

The Economic Impact of Travel

EXECUTIVE SUMMARY

Oregon 2020 Preliminary

April 2021

PREPARED FOR



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The Economic Impact of Travel in Oregon

2020 Preliminary

EXECUTIVE SUMMARY

Travel Oregon
Portland, Oregon

April 2021

PRIMARY RESEARCH CONDUCTED BY

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Table of Contents

State Impacts / Key Statistics	6
Spending	10
Employment.....	11
Earnings	12
Tax Receipts	13
GDP	14
Secondary Impacts	16





State Impacts

Key Statistics

State Impacts / Key Statistics

State Travel Impacts



49.5% Decrease in Travel Spending

Total direct travel spending in the state declined 49.5% from \$12.8 billion in 2019 to \$6.5 billion in 2020.



26,200 Jobs Lost

Employment directly related to travel declined by 22.1% from an average of approximately 118,500 jobs in 2019 to 92,300 jobs in 2020.



19.3% Reduction in Travel Earnings

Earnings directly related to travel declined by 19.3% from \$3.8 billion in 2019 to \$3.1 billion in 2020.



27.8% Decrease in Tax Revenue

Taxes directly related to travel declined by 27.8% from approximately \$1.3 billion in 2019 to \$967 million in 2020.

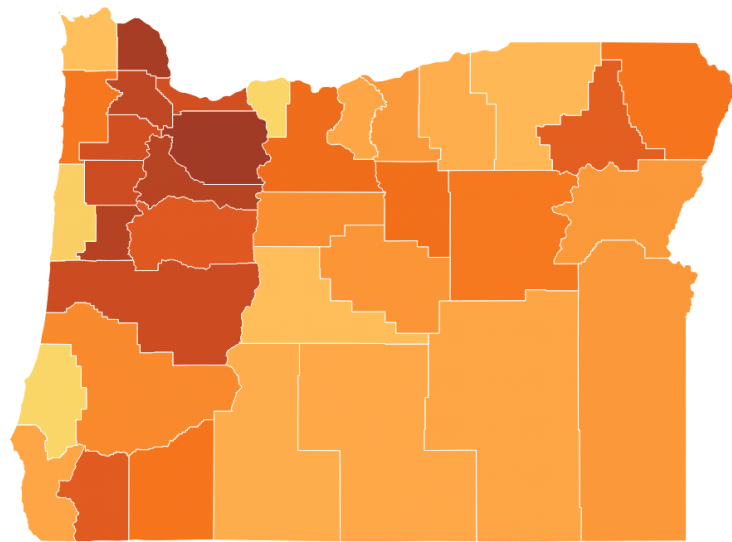
These preliminary estimates for Oregon are subject to revision as more complete source data become available.



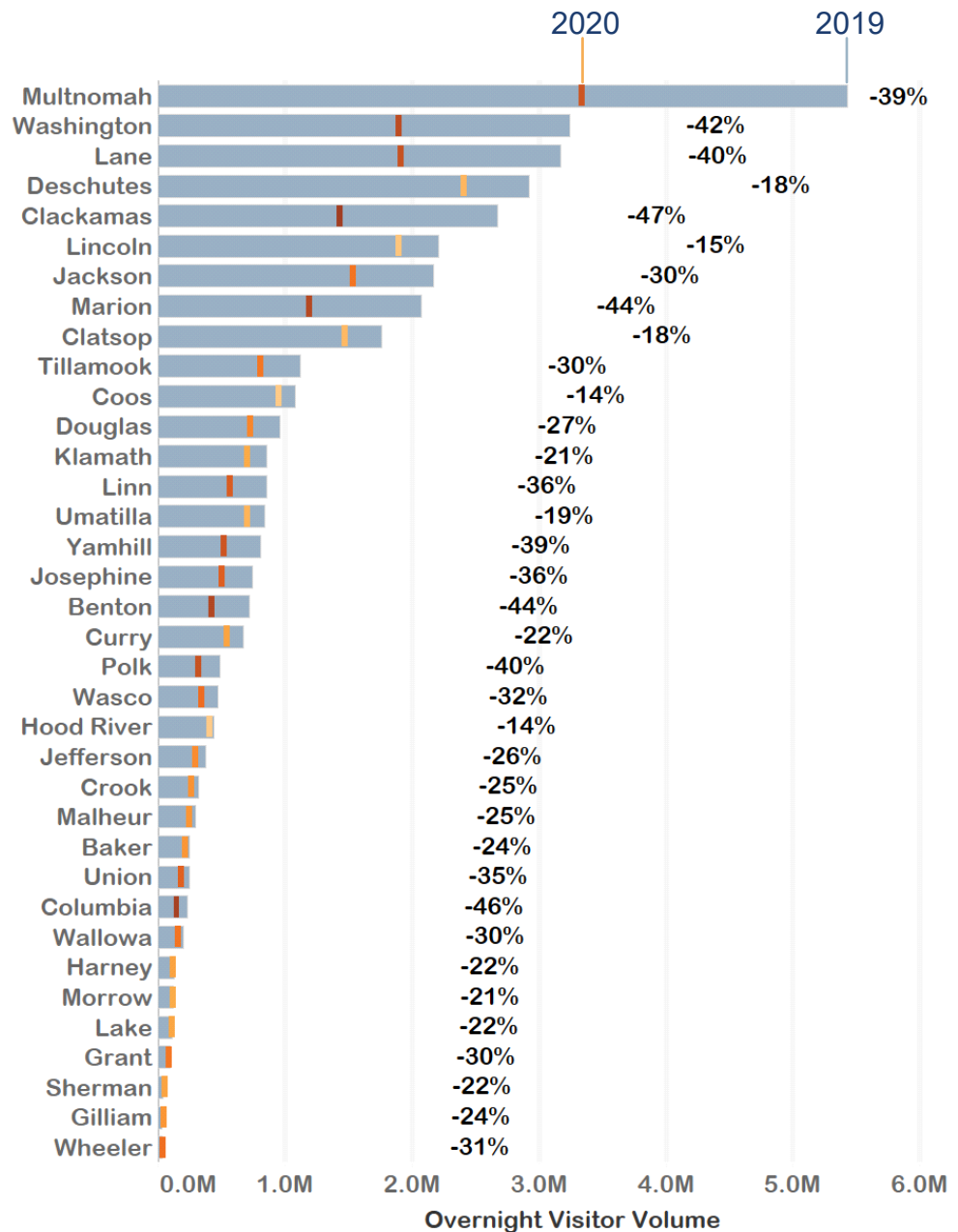
State Impacts / Key Statistics

County Visitation

Across the state, 2020 was a challenging year for the travel industry. Statewide actions to limit the spread of the COVID-19 virus began in March 2020 and were in effect to some degree for most of 2020. **Oregon received an estimated 20.2 million visitors in 2020, 32% lower than in 2019.** Trips were especially down in urban areas, as air visitation to Oregon airports declined sharply and travelers pursued lesser risk rural settings.



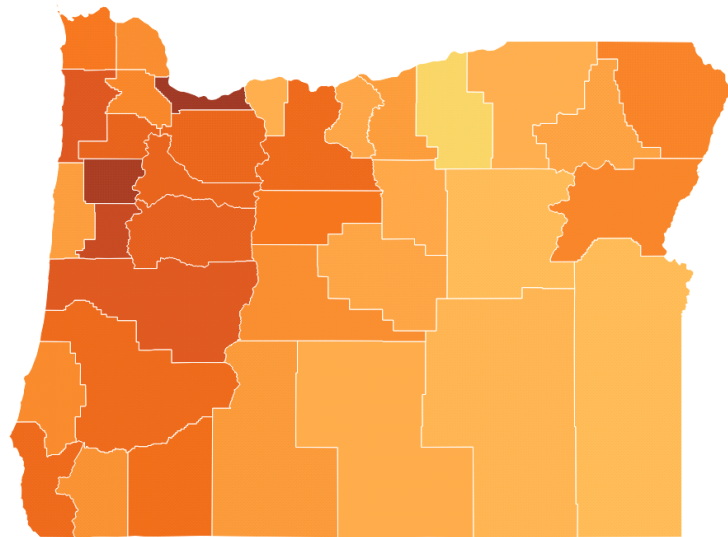
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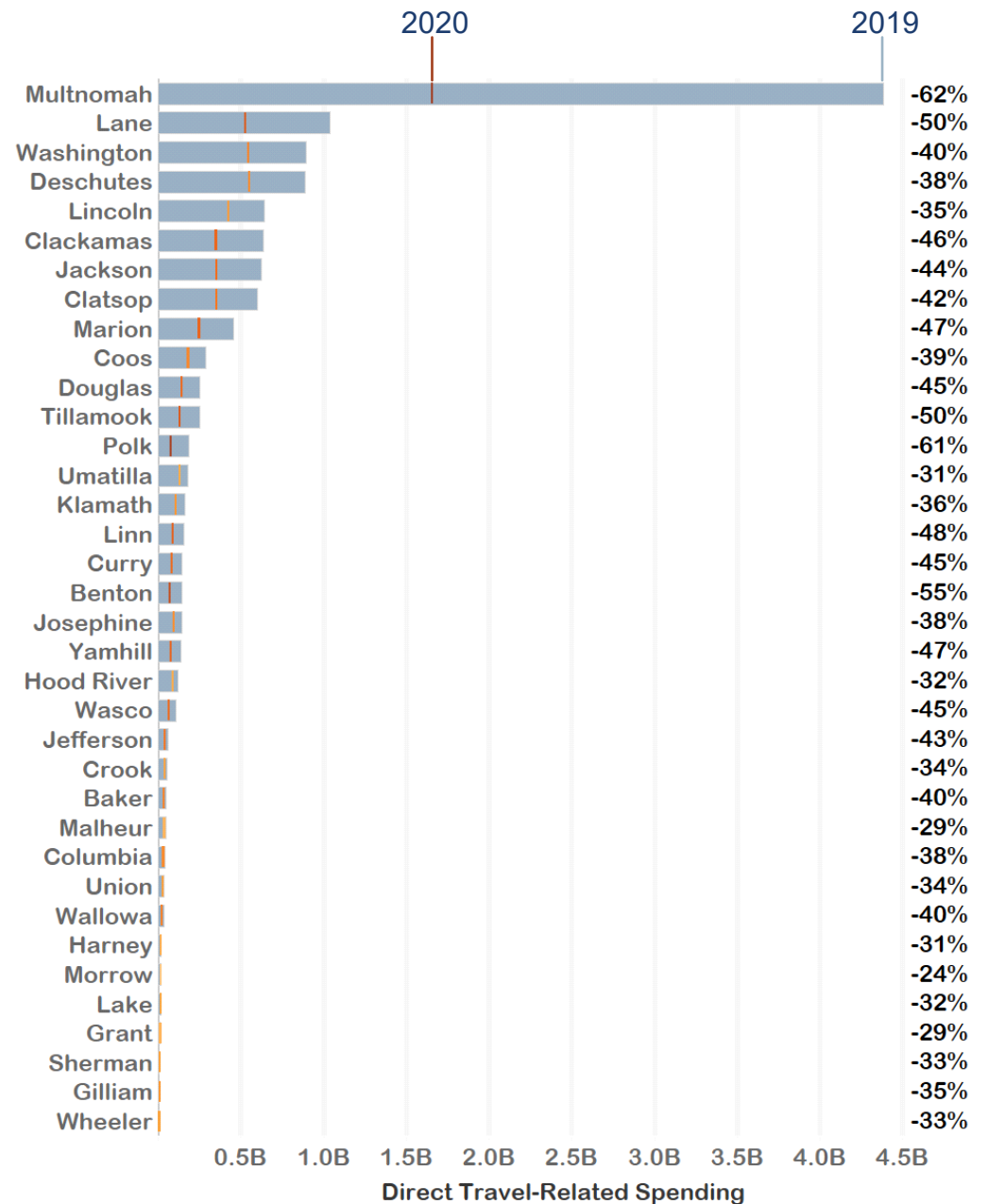
State Impacts / Key Statistics

County Travel Spending

Similar to visitation across the state, direct travel-related spending decreased significantly in 2020. Decreases in spending ranged from -62.3% for Multnomah County to -24.2% for rural Morrow County.



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State Impacts

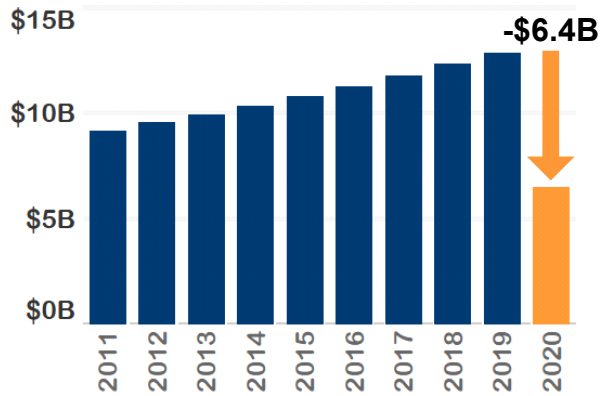
Key Statistics



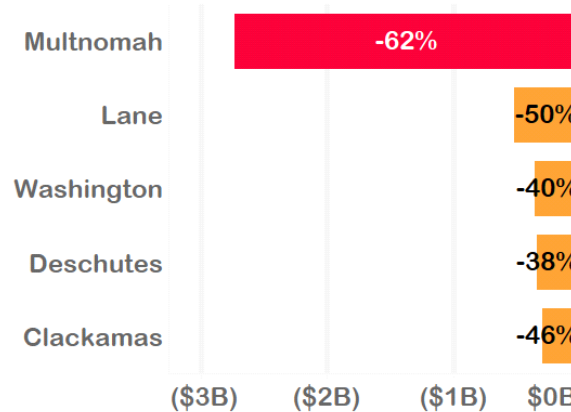
Spending

Total Direct Travel Spending

Total direct travel spending decreased by \$6.4 billion in 2020.



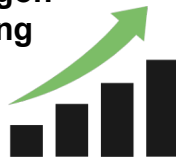
Multnomah County alone lost \$2.8 billion in spending.



Oregon Travel Spending

In 2020, statewide direct travel spending dropped to \$6.5 billion, a 49.5% decrease from 2019 levels.

From 2011-2019, Oregon travel-related spending grew at an average annual growth rate of 4.3%.



Multnomah County

Multnomah County accounts for over a fourth of all travel-related spending in the state of Oregon. Multnomah County's 62% loss in travel spending is significantly higher than the statewide average of 49.5%. Lane County also lost a significant amount of travel spending, decreasing by 50% from 2019 levels.



$$\begin{aligned} &\text{Direct Destination Spending} \\ &+ \text{Other Spending} \\ &= \\ &\text{Total Direct Travel Spending} \end{aligned}$$

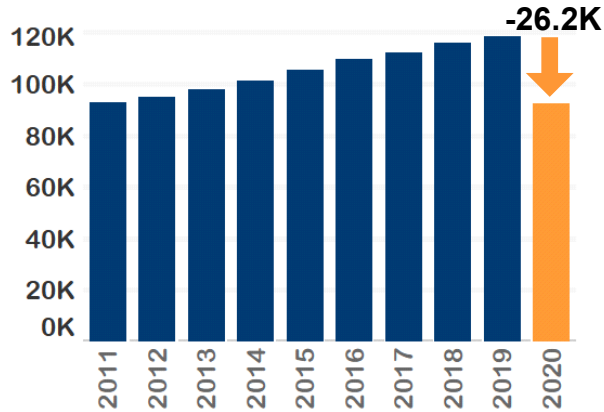
What is total direct travel spending?

Total direct travel spending includes both direct destination spending (90% of total) and other spending (10% of total). **Direct destination spending** refers to all spending on goods and services by visitors at the destination. **Other spending** refers to expenditures at travel arrangement companies located in Oregon, convention and trade show operations, and spending on air by residents to leave the state for travel elsewhere. These expenditures directly support the travel industry in Oregon but are not considered visitor spending in our methodology.

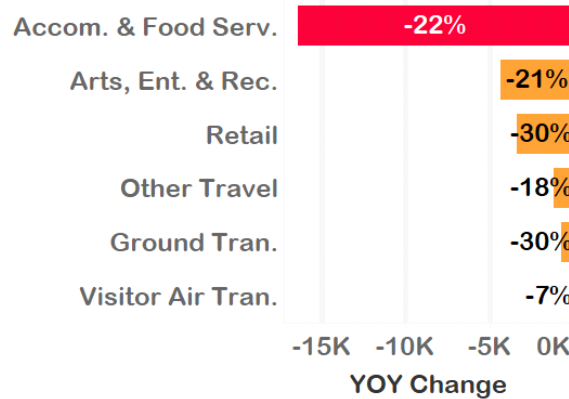
Employment

Direct Travel-Related Employment

Direct travel-related employment decreased by 26,200 in 2020.



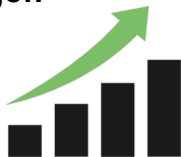
Employment in Accommodations and Food Services lost 16,400 jobs.



Oregon Travel Employment

In 2020, statewide direct travel-related employment dropped to approximately 92,300, a 22.1% decrease from 2019 levels.

From 2011-2019, Oregon travel-related employment grew at an average annual growth rate of 3.1%.



Travel Industry Breakout

The greatest overall job loss came from Accommodations and Food Services, which lost an estimated 16,400 jobs. Ground Transportation and Retail tied for the highest year over year percentage decrease (-30%) of all travel-related sectors.

What is direct travel-related employment?

Direct travel-related employment refers to the total number of full and part-time jobs directly attributable to travel spending. While few jobs exist solely due to travel in Oregon, a significant share of many industries' earnings come from travel-related spending. Part of these earnings are used to pay employees in the form of income and benefits. Based on average salaries for employees in the various travel-related industries in Oregon, a total employment number attributable to travel can be reached.



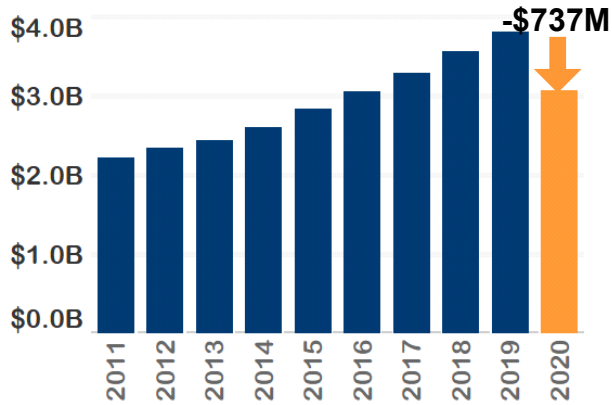
In 2019, every \$1 million in travel-related spending resulted in 9.3 jobs for the industry*.

*Note: The relationship between spending and employment is generally about 8 or 9 jobs to \$1m spent. The COVID pandemic changed the relationship to approximately 14:1, as many businesses retained their employees despite difficult economic conditions.

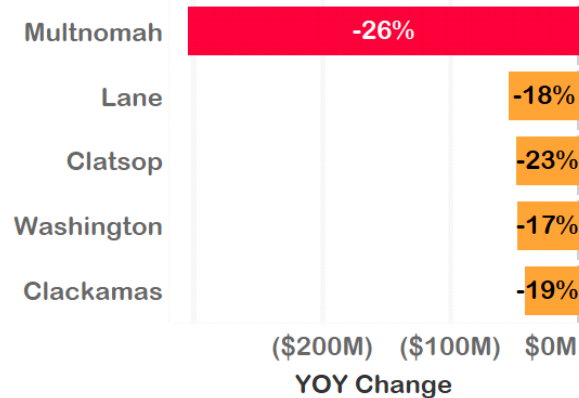
Earnings

Direct Travel-Related Earnings

Direct travel-related earnings decreased by \$737 million in 2020.



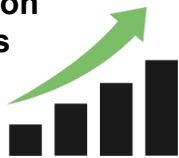
Large counties lose a combined \$499 million in 2020.



Oregon Travel Earnings

In 2020, statewide travel-related earnings dropped to \$3.1 billion, a 19.3% decrease from 2019 levels.

From 2011-2019, Oregon travel-related earnings grew at an average annual growth rate of 7.0%.



Earnings by County Size

Multnomah, Lane, Clatsop, Washington, and Clackamas Counties accounted for 68% (or \$499M) of the total loss in travel-related earnings in Oregon for 2020.



$$\begin{aligned}
 &(\text{Revenue} - \text{Cost of Goods Sold} - \\
 &\text{Expenses} - \text{Taxes}) \\
 &= \\
 &\text{Earnings}
 \end{aligned}$$

What are direct travel-related earnings?

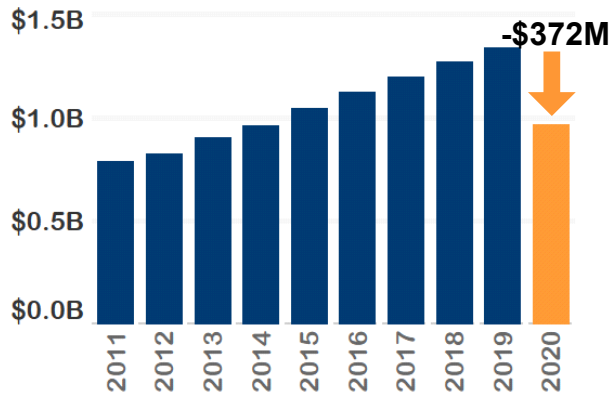
Direct travel-related earnings represent the total after-tax net income from travel. It includes wage and salary disbursements, proprietor income, and other earned income or benefits.

Earnings are an important measure of the benefit of the travel industry that flow to proprietors and employees. Because the travel industry is highly labor intensive, much of travel-related earnings flow to the working class in the form of wages as opposed to owners of capital and intellectual property assets.

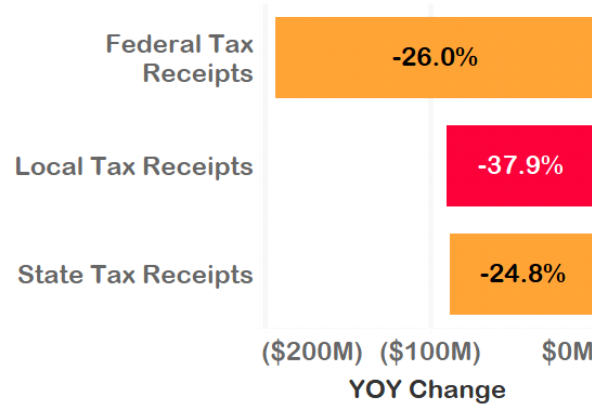
Tax Receipts

Direct Travel-Related Tax Receipts

Direct travel-related tax receipts decreased by \$372 million in 2020.



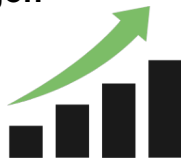
Local taxes were severely impacted



Oregon Tax Receipts

In 2020, direct travel-related tax receipts dropped to \$966.5 million, a 27.8% decrease from 2019 levels. This tax amount is composed of \$550.2 million in federal taxes, \$269.0 million in state taxes, and \$147.3 million in local taxes.

From 2011-2019, Oregon travel-related tax receipts grew at an average annual growth rate of 6.8%.



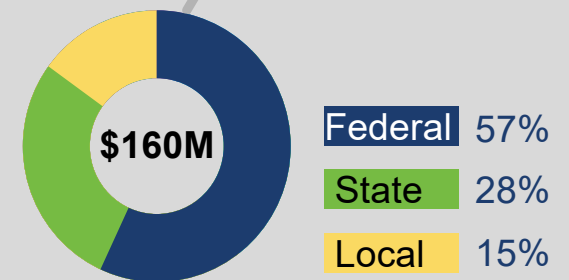
Local Taxes

Local taxes experienced deep cuts (-\$90M) in 2020 as a result of decreased travel spending. The number of visitors staying in commercial lodging was down by a significant margin in 2020, thus affecting the local lodging taxes typically generated from visitor stays. Lodging tax receipts are important to county budgets, funding the promotion and development of county assets to spur economic development.

What are direct travel-related tax receipts?

Direct travel-related tax receipts include federal, state, and local taxes related to travel. **Federal taxes** are collected from the motor fuel excise tax, airline ticket taxes, and personal income and payroll taxes. **State taxes** include lodging taxes and motor fuel taxes, as well as business taxes and personal income taxes paid by employees and proprietors of travel-related businesses. **Local taxes** primarily take the form of lodging taxes imposed by cities, counties, and other tax jurisdictions in Oregon.

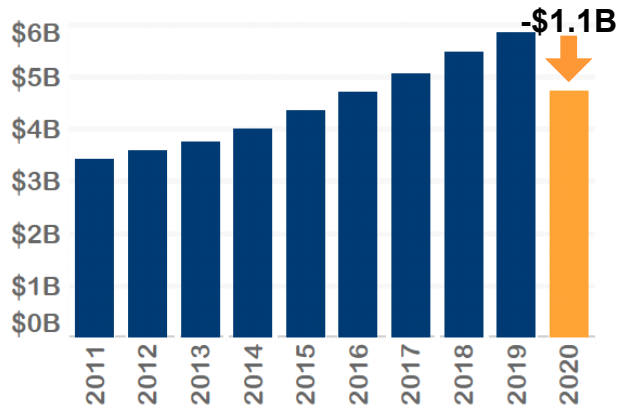
Taxes (2020)



Gross Domestic Product

Direct Travel-Related GDP

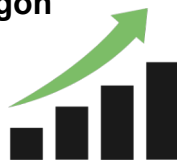
Direct travel-related GDP decreased by \$1.1 billion in 2020



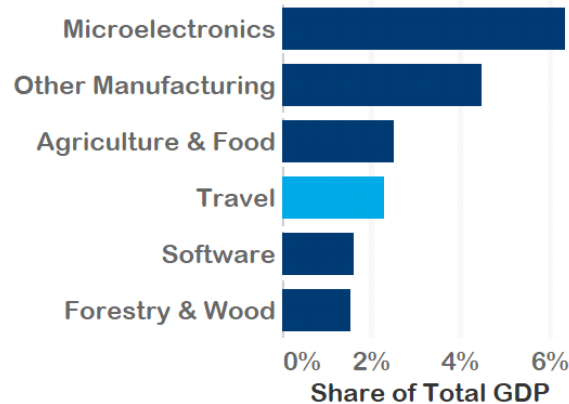
Oregon GDP

In 2020, Oregon's direct travel-related GDP decreased 19% from \$5.8 billion in 2019 to \$4.7 billion in 2020.

From 2011-2019, Oregon experienced an average annual growth rate of 7.0% in travel-related GDP.



The travel industry is among the top export oriented industries.



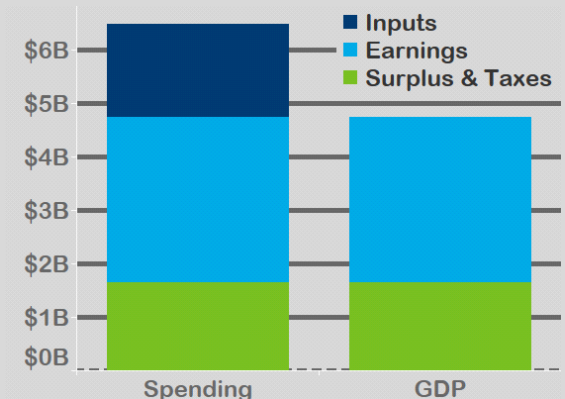
Oregon Export Industries

Travel is the fourth largest export oriented industry in Oregon, making up 2.3% of Oregon's GDP.

Between 2011 and 2019, the Travel Industry GDP increased at an annualized growth rate of 7.0%. This is the highest growth rate of Oregon's export oriented industries – ahead of Software (6.8%), Other Manufacturing (4.9%), Agriculture & Food (4.2%), Microelectronics (0.6%), and Forestry & Wood (0.0%).

What is gross domestic product?

The **gross domestic product (GDP)** of an industry is equal to gross output (sales) minus intermediate inputs (goods and services purchased from other industries). By removing the cost of the inputs that are necessary to produce a good or service, GDP isolates the economic contribution or **“value added”** of the industry. In this way, GDP is among the most useful metrics to compare industries.



Out of \$6.5B in spending by the travel industry in 2020, \$4.7 billion is value added (GDP).



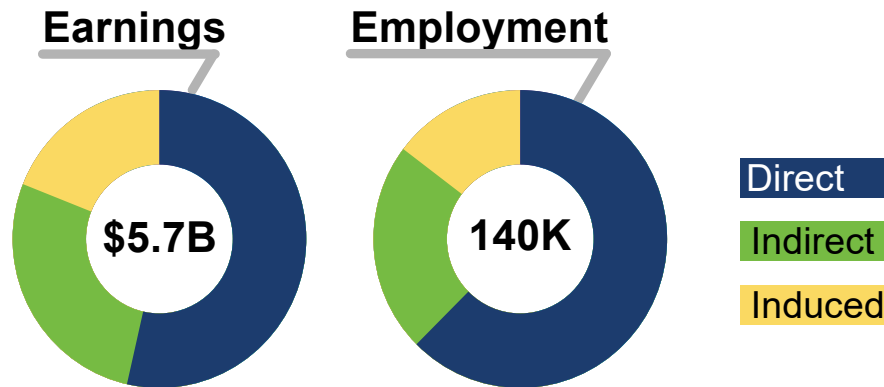
State Impacts

Secondary Impacts



Secondary Impacts

Summary of Secondary Impacts



Direct impacts make up 54% of earnings and 66% of employment. The Accommodations and Food sector generates the largest impact on earnings and employment, as it is core to all travel activity.

Indirect and induced impacts together account for 46% of earnings and 34% of employment impacts. The Professional Services sector benefits greatly from the indirect impacts of travel, as it supports businesses that deal directly with travelers and tourists. Spending by employees of the travel industry flows to many industries, but the Education and Health Services sector benefits the greatest in terms of employment.

Industry Sector with Greatest Impacts

Impact Type	Direct	Indirect	Induced
Earnings	Accomm. & Food Services	Professional Services	Education & Health Serv.
Employment	Accomm. & Food Services	Professional Services	Education & Health Serv.

What are secondary impacts?



Indirect Impacts

come from local suppliers



Induced Impacts

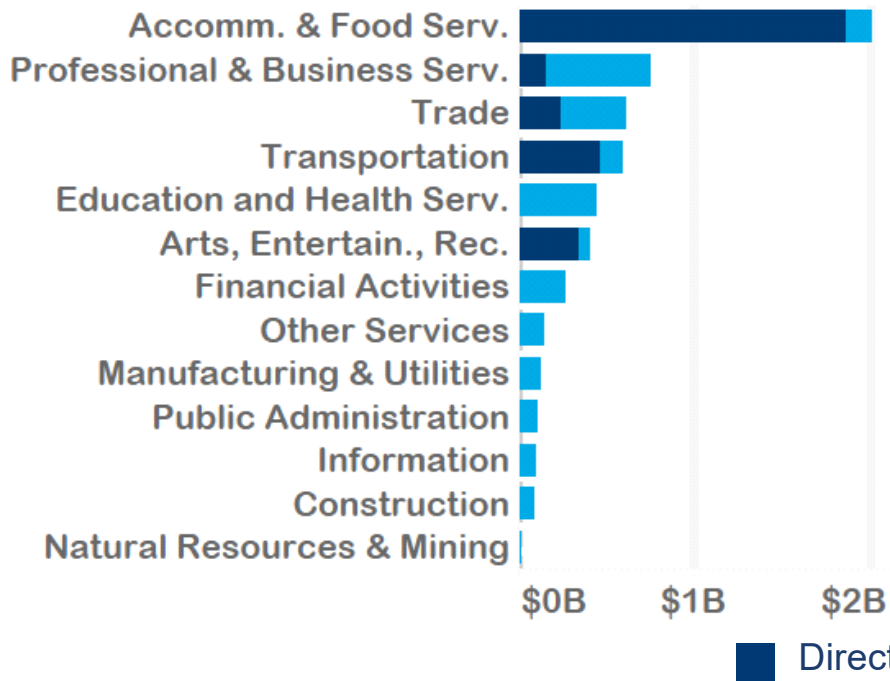
come from re-spending

Secondary impacts are composed of indirect and induced impacts. **Indirect impacts** represent the employment and earnings of local suppliers to direct travel-related industries (example: food supplier to restaurants). **Induced impacts** represent the employment and earnings that result from consumer spending by the employees of the travel industry and their suppliers (example: employee of the airline industry pays for groceries and housing). Because indirect and induced impacts do not derive directly from spending on travel-related products or services, they are considered secondary impacts on the economy.

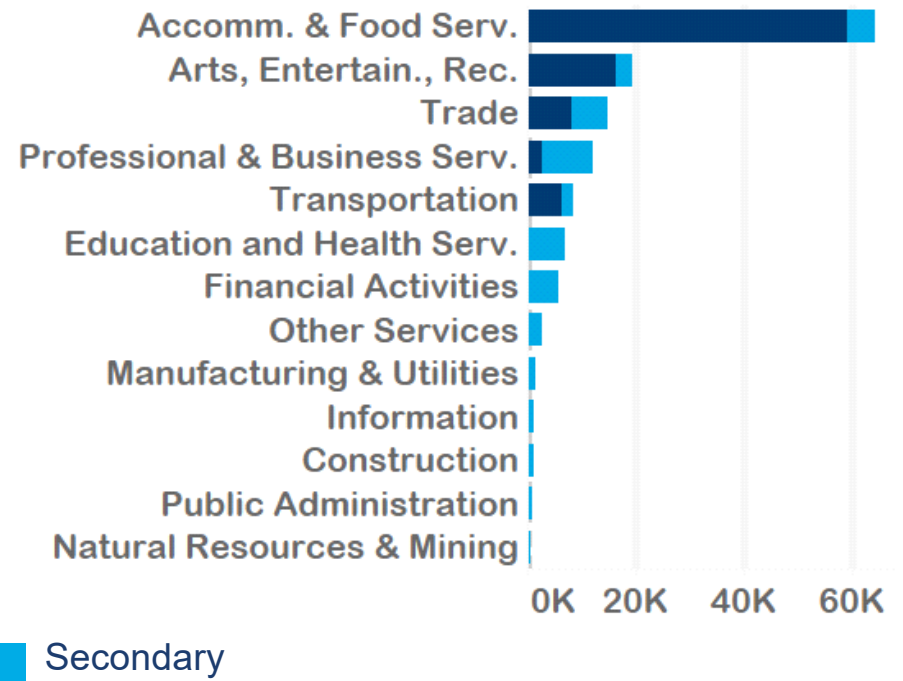
Secondary Impacts

Industry Breakout of Secondary Impacts

Direct and Secondary Earnings



Direct and Secondary Employment



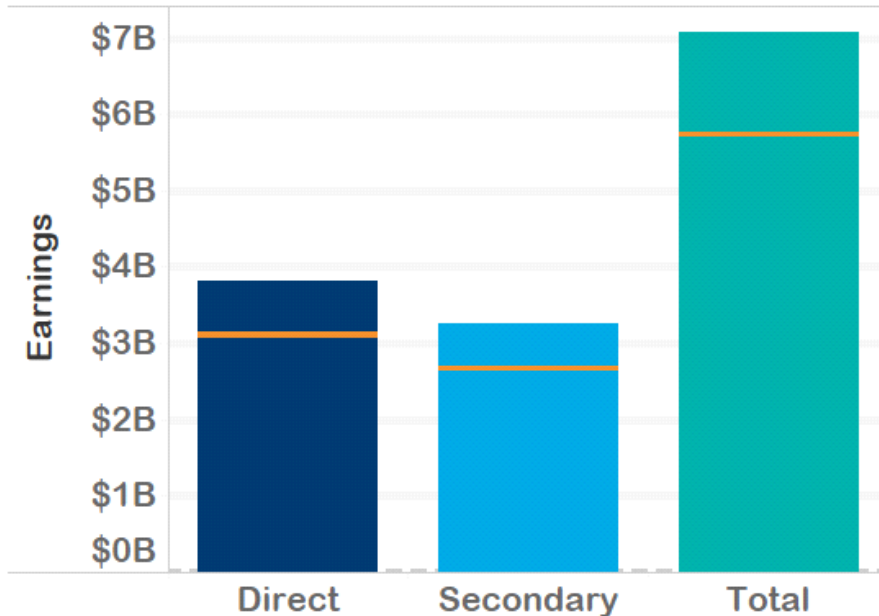
What sectors of the economy do secondary impacts come from?

The following industries are the primary sources of the indirect and induced impacts from the travel industry: **(1) Professional & Business Services** (9,430 jobs and \$594 million in earnings), **(2) Education & Health Services** (7,094 jobs and \$449 million in earnings), and **(3) Trade** (6,743 jobs and \$371 million in earnings). Spending in these industries is most related to the following (in order): **(1)** Administrative services utilized by travel businesses (indirect effect) and purchases of professional services by employees of the travel-related businesses (induced effect); **(2)** Public education and other tax supported services directed toward employees of travel-related businesses (induced effect); **(3)** Food, clothing, and other household goods bought by employees and proprietors of businesses in the travel industry (mostly induced effect).

Secondary Impacts

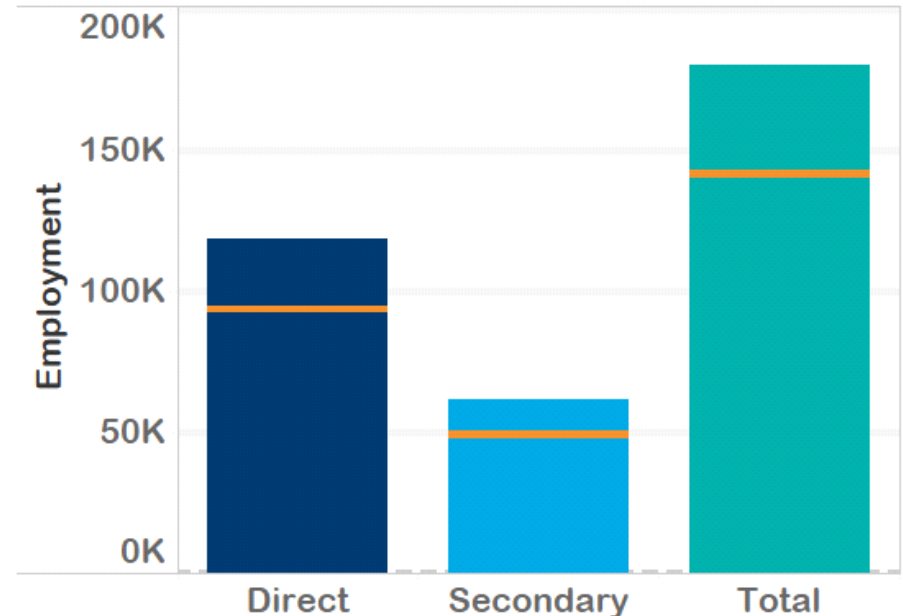
Year Over Year Change in Direct and Secondary Impacts

Direct and Secondary Earnings



2019 Impacts: ■ Direct ■ Secondary ■ Total

Direct and Secondary Employment



2020 Impacts: —

How much did secondary impacts decrease?

Secondary earnings dropped from \$3.3 billion in 2019 to \$2.6 billion in 2020, a decrease of 19%. Secondary employment decreased from its high of 61,500 jobs in 2019 to 47,900 jobs in 2020, a decrease of 22%.

How much did direct + secondary impacts decrease?

Summing direct earnings and secondary earnings, we arrive at total earnings attributable to travel and tourism in 2020: \$5.7 billion. This is 19% lower than total earnings in 2019 (\$7.1 billion). Similarly, summing direct employment and secondary employment, we arrive at total employment attributable to travel and tourism in 2020: 140,225 jobs. This is 22% lower than total employment in 2019 (180,003 jobs).



Dean Runyan Associates

Dean Runyan Associates (DRA) has offered insightful travel and tourism research since 1984. Our experts assist clients in market research, planning, and economic analysis for travel, tourism, and recreation projects.

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