

July 30, 2012

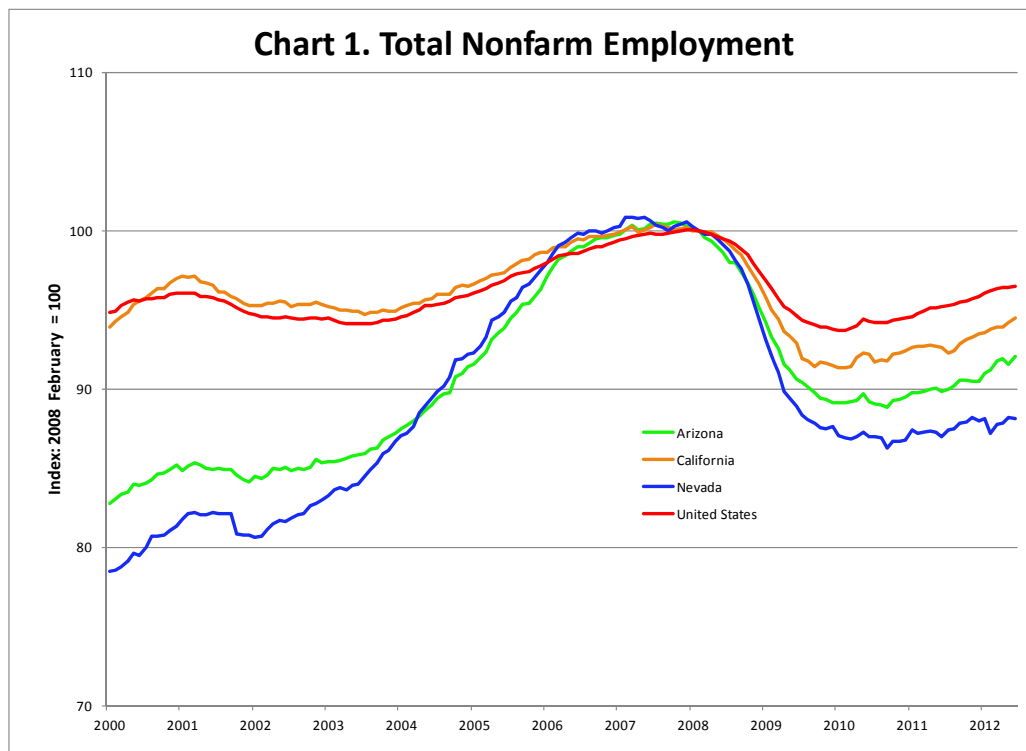
Slowing U.S. Economic Growth Hurting Nevada Tourism

Stephen P. A. Brown

The Nevada tourism industry saw a deeper recession than the U.S. economy as a whole—in part because the economies in the western states fared more poorly than the nation's. Consequently, the slowing U.S. economic growth evidenced in the first half of 2012 causes us consider whether the stronger economic activity in the western states will help buoy Nevada tourism. Unfortunately, we did not see much evidence of that help in second quarter 2012.

West Slower to Recover from the Recession

The West generally saw a deeper recession and a slower recovery than the United States as a whole. As shown in Chart 1, U.S. employment fell by 6.4 percent from its peak to its bottom. At 3.6 percent below its peak in June 2012, U.S. employment has recovered only 44 percent of its loss.



As shown in the chart, western states did not fare as well during the recession and ensuing recovery as the United States as a whole. California lost 9.0 percent of its employment from peak to trough and has only recovered 34 percent of it loss. Arizona lost 11.7 percent of its employment from peak to trough and has only recovered 27 percent of its loss. Nevada lost 14.5 percent of its employment from peak to trough and has only recovered 12 percent of its loss.

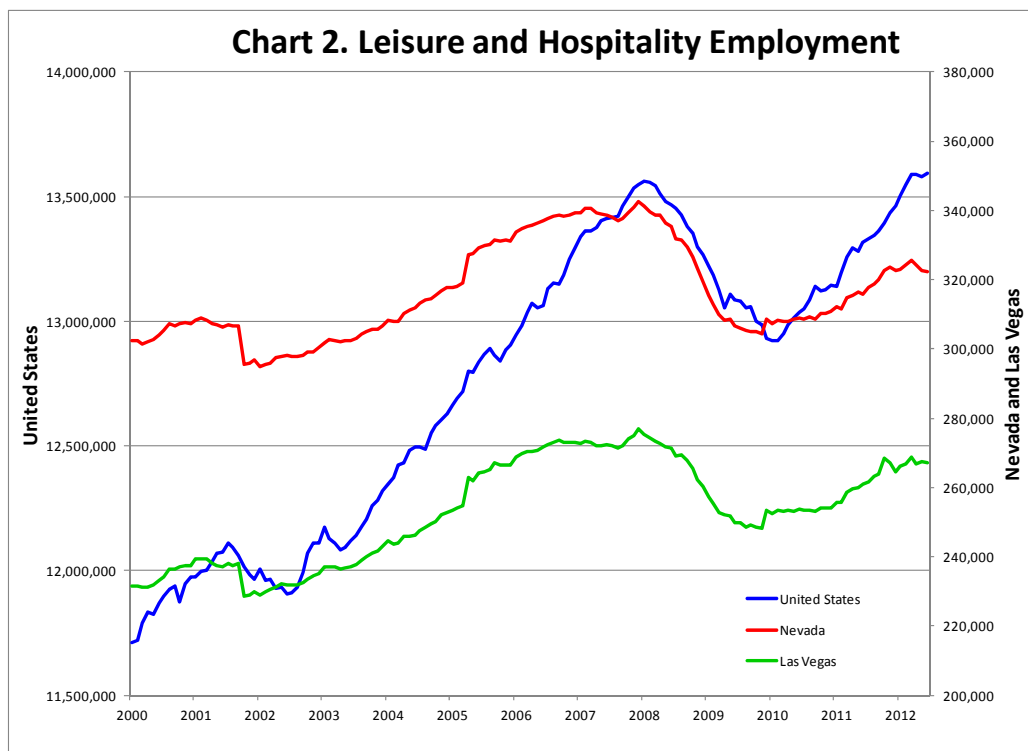
In fact, seven of the eight largest economies in the continental western United States saw bigger percentage declines in employment from their prerecession peaks to the bottom than the United States (Table 1). Of these eight states, only Colorado and Utah have seen stronger recoveries in employment than the United States as a whole.

Table 1. Change in Total Employment from Peak to Trough and to June 2012

	Date of Employment Trough	Peak to Trough (Percent)	Peak to June 2012 (Percent)
United States	Feb. 2010	-6.4	-3.6
Arizona	Sept. 2010	-11.7	-8.5
California	Feb. 2010	-9.0	-5.9
Colorado	Jan. 2010	-6.4	-3.2
Nevada	Sept. 2010	-14.5	-12.7
New Mexico	Sept. 2010	-5.9	-5.6
Oregon	Feb. 2010	-8.5	-6.0
Utah	Feb. 2010	-7.4	-2.4
Washington	Feb. 2010	-6.8	-3.6

Western States Weakness Hurt Nevada Tourism

As shown in Chart 2, the U.S. recession more greatly affected the leisure and hospitality industry in Nevada than in the country as a whole. Weakness in the West likely contributed to the poor economic activity in tourist-dependent Nevada. Many Nevada tourists come from the surrounding states—particularly California and Arizona.



Employment in the U.S. leisure and hospitality industry fell by less than overall employment during the recession, and it is now greater than before the recession. In contrast, the Nevada tourism and hospitality industry took a much bigger hit, and it has regained less than half of what it lost.

The leisure and hospitality industry has fared somewhat better in Las Vegas than in Nevada as a whole. Employment in Las Vegas leisure and hospitality declined by a smaller percentage than in Nevada, and it has recovered about two-thirds of its loss.

In fact, the Nevada tourism industry showed stronger growth in 2011 and 2012 than was seen in its national counterpart. The Las Vegas tourism industry showed even stronger growth than Nevada's. Accelerating growth in the West helped with the gains.

As U.S. Economy Slows, West Remains Somewhat Stronger

In the first half of 2012, we have seen a substantial slowing in U.S. economic growth. According to revised data, the growth of U.S. real GDP slipped from an annualized rate of 4.1 percent in fourth quarter 2011 to an annualized rate of 2.0 percent in first quarter 2012. Preliminary data show U.S. real GDP grew at an annualized rate of only 1.5 percent in second quarter 2012.

As the U.S. economy has slowed, however, economic activity generally remained stronger in the West. For the United States, as a whole, the annualized growth rate of employment decelerated from 2.1 percent in first quarter to 0.7 percent in second quarter. As shown in Table 2, half of the eight largest western states showed slower employment growth than the United States during first quarter 2012. In contrast, six of these states showed stronger employment growth than the United States in second quarter 2012. Perhaps most importantly for Nevada tourism, California saw accelerating employment growth from first quarter to second quarter 2012.

Table 2. Annualized Employment Growth (percent)

	Q1 2012	Q2 2012
United States	2.1	0.7
Arizona	5.8	1.2
California	1.8	2.4
Colorado	4.5	-1.1
Nevada	-0.8	1.4
New Mexico	1.7	-2.5
Oregon	5.2	3.1
Utah	1.1	2.7
Washington	2.6	2.2

Nevada Tourism Showing Signs of Slowing in Second Quarter

Despite evidence that the economies in a number of western states—particularly California—are faring better than the nation's, a number of indicators show that Nevada's tourism seems to be slowing in second quarter 2012 (Table 3). The growth rates of visitor volume ticked up in first quarter 2012, but the growth rates of gaming and airline passengers enplaning and deplaning in Nevada declined in first quarter 2012. Preliminary data for second quarter shows outright declines in gaming revenue, which owes mostly to a decline in volatile baccarat play. Baccarat is a game played by high rollers, and the timing of their visits to Las Vegas has a considerable effect on gaming revenue.

Table 3. Year-Over-Year Gains in Nevada Tourism Measures (percent)

	Q1 2011	Q2 2011	Q3 2011	Q4 2011	Q1 2012	Q2 2012
NV Visitors	3.8	3.5	3.2	1.9	2.1	0.3*
Clark County Visitors	4.6	4.4	3.5	1.9	2.8	0.4*
Las Vegas Visitors	5.2	5.0	4.2	2.8	3.6	0.8*
NV Air Passengers	3.0	3.7	5.3	3.3	0.8	-0.1
McCarran Air Passengers	3.1	4.3	5.8	4.1	3.0	0.9
NV Gaming	-0.9	10.5	-3.0	5.8	3.9	-2.8*
Clark County Gaming	-0.2	12.7	-3.7	6.5	4.4	-1.7*

*Preliminary estimate based on two months data.

As shown in the table, the rebound in Nevada tourism during 2011 and 2012 has been concentrated in Las Vegas. As we move to the broader jurisdiction of Clark County, the growth rate of visitor volume is weaker. As we move from Clark County to the broader jurisdiction of Nevada, the growth rates of visitor volume, air passengers and gaming are weaker.

For first quarter, we also find evidence that tourists from the West helped buoy the Nevada's tourism industry. In that quarter, the growth rate Nevada's visitor volume rose—even as the growth rate of air passengers enplaning and deplaning in the state slipped. Tourists driving in from Nevada's neighboring states helped keep the growth rate of the state's visitor volume rising in first quarter. In second quarter, evidence of that help disappeared.

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