

Economic Impact of Tourism in South Dakota, 2018

December 2018



TOURISM
ECONOMICS

AN OXFORD ECONOMICS COMPANY

1) Key Findings

Growth rebounds in 2018 as a strong hunting season drives tourism growth

Key facts about South Dakota's tourism sector

2018 visitation surpassed 14 million, increasing by 200,000

Visitor spending rose 2.5% in 2018 to \$4.0 billion

Visitor spending supports 8.9% of all jobs in South Dakota

Tourism in South Dakota generated \$298 million in state and local taxes in 2018

Key indicators in South Dakota 2018

Dollar figures in millions

Visitor spending	\$3,980
Business sales impact	\$6,398
Employment impact	54,723
Personal income impact	\$1,599
Tax impact	\$676
Federal	\$377
State	\$132
Local	\$167

Source: Tourism Economics

On average, spending from
370 visitors supports one
direct SD job

One out of every 11.2
workers in South Dakota is
supported by tourism

\$865 in tax revenue per
household in South Dakota
was supported by tourism in
2018

2) Visitation and Spending

Trends in South Dakota tourism

1 Visitor activity rebounded in 2018

- Visitation growth returned to South Dakota in 2018 and visitor spending growth posted its best result since 2014.

2 Visitor spending continues to grow

- Marking the ninth straight year of visitor spending growth, 2018 increased 2.5% over the prior year.

3 Strong Shoulder Season

- About two-thirds of the room demand growth in 2018 (through October) occurred in September and October

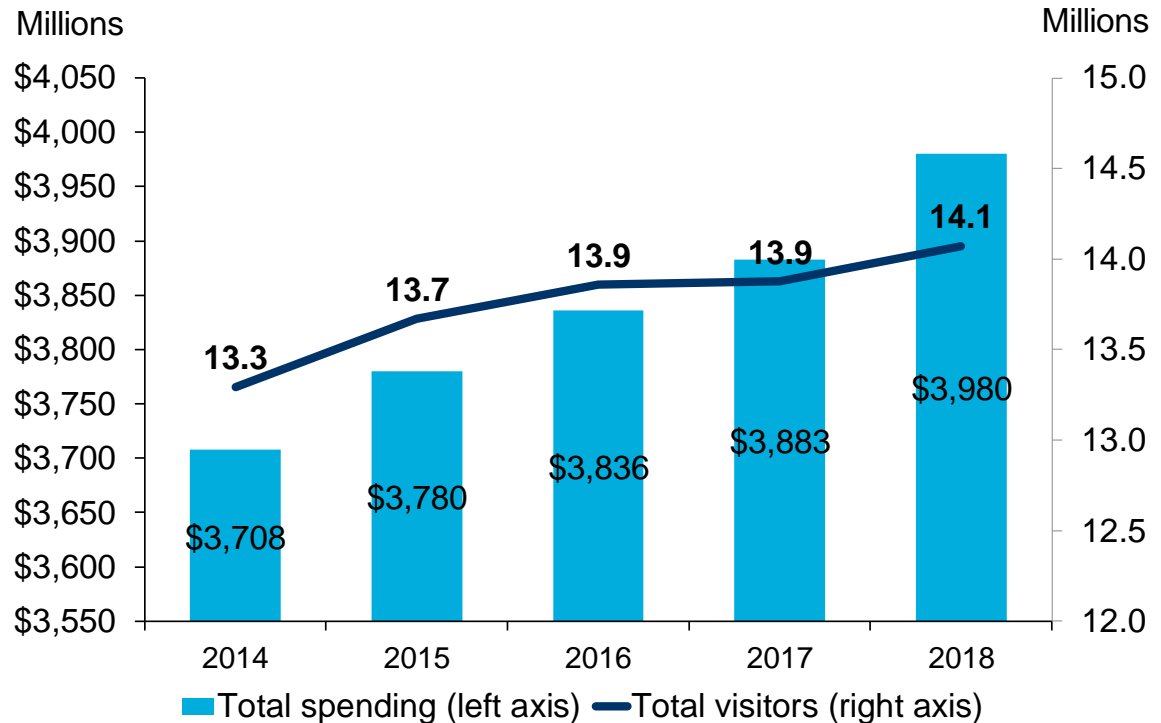
2018 Trends

14.1 million visitors traveled to South Dakota in 2018, spending nearly \$4 billion in the state.

Visitation growth inched upward, increasing by 200,000 visitors to surpass 14 million, an uptick of 1.4%.

Visitor spending increased by \$100 million, reaching \$4 billion in 2018, as increased visitation supported more spending.

Visitation and visitor spending in South Dakota

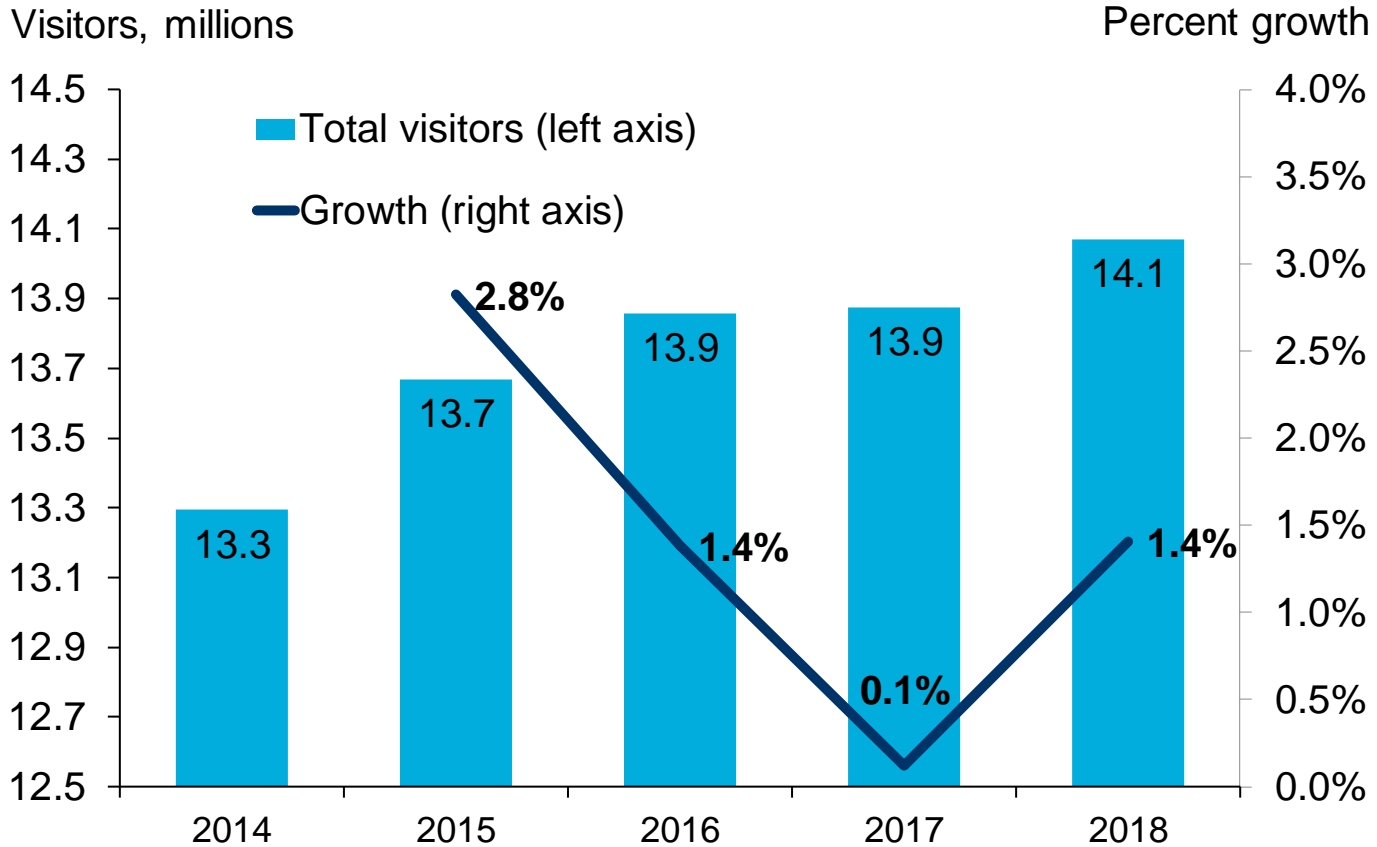


Source: Tourism Economics

Visitation

In 2018, visitation posted its strongest growth rate since 2015.

Visitors to South Dakota

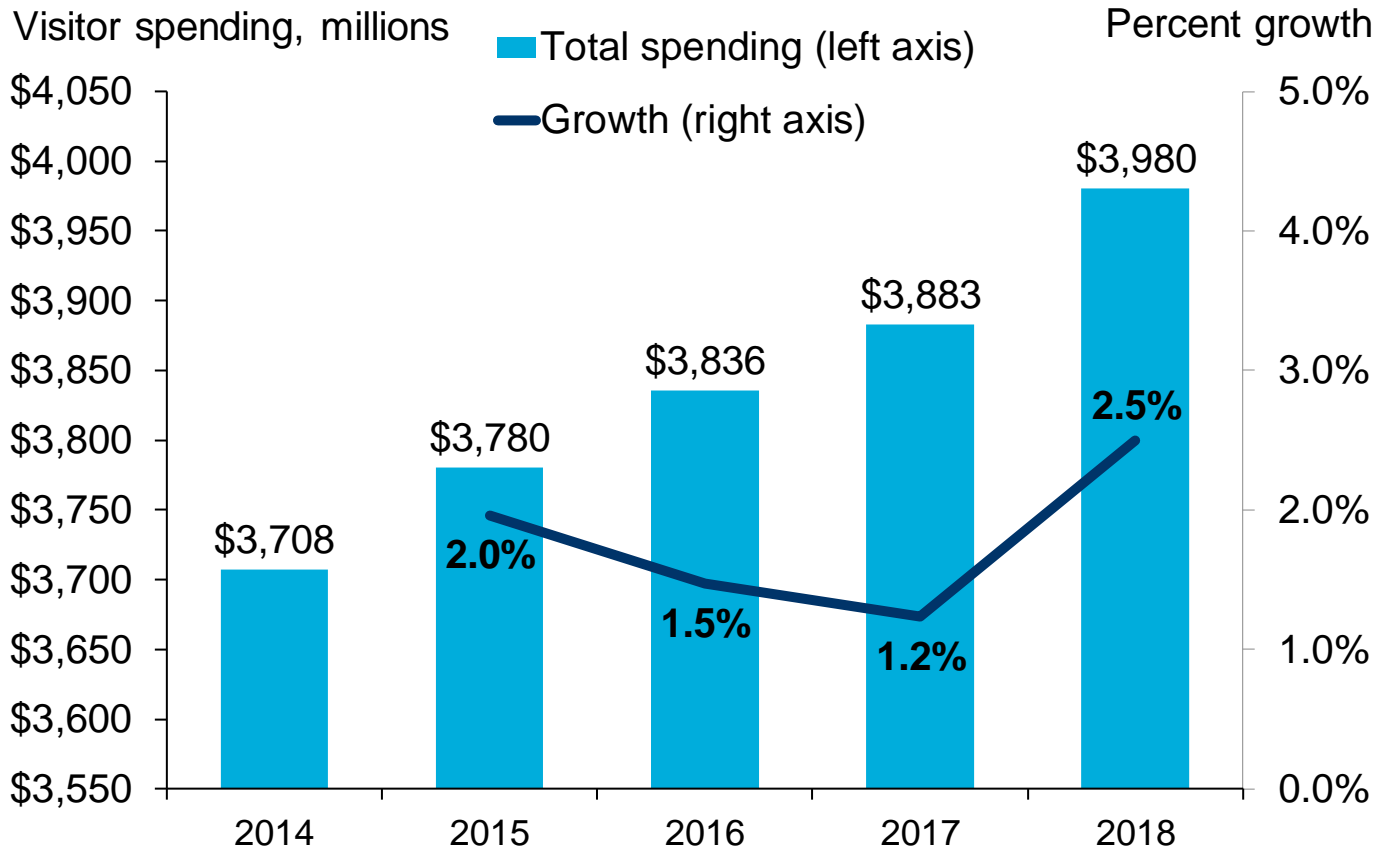


Source: Tourism Economics

Visitor spending

Visitor spending increased \$100 million, growth of 2.5%, to reach \$4.0 billion.

Visitor spending in South Dakota



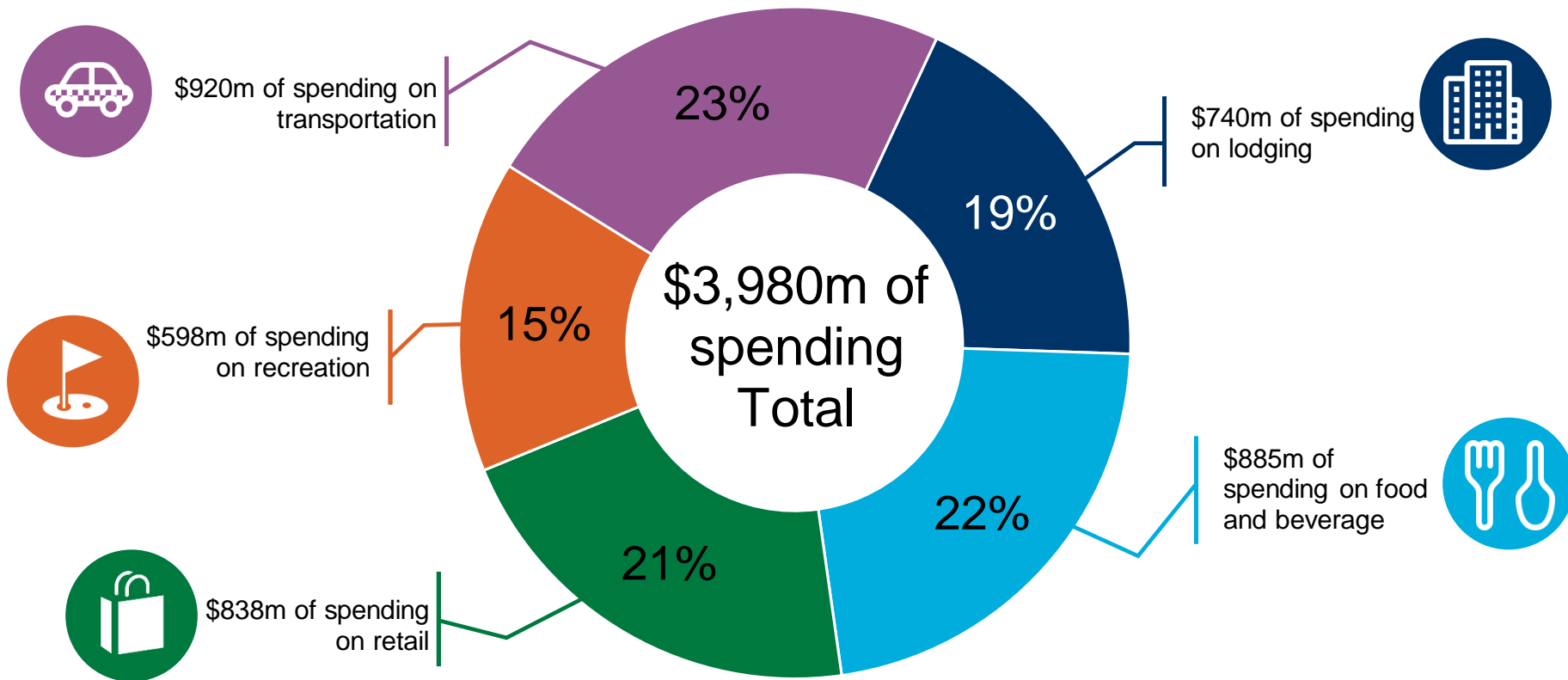
Source: Tourism Economics

Visitor spending in South Dakota

Lodging and food & beverage spending capture 41 cents of each visitor dollar.

Visitor spending in South Dakota, 2018

Dollars, millions and percent of total



Source: Tourism Economics

Visitor spending of \$4 billion

Visitor spending increased by 2.5% in 2018, supported by growth in spending on transportation as gas prices rose.

Visitor spending at lodging businesses grew 2.4% to reach \$740 million in 2018.

Food & beverage spending has increased by more than \$100 million since 2014.

Over the recent five-year period, spending on lodging and food & beverages has grown the fastest.

Spending grew 2.5% in 2018, the fastest spending growth since 2014 and nearly double the five year growth rate average.

Visitor spending in South Dakota

Nominal dollars, billions

	2014	2015	2016	2017	2018	2018 Growth	2014-2018 CAGR
Lodging	\$640.8	\$700.7	\$716.5	\$722.5	\$739.6	2.4%	2.9%
Food & beverages	\$780.8	\$832.3	\$845.2	\$868.7	\$885.1	1.9%	2.5%
Retail	\$773.3	\$791.9	\$825.2	\$826.5	\$837.7	1.3%	1.6%
Recreation	\$540.0	\$559.8	\$581.4	\$595.9	\$597.6	0.3%	2.0%
Local Transportation	\$911.9	\$834.6	\$804.2	\$801.7	\$847.7	5.7%	-1.4%
Air Transportation	\$60.7	\$61.0	\$63.2	\$67.9	\$72.6	6.8%	3.6%
Total	\$3,707.6	\$3,780.3	\$3,835.8	\$3,883.2	\$3,980.2	2.5%	1.4%

Source: Tourism Economics

Visitor spending accelerates in 2018

All categories saw spending increases with lodging and food & beverages increasing by \$33 million in total – 35% of the increase in 2018.

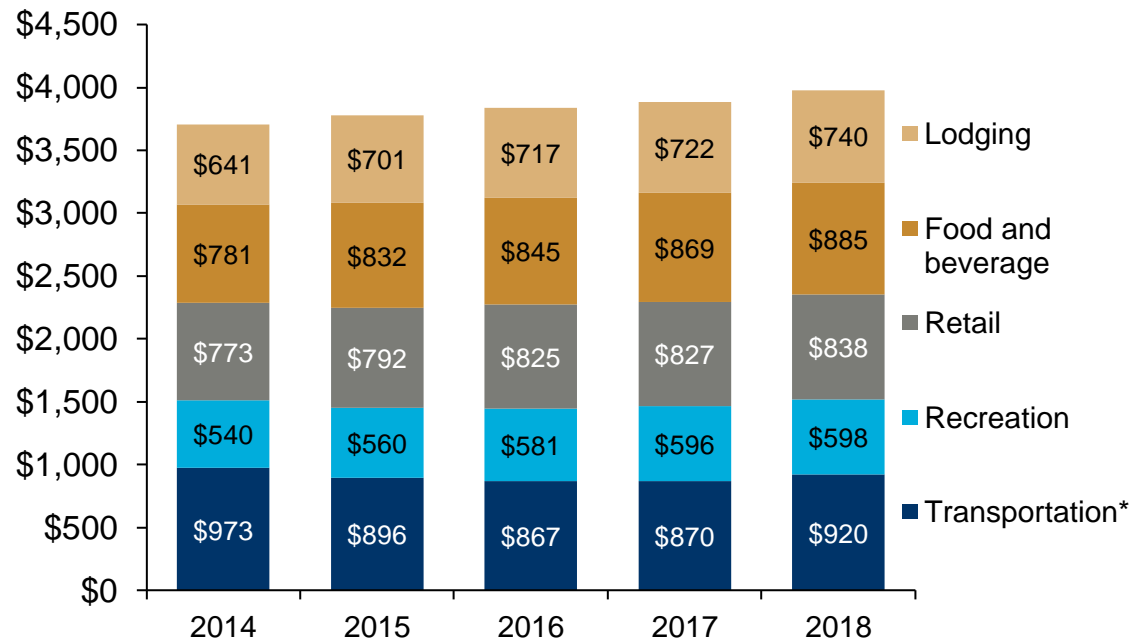
Food & beverages is the largest spending category for travelers in South Dakota. Visitors spend \$885 million at restaurant, bars, and grocery stores in the state.

Lodging spending, including spending on 2nd homes, rose to \$740 million in 2018.

Gasoline prices rose for the first time in three years in 2018, supporting an increase in local transportation spending for the first time since 2014.

South Dakota visitor spending

Millions of \$



* Transportation share includes both ground/local transportation and air transportation

Source: Tourism Economics

Visitor spending shares

Recent trends in spending share growth reversed in 2018.

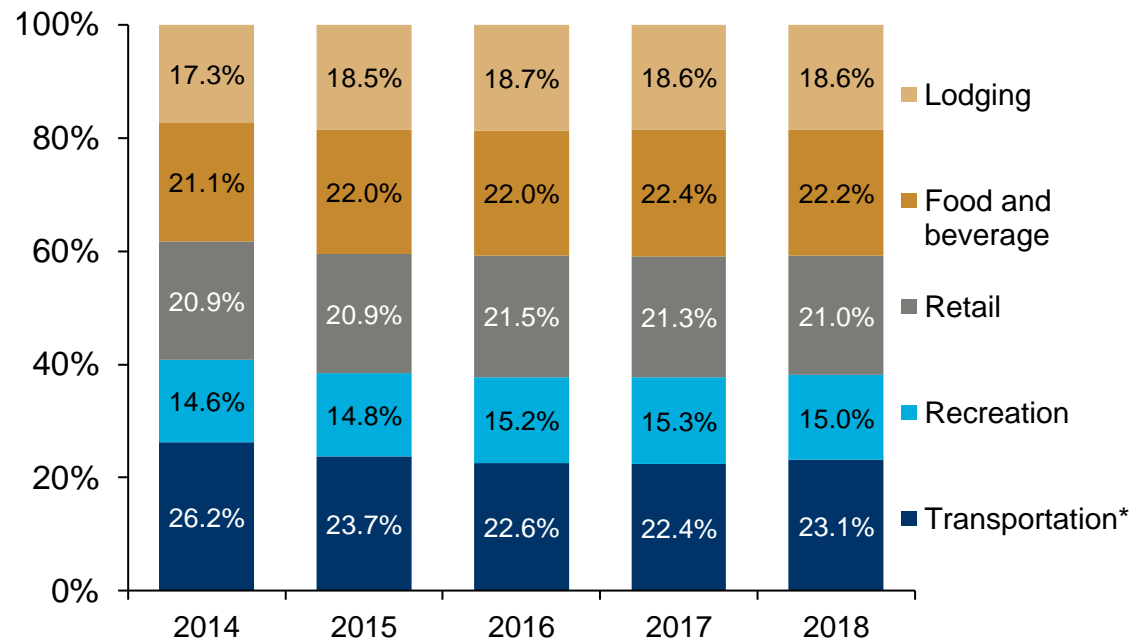
After increasing nearly one percentage point to reach 18.7% of all visitor spending in 2016, the share of the visitor dollar spent on lodging declined slightly to 18.6% in 2018.

The share of the visitor dollar spent on food & beverages has increased one percentage point since 2014 to 22.2% in 2018.

With gas prices increasing in 2018, the share of the visitor dollar spent on transportation costs rose.

South Dakota visitor spending

Percent of total



* Transportation share includes both ground/local transportation and air transportation

Source: Tourism Economics

3) Tourism Economy

Construction in support of tourism

\$262 million was spent on construction costs in support of the tourism industry in South Dakota.

New construction spending reached \$96 million in 2018 and has grown an average of 4% over the past five years.

Machinery & equipment spending grew faster in 2018 than the five year average, reaching \$166 million.

Tourism construction spending in South Dakota

Dollars are nominal, millions

	2014	2015	2016	2017	2018	2018 growth	2014-2018 CAGR
Construction	\$78.5	\$79.4	\$96.2	\$92.5	\$95.7	3.4%	4.0%
Machinery & Equipment	\$162.4	\$160.0	\$159.2	\$160.5	\$166.3	3.6%	0.5%
Total	\$240.9	\$239.4	\$255.4	\$253.1	\$262.0	3.5%	1.7%

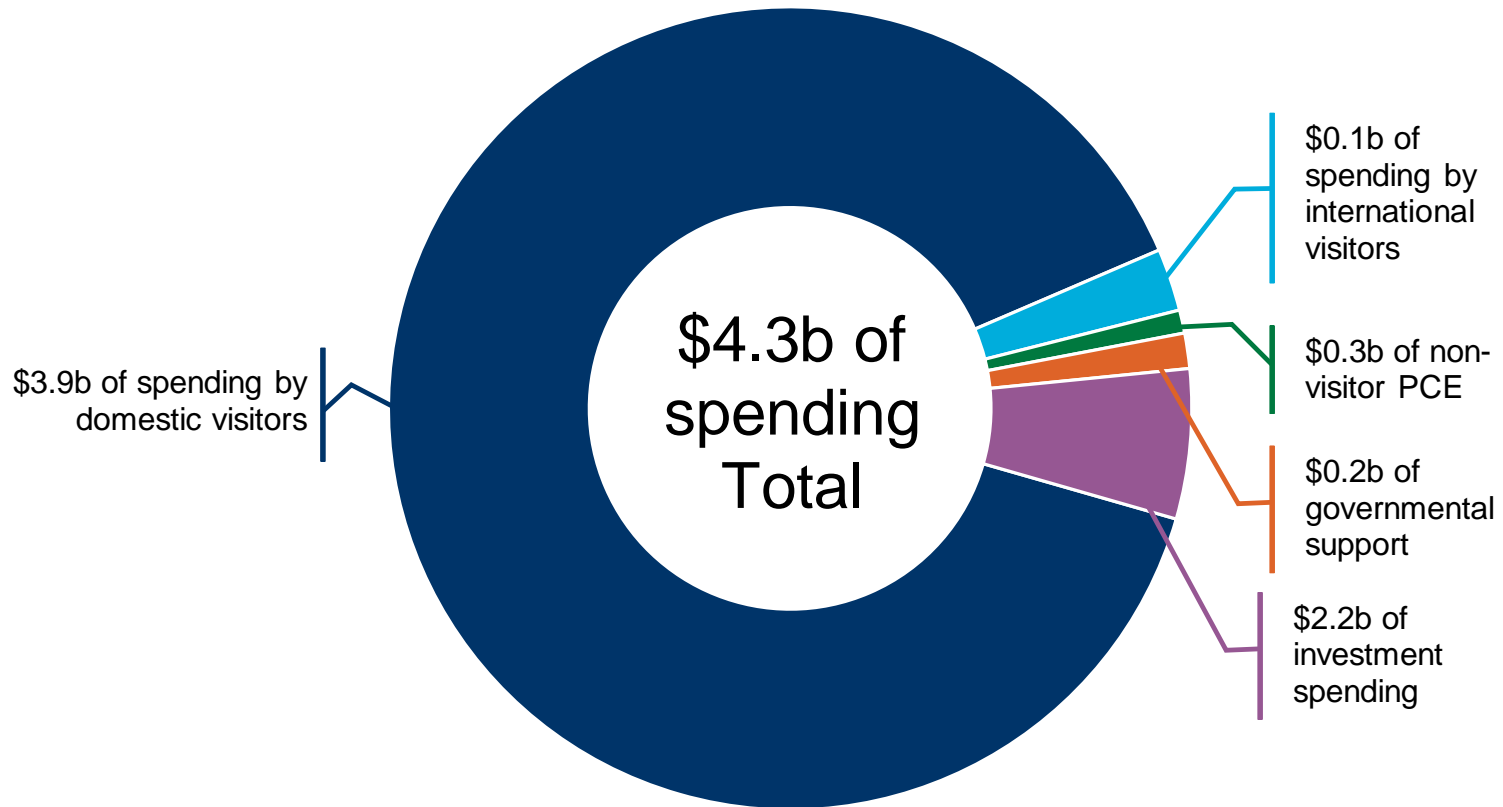
Source: Tourism Economics

Visitor economy in South Dakota

Visitor economy spending in South Dakota reached \$4.3 billion in 2018, dominated by domestic visitor spending.

Visitor economy in South Dakota, 2018

Dollars, billions and percent of total



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 \$4.3 billion.

Tourism Economy in South Dakota

Nominal dollars, millions

	2014	2015	2016	2017	2018	2018 Growth	2014-2018 CAGR
Domestic Visitor	\$3,592.8	\$3,665.0	\$3,717.4	\$3,776.9	\$3,870.9	2.5%	1.5%
International Visitor	\$114.7	\$115.3	\$118.4	\$106.3	\$109.3	2.8%	-1.0%
Non-Visitor PCE	\$37.1	\$39.4	\$33.1	\$38.0	\$40.4	6.5%	1.8%
Gov't Support	\$58.9	\$61.9	\$59.7	\$61.6	\$61.8	0.2%	0.9%
Investment	\$240.9	\$239.4	\$255.4	\$253.1	\$262.0	3.5%	1.7%
Total	\$4,044.5	\$4,121.0	\$4,184.0	\$4,235.8	\$4,344.5	2.6%	1.4%

Source: Tourism Economics

4) The Economic Impact of Tourism – Direct Tourism Industry

How tourism generates impact

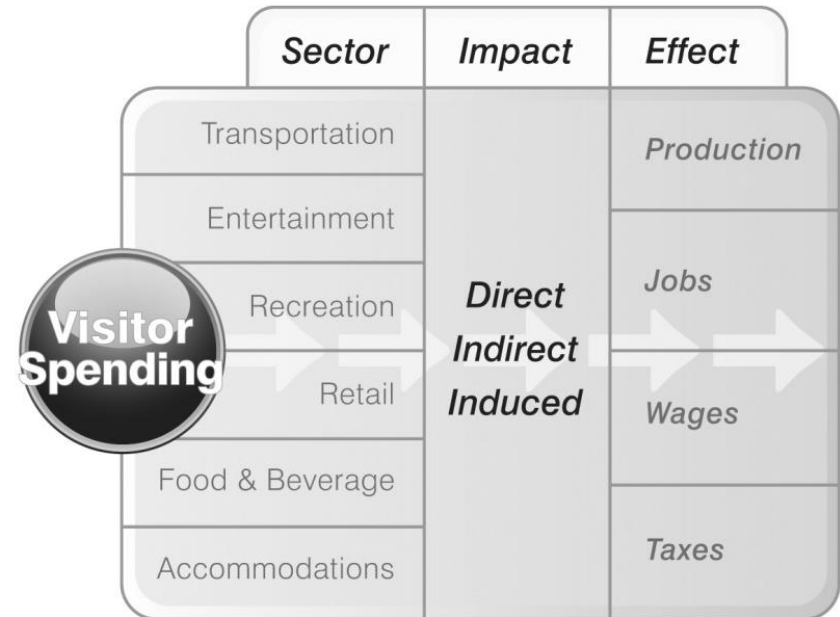
Our analysis of tourism's impact on South Dakota starts with actual spending by tourists, but also considers the downstream effects of this injection of spending into the local economy. To determine the total economic impact of tourism in South Dakota, we input visitor spending into a model of the South 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.

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

How visitor spending flows through the economy and generates economic benefits



Tourism industry impacts

Visitor spending in South Dakota supported 37,644 jobs and \$1.4 billion in state GDP in 2018.

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 2018, accounting for 3.1% of total South Dakota GDP.

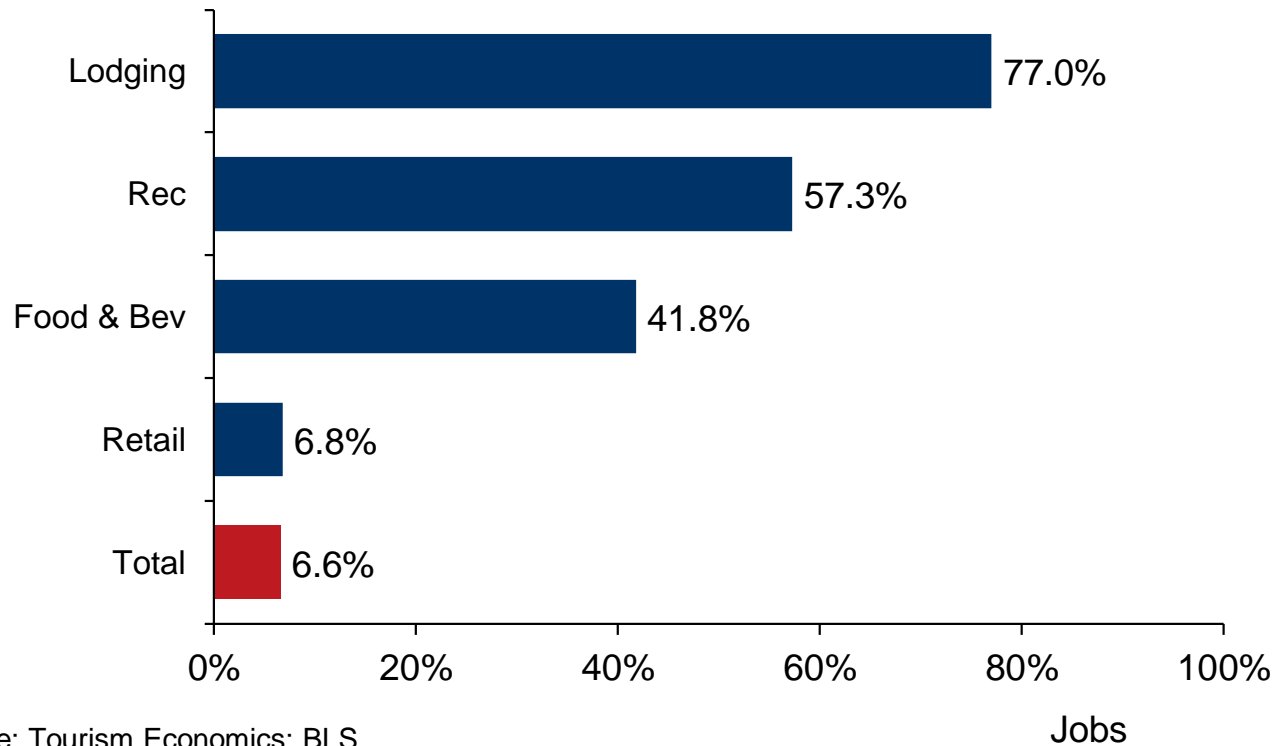
Core Tourism		
	Employment	GDP (millions)
Agriculture, Fishing, Mining	-	-
Construction and Utilities	-	-
Manufacturing	-	-
Wholesale Trade	-	-
Air Transport	226	\$23.7
Other Transport	853	\$45.2
Retail Trade	4,473	\$192.5
Gasoline Stations	1,279	\$56.2
Communications	-	-
Finance, Insurance and Real Estate	252	\$17.0
Business Services	65	\$5.5
Education and Health Care	-	-
Recreation and Entertainment	6,883	\$258.4
Lodging	8,230	\$390.8
Food & Beverage	14,324	\$397.6
Personal Services	1,059	\$26.0
Government	-	-
TOTAL	37,644	\$1,412.9

Source: Tourism Economics

Tourism employment intensity

Tourism employment is a significant part of several industries – 77% of lodging, 57% of recreation and 42% of food & beverage employment is supported by visitor spending.

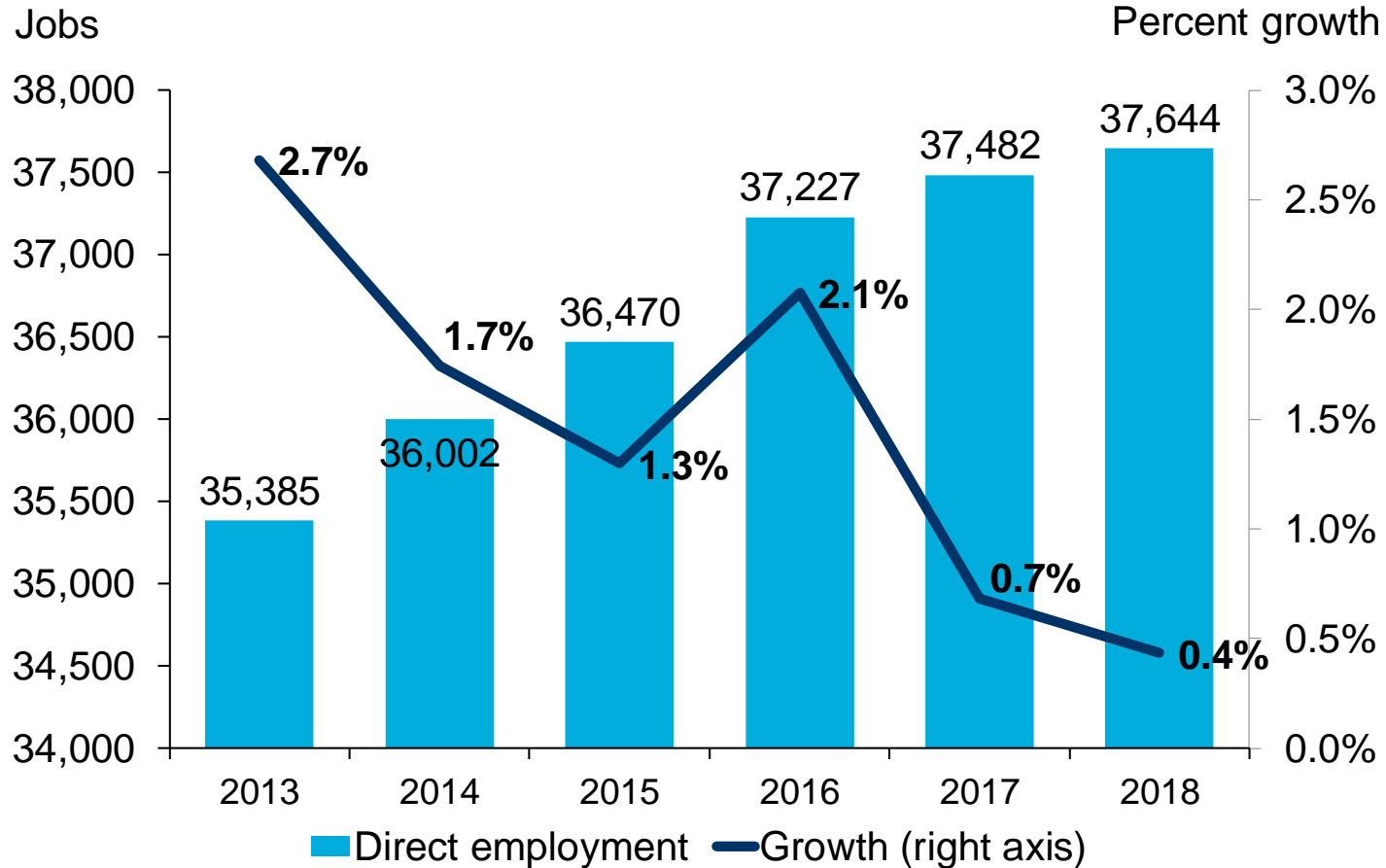
Tourism Employment Intensity



Tourism employment growth

37,644 jobs were directly supported by visitor spending in South Dakota

Tourism supported employment in South Dakota

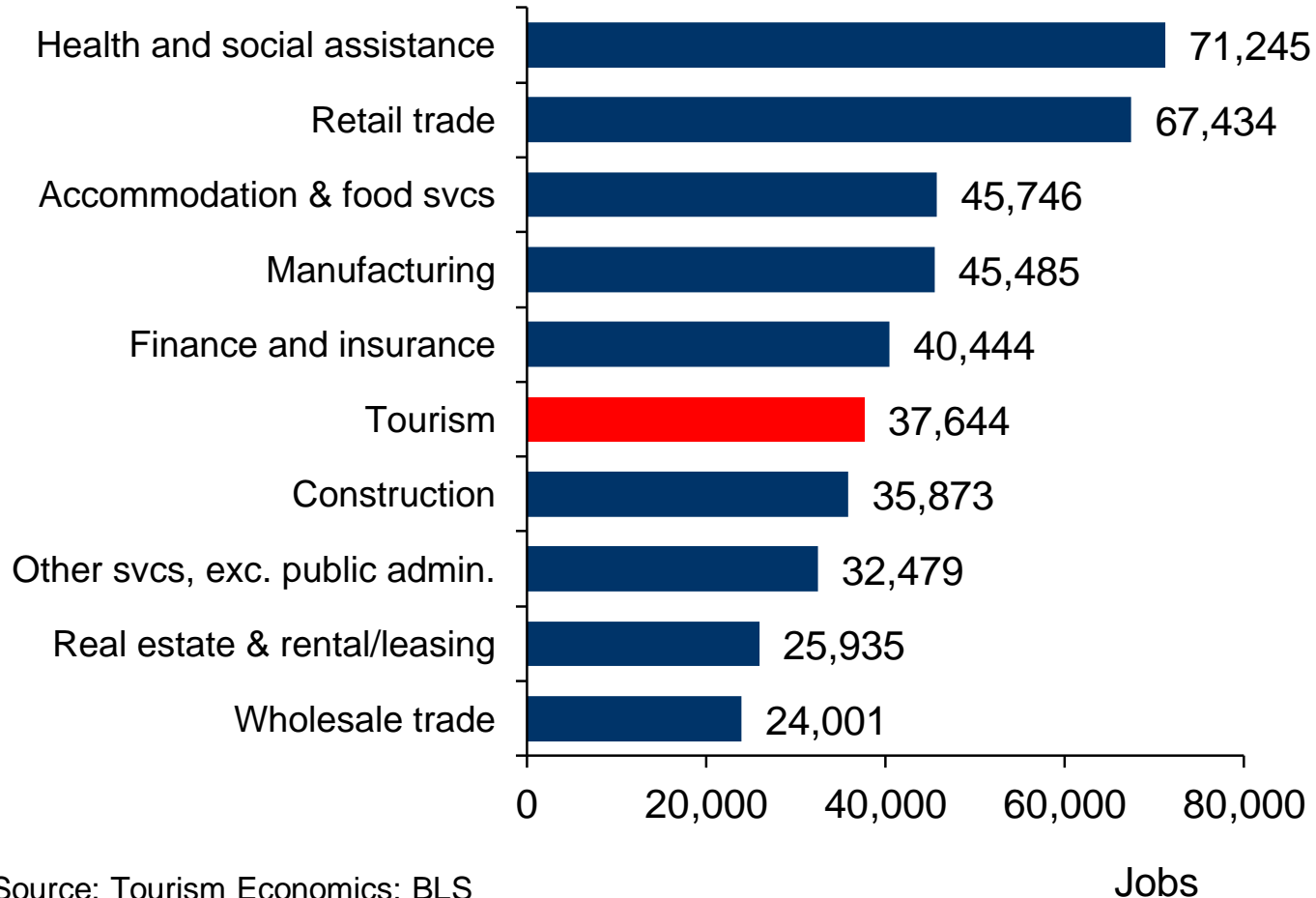


Source: Tourism Economics

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

The tourism industry, were it ranked in employment tables, would be 6th largest industry in South Dakota.

Employment in South Dakota



Tourism impact summary

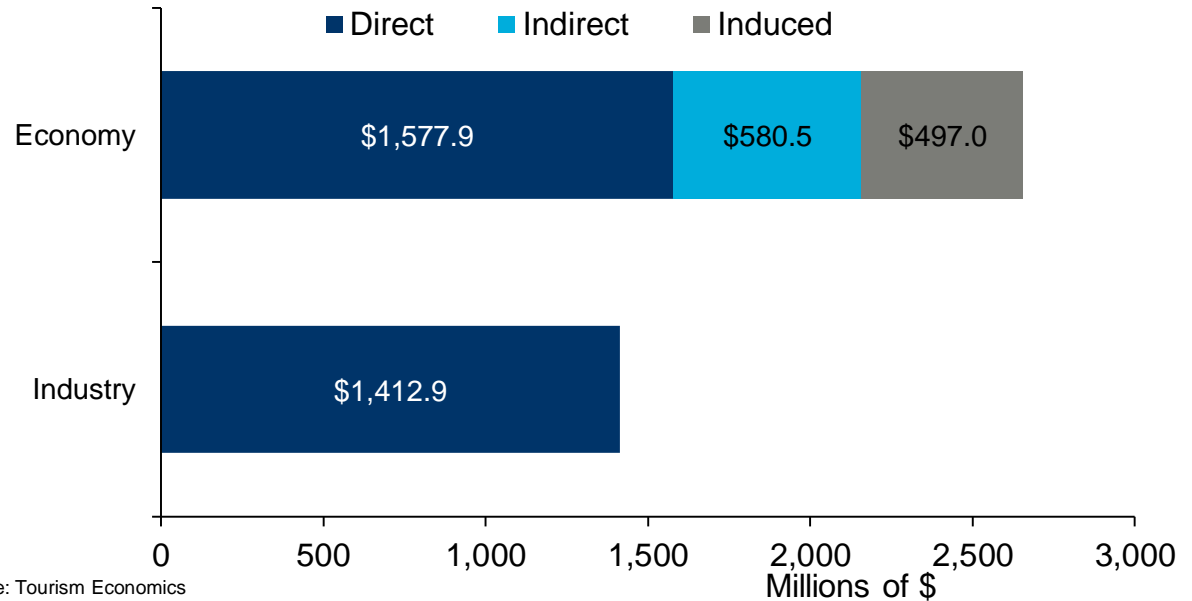
Tourism directly supports \$1.4 billion in state GDP, \$2.7 billion in total.

Tourism industry GDP directly generated \$1.4 billion of South Dakota GDP in 2018.

The tourism economy, including direct, indirect and induced impacts, generated GDP of \$2.7 billion. This is 5.2% of the state economy.

Tourism GDP impact

Dollars, millions



Source: Tourism Economics

Tourism impact summary

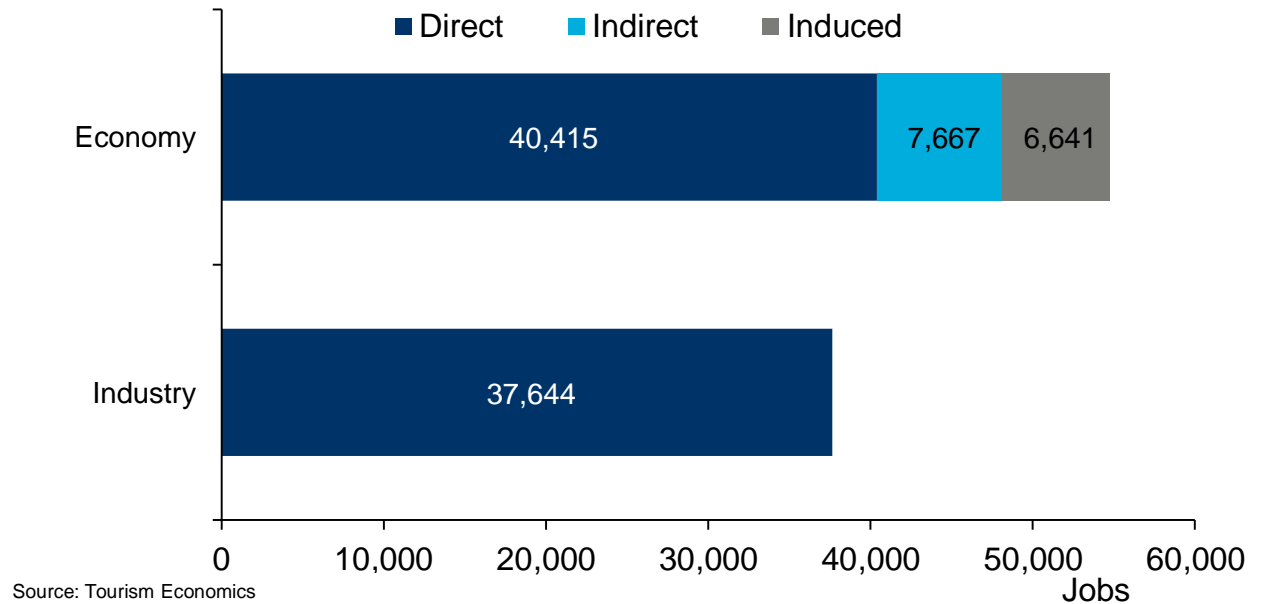
Tourism directly supports 37,644 jobs in South Dakota, 54,720 in total.

Tourism industry sales directly supported 37,644 jobs in South Dakota in 2018.

7,667 jobs are in businesses that supply goods and services to tourism businesses like hotels, restaurants, and recreational companies.

The tourism economy, including direct, indirect and induced impacts, supported 54,723 jobs. This is 8.9% of all jobs in the state.

Tourism employment impact



5) The Economic Impact of Tourism – Total Tourism Economy

Business sales impacts (1 of 2)

Visitors and tourism businesses spent \$4.3 billion in South Dakota in 2018. This supported a total of \$6.4 billion in business sales when indirect and induced impacts are considered.

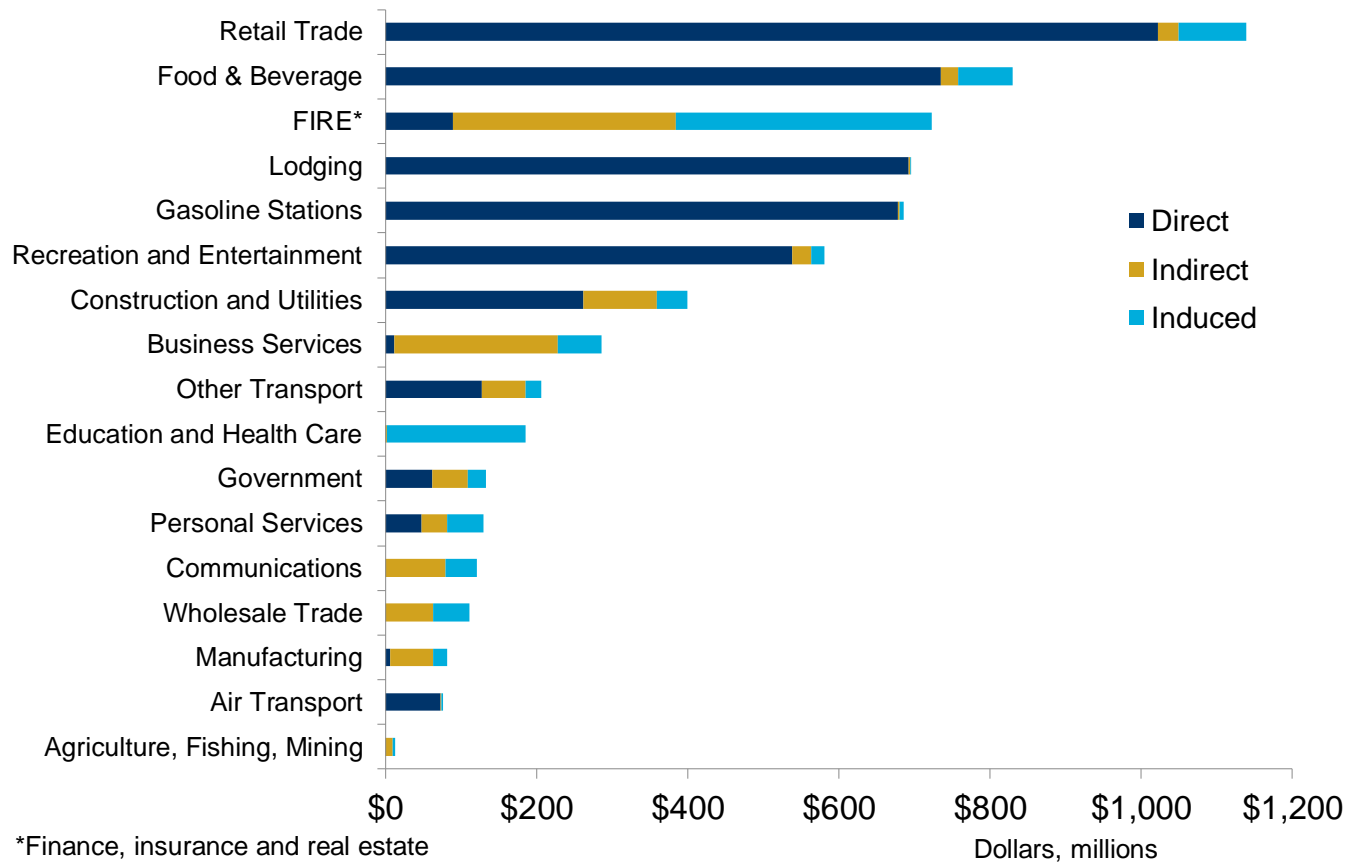
Business sales impacts, 2018 (millions of \$)

	Direct	Indirect	Induced	Total
Agriculture, Fishing, Mining	-	9.1	4.2	13.2
Construction and Utilities	262.0	96.9	40.3	399.1
Manufacturing	6.6	56.7	18.7	82.0
Wholesale Trade	-	62.7	48.3	111.0
Air Transport	72.6	1.9	1.9	76.3
Other Transport	127.2	58.7	19.9	205.7
Retail Trade	1,021.9	28.1	89.3	1,139.3
Gasoline Stations	678.2	2.5	5.2	685.9
Communications	-	79.2	42.1	121.3
Finance, Insurance and Real Estate	89.5	294.8	339.2	723.4
Business Services	12.0	215.7	58.0	285.7
Education and Health Care	-	1.8	183.3	185.1
Recreation and Entertainment	537.9	25.0	17.6	580.5
Lodging	692.5	2.2	0.9	695.6
Food & Beverage	734.6	22.8	72.9	830.4
Personal Services	47.8	33.5	48.6	129.9
Government	61.8	47.1	24.3	133.2
TOTAL	4,344.5	1,038.6	1,014.7	6,397.7
Percent Change	2.6%	2.7%	2.4%	2.6%

Business sales impacts (2 of 2)

While the majority of sales are in industries directly serving visitors, \$295 million in business sales is happening in finance, insurance and real estate as a result of selling to tourism businesses.

Business sales impacts, 2018



Source: Tourism Economics

GDP (Value Added) impacts (1 of 2)

Travel generated \$2.7 billion in state GDP in 2018, or 5.2% of the South Dakota economy. This excludes all import leakages to arrive at the economic value generated by travel.

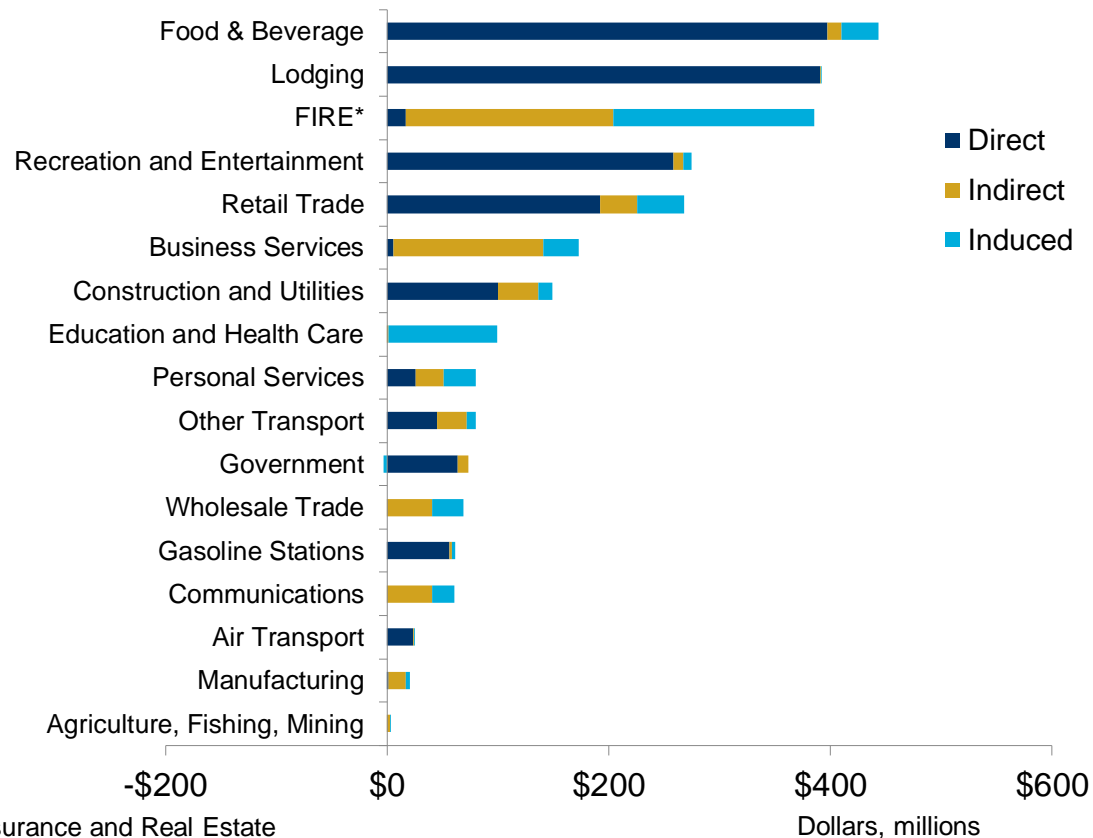
GDP impacts, 2018 (millions of \$)				
	Direct	Indirect	Induced	Total
Agriculture, Fishing, Mining	-	2.4	1.1	3.6
Construction and Utilities	99.9	36.3	12.8	149.0
Manufacturing	1.5	15.7	3.3	20.6
Wholesale Trade	-	40.9	27.7	68.7
Air Transport	23.7	0.5	0.5	24.7
Other Transport	45.2	26.6	8.0	79.8
Retail Trade	192.5	33.4	42.5	268.4
Gasoline Stations	56.2	2.6	2.7	61.5
Communications	-	41.1	19.8	60.9
Finance, Insurance and Real Estate	17.0	187.1	181.1	385.3
Business Services	5.5	135.8	31.8	173.0
Education and Health Care	-	1.0	98.4	99.5
Recreation and Entertainment	258.4	9.2	6.8	274.5
Lodging	390.8	1.1	0.4	392.3
Food & Beverage	397.6	12.3	34.0	443.9
Personal Services	26.0	24.7	29.2	79.9
Government	63.6	9.5	(3.2)	69.9
TOTAL	1,577.9	580.5	497.0	2,655.4
Percent Change	2.0%	3.4%	2.8%	2.5%

Source: Tourism Economics

GDP (Value Added) impacts (2 of 2)

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

GDP impacts, 2018



*Finance, Insurance and Real Estate

Source: Tourism Economics

Employment impacts (1 of 2)

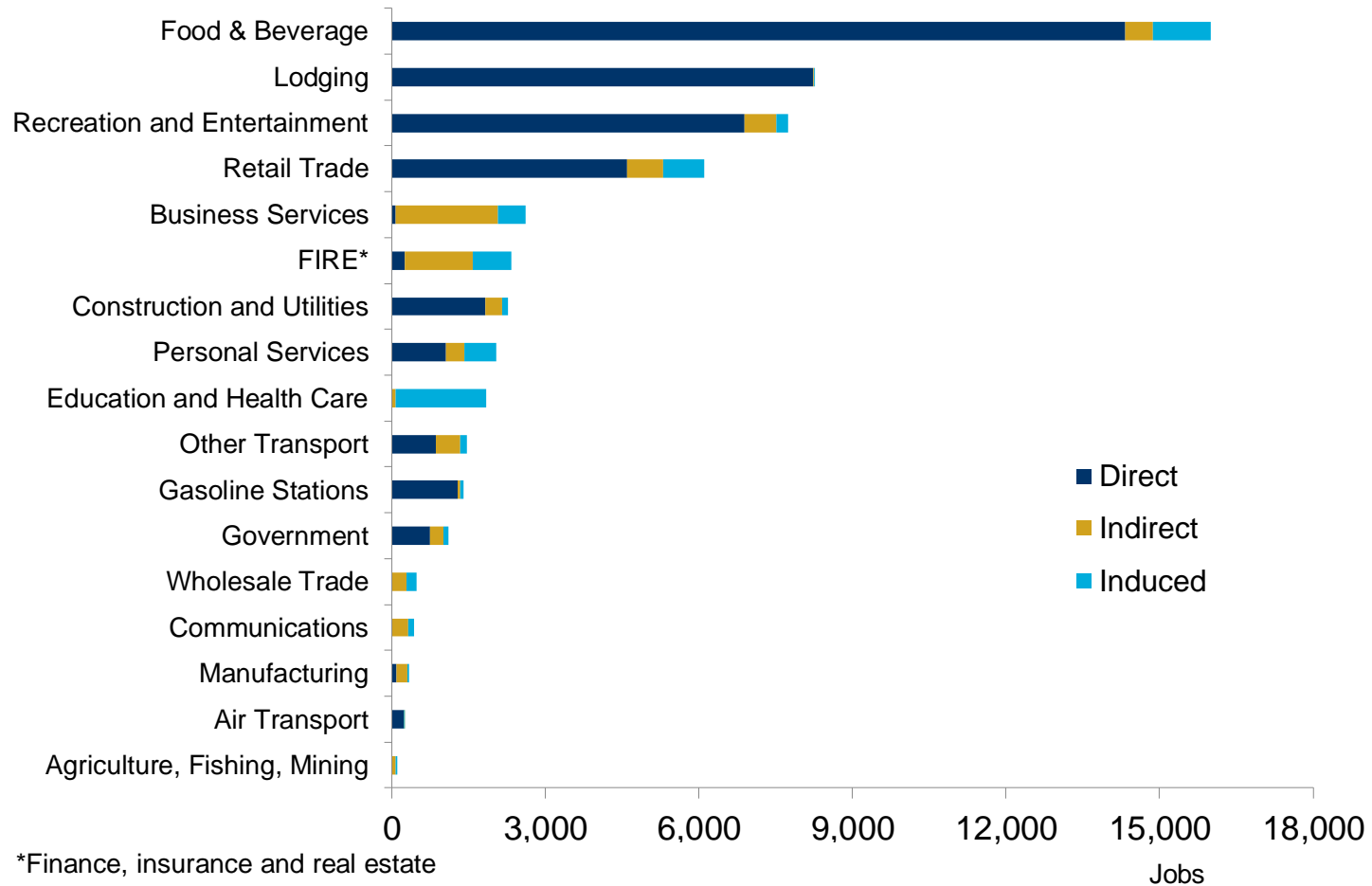
Tourism supported a total of 54,723 jobs when indirect and induced impacts are considered.

Employment impacts, 2018				
	Direct	Indirect	Induced	Total
Agriculture, Fishing, Mining	-	72	30	102
Construction and Utilities	1,829	327	113	2,269
Manufacturing	87	208	42	337
Wholesale Trade	-	280	196	476
Air Transport	226	7	6	239
Other Transport	853	471	139	1,462
Retail Trade	4,592	713	797	6,102
Gasoline Stations	1,279	60	63	1,402
Communications	-	319	103	423
Finance, Insurance and Real Estate	252	1,327	748	2,327
Business Services	65	2,002	547	2,613
Education and Health Care	-	62	1,774	1,836
Recreation and Entertainment	6,883	633	227	7,743
Lodging	8,230	21	8	8,260
Food & Beverage	14,324	539	1,142	16,005
Personal Services	1,059	352	618	2,029
Government	735	273	89	1,098
TOTAL	40,415	7,667	6,641	54,723
Percent Change	0.5%	1.3%	0.6%	0.7%

Source: Tourism Economics

Employment impacts (2 of 2)

Employment impacts, 2018



*Finance, insurance and real estate

Source: Tourism Economics

Personal income impacts (1 of 2)

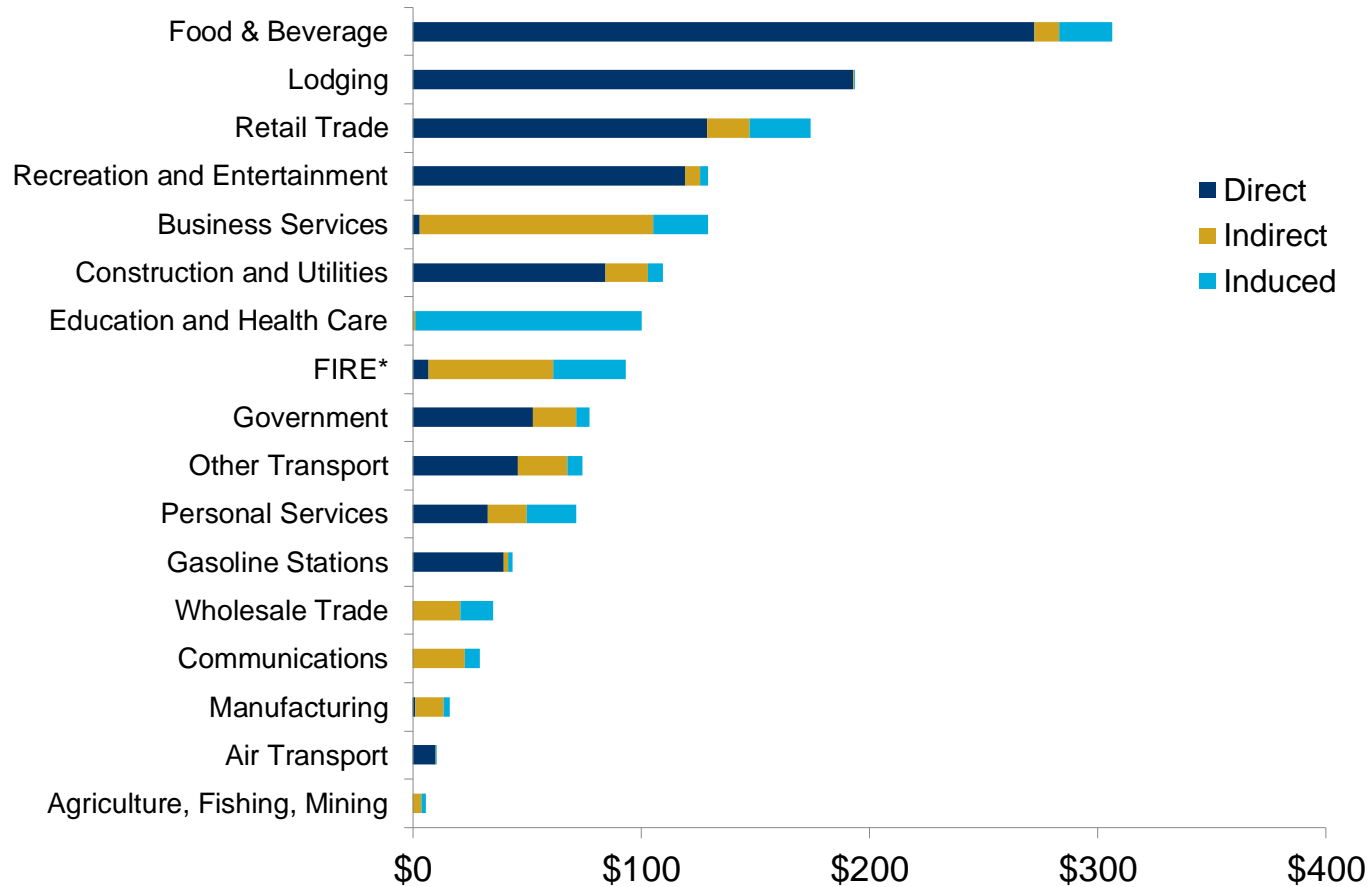
Tourism generated nearly \$1.0 billion in direct income and \$1.6 billion when indirect and induced impacts are considered.

Personal income impacts, 2018 (millions of \$)				
	Direct	Indirect	Induced	Total
Agriculture, Fishing, Mining	-	3.7	2.0	5.6
Construction and Utilities	84.3	18.6	6.5	109.4
Manufacturing	1.1	12.5	2.6	16.2
Wholesale Trade	-	20.9	14.2	35.1
Air Transport	9.9	0.2	0.2	10.3
Other Transport	46.0	21.7	6.5	74.3
Retail Trade	128.8	18.8	26.5	174.1
Gasoline Stations	39.7	1.9	2.0	43.6
Communications	-	22.8	6.6	29.4
Finance, Insurance and Real Estate	6.9	54.7	31.6	93.2
Business Services	3.0	102.3	24.0	129.3
Education and Health Care	-	1.0	99.1	100.1
Recreation and Entertainment	119.1	6.8	3.6	129.5
Lodging	192.9	0.4	0.2	193.5
Food & Beverage	272.5	10.8	23.3	306.6
Personal Services	32.8	17.3	21.7	71.7
Government	52.6	19.0	5.5	77.2
TOTAL	989.5	333.4	276.1	1,599.0
Percent Change	1.7%	2.2%	1.8%	1.8%

Source: Tourism Economics

Personal income impacts (1 of 2)

Personal income impacts, 2018



*Finance, insurance and real estate

Dollars, millions

Source: Tourism Economics

Tax impacts

Taxes of nearly \$676 million were directly and indirectly generated by tourism in 2018.

State and local taxes alone tallied \$298 million in 2018.

Each household in South Dakota would need to be taxed an additional \$865 per year to replace the traveler taxes received by state and local governments.

Visitor spending, visitor supported jobs, and business sales generated \$676 million in governmental revenues.

Tourism supported tax revenue, millions				
	2015	2016	2017	2018
Federal	\$327.5	\$341.0	\$370.0	\$377.3
Personal Income	\$99.8	\$104.2	\$115.6	\$117.7
Corporate	\$52.5	\$54.6	\$53.4	\$54.7
Indirect business	\$21.7	\$21.9	\$25.0	\$25.6
Social insurance	\$153.6	\$160.3	\$176.1	\$179.2
State and Local	\$270.4	\$281.6	\$290.9	\$298.3
Sales	\$130.7	\$135.8	\$146.4	\$150.2
Bed Tax	\$26.3	\$27.2	\$27.5	\$28.2
Personal Income	\$0.0	\$0.0	\$0.0	\$0.0
Corporate	\$3.7	\$3.9	\$2.5	\$2.5
Social insurance	\$2.2	\$2.3	\$0.2	\$0.2
Excise and Fees	\$27.2	\$27.5	\$24.9	\$25.6
Property	\$80.3	\$85.0	\$89.4	\$91.6
Total	\$597.9	\$619.7	\$661.0	\$675.6

Source: Tourism Economics

Tax impacts

South Dakota state government collects \$132 million in revenue from visitor activity, local governments collect \$167 million.

State government collected \$132 million from visitor activity in South Dakota in 2018. Sales tax collections represented the majority of state government revenues.

Tourism accounts for 11% of state sales tax collections in the state.

Local governments accrued \$167 million as the result of visitor activity in the state. Of that amount, \$42 million was from sales tax collections.

About 7% of all local governmental revenues come from visitor associated activity.

Tourism supported tax revenues, millions	
Total	
State Revenues	\$131.7
Sales	\$108.4
Bed Tax	-
Personal Income	-
Corporate	\$2.5
Social insurance	\$0.2
Excise and Fees	\$20.6
Property	-
Local Govt. Revenues	\$166.6
Sales	\$41.8
Bed Tax	\$28.2
Personal Income	-
Corporate	-
Social insurance	-
Excise and Fees	\$4.9
Property	\$91.6
Total	\$298.3

Source: Tourism Economics

6) Economic Impact in Context

Figures in context

Visitor Spending

Stacking \$1 bills high enough to equal \$4 billion would reach 207 miles – longer than the distance from Pierre to Mt. Rushmore (193 miles).

Tourism Supported Sales

The \$6.4 billion in total impact in 2018 is larger than the amount Americans spent on Black Friday.

<https://www.foxbusiness.com/features/americans-spent-1-billion-this-thanksgiving-shopping-on-their-smartphones>

Figures in context

Employment

The 37,644 jobs directly supported by visitor spending is three times the enrollment of South Dakota State University.

Visitation

South Dakota farmers produced 14.1 million bushels of oats in 2016 – or one bushel for each of South Dakota's 14.1 million visitors in 2018

Taxes

To make up for the \$298 million in state and local taxes generated by visitor activity, each household in the state would need to contribute \$865 to maintain the current level of government.

Average holiday spending on gifts is estimated at \$850 in 2018. Tourism activity in the state supports a Merry Christmas for South Dakota households.

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.

For more information:

info@tourismeconomics.com

