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ECONOMIC IMPACT SERIES BRIEF



LAS VEGAS
CONVENTION
AND VISITORS
AUTHORITY

THE ECONOMIC IMPACT OF

2017
SOUTHERN NEVADA'S TOURISM
INDUSTRY AND CONVENTION SECTOR

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 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").

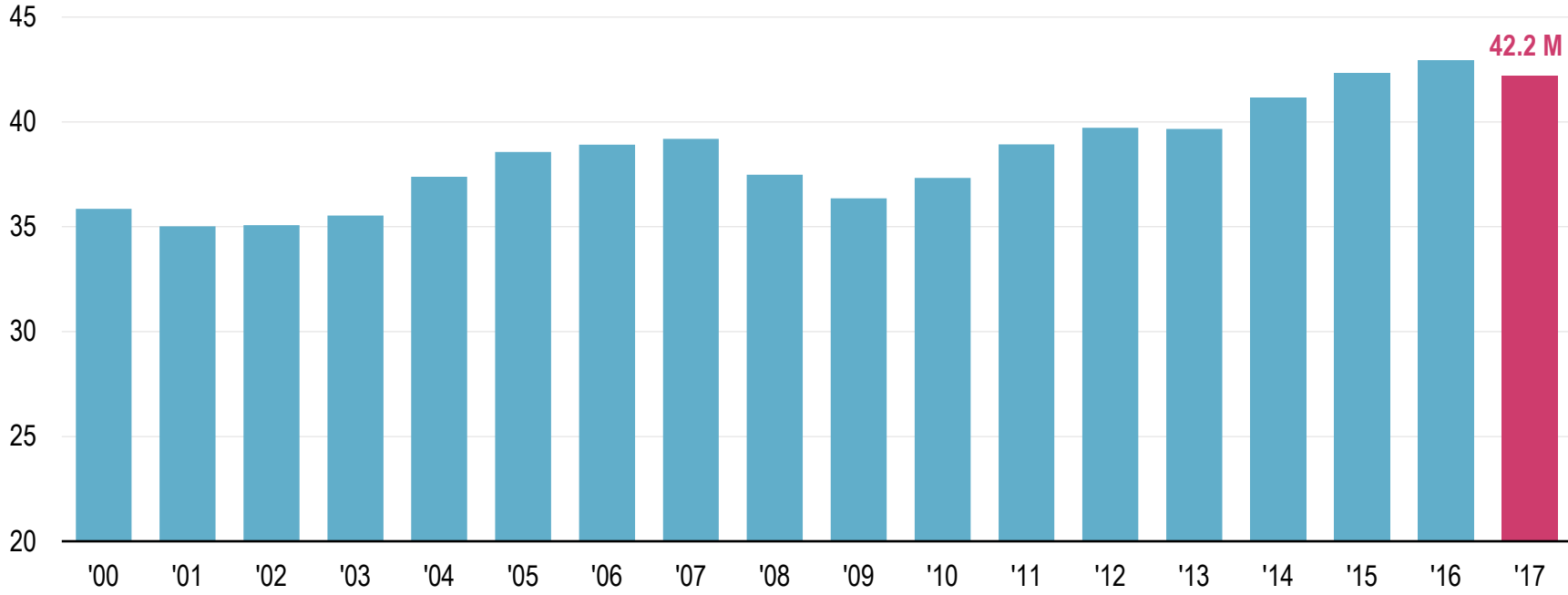
- In 2017, southern Nevada hosted 42.2 million visitors, a decline of 1.7 percent from 2016's record-setting total of 42.9 million. While visitation in 2017 was down slightly, visitation for the year registered the third-highest total ever and was 16.1 percent higher than the recessionary low in 2009.
- Spending sourced to the more than 42 million visitors in 2017 is estimated at \$34.8 billion, which directly supported approximately 245,800 workers, or roughly one in four of the region's employees. Earned incomes from tourism workers directly supported by visitor spending totaled \$10.7 billion, representing 23.6 percent of the \$45.3 billion in wages and salaries paid to all employees in the region and 26.9 percent of the \$39.6 billion paid to private sector workers during the year. Additionally, direct visitor spending in 2017 accounted for 31.3 percent of southern Nevada's gross domestic product.
- When indirect and induced impacts are considered, the overall contribution of the southern Nevada tourism industry totaled \$58.8 billion in economic impact, 391,300 jobs and \$16.4 billion in wages. The total economic impact represents over half of the region's GDP, the total number of jobs accounted for more than four out of 10 jobs in southern Nevada, and the total wages equaled 36.2 percent of regional wages.
- Convention and meeting attendance increased 5.3 percent in 2017 to 6.6 million, the highest recorded total. This segment alone directly supported an estimated 40,800 jobs paying \$1.8 billion in wages and salaries. Including indirect and induced impacts, convention travelers supported 65,000 jobs, \$2.7 billion in wages and \$9.8 billion in total economic output, which represents 16.6 percent of total visitor impacts on the local economy.
- The LVCC, which hosted 21.2 percent of convention attendees travelling to southern Nevada, directly supported an estimated 8,600 jobs paying \$375.2 million in wages and salaries. Including indirect and induced impacts, LVCC attendees generated 13,800 jobs, \$576.2 million in wages and \$2.1 billion in economic output throughout the local economy.



LAS VEGAS VISITOR VOLUME

Southern Nevada attracted 42.2 million visitors in 2017,¹ 1.7 percent less than the record-setting 42.9 million visitors in 2016. Despite the decline in total visitation, visitors continue to spend billions of dollars at local resorts and tourism venues. Visitor spending translates into thousands of jobs throughout southern Nevada, supporting billions in wages and salaries. Las Vegas visitor volume has increased 16.1 percent since the post-recession low of 36.4 million reported in 2009, breaking the 40 million mark for the first time in 2014. With further gains expected in the coming years due to a high number of ongoing tourism industry investments, visitation to the market and related consumer spending should continue to have a significant impact on the southern Nevada economy and the 2.2 million residents living in the region.

Exhibit 1
Las Vegas Visitor Volume (in Millions)



¹ Source: Las Vegas Convention and Visitors Authority, *Visitor Statistics*.

DIRECT ECONOMIC IMPACTS

Southern Nevada's hotels and hotel-casinos directly employed approximately 166,000 workers in 2017, or 17.4 percent of the region's total workforce and 19.4 percent of the region's private sector employment.²

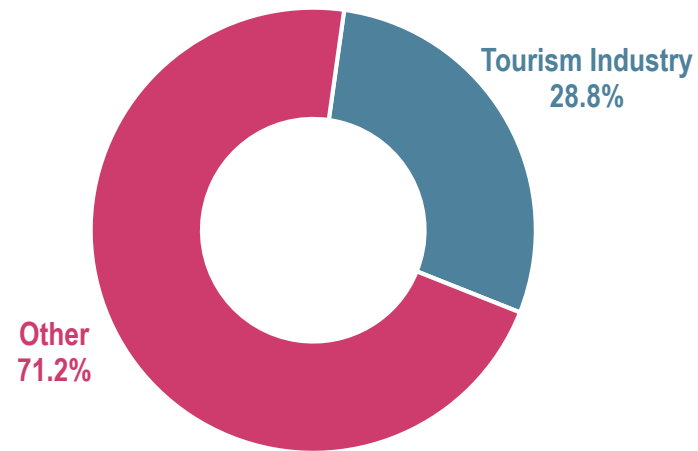
The broader tourism industry is estimated to directly support an additional 79,800 employees who work in venues within hotel-casinos that may not be owned by the hotel or hotel-casino operator directly (e.g., restaurants, entertainment and nightclub venues and retail outlets), businesses designed to provide services principally to non-resident consumers (e.g., Las Vegas Strip retailers) and other enterprises facilitating the industry generally (e.g., taxicab operators).

In total, the southern Nevada tourism industry is estimated to directly employ 245,800 workers, equating to 25.8 percent of the region's total workforce and 28.8 percent of private sector employment (i.e., excluding government employment) in 2017.

Exhibit 2
Direct Tourism Employment as a Share of Total Employment
(Public and Private)



Exhibit 3
Direct Tourism Employment as a Share of Private Employment



² Source: Nevada Department of Employment, Training and Rehabilitation, fiscal year 2017 (quarterly average).

Southern Nevada tourism workers earned incomes of \$10.7 billion annually. Tourism worker incomes represented 23.6 percent of the \$45.3 billion in wages and salaries paid to all employees in the region and 26.9 percent of the \$39.6 billion paid to private sector workers during the same year.

The southern Nevada tourism industry continues to generate more economic activity than any other sector of southern Nevada's economy, with direct visitor spending in 2017 estimated to have totaled \$34.8 billion, after conservatively adjusting survey-based data for known control totals³ (i.e., actual gaming revenue, lodging expenditures based on room tax totals, etc.). Total visitor spending equated to 31.3 percent of the region's gross metropolitan output of \$111.1 billion.⁴ Though not perfectly aligned concepts, the fact that southern Nevada's tourism industry directly generated nearly a third of the region's gross product is significant and demonstrates the level of importance the industry has in southern Nevada.

Gaming represented the largest share of visitor spending, accounting for 22.6 percent of the \$34.8 billion in aggregate spending. Visitor spending on shopping and rooms made up the next two largest spending categories at 17.4 percent and 16.3 percent, respectively, while food and beverage (11.4 percent) and local transportation (10.7 percent) rounded out the five largest spending categories.

Exhibit 4
Direct Tourism Wages/Salaries as a Share of Total Wages/Salaries



Exhibit 5
Tourism Spending as a Share of Total Gross Product



³ Adjusted total spending per visitor (overall) is estimated at \$824 including gaming budgets for 2017.

⁴ U.S. Bureau of Economic Analysis, 2016 GDP by Metropolitan Area (latest available).

TOTAL ECONOMIC IMPACTS OF THE SOUTHERN NEVADA TOURISM INDUSTRY

While directly accounting for 26 percent of the region's workforce, 24 percent of all wages and salaries paid to workers and 31 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 "ripple" effects, 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 and casino chips to bathroom soap stimulate economic activity and create jobs. 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. Tourism industry employees spend their wages at local restaurants, doctors' offices, movie theaters and other businesses throughout the community, spurring additional 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 \$58.8 billion in aggregate economic output (52.9 percent of the region's gross product), supporting 391,300 jobs (41.1 percent of total employment) and generating \$16.4 billion in local wage and salary payments (36.2 percent of total wages and salaries in the region).

Exhibit 6
Economic Impacts of the Southern Nevada Tourism Industry as a Function of Visitor Spending, 2017⁵

	<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>
	Direct Impacts	Indirect Impacts	Induced Impacts	Total Impacts
Total Employees	245,775	59,819	85,754	391,347
Total Wage & Salary Payments	\$10,669,465,489	\$2,515,960,537	\$3,198,141,316	\$16,383,567,342
Wages Per Employee	\$43,412	\$42,060	\$37,294	\$41,865
Total Economic Output	\$34,775,736,753	\$10,142,856,425	\$13,837,701,419	\$58,756,294,598
Output Per Employee	\$141,494	\$169,560	\$161,366	\$150,139

⁵ Calculations are based on IMPLAN, an input-output econometric model. Refer to the Methodology section of this analysis for further detail.

TOTAL ECONOMIC IMPACTS OF THE CONVENTION AND MEETING SEGMENT

The southern Nevada convention and meeting segment continues to be a key component of the broader tourism industry, accounting for approximately 15.7 percent of all visitors to the region in 2017 while setting a record with over 6.6 million trips.⁶ Convention attendance increased by 5.3 percent in 2017, compared to a 1.7 percent decline in overall visitation for the year. The convention and meeting segment is valued for its positive impact on average daily room rates and contributions towards smoothing out seasonality associated with leisure travel patterns. In addition, visitor survey results have indicated that convention travelers spend more per trip than leisure visitors.

The convention and meeting segment is estimated to have directly supported 40,800 jobs, \$1.8 billion in wages and salaries, and \$5.8 billion in economic output in 2017. Including indirect and induced impacts, or the ripple effects of the segment, convention and meeting travelers supported 65,000 jobs, \$2.7 billion in wages and salaries paid, and \$9.8 billion in total economic output.

Amid the record-setting convention attendance trend, southern Nevada's convention and trade show industry is poised for significant growth in coming years due to a number of large-scale investments throughout the region. Currently planned or under construction projects will add more than 3 million square feet of new meeting space, which is more than the largest convention center in North America. These investments will allow the region to enhance its competitive advantage and build upon its track record of success while positioning it for further growth.

Exhibit 7
Economic Impact of Southern Nevada Convention and Meeting Segment, 2017⁷

	<i>Direct Impacts of Convention & Meeting Segment</i>	<i>Convention Suppliers & Vendors</i>	<i>Spending by Convention & Meeting Industry Employees</i>	<i>Total Economic Impacts Generated by Convention & Meeting Segment</i>
	Direct Impacts	Indirect Impacts	Induced Impacts	Total Impacts
Total Employees	40,822	9,936	14,243	65,000
Total Wage & Salary Payments	\$1,772,131,540	\$417,885,322	\$531,191,286	\$2,721,208,148
Total Economic Output	\$5,776,032,547	\$1,684,665,065	\$2,298,355,729	\$9,759,053,341

⁶ Source: Las Vegas Convention and Visitors Authority *Visitor Statistics*.

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

ECONOMIC IMPACT OF EVENTS HELD AT THE LV CONVENTION CENTER

The Las Vegas Convention Center (“LVCC”) plays an important role in the region’s convention and meeting segment, hosting 50 events in 2017 with a combined attendance of 1.4 million.⁸ Attendance at LVCC events, which grew by 3.2 percent compared to the previous year (+43,497 attendees), accounted for approximately 3.3 percent of all visitor trips and more than one in five convention trips to the region.

In 2017, direct spending by LVCC event attendees supported approximately 8,600 leisure and hospitality workers throughout the region earning \$375.2 million in wages and salaries while generating over \$1.2 billion in economic output. When indirect and induced impacts are considered, total supported employment increases to 13,800, wage and salary payments increase to \$576.2 million, and economic output rises to \$2.1 billion.

As with the regional convention and meeting segment, the LVCC’s impacts are projected to grow with additional investment. The facility has begun an expansion and renovation project that will add 600,000 square feet of exhibit space and 150,000 of meeting space while updating existing spaces. The project will provide an estimated 14,000 construction jobs and 7,800 new permanent full-time jobs while enhancing the facility’s competitive positioning for future growth in trade show hosting and attendance.

Exhibit 8
Las Vegas Convention Center Impacts, 2017⁹

Statistic	Value
Total LVCC Conventions	50
LVCC Convention Attendees	1,407,280
Employment Impact:	
Direct	8,644
Indirect	2,104
Induced	<u>3,016</u>
Total Employment	13,763
Wages and Salaries Impact:	
Direct	\$375,234,762
Indirect	\$88,483,894
Induced	<u>\$112,475,531</u>
Total Wages and Salaries	\$576,194,187
Economic Output:	
Direct	\$1,223,028,961
Indirect	\$356,714,431
Induced	<u>\$486,658,549</u>
Total Economic Output	\$2,066,401,942

⁸ Source: Las Vegas Convention and Visitors Authority; includes conventions and tradeshows.

⁹ 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 and 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 resort and 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.

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.