

# ECONOMIC IMPACT OF VISITORS IN KENTUCKY 2020

Prepared for:  
Kentucky Department of Tourism



[WWW.TOURISMECONOMICS.COM](http://WWW.TOURISMECONOMICS.COM)

# 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. How critical? Even in 2020, tourism accounted for 2.0% of Kentucky's economy and supported 3.1% of all jobs in the county.

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 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 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 pandemic affected 2020 visitor activity



## Visitor Spending

In 2020, 67.8 million visitors spent \$5.9 billion in Kentucky.



## Employment Supporter

Employment supported by visitor spending tallied 75,655 jobs in the state.



## Pandemic affects results

Visitation declined 8.1% and visitor spending dropped 26.5% as the pandemic severely affected travel.



## Fiscal Contributions

Visitors generated \$625 million in state and local taxes, which is equivalent to \$360 in tax savings for every household in Kentucky.

# VISITATION AND SPENDING

# VISITOR SPENDING TRENDS

## COVID-19 pandemic closures and restrictions cut visitation and spending

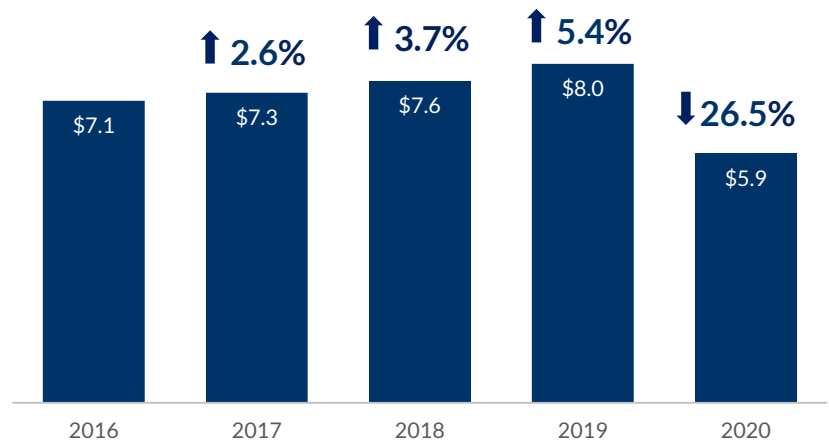
The 2020 visitor and visitor spending results have been severely impacted by the pandemic. Both the limitations and restrictions to mobility, as well as economic disruptions, hit travel hard.

But travel did happen in 2020. Nearly 68 million visitors still traveled to and within the state of Kentucky. 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.

## Kentucky 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

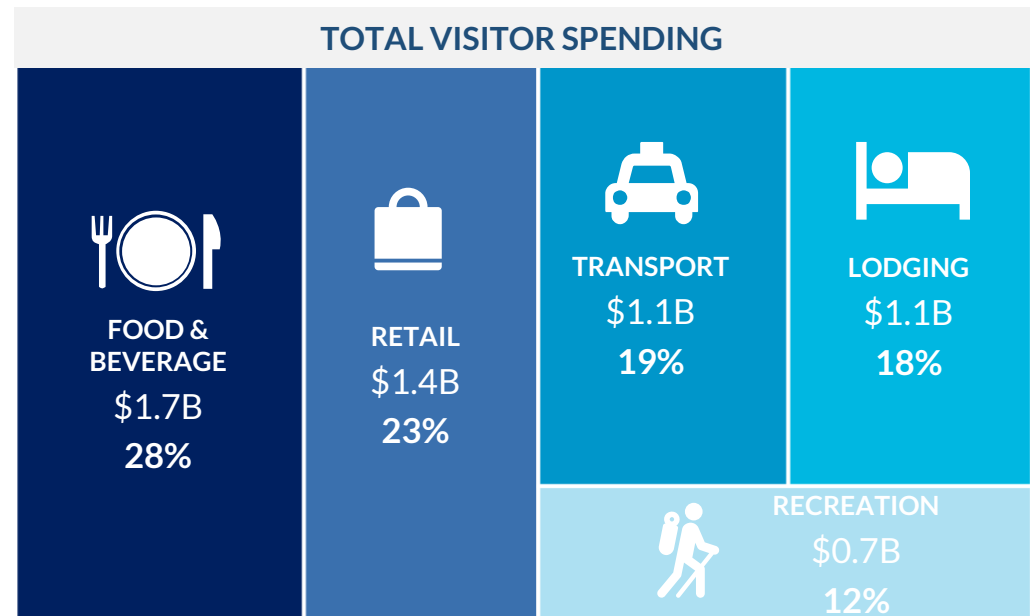
Visitors to Kentucky spent \$5.9 billion across a wide range of sectors in 2020.

Of the \$5.9 billion spent in Kentucky in 2020 by visitors, food and beverage spending captured \$1.7 billion—28% of the average visitor dollar.

Retail captured 23 cents of each visitor dollar, a total of \$1.4 billion.

Transportation, including both air and transportation within the destination, comprised 19% of the average visitor dollar, with lodging spending averaging 18% of the visitor dollar.

Recreational spending tallied \$695 million in 2020—12% 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 26.5% 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 16%.

Lodging spending was hit particularly hard by the pandemic as lower prices and fewer rooms rented led to a decline of 39.9% 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 32.2% decline.

### Visitor Spending in Kentucky

Amounts in billions of nominal dollars and growth rates

	2016	2017	2018	2019	2020	2020 Growth	CAGR 2016-2020
<b>Total visitor spending</b>	<b>\$7.11</b>	<b>\$7.29</b>	<b>\$7.56</b>	<b>\$7.97</b>	<b>\$5.86</b>	<b>-26.5%</b>	<b>-4.7%</b>
Food & beverages	\$1.78	\$1.84	\$1.91	\$2.01	\$1.66	-17.3%	-1.7%
Retail	\$1.47	\$1.48	\$1.52	\$1.61	\$1.35	-16.0%	-2.0%
Transportation**	\$1.41	\$1.45	\$1.54	\$1.61	\$1.09	-32.2%	-6.3%
Lodging*	\$1.58	\$1.63	\$1.68	\$1.77	\$1.06	-39.9%	-9.5%
Recreation	\$0.86	\$0.89	\$0.92	\$0.98	\$0.69	-28.8%	-5.3%

\* Lodging includes 2nd home spending

\*\* Transportation includes both ground and air transportation

Source: Tourism Economics

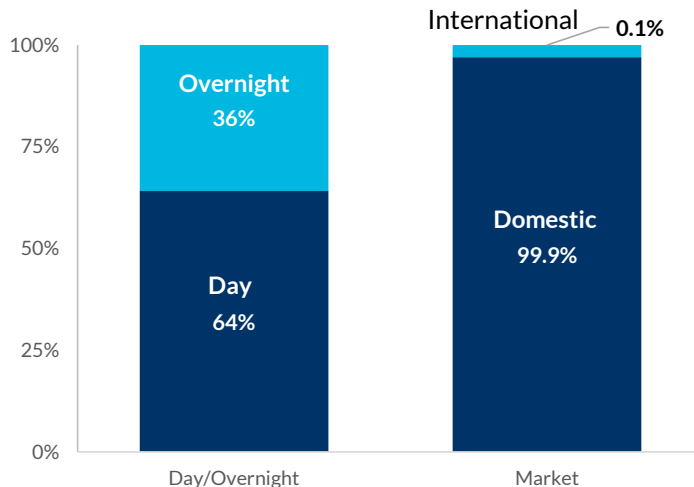
# VISITATION AND SPENDING

## Visitation segments

Domestic visitor spending mitigated the losses experienced by Kentucky 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.

### 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

	2016	2017	2018	2019	2020
<b>Total visitors</b>	<b>69.7</b>	<b>70.8</b>	<b>71.6</b>	<b>73.8</b>	<b>67.8</b>
Domestic	69.41	70.52	71.20	73.39	67.73
International	0.32	0.31	0.38	0.38	0.08
<b>Total visitor spending</b>	<b>\$7,107.1</b>	<b>\$7,294.1</b>	<b>\$7,563.2</b>	<b>\$7,974.9</b>	<b>\$5,864.9</b>
Domestic	\$7,106.8	\$7,293.8	\$7,562.9	\$7,974.6	\$5,864.9
International	\$0.29	\$0.31	\$0.32	\$0.33	\$0.06
<b>Per visitor spending</b>	<b>\$102</b>	<b>\$103</b>	<b>\$106</b>	<b>\$108</b>	<b>\$86</b>
Domestic	\$102	\$103	\$106	\$109	\$87
International	\$904	\$1,002	\$831	\$853	\$782

Source: Longwoods International; 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 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.

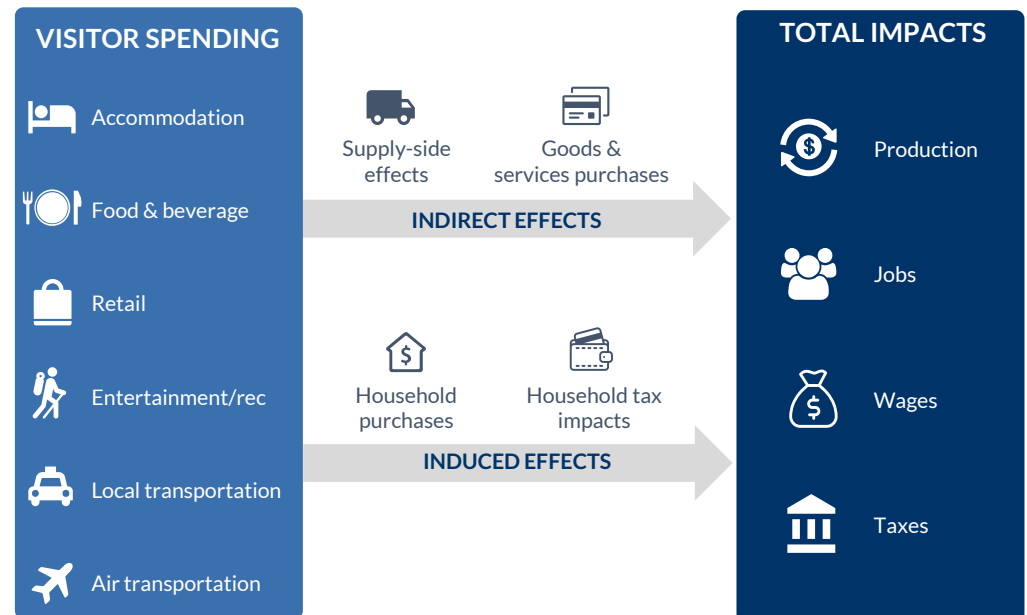
# ECONOMIC IMPACTS

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

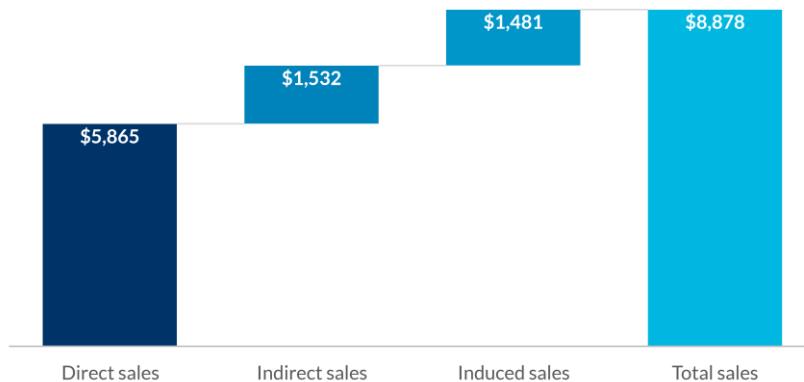


# TOTAL BUSINESS SALES IMPACTS

## Business sales impacts by industry

Visitor spending registered \$5.9 billion in 2020. Including indirect and induced impacts, tourism activity supported \$8.9 billion in business sales in Kentucky.

### Summary economic impacts (\$ millions)



## Business sales impacts by industry

Amounts in millions of current dollars	Direct sales	Indirect sales	Induced sales	Total sales
<b>Total, all industries</b>	<b>\$5,865</b>	<b>\$1,532</b>	<b>\$1,481</b>	<b>\$8,878</b>
<b>By industry</b>				
Food & beverage	\$1,664	\$39	\$119	\$1,822
Retail trade	\$1,351	\$28	\$123	\$1,503
Lodging	\$1,016	\$1	\$1	\$1,018
Finance, insurance, and real estate	\$192	\$370	\$441	\$1,003
Recreation and entertainment	\$590	\$36	\$18	\$644
Gasoline stations	\$565	\$3	\$8	\$576
Business services		\$361	\$112	\$473
Other transport	\$202	\$147	\$38	\$387
Air transport	\$284	\$2	\$2	\$288
Education and healthcare		\$2	\$270	\$272
Construction and utilities		\$136	\$53	\$189
Communications		\$98	\$67	\$165
Manufacturing		\$103	\$53	\$156
Wholesale trade		\$68	\$59	\$127
Government		\$80	\$41	\$122
Personal services		\$45	\$70	\$115
Agriculture, fishing, mining		\$13	\$6	\$19

Source: Tourism Economics

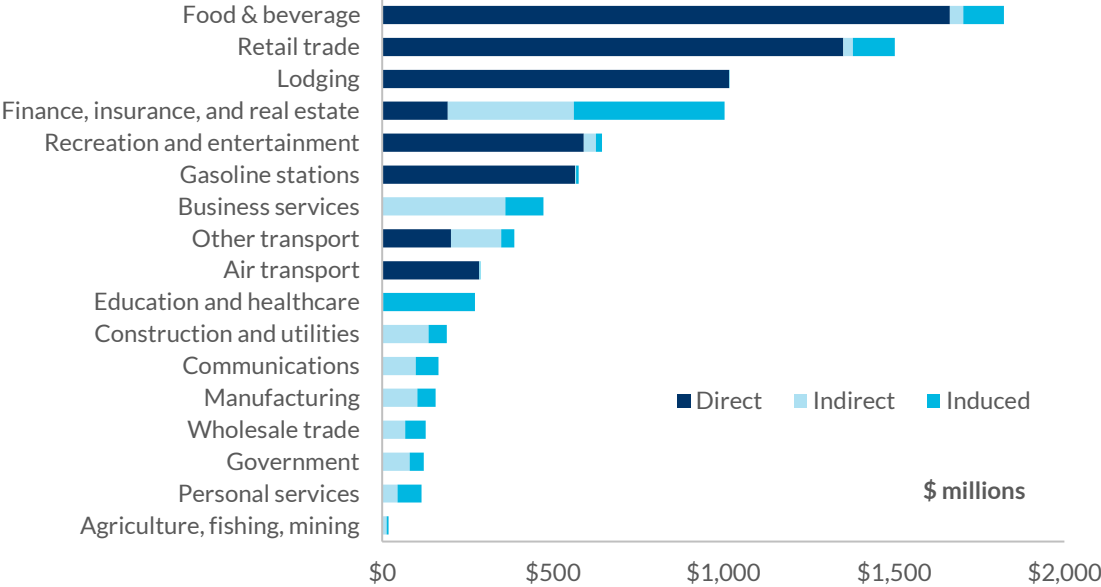
# TOTAL BUSINESS SALES IMPACTS

## Business sales impacts by industry

The indirect and induced effects add a total of \$3.0 billion in sales to businesses located in Kentucky. This includes \$811 million 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, education & health care, and construction and utilities from selling to tourism businesses and employees.

Business sales impacts by industry



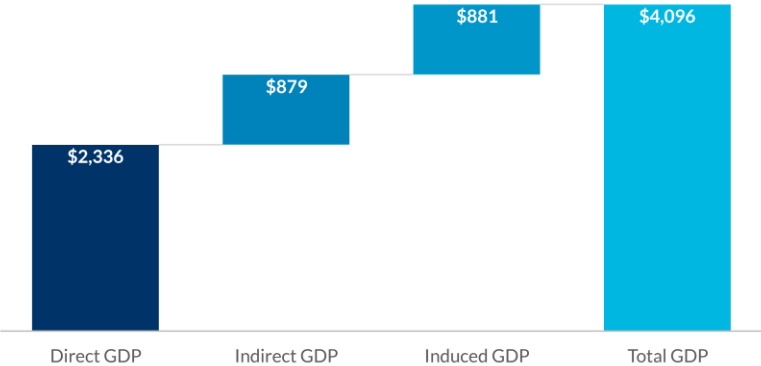
Source: Tourism Economics

# TOTAL VALUE-ADDED IMPACTS

## GDP impacts by industry

Tourism generated \$4.1 billion in local GDP in 2020, or 2.0% of the Kentucky 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
<b>Total, all industries</b>	<b>\$2,336</b>	<b>\$879</b>	<b>\$881</b>	<b>\$4,096</b>
<b>By industry</b>				
Food & beverage	\$763	\$21	\$63	\$847
Lodging	\$716	\$1	\$0	\$717
Finance, insurance, and real estate	\$29	\$243	\$281	\$552
Retail trade	\$306	\$19	\$82	\$407
Business services		\$236	\$71	\$306
Recreation and entertainment	\$266	\$14	\$9	\$290
Other transport	\$95	\$91	\$20	\$206
Education and healthcare		\$1	\$174	\$175
Air transport	\$113	\$1	\$1	\$115
Wholesale trade		\$52	\$46	\$98
Government		\$54	\$22	\$76
Personal services		\$29	\$45	\$74
Communications		\$43	\$30	\$74
Construction and utilities		\$44	\$18	\$61
Gasoline stations	\$49	\$2	\$5	\$56
Manufacturing		\$26	\$12	\$38
Agriculture, fishing, mining		\$3	\$1	\$4

Source: Tourism Economics



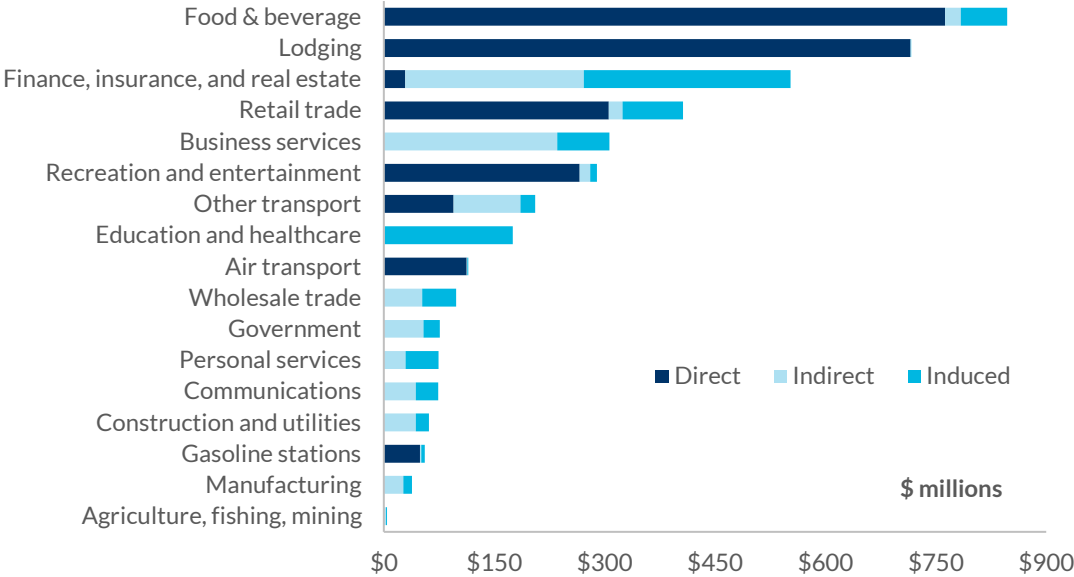
# TOTAL VALUE-ADDED IMPACTS

## GDP impacts by industry

In Kentucky, the food and beverage industry creates the most local value, followed by the lodging industry.

The finance, insurance, and real estate industry follows as an industry providing value to Kentucky's economy from visitor activity. Ranking 4<sup>th</sup> is the retail industry, just ahead of the business services industry (lawyers, accountants, building services, and more).

GDP impacts by industry



Source: Tourism Economics

# DIRECT INDUSTRY EMPLOYMENT

## Tourism employment

### Visitor spending directly supported 53,715 jobs

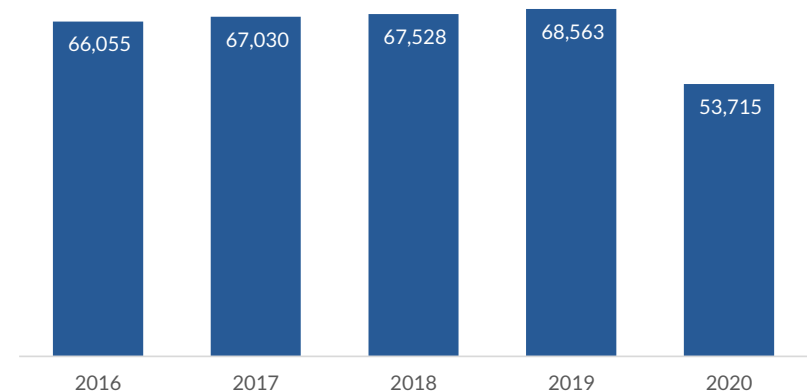
Employment fell by 14,850 jobs as businesses cut jobs due to the drop in visitor spending.

Lodging employment alone fell 32% with the number of jobs in the recreational industry dropping by 23%.

Despite these drops, the 53,715 jobs supported by visitor activity still represent 2.2% of all jobs in Kentucky. Even in a year with tourism nearly shut down, one out of every 45 Kentucky jobs is directly supported by visitor spending.

### Direct tourism employment in Kentucky

Amounts in number of jobs



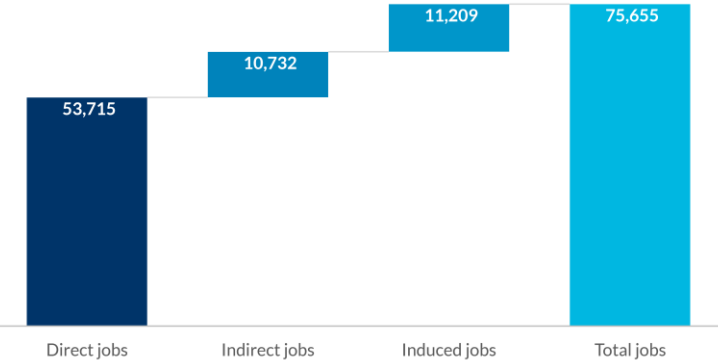
Source: BEA; BLS; Tourism Economics

# TOTAL EMPLOYMENT IMPACTS

## Employment impacts by industry

Tourism supported a total of 75,655 jobs when indirect and induced impacts are considered. This represents 3.1% of all jobs in Kentucky.

Summary employment impacts (number of jobs)



## Employment impacts by industry

Amounts in number of jobs	Direct jobs	Indirect jobs	Induced jobs	Total jobs
<b>Total, all industries</b>	<b>53,715</b>	<b>10,732</b>	<b>11,209</b>	<b>75,655</b>
<b>By industry</b>				
Food & beverage	21,568	713	1,835	24,116
Lodging	10,488	12	7	10,506
Retail trade	8,259	378	1,577	10,215
Recreation and entertainment	8,927	816	321	10,064
Business services		3,495	1,206	4,701
Finance, insurance, and real estate	163	1,976	1,287	3,426
Other transport	1,779	985	264	3,028
Education and healthcare		56	2,550	2,607
Personal services		436	1,137	1,573
Air transport	1,358	8	10	1,376
Gasoline stations	1,172	41	127	1,340
Government		404	158	562
Construction and utilities		386	162	548
Wholesale trade		277	253	529
Communications		325	143	468
Manufacturing		275	99	374
Agriculture, fishing, mining		147	74	221

Source: Tourism Economics

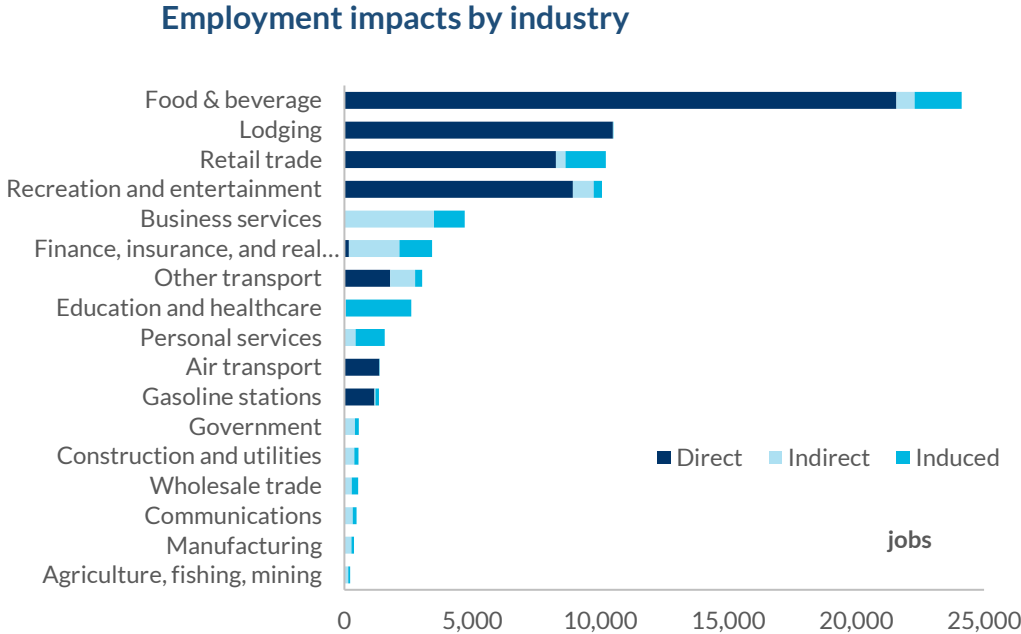
# TOTAL EMPLOYMENT IMPACTS

## Employment impacts by industry

Visitor spending supports the largest number of jobs in the food & beverage industry—24,116. The majority of those jobs are directly supported by visitor activity.

Tourism-supported employment in lodging businesses provided 10,500 jobs to Kentucky job holders with recreational employment registering 10,064 jobs in the state in 2020.

More than 10,700 Kentucky-based jobs were indirectly supported by visitor activity in 2020.



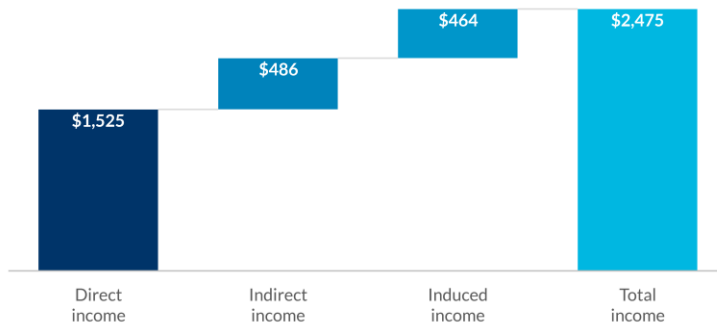
Source: Tourism Economics

# TOTAL INCOME IMPACTS

## Personal income impacts by industry

Tourism generated \$1.5 billion in direct income and \$2.5 billion when indirect and induced impacts are considered. These wages and benefits are paid to people whose jobs are located in Kentucky.

### Summary personal income impacts (\$ millions)



## Personal income impacts by industry

Amounts in millions of current dollars	Direct income	Indirect income	Induced income	Total income
<b>Total, all industries</b>	<b>\$1,525</b>	<b>\$486</b>	<b>\$464</b>	<b>\$2,475</b>
<b>By industry</b>				
Food & beverage	\$520	\$21	\$45	\$586
Lodging	\$383	\$0	\$0	\$384
Retail trade	\$210	\$11	\$45	\$267
Business services		\$169	\$56	\$225
Recreation and entertainment	\$186	\$12	\$5	\$203
Other transport	\$73	\$62	\$15	\$149
Education and healthcare		\$1	\$146	\$147
Finance, insurance, and real estate	\$7	\$66	\$51	\$124
Air transport	\$120	\$1	\$1	\$121
Personal services		\$21	\$38	\$60
Government		\$36	\$13	\$49
Wholesale trade		\$21	\$18	\$38
Construction and utilities		\$25	\$10	\$35
Gasoline stations	\$27	\$1	\$4	\$31
Communications		\$19	\$9	\$28
Manufacturing		\$17	\$6	\$23
Agriculture, fishing, mining		\$3	\$1	\$5

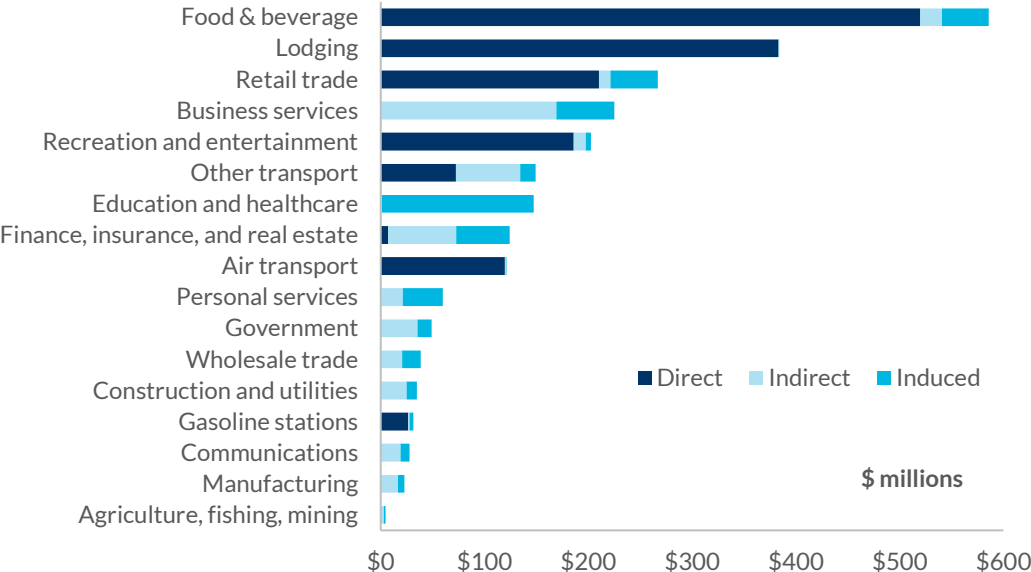
Source: Tourism Economics

# TOTAL INCOME IMPACTS

## Personal income impacts by industry

There are nine industries in which visitor activity supports \$100 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 \$1.2 billion in governmental revenues.

State and local taxes alone tallied \$625 million in 2019.

Each household in Kentucky would need to be taxed an additional \$360 to replace the visitor taxes received by the state and local governments in 2020.

### Fiscal (tax) impacts

Amounts in millions of current dollars	Direct	Indirect/ Induced	Total
<b>Total</b>	<b>\$832</b>	<b>\$352</b>	<b>\$1,184</b>
<b>Federal</b>	<b>\$347</b>	<b>\$212</b>	<b>\$559</b>
Personal income	\$86	\$52	\$139
Corporate	\$43	\$38	\$80
Indirect business	\$47	\$17	\$64
Social insurance	\$171	\$105	\$276
<b>State and Local</b>	<b>\$485</b>	<b>\$140</b>	<b>\$625</b>
Sales	\$253	\$57	\$310
Bed tax	\$41	\$0	\$41
Personal income	\$39	\$24	\$63
Corporate	\$8	\$7	\$16
Social insurance	\$3	\$1	\$4
Excise and fees	\$21	\$9	\$31
Property	\$120	\$41	\$161

Source: Tourism Economics

# ECONOMIC IMPACTS IN CONTEXT



# ECONOMIC IMPACTS

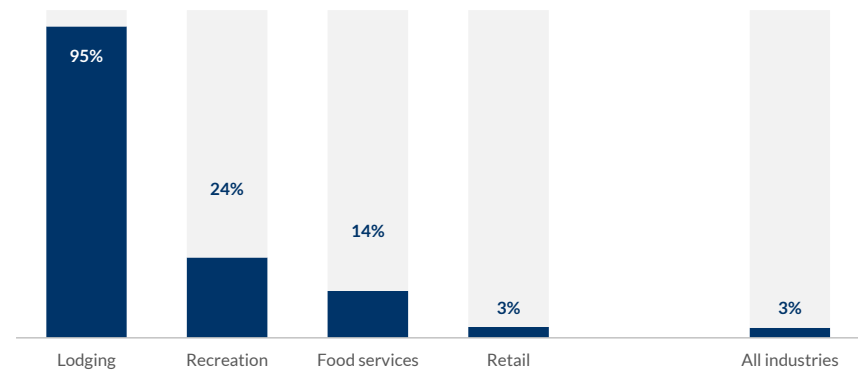
## Tourism employment

Tourism employment is a significant part of several industries—the majority of lodging employment, one-quarter of recreational employment, and 14% of food services employment is supported by tourism spending.

Tourism shares fell in 2020 with the decline in visitor spending. The share of recreational jobs supported by visitor activity dropped six percentage points to 24% 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



**\$5.9  
BILLION**

## VISITOR SPENDING

The \$5.9 billion in visitor spending means that just over \$16 million was spent EVERY DAY by visitors in Kentucky.



**\$2.5  
BILLION**

## PERSONAL INCOME

The \$2.5 billion in total income generated by tourism is the equivalent of \$1,400 for every household in Kentucky.



**75,655  
JOBS**

## EMPLOYMENT

The number of jobs sustained by tourism (75,655) supports 3.1% of all jobs in Kentucky, more than enough to fill Kroger Field.



**\$625  
MILLION**

## STATE AND LOCAL TAXES

Each household in Kentucky would need to be taxed an additional \$360 to replace the visitor taxes received by the state and local governments in 2020.

# APPENDIX

# GLOSSARY – SPENDING

Term	Description
<b>Lodging</b>	Includes visitor spending in the accommodation sub-sector. This includes food and other services provided by hotels and similar establishments.
<b>Food and beverage</b>	Includes all visitor spending on food & beverages, including at restaurants, bars, grocery stores and other food providers.
<b>Recreation</b>	Includes visitors spending within the arts, entertainment and recreation sub-sector.
<b>Shopping</b>	Includes visitor spending in all retail sub-sectors within the local economy.
<b>Local transport</b>	Includes visitor spending on local transport services such as taxis, limos, trains, rental cars, and buses.
<b>Service stations</b>	Visitor spending on gasoline.
<b>Second homes</b>	Where applicable, spending associated with the upkeep of seasonal second homes for recreational use as defined by the Census Bureau.

# GLOSSARY - IMPACTS

Term	Description
<b>Direct Impact</b>	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).
<b>Indirect Impact</b>	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).
<b>Induced Impact</b>	Impacts created from spending in the local economy by employees whose wages are generated either directly or indirectly by visitor spending.
<b>Employment</b>	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.
<b>Personal Income</b>	Income (wages, salaries, proprietor income and benefits) supported by visitor spending.
<b>Value Added (GDP)</b>	The economic enhancement a company gives its products or services before offering them to customers.
<b>Local Taxes</b>	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.
<b>State Taxes</b>	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.

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