

# ECONOMY IN BRIEF

**ODETR** RESEARCH & ANALYSIS BUREAU  
OFFICE OF ECONOMIC DEVELOPMENT, TRAINING AND RESEARCH

**October 2012**

NEVADA'S PREMIER SOURCE OF WORKFORCE & ECONOMIC INFORMATION AND ANALYSIS

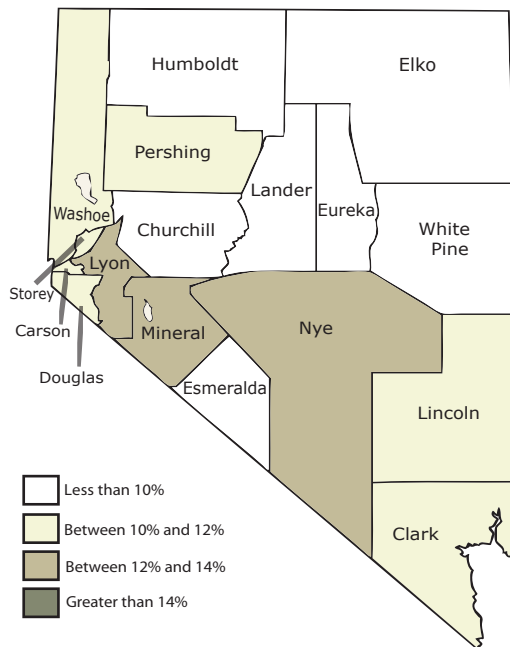
## Economic Summary

Nationwide, the unemployment rate remains stubbornly high (7.9 percent in October) and job growth, although positive, has been constrained (171,000 new jobs for the month). This less-than-desired improvement in the national labor market has been at the forefront of countless policy debates of late, especially in light of the fact that the U.S. economy "officially" emerged from recession in mid-2009. Arguably, however, the current suppressed response of the labor market to the overall economic recovery represents the continuation of a long-term structural trend. Over the past 40+ years, the U.S. economy, as measured by real GDP, has more than tripled. At the same time, the nation's job base has yet to double.

Much the same is true in Nevada. Despite considerable improvement of late, State labor market conditions still have much ground to make up. On the jobs front, October typically brings with it a gain of 2,500 new positions relative to September. However, preliminary estimates point to a gain of 4,700. The end result is a seasonally adjusted increase of 2,200. The private sector continued to lead the way, as October job levels stand 1,200 higher than the prior month and 3,200 above year-ago readings. So far this year, private sector payrolls are up 11,100 compared to the first ten months of 2011, based upon estimates from the monthly survey of businesses. Public sector payrolls have shown signs of leveling off in recent months, following an extended downturn.

On a more sobering note, however, employment is still down 157,000 from the start of the recession in December

Unemployment Rate by County



2007. In the decade prior to that, approximately 400,000 jobs were added in Nevada.

As we've noted in the past, the number of worksites in Nevada has trended up in recent quarters. An examination of trends by establishment size offers some interesting results. Establishments with the largest employment levels tended to be hit harder and quicker during the early stages of the recession. The number of smaller employers in the State actually grew through 2008 before declining, but still remain above pre-recession levels. Over the 2006-2012 period, the State's largest establishments, with at least 500 employees, have declined by nearly one-fourth from 228 to 175. The number of smaller establishments,

## Economic Indicators

UNEMPLOYMENT RATES	OCT 2012
NEVADA *	11.5%
LAS VEGAS-PARADISE MSA	11.1%
RENO-SPARKS MSA	10.6%
CARSON CITY MSA	10.7%
ELKO MICROPOLITAN AREA	5.4%
UNITED STATES *	7.9%
CALIFORNIA *	10.1%
* Seasonally Adjusted	
JOB GROWTH (Y-O-Y)*	
NEVADA	0.5%
LAS VEGAS-PARADISE MSA	0.5%
RENO-SPARKS MSA	0.5%
CARSON CITY MSA	-1.8%
UNITED STATES	1.5%
CALIFORNIA	2.1%
* Seasonally Adjusted	
CONSUMER PRICE INDEX (Y-O-Y)	
UNITED STATES	2.0%
GAMING WIN (Y-O-Y)	
SEPT 2011 - SEPT 2012	
NEVADA	3.3%
CLARK COUNTY	3.7%
WASHOE COUNTY	0.6%
TAXABLE SALES (Y-O-Y)	
AUG 2011 - AUG 2012	
NEVADA	7.6%
CLARK COUNTY	8.1%
WASHOE COUNTY	10.5%

with less than 20 employees, has actually grown from 59,300 to 62,500.

Although results are quite volatile from month-to-month, within the State, Las Vegas appears to be leading the way in terms of job gains, with a seasonally adjusted September-October employment gain of 4,500. For the first ten

# Economic Summary

months of the year, Southern Nevada employment gains have totaled 5,300 relative to the same period in 2011. The Las Vegas employment picture has been trending in a positive fashion since mid-2011.

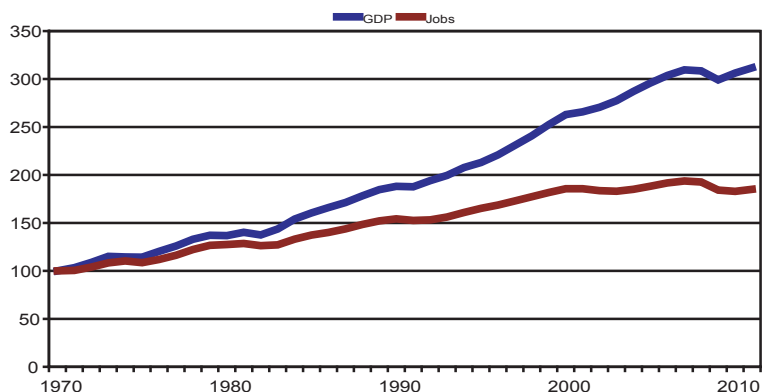
Although monthly job growth in Reno has been positive in each of the past two months (+1,200 in September and +900 in October), gains over time have been much less pronounced than in the South. So far this year, job levels stand just 100 higher than a year ago. Carson City jobs have been on the decline since mid-2007 and are down by 800 so far this year.

Health/medical services (HMS) is a key part of the State's sector-driven approach to economic development. In October, healthcare/social assistance industry employment stands 1,900 higher than a year ago. In fact, job readings are considerably higher than pre-recession levels. Still, there appears to be considerable room for additional growth. For instance, the HMS "location quotient" (the share of employment in the sector relative to the same share nationwide) is just 0.65, suggesting that the share of HMS employment in Nevada is only about two-thirds of the national average.

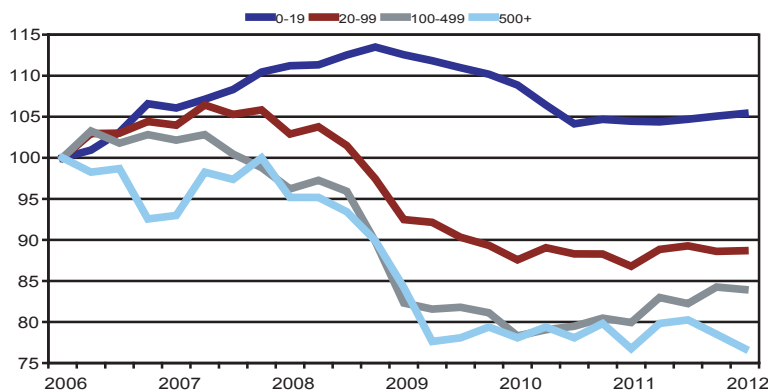
Not surprisingly, within Nevada, healthcare-related employment is concentrated in the State's major population centers. Only Carson City has a higher share of HMS employment than in the nation as a whole, as represented by a location quotient in excess of 1.15. Eleven of the Nevada's 17 counties have location quotients of less than 0.5, suggesting that HMS' employment share is less than one-half of the national average.

Most private sector industries are adding to payrolls. Trade/transportation/utilities employment is up 2,600 on a year-to-date basis. Professional/business services is up 1,700. Tourism barometers have been trending in a positive direction in recent months. For instance, hotel occupancy in Las Vegas has averaged about 84 percent

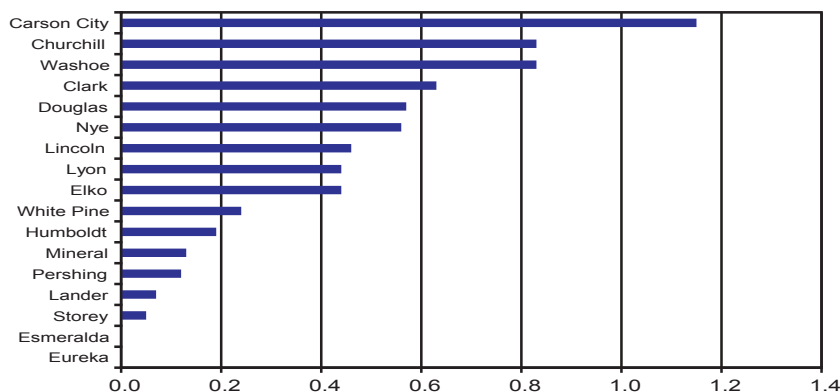
Historical Trends: GDP vs. Jobs (1970 = 100)



Private Sector Worksites by Employment Size (2006:IQ = 100)



Health/Medical Services Sector "Location Quotients" by County



# Economic Summary

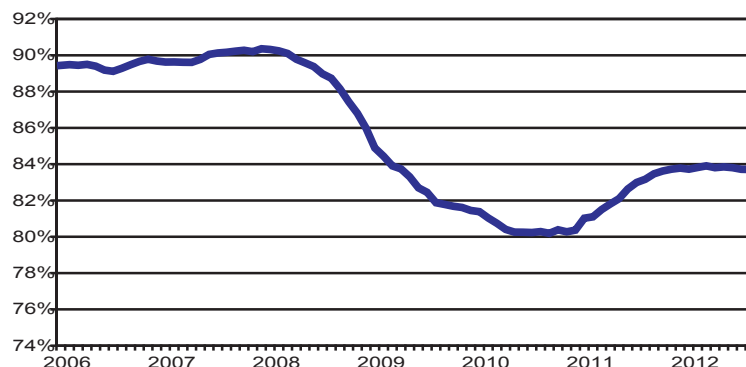
over the past twelve months, up from a cyclical low of 80 percent in mid-2010. Partly as a result of these improving fundamentals, leisure/hospitality employment trends have been improving. So far this year, jobs stand 6,300 higher than in 2011.

Financial activities and manufacturing are trending sideways, at best. As has been the case throughout the early stages of recovery, construction is the main drag on the overall employment picture. So far this year, job levels are off by 3,700 compared to 2011. As we've noted in the past, there are a number of signs pointing to a slight pick-up in the residential market. Through the first three quarters of the year, there have been approximately 7,000 new housing permits issued Statewide. At its cyclical low, over the 2009-2011 period, there was just an average of 5,000 permits issued during the same nine-month period. Despite the uptick in activity, permit levels are still only about one-fifth of pre-recessionary tallies.

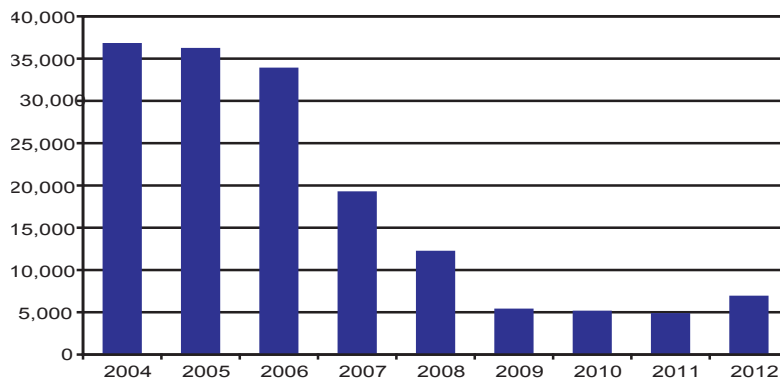
Arguably, the best news in this month's overview is on the unemployment front. The jobless rate stands at 11.5 percent in Nevada as of October, the second-consecutive monthly decline of 0.3 percentage point. This represents the lowest rate since May 2009. Perhaps most encouraging is that the decline in the rate occurred while the labor force increased. It is the result of an increase in resident employment (+5,900 over the month; not to be confused with the establishment-based job numbers reported above) coupled with a decline in unemployment (-4,900).

Because of the volatile nature of this barometer, perhaps the best measure of underlying trends is to year-to-date developments. Through the first ten months of the year, the unemployment rate averaged 11.9 percent. This is down nearly two full percentage points from the same period in 2011 (13.7 percent).

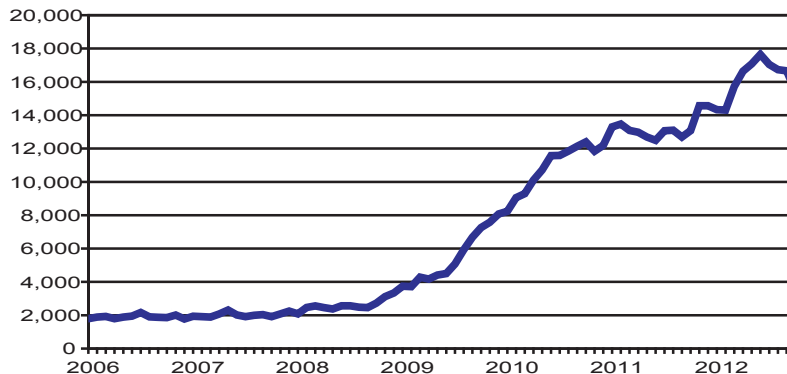
Las Vegas Hotel Occupancy Rate  
(12-month moving average)



Nevada Residential Housing Permits  
(YTD through September)



Discouraged Workers in Nevada  
(12-month moving average)



# Economic Summary

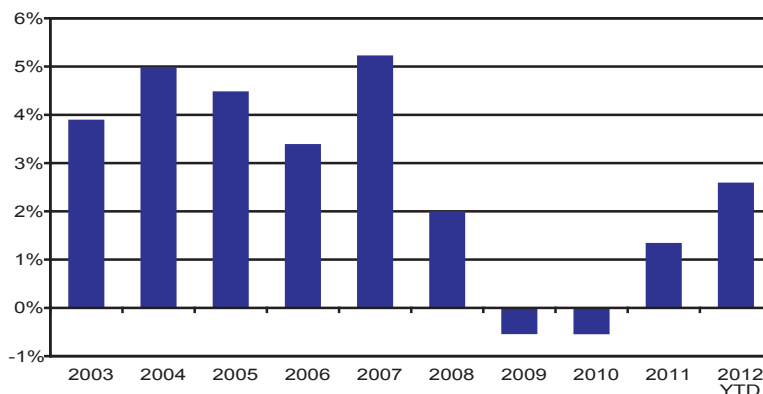
We are often asked questions along the lines of: “While you report the ‘official’ unemployment rate, what is the ‘real’ rate?” (It is important to note that the official concept of unemployment includes all jobless persons who are available to take a job and have actively sought work in the past four weeks. This concept has been thoroughly reviewed and validated since 1940.) Oftentimes, such inquiries concern what the jobless rate would be if those individuals whom have given up their search for work, and dropped out of the labor force because they felt that no job opportunities exist for them (discouraged workers), were included in the official definition of the unemployed.

Alternative Measures of Labor Underutilization  
(four quarters ending 2012:IIIQ)

Measure	Underutilization Concept	Level
Official Rate	jobless persons available to take a job who have actively sought work in the past four weeks	12.2%
U-1	jobless 15 weeks or longer	7.2%
U-2	job losers and persons losing a temporary job	7.4%
U-3	similar to official rate	11.9%
U-4	U-3 plus discouraged workers	12.9%
U-5	U-4 plus others marginally attached to the labor force	14.3%
U-6	U-5 plus those employed part-time for economic reasons	21.4%

The U.S. Bureau of Labor Statistics offers some insight via its Alternative Measures of Labor Market Underutilization series. In essence, if discouraged workers were included in our estimate of the unemployed, the jobless rate would rise by, roughly, a percentage point. In the year ending with the third quarter, that would have translated into an unemployment rate of 12.9 percent, compared to an official rate of 12.2 percent. Under the broadest alternative measure of joblessness, which would include all of those who are only marginally attached to the labor force, including discouraged workers, plus (most importantly) those working part-time for economic reasons, the jobless rate would have been slightly above 21 percent over the 12-month period.

Nevada Average Weekly Wage Growth  
(year-over-year; 2012 YTD through IIQ)



While not directly comparable to the State information reported above, non-seasonally adjusted unemployment rates fell slightly in 12 of 17 Nevada counties over the September-October period, and held steady in two others. Perhaps most importantly, all but one county registered a year-over-year decline in the jobless rate. Declines ranged from -0.2 percent to -3.2 percent.

The Las Vegas metro area remains home to the highest unemployment rate in the State, at 11.1 percent, not seasonally adjusted, down 0.4 point from September. This is the lowest October reading since

2008. In Reno/Sparks the rate fell 0.2 point over the month, to 10.6 percent. Carson City recorded a similar decline, from 10.9 percent to 10.7 percent. Both Northern Nevada metro areas also recorded their lowest October readings since 2008.

All things considered, available information suggests that Nevada’s labor market has been on the mend since right around the beginning of 2011. One of the broadest barometers of economic well-being,

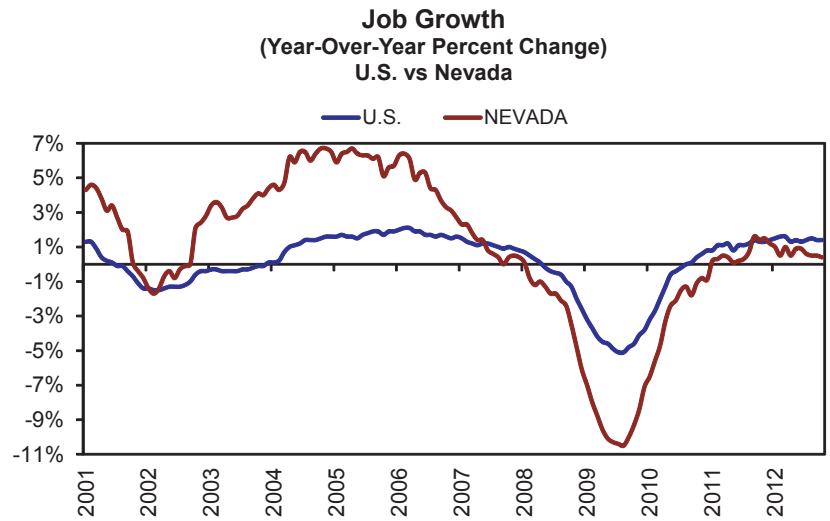
average weekly wages, has followed suit. After two years of outright declines during the recession, wages have been trending up ever since. Despite some weakness in this year’s second quarter, through the first half of the year, wages are up 2.6 percent from the same six-month period in 2011. So far this year, wages have averaged \$830 per week.

*Bill Anderson, Chief Economist*

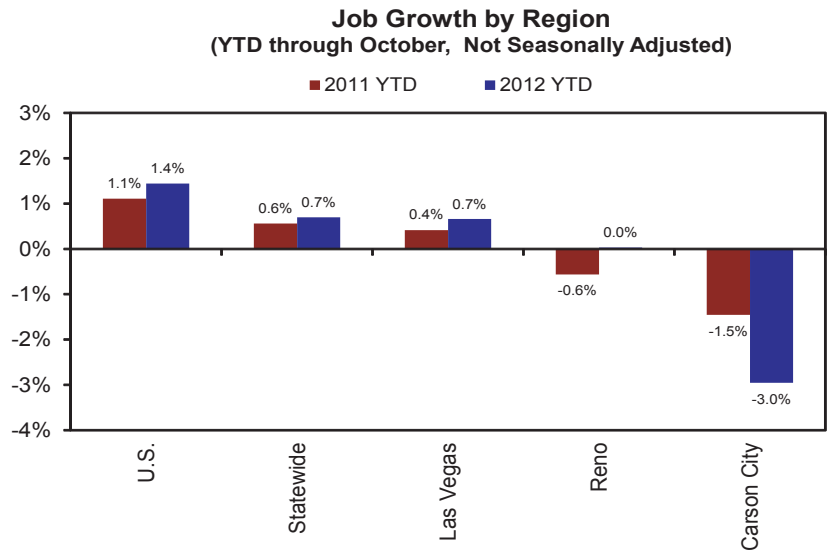
# Trends at a Glance

## Industrial Employment

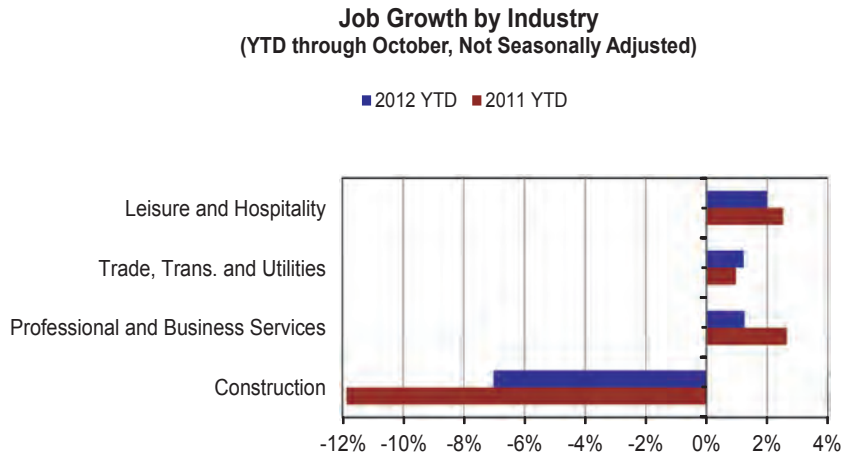
- Industrial employment in Nevada increased 0.4 percent in October relative to a year prior, equating to a gain of 5,100 jobs.
- For the US, October job readings were up 1.4 percent relative to October 2011, equating to a gain of 1,922,000 jobs.



- The year-to-date annual rate of change in jobs remains better than a year ago throughout most regions of the State.
- The Las Vegas MSA's job count increased 0.7 percent YTD in October relative to the same period in 2011.
- In the Reno/Sparks MSA, YTD job readings were unchanged in October 2012 compared to the same time frame in 2011.
- In Carson City, employment fell three percent YTD from October 2011 to October 2012.



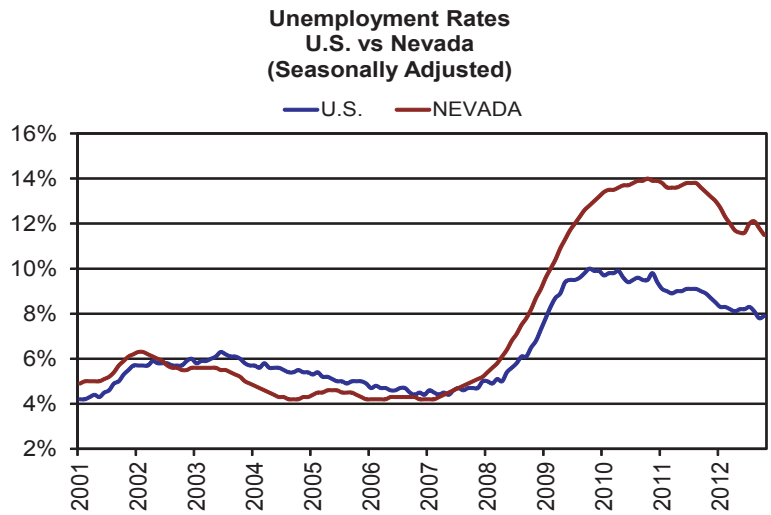
- Jobs in the State's largest industry, leisure and hospitality, are up two percent YTD through October relative to a year prior. A year earlier, YTD job readings were up 2.5 percent over the same time frame.
- The professional and business services sector increased 1.3 percent YTD through October 2012 from a year earlier.
- Jobs in the trade, transportation, and utilities sectors are up 1.2 percent YTD relative to the same time frame in 2011.
- Approximately 3,700 jobs have been lost in the construction industry over the past year, a seven percent annual decline.



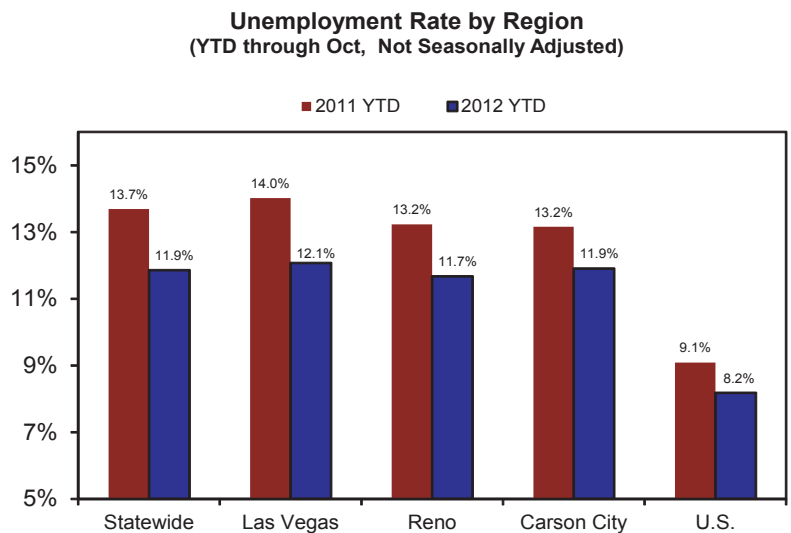
# Trends at a Glance

## Unemployment

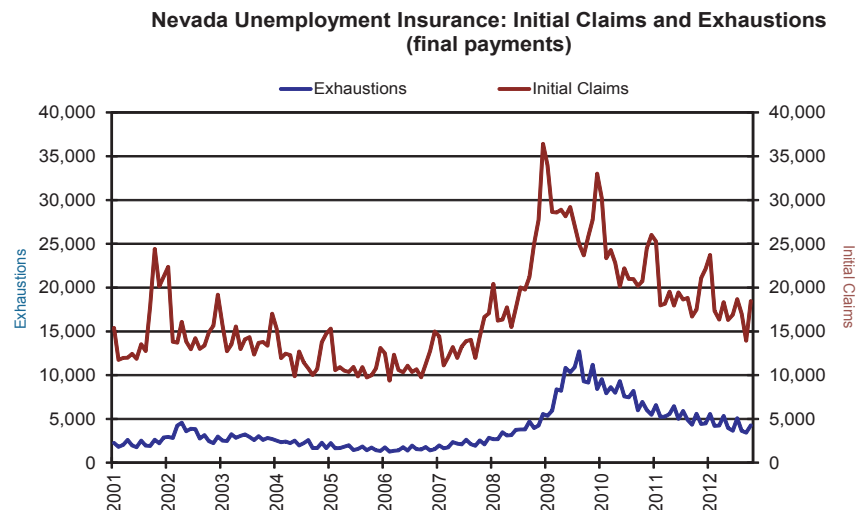
- October's seasonally adjusted unemployment rate in Nevada fell by 0.3 from last month to 11.5 percent.
- Nationally, the unemployment rate ticked up 0.1 of a point from September to October to a rate of 7.9 percent.
- Nevada has the highest unemployment rate in the nation, exceeding the national average by 3.6 percentage points. The next highest is Rhode Island with a rate of 10.4 percent.



- At 11.9 percent, the statewide unadjusted unemployment rate is down 1.8 percentage points YTD from 2011 to 2012.
- The Las Vegas-Paradise MSA recorded an unemployment rate of 12.1 percent YTD through October, a 1.9 percentage point decrease over-the-year.
- The Reno-Sparks MSA's jobless rate was 11.7 percent YTD through October. This equates to a decrease of 1.5 percentage points compared to the same period last year.
- The jobless rate in Carson City was 11.9 percent YTD through October, down 1.3 percentage points over the first ten months of 2011.



- Initial claims for unemployment insurance increased in October from September by 4,522. Over-the-year, claims were up by 5.5 percent. Since the beginning of the recession initial claims peaked at 36,414 in December 2008, and the low point for initial claims was 13,932 in September 2012.
- Final payments, signifying an exhaustion of regular State benefits, increased by 831 from September to October. Over-the-year, final payments were down 23.5 percent.

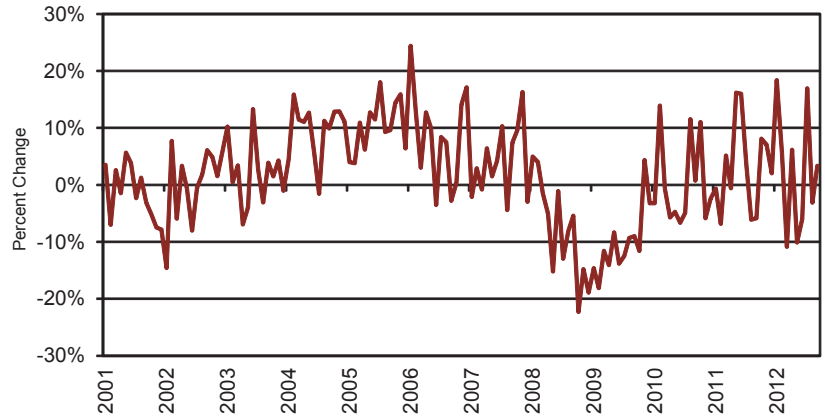


# Trends at a Glance

## Economic Indicators

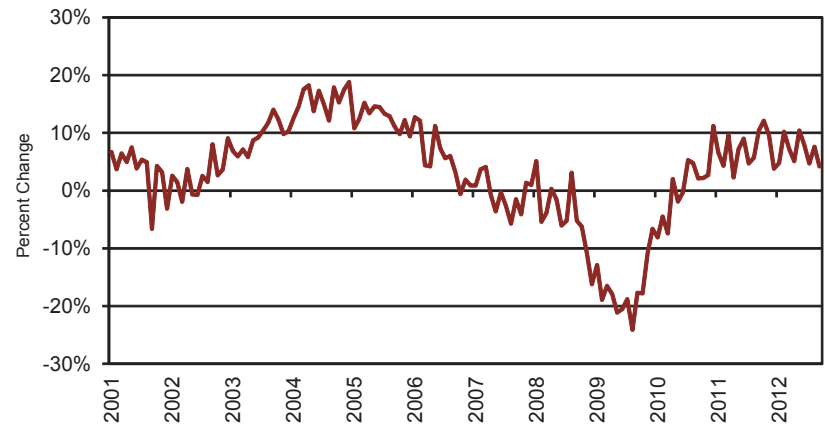
- Nevada's non-restricted gaming licensees reported a 3.3 percent increase in gaming win compared to September 2011.
- For the fiscal year-to-date, gaming win has increased 5.6 percent compared to the same period in 2011.

**Nevada Gross Gaming Win**  
(Year-Over-Year Percentage Change)



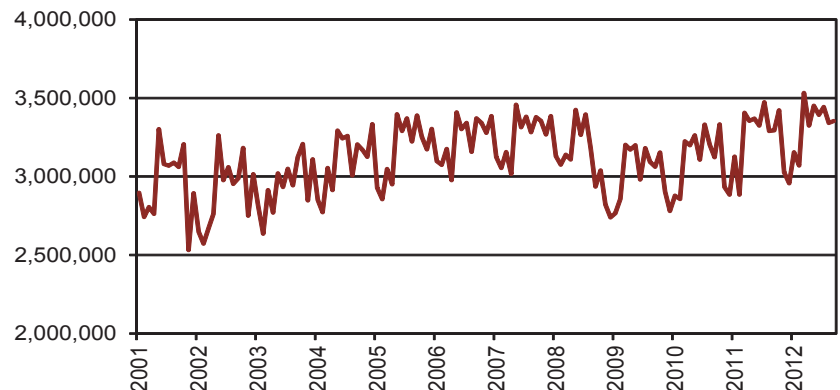
- In September, taxable sales increased 4.2 percent over September 2011 with collections totaling \$3,734,295,352.
- For the fiscal year-to-date, taxable sales are up 5.5 percent compared to the same period in 2011.

**Statewide Taxable Sales**  
(Year-Over-Year Percentage Change)



- Las Vegas visitor volume increased 59,213 in September relative to a year prior, a 1.8 percent increase.
- Year-to-date, visitor volume is up 1.8 percent in 2012 compared to a year earlier.

**Las Vegas Monthly Visitor Volume**

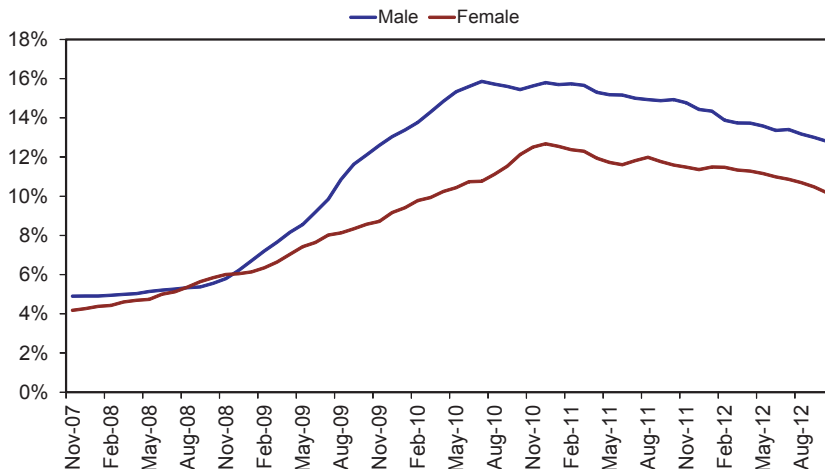


# Trends at a Glance

## Demographics of the Unemployed

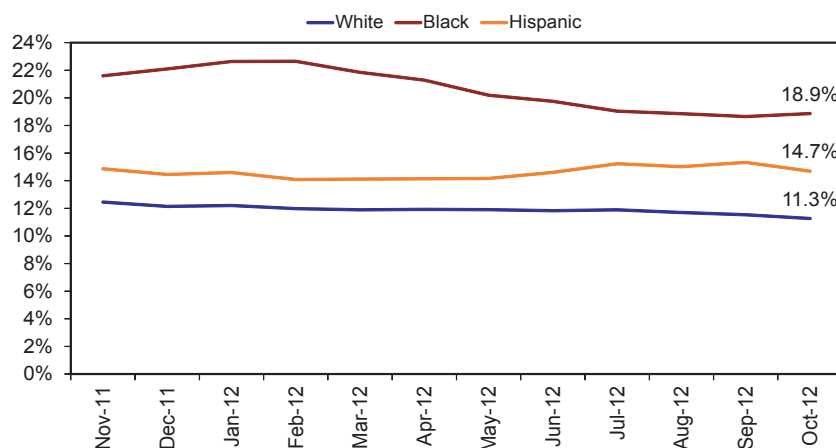
- The male unemployment rate fell by 0.2 percentage point to 12.8 percent from September to October.
- The female unemployment rate was down 0.3 to 10.2 percent.
- Traditionally male dominated industries, such as construction, have lost the most jobs during the recession, while female dominated industries have fared better overall.

Unemployment Rate by Sex  
(12-Month Moving Average, CPS Data)



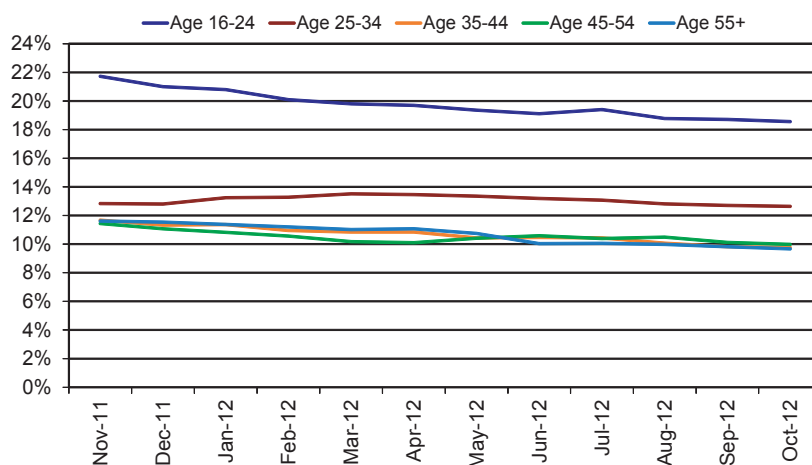
- The unemployment rate for Nevada's Hispanic labor force fell to 14.7 percent in October from 15.3 percent in September.
- The rate for Nevada's unemployed Black labor force increased 0.3 percentage point to 18.9 percent.
- The unemployment rate for Nevada's White labor force was down 0.2 percentage point to 11.3 percent.

Unemployment Rate by Ethnicity  
(12-Month Moving Average, CPS Data)



- At 18.6 percent, the unemployment rate for Nevada's youngest workers age 16-24 continued to trend higher than any other age group. However, over-the-year, this age group's unemployment rate declined the most, falling by four percentage points since last year.
- The unemployment rate for workers age 25-34 decreased 0.1 to 12.6 percent since last month and is effectively the same rate as last year.
- The unemployment rate for Nevada's oldest workers is 9.7 percent, down 0.1 from September and 2.2 percentage points over-the-year.

Unemployment Rate by Age Group  
(12-Month Moving Average, CPS Data)

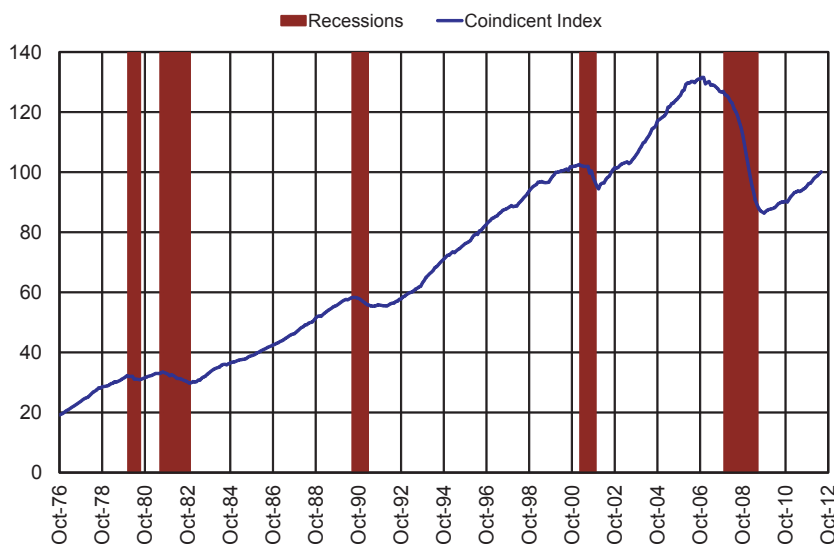


# Trends at a Glance

## CBER-DETR Nevada Coincident and Leading Employment Indices

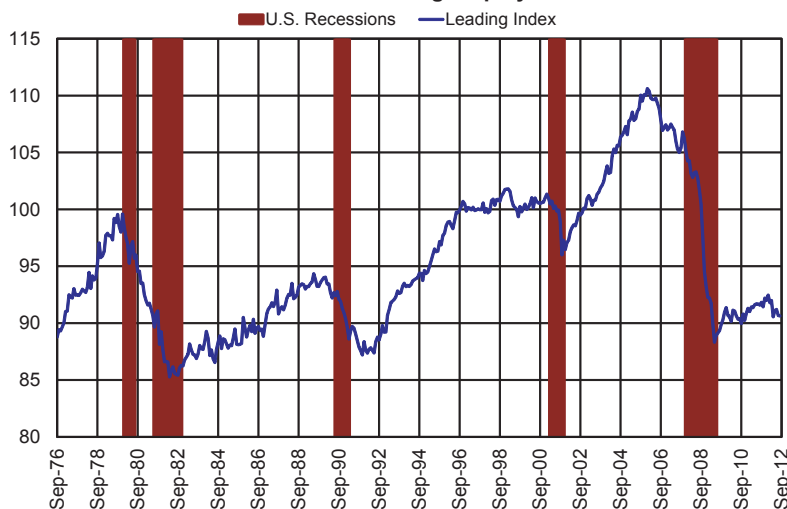
- The Nevada Coincident Employment Index measures the ups and downs of the Nevada economy using an index of employment variables. The peak of the last employment cycle in Nevada occurred in December 2006. The coincident index then regressed steadily through October 2009, where the coincident index reached a bottom.
- The coincident index moved higher by slightly over one percent in each of the last two months. When compared to the peak to trough decline in the coincident index during the Great Recession, the index has only recovered 35 percent of the loss. It still must recover about two-thirds of its overall loss to return to its previous peak in December 2006.
- The October release of seasonally adjusted data conveys a consistent, positive story for the coincident index. On a year-over-year basis, the unemployment rate, household employment, nonfarm employment, and the insured unemployment rate all moved in a positive direction.

CBER-DETR Nevada Coincident Employment Index



- The Nevada Leading Employment Index provides a signal about the future direction of the coincident index. For example, for the most recent employment recession, the leading index provided a clear signal by peaking in January 2006, eleven months before the coincident index reached its peak and reached a bottom in May 2009, five months before the coincident index reached its bottom.
- The leading index continues to tell a mixed story on a year-over-year basis. The short-duration unemployment rate, commercial permits and housing permits moved in a positive direction whereas initial claims for unemployment insurance, the real Moody's Baa bond rate, and construction employment moved in a negative direction.

CBER-DETR Nevada Leading Employment Index

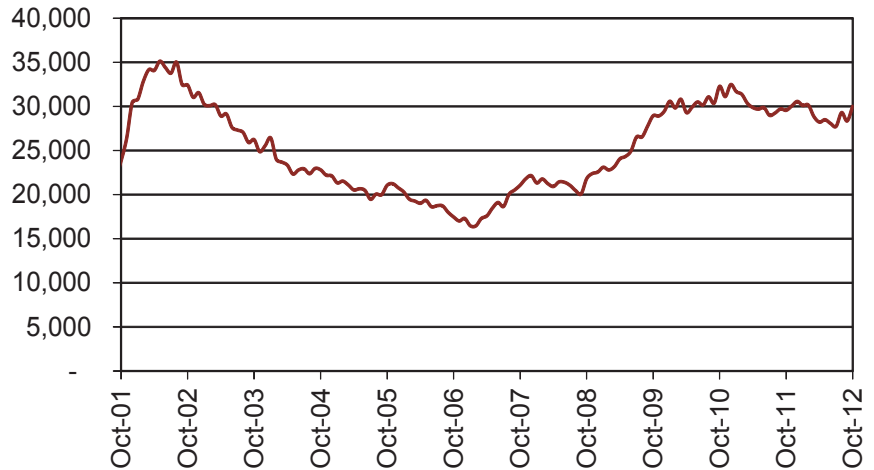


# Trends at a Glance

## Welfare Indicators

- The Temporary Assistance for Needy Families (TANF) program provides time-limited cash assistance to low-income families with children so they can be cared for in their own home. TANF also seeks to reduce dependency by promoting job preparation, reducing out-of-wedlock pregnancies and encouraging the formation and maintenance of two-parent families. As an economic indicator, TANF reveals information on the relative well-being of Nevada's low-income families. The number of recipients in the program is strongly influenced by the ups and downs of the business cycle.
- In October, 29,997 individuals were receiving assistance. Since October of last year, the level of assistance has increased 1.5 percent, or 442 more recipients.

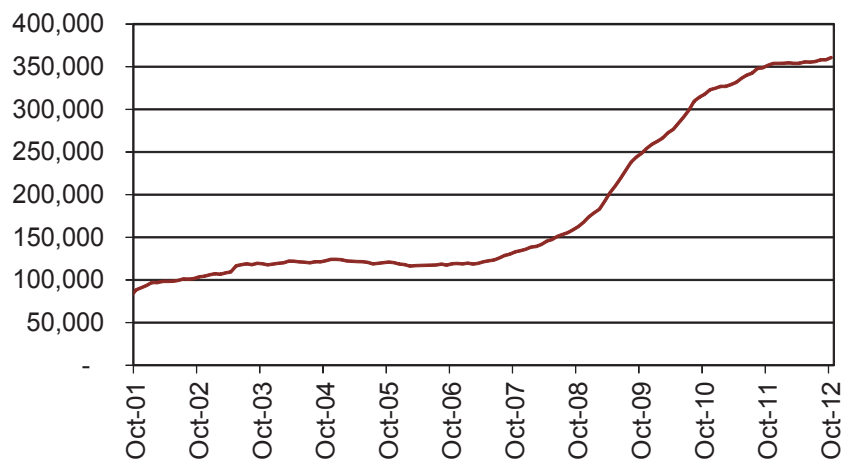
Temporary Assistance for Needy Families in Nevada, Number of Cash Recipients



Source: Nevada Department of Health and Human Services

- The Supplemental Nutrition Assistance Program (SNAP), formerly known as “food stamps”, provides the means to increase food purchasing power to raise the nutritional level among low-income households and is the first line of defense against hunger for thousands of Nevadans.
- In October, 360,559 Nevadans participated in the program. Over-the-year, the number of participants receiving assistance has increased 2.5 percent, or 8,873 more recipients.

Supplemental Nutrition Assistance Program, Number of Participating Nevadans



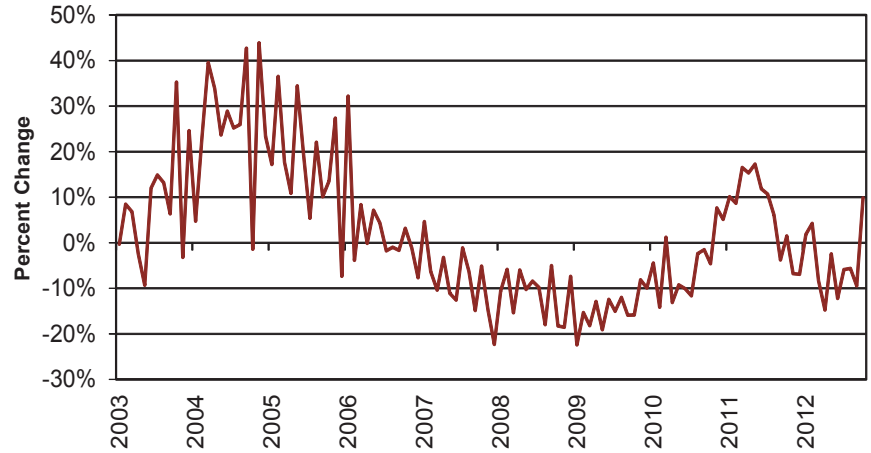
Source: Nevada Department of Health and Human Services

# Trends at a Glance

## Business Activity

- New business entity formations are comprised of both domestic and foreign entities forming/registering in the State. Trends indicate directional insight into business formation and investments.
- In October, new business filings were up 9.8 percent over October 2011. Year-to-date the formation of new businesses are down 4.7 percent compared to the same period last year.

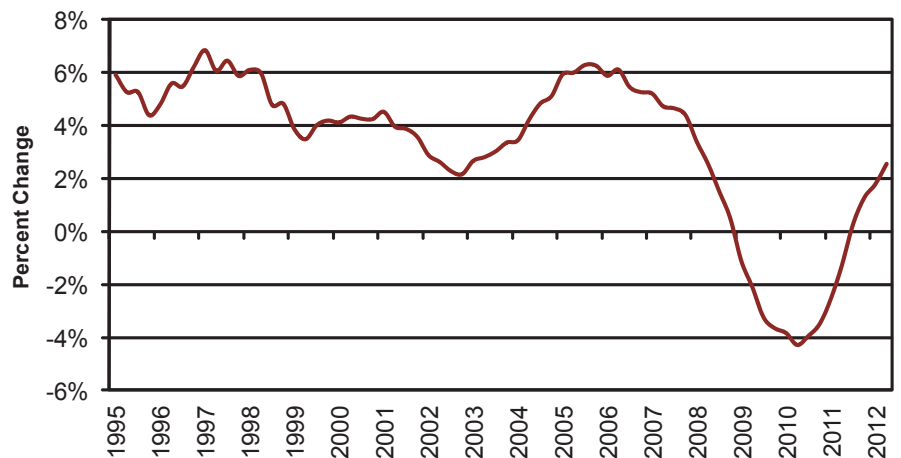
**Business Entity Formations**  
(Year-Over-Year Percentage Change)



Source: Nevada Secretary of State

- The State unemployment insurance (UI) contribution operations report identifies the number of UI-liable employers processed each quarter.
- During the third quarter of 2012 there were 57,403 employers subject to UI taxes. Compared to the same quarter in 2011, there are 1,007 more employers in the program, a 1.8 percent increase.

**U.I. Contributory Employers**  
(Year-Over-Year Percentage Change)



State of Nevada  
 Department of Employment, Training & Rehabilitation  
 Research & Analysis Bureau  
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