

## The Economic Impact of Arizona's Sports & Tourism Sector February 9<sup>th</sup>, 2023

### Summary & Key Findings

The Arizona Sports and Tourism Authority estimated the impact of hosting the Super Bowl in 2015 to be \$719.4 million<sup>1</sup>. By all accounts, the upcoming 2023 event should be even larger. The entire sector of sports and tourism in Arizona, however, adds billions of dollars and thousands of jobs annually and independent of major events like the Super Bowl. This brief will give an overview of the impact the whole sports and tourism sector has on Arizona's economy throughout the year and its prospects for future growth.

- **\$24.2 billion:** Contribution of the sports and tourism sector to Arizona's Real Gross Domestic Product in 2022.
- **\$13.7 billion:** Direct sales by Arizona's hotels, casinos, performance venues, and other components of the state's sports & tourism sector in 2022.
- **347,500:** Number of people directly and indirectly employed by Arizona's sports and tourism sector, or 11% of the state's total workforce.
- **3.0%:** Projected average annual growth rate of the sector over the next decade.

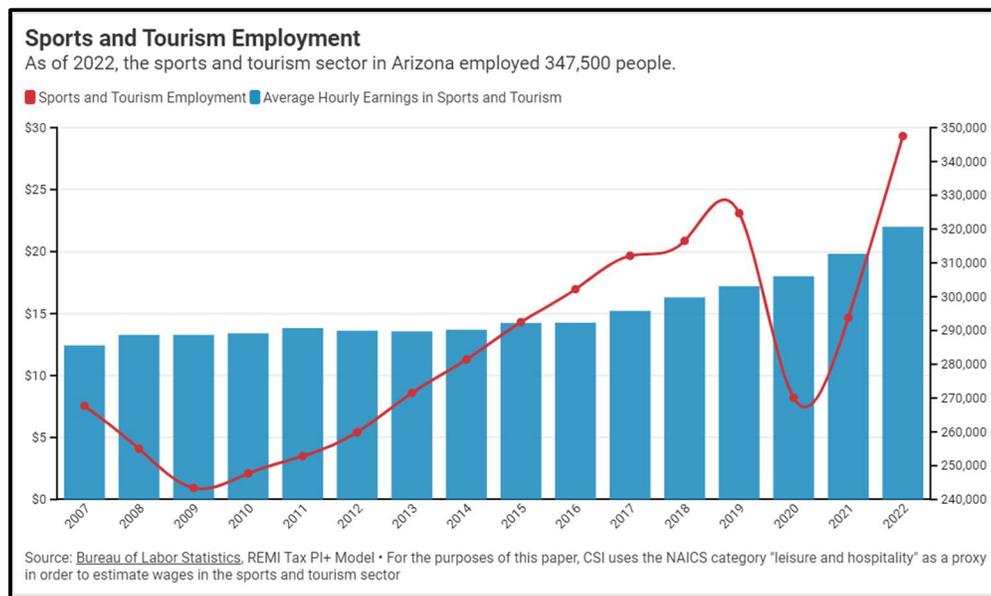
Sports and tourism, as a sector composed of various shares of NAICS classification industries, is no small share of the Arizona economy, and recognizing the impact of these industries can help encourage the adoption of public policy that enables the continued growth and development of this area.

### About the Sports & Tourism Sector

Our moderate climate and numerous attractions have made it a magnet for tourism and made its sports and tourism sector historically important to Arizona's economy. The state has 15 professional sports teams (including four major league teams), 32 state parks, and 24 national parks (including the Grand Canyon). Arizona can host large sporting events year-round and has unique state and national parks for hiking and camping, the climate for state-of-the-art year-round golf courses, and numerous other attractions, which puts us in a strong position for a successful sports and tourism sector. CSI includes industries such as scenic transportation, performing arts, spectator sports, recreation, gambling, and accommodations in our definition of the sports and tourism sector because it encompasses such a wide array of economic activity.

While this sector had a decreased output due to the Covid pandemic in 2020, most of the industries that make up the sports and tourism sector were among the top 10 fastest growing industries in 2022. The 2023 Super Bowl – the state's fourth since 1996 – in Glendale is likely to ensure this sector remains a prominent performer this year.

CSI estimates that the sports and tourism sector directly employed 167,000 workers in 2022, and indirectly supports another 181,000 jobs. The sports and tourism sector is relatively larger in Arizona than in the average US state. Also of note is the sectors relative importance to rural Arizona: over 16% of the state’s sports and tourism employment is outside of the Phoenix and Tucson metro areas, versus only about 12% of the states workforce overall. For perspective, about 17% of the state’s population lives in rural areas.



## The Economic Impact Model

CSI estimated the economic impact of the sports and tourism sector by using Regional Economic Models, Inc. (REMI). This is a dynamic program that estimates the impact of changes in regional economies using representative national and state-level macroeconomic data in an input-output model. The World Tourism Organization defines tourism as “the activities of persons travelling to and staying in places outside of their usual environment for not more than one consecutive year for leisure, business or other purposes”<sup>ii</sup>.

While some sectors are clearly defined in their economic activity, sports and tourism is a broad category that encompasses several different industries from state and national parks attractions to musical and sporting events. <sup>iii</sup> Within the North American Industry Classification System (NAICS), which is used by both the Bureau of Labor Statistics and the REMI model, are numerous industry categories composed wholly or partly by activity CSI believes is consistent with this definition of “sports and tourism”.

To model the impact of the sports and tourism sector exclusively and in totality, we defined the category as follows (and as a percentage of the total classification):

- scenic and sightseeing transportation (100%),
- administrative and support services (4%),

- accommodation, performance arts, spectator sports, and related industries (99.76%),
- museums and historical sights (100%), and
- amusement, gambling, and recreation industries (100%).

By excluding these classifications from Arizona's total output (defined to be an industry's total sales or production), we can use the change in GDP, employment, income, and other measures of economic output to estimate the impact of the sports and tourism sector across the state holding all other characteristics of the Arizona economy fixed – both directly, and indirectly through induced jobs elsewhere.

These categories are narrow enough to exclude industries not directly related to tourism and sports such as restaurants and drinking places, but broad enough to include tourist locations such as the Grand Canyon and hiking trails as well as events that draw people to Arizona such as music festivals and football games.

In estimating the economic impact, CSI considered the direct, indirect, induced, and dynamic effects of the sports and tourism sector in Arizona. Direct impacts are initial changes that occur specifically because of the definition of sports and tourism activities used – for example, the employment, wages, and salaries associated with all Arizona hotels within the accommodation NAICS category. Indirect impacts reflect changes that occur in the supply chain for the directly impacted industries – for example, the fabric materials suppliers that sell bedding and towels to the directly impacted hotels. Induced impacts reflect changes that occur throughout the economy due to the loss (or gain) of wages and salaries in the directly and indirectly impacted industries – for example, retail spending by Arizona hotel workers. And finally, dynamic effects are the geographic and compositional changes in the economy in response to the policy shock – like the movement of workers elsewhere when a large local employer closes. As a baseline, the REMI model assumes the Arizona economy employs 4.1 million people and has an annual (real, inflation-adjusted) Gross Domestic Product of \$379 billion.

### **The Economic Impacts of Arizona's Tourism Sector**

CSI estimates that the sports and tourism sector of the economy directly employs 166,700 Arizonans and contributes \$13.7 billion in final industry sales.

However, because the sports and tourism industries add jobs and output for Arizonans and tourists, other industries will feel these effects indirectly. As a result of the products demanded by companies in the sports and tourism sector, another \$3.5 billion in output and 20,000 jobs are supported by this sector from the sale of food, beverages, bedding, towels and other intermediate goods and services. As employees of the sports and tourism sector receive wages and spend money on goods and services outside of their

own companies, sports and tourism further induces \$9 billion in output and 67,000 jobs in other industries.

Including all direct, indirect, and other dynamic effects, the sports and tourism sector contributes \$24.1 billion in Gross Domestic Product (GDP) to the Arizona economy (6.4% of all economic activity). Additionally, 347,500 jobs and \$18.1 billion in disposable personal income are supported by this sector. Because the sector is projected to continue growing faster than the Arizona economy, the impact after 10 years increases to 7.2% of the total economy or \$33.2 billion (Real GDP).

Category	Output in Billions of Dollars	Employment
<b>Total</b>	<b>\$40.6</b>	<b>347,506</b>
Direct	\$13.6	166,751
Indirect	\$3.5	20,925
Induced	\$9.1	67,962
Dynamic	\$14.3	92,865

Source: REMI Tax PI+ Model

While the aggregate impact across the state’s economy in terms of employment is roughly 8%, the impact varies significantly by sector – for example a (direct) loss of 50,700 jobs in the accommodation industry induces an (indirect and dynamic) loss of 44,300 jobs in the state’s construction industry. A full accounting of modeled job and output losses by industry is included in an interactive table on the CSI [website](#).

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<sup>i</sup> Eaton, John & Michael Mowka, “[Super Bowl XLIX Economic Impact](#)”. *W.P. Carey School of Business*. July 22, 2015.

<sup>ii</sup> Camilleri, M. A. “[The Tourism Industry: An Overview](#)”. *Travel, Marketing, Tourism Economics and the Airline Product*. 2018.

<sup>iii</sup> Neirotti, Lisa. “[Sport and Adventure Tourism](#)”. *Haworth Hospitality Press*. 2003.