

# Economic Impacts of Tourism in Lancaster County - 2021

May 2022

Prepared for:





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## INTRODUCTION PROJECT BACKGROUND

Tourism activity and its associated economic impacts are in the midst of a recovery from the disruption caused by the COVID-19 pandemic. This analysis provides an important assessment of the state of travel and its potential to bring renewed benefits to the Lancaster County economy.

This analysis is conducted using methods that are consistent with the annual research that Tourism Economics conducts for the Commonwealth of Pennsylvania.<sup>1</sup> It is conducted ahead of the statewide analysis and provides an advance view of the economic impact of tourism in Lancaster County specifically.

<sup>1</sup> Tourism Economics (2021). The Economic Impact of Travel & Tourism in Pennsylvania, prepared for Pennsylvania Tourism Office, Department of Community and Economic Development.

## METHODOLOGY AND DATA SOURCES

To provide a timely view of the importance of the travel and tourism industry in Lancaster County, Tourism Economics has prepared this analysis of visitor spending, growth and economic impact for Discover Lancaster.

Our analysis of tourism's impact begins with actual spending by visitors, but also considers the downstream effects of this injection of spending into the local economy.

The approach is based on the IMPLAN modeling system, a well-respected economic impact analysis tool. The results include three types of impact: direct, indirect, and induced, and are calculated separately for business sales, jobs, wages, and taxes.

The analysis draws on the following data sources:

- STR: Lodging performance data, including room demand, room rates, occupancy, and room revenue
- Lancaster County: lodging tax collections
- Bureau of Economic Analysis and Bureau of Labor Statistics: employment and wage data, by industry
- US Census: business sales by industry and seasonal second homes inventory
- Tourism Economics: estimates of overseas, Canadian, and Mexican travel to Pennsylvania based on aviation, survey, and credit card information

# ECONOMIC IMPACTS KEY FINDINGS

## TOURISM'S DIRECT AND TOTAL IMPACTS

Driven by record visitation of 9.13 million to Lancaster County in 2021 (32.1% over 2020 and 2.2% above 2019), visitor spending improved 53.9% year-on-year to \$2.3 billion (3.2% above 2019 levels). Total business sales supported by tourism increased to \$3.25 billion, a rise of 33.1% versus the prior year (11.0% above 2019 levels).

Employment supported directly by visitor spending tallied 14,684 jobs in the county, a 11.7% increase from 2020 (albeit 14.4% below 2019 levels). In total, tourism supported 22,690 jobs.

Industry activity generated \$209.9 million in state and local taxes, which is equivalent to \$1,029 in tax savings for every household in Lancaster County

These estimates portray an industry that has made substantial gains, but which in some ways still has ground to recover. While visitation and visitor spending recovered to slightly ahead of 2019 levels, direct jobs in the tourism sector have not yet been fully restored, and rising input and labor costs may mean many operators have not recovered normal levels of profitability.



## SUMMARY OF DIRECT AND TOTAL IMPACTS FOR LANCASTER COUNTY TOURISM IN 2021



**9.13M**

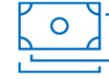
Total Visitors

vs. 2020:

+32.1%

vs. 2019:

+2.2%



**\$2.3B**

Direct Spending by Visitors

+53.9%

+3.2%



**\$3.3B**

Total Economic Impact

vs. 2020:

+33.1%

vs. 2019:

+11.0%



**22,690**

Total Jobs Generated

+8.8%

-13.0%



**\$210M**

State and Local Taxes Generated

+22.6%

-2.4%



## VISITATION & VISITOR SPENDING

Day and overnight visitors to Lancaster County spend directly on accommodations, food and beverage, recreation, retail shopping, and transportation. In 2021, total direct spending on travel and tourism amounted to \$2.3 billion as visitor volume totaled 9.13 million.

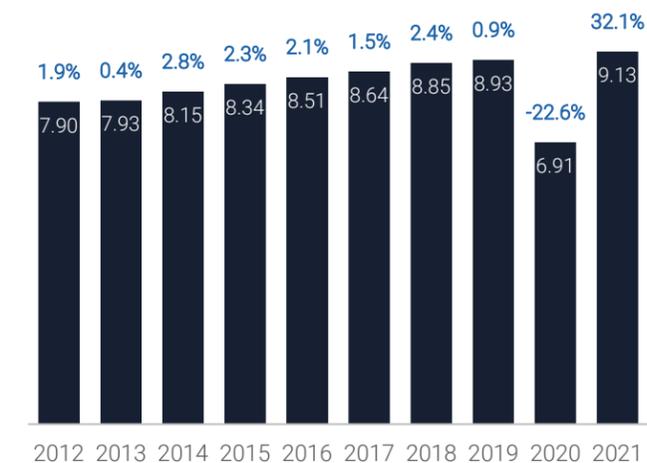
### VISITOR VOLUME

Visitation increased by 2.2 million in 2021

Travel demand bounced back in 2021 as public health conditions improved. Lancaster County welcomed 9.13 million visitors in 2021, an increase of 32.1% over the prior year (2.2% above 2019 levels). This visitation estimate includes day and overnight visitors.

### Lancaster County visitor levels & annual growth

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



Source: Tourism Economics

### VISITOR SPENDING

Visitors to Lancaster County spent a record \$2.3 billion across a wide range of sectors in 2021

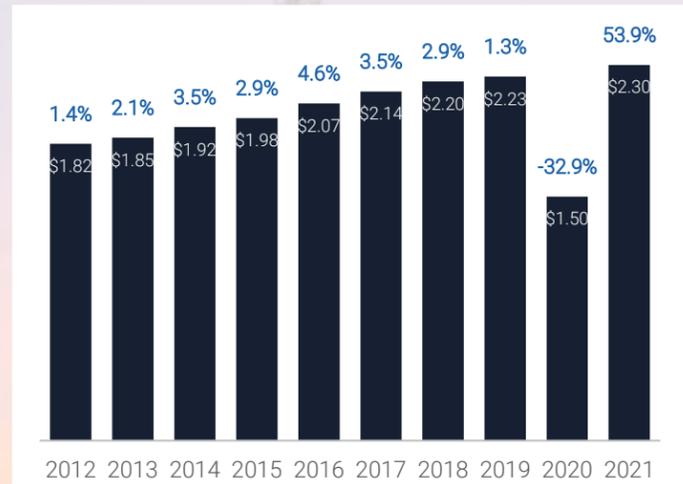
Visitor spending in Lancaster County bounced back by 53.9% in 2021 to reach its highest ever level at \$2.3 billion (3.2% above 2019 levels).

Leisure-oriented trips continue to make up the bulk of travel in Lancaster County as business travel remained below pre-pandemic levels.

Furthermore, domestic travel continued to partially substitute for international travel in 2021.

### Lancaster County spending levels & annual growth

Amounts in \$ millions and year-on-year % growth



Source: Tourism Economics

## SPENDING TIMELINE AND 2021 CHANGES

Lodging spending in Lancaster County grew substantially to \$361 million as record visitation and higher prices led to an increase of 106% year-on-year (10.2% above 2019 levels). Higher gas prices coupled with more spending on ride shares and other services resulted in the transportation spending category increasing 62.9% (3.1% above 2019 levels).

As activity at food and beverage establishments improved, spending was up 44.9% to \$530 million (4.6% above 2019 levels). Entertainment spending grew 42.9% compared to the prior year (albeit 5.9% below 2019 levels), while retail spending increased 35.8% year-on-year (5.2% above 2019 levels).

Due to the rise in overnight visitors and consumer prices, the average spend per visitor is estimated at \$252 in 2021, as compared to \$216 in 2020. International visitors spent an estimated \$18.1 million, as compared to \$17.1 million in 2020.

### Lancaster County visitor spending and annual growth

Visitation amounts in millions of visitors, dollar amounts in millions of nominal dollars

|                                     | 2012    | 2013    | 2014    | 2015    | 2016    | 2017    | 2018    | 2019    | 2020    | 2021    | 2021 Change | 2021 Relative to 2019 |
|-------------------------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|-------------|-----------------------|
| <b>Visitors (day and overnight)</b> | 7.90    | 7.93    | 8.15    | 8.34    | 8.51    | 8.64    | 8.85    | 8.93    | 6.91    | 9.13    | 32.1%       | 2.2%                  |
| <i>Growth</i>                       | 1.9%    | 0.4%    | 2.8%    | 2.3%    | 2.1%    | 1.5%    | 2.4%    | 0.9%    | -22.6%  | 32.1%   |             |                       |
| <b>Visitor spending</b>             | \$1,817 | \$1,855 | \$1,920 | \$1,975 | \$2,065 | \$2,138 | \$2,200 | \$2,230 | \$1,495 | \$2,301 | 53.9%       | 3.2%                  |
| <i>Growth</i>                       | 1.4%    | 2.1%    | 3.5%    | 2.9%    | 4.6%    | 3.5%    | 2.9%    | 1.3%    | -32.9%  | 53.9%   |             |                       |
| <b>Visitor spending by category</b> |         |         |         |         |         |         |         |         |         |         |             |                       |
| Food & beverages                    | \$374   | \$390   | \$408   | \$422   | \$440   | \$459   | \$491   | \$507   | \$366   | \$530   | 44.9%       | 4.6%                  |
| Transportation**                    | \$503   | \$503   | \$506   | \$509   | \$537   | \$561   | \$563   | \$554   | \$351   | \$571   | 62.9%       | 3.1%                  |
| Retail                              | \$368   | \$373   | \$386   | \$395   | \$402   | \$410   | \$422   | \$428   | \$332   | \$451   | 35.8%       | 5.2%                  |
| Entertainment/Recreation            | \$330   | \$343   | \$355   | \$368   | \$387   | \$403   | \$399   | \$413   | \$272   | \$388   | 42.9%       | -5.9%                 |
| Lodging*                            | \$243   | \$246   | \$266   | \$282   | \$299   | \$306   | \$325   | \$327   | \$175   | \$361   | 106.6%      | 10.2%                 |

Source: Tourism Economics

\* Lodging includes second home spending

\*\* Transportation includes both ground and air transportation

Source: Tourism Economics

## SPENDING DETAILS

### Spending by category, 2021

Visitors to Lancaster County spent \$2.3 billion across a wide range of sectors in 2021.

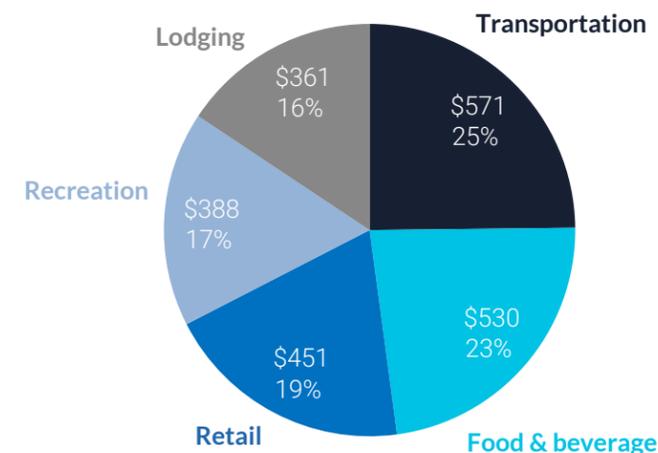
Of 2021 direct spending in Lancaster County by visitors, transportation, including both air and ground transportation within the destination, captured \$571 million—25% of the average visitor dollar.

Food and beverage captured 23% of the average visitor dollar, a total of \$530 million, with retail spending tallying \$451 million in 2021—19% of the average visitor dollar. Recreational spending averaged 17% of the visitor dollar—\$388 million.

Lodging spending in Lancaster County totaled \$361 million in 2021, comprising 16% of the average visitor dollar.

### Total Visitor Spending in 2021

Amounts in \$ millions and % of total



Source: Tourism Economics

Note: Lodging includes 2nd home spending.

Transportation includes both ground and air.



# ECONOMIC IMPACT METHODOLOGY

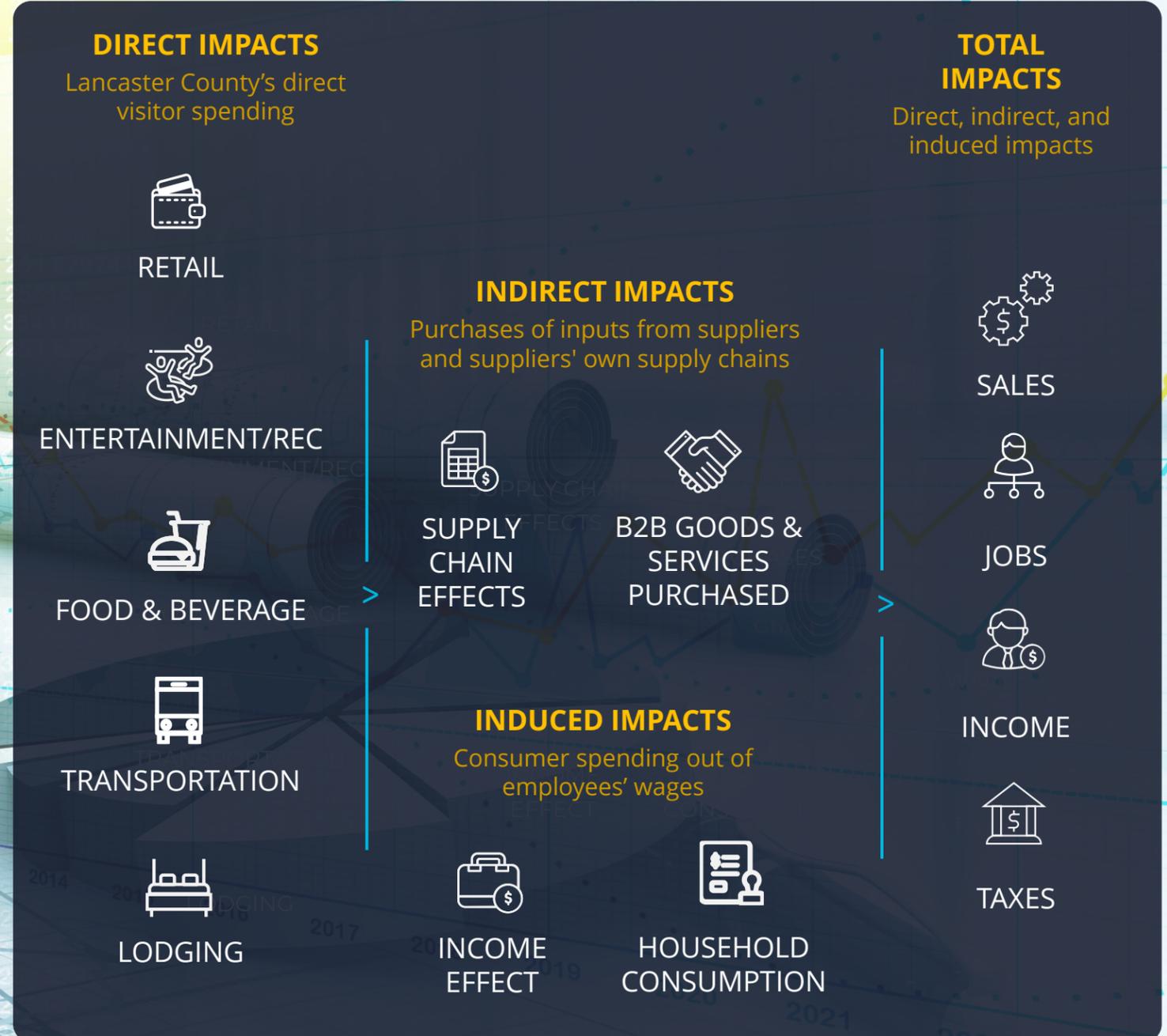
Our analysis of tourism's impact begins with actual spending by visitors, but also considers the downstream effects of this injection of spending into the local economy. To determine the total economic impact of tourism in Lancaster County, we follow the methods that we use to prepare an annual report for the Commonwealth, and further discussion of the economic impact methods are contained in that report.

The approach is based on the IMPLAN modeling system, a well-respected economic impact analysis tool. The results include three types of impact: direct, indirect, and induced, and are calculated separately for business sales, jobs, wages, and taxes.

- 1. Direct Impacts:** Visitors create direct economic value within specific sectors (e.g., recreation, transportation). This supports a portion of jobs, wages, taxes, and GDP within each sector.
- 2. Indirect Impacts:** Each directly affected sector purchases goods and services as inputs (e.g., food wholesalers, utilities). These impacts are called indirect impacts.
- 3. Induced Impacts:** Lastly, an induced impact is generated when employees whose wages are generated directly or indirectly by visitors, spend those wages.

The aggregate of these three effects is referred to as the total impact, or the total tourism economy.

## ECONOMIC IMPACT FRAMEWORK



## ECONOMIC IMPACTS BUSINESS SALES, JOB, & LABOR INCOME IMPACTS

Tourism's total economic impact of \$3.3 billion supported nearly 23,000 total jobs (including full-time and part-time jobs) with associated labor income of approximately \$929 million in 2021.



**\$3.3B**

Total Economic Impact



**\$929M**

Total Labor Income Impact



**22,690**

Total Jobs Impact



## FISCAL IMPACTS TAX REVENUES

The economic impacts attributable to tourism generated significant fiscal (tax) impacts as they cycled through the regional economy. Overall, tourism generated \$427 million in total tax revenues in 2021.



**\$427M**

Total Federal, State, & Local Tax Revenues



**\$210M**

State and Local Tax Revenues



**\$217M**

Federal Tax Revenues



# ECONOMIC IMPACT FINDINGS

Tourism supports Lancaster County business sales, jobs, incomes, and the county tax base.

## Economic impact of tourism in Lancaster County

Amounts in jobs, dollar amounts in millions of nominal dollars, and year-on-year % growth

|   | 2012      | 2013      | 2014      | 2015      | 2016      | 2017      | 2018      | 2019      | 2020      | 2021      | 2021 Change | 2021 Relative to 2019 |
|---|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-------------|-----------------------|
| <b>Tourism industry</b>                 |           |           |           |           |           |           |           |           |           |           |             |                       |
| Tourism direct sales (visitor spending) | \$1,817.5 | \$1,854.9 | \$1,920.2 | \$1,975.4 | \$2,065.4 | \$2,138.4 | \$2,200.1 | \$2,229.6 | \$1,495.0 | \$2,301.0 | 53.9%       | 3.2%                  |
| Employment                              | 15,239    | 15,478    | 15,731    | 15,853    | 16,310    | 16,554    | 16,747    | 17,145    | 13,151    | 14,684    | 11.7%       | -14.4%                |
| Labor income                            | \$375.4   | \$384.8   | \$403.1   | \$419.2   | \$437.3   | \$459.2   | \$473.2   | \$507.0   | \$403.8   | \$483.5   | 19.7%       | -4.6%                 |
| <b>Taxes</b>                            |           |           |           |           |           |           |           |           |           |           |             |                       |
| State and local                         | \$103.4   | \$105.4   | \$108.6   | \$110.7   | \$115.2   | \$117.7   | \$121.0   | \$124.9   | \$89.0    | \$122.4   | 37.5%       | -2.1%                 |
| Federal                                 | \$86.4    | \$88.6    | \$92.4    | \$95.7    | \$101.0   | \$102.5   | \$107.9   | \$113.1   | \$106.0   | \$111.2   | 4.9%        | -1.7%                 |
| <b>Total tourism economy</b>            |           |           |           |           |           |           |           |           |           |           |             |                       |
| Business sales                          | \$2,422.2 | \$2,458.1 | \$2,564.9 | \$2,627.3 | \$2,743.2 | \$2,785.1 | \$2,865.8 | \$2,931.9 | \$2,444.6 | \$3,254.0 | 33.1%       | 11.0%                 |
| Employment                              | 23,121    | 23,356    | 23,659    | 24,060    | 24,754    | 24,902    | 24,998    | 26,079    | 20,849    | 22,690    | 8.8%        | -13.0%                |
| Labor income                            | \$737.6   | \$748.6   | \$774.6   | \$798.7   | \$844.9   | \$857.8   | \$882.7   | \$979.2   | \$816.5   | \$929.2   | 13.8%       | -5.1%                 |
| <b>Taxes</b>                            |           |           |           |           |           |           |           |           |           |           |             |                       |
| State and local                         | \$179.6   | \$183.0   | \$188.2   | \$191.6   | \$198.6   | \$203.3   | \$208.3   | \$215.1   | \$171.3   | \$209.9   | 22.6%       | -2.4%                 |
| Federal                                 | \$174.1   | \$178.5   | \$186.1   | \$192.8   | \$203.4   | \$206.5   | \$217.2   | \$227.9   | \$190.3   | \$216.6   | 13.8%       | -4.9%                 |

Source: Tourism Economics

## ECONOMIC IMPACT TIMELINE

### Impact on business sales, jobs, incomes, and taxes

The total impact of tourism in terms of output or business sales, including indirect and induced sales, during 2021 in Lancaster County was \$3.3 billion, an increase of 33.1% from 2020 (11.0% above 2019 levels).

Visitor spending supported a total tourism economy representing 22,690 jobs in the county with \$929.2 million in wages and salaries. Of these total tourism economy jobs, approximately 14,684 were direct tourism industry jobs (at restaurants, hotels, attractions, etc.) – an increase of 11.7% year-on-year.

Each Lancaster County household would need to be taxed an additional \$1,029 per year to replace the \$209.9 million of state and local taxes supported by tourism.

## EMPLOYMENT TRENDS

### Jobs supported by travel and tourism

Over time, separate from the impacts of the COVID-19 pandemic, the tourism sector has been an important source of private sector job growth in Lancaster County, contributing new jobs supported directly by visitor spending, as well as by drawing new dollars into the local economy and thus supporting additional jobs indirectly.

As this graphic makes clear, the pandemic hit the tourism industry especially hard in terms of Lancaster County employment in 2020. As tourism establishments reopened in 2021, direct employment grew by 11.7% to 14,684 jobs, albeit 14.4% below 2019 levels.

### Lancaster County employment

Index (2012 = 100)



Source: BLS; Tourism Economics

## EMPLOYMENT RANK

### Rank of tourism industry employment

The tourism industry ranked as the 9th largest industry in the county and directly accounted for one out of every 21 non-agricultural private sector jobs, up from one out of every 25 non-agricultural private sector jobs in 2020.

As travel activity and operations normalize, tourism industry jobs are anticipated to further recover.

### Employment in Lancaster County by major industry

Private non-farm employment, 2021

| Rank     | Sector   | Jobs          |
|----------|--|---------------|
| 1        | Health care and social assistance                | 43,471        |
| 2        | Manufacturing                                    | 40,251        |
| 3        | Retail trade*                                    | 34,406        |
| 4        | Construction                                     | 26,047        |
| 5        | Other services                                   | 19,707        |
| 6        | Transportation and warehousing*                  | 19,503        |
| 7        | Professional, scientific, and technical services | 19,095        |
| 8        | Wholesale trade                                  | 16,771        |
| <b>9</b> | <b>Tourism</b>                                   | <b>14,684</b> |
| 10       | Real estate and rental and leasing               | 14,136        |
| 11       | Administrative and waste management              | 13,814        |
| 12       | Finance and insurance                            | 12,368        |
| 13       | Accommodation and food services*                 | 11,437        |
| 14       | Educational services                             | 7,884         |
| 15       | Management of companies and enterprises          | 5,030         |

\* The direct tourism portion of employment in these sectors has been adjusted to be counted within the tourism industry for this comparison.

Note: Table excludes agriculture, government and other services. Employment in 2021 estimated by Tourism Economics.

Source: BEA; Tourism Economics

# APPENDIX

## Glossary – Spending Definitions

| Term                      | Description  |
|---------------------------|--|
| Lodging                   | Includes visitor spending in the accommodation sub-sector. This includes food and other services provided by hotels and similar establishments. This also includes room rentals and second home rental income. |
| Food and beverage         | Includes all visitor spending on food and beverages, including at restaurants, bars, grocery stores and other food providers.  |
| Entertainment/ Recreation | Includes visitors spending within the arts, entertainment and recreation sub-sector.   |
| Retail                    | Includes visitor spending in all retail sub-sectors within the local economy.  |
| Transportation            | Includes visitor spending on services such as airplanes, trains, buses, taxis, ride shares, limos, trains, and rental cars; as well as spending on fuel, parking, tolls and car repairs while traveling.       |

## Glossary – Economic Impact Definitions

|                  |  |
|------------------|--|
| Tourism industry | The value of traveler activity within “travel characteristic industries.” This concept measures only the direct impact of the tourism industry from the sales made to travelers. Also referred to as the travel and tourism industry.  |
| Tourism economy  | The value of traveler activity plus government spending and capital investment in support of tourism and certain personal consumption expenditures. This is the basis of the total economic impact analysis, including the direct impact and the downstream indirect and induced impacts. Also referred to as the tourism economy. |
| Visitors         | Day visitors, defined as people who traveled outside of their normal pattern to spend time in Lancaster County, plus overnight visitors.   |
| Visitor spending | Estimates of the amount travelers spent on their trip while in Lancaster County. Also referred to as traveler spending.  |

## Glossary – Economic Impact Definitions, continued

| 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.  |
| Direct sales    | The term used to represent visitor spending for the major categories of travel related expenditures. Direct sales is equal to visitor spending.   |
| Employment      | Jobs directly and indirectly supported by visitor activity (includes part-time and seasonal work).  |
| Labor income    | Income (wages, salaries, proprietor income and benefits) supported by visitor spending.   |
| 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.  |