

Recession and the Implications for Grand Strand Tourism

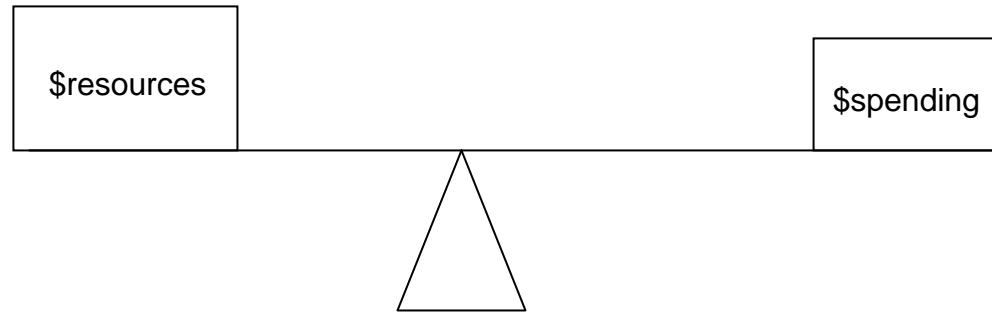
Myrtle Beach Area Chamber of Commerce

February 11, 2009

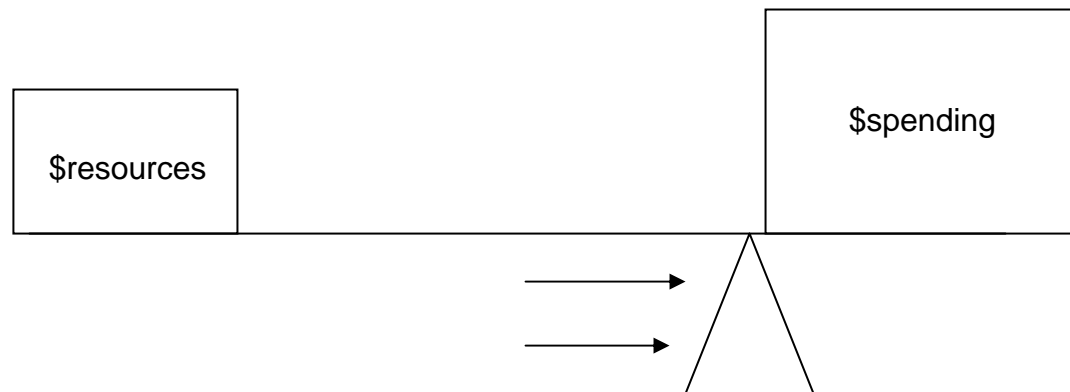
Dr. Don Schunk
Research Economist
BB&T Center for Economic & Community Development
Coastal Carolina University



The 'Leveraging' of the late 1980s – early 2000s

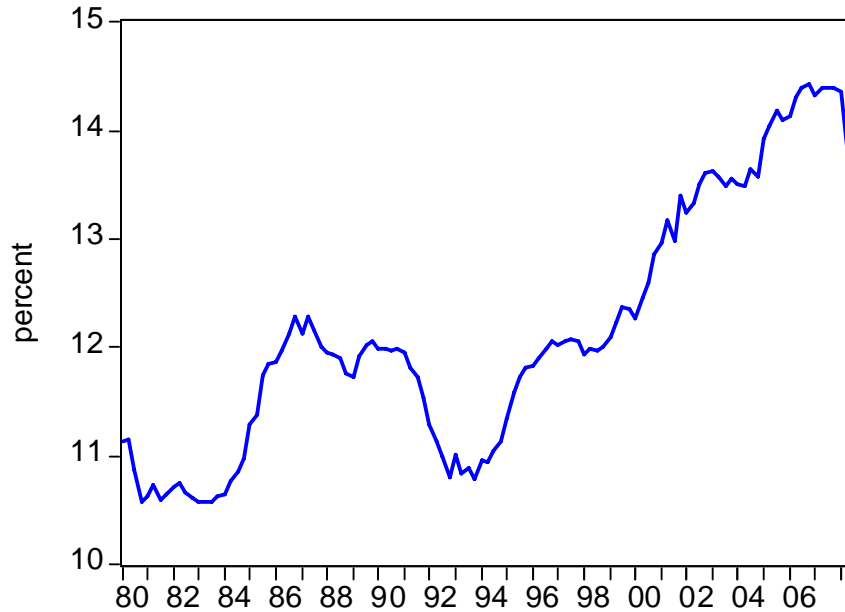


Rising stock prices, rising home prices, low interest rates,
easy access to credit, plunging savings rates

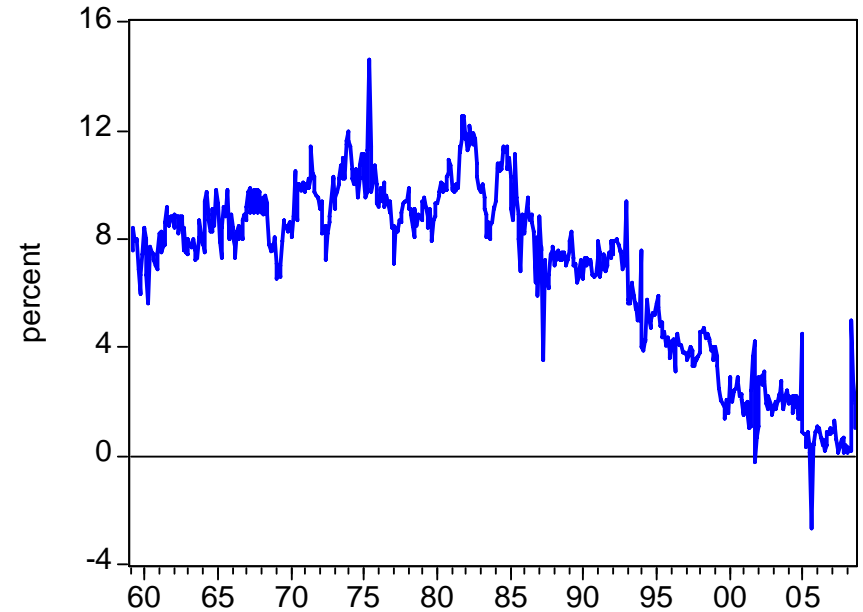


Unsustainable Factors Driving the Spending Boom since 1980

Debt Service as % of Income



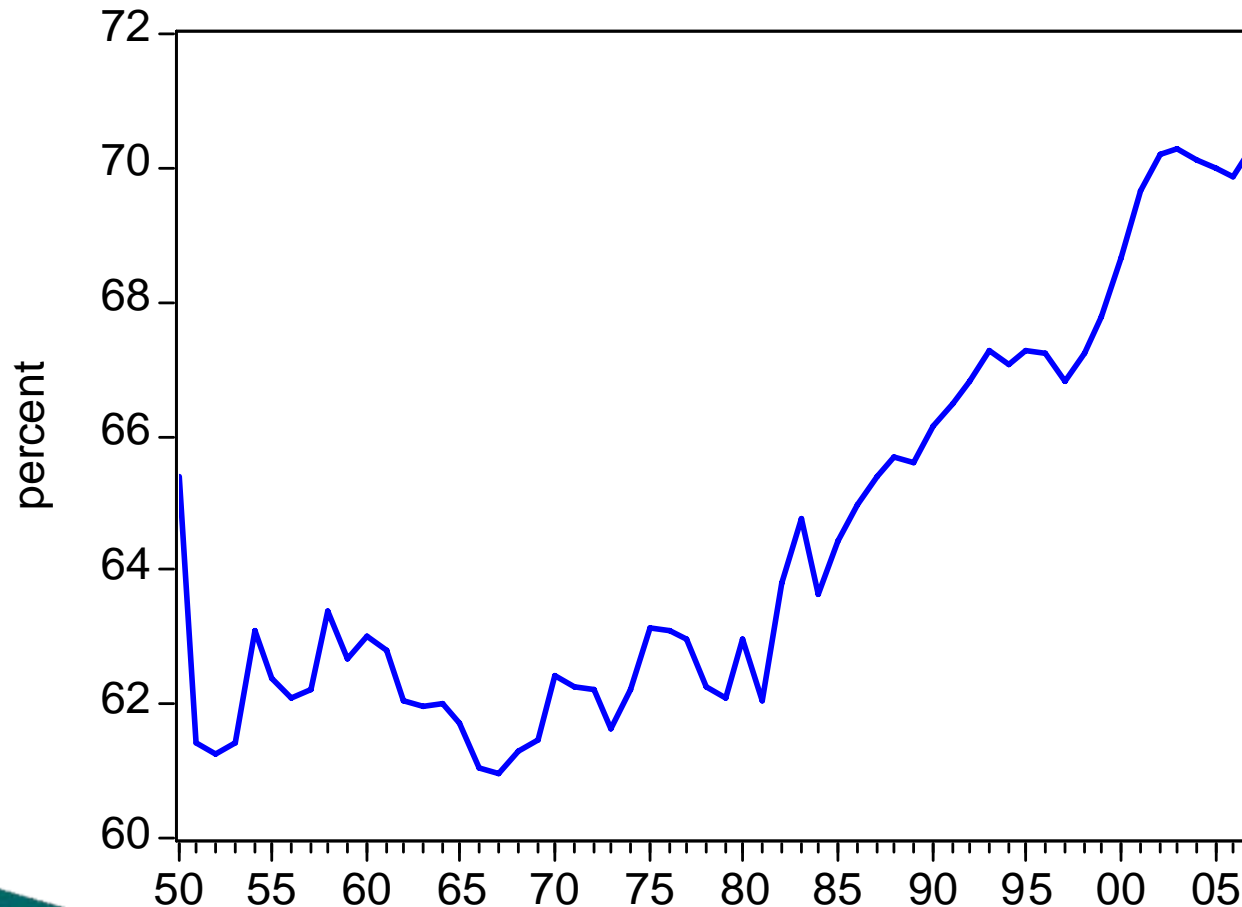
Personal Savings Rate



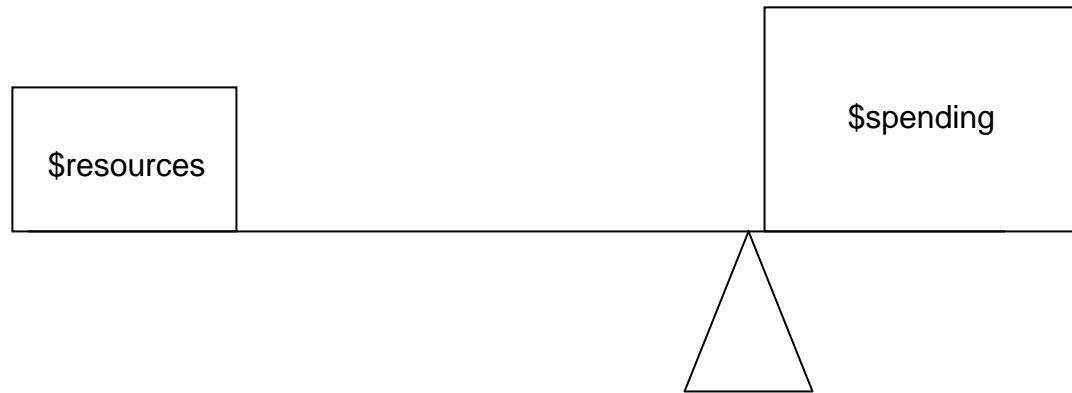
Long-Term Consumption Trends, US

1950 - 2007

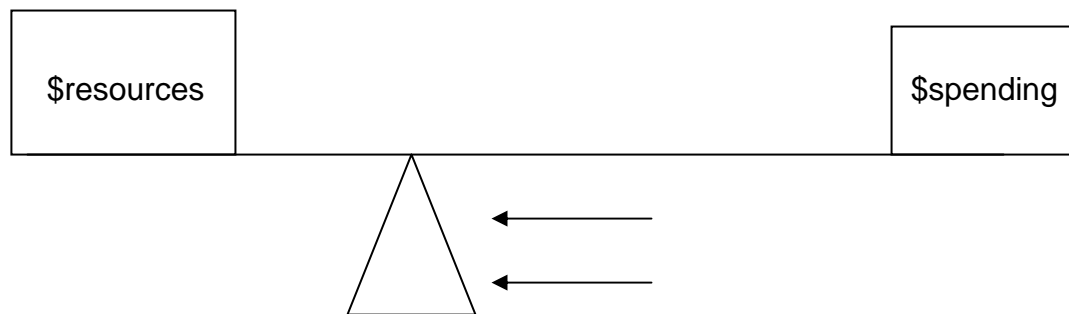
Consumption as a Percent of GDP



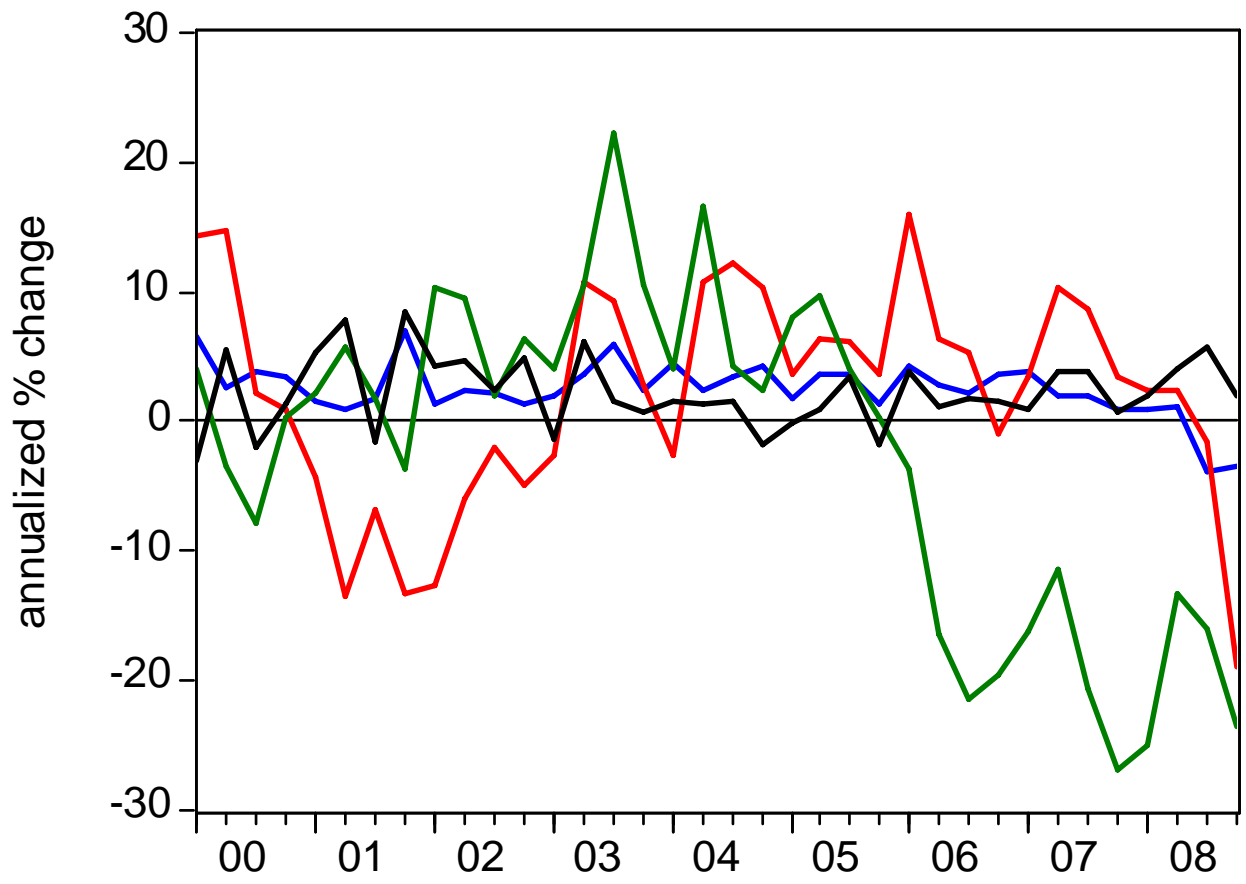
The 'Deleveraging' of the late 2000s



Falling stock prices, falling home prices, credit crunch,
change in appetite for risk



Recent US Trends: 2000Q1 – 2008Q4

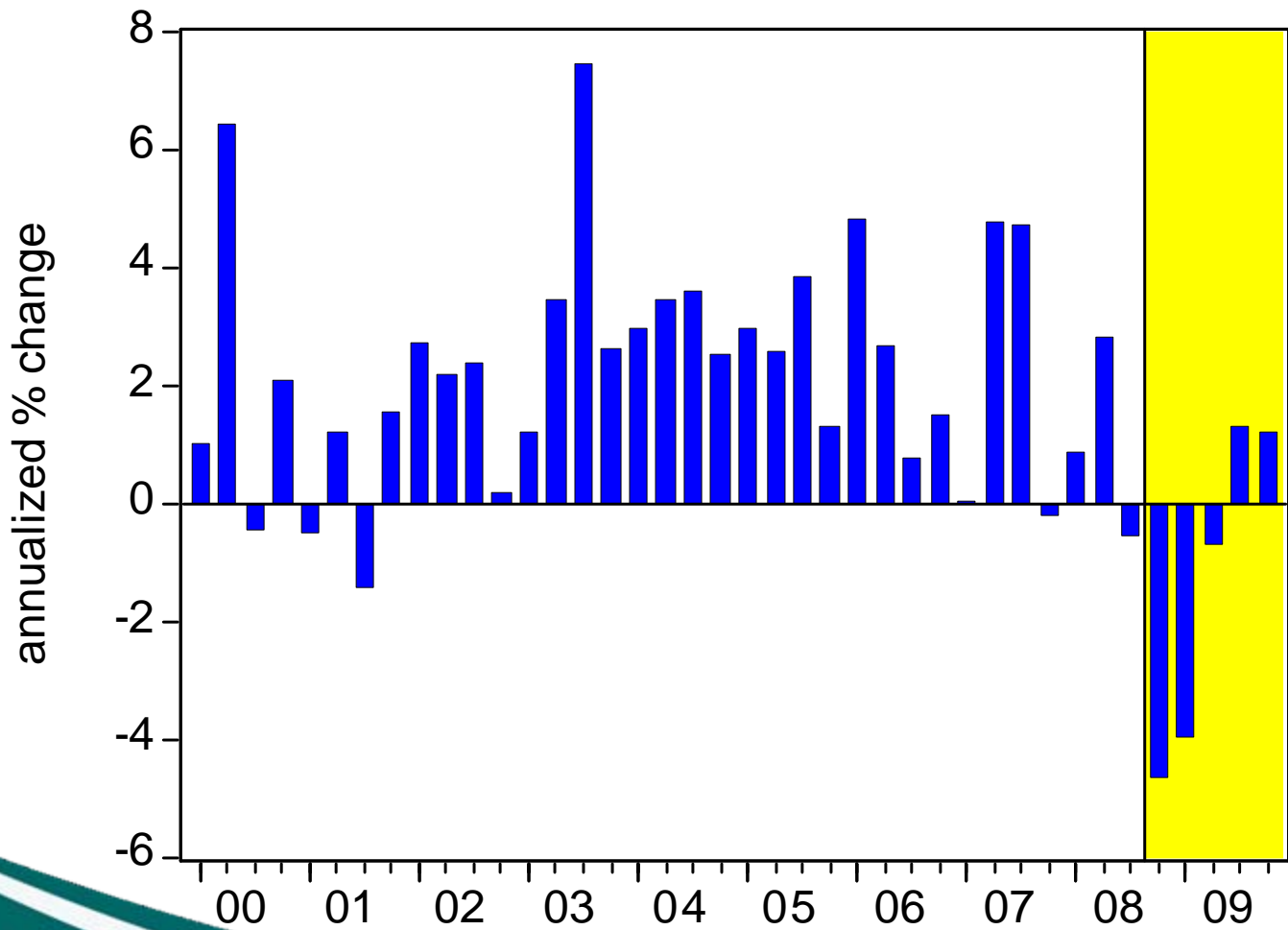


- Consumption
- Business Spending
- Residential Investment
- Government Spending



US Real GDP Growth

2000Q1 – 2009Q4

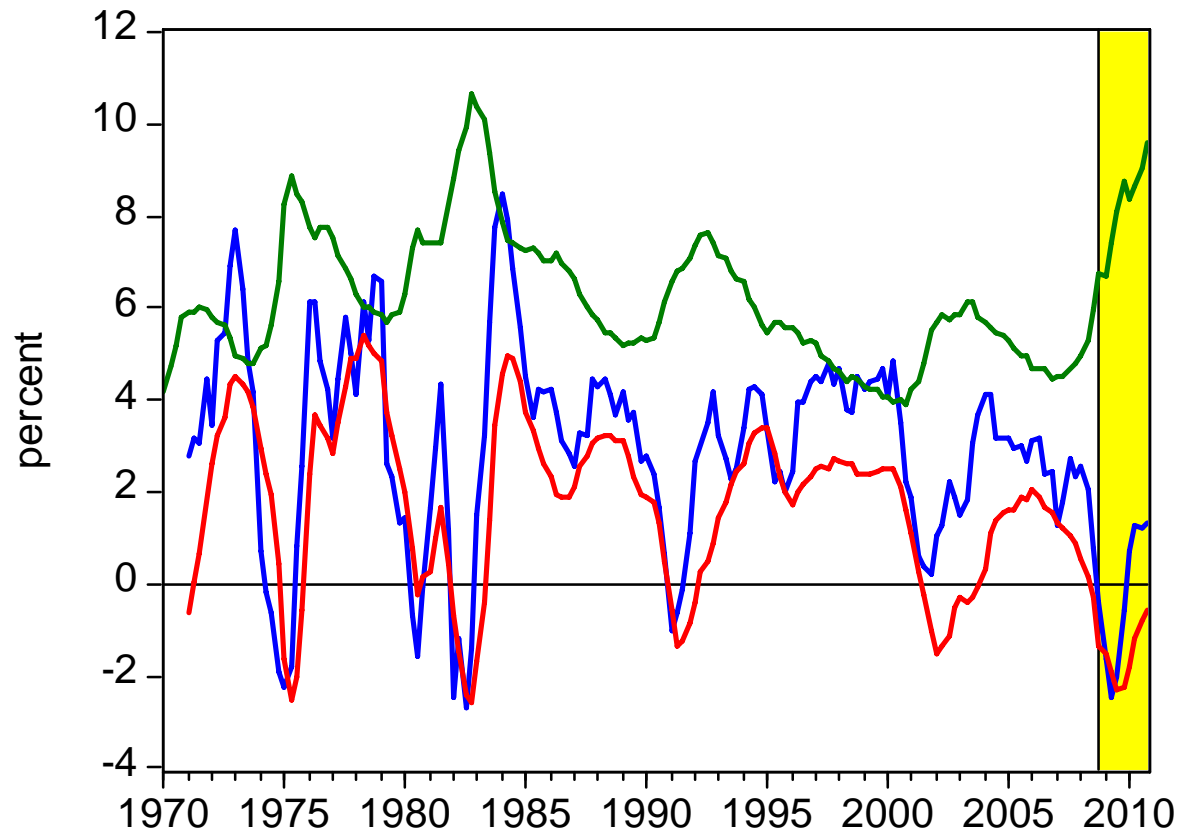


2008Q1	0.9%
2008Q2	2.8%
2008Q3	-0.5%
2008Q4	-4.6%
2009Q1	-4.0%
2009Q2	-0.7%
2009Q3	1.3%
2009Q4	1.2%



The Current Recession in Context

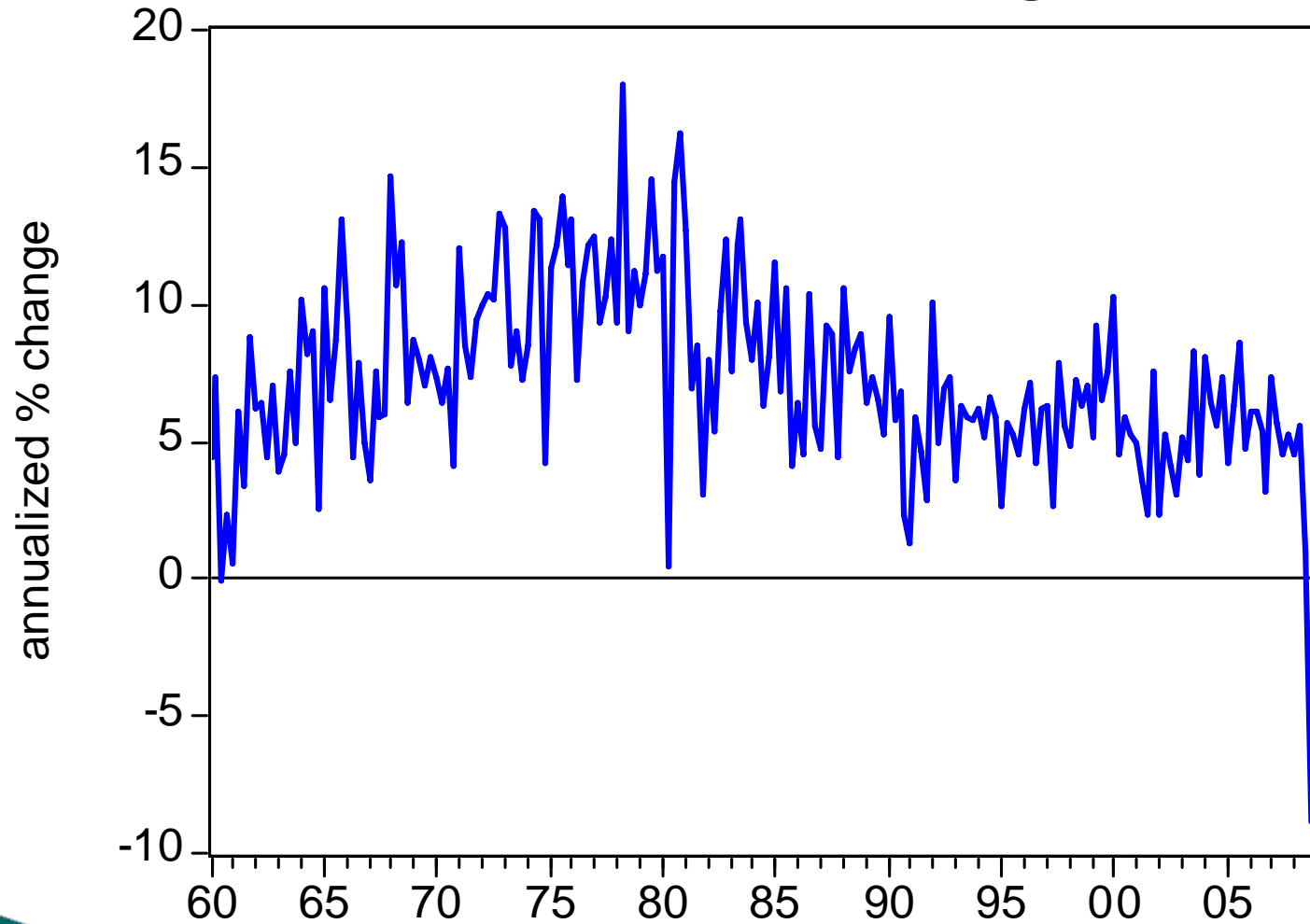
1970Q1 – 2010Q4



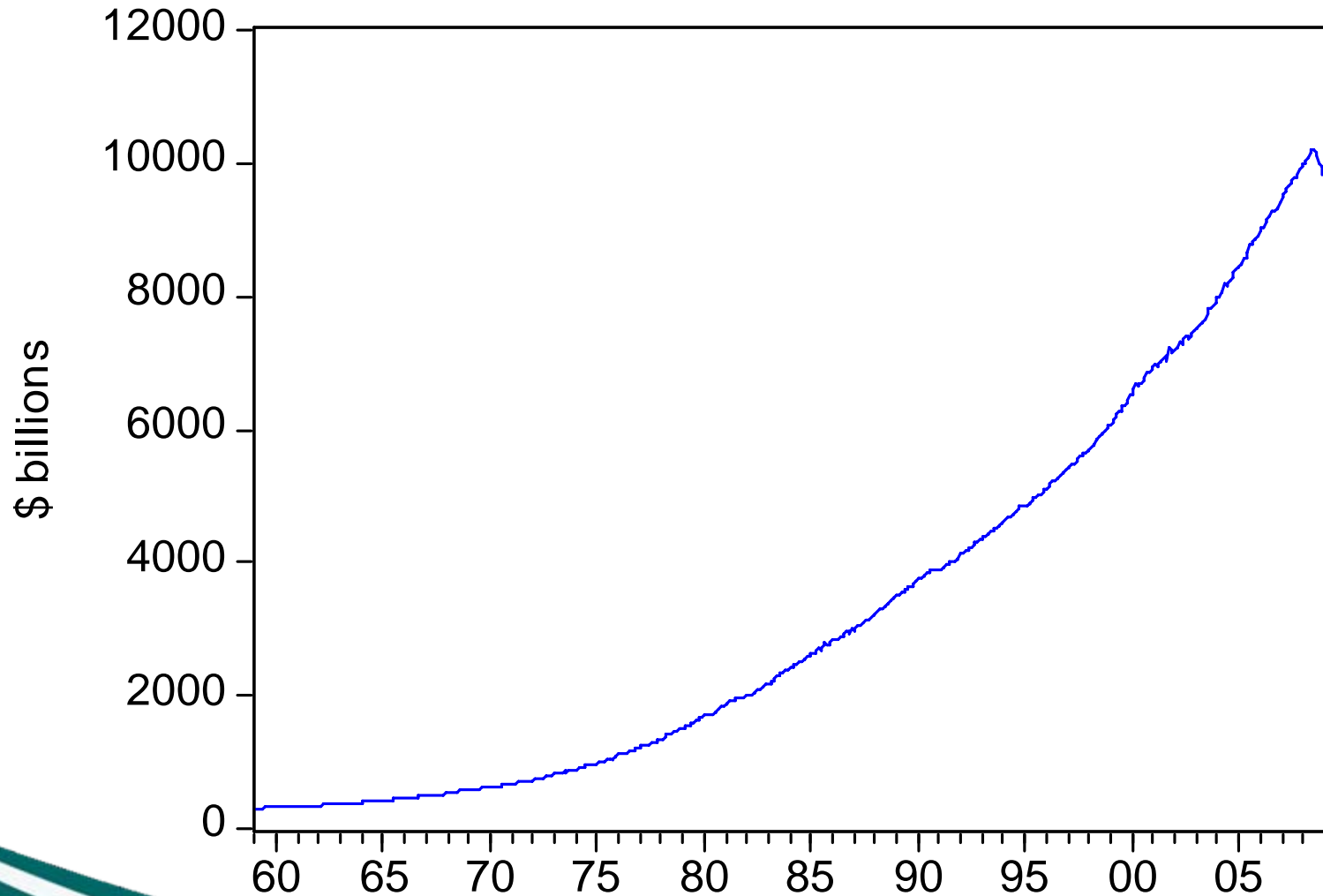
- Real GDP Growth
- Job Growth
- Unemployment Rate



U.S. Consumer Spending Growth



U.S. Consumer Spending



Grand Strand Tourism in 2009

- Surveys indicate that travelers may reduce spending by roughly 10 percent in 2009
- What would this look like along the Grand Strand?
 - A 10% decline in visitor spending:
 - Direct \$415 million loss of business revenue, and the loss of an additional \$166 million due to multiplier effects (\$581 million total revenue loss)
 - Loss of 7,060 jobs
 - \$31.6 million decline in state tax revenues: due to lost sales tax revenue and lost individual income tax revenue
- Can consider this to be the baseline scenario, if the Grand Strand maintains previous market share



Recession Strategy

- Opportunities always exist: capture market share
 - As a household
 - As a business
 - As a destination



Another Look at Grand Strand Tourism in 2009

- What happens locally will depend on Myrtle Beach's market share
- What will determine our market share?
- Depending on the availability of tourism promotion funds, we face the possibility of losing market share
- However, we also have a tremendous opportunity to gain market share
- The opportunity cost of reduced funding: the value of lost market share AND the value of foregone potential growth in our market share



The Value of Increased Market Share

- What if Myrtle Beach could *gain* market share rather than lose?
- Consider a 3% difference in the number of vacations between the *lose market share* scenario and the *gain market share* scenario. We would have the following economic benefits:
 - The recovery of \$157 million in local business revenue
 - The recovery of 1,900 jobs
 - The return of \$8.5 million in SC tax revenues
- These are the potential benefits of investing in tourism promotion now... they also represent the opportunity cost of failing to invest in promotion

