

Sector Comment



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U.S. Gaming Revenues: One Step Closer to the Bottom

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Recent statistics suggest the drop in U.S. gaming revenues continues to ease. However, we still believe it is too early to say gaming revenues have hit bottom.

The latest state gaming data from September and October 2009 show relative improvement in key markets. On a weighted average basis, the percentage decline in gaming revenues decelerated materially across the major U.S. markets in September. However, October results so far are less encouraging considering easy comparisons to October 2008. October gaming figures are important because it's the first full month with a comparison to the sharp drop in consumer spending prompted by the failure of several large financial institutions in September 2008. We were expecting more material deceleration of negative trends in October.

We note, however, that the Las Vegas Strip reported a significant deceleration of negative gaming trends in September. The Las Vegas Visitors and Convention Authority also recently reported visitor volume increased 4.5% in September, representing the first monthly increase since May 2008. The September results may be a harbinger that a bottom is near for the Las Vegas Strip.



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Highlights of October results:

- Seven states have reported October gaming revenues and the results are mixed. Illinois, Iowa, and Michigan result showed continued deceleration of negative trends. However, on a same store basis, results for Iowa and Illinois were not as robust as the numbers suggest.
- We note that Louisiana's positive year to year increase in gaming revenue in September and October are more likely a reflection of the easy comparison to the prior year than true improvement in Demand. In 2008, hurricanes disrupted casino operations in the state.
- New Jersey reported a second month of single digit declines after seven consecutive months of double-digit drops.
- Illinois reported a fourth consecutive month of single digits declines following four consecutive months of double-digit declines.
- Indiana reported a second consecutive month of increased gaming revenues while Missouri posted a fourth consecutive month of increased gaming revenues.

state Gaming Revenues

State	Year-to-Year Comparable Month % Change						
	Apr	May	Jun	Jul	Aug	Sep	Oct
	2009	2009	2009	2009	2009	2009	2009
Connecticut	-4.9%	-10.5%	-9.0%	-11.0%	-12.0%	-7.4%	
Illinois	-13.0%	-13.1%	-11.7%	-6.6%	-9.8%	-7.0%	-4.8%
Indiana	13.3%	12.7%	-0.8%	4.2%	-6.0%	3.1%	4.3%
Iowa	-1.7%	-4.4%	-1.8%	-2.9%	-8.7%	-3.9%	-2.3%
Michigan	-4.1%	-4.2%	-0.4%	-0.2%	-5.4%	-2.4%	-0.7%
New Jersey	-14.2%	-15.4%	-13.6%	-12.7%	-16.3%	-5.8%	-6.5%
Pennsylvania	13.8%	17.9%	21.8%	18.5%	19.8%	29.9%	
Missouri	4.6%	-1.1%	-0.7%	4.0%	0.2%	6.8%	11.1%
Colorado	-12.1%	-2.6%	-5.0%	16.0%	2.1%	6.9%	
Louisiana	-4.9%	-4.5%	-9.7%	-5.1%	-8.3%	15.5%	14.8%
Las Vegas Strip	-15.8%	-6.4%	-14.8%	-11.1%	-9.0%	-3.6%	
Other Nevada	-12.2%	-10.6%	-12.8%	-14.0%	-9.7%	-15.0%	
Mississippi	-1.6%	-5.6%	-20.3%	-9.8%	-13.5%	-2.8%	
Weighted Average	-5.8%	-4.6%	-8.2%	-5.4%	-7.5%	-0.9%	
Same Store Basis						-1.8%	

It appears that state gaming revenues are headed towards a bottom and so stabilization in the gaming industry may be near. However, true stabilization in gaming revenues will require a few more consecutive months of moderating declines. Although U.S. GDP has started to grow, unemployment remains stubbornly high and we believe this will keep pressure on gaming budgets and the nascent recovery in gaming revenues that appears to be emerging.

When we believe that gaming revenues will not materially erode during the next 12-18 months, we will be more confident in calling the bottom. The moderation of monthly gaming revenue declines across many states through the remainder of 2009 is needed before we are comfortable saying industry conditions have stabilized.

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Moody's Related Research

Industry Outlooks:

- U.S. Gaming Revenues: Still Searching for the Bottom, October 2009 (120715)
- U.S. Gaming Industry – Six Month Update, May 2009 (117578)
- U.S. Gaming Industry Outlook, December 2008 (113705)

To access any of these reports, click on the entry above. Note that these references are current as of the date of publication of this report and that more recent reports may be available. All research may not be available to all clients.

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