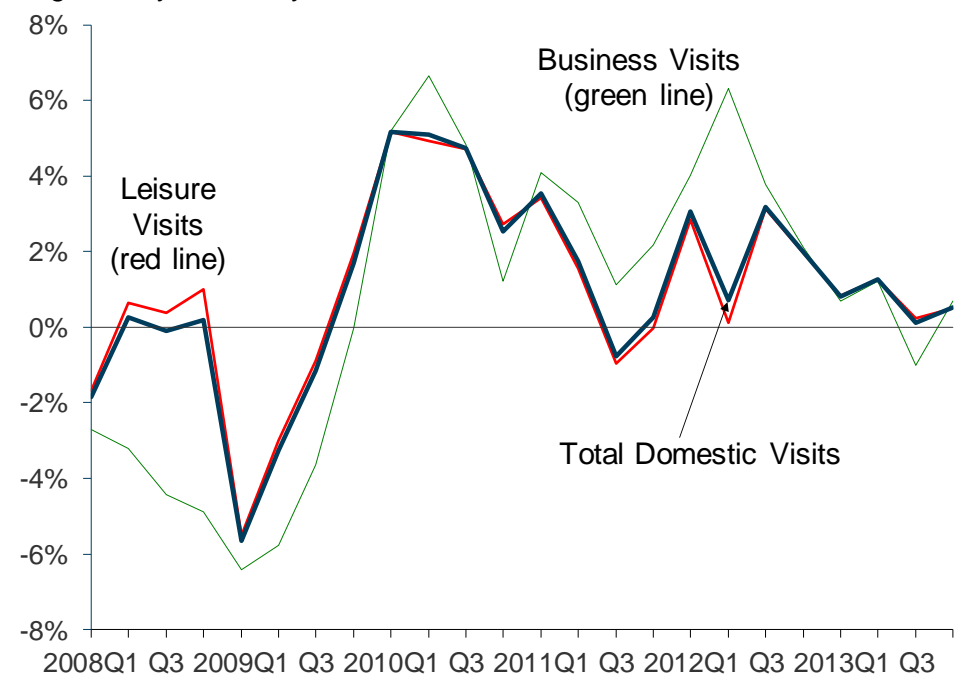
- Domestic visitation growth remained positive, growing 0.7% in 2013.
- Leisure visitation growth outpaced business visitation growth, growing 0.7% in 2013.
- Overnight demand continued to out-perform the total market in 2013.

Annual Visitor Estimates															
	(millions)								(% growth)						
	2006	2007	2008	2009	2010	2011	2012	2013	2007	2008	2009	2010	2011	2012	2013
Overnight Business	2.01	2.01	1.89	1.80	1.93	2.00	2.09	2.10	0.1%	-6.0%	-5.0%	7.5%	3.7%	4.5%	0.1%
Overnight Leisure	11.65	11.79	11.56	11.35	12.59	12.87	13.27	13.42	1.2%	-2.0%	-1.8%	11.0%	2.2%	3.1%	1.1%
Day Business	2.48	2.49	2.44	2.36	2.42	2.46	2.55	2.57	0.7%	-2.0%	-3.2%	2.2%	1.9%	3.7%	0.7%
Day Leisure	20.04	20.51	20.83	20.50	20.67	20.62	20.85	20.93	2.3%	1.6%	-1.6%	0.8%	-0.2%	1.1%	0.4%
Overnight Visitors	13.66	13.80	13.45	13.14	14.52	14.87	15.36	15.51	1.1%	-2.6%	-2.3%	10.5%	2.4%	3.3%	1.0%
Day Visitors	22.52	23.00	23.27	22.87	23.08	23.08	23.40	23.51	2.2%	1.2%	-1.7%	0.9%	0.0%	1.4%	0.4%
Business	4.49	4.51	4.34	4.16	4.35	4.46	4.65	4.67	0.5%	-3.8%	-4.0%	4.5%	2.7%	4.1%	0.4%
Leisure	31.69	32.30	32.39	31.85	33.26	33.48	34.11	34.35	1.9%	0.3%	-1.7%	4.4%	0.7%	1.9%	0.7%
Total Domestic Visitors	36.17	36.80	36.72	36.01	37.61	37.95	38.76	39.02	1.7%	-0.2%	-1.9%	4.4%	0.9%	2.1%	0.7%

Summary: Leisure vs. Business

- Leisure visitation outperformed overall arrival growth in 2013.
- Growth was strongest early in the year.
- Visitor activity was restrained by a cooler than normal spring, early Labor Day, and federal shutdown in October. Year-over-year comparisons are also against a strong 2012 - the first full year of the expanded convention center.

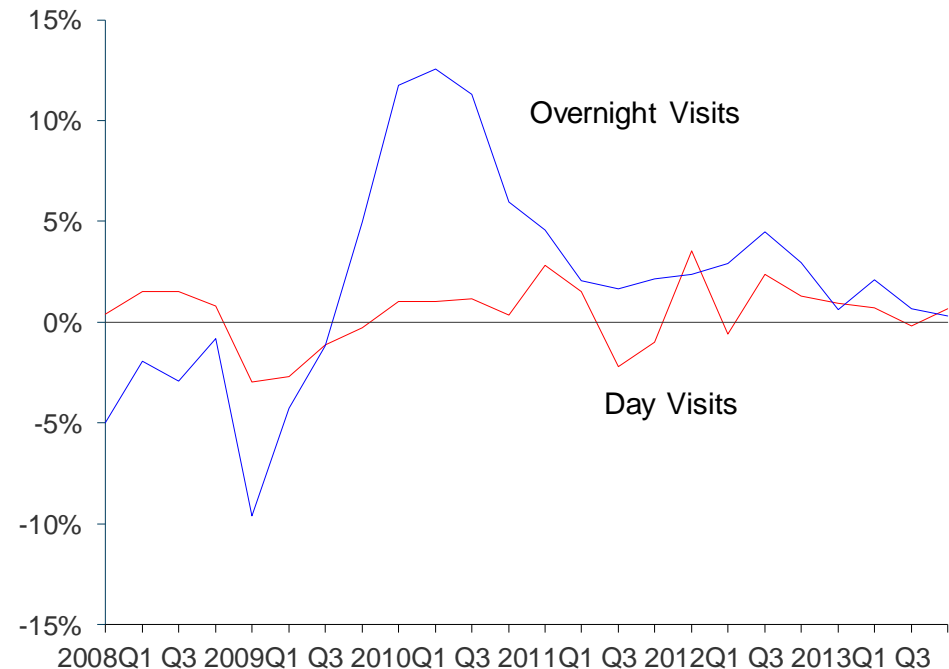
Greater Philadelphia Domestic Arrivals
% growth, year-over-year



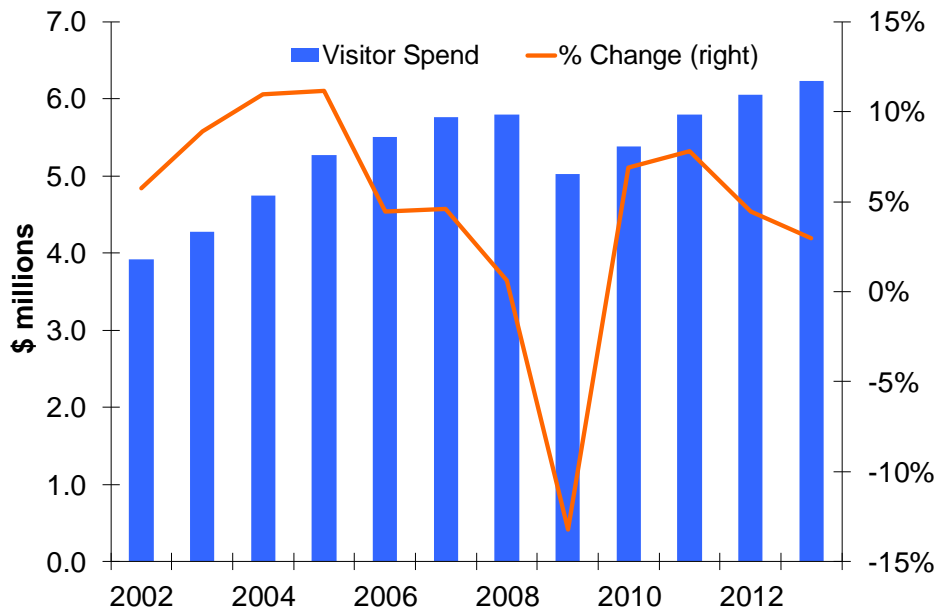
Summary: Day vs. Overnight

- With continued growth in hotel demand, overnight visitation grew 1.0% in 2013, outpacing day visitation growth of 0.4%.
- Overnight visit growth continued to out-perform overall visit growth in 2013.
- Day leisure visitors performed near long-term trends despite seeing gas prices and weak economic gains.

Greater Philadelphia Domestic Arrivals
% growth, year-over-year



Trends in tourism spending



Tourism Expenditures		
Year	US\$ Mn	% Change
2002	3,925	5.8%
2003	4,275	8.9%
2004	4,745	11.0%
2005	5,275	11.2%
2006	5,509	4.4%
2007	5,764	4.6%
2008	5,800	0.6%
2009	5,031	-13.2%
2010	5,379	6.9%
2011	5,799	7.8%
2012	6,057	4.5%
2013	6,238	3.0%

- Visitor spending grew 3.0% to \$6.2 billion in 2013 as more visitors each spent more on their trips to the region.
- Spending growth remained healthy in 2013 and has now grown in four consecutive years.

Visitor spending by market

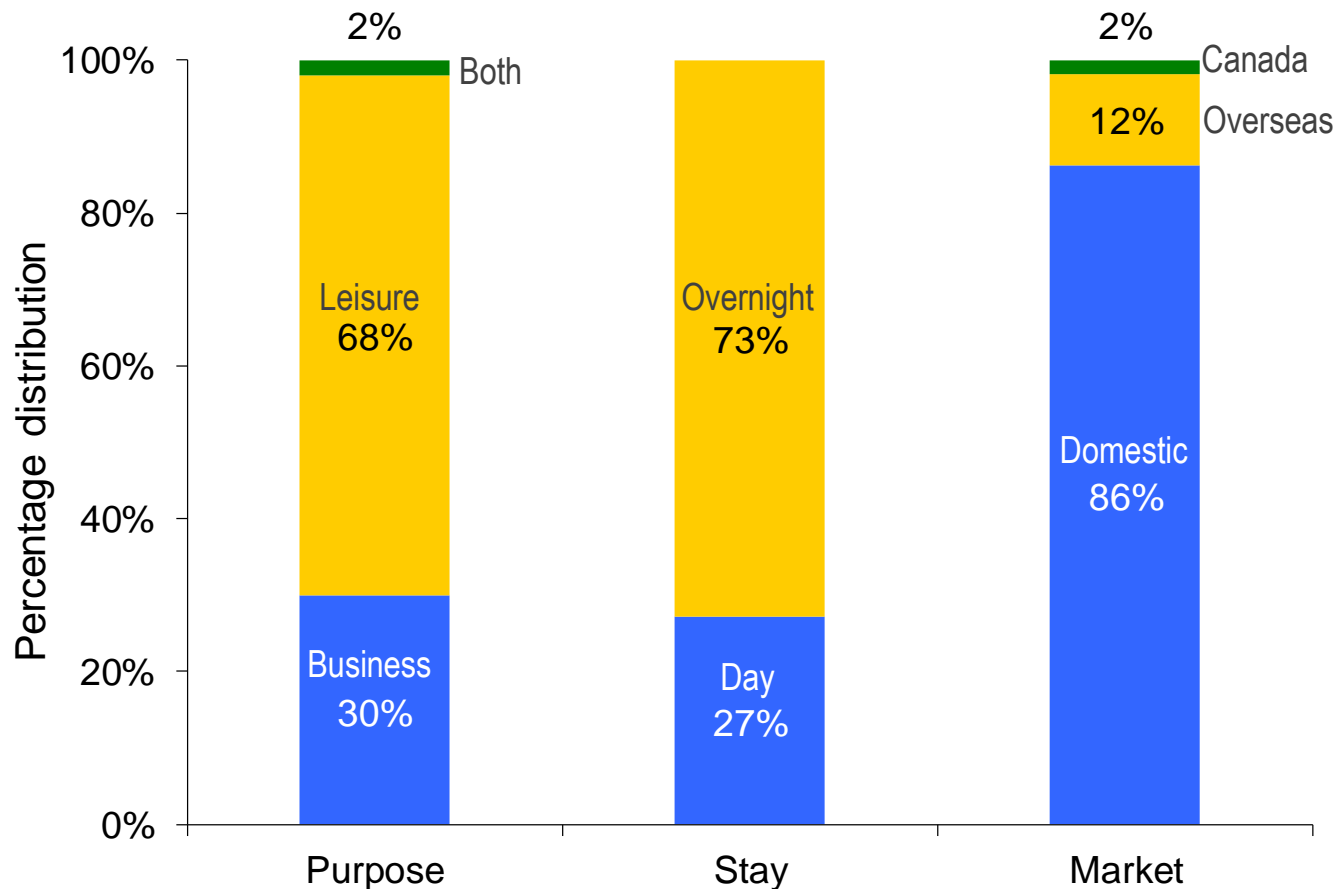
- Leisure travel growth of 3.3% supported overall visitor spending growth.
- Spending by day visitors outpaced overnight visitor spending.
- Domestic visitor spending grew 3.1% in 2013.

Tourism Expenditures in 2013					
% Change Over 2012					
Purpose		Stay		Market	
Business	1.6%	Day	3.5%	Domestic	3.1%
Leisure	3.3%	Overnight	2.8%	Overseas	2.0%
Both	12.6%			Canada	2.6%
TOTAL	3.0%		3.0%		3.0%

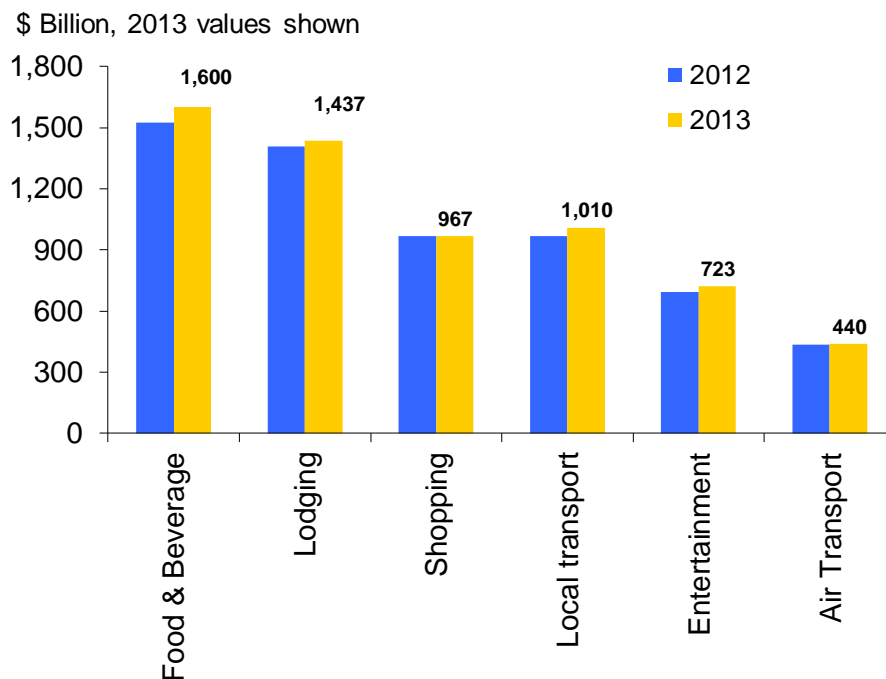
Tourism Expenditures in 2013					
(US\$ Million)					
Purpose		Stay		Market	
Business	1,865	Day	1,696	Domestic	5,384
Leisure	4,249	Overnight	4,542	Overseas	737
Both	124			Canada	117
TOTAL	6,238		6,238		6,238

Visitor spending by market

- Visitors to Greater Philadelphia spent \$6.2 billion in the local economy in 2013. Domestic visitors accounted for 86% of all tourism spending.



Visitor spending by sector

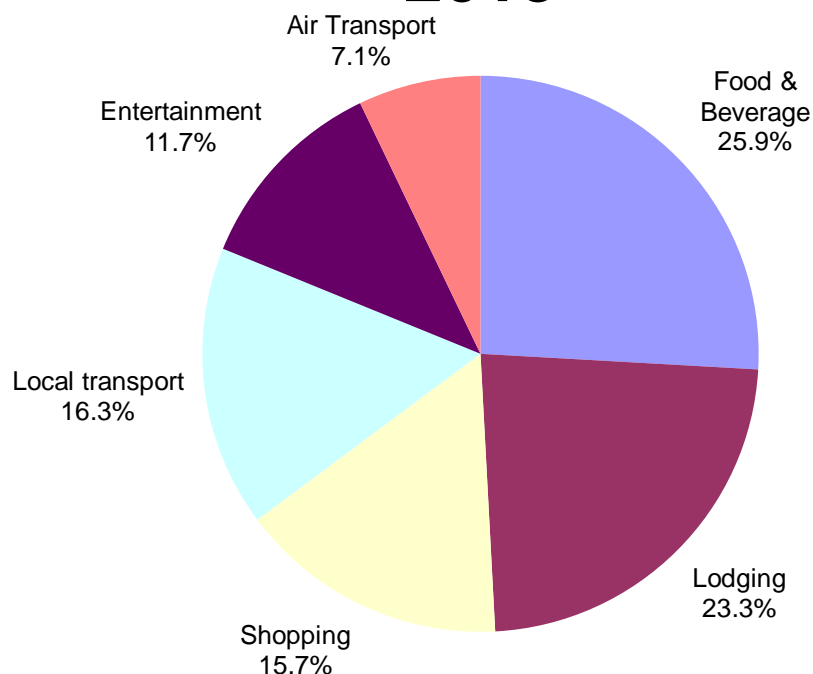


- Visitors spent \$1.6 billion in restaurants and bars and \$1.4 billion in the lodging sector last year. Visitor related business sales in the retail industry reached \$967 million.
- The lodging sector saw spending grow 2.1% as both room demand and ADR grew by about 1% in 2013.
- Visitor spending growth was supported by spending on FnB and recreation. Spending was up 4.8% on food and beverages and 4.2% on recreation in 2013.

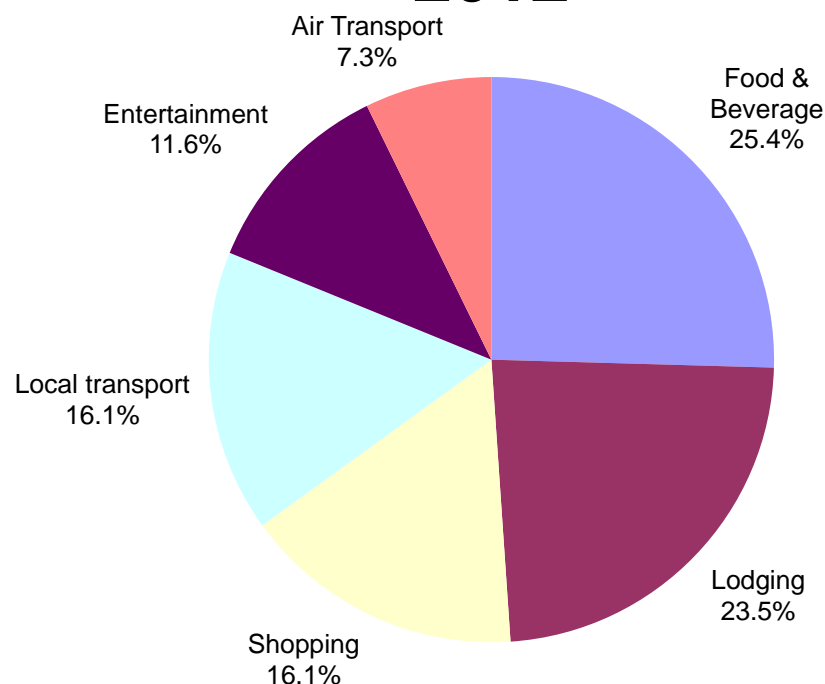
Visitor spending by sector

- In the Philadelphia region, nearly half of the visitor dollar is spent in either the lodging industry or on food and beverages.
- Spending shares grew in both F&B and entertainment spending in 2013.

2013

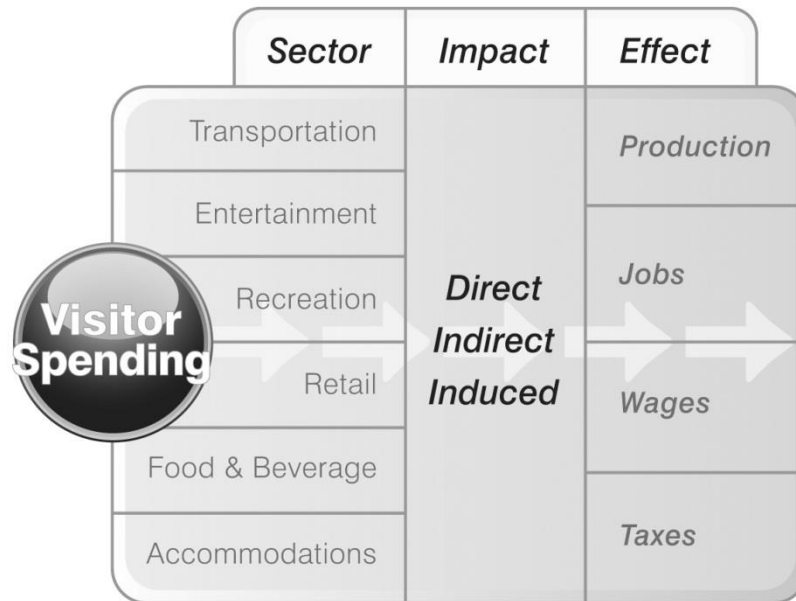


2012



How visitor spending generates impact

- Travelers create direct economic value within a discreet 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 incomes are generated either directly or indirectly by tourism, spend those incomes in the state economy.

Tourism sales

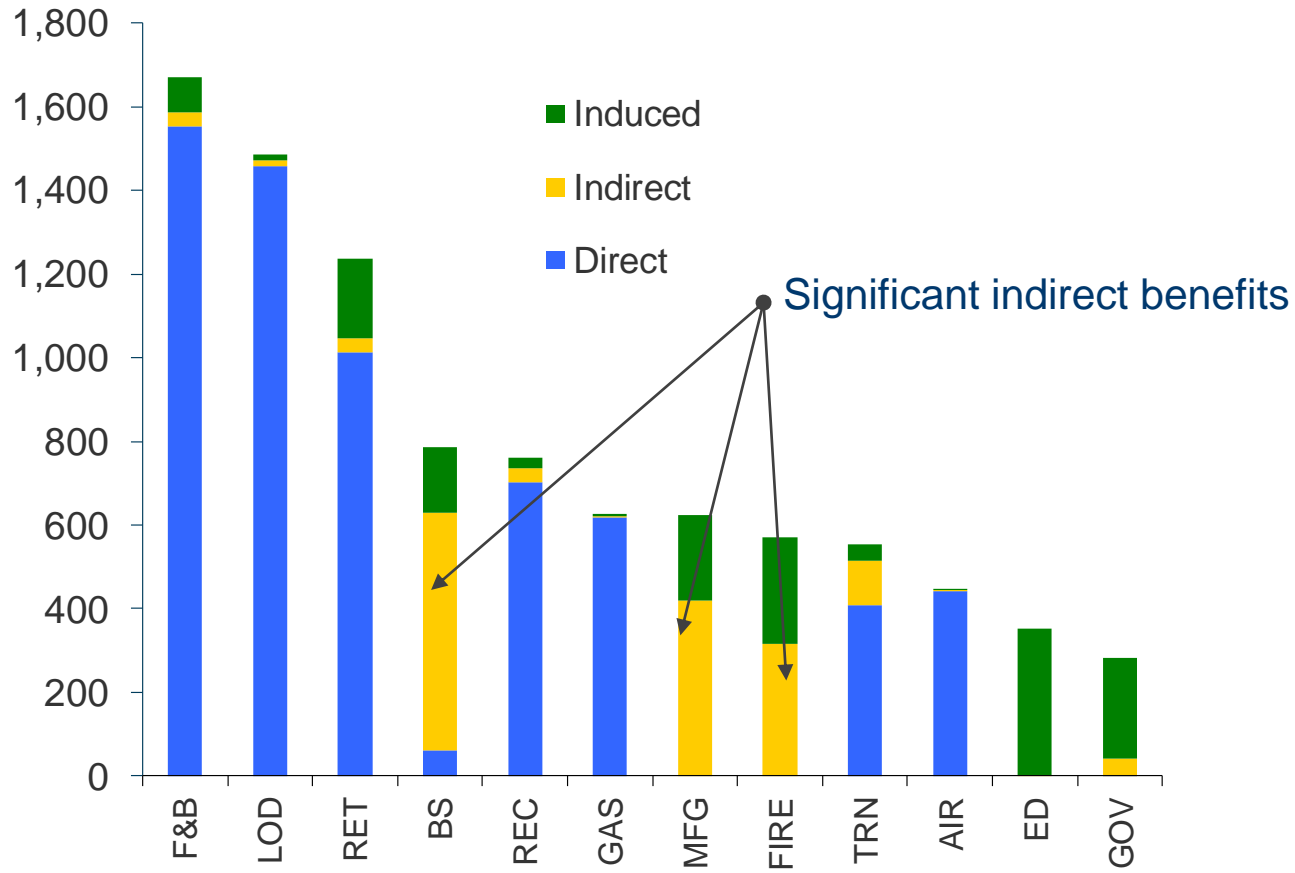
- Including the indirect and induced business sales, tourism generated \$10 billion in business sales in 2013, an increase of 3.0% over 2012.

Tourism Sales (Output)				
(US\$ Million)				
	Direct	Indirect	Induced	Total
Agriculture, Fishing, Mining	-	7.9	3.8	11.8
Construction and Utilities	-	105.7	44.4	150.1
Manufacturing	-	418.5	204.0	622.5
Wholesale Trade	-	106.8	95.0	201.8
Air Transport	440.7	3.3	3.8	447.7
Other Transport	408.4	106.0	40.0	554.5
Retail Trade	1,013.3	34.4	188.9	1,236.6
Gasoline Stations	618.9	1.3	6.8	627.0
Communications	-	107.1	53.9	160.9
Finance, Insurance and Real Estate	-	314.6	256.1	570.7
Business Services	61.0	568.6	157.7	787.4
Education and Health Care	-	2.4	349.0	351.4
Recreation and Entertainment	703.1	33.5	25.6	762.1
Lodging	1,459.0	12.4	13.2	1,484.6
Food & Beverage	1,552.3	35.3	82.1	1,669.7
Personal Services	-	36.3	76.4	112.7
Government	0.4	39.7	242.4	282.5
TOTAL	6,257.1	1,933.9	1,843.1	10,034.1
Percent Change	3.3%	3.1%	2.1%	3.0%

Tourism sales

Tourism Sales

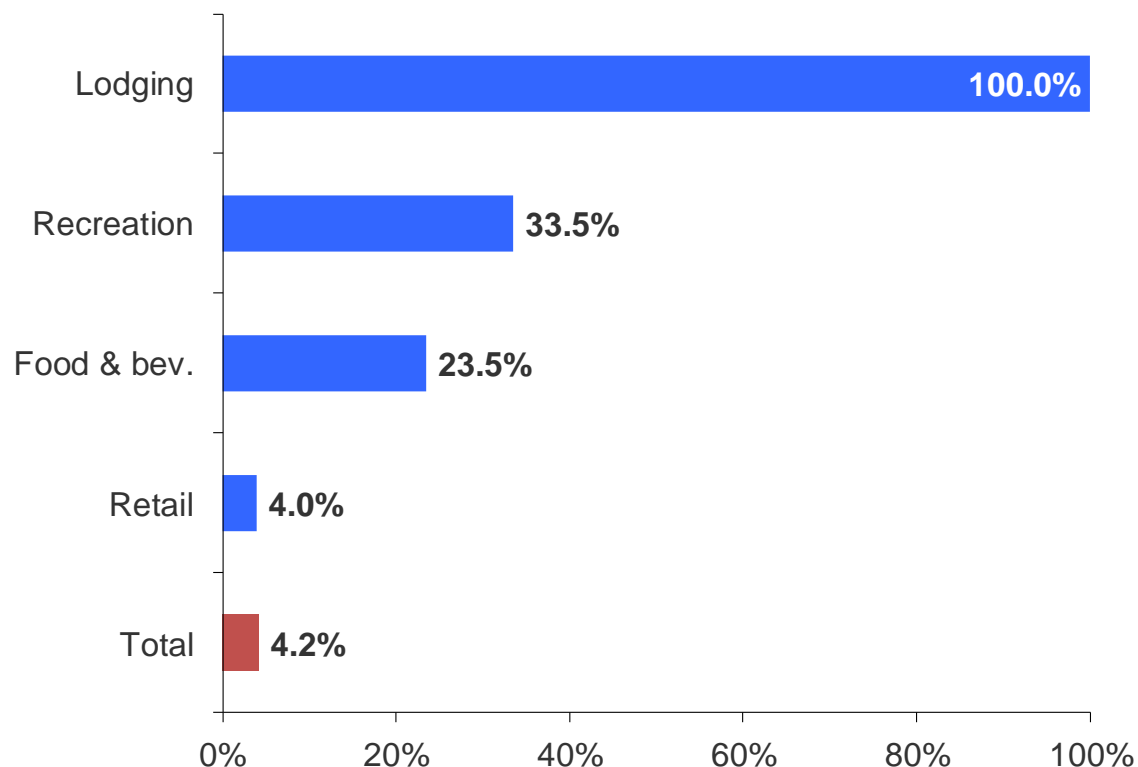
\$ million



* Direct sales include cost of goods sold for retail

Tourism employment

Tourism Employment Share of Key Industries



- Tourism is a significant part of several industries – 23.5% of all employment in food and beverages is supported by tourism spending. Tourism spending supports a third of recreational employment.

Tourism employment

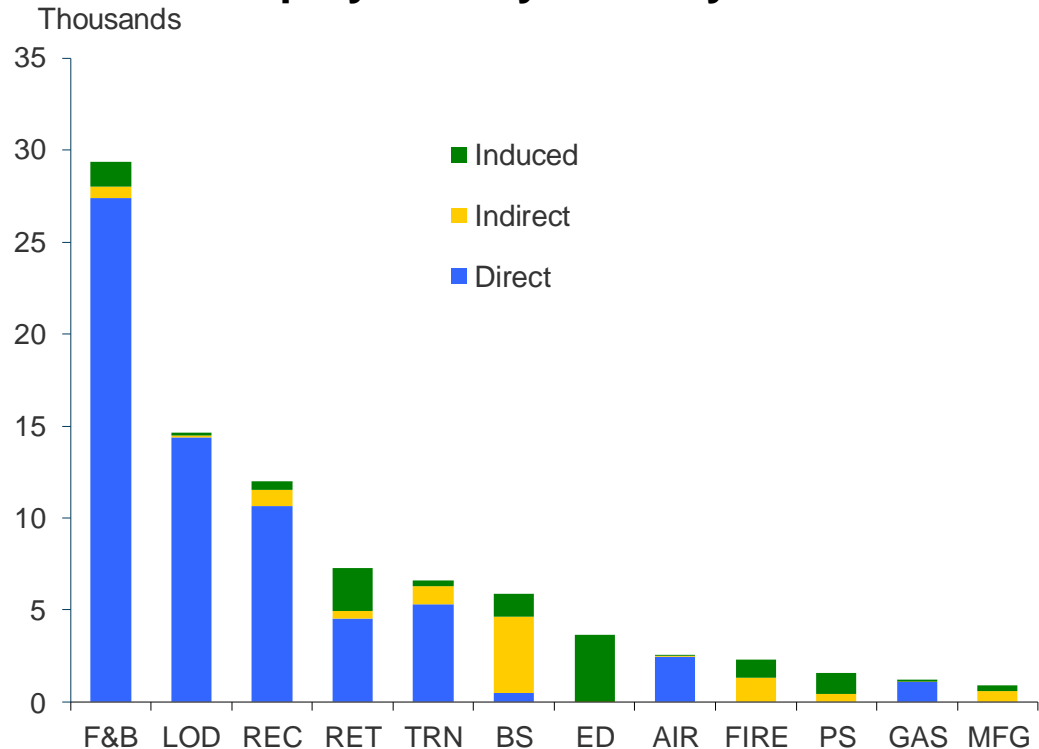
Total Tourism Employment Impact				
	Direct	Indirect	Induced	Total
Agriculture, Fishing, Mining	-	124	73	197
Construction and Utilities	-	336	74	410
Manufacturing	-	616	313	929
Wholesale Trade	-	447	387	834
Air Transport	2,477	17	19	2,513
Other Transport	5,298	987	321	6,606
Retail Trade	4,516	423	2,317	7,256
Gasoline Stations	1,124	14	67	1,204
Communications	-	370	134	503
Finance, Insurance and Real Estate	-	1,320	997	2,316
Business Services	490	4,133	1,256	5,879
Education and Health Care	-	28	3,639	3,668
Recreation and Entertainment	10,661	846	473	11,979
Lodging	14,375	118	128	14,620
Food & Beverage	27,379	612	1,381	29,372
Personal Services	-	427	1,168	1,595
Government	-	232	146	379
TOTAL	66,321	11,047	12,892	90,261
Percent Change	2.0%	1.3%	0.6%	1.7%

- The tourism sector supported 5.4% of employment (1-in-18.6 jobs) in Greater Philadelphia last year. Total tourism employment rose 1.7% last year to more than 90,000 jobs, outpacing overall employment growth.

Tourism employment

- As a labor intensive collection of services, tourism-related sectors represent significant employment to the Philadelphia region.
- More than 90,000 jobs sustained by Philadelphia tourism span every sector of the economy, either directly or indirectly.

Tourism Employment by Industry

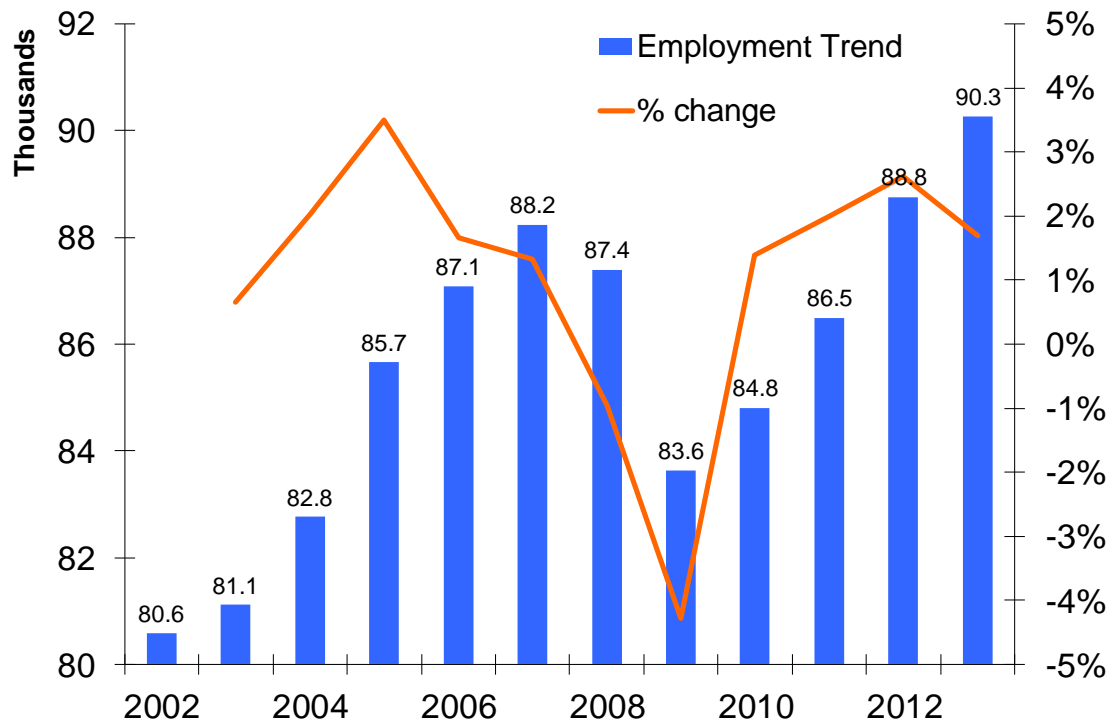


Tourism employment

Tourism Employment										
Rank	Industry	2005	2006	2007	2008	2009	2010	2011	2012	2013
1	Health Care and Social Assistance	280,300	287,400	293,300	300,100	305,500	309,600	314,500	320,200	324,600
2	Food Services	106,000	107,300	108,500	109,200	107,200	110,000	113,100	117,400	120,200
3	Education	99,700	99,800	101,800	104,400	105,400	105,600	106,800	106,400	105,800
4	Business Administration and Support	97,700	101,400	103,700	100,700	91,700	94,100	97,000	96,600	98,500
5	Wholesale Trade	84,400	84,300	85,200	85,500	81,200	80,600	82,200	82,400	82,700
6	Tourism	62,107	63,135	63,970	63,376	60,936	61,765	63,049	65,034	66,321
7	Construction and Mining	80,900	82,400	81,700	78,800	66,900	64,200	65,200	64,800	66,200
8	Transportation and Warehousing	54,300	55,900	55,400	55,200	53,600	53,500	54,000	53,600	54,300
9	Insurance	48,500	48,700	48,100	48,800	48,000	47,300	47,200	48,900	50,600
10	Food & Beverage Stores	45,500	45,000	45,200	45,900	45,200	45,300	45,000	46,900	48,100
11	Information	41,100	41,000	42,300	42,400	40,400	38,800	38,000	37,700	36,800
12	Banking	39,700	39,300	37,400	35,000	32,700	31,900	31,100	30,300	29,800

- Tourism employment, ranked as an industry, would be ranked 6th place in 2013.
- Tourism employment passed employment in Construction and Mining in 2012.

Tourism employment



- Visitor supported employment has now grown for four straight years.
- Tourism supported employment grew 1.7% in 2013.
- Tourism employment growth outpaced the employment growth of the whole private sector by a 0.7 percentage points.

Tourism personal income

Total Tourism Labor Income Impact				
(US\$ Million)				
	Direct	Indirect	Induced	Total
Agriculture, Fishing, Mining	-	2.1	1.5	3.6
Construction and Utilities	-	33.9	12.3	46.2
Manufacturing	-	49.5	29.3	78.8
Wholesale Trade	-	40.2	34.8	75.1
Air Transport	82.4	0.6	0.7	83.6
Other Transport	144.5	56.4	17.4	218.2
Retail Trade	117.5	14.0	75.0	206.6
Gasoline Stations	35.7	0.4	2.1	38.2
Communications	-	29.8	11.5	41.3
Finance, Insurance and Real Estate	-	79.2	71.3	150.5
Business Services	19.6	250.6	74.9	345.2
Education and Health Care	-	1.4	192.2	193.6
Recreation and Entertainment	300.2	14.4	10.6	325.2
Lodging	554.3	4.6	4.7	563.6
Food & Beverage	579.1	12.7	28.8	620.6
Personal Services	-	15.6	34.6	50.2
Government	0.2	7.1	3.5	10.8
TOTAL	1,834	612	605	3,051
Percent Change	3.3%	1.7%	1.6%	2.6%

- Greater Philadelphia households earned \$3.05 billion as a result of visitor activity in 2013. Tourism-generated income rose 2.6%.

Tourism tax generation

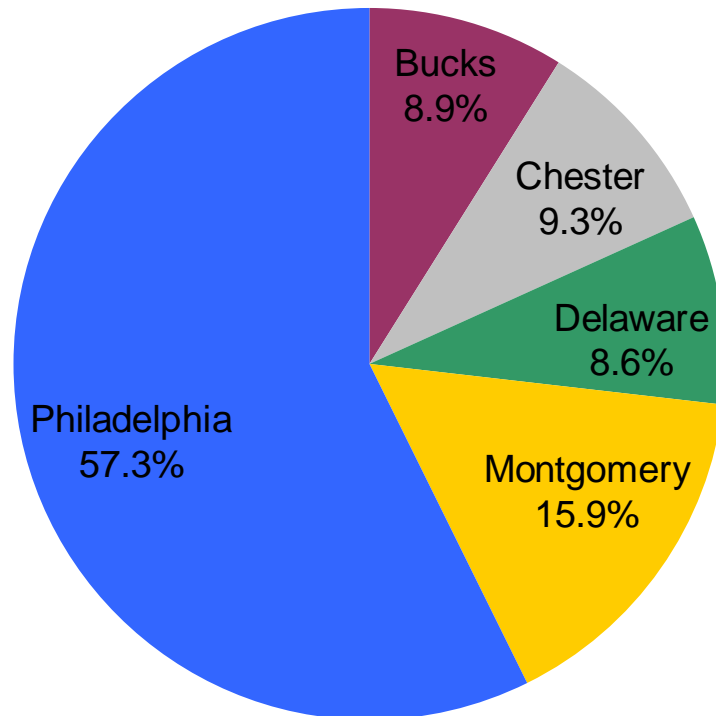
Tourism-Generated Taxes			
(US\$ Million, 2012)			
	2012	2013	% change
Federal Taxes	779.8	801.0	2.7%
Corporate	124.9	128.6	3.0%
Indirect Business	68.9	71.0	3.0%
Personal Income	245.0	251.4	2.6%
Social Security	341.0	350.0	2.6%
State Taxes	329.4	336.1	2.1%
Corporate	109.0	109.4	0.3%
Personal Income	52.3	53.7	2.6%
Sales	168.0	173.0	3.0%
Local Taxes	293.6	299.7	2.1%
Sales	18.8	19.4	3.0%
Property	185.6	189.0	1.9%
Lodging	54.6	55.7	2.1%
Excise and Fees	13.2	13.6	3.0%
Personal Income	21.4	22.0	2.6%
TOTAL	1,402.8	1,436.9	2.4%

- Tourism generated \$1.4 billion in taxes in 2013. This represents an increase of 2.4%
- State and local tax proceeds of \$636 million saved the region's households an average of \$422 per household.
- Nearly \$300 million in local taxes were generated by tourism in 2013.

COUNTY ANALYSIS

Tourism sales in 2013

Distribution of Tourism Sales



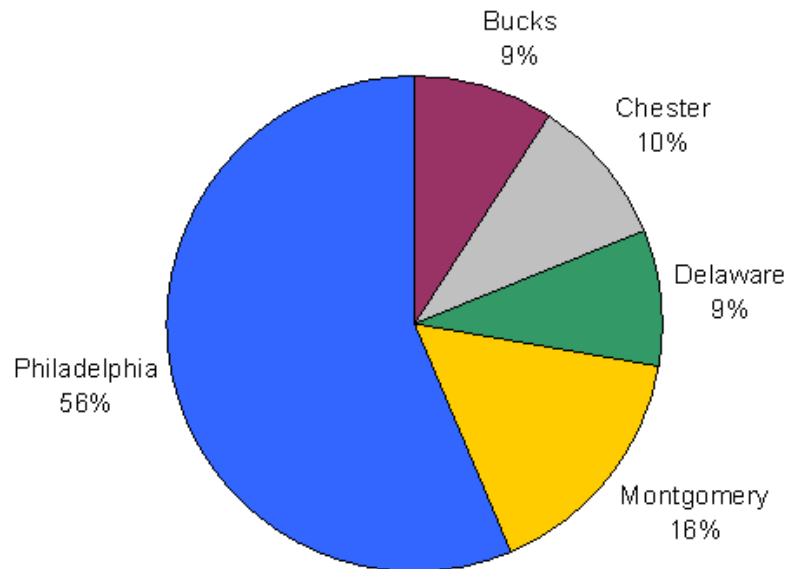
Source: Tourism Economics

- Tourism sales rose 3.6% in Philadelphia County, increasing its share of visitor spending 0.2 percentage points to 57.3% of the region's total.
- After Philadelphia County, visitor spending in Montgomery and Chester County had the next highest growth rates .

Tourism sales

2011

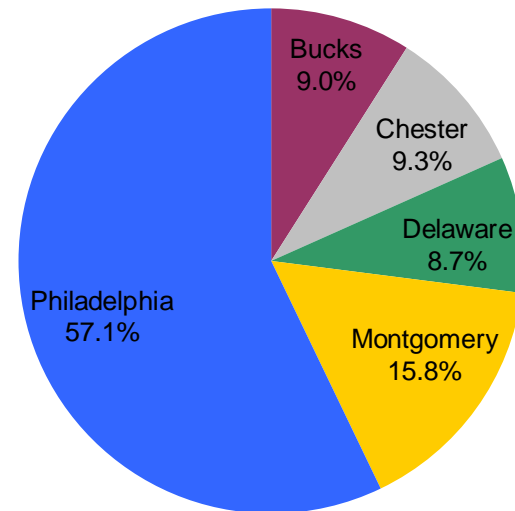
Distribution of Tourism Sales



Source : Tourism Economics

2012

Distribution of Tourism Sales



Source: Tourism Economics

Tourism sales by county

Tourism Sales (Output)						
(US\$ Million)						
	Bucks	Chester	Delaware	Montgomery	Philadelphia	TOTAL
DIRECT SALES						
Air Transport	1.3	48.8	7.0	5.1	378.6	440.7
Other Transport	19.9	9.5	82.9	108.6	187.5	408.4
Retail Trade	111.2	105.9	89.5	150.3	556.5	1,013.3
Gasoline Stations	63.0	56.0	57.8	96.6	345.4	618.9
Business Services	5.6	6.6	2.3	10.3	36.2	61.0
Recreation	75.1	74.5	70.6	87.7	395.1	703.1
Lodging	122.0	127.3	89.9	301.4	818.4	1,459.0
Food & Beverage	160.1	154.2	137.4	232.8	867.9	1,552.3
Government	*	*	*	*	*	0.4
TOTAL DIRECT SALES	558.3	582.8	537.3	992.9	3,585.8	6,257.1
INDIRECT AND INDUCED SALES	337.0	351.8	324.3	599.3	2,164.6	3,777.1
TOTAL TOURISM SALES	895.3	934.6	861.7	1,592.2	5,750.3	10,034.1
% CHANGE SINCE 2012	2.0%	3.1%	1.6%	3.2%	3.3%	3.0%

- Gains in tourism sales were seen in all five counties with Philadelphia County leading the region.

Tourism sales by county

Tourism Direct Sales

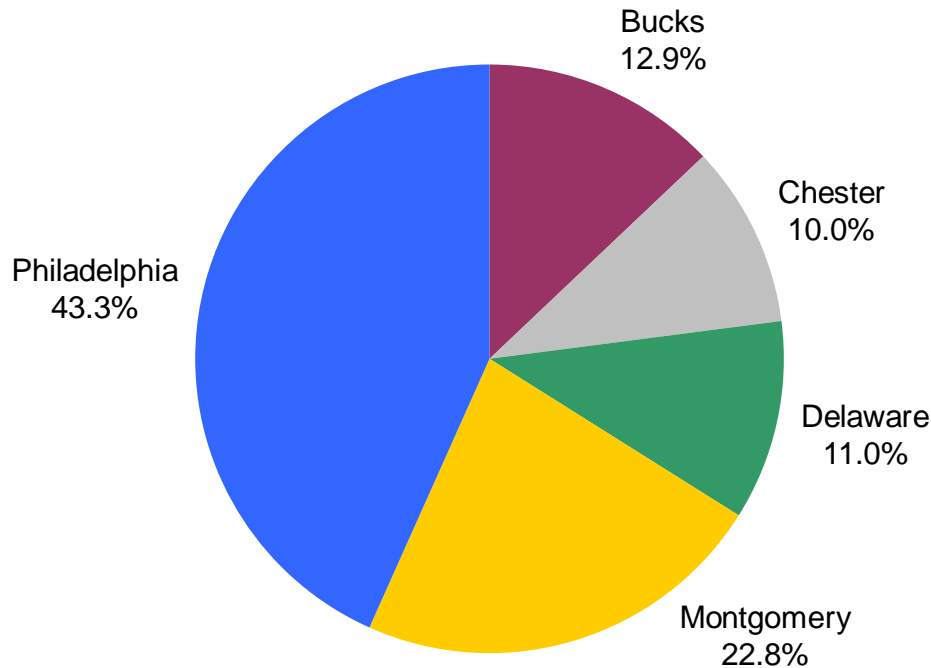
\$ million



Source: Tourism Economics

Tourism employment by county

Distribution of Tourism Employment



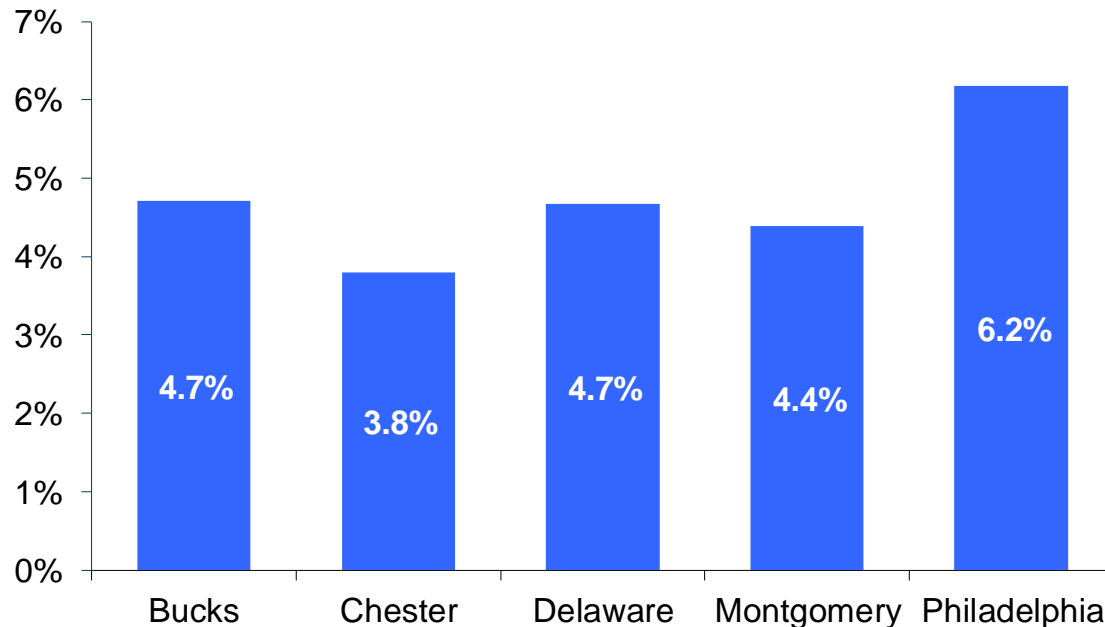
Source: Tourism Economics

- In terms of employment, the “countryside” counties represent a larger share of Greater Philadelphia’s tourism economy than in sales terms.
- This reflects the relatively higher prices and wages in the city. As a result, tourism sales generates more employment per dollar spent in the countryside.
- Employment growth was strongest in Montgomery County in 2013.

Tourism employment by county

Tourism Total Employment

Share of total payroll employment



Source: Tourism Economics

- Tourism generates a significant share of employment in every county of Greater Philadelphia.
- With its strong employment growth, the tourism share of total employment rose from 4.2% to 4.4% in Montgomery County.
- Philadelphia County's share also increased as tourism employment growth outpaced overall employment growth.

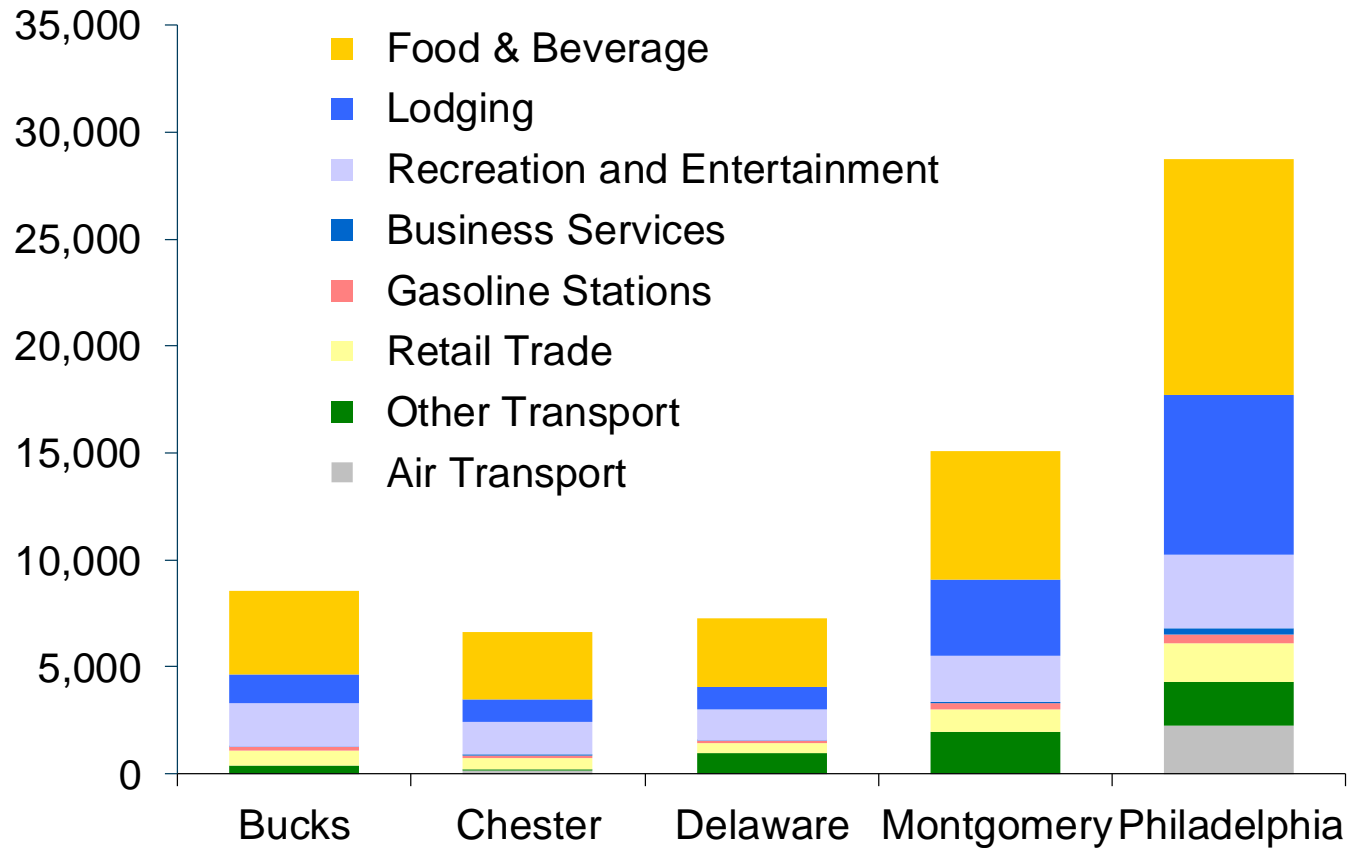
Tourism employment detail

Tourism Employment						
Jobs						
	Bucks	Chester	Delaware	Montgomery	Philadelphia	TOTAL
DIRECT EMPLOYMENT						
Air Transport	20	135	51	37	2,234	2,477
Other Transport	381	69	899	1,907	2,042	5,298
Retail Trade	662	531	478	1,040	1,805	4,516
Gasoline Stations	171	114	119	288	430	1,124
Business Services	50	50	19	91	280	490
Recreation and Entertainment	2,031	1,547	1,457	2,151	3,474	10,661
Lodging	1,310	1,041	1,022	3,550	7,452	14,375
Food & Beverage	3,950	3,156	3,237	6,029	11,006	27,379
TOTAL DIRECT EMPLOYMENT	8,575	6,645	7,283	15,094	28,724	66,321
INDIRECT AND INDUCED	3,095	2,399	2,629	5,448	10,368	23,940
TOTAL TOURISM EMPLOYMENT	11,670	9,043	9,913	20,542	39,092	90,261
% CHANGE SINCE 2012	0.3%	0.7%	0.5%	4.2%	1.4%	1.7%

- 39,092 jobs in Philadelphia County were sustained by tourism activity (directly and indirectly) in 2013—an increase of 1.4%.
- Montgomery and Philadelphia Counties experienced the strongest tourism employment growth in 2013.
- Strong lodging sector employment growth in Montgomery County supported the faster tourism employment growth.

Tourism employment

Tourism Direct Employment



Source: Tourism Economics

Tourism personal income

Tourism Personal Income						
(US\$ Million)						
	Bucks	Chester	Delaware	Montgomery	Philadelphia	TOTAL
DIRECT INCOME						
Air Transport	0.2	9.1	1.3	0.9	70.8	82.4
Other Transport	7.0	3.4	29.3	38.4	66.3	144.5
Retail Trade	12.9	12.3	10.4	17.4	64.5	117.5
Gasoline Stations	3.5	3.2	3.7	5.8	19.6	35.7
Business Services	1.9	2.2	0.8	3.3	11.3	19.5
Recreation and Entertainment	32.2	31.9	29.4	37.6	169.2	300.2
Lodging	43.8	41.1	31.2	159.1	279.1	554.3
Food & Beverage	60.8	58.2	52.4	86.1	321.6	579.1
Government	*	*	*	*	*	0.3
TOTAL DIRECT INCOME	162.5	161.4	158.5	348.7	1,002.6	1,833.7
INDIRECT AND INDUCED INCOME	107.9	107.2	105.2	231.6	665.8	1,217.7
TOTAL TOURISM INCOME	270.3	268.6	263.7	580.3	1,668.4	3,051.3
% CHANGE SINCE 2012	1.5%	3.7%	0.7%	6.3%	1.8%	2.6%

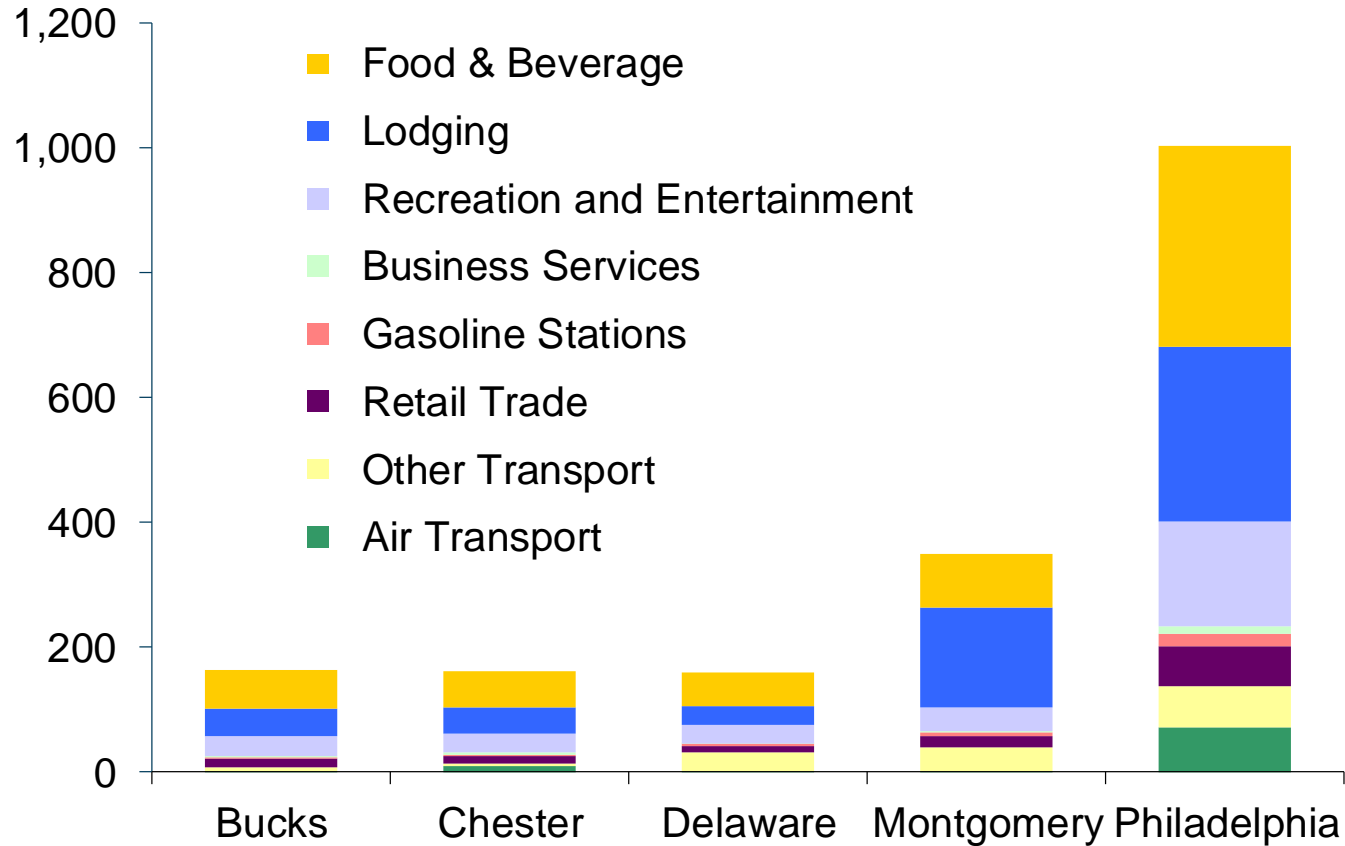
* Not Disclosable

- With larger tourism employment gains, Montgomery and Philadelphia Counties sustained strong personal income gains.
- Strong lodging wage growth in Chester County supported overall tourism wage gains in that county.

Tourism personal income

Tourism Direct Income

\$ million



Source: Tourism Economics

Tourism taxes

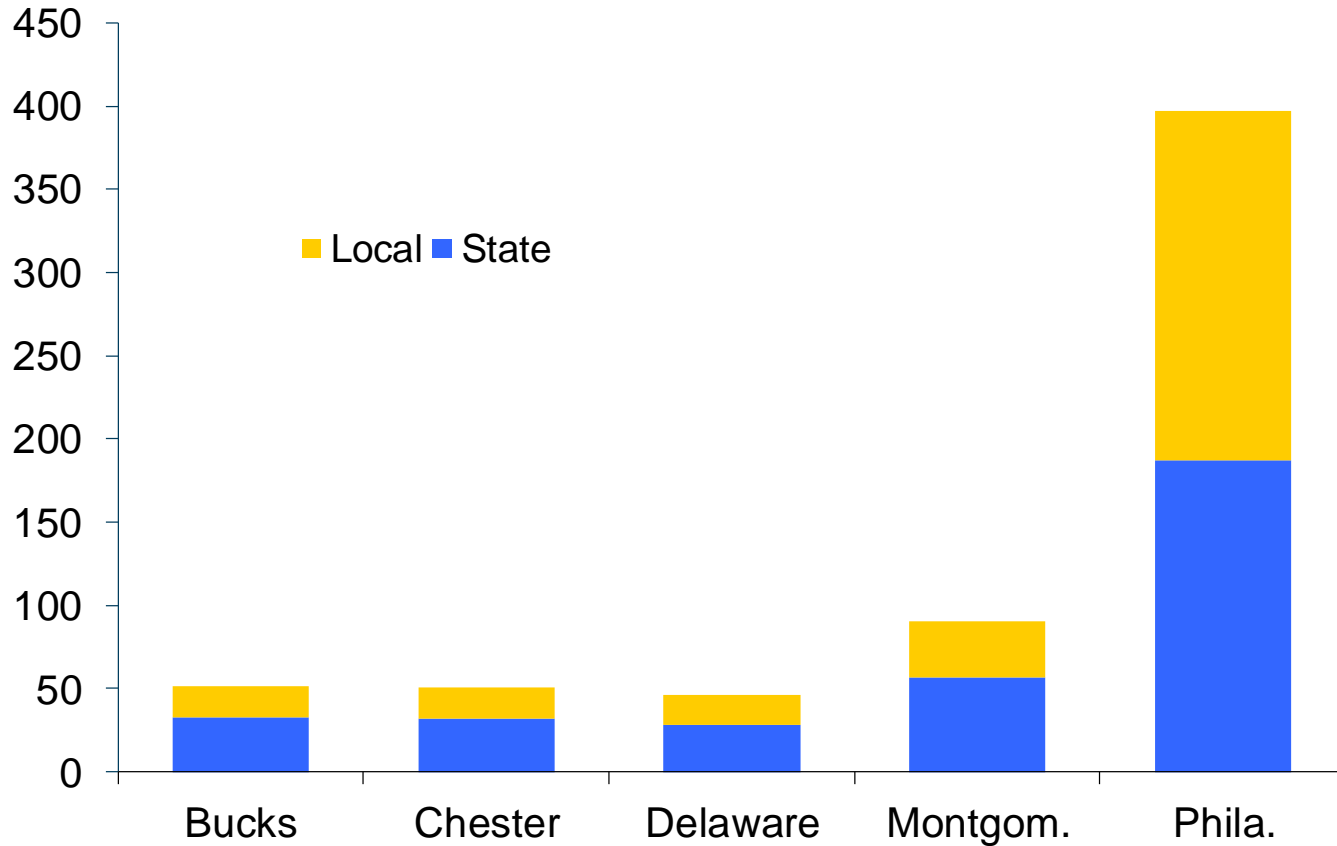
Tourism Taxes						
\$ million						
	Bucks	Chester	Delaware	Montgom.	Phila.	TOTAL
Federal	71.1	73.2	68.5	130.0	458.2	801.0
State	32.8	31.8	28.2	56.4	186.9	336.1
Local	18.5	19.1	17.8	33.8	210.5	299.7
TOTAL TOURISM TAXES	122	124	115	220	856	1,437
% CHANGE SINCE 2012	4.4%	4.7%	4.9%	3.4%	1.3%	2.4%

- Federal taxes generated by tourism follow the same distribution across the counties as tourism sales.
- State taxes are also quite similar, but vary slightly based on the distribution of visitor spending across taxable sectors.
- Local taxes weight heavily towards Philadelphia County (70%) with its higher lodging, income, sales, and amusements taxes.

Tourism taxes

Tourism State and Local Taxes

\$ million



Source: Tourism Economics

Methods and data sources

- Domestic visitor expenditure estimates are provided by Longwoods International's representative survey of US travelers. These are broken out by sectors (lodging, transport at destination, food & beverage, retail, and recreation), by purpose (business and leisure), and by length of stay (day and overnight).
- Tourism Economics then adds several categories of spending to these figures:
 - Overseas visitor spending (source: OTTI, Philadelphia CVB, TE)
 - Canada visitor spending (source: Statistics Canada, TE)
 - Spending on air travel which accrues to PHL airport and locally-based airlines
 - Gasoline purchases by visitors (source: TE calculation)
 - Recreational second home expenditures (source: US Census)
 - Convention business spending (source: BLS and TE)

Methods and data sources

- An IMPLAN model was compiled for the 5-county Greater Philadelphia region. This 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-checks these findings with employment and wage data for each sector to ensure the findings are within reasonable ranges.
- The source of the employment and wage data is the Regional Economic Information System (REIS), Bureau of Economic Analysis, U.S. Department of Commerce. This is more comprehensive than Bureau of Labor Statistics (ES202/QCEW) data. The main definitional difference is that sole-proprietors, which do not require unemployment insurance and are not counted in the ES202 data.

Description of spending categories

Spend Category	Description
Lodging	Includes visitor spending in accommodation sector. This includes food and other services provided by hotels and similar establishments.
Recreation	Includes visitors spending within the arts, entertainment and recreation supersector.
Air transport	Includes the local economic activity generated by visitors within the air transport (airline) and support services (on air-port) sectors.
Other transport	Includes all forms of local transport services such as taxis, limos, trains, rental cars, and buses.
Shopping	Includes visitor spending within all retail sectors within the Philadelphia economy.
Service stations	Visitor spending on gasoline. Only the margin counts as local economic impact.
Second homes	Spending associated with the upkeep of seasonal second homes for recreational use as defined by the Census Department.
Food and beverage	Includes all spending at restaurants and bars.



TOURISM ECONOMICS

AN OXFORD ECONOMICS COMPANY

For more information:

info@tourismeconomics.com