

The Economic Impact of Music



AUSTIN

2016 UPDATE



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Overview

Music and its prospects are a subject of much conversation in Austin these days, as a range of factors that largely boil down to increasing costs and uncertain revenue streams have put pressure on local musicians and those who support them. The connection between culture, creativity, and economic activity has been a foundation of local economic development thinking since the turn of the century, and was a strategic economic development focus for the City as Austin experienced explosive growth over that time. TXP has addressed this relationship locally as it pertains to music, beginning with an initial study in 2001, followed by updates in 2007 and 2012. This paper provides an additional update to the measurements done previously, using 2014 data as the basis of analysis.

Definitions and Assumptions Used in the Modeling Process

Definitions

Any effort to measure the role of music in a local economy will by definition involve classification decisions by the analyst, since music does not map directly to standard industrial classification patterns. In this case, TXP has defined music as comprising the following:

- 1) Primary Music (which includes production, music video, industry, tour, and recording services, performers, and commercial music);
- 2) Music-related tourism (tourism influenced by music).

These categorizations are by no means definitive, but represent TXP's best effort to capture the range and scope of Austin's music activity in a manner that is both reasonably comprehensive and consistent with our previous local work in this area.

Assumptions

Since this analysis is an update of previous work by TXP, data on the direct impact of music was either obtained from the original sources or projected forward from the recently available baseline information from public sources. Information from the Austin Music Census was incorporated, while estimates of the role of music in Austin's tourism industry relied on several studies commissioned by The Austin Convention & Visitors Bureau. These studies examined, among other things, the relative appeal of attractions that brought visitors to Austin. Once the scores were normalized, questions concerning the variety of attractions in general, the range of art and cultural offerings available, and music and nightlife were used (in combination with data on tourism in the Austin area from Dean Runyan maintained by the Governor's Office of Economic Development) to calculate the role of music in attracting tourists to Austin.

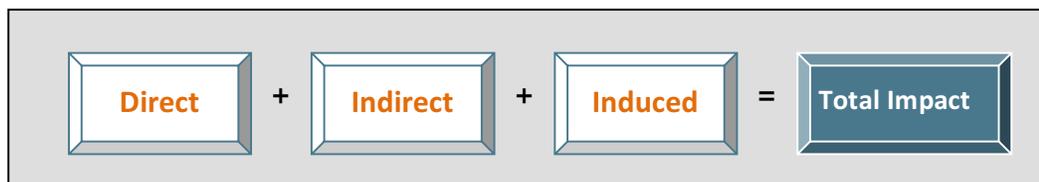
Economic Impact Methodology

In an input-output analysis of new economic activity, it is useful to distinguish three types of expenditure effects: direct, indirect, and induced. Direct effects are production changes associated with the immediate effects or final demand changes. The payment made by an out-of-town visitor to a hotel operator is an example of a direct effect, as would be the taxi fare that visitor paid to be transported into town from the airport.

Indirect effects are production changes in backward-linked industries caused by the changing input needs of directly affected industries – typically, additional purchases to produce additional output. Satisfying the demand for an overnight stay will require the hotel operator to purchase additional cleaning supplies and services, for example, and the taxi driver will have to replace the gasoline consumed during the trip from the airport. These downstream purchases affect the economic status of other local merchants and workers.

Induced effects are the changes in regional household spending patterns caused by changes in household income generated from the direct and indirect effects. Both the hotel operator and taxi driver experience increased income from the visitor's stay, for example, as do the cleaning supplies outlet and the gas station proprietor. Induced effects capture the way in which this increased income is in turn spent in the local economy.

Figure 1: The Flow of Economic Impacts



Once the ripple effects have been calculated, the results can be expressed in a number of ways. Four of the most common are "Output," equivalent to sales; "Value-Added," which describes the difference between a firm's top-line revenue and its cost of goods sold (exclusive of labor-related costs); "Earnings," which represents the compensation to employees and proprietors; and "Employment," which refers to permanent, full-time jobs that have been created in the local economy. The interdependence between different sectors of the economy is reflected in the concept of a "multiplier." An output multiplier, for example, divides the total (direct, indirect and induced) effects of an initial spending injection by the value of that injection – i.e., the direct effect. The higher the multiplier, the greater the interdependence among different sectors of the economy.

Summary Results

In 2010, the collective impact of music and music-related tourism accounted for just over \$1.6 billion in annual economic activity (output) in the local economy, supporting over 18,000 jobs and producing almost \$40 million in City of Austin tax revenue. At that point, while the economic activity skewed slightly toward music as being the creative sector of Austin's economy, other indicators suggested that music-related tourism had moved past the music itself in terms of local economic impact. This gap has widened considerably in the past four years. While the collective impact of music and music-related tourism now exceeds \$1.8 billion annually, over two-thirds of the jobs are now associated with the tourist side of the equation, compared to 56 percent in 2010. Put another way, the impact of music-related tourism accounted for 3,780 more jobs in 2014 than four years previously, a gain of 37 percent. By contrast, music and its secondary effects saw jobs fall 1,205 over the same period, a 15 percent decline. The following summarizes the analysis. See Appendix 1 for detailed results.

Table 1: Total Music Sector Economic Impacts in 2010 and 2014 (\$millions)

2010	Output	Value-Added	Earnings	Jobs	City Tax Rev.
Primary Music	\$856.10	\$478.58	\$230.04	7,957	\$9.66
Tourism/Music	\$806.25	\$485.19	\$244.65	10,191	\$28.40
Total Annual	\$1,662.3	\$810.82	\$401.17	18,148	\$38.06

2014	Output	Value-Added	Earnings	Jobs	City Tax Rev.
Primary Music	\$726.46	\$406.13	\$195.20	6,752	\$8.20
Tourism/Music	\$1,105.32	\$665.19	\$335.41	13,971	\$38.93
Total Annual	\$1,831.7	\$1,071.31	\$530.61	20,723	\$47.13

Conclusion

The data bears out the conversation alluded to above, as it is clear that the local primary music industry is experiencing a range of challenges that add up to a smaller footprint than four years ago. Meanwhile, the tourism side of the equation is thriving, a dichotomy that logically can't continue indefinitely. Beyond the festivals and concerts that are destination events, primary music helped create an environment in Austin that appeals broadly to visitors of all stripes; to the extent that it is no longer healthy and viable, both sides of the equation inevitably will suffer.

APPENDIX

A1. Detailed Total Music Economic Impacts (2014)

	Output	Value-Added	Earnings	Jobs
Agriculture, etc.	\$651,933	\$233,769	\$92,829	6
Mining	\$3,566,036	\$1,812,045	\$753,464	5
Utilities	\$28,278,169	\$17,213,020	\$5,599,560	54
Construction	\$9,389,054	\$4,667,513	\$3,436,390	88
Manufacturing	\$50,078,144	\$18,823,537	\$10,753,540	207
Wholesale Trade	\$39,001,084	\$26,312,107	\$12,178,235	187
Retail Trade	\$108,055,478	\$70,788,637	\$36,799,481	1,508
Transport & Warehousing	\$24,037,732	\$13,157,689	\$9,127,626	232
Information	\$300,705,920	\$124,338,972	\$64,177,585	1,169
Finance & Insurance	\$94,000,153	\$54,620,551	\$26,021,452	471
Real Estate	\$149,000,352	\$110,519,318	\$11,255,395	495
Professional Services	\$85,664,418	\$58,204,323	\$40,066,913	659
Management of Firms	\$8,901,731	\$5,502,339	\$3,670,494	48
Administrative Services	\$46,509,609	\$31,211,677	\$20,771,182	959
Educational Services	\$9,731,035	\$5,522,762	\$3,962,422	162
Health care	\$59,057,115	\$36,567,009	\$27,730,583	744
Arts/Entertain/Recreation	\$330,469,765	\$215,151,619	\$105,090,722	5,661
Accommodation	\$196,535,752	\$126,498,083	\$57,612,075	2,251
Food Services	\$248,120,857	\$129,100,163	\$78,653,507	5,259
Other Services	\$40,026,774	\$20,312,169	\$12,136,495	483
Households	N.A.	\$718,718	\$718,723	72
Total Annual	\$1,831,781,11	\$1,071,276,02	\$530,608,675	20,723

A2. Detailed Primary Music Economic Impacts (2014)

	Output	Value-Added	Earnings	Jobs
Agriculture, etc.	\$177,025	\$70,810	\$35,401	2
Mining	\$902,829	\$460,266	\$194,707	1
Utilities	\$6,780,069	\$4,354,823	\$1,345,247	13
Construction	\$2,513,759	\$1,239,177	\$920,432	23
Manufacturing	\$20,959,797	\$8,001,544	\$4,832,268	87
Wholesale Trade	\$11,665,968	\$7,877,626	\$3,646,327	56
Retail Trade	\$22,305,189	\$14,622,291	\$7,593,564	311
Transport & Information	\$8,815,861	\$4,921,304	\$3,363,117	88
Finance & Insurance	\$258,262,227	\$101,240,776	\$53,756,767	998
Real Estate	\$34,095,075	\$19,950,753	\$9,469,829	172
Professional Services	\$49,106,821	\$36,573,429	\$3,752,530	162
Management of Firms	\$40,715,822	\$28,147,025	\$19,028,161	322
Administrative	\$2,513,759	\$1,540,120	\$1,044,336	13
Educational Services	\$17,808,746	\$12,232,449	\$8,301,588	408
Health care	\$3,487,399	\$1,982,683	\$1,398,349	56
Arts/Entertain/Recreati	\$21,721,006	\$13,436,221	\$10,177,853	260
Accommodation	\$195,312,026	\$133,601,003	\$57,119,884	3,304
Food Services	\$4,620,361	\$2,974,025	\$1,345,247	53
Other Services	\$11,117,190	\$5,788,728	\$3,522,422	235
Households	\$13,577,841	\$6,833,177	\$4,088,842	159
Households	N.A.	\$265,538	\$265,509	27
Total Annual	\$726,458,771	\$406,113,767	\$195,202,379	6,752

A3. Detailed Music-Influenced Tourism Impacts (2014)

	Output	Value-Added	Earnings	Jobs
Agriculture, etc.	\$474,907	\$162,958	\$57,428	4
Mining	\$2,663,207	\$1,351,779	\$558,757	4
Utilities	\$21,498,100	\$12,858,198	\$4,254,314	42
Construction	\$6,875,295	\$3,428,335	\$2,515,959	64
Manufacturing	\$29,118,347	\$10,821,993	\$5,921,272	120
Wholesale Trade	\$27,335,116	\$18,434,481	\$8,531,909	131
Retail Trade	\$85,750,289	\$56,166,346	\$29,205,917	1,197
Transport & Warehousing	\$15,221,871	\$8,236,386	\$5,764,510	144
Information	\$42,443,692	\$23,098,196	\$10,420,818	170
Finance & Insurance	\$59,905,078	\$34,669,798	\$16,551,624	300
Real Estate	\$99,893,530	\$73,945,889	\$7,502,865	333
Professional Services	\$44,948,597	\$30,057,298	\$21,038,753	337
Management of Firms	\$6,387,971	\$3,962,218	\$2,626,158	34
Administrative Services	\$28,700,863	\$18,979,228	\$12,469,593	551
Educational Services	\$6,243,637	\$3,540,078	\$2,564,074	106
Health care	\$37,336,109	\$23,130,788	\$17,552,730	484
Arts/Entertain/Recreation	\$135,157,738	\$81,550,616	\$47,970,839	2,358
Accommodation	\$191,915,392	\$123,524,058	\$56,266,828	2,198
Food Services	\$237,003,667	\$123,311,436	\$75,131,085	5,024
Other Services	\$26,448,933	\$13,478,992	\$8,047,653	324
Households	N.A.	\$453,180	\$453,214	46
Total Annual	\$1,105,322,34	\$665,162,252	\$335,406,296	13,971



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