

# ECONOMY IN BRIEF



RESEARCH &  
ANALYSIS BUREAU

October 2013

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

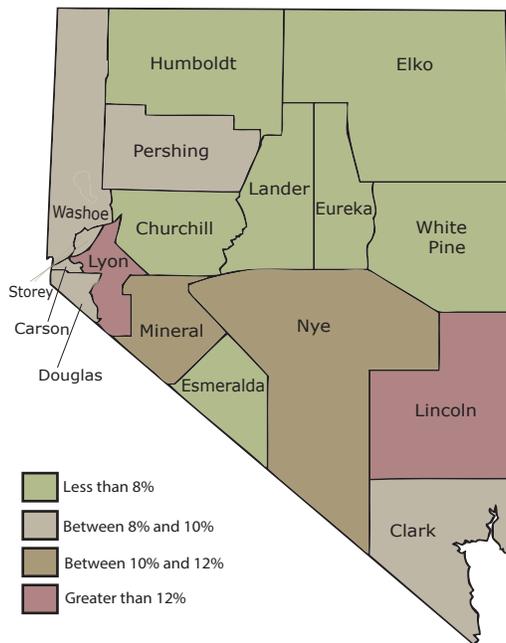
## Economic Summary

Nevada's labor markets continued on a path of moderate improvement in October. Nonfarm employment increased by a seasonally adjusted 7,400 relative to September's readings, and the unemployment rate was little changed at 9.3 percent. Compared to October 2012, payrolls are up 20,200, or 1.8 percent, while the unemployment rate has declined by one percentage point. Five of Nevada's super-sectors increased employment over-the-month, four realized declines, and one had no change.

The State's largest MSA, the Las Vegas-Paradise-Henderson area, increased employment by 4,800 for the month. Relative to last year, employment in the Las Vegas valley has increased by 17,500, a 2.1 percent growth rate. The Las Vegas MSA is recovering quicker than the smaller MSAs and rural areas. The Reno area added 1,600 jobs as compared with September. On a yearly basis, the area's employment base increased by 1,800 jobs, or 0.9 percent. Carson City's economy still struggles and has lost 700 jobs, or -2.5 percent, relative to one year ago. The balance of state areas, which comprise the rural counties, added 1,600 jobs over-the-year, an increase of 1.3 percent.

Unemployment rates in each of the State's three population centers stand at their lowest October readings since 2008<sup>1</sup>. Reno is home to the lowest jobless rate, at 8.8 percent. Las Vegas' rate is 9.4 percent, while in Carson City the rate stands at 9.6 percent. Five counties are home to unemployment rates through the first ten months of the

Unemployment Rate by County



year that are, roughly, six percent or lower...all of them are rural.

As we've been noting in recent Overviews, Nevada is steadily climbing up the job growth rankings. Another way to examine our relative performance is via "shift-share" analysis. This tool decomposes regional employment growth over time into three components: (1) the national growth effect assumes regional employment in each industry grows/declines at the same rate as total employment in the nation; (2) the industry mix effect is the portion of employment change for a given industry due to the relative performance of that specific industry nationally; and (3) the competitive effect (the most important of the three) measures how much change is due to regional,

## Economic Indicators

<u>UNEMPLOYMENT RATES</u> October 2013	
NEVADA *	9.3%
LAS VEGAS-PARADISE MSA	9.4%
RENO-SPARKS MSA	8.8%
CARSON CITY MSA	9.6%
ELKO MICROPOLITAN AREA	5.5%
UNITED STATES *	7.3%
CALIFORNIA *	8.9%
* Seasonally Adjusted	
<u>JOB GROWTH (Y-O-Y)*</u>	
NEVADA*	1.8%
LAS VEGAS-PARADISE MSA	2.1%
RENO-SPARKS MSA	0.9%
CARSON CITY MSA	-2.5%
UNITED STATES*	1.7%
CALIFORNIA*	1.4%
* Seasonally Adjusted	
<u>CONSUMER PRICE INDEX (Y-O-Y)</u>	
UNITED STATES	-0.3%
<u>GAMING WIN (Y-O-Y)</u>	
SEPT 2012 - SEPT 2013	
NEVADA	7.4%
CLARK COUNTY	8.7%
WASHOE COUNTY	-3.8%
<u>TAXABLE SALES (Y-O-Y)</u>	
AUG 2012 -AUG 2013	
NEVADA	3.7%
CLARK COUNTY	3.6%
WASHOE COUNTY	6.6%

rather than national, factors.

<sup>1</sup> 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 - 9.2 percent in October. September's reading was also 9.2 percent.

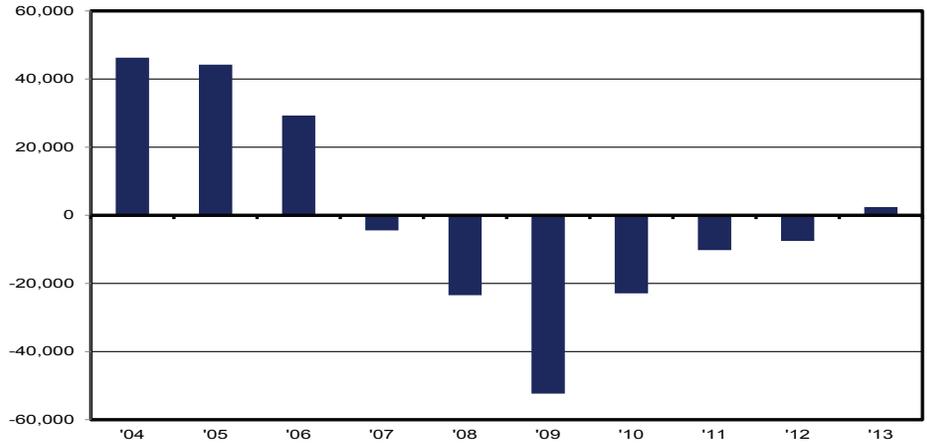
# Economic Summary

Over the last decade, Nevada employment growth has come in just as expected, given national macroeconomic and industry trends. Employment in Nevada has increased by nearly 76,000 since 2003. Over that time, the State's competitive share was less than 400, suggesting that essentially all of our job gains over the past ten years were attributable to national trends.

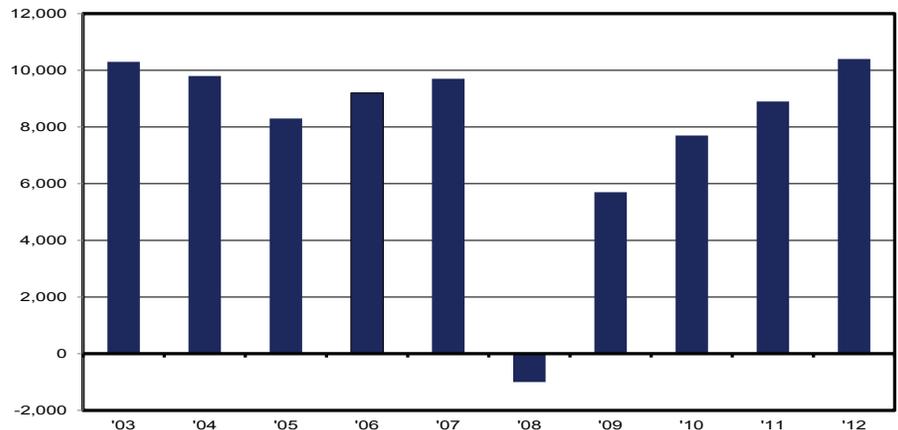
However, that masks considerable differences over the pre- and post-recessionary periods. Prior to the downturn, Nevada turned in job gains well above those consistent with national and industry conditions. In other words, the State maintained a positive competitive share. Indeed, in 2004 and 2005, job growth was more than 40,000 higher than expected, given broader trends. During and immediately following the recession, Nevada job losses were much more pronounced than anticipated, and subsequent gains were not as pronounced as expected. For instance, in 2009, Nevada's job declines were about 50,000 greater than what can be explained by national trends. It hasn't been until this year that the State's competitive share has, once again, turned positive, suggesting that Nevada's job gains are exceeding expectations.

During the holiday season, the trade and transportation sector bustles. This month we examine the likely impacts on hiring. In the years prior to the recession, September-December increases in holiday-related seasonal jobs reached 10,000 in Nevada. During the recession and early stages of recovery, seasonal gains eased noticeably. However, more recently, holiday-related job growth has picked up in these industries. For instance, in 2012, seasonal employment in these industries rose by 10,400 from September through December. In that the economy has strengthened further from a year ago, our expectation is to match or exceed 2012's holiday-related seasonal gains. Retailers not only move more inventory

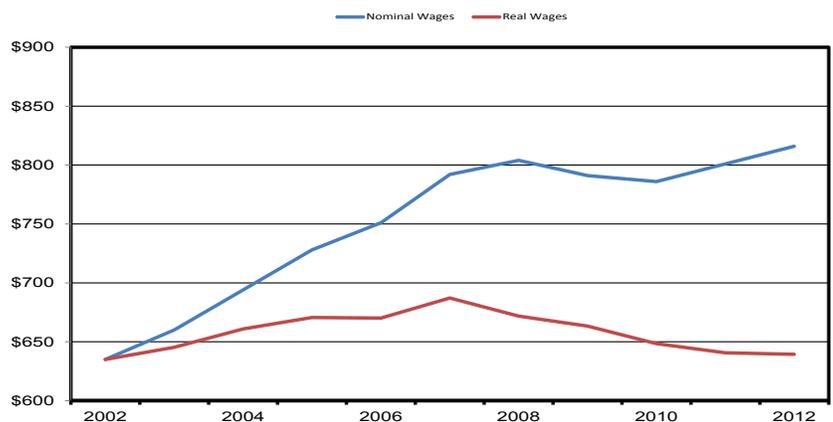
Nevada's "Competitive" Job Growth Share



September-December Growth in Trade/Transportation Jobs as a Measure of Seasonal Hiring



Nominal vs. Real (2002 \$) Nevada Average Weekly Wages



# Economic Summary

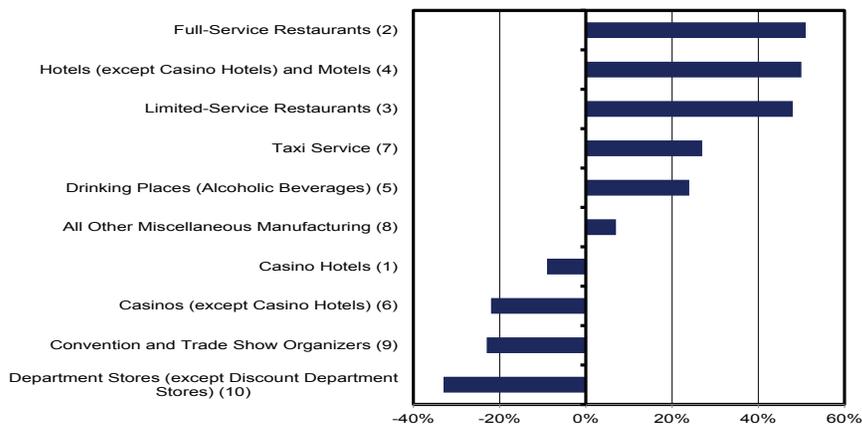
this time of year, but they also purchase marketing products and related services, stimulating activity in the professional and business services sector. The professional & business services sector added 1,200 jobs (+0.9 percent) in October after shedding 7,500 in September. This sector houses temporary employment services and convention services; both of which can be highly variable in employment levels.

Nevada's economy is standing taller than last year and apt to have a buzzing trade sector. In October we expected at least 700 additional jobs in the trade, transportation and utilities (TTU) sector given historical trends. This year, however, 5,100 jobs were created, yielding a 4,400 seasonally adjusted gain. Year-to-date the sector is up 5,700, and only the leisure and hospitality sector (+6,700) has added more jobs. Additionally, the well-paid goods-producing industries of mining (+1,000), construction (+1,500) and manufacturing (+500) are up a combined 3,000 jobs. The bottom line is that more jobs equal more disposable income flowing through the economy, as long as wages hold their purchasing power.

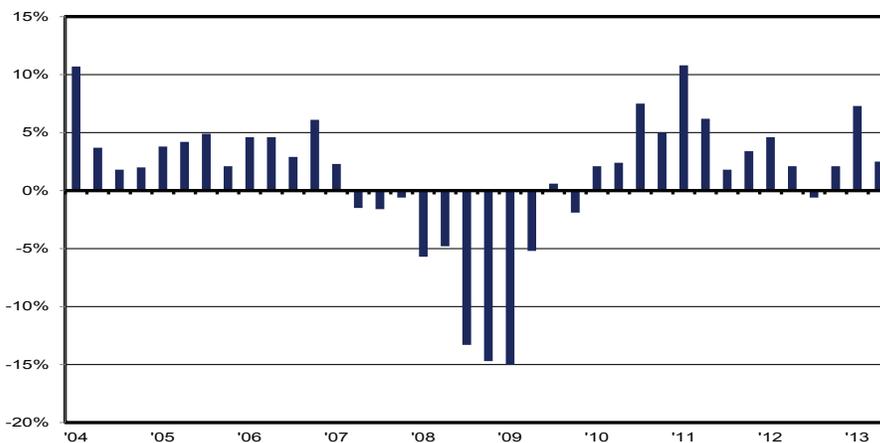
To accurately gauge wage growth in Nevada, the effect of inflation must be taken into consideration. Nominal wages in Nevada have increased by 29 percent from 2002 to 2012, while cumulative inflation for the same time period has risen by a nearly identical 28 percent. Inflation alters the actual cost of living; when inflation increases, purchasing power decreases. Comparing the two measures illustrates that wage growth in Nevada has only narrowly kept pace with inflation over this 10 year time span. Between 2001 and 2007, real wages increased 9 percent, and subsequently fell by 7 percent between 2007 and 2012. From 2002 to 2012, real wages in Nevada have increased by just one percent.

A recent study of the ratio of the tourism/gaming/entertainment sector employment to total employment revealed that Nevada has the highest ratio in the

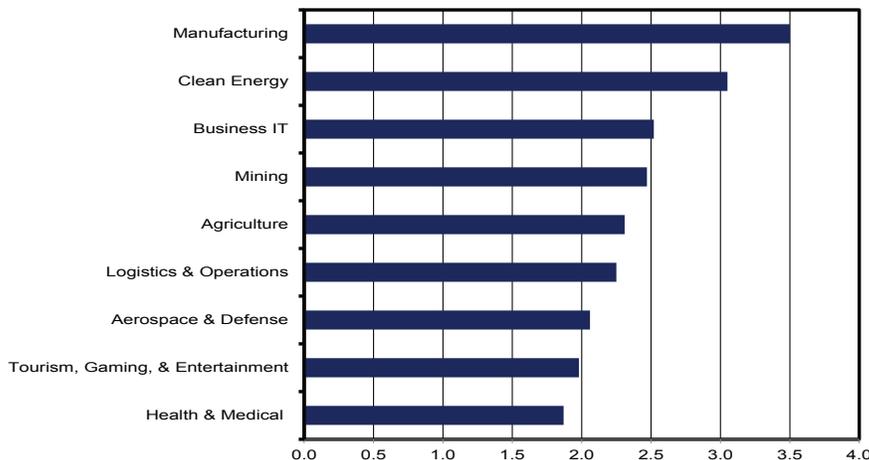
2003-2013 Job Growth in the Tourism/Gaming/Entertainment Sector: Top-Ten Industries by Employment Size



Growth in Real U.S. Spending on Travel and Tourism (SAAR)



Nevada Job Multipliers by Sector

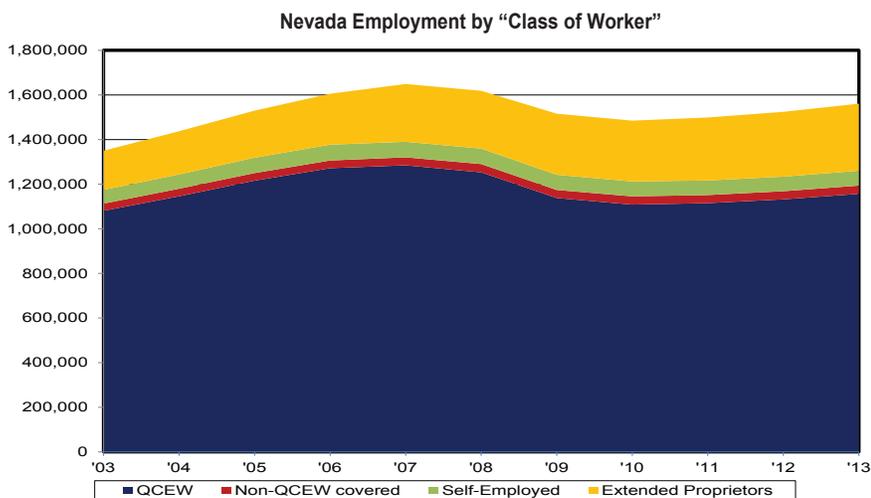


# Economic Summary

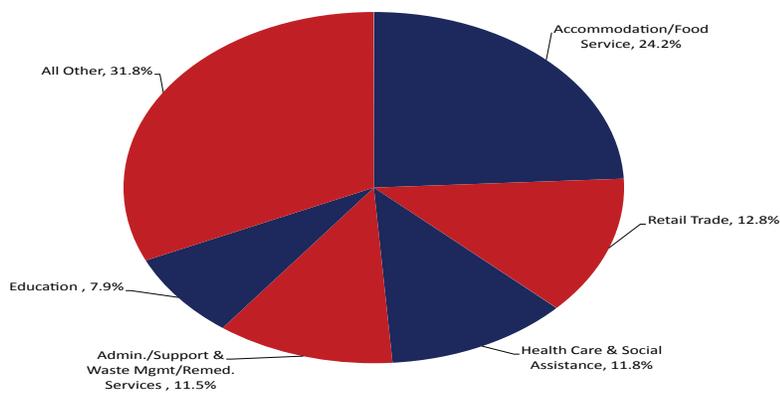
nation by far. It is a known fact that approximately one-third of Nevada's workforce is employed in these industries, but surprisingly, the next highest was only at 23 percent (Hawaii). A platitude developed over the course of the recovery is that Nevada's economic health is strongly correlated with the national economy.

A good barometer of tourism's health in the nation is the US travel and tourism satellite account produced by the Bureau of Economic Analysis. Real U.S. travel and tourism spending advanced 7.3 percent in 2013:IQ and slowed to a moderate pace of 2.5 percent in 2013:IIQ. Gains have been recorded in 13 of the past 14 quarters. A deceleration in "domestic and international air travel" and the sub-category "automotive rental and leasing" are attributed to moderating the travel and tourism growth rate. In the second quarter, tourism-related spending grew at the same pace as the national economy. Overall, it has been growing stronger than the national economy since about mid-2010. Should these trends continue, Nevada's tourism/gaming/entertainment sector stands to benefit.

Over time, the two main drivers of Nevada's stellar economic performance prior to the most recent recession were gaming and construction. One of the primary goals of Nevada's economic development efforts is to diversify the State's economy to help facilitate more broad-based growth. It is interesting to note that diversification within the State's broadly-defined tourism/gaming/entertainment sector has already been occurring for the past few decades. For instance, over the past ten years, the strongest job gains within the sector have come in full-service restaurants, non-casino hotels, and limited-service restaurants. Within the more traditional gaming component of the sector, casino hotels and other gaming establishments have been home to marked job declines. Along the same lines, over the past few decades, more



**Black Employment in Nevada by Industry (2012:IVQ)**



# Economic Summary

and more of the revenue generated on the Las Vegas Strip has come from non-gaming sources. In fact, well more than half of total Strip revenue comes from non-gaming activities.

On a related note, Nevada's economic development efforts are concentrated in nine different sectors, ranging from tourism/gaming/entertainment with 382,000 jobs, to agriculture with 5,800 jobs. Within the economic development community, considerable attention is paid to the jobs "multiplier." This concept captures the stimulative impact of jobs due to an infusion of investment, and is designed to capture the total increase in jobs as that investment circulates throughout the economy. The manufacturing sector has the largest stimulative impacts, as measured by the jobs multiplier. For every increase of 100 initial factory jobs, another 250 will be created (a multiplier of 3.5) as new activity circulates throughout the economy. The clean energy sector also has a multiplier in excess of three. All told, each of the nine sectors has a jobs multiplier of at least 1.9.

While our monthly analyses are on the more "traditional" measures of employment from the Current Employment Statistics (CES) and Quarterly Census of Employment and Wages (QCEW) Programs, there are other aspects of the total employment base. Using modeling tools from Economic Modeling Specialists, Inc. (EMSI), we have been able to estimate those other components of the labor market.

To measure total employment, we first start from a base of QCEW, which is a complete count of jobs from wage records submitted by employers covered under the State's Unemployment Insurance System. In 2013, this measure of employment is trending at about 1.16 million, a seven percent gain over the past decade. Some workers are not subject to unemployment insurance laws, and therefore, not captured in the QCEW statistics. This segment is

referred to as "non-covered" employment. Nevada law exempts churches, real estate agents and brokers, student workers, etc. from paying the unemployment insurance tax.

Another instance where employment is not accounted for under the unemployment insurance system is federally covered workers. This category of worker is found mainly in industries such as railroads and the military. According to EMSI, about 37,100 employees are classified as non-covered in 2013, a gain of nearly 15 percent over a decade.

In addition, there are the self-employed. There are nearly 70,000 of these workers, up eight percent over the ten-year period ending in 2013. Finally, there are "extended proprietors." These individuals have jobs that do not generate their main source of income. Common examples include some individuals in real estate and finance. Some beauty salon workers are another often-used example. Extended proprietors total slightly over 300,000 in Nevada. (It is important to note that there may be some overlap. Individuals classified as extended proprietors may also be classified under other categories, such as QCEW, where they earn their main source of income.)

Perhaps most importantly, extended proprietors grew in excess of 70 percent over the decade ending in 2013, the largest gain of any worker category. This suggests that many Nevadans may have become involved as an extended proprietor to supplement lost or reduced incomes as the recession took hold of the State.

Last month, we examined employment trends amongst Nevada's black workforce, using the Census Bureau's Local Employment Dynamics (LED) Program. This month we take a deeper look at what industries employ black workers in Nevada in order to help us eventually understand why their unemployment rate is almost twice that of whites. In the last

quarter of 2012, about a quarter of black workers were employed by the accommodation and food services industry. The share of the black workforce in Nevada in retail trade is almost thirteen percent. The health care and social assistance sectors account for about twelve percent of black employment in the Silver State, nearly identical to the administrative support/waste management sector. About eight percent of black workers are employed by the education sector. Next month, we will measure whether black workers were disproportionately represented in the industries hit hardest by the recession.

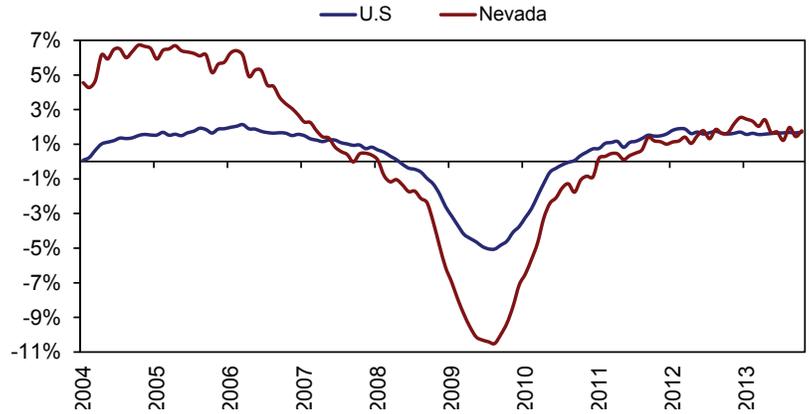
*Bill Anderson, Chief Economist  
Leandra Copeland, Supervising  
Economist*

# Trends at a Glance

## Industrial Employment

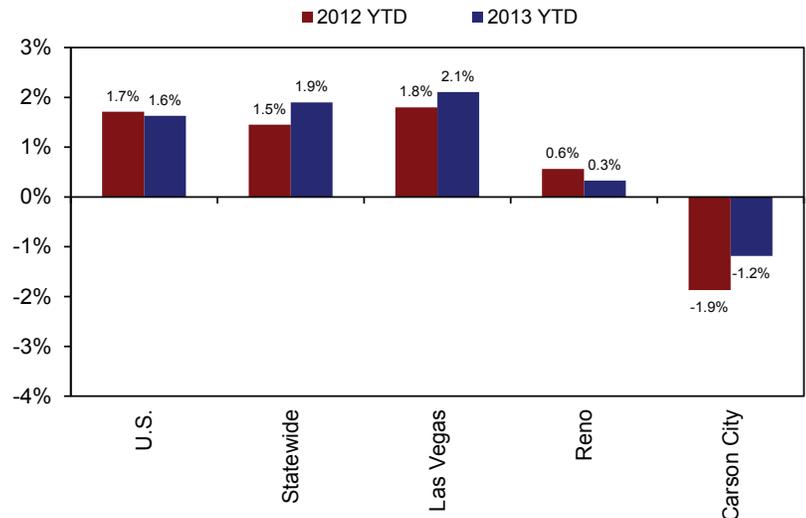
- Nevada's year-over-year job growth rate is above the nation's by 0.1 percent in October.
- Industrial employment in Nevada grew at a rate of 1.8 percent relative to a year prior, equating to a gain of 20,500 jobs.
- For the U.S., October job readings were up 1.7 percent relative to October 2012, equating to a gain of 2,299,000 jobs.

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



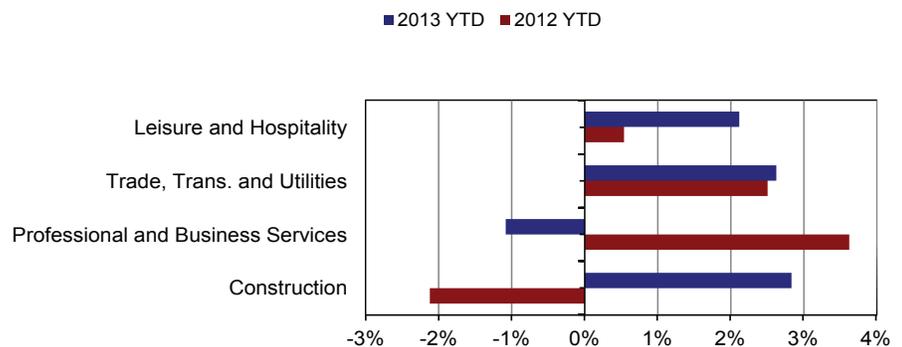
- The year-to-date annual rate of change in jobs remains better than a year ago for Nevada and its metro areas.
- The Las Vegas MSA's job count is 2.1 percent higher YTD in October relative to the same period in 2012.
- In the Reno-Sparks MSA, YTD job readings have increased by 0.3 percent since 2012.
- In Carson City, employment fell 1.2 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 October, Not Seasonally Adjusted)



- Jobs in the State's largest industry, leisure and hospitality, are up 2.1 percent YTD through October. A year earlier, YTD job readings were up 0.5 percent over the same time frame.
- Jobs in the trade, transportation, and utilities sectors are up 2.6 percent YTD relative to the same time frame in 2012.
- The professional and business services sector decreased 1.1 percent YTD through October 2013 from a year earlier.
- Jobs in construction increased over the past year equating to a 2.8 percent YTD increase.

**Job Growth by Industry**  
(YTD through October, Not Seasonally Adjusted)

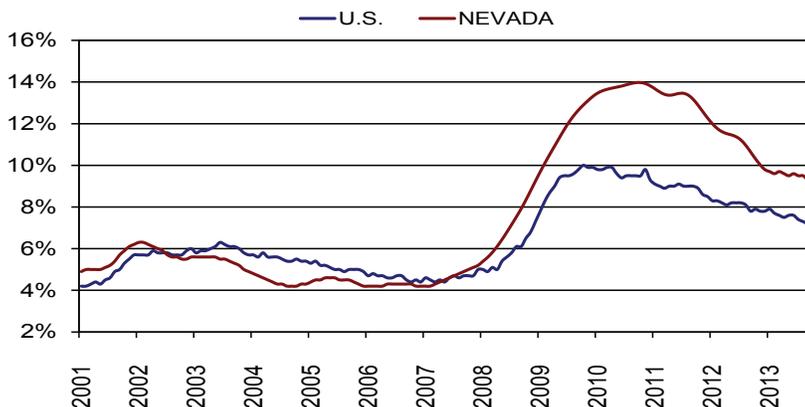


# Trends at a Glance

## Unemployment

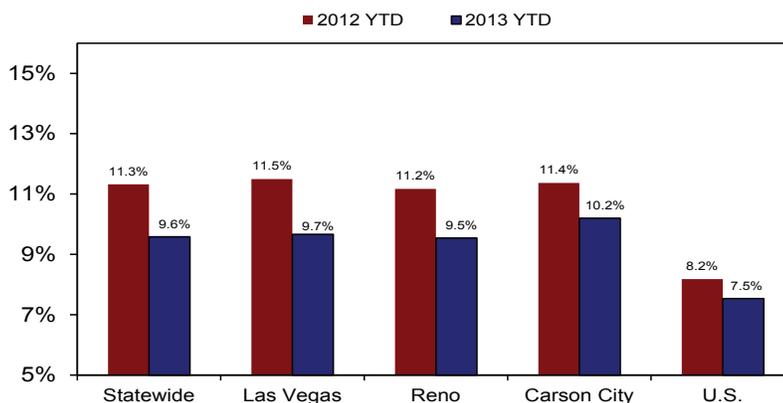
- October's seasonally adjusted unemployment rate in Nevada was the same as last month's, at 9.3 percent.
- Nationally, the unemployment rate decreased by 0.1 percentage point from September to October to 7.3 percent.
- Nevada has the highest unemployment rate in the nation, exceeding the national average by 2.0 percentage points.

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



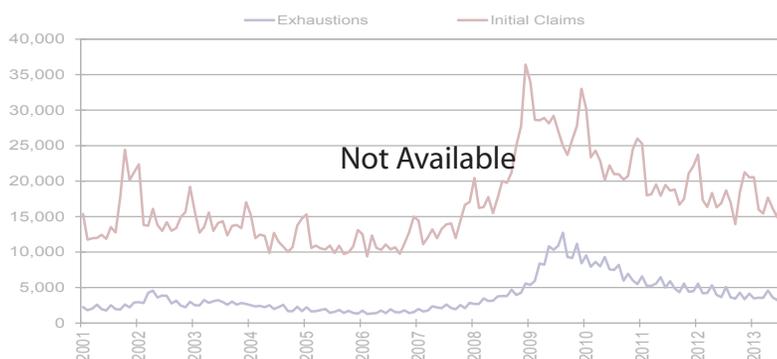
- At 9.6 percent, the statewide unadjusted unemployment rate decreased 1.7 percentage points YTD from 2012 to 2013.
- The Las Vegas-Paradise MSA recorded an unemployment rate of 9.7 percent YTD through October, a 1.8 point decrease over-the-year.
- The Reno-Sparks MSA's jobless rate was 9.5 percent YTD through October. This equates to a decrease of 1.6 percentage points compared to the same period last year.
- The jobless rate in Carson City was 10.2 percent YTD through October, down 1.2 percentage points over the first ten months of 2013.

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



- **Unemployment Insurance Statistics:**  
We are not reporting UI information this month due to potential volatility in the data as a result of the conversion to UInv, DETR's modernized computer system. Once data is available, we will look at all affected periods and make every attempt to provide a clearer picture of claim activity during the transition period.

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

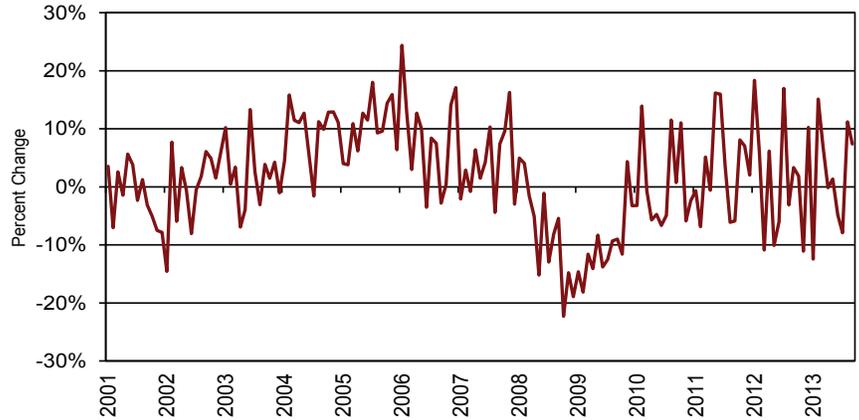


# Trends at a Glance

## Economic Indicators

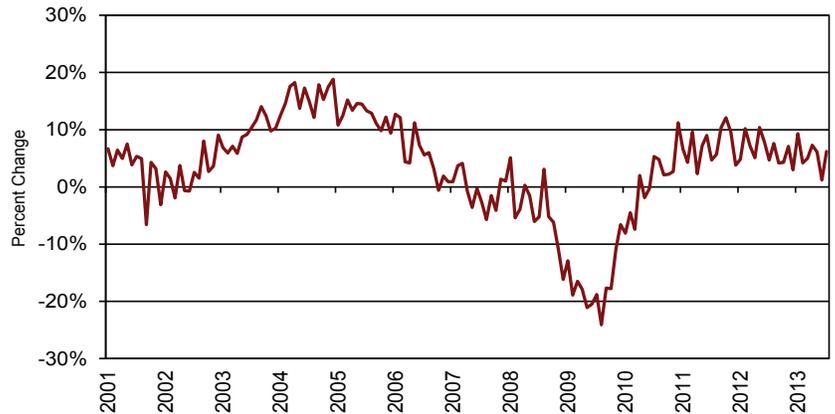
- Nevada's non-restricted gaming licensees reported a 7.4 percent increase in gaming win compared to October 2012.
- For the fiscal year-to-date, gaming win has increased 3 percent.

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



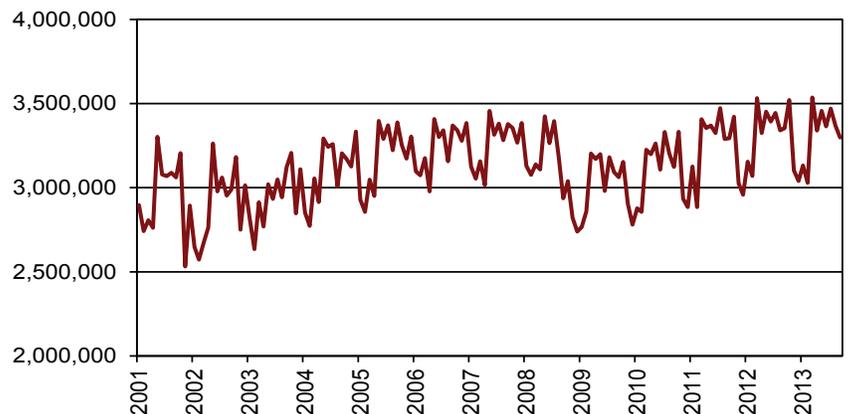
- In July, taxable sales increased 6.2 percent over August 2012 with collections totaling \$3,771,336,865.

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



- Las Vegas visitor volume increased 29,230 in August relative to a year prior, a 0.9 percent increase.
- Year-to-date, visitor volume is unchanged in 2013 compared to a year earlier.

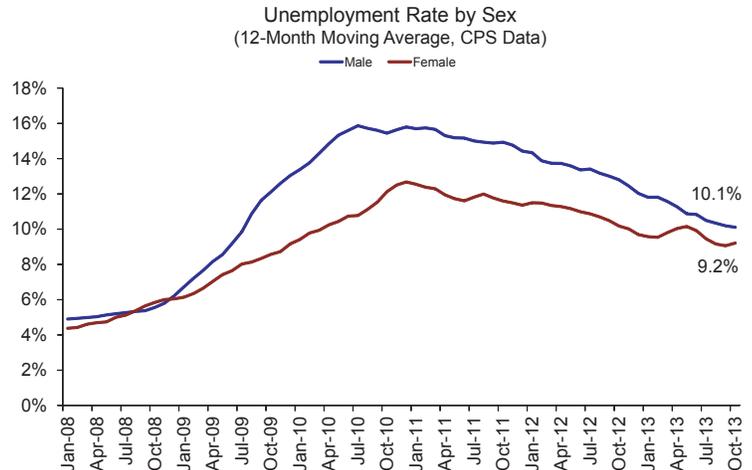
**Las Vegas Monthly Visitor Volume**



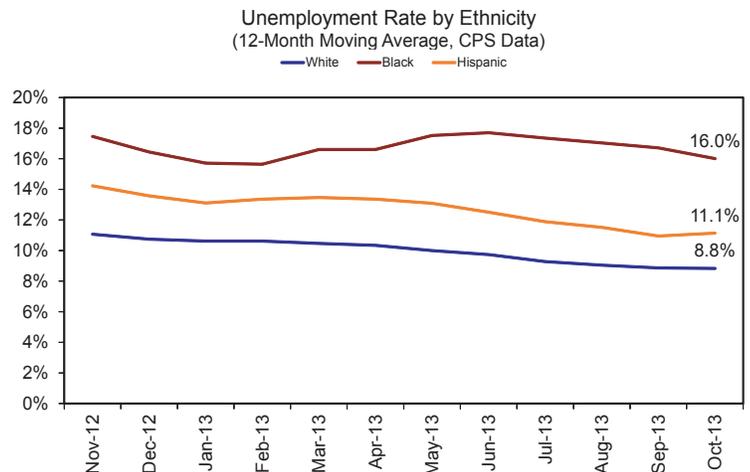
# Trends at a Glance

## Demographics of the Unemployed

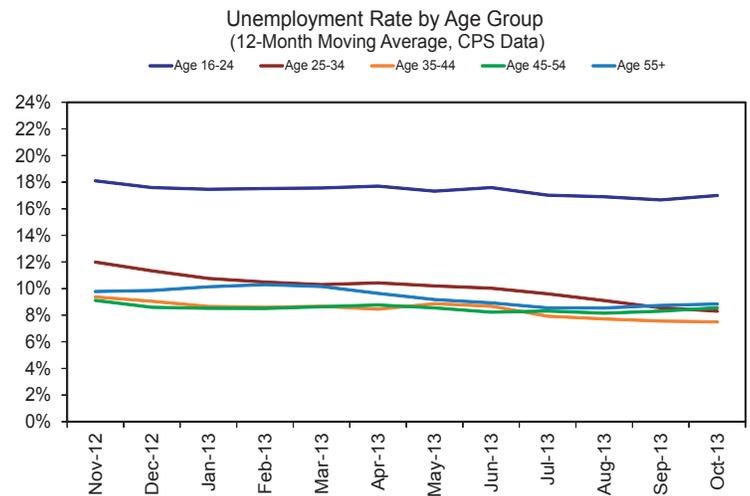
- The 12 month average unemployment rate for men in Nevada was 10.1 percent in October, down 0.1 percentage point from last month.
- Similarly, the female unemployment rate increased to 9.2 percent from 9.1 percent.
- This is the lowest the male unemployment rate has been since July of 2009.



- The 12 month avg. unemployment rate for Nevada's Hispanic labor force increased by 0.2 percentage points to 11.1 percent from September to October.
- The rate for Nevada's unemployed black labor force decreased by 0.7 to 16.0 percent.
- The unemployment rate for Nevada's white labor force decreased by 0.2 percentage point from 8.8 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 for the 12 month avg. ending in October.
- The unemployment rate for workers age 25-34 was 8.3 percent and is down by 0.3 percentage point since last month.
- The lowest unemployment rate for any age group in Nevada goes to the 35-44 year olds. For the 12 month avg. ending in October this group had an unemployment rate of 7.5 percent.

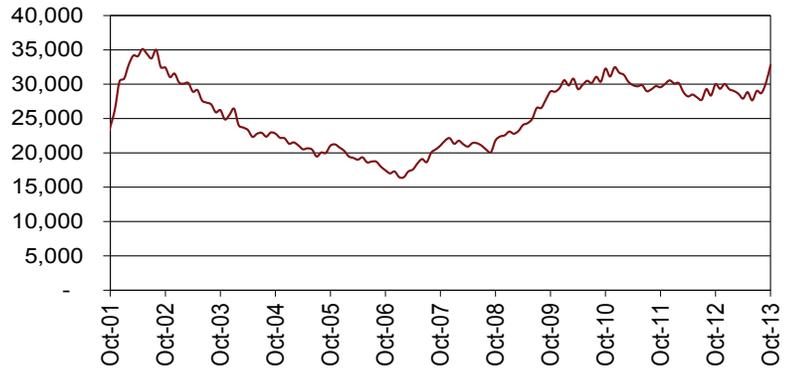


# Trends at a Glance

## 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, 32,767 individuals were receiving assistance. Since October of last year, the level of assistance increased by 9.2 percent, or 2,770 more recipients.

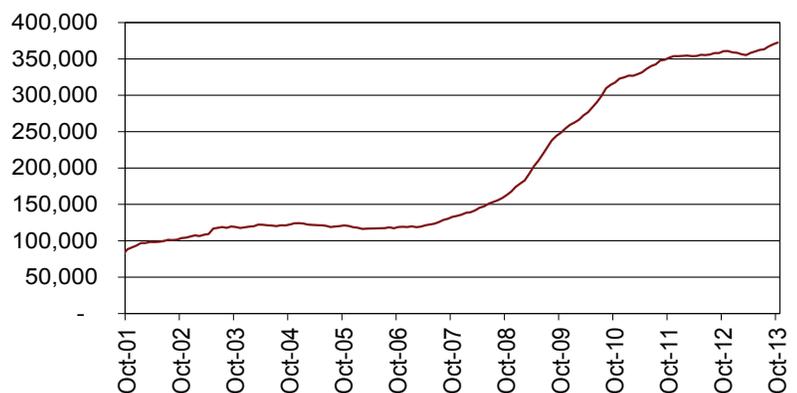
**Temporary Assistance for Needy Families in Nevada, Number of Cash Recipients**



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, 372,377 Nevadans participated in the program. Over-the-year, the number of participants receiving assistance had an increase of 3.3 percent, or 11,818 more recipients.

**Supplemental Nutrition Assistance Program, Number of Participating Nevadans**



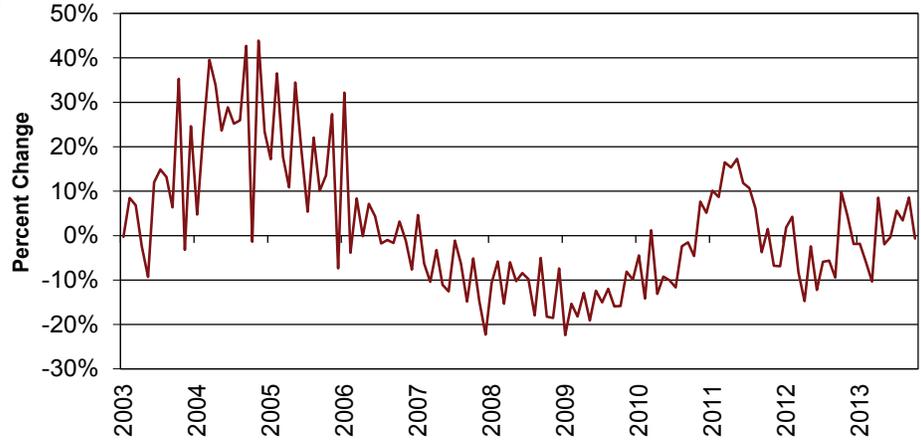
Source: Nevada Department of Health and Human Services

# 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 down 0.7 percent over October 2012. Year-to-date the formation of new businesses are up 1.2 percent compared to the same period last year.

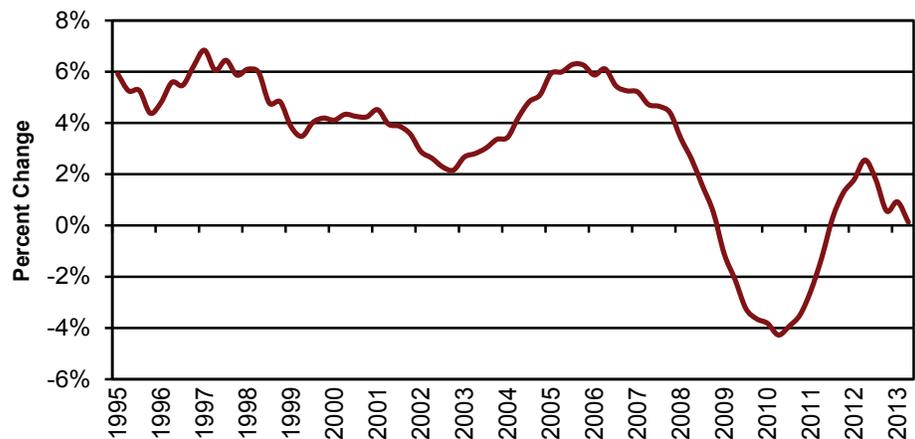
**Business Entity Formations**  
(Year-Over-Year Percentage Change)



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 second 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 0.1 percent increase.

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



State of Nevada  
Department of Employment, Training & Rehabilitation  
Research & Analysis Bureau  
500 E. Third Street  
Carson City, NV 89713-0001

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Phone: (775) 684-0450  
Fax: (775) 684-0342  
E-mail: [detrlmi@nvdetr.org](mailto:detrlmi@nvdetr.org)

Websites:  
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