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## ASIAN FINANCIAL CRISIS AND ITS IMPACT ON LAS VEGAS GAMING REVENUE

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### ABSTRACT

Before the Asian financial crisis, Asia was a fast-growing market for Las Vegas casinos. In 1996, Asian visitors to Las Vegas accounted for approximately 20% of international arrivals, a sharp increase from 1992's 13%. The pre-crisis economic growth in Asia had resulted in rapid increase in per capita income in the region and had undoubtedly contributed to the boom of the Las Vegas casino industry.

The 1997–1998 Asian financial crisis is likely to affect Asian arrivals in Las Vegas and its gaming revenue through three effects, namely income, currency, and wealth effect. The Asian financial crisis has caused rising unemployment and cuts in wages and salaries throughout Asian countries. Unemployment, combined with wage cuts and slow business activities, has reduced household income widely and significantly. The massive decline in many Asian currencies' values warranted a sharp drop in the purchasing power of those currencies in overseas destinations. Lower purchasing power should inevitably discourage those countries' residents from traveling abroad. Finally, the declining Asian stock and real estate markets in the wake of the Asian financial crisis can make Asian consumers feel less wealthy and discourage them from spending on international tourism. For Asian gamblers who had frequented Las Vegas casinos in the past, a realistic question is: after they have suffered huge wealth losses in stock and real estate markets, can they afford to play as usual and lose further in Las Vegas?

This study examines the Asian financial crisis' impact, if any, on Las Vegas tourist arrivals and gaming revenue in the first six months after the Hong Kong stock market crash in later October 1998. The market crash signaled the full outburst of the financial crisis in the region. Monthly air passengers to Las Vegas and Las Vegas Strip casinos' gaming revenues from October 1997 through March 1998 were compared with the same period a year ago. Furthermore, using 60 months' arrival and gaming revenue data prior to October 1997, the study developed prediction models for passengers and gaming revenues under the scenarios of no impact of the Asian financial crisis. The six months' arrivals and gaming revenues were then compared with the numbers predicted the models.

For the six-month period, air passengers to Las Vegas declined by 3.82% and gaming revenue increased by 4.27% when compared with the same period a year ago. The air passengers and gaming revenue, however, were 7.37% and 5.81% lower than the numbers predicted by the models respectively. The findings show that the Asian financial crisis did have a negative impact on Las Vegas tourist arrivals and gaming revenues and the real impact was greater than what appeared to be in a comparison with the same period a year ago.

It is suggested that future studies should focus on the revenues of games liked by Asians such as baccarat, pai gow, and pai gow poker. Also, investigation of wager

amounts, rather than game revenues, is necessary. An investigation of wager amounts will reveal changes in the gaming demand or gaming propensity of Asian players in the aftermath of the Asian financial crisis.