APPLIED ANALYSIS

LAS VEGAS CONVENTION AND VISITORS AUTHORITY

2018

THE RELATIVE DEPENDENCE ON TOURISM OF

MAJOR U.S. ECONOMIES

JANUARY 2019

ECONOMIC IMPACT SERIES BRIEF

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 Southern Nevada's tourism industry. This brief is specific to the relative dependence on tourism among various local economies throughout the United States. Nationally, the tourism industry directly supports 8.8 million jobs and $258.8 billion in labor income.[1]

- Southern Nevada's economy is far more dependent on the tourism industry than most other domestic tourism destinations. Among the major destinations in the U.S., the Las Vegas area reported the largest share of gross domestic product (GDP) from the leisure and hospitality sector in 2017, which is the proxy sector for the tourism industry. One-fifth of Southern Nevada's GDP was directly sourced to the tourism industry in 2017, a slightly larger share than the 18.4 percent recorded by second-place Atlantic City.

- Among the most visited U.S. tourist destinations, Southern Nevada has the highest share of overall employment sourced to the tourism industry at 29.9 percent. That is more than double the average concentration of tourism workers among major U.S. destinations, and it is three times the concentration in Philadelphia, which has the lowest share among the top destinations at 9.6 percent.

- Not surprisingly, Southern Nevada's tourism workers are particularly concentrated in accommodation services, a subsector within the leisure and hospitality sector. While the Las Vegas area ranks eighth in the U.S. with roughly 289,000 leisure and hospitality workers, it ranked first in total accommodation employment with more than 165,000. Of note, Southern Nevada is home to more accommodation workers than New York and Los Angeles, the second- and third-ranked cities, combined.

- Tourism workers in the Las Vegas area earn more than most of their counterparts nationwide. The average weekly wage for leisure and hospitality workers in Southern Nevada was $670 in 2017, putting Las Vegas in a virtual tie for first among the top destinations, trailing Los Angeles by $1 per week. When adjusted for cost of living, Southern Nevada tourism workers earn more per week than any of the top tourism cities.

- Collectively, tourism workers in Southern Nevada earned $10.1 billion in wages during 2017, 22 percent of all wages earned in the region and the largest share among other major destinations. In absolute terms, this trailed only the amount earned in New York, Los Angeles, and Chicago: the three most populous metropolitan areas in the nation.

[1] U.S. Travel Association

RELATIVE EMPLOYMENT IMPACTS

Among major U.S. tourism destinations for 2017, the absolute size of the tourism workforce varied significantly from city to city. New York City, the second-most visited destination, had the most people employed in the industry with nearly 914,000 tourism-related workers. Atlantic City, New Jersey, 13th in overall visitation, had the smallest tourism workforce among the major destinations with 35,500 people employed in the industry.

While the overall number of tourism workers may provide insight into the absolute size of a city's tourism industry, it is not an accurate measure of that city's dependence on the industry economically. New York City has such a large number of tourism workers in part because of its relative size as the largest U.S. city, but those tourism workers actually represent the second-smallest share of overall employment among the top destinations at 9.9 percent. Among the major tourism cities, only Philadelphia had a smaller share of total employment sourced to tourism in 2017 at 9.6 percent, both below the national average of 11.1 percent.

Employment in Southern Nevada was the most dependent on tourism in 2017 among the top destinations, with nearly 289,000 tourism-related workers, representing 29.9 percent of overall employment. The major destinations averaged 13.5 percent of employment from tourism during 2017. If tourism employment in Southern Nevada declined to that average, it would mean 158,000 fewer jobs in the industry.

Exhibit 2
Tourism Employment as a Share of Total Employment (Las Vegas Area) [2]

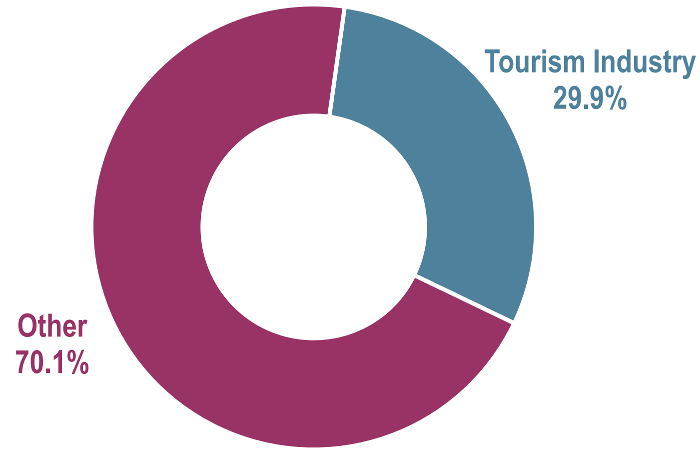
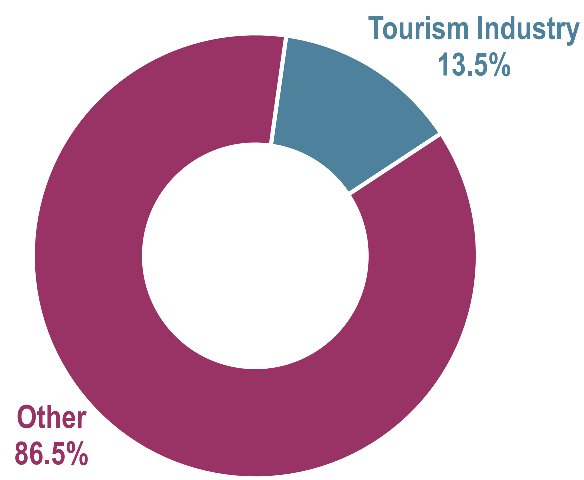


Exhibit 3
Direct Tourism Employment as a Share of Total Employment (Average of Major U.S. Destinations)

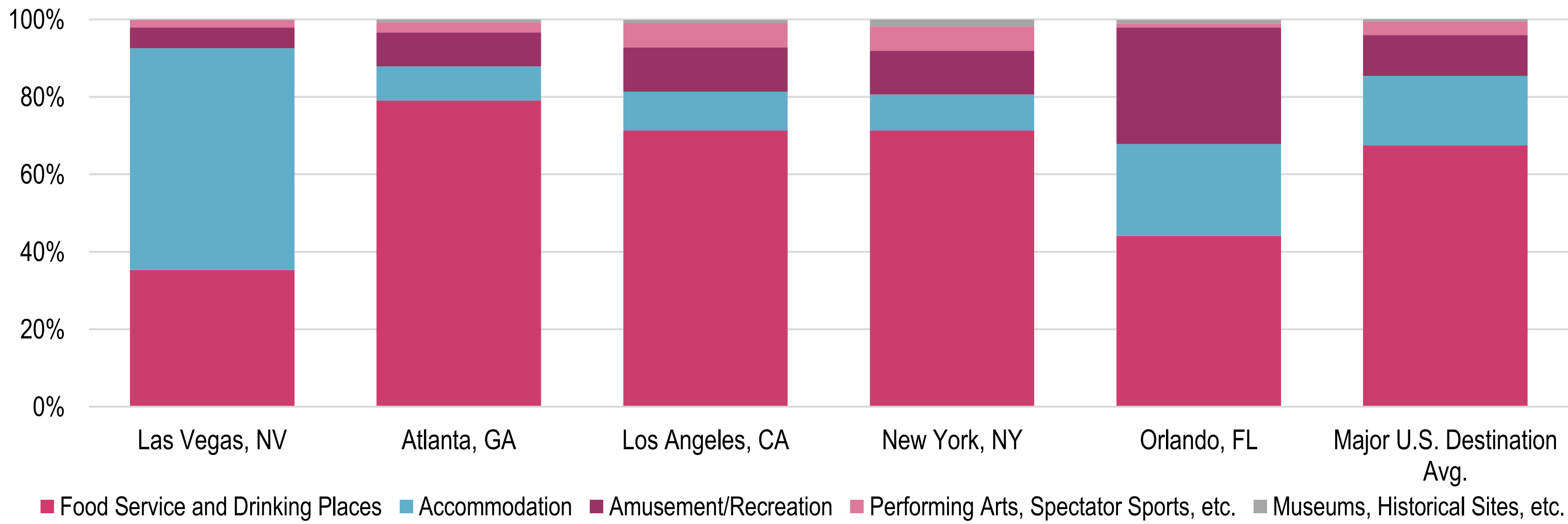


[2] U.S. Bureau of Labor Statistics, Quarterly Census of Employment and Wages

DETAILED TOURISM EMPLOYMENT BREAKDOWN

A deeper look at the sources of tourism-related employment provides insight regarding the differences between the United States' major tourism destinations. The chart below breaks out employment in the five subsectors that make up the leisure and hospitality sector. For most destinations, food service and drinking places are the largest source of tourism-related employment, accounting for nearly 68 percent of all tourism industry workers on average. However, this varies significantly from city to city. In Southern Nevada, only about 35 percent of tourism-related employment is linked to bars and restaurants compared to about 80 percent in places such as Atlanta and Houston. Los Angeles and New York have the largest share of employment in the performing arts and spectator sports subsector, while Orlando has the highest percentage of amusement and recreation subsector employment. With nearly 150,000 hotel rooms, Las Vegas has the highest share of accommodation workers among its tourism workforce at 57 percent, and it ranked first with 165,000 accommodation workers in total. Of note, Southern Nevada is home to more accommodation workers than New York and Los Angeles, the second- and third-ranked cities, combined.

Exhibit 4
Tourism Industry Employment Detail, Selected U.S. Destinations 2017[3]



[3] Destination Marketing Association International; U.S. Bureau of Labor Statistics

TOURISM EMPLOYMENT LOCATION QUOTIENT

Another metric for measuring an industry's concentration in a certain area is the industry's location quotient. This number is a ratio showing how much more or less dense employment for an industry is in a specified area compared to the United States as a whole. If an industry in a specific area is responsible for an identical share of employment as it is across the United States, its location quotient in that area is 1.0. A location quotient of 1.5 indicates that the industry is responsible for 50 percent more employment in a local area than it is nationwide, and a quotient of 0.5 means it is responsible for 50 percent less than the national average.

In Southern Nevada, the location quotient for the tourism industry was 2.71 in 2017, meaning that there were nearly three times as many tourism workers in the region than one would expect from an economy of its size. This was the highest location quotient among the major tourist destinations, and only Atlantic City – a much smaller metropolitan area – was close with a quotient of 2.60. None of the other major destinations had a tourism industry location quotient higher than 2.0 in 2017, and eight had location quotients below 1.0, signifying smaller tourism economies than the national average.

Only one metropolitan area out of the 384 tracked by the U.S. Bureau of Labor Statistics regardless of size and tourist volume had a location quotient higher than that of Las Vegas – Kahului, Hawaii. Kahului recorded a location quotient of 2.90, with just under 25,000 tourism workers compared to Las Vegas' 289,000.

Exhibit 5
Tourism Workers and Location Quotients, Major U.S. Destinations 2017[4]

Destination City	Tourism Workers	Location Quotient
Las Vegas, NV	**288,642**	**2.71**
Atlantic City, NJ	35,508	2.60
Orlando, FL	255,426	1.93
San Diego, CA	193,988	1.22
Miami, FL	319,743	1.15
Los Angeles, CA	736,873	1.12
Tampa, FL	151,295	1.09
Nashville, TN	110,785	1.07
Denver. CO	166,234	1.04
San Francisco, CA	269,816	1.03
Atlanta, GA	286,801	1.01
Phoenix, AZ	221,309	1.01
Houston, TX	314,845	0.98
Dallas, TX	372,029	0.97
Chicago, IL	477,260	0.96
Washington, DC	326,558	0.95
Boston, MA	273,306	0.94
Seattle, WA	195,475	0.91
New York, NY	913,696	0.90
Philadelphia, PA	265,641	0.87

[4] U.S. Bureau of Labor Statistics, Quarterly Census of Employment and Wages

RELATIVE WAGE IMPACTS

Collectively, tourism workers in Southern Nevada earned $10.1 billion in wages during 2017, 22 percent of all wages earned in the metropolitan area, the highest share among the other major destinations. The share of tourism wages was more than three times the top destination average of 6.8 percent, and in absolute terms, total tourism wages paid in Southern Nevada trailed only the amounts earned in New York, Los Angeles, and Chicago – the three most-populous metropolitan areas in the nation.

While the overall average weekly wage in the Las Vegas area is third-lowest among major U.S. destinations, tourism workers in Southern Nevada tend to earn more than their counterparts elsewhere across the country. With an average weekly wage of $670 in the tourism industry during 2017, Southern Nevada was second only to Los Angeles' $671 per week among the top 20 destinations. When the cost of living, which is roughly 44 percent higher in Los Angeles than Southern Nevada, is taken into account, Las Vegas had the nation's highest real wage for tourism workers.

Wages in the Southern Nevada tourism industry are also closer to the overall average regional wage compared with the rest of America's top tourism destinations. The $670 average weekly wage that tourism workers in Southern Nevada earn is 73.5 percent of the $911 average for all Las Vegas area workers, the highest ratio among the top U.S. destinations. Atlantic City has the second-highest ratio at 66.6 percent, and only four other cities among major U.S. destinations have a ratio over 50 percent. Overall, tourism workers in the top destinations earn about 45 percent of the average wage across all industries in their cities.

Exhibit 6[5]
Average Tourism Wages as a Share of Overall Average Wages

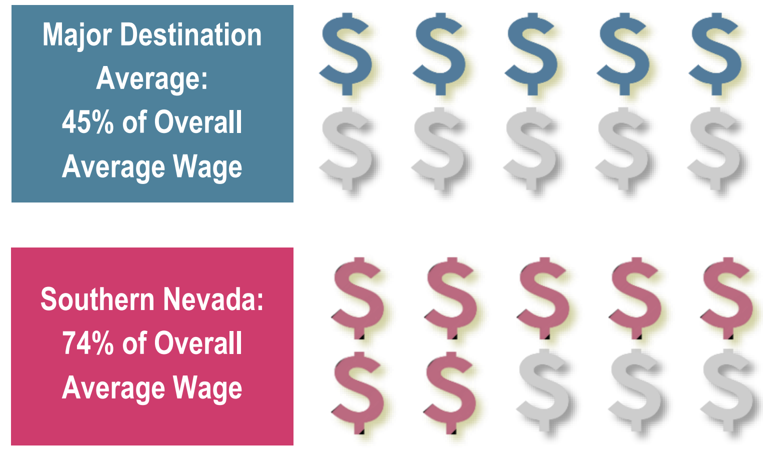
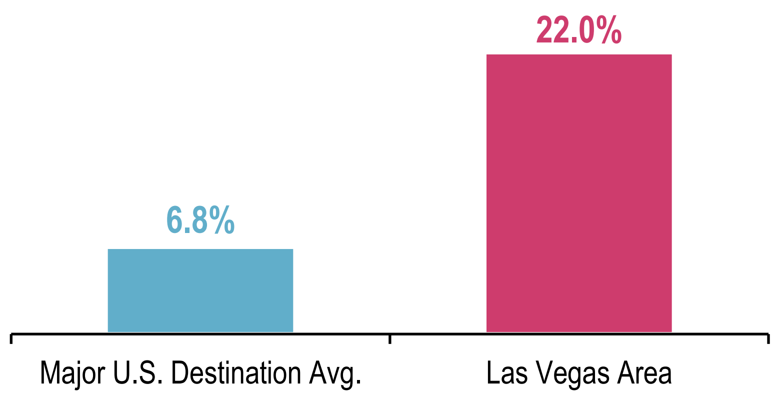


Exhibit 7[6]
Tourism Wages as Share of Total Wages



[5] U.S. Bureau of Labor Statistics, Quarterly Census of Employment and Wages

[6] Ibid

RELATIVE CONTRIBUTIONS OF TOURISM TO GROSS DOMESTIC PRODUCT

When measuring economic dependence on tourism by its share of Gross Domestic Product (GDP), it is again clear that Southern Nevada is more tourism-dependent than other major destinations. While the tourism industry in the top domestic destinations averages roughly 6 percent of total GDP, 20 percent of Las Vegas' total direct economic output is a result of tourist activity. Nationally, tourism accounted for 4.1 percent of GDP in 2017. Even among the top destinations the industry's average share of GDP was 6.0 percent, less than one-third of the share that the Las Vegas area tourism industry represents.

In absolute terms, the $22.5 billion of direct, tourism-related economic activity in Las Vegas ranked fourth among cities in 2017 and was larger than the total reported for four of the seven cities that saw more visitors during the year. Orlando, the most visited U.S. destination in 2017, welcomed 72 million visitors compared to 42.2 in Las Vegas, but that visitation generated $15.3 billion in economic activity, or $7.2 billion less than visitors to Southern Nevada contributed to the economy. This is due, in part, to a large number of visitors making day trips to Orlando. Roughly half of Orlando's visitors do not stay overnight and therefore tend to spend less than visitors to Las Vegas, who are more likely to stay multiple days per trip.[7] Due to its size, New York City had the largest absolute contribution to GDP from the tourism industry at $65.6 billion in 2017, but the region is much more reliant on other industries as this represented just 3.8 percent of the area's total GDP for the year.

Exhibit 8
Tourism Industry GDP
Major U.S. Destinations 2017[8]

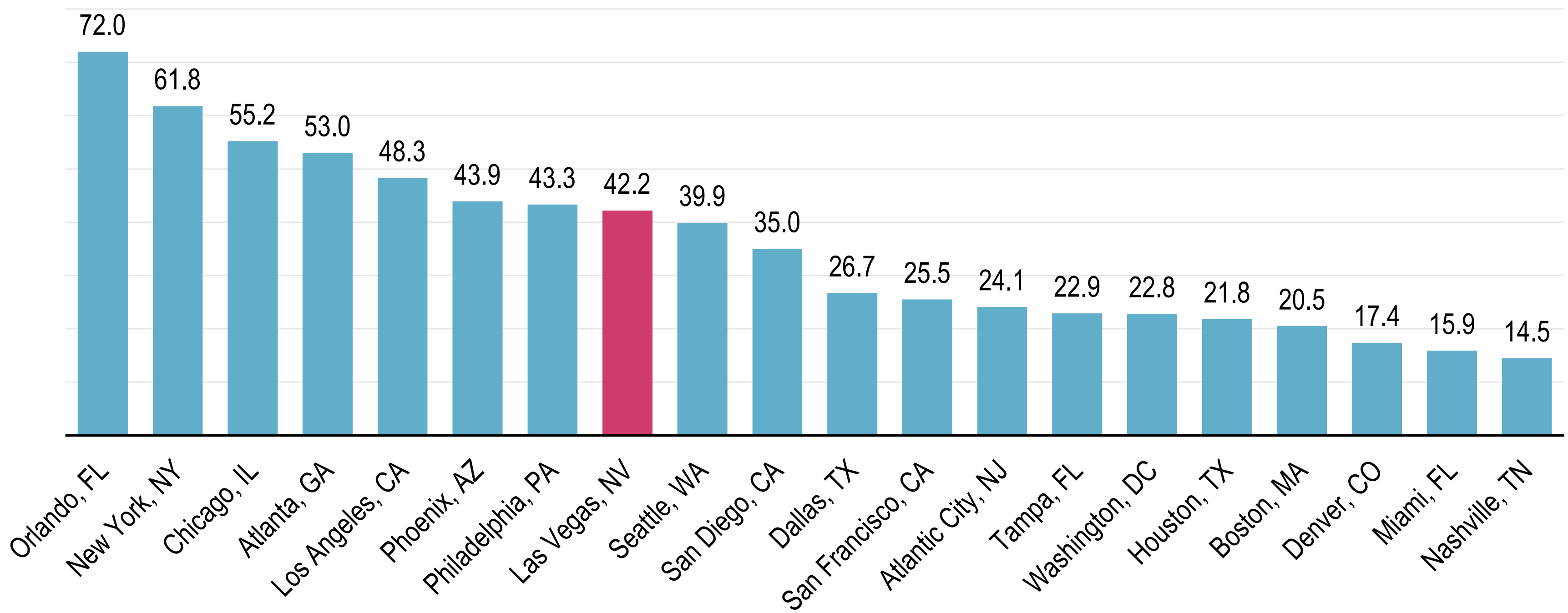
Destination City	Tourism GDP (Billions)	Tourism Share of Total GDP
Las Vegas, NV	**$22.5 B**	**20.0 %**
Atlantic City, NJ	$2.4 B	18.4%
Orlando, FL	$15.3 B	11.5%
Nashville, TN	$8.2 B	6.2%
Miami, FL	$17.7 B	5.2%
Los Angeles, CA	$52.0 B	5.0%
San Diego, CA	$10.7 B	4.6%
Tampa, FL	$6.8 B	4.6%
Phoenix, AZ	$10.8 B	4.5%
Denver, CO	$9.2 B	4.4%
Chicago, IL	$28.6 B	4.2%
San Francisco, CA	$19.6 B	3.9%
Dallas, TX	$20.5 B	3.8%
New York, NY	$65.6 B	3.8%
Boston, MA	$16.7 B	3.8%
Seattle, WA	$12.7 B	3.6%
Washington, DC	$17.9 B	3.4%
Atlanta, GA	$12.0 B	3.1%
Houston, TX	$14.8 B	3.0%
Philadelphia, PA	$12.6 B	2.8%

[7] Destination Marketing Association International; Visit Orlando
[8] U.S. Bureau of Labor Statistics, Quarterly Census of Employment and Wages

VISITATION OF MAJOR U.S. TOURISM DESTINATIONS

Southern Nevada attracted 42.2 million visitors in 2017,[9] eighth among all U.S. tourist destinations. Consistently attracting large numbers of visitors is key for any local tourism economy, but it is neither the only nor best way to measure the size of a region's tourism industry or that region's overall dependence on the economic impacts of tourism. Exhibit 1 below shows major tourist destinations in the United States based on 2017 visitation statistics. While each of these cities attracts large numbers of visitors, they vary significantly in terms of the types of visitors they attract, the impact that each of those visitors has on the economy, their overall economic dependence on visitors and the tourism industry, and the methodologies by which they measure visitation.

Exhibit 1
2017 Visitor Volume (in Millions)[10]



[9] Las Vegas Convention and Visitors Authority, *Visitor Statistics*.
[10] Las Vegas Convention and Visitors Authority; Destination Marketing Association International

METHODOLOGY

General and tourism-industry-specific employment and wage data were obtained from the U.S. Bureau of Labor Statistics Quarterly Census of Employment and Wages database. The numbers used in this report all reflect the 2017 average value for each indicator. Baseline travel volume is sourced to the Las Vegas Convention and Visitors Authority and Destination Marketing Association International. Gross domestic product estimates were obtained from the Bureau of Economic Analysis and represent 2017 totals in current dollar amounts.

All economic data referenced in this report is for the metropolitan statistical area (MSA) containing the major city anchoring it. The leisure and hospitality sector as defined by the Bureau of Labor Statistics and Bureau of Economic Analysis is used as a proxy for the tourism industry in this report.

ANALYSIS LIMITATIONS

This analysis used the best available data to analyze the economic impacts of tourism on various tourist destinations throughout the United States. 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.

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.