

The Economic Impact of Tourism in Wisconsin

May 2019



TOURISM
ECONOMICS

AN OXFORD ECONOMICS COMPANY

Key Findings



Growth accelerates in 2018 as room demand and visitor spending post best results since 2014

Key facts about Wisconsin's tourism sector

Visitation reached 112 million in 2018

Visitor spending rose 4.9% in 2018 to \$13.3 billion

Tourism spending supports 7.8% of all private jobs in Wisconsin

Tourism in Wisconsin generated \$1.6 billion in state and local taxes in 2018

Key indicators in Wisconsin 2018

Dollar figures in millions

Tourism spending	\$13,319
Total business sales	\$21,572
Employment sustained by tourism	199,073
Income sustained by tourism	\$5,675
Taxes sustained by tourism	\$2,825
Federal	\$1,244
State	\$879
Local	\$703

Source: Tourism Economics

Key findings

- Visitor spending growth accelerated in 2018, increasing 4.9% to reach \$13.3 billion.
- Visitor spending has increased nearly 45% over 2010 results.
- Visitor spending increased by \$625 million in 2018; an increase of \$4.1 billion since 2010.
- Wisconsin visitor volumes grew by 2.0 million to reach 112 million, and have grown by 19 million since 2010.
- Visitor spending growth was led by spending on recreational activities. Growth in spending on local transportation also outpaced overall state growth as growing wages and strong consumer confidence meant both growth in travel and spending per trip.

- Visitor spending of \$13.3 billion generated nearly \$21.6 billion in total business sales in 2018 as traveler dollars flowed through the Wisconsin economy.
- Visitor activity sustained 199,073 jobs in 2018, both directly and indirectly.
- 1-in-13 jobs in the state is sustained by tourism activity – 7.8% of private non-farm employment in Wisconsin.
- Including indirect and induced impacts, tourism in Wisconsin generated \$1.6 billion in state and local taxes and \$1.2 billion in Federal taxes in 2018.
- In the absence of the state and local taxes generated by tourism, each Wisconsin household would need to pay an additional \$680 to maintain the current level of government services.

Tourism Indicators



Key indicators - lodging

Room demand accelerates, supporting a significant portion of room revenue as ADR increases moderate.

Room demand growth jumped above 3% in 2018 for the first time since 2014.

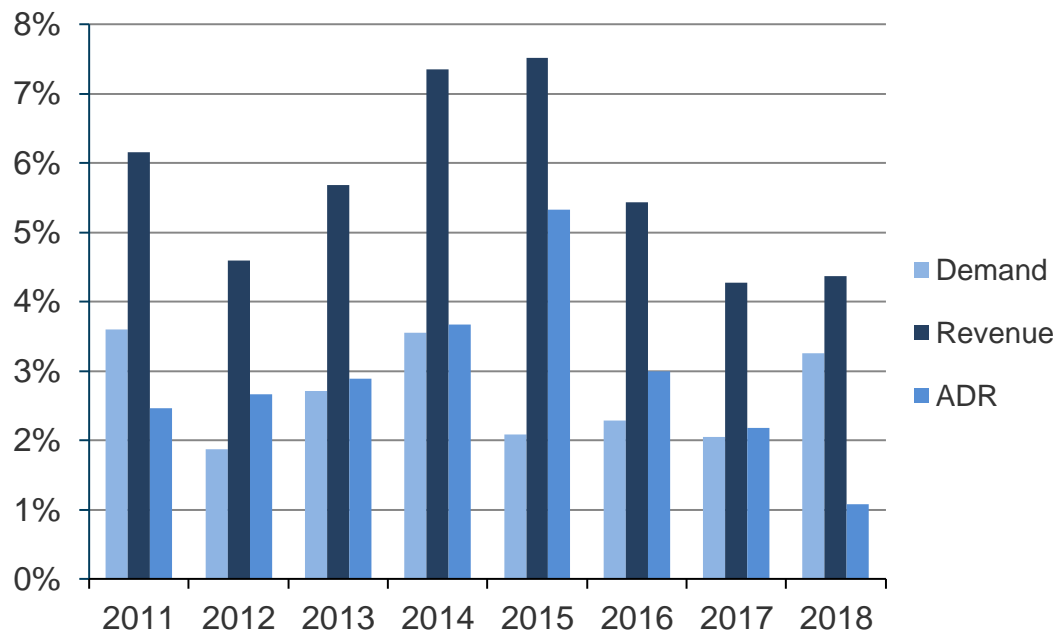
After reaching a high of 5.3%, ADR increases have moderated, increasing just 1.0% in 2018.

Since 2011, room demand has grown by more than 2.6 million rooms. Considering that room demand in Milwaukee County in 2018 reached 2.8 million rooms, this growth is like adding a Milwaukee County to Wisconsin room demand over the last decade. Measured by room demand, Milwaukee County is the largest county in the state.

Room revenues have increased by \$670 million since 2011 – overall growth of more than 50%.

Stronger room growth support revenue growth

% change



Source: STR

Key indicators – sales tax growth in tourism-related industries

Sales tax collections from recreational businesses surged in 2018.

Sales tax receipts in the recreational industry surged, continuing to show strong growth in 2018.

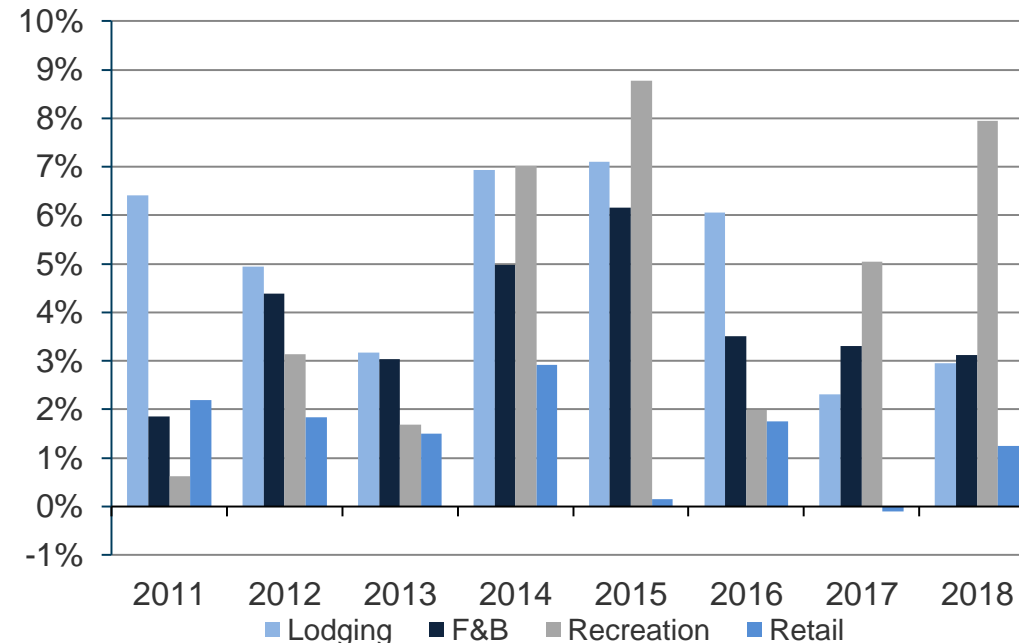
2018 saw moderating sales tax growth in the lodging and food services industries.

The lodging industry's share of all sales tax collections has grown from 1.9% in 2010 to nearly 2.2% in 2018. Lodging sales have increased at a faster rate than overall taxable sales in Wisconsin.

Retail sales growth has been minimal over the last four years.

Taxable sales in tourism-related industries

% change



Source: WI Dept. of Revenue

Key indicators – inflation

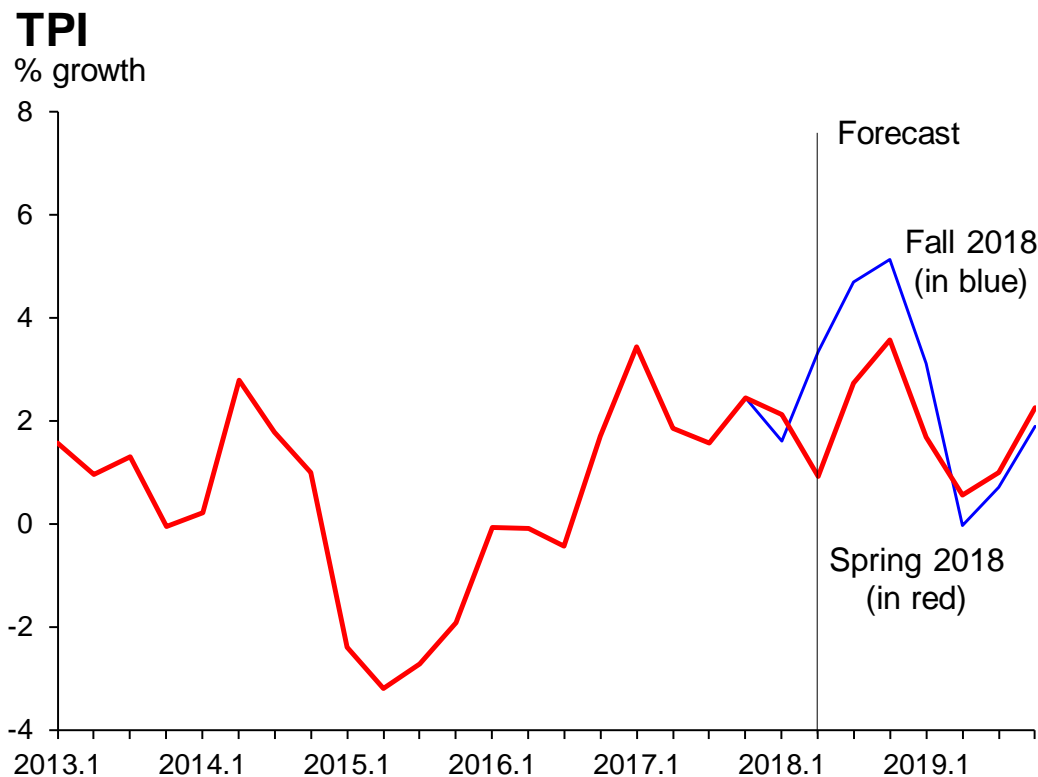
Inflationary pressures rose in 2018 after being mostly non-existent in 2015-2016.

TPI is a measure of tourism prices in the US – including lodging, food outside of the home, transportation costs, and general inflation.

Tourism inflation was negative during 2015 and 2016 as declining gas prices led overall tourism prices to be lower.

Tourism price increases returned in 2017 and 2018, and are expected to average around 2%.

Price changes have a strong relationship with visitor spending growth.



Source: Tourism Economics

Visitation and Spending



Trends in Wisconsin tourism

1

Consistent visitation growth

- Visitation reached 112 million and has grown by between 1.9% and 2.8% in each of the past five years.

2

Visitor spending accelerates

- Visitor spending growth jumped to nearly 5.0% in 2018, the highest growth rate since 2014.

3

Recreational spending shines

- Looking at visitor spending categories, the highest spending growth was on recreational spending in 2018. With gas prices rising in 2018, spending on local transportation also outpaced overall state visitor spending growth.

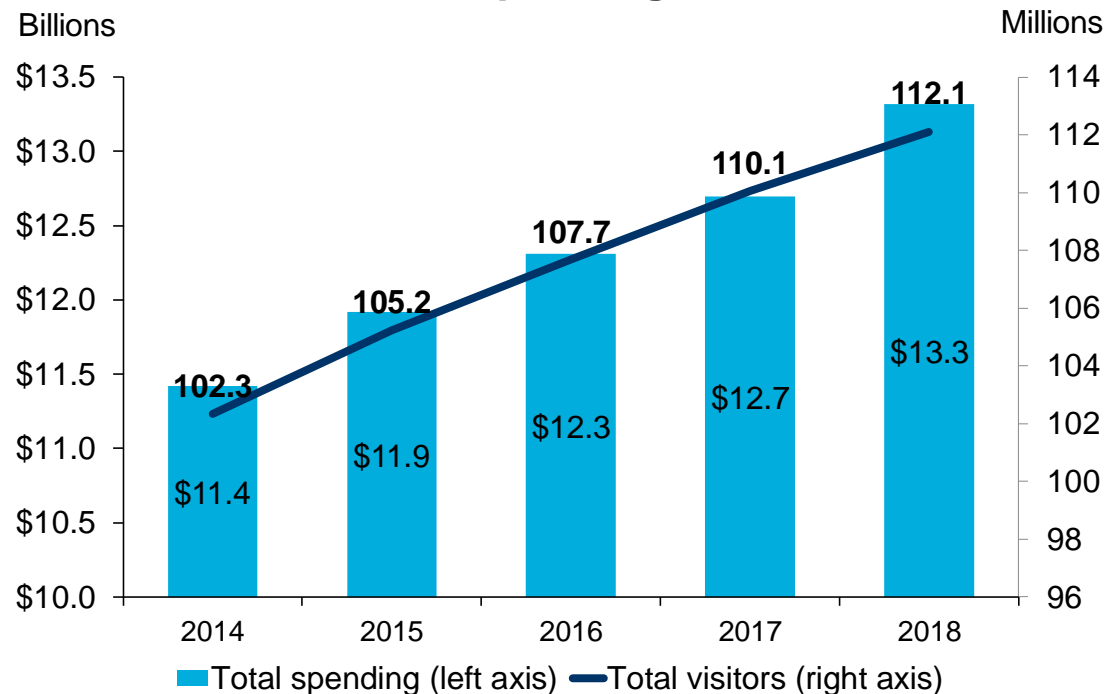
2018 Results

112 million visitors traveled to Wisconsin in 2018, spending \$13.3 billion in the state.

The number of person-trips rose by 2 million to 112 million in 2018.

Visitor spending growth accelerated in 2018 as increased visitation and increasing costs supported more spending.

Visitation and visitor spending in Wisconsin



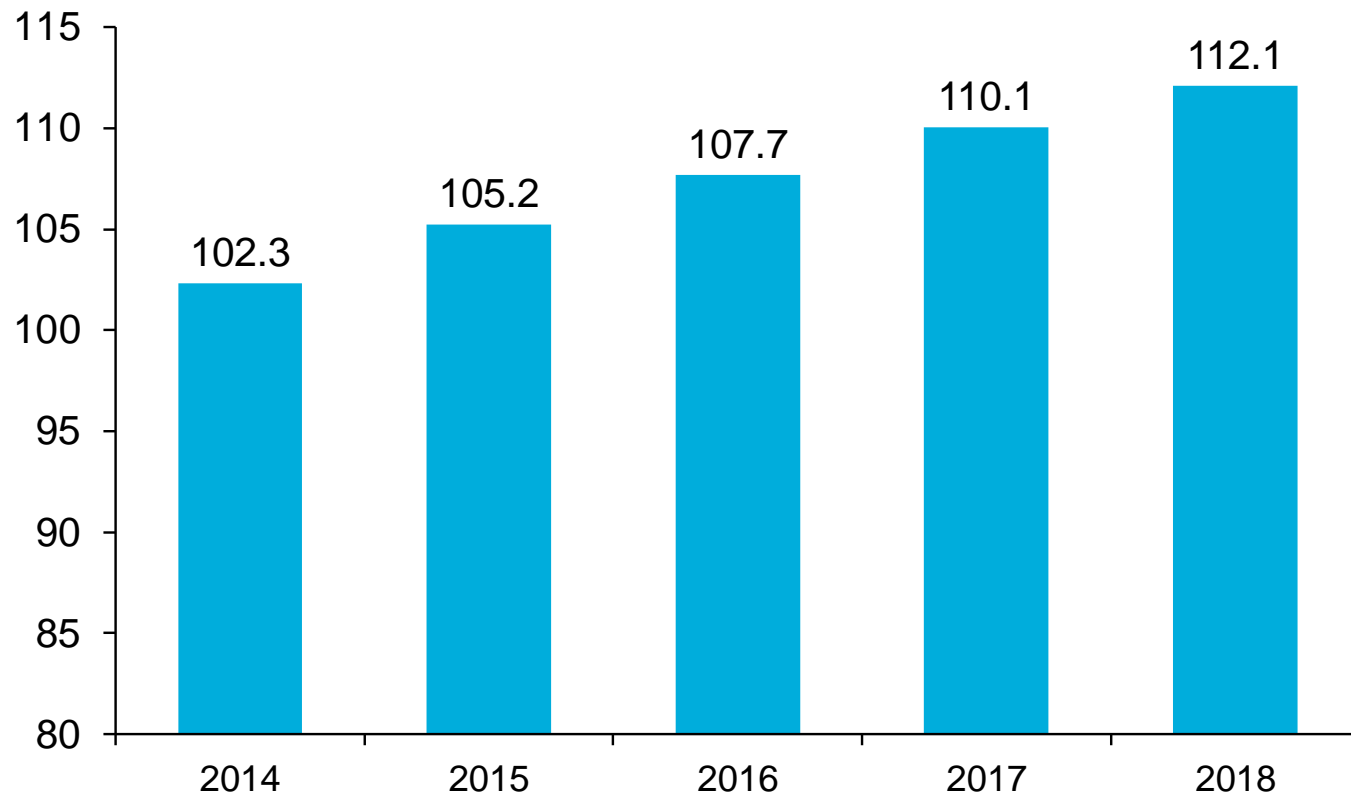
Source: Tourism Economics

Visitation

Visitation increased by 2.0 million trips in 2018, growth of 1.9%.

Visitors to Wisconsin

Visitors, millions



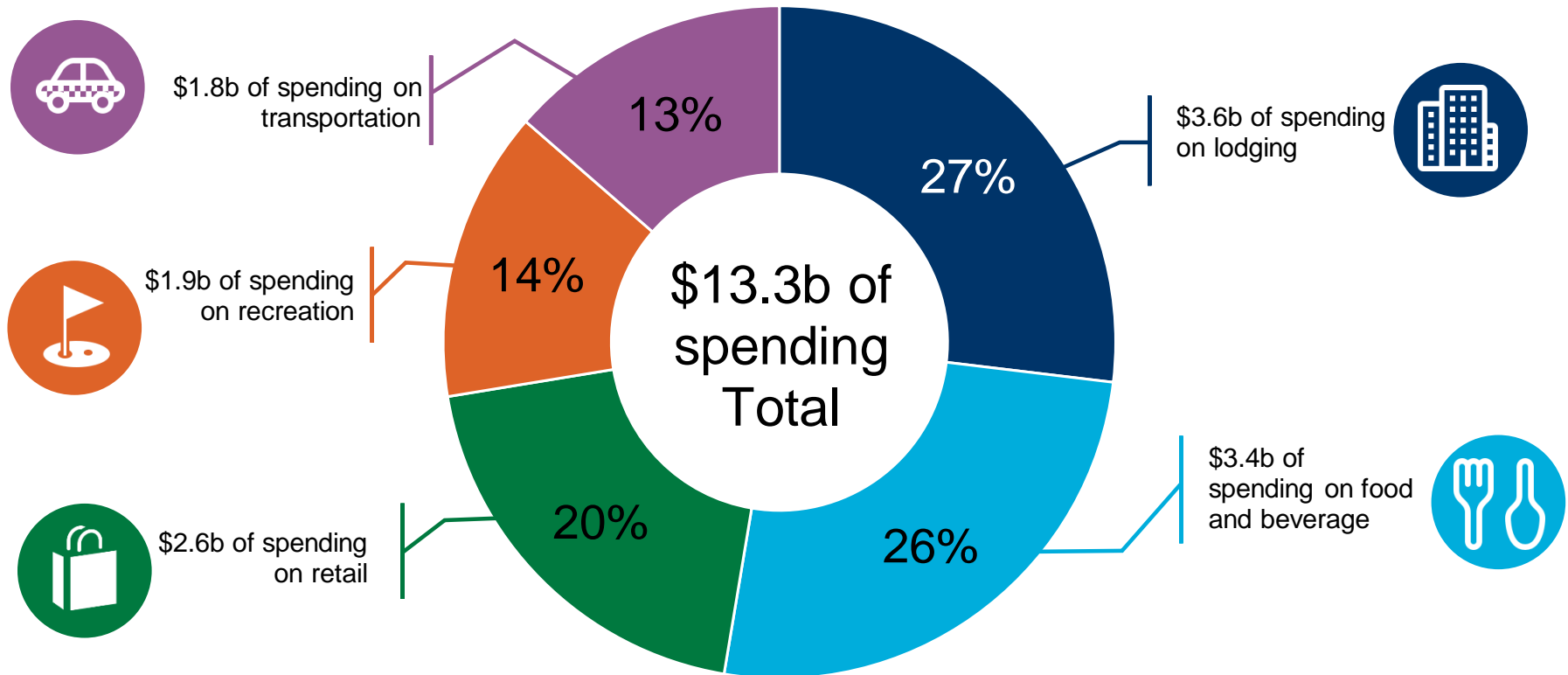
Source: Tourism Economics

Visitor spending in Wisconsin

Spending on lodging and food & beverages capture over half of all visitor spending.

Visitor spending in Wisconsin, 2018

Dollars, millions and percent of total



Source: Tourism Economics

Tourism spending reached \$13.3 billion in 2018

Spending grew 4.9% in 2018, led by increases in spending on recreational activities and dining out.

The 4.9% growth meant that visitor spending increased by \$625 million in 2018.

Recreational spending surged 8.4%, well above its five year average of 4.4%,

Visitor spending at lodging businesses grew 4.1% to reach \$3.6 billion in 2018.

Spending has increased by nearly \$2 billion since 2014.

Visitor spending in Wisconsin

Nominal dollars, millions

	2014	2015	2016	2017	2018	2018 Growth	2014-2018 CAGR
Lodging	\$2,977.8	\$3,175.5	\$3,336.8	\$3,441.3	\$3,582.9	4.1%	3.8%
Food & beverages	\$2,904.6	\$3,026.5	\$3,172.1	\$3,310.1	\$3,427.4	3.5%	3.4%
Retail	\$2,327.9	\$2,449.0	\$2,508.9	\$2,511.1	\$2,634.2	4.9%	2.5%
Recreation	\$1,502.4	\$1,566.0	\$1,631.4	\$1,717.7	\$1,862.1	8.4%	4.4%
Local Transportation	\$1,283.8	\$1,270.8	\$1,219.5	\$1,256.0	\$1,337.2	6.5%	0.8%
Air Transportation	\$421.5	\$431.6	\$442.1	\$458.2	\$474.9	3.6%	2.4%
Total	\$11,417.9	\$11,919.4	\$12,310.7	\$12,694.3	\$13,318.6	4.9%	3.1%

* Lodging includes 2nd home spending

Source: Tourism Economics

Tourism spending is changing with prices

Spending increases have come from lodging, food & beverages, and the recreational sector.

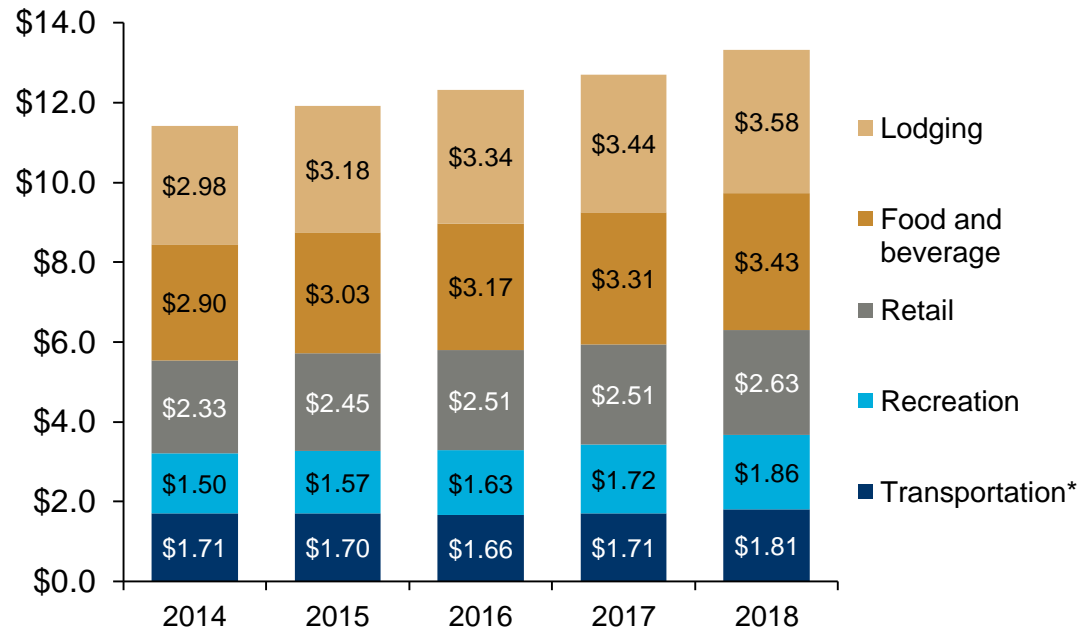
Recreational spending reached \$1.9 billion in 2018, increasing by \$140 million.

Lodging spending, including spending on 2nd homes, rose to \$3.6 billion in 2018.

In the past five years, spending on both lodging and food & beverages has grown by more than \$500 million. Together, these two categories have made up more than half of all visitor spending growth in the state since 2014.

Wisconsin visitor spending

Billions of \$



Source: Tourism Economics

* Transportation spending includes local transportation costs and airport spending in support of visitors in the state

Tourism spending is changing with prices

The share of the visitor dollar going to recreational activities jumped in 2018. The share of the visitor dollar spent shopping leveled in 2018.

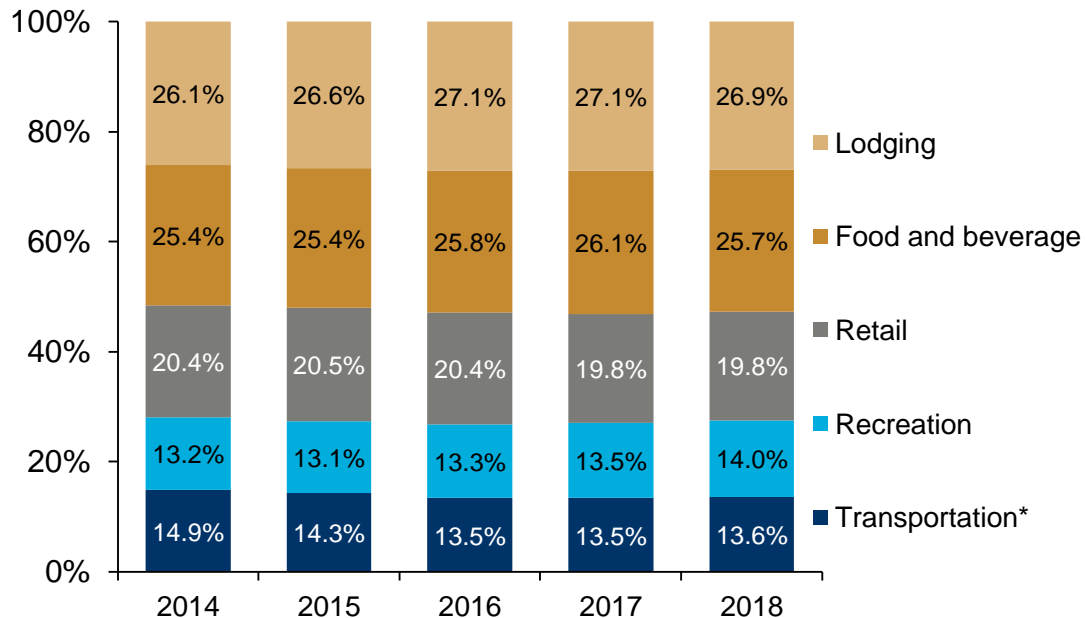
The share of the visitor dollar spent on recreational activities jumped to 14% in 2018. This is an increase of nearly one percentage point since 2015.

With gas prices increasing in 2018, the share of the visitor dollar spent on transportation costs in the state rose slightly. Prior to 2018, the share of the visitor dollar spent on transportation in Wisconsin had been falling.

The share of the visitor dollar spent shopping plateaued in 2018, capturing 19.8% of all visitor spending.

Wisconsin visitor spending

Percent of total



Source: Tourism Economics

* Transportation spending includes local transportation costs and airport spending in support of visitors in the state

Travel sectors

In 2018, visitor spending growth was led by business visitors, day travelers, and domestic arrivals.

Business spending rebounded in 2018, increasing by 10%. The business share of overall spending rose to 13.1%

Despite the lower growth rate, leisure visitor spending increased by over \$400 million.

Spending by day visitors increased by \$360 million to reach \$4.8 billion.

The majority of visitor spending growth by market was from domestic visitors.

Visitor spending in Wisconsin

Nominal dollars, billions

Purpose		Stay		Market	
Leisure	\$11.57	Day	\$4.78	Domestic	\$12.70
Business	\$1.74	Overnight	\$8.54	Overseas	\$0.57
				Canada	\$0.04
Total	\$13.32	Total	\$13.32	Total	\$13.32
Growth Rates					
Leisure	4.2%	Day	8.4%	Domestic	5.1%
Business	10.2%	Overnight	3.0%	Overseas	2.2%
				Canada	2.7%
Total	4.9%	Total	4.9%	Total	4.9%
Share					
Leisure	86.9%	Day	35.9%	Domestic	95.4%
Business	13.1%	Overnight	64.1%	Overseas	4.3%
				Canada	0.3%

Source: Tourism Economics

Travel sectors

Visitor spending in Wisconsin is led by domestic, leisure, and overnight sectors.

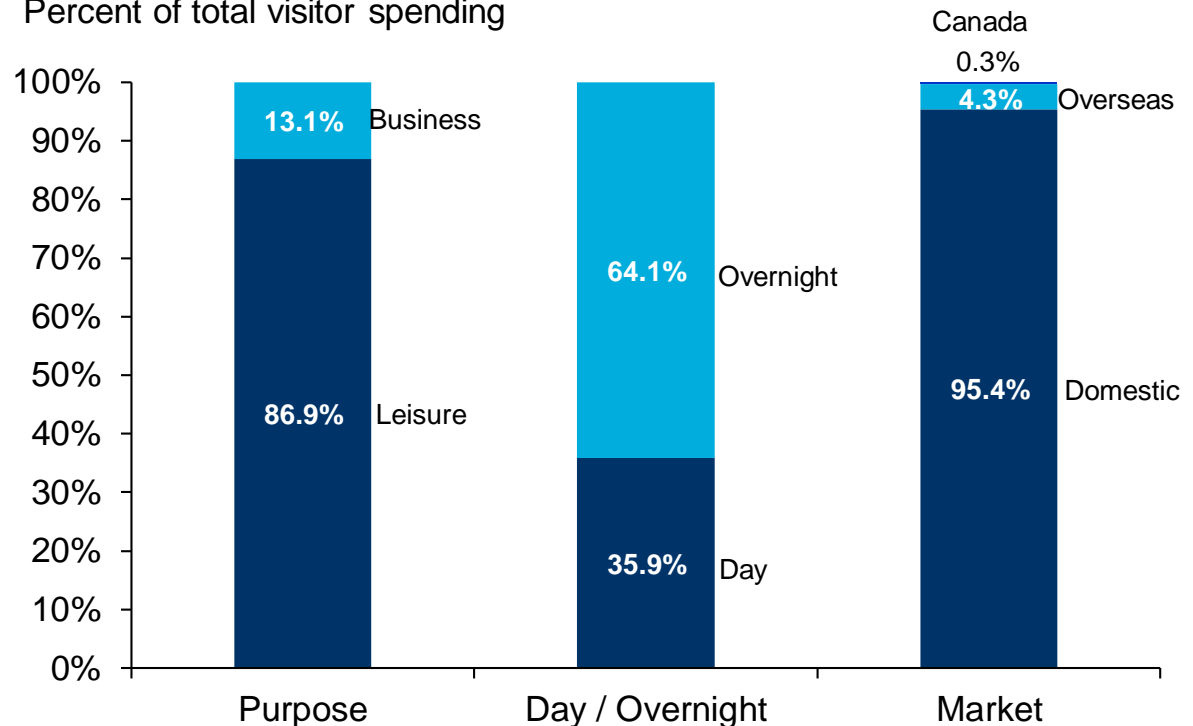
Leisure spending makes up nearly 87% of all visitor spending in the state.

Despite being a smaller portion of overall visitation, overnight visitor spending is nearly 65% of all visitor spending.

International visitor spending comprised about 5% of all visitor spending in Wisconsin in 2018.

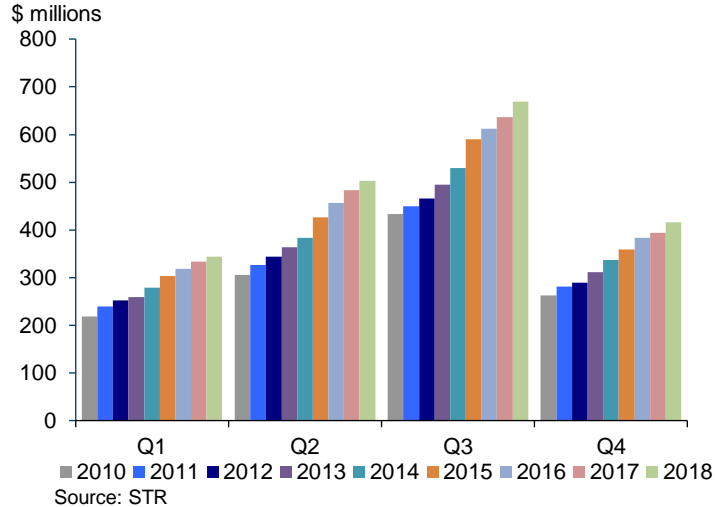
Wisconsin market breakouts

Percent of total visitor spending



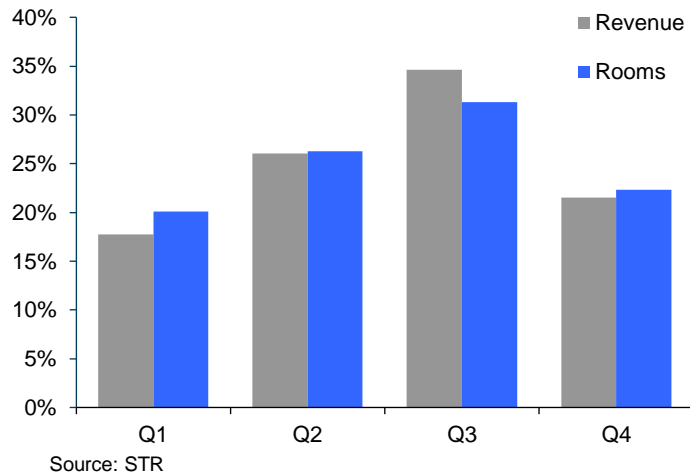
Seasonality of Lodging

Wisconsin Hotel Room Revenue



Wisconsin Hotel Rooms and Revenue

Quarterly Share, 2018



- Hotels strongest revenue growth was in Q4, increasing 5.5% to \$416 million.
- The largest room revenue increase was in Q3 with room revenues increasing by \$33 million over the Q3 months, nearly 40% of the annual revenue growth.
- Room demand growth was strongest in Q4, increasing by 3.9%. Q2 followed with growth of 3.3% with the other quarters showing room growth of 2.2%.

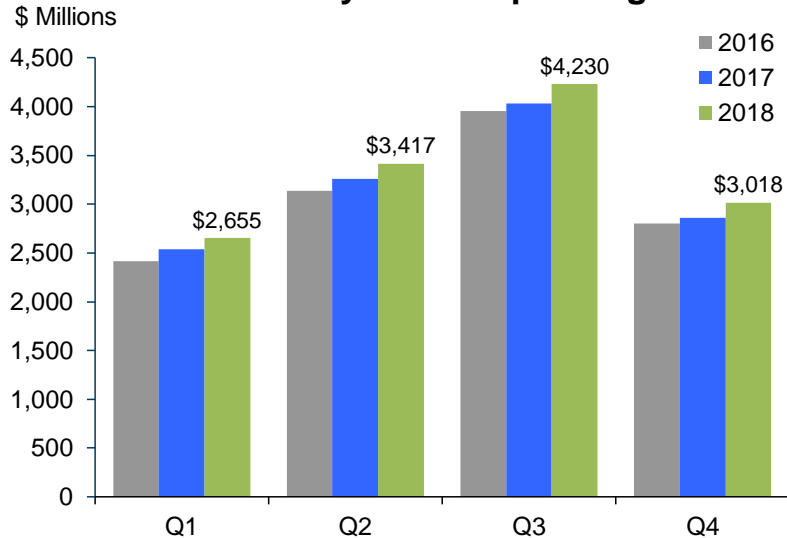
Seasonality of visitor spending

Growth was even throughout the year in 2018, led by the 4th quarter.

Visitor spending in Q4 surpassed \$3 billion, growing by 5.5%.

Visitor spending in Q3 grew by nearly \$200 million to reach \$4.2 billion. Growth was pretty even throughout the year.

Wisconsin Quarterly Visitor Spending



Source: Tourism Economics

Visitor Spending by Quarter

Wisconsin

	Q1	Q2	Q3	Q4
2014	\$2,279.3	\$2,861.6	\$3,644.3	\$2,632.8
2015	\$2,346.8	\$3,031.2	\$3,823.8	\$2,717.6
2016	\$2,414.0	\$3,139.9	\$3,953.8	\$2,803.0
2017	\$2,541.4	\$3,260.0	\$4,032.3	\$2,860.6
2018	\$2,654.5	\$3,416.9	\$4,229.6	\$3,017.5
% Chn	4.45%	4.81%	4.89%	5.49%

The Economic Impact of Tourism



How tourism generates impact

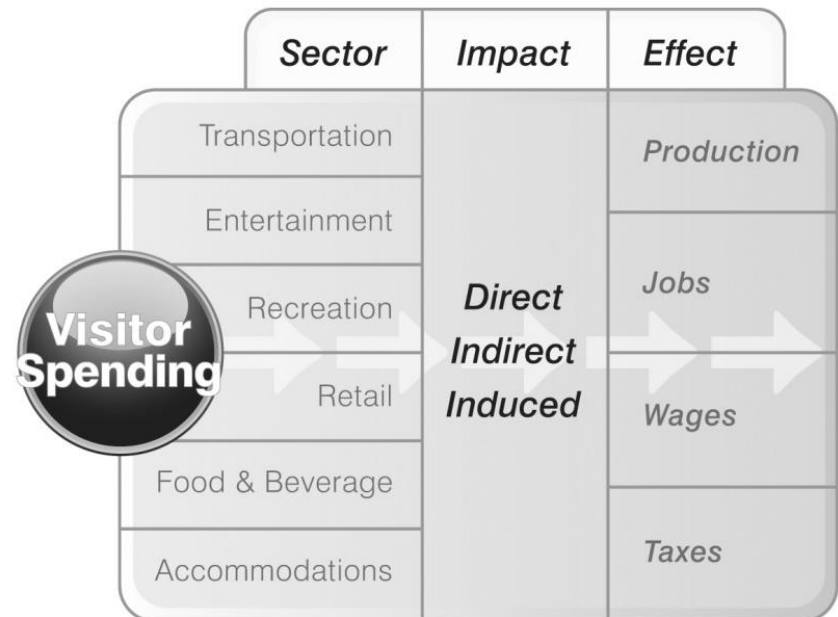
Our analysis of tourism's impact on Wisconsin starts with actual spending by tourists, but also considers the downstream effects of this injection of spending into the local economy. To determine the total economic impact of tourism in Wisconsin, we input tourism spending into a model of the Wisconsin's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

- Travelers create **direct** economic value within a discrete 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



Business sales impacts (1 of 2)

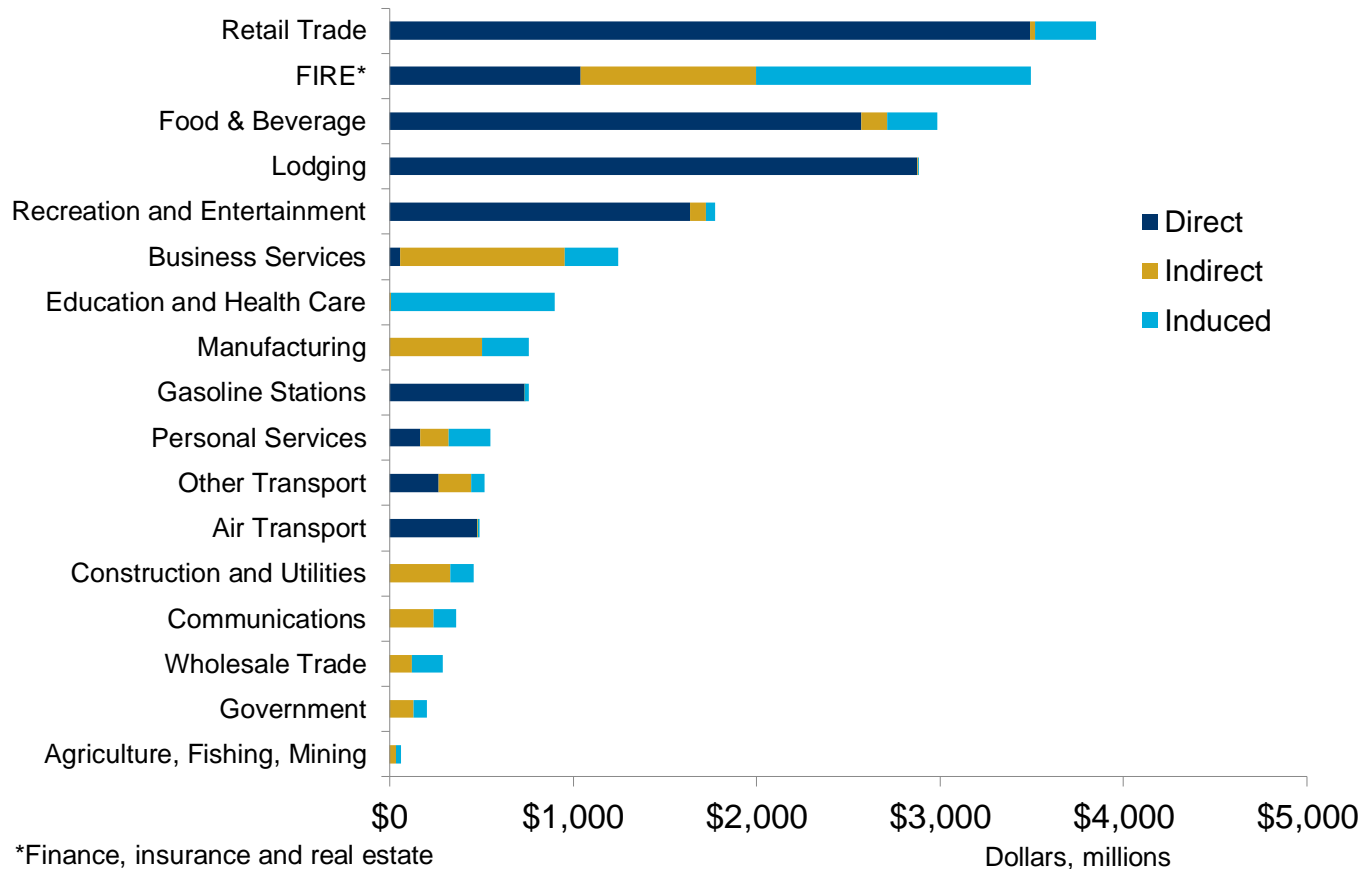
Visitors spent \$13.3 billion in Wisconsin in 2018. This supported a total of \$21.6 billion in business sales when indirect and induced impacts are considered.

Business sales impacts, millions				
	Direct	Indirect	Induced	Total
Agriculture, Fishing, Mining	-	34.7	25.8	60.4
Construction and Utilities	-	332.7	127.0	459.7
Manufacturing	-	501.6	259.2	760.8
Wholesale Trade	-	120.7	166.8	287.5
Air Transport	474.9	5.2	8.0	488.0
Other Transport	267.4	175.3	73.5	516.3
Retail Trade	3,491.0	25.8	331.4	3,848.2
Gasoline Stations	735.5	2.3	22.7	760.4
Communications	-	239.6	124.6	364.2
Finance, Insurance and Real Estate	1,042.2	954.6	1,496.1	3,492.9
Business Services	55.9	896.9	292.5	1,245.2
Education and Health Care	-	7.4	891.2	898.6
Recreation and Entertainment	1,638.6	83.0	52.1	1,773.7
Lodging	2,875.0	3.3	2.7	2,881.0
Food & Beverage	2,570.5	142.3	272.4	2,985.3
Personal Services	167.6	155.1	224.7	547.4
Government	-	129.3	72.7	202.0
TOTAL	13,318.6	3,809.8	4,443.2	21,571.6
Percent Change	4.9%	3.3%	5.3%	4.7%

Business sales impacts (2 of 2)

While the majority of sales are in industries directly serving visitors, nearly \$900 million in business sales is happening in business services and finance, insurance and real estate as a result of selling to tourism businesses.

Business sales impacts by industry, 2018



Source: Tourism Economics

GDP impacts (1 of 2)

Visitors generated \$9.6 billion in state GDP in 2018. This excludes all import leakages to arrive at the economic value generated by visitors.

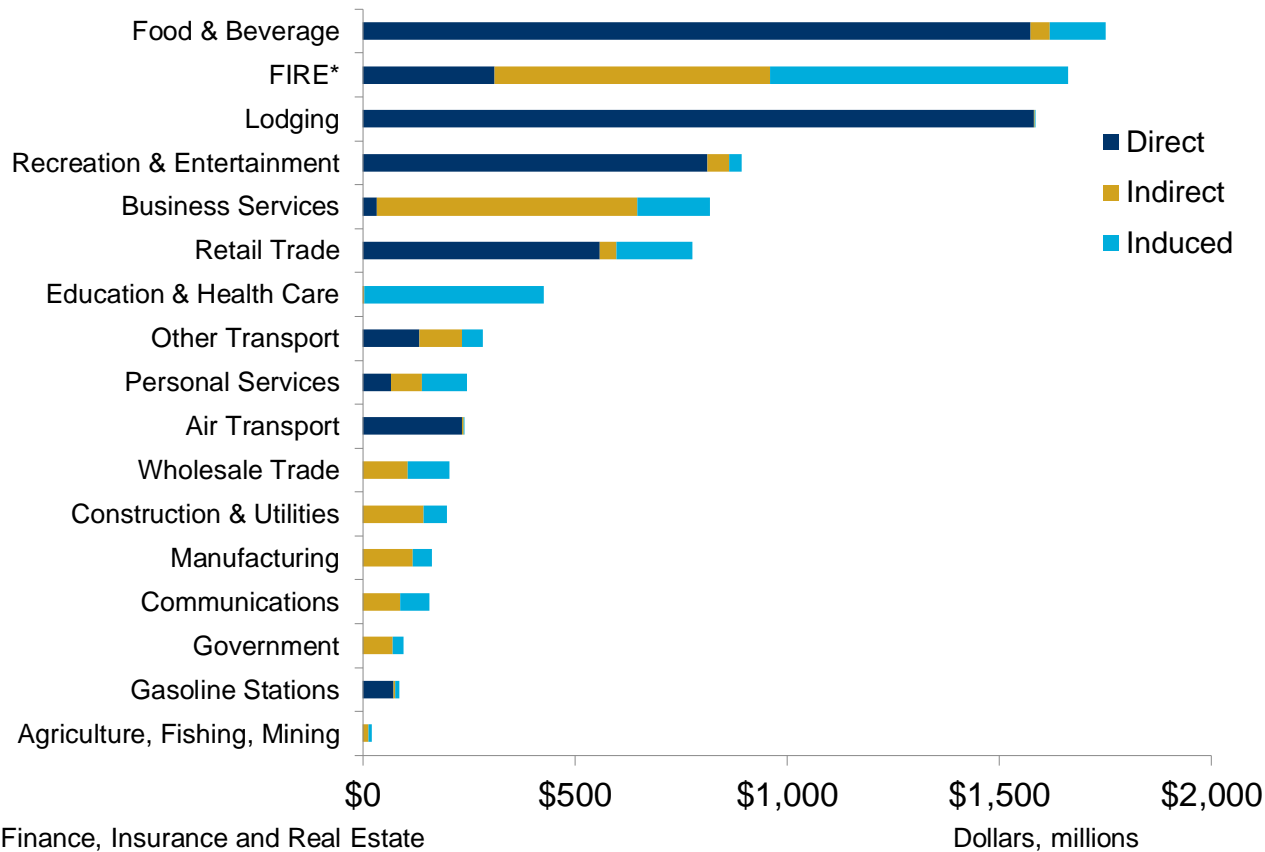
Value added impacts, millions				
	Direct	Indirect	Induced	Total
Agriculture, Fishing, Mining	-	12.9	8.5	21.4
Construction & Utilities	-	144.2	54.0	198.2
Manufacturing	-	117.1	44.9	162.0
Wholesale Trade	-	106.0	98.7	204.7
Air Transport	234.5	2.9	3.2	240.6
Other Transport	133.6	100.9	47.7	282.1
Retail Trade	557.7	39.4	179.2	776.3
Gasoline Stations	72.8	3.6	10.5	86.9
Communications	-	87.7	70.1	157.7
Finance, Insurance & Real Estate	310.6	649.9	703.0	1,663.5
Business Services	33.1	613.3	171.4	817.8
Education & Health Care	-	4.0	422.1	426.1
Recreation & Entertainment	811.7	51.1	31.0	893.8
Lodging	1,581.6	2.1	1.3	1,585.0
Food & Beverage	1,574.2	46.1	130.4	1,750.7
Personal Services	67.4	71.4	107.3	246.1
Government	-	70.6	25.7	96.4
TOTAL	5,377.1	2,123.1	2,109.0	9,609.2
Percent Change	4.7%	5.4%	4.4%	4.8%

Source: Tourism Economics

GDP impacts (2 of 2)

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

Value added impacts by industry



Source: Tourism Economics

Employment impacts (1 of 2)

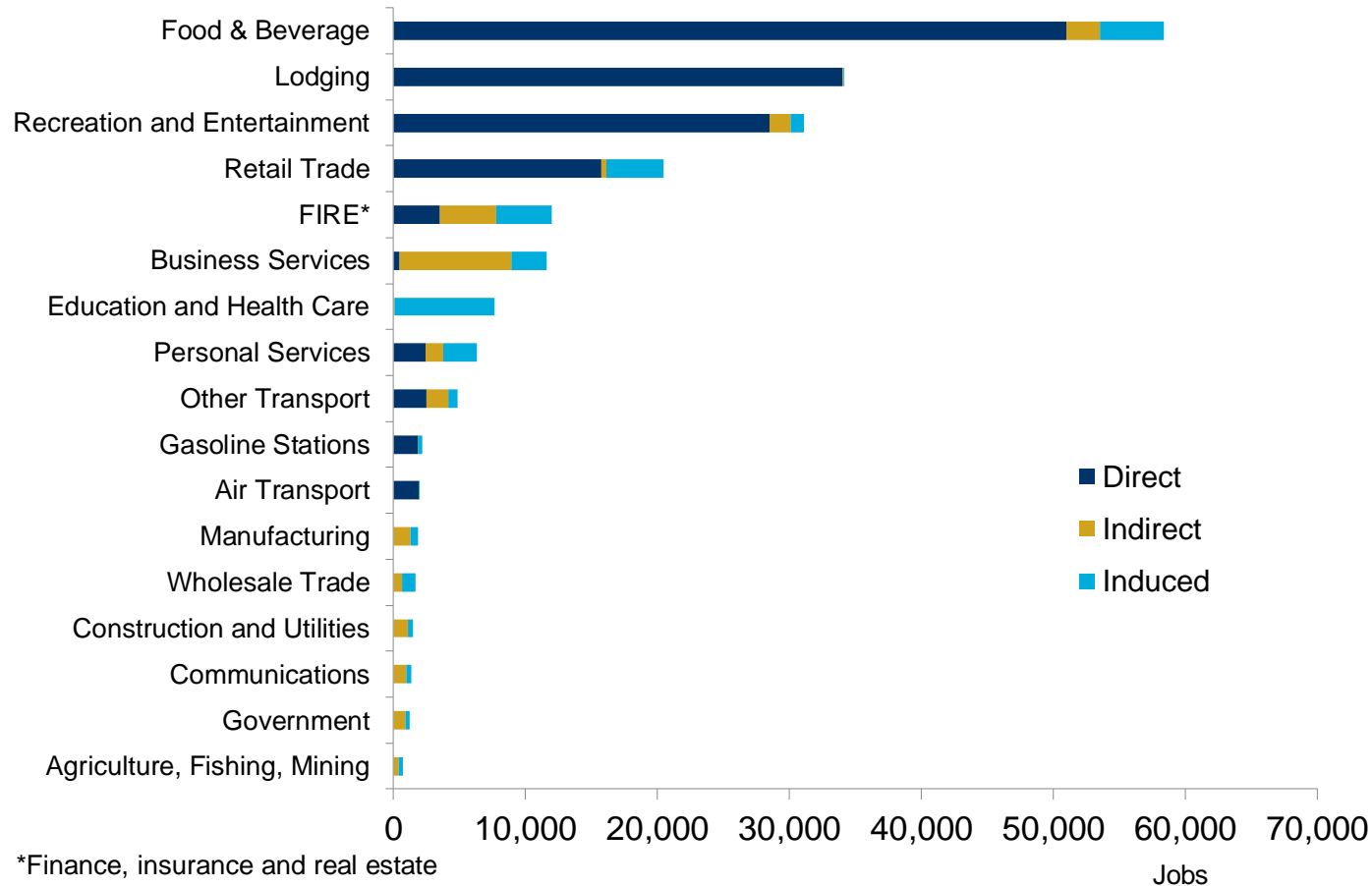
Visitor spending supported a total of 199,073 jobs when indirect and induced impacts are considered.

Employment impacts, 2018				
	Direct	Indirect	Induced	Total
Agriculture, Fishing, Mining	-	417	297	714
Construction and Utilities	-	1,112	382	1,494
Manufacturing	-	1,304	543	1,847
Wholesale Trade	-	681	966	1,647
Air Transport	1,920	16	27	1,963
Other Transport	2,488	1,660	701	4,849
Retail Trade	15,755	363	4,345	20,463
Gasoline Stations	1,843	36	331	2,210
Communications	-	947	411	1,359
Finance, Insurance and Real Estate	3,512	4,278	4,208	11,998
Business Services	460	8,482	2,688	11,630
Education and Health Care	-	105	7,540	7,645
Recreation and Entertainment	28,522	1,592	1,019	31,134
Lodging	34,052	44	38	34,134
Food & Beverage	51,000	2,583	4,836	58,420
Personal Services	2,426	1,339	2,572	6,337
Government	-	881	347	1,229
TOTAL	141,980	25,842	31,251	199,073
Percent Change	1.9%	1.5%	0.7%	1.7%

Source: Tourism Economics

Employment impacts (2 of 2)

Employment impacts by industry



Source: Tourism Economics

Personal income impacts (1 of 2)

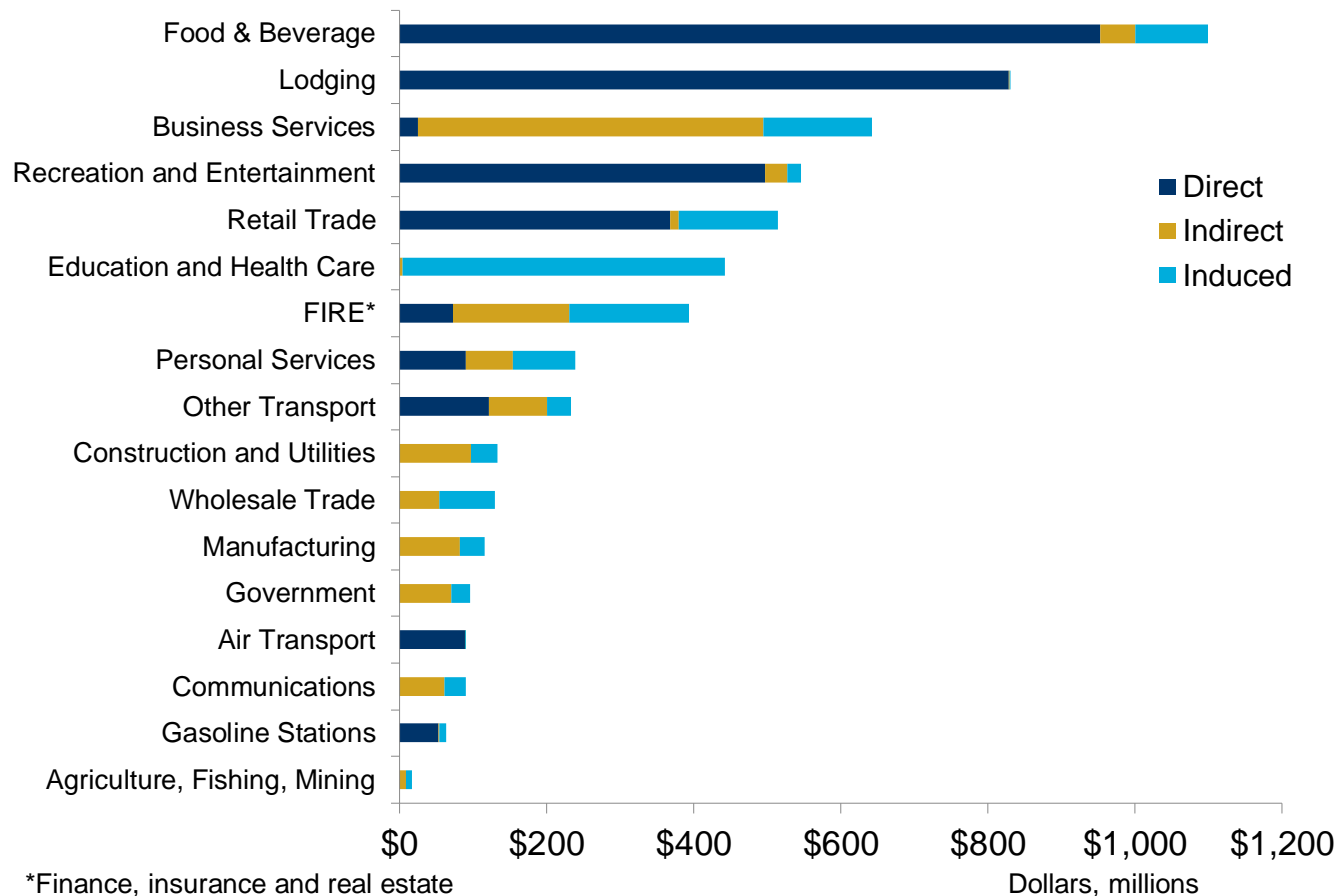
Visitors generated \$3.1 billion in direct income and \$5.7 billion when indirect and induced impacts are included.

Personal income impacts, 2018 (millions of \$)				
	Direct	Indirect	Induced	Total
Agriculture, Fishing, Mining	-	9.0	7.6	16.5
Construction and Utilities	-	97.4	35.6	133.1
Manufacturing	-	81.9	34.4	116.3
Wholesale Trade	-	53.7	75.9	129.6
Air Transport	88.5	0.8	1.2	90.6
Other Transport	121.7	79.2	31.9	232.9
Retail Trade	368.0	12.4	133.8	514.2
Gasoline Stations	53.0	1.2	8.8	63.0
Communications	-	60.6	29.1	89.7
Finance, Insurance and Real Estate	72.8	158.4	162.7	393.9
Business Services	25.7	469.1	147.2	642.0
Education and Health Care	-	3.7	439.3	443.0
Recreation and Entertainment	496.9	31.0	18.0	545.9
Lodging	828.7	0.8	0.7	830.3
Food & Beverage	953.2	47.0	99.2	1,099.4
Personal Services	90.0	64.1	85.0	239.1
Government	-	70.5	25.4	95.9
TOTAL	3,098.6	1,240.9	1,335.8	5,675.3
Percent Change	4.4%	4.6%	4.0%	4.4%

Source: Tourism Economics

Personal income impacts (2 of 2)

Personal income impacts by industry



Source: Tourism Economics

Tax impacts

Tax revenue of \$2.8 billion was directly and indirectly generated by tourism in 2018.

State and local taxes alone tallied nearly \$1.6 billion in 2018.

Each household in Wisconsin would need to be taxed an additional \$680 per year to replace the traveler taxes received by state and local governments.

Visitor spending, visitor supported jobs, and business sales generated \$2.8 billion in governmental revenues.

Traveler Generated Taxes						
(US\$ Million)						
Tax Type	2013	2014	2015	2016	2017	2018
Federal Taxes Subtotal	<u>1,011.0</u>	<u>1,052.3</u>	<u>1,102.6</u>	<u>1,147.7</u>	<u>1,194.6</u>	<u>1,243.7</u>
Corporate	95.6	100.8	105.3	109.5	113.9	117.5
Indirect Business	122.4	129.1	134.8	140.3	145.9	150.5
Personal Income	230.7	239.2	250.9	261.2	271.9	283.8
Social Security	562.3	583.1	611.6	636.7	662.8	691.8
State and Local Taxes Subtotal	<u>1,356.3</u>	<u>1,412.2</u>	<u>1,469.5</u>	<u>1,505.8</u>	<u>1,540.9</u>	<u>1,581.6</u>
Corporate	132.2	139.4	145.6	151.5	157.6	163.9
Personal Income	110.6	114.7	120.3	125.2	130.4	136.1
Sales	490.4	514.8	539.9	553.7	567.9	584.4
Bed	84.6	90.7	97.3	103.0	106.5	111.4
Property	408.3	417.5	426.5	428.2	429.9	432.0
Excise and Fees	119.9	124.4	128.6	132.4	136.4	141.1
State Unemployment	10.4	10.8	11.3	11.8	12.3	12.8
TOTAL	<u>2,367.3</u>	<u>2,464.5</u>	<u>2,572.1</u>	<u>2,653.5</u>	<u>2,735.5</u>	<u>2,825.3</u>

Tourism tax generation – state & local government

Of the \$1.6 billion collected by state and local governments from traveler activity, \$879 million (55.2%) accrued to state government.

Local government revenues from visitor activity grew to \$703 million.

Traveler Generated Taxes - State and Local Government Revenues					
(US\$ Million)					
Tax Type	2014	2015	2016	2017	2018
State Tax Subtotal	<u>767.0</u>	<u>803.4</u>	<u>824.9</u>	<u>850.5</u>	<u>879.2</u>
Corporate	139.4	145.6	151.5	157.6	163.9
Personal Income	114.7	120.3	125.2	130.4	136.1
Sales	476.2	499.5	511.8	524.9	540.1
Lodging	0.0	0.0	0.0	0.0	0.0
Property	0.0	0.0	0.0	0.0	0.0
Excise and Fees	25.9	26.7	24.7	25.4	26.3
State Unemployment	10.8	11.3	11.8	12.3	12.8
Local Tax Subtotal	<u>645.2</u>	<u>666.0</u>	<u>680.8</u>	<u>690.4</u>	<u>703.4</u>
Corporate	0.0	0.0	0.0	0.0	0.0
Personal Income	0.0	0.0	0.0	0.0	0.0
Sales	38.5	40.4	41.9	43.0	44.3
Lodging	90.7	97.3	103.0	106.5	112.4
Property	417.5	426.5	428.2	429.9	432.0
Excise and Fees	98.5	101.8	107.7	110.9	114.8
State Unemployment	0.0	0.0	0.0	0.0	0.0

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 200 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:

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