

ECONOMY IN BRIEF

July 2013



RESEARCH & ANALYSIS BUREAU

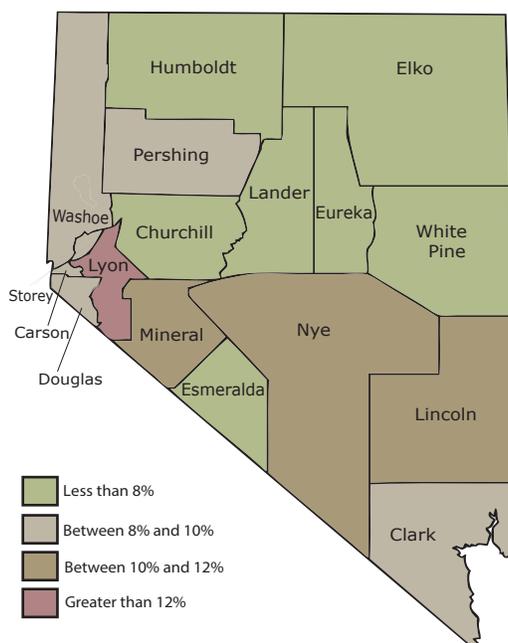
NEVADA'S PREMIER SOURCE OF WORKFORCE & ECONOMIC INFORMATION AND ANALYSIS

Economic Summary

One need only look at the specifics in July's Labor Market Overview to understand that assessing monthly changes in the labor market is a risky undertaking in light of volatile movements and the potential for conflicting signals. Instead, as we have stressed in the past, it is best to assess underlying trends over time. Even at the national level, the U.S. Department of Labor's Bureau of Labor Statistics (BLS) attempts to identify these underlying trends, at least when it comes to the jobs side of the picture, in part through an assessment of three-month moving averages. In Nevada, we often stress year-over-year measures in an effort to identify the true direction of the labor market. These approaches are designed to minimize the monthly "noise" in the estimates.

The monthly figures for July show that job readings in Nevada tumbled a seasonally adjusted 10,200 over the month. Yet at the same time, the unemployment rate dipped 0.1 point to 9.5 percent. These estimates are sample- and model-based indicators and, as a result, are subject to fluctuations that are sometimes difficult to explain. Looking beyond the labor market barometers, we know that taxable sales have risen in each of the past 35 months, gaming win is trending up, visitation stands just below record highs, and housing activity is picking up. Month-to-month comparisons of the main labor market barometers may sometimes not reflect what we see as a strengthening overall economy. However, a broader view highlights trends that are much more consistent with on-going modest improvement. Job levels are up 22,200 (two percent) during the first seven months of the year

Unemployment Rate by County



compared to a year ago, and the unemployment rate is down nearly two points from 2012 readings. These findings, we argue, are much more stable indicators of the labor market's underlying health.

Typically, July non-agricultural employment declines by about 8,300 relative to June, partly the result of the school year ending at both the State (higher education) and local levels (K-12). This year, the preliminary unadjusted decline was 18,500, resulting in the seasonally adjusted loss of 10,200 reported above. To illustrate the magnitude of this jobs report, from June to July employment failed to increase in any major industry, but declined in seven, and was little changed in three.

Economic Indicators

UNEMPLOYMENT RATES	July 2013
NEVADA *	9.5%
LAS VEGAS-PARADISE MSA	9.7%
RENO-SPARKS MSA	9.3%
CARSON CITY MSA	9.5%
ELKO MICROPOLITAN AREA	5.7%
UNITED STATES *	7.4%
CALIFORNIA *	8.7%
* Seasonally Adjusted	
JOB GROWTH (Y-O-Y)*	
NEVADA*	1.3%
LAS VEGAS-PARADISE MSA	1.6%
RENO-SPARKS MSA	-0.3%
CARSON CITY MSA	-1.4%
UNITED STATES*	1.7%
CALIFORNIA*	1.6%
* Seasonally Adjusted	
CONSUMER PRICE INDEX (Y-O-Y)	
UNITED STATES	2.0%
GAMING WIN (Y-O-Y)	
JUNE 2012 - JUNE 2013	
NEVADA	-4.8%
CLARK COUNTY	-4.8%
WASHOE COUNTY	-2.4%
TAXABLE SALES (Y-O-Y)	
MAY 2012 - MAY 2013	
NEVADA	6.1%
CLARK COUNTY	4.7%
WASHOE COUNTY	8.0%

The private sector lost 7,600 jobs over-the-month, while the public sector estimates show a decline of 2,600. June's job increase was revised up to 5,200 from the 3,700 originally reported. Nevada may have experienced a summer stagnation in hiring this year as the average of the last three months is disappointing,

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averaging a loss of 3,500 jobs per month.

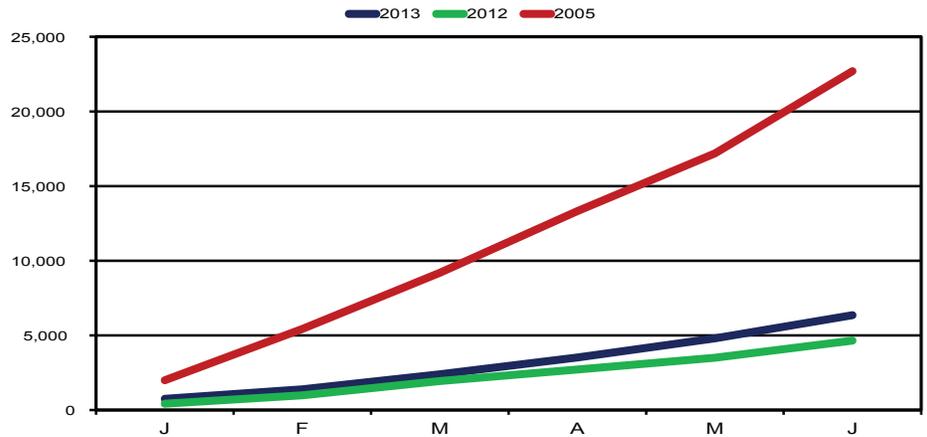
Nevada's good producing industries fell by 1,000 jobs over-the-month, driven by declines in construction. Compared to last year though, the year-to-date figures show the industry is still up by 1,900. Mining and manufacturing were little changed over-the-month.

The Silver State's service providing industries lost over 9,000 jobs, led by a 2,600 decline in both the education and health services sector and the government sector. On a positive note, wholesale trade is up for three straight months with a gain of 900 jobs over the period. The financial activities sector has fallen for three straight months for a loss of 1,800 jobs from May-July, wiping away gains in this newly recovering industry. Still, job readings are up by 1,700 on a year-to-date basis. The finance and insurance sub-sector is driving this series downward with a loss of 900 jobs from May-July; this is opposed to the other sub-sector in that category, real estate/rental and leasing, which is performing relatively well with gains of 1,300 jobs (5.6 percent) so far in 2013.

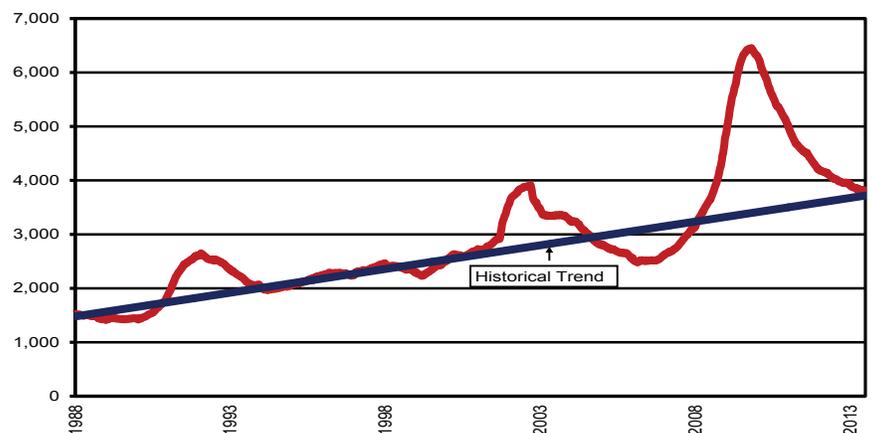
The 10,200 jobs that were lost in July were dispersed throughout the State with Las Vegas dropping by 6,200, Reno/Sparks by 1,600 and Carson City losing 100. The Las Vegas construction sector lost 1,000 non-seasonally adjusted construction jobs for the month, while the Reno/Sparks area added 200.¹ The Las Vegas leisure and hospitality sector also bore the brunt of job losses with a decline of 1,600. Statewide, 1,700 (unadjusted) jobs in the sector were lost.

Building permit activity is a forward-looking indicator of what is likely to unfold on the housing construction front. Through the first half of the year, 6,400 residential building permits were issued Statewide. This is up from 4,700 a year

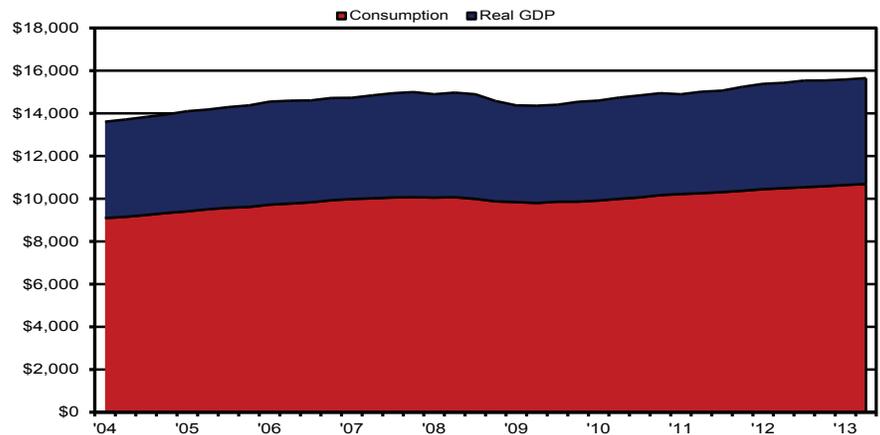
Nevada Residential Building Permits (YTD)



Initial Claims: A Historical Perspective (52-week moving average)



Personal Consumption Expenditures vs. Real GDP (billions of chained 2009 \$)



¹Job levels by industry in the sub-state areas are not adjusted for seasonality.

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ago. All told, permits are up 36 percent, compared to 25 percent for the nation as a whole. Still, as with numerous other indicators, recent gains fall well short of pre-recessionary trends. For instance, in the 2005 boom year, 22,700 permits were issued during the first half of the year.

While not directly comparable to Nevada's adjusted rate, the non-seasonally adjusted unemployment rate in each of the State's three metropolitan areas fell in July.² Las Vegas registered the highest jobless rate at 9.7 percent, down from 10.1 percent in June. The Reno/Sparks metro area fell from 9.8 to 9.3 percent from June to July, and Carson City's unemployment, at 9.5 percent, is down from 10.1 percent. Over the month, Elko's unemployment rate fell from six to 5.7 percent. Since last year, all of the State's 17 counties registered year over year unemployment rate declines. Nye County achieved the highest year over decline by shaving off 2.8 percentage points for a reading of 11.6 percent in July. The mining counties, which still have relatively low unemployment rates, declined the least amount over the year.

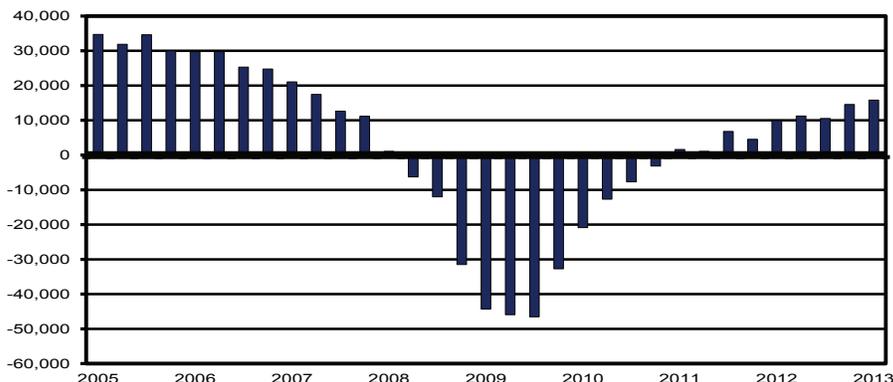
Data on initial claims for unemployment insurance provide another near real-time status check on Nevada's labor market. Readings thus far in 2013 show signs of leveling off, albeit at a historically high equilibrium. Current levels are nearly where they were in the post-9/11 period. Despite the significant cyclical volatility in initial claims activity, current claim levels are very consistent with the overall historical trend. This suggests that the higher level of claims is in part related to the overall growth in the state—more jobs equals more claims. Although the decline in worker dismissals is slowing, it is, nonetheless, improving and that bodes well for future hiring. In the first seven months of 2013, initial claims have averaged 16,929 per month versus 18,237

² Unemployment rates for the State's metropolitan areas and counties reported here are not adjusted for seasonality. Hence, comparisons to the State's seasonally adjusted rate should be avoided. Legitimate comparisons, however, can be made to the State's unadjusted rate – 9.5 percent in July, down from 9.9 percent in June and 11.6 percent in July 2012.

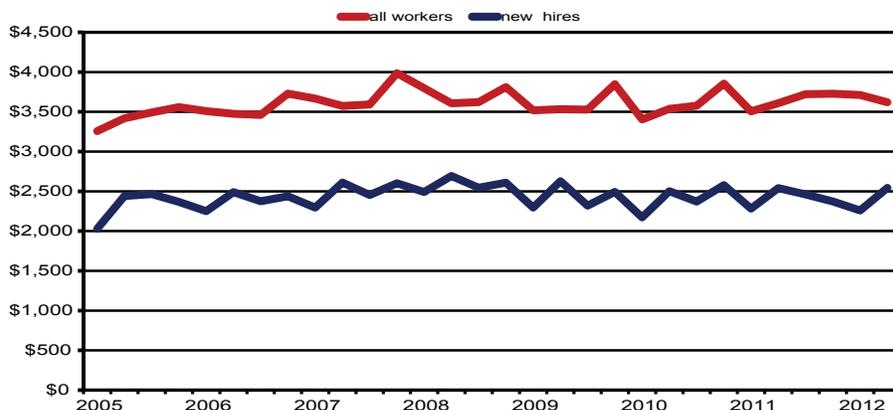
Current Employment Statistics Job Trends Since 2010

	Total (Private+Public)	Private Sector
2010 Baseline	1,117,300	963,600
Calculation of 2011 Growth		
2011	1,124,600	974,300
Growth from 2010	7,300	10,700
Calculation of 2012 Growth		
2012	1,142,700	993,700
Growth from 2011	18,100	19,400
Calculation of 2013 Year-to-Date Growth		
2012 Year-to-Date (through July)	1,134,000	985,100
2013 Year-to-Date (through July)	1,156,100	1,004,800
Year-to-Date Growth from 2012	22,100	19,700
Total Growth Since 2010 (2011 Growth + 2012 Growth + 2013 YTD Growth)	47,500	49,800

Nevada Job Growth in Establishments with Less than 100 Employees (year-over-year)



Nevada Average Monthly Earnings: All Workers vs. New Hires



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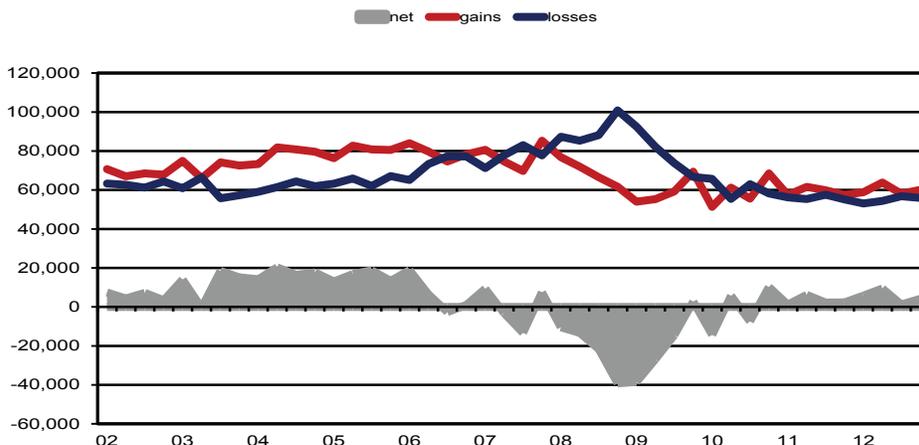
during the same period in 2012. At its recessionary peak, monthly claims exceeded 36,000.

Taxable sales in Nevada have recorded gains in each of the past 35 months. At least partly as a result, retail trade job readings have been on the upswing with gains reaching 2,700 year-to-date. Nevada is thought of (correctly so) as very much dependent upon the willingness of consumers to spend their disposable incomes in our State's various tourism-oriented establishments. But even at the national level, consumers, to a large part, drive economic growth. Historically, consumption expenditures represent about two-thirds of total economic activity nationwide.

Throughout history, Nevada has been subject to recurring boom and bust cycles, such as those associated with mining, gaming and construction. We are about 2.5 years into the current jobs recovery...a good time to assess the extent to which we've turned the corner. From 2010 to 2011, Nevada's economy expanded by 10,700 private sector jobs. In 2012, our job base grew by an additional 19,400. Private sector employment in the first seven months of 2013 is 19,700 higher, on average, than in the first seven months of 2012. Should these trends hold through the remaining five months of the year (which we believe they will), Nevada is on pace to have added approximately 49,800 jobs over the 2010-2013 period.

Nevada's small businesses are contributing to the underlying uptrend in Nevada employment. After declining non-stop over the 2008-2010 period, job gains have been recorded in each of the past nine quarters (through 2013:IQ, the latest available information). Specifically, during the first three months of this year, employment in those establishments with less than 100 employees stood 15,800 higher than a year ago in totaling 537,700, and the trend appears to be strengthening. It

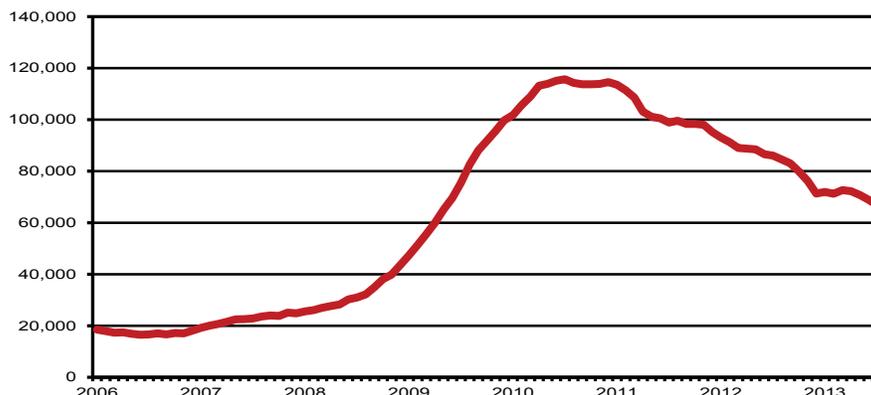
Business Employment Dynamics: Private Sector Gross Job Gains vs. Gross Job Losses (SA)



Alternative Measures of Labor Underutilization (four quarters ending in 2013:IIQ)

Measure	Underutilization Concept	Level
Official Rate	jobless persons available to take a job who have actively sought work in the past four weeks	9.6%
U-1	jobless 15 weeks or longer	6.1%
U-2	job losers and persons losing a temporary job	5.9%
U-3	similar to official rate	10.4%
U-4	U-3 plus discouraged workers	11.3%
U-5	U-4 plus others marginally attached to the labor force	12.5%
U-6	U-5 plus those employed part-time for economic reasons	19.0%

Unemployed Nevadans Classified as "Job Losers" (12-month moving average)



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should be noted, however, that recent gains, although welcome news, fall short of the increases recorded pre-recession, when small business job gains approached 35,000, year-over-year.

There has been some debate of late concerning the "quality" of Nevada's recent job growth. While we are not aware of any definitive evidence to inform that debate, some anecdotal information (which we've presented in previous Overviews) is available to shed some light on the issue. For instance, as we've discussed in the recent past, results of the Census Bureau's monthly Current Population Survey (CPS) show that the number of Nevadans employed on a full-time basis has been on the rise, while part-time employment has leveled off and stabilized. In addition, trends in the average wages of "new hires" have not deviated from their historical trend. For instance, in last year's second quarter (the most recent data available from the Census Bureau's Local Employment Dynamics Program), new hire wages averaged \$2,540 per month. This compares to an economy-wide average wage of \$3,620. Historically, new hire wages have fluctuated around two-thirds of the overall average.

While the job changes discussed each month are at the forefront of labor market discussions, the Business Employment Dynamics series offers insight into the underlying forces beneath the job numbers. For example, in 2012:IVQ, the latest data available, gross job gains at expanding or opening private sector establishments totaled 60,100. At the same time, 55,900 jobs were lost at closing or contracting establishments. The difference between the number of gross job gains and gross jobs losses yielded a net employment gain of 4,100 jobs in the private sector during the final three months of 2012. This represents the ninth consecutive quarter of net job growth, based upon BED measures. A close examination of the information offers an interesting conclusion. It appears that gross job losses have

receded to "normal" levels, and are hovering around pre-recession lows. However, gross job gains, a proxy for hiring activity, remains stubbornly low. Although job trends have turned positive, hiring activity needs to pick up to see more noticeable net gains. For instance, prior to the recession, net job gains, according to the BED information, settled in the 15,000-20,000 range per quarter.

The unemployment rate is a prominent measure of labor market performance. The Bureau of Labor Statistics reports six alternative measures of labor underutilization, deemed the U1-U6 rates, with the official unemployment rate most similar to the U-3 rate. (In the 12 months ending in June, the State's official rate was 10.1 percent. The U-3 rate was a similar 10.4 percent.) The ranks of the unemployed include all people without jobs who are ready to work and have actively sought employment in the prior four weeks. The other measures are provided to analyze the rate by redefining the official concept. Of the five other measures of joblessness and underemployment, most attention is paid to the discouraged workers (U-4) and involuntary part-timers (U-6). Including all of those discouraged over job prospects (not included in the official definition because of failing to meet the job search criteria), the jobless rate would increase by about 0.9 percentage point, on average, over the 12-months ending in June. Last month, we reported that there were about 13,200 Nevadans classified as discouraged workers. The broadest measure of labor underutilization rates, U-6, includes involuntary part-timers (and hence, is not really an "unemployment" rate), defined as those working part-time, but prefer full-time work. The U-6 rate, at 19 percent, is down 4.7 percentage points from its peak of 23.7 percent registered in the four-quarters ending in 2011:IQ.

Among other things, the monthly CPS provides information on the underlying reason for an individual's unemployment spell. For instance, over the 12-month

period ending in July, there were, on average, about 67,000 Nevadans who were unemployed because they had lost their job. (Other potential reasons for unemployment are leaving a job and entry/re-entry into the labor force.) At its peak during the recession, about 120,000 Nevadans were counted as "job losers." This decline is consistent with information from the Business Employment Dynamics Program information reported above in this Overview, which shows that the number of gross job losses at closing/contracting establishments has eased considerably from recessionary highs.

In conclusion, Nevada suffered a loss of 10,200 jobs in the month of July, but the unemployment rate ticked down by 0.1 percentage point to 9.5 percent. You have to go back to early 2009, during the height of the downturn, to see declines this large in the job count. This does not necessarily point to a looming sustained downturn in Nevada's economy, but more so highlights the inherent volatility of the monthly job estimates. Recognizing this volatility, it is good practice to focus any trend analysis on year-to-date values in addition to discussing the month-to-month changes. That said, jobs are up by 22,200 year-to-date in the monthly jobs survey and are consistent with the less timely, but more accurate (they are a complete count of jobs), Quarterly Census of Employment and Wages readings.

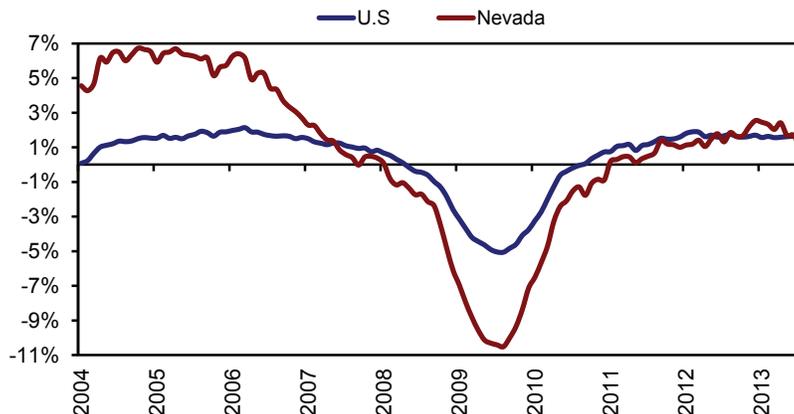
*Bill Anderson, Chief Economist
Leandra Copeland, Supervising
Economist*

Trends at a Glance

Industrial Employment

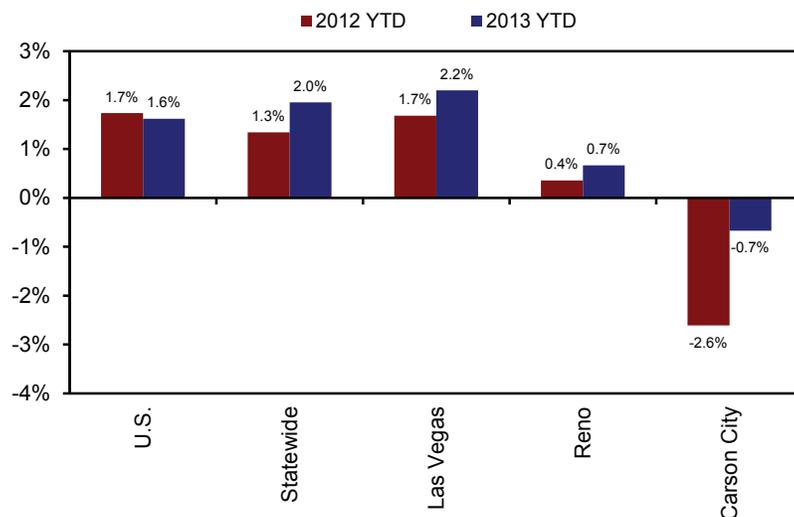
- Nevada's year-over-year job growth rate fell below the nation's for the first time this year in July.
- Industrial employment in Nevada grew at a rate of 1.1 percent relative to a year prior, equating to a gain of 12,200 jobs.
- For the U.S., July job readings were up 1.7 percent relative to July 2012, equating to a gain of 2,296,000 jobs.

Job Growth
(Year-Over-Year Percent Change)
U.S. vs Nevada



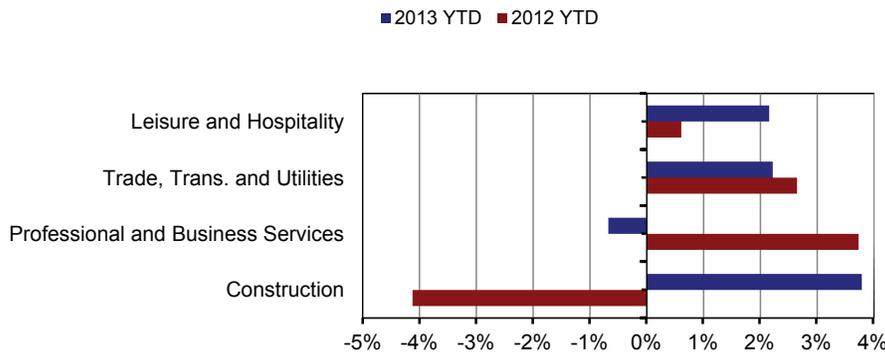
- The year-to-date annual rate of change in jobs remains better than a year ago for Nevada and its metro areas.
- The Las Vegas MSA's job count is 2.2 percent higher YTD in July relative to the same period in 2012.
- In the Reno-Sparks MSA, YTD job readings have increased by 0.7 percent since 2012.
- In Carson City, employment fell 0.7 percent YTD, and is the only metro area to have fewer jobs now than the same period as last year.

Job Growth by Region
(YTD through July, Not Seasonally Adjusted)



(YTD through July, Not Seasonally Adjusted)

- Jobs in the State's largest industry, leisure and hospitality, are up 2.2 percent YTD through July. A year earlier, YTD job readings were up 0.6 percent over the same time frame.
- Jobs in the trade, transportation, and utilities sectors are up 2.2 percent YTD relative to the same time frame in 2012.
- The professional and business services sector decreased 0.7 percent YTD through July 2013 from a year earlier.
- Jobs in construction increased over the past year equating to a 3.8 percent YTD increase.

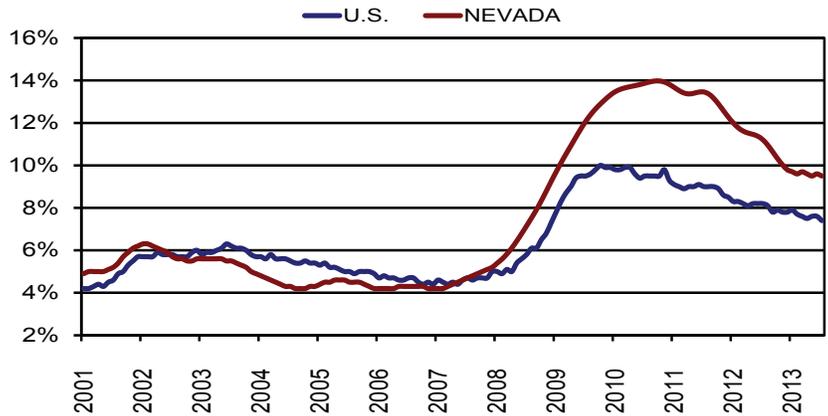


Trends at a Glance

Unemployment

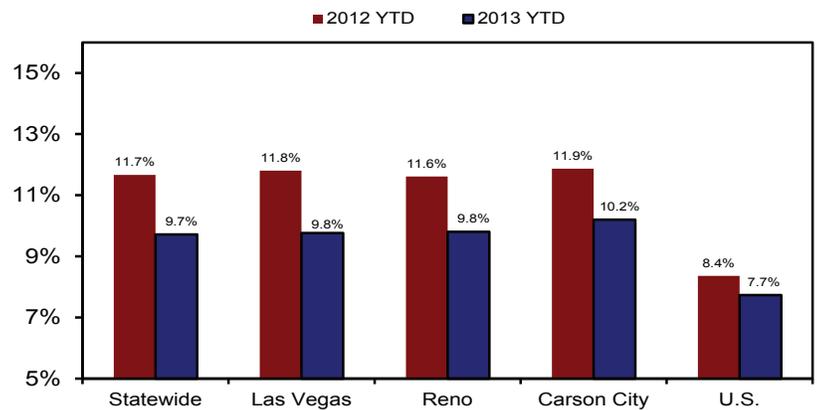
- July's seasonally adjusted unemployment rate in Nevada decreased by 0.1 percentage point from last month to 9.5 percent.
- Nationally, the unemployment rate was decreased from June to July at 7.4 percent.
- Nevada has the highest unemployment rate in the nation, exceeding the national average by 2.1 percentage points.

**Unemployment Rates
U.S. vs Nevada
(Seasonally Adjusted)**



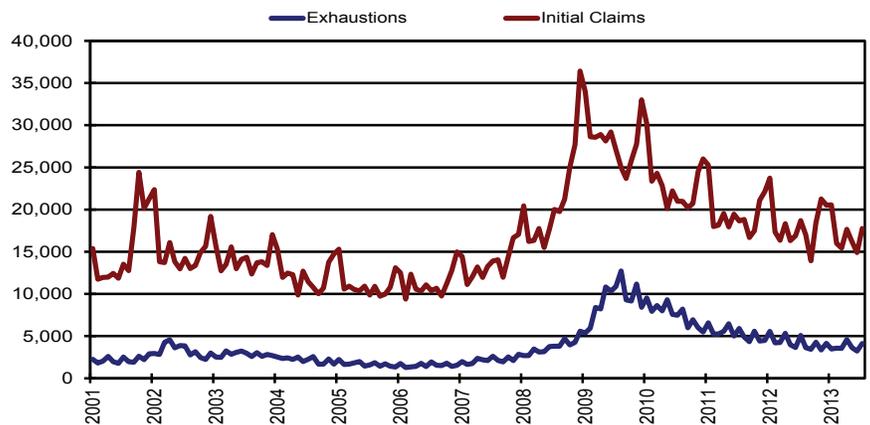
- At 9.7 percent, the statewide unadjusted unemployment rate decreased 1.9 percentage points YTD from 2012 to 2013.
- The Las Vegas-Paradise MSA recorded an unemployment rate of 9.8 percent YTD through July, a 2.0 point decrease over-the-year.
- The Reno-Sparks MSA's jobless rate was 9.8 percent YTD through July. This equates to a decrease of 1.8 percentage points compared to the same period last year.
- The jobless rate in Carson City was 10.2 percent YTD through July, down 1.7 percentage points over the first seven months of 2013.

**Unemployment Rate by Region
(YTD through July, Not Seasonally Adjusted)**



- In July 17,764 initial claims were filed in Nevada, compared to 18,690 in July 2012, a 5.0 percent decrease over the year.
- Final payments, signifying an exhaustion of regular State benefits, increased by 916 over the month with 4,137 exhaustees recorded in July. Over-the-year, final payments were down 18.5 percent.

**Nevada Unemployment Insurance: Initial Claims and Exhaustions
(final payments)**

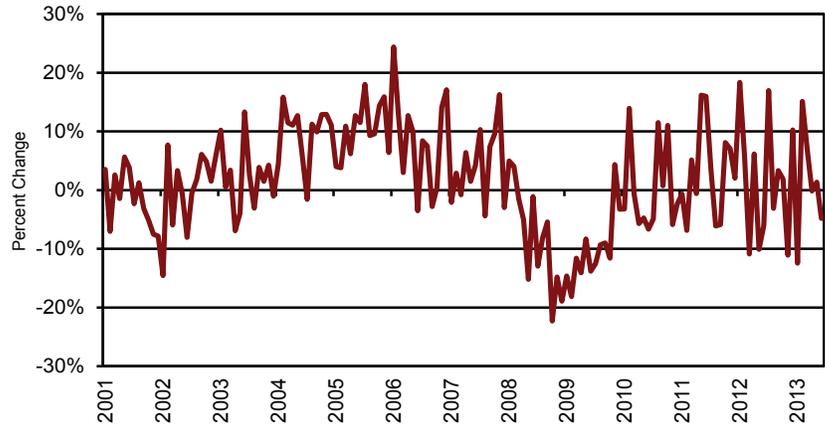


Trends at a Glance

Economic Indicators

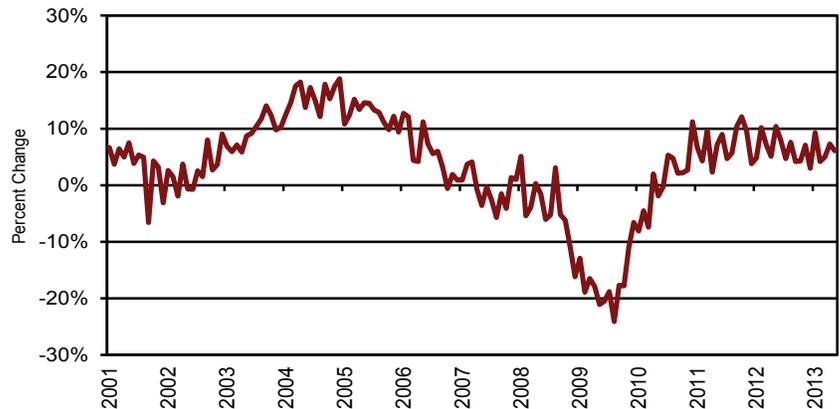
- Nevada's non-restricted gaming licensees reported a 4.8 percent decrease in gaming win compared to June 2012.
- For the fiscal year-to-date, gaming win has increased 1.8 percent compared to the same period in 2012.

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



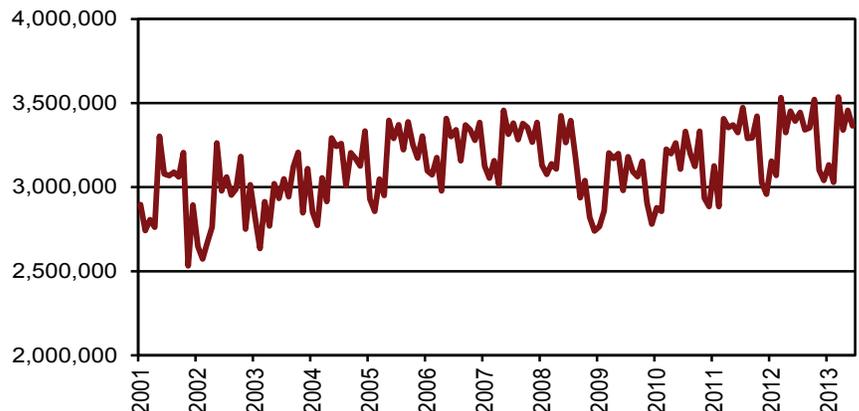
- In May, taxable sales increased 6.1 percent over May 2012 with collections totaling \$3,937,876,283 .
- For the fiscal year-to-date, taxable sales are up 5.6 percent compared to the same period in 2012.

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



- Las Vegas visitor volume decreased 28,903 in June relative to a year prior, a 0.9 percent decrease.
- Year-to-date, visitor volume is down 0.3 percent in 2013 compared to a year earlier.

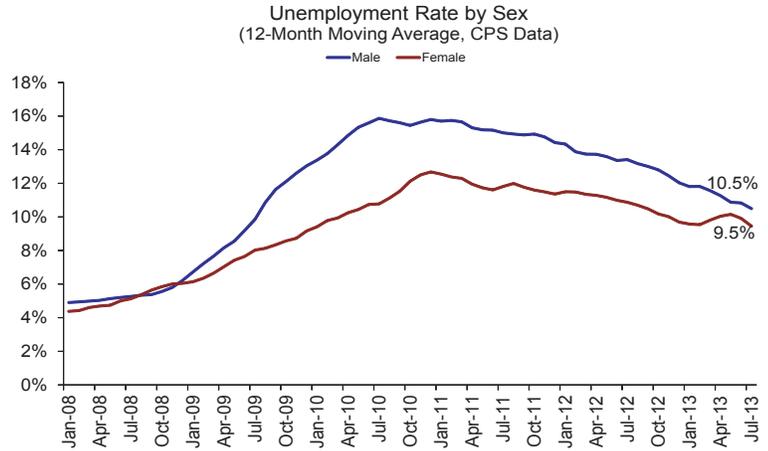
Las Vegas Monthly Visitor Volume



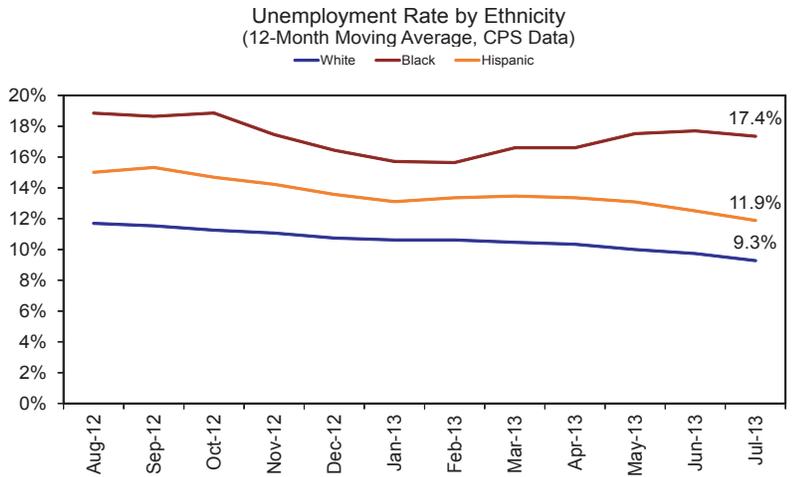
Trends at a Glance

Demographics of the Unemployed

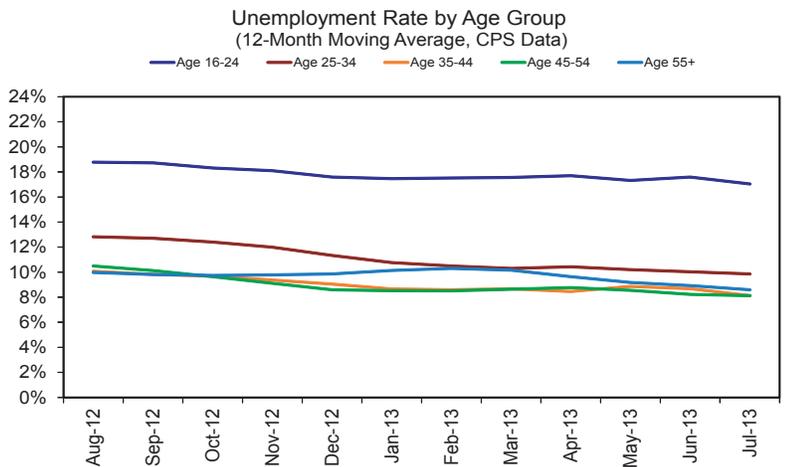
- The unemployment rate for men in Nevada was 10.5 percent in July, down 0.3 percentage point from last month.
- Similarly, the female unemployment rate decreased to 9.5 percent from 9.9 percent.
- This is the lowest the male unemployment rate has been since July of 2009 and the lowest the female unemployment has been since January 2010.



- The unemployment rate for Nevada’s Hispanic labor force decreased by 0.6 percentage point to 11.9 percent from June to July.
- The rate for Nevada’s unemployed black labor force decreased by 0.3 to 17.4 percent.
- The unemployment rate for Nevada’s white labor force decreased by 0.4 percentage point from 9.7 percent.



- Nevada’s youngest workers, age 16-24 experienced the highest unemployment rate of any age group in the state, coming in at 17.0 percent in July.
- The unemployment rate for workers age 25-34 was 9.9 percent and is down by 0.1 percentage point since last month.
- The lowest unemployment rate for any age group in Nevada goes to the 35-44 year olds. For July this group had an unemployment rate of 8.1 percent.

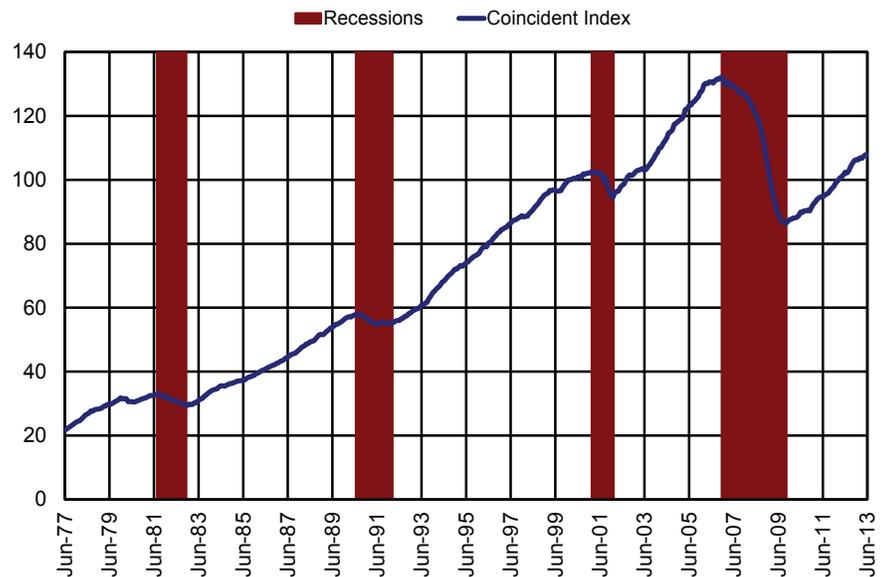


Trends at a Glance

CBER-DETR Nevada Coincident and Leading Employment Indices

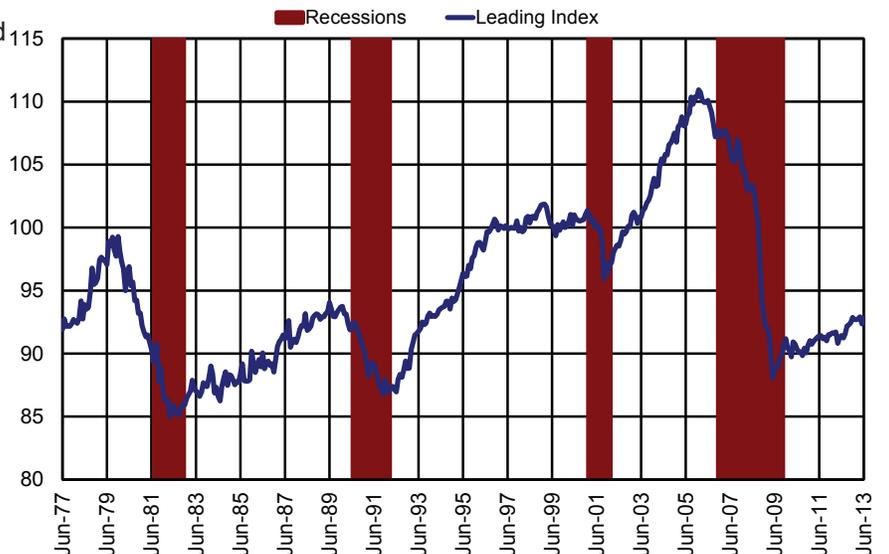
- The Nevada Coincident Employment Index measures the ups and downs of the Nevada economy using an index of employment variables. The peak of the last employment cycle in Nevada occurred in December 2006. The coincident index then regressed steadily through October 2009, where the coincident index reached a bottom.
- The June release of data conveys a generally positive story on a year-over-year basis. For the coincident index, the unemployment rate (inverted), household employment, nonfarm employment, and the insured unemployment rate (inverted) all moved in a positive direction.
- For the coincident index on a monthly basis, household employment, the insured unemployment rate (inverted) and nonfarm employment all moved in a positive direction while the unemployment rate (inverted) moved in a negative 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 Nevada's 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.
- For the leading index on a year-over-year basis, commercial permits, housing permits, the short-duration unemployment rate (inverted), construction employment, and initial claims for unemployment insurance (inverted) moved in a positive direction whereas the real Moody's Baa bond rate (inverted) moved in a negative direction.
- For the leading index on a monthly basis, the real Moody's Baa bond rate (inverted), the short-duration unemployment rate (inverted), construction employment, and initial claims for unemployment insurance (inverted) moved in a positive direction whereas commercial permits and housing permits 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 July, 29,016 individuals were receiving assistance. Since July of last year, the level of assistance increased by 4.6 percent, or 1,286 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 June, 363,155 Nevadans participated in the program. Over-the-year, the number of participants receiving assistance had an increase of 2.0 percent, or 7,215 more recipients.

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



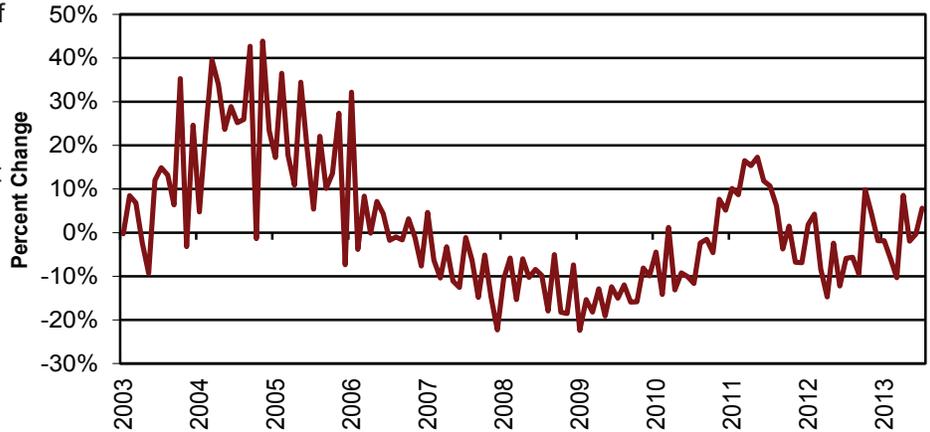
Source: Nevada Department of Health and Human Services

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 July, new business filings were up 5.6 percent over July 2012. Year-to-date the formation of new businesses are up 11.5 percent compared to the same period last year.

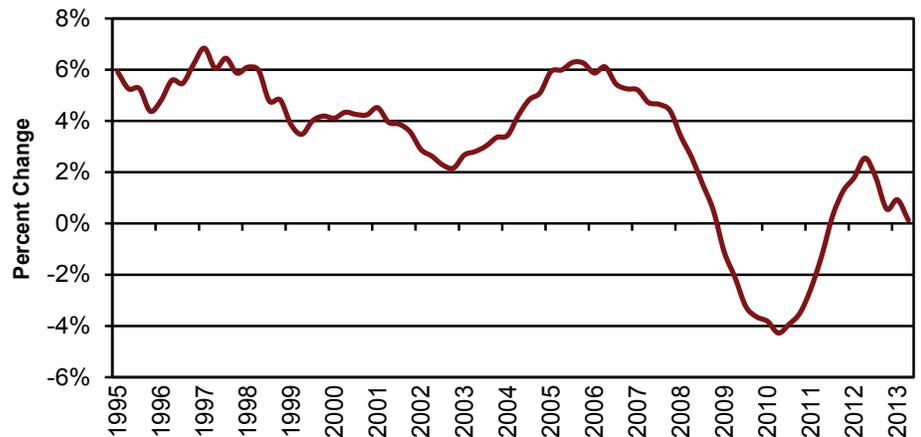
Business Entity Formations
(Year-Over-Year Percentage Change)



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 first quarter of 2013 there were 57,595 employers subject to UI taxes. Compared to the same quarter in 2012, there are 72 more employers in the program, a .13 percent increase.

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



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