

ECONOMIC IMPACT OF VISITORS IN VIRGINIA 2020

Prepared for:
Virginia Tourism Corporation



WWW.TOURISMECONOMICS.COM

INTRODUCTION

The travel sector is an integral part of the Virginia economy. Visitors generate significant economic benefits to households, businesses, and government alike and represent a critical driver of Virginia's future. How critical? Even in 2020, tourism accounted for 3.1% of Virginia's economy and supported 5.0% 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 Virginia as it builds upon its tourism economy. 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 Virginia, 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 Virginia. 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 Virginia
- 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 Virginia based on aviation, survey, and credit card information

KEY FINDINGS

KEY FINDINGS

The pandemic affected 2020 visitor activity



Visitor Spending

In 2020, 84.4 million visitors spent \$17.5 billion in Virginia.



Employment Supporter

Employment supported by visitor spending tallied 255,764 jobs in the state.



Pandemic affects results

Visitation declined 26.6% visitor spending dropped 39.7% as the pandemic severely affected travel.



Fiscal Contributions

Visitors generated \$2.0 billion in state and local taxes, which is equivalent to \$630 in tax savings for every household in Virginia.

VISITATION AND SPENDING

VISITOR SPENDING TRENDS

COVID-19 pandemic closures and restrictions cut visitation and spending

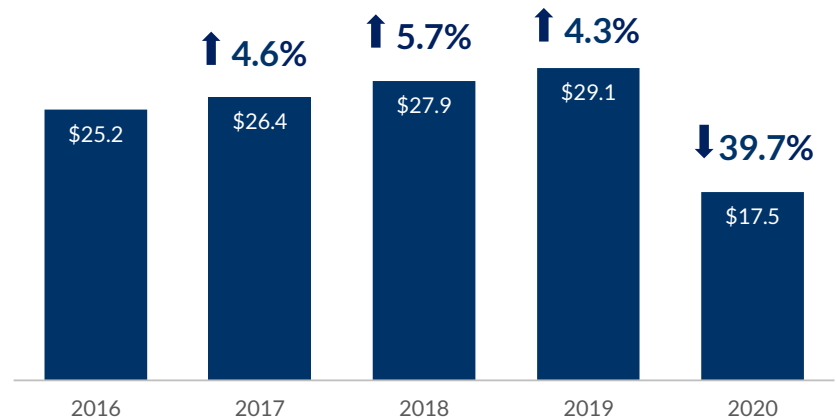
The 2020 visitor and visitor spending results have been severely impacted by the pandemic. Both the limitations and restrictions to mobility, as well as economic disruptions, hit travel hard.

But travel did happen in 2020. More than 84 million visitors still traveled to and within the state of Virginia. With travel limited, overnight visitors stayed longer when they did travel and travel party sizes grew as more families traveled together.

Losses to businesses and residents were significant; however, the pandemic has highlighted tourism's importance to the state and underscores the potential once normalcy returns.

Virginia visitor spending and annual growth

Amounts in \$billions and year-on-year percentage growth



Source: Longwoods International; Tourism Economics

SPENDING DETAILS

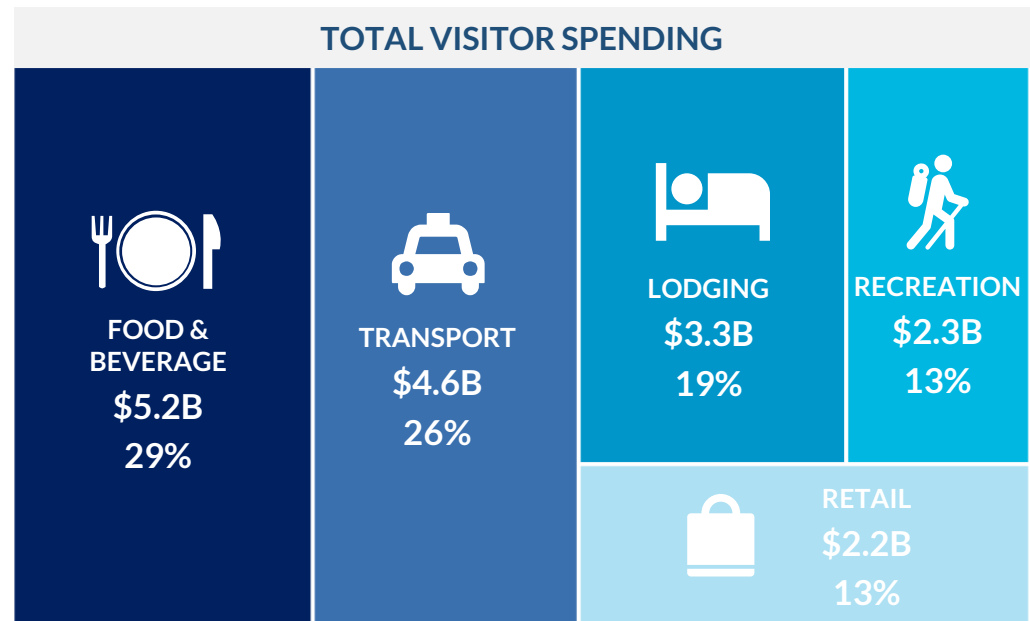
Spending by category, 2020

Visitors to Virginia spent \$17.5 billion across a wide range of sectors in 2020.

Of the \$17.5 billion spent in Virginia in 2020 by visitors, food and beverage spending captured \$5.2 billion—29% of the average visitor dollar.

Transportation, including both air and transportation within the destination, comprised 26% of the average visitor dollar, with lodging spending averaging 19% of the visitor dollar.

Recreation and retail tallied \$2.3 billion and \$2.2 billion, respectively, individually about 13% of each visitor dollar.



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

Source: Tourism Economics

SPENDING TIMELINE

Visitor spending timeline

Visitor spending declined by 39.7% in 2020, a direct result of the pandemic. However, as 2020 travel became more leisure and family-oriented overall, spending sectors with more reliance on those segments declined less. For example, retail spending declined 30.8%.

Lodging spending was hit particularly hard by the pandemic as lower prices and fewer rooms rented led to a decline of 41.1% in lodging spending.

Lower gas prices coupled with less spending on car rentals and the severe decline in air travel resulted in the transportation spending category suffering a 48.9% decline.

Visitor Spending in Virginia

Amounts in billions of nominal dollars and growth rates

	2016	2017	2018	2019	2020	2020 Growth	CAGR 2016-2020
Total visitor spending	\$25,195	\$26,365	\$27,874	\$29,065	\$17,516	-39.7%	-8.7%
Food & beverages	\$6,734	\$7,015	\$7,450	\$7,807	\$5,167	-33.8%	-6.4%
Transportation**	\$7,608	\$8,060	\$8,496	\$8,955	\$4,578	-48.9%	-11.9%
Lodging*	\$4,805	\$5,050	\$5,334	\$5,572	\$3,280	-41.1%	-9.1%
Recreation	\$3,048	\$3,166	\$3,354	\$3,502	\$2,256	-35.6%	-7.2%
Retail	\$3,000	\$3,073	\$3,240	\$3,229	\$2,235	-30.8%	-7.1%

* Lodging includes 2nd home spending

** Transportation includes both ground and air transportation

Source: Tourism Economics

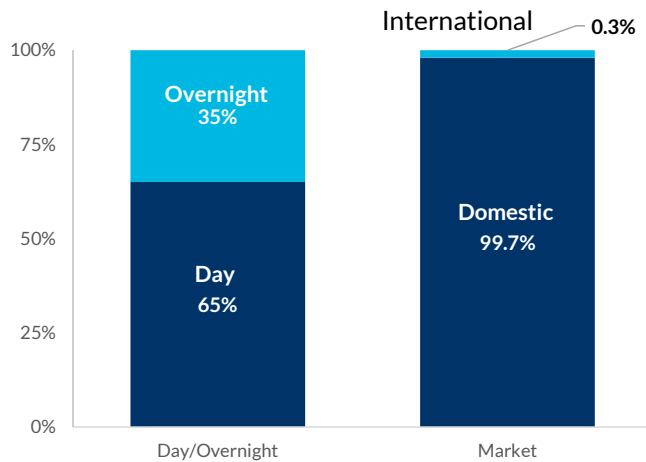
VISITATION AND SPENDING

Visitation segments

Domestic visitor spending mitigated the losses experienced by Virginia in 2020. As international inbound travel was severely restricted in 2020, significant declines were felt across the country both in terms of visitation and spending.

Virginia 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

	2016	2017	2018	2019	2020	2020 Growth
Total visitor volume	107.50	110.72	113.63	114.95	84.38	-26.6%
Domestic	106.47	109.66	112.52	113.84	84.15	-26.1%
International	1.03	1.06	1.11	1.11	0.23	-79.7%
Total visitor spending	\$25,195	\$26,365	\$27,874	\$29,065	\$17,516	-39.7%
Domestic	\$24,162	\$25,304	\$26,763	\$27,956	\$17,291	-38.1%
International	\$1,032	\$1,060	\$1,111	\$1,109	\$225	-79.7%

Source: Longwoods International; Tourism Economics

ECONOMIC IMPACTS



ECONOMIC IMPACTS

How visitor spending generates employment and income

Our analysis of tourism's impact on Virginia 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 Virginia, we input visitor spending into a model of the Virginia state economy created in IMPLAN. This model 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.

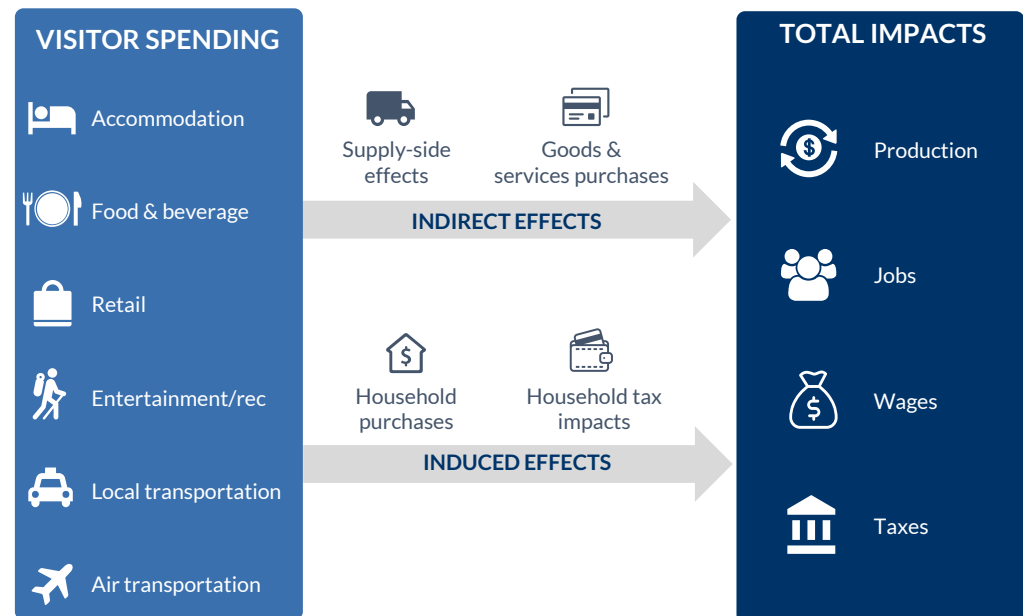
ECONOMIC IMPACTS

How visitor spending generates employment and income

Economic impact flowchart

IMPLAN 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

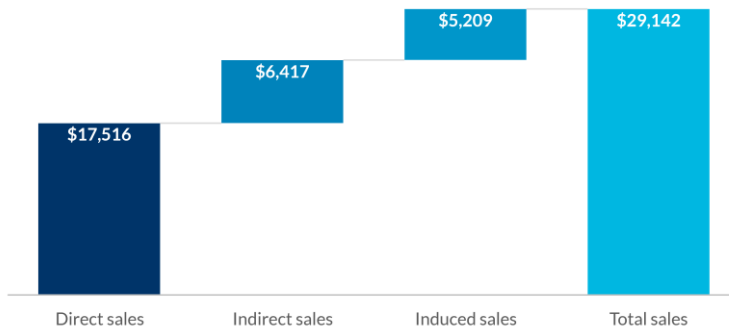


TOTAL BUSINESS SALES IMPACTS

Business sales impacts by industry

Visitor spending registered \$17.5 billion in 2020. Including indirect and induced impacts, tourism activity supported \$29.1 billion in business sales in Virginia.

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	\$17,516	\$6,417	\$5,209	\$29,142
By industry				
Food & beverage	\$5,167	\$269	\$358	\$5,795
Finance, insurance, and real estate	\$748	\$1,525	\$1,810	\$4,083
Lodging	\$3,050	\$1	\$2	\$3,054
Business services	\$541	\$1,742	\$481	\$2,764
Retail trade	\$2,235	\$81	\$379	\$2,695
Air transport	\$2,224	\$24	\$29	\$2,276
Other transport	\$1,295	\$548	\$119	\$1,962
Recreation and entertainment	\$1,543	\$217	\$73	\$1,833
Communications		\$637	\$258	\$895
Education and healthcare		\$24	\$799	\$824
Construction and utilities		\$455	\$166	\$621
Personal services	\$171	\$165	\$281	\$617
Gasoline stations	\$541	\$8	\$25	\$575
Wholesale trade		\$266	\$199	\$464
Government		\$215	\$113	\$328
Manufacturing		\$212	\$103	\$315
Agriculture, fishing, mining		\$27	\$14	\$41

Source: Tourism Economics

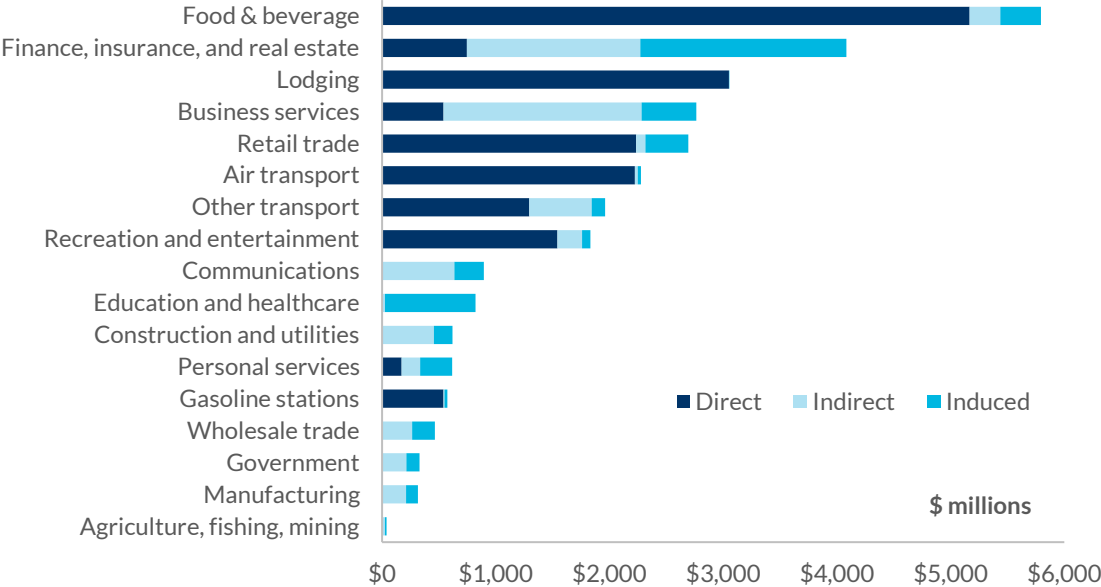
TOTAL BUSINESS SALES IMPACTS

Business sales impacts by industry

The indirect and induced effects add a total of \$11.6 billion in sales to businesses located in Virginia. This includes \$1.5 billion in sales supported by visitor activity but not by visitors to finance, insurance and real estate businesses.

Significant benefits also accrue in sectors like business services, communications, and education & health care from selling to tourism businesses and employees.

Business sales impacts by industry



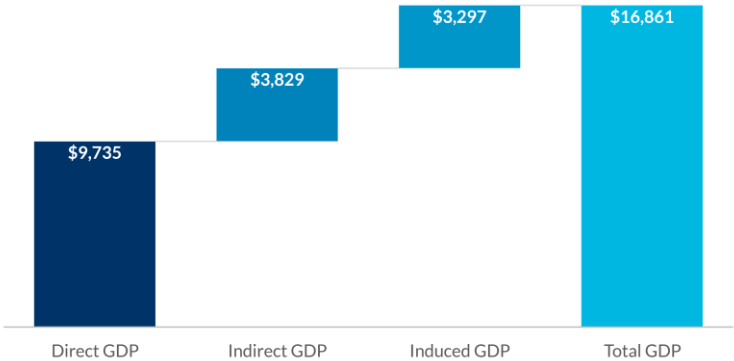
Source: Tourism Economics

TOTAL VALUE-ADDED IMPACTS

GDP impacts by industry

Tourism generated \$16.9 billion in local GDP in 2020, or 3.1% of the Virginia economy. This excludes all import leakages to arrive at the economic value generated by traveler activity in the county.

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	\$9,735	\$3,829	\$3,297	\$16,861
By industry				
Food & beverage	\$2,537	\$195	\$211	\$2,943
Finance, insurance, and real estate	\$614	\$801	\$1,215	\$2,630
Lodging	\$2,114	\$1	\$1	\$2,116
Business services	\$310	\$1,253	\$344	\$1,907
Air transport	\$1,755	\$16	\$18	\$1,789
Other transport	\$720	\$316	\$65	\$1,100
Recreation and entertainment	\$915	\$124	\$41	\$1,081
Retail trade	\$571	\$53	\$231	\$855
Education and healthcare		\$15	\$532	\$547
Personal services	\$131	\$117	\$177	\$425
Communications		\$267	\$119	\$386
Construction and utilities		\$248	\$88	\$336
Wholesale trade		\$192	\$129	\$321
Government		\$141	\$64	\$205
Manufacturing		\$74	\$39	\$114
Gasoline stations	\$68	\$5	\$15	\$88
Agriculture, fishing, mining		\$11	\$6	\$16

Source: Tourism Economics

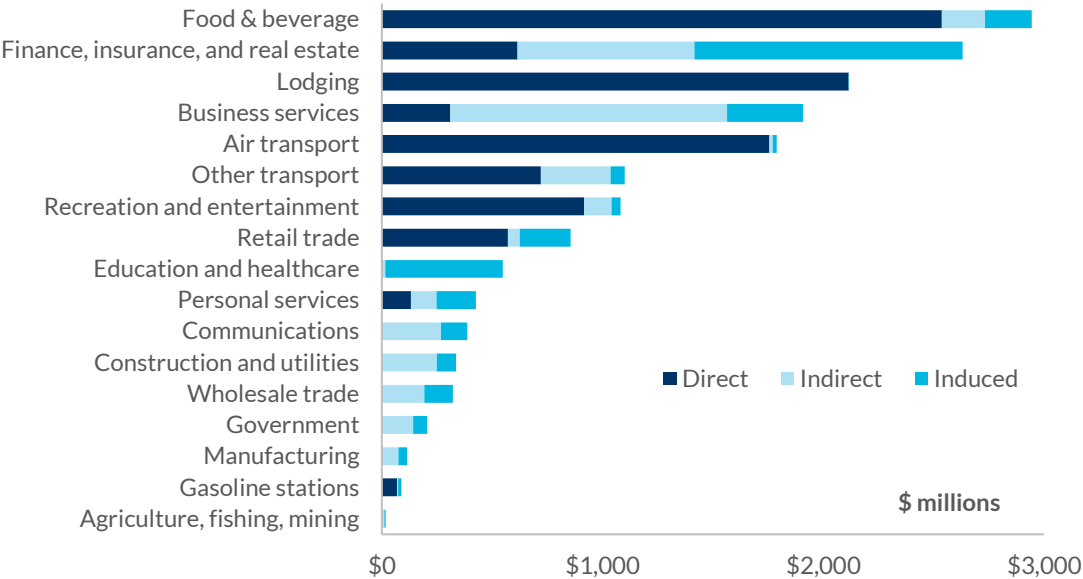
TOTAL VALUE-ADDED IMPACTS

GDP impacts by industry

In Virginia, the food and beverage industry creates the most direct local value, followed by the finance, insurance, and real estate industry.

The lodging industry follows as an industry providing value to Virginia’s economy from visitor activity. Ranking 4th is business services (lawyers, accountants, building services, and more), just ahead of air transportation.

GDP impacts by industry



Source: Tourism Economics

DIRECT INDUSTRY EMPLOYMENT

Tourism employment

Visitor spending directly supported 170,839 jobs

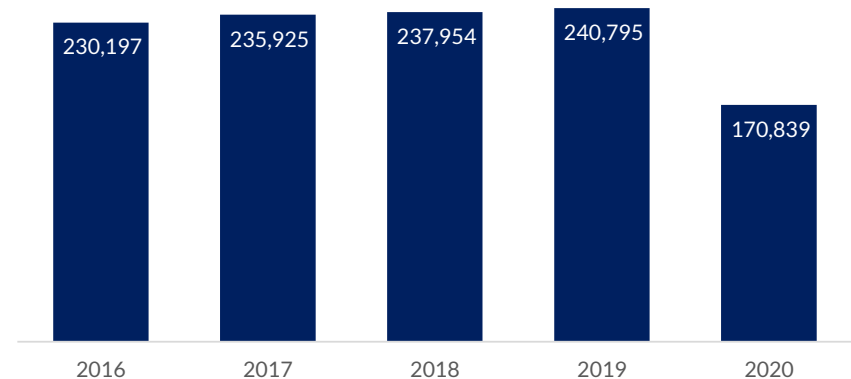
Employment fell by nearly 70,000 jobs as businesses cut jobs due to the drop in visitor spending.

Lodging employment alone fell 32% with the number of jobs in the recreational industry dropping by 29%.

Despite these drops, the 170,839 jobs supported by visitor activity still represent 3.3% of all jobs in Virginia. Even in a year with tourism nearly shut down, one out of every 30 Virginia jobs is directly supported by visitor spending.

Direct tourism employment in Virginia

Amounts in number of jobs



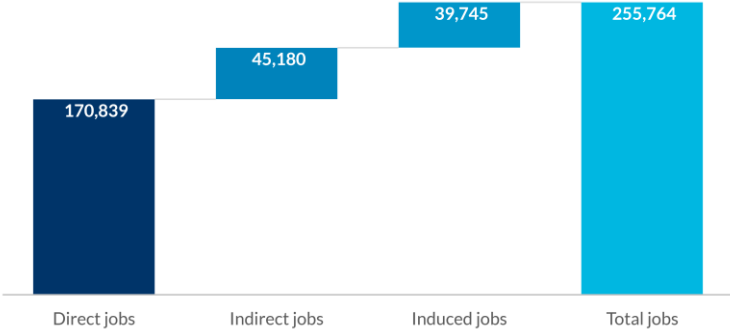
Source: BEA; BLS; Tourism Economics

TOTAL EMPLOYMENT IMPACTS

Employment impacts by industry

Tourism supported a total of 255,764 jobs when indirect and induced impacts are considered. This represents 5.0% of all jobs in Virginia.

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	170,839	45,180	39,745	255,764
By industry				
Food & beverage	60,035	5,126	6,083	71,245
Lodging	35,001	14	26	35,041
Other transport	19,313	6,881	1,674	27,868
Recreation and entertainment	21,587	3,083	1,325	25,996
Retail trade	15,695	1,066	5,540	22,301
Business services	3,698	12,029	3,532	19,259
Finance, insurance, and real estate	1,989	8,262	5,114	15,365
Personal services	6,467	2,291	4,669	13,427
Education and healthcare		289	8,357	8,647
Air transport	5,729	67	80	5,877
Communications		1,421	610	2,032
Government		1,371	568	1,940
Wholesale trade		1,085	787	1,872
Gasoline stations	1,324	101	329	1,754
Construction and utilities		1,000	459	1,459
Manufacturing		803	343	1,146
Agriculture, fishing, mining		289	247	536

Source: Tourism Economics

TOTAL EMPLOYMENT IMPACTS

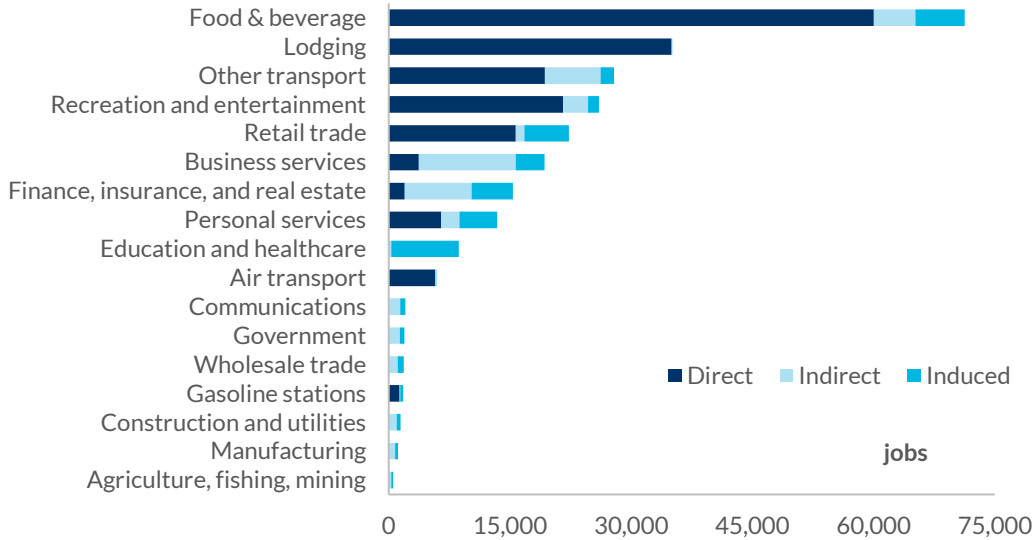
Employment impacts by industry

Visitor spending supports the largest number of jobs in the food & beverage industry—71,245. The majority of those jobs are directly supported by visitor activity.

Tourism-supported employment in lodging businesses provided 35,041 jobs to Virginia job holders with transportation employment registering 27,868 jobs in the state in 2020.

More than 45,000 Virginia-based jobs were indirectly supported by visitor activity in 2020.

Employment impacts by industry



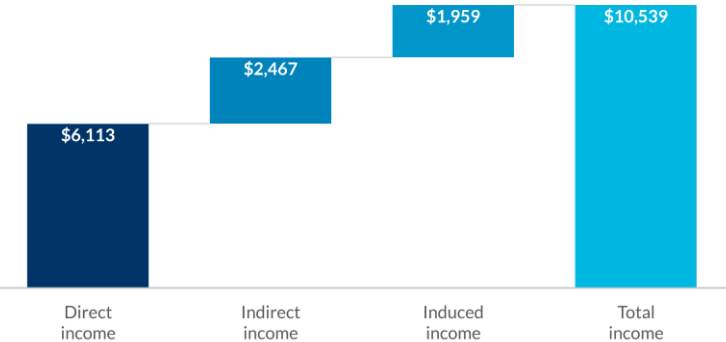
Source: Tourism Economics

TOTAL INCOME IMPACTS

Personal income impacts by industry

Tourism generated \$6.1 billion in direct income and \$10.5 billion when indirect and induced impacts are considered. These wages and benefits are paid to people whose jobs are located in Virginia.

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	\$6,113	\$2,467	\$1,959	\$10,539
By industry				
Food & beverage	\$1,642	\$155	\$157	\$1,954
Business services	\$263	\$902	\$248	\$1,414
Lodging	\$1,353	\$1	\$1	\$1,354
Other transport	\$683	\$377	\$67	\$1,128
Air transport	\$820	\$6	\$7	\$833
Recreation and entertainment	\$580	\$85	\$38	\$703
Retail trade	\$433	\$37	\$184	\$655
Education and healthcare		\$15	\$603	\$619
Finance, insurance, and real estate	\$114	\$278	\$221	\$613
Personal services	\$182	\$129	\$197	\$508
Wholesale trade		\$101	\$73	\$174
Government		\$121	\$49	\$171
Construction and utilities		\$102	\$41	\$144
Communications		\$101	\$37	\$138
Manufacturing		\$47	\$20	\$66
Gasoline stations	\$42	\$3	\$11	\$56
Agriculture, fishing, mining		\$5	\$3	\$8

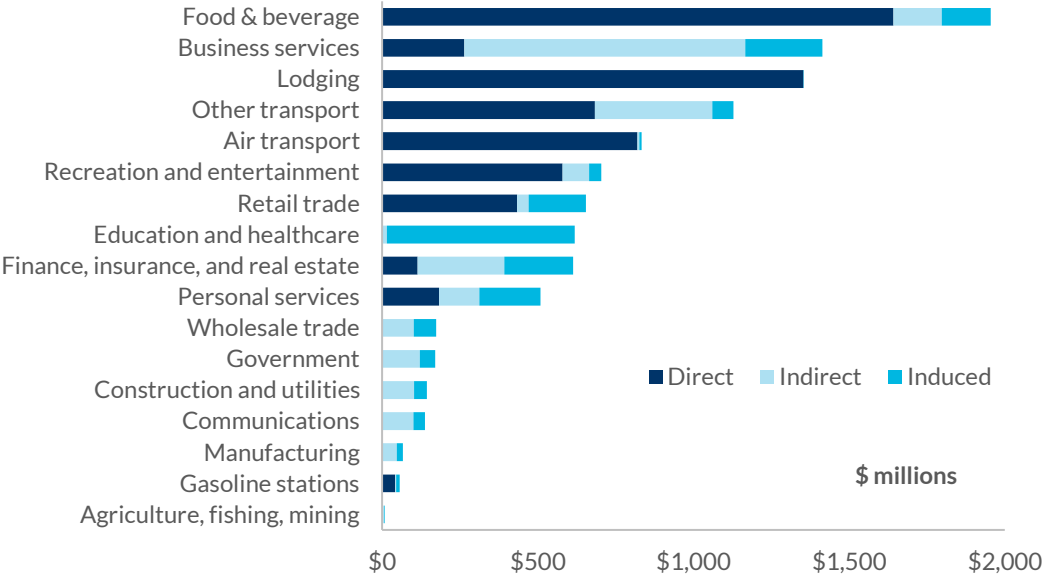
Source: Tourism Economics

TOTAL INCOME IMPACTS

Personal income impacts by industry

There are 10 industries in which visitor activity supports \$500 million or more in personal income. These range from the obvious—food & beverages and lodging, to the less obvious—business services and education & health care.

Personal income impacts by industry



Source: Tourism Economics

TOTAL TAX IMPACTS

Fiscal (tax) impacts

Visitor spending, visitor supported jobs, and business sales generated \$3.6 billion in governmental revenues.

State and local taxes alone tallied \$2.0 billion in 2019.

Each household in Virginia would need to be taxed an additional \$630 to replace the visitor taxes received by the state and local governments in 2020.

Fiscal (tax) impacts

Amounts in millions of current dollars	Indirect/		Total
	Direct	Induced	
Total	\$2,334.3	\$1,240.9	\$3,575.2
Federal	\$910.4	\$659.9	\$1,570.2
Personal income	\$310.9	\$244.3	\$555.2
Corporate	\$58.9	\$58.7	\$117.6
Indirect business	\$73.6	\$31.7	\$105.4
Social insurance	\$467.0	\$325.1	\$792.1
State and Local	\$1,424.0	\$581.0	\$2,005.0
Sales	\$383.3	\$154.9	\$538.2
Bed tax	\$131.0	\$0.0	\$131.0
Personal income	\$126.1	\$95.3	\$221.4
Corporate	\$11.9	\$10.9	\$22.8
Social insurance	\$0.0	\$0.0	\$0.1
Excise and fees	\$107.2	\$46.5	\$153.7
Property	\$664.5	\$273.3	\$937.8

Source: Tourism Economics

TOTAL TAX IMPACTS

Fiscal (tax) impacts

State revenues topped \$720 million in 2020.

Including sales and lodging taxes, \$1.3 billion in local taxes were generated in 2020.

Fiscal (tax) impacts

Amounts in millions of nominal dollars	State	Local
Total tourism taxes	\$722.1	\$1,285.0
Sales	\$394.5	\$143.8
Bed taxes		\$131.0
Personal income	\$221.4	
Corporate	\$22.8	
Social insurance	\$0.1	
Excise and fees	\$81.2	\$72.5
Property	\$2.1	\$937.8

Source: Tourism Economics

ECONOMIC IMPACTS IN CONTEXT

ECONOMIC IMPACTS

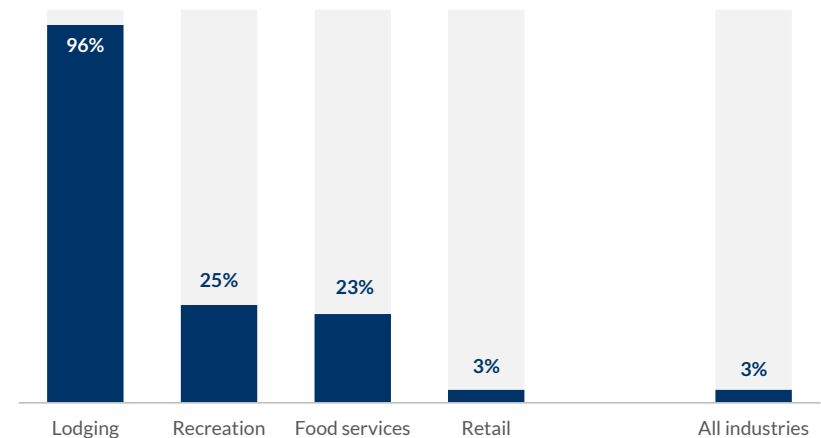
Tourism employment

Tourism employment is a significant part of several industries—the majority of lodging employment, one-quarter of recreational employment, and 23% of food services employment is supported by tourism spending.

Tourism shares fell in 2020 with the decline in visitor spending. The share of food and beverage jobs supported by visitor activity dropped four percentage points to 23% in 2020 as resident spending – local demand – rose in importance to these businesses.

Tourism employment intensity

Amounts in percentage of total industry employment



Source: BEA; BLS; Tourism Economics

ECONOMIC IMPACTS IN CONTEXT

Spending, jobs, and income impacts in context



**\$17.5
BILLION**

VISITOR SPENDING

The \$17.5 billion in visitor spending means that nearly \$48 million was spent EVERY DAY by visitors in Virginia.



**\$10.5
BILLION**

PERSONAL INCOME

The \$10.5 billion in total income generated by tourism is the equivalent of \$3,300 for every household in Virginia.



**255,764
JOBS**

EMPLOYMENT

The number of jobs sustained by tourism (255,764) supports 5.0% of all jobs in Virginia, enough to fill Lane Stadium nearly four times.



**\$2.0
BILLION**

STATE AND LOCAL TAXES

The \$2.0 billion in state and local taxes generated by tourism would cover the average salary of 33,940 public school teachers in Virginia.

APPENDIX

GLOSSARY – SPENDING

Term	Description
Lodging	Includes visitor spending in the accommodation sub-sector. This includes food and other services provided by hotels 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, and buses.
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 - IMPACTS

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.
Personal 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, 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.

For more information:

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