

Nevada gaming revenues suffer sharpest drop in state history

According to figures released by the Gaming Control Board, casinos statewide won USD 11.6 billion from customers during the year, a drop of 9.7 % when compared with the USD 12.8 billion won from gamblers in 2007, the sharpest decline in state history. The question now is will the trend continue into 2009.

The 2008 gaming revenue figure was the lowest statewide total since 2005, when casinos also won USD 11.6 billion from gamblers. On the Strip, casinos won USD 6.1 billion in 2008, a decline of 10.6 % compared with the USD 6.8 billion won in 2007.

The control board has been collecting and reporting monthly gaming revenue figures since 1984, but senior research analyst Frank Streshley said the statewide 2008 decline was only the third time in 53 years that annual gaming revenues fell.

In 2001, gaming revenues declined 1.3 compared with 2000, which had been the largest ever year-over-year drop. A year later, gaming revenues fell 0.3 . The Strip's gaming win decline in 2008 was the largest since 2001, when casino revenues fell 2.1 %.

"Obviously, the 2001 numbers were impacted by 9-11," Streshley said. "The economy has had a much more devastating impact than anything we've ever experienced."

Several analysts don't believe Nevada and the Strip will fare any better over the first part of 2009. "The challenging macroeconomic factors will continue to take their toll on the Las Vegas Strip due to the detrimental impact that the slowing

national economy is having on consumer discretionary spending," Deutsche Bank gaming analyst Andrew Zarnett told investors Wednesday.

On Tuesday, the Las Vegas Convention and Visitors Authority said visitation to Las Vegas fell 4.4 in 2008 and was off 11 in December, the fourth straight month of double-digit declines.

JP Morgan gaming analyst Joe Greff said the Strip's gaming revenue and visitor volume declines came "despite significant hotel room discounting." Greff said the gaming revenue results are actually worse than they appear "given the accounting method used for slot revenue recognition that counted slot win from November 29 and November 30 in the December results."

In December gaming revenues statewide fell 18.9 %, Nevada's 12th straight monthly decline and the 13th month out of the last 14 that gaming revenues fell. The state's USD 888 million in revenues during December was the second lowest monthly take this year.

On the Strip during December, gaming revenues fell 23.2 % to USD 474.2 million.