

Tourism

RIMS II multipliers are commonly used in tourism impact studies related to seaside economies. Even though there is no single RIMS II industry for tourism, the total impacts of a change in all tourist activity can still be calculated by summing the results for all tourism-related industries.

In particular, the impact of tourism spending can be calculated in four steps:

1. Collect information on the purchases that are likely to be made by tourists. The value of these purchases should include any sales, excise, or lodging taxes collected by sellers.
2. For each service other than retail trade, multiply the purchases made by tourists by the industry's final-demand multiplier. The result is the impact of the increase in each service on the region.
3. Calculate the impact of retail sales. It is discussed in the separate retail trade example. The result is the impact of the increase in retail sales on the region.
4. Sum the impacts calculated in steps 2 and 3. The result is the total impact of the increase in tourism spending on the region.

To give an example of how the impact of tourism spending can be calculated, consider the case of a developmental project to further beautify the beachfront in Myrtle Beach, South Carolina. The completion of this project is expected to draw an additional 500,000 tourists who are expected to spend \$250 million on an annual basis. A local chamber of commerce is interested in estimating the total earnings impact resulting from this increase in spending.

To conduct the impact study, the following decisions are made:

- **Final-demand changes.** There are many final-demand changes because tourists are expected to purchase goods and services from many different industries in the region. Because these purchases are expected to be made by only visitors, Type II multipliers can be used without the need to subtract purchases made by local residents.¹
- **Final-demand industries.** These are the industries from which tourists purchase goods and services. They include accommodations, food services, entertainment, retail trade,

¹ Type II multipliers not only capture the “inter-industry” effects resulting from the increase in economic activity, but they also capture the “household-spending” effects resulting from the related increase in workers’ earnings.

and travel services. Multipliers from the annual series are used because they are based on more recent information and more closely match the industry detail on spending.²

- **Final-demand region.** The final-demand region is the Myrtle Beach, South Carolina, Metropolitan Statistical Area. This region is a good choice when using Type II multipliers because most of the workers in the tourism-related industries are expected to spend their earnings locally.

Table 1 shows the expected increases in purchases for each tourism-related industry in Myrtle Beach, South Carolina. Purchases are expected to increase the most for accommodations (\$97.5 million) and food services (\$82.5 million). Because the region has many golf courses and local museums, purchases are also expected to increase a considerable amount for entertainment (\$20.0 million). Lastly, purchases are expected to increase at local outlet stores and gift shops (\$30.0 million), gas stations (\$17.5 million), and travel agencies (\$2.5 million).

Table 2 shows the total impact on earnings in the region. This impact (\$92.9 million) equals the sum of the earnings impacts for each tourism-related industry. With the exception of retail sales, the impact equals the increase in tourist spending times the industry's final-demand earnings multiplier. The impact for retail sales equals the retail margin for all retail sales times the final-demand earnings multiplier for retail trade.

The total impact on earnings is largely determined by increases in accommodations, food services, and entertainment. The impact of these purchases alone account for over 90 percent of the total impact (\$84.8 million / \$92.9 million). Even though retail sales account for almost 20 percent of the increase in tourist spending (\$47.5 million / \$250.0 million), the impact of these purchases accounts for only about 7 percent to the total impact (\$6.8 million / \$92.9 million). These sales have less impact on the regional economy because local retailers only earn the margin on the goods they sell.

Further examples and tips on how to use RIMS II multipliers in an economic impact study are available in the [RIMS II Handbook](#). Additional information is available on the [RIMS II website](#).

² Multipliers for a more detailed set of industries are available in the benchmark series, but these multipliers are often based on less current information. The choice of which series to use is usually determined by practical considerations: It is chosen to match the level of detail available for the final-demand change.

**Table 1. Tourist Purchases, Myrtle Beach-North Myrtle Beach-Conway, SC
Metropolitan Statistical Area**

Commodity	Increase in local purchases (thousands of dollars)
Accommodations	97,500
Food services and drinking places	82,500
Entertainment	20,000
Performing arts, spectator sports, museums, zoos, and parks	5,000
Amusements, gambling, and recreation	15,000
Retail Sales	47,500
Clothing, leather, and allied products	30,000
Motor vehicle fuels	17,500
Administrative and support services	2,500
Total	250,000

**Table 2. Type II Earnings Impact of Tourist Purchases, Myrtle Beach-North Myrtle Beach-Conway, SC
Metropolitan Statistical Area**

Industry ¹	Increase in local purchases (thousands of dollars)	Final-demand earnings multiplier	Earnings impact (thousands of dollars)
Accommodations	97,500	0.3885	37,879
Food services and drinking places	82,500	0.4502	37,142
Entertainment	20,000
Performing arts, spectator sports, museums, zoos, and parks	5,000	0.6751	3,376
Amusements, gambling, and recreation	15,000	0.4298	6,447
Retail Sales	14,375	0.4754	6,834
Clothing, leather, and allied products	11,400
Motor vehicle fuels	2,975
Administrative and support services	2,500	0.5037	1,259
Total	216,875	...	92,936

1. Aggregate industries from the annual series