Economic Impact of Tourism in North Dakota

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Tourism and North Dakota

- Overall economic trends affecting ND travel

- ND Tourism has both a short and long term story
  - Short term affected by exchange rates, consumers and oil prices
  - Long term has seen impressive growth

- Visitors are not created equal

- Tourism is a large part of the overall ND economy

- County analysis
Macro trends influencing visitation
Domestic US market steady

Factors favoring leisure travel growth

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Steady job and income growth</td>
</tr>
<tr>
<td>2</td>
<td>Stronger consumer confidence</td>
</tr>
<tr>
<td>3</td>
<td>Improved household balance sheets</td>
</tr>
</tbody>
</table>
Travel continues to lead consumption trends

Consumer spending, US

Index (Dec. 2011=100)

Growth from Dec. 2011

- Lodging (37.6%)
- F&B (28.4%)
- Recreation services (17.7%)
- Consumer spending (17.7%)
- Air (17.0%)
- Motor vehicle fuel (-32.6%)

Note: Data is nominal, three-month moving average, seasonally adjusted and extends through July 2016.
Source: Bureau of Economic Analysis; Tourism Economics
The labor market remains strong, but maturing...
As we near full employment, wage growth is firming...

**US: Labor market slack**

- Atlanta Fed wage growth tracker (LHS)
- U6-U3 unemployment rate (RHS, inverted)

Source: Oxford Economics/Haver Analytics
Sticker shock is the main international travel hurdle

Value of the dollar in 2017:
- 18% stronger than in 2014
- 8% stronger than historical average

Exchange rate, US dollar

Real effective exchange rate index, historical average = 100

2016 Q2: 3.9% above historical average

Note: History through 2016 Q2. Historical average based on period from 1995 Q1 to 2015 Q4.
Source: Bank for International Settlements; Oxford Economics
Canada to US contraction follows currency

Canada visits to the US and exchange rates

% change

Visits to US

$ exchange rate


Source: Statistics Canada, Oxford Economics

Canada to US in 2016: -7.3% through November (air only -2.6%)
Gas prices – positive for travellers, bad for ND economy

Midwest Gas Prices

Source: Tourism Economics
Focus on ND visitation and spending
2015 at a glance

Visitor Spending

- Visitor spending of $3.1 billion generated $5.0 billion in total business sales in 2015

- Visitor spending grew 8.6% in 2014 before declining 9.6% in 2015

- Visitor spending is still nearly $500 million higher than in 2011 – an increase of almost 20%.

Visitor Counts

- Nearly 22 million visitors.
North Dakota visitation and spending

- **Visitor Spending:**
  - $2.6 billion in 2011
  - Reached $3.4 billion in 2014
  - $3.1 billion in 2015

- **Visitation:**
  - 18.2 million in 2011
  - High of 22.5 million in 2014
  - 21.6 million in 2015

**North Dakota Travel Volume and Spending**

Sources: Longwoods International, NTTO, Stats Can, Tourism Economics
Visitor spending over time

- Visitor spending posted large increases early in the decade with 2015 the first decline.

- Despite the decline in 2015, visitor spending growth has averaged 4.9% per annum over the past four years.

North Dakota Visitor Spending

US$ Billions

Sources: Longwoods International, NTTO, Stats Can, Tourism Economics
Visitor spending by sector

- F&B spending represents nearly 30% of all visitor spending.
- With marketable and leisure travel still strong, areas like recreation and entertainment and retail grew shares.
- Retail purchases represent 21.6% of every visitor dollar.

North Dakota Visitor Spending

- **Food & Beverages**: 29.8%
- **Lodging**: 16.3%
- **Retail**: 21.6%
- **Recreation & Entertainment**: 12.7%
- **Local Transportation**: 18.3%
- **Air Transportation**: 1.3%

Sources: Longwoods International, NTTO, Stats Can, Tourism Economics
Visitor spending by sector

- Spending declined by just over $300 million in 2015.
- Declines were in areas that North Dakota Tourism had minimal effects on – lodging losses due to the declining activity around the Bakken region and lower gas prices overall, lowering transportation spending. Areas like retail, recreation, and food and beverage stayed close to the all-time highs seen in 2013 and 2014.
Visitor spending by travel sector

- The largest share of visitor spending is done by visitors from outside the state of North Dakota (68%), followed by in-state visitors, which accounted for just 23.5%.

- Canadian and overseas travelers spent approximately $260 million in North Dakota in 2015.

### Visitor Spending

<table>
<thead>
<tr>
<th>2015, in millions</th>
<th>Total Spending</th>
<th>$ 3,052</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>In-state</td>
<td>718</td>
</tr>
<tr>
<td></td>
<td>Out-of-state</td>
<td>2,074</td>
</tr>
<tr>
<td></td>
<td>Canada</td>
<td>205</td>
</tr>
<tr>
<td></td>
<td>Overseas</td>
<td>55</td>
</tr>
</tbody>
</table>

*Numbers may not total due to rounding

Sources: Longwoods International, Stats Can, Tourism Economics
Visitor spending by sector – all visitors

North Dakota Visitor Spending

- **Food & Beverages**: 29.8%
- **Retail**: 21.6%
- **Local Transportation**: 18.3%
- **Recreation & Entertainment**: 12.7%
- **Air Transportation**: 1.3%
- **Lodging**: 16.3%

Sources: Longwoods International, NTTO, Stats Can, Tourism Economics
Travelers from beyond ND borders are more likely to be spending on food and recreation.
In-state travel sector

North Dakota In-State Visitor Spending

- Retail 38.0%
- Lodging 13.1%
- Trans 12.2%
- FnB 26.7%
- Rec 10.0%

- Retail spending is a key category for in-state travelers

Sources: Longwoods International, Tourism Economics
Domestic travel sector profiles

North Dakota Traveler Spending by Traveler, Share of Total

- Out-of-state:
  - Trans: 15.4%
  - Recreation & Entertainment: 31.9%
  - Retail: 16.4%
  - Food & Beverages: 38.0%
  - Lodging: 13.5%

- In-state:
  - Trans: 13.1%
  - Recreation & Entertainment: 26.7%
  - Retail: 26.0%
  - Food & Beverages: 13.1%
  - Lodging: 13.1%

Sources: Longwoods International, Tourism Economics
Tourism economy sales by source

- Domestic visitor markets comprise the majority (81.2%) of tourism sales in North Dakota.
- International visitor markets contributed 7.6% of tourism sales last year.
- Capital investment in tourism-related construction and machinery & equipment represents 10.2% of tourism economy sales.
Tourism is a growing portion of the ND economy

ND Personal Income by Industry
Cumulative % change, 2010-2016

- Total Economy: 37%
- Arts & Rec: 42%
- Accommodation: 45%
- Food services: 63%

Source: BEA
ND tourism is outpacing the nation

Source: BLS, Tourism Economics
Focus on the tourism impact on ND economy
2015 at a glance

**Jobs**
- A total of 42,614 jobs with income of $1.3 billion
- If all tourism employees were unemployed, unemployment rate would increase by 7.3 percentage points.

**Taxes**
- Travel in North Dakota generated $327 million in state and local taxes
- Each North Dakota household would need to pay $1,092 to fill the gap.
Since 2011, more than 4,000 new jobs have been created by visitor activity

- State of ND – 4,600 jobs

### Tourism Employment

<table>
<thead>
<tr>
<th>Year</th>
<th>Tourism Employment</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>25,832</td>
</tr>
<tr>
<td>2012</td>
<td>27,961</td>
</tr>
<tr>
<td>2013</td>
<td>28,976</td>
</tr>
<tr>
<td>2014</td>
<td>30,122</td>
</tr>
<tr>
<td>2015</td>
<td>30,088</td>
</tr>
</tbody>
</table>

Percent Change:

- 2011: 8.2%
- 2012: 3.6%
- 2013: 4.0%
- 2014: -0.1%

Source: Tourism Economics
Tourism ranking (direct impacts)

- Were tourism an industry as defined by the government, tourism employment would rank as the 5th largest industry in North Dakota.

<table>
<thead>
<tr>
<th>Rank</th>
<th>Industry</th>
<th>Employment (000s)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Health care and social assistance</td>
<td>64,503</td>
</tr>
<tr>
<td>2</td>
<td>Retail trade</td>
<td>62,366</td>
</tr>
<tr>
<td>3</td>
<td>Construction</td>
<td>44,612</td>
</tr>
<tr>
<td>4</td>
<td>Accommodation and food services</td>
<td>39,072</td>
</tr>
<tr>
<td>5</td>
<td>TOURISM</td>
<td>30,088</td>
</tr>
<tr>
<td>6</td>
<td>Mining, quarrying, and oil and gas extraction</td>
<td>29,987</td>
</tr>
<tr>
<td>7</td>
<td>Wholesale trade</td>
<td>28,510</td>
</tr>
<tr>
<td>8</td>
<td>Transportation and warehousing</td>
<td>27,635</td>
</tr>
<tr>
<td>9</td>
<td>Other services (except public administration)</td>
<td>27,609</td>
</tr>
<tr>
<td>10</td>
<td>Manufacturing</td>
<td>27,044</td>
</tr>
<tr>
<td>11</td>
<td>Finance and insurance</td>
<td>26,777</td>
</tr>
<tr>
<td>12</td>
<td>Professional, scientific, and technical services</td>
<td>24,135</td>
</tr>
<tr>
<td>13</td>
<td>Real estate and rental and leasing</td>
<td>24,022</td>
</tr>
<tr>
<td>14</td>
<td>Administrative and support and waste management and remediation</td>
<td>19,207</td>
</tr>
<tr>
<td>15</td>
<td>Arts, entertainment, and recreation</td>
<td>7,919</td>
</tr>
<tr>
<td>16</td>
<td>Information</td>
<td>7,507</td>
</tr>
<tr>
<td>17</td>
<td>Educational services</td>
<td>6,502</td>
</tr>
<tr>
<td>18</td>
<td>Management of companies and enterprises</td>
<td>5,737</td>
</tr>
<tr>
<td>19</td>
<td>Forestry, fishing, and related activities</td>
<td>5,001</td>
</tr>
<tr>
<td>20</td>
<td>Utilities</td>
<td>3,938</td>
</tr>
</tbody>
</table>
How visitor spending generates impact

<table>
<thead>
<tr>
<th>Sector</th>
<th>Impact</th>
<th>Effect</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transportation</td>
<td></td>
<td>Production</td>
</tr>
<tr>
<td>Entertainment</td>
<td></td>
<td>Jobs</td>
</tr>
<tr>
<td>Recreation</td>
<td>Direct</td>
<td>Wages</td>
</tr>
<tr>
<td>Retail</td>
<td>Indirect</td>
<td>Taxes</td>
</tr>
<tr>
<td>Food &amp; Beverage</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accommodations</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Tourism sales

$3.1 billion in visitor spending supports $5.0 billion in business sales in the state

Tourism Sales by Industry

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

Significant indirect and induced benefits

- Induced
- Indirect
- Direct
Tourism impact summary - GDP

- $1.1 billion in state GDP directly generated
- Nearly $2.2 billion in total
- This is 4.0% of the state economy

Source: Tourism Economics
Tourism impact summary - Jobs

- 30,088 jobs supported directly by tourism
- 42,614 in total
- 7.5% of all jobs in the state.

Tourism Employment Impact
2015, Thousands

Source: Tourism Economics
Tourism tax generation

- $650 million in total
- $327 in state and local taxes
- To replace those taxes, each household in North Dakota would need to be taxed an additional $1,092 per year
- Tourism-generated state and local taxes generate nearly 6% of all state and local taxes for North Dakota.
Tourism in Context
How important is tourism?

- North Dakota’s 21.9 million visitors in 2015 would be like everyone from Minnesota, Missouri, Oklahoma, and Wisconsin visiting North Dakota – with enough room to welcome everyone from Wyoming, too.
How important is tourism?

- The $3.1 billion tourism industry in North Dakota is equal to the amount Americans spent on costumes for Halloween.

How important is tourism?

- The 30,088 direct tourism jobs would be enough jobs for every resident of Morton County – the seventh largest county in North Dakota.

- Total tourism supported employment is three times larger than the enrollment of North Dakota State.
How important is tourism?

- The $327 million in state and local revenues from visitor activity is enough to fully fund the state portion of the:
  - Highway Patrol
  - Department of Parks and Recreation
  - Game and Fish Department
  - Minot State University
  - Office of Attorney General

For the 2015-2017 budget years.
How important is tourism?

- The $327 million in state and local revenues from visitor activity represents a ‘savings’ of $1,092 per household in North Dakota – or enough money for more than 135 admissions into the National Buffalo Museum.
How important is tourism?

- The $3.1 billion in visitor spending is an ROI of $115 to 1 for Carson Wentz’s contract.
How important is tourism?

- Thought of another way, the $327 million in state and local taxes collected as the result of visitor activity is about $1 million per mile measuring ND east to west.
<table>
<thead>
<tr>
<th>County:</th>
<th>Burleigh County</th>
<th>State</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lodging</td>
<td>Employment</td>
<td></td>
</tr>
<tr>
<td></td>
<td>6.0%</td>
<td>15.3%</td>
</tr>
<tr>
<td></td>
<td>0.8%</td>
<td>7.7%</td>
</tr>
<tr>
<td>Lodging</td>
<td>Sales Tax</td>
<td></td>
</tr>
<tr>
<td></td>
<td>-3.3%</td>
<td>3.4%</td>
</tr>
<tr>
<td></td>
<td>6.5%</td>
<td>21.5%</td>
</tr>
<tr>
<td>Retail</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>1.1%</td>
<td>18.3%</td>
</tr>
<tr>
<td>Lodging</td>
<td>2015 Share of State</td>
<td>Compare to Population</td>
</tr>
<tr>
<td></td>
<td>16.4%</td>
<td>133.9%</td>
</tr>
<tr>
<td>Visitor Spending</td>
<td>0.5%</td>
<td>9.8%</td>
</tr>
</tbody>
</table>

- Burleigh County benefits from being the capital of the state with its stable tourism base.
- As a result, visitor spending does not see the fluctuations found in other parts of the state.
### McKenzie County

<table>
<thead>
<tr>
<th>County:</th>
<th>McKenzie County</th>
<th>State</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lodging</td>
<td>-30.6%</td>
<td>109.5%</td>
</tr>
<tr>
<td>Food &amp; Bev</td>
<td>2.5%</td>
<td>41.0%</td>
</tr>
<tr>
<td>Lodging</td>
<td>-25.8%</td>
<td>279.6%</td>
</tr>
<tr>
<td>Food &amp; Bev</td>
<td>-10.1%</td>
<td>60.1%</td>
</tr>
<tr>
<td>Retail</td>
<td>15.7%</td>
<td>-96.7%</td>
</tr>
<tr>
<td>Lodging</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Visitor Spending</td>
<td>-17.0%</td>
<td>232.6%</td>
</tr>
</tbody>
</table>

- McKenzie County is in Bakken Oil Field region.
- Growth was explosive early in the decade but fell off as oil prices fell.
Burleigh County Visitor Spending

- Lodging*: 17.1%
- F&B: 29.7%
- Retail: 24.1%
- Recreation: 9.2%
- Transport**: 19.8%

Sources: Longwoods International, Tourism Economics
McKenzie County Visitor Spending

- Lodging*: 23.5%
- F&B: 29.8%
- Retail: 18.2%
- Recreation: 11.7%
- Transport**: 16.8%

Sources: Longwoods International, Tourism Economics
## Morton County

<table>
<thead>
<tr>
<th>County:</th>
<th>Morton County</th>
<th>State</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lodging</td>
<td>Employment</td>
<td>109.7%</td>
</tr>
<tr>
<td></td>
<td>97.9%</td>
<td>4.7%</td>
</tr>
<tr>
<td>Lodging</td>
<td>Sales Tax</td>
<td>-8.5%</td>
</tr>
<tr>
<td></td>
<td>3.3%</td>
<td>8.6%</td>
</tr>
<tr>
<td>Retail</td>
<td></td>
<td>-5.7%</td>
</tr>
<tr>
<td>Lodging</td>
<td>2015 Share of State</td>
<td>1.3%</td>
</tr>
<tr>
<td></td>
<td>Compare to Population</td>
<td></td>
</tr>
<tr>
<td>Visitor Spending</td>
<td></td>
<td>-4.4%</td>
</tr>
</tbody>
</table>

- Compared to its overall economy, Morton County does not have a large tourism base.
Richland County Visitor Spending

- Recreation: 42.8%
- Transport: 16.7%
- F&B: 23.0%
- Lodging: 9.3%
- Retail: 8.1%

Sources: Longwoods International, Tourism Economics
## Top counties in North Dakota

<table>
<thead>
<tr>
<th>County</th>
<th>Visitor Spending (Millions)</th>
<th>Percent Change (2015/2014)</th>
<th>Share of State</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cass County</td>
<td>$733.4 $800.5 $857.1 $840.0</td>
<td>-2.0%</td>
<td>27.5%</td>
</tr>
<tr>
<td>Burleigh County</td>
<td>$428.4 $453.3 $468.1 $470.3</td>
<td>0.5%</td>
<td>15.4%</td>
</tr>
<tr>
<td>Ward County</td>
<td>$387.6 $410.5 $435.5 $374.4</td>
<td>-14.0%</td>
<td>12.3%</td>
</tr>
<tr>
<td>Grand Forks County</td>
<td>$273.7 $299.5 $305.6 $287.8</td>
<td>-5.8%</td>
<td>9.4%</td>
</tr>
<tr>
<td>Williams County</td>
<td>$250.1 $287.6 $336.8 $254.5</td>
<td>-24.5%</td>
<td>8.3%</td>
</tr>
<tr>
<td>Stark County</td>
<td>$201.7 $179.1 $201.6 $145.9</td>
<td>-27.6%</td>
<td>4.8%</td>
</tr>
<tr>
<td>McKenzie County</td>
<td>$33.6 $68.9 $134.7 $111.8</td>
<td>-17.0%</td>
<td>3.7%</td>
</tr>
<tr>
<td>Mountrail County</td>
<td>$129.9 $115.9 $128.7 $79.9</td>
<td>-37.9%</td>
<td>2.6%</td>
</tr>
<tr>
<td>Stutsman County</td>
<td>$57.0 $60.8 $61.9 $62.4</td>
<td>0.7%</td>
<td>2.0%</td>
</tr>
<tr>
<td>Morton County</td>
<td>$45.5 $48.3 $49.3 $47.1</td>
<td>-4.4%</td>
<td>1.5%</td>
</tr>
</tbody>
</table>
Total Visitor Spending, % Change, 2014 - 2015

Percent Change, 2014 - 2015

-0.8% to 22.0%
-3% to -0.9%
-6.2% to -3.1%
-13.8% to -6.3%
-37.9% to -13.9%
Difference in Visitor Spending, 2012 - 2015

Difference, $ Millions, 2012-2015

- $55.79 to -$0.39
- $0.38 to $0.01
$0.02 to $0.38
$0.39 to $2.74
$2.75 to $106.60

Map showing the difference in visitor spending across various counties in North Dakota, with color codes indicating different spending ranges.
Tourism Employment Concentration

Tourism employment as share of total county employment, 2015

Percent, 2015
1.0% to 1.8%
1.9% to 3.0%
3.1% to 4.3%
4.4% to 7.8%
7.9% to 18.5%

Ward
- Dunn
- Cass
- McKenzie
- McLean
- Grant
- Morton
- Williams
- Stark
- Wells
- Stutsman
- McHenry
- Divide
- Walsh
- Kidder
- Mountrail
- Barnes
- Cass
- Grand Forks
- Burleigh
- Kidder
- Stutsman
- Barnes
- Richland
- Renville
- Steele
- Traill
- Cabrio
- Richland
- LaMoure
- Ransom
- Ransom
- Redwood
- Pembina
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