



The Economic Impact of Tourism in South Dakota



Tourism Satellite Account Calendar Year 2016



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Overview



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2016 Highlights

Visitor Spending

- Visitor spending of \$3.8 billion generated \$6.0 billion in total business sales in 2016 as visitor dollars flowed through the state economy.
- Visitors to South Dakota destinations spent 1.5% more in 2016 than in 2015.
- Non-transportation spending increased 2.9%.

Visitor Counts

- The volume of person-trips in South Dakota grew 1.4% in 2016, reaching 13.9 million visitors.

2016 Highlights

Jobs

- A total of 53,258 jobs, with income of \$1.5 billion, were sustained by the visitor economy in South Dakota last year.
- Visitor-supported employment represents 9.5% of all employment in South Dakota.
- The unemployment rate in South Dakota was 2.7% in 2016. Without visitor-supported jobs, the unemployment rate would have been 14.4%.

Taxes

- Including indirect and induced impacts, travel in South Dakota generated \$279 million in state and local taxes and \$341 million in Federal taxes last year.
- In the absence of the state and local taxes generated by visitors, each South Dakota household would need to pay \$821 to fill the gap.

Visitor Spending

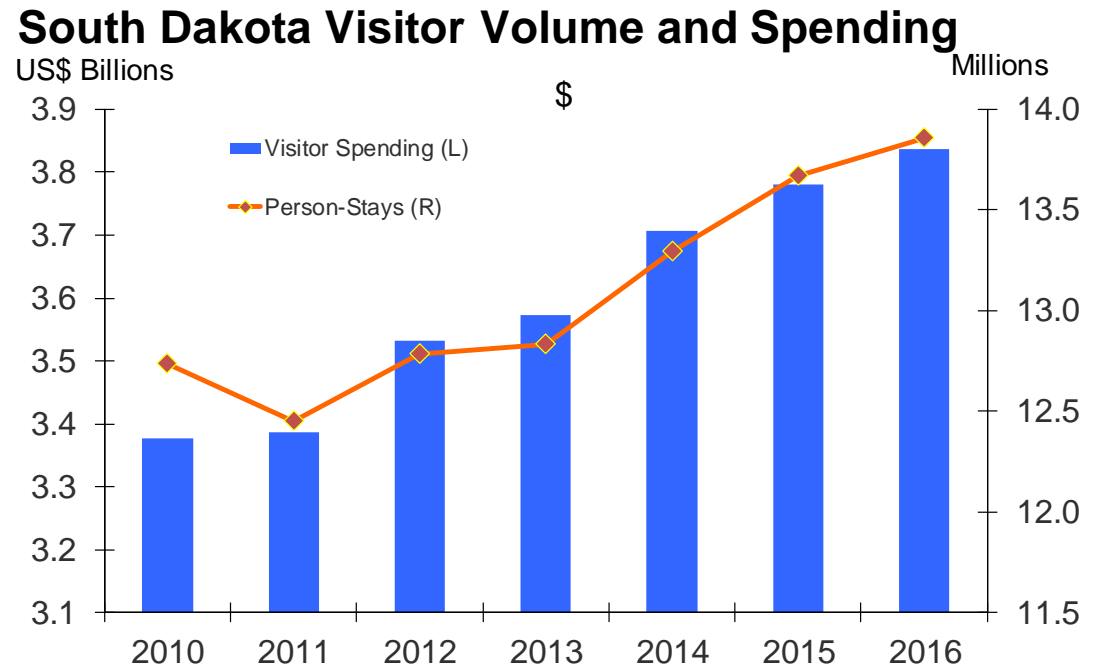


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South Dakota tourism continues to grow

- Both the volume of visitors to South Dakota and their spending continued to grow in 2016.
- Visitation reached 13.9 million in 2016.
- Despite the continued decline in gas prices, visitor spending still grew in 2016 to surpass \$3.8 billion.

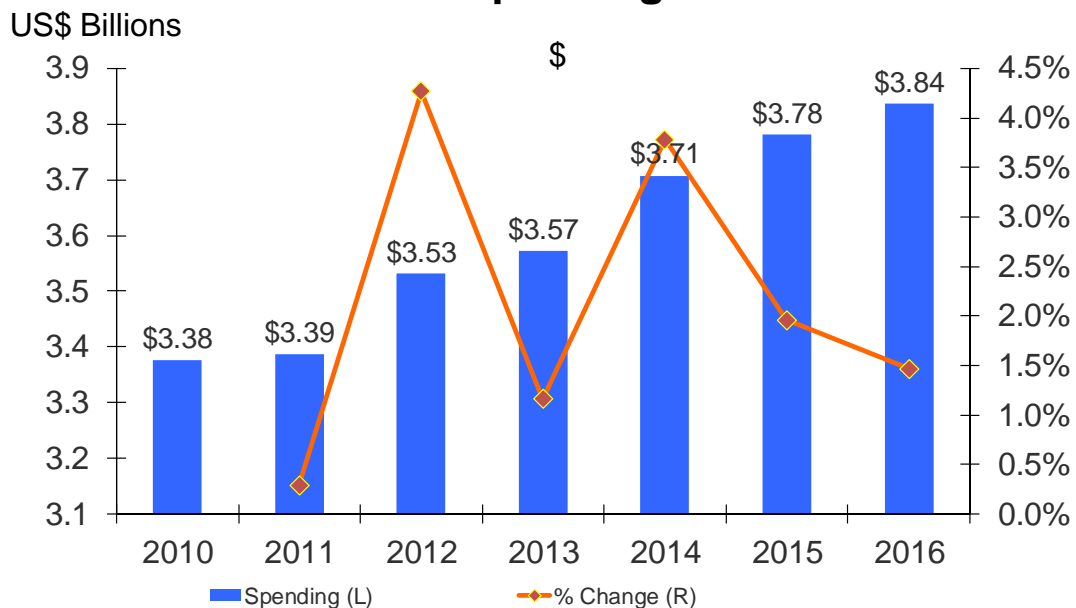


Sources: DK Shifflet, NTTO, Tourism Economics

Visitor spending reaches a new high

- Visitor spending expanded 1.5% in 2016.
- Lower gas prices led to lower transportation costs on trips. This supported spending in other areas - excluding transportation costs, visitor spending increased 2.9% last year.
- Visitor spending growth has averaged 2.5% per annum over the past five years.

South Dakota Visitor Spending



Sources: DK Shifflet, NTTO, Tourism Economics

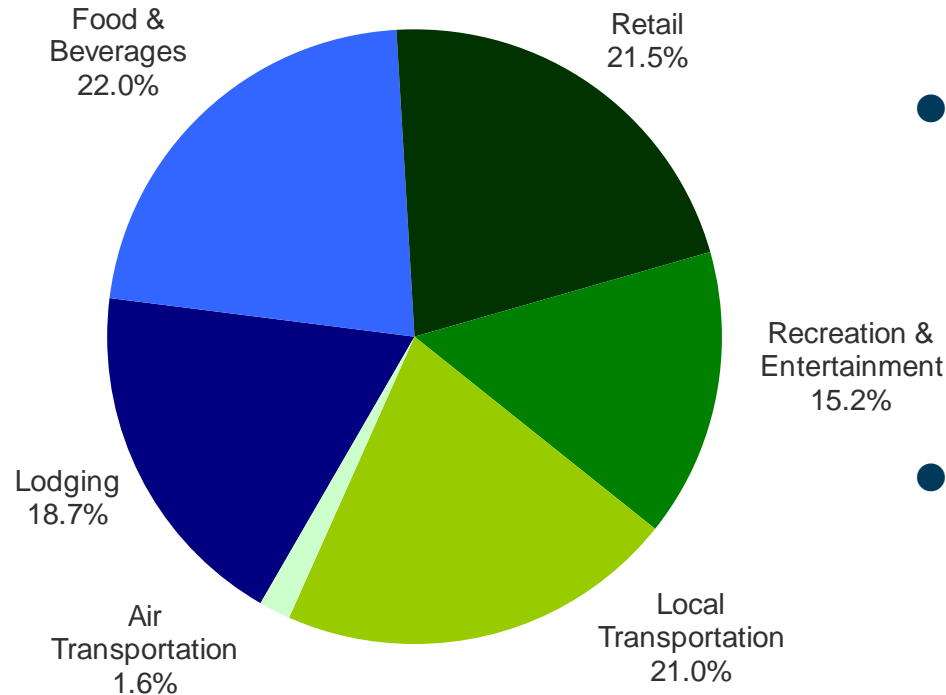
Non-transportation categories drive growth

- Growth in visitor spending was driven primarily by retail and recreation in 2016.
- The continued decline in gas prices lowered overall local transportation spending.

Visitor Spending								
(US\$ Million)								
Sector	2010	2011	2012	2013	2014	2015	2016	% Change
Lodging	\$522	\$531	\$576	\$604	\$641	\$701	\$717	2.3%
Food & Beverages	\$700	\$699	\$731	\$742	\$781	\$832	\$845	1.6%
Retail	\$735	\$756	\$775	\$763	\$773	\$792	\$825	4.2%
Recreation & Entertainment	\$525	\$528	\$526	\$522	\$540	\$560	\$581	3.8%
Local Transportation	\$842	\$816	\$866	\$882	\$912	\$835	\$804	-3.6%
Air Transportation	\$52	\$56	\$58	\$60	\$61	\$61	\$63	3.7%
TOTAL	\$3,377	\$3,387	\$3,531	\$3,572	\$3,708	\$3,780	\$3,836	1.5%
%Change		0.3%	4.3%	1.2%	3.8%	2.0%	1.5%	

Visitor spending by sector

South Dakota Visitor Spending



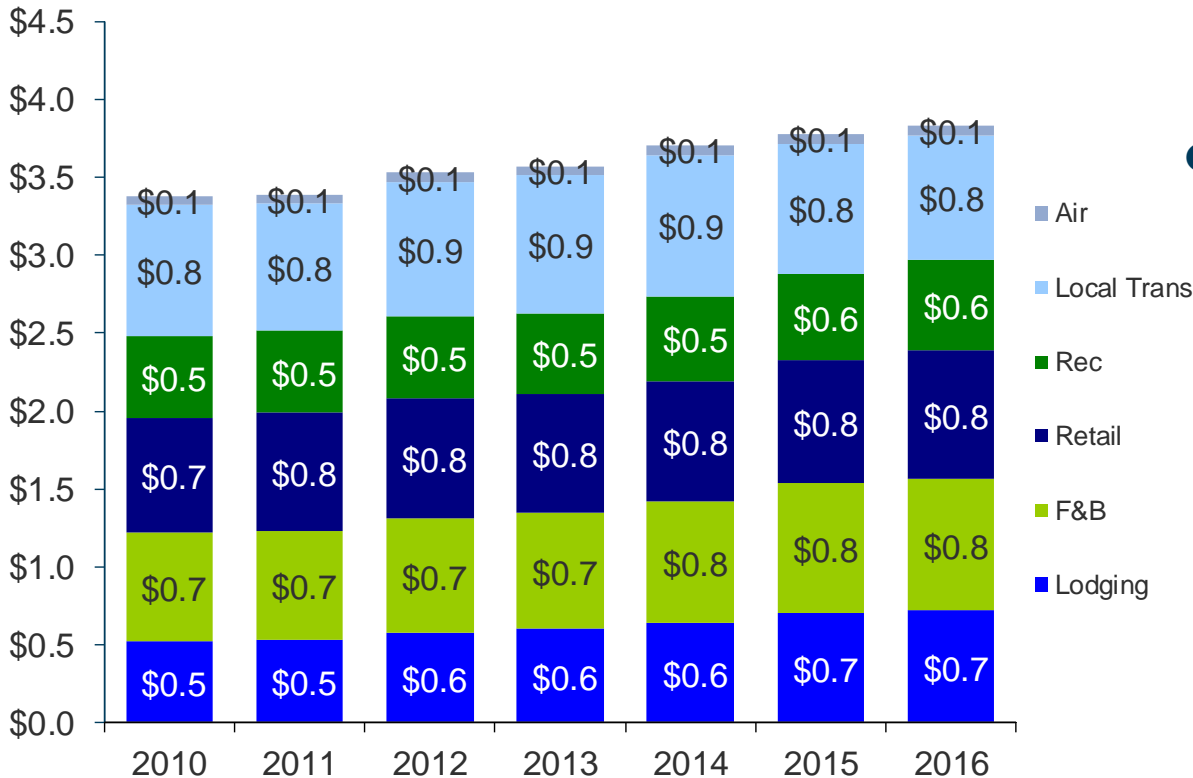
Sources: DK Shifflet, NTTU, Tourism Economics

- Food and beverage spending represents 22% of all visitor spending.
- With growth in both occupancy and room rates, the share of the visitor dollar spent on lodging has grown to 18.7% in 2016.
- Retail purchases represent 21.5% of every visitor dollar.

Visitor spending by sector

South Dakota Visitor Spending

by Year, Billions of \$



- Spending grew by \$56 million – an average of \$150,000 per day - in 2016.

- Spending on retail and recreation increased by \$55 million, counteracting the decline in transportation spending.

F&B: Food & Beverages
 Retail: Retail Shopping
 Lodging: Accommodations Sales
 Trans: Non-Air Transportation
 Rec: Recreation & Entertainment
 2nd homes: 2nd Home Rental Spending
 Air: Air Transportation Spending

Sources: DK Shifflet, NTTO, Tourism Economics

Tourism economy sales

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

Tourism Satellite Account							
Spending by Category							
(US\$ Million)							
Year	Domestic Visitor	Resident In-State	International Visitor	Non-Visitor PCE	Gov't Support	Investment	Total
2016	\$2,836.57	\$880.86	\$118.40	\$33.13	\$44.35	\$255.25	\$4,168.56
2015	\$2,795.96	\$869.00	\$115.33	\$39.41	\$47.00	\$239.39	\$4,106.08
2014	\$2,727.84	\$865.00	\$114.74	\$37.07	\$44.90	\$240.91	\$4,030.45
2013	\$2,615.60	\$842.00	\$114.89	\$35.73	\$42.29	\$247.94	\$3,898.44
2012	\$2,596.75	\$804.00	\$130.71	\$34.74	\$41.52	\$283.12	\$3,890.84
% Change	1.5%	1.4%	2.7%	-15.9%	-5.6%	6.6%	1.5%

- 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.

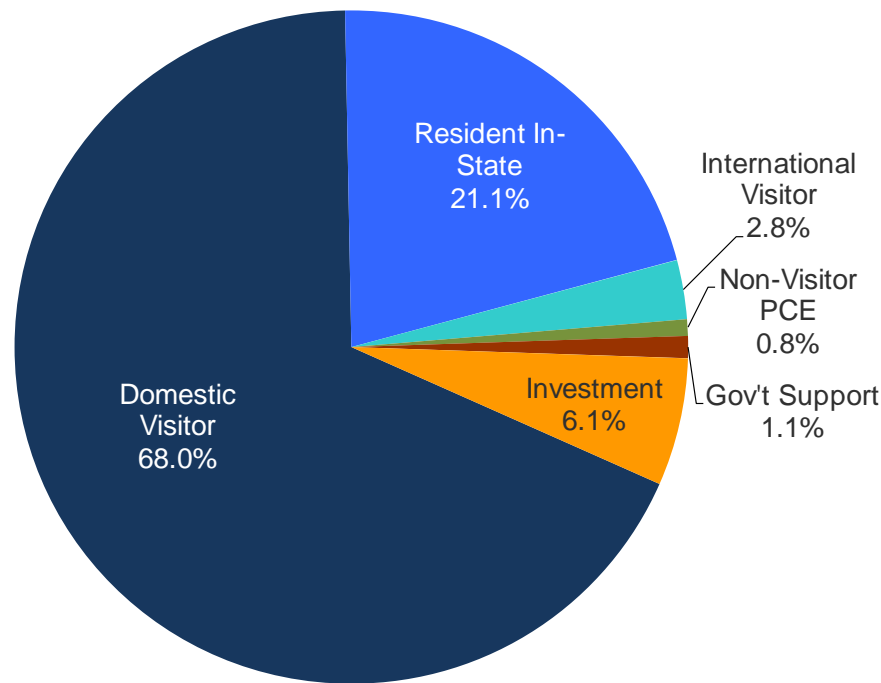
Tourism industry and economy sales

- The direct impact of tourism is driven by tourism industry sales only. This allows for apples-to-apples comparisons with other industries.
- The total economic impact of tourism includes investment in support of tourism, government spending and non-visitor private consumption expenditures (PCE).

Tourism Sales State of South Dakota		
Categories	Industry	Economy
Lodging	\$716.5	\$716.5
Food	\$845.2	\$845.2
Retail	\$825.2	\$825.2
Recreation	\$581.4	\$581.4
Local Trans.	\$804.2	\$804.2
Air Trans.	\$63.2	\$63.2
PCE Spending	\$0.0	\$33.1
Investment	\$0.0	\$255.2
Government	\$0.0	\$44.4
Total	\$3,835.8	\$4,168.6

Tourism economy sales by source

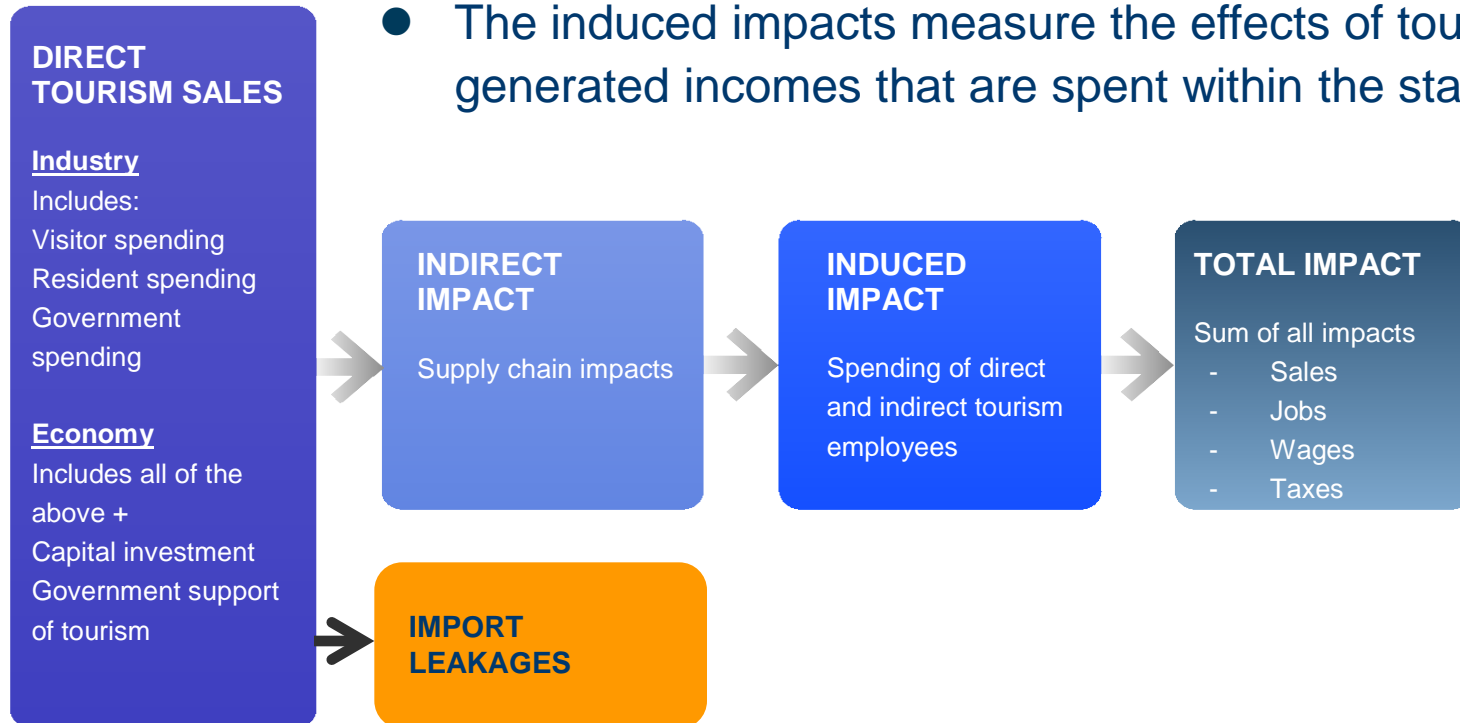
Tourism Demand by Source



- Domestic visitor markets comprise the majority (68.0%) of tourism sales in South Dakota.
- International visitor markets contributed 2.8% of tourism sales last year.
- Capital investment in tourism-related construction and machinery & equipment represents 6.1% of tourism economy sales.

Translating sales into impact

- Direct tourism sales flow through the South Dakota economy, generating GDP, jobs, wages, and taxes.
- The indirect impacts measure supply chain (b2b) activity generated by tourism sales.
- The induced impacts measure the effects of tourism-generated incomes that are spent within the state.

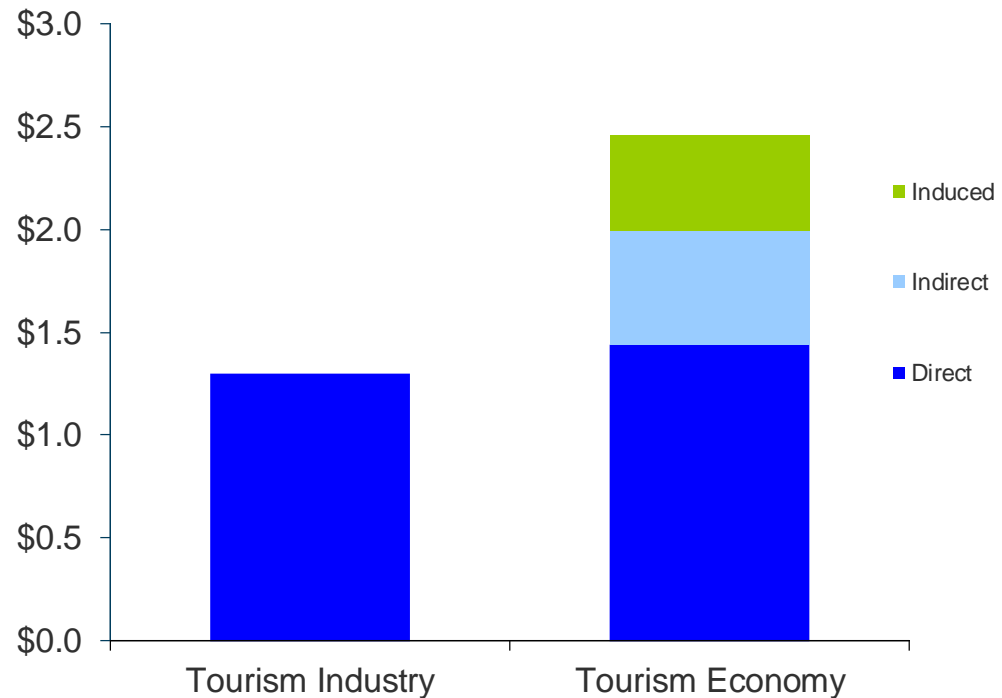


Tourism impact summary - GDP

- Tourism industry GDP directly generated \$1.3 billion of South Dakota GDP in 2016.
- The tourism economy, including direct, indirect and induced impacts of all tourism sales, generated GDP of \$2.5 billion. This is 5.4% of the state economy.

Tourism GDP Impact

2016, US\$ Billions

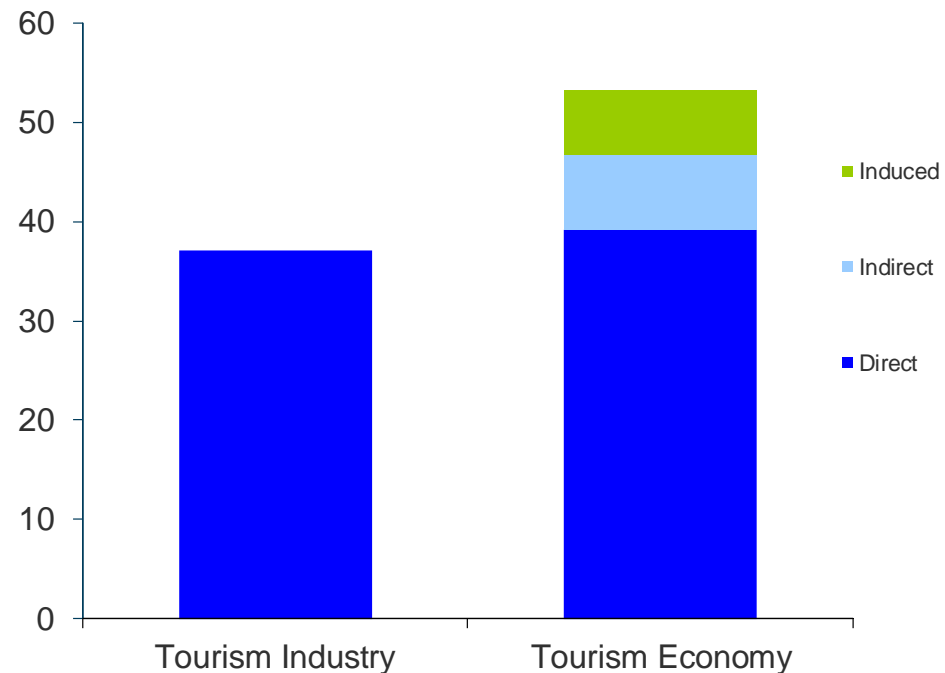


Source: Tourism Economics

Tourism impact summary - Jobs

- Tourism spending directly supported 37,091 jobs in South Dakota in 2016.
- The tourism economy, including direct, indirect and induced impacts, supported 53,258 jobs. This is 9.5% of all jobs in the state.

Tourism Employment Impact
2016, Thousands



Source: Tourism Economics

Direct Tourism Industry

What is the direct economic value of tourism-related sectors?



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Tourism industry impacts

Core Tourism		
	Employment	GDP
Agriculture, Fishing, Mining	-	-
Construction and Utilities	-	-
Manufacturing	-	-
Wholesale Trade	-	-
Air Transport	222	\$16.2
Other Transport	842	\$39.2
Retail Trade	4,443	\$173.0
Gasoline Stations	1,233	\$50.4
Communications	-	-
Finance, Insurance and Real Estate	-	\$0.0
Business Services	263	\$27.4
Education and Health Care	-	-
Recreation and Entertainment	6,648	\$229.8
Lodging	8,274	\$367.5
Food & Beverage	14,150	\$373.4
Personal Services	1,017	\$23.2
Government	-	\$0.0
TOTAL	37,091	\$1,300.0

- 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 \$1.3 billion in 2016, accounting for 2.9% of total South Dakota GDP.

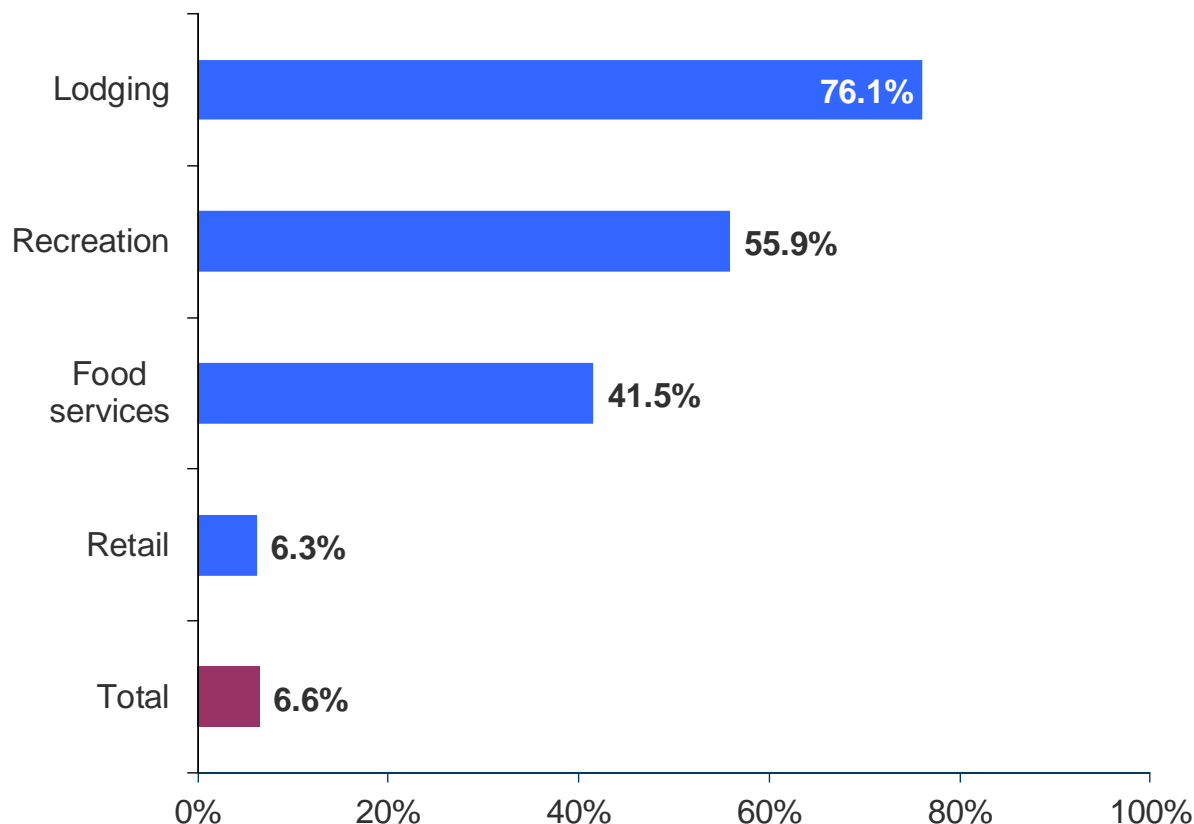
Why sales and GDP differ

- Tourism industry sales in South Dakota \$3.8 billion while direct GDP measures \$1.3 billion
- GDP (Gross domestic product) is less than sales because it measures only the locally-produced value of goods and services consumed by visitors
 - This includes the local labor, capital depreciation, and the profits of tourism-related companies that are based in South Dakota
 - The costs of imported goods (gasoline, food or retail goods) that come from out-of-state are excluded from the GDP calculation
 - In addition, business profits from out-of-state companies are also excluded. For example, Wal-Mart profits leave the state.

Tourism employment intensity

- Tourism is a significant part of several industries – 76% of lodging, 56% of recreation, and 42% of food & beverage employment is supported by tourism spending.

Tourism Employment Intensity by Industry

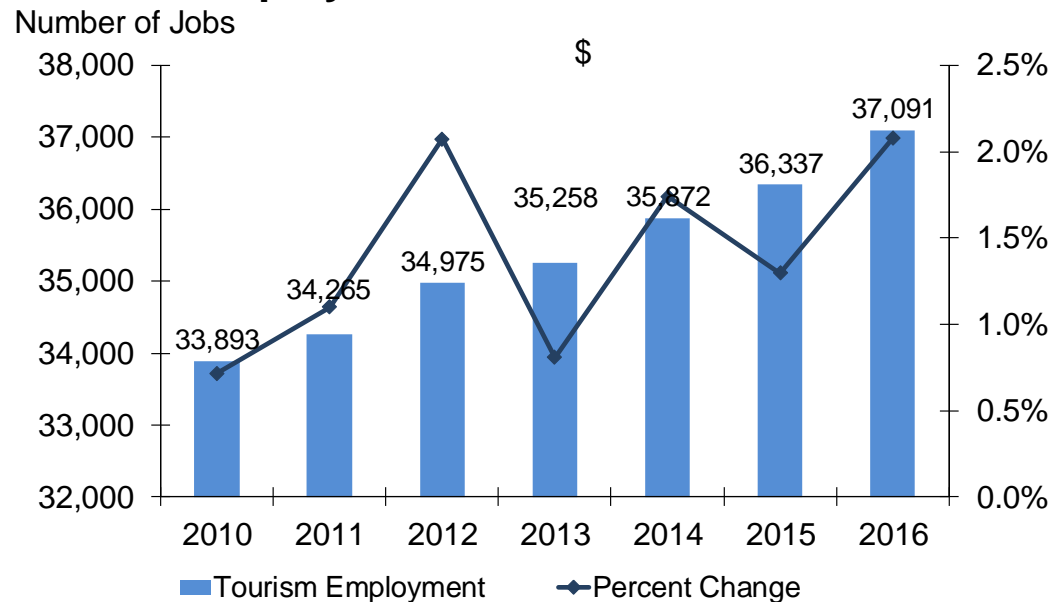


Tourism employment growth (direct impacts)

Tourism Employment							
	2010	2011	2012	2013	2014	2015	2016
Tourism Employment	33,893	34,265	34,975	35,258	35,872	36,337	37,091
Percent Change	0.7%	1.1%	2.1%	0.8%	1.7%	1.3%	2.1%

- Tourism employment grew 2.1% in 2016, making six straight years of employment growth.
- Since 2010, more than 3,000 new jobs have been created by visitor activity.

Tourism Employment



Source: Tourism Economics

Tourism ranking (direct impacts)

- Were tourism an industry as defined by the government, tourism employment would rank as the 6th largest industry in South Dakota.

Employment Ranking State of South Dakota		
Rank	Industry	Employment (000s)
1	Retail trade	70,598
2	Health care and social assistance	68,866
3	Accommodation and food services	45,118
4	Manufacturing	43,983
5	Finance and insurance	39,827
6	TOURISM	37,091
7	Construction	36,224
8	Other services, except public administration	29,425
9	Real estate and rental and leasing	24,658
10	Wholesale trade	23,646
11	Professional, scientific, and technical services	21,922
12	Administrative and waste management services	19,438
13	Transportation and warehousing	16,968
14	Arts, entertainment, and recreation	11,897

Total Tourism Economy

What is the total economic impact of tourism in South Dakota?



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Tourism generated sales

Tourism Sales (US\$ Million)				
	Direct	Indirect	Induced	Total
Agriculture, Fishing, Mining	-	8.2	3.5	11.7
Construction and Utilities	255.2	107.9	37.6	400.7
Manufacturing	33.1	49.4	13.6	96.1
Wholesale Trade	-	63.7	42.5	106.2
Air Transport	63.2	1.8	1.7	66.8
Other Transport	80.4	56.1	16.8	153.4
Retail Trade	825.2	61.2	62.1	948.6
Gasoline Stations	683.6	3.3	3.1	690.0
Communications	-	85.3	43.7	129.0
Finance, Insurance and Real Estate	46.6	259.4	263.3	569.2
Business Services	48.6	216.7	48.7	314.0
Education and Health Care	-	2.2	165.6	167.8
Recreation and Entertainment	537.1	28.3	14.6	580.0
Lodging	670.0	1.9	0.7	672.6
Food & Beverage	845.2	23.8	61.5	930.5
Personal Services	35.8	32.3	37.9	106.0
Government	44.4	41.7	18.9	105.0
TOTAL	4,168.6	1,043.4	835.7	6,047.7
Percent Change	2.0%	2.3%	2.7%	2.1%

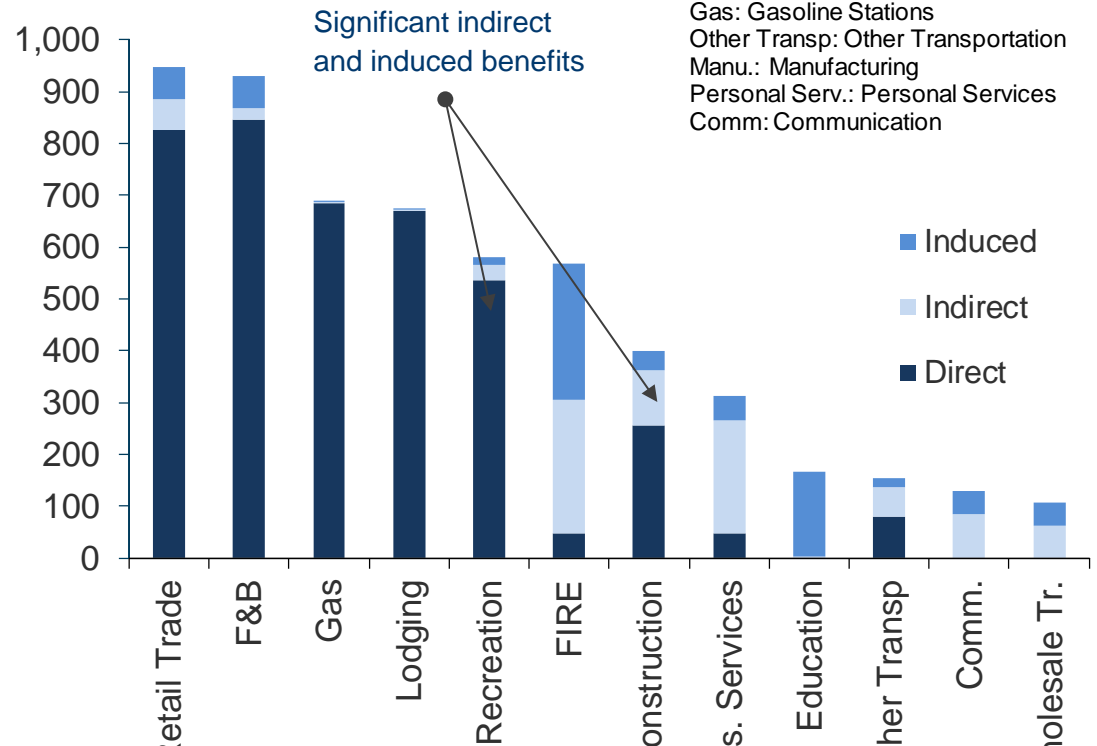
Tourism generated spending of \$4.2 billion generated an economic impact of \$6.0 billion in 2016 as visitor dollars flowed through the South Dakota economy.

Tourism sales

- All business sectors of the South Dakota economy benefit from tourism activity directly and/or indirectly.
- Sectors that serve the tourism industry, like business services, gain as suppliers to a dynamic industry.

Tourism Sales by Industry

\$ million



F&B: Food and Beverage
 FIRE: Finance, Insurance, Real Estate
 Bus. Services: Business Services
 Gas: Gasoline Stations
 Other Transp.: Other Transportation
 Manu.: Manufacturing
 Personal Serv.: Personal Services
 Comm: Communication

Tourism GDP (value added)

Tourism GDP (Value Added)				
(US\$ Million)				
	Direct	Indirect	Induced	Total
Agriculture, Fishing, Mining	-	3.3	1.6	4.8
Construction and Utilities	93.4	35.7	12.3	141.4
Manufacturing	7.8	14.3	2.9	25.0
Wholesale Trade	-	39.1	26.1	65.2
Air Transport	16.5	0.5	0.4	17.4
Other Transport	40.5	25.9	7.7	74.2
Retail Trade	182.5	36.2	39.7	258.4
Gasoline Stations	52.1	2.7	2.6	57.5
Communications	-	39.6	18.7	58.3
Finance, Insurance and Real Estate	-	178.5	168.6	347.0
Business Services	28.3	124.9	28.5	181.7
Education and Health Care	-	1.1	97.0	98.1
Recreation and Entertainment	234.2	8.7	6.1	249.0
Lodging	374.6	1.0	0.4	376.0
Food & Beverage	381.6	12.0	32.1	425.7
Personal Services	23.6	22.8	26.3	72.7
Government	6.9	6.3	(3.6)	9.6
TOTAL	1,441.9	552.6	467.5	2,462.0
Percent Change	4.8%	4.1%	4.0%	4.5%

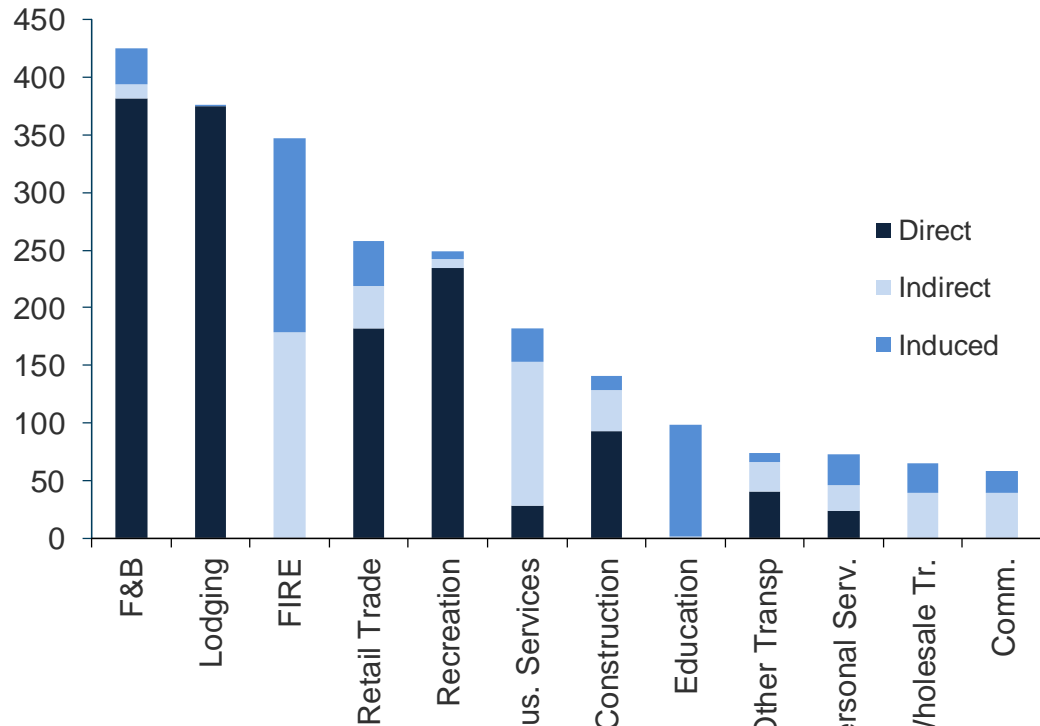
Tourism generated \$2.5 billion in state GDP in 2016, representing 5.4% of the total South Dakota economy.

Tourism GDP (value added)

- The F&B (food and beverage services) industry generates the largest share of tourism-generated GDP, closely followed by lodging services.
- Despite not being a primary supplier directly to visitors, FIRE (finance, insurance and real estate) generates nearly \$350 million of tourism GDP.

Tourism GDP by Industry

\$ million



Tourism employment

Tourism Employment				
	Direct	Indirect	Induced	Total
Agriculture, Fishing, Mining	-	66	27	93
Construction and Utilities	1,767	328	107	2,202
Manufacturing	102	204	40	347
Wholesale Trade	-	285	194	479
Air Transport	222	7	6	235
Other Transport	842	472	136	1,451
Retail Trade	4,575	823	796	6,194
Gasoline Stations	1,233	65	61	1,359
Communications	-	295	101	395
Finance, Insurance and Real Estate	-	1,228	698	1,927
Business Services	263	1,973	525	2,761
Education and Health Care	-	63	1,744	1,807
Recreation and Entertainment	6,644	640	223	7,507
Lodging	8,274	22	8	8,303
Food & Beverage	14,142	543	1,123	15,808
Personal Services	1,016	343	572	1,931
Government	105	266	86	458
TOTAL	39,185	7,625	6,449	53,258
Percent Change	2.2%	2.0%	1.6%	2.1%

- The tourism sector supported 53,258 jobs in 2016.

Indirect impacts quantify the supply chain to those industries directly providing goods or services to visitors.

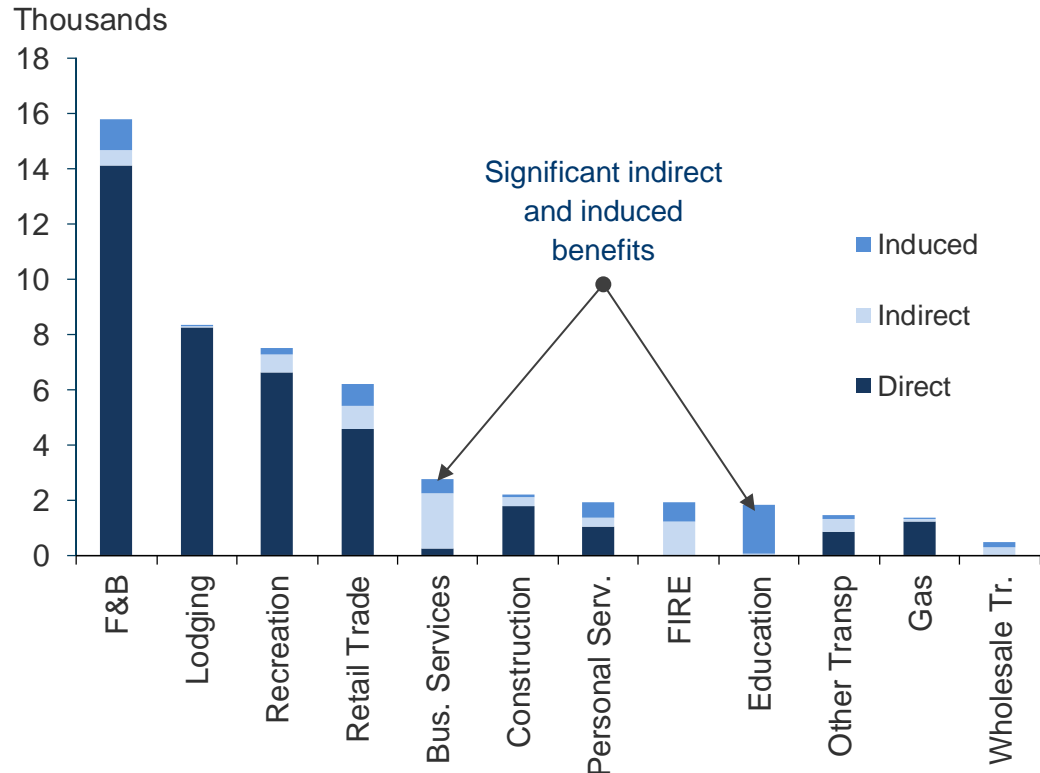
Induced impacts are generated when employees whose incomes are generated either directly or indirectly

28 by travel, spend those incomes in the state economy.

Tourism employment

- Secondary benefits are realized across the entire economy through the supply chain and incomes as they are spent.
- The unemployment rate in South Dakota was 2.7% in 2016. Without tourism jobs, the unemployment rate would have been 14.4%.

Tourism Employment by Industry



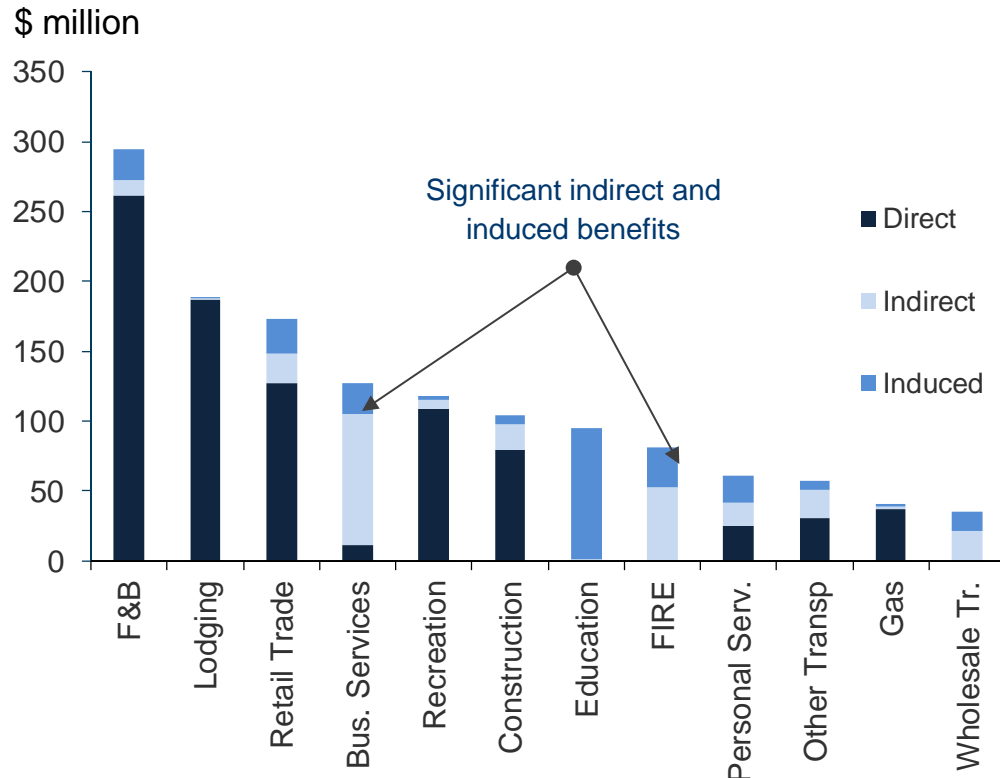
Tourism personal income

Tourism Labor Income (Compensation)				
(US\$ Million)				
	Direct	Indirect	Induced	Total
Agriculture, Fishing, Mining	-	3.8	1.9	5.7
Construction and Utilities	79.5	18.8	6.3	104.5
Manufacturing	6.1	12.0	2.4	20.6
Wholesale Trade	-	21.0	14.0	35.0
Air Transport	6.5	0.2	0.2	6.9
Other Transport	30.5	20.6	6.2	57.3
Retail Trade	127.6	20.4	25.5	173.6
Gasoline Stations	37.2	2.0	1.9	41.0
Communications	-	25.7	7.2	32.9
Finance, Insurance and Real Estate	-	52.3	29.2	81.5
Business Services	11.1	94.4	22.0	127.5
Education and Health Care	-	1.1	94.2	95.2
Recreation and Entertainment	108.6	6.4	3.2	118.2
Lodging	187.3	0.5	0.2	187.9
Food & Beverage	261.6	10.6	22.1	294.3
Personal Services	25.4	16.1	19.2	60.7
Government	5.7	17.9	5.2	28.7
TOTAL	887.1	323.7	260.9	1,471.7
Percent Change	5.1%	4.4%	4.4%	4.8%

Tourism personal income

- Significant employment in F&B and recreation drives high labor income in those industries.
- Above average wages support labor income in supplier industries.
- The average labor income of workers supported by visitor spending was \$22,600 in 2016.

Tourism Labor Income by Industry



Tourism tax generation

Traveler-Generated Tax Revenues			
(US\$ Million, Year)			
	Direct	Indirect/ Induced	Total
Federal	200.9	140.1	340.9
Personal Income	61.7	42.4	104.2
Corporate	27.1	27.5	54.6
Indirect business	15.3	6.5	21.9
Social Security	96.7	63.7	160.3
State and Local	204.9	73.9	278.8
Sales	94.9	38.0	133.0
Bed Tax	27.2	-	27.2
Personal Income	-	-	-
Corporate	1.9	1.9	3.9
Social Security	1.4	0.9	2.3
Excise and Fees	18.6	8.8	27.4
Property	60.8	24.2	85.0
TOTAL	405.7	214.0	619.7

- Taxes of \$620 million were directly and indirectly generated by tourism in South Dakota.
- State and local taxes alone tallied \$279 million in 2016.
- Each household in South Dakota would need to be taxed an additional \$821 per year to replace the visitor taxes received by state and local governments.

The importance of tourism in South Dakota in context



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How important is tourism?

- South Dakota's 13.9 million visitors in 2016 would be like everyone from Missouri, Nebraska and Wisconsin visiting South Dakota.



How important is tourism?

- The \$4.1 billion tourism economy in South Dakota is equal to the amount Americans spent on 'special outings' (brunch, dinner) honoring mom on Mother's Day in 2016.

Sources: NRF

- The total of \$6.0 billion in sales supported by tourism in South Dakota is more than what pet owners spent grooming and boarding their pets.

MOM



How important is tourism?

- The 37,091 direct tourism jobs are nearly three times more than the number of students at South Dakota State.
- Total tourism supported employment would be enough to fill Denny Sanford Center **THREE AND A HALF** times over.



How important is tourism?

- The 37,091 total tourism jobs would be enough to employ everyone in Brown County - the 4th largest county in South Dakota.



How important is tourism?

- The \$279 million in state and local revenues from visitor activity represents \$821 per household in South Dakota – or enough money for three Early Bird Admission Passes to the Buffalo Chip Campground for the 2017 Sturgis Rally.



Methodology and Background



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Definitions and terms

- A visitor includes all overnight and day visitors - traveling outside of their usual environment, defined as beyond 50 miles
- The analysis measures the economic impact of visitors to the State of South Dakota, including:
 - Day trips and overnight visitors
 - Domestic, Canadian and overseas visitors
 - Resident and non-resident travel

Quantifying the travel and tourism economy

- Most economic sectors such as financial services, insurance, or construction are easily defined within a country's national accounts statistics.
- Travel is not so easily measured because it is not a single industry. It is a demand-side activity which affects multiple sectors to various degrees.
- Travel spans nearly a dozen sectors including lodging, retail, real estate, air passenger transport, food & beverage, car rental, taxi services, travel agents, and recreation (including museums, theme parks, sports events and others).

Methods and data sources

- Domestic visitor expenditure estimates are provided by DK Shifflet's representative survey of US travelers. These are broken out by sectors (lodging, transport at destination, food & beverage, retail, and recreation), by purpose (business and leisure), and by length of stay (day and overnight).
- Tourism Economics (TE) then adds and cross-checks several categories of spending:
 - International visitor spending (source: NTTO, TE)
 - Canada visitor spending (source: Statistics Canada, TE)
 - Spending on air travel which accrues to South Dakota airports and locally-based airlines
 - Gasoline purchases by visitors (source: TE calculation)
 - Recreational second home expenditures (source: US Census)
 - STR (lodging performance)
 - Local level lodging tax data
 - Sales tax by industry (South Dakota Department of Revenue)
 - Industry-by-industry employment and personal income (Bureau of Economic Analysis and Bureau of Labor Statistics)
 - Tourism investment (source: FW Dodge)

Methods and data sources

- An IMPLAN model was utilized for the State of South Dakota. This traces the flow of visitor-related expenditures through the local economy and their effects on employment, wages, and taxes. IMPLAN also quantifies the indirect (supplier) and induced (income) impacts of travel.
- Tourism Economics then cross-checks these findings with employment and wage data for each sector to ensure the findings are within reasonable ranges.
- The source of the employment and wage data is the Regional Economic Information System (REIS), Bureau of Economic Analysis, U.S. Department of Commerce. This is more comprehensive than Bureau of Labor Statistics (ES202/QCEW) data. The main definitional difference is that sole-proprietors, which do not require unemployment insurance, are not counted in the ES202 data.

Description of spending categories

Spend Category	Description
Lodging	Includes visitor spending in accommodation sector. This includes food and other services provided by hotels and similar establishments.
Recreation	Includes visitor spending within the arts, entertainment and recreation supersector.
Air transport	Includes the local economic activity generated by visitors within the air transport (airline) and support services (on airport) sectors.
Other transport	Includes all forms of local transport services such as taxis, limos, trains, rental cars, and buses.
Shopping	Includes visitor spending within all retail sectors within the South Dakota economy.
Service stations	visitor spending on gasoline. Only the margin counts as local economic impact.
Second homes	Spending associated with the operation of seasonal second homes for recreational use as defined by the Census Department. This is based on an “imputed rent” calculation over an estimated peak season.
Food and beverage	Includes all visitor spending at restaurants and bars.

About Tourism Economics

- Tourism Economics, headquartered in Philadelphia, is an Oxford Economics company dedicated to providing high value, robust, and relevant analyses of the tourism sector that reflects the dynamics of local and global economies. By combining quantitative methods with industry knowledge, Tourism Economics designs custom market strategies, project feasibility analysis, tourism forecasting models, tourism policy analysis, and economic impact studies.
- Our staff have worked with over 200 destinations to quantify the economic value of tourism, forecast demand, guide strategy, or evaluate tourism policies.
- 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 is founded on a reputation for high quality, quantitative analysis and evidence-based advice. For this, it draws on its own staff of 150 highly-experienced professional economists; a dedicated data analysis team; global modeling tools; close links with Oxford University, and a range of partner institutions in Europe, the US and in the United Nations Project Link.
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