



Economic Impact of Tourism in South Dakota, 2017

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TOURISM
ECONOMICS

AN OXFORD ECONOMICS COMPANY

1) Key findings

1) Growth continues in 2017 but pales against the event driven years of 2015 and 2016 in South Dakota

Key facts about South Dakota' tourism sector

Visitor spending rose 1.2% in 2017 to \$3.9 billion

This spending generated \$6.2 billion in total business sales

Tourism spending supports 8.9% of all jobs in South Dakota

Tourism in South Dakota generated \$291 million in state and local taxes in 2017

2) Visitation and Spending

Trends in South Dakota tourism

1 Tourism spending is increasing

- Tourism spending reached \$3.9 billion in 2017, an increase of 1.2%

2 Spending growth is stronger in key industry sectors

- Visitor spending growth was led by spending on food & beverage and recreation

3 2017 – a tough act following 2015 and 2016

- 2015 saw the 75th anniversary of Sturgis followed up by the 100th anniversary of the National Park Service in 2016. Despite not having a key event to drive visitation, 2017 spending still showed growth

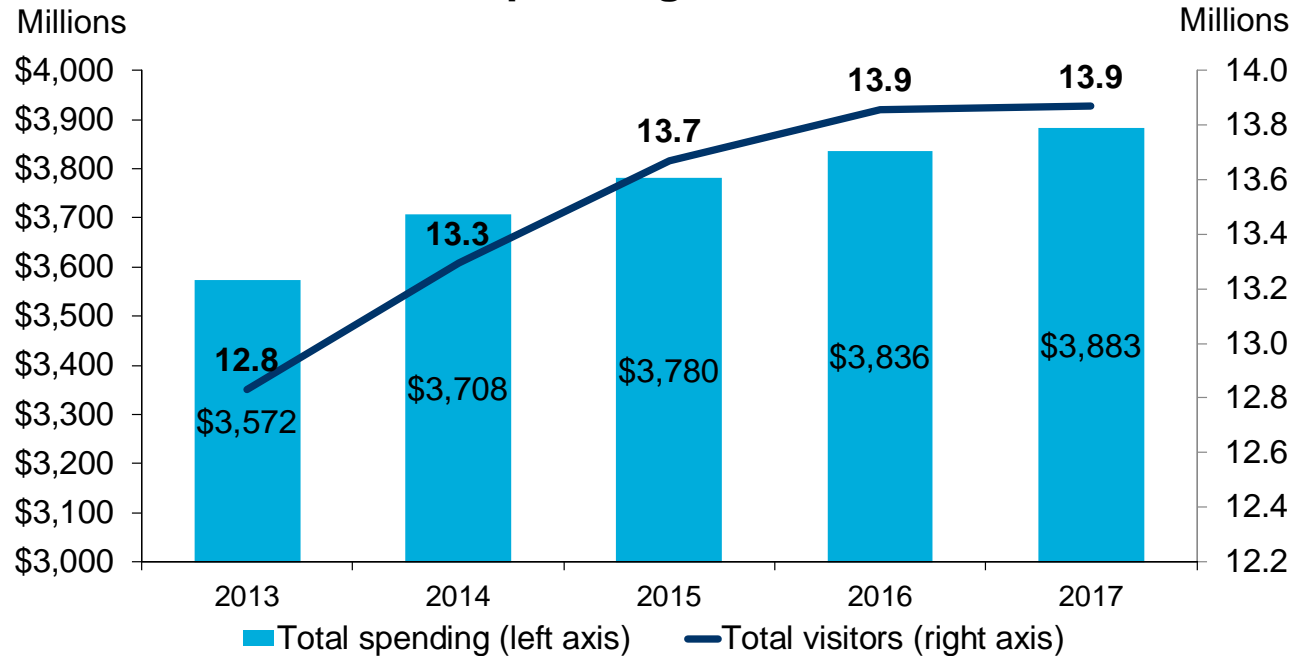
2017 Trends

13.9 million visitors traveled to South Dakota in 2017.

Visitor volume and spending plateaued in 2017.

An estimated 13.9 million visitors spent \$3.9 billion in 2017, increases of 0.1% and 1.2%, respectively, from 2016.

Visitation and visitor spending in South Dakota



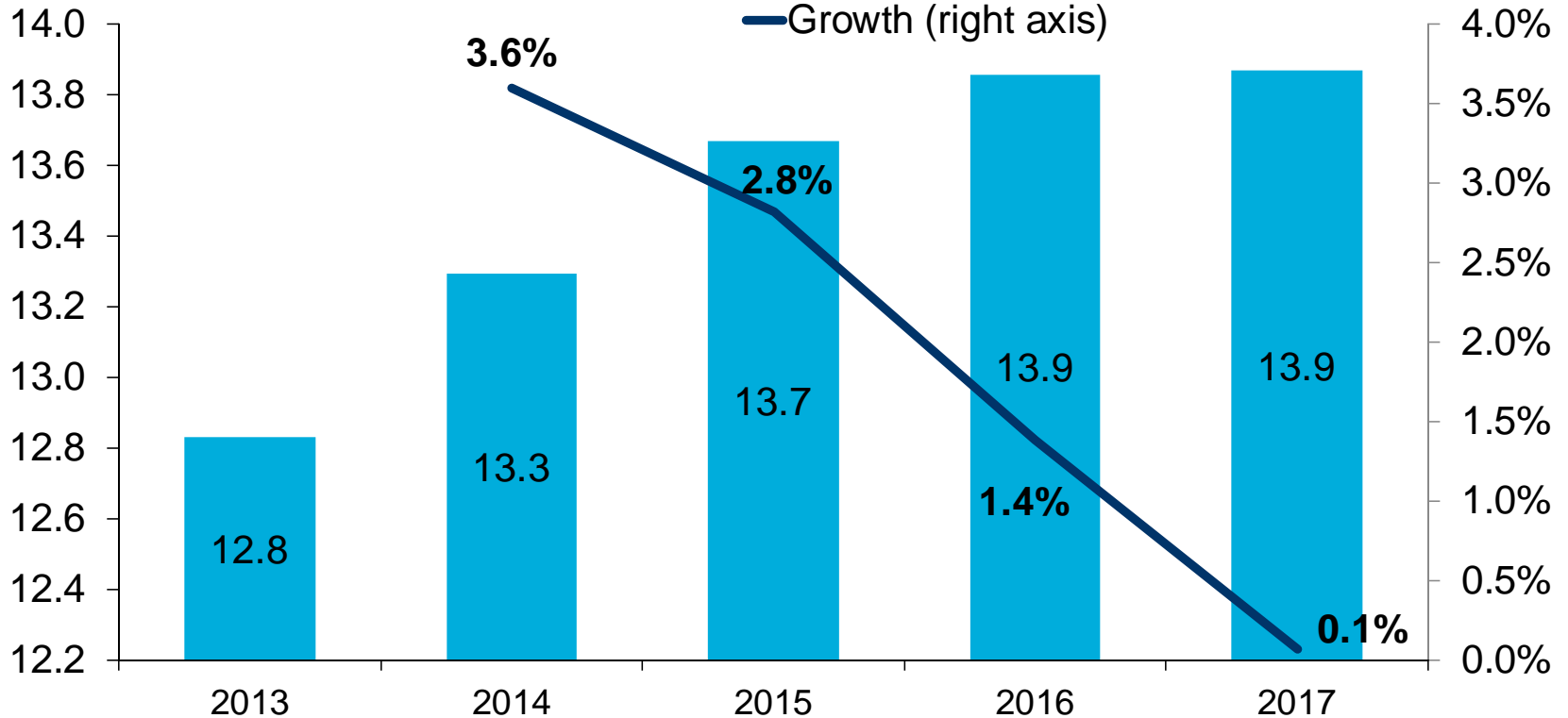
Source: Tourism Economics

Visitation

Despite not having a key event to drive visitation like 2015 and 2016, 2017 held on to most of the gains seen from those years.

Visitors to South Dakota

Visitors, millions



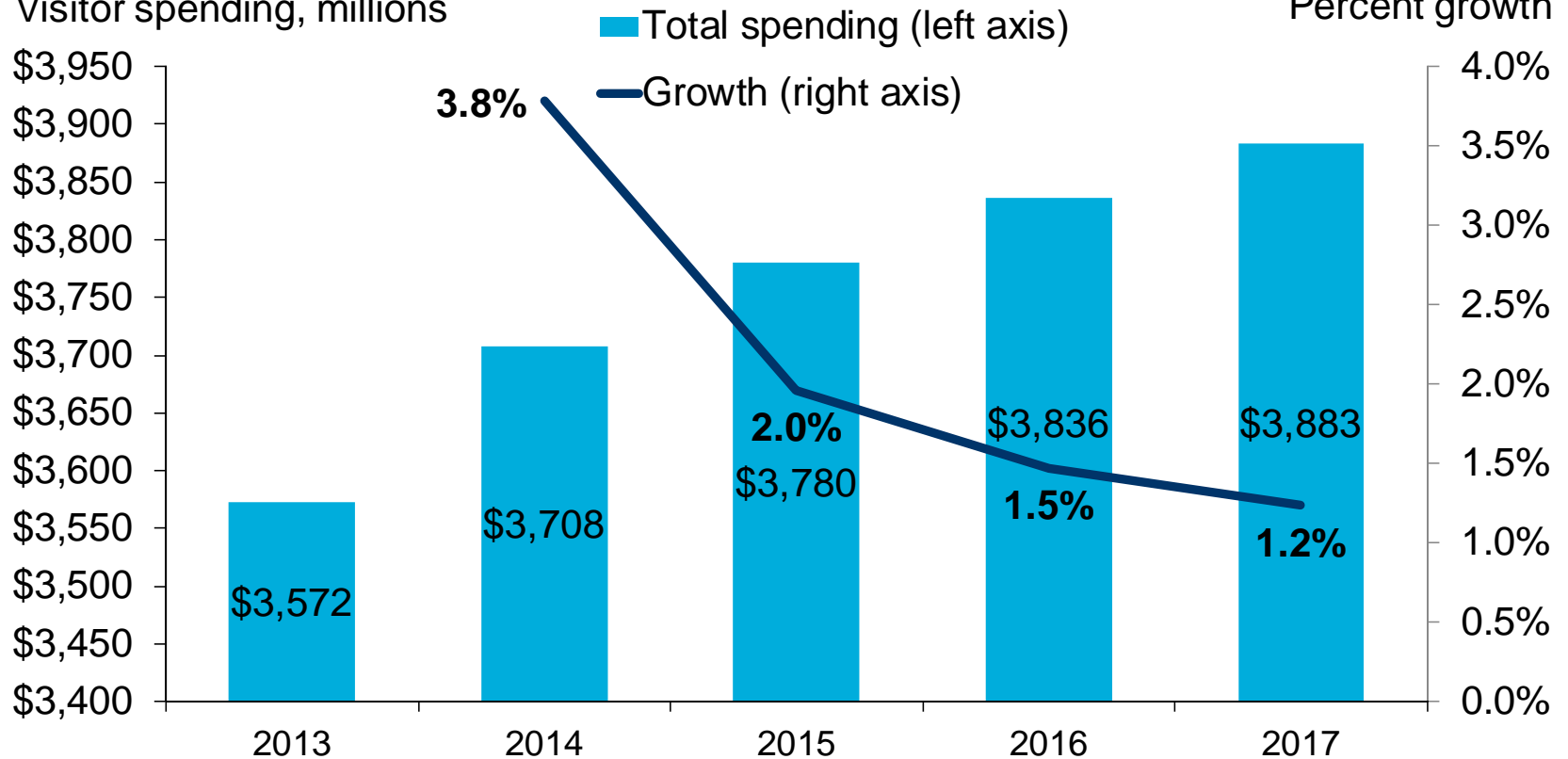
Source: Tourism Economics

Visitor spending growth

The combination of flat visitation and minimal price inflation in tourism sectors held spending growth in check.

Visitor spending in South Dakota

Visitor spending, millions



Source: Tourism Economics

Tourism spending reached \$3.9 billion in 2017

Spending grew 1.2% in 2017, led by increases in spending on food & beverages and recreation by visitors.

Visitors spent nearly \$725 million at lodging facilities in 2017, up 0.8%.

Spending on food & beverages by travelers in South Dakota posted the strongest growth across the spending categories, growing 2.8% to \$869 million.

\$3.9 billion means that visitors spend an average of \$10.6 million each day in South Dakota.

Visitor spending in South Dakota

Nominal dollars, millions

	2013	2014	2015	2016	2017	2017 Growth	2013-2017 CAGR
Lodging	\$603.6	\$640.8	\$700.7	\$716.5	\$722.5	0.8%	3.7%
Food and beverage	\$741.7	\$780.8	\$832.3	\$845.2	\$868.7	2.8%	3.2%
Retail	\$763.0	\$773.3	\$791.9	\$825.2	\$826.5	0.2%	1.6%
Recreation	\$522.2	\$540.0	\$559.8	\$581.4	\$595.9	2.5%	2.7%
Transportation*	\$941.9	\$972.6	\$895.6	\$867.4	\$869.6	-0.3%	-1.9%
Total	\$3,572.5	\$3,707.6	\$3,780.3	\$3,835.8	\$3,883.2	1.2%	1.7%

Source: Tourism Economics

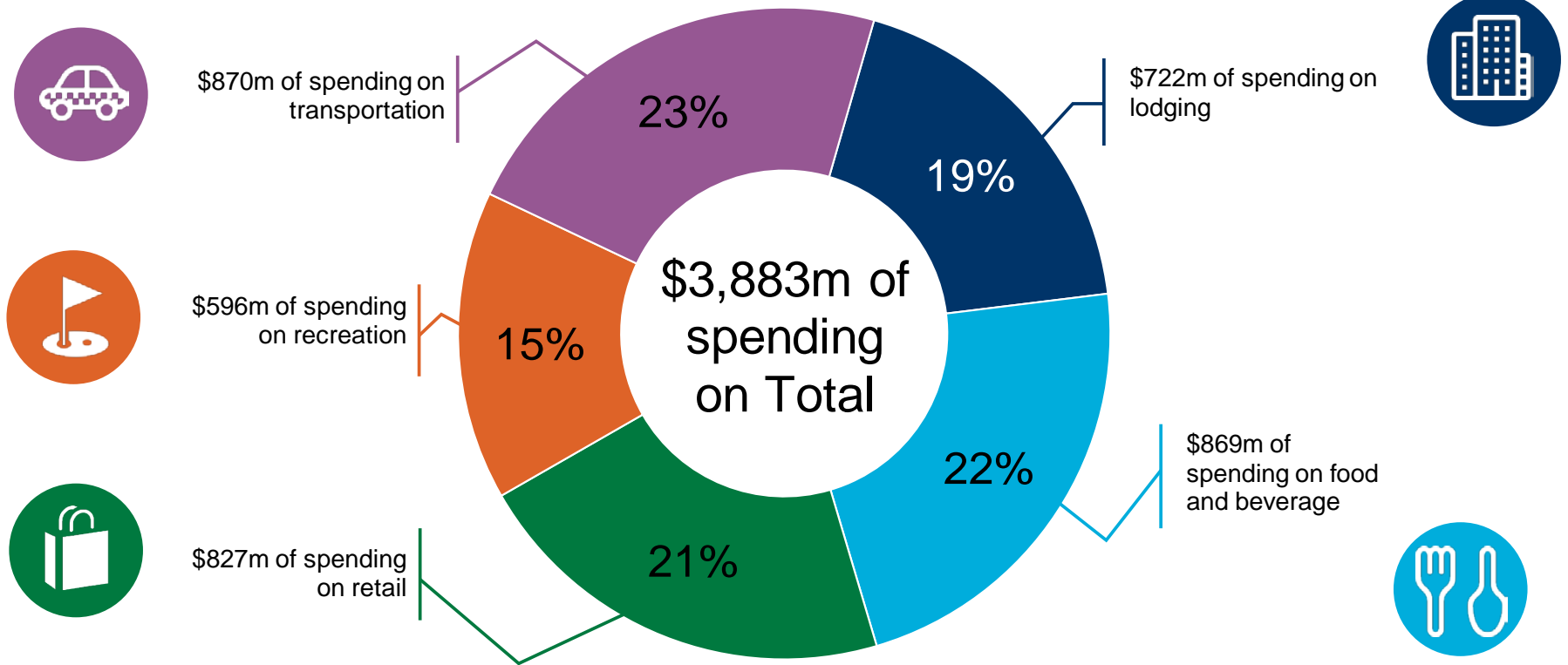
* Includes both local (ground) and air transportation

Visitor spending in South Dakota

Visitors to South Dakota spent \$3.9 billion in 2017.

Visitor spending in South Dakota, 2017

Dollars, millions and percent of total



Source: Tourism Economics

Tourism spending is changing with prices

The share of the visitor dollar going to transportation is decreasing while the lodging and food & beverages shares are increasing.

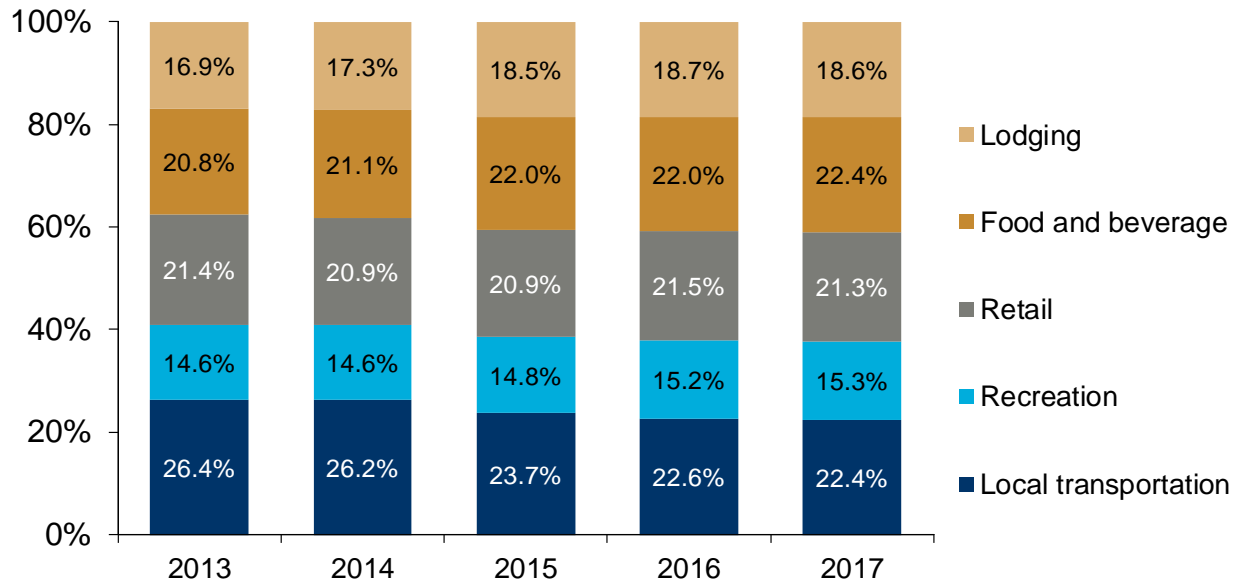
Low gasoline prices have reduced the share of spending on transportation to 22.4% of the total, down from 23.7% in 2014.

The lodging industry is nearing 19% of the visitor dollar.

Recreational spending has rebounded in recent years to reach 15.3%.

South Dakota visitor spending

Percent of total



Source: Tourism Economics

Tourism spending is changing with prices

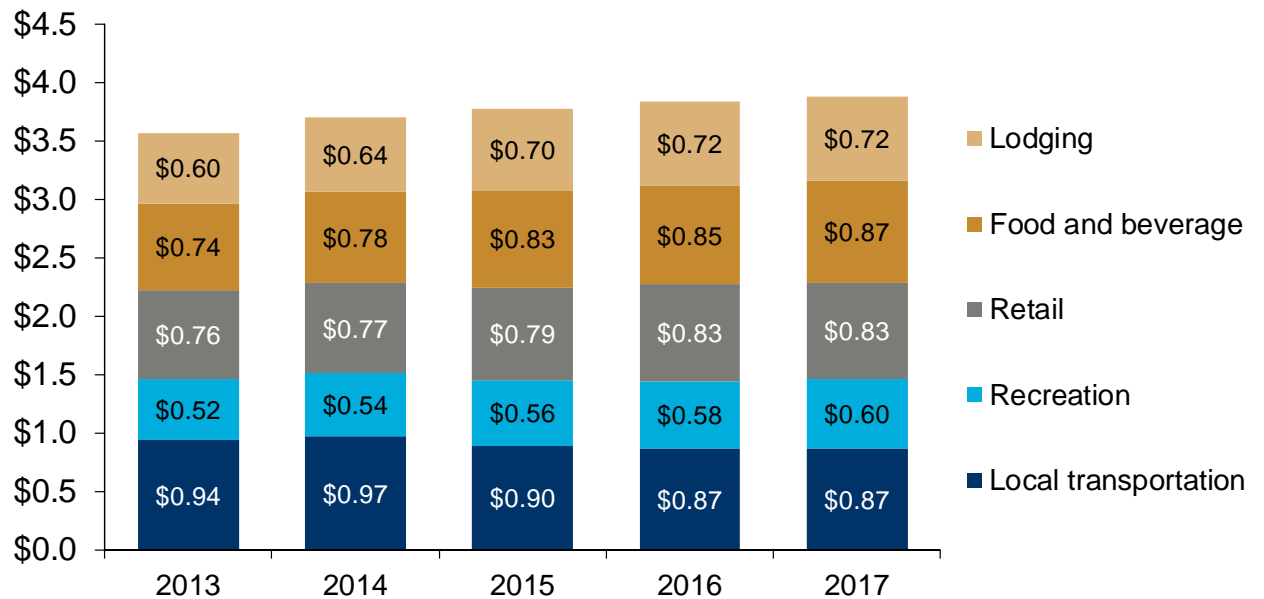
Spending on food & beverages neared the \$870 million mark in 2017, growing by \$23 million.

Lodging spending, including spending on 2nd homes, rose to \$720 million in 2017.

Recreational spending neared \$600 million in 2017, increasing by \$75 million since 2013.

South Dakota visitor spending

Billions of \$



Source: Tourism Economics

Tourism economy sales

Non-visitor private consumption expenditures (PCE) represent tourism consumer durables such as an RV, boat, or furniture for a vacation home.

Government support for tourism includes the budgets for destination marketing and other budget items in broad support of tourism.

Capital investment (CAPEX) includes construction of hotels and attractions, as well as tourism equipment and infrastructure.

The Tourism Satellite Account looks at a broader range of tourism-related expenditures, tallying \$4.2 billion.

Tourism Economy in South Dakota

Nominal dollars, millions

	2013	2014	2015	2016	2017	2017 Growth	2013-2017 CAGR
Domestic Visitor	\$2,615.6	\$2,727.8	\$2,796.0	\$2,836.6	\$2,870.5	1.2%	1.9%
Resident In-State	\$842.0	\$865.0	\$869.0	\$880.9	\$903.4	2.6%	1.4%
International Visitor	\$114.9	\$114.7	\$115.3	\$118.4	\$109.2	-7.7%	-1.0%
Non-Visitor PCE	\$35.7	\$37.1	\$39.4	\$33.1	\$38.0	14.6%	1.2%
Gov't Support	\$55.7	\$58.9	\$61.9	\$59.7	\$62.3	4.5%	2.3%
Investment	\$247.9	\$240.9	\$239.4	\$255.4	\$252.4	-1.2%	0.4%
Total	\$3,911.8	\$4,044.5	\$4,121.0	\$4,184.0	\$4,235.9	1.2%	1.6%

Source: Tourism Economics

3) The Economic Impact of Tourism – Direct Tourism Industry

How tourism generates impact

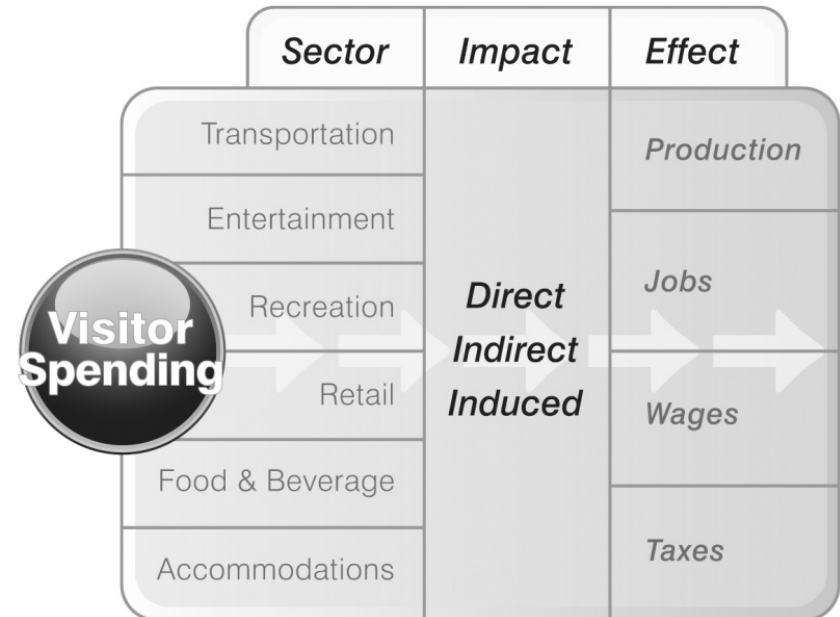
Our analysis of tourism's impact on South Dakota starts with actual spending by tourists, but also considers the downstream effects of this injection of spending into the local economy. To determine the total economic impact of tourism in South Dakota, we input tourism spending into a model of the South Dakota's economy created in IMPLAN. This model calculates three distinct types of impact: direct, indirect, and induced.

- Travelers create **direct** economic value within a discreet group of sectors (e.g. recreation, transportation). This supports a relative proportion of jobs, wages, taxes, and GDP within each sector.
- Each directly affected sector also purchases goods and services as inputs (e.g. food wholesalers, utilities) into production. These impacts are called **indirect** impacts.
- Lastly, the **induced** impact is generated when employees whose wages are generated either directly or indirectly by tourism, spend those wages in the local economy.

The impacts on business sales, jobs, wages, and taxes are calculated for all three levels of impact.

Tourism spending flows through the economy and generates economic benefit through multiple channels.

How tourism spending flows through the economy and generates economic benefits



Tourism industry impacts

Visitor spending in South Dakota supported 37,391 jobs and \$1.4 billion in state GDP in 2017.

Tourism GDP is the value added of those sectors directly interacting with visitors.

The narrow definition of the tourism industry counts only tourism consumption, which excludes capital investment and general government support of tourism. This definition is consistent with economic accounts.

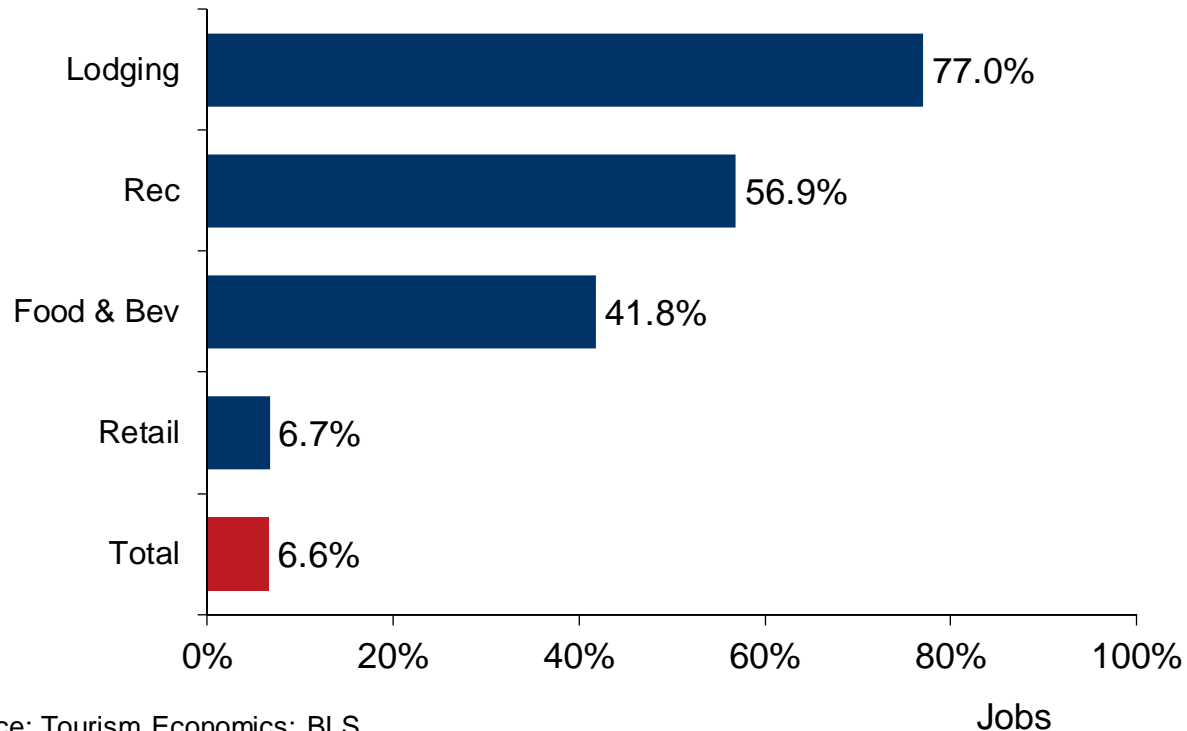
On this basis, tourism industry GDP was \$1.4 billion in 2017, accounting for 2.8% of total South Dakota GDP.

Core Tourism		
	Employment	GDP
Agriculture, Fishing, Mining	-	-
Construction and Utilities	-	-
Manufacturing	-	-
Wholesale Trade	-	-
Air Transport	217	\$23.0
Other Transport	863	\$43.9
Retail Trade	4,476	\$179.9
Gasoline Stations	1,304	\$54.7
Communications	-	-
Finance, Insurance and Real Estate	249	\$17.1
Business Services	63	\$5.2
Education and Health Care	-	-
Recreation and Entertainment	6,755	\$250.8
Lodging	8,244	\$385.8
Food & Beverage	14,287	\$392.4
Personal Services	1,023	\$24.6
Government	-	-
TOTAL	37,482	\$1,377.5

Tourism Employment Intensity

Tourism employment is a significant part of several industries – 77.0% of lodging, 57% of recreation, and 42% of food & beverage employment is supported by tourism spending.

Tourism Employment Intensity

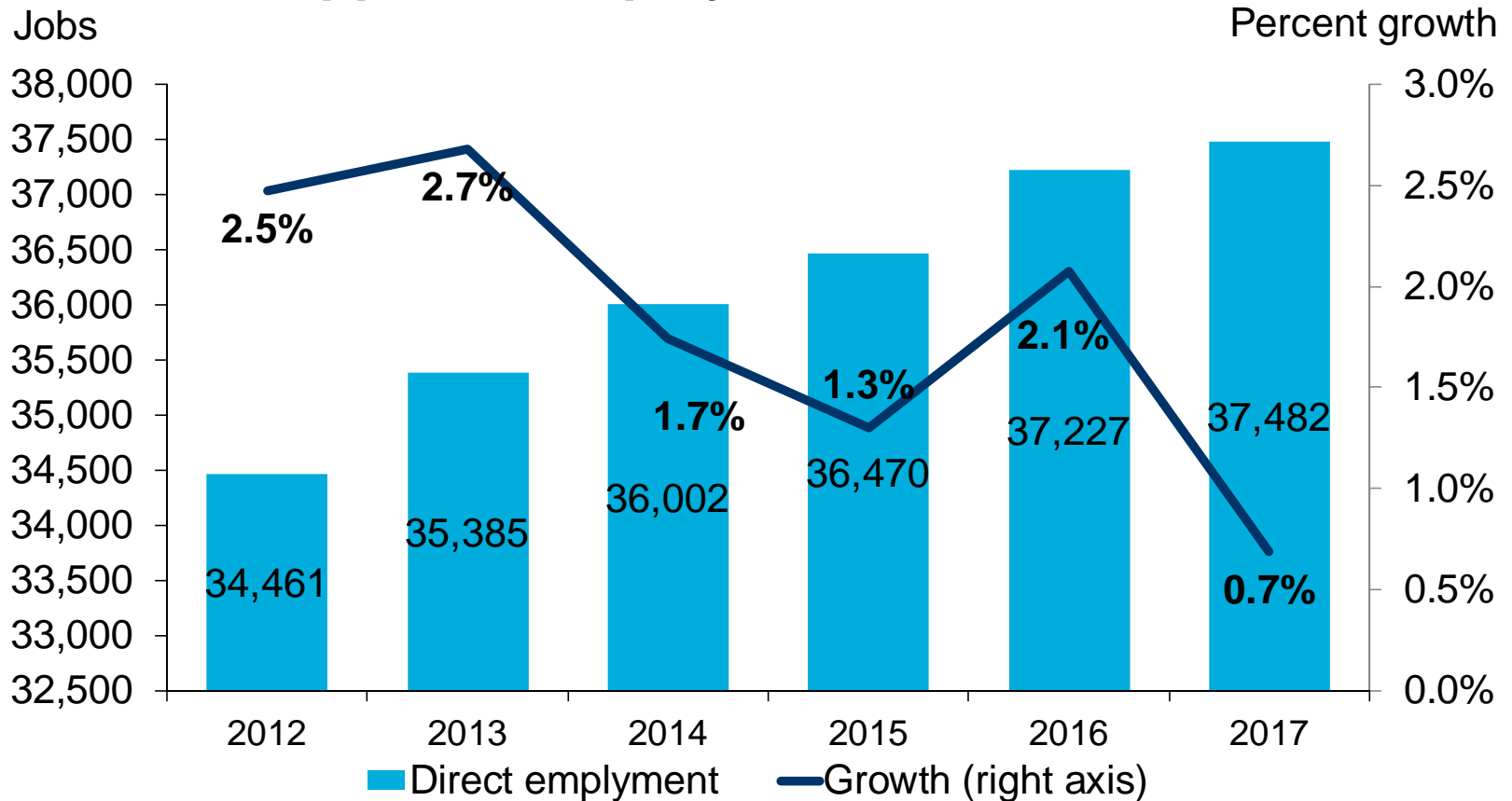


Source: Tourism Economics; BLS

Tourism employment growth

Tourism employment continued to grow in 2017.

Tourism supported employment in South Dakota

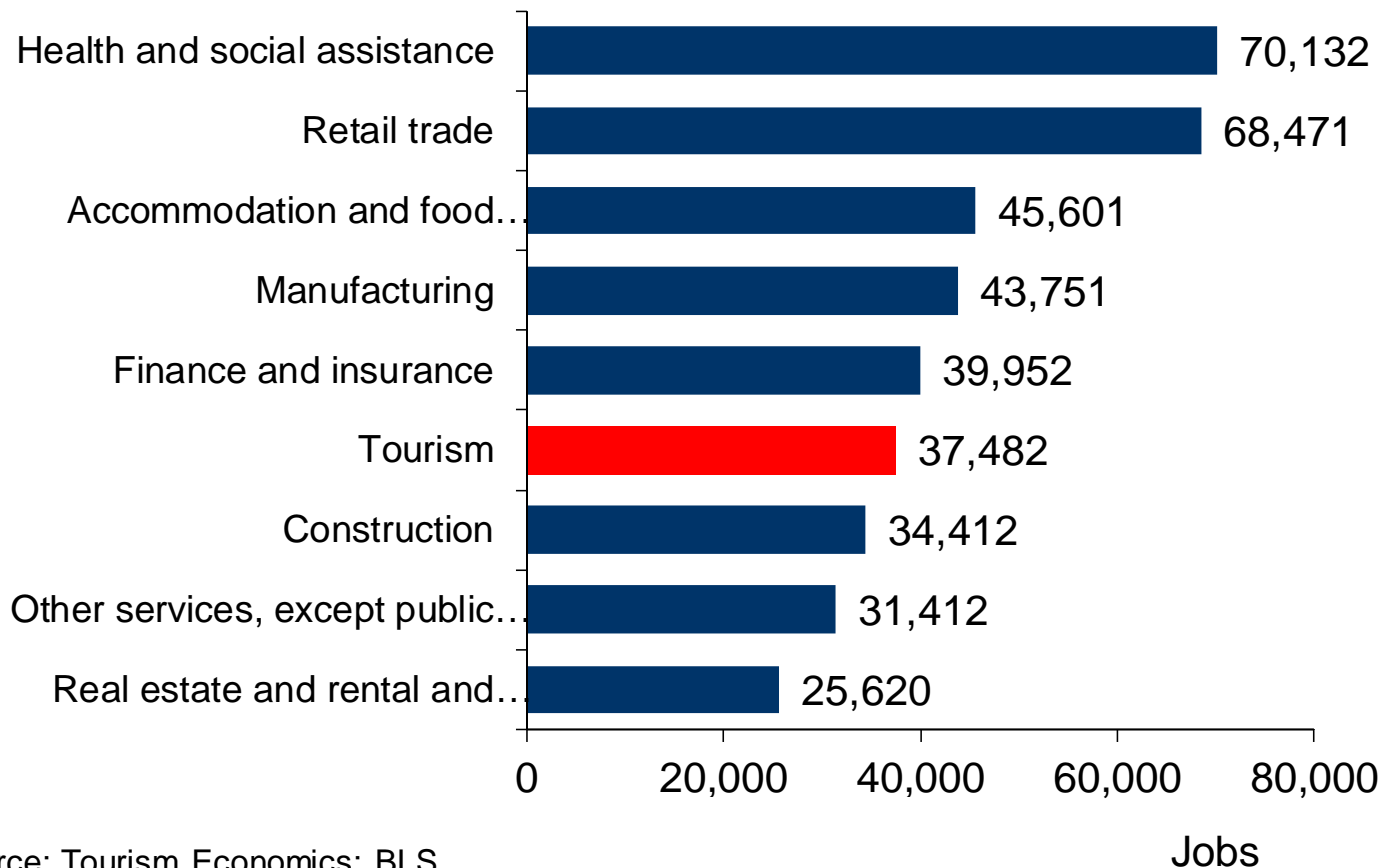


Source: Tourism Economics

The tourism sector is a major contributor to South Dakota's economy

Tourism is the 6th largest employer in South Dakota.

Employment in South Dakota



Source: Tourism Economics; BLS

4) The Economic Impact of Tourism – Total Tourism Economy

Tourism's impact on business sales (1 of 2)

Visitors and tourism businesses spent \$4.2 billion in South Dakota in 2017. This supported a total of \$6.2 billion in business sales when indirect and induced impacts are considered.

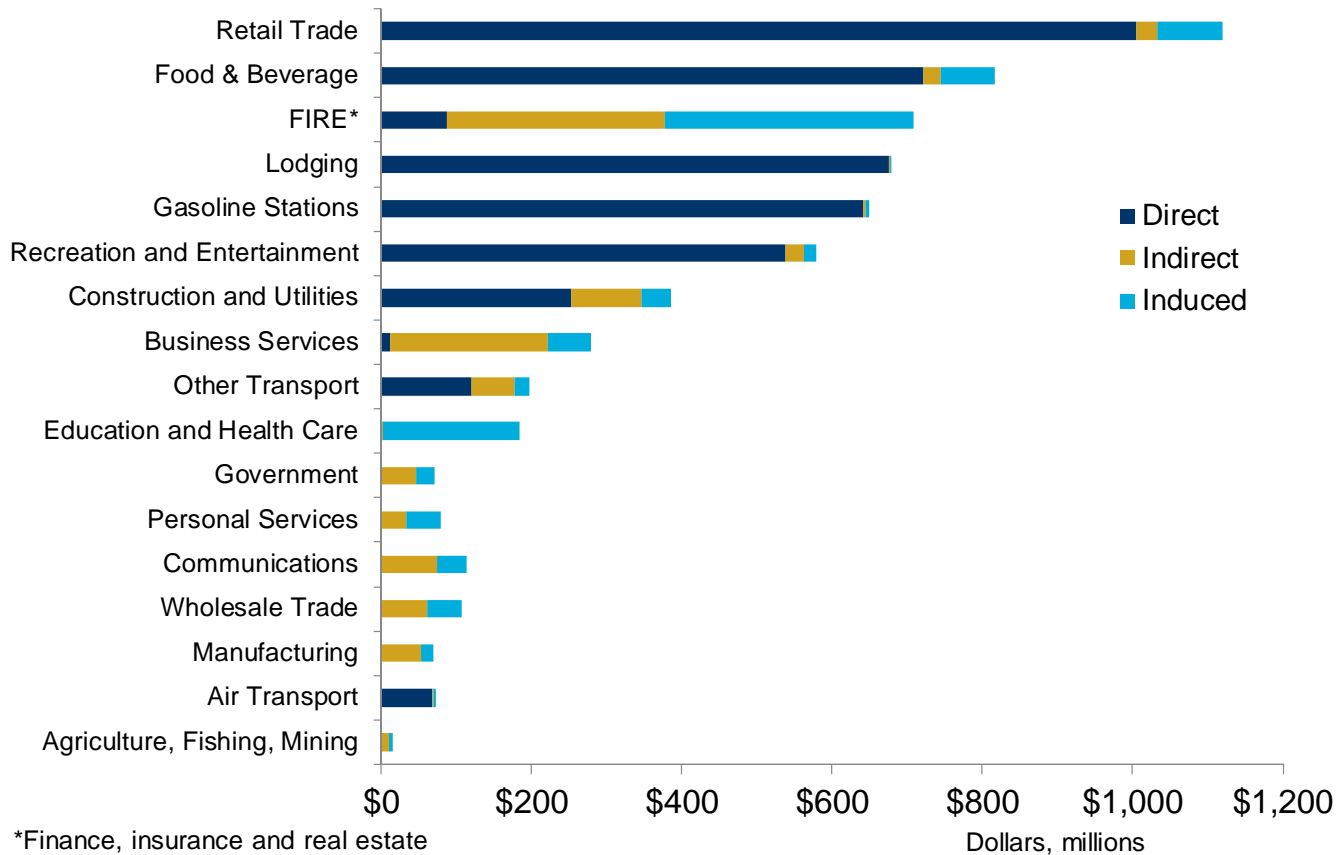
Tourism economy generated business sales, millions				
	Direct	Indirect	Induced	Total
Agriculture, Fishing, Mining	-	9.9	4.6	14.5
Construction and Utilities	252.4	94.2	39.2	385.8
Manufacturing	-	52.4	17.2	76.3
Wholesale Trade	-	60.3	46.5	106.9
Air Transport	67.9	1.8	1.9	71.6
Other Transport	120.2	57.8	19.6	197.6
Retail Trade	1,005.5	27.3	87.6	1,120.5
Gasoline Stations	641.3	2.5	5.1	648.9
Communications	-	74.3	39.5	113.8
Finance, Insurance and Real Estate	87.4	290.7	329.5	707.6
Business Services	11.7	209.8	56.9	278.4
Education and Health Care	-	1.8	181.5	183.3
Recreation and Entertainment	537.2	24.9	17.4	579.5
Lodging	675.2	2.2	0.9	678.2
Food & Beverage	721.0	22.6	72.1	815.7
Personal Services	-	32.6	47.2	126.7
Government	-	46.6	24.1	133.0
TOTAL	4,235.8	1,011.6	990.7	6,238.2

Source: Tourism Economics

Tourism's impact on business sales (2 of 2)

While the majority of sales are in industries directly serving visitors, \$620 million in business sales is happening in finance, insurance and real estate as a result of selling to tourism businesses.

Tourism economy generated business sales, 2017



Source: Tourism Economics

Tourism's impact on GDP (Value Added) (1 of 2)

Travel generated \$2.6 billion in state GDP in 2017, or 5.3% of the South Dakota economy. This excludes all import leakages to arrive at the economic value generated by travel

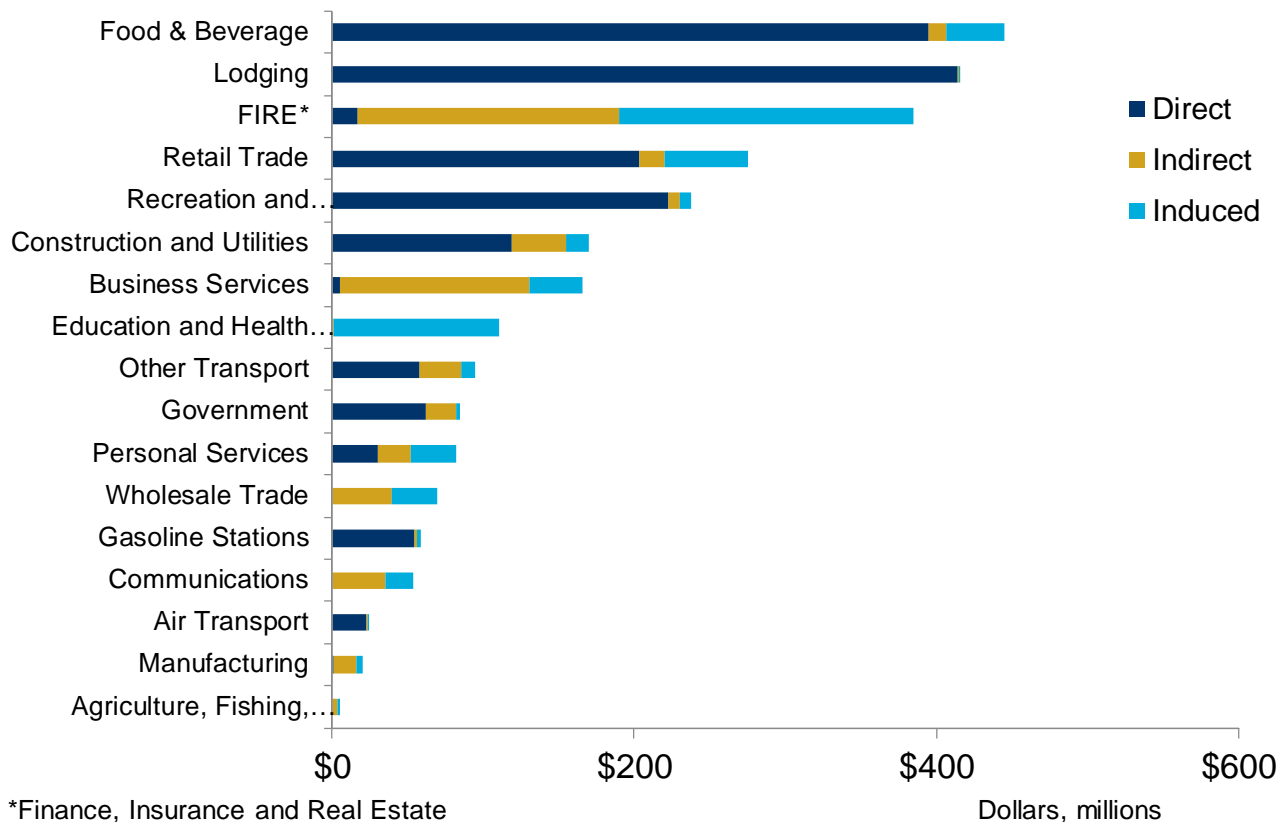
Visitor generated value added, millions				
	Direct	Indirect	Induced	Total
Agriculture, Fishing, Mining	\$0.0	\$2.67	\$1.24	\$3.9
Construction and Utilities	\$97.6	\$35.3	\$12.4	\$145.3
Manufacturing	\$1.4	\$14.5	\$3.0	\$19.0
Wholesale Trade	\$0.0	\$39.4	\$26.7	\$66.1
Air Transport	\$23.0	\$0.5	\$0.5	\$24.0
Other Transport	\$43.9	\$26.2	\$7.8	\$77.9
Retail Trade	\$187.3	\$32.5	\$41.4	\$261.3
Gasoline Stations	\$54.7	\$2.5	\$2.6	\$59.8
Communications	\$0.0	\$38.3	\$18.5	\$56.7
Finance, Insurance and Real Estate	\$17.1	\$183.6	\$177.7	\$378.5
Business Services	\$5.2	\$129.8	\$30.4	\$165.4
Education and Health Care	\$0.0	\$1.0	\$96.3	\$97.3
Recreation and Entertainment	\$250.8	\$9.0	\$6.6	\$266.4
Lodging	\$385.8	\$1.1	\$0.4	\$387.3
Food & Beverage	\$392.4	\$12.2	\$33.6	\$438.2
Personal Services	\$24.6	\$23.4	\$27.6	\$75.6
Government	\$62.3	\$9.3	-\$3.1	\$68.5
TOTAL	\$1,546.3	\$561.3	\$483.7	\$2,591.3
Percent Change	3.6%	1.6%	3.5%	3.2%

Source: Tourism Economics

Tourism's impact on GDP (Value Added) (2 of 2)

The restaurant industry has the largest economic contribution from traveler spending, followed closely by finance, insurance and real estate (FIRE).

Visitor generated value added by industry, 2017



*Finance, Insurance and Real Estate

Source: Tourism Economics

Tourism's impact on local employment (1 of 2)

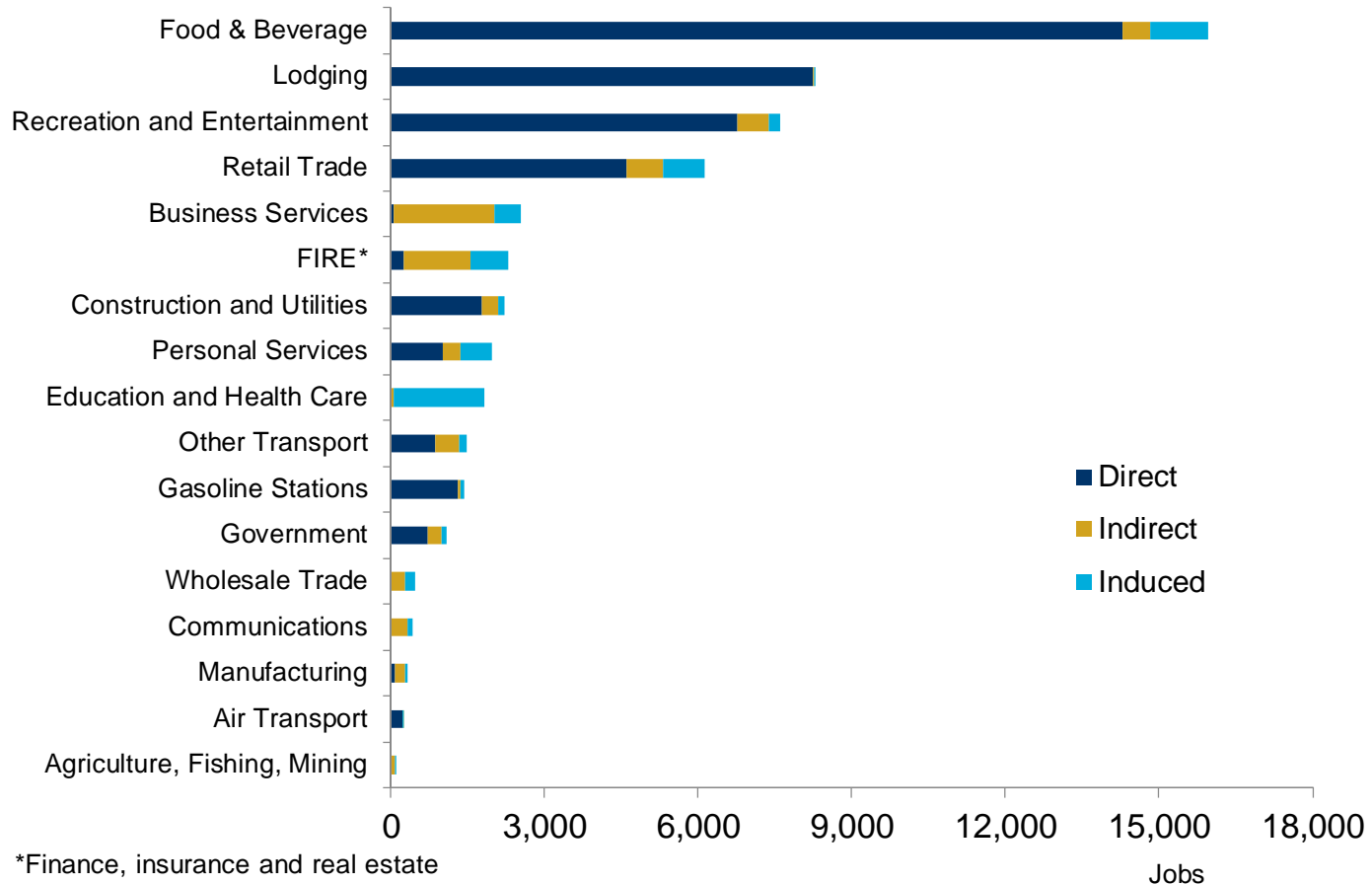
Tourism directly generated 40,198 jobs, and 53,894 jobs when indirect and induced impacts are considered.

Tourism economy generated employment				
	Direct	Indirect	Induced	Total
Agriculture, Fishing, Mining	-	73	30	103
Construction and Utilities	1,786	314	108	2,208
Manufacturing	84	200	40	324
Wholesale Trade	-	281	197	477
Air Transport	217	7	6	230
Other Transport	863	476	140	1,479
Retail Trade	4,595	718	809	6,123
Gasoline Stations	1,304	61	64	1,429
Communications	-	320	104	424
Finance, Insurance and Real Estate	249	1,311	739	2,299
Business Services	63	1,948	532	2,543
Education and Health Care	-	62	1,769	1,831
Recreation and Entertainment	6,755	624	229	7,608
Lodging	8,244	21	8	8,274
Food & Beverage	14,287	538	1,140	15,965
Personal Services	1,023	343	597	1,963
Government	727	272	89	1,087
TOTAL	40,198	7,569	6,602	53,894
Percent Change	1.0%	-0.7%	2.4%	1.2%

Source: Tourism Economics

Tourism's impact on local employment (2 of 2)

Tourism economy generated employment, 2017



*Finance, insurance and real estate

Source: Tourism Economics

Tourism's impact on local income (1 of 2)

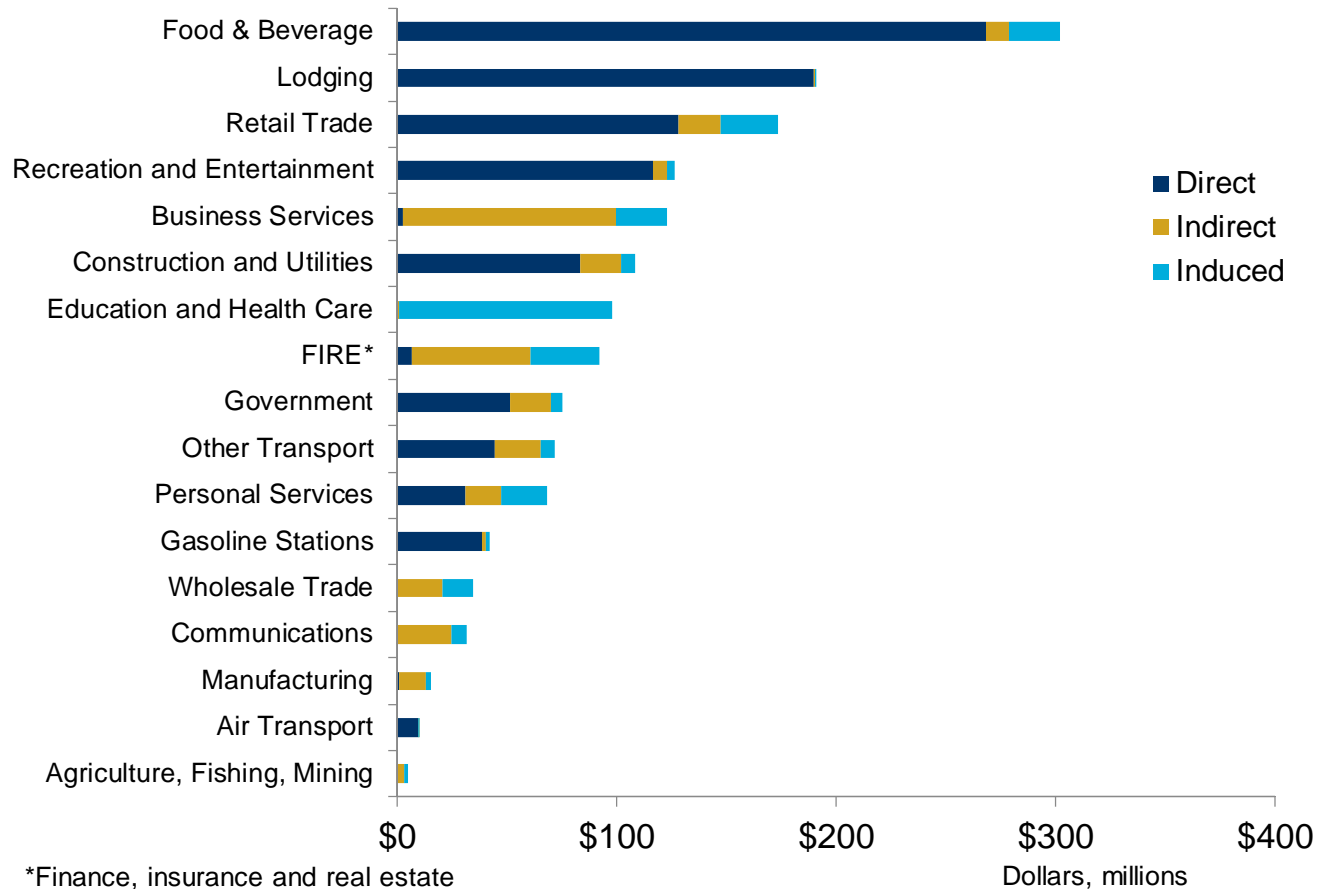
Tourism generated nearly \$973 million in direct income and \$1.6 billion when indirect and induced impacts are considered.

Tourism economy generated income, millions				
	Direct	Indirect	Induced	Total
Agriculture, Fishing, Mining	-	3.5	1.8	5.3
Construction and Utilities	83.6	18.5	6.5	108.6
Manufacturing	1.0	12.1	2.5	15.6
Wholesale Trade	-	20.6	14.0	34.6
Air Transport	9.6	0.2	0.2	10.0
Other Transport	44.7	21.1	6.4	72.1
Retail Trade	128.5	18.8	26.5	173.7
Gasoline Stations	38.5	1.8	1.9	42.3
Communications	-	24.8	7.2	31.9
Finance, Insurance and Real Estate	6.8	54.3	31.4	92.5
Business Services	2.9	97.0	23.1	123.0
Education and Health Care	-	1.0	97.2	98.3
Recreation and Entertainment	116.4	6.6	3.5	126.5
Lodging	189.9	0.4	0.2	190.5
Food & Beverage	268.3	10.6	23.0	301.8
Personal Services	31.2	16.5	20.6	68.3
Government	51.5	18.6	5.4	75.6
TOTAL	972.9	326.3	271.3	1,570.6
Percent Change	4.5%	0.8%	4.0%	3.6%

Source: Tourism Economics

Tourism's impact on local income (2 of 2)

Tourism economy generated wages, 2017



*Finance, insurance and real estate

Source: Tourism Economics

Tourism's impact on taxes

Taxes of \$660 million were directly and indirectly generated by tourism in 2017.

State and local taxes alone tallied \$290 million in 2017.

Each household in South Dakota would need to be taxed an additional \$871 per year to replace the traveler taxes received by state and local governments.

Visitor spending, visitor supported jobs, and business sales generated \$660 million in governmental revenues.

Tourism supported tax revenue, millions			
	Direct	Indirect/Induced	Total
Federal	\$225.8	\$144.3	\$370.0
Personal Income	\$71.3	\$44.3	\$115.6
Corporate	\$27.5	\$25.8	\$53.4
Indirect business	\$17.4	\$7.6	\$25.0
Social insurance	\$109.5	\$66.5	\$176.1
State and Local	\$209.5	\$81.4	\$290.9
Sales	\$103.5	\$42.9	\$146.4
Bed Tax	\$27.5	\$0.0	\$27.5
Personal Income	\$0.0	\$0.0	\$0.0
Corporate	\$1.3	\$1.2	\$2.5
Social insurance	\$0.1	\$0.1	\$0.2
Excise and Fees	\$14.9	\$10.1	\$24.9
Property	\$62.3	\$27.2	\$89.4
Total	\$435.3	\$225.7	\$661.0

Source: Tourism Economics

5) Economic Impact in Context

Figures in context

Tourism Spending

The \$3.9 billion in tourism spending is larger than the Dakota Access pipeline project.

Tourism Supported Sales

The \$6.2 billion in total impact in 2017 is equal to the what Americans spend on speeding tickets annually.

Figures in context

Employment

The 37,500 jobs directly supported by visitor spending would be enough for every resident of both the City of Watertown and Yankton.

Visitation

Garth Brooks sold about 100,000 tickets to his nine shows in Sioux Falls in September. 2017's 13.9 million visitors would be like 139 Garth Brooks concert series.

Figures in context

Taxes

The \$291 million in state and local taxes collected from visitor activity would fully fund Game, Fish & Parks, Public Safety, Health, Environment & Natural Resources AND the Tourism Department in South Dakota in FY 2018.

Taxes

To make up for the \$291 million in state and local taxes generated by visitor activity, each household in the state would need to contribute \$871 to maintain the current level of government.

Average holiday spending reached \$900 in 2017. Thankfully, South Dakota has its tourism tax revenue to fall back on.

About Tourism Economics

Tourism Economics is an Oxford Economics company with a singular objective: combine an understanding of tourism dynamics with rigorous economics in order to answer the most important questions facing destinations, developers, and strategic planners. By combining quantitative methods with industry knowledge, Tourism Economics designs custom market strategies, destination recovery plans, tourism forecasting models, tourism policy analysis, and economic impact studies.

With over four decades of experience of our principal consultants, it is our passion to work as partners with our clients to achieve a destination's full potential.

Oxford Economics is one of the world's leading providers of economic analysis, forecasts and consulting advice. Founded in 1981 as a joint venture with Oxford University's business college, Oxford Economics enjoys a reputation for high quality, quantitative analysis and evidence-based advice. For this, it draws on its own staff of more than 120 professional economists; a dedicated data analysis team; global modeling tools, and a range of partner institutions in Europe, the US and in the United Nations Project Link. Oxford Economics has offices in London, Oxford, Dubai, Philadelphia, and Belfast.

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