

Economy In Brief



A Monthly Review of Workforce & Economic Information by the Research & Analysis Bureau-



Economic Summary

The economic rebound of 2013 has carried forward into 2014 with Nevada's employment base reaching a new milestone in January 2014. It was the first time the 1,200,000 mark was breached since 2008 on a seasonally adjusted basis. (In 2008, employment levels were falling. When employment levels were on the upside, the 1,200,000 mark was breached in 2005 and took two full years to reach the high point of 1,297,300 in May 2007.) The January reading is the 37th straight month of year-over-year growth, with payrolls growing by 89,600 since bottoming out in September 2010. Despite 37 months of job growth, there are still 92,000 fewer jobs on nonfarm payrolls in January than when the recession began.

Seasonally adjusted jobs rose by 8,000 on a month-over-month basis, and, once again, Nevada's unemployment rate has declined. December's unemployment rate was nine percent after the 2013 benchmark revisions. In January, it fell by three-tenths of a percentage point to 8.7 percent, compared to 10.5 percent during January 2013. Eight out of ten super sectors added employment over-the-year. Regarding the other two sectors, mining contracted by 100 and other services by 400 jobs.

Reporting seasonally adjusted job gains this January is a little odd, as seasonally adjusted job gains were only recorded on a month-over-month basis because the unadjusted levels did not fall as

much as expected. For example, for the Statewide estimate, we would have expected the job market to contract by 25,600. However, employers only shed 17,600. Subtracting the unadjusted change of -17,600 from the expected decline of 25,600, yields an 8,000 seasonally adjusted job gain. Not one super-sector was expected to add employment in January, and nearly all of the seasonally adjusted job growth occurred because the contraction of jobs was not as large as the projections from historical records indicated. This implies that employers are hanging on to their workers as Nevada's economy strengthens.

After the 2013 benchmark, it became apparent that the Reno/Sparks area was growing faster than first estimated. Over-the-year, Reno/Sparks expanded at a rate of 4.8 percent, or 9,100 jobs in January. The construction industry in the area is up by nearly one-quarter since last year. In January 2013, there were approximately 8,300 jobs composing this sector, and this year it was estimated at 10,300. Professional and business services is up by 2,200 and the trade, transportation and utilities sector added 1,900 jobs. Government positions were down by 300 over-the-year.

In Las Vegas, the job growth rate was 2.7 percent, or 22,300 jobs. Since January 2013, thousands of jobs have been added in each of the following industries: trade/transportation/utilities (+6,100), leisure/

Economic Indicators

UNEMPLOYMENT RATES JAN 2014

Nevada*	8.7%
Las Vegas MSA	8.9%
Reno-Sparks MSA	9.1%
Carson City MSA	10.3%
Elko Micropolitan Area	6.5%
United States*	6.6%
California*	8.1%

JOB GROWTH (YOY)*

Nevada*	3.4%
Las Vegas MSA	2.7%
Reno-Sparks MSA	4.8%
Carson City MSA	0.0%
United States*	1.7%
California*	2.2%

CONSUMER PRICE INDEX (YOY)

United States	1.6%
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GAMING WIN (YOY) JAN 2014

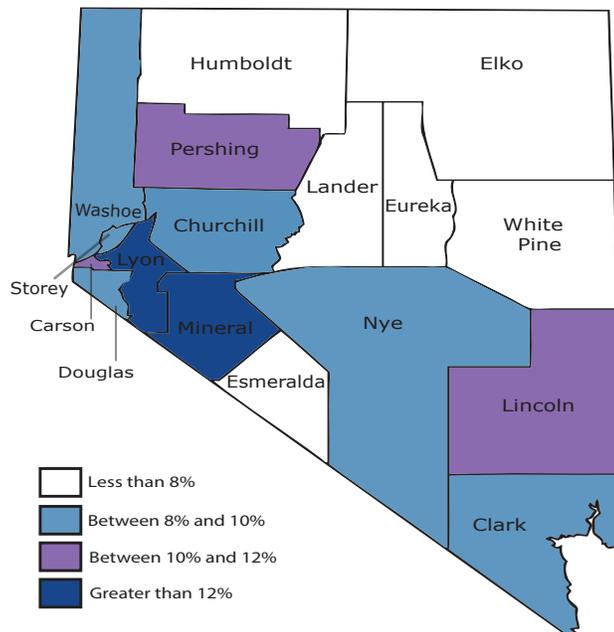
Nevada	-2.8%
Clark County	-3.2%
Washoe County	1.0%

TAXABLE SALES (YOY) DEC 2013

Nevada	1.7%
Clark County	2.5%
Washoe County	13.1%

* Seasonally Adjusted

Unemployment Rate by County



Economic Summary

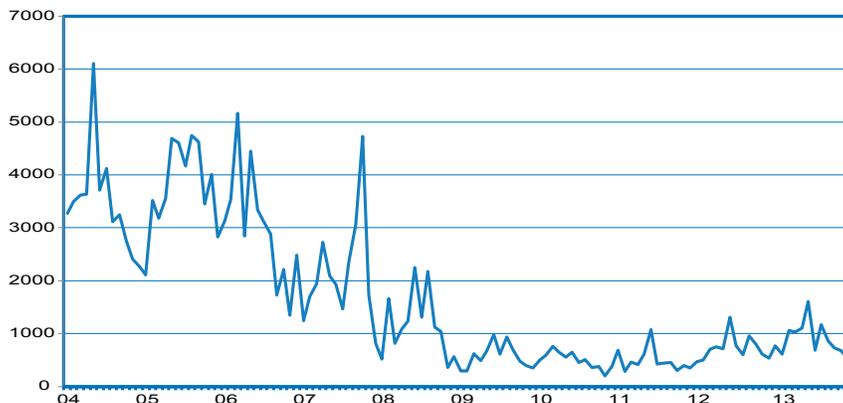
hospitality (+5,900), professional/business services (+3,600), education/health services (+3,600), and financial activities (+1,200). Additionally, hundreds of jobs have been added in manufacturing (+700), information (+500), government (+300), and other services (+200).

In Carson City, employment levels were nearly flat over the year, as was the case in 2013. Two hundred jobs were added in the private sector, which was offset by declines in the government sector.

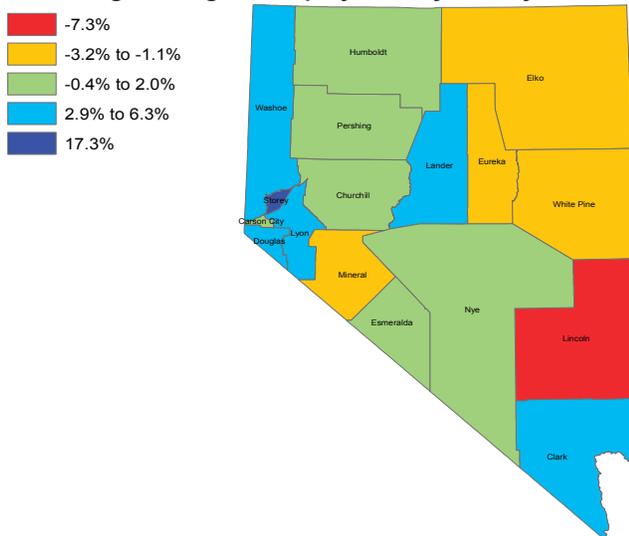
The Reno/Sparks unadjusted unemployment rate was 9.1 percent in January 2014, which compares with 8.2 percent in December. Year-over-year comparisons for the sub-state unemployment rates will not be available until after the release of the benchmark sub-State statistics on April 18th. The Las Vegas area's unadjusted unemployment rate was 8.9 percent in January, the same as the previous month. The unadjusted jobless rates in Carson City climbed to 10.3 percent, compared to 9.2 percent in December. Comparisons of the State's adjusted rate to the metro areas' unadjusted rates are invalid because the Statewide rate is adjusted for seasonality and the metro areas' rates reported today are not. For comparison purposes, Nevada's unadjusted rate was 8.9 percent in January, up from a December reading of 8.7 percent.

During five of the last seven months, fewer seasonally adjusted housing units were started compared to the same period last year. In 2013 as a whole, however, starts increased 24 percent compared to 2012. Conventional 30-year mortgage rates rose by nearly a percentage point over-the-year in February, and may be dampening the appreciation in home prices. Nevertheless, Las Vegas still posted the largest year-over-year price gain of any of the other cities in the Case-Shiller composite 20 index.

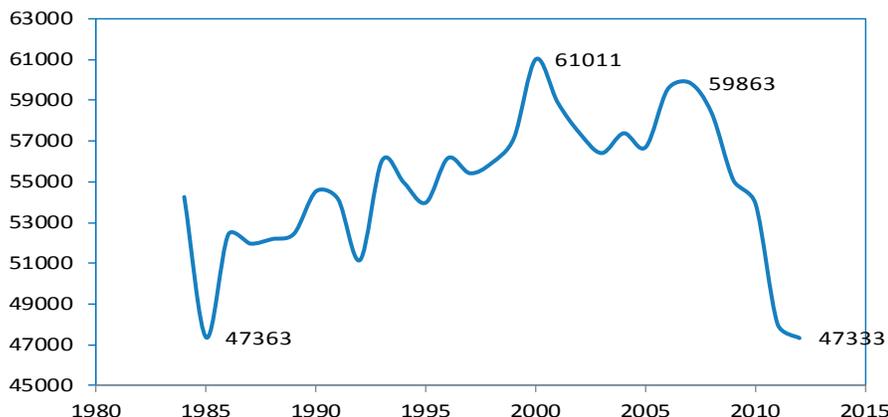
Nevada Housing Starts 2004-2013



Percentage Change in Employment by County 2012:IIIQ to 2013:IIIQ



Real Median Household Income in Nevada



Economic Summary

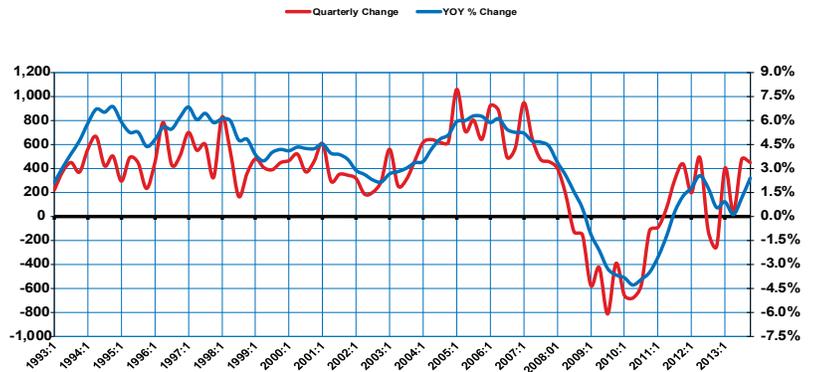
Now that jobs are returning to all of Nevada's metro areas (Carson City, Las Vegas, and Reno/Sparks), employment growth dynamics in Nevada's counties are changing. Rural counties with a heavy mining presence are no longer outperforming the rest of the state. With economic growth strengthening in the State, the nation, and around the world, gold lost some of its luster and prices fell. Employment in Elko and Eureka Counties were down by 1.1 and 3.2 percent, respectively, from 2012:IIIQ to 2013:IIIQ, whereas Clark and Washoe Counties both experienced employment growth rates of 2.9 percent. Storey County recorded the largest year-over-year growth rate at 17.3 percent for the reference period.

During the recession, the only super-sectors that grew were mining and education and health services. In today's environment, broad growth is seen throughout Nevada's metro areas and throughout most of its industries. With this reversal in growth, mining has even begun to contract slightly. Education and health services continues to grow, but is eclipsed by the bounce back of the rest of the economy.

One indicator capping our optimism is real median household income. In 2012, Nevada recorded its lowest real median household income since the series began in the early-80s. The median household income in 2012, the latest reading available, was \$47,333. It peaked in the early 2000s at over \$60,000. Even at the national level, household income is nowhere near the peak set in the late 1990s at \$56,000. In 2012, the national median household income was \$51,000. Worse yet, there is no clear reversal of the downward trend. If the economy is adding jobs, wages should follow once labor markets tighten up again.

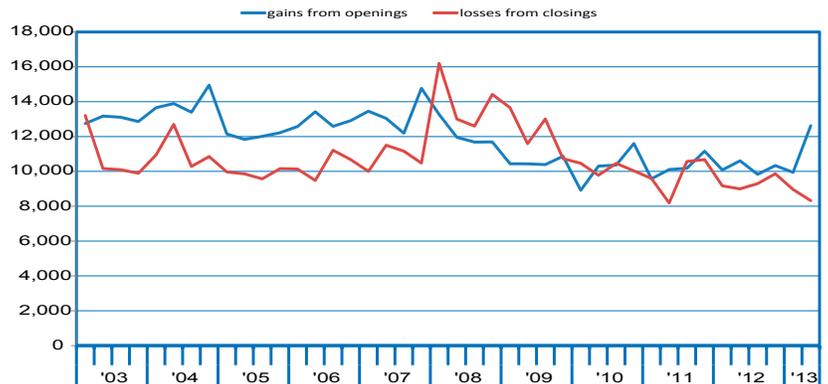
New businesses opening up in the Silver State help absorb some of the slack in the labor market. Two series monitoring businesses -- unemployment insurance tax accounts and the BLS's Business Employment Dynamics--show growth.

Employer Count Quarterly Change and YOY % Change

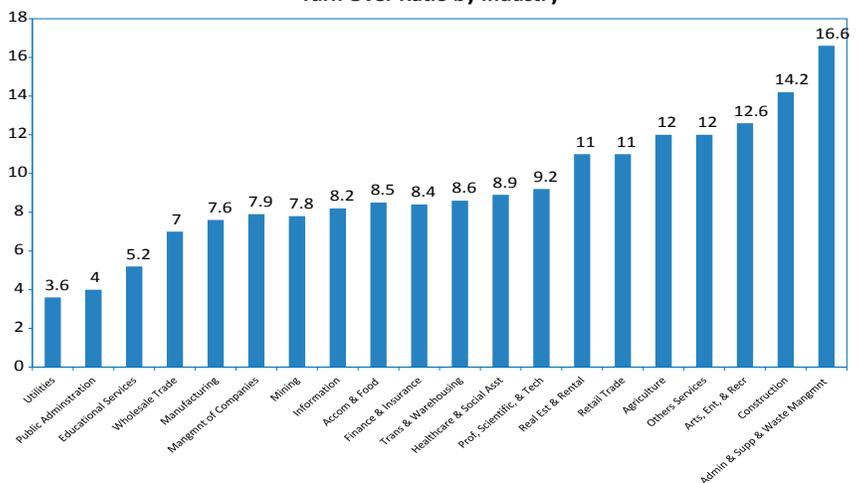


Employer Count 12/31/2013 = 58,523

Business Employment Dynamics: Job Gains from Establishment Openings and Losses from Closings



Turn Over Ratio by Industry



Economic Summary

Using the unemployment insurance tax system records, employer counts are monitored as a proxy for business growth. Not all new businesses are captured, just the ones that hire employees and pay unemployment insurance taxes. In the last quarter of 2013, 58,520 employers were in the system. The year-over-year increase was 1,370. Since 2009, only one other quarter (2012:IIQ) has been as strong. Like most of Nevada's labor market barometers, this series has yet to reach its former heights. The count of employers peaked in 2008 at 60,630. At the current rate of growth, it will be a number of quarters before the count of businesses reaches that mark.

In past analysis of the Business Employment Dynamics (BED) series, we concluded that job losses had receded to pre-recessionary levels, and, more importantly, it had been a lack of job creation holding back Nevada's recovery. Times are changing, according to the most recent data corresponding to 2013:IIQ, which shows solid job growth has begun contributing to our economic prosperity. Job losses from business closures are historically low, and job gains from business openings are rebounding, advancing the net change between gross job gains at opening establishments and gross jobs losses at closing establishments to levels reminiscent of the pre-recessionary period. In 2013:IIQ, the net gain from business openings/closings was 4,300. A difference of this magnitude has not been experienced since the late 1990s, even beating out opening/closings between 2002-2007. Regular perusal of Nevada's newspapers attest to the plethora of new businesses in both northern and southern Nevada.

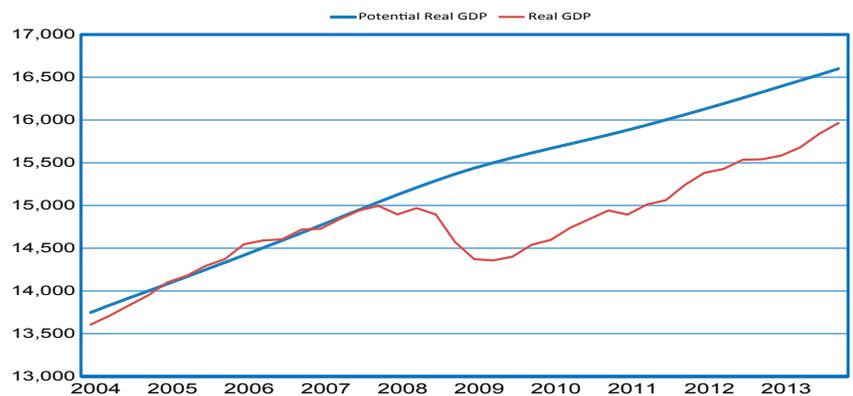
In 2013:IIQ, the leisure and hospitality sector had a 2,800 job gain from opening establishments and 1,300 job loss from closing establishments, for a net gain of 1,500. Retail trade experienced a 1,300 job gain from new businesses and a 600 job loss from closings businesses. Jobs lost at closing establishments as a

percentage of total employment in the retail industry was the lowest on record since the series began in 1992. Ripe business opportunities coupled with low rates of business closures drove the net gain (+860) in professional and business services to levels last seen in the late 1990s. In 2012 a new record was set for business survival in Nevada, and the data for 2013 so far shows the trend continuing.

Employment opportunities can occur when businesses open/expand or when existing positions are vacated. Some industries provide more stability, like utilities and government, while other have higher turnover rates. In construction, the turnover rate is 14.2 percent (workers in the industry who were not previously on their company's payroll). Administrative/support services has the highest turnover rate (17 percent), influenced mainly by temporary staffing agencies classified in this sector. Industries with a high turnover rate will also have a higher average unemployment insurance (UI) tax because the tax rewards companies for employee stability. Employers starting a new business in Nevada pay a flat UI tax rate for the first three years, and the rate will go up or down depending on the company's turnover activity.

While signs of economic and labor market recovery are evident in the nation as a whole, much room remains for improvement. U.S. real GDP growth

Real GDP vs. Potential Real GDP



came in at 1.9 percent in 2013. This compares to a growth rate of 2.8 percent in 2012. The so-called "output gap," the difference between what the overall economy is producing and what it could produce if operating at full employment, was a bit over seven percent at the official end of the recession in mid-2009. While the gap has narrowed since then, to about 3.9 percent in 2013:IVQ, continued slack in the economy remains. The Congressional Budget Office does not expect the gap to be eliminated until 2017.

In 2014, look for retail trade, administrative/support/waste management, and accommodation/food services to reach near their all-time highs. Employment in finance/insurance, local government, real estate/rental/leasing, and construction should make noticeable advances, but are still too far away from their former peak to consider 2014 as a recovery year.

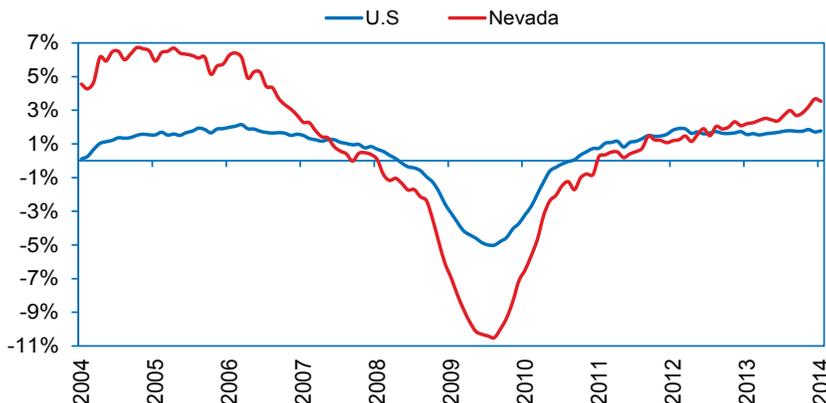
*Bill Anderson, Chief Economist
Leandra Copeland, Supervising
Economist*

Trends at a Glance

Industrial Employment

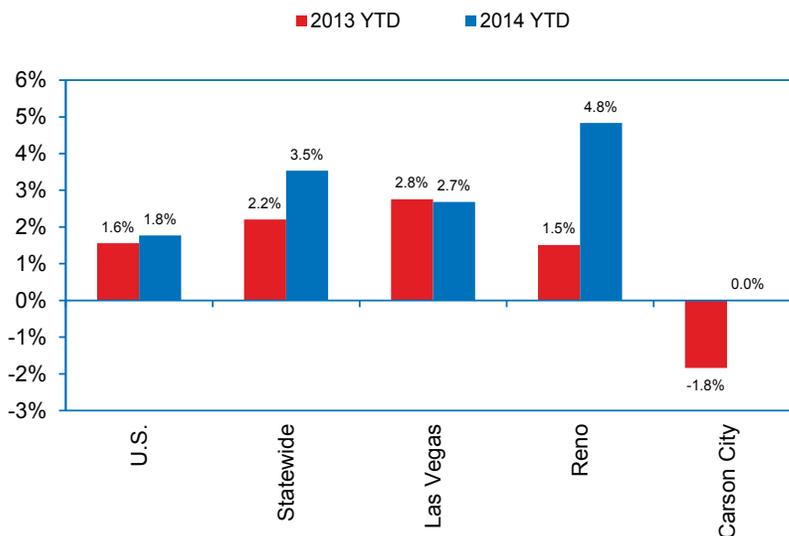
- Nevada's year-over-year job growth rate is above the nation's by 1.8 percentage points in January.
- Industrial employment in Nevada grew at a rate of 3.5 percent relative to a year prior, equating to a gain of 40,500 jobs.
- For the U.S., January job readings were up 1.8 percent relative to January 2013, equating to a gain of 2,359,000 jobs.

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



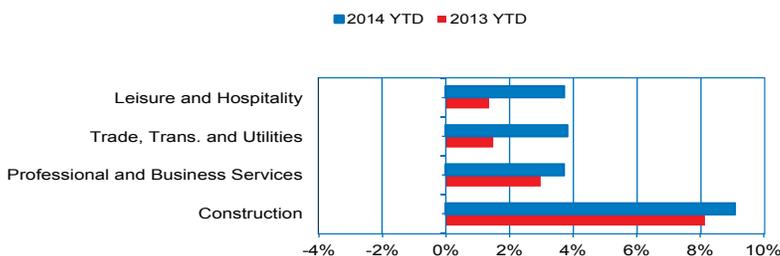
- The year-to-date annual rate of change in jobs remains better than a year ago for Nevada.
- The Las Vegas MSA's job count is 2.7 percent higher YTD in January relative to the same period in 2013.
- In the Reno-Sparks MSA, YTD job readings have increased by 4.8 percent since 2013.
- In Carson City, employment remained the same YTD.

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



- Jobs in the State's largest industry, leisure and hospitality, are up 3.7 percent YTD through January. A year earlier, YTD job readings were up 1.4 percent over the same time frame.
- Jobs in the trade, transportation, and utilities sectors are up 3.8 percent YTD relative to the same time frame in 2013.
- The professional and business services sector decreased 3.7 percent YTD through January 2013 from a year earlier.
- Jobs in construction increased over the past year equating to a 9.1 percent YTD increase.

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

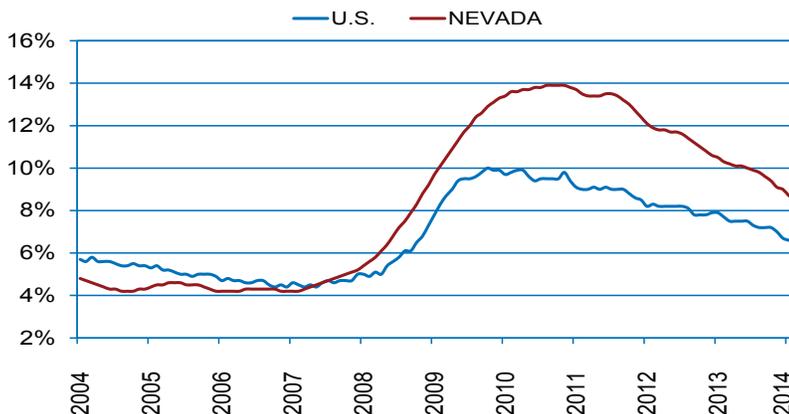


Trends at a Glance

Unemployment

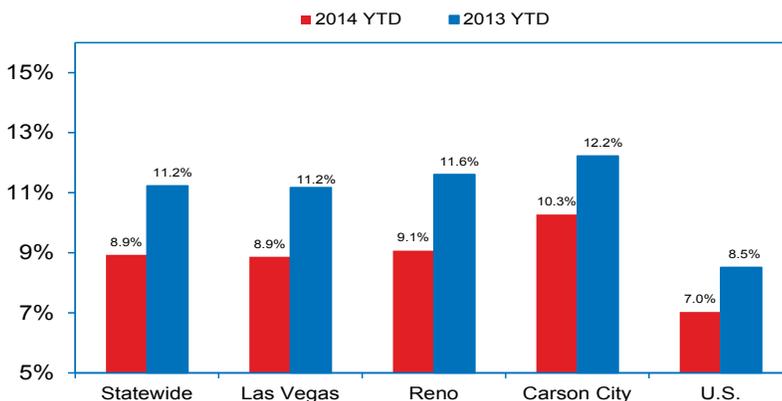
- January's seasonally adjusted unemployment rate in Nevada decreased by 0.3, to 8.7 percent.
- Nationally, the unemployment rate decreased by 0.1 percentage point from December to January to 6.6 percent.
- For the third month Nevada is not tied for the highest unemployment rate in the nation; that distinction goes to Rhode Island with a rate of 9.2 percent. However, Nevada's rate exceeds the national average by 2.1 percentage points.

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



- At 8.9 percent, the statewide unadjusted unemployment rate decreased 2.3 percentage points YTD from 2013 to 2014.
- The Las Vegas-Paradise MSA recorded an unemployment rate of 8.9 percent YTD through January, a 2.3 point decrease over-the-year.
- The Reno-Sparks MSA's jobless rate was 9.1 percent YTD through January. This equates to a decrease of 2.5 percentage points compared to the same period last year.
- The jobless rate in Carson City was 10.3 percent YTD through January, up 1.9 percentage points over 2013.

**Unemployment Rate by Region
(YTD through January 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)**

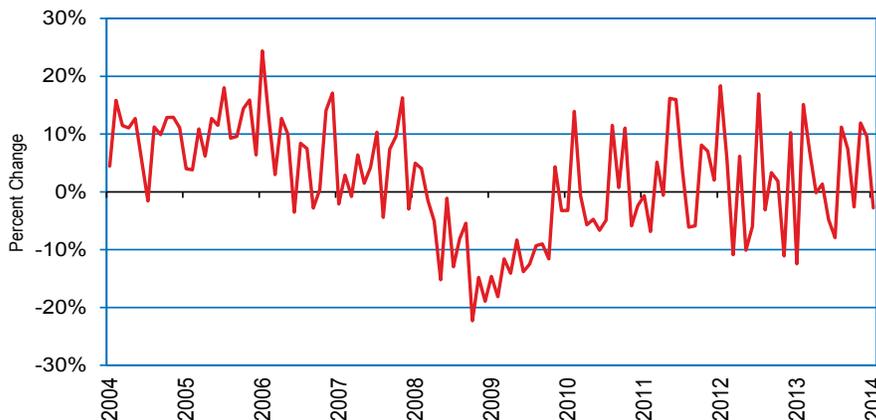


Trends at a Glance

Economic Indicators

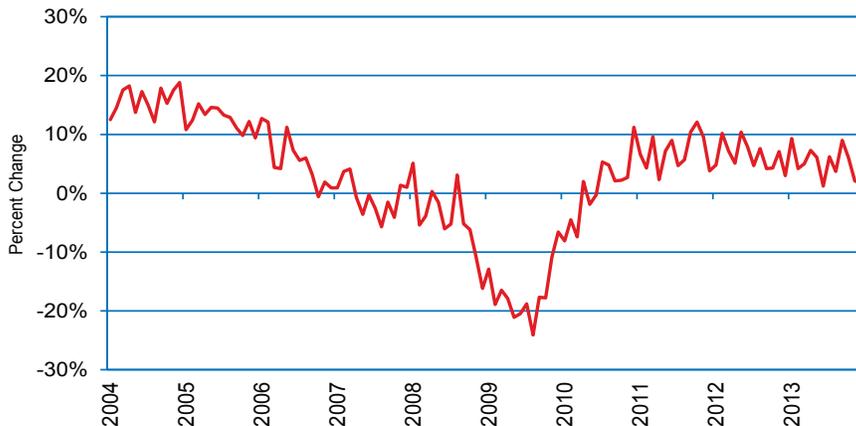
- Nevada's non-restricted gaming licensees reported a 2.8 percent decrease in gaming win compared to January 2013.
- For the fiscal year-to-date, gaming win has increased 3.4 percent.

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



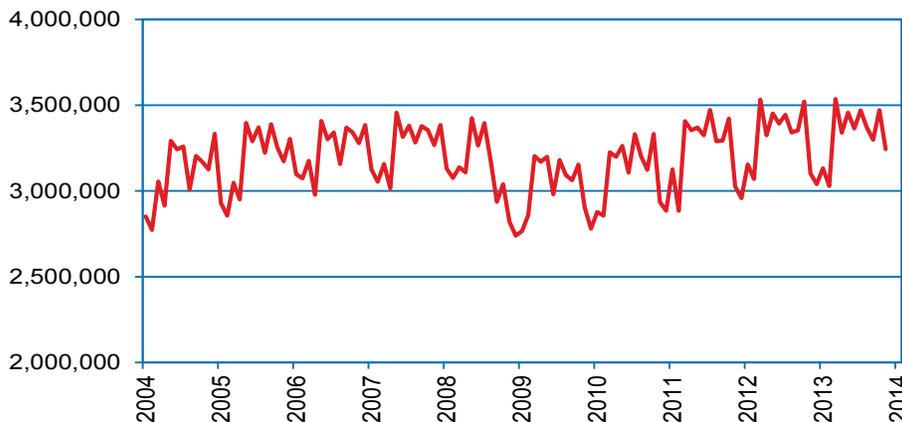
- In December, taxable sales increased 1.7 percent over December 2013 with collections totaling 4.4 billion.

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



- Las Vegas visitor volume increased 256,174 in January relative to a year prior, a 8.2 percent increase.
- Year-to-date, visitor volume increased 8.2 percent in 2013 compared to a year earlier.

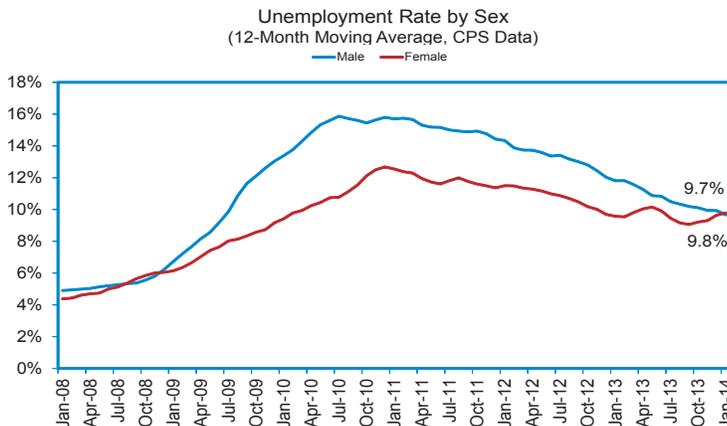
Las Vegas Monthly Visitor Volume



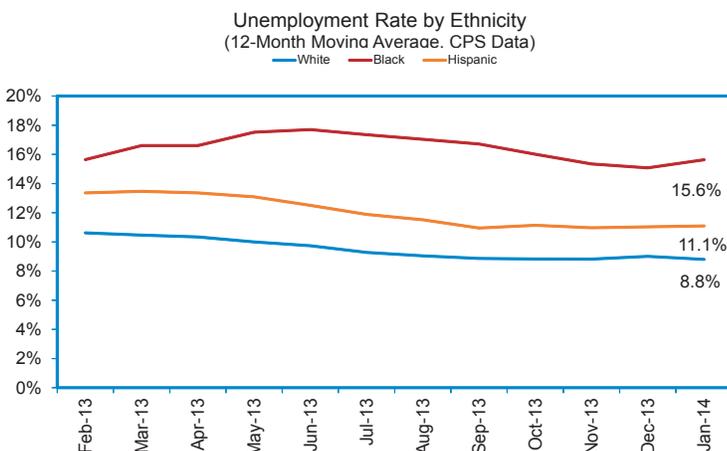
Trends at a Glance

Demographics of the Unemployed

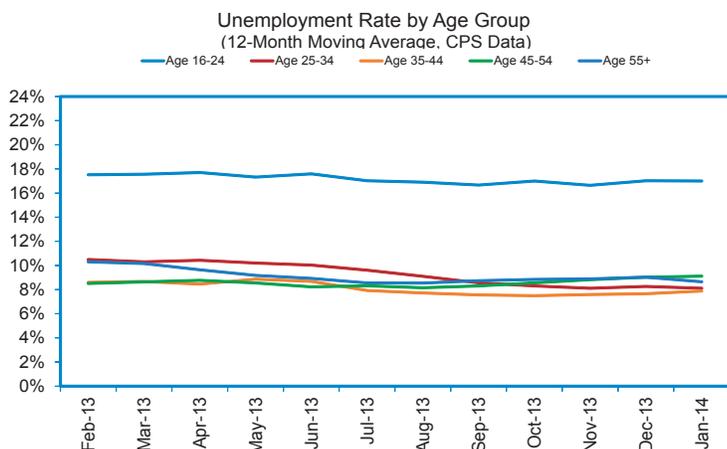
- The 12 month average unemployment rate for men in Nevada was 9.7 percent in January, decreasing from 9.9 percent last month.
- Continuing its trend, the female unemployment rate increased to 9.8 percent from 9.6 percent.
- This is the highest the female unemployment rate has been since June of 2013.



- The 12 month average unemployment rate for Nevada’s Hispanic labor force increased in January to 11.1 percent, up from 11.0 percent in December.
- The rate for Nevada’s unemployed Black labor force increased by 0.4 to 15.6 percent.
- The unemployment rate for Nevada’s white labor force decreased by 0.2 from December to January, ending at 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 average ending in January.
- The unemployment rate for workers age 25-34 was 8.1 percent and is down by 0.2 percentage points since last month.
- The lowest unemployment rate for any age group in Nevada goes to the 35-44 year olds. For the 12 month average ending in January, this group had an unemployment rate of 7.9 percent.

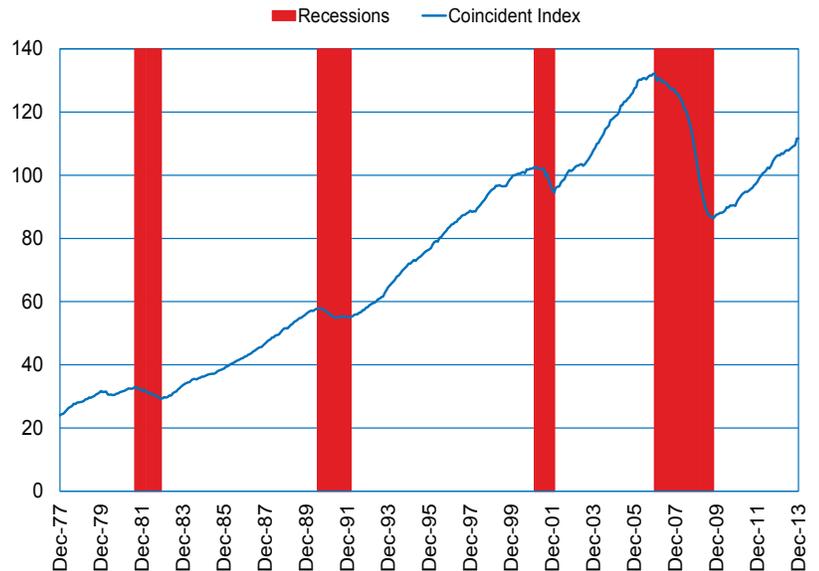


Trends at a Glance

CBER-DETR Nevada Coincident and Leading Employment Indexes

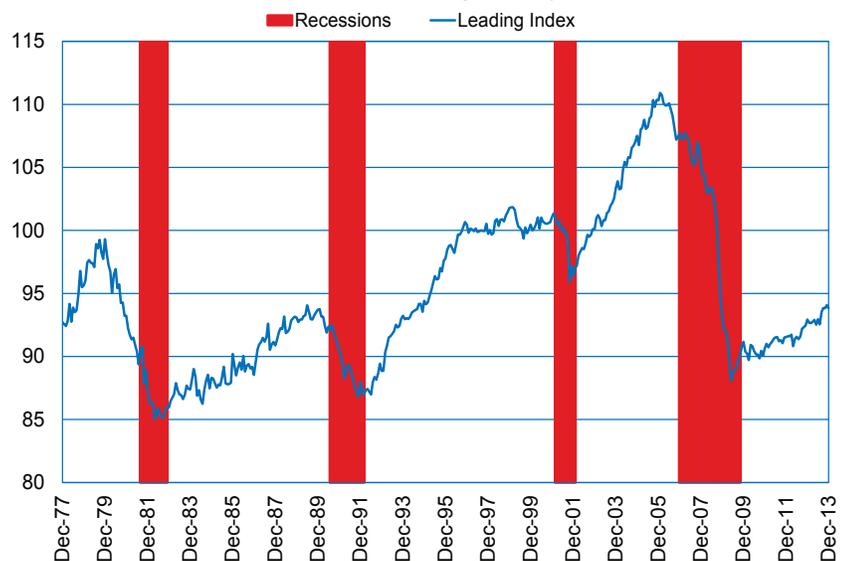
- The Nevada Coincident Employment Index measures the ups and downs of the Nevada economy using an index of employment variables. The peak of the last employment cycle in Nevada occurred in December 2006. The coincident index then regressed steadily through October 2009, where the coincident index reached a bottom.
- The December release of data conveys a generally positive story for both indexes 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.
- Since July 2013 for the coincident index, nonfarm employment, the insured unemployment rate (inverted), and the unemployment rate (inverted) all moved in a positive direction while household employment 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, commercial permits, the short-duration unemployment rate (inverted), and initial claims for unemployment insurance (inverted) moved in a positive direction whereas the real Moody's Baa bond rate (inverted), construction employment and housing permits moved in a negative direction, on a YOY basis.
- Since July 2013 for the leading index, construction employment, initial claims for unemployment insurance (inverted), and the short-duration unemployment rate (inverted) moved in a positive direction whereas commercial permits, the real Moody's Baa bond rate (inverted), 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 January, 33,408 individuals were receiving assistance. Since January of last year, the level of assistance increased by 14.1 percent, or 4,137 more recipients.

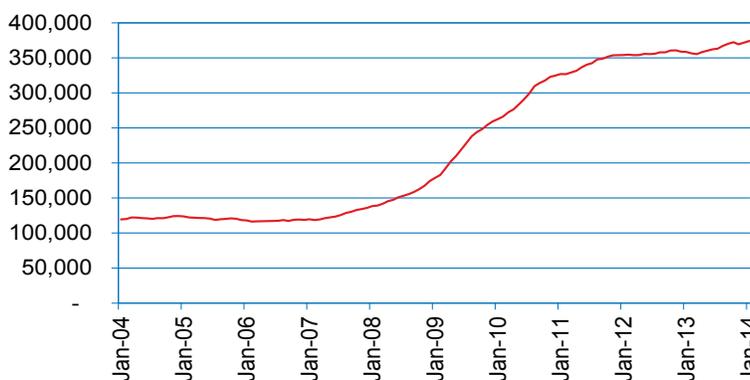
Temporary Assistance for Needy Families in Nevada, Number of Cash Recipients



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 January, 373,901 Nevadans participated in the program. Over-the-year, the number of participants receiving assistance had an increase of 4.3 percent, or 15,444 more recipients.

Supplemental Nutrition Assistance Program, Number of Participating Nevadans



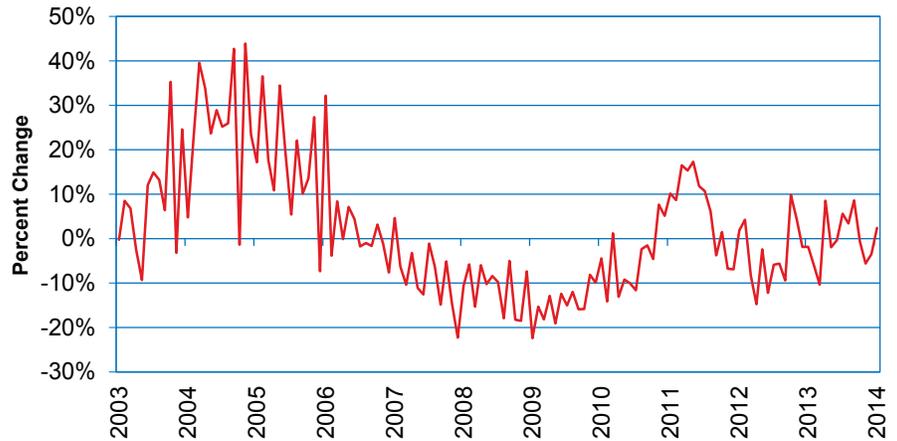
Source: Nevada Department of Health and Human Services

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 January new business filings were down 2.4 percent over January 2013. 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 fourth quarter of 2013 there were 58,523 employers subject to UI taxes. Compared to the same quarter in 2012, there are 1,369 more employers in the program, a 2.4 percent increase.

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



