The Southern Nevada economy is very dependent on its leisure and hospitality industry. After experiencing large declines following the Great Recession, many areas of the gaming and tourism industry seem to be well on the way to recovery due to improving world economic conditions. Nonetheless, many measures of Las Vegas tourism have not yet reached their prerecession peaks. Strength in the U.S. economy, particularly Arizona’s and California’s, and in the Asia Pacific economies will be essential for a full recovery of Las Vegas tourism.

Visitors and Conventions

After experiencing growth of 2.1 percent in 2012, Las Vegas visitor volume took a hit in 2013, declining by 0.2 percent (Chart 1). We expect positive growth for total visitors to Las Vegas starting in 2014, with an increase of 0.9 percent. For 2015, we anticipate a growth rate of 2.0 percent.

Since 2010, hotel/motel occupancy rates in Las Vegas have followed a distinct pattern. The highest occupancy rates occur during the second quarter of every year, and the lowest rates occur during the fourth quarter (Chart 2). The peaks have remained relatively constant over the past three years, with an average second quarter rate of just above 87 percent. For second quarter 2014 and 2015, we anticipate slightly higher peaks, 88.1 percent and 87.9 percent, respectively.
The troughs seem to be on an upward trend—ranging from percentages in the high seventies in 2010 and 2011 to percentages in the low eighties in 2012 and 2013. We expect this trend to continue through the next two years as the economy improves, with a trough of 81.7 percent during fourth quarter 2014 and a rate of 82.0 percent in fourth quarter 2015.

Over the past few years, a clear trend in the number of conventions held in Las Vegas has not emerged (Chart 3). For 2012, the number of conventions grew by 13.6 percent, but in 2013, it decreased by 4.1 percent. We expect positive growth in 2014 and 2015, with growth rates of 2.3 percent and 2.8 percent, respectively.

The total number of conventions held per year may not tell the whole story of convention activity in Las Vegas; therefore, we also consider annual convention attendance. While attendance followed the same positive/negative pattern as total conventions, it did so with less volatility, first increasing by 1.9 percent in 2012 and then decreasing by 0.6 percent in 2013 (Chart 4).

Much like the hotel/motel occupancy rate, convention attendance has followed a distinct pattern over the past few years. Attendance peaks during the first quarter of every year and subsequently declines each quarter until reaching its low point in the fourth quarter. For 2014, we predict a peak attendance of 1,556,525 persons in the first quarter, a trough in the fourth quarter of 1,108,356 persons, and an annual growth rate of 3.1 percent. In 2015, we forecast a peak attendance of 1,621,566 persons in the first quarter, a trough of 1,150,485 persons in the fourth quarter, and an annual growth rate of 2.8 percent.

Sources: Las Vegas Conventions and Visitors Authority; Center for Business and Economic Research, UNLV
Gaming

Gaming drop is the measure of all money either put into slot machines or provided at the table in exchange for chips. It offers a more comprehensive look at gaming activity than just gaming revenue. As such, we forecast total gaming drop, baccarat drop, table games minus baccarat drop, and coin-in for the Las Vegas Strip.

In 2012, Las Vegas Strip gaming drop grew by 1.7 percent, but in 2013, it fell by 0.7 percent (Chart 5). We expect total gaming drop to rise in both 2014 and 2015, by 1.8 percent and 2.2 percent, respectively.

Baccarat is one of the most lucrative games for Las Vegas casinos. Its series is rather volatile, as it is greatly influenced by wealthy players from Asia Pacific. Las Vegas Strip baccarat drop grew by a robust 11.9 percent in 2012 (Chart 6). The series also experienced growth in 2013, by 3.2 percent. We forecast similar gains in 2014 and 2015, with annual growth rates of 1.7 percent and 3.1 percent, respectively.
Chart 7 shows total gaming drop for all other table games besides baccarat. In 2012, the series increased by 2.0 percent, and in 2013, it decreased by 2.5 percent. Driven by higher occupancy rates, our model predicts Las Vegas Strip gaming drop from table games other than baccarat to increase by 2.1 percent in 2014 and by 3.3 percent in 2015.

Coin-in represents the total slot machine activity on the Strip. Unlike either baccarat or table games minus baccarat, coin-in decreased in both 2012 and 2013, by 1.0 percent and 1.1 percent, respectively (Chart 8). We look for this trend to reverse in the next couple years, with predicted increases of 1.8 percent in 2014 and 1.4 percent in 2015.
Employment and Wages

Employment in the Las Vegas leisure and hospitality industry hasn’t recovered as fast as total Las Vegas nonfarm employment, increasing by only 1.2 percent and 2.3 percent in 2012 and 2013, respectively (Chart 9). As the U.S. and world economies continue to improve and bring more visitors and spending to Las Vegas, we expect leisure and hospitality employment to continue growing. For 2014, our model predicts an acceleration to 3.2 percent growth in jobs. The forecasted rate for 2015 comes in slightly higher, at 3.3 percent.

Total wages for the leisure and hospitality industry haven’t experienced quite as much growth as employment in the last couple of years (Chart 10). Total wages rose by only 0.7 percent in 2012, while the estimated growth rate for 2013 is 0.5 percent. Moving forward, expect wages to continue to rise, although at a lower rate than employment. We project leisure and hospitality wages to rise by 1.0 percent in 2014 and by 1.5 percent in 2015.
Risks to the Forecast

The Southern Nevada leisure and hospitality industry is largely dependent on a number of other economies—namely the U.S. (particularly Arizona and California) and Asia Pacific.

The U.S. economy appears primed for stronger economic growth barring any policy setbacks or shocks. Uncertainty remains a problem and could slow economic growth considerably, thereby affecting Las Vegas tourism.

Within the United States, the Arizona and California economies are improving, and moderate gains in employment are expected in both states over the next couple of years. Nonetheless, many problems remain in both states’ economies.

The Asia Pacific economy looks likely to improve in the next two years. However, China has seen a rapid expansion of debt since 2011, and the debt could continue rising. The Chinese economy poses the biggest risk for Las Vegas tourism.