



APPLIED ANALYSIS

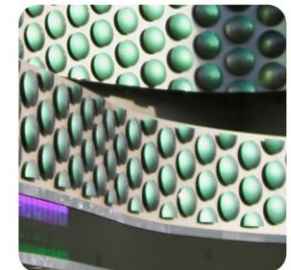
MARCH 2013

LAS VEGAS CONVENTION AND VISITORS AUTHORITY

ECONOMIC IMPACT SERIES

# BRIEF

## THE ECONOMIC IMPACT OF SOUTHERN NEVADA'S TOURISM INDUSTRY AND CONVENTION SECTOR | 2012 UPDATE



## Executive Summary

Applied Analysis was retained by the Las Vegas Convention and Visitors Authority (the "LVCVA") to review and analyze the economic impacts associated with its various operations and southern Nevada's tourism industry more generally. This brief is the twenty-eighth in the series of reports; it is specific to the economic impacts associated with the southern Nevada tourism industry, its convention travel segment, and convention travel specifically served by the Las Vegas Convention Center (the "LVCC").

- Growth in Overall Visitor Spending and Visitor Volume Resulted in a Five-Percent Increase in Direct Economic Output Generated by the Tourism Industry.* Direct visitor spending in 2012 is estimated to have reached \$27.5 billion, after conservatively adjusting survey-based responses for known control totals. The tourism industry directly supported approximately 223,200 workers, or 28 percent of the region's workforce in 2012. Direct tourism workers earned incomes of \$8.7 billion annually according to 2012 estimates, on par with 2011. Tourism worker incomes represented 25 percent of the \$34.8 billion in wages and salaries paid to all employees in the region; considering only the private sector, the industry represented 29 percent of the \$29.8

billion paid to private sector workers during 2012.

- Focus on Meeting and Convention Segment.* The convention and meeting segment had a substantial impact on the local economy on its own, directly supporting an estimated 33,100 jobs paying \$1.3 billion in wages and salaries. Including indirect and induced impacts, or the "ripple" effects of the segment, convention and meeting travelers supported 56,800 jobs, \$2.1 billion in wages and salaries paid, and over \$6.7 billion in total economic output.
- Overall Economic Impact of the Southern Nevada Tourism Industry Rose to \$44.9 Billion in 2012.* While directly accounting for 28 percent of

the region's workforce, 25 percent of all wages and salaries paid to workers and 30 percent of the region's economic output, the tourism industry's impacts are even greater when considering the indirect effects of the sector. A recent increase in multiplier values for the industry, according to the latest econometric models, also contributed to an increase in total economic impact in 2012.

**The total economic impact of southern Nevada's tourism industry in 2012 is estimated at \$44.9 billion in aggregated economic output (48 percent of the region's gross product), supporting 382,800 jobs (47 percent of the total workforce) and generating \$14.4 billion in local wage and salary payments (\$0.41 out of every \$1 paid to employees).**

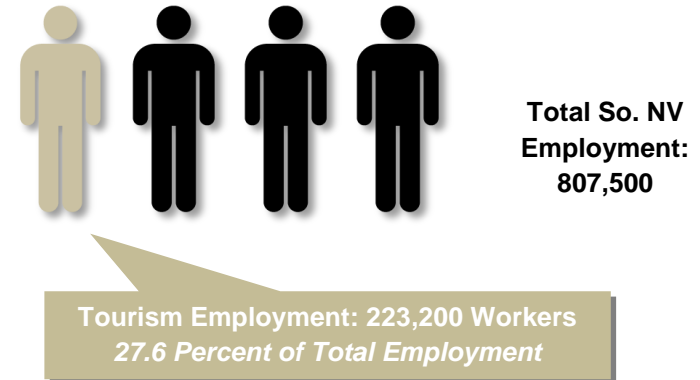


## *Direct Economic Impacts of the Southern Nevada Tourism Industry*

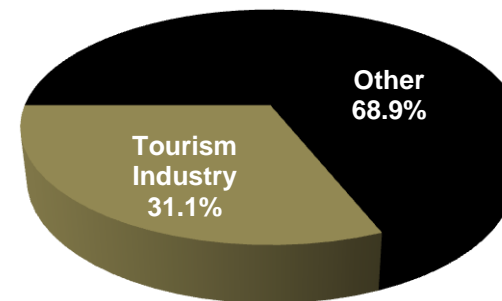
Even as the broader economy rebounded, the southern Nevada tourism sector remained the largest single employer in the region. In 2012, southern Nevada's hotels and hotel casinos directly employed approximately 166,100 workers, or 20.6 percent of the region's total workforce and 23.2 percent of the region's private sector employment. The broader tourism industry is estimated to directly support an additional 57,100 employees, who work in venues within hotel casinos that may not be owned by the hotel or hotel-casino operator directly (e.g., restaurants and retail outlets), businesses designed to provide services principally to non-resident consumers (e.g., Las Vegas Strip retailers) and other enterprises facilitating the industry generally.

Combined, direct tourism industry employment is estimated to total approximately 223,200 workers, or 27.6 percent of the region's total workforce and 31.1 percent of the region's private sector employment in 2012. With no major movement reported within the industry during the past year, both estimated direct tourism industry employment and the proportion of the workforce attributed to tourism remained about even with levels reported in prior years.

### Southern Nevada Tourism Industry: Direct Employment



### Southern Nevada Private Sector Employment



In total, direct tourism workers earned incomes of \$8.7 billion annually according to 2012 estimates, consistent with prior year levels. Tourism worker incomes represented 25.1 percent of the \$34.8 billion in wages and salaries paid to all employees in the region and 29.3 percent of the \$29.8 billion paid to private sector workers during the same year. After leading the region's private sector wage recovery from 2009 through 2011, both total wages and salaries paid and the proportion of total wages attributed to the industry remained about constant in 2012 compared to the prior year.

**Southern Nevada Tourism Industry:  
Direct Wages and Salaries**



**Total So. NV  
Earnings:  
\$34.8 billion**

**Tourism Industry Wages: \$8.7 Billion  
25.1 Percent of Total Earnings**

The southern Nevada tourism industry continues to generate more economic activity than any other single sector of southern Nevada's economy, with visitor spending representing nearly 30 percent of the region's gross output. Direct visitor spending in 2012 is estimated to have totaled approximately \$27.5 billion, after conservatively adjusting survey-based data for known control totals<sup>1</sup> (i.e., actual gaming revenue, lodging expenditures based on room tax totals, actual industry employment, etc.); this represents an increase of 4.9 percent from the \$26.2 billion reported in 2011. The overall increase is consistent with spending in Clark County's 148 non-restricted gaming locations with \$1 million or more in revenues, which totaled \$20.4 billion, up 4.8 percent from \$19.5 billion in 2011.

The latest annual gross product estimate for the Las Vegas metropolitan area is \$92.8 billion.<sup>2</sup> Though not perfectly aligned concepts, the fact that southern Nevada's tourism industry directly generated consumer activity at a level equal to 29.6 percent of the region's aggregate product is compelling (note that the gross product figure is as of 2011).

**Southern Nevada Tourism Industry: Direct Economic Output**



**Total So. NV  
GDP:  
\$92.8 billion**

**Visitor Spending: \$27.5 Billion  
29.6 Percent of Total GDP**

<sup>1</sup> Adjusted total spending per visitor (overall) is estimated at \$691 including gaming budgets for 2012; this figure was estimated at \$672 in 2011. Though spending per visitor increased only 2.8 percent, visitor volume increased 2.1 percent, thus resulting in compounded growth in overall visitor spending.

<sup>2</sup> U.S. Bureau of Economic Analysis, 2011 GDP by Metropolitan Area (latest available)

## *Total Economic Impacts of the Southern Nevada Tourism Industry*

While directly accounting for 28 percent of the region's workforce, 25 percent of all wages and salaries paid to workers and 30 percent of the region's economic output, the tourism industry's impacts are even greater when considering its indirect effects. Indirect, or secondary, impacts are often referred to as the "ripple" effect, respecting the reality that an industry's impact reaches beyond just those workers showing up to a company's worksite. Suppliers of goods and services providing everything from food to uniforms, casino chips to bathroom soap create jobs and economic activity. Many of these suppliers are based in southern Nevada, keeping those dollars in the region and stimulating job growth in other sectors of the economy.<sup>3</sup> Employee spending also spurs commerce in the local economy; these effects are commonly known as induced impacts.

The total economic impact of southern Nevada's tourism industry (i.e., including direct, indirect and induced impacts) is estimated at \$44.9 billion in aggregate economic output (48.4 percent of the region's gross product), supporting 382,800 jobs (47.4 percent of the total workforce) and generating \$14.4 billion in local wage and salary payments (\$0.41 out of every \$1 paid to employees). A recent increase in multiplier values for the industry, according to the latest econometric models, contributed to an increase in total economic impact in 2012. Reasonable arguments could be forwarded that the industry's impact is actually more pervasive, particularly if one were to consider one-time construction and renovation expenditures that are not accounted for in this analysis.

**Economic Impacts of the Southern Nevada Tourism Industry as a Function of Visitor Spending, 2012<sup>4</sup>**

	<i>Direct Impacts of Visitor Spending (Casinos, Hotels, Restaurants, Shopping, etc.)</i>	<i>Suppliers and Vendors Supported by Visitor Spending</i>	<i>Spending by Employees Directly Supported by Visitor Spending</i>	<i>Total Economic Impacts Generated by Visitor Spending</i>
	<u>Direct Impacts</u>	<u>Indirect Impacts</u>	<u>Induced Impacts</u>	<u>Total Impacts</u>
<b>Total Employees</b>	223,212	77,654	81,890	<b>382,756</b>
<b>Total Wage &amp; Salary Payments</b>	\$8,729,938,352	\$2,890,928,557	\$2,740,499,220	<b>\$14,361,366,129</b>
<b>Wages Per Employee</b>	\$39,111	\$37,228	\$33,466	<b>\$37,521</b>
<b>Total Economic Output</b>	\$27,450,095,147	\$8,284,360,168	\$9,183,560,597	<b>\$44,918,015,912</b>
<b>Output Per Employee</b>	\$122,978	\$106,683	\$112,145	<b>\$117,354</b>

<sup>3</sup> For further information, see, Economic Impact Series, January 2012, *The Economic Impact of Hospitality Industry Suppliers in Southern Nevada*, which provides further detail on the indirect impacts of the hospitality industry utilizing 2010 data.

<sup>4</sup> Calculations are based on IMPLAN, an input-output econometric model. Refer to the Methodology section of this analysis for further detail.

## *Focus on the Southern Nevada Convention and Meeting Segment*

The southern Nevada convention and meeting segment is a component of the broader tourism industry, accounting for 12.4 percent of all visitors to the region, or approximately 4.9 million trips in 2012.<sup>5</sup> Although not treated comprehensively in this brief, the convention and meeting segment continues to be valued for its positive impact on average daily room rates and contributions towards smoothing out seasonality associated with leisure travel patterns. Visitor survey results also indicate that convention and meeting travelers tend to spend more on non-gaming expenditures per trip.<sup>6</sup>

Long considered an industry unto itself, the southern Nevada convention and meeting segment is larger in size and greater in impact than overall tourism in many communities throughout the United States. With both attendance volume and attendee spending remaining about constant, the direct economic impact of the convention segment declined by less than 1 percent in 2012, while increases in multiplier values led to growth in overall economic impact. The convention and meeting segment is estimated to have directly supported 33,100 jobs paying \$1.3 billion in wages and salaries, directly generating \$4.1 billion in economic output in 2012. Including indirect and induced impacts, or the ripple effects of the segment, convention and meeting travelers supported 56,800 jobs, \$2.1 billion in wages and salaries paid, and over \$6.7 billion in total economic output.

**Economic Impact of Southern Nevada Convention and Meeting Segment, 2012<sup>7</sup>**

	<i>Direct Impacts of Convention and Meeting Segment</i>	<i>Convention Suppliers and Vendors Supported by Segment</i>	<i>Spending by Employees of Convention and Meeting Industry</i>	<i>Total Economic Impacts Generated by Convention and Meeting Segment</i>
	<b>Direct Impacts</b>	<b>Indirect Impacts</b>	<b>Induced Impacts</b>	<b>Total Impacts</b>
<b>Total Employees</b>	33,123	11,523	12,152	56,799
<b>Total Wage &amp; Salary Payments</b>	\$1,295,466,615	\$428,995,175	\$406,672,431	\$2,131,134,220
<b>Wages Per Employee</b>	\$39,111	\$37,228	\$33,466	\$37,521
<b>Total Economic Output</b>	\$4,073,417,292	\$1,229,345,683	\$1,362,781,234	\$6,665,544,209
<b>Output Per Employee</b>	\$122,978	\$106,683	\$112,145	\$117,354

<sup>5</sup> Source: Las Vegas Convention and Visitors Authority *Visitor Statistics*.

<sup>6</sup> Source: Las Vegas Convention and Visitors Authority and GLS Research.

<sup>7</sup> Calculations are based on IMPLAN, an input-output econometric model. Refer to the Methodology section of this analysis for further detail.



## *Conventions, Meetings and Expositions Held at the Las Vegas Convention Center*

The Las Vegas Convention Center ("LVCC") continues to play an important role in the region's convention and meeting segment, hosting 50 events in 2012 with a combined attendance of 1.2 million.<sup>8</sup> Attendance at LVCC events accounted for approximately 3.1 percent of all visitor trips and approximately 1 in 4 convention trips to the region.

In 2012, direct spending by LVCC event attendees supported approximately 8,100 leisure and hospitality workers throughout the region earning \$317.6 million in wages and salaries, generating \$1.0 billion in economic output. When indirect and induced impacts are considered, total supported employment increases to 13,900, wage and salary payments increase to \$522.5 million, and economic output rises to over \$1.6 billion.



<sup>8</sup> Source: Las Vegas Convention and Visitors Authority; includes conventions and tradeshows.

### Las Vegas Convention Center Impacts, 2012<sup>9</sup>

Statistic	2012 Value
<b>Total LVCC Conventions</b>	50
<b>LVCC Convention Attendees</b>	1,212,038
<b>Employment Impact:</b>	
Direct	8,120
Indirect	2,825
<u>Induced</u>	<u>2,979</u>
<b>Total Employment</b>	<b>13,924</b>
<b>Wages and Salaries Impact:</b>	
Direct	\$317,587,039
Indirect	\$105,169,292
<u>Induced</u>	<u>\$99,696,813</u>
<b>Total Wages and Salaries</b>	<b>\$522,453,144</b>
<b>Economic Output:</b>	
Direct	\$998,608,933
Indirect	\$301,377,319
<u>Induced</u>	<u>\$334,089,394</u>
<b>Total Economic Output</b>	<b>\$1,634,075,646</b>

<sup>9</sup> Data includes conventions and tradeshows. Baseline data is per the Las Vegas Convention and Visitors Authority. Calculations are based on IMPLAN, an input-output econometric model. Refer to the Methodology section of this analysis for further detail.

## *Methodology*

General and industry-specific employment and wage data reported on a quarterly basis were obtained from the Nevada Department of Employment, Training and Rehabilitation. Baseline travel volume, visitor spending data and room tax collections were obtained from the Las Vegas Convention and Visitors Authority, the Nevada Gaming Control Board and the Nevada Commission on Tourism. Gross domestic product estimates were obtained from the Bureau of Economic Analysis of the U.S. Department of Commerce.

To identify the interrelationships in a regional economy, the IMPLAN (Impact Analysis for Planning) software, databases, and methodology were used when estimating the economic impacts generated by the southern Nevada tourism industry. IMPLAN is one of three generally accepted applications that are used to model how industries within an economy are interrelated. The model attempts to demonstrate mathematically how the outputs of one industry become the inputs of other industries.

IMPLAN employs a regional social accounting system that is used to generate a set of balanced accounts and multipliers. The social accounting system is an extension of input-output analysis. Input-output analysis has been expanded beyond market-based transaction accounting to include non-market financial market flows by using a social accounting matrix framework. The model is designed to describe the transfer of money between industries and institutions (e.g., households) and contains both market-based and non-market financial flows, such as inter-institutional transfers. IMPLAN uses regional purchase coefficients generated by complex

econometric equations that predict local purchases based on a region's characteristics. In this case, the region is Clark County, Nevada. Output from the model includes descriptive measures of the economy including total industry output, employment and value-added contributions for over 500 industries.

## *Analysis Limitations*

This analysis used the best available data to analyze the economic impacts of southern Nevada's tourism industry. It relies heavily on data reported by third-party data providers; and, although we have no reason to doubt the accuracy of these data, they have not been subjected to any auditing or review procedures by AA.

Input-output models, as is the case with all economics-based models, are not without their limitations. The static model used in this analysis, IMPLAN, for example, assumes that capital and labor are used in fixed proportions. This means that for every job lost or created, a fixed change in investment, income and employment will result. In reality, developers, operators, consumers and governments deal with a changing economy in very complex ways, constantly altering their mix of capital, labor, and levels of investment. That said, this analysis was asked to specifically consider the current impact of the hospitality industry, making IMPLAN an appropriate tool.

Finally, it is important to note that this is a preliminary undertaking that will be supplemented by on-going and future analyses. This report is not intended to be comprehensive and may not be appropriate for all purposes.