

Economic Impact of Tourism in South Dakota, 2019

December 2019



**TOURISM
ECONOMICS**

AN OXFORD ECONOMICS COMPANY

1) Key Findings

Growth accelerates in 2019 as strong room demand signifies increases in visitors.

Key facts about South Dakota's tourism sector

2019 visitation reached 14.5 million, increasing by 3.1%.

Visitor spending rose 2.8% in 2019 to reach \$4.1 billion.

Visitor spending supports 8.8% of all jobs in South Dakota

Tourism in South Dakota generated \$308 million in state and local taxes in 2019

Key indicators in South Dakota 2019

Dollar figures in millions

Visitor spending	\$4,095
Business sales impact	\$6,584
Employment impact	55,157
Personal income impact	\$1,655
Tax impact	\$698
Federal	\$391
State	\$136
Local	\$172

Source: Tourism Economics

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

One out of every 11 workers
in South Dakota is supported
by tourism

\$890 in tax revenue per
household in South Dakota
was supported by tourism in
2019

2) Visitation and Spending

Trends in South Dakota tourism

1 Visitor activity accelerated in 2019

- Led by the strongest visitation growth since 2014, 2019 was a robust year for visitor activity in South Dakota.

2 Visitor spending led by visitation growth

- Visitor spending has now grown for its tenth straight year – the whole decade. With minimal price pressures, spending was mainly driven by increases in the number of visitors.

3 Increases were seen throughout year

- While 2018 increases were driven by a strong fall/hunting season, 2019 growth was steady throughout the year with room demand growing by over 4% for most of the state.

2019 Trends

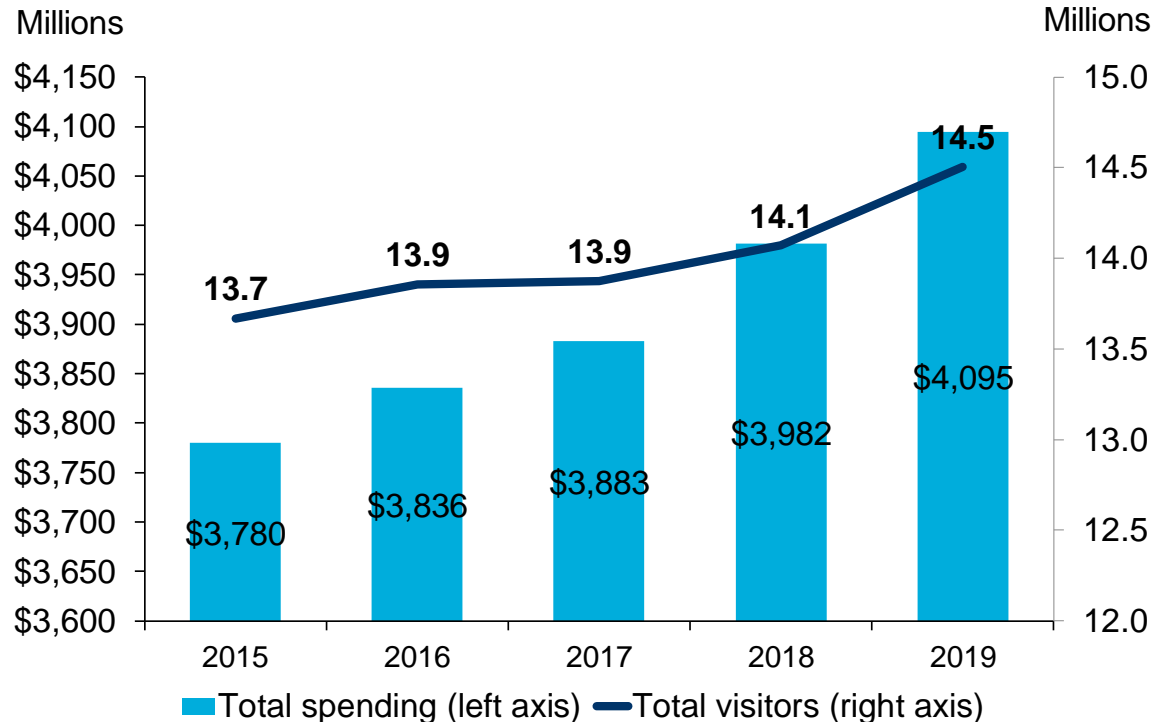
14.5 million visitors traveled to South Dakota in 2019, spending \$4.1 billion in the state.

Visitation growth accelerated upward, increasing by 400,000 visitors to reach 14.5 million.

Visitor spending increased by \$110 million, reaching \$4.1 billion in 2019, as increased visitation supported more spending.

2019s visitor spending totaled more than \$300 million higher than in 2015. Two-thirds of the growth since 2015 has come in the past two years.

Visitation and visitor spending in South Dakota

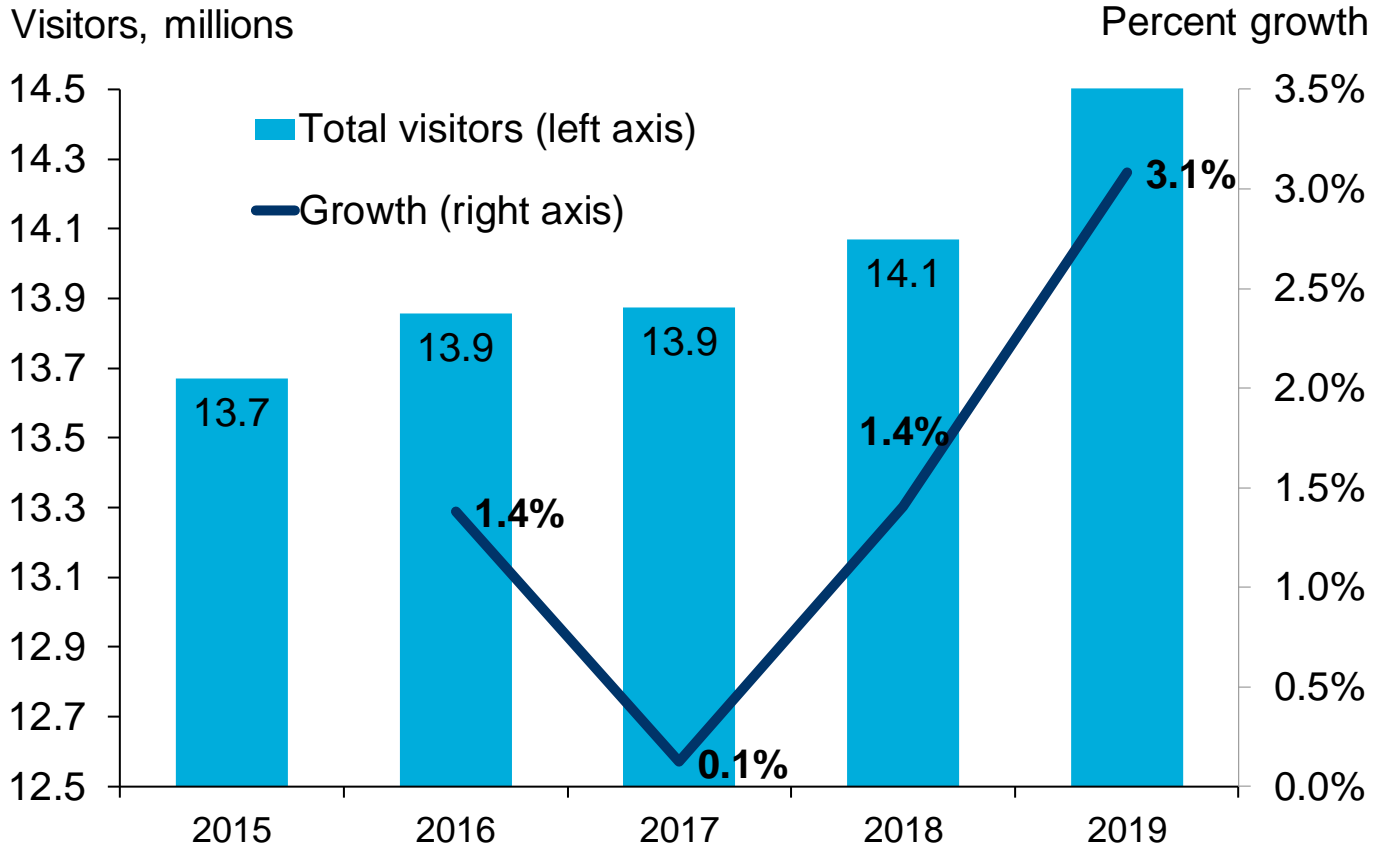


Source: Tourism Economics

Visitation

In 2019, visitation posted its strongest growth rate since 2014.

Visitors to South Dakota

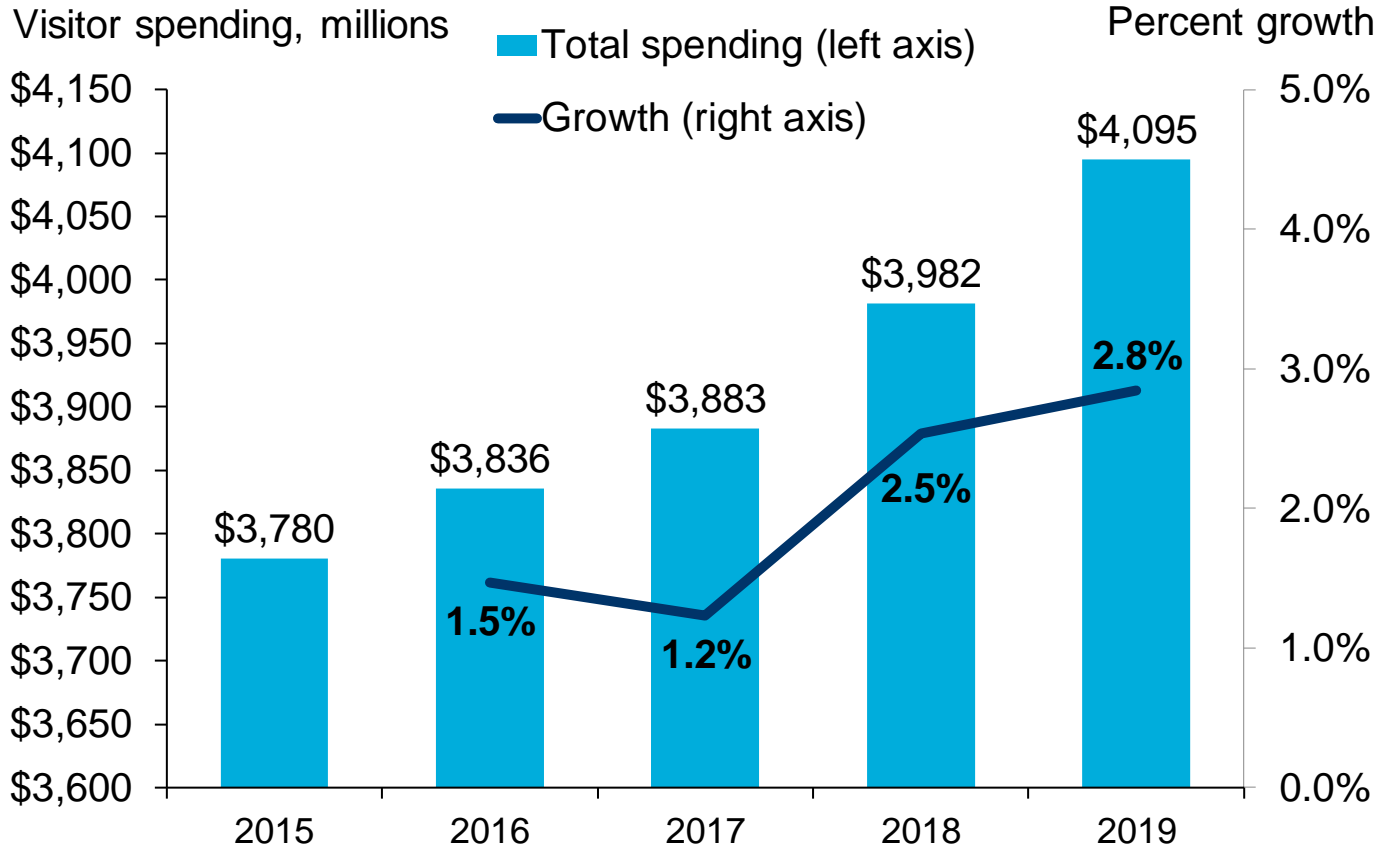


Source: Tourism Economics

Visitor spending

Visitor spending increased \$113 million, growth of 2.8%, to reach \$4.1 billion.

Visitor spending in South Dakota



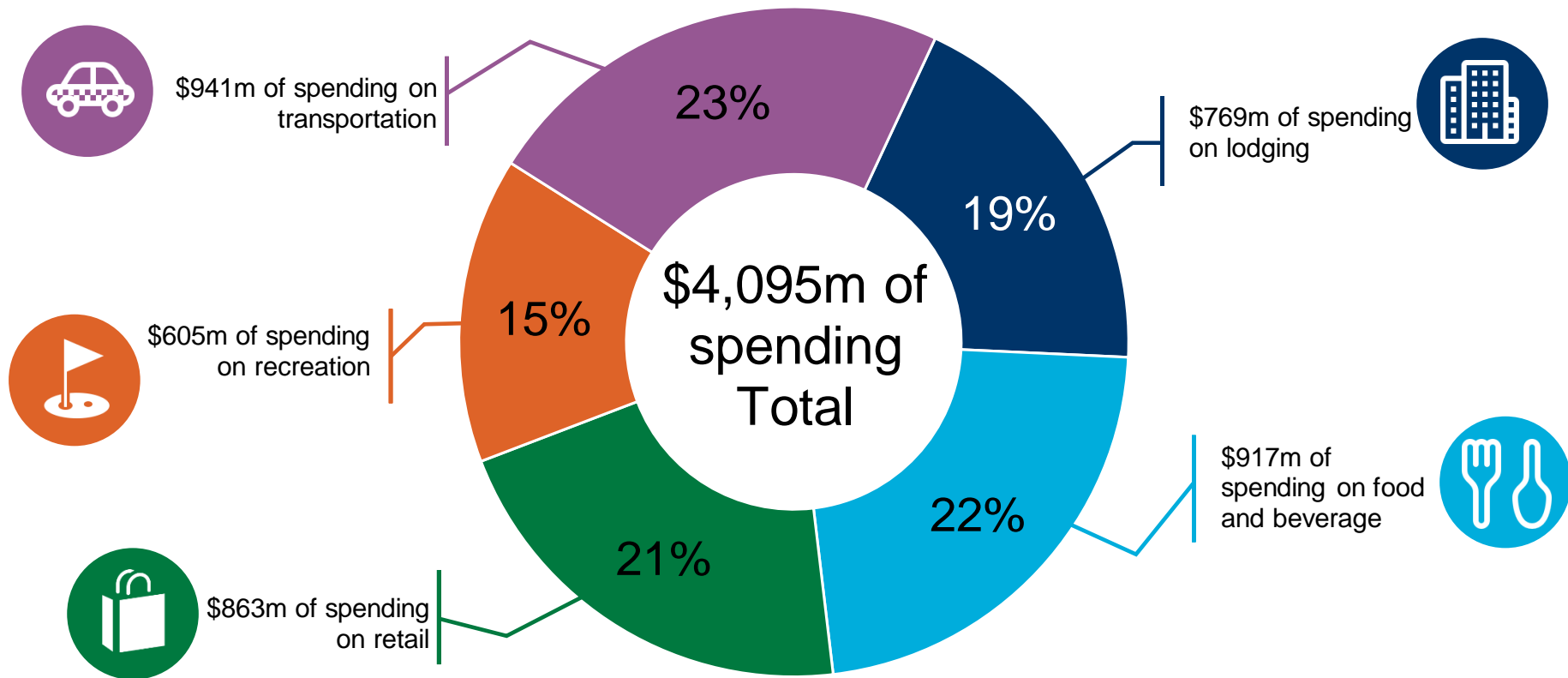
Source: Tourism Economics

Visitor spending in South Dakota

Visitors to South Dakota spent nearly \$4.1 across a wide range of sectors.

Visitor spending in South Dakota, 2019

Dollars, millions and percent of total



Source: Tourism Economics

Visitor spending

Spending grew 2.8% in 2019—the fastest spending growth since 2014—and nearly double the five-year growth rate average.

Visitor spending increased by 2.8% in 2019, supported by growth in spending on lodging and food & beverages.

Visitor spending at lodging businesses grew 4.0% to reach \$770 million in 2019.

Of the \$113 million increase in 2019, \$87 million was concentrated in lodging, food, and retail categories.

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

Visitor spending in South Dakota

Nominal dollars, millions

	2015	2016	2017	2018	2019	2019 Growth	2015-2019 CAGR
Lodging	\$700.7	\$716.5	\$722.5	\$739.6	\$769.4	4.0%	1.9%
Food & beverages	\$832.3	\$845.2	\$868.7	\$885.1	\$916.8	3.6%	2.0%
Retail	\$791.9	\$825.2	\$826.5	\$837.7	\$862.9	3.0%	1.7%
Recreation	\$559.8	\$581.4	\$595.9	\$597.6	\$604.9	1.2%	1.6%
Local Transportation	\$834.6	\$804.2	\$801.7	\$849.1	\$869.9	2.4%	0.8%
Air Transportation	\$61.0	\$63.2	\$67.9	\$72.6	\$71.0	-2.1%	3.1%
Total	\$3,780.3	\$3,835.8	\$3,883.2	\$3,981.6	\$4,094.9	2.8%	1.6%

Source: Tourism Economics

Visitor spending accelerates in 2019

All major categories saw spending increases with lodging and food & beverages increasing by \$60 million in total – 55% of the increase in 2019.

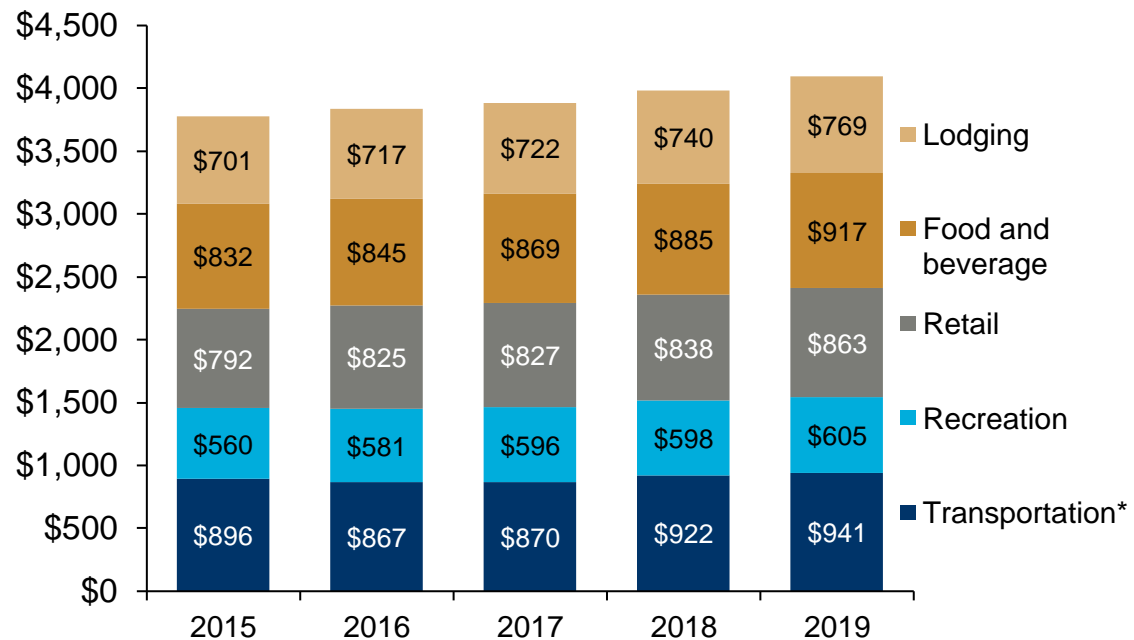
Food & beverages is the largest spending category for travelers in South Dakota. Visitors spent \$917 million at restaurant, bars, and grocery stores in the state.

Lodging spending, including spending on 2nd homes, rose to \$770 million in 2019.

Retail spending by visitors in South Dakota grew by \$25 million – the largest increase since 2016.

South Dakota visitor spending

Millions of \$



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

Source: Tourism Economics

Visitor spending shares

Travelers are spending more of their visitor dollar on food & beverages and on lodging costs.

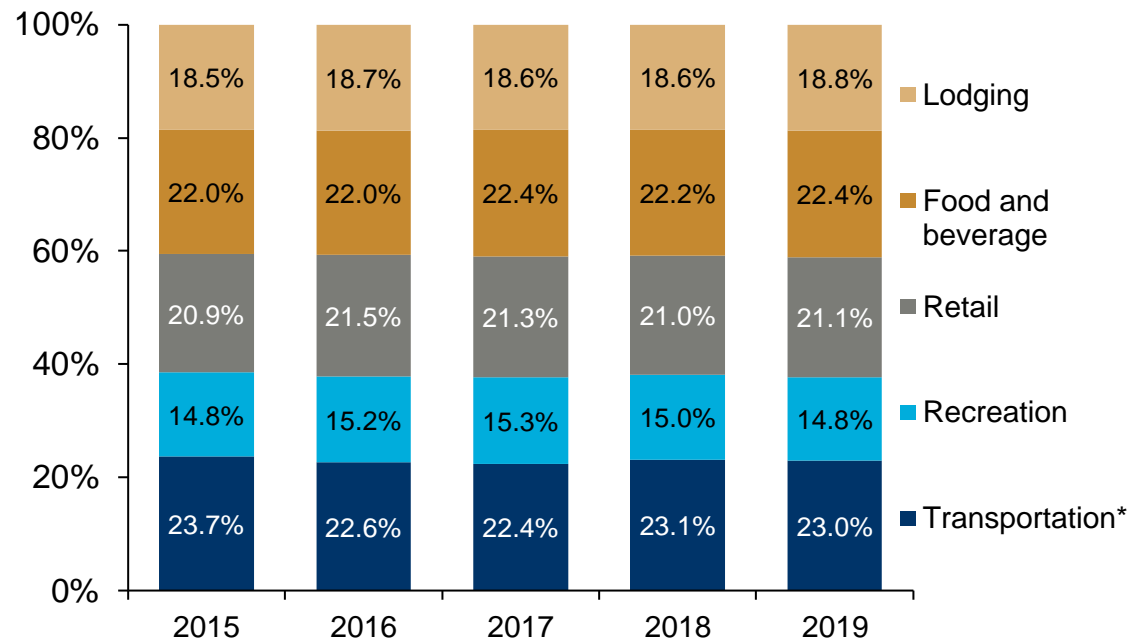
18.8% of each visitor dollar is spent on lodging costs, a 0.3 percentage point increase since 2015.

The increase in the share of visitor spending on food & beverages is a trend seen nationally over the past five years.

With gas prices decreasing in 2019, the share of the visitor dollar spent on transportation costs fell slightly.

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

\$252 million was spent on construction costs in support of the tourism industry in South Dakota.

New construction spending dropped to \$82 million in 2019 but has still grown over the past five years.

Machinery & equipment spending grew faster in 2019 than the five-year average, reaching \$170 million.

Tourism construction spending in South Dakota

Dollars are nominal, millions

	2015	2016	2017	2018	2019	2019 growth	2015-2019 CAGR
Construction	\$79.4	\$96.2	\$92.5	\$95.7	\$82.1	-14.2%	0.7%
Machinery & Equipment	\$160.0	\$159.2	\$160.5	\$166.3	\$170.3	2.4%	1.3%
Total	\$239.4	\$255.4	\$253.1	\$262.0	\$252.4	-3.7%	1.1%

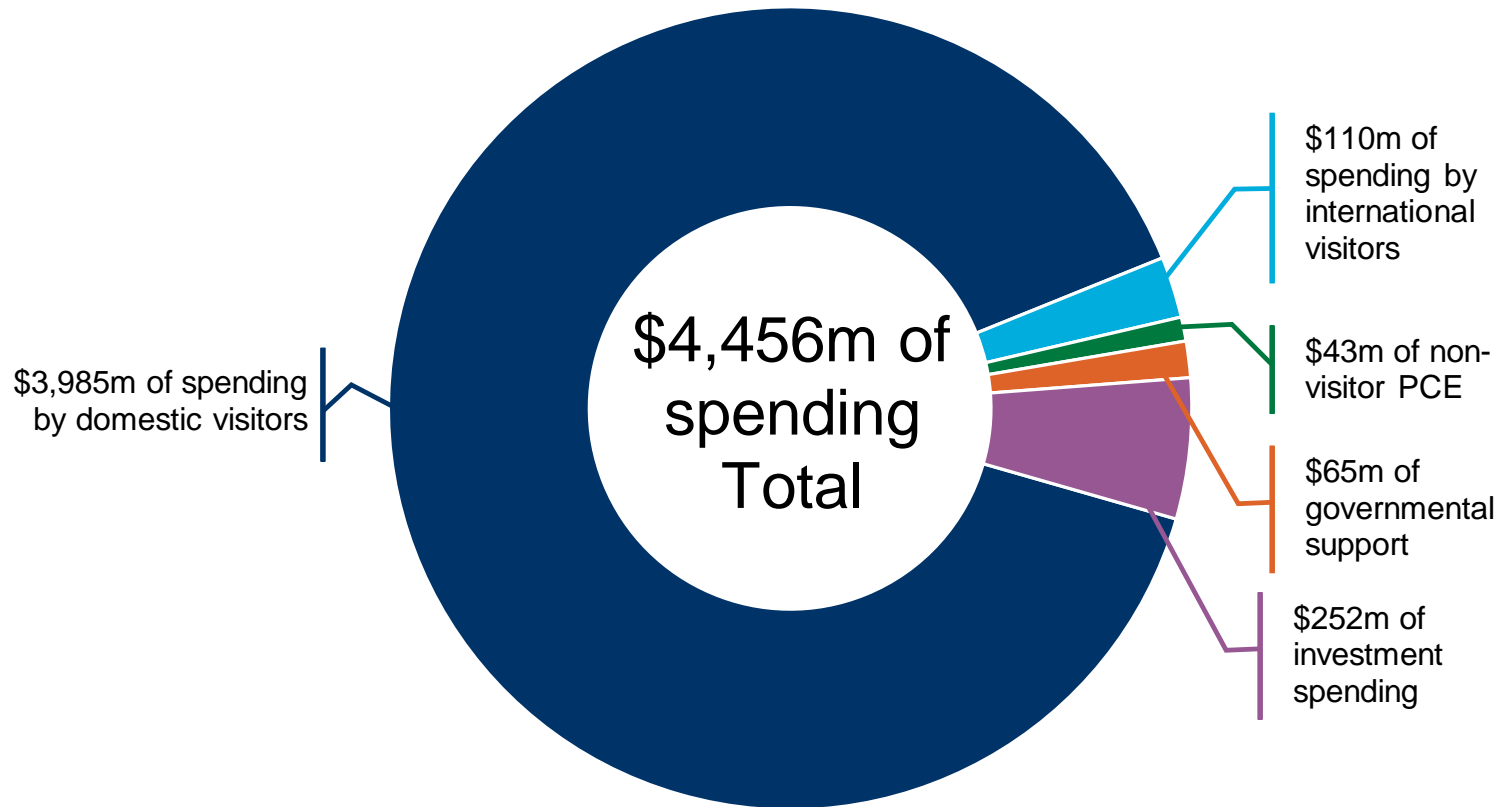
Source: Tourism Economics

Visitor economy in South Dakota

Visitor economy spending in South Dakota reached \$4.5 billion in 2019, dominated by domestic visitor spending.

Visitor economy in South Dakota, 2019

Dollars, millions 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 \$4.5 billion.

Tourism Economy in South Dakota

Nominal dollars, millions

	2015	2016	2017	2018	2019	2019 Growth	2015-2019 CAGR
Domestic Visitor	\$3,665.0	\$3,717.4	\$3,776.9	\$3,872.3	\$3,985.2	2.9%	1.7%
International Visitor	\$115.3	\$118.4	\$106.3	\$109.3	\$109.7	0.4%	-1.0%
Non-Visitor PCE	\$39.4	\$33.1	\$38.0	\$40.4	\$43.1	6.5%	1.8%
Gov't Support	\$61.9	\$59.7	\$61.6	\$61.8	\$65.4	5.8%	1.1%
Investment	\$239.4	\$255.4	\$253.1	\$262.0	\$252.4	-3.7%	1.1%
Total	\$4,121.0	\$4,184.0	\$4,235.8	\$4,345.8	\$4,455.8	2.5%	1.6%

Source: Tourism Economics

4) The Economic Impact of Tourism – Direct Tourism Industry

How tourism generates impact

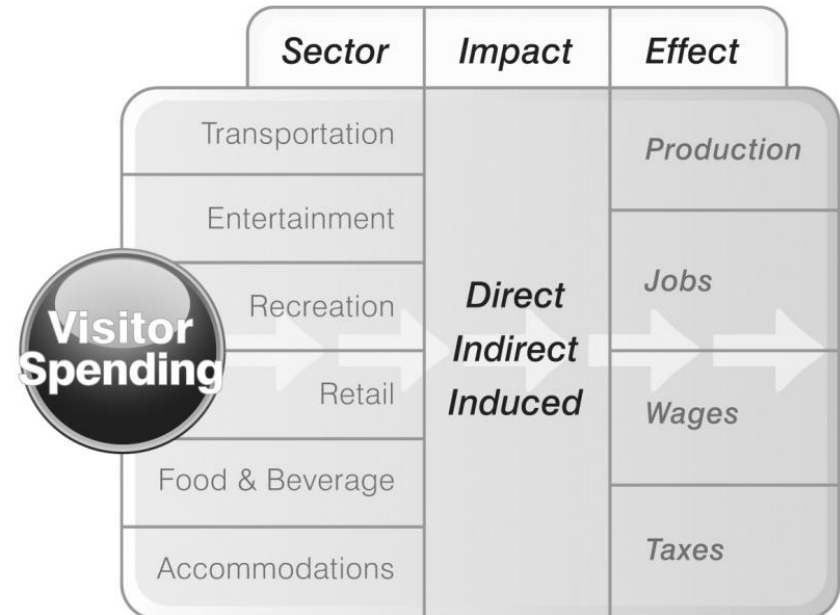
Our analysis of tourism's impact on South Dakota starts with actual spending by tourists, but also considers the downstream effects of this injection of spending into the local economy. To determine the total economic impact of tourism in South Dakota, we input visitor spending into a model of the South 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 37,871 jobs and \$1.5 billion in state GDP in 2019.

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 \$1.5 billion in 2019, accounting for 3.1% of total South Dakota GDP.

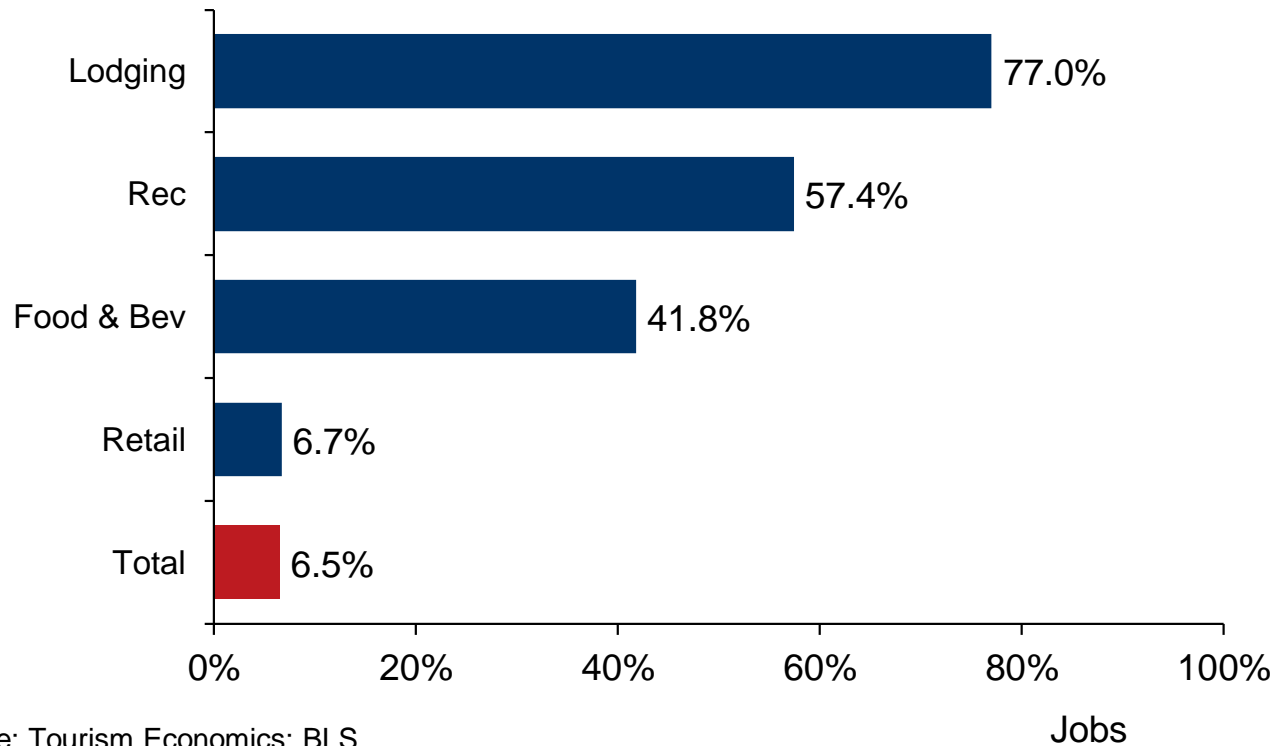
Core Tourism		
	Employment	GDP (millions)
Agriculture, Fishing, Mining	-	-
Construction and Utilities	-	-
Manufacturing	-	-
Wholesale Trade	-	-
Air Transport	233	\$24.9
Other Transport	867	\$47.5
Retail Trade	4,419	\$195.6
Gasoline Stations	1,266	\$57.1
Communications	-	-
Finance, Insurance and Real Estate	250	\$17.8
Business Services	67	\$5.8
Education and Health Care	-	-
Recreation and Entertainment	7,018	\$267.2
Lodging	8,246	\$400.9
Food & Beverage	14,416	\$407.8
Personal Services	1,090	\$27.2
Government	-	-
TOTAL	37,871	\$1,451.9

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.

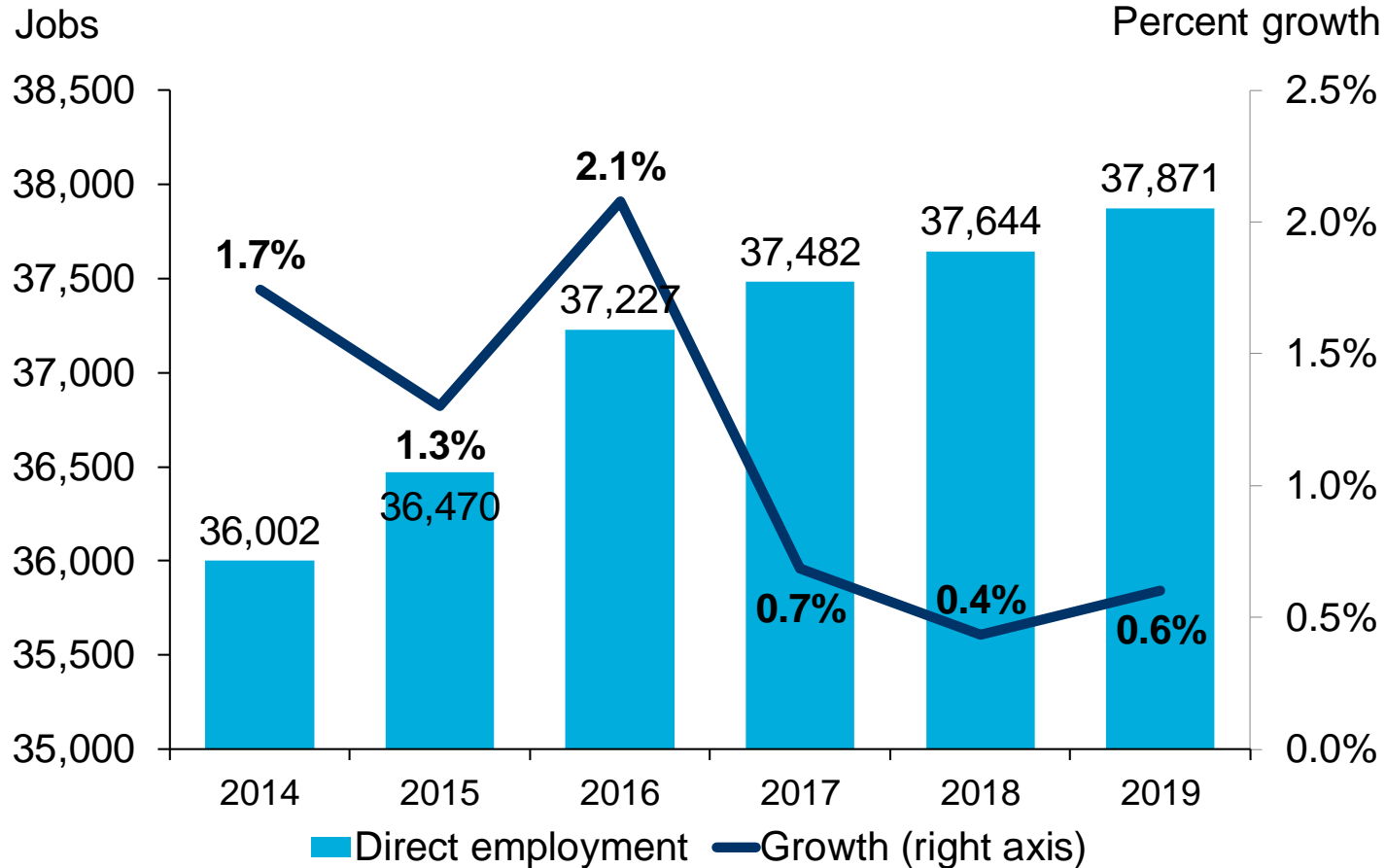
Tourism Employment Intensity



Tourism employment growth

37,871 jobs were directly supported by visitor spending in South Dakota

Tourism supported employment in South Dakota

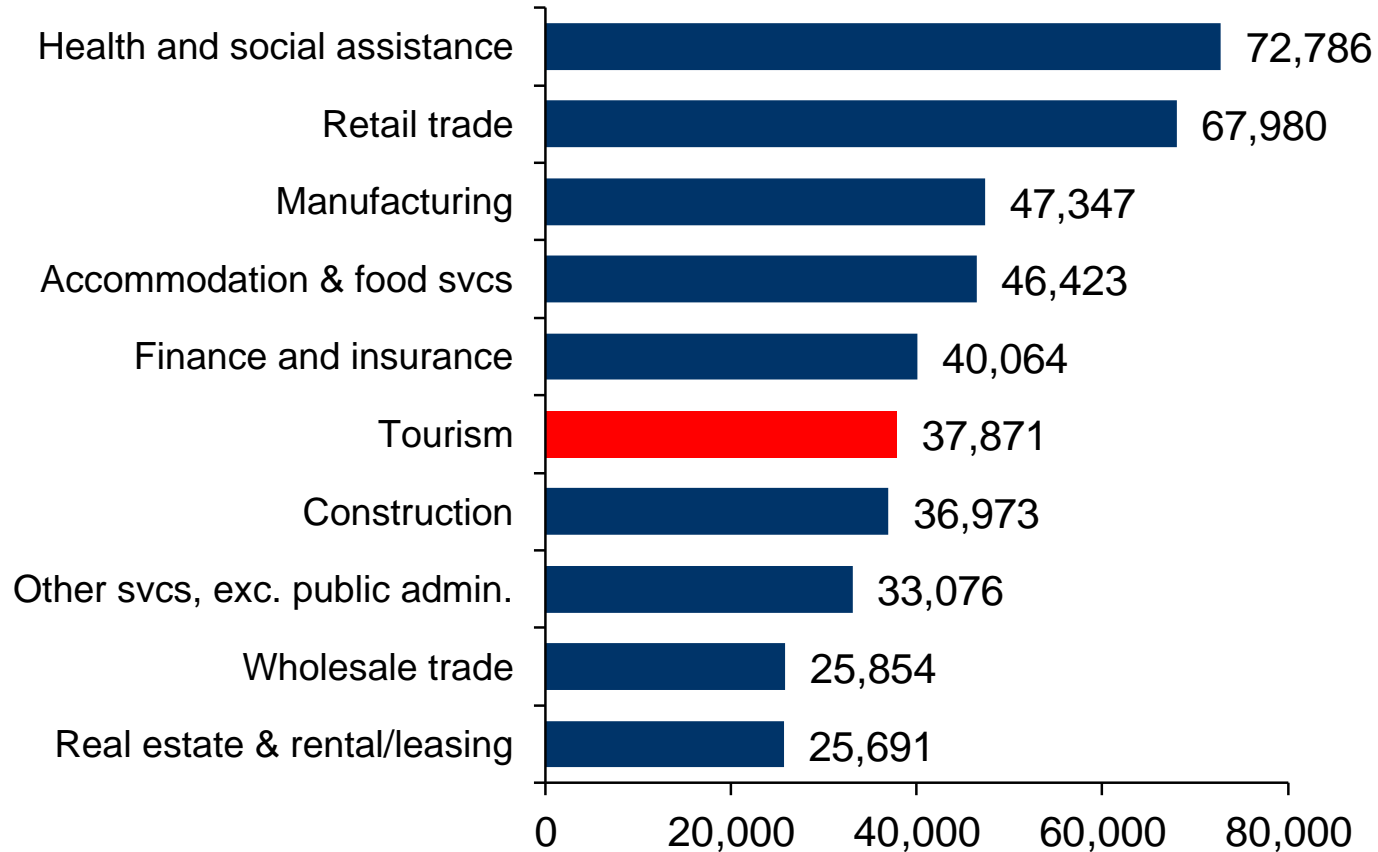


Source: Tourism Economics

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

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

Employment in South Dakota



Source: Tourism Economics; BLS

Jobs

Tourism impact summary

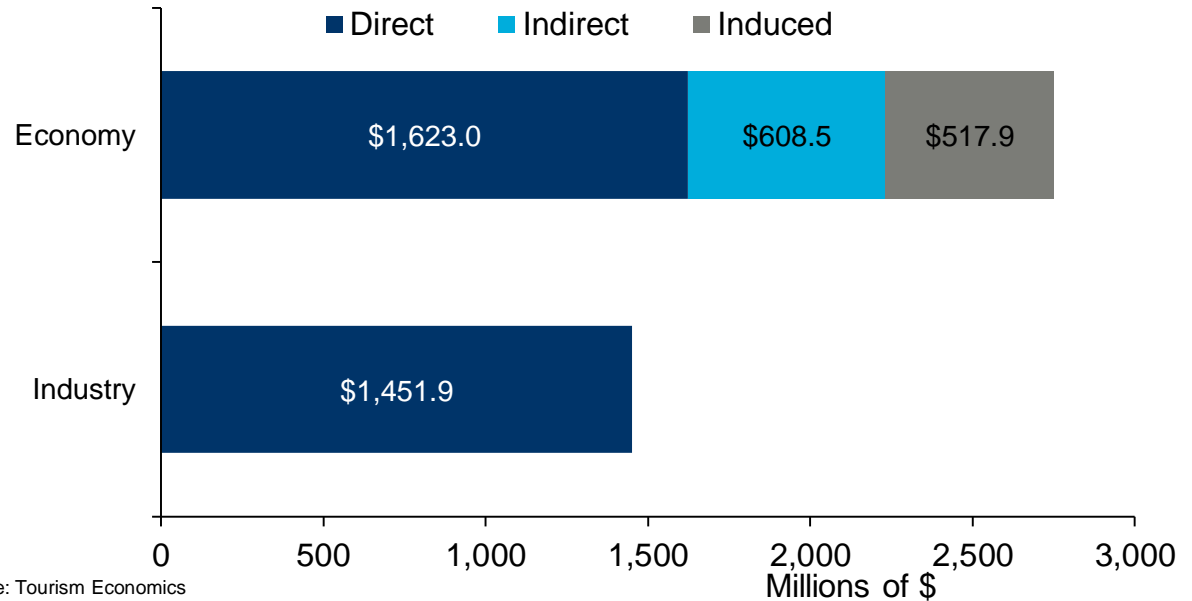
Tourism directly supports \$1.5 billion in state GDP, \$2.7 billion in total.

Tourism industry GDP directly generated \$1.5 billion of South Dakota GDP in 2019.

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

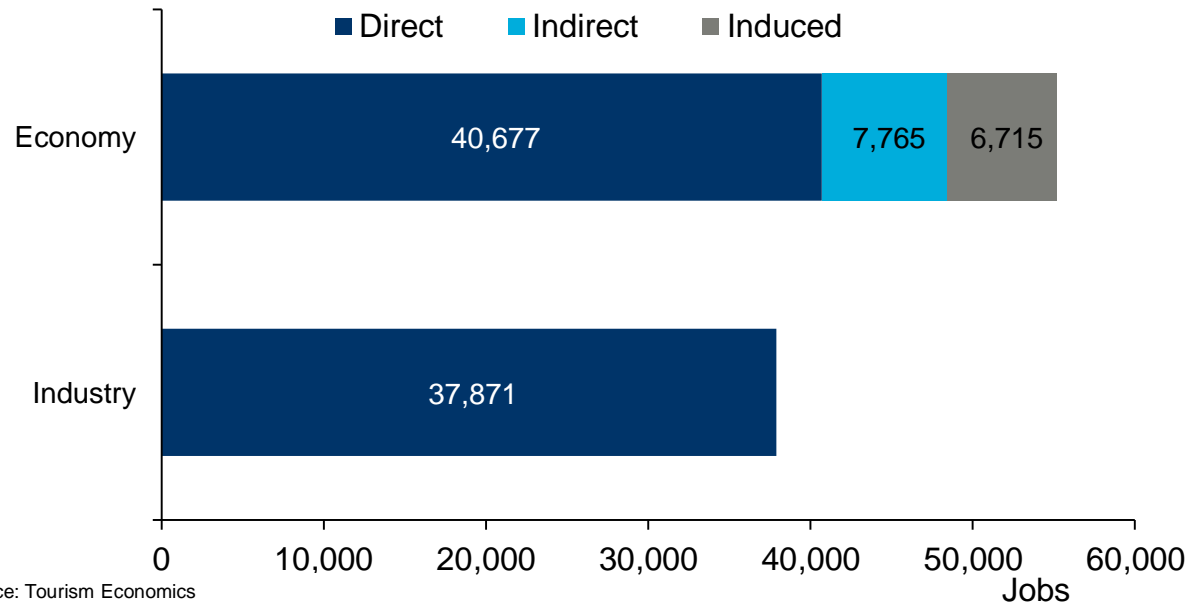
Tourism directly supports 37,871 jobs in South Dakota, 55,157 in total.

Tourism industry sales directly supported 37,871 jobs in South Dakota in 2019.

7,665 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 55,157 jobs. This is 8.8% of all jobs in the state.

Tourism employment impact



Source: Tourism Economics

5) The Economic Impact of Tourism – Total Tourism Economy

Business sales impacts (1 of 2)

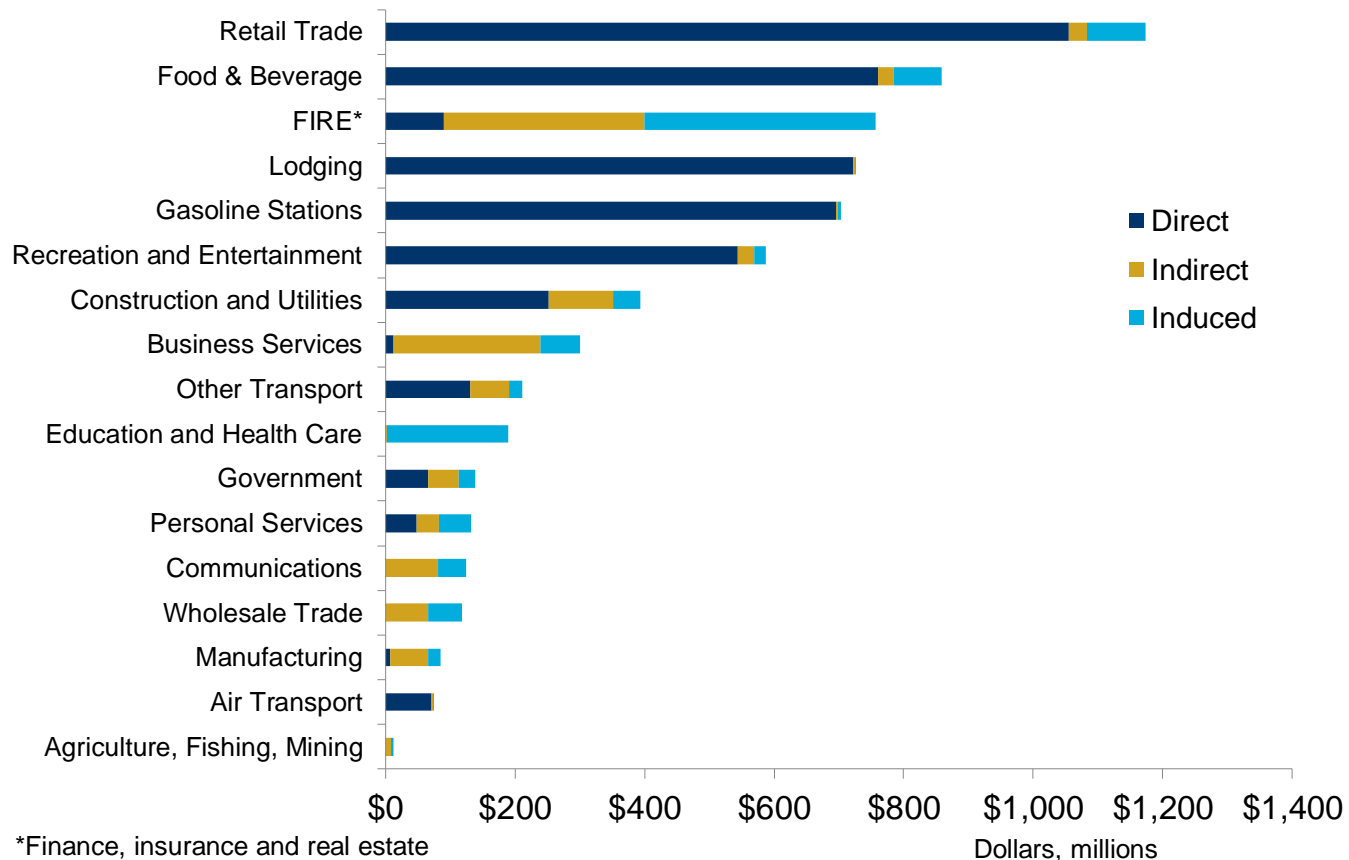
Visitors and tourism businesses spent \$4.5 billion in South Dakota in 2019. This supported a total of \$6.6 billion in business sales when indirect and induced impacts are considered.

Business sales impacts, 2019 (millions of \$)				
	Direct	Indirect	Induced	Total
Agriculture, Fishing, Mining	-	8.6	4.0	12.6
Construction and Utilities	252.4	99.5	41.4	393.3
Manufacturing	7.1	58.1	19.1	84.3
Wholesale Trade	-	66.4	51.2	117.6
Air Transport	71.0	1.9	2.0	74.9
Other Transport	130.5	60.1	20.4	211.0
Retail Trade	1,054.8	28.5	90.3	1,173.6
Gasoline Stations	695.9	2.6	5.3	703.8
Communications	-	81.4	43.2	124.6
Finance, Insurance and Real Estate	90.4	310.0	356.9	757.3
Business Services	12.1	227.0	60.8	300.0
Education and Health Care	-	1.9	187.2	189.1
Recreation and Entertainment	544.4	25.2	17.9	587.6
Lodging	722.5	2.2	0.9	725.7
Food & Beverage	760.9	23.4	74.6	858.9
Personal Services	48.4	34.3	49.7	132.3
Government	65.4	47.9	24.8	138.0
TOTAL	4,455.8	1,079.0	1,049.7	6,584.5
Percent Change	2.6%	3.9%	3.5%	2.9%

Business sales impacts (2 of 2)

While the majority of sales are in industries directly serving visitors, \$310 million in business sales is happening in finance, insurance and real estate as a result of selling to tourism businesses.

Business sales impacts, 2019



Source: Tourism Economics

GDP (Value Added) impacts (1 of 2)

Travel generated \$2.7 billion in state GDP in 2019, or 5.2% of the South Dakota economy. This excludes all import leakages to arrive at the economic value generated by travel.

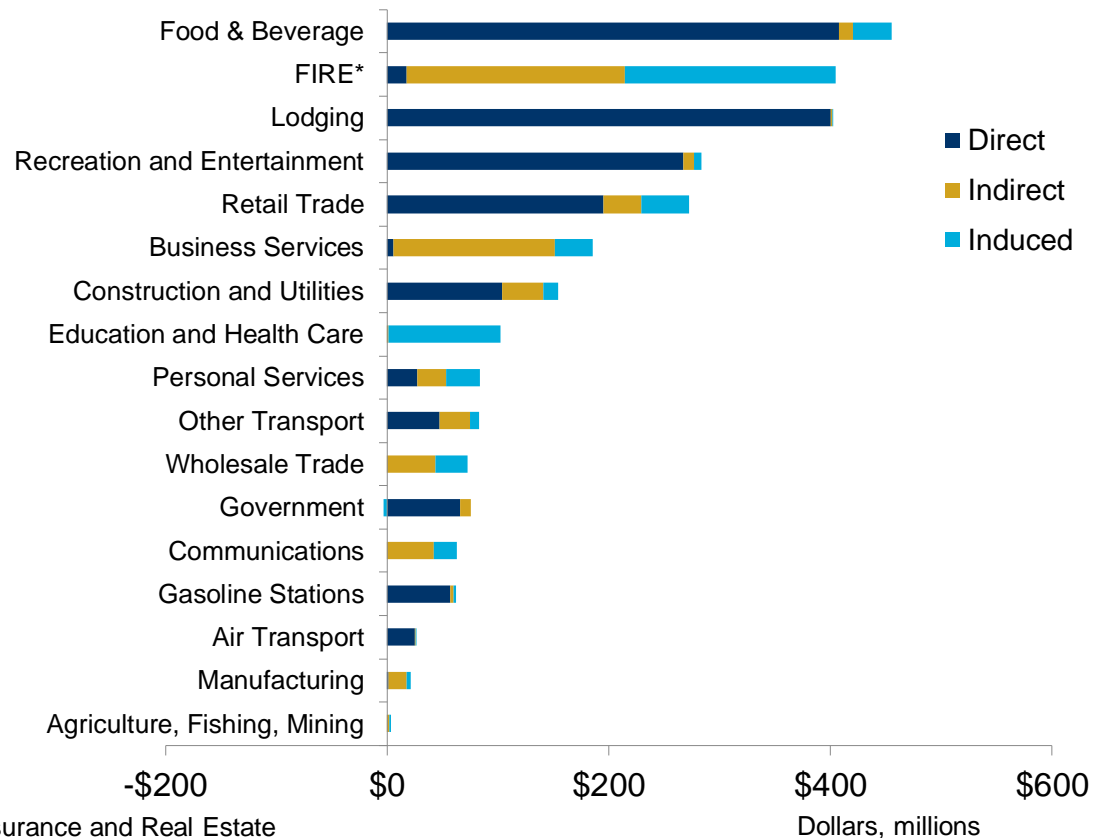
GDP impacts, 2019 (millions of \$)				
	Direct	Indirect	Induced	Total
Agriculture, Fishing, Mining	-	2.3	1.1	3.4
Construction and Utilities	103.8	37.3	13.1	154.2
Manufacturing	1.6	16.1	3.4	21.1
Wholesale Trade	-	43.4	29.4	72.8
Air Transport	24.9	0.6	0.5	26.0
Other Transport	47.5	27.3	8.2	82.9
Retail Trade	195.6	33.9	43.2	272.8
Gasoline Stations	57.1	2.6	2.8	62.5
Communications	-	42.3	20.4	62.7
Finance, Insurance and Real Estate	17.8	196.8	190.5	405.2
Business Services	5.8	145.8	34.1	185.7
Education and Health Care	-	1.0	101.6	102.6
Recreation and Entertainment	267.2	9.5	7.1	283.8
Lodging	400.9	1.1	0.4	402.4
Food & Beverage	407.8	12.7	34.9	455.4
Personal Services	27.2	25.8	30.5	83.6
Government	65.8	9.8	(3.3)	72.3
TOTAL	1,623.0	608.5	517.9	2,749.4
Percent Change	2.9%	4.8%	4.2%	3.5%

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, 2019



*Finance, Insurance and Real Estate

Source: Tourism Economics

Employment impacts (1 of 2)

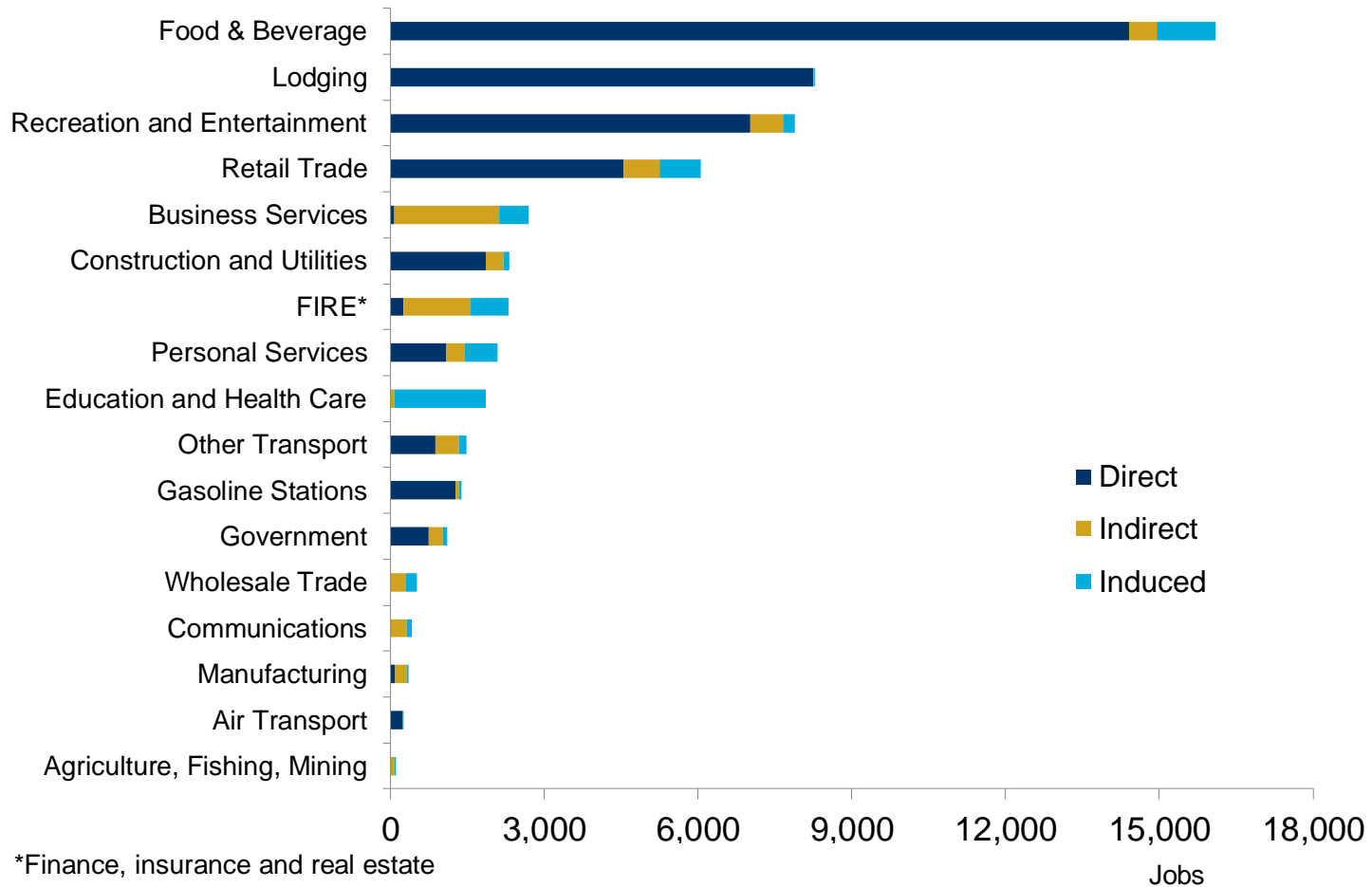
Tourism supported a total of 55,157 jobs when indirect and induced impacts are considered.

Employment impacts, 2019				
	Direct	Indirect	Induced	Total
Agriculture, Fishing, Mining	-	74	31	105
Construction and Utilities	1,856	338	116	2,310
Manufacturing	91	217	43	351
Wholesale Trade	-	302	211	513
Air Transport	233	6	6	246
Other Transport	867	469	138	1,474
Retail Trade	4,538	712	804	6,054
Gasoline Stations	1,266	59	62	1,387
Communications	-	314	102	416
Finance, Insurance and Real Estate	250	1,315	741	2,305
Business Services	67	2,057	562	2,685
Education and Health Care	-	62	1,796	1,858
Recreation and Entertainment	7,018	645	228	7,891
Lodging	8,246	21	8	8,276
Food & Beverage	14,416	541	1,145	16,102
Personal Services	1,090	359	633	2,082
Government	740	274	89	1,104
TOTAL	40,677	7,765	6,715	55,157
Percent Change	0.6%	1.3%	1.1%	0.8%

Source: Tourism Economics

Employment impacts (2 of 2)

Employment impacts, 2019



*Finance, insurance and real estate

Source: Tourism Economics

Personal income impacts (1 of 2)

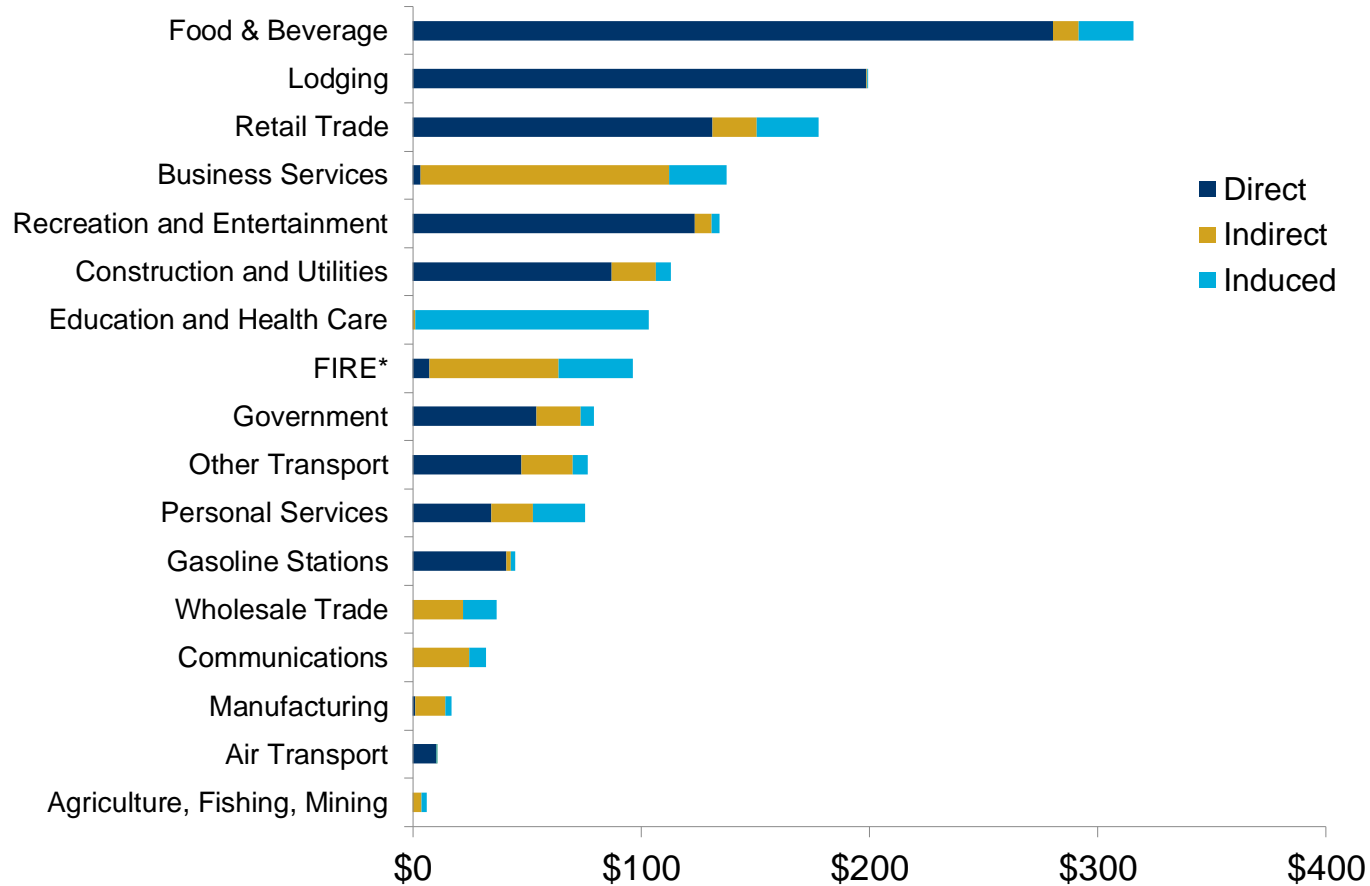
Tourism generated \$1.0 billion in direct income and \$1.7 billion when indirect and induced impacts are considered.

Personal income impacts, 2019 (millions of \$)				
	Direct	Indirect	Induced	Total
Agriculture, Fishing, Mining	-	3.9	2.1	5.9
Construction and Utilities	87.2	19.2	6.7	113.0
Manufacturing	1.1	13.2	2.7	17.1
Wholesale Trade	-	21.8	14.8	36.6
Air Transport	10.2	0.2	0.2	10.6
Other Transport	47.5	22.4	6.8	76.7
Retail Trade	131.4	19.2	27.0	177.6
Gasoline Stations	41.0	1.9	2.0	45.0
Communications	-	24.7	7.2	31.9
Finance, Insurance and Real Estate	7.1	56.6	32.7	96.4
Business Services	3.2	108.9	25.2	137.3
Education and Health Care	-	1.0	102.2	103.2
Recreation and Entertainment	123.7	7.0	3.7	134.4
Lodging	198.6	0.5	0.2	199.2
Food & Beverage	280.5	11.1	24.0	315.6
Personal Services	34.5	18.2	22.8	75.5
Government	54.1	19.5	5.7	79.3
TOTAL	1,020.0	349.3	286.1	1,655.4
Percent Change	3.1%	4.8%	3.6%	3.5%

Source: Tourism Economics

Personal income impacts (1 of 2)

Personal income impacts, 2019



*Finance, insurance and real estate

Source: Tourism Economics

Tax impacts

Taxes of \$698 million were directly and indirectly generated by tourism in 2019.

State and local taxes alone tallied \$308 million in 2019.

Each household in South Dakota would need to be taxed an additional \$890 per year to replace the traveler taxes received by state and local governments.

Visitor spending, visitor supported jobs, and business sales generated \$698 million in governmental revenues.

Tourism supported tax revenue, millions					
	2015	2016	2017	2018	2019
Federal	\$327.5	\$341.0	\$370.0	\$377.3	\$390.6
Personal Income	\$99.8	\$104.2	\$115.6	\$117.7	\$121.9
Corporate	\$52.5	\$54.6	\$53.4	\$54.7	\$56.6
Indirect business	\$21.7	\$21.9	\$25.0	\$25.6	\$26.5
Social insurance	\$153.6	\$160.3	\$176.1	\$179.2	\$185.6
State and Local	\$270.4	\$281.6	\$290.9	\$298.3	\$307.6
Sales	\$130.7	\$135.8	\$146.4	\$150.2	\$154.6
Bed Tax	\$26.3	\$27.2	\$27.5	\$28.2	\$28.9
Personal Income	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Corporate	\$3.7	\$3.9	\$2.5	\$2.5	\$2.6
Social insurance	\$2.2	\$2.3	\$0.2	\$0.2	\$0.2
Excise and Fees	\$27.2	\$27.5	\$24.9	\$25.6	\$26.5
Property	\$80.3	\$85.0	\$89.4	\$91.6	\$94.9
Total	\$597.9	\$622.6	\$619.7	\$675.6	\$698.2

Source: Tourism Economics

Tax impacts

South Dakota state government collects \$136 million in revenue from visitor activity; local governments collect \$172 million.

State government collected \$136 million from visitor activity in South Dakota in 2019. Sales tax collections represented the majority of state government revenues.

Local governments accrued \$172 million as the result of visitor activity in the state. Of that amount, \$43 million was from sales tax collections.

Tourism supported tax revenues, millions	
Total	
State Revenues	\$135.7
Sales	\$111.5
Bed Tax	-
Personal Income	-
Corporate	\$2.6
Social insurance	\$0.2
Excise and Fees	\$21.3
Property	-
Local Govt. Revenues	\$172.0
Sales	\$43.0
Bed Tax	\$28.9
Personal Income	-
Corporate	-
Social insurance	-
Excise and Fees	\$5.1
Property	\$94.9
Total	\$307.6

Source: Tourism Economics

6) Economic Impact in Context

Figures in context

Visitor Spending

Stacking \$5 bills high enough to equal \$4.1 billion would reach 55 miles – similar to the driving distance from Wall to Rapid City (55 miles).

Tourism Supported Sales

It would take the revenues from more than eight Sturgis Motorcycle Rallies to equal the total sales impact of visitors in South Dakota (\$6.6 billion).

Figures in context

Employment

The 37,871 jobs directly supported by visitor spending is larger than the estimated crowd at the College Game Day event in Brookings—about 25,000 to 30,000.

Visitation

South Dakota beekeepers produced 14.5 million gallons of honey in 2018 – or one gallon for each of South Dakota’s 14.5 million visitors in 2019.

Figures in context

Taxes

State and local tax revenues supported by tourism equals \$308 million – which would cover the entire non-proprietary funds portion of the City of Sioux Falls budget for 2020.

Taxes

To make up for the \$308 million in state and local taxes generated by visitor activity, each household in the state would need to contribute \$890 to maintain the current level of government.

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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