LAS VEGAS CONVENTION AND VISITORS AUTHORITY

THE ECONOMIC IMPACT OF

SOUTHERN NEVADA'S TOURISM INDUSTRY

JUNE 2022

ECONOMIC IMPACT SERIES BRIEF

APPLIED ANALYSIS

Preliminary Draft Document | For Discussion Purposes Only

Executive Summary

2021 was a year of recovery for Southern Nevada's tourism industry following a year of staggering impacts related to the COVID-19 pandemic. Applied Analysis ("AA") was retained by the Las Vegas Convention and Visitors Authority (the "LVCVA") to review and analyze the economic impacts of Southern Nevada's tourism industry on its road to recovery from the economic damage created by the pandemic and related response. This brief outlines the economic impacts associated with the region's tourism industry, its convention travel segment and convention travel served by the Las Vegas Convention Center ("LVCC") in 2021.

- Travel and tourism steadily climbed through the year with the development and widespread availability of effective vaccines and declining caseloads across the United States. In Southern Nevada, monthly visitation peaked at 3.4 million in October, and monthly visitation over the second half of the year averaged 3.1 million, approaching the 3.5 million monthly average of 2019. For the year visitation totaled 32.2 million, a 69.4 percent increase from 2020 but 24.2 percent below the 2019 total. Overall visitation was limited by the relative lack of convention activity and the absence of international visitors, who were subject to travel restrictions for most of the year.

- The economic impacts of Southern Nevada's tourism industry are driven by visitor spending on rooms, dining, shopping, local transportation and other activities and amenities during their stays. That spending directly supports jobs, wages and economic activity, and it ripples through the economy to generate additional impacts via suppliers and vendors (indirect impacts) and by employee spending on goods and services in the community (induced impacts). Despite the decline in annual visitation, visitor spending rebounded to near pre-pandemic levels, reaching a total of $36.1 billion. The rise in aggregate visitor spending was driven by a 29.2 percent rise in per-visitor spending compared to 2019, which was largely tied to pent-up demand for travel following the pandemic along with higher incomes and savings levels among American households.

- Southern Nevada visitors shifted how they spent their money in 2021 in response to pandemic-related closures and limitations. With many entertainment venues closed or operating with limited capacities, visitor spending shares on entertainment fell by half compared to 2019. Similarly, many restaurant and bar options were limited early in the year, which was reflected in a reduced spending share for food and beverage. Visitors shifted spending to other activities, most notably shopping, which increased from 18.7 percent to 25.4 percent of spending budgets. Gaming and sightseeing spending shares also increased as part of the shift in visitor spending.

- In 2021, the total economic output related to visitor spending (including direct, indirect and induced impacts) reached $60.6 billion, about half of the region's gross economic output. Total tourism-related output in 2021 was more than twice the $29.6 billion in total output of 2020. Even as it continued to recover from the severe workforce cuts in 2020, Southern Nevada's tourism industry remained the largest regional employer in 2021, directly employing an estimated 189,100 workers. With direct and indirect impacts included, total employment impacts reached an estimated 290,100, which represented a 15.5 percent increase from the prior year.

- Southern Nevada's tourism industry supported $9.2 billion in direct wages in 2021, or 17.0 percent of all wages in the region. The additional indirect and induced impacts supported wages for workers across many sectors of the economy, with a total wage impact of $13.9 billion, or 29.3 percent of all regional wages.

- Convention attendance for the year climbed to 2.2 million in 2021 while the pandemic continued to affect large group gatherings. Convention visitor spending directly supported an estimated 13,350 jobs, $649.5 million in wages and $2.5 billion in direct economic impact. When the indirect and induced impacts of convention visitor spending are included, the convention sector supported an estimated 20,480 jobs, $981.9 million in wages and $4.3 billion in overall economic output.

A Year of Recovery for Southern Nevada's Tourism Industry

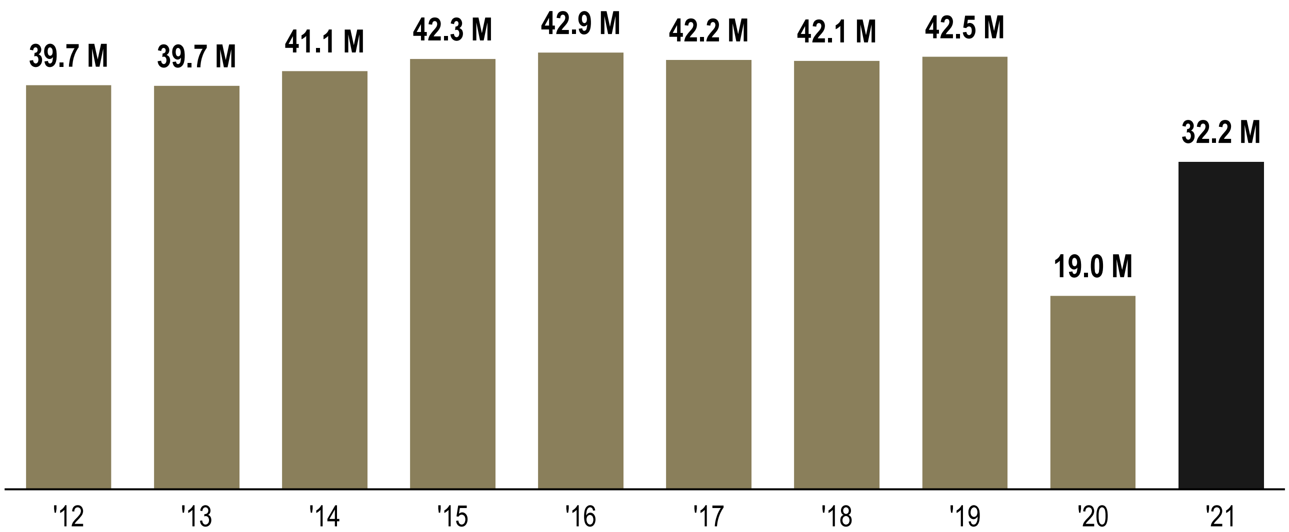
Following the staggering impacts of the COVID-19 pandemic in 2020, 2021 was a year of recovery for Southern Nevada's tourism industry. With the development and widespread availability of effective vaccines and declining caseloads across the United States, travel and tourism steadily climbed through the year before the momentum was interrupted late by coronavirus variant waves.

The second half of the year included the highest visitation months of the pandemic era, with a peak of 3.4 million in October. Over the last six months of the year, monthly visitation averaged 3.1 million, a marked improvement from the 1.2 million monthly visitors in the first year of the pandemic, and it was closing in on the monthly average of 3.5 million visitors in 2019. For the year, visitation reached 32.2 million, a 69.4 percent jump from 2020 but 24.2 percent below the 2019 total.

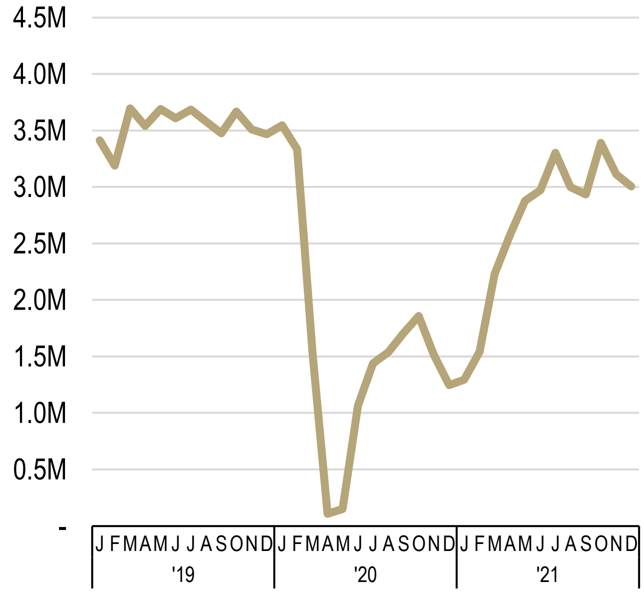
Convention and trade show activity rebounded from the negligible levels of 2020 to reach 2.2 million convention attendees in 2021, with a monthly peak of 475,000 attendees in October. Yet the annual total was just a third of the record 6.6 million convention attendees in 2019.

The full recovery of Southern Nevada's convention and meeting segment, as well as the return of international visitors after prolonged travel restrictions during the pandemic, will be keys in the continued rebound of regional visitation in the coming years.

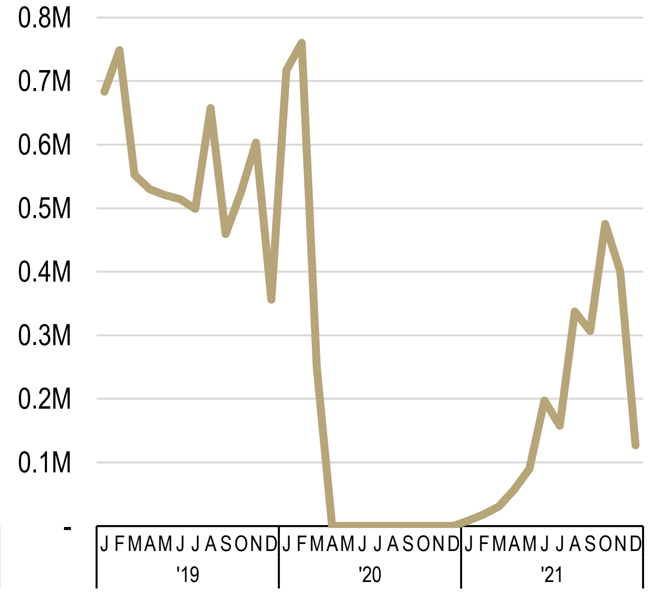
Las Vegas Visitation



Monthly Visitor Volume
2019-2021



Monthly Convention Attendance
2019-2021



Source: Las Vegas Convention and Visitors Authority

Visitor Spending Rebounds as Activity Mix Shifts Due to Pandemic

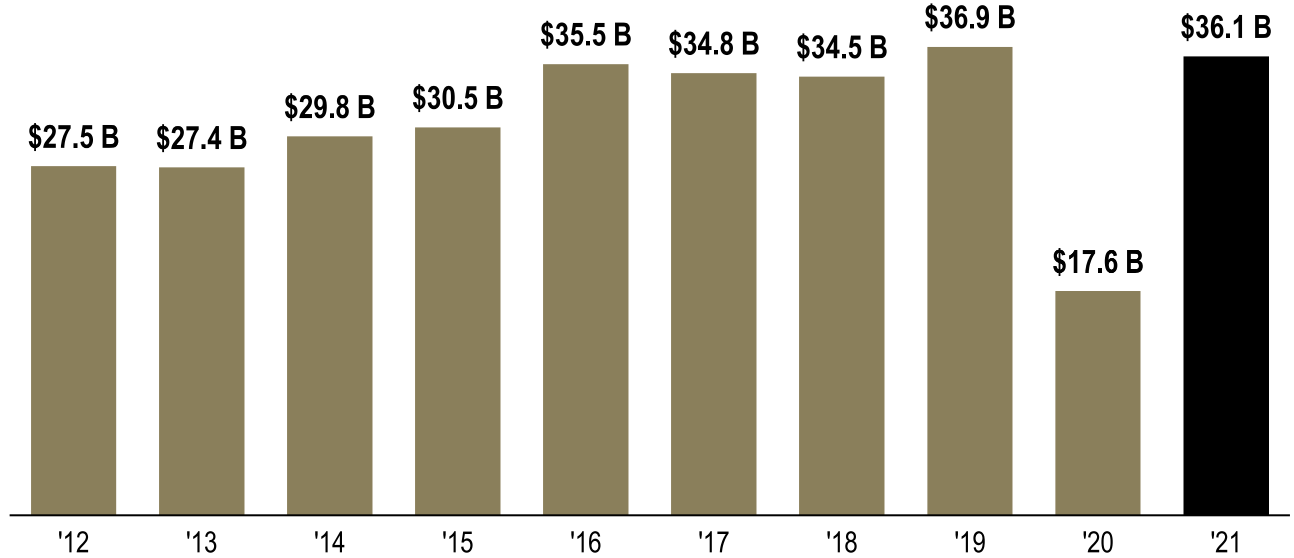
Visitor spending in Southern Nevada rebounded to near pre-pandemic levels in 2021, reaching a total of $36.1 billion. Despite the relative decline in visitation compared to 2019, the overall increase in spending was driven by a 29.2 percent rise in per-visitor spending compared to 2019.

Higher spending levels were related to broader trends in the national economy. Americans had high levels of savings in 2021 after a year of reduced household spending plus additional income from federal stimulus payments and other aid programs. Inflationary conditions in the latter part of the year also played a role in the rising per-visitor spending profile.

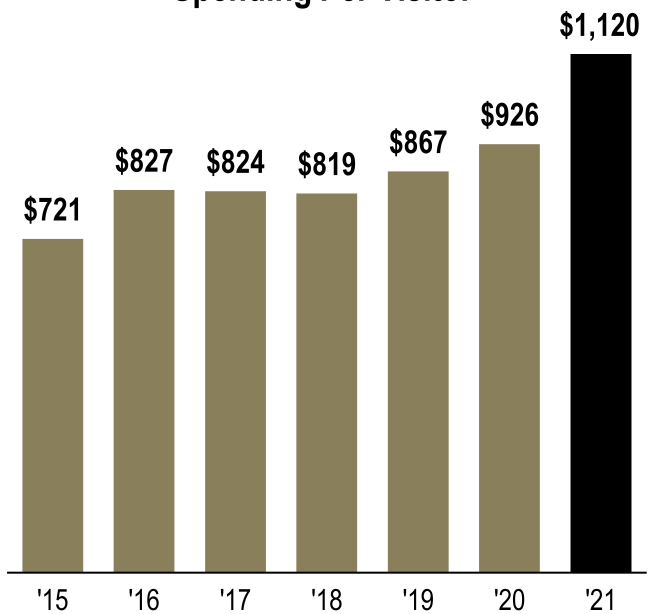
Compared to historical norms, Southern Nevada visitors shifted how they spent their money in 2021 in response to pandemic-related closures and limitations. With many entertainment venues closed or operating with limited capacities, visitor spending shares on entertainment fell by half compared to 2019 (6.0 percent to 2.9 percent). Similarly, many restaurant and bar options were limited early in the year, which was reflected in a shift in spending on food and beverage (11.9 percent to 9.5 percent).

Visitors moved spending to other activities, most notably shopping, which increased from 18.7 percent to 25.4 percent of spending. Gaming and sightseeing spending shares also increased as part of the trend in shifting visitor budgets.

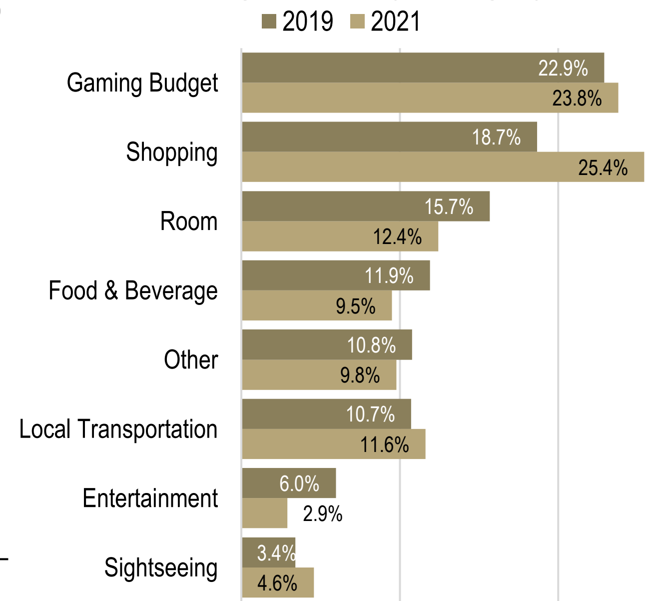
Las Vegas Visitor Spending



Spending Per Visitor



Spending Shares by Category



Source: Las Vegas Convention and Visitors Authority, Applied Analysis

Employment Impacts of the Southern Nevada Tourism Industry

Southern Nevada's tourism workforce is a core component of the regional economy and has remained so throughout the pandemic period. In 2020, the region's tourism workforce declined by a third as it bore the brunt of the slowdown of the global travel industry. As tourism activity has recovered, so has the workforce comprised of employees at the region's numerous resorts, hotels and casinos as well as the workers in bars, restaurants, nightclubs, retail outlets, sightseeing tour companies, taxicab operators and all other tourism-related businesses that cater to visitors. Although the direct tourism workforce of 189,100 in 2021 was smaller compared to 2019, it continued to account for the largest share of Southern Nevada employment.

Hotels and casinos are one of the largest employers in Southern Nevada, directly employing 116,430 workers in 2021. That total represented 12.1 percent of the region's total employment and 13.5 percent of all private employment. An additional 72,670 employees working in other tourism-related businesses were estimated to be directly supported by visitor spending. Combined, the Southern Nevada tourism industry directly employed an estimated 189,100 workers in 2021, or 19.7 percent of the region's total workforce and 22.0 percent of private sector employment.

Beyond the workers directly supported by visitor spending, additional jobs throughout Southern Nevada were created by the ripple effects of that spending. Indirect, or secondary, impacts are generated by tourism-related businesses contracting with suppliers and other businesses, which in turn have their own employees. Additionally, tourism industry employees spend their earnings throughout the community in their day-to-day lives, supporting other jobs in what are known as induced impacts. In all, the employment impacts of visitor spending total 290,100 jobs when indirect and induced impacts are combined with direct employment. That total accounted for 30.2 percent of Southern Nevada employment in 2021.

Visitor Spending on Casinos, Hotels, Restaurants, Shopping, etc.	Suppliers and Vendors Supported by Visitor Spending	Spending by Employees Directly Supported by Visitor Spending	Total Economic Impacts Generated by Visitor Spending
189,100 Jobs	**41,300 Jobs**	**59,700 Jobs**	**290,100 Jobs**
Direct Impacts	Indirect Impacts	Induced Impacts	Total Impacts

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

Wage and Salary Impacts of the Southern Nevada Tourism Industry

Southern Nevada tourism workers earned wages and salaries of $9.2 billion in 2021, a total that reflects both the decline in tourism employment as well as earnings gains in late 2021 as leisure and hospitality industry wages surged due to a tight labor market. The direct wages earned by the tourism workforce in 2021 accounted for 17.0 percent of all wages earned in Southern Nevada during the year and 19.4 percent of all earnings among private industry workers.

When visitors spend at hotels, restaurants and other locations in Southern Nevada, the impact of each dollar ripples through the economy. These additional indirect and induced impacts multiply the overall wage impacts of direct visitor spending, generating additional wages for workers across many sectors of the economy. In 2021, indirect wages supported by tourism businesses paying suppliers, vendors and other service providers were estimated at $2.1 billion. Induced impacts are generated as tourism industry employees spend their wages throughout the community at stores, doctor's offices, restaurants, and other local businesses. These induced impacts were estimated at $2.6 billion in 2021. When the direct, indirect and induced impacts are combined, they total $13.9 billion in wages and salaries throughout Southern Nevada that were supported by visitor spending. That total accounted for 25.7 percent of all wages paid in Southern Nevada and 29.3 percent of all private wages during the year.

Visitor Spending on Casinos, Hotels, Restaurants, Shopping, etc.	Suppliers and Vendors Supported by Visitor Spending	Spending by Employees Directly Supported by Visitor Spending	Total Economic Impacts Generated by Visitor Spending
$9.2 Billion Wages Direct Impacts	**$2.1 Billion Wages** Indirect Impacts	**$2.6 Billion Wages** Induced Impacts	**$13.9 Billion Wages** Total Impacts

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 Southern Nevada Tourism Industry

The direct economic output associated with Southern Nevada's tourism industry is equal to the $36.1 billion of visitor spending in 2021. That total accounted for nearly a third (30.2 percent) of the region's gross economic output of $119.4 billion. Although these two concepts are not perfectly aligned, the relationship illustrates the relative size and significant importance of Southern Nevada's tourism industry to the regional economy as a whole.

The ripple effects of visitor spending apply to output impacts as they do with employment and wage impacts. The indirect impacts of supplier and vendor activity related to the tourism industry totaled $10.1 billion, while the induced impacts generated by tourism industry employees totaled $14.4 billion. When these rippled impacts are combined with the direct spending impacts, the overall impact of visitor spending on the Southern Nevada economy grew to $60.6 billion, equating to 50.7 percent of the region's total gross product.

Visitor Spending on Casinos, Hotels, Restaurants, Shopping, etc.	Suppliers and Vendors Supported by Visitor Spending	Spending by Employees Directly Supported by Visitor Spending	Total Economic Impacts Generated by Visitor Spending
$36.1 Billion	**$10.1 Billion**	**$14.4 Billion**	**$60.6 Billion**
Output	**Output**	**Output**	**Output**
Direct Impacts	Indirect Impacts	Induced Impacts	Total Impacts

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 Southern Nevada Tourism Industry

As demonstrated by the previous pages, the direct impacts of Southern Nevada's tourism industry and the spending of the 32.2 million visitors were significant even in a year of recovery. In 2021, the industry directly accounted for roughly 20 percent of employment, 17 percent of wages earned and 30 percent of total output in the regional economy. Those impacts are magnified when the ripple effects of that direct spending generate additional economic activity. Suppliers of goods and services to businesses in the tourism industry providing food, cleaning supplies, uniforms and other inputs 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. Additionally, as tourism industry employees spend their wages at local businesses throughout the community, such as grocery stores, movie theaters, doctor's offices and retailers, they spur additional commerce in the local economy known as induced impacts.

Once these indirect and induced impacts of the tourism industry are combined with the direct impacts, the industry accounts for an estimated $60.6 billion in aggregate economic output (50.7 percent of the region's gross product), supporting 290,100 jobs (30.2 percent of regional employment) while generating $13.9 billion in local wage and salary payments (25.7 percent of total wages and salaries in the region).

189,100 **Jobs** Direct Impacts	**41,300** **Jobs** Indirect Impacts	**59,700** **Jobs** Induced Impacts	**290,100** **Jobs** Total Impacts
$9.2 Billion **Wages** Direct Impacts	**$2.1 Billion** **Wages** Indirect Impacts	**$2.6 Billion** **Wages** Induced Impacts	**$13.9 Billion** **Wages** Total Impacts
$36.1 Billion **Output** Direct Impacts	**$10.1 Billion** **Output** Indirect Impacts	**$14.4 Billion** **Output** Induced Impacts	**$60.6 Billion** **Output** Total Impacts

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 conventions and meetings segment began its recovery in 2021 while continuing to manage the effects of the pandemic on large group gatherings. Convention attendance for the year climbed to 2.2 million, a third of the record 6.6 million attendees in 2019. Historically, the convention segment boosts visitation during weekdays and helps keep room occupancy rates high when leisure visitors are less likely to be in town. While this impact was diminished in 2021, the Southern Nevada's convention and meeting segment generated notable economic impacts during the year.

Traditionally, survey data indicates that convention visitors typically spend more per visit than the average leisure visitor. This relationship held true in 2021, with the average convention visitor spending $1,155 per trip being slightly higher than the $1,118 spent by the average leisure visitor. Because of their higher average spending profile, convention visitors generate higher per-capita economic impacts on Southern Nevada than leisure visitors. In 2021, convention visitor spending directly supported an estimated 13,350 jobs, $649.5 million in wages and $2.5 billion in direct economic impact. When the indirect and induced impacts of convention visitor spending are included, the convention sector supported an estimated 20,480 jobs, $981.9 million in wages and $4.3 billion in overall economic output in Southern Nevada, illustrating the segment's importance to the tourism industry as a whole.

	Direct Impacts	Indirect Impacts	Induced Impacts	Total Impacts
Jobs	13,350	2,910	4,220	20,480
Wages	$649.5 Million	$148.5 Million	$183.8 Million	$981.9 Million
Output	$2.5 Billion	$712.8 Million	$1.0 Billion	$4.3 Billion

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 Las Vegas Convention Center

The Las Vegas Convention Center ("LVCC") is a key component of Southern Nevada's convention and meeting segment, hosting about one-fifth of regional convention attendees per year. Like the broader segment in 2021, the LVCC's impacts were limited by the ongoing effects of the COVID-19 pandemic. During the year, the facility hosted 33 conventions* with a combined attendance of 436,000.* The direct impacts of those attendees was 2,640 jobs, $128.3 million in wages and $503.4 million in total output. When the indirect and induced impacts are included, those totals rise to 4,050 jobs, $194.0 million in wages and $845.6 million in economic output.

The completion of the LVCC West Hall expansion in early 2021 provides the facility more space to increase attendance and economic impacts as the convention and meeting segment continues its recovery. The expansion added 600,000 square feet of exhibit space and 150,000 of meeting space that will allow existing conventions to expand and accommodate additional visitors as well increased capacity for hosting additional events.

Direct Impacts	Indirect Impacts	Induced Impacts	Total Impacts
2,640 Jobs	**580 Jobs**	**830 Jobs**	**4,050 Jobs**
$128.3 Million Wages	**$29.4 Million Wages**	**$36.3 Million Wages**	**$194.0 Million Wages**
$503.4 Million Output	**$140.9 Million Output**	**$201.3 Million Output**	**$845.6 Million Output**

* Excludes public-invited special events.

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

Methodology and Limitations

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, Clark County School District and the Nevada Commission on Tourism. Gross domestic product estimates were obtained from the Bureau of Economic Analysis.

Beginning in the 2019 fiscal year, the Gaming Control Board implemented new accounting procedures for departmental revenue reporting as follows: with regards to Financial Accounting Standards Board ("FASB") accounting standards codification 606, revenue from contracts with customers, all non-restricted licensees (public and nonpublic organizations as defined by FASB) were required to follow the new accounting standard when preparing standard financial statements. While the analysis contained herein is reflective of the latest economic activity, there may be modest variances from prior year editions of this report as a result of third-party reporting changes.

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 used to model industry interrelationships within an economy. 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 Applied Analysis. 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.