

# NEVADA STATE BANK

## Economic Briefing

MARCH 2014  
ISSUE THREE  
VOLUME SEVEN

In her February 27, 2014 statement to the United States Senate Banking Committee, recently confirmed Federal Reserve chairwoman Janet Yellen stated that the nation is “a lot closer to a normal economy than we’ve been in a long time.” This prompted a discussion item from Nevada Senator Dean Heller who asked if a persistently high unemployment rate of nine percent could be a new normal for Nevada. In response, Chairwoman Yellen surmised that “Nevada is one of the states that has been most badly affected” by the downturn, and that the state is still “some years” away from what might be considered a normal economy.

This has prompted a renewed debate over the question of exactly what constitutes a “normal” Nevada economy. Most observers agree that it does not resemble any of the rapid growth from 1986 to 2006 when Nevada was leading the nation in population, employment and income growth and the state’s unemployment rate reached a remarkably low 4.2 percent. Similarly, there is general agreement that there is nothing normal about the last 8 years when unemployment rose to a nation-leading 13.9 percent, 1 in 6 private sector jobs were lost and housing prices declined by 60.2 percent. For the past decade, Nevada’s economy has been on a rollercoaster ride, dominated by periods of nation-leading growth and nation-leading decline. While reasonable minds may differ when it comes to the definition of “normal,” for Nevada there are three principal conditions that are needed for the economy to be stable: (1) a modest growth rate; (2) a healthy tourism sector; and (3) the presence of economic diversification.

Whether we like it or not, Nevada’s economy has been predicated on growth and expansion

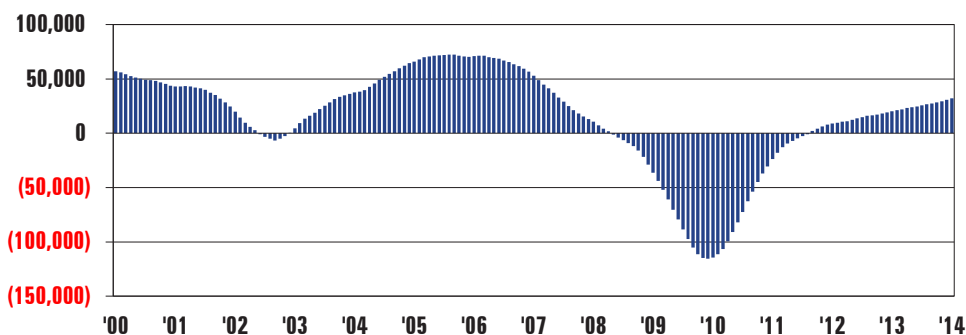
during the vast majority of the past century. The state’s economic and fiscal systems are highly dependent on population growth and new business investment. The economy has been growing steadily since bottoming out after the Great Recession. According to the US Census, Nevada’s population growth, at 1.3 percent in 2013, ranks the Silver State the 5th fastest growing state in the nation. Personal income has also increased 11.7 percent since hitting bottom in the first quarter of 2010. Housing prices in particular have had a robust recovery, with Nevada’s home prices gaining 48.2 percent during the past two years of the recovery phase. Housing prices in the state remain 41.0 percent below their peak in Q1 2006. Employment growth has also been robust, as 42,600 new jobs (+3.7 percent) were created during 2013 for a total of 1,203,100 jobs. The state has continued to grow its employment base at an increasing rate in the aftermath of the recession.

Nevada’s economy is also remarkably tourism dependent. The tourism economy accounts for

Continued on Back Cover >>

### NEVADA EMPLOYMENT GROWTH

### TRAILING 12-MONTH AVERAGES



## MONTHLY

### Employment Indicators

Nevada Employment		Jan-14
Current Period	Prev. Period	Same Period Prev. Yr.
1,185,500	1,203,100	1,145,000
GROWTH RATE	-1.5% ▼	3.5% ▲

Nevada Private Average Weekly Hours Worked		Jan-14
Current Period	Prev. Period	Same Period Prev. Yr.
33.1	33.6	33.5
GROWTH RATE	-1.5% ▼	-1.2% ▼

Nevada Unemployment Rate		Jan-14
Current Period	Prev. Period	Same Period Prev. Yr.
8.7%	9.0%	10.5%
GROWTH RATE	-0.3% ▼	-1.8% ▼

Nevada Initial Unemployment Insurance Claims		Jan-14
Current Period	Prev. Period	Same Period Prev. Yr.
18,157	16,620	20,553
GROWTH RATE	9.2% ▲	-11.7% ▼

## TRAILING 12-MONTH

### Employment Indicators

Nevada Employment <sup>(1)</sup>		Jan-14
Current Period	Prev. Period	Same Period Prev. Yr.
1,179,058	1,175,683	1,146,892
GROWTH RATE	0.3% ▲	2.8% ▲

Nevada Private Average Weekly Hours Worked <sup>(1)</sup>		Jan-14
Current Period	Prev. Period	Same Period Prev. Yr.
33.5	33.5	34.0
GROWTH RATE	-0.1% ▼	-1.6% ▼

Nevada Unemployment Rate <sup>(1)</sup>		Jan-14
Current Period	Prev. Period	Same Period Prev. Yr.
9.7%	9.8%	11.3%
GROWTH RATE	-0.1% ▼	-1.6% ▼

Nevada Initial Unemployment Insurance Claims <sup>(2)</sup>		Jan-14
Current Period	Prev. Period	Same Period Prev. Yr.
185,121	187,517	215,652
GROWTH RATE	-1.3% ▼	-14.2% ▼

Notes: (1) Trailing 12-month/4-quarter averages.  
(2) Trailing 12-month/4-quarter totals.

## MONTHLY & QUARTERLY

*Economic Indicator Series*

### Nevada Residential Housing Units Permitted

Jan-14

Current Period	Prev. Period	Same Period Prev. Yr.
671	500	705
GROWTH RATE	34.2% ▲	-4.8% ▼

### Nevada Taxable Retail Sales

Dec-13

Current Period	Prev. Period	Same Period Prev. Yr.
\$4,416,016,071	\$3,710,883,659	\$4,343,847,392
GROWTH RATE	19.0% ▲	1.7% ▲

### Nevada Gross Gaming Revenue

Jan-14

Current Period	Prev. Period	Same Period Prev. Yr.
\$884,203,134	\$1,034,037,343	\$909,267,893
GROWTH RATE	-14.5% ▼	-2.8% ▼

### Las Vegas/Reno-Tahoe Enplaned and Deplaned Passengers

Jan-14

Current Period	Prev. Period	Same Period Prev. Yr.
3,532,659	3,577,086	3,389,252
GROWTH RATE	-1.2% ▼	4.2% ▲

### Clark/Washoe County Visitor Volume

Jan-14

Current Period	Prev. Period	Same Period Prev. Yr.
3,935,939	3,499,657	3,676,175
GROWTH RATE	12.5% ▲	7.1% ▲

### Nevada New Business Creation

Q3 '13

Current Period	Prev. Period	Same Period Prev. Yr.
582	(173)	397
GROWTH RATE	N/A ▲	46.6% ▲

### Nevada Housing Price Index

(Q1 1991 = 100)

Q4 '13

Current Period	Prev. Period	Same Period Prev. Yr.
162.9	156.4	131.0
GROWTH RATE	4.1% ▲	24.3% ▲

### Clark County Office Market Vacancy Rate

Q4 '13

Current Period	Prev. Period	Same Period Prev. Yr.
25.7%	25.9%	26.0%
GROWTH RATE	-0.2% ▼	-0.3% ▼

### Nevada Hotel/Motel Occupancy

Q3 '13

Current Period	Prev. Period	Same Period Prev. Yr.
81.9%	82.1%	82.4%
GROWTH RATE	-0.2% ▼	-0.5% ▼

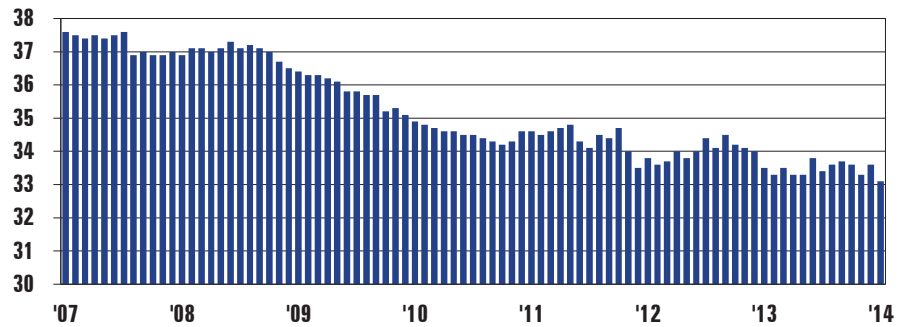
### State of Nevada Personal Income

Q3 '13

Current Period	Prev. Period	Same Period Prev. Yr.
\$27,325,215,250	\$27,107,638,250	\$26,188,535,000
GROWTH RATE	0.8% ▲	4.3% ▲

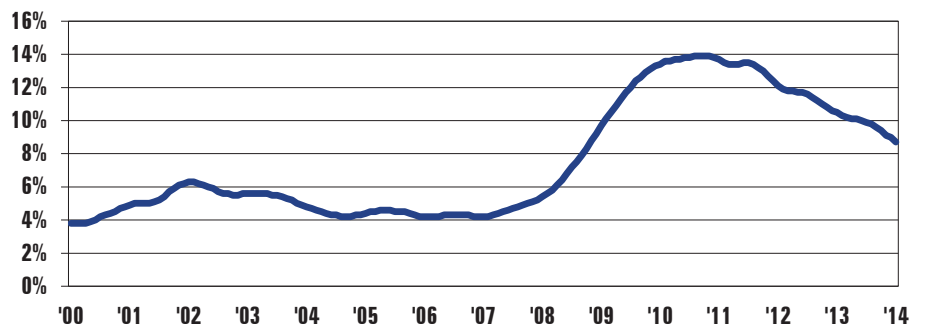
## NEVADA PRIVATE AVERAGE WEEKLY HOURS WORKED

MONTHLY SERIES



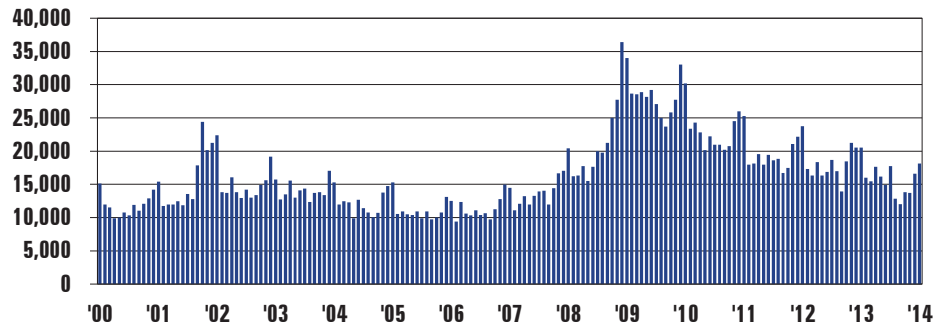
## NEVADA UNEMPLOYMENT RATE

MONTHLY SERIES



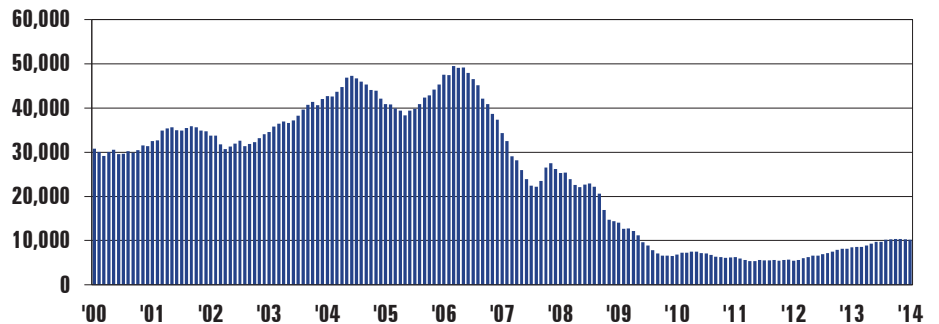
## NEVADA UNEMPLOYMENT INSURANCE CLAIMS

MONTHLY SERIES

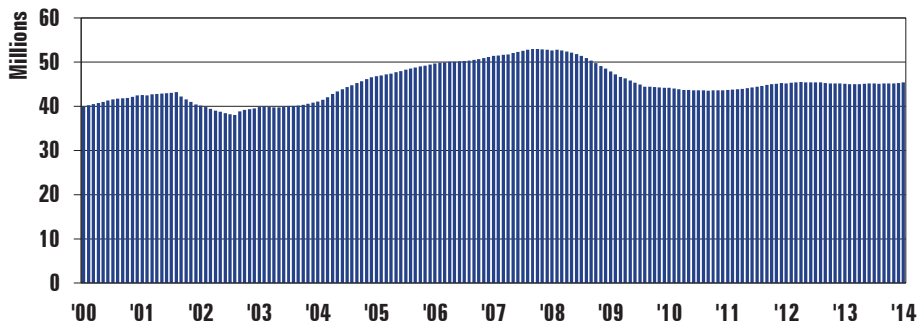


## NEVADA RESIDENTIAL UNITS PERMITTED

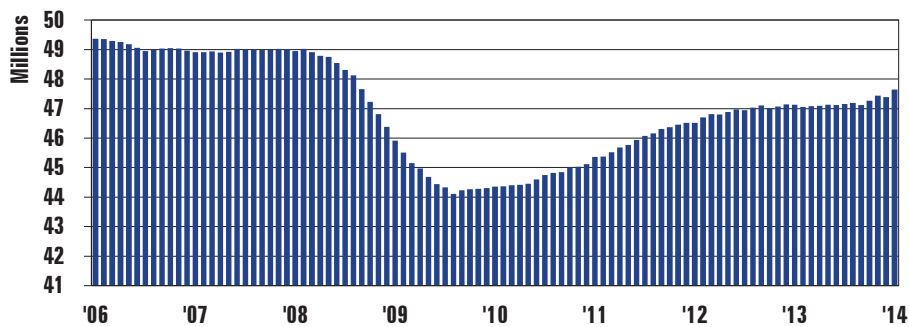
TRAILING 12-MONTH TOTALS



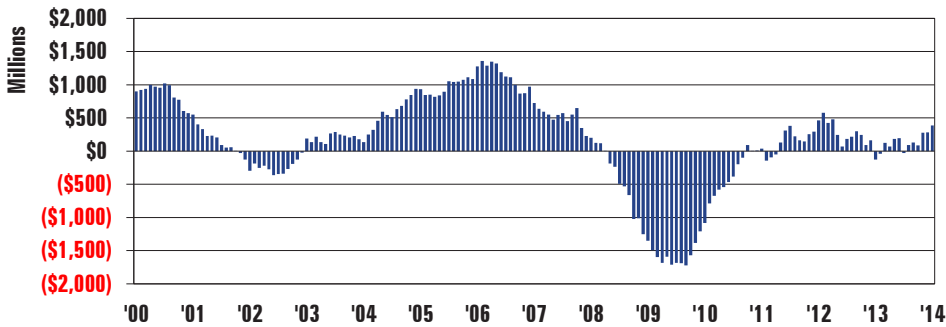
**LAS VEGAS/RENO-TAHOE AIRPORT PASSENGER COUNTS** TRAILING 12-MONTH TOTALS



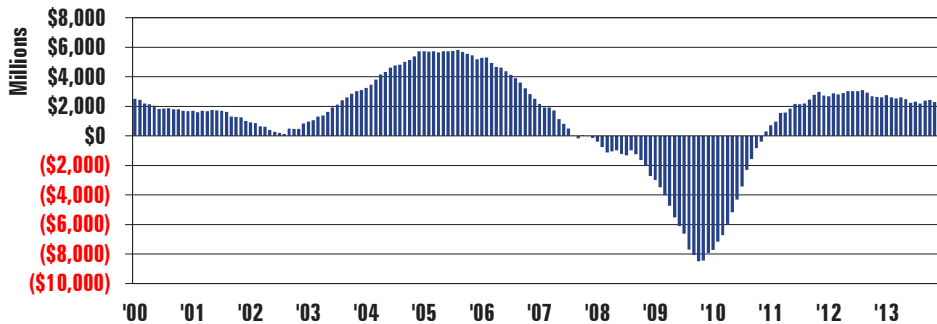
**CLARK/WASHOE COUNTY VISITOR VOLUME** TRAILING 12-MONTH TOTALS



**GROWTH IN NEVADA GROSS GAMING REVENUES** TRAILING 12-MONTH TOTALS



**GROWTH IN NEVADA TAXABLE RETAIL SALES** TRAILING 12-MONTH TOTALS



**TRAILING 12-MONTH**  
*Economic Indicator Series*

Nevada Residential Housing Units Permitted <sup>(2)</sup>		Jan-14
Current Period	Prev. Period	Same Period Prev. Yr.
10,220	10,254	8,446
GROWTH RATE		-0.3% ▼ 21.0% ▲

Nevada Taxable Retail Sales <sup>(2)</sup>		Dec-13
Current Period	Prev. Period	Same Period Prev. Yr.
\$46,268,719,878	\$46,196,551,199	\$44,046,373,942
GROWTH RATE		0.2% ▲ 5.0% ▲

Nevada Gross Gaming Revenue <sup>(2)</sup>		Jan-14
Current Period	Prev. Period	Same Period Prev. Yr.
\$11,117,827,983	\$11,142,892,742	\$10,732,938,144
GROWTH RATE		-0.2% ▼ 3.6% ▲

Las Vegas/Reno-Tahoe Enplaned and Deplaned Passengers <sup>(2)</sup>		Jan-14
Current Period	Prev. Period	Same Period Prev. Yr.
45,432,452	45,289,045	45,101,190
GROWTH RATE		0.3% ▲ 0.7% ▲

Clark/Washoe County Visitor Volume <sup>(2)</sup>		Jan-14
Current Period	Prev. Period	Same Period Prev. Yr.
47,648,537	47,388,773	47,133,969
GROWTH RATE		0.5% ▲ 1.1% ▲

Nevada New Business Creation <sup>(2)</sup>		Q3 '13
Current Period	Prev. Period	Same Period Prev. Yr.
1,558	1,373	1,394
GROWTH RATE		13.5% ▲ 11.8% ▲

Nevada Housing Price Index <sup>(1)</sup>		Q4 '13
Current Period	Prev. Period	Same Period Prev. Yr.
150.9	142.9	121.6
GROWTH RATE		5.6% ▲ 24.1% ▲

Clark County Office Market Vacancy Rate <sup>(1)</sup>		Q4 '13
Current Period	Prev. Period	Same Period Prev. Yr.
26.1%	26.1%	25.8%
GROWTH RATE		0.0% ◊ 0.3% ▲

Nevada Hotel/Motel Occupancy <sup>(1)</sup>		Q3 '13
Current Period	Prev. Period	Same Period Prev. Yr.
79.2%	79.4%	78.7%
GROWTH RATE		-0.2% ▼ 0.5% ▲

State of Nevada Personal Income <sup>(2)</sup>		Q3 '13
Current Period	Prev. Period	Same Period Prev. Yr.
\$109,300,861,000	\$108,430,553,000	\$104,754,140,000
GROWTH RATE		0.8% ▲ 4.3% ▲

Notes: (1) Trailing 12-month/4-quarter averages.  
(2) Trailing 12-month/4-quarter totals.

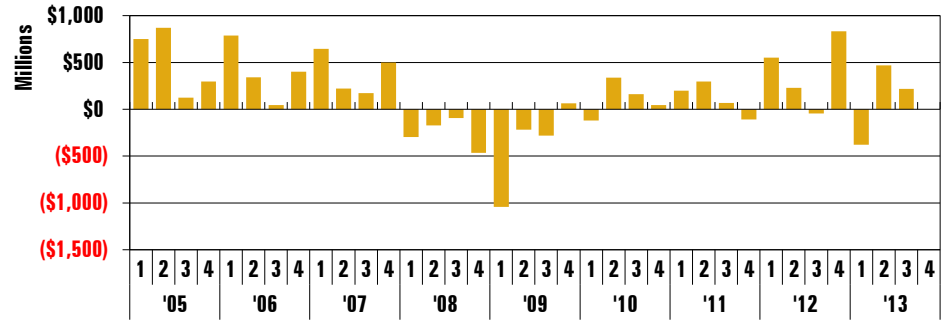
27.9 percent of jobs, 25.1 percent of wages, and 16.2 percent of the state's economic output. During the low point of the Great Recession, visitor volume decreased by 10.7 percent to 44.1 million visitors. Since then, visitor volume has increased by 8.0 percent, currently standing at 47.6 million (3.5 percent below the peak level reported in January 2006). The landscape has changed dramatically for the tourism industry in the state as well, as major sources of revenues for hotel-casino operators have shifted in recent years. During the past year, gaming revenues accounted for 37.0 percent of total revenues reported by Las Vegas Strip gaming operators, down from 43.0 percent 10 years ago and 57.0 percent two decades ago. While expansions of gaming around the globe are contributing to the shift, investments continue to be made in Nevada, particularly along the Las Vegas Strip.

Nevada's economy remains too narrow, which is to say that it is too highly dependent on a single industry: tourism. There is little argument that diversity is needed; however, Nevada's ability to compete for new and expanding businesses is at best uncertain. Though the recession harmed a wide swath of Nevada's businesses, the state's economy does continue to diversify. Nevada's Hachman Index, which measures economic diversity, ended the year at 72.9, the highest index value in state history. In 2000, the value of this index was just 61.9. During the past couple of years, investment interest has increased in the state, with unmanned aerial vehicle development, Tesla's immense battery factory, and numerous other industries considering expansion in the state. Nevada's growth since the recession has been led by professional services, trade, transportation, education, and healthcare firms, and not exclusively new tourism jobs.

Nevada is rarely described as being normal; our economy has been no different. While there is no argument to be made with Chairwoman Yellen's assertion that Nevada was disparately impacted by the Great Recession, the idea that our state's recovery is going to be a "long slog" seems at least somewhat pessimistic for a state that is at or near the nation's highest in terms of population growth, new job creation and housing price appreciation. 🚫

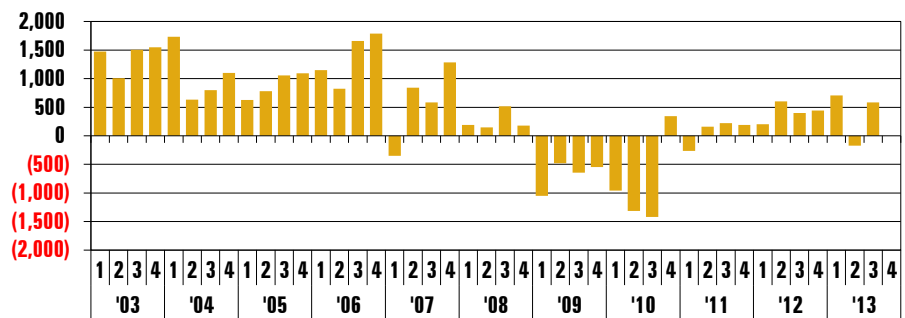
STATE OF NEVADA PERSONAL INCOME GROWTH

QUARTER-OVER-QUARTER



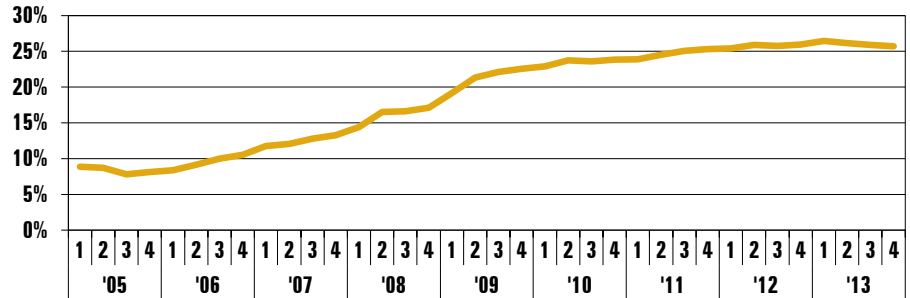
NEVADA NEW BUSINESS CREATION

QUARTER-OVER-QUARTER



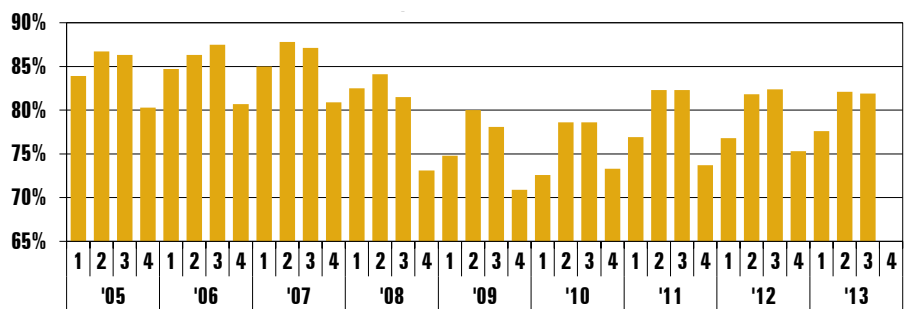
LAS VEGAS OFFICE MARKET VACANCY RATE

QUARTERLY SERIES



NEVADA HOTEL/MOTEL OCCUPANCY

QUARTERLY SERIES



Prepared by:



appliedanalysis.com

**Methodology:** Applied Analysis ("AA") was retained by Nevada State Bank to summarize and analyze a series of key economic indicators on a recurring basis. Relevant data were obtained from AA's internal databases as well as national, regional and local data providers, including, without limitation, state and local governments. While we have no reason to doubt the accuracy of any of the data reported, we have not performed an audit or assurance procedures on these data, and as such, we cannot attest to their completeness. Generally speaking, data reported are for Nevada, Clark County, Washoe County, or the metropolitan areas therein. Please note that these geographies may differ slightly between data providers.