

Summer 2020

## **COVID-19 and the US-Canada Border Report 2: Canadians and Taxable Retail Sales within Whatcom County**

Border Policy Research Institute, Western Washington University

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# COVID-19 AND THE US-CANADA BORDER

## Canadians and Taxable Retail Sales within Whatcom County

This report is one in a series of briefings on the economic impacts of Canadians and the border, aimed at improving knowledge about how the COVID-19 crisis will impact economic recovery in Whatcom County.

Summer 2020

See full series of Covid-19 Policy Briefings at [cedar.wwu.edu/bpri\\_covid19/](https://cedar.wwu.edu/bpri_covid19/)

## BPRI COVID-19 BRIEFINGS

On February 29<sup>th</sup>, 2020, the first death from COVID-19 occurred in Washington State. Over the weeks following, both Washington State and British Columbia implemented various efforts aimed at reducing the spread of the virus. On March 14<sup>th</sup>, B.C. announced closures of many businesses, made recommendations against non-essential travel, and implemented a voluntary two week self-quarantine on Canadians returning to Canada. Two weeks later, Washington issued a stay-at-home order which went into effect March 23<sup>rd</sup>. These state and provincial measures aimed at limiting mobility were soon followed by coordinated decisions by the U.S. and Canada to limit cross-border travel. These restrictions, which went into effect on March 21<sup>st</sup>, placed limits on all 'non-essential' passenger travel between the two countries, while maintaining the flow of commercial cargo.

This report is one in a series of briefings aimed at improving our understanding of how the border and cross-border activities affect various aspects of Whatcom County's economy. This is particularly important when considering economic recovery post-COVID-19, as cross-border volumes may remain relatively low even after border restrictions and stay-at-home orders are lifted. The relatively large number of COVID-19 infections and fatalities in Washington State compared to B.C. is likely to influence Canadians' decisions to engage in discretionary travel to the U.S.<sup>1</sup> Analyses presented here illuminate how the short- to medium-term effects of fewer Canadian visitors will likely impact particular sectors in certain locations in Whatcom County in different ways. These BPRI briefings are an effort to describe and measure those impacts. Additional reports consider shopping destinations and tourism.

## ABOUT THE BORDER POLICY RESEARCH INSTITUTE

The Border Policy Research Institute (BPRI) at Western Washington University is a multi-disciplinary institute that undertakes research that informs policy-makers on matters related to the Canada – U.S. border, particularly in the British Columbia – Washington State region. This report was prepared by Director Laurie Trautman and Research Analyst Erin Dahlman-Oeth. The BPRI also collaborated with the Whatcom Council of Governments (WCOG) on data compilation and analysis.

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<sup>1</sup> As of July 8<sup>th</sup>, B.C. had 2,990 confirmed COVID-19 cases and 183 deaths ([bccdc.ca/health-info/diseases-conditions/covid-19/data](https://bccdc.ca/health-info/diseases-conditions/covid-19/data)) while Washington had 37,420 cases and 1,384 deaths ([doh.wa.gov/Emergencies/Coronavirus](https://doh.wa.gov/Emergencies/Coronavirus)).

## KEY TAKEAWAYS

- In 2018, it is estimated that Canadians comprised up to 41% (\$152 million) of Whatcom's retail sales in the general merchandise category and up to 44% (\$51 million) in the clothing/clothing accessory category.
- In 2019, Canadians purchasing gas likely comprised up to 73% of Blaine's fuel tax revenue (\$124 thousand) and up to 60% of Sumas's fuel tax revenue (\$38 thousand).
- It is estimated that retail sales in Whatcom County fell by \$54-\$65 million in Q1 and Q2 of 2020 due to the COVID-19 border restrictions, representing a 5%-6% decrease in total retail sales compared to 2019. However, because many Canadians also cross to purchase gas and dairy products – two commodities that are not measured in taxable retail sales data – the true decrease in retail sales is likely much greater.
- Canadian shoppers have a large yet variable impact on Whatcom County's economy, which is most observable within certain sectors and places.

## INTRODUCTION

This report compares taxable retail sales at different geographic scales to estimate the impact Canadians have on Whatcom County's retail economy—just one of the many sectors being negatively affected by COVID-19-related changes in travel patterns and border restrictions. This analysis uses data from the U.S. Census Bureau and the Washington State Department of Revenue to measure taxable retail sales from three cities in Whatcom County, Whatcom County as a whole, Washington State, and the United States.

## METHODOLOGY

There is no straightforward way to measure Canadian spending in Whatcom County, and currently no system exists to measure Canadian spending in ways that do not infringe on privacy or require access to proprietary data. The first BPRI COVID-19 Brief used survey data on travel characteristics, such as cross-border trip purposes and destinations to analyze the economic impact of Canadian shoppers on Whatcom County overall.<sup>2</sup> This second report compares retail sales at different geographic scales to try to better isolate and estimate the impact Canadians have on border cities' and Whatcom County's economy.<sup>3</sup> These same data sources can be used in the future to estimate monetary loss due to COVID-19 and associated border restrictions.

Each analysis of retail sales category includes data for Bellingham, Whatcom County, Washington State, and the U.S. For online sales and fuel tax, data is also included for Blaine and Sumas, which are known destinations for Canadians purchasing gas and picking up online orders (see Table 1).<sup>4</sup> Annual local, state, and federal retail sales are measured both in raw numbers and as a per capita

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<sup>2</sup> See BPRI Brief, "COVID-19 and the US-Canada Border: Retail Shopping Destinations for Canadians in Whatcom County," available at: [cedar.wvu.edu/bpri\\_publications/119/](https://cedar.wvu.edu/bpri_publications/119/).

<sup>3</sup> Statistics used in this report include Pearson's r correlation strength tests and bivariate and multivariate regression.

<sup>4</sup> See the 2018 Passenger Vehicle Intercept Survey, conducted in partnership with the International Mobility and Trade Corridor Program ([theimtc.com/data/](https://theimtc.com/data/)).

rate during four distinct time periods and for consecutive years.<sup>5</sup> The years (2005, 2009, 2012, 2018) are not equidistant, but were chosen based on changes in border crossing volumes in the region. For example, 2005 represents a baseline for retail sales post-9/11; 2009 represents a reaction to the 2008 recession; 2012 represents a peak in the strength of the Canadian Dollar and associated spike in crossing volumes; and 2018 is the year that data was collected on Canadian trip purposes in the region. **Between 2009 and 2012, the volume of Canadian crossers increased by 117%, and between 2012 and 2018, the volume of Canadian crossers declined by 28%** (these changes are largely connected to fluctuations in the strength of the Canadian Dollar).<sup>6</sup> This analysis measures changes in taxable retail sales between 2009 and 2012, and between 2012 to 2018 to determine if taxable retail sales followed the border crossing volumes and if these correlations diverged between Whatcom County, Washington State, and the U.S. We also include yearly comparisons for a consistent temporal analysis.

## CANADIAN VISITORS TO WHATCOM COUNTY

A survey of Whatcom County businesses conducted by the Port of Bellingham in Spring 2020 indicated that one third of surveyed businesses were impacted by the U.S. - Canada border in some way.<sup>7</sup> Of the 235 businesses who reported some impact from the border, 80% were in Bellingham, Blaine, Lynden, or Sumas. Thus, the border plays an important role in the health of Whatcom County's economy, in a number of ways.

In 2018, there were 6.9 million visits made by Canadian residents to Whatcom County.<sup>8</sup> Canadians visit Whatcom County for a variety of purposes and the majority are discretionary. Table 1 below is based on data collected via the Passenger Vehicle Intercept Survey in 2018 and highlights the three most popular *primary* trip purposes by location: shopping, mail pick-up, and gas.<sup>9</sup> While shopping is the primary trip purpose for Canadians who visit Bellingham, Canadian visits to both Sumas and Blaine are dominated by gas purchases, followed by mail pick-up.

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<sup>5</sup> Local and state retail sales tax data is from the Washington State Department of Revenue website and U.S. retail sales tax revenue is from the U.S. Census Bureau's Time Series data and the Census Bureau's Annual Retail Trade Survey. Further analysis comparing retail sales tax to Canadian cross-border travelers uses annual data from 2005 to 2018.

<sup>6</sup> Based on the number of Canadian residents returning to Canada through Sumas, Blaine, Lynden, and Point Roberts, data available at Statistics Canada (Table 24-10-0041-01).

<sup>7</sup> See the full report here: [portofbellinham.com/DocumentCenter/View/9342/POB-REP-General-Economic-Impact-of-COVID-19-Survey-Findings-4282020-FINAL?bidId=](https://portofbellinham.com/DocumentCenter/View/9342/POB-REP-General-Economic-Impact-of-COVID-19-Survey-Findings-4282020-FINAL?bidId=).

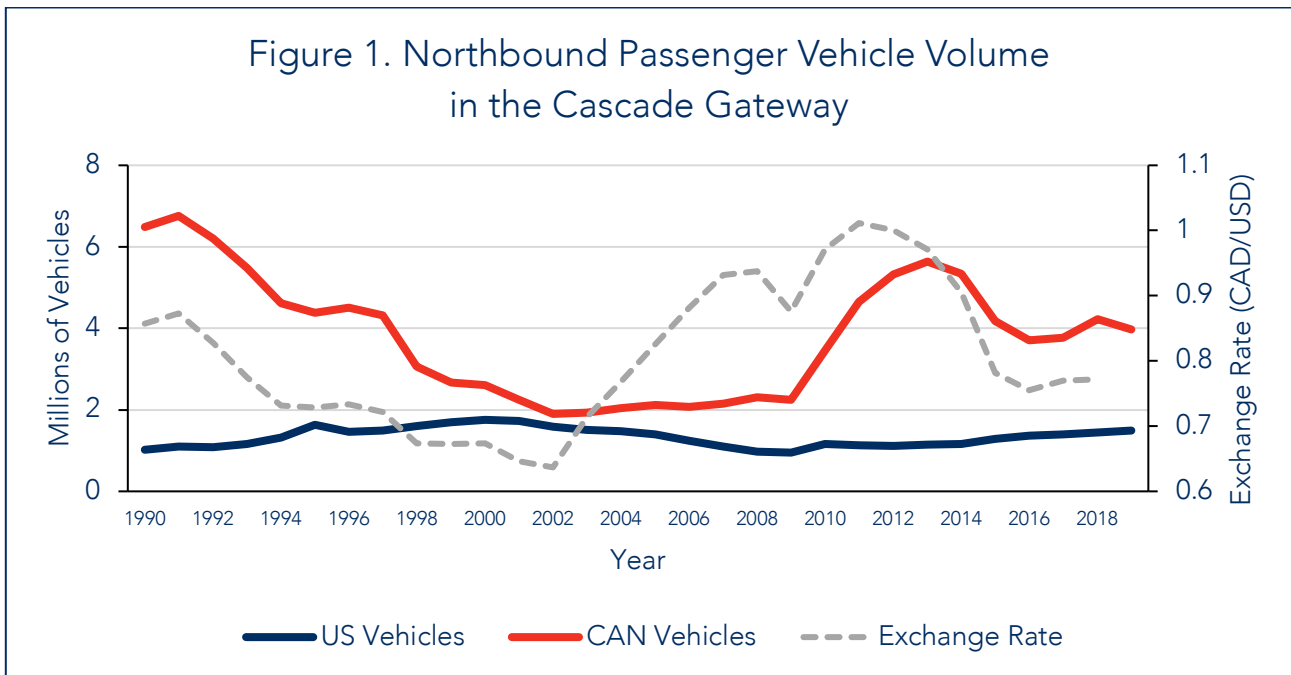
<sup>8</sup> Based on data from the PVIS and Statistics Canada and includes trips made through Sumas, Lynden, Blaine and Point Roberts. The number of Canadian visits does not equate to unique individuals, but rather trips made by Canadians (i.e., one person may make multiple trips).

<sup>9</sup> Canadians who did not identify shopping as the primary purpose of their trip during the survey may still have engaged in shopping as a secondary trip purpose. For more information, see the 2018 Passenger Vehicle Intercept Survey, conducted in partnership with the International Mobility and Trade Corridor Program ([theimtc.com/data/](https://theimtc.com/data/)).

**Table 1. Primary Trip Purpose of Canadians by Locations in Whatcom County (2018)**

Destination	Shopping	Mail Pick-Up	Gas
Blaine	15%	27%	45%
Sumas	11%	38%	40%
Lynden	18%	9%	23%
Bellingham	64%	2%	4%

Historically, the exchange rate between the U.S. Dollar (USD) and Canadian Dollar (CAD) has been a powerful determinant of Canadian crossing volume, though its power has varied throughout time (Figure 1).<sup>10</sup> For example, the relationship between the exchange rate and Canadians crossing weakened in the years following 9/11. This highlights how external events and policy responses can influence cross-border flows. This correlation has again been disrupted with the COVID-19 health crisis.



## RESULTS

Taxable retail sales data is organized by the North American Industry Classification System (NAICS; see Appendix). The NAICS coding system organizes sales revenue by the type of retail establishment where the sales were made (known as “point-of-sale”), not by the type of product sold. It is a tiered coding system ranging from a general two-digit code (e.g. 44-45 are retail sales)

<sup>10</sup> See BPRI Briefing, “COVID-19 and the US-Canada Border: Retail Shopping Destinations for Canadians in Whatcom County,” available at: [cedar.wvu.edu/bpri\\_publications/119/](https://cedar.wvu.edu/bpri_publications/119/).

to a very specific six-digit level. In this analysis, seven NAICS categories were chosen to evaluate geographic and temporal differences in historic and future regional shopping trends by Canadian travelers. The selected categories are motor vehicles and parts dealers, furniture/home furnishing stores, food and beverage stores, clothing/clothing accessories stores, general merchandise stores, online shopping, and gas station convenience stores.<sup>11</sup> Data on tax from fuel sales are also analyzed, where applicable.

Some of these categories are commonly understood to experience substantial business from Canadian shoppers,<sup>12</sup> and are explored in more detail. The results are divided into two sections below: categories of stores in which taxable retail sales follow similar trends between Whatcom County, Washington State, and the U.S. (a potential marker of less Canadian influence) and categories that follow different trends across these same scales (a potential marker of more Canadian influence). This distinction is one way of illustrating the impact that Canadians may have on particular categories of stores.

## CATEGORIES WITH MORE CANADIAN INFLUENCE

### Clothing and Clothing Accessories Stores

The clothing and clothing accessories category includes stores that sell only new items, which tend to be part of one clothing line. For example, this category includes Kate Spade, Levi's, Forever 21, etc. These types of stores are often found in retail outlets and malls, including Bellis Fair Mall in Bellingham. Table 2 highlights the changes in taxable retail sales in this category across multiple scales. Taxable retail sales of clothing and accessories at the state and national scales followed a similar trend, growing consistently between 2009 and 2012, with growth continuing between 2012 and 2018. Sales in Whatcom County, however, increased by 33% between 2009 and 2012, then dropped by 8% from 2012 to 2018. This follows the overall trend in Canadian cross-border volumes, which increased between 2009 and 2012, then declined between 2012 and 2018, illustrating a strong connection between Canadians and this category of retail shopping, which was confirmed by a regression analysis on a County level.<sup>13</sup>

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<sup>11</sup> The six-digit miscellaneous NAICS category was not included in this report, though it makes up 9.7% of Whatcom's taxable retail sales as of 2018. Due to the variation in store types, it is too difficult to make generalizations about this category. Also, in 2018, the Washington Department of Revenue started reporting online sales by type of good, rather than as an online purchase. For example, an online order placed with Target.com and picked up in Sumas in 2012 was categorized as an online sale but this same purchase would be included under the General Merchandise category for Sumas in 2018. This may have impacted certain categories of store sales, particularly in the smaller towns of Blaine and Sumas. For that reason, they are not included in many of the categories analyzed in this report.

<sup>12</sup> See BPRI Brief, "COVID-19 and the US-Canada Border: Retail Shopping Destinations for Canadians in Whatcom County," available at: [cedar.wvu.edu/bpri\\_publications/119/](https://cedar.wvu.edu/bpri_publications/119/).

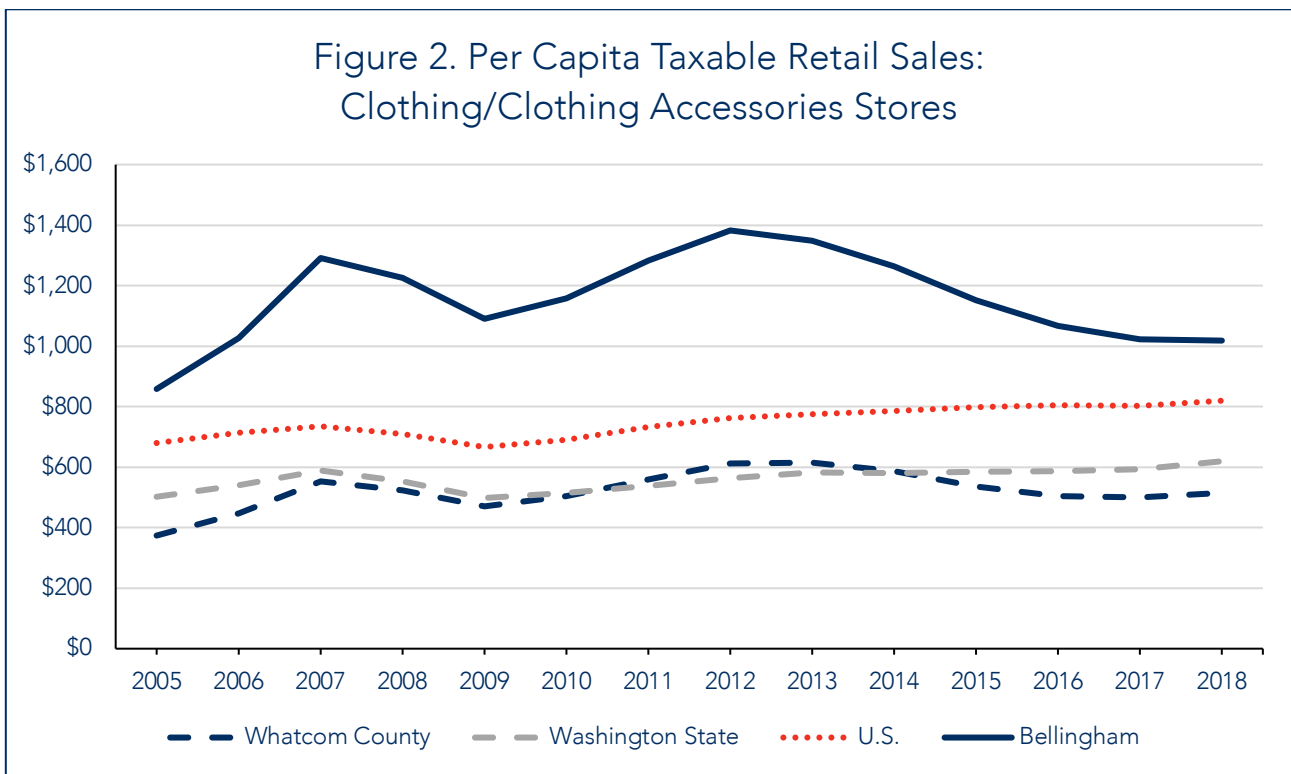
<sup>13</sup>A bivariate regression analysis demonstrated that there was a statistically significant, moderate to strong, positive relationship between sales from clothing/clothing accessory stores and Canadian cross-border volume ( $r=0.83$ ,  $p<0.001$ ).

**Table 2. Change in Taxable Retail Sales: Clothing & Clothing Accessories**

Scale/City	% Change 2009-2012	% Change 2012-2018
United States	17%	12%
WA State	17%	20%
Whatcom County	33%	-8%
Bellingham	29%	-19%

Based on annual retail sales and Canadian cross-border volume, it is predicted that the average Canadian crossing the border with shopping as their *primary purpose* will spend \$17-\$25 on taxable items at clothing/clothing accessory stores. Given this estimate, it is likely that Canadian spending accounted for 30%-44% (or \$35-\$51 million) of Whatcom’s 2018 retail sales in the clothing/clothing accessory category.

An analysis of the per capita figures also highlights that Bellingham’s retail sales in this category are, on average, more than twice as high as all other scales (Figure 2).



### General Merchandise Stores

The general merchandise category includes stores like Costco, Target, Kohl’s, Ross, and Walmart which sell a wide variety of products. Taxable retail sales from general merchandise stores in Whatcom County follow a very similar trend as clothing and accessories stores. The County’s retail sales of general merchandise increased by 28% from 2009 to 2012 and then decreased by 16%



from 2012 to 2018. During the same time periods, state and national sales followed a slow yet consistent upward trajectory in sales (Table 3). This again illustrates the influence that Canadians have on retail sales for department stores and general merchandise in the County. The correlation between Whatcom’s sales and Canadian volumes is close to perfect ( $r=0.96$ ,  $p<0.001$ ), meaning Canadians shoppers explain about 91% of the variation in general merchandise sales. These findings are also supported by BPRI’s license plate survey, which found a large proportion of Canadian shoppers at these locations.<sup>14</sup>

Scale/City	% Change 2009-2012	% Change 2012-2018
United States	9%	10%
WA State	4%	14%
Whatcom County	28%	-16%
Bellingham	29%	-15%

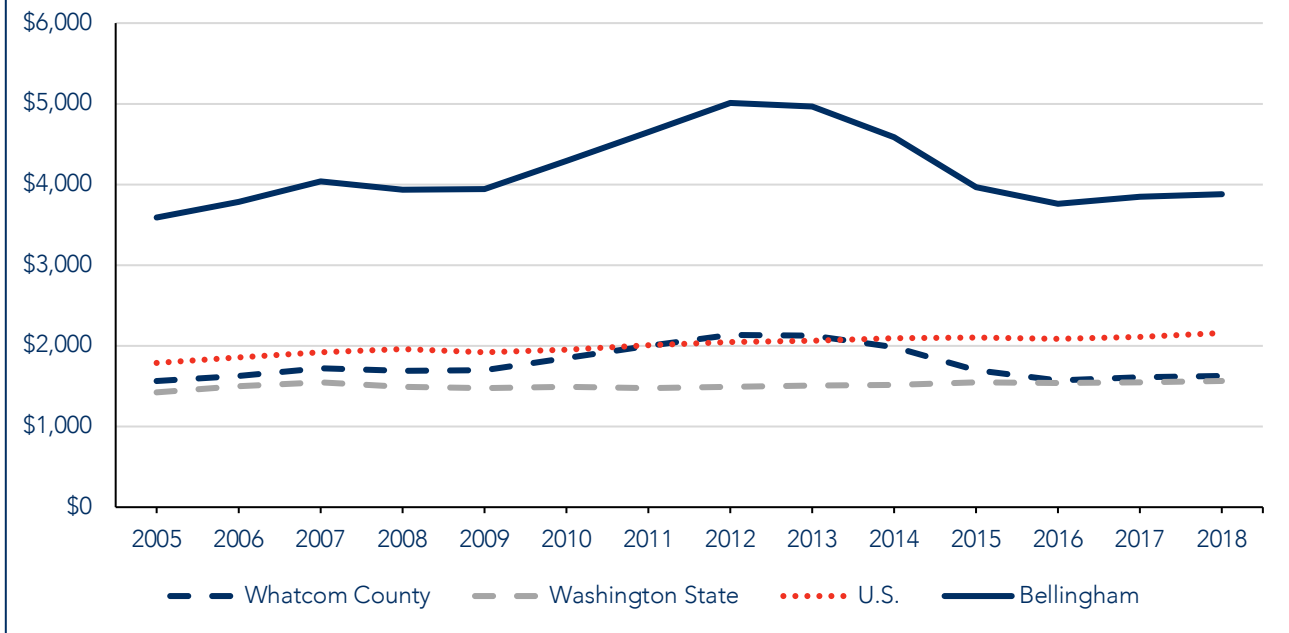
Based on annual retail sales in this category and Canadian cross-border volume, the average Canadian crossing the border with shopping as their *primary purpose* is predicted to spend \$61-\$73 on taxable retail items at general merchandise stores (not including food or gas). Given this estimate, it is likely that in 2018, Canadians made up 35%-41% (or \$127-\$152 million) of Whatcom’s retail sales in the general merchandise category.

The per capita sales for general merchandise in Whatcom County was nearly equal to that of the state in 2018 (Figure 3). However, per capita sales in Bellingham were over twice that for the state, highlighting the importance of general merchandise sales to the tax base of the city and the location of general-merchandise stores in Bellingham. Out of the NAICS codes analyzed in this report, this category brings in the most taxable retail sales for Bellingham.

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<sup>14</sup> See BPRI Brief, “COVID-19 and the US-Canada Border: Retail Shopping Destinations for Canadians in Whatcom County” available at: [cedar.wvu.edu/bpri\\_publications/119/](http://cedar.wvu.edu/bpri_publications/119/).

Figure 3. Per Capita Taxable Retail Sales:  
General Merchandise Stores



### Online Shopping and Mail-Orders

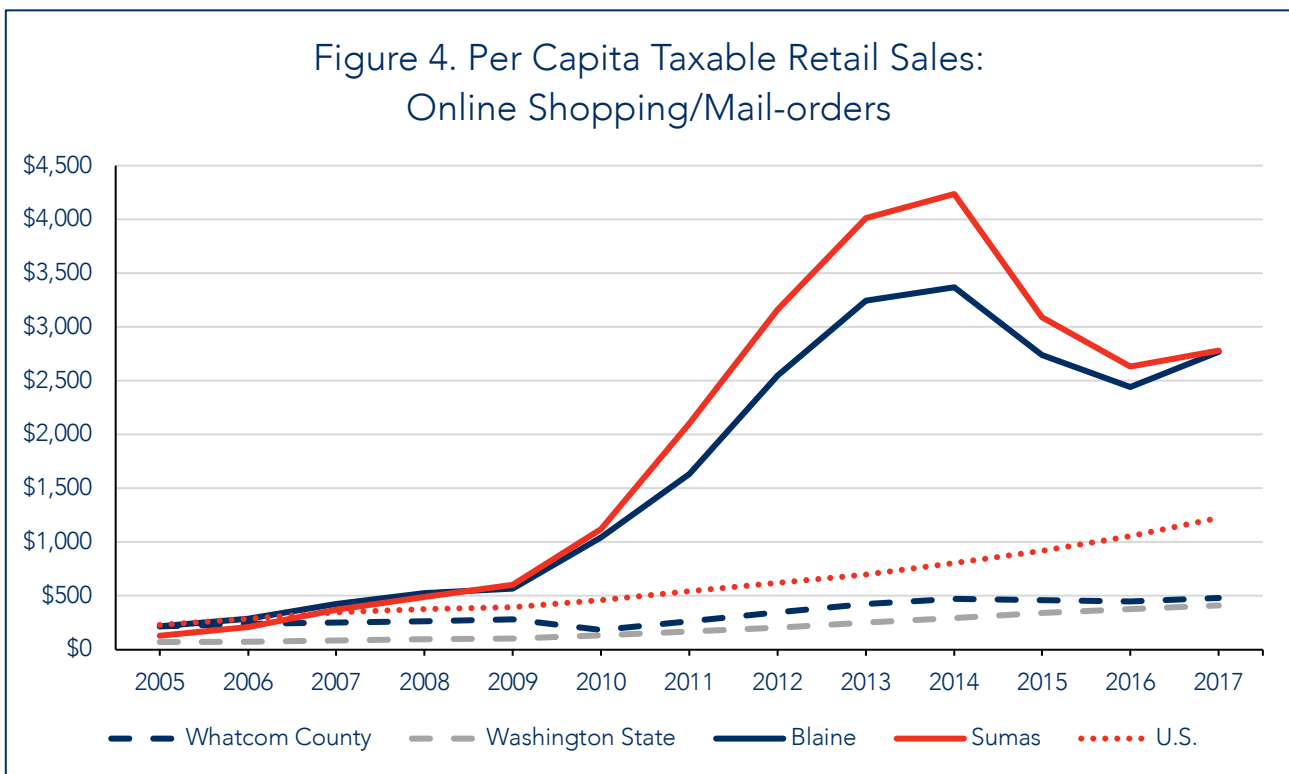
Taxable retail sales volumes in this category have been increasing since the 1990s due to the expansion of the internet, marketing techniques, and supply chain innovation, which explains why there are large increases in these sales from 2009-2012 at all scales (Table 4). Blaine and Sumas’s growth in online and mail order sales from 2009-2012 also aligns with the increased volume of Canadian cross-border travelers during this time period. According to the Passenger Vehicle Intercept Survey, 92% of Canadians crossing to pick up mail and packages crossed at the Blaine (61%) and Sumas ports-of-entry (31%).<sup>15</sup> While there is not a strong relationship between online retail sales and Canadian passenger volume at the County level, there is a clear relationship in both Blaine and Sumas.

<sup>15</sup> See the 2018 Passenger Vehicle Intercept Survey, conducted in partnership with the International Mobility and Trade Corridor Program ([theimtc.com/data/](http://theimtc.com/data/)).

**Table 4. Change in Taxable Retail Sales: Online Shopping & Mail-Orders**

Scale/City	% Change 2009-2012	% Change 2012-2017 <sup>16</sup>
United States	61%	104%
WA State	103%	116%
Whatcom County	24%	50%
Bellingham	95%	44%
Blaine	325%	19%
Sumas	436%	-3%

In addition, per capita sales from online shopping and mail-orders is considerably higher in both Blaine and Sumas. As Figure 4 below illustrates, during 2013, a peak crossing year for Canadians, per capita sales in this NAICS retail category were \$3,243 in Blaine and \$4,001 in Sumas, compared to \$251 for Washington State. It is likely that Canadians make up over 85% of Blaine and Sumas’s online retail sales.

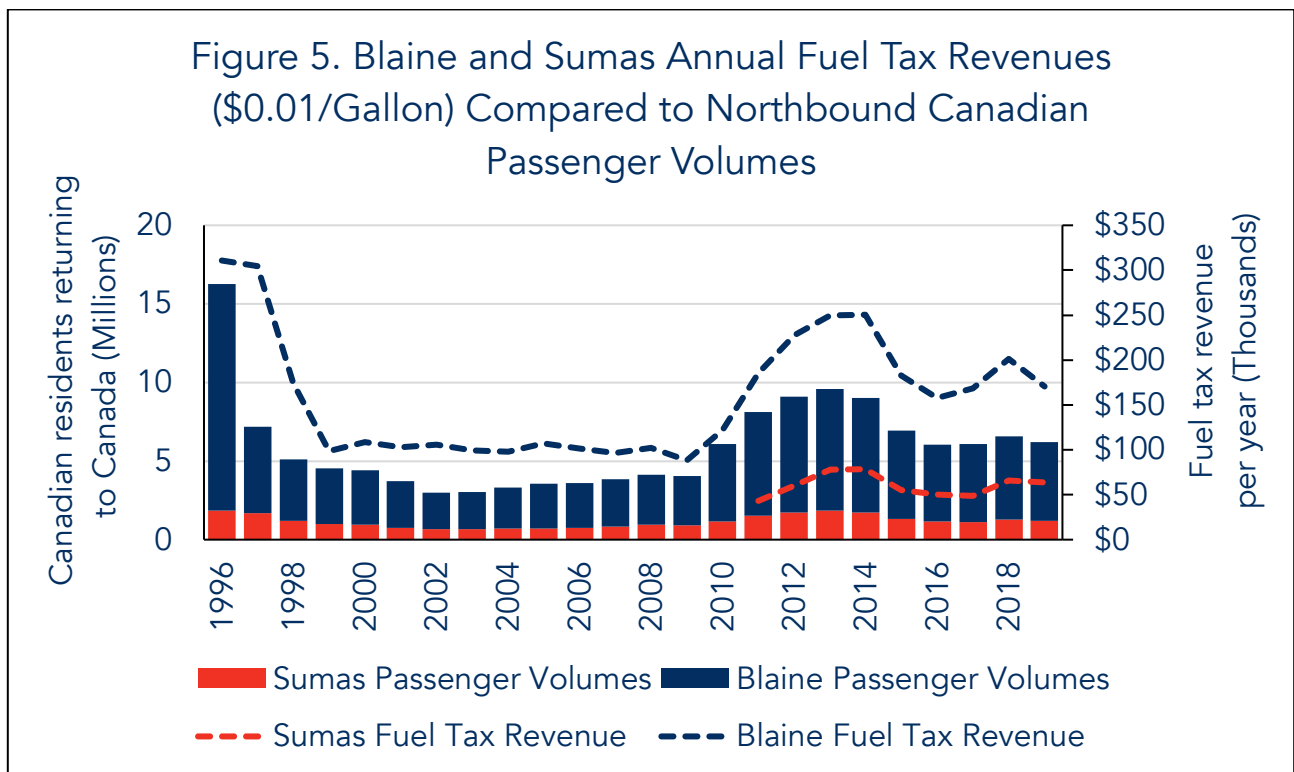


<sup>16</sup> Data from 2018 is not used for this category to avoid the impacts of the Marketplace Fairness Act, which went into effect in Washington State in 2018, and impacted the number of businesses reporting sales in the state. From 2017 to 2018, 21% fewer businesses reported sales to Washington State for this category. In addition, in 2018, the WA Dept. of Revenue recategorized online sales and started reporting them by type of good, rather than as online sales. Thus, future sales in this category are not comparable with pre-2018 data.

## Fuel Tax Revenue

There is no category in the NAICS that includes sales from fuel (aside from direct wholesale of fuel), so this section uses data from Blaine and Sumas’s annual fuel tax revenue to discuss Canadians’ impact on fuel sales in Whatcom County. According to Washington State law, cities within 10 miles of the border have the option of assessing a one cent/gallon tax on fuel sales within their city limits. Of those with the option, Blaine, Sumas, and Point Roberts initiated the tax, though data from Point Roberts was not available. As shown in Figure 5 below, Blaine’s fuel tax revenue is strongly correlated with Canadian passenger flows, while Sumas’s is moderately correlated. Based on this data, it is predicted that in 2019, 55-73% of Blaine’s fuel tax revenue (or \$95 to \$124 thousand) and 44-60% of Sumas’s fuel tax revenue (or \$28 to \$38 thousand) was generated by Canadians purchasing gas.

There are two likely reasons for these findings. First, Vancouver and White Rock tend to have higher gas prices than Abbotsford, so the difference in price is not as drastic in the Abbotsford-Sumas area compared to the White Rock-Blaine area.<sup>17</sup> For many people who live near the border in Abbotsford or Huntingdon, it might not be as “worth it” to cross for gas. Secondly, there are far more Canadians crossing the border at Blaine compared to Sumas which creates a stronger relationship between the tax revenue and crossing volumes.

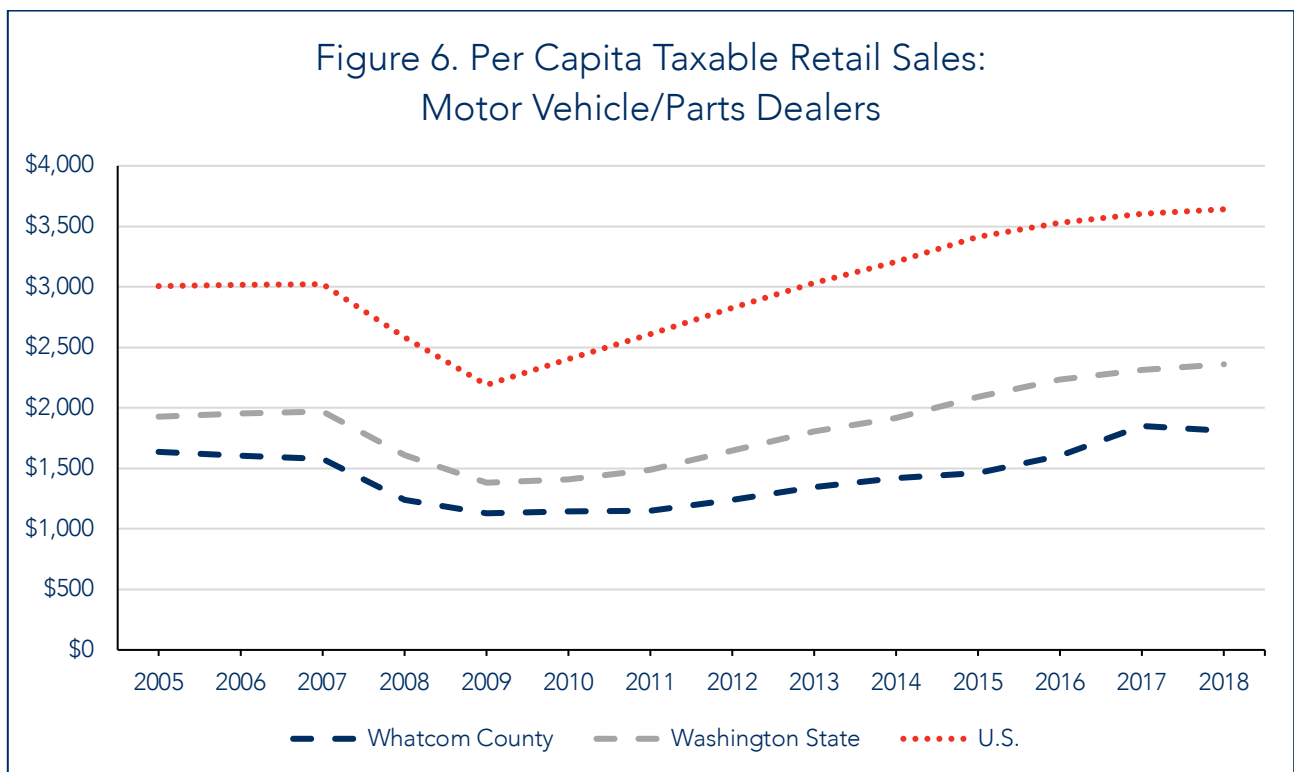


<sup>17</sup> See GasBuddy’s historical gas price tools at: [fuelinsights.gasbuddy.com/Charts](https://fuelinsights.gasbuddy.com/Charts).

## CATEGORIES WITH LESS CANADIAN INFLUENCE

### Motor Vehicles and Parts Dealers

It is often assumed that Canadians do not typically purchase vehicles during their cross-border shopping trips, meaning in theory, there should not be a correlation between Whatcom County's retail sales and Canadian cross-border volume. Retail sales for this category followed a similar trend between Whatcom County, Washington State, and the U.S (Figure 6). At all scales, there was a dip in per capita revenue in 2009, reflecting the fact that auto sales for light-weight vehicles typically decline during recessions.<sup>18</sup> From 2012 to 2018, when the U.S. economy was expanding and the Canadian Dollar was losing value, sales in Bellingham trended upward, following state and national trends. *This reinforces the assumption that Canadians do not have a significant influence on the sales of motor vehicles and parts in Whatcom County.*<sup>19</sup>



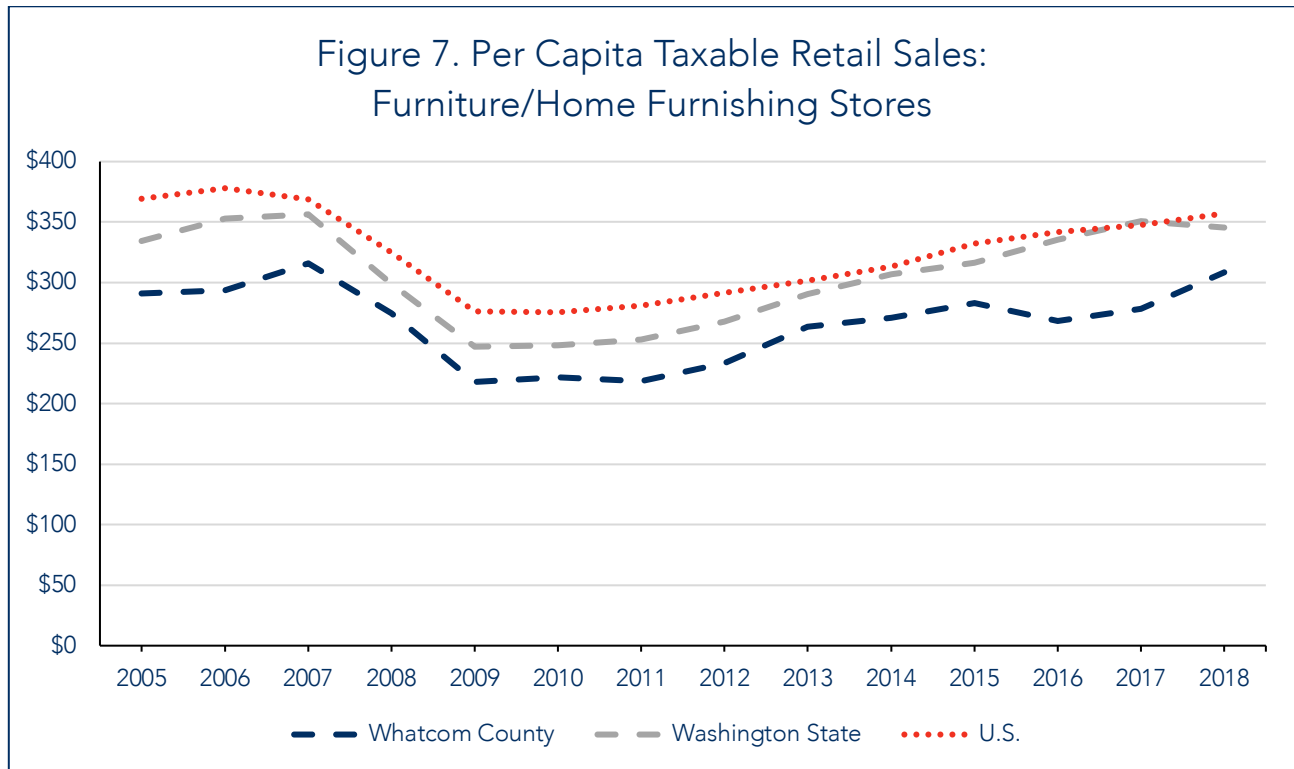
### Furniture and Home Furniture Stores

Furniture is another category of goods that may be less influenced by Canadian shoppers, as the challenge of transporting goods as large as furniture across the border likely inhibits their purchases in this category. In 2009, retail sales were down at all scales due to the recession. Additionally, on July 1<sup>st</sup>, 2008, Washington State revised sales taxes to be "destination-based" rather than being collected at the point-of-sale, which could have affected Whatcom County businesses if they were delivering or shipping products outside the county. Therefore, starting at a

<sup>18</sup> Dupor, Bill. (2019). Auto sales and the 2007-09 recession. Economic Synopses, 16, [doi.org/10.20955/es.2019.16](https://doi.org/10.20955/es.2019.16).

<sup>19</sup> In fact, there was a slight negative correlation ( $r=-0.07$ ) between Whatcom's retail sales in this category and Canadian cross-border volume such that as Canadian volume increased, Whatcom's sales in the category tended to decrease.

low point in 2009, taxable retail sales in Whatcom County mirrored state and national trends from then to 2012, with increases ranging from 8% nationally to 9% for Whatcom County and 12% for the state (Figure 7). At the same time, the growth of furniture sales from 2012 to 2018 was nearly identical between Whatcom County (59%) and Washington State (58%). Thus furniture sales grew at the same time that Canadian border crossers declined. *This reinforces the assumption that Canadians do not have a significant influence on furniture store sales in Whatcom County.*<sup>20</sup>



### Food and Beverage Stores

It should be noted that because Washington State does not have a sales tax on food, food sales are not included here. However, all other sales made in grocery stores are incorporated (including sales of prepared food and liquor).<sup>21</sup> Taxable sales from food and beverage stores between 2009 and 2012 grew by 11% nationally, 4% in Washington State, and 17% in Whatcom County. This discrepancy may be an indication of the influence of Canadian shoppers, which are known to frequent locations such as Haggen’s and Edaleen Dairy. Because many other states have a tax on food, a direct comparison with the overall U.S. is not possible. From 2012 to 2018, as Canadian volumes declined, grocery store sales in Whatcom County followed the state and national trend closely, increasing by 23%, 21%, and 19% respectively. However, the average food and beverage

<sup>20</sup> Like retail sales from motor vehicle and parts dealers, the correlation between Whatcom’s furniture/home furniture store sales and Canadian cross-border volume is slightly negative ( $r=-0.12$ ).

<sup>21</sup> As mentioned in the methodology, the NAICS is organized by point-of-sale, not good type. For example, this means that even though a store like Haggen’s may sell products other than food, all taxable retail sales from that store is included in the Department of Revenue’s retail sales for food and beverage stores because it sells *primarily* food products.

retail sales in Whatcom County are statistically higher than the state's average and there is a positive correlation between sales in this category and Canadian cross-border volume, suggesting Canadian shoppers may have a low to moderate impact on food and beverage store revenues at a county level.<sup>22</sup>

## CONCLUSION

Based on statistical analyses of annual retail sales data and Canadian passenger volumes, it is predicted that the average Canadian passenger or pedestrian that enters the Cascade Gateway with the *primary purpose* of shopping will spend \$95 (+/- \$9) in Whatcom County on taxable retail items at clothing, general merchandise, food and beverage, and/or gas station convenience stores.<sup>23</sup> When this analysis is applied to 2019, it is estimated that Canadians made up a minimum of 8.4% (+/- 0.8%) of Whatcom's total retail sales, or \$169 to \$202 million. However, it is very likely that Canadians make up a greater proportion of Whatcom's retail sales than this estimate because these analyses only include sales of products subject to state sales tax (e.g. food is not taxed and fuel is taxed separately). **The impact of Canadian spending on Whatcom County's retail sales varies throughout time, but on average and at a minimum, about 11.7% of Whatcom's taxable retail sales are attributable to Canadians.**<sup>24</sup>

Given the previous figures, it is estimated that Whatcom County saw a reduction of at least \$54-\$65 million in retail sales in Q1 and Q2 of 2020 solely due to the loss of Canadian traffic.<sup>25</sup> Compared to Q1 and Q2 of last year, this represents about a 5-6% decrease in total retail sales. Additionally, it is likely that Canadian-related monetary losses are even higher than this estimate because many Canadians typically cross to purchase gas and dairy products - two commodities that are not measured in this estimate.

Overall, this report sheds light on Canadian spending and local economic impact, adding to the body of knowledge on Canadian shopping in border communities. Canadian shoppers have a large yet variable impact on Whatcom County's economy which is stronger within certain sectors and in certain places. The broader regional economy is further subject to other outside variables like pandemics, federal actions, and the exchange rate to name a few.

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<sup>22</sup> One contributing factor to the strength of this correlation ( $r=0.57$ ,  $p=0.034$ ) is that this NAICS category also includes specialty food stores, of which Whatcom County has a handful (e.g. Edaleen Dairy).

<sup>23</sup> When controlling for Whatcom's population.

<sup>24</sup> Based on the years 2005-2018, with a margin of error of +/- 1.1%.

<sup>25</sup> This estimate is made using a predictive linear model based on Canadian cross-border passenger and pedestrian volume and is made on the assumption that 2020 Q1 and Q2 retail sales would have been similar to 2019 Q1 and Q2 retail sales given there was no pandemic or border restrictions. It does not equate directly to lost revenue, since sales tax revenue goes to both state and local jurisdictions.

## DISCLAIMER

An analysis of taxable retail sales is only one way to measure Canadians' economic impacts on Whatcom County's economy. On a local level, some of the variation in retail sales may be due to changes in the NAICS tiers, which has occurred five times since 1995. Also, in many cases raw monetary amounts are cited throughout the report, but even these come with margins of error. The authors used bivariate regression analyses in most cases rather than multivariate regressions, meaning other variables like inflation, GDP, average household income, etc. were not accounted for. If accounted for, the reported impact of Canadians on Whatcom County's economy could be different than that found here. Overall, these findings should be interpreted with these facts in mind.

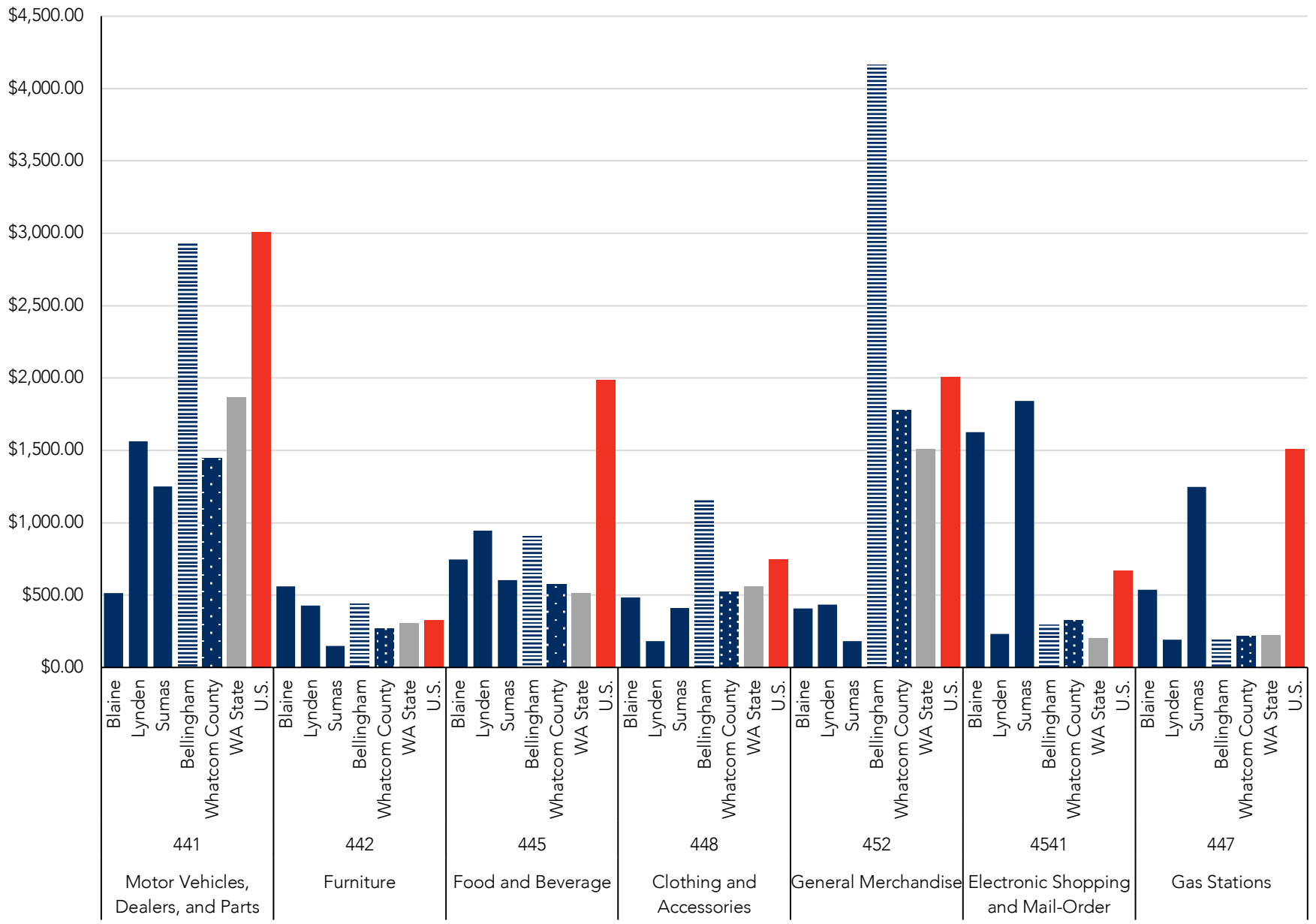


## APPENDIX

### NAICS CODE DEFINITIONS

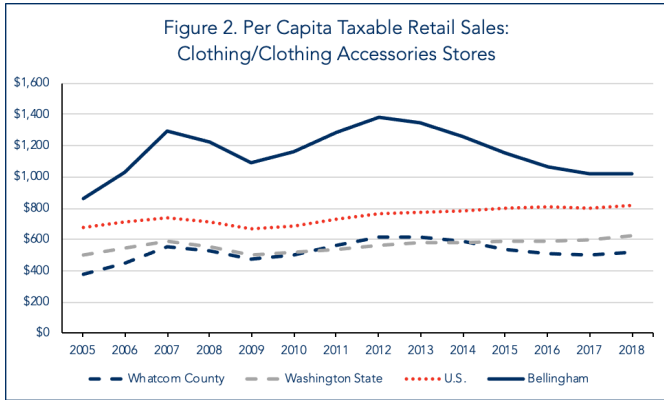
RETAIL TRADE CATEGORY	NAICS CODE	DEFINITION
<b>Motor Vehicle and Parts Dealer</b>	441	Industries in the Motor Vehicle and Parts Dealers subsector retail motor vehicles and parts from fixed point-of-sale locations. Establishments in this subsector typically operate from a showroom and/or an open lot where the vehicles are on display. The display of vehicles and the related parts require little by way of display equipment. The personnel generally include both the sales and sales support staff familiar with the requirements for registering and financing a vehicle as well as a staff of parts experts and mechanics trained to provide repair and maintenance services for the vehicles. Specific industries included in this subsector identify the type of vehicle being retailed.
<b>Furniture and Home Furnishings Stores</b>	442	Industries in the Furniture and Home Furnishings Stores subsector retail new furniture and home furnishings from fixed point-of-sale locations. Establishments in this subsector usually operate from showrooms and have substantial areas for the presentation of their products. Many offer interior decorating services in addition to the sale of products.
<b>Food and Beverage Stores</b>	445	Industries in the Food and Beverage Stores subsector usually retail food and beverage merchandise from fixed point-of-sale locations. Establishments in this subsector have special equipment (e.g., freezers, refrigerated display cases, refrigerators) for displaying food and beverage goods. They have staff trained in the processing of food products to guarantee the proper storage and sanitary conditions required by regulatory authority.
<b>Clothing and Clothing Accessories Stores</b>	448	Industries in the Clothing and Clothing Accessories Stores subsector retail new clothing and clothing accessories from fixed point-of-sale locations. Establishments in this subsector have similar display equipment and staff that is knowledgeable regarding fashion trends and the proper match of styles, colors, and combinations of clothing and accessories to the characteristics and tastes of the customer.
<b>General Merchandise Stores</b>	452	Industries in the General Merchandise Stores subsector retail new general merchandise from fixed point-of-sale locations. Establishments in this subsector are unique in that they have the equipment and staff capable of retailing a large variety of goods from a single location. This includes a variety of display equipment and staff trained to provide information on many lines of products.
<b>Electronic Shopping and Mail-Order Houses</b>	4541	Definition of 454: Industries in the Nonstore Retailers subsector retail merchandise using methods, such as the broadcasting of infomercials, the broadcasting and publishing of direct-response advertising, the publishing of paper and electronic catalogs, door-to-door solicitation, in-home demonstration, selling from portable stalls and distribution through vending machines. Establishments in this subsector include mail-order houses, vending machine operators, home delivery sales, door-to-door sales, party plan sales, electronic shopping, and sales through portable stalls (e.g., street vendors, except food). Establishments engaged in the direct sale (i.e., nonstore) of products, such as home heating oil dealers and newspaper delivery service providers are included in this subsector.
<b>Gas Stations</b>	447	Industries in the Gasoline Stations subsector retail automotive fuels (e.g., gasoline, diesel fuel, gasohol, alternative fuels) and automotive oils or retail these products in combination with convenience store items. These establishments have specialized equipment for the storage and dispensing of automotive fuels.

### Average Per Capita Taxable Retail Sales by Scale and Sector (2005-2018)

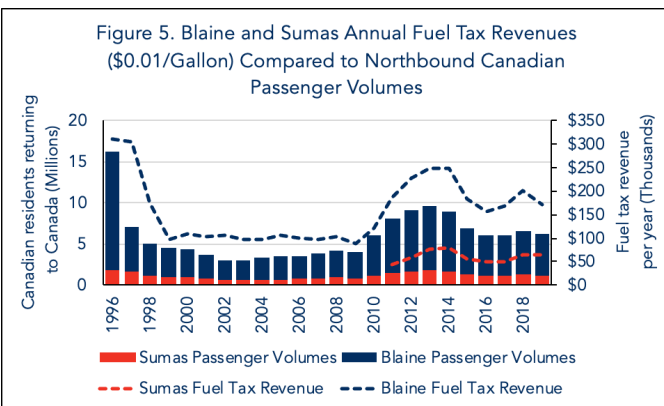
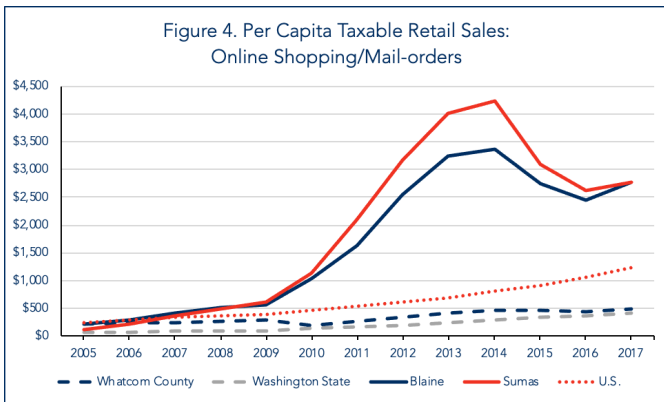
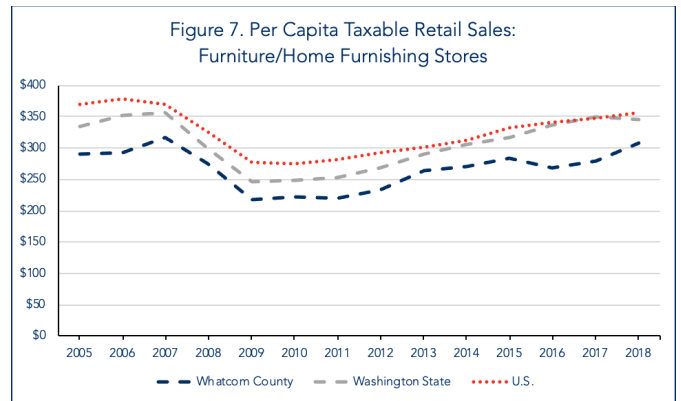
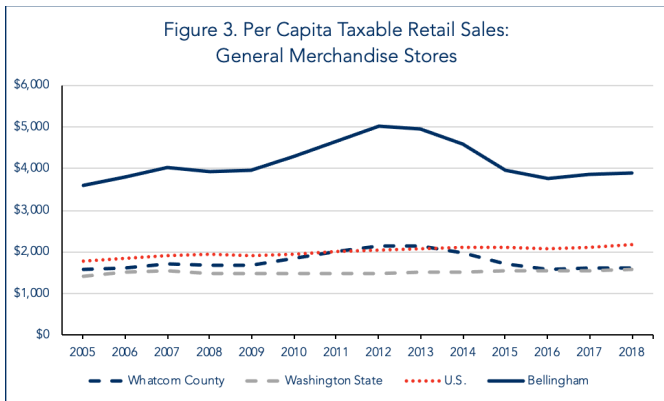
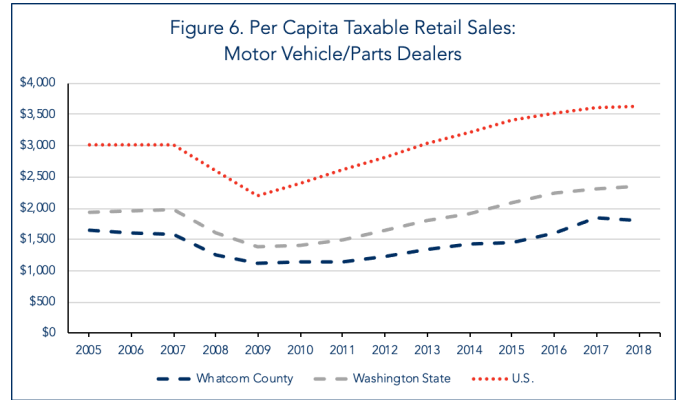


# FIGURES AT-A-GLANCE: TAXABLE RETAIL SALES

## MORE CANADIAN INFLUENCE



## LESS CANADIAN INFLUENCE



## PASSENGER VOLUME

