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Did Covid Benefit or Harm Horse Racing Wagering? A Comparison of Trends

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Abstract

Different media accounts during the recent Covid-19 pandemic have mentioned an upswing in horse racing gambling thanks to a decline in other forms of wagering at casinos and with sports gambling. This paper examines gambling trends across the US before and during the pandemic for these forms in gambling as well as lotteries. Horse racing wagering did see an increase, but not as dramatically as one would expect.

JEL Code: Z21

Key words: betting, casinos, gambling, horse racing, lotteries, pandemic, parimutuel wagering

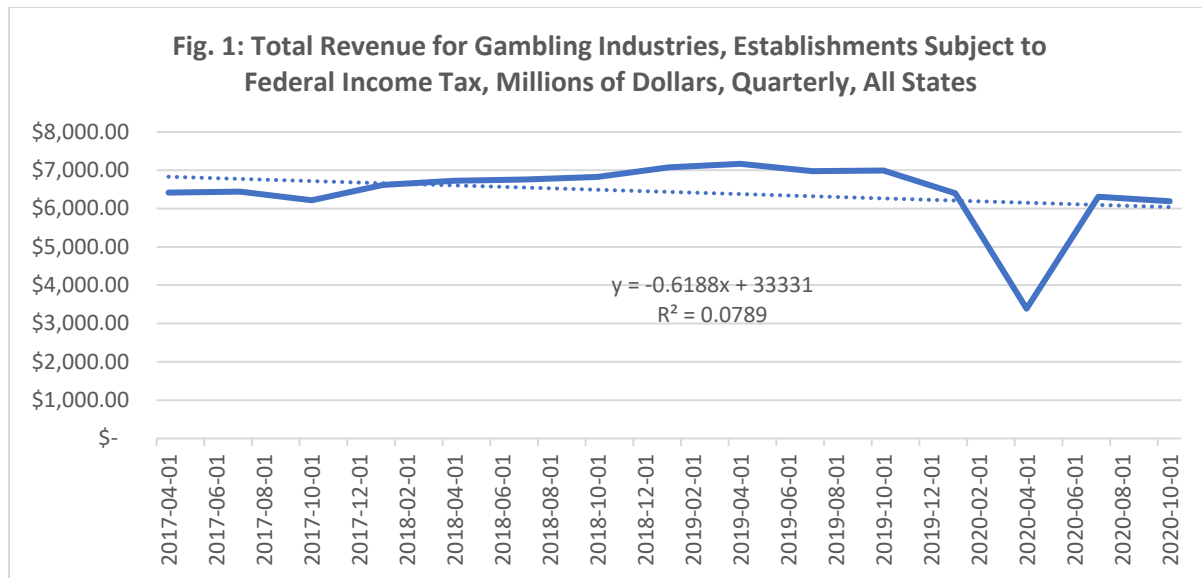
Introduction

The recent global, Covid-19 pandemic which is now slowly abating in most of the developed economies of the world has wreaked havoc in the sports world forcing the cancellation of many events, games, and even entire sports seasons. Despite this, some claim a boon to horse racing gambling due to the fact that many racing meets in most states were not cancelled or only delayed, which in turn helped parimutuel wagering and esports (e.g., online poker) especially in comparison to sports gambling and casinos (Marcus 2020, Silver 2020, Cohen 2021, Staff Report 2021). Most sporting events were cancelled or delayed as many casinos were forced to temporarily close and later had to limit their capacity when operating. For this reason, some note a movement to horse racing wagering and esports during the pandemic, although sports gambling made a comeback once most professional sports started playing again around the middle of 2020 (Cohen 2021). The purpose of this short research note is to examine these claims, especially how horse racing wagering fared when compared to casinos, sports wagering, and lotteries.¹

US Gambling Trends before and during Covid-19

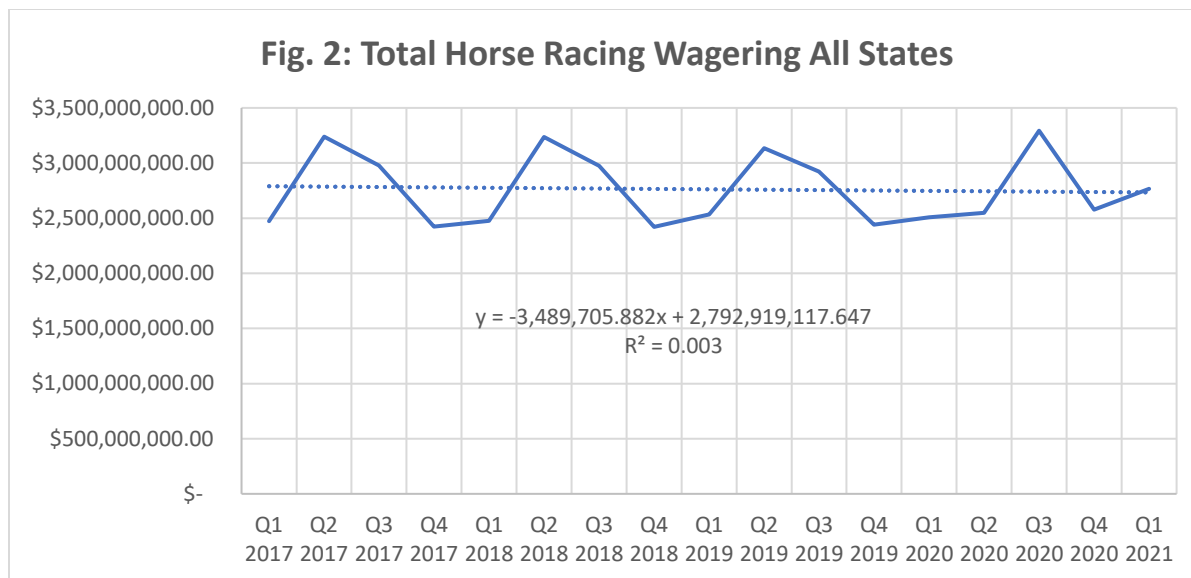
Figure 1 shows mildly increasing total gambling revenues for the US from April 1, 2017 up to the pandemic's beginnings. Because of this, the overall trend for total US gambling is negative as the trendline applied to the quarterly revenues shows. As of October 1, 2020, overall gambling revenues have not entirely recovered according to US Census Bureau data.

¹ Unfortunately for the analysis of this paper no real estimates of quarterly or monthly revenues could be found for esports revenues from 2017 to 2021.



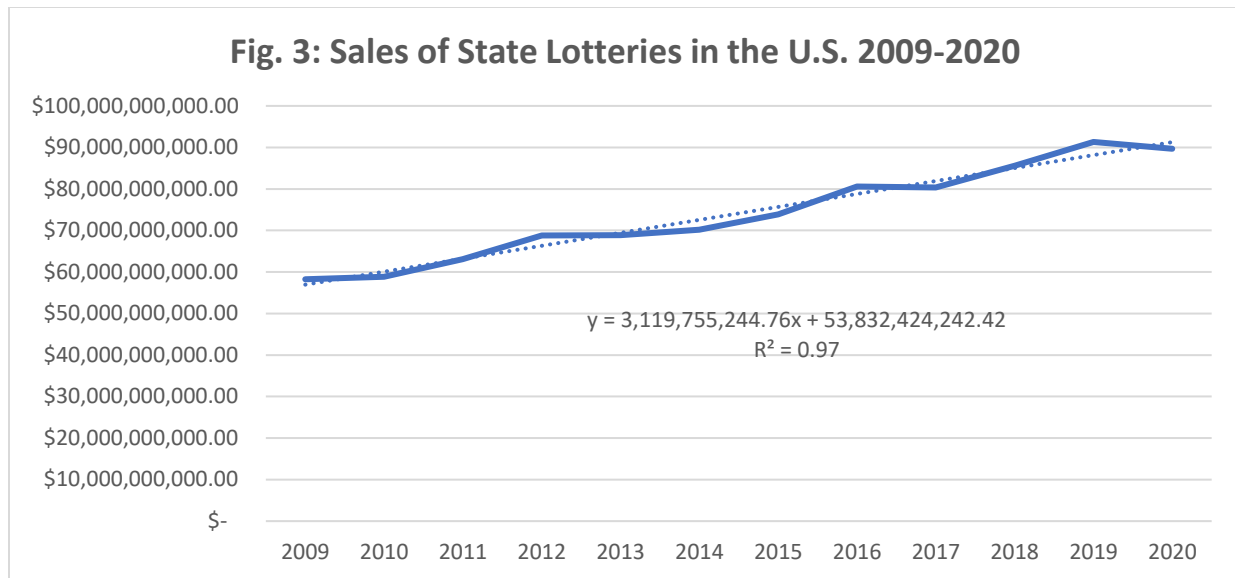
Source: US Census Bureau.

Figure 2 illustrates that horse racing wagering received somewhat of a boost in gambling revenues during the pandemic as revenues did better in the second, third, and fourth quarters of 2020. Wagering usually peaks in the second quarter, but in 2020, it peaked in the third quarter. Yet, these amounts are close to where the industry was in 2017, and the overall trend is still mostly downward when a linear trend is developed for the quarterly data, and this somewhat reflects the overall struggles of horse racing wagering over the last few decades as wagering continues to decline overall, especially when adjusted for inflation (Lambert 2021).



Source: Equibase Press Releases

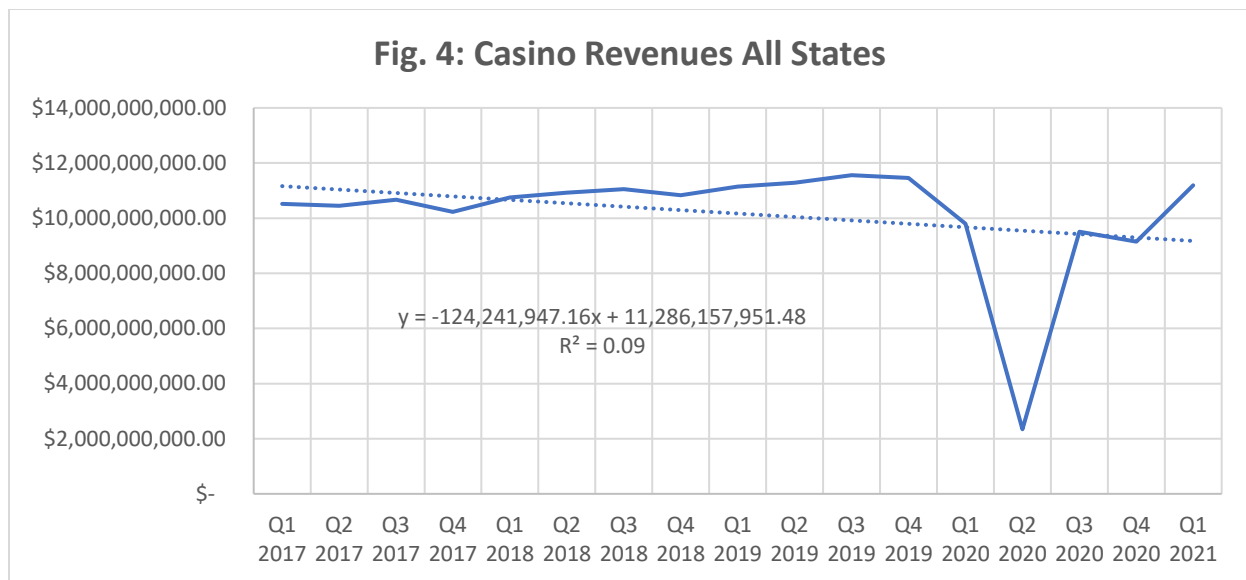
Although quarterly or monthly data is not available, lottery sales revenues show a slump during 2020. This is a little surprising since many retailers, especially grocery stores and convenience stores and food marts remained open during the worst of the quarantine period in most states (mid-March to June in most states) on at least a limited basis. However, with rising unemployment during this time, real GDP plunged over 30% during the second quarter of 2020, and this may explain much of the plunge in lottery sales for 2020 (US Bureau of Economic Analysis 2020). However, the trend for lottery revenues is positive, and each quarter is adding \$3 billion on average to lottery revenues. As one can tell by looking at the vertical axes, state lottery revenues dramatically eclipse those of horse racing and revenues earned by private gambling outlets (see Figures 1 and 2).



Source: STATISTA

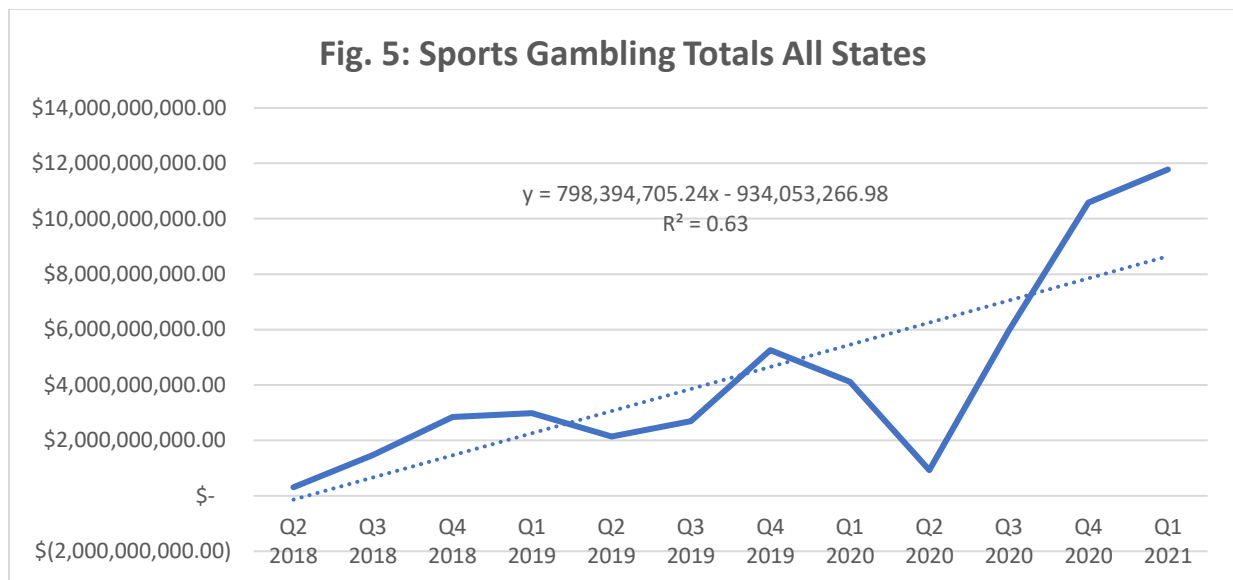
Next, Figure 4 gives casino revenues for all states, tribal and non-tribal, and these were showing a slight upswing in revenues quarter to quarter until late 2019, and then took a big drop during the second quarter of 2020 as most casinos had to shutter for public health orders related to the pandemic.² Only by the first quarter of 2021 was the industry getting close to where it was during the fourth quarter of 2019.

² These numbers include federally tax-exempt casinos, which are usually tribal casinos.

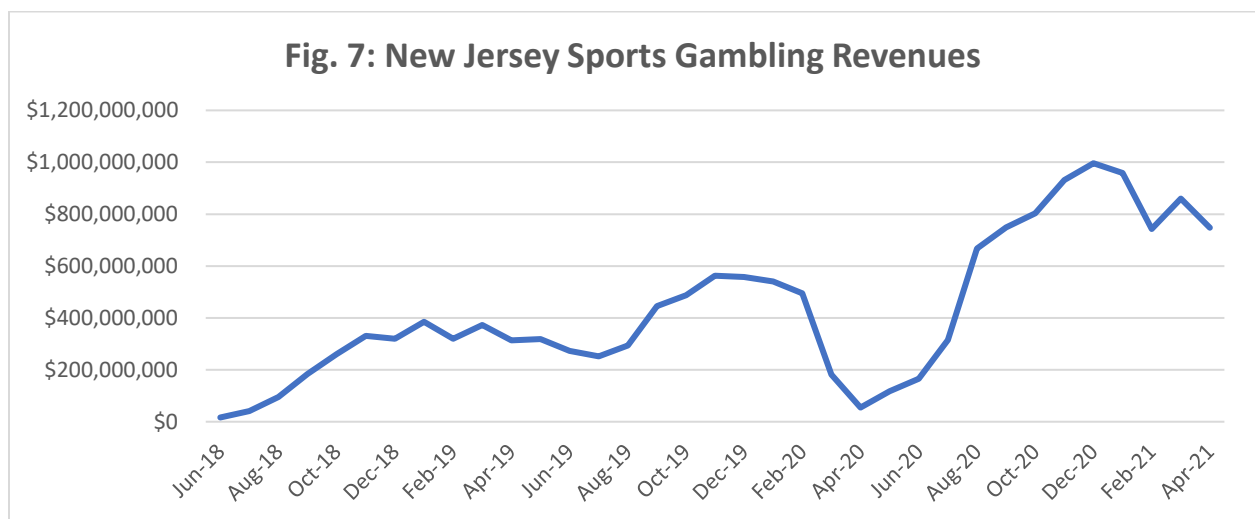


Source: UNLV Center for Gaming Research

Finally, sports gambling quarterly revenues shown in Figure 5 for all states suffered a bigger drop than usual during the second quarter of 2020. When plotting sports gambling, a lot of cyclicalality is shown by sports betting often peaking in January of each year due to Super Bowl and college bowl game betting, then a crash in gambling activity, and then an uptick in gambling during March with the NCAA basketball tournament. Therefore, first quarter revenues are always the highest until World Series gambling picks up in October in the 4th quarter of each year. It is usually not until a playoff period occurs that sports betting sees its greatest volume of activity. Figure 6 demonstrates this somewhat by using New Jersey, the first state to legalize sports gambling in mid-2018, as an example. Although an upward and positive trend is shown for sports gambling over the quarters displayed, much of the sports gambling revenue growth is from different states offering sports gambling from 2018 and onward. In 2018, only seventeen states offered sports gambling. As of 2021, there are now 20 and the District of Colombia.



Source: Legal Sports Report.



Source: Legal Sports Report

Conclusion

In examining preliminary data, it appears that horse racing wagering did get a small boost from the pandemic, especially in the third quarter of 2020. Also, in looking at Figure 2, the first quarter of 2021 has been better than the first quarters of 2020 and 2019. Only time will tell if this is a longer term trend. As casinos are able to allow full capacity at their facilities again and

as sports gambling continues to be adopted by more and more states and as leagues go back to playing full seasons, it will be interesting to see if racing wagering can sustain its rebound.

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