Economic impact of Mississippi and Alabama Gulf Coast tourism on the regional economy

Zhimei Guo a, *, Derrick Robinson b, Diane Hite c

a Department of Agricultural Economics and Rural Sociology, 203 Comer Hall, Auburn University, Auburn, AL, 36849-5406, United States
b Division of Agriculture & Natural Resources, University of California, San Diego, CA, 92123, United States
c Department of Agricultural Economics and Rural Sociology, 203 Comer Hall, Auburn University, Auburn, AL, United States

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Abstract

The coastal economy is highly sensitive to natural and human disasters and changes in economic conditions. This study analyzes the local and regional economic impacts of Mississippi and Alabama Gulf Coast visitor spending in 2013, aiming to provide guidance on future regional planning and management. IMPLAN input-output models were constructed which capture the connections among the Gulf Coast region and the two states' economies. Economic impacts of visitor spending were calculated with the IMPLAN software. An internet survey of tourists was conducted by Survey Sampling International (SSI) to a nationally representative population. Overall, 2891 individuals responded, for a response rate of 26.2%. Based on the survey data, it was estimated that approximately 16.4 million travelers visited Alabama and Mississippi Gulf Coast in 2013 and the average per visitor spending was $730.11. In total, visitor spending yielded $17.6 billion in sales revenue, $9.4 billion in value added, $5.9 billion in labor income, and about 200,000 full and part-time jobs in the five coastal counties. Comparatively, the leakage of the visitor spending out of the regional economy is small. Coastal tourism also contributed to the economy of inland areas of the two states. But the spillover effect on inland areas and feedback effects on coastal counties were not large. This analysis examined how tourism industry impacted other working waterfront industries as well as the rest of the regional economy. Findings help decision makers look beyond the direct impacts generated by the Gulf Coast tourist spending and contribute to sustainable community planning and management.

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1. Introduction

Tourism has become a popular development strategy in coastal regions with unique environmental or cultural characteristics. As previous research indicates, tourism creates new job opportunities and increases gross regional products, labor income, and tax revenues (Deller et al., 2008; Lacher and Oh, 2012). Specifically, tourism is important for coastal economies. Klein et al. (2004) found a significant increase in overall domestic travel expenditures, specifically concentrated in coastal zones. Tourism in the Mississippi and Alabama Gulf Coast area (GCR) consists of trips for a broad range of recreational activities from viewing nature to gambling to accessing coastal beachfronts. GCR tourism has exhibited significant growth in the past decades. Although affected by the 2000 recession, this sector experienced over 200% growth from 1990 to 2004 in both employment and GDP in the Alabama Gulf Coast (Zhang et al., 2015). After a dramatic decline in 2005 due to hurricanes, this sector observed constant growth from 2005 to 2013. Employment and GDP increased approximately 36.7% and 46.8%, respectively (ENOW, 2016, Fig. 1). According to the Alabama Tourism Department (2014), the counties of Baldwin and Mobile attracted over one-third of the total travelers to Alabama in 2013. The tourism and recreation sector also had a general increasing trend in Mississippi Gulf Coast during the last decade. From 2005 to 2013, employment and GDP increased approximately 23.1% and 10.6%, respectively, in this sector (ENOW, 2016, Fig. 2). During this time, the downward trend in GCR employment and GDP percentage change coincide with the Great Recession, February 2008–2010 (ENOW, 2016, Fig. 3). Looking at the years following the Great Recession, the tourism and recreation sector shows resiliency and continued growth.
In addition, labor income and tourism tax revenues also increased in Alabama and Mississippi Gulf Coast counties. From 2005 to 2013, labor income grew 71.7% and 47.6% in the tourism and recreation sector in the coastal counties of Alabama and Mississippi, respectively (ENOW, 2016, Fig. 4). There was a 32% increase in tourism tax revenues in 2011 compared with the 2005–2009 average in Baldwin and Mobile, AL (SOG, 2014). Mississippi’s Gulf Coast also saw a 5% increase in tourism tax revenues in 2011 compared to the 2007–2009 average (SOG, 2014).

Coastal tourism is greatly dependent on working frontiers, i.e., the real property (including waterfront lands and infrastructure and waterways) that are used for water-dependent commercial activities (Zhang et al., 2015). Water-dependent and water-related industries are referred to as working waterfront industries in this paper. Previous working waterfront economic impact studies conducted in the GCR focused solely on the welfare of commercial and recreational fishing sectors (Posadas, 2015; Posadas and Posadas, 2013; Upton, 2011). While these studies found that the seafood industry took about two years on average to recover to pre-shock condition, additional losses from diminished branding value were predicted for up to seven years after an event (Sumaila et al., 2012). Likewise, coastal tourism is vulnerable to threats and disturbances by natural and human disasters. For instance, the Alabama tourism and recreation sector declined over 30% in GDP and employment due to hurricanes in 2004 and 2005 (Zhang et al., 2015). The loss in tourism revenues caused by the Deepwater Horizon oil spill in 2010 was estimated to be $0.3 - $0.8 billion in coastal Alabama.

Other impact studies that examined effects to tourism from these shocks looked at all coastal areas in all the Gulf Coast states and found that negative economic impacts persisted for up to three years (Oxford Economics, 2010). Aldy (2014)’s study associated direct employment losses in tourism related sectors with declines in visits. Larkin et al. (2013) discussed indirect effects of oil spills that damaged the value of intrinsic locational place-brands (i.e., reputation) and consequently resulted in regional economic losses. This negative externality needs to be accounted for when looking at economic impacts of oil spills and suing for compensations for local residents. Therefore, a baseline is necessary to understand how coastal tourism in the GCR impacts the economies of the two states, and to better estimate GCR place-brand value for the future.

Tourism affects nearly all facets of the Gulf Coast as well as the regional economy. It also has ripple effects across the Gulf Coast counties and beyond and is one of the most important sources of regional economic growth (Zhang et al., 2015). This industry, combined with notable events such as disturbances and threats, can cause significant socioeconomic structural change across all sectors of the working waterfront economy. First of all, some working waterfront industries directly and indirectly supply goods and services to tourism industries. Second, employees in the tourism industry and all its supplying industries spending their income (on housing, utilities, etc.) also affect other working waterfront industries. In the same way, other working waterfront industries affect tourism industry and rest of the working waterfront economy. Therefore, the interplay between coastal tourism and other working waterfront industries is very important for economic development and to increase community resilience. Resilience in the GCR is characterized in the area’s capacity to maintain social, economic, physical, human and natural capital during times of crisis (Mayunga, 2007).

This study analyzes the local and regional economic impacts of Mississippi and Alabama Gulf Coast visitor spending in 2013, aiming to provide guidance on future regional planning and policymaking. It is useful for understanding the resiliency of GCR communities that are heavily dependent on tourism, and the positive impacts of industry specific development. Following the results, the leakage of the visitor spending out of the regional economy is discussed. We also compare direct and indirect job creation in the Gulf Coast and non-coastal areas, as well as the economic multipliers with other coastal regions.

1.1. Study area

The GCR, consisting solely of the coastal counties of Alabama (Baldwin & Mobile) & Mississippi (Jackson, Hancock, Harrison), was used as the study area for this analysis. Fig. 5 provides a geographical reference of the GCR. Throughout the five Gulf Coast states (including Texas, Louisiana, Mississippi, Alabama, and Florida), tourism is estimated to be a $20 billion industry (GMPO, 2010). In Alabama alone, it is valued at over $3.2 billion annually (Alabama Tourism Department, 2014). Fig. 6 shows that GCR tourists’ primary reasons for visiting was accessing the beach, retail shopping, eating seafood, and gambling (MASGC, 2013). Therefore, it is important for GCR tourism development to focus on supporting these types of tourism resources supplied. Tourism resource supply of the area is characterized by the availability of activities for visitors at a destination, the GCR.
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