



Economic Overview

Summary of Labor Market Conditions and Outlook

Department of Employment, Training, & Rehabilitation

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Prepared by the Research and Analysis Bureau

State Employment

Total Employment of 1,433,600 in August (SA¹)

Non-farm Job Levels Up 42,100¹ or 3.0% Over the Year

Nevada #1 in Employment Growth 11 Months Running

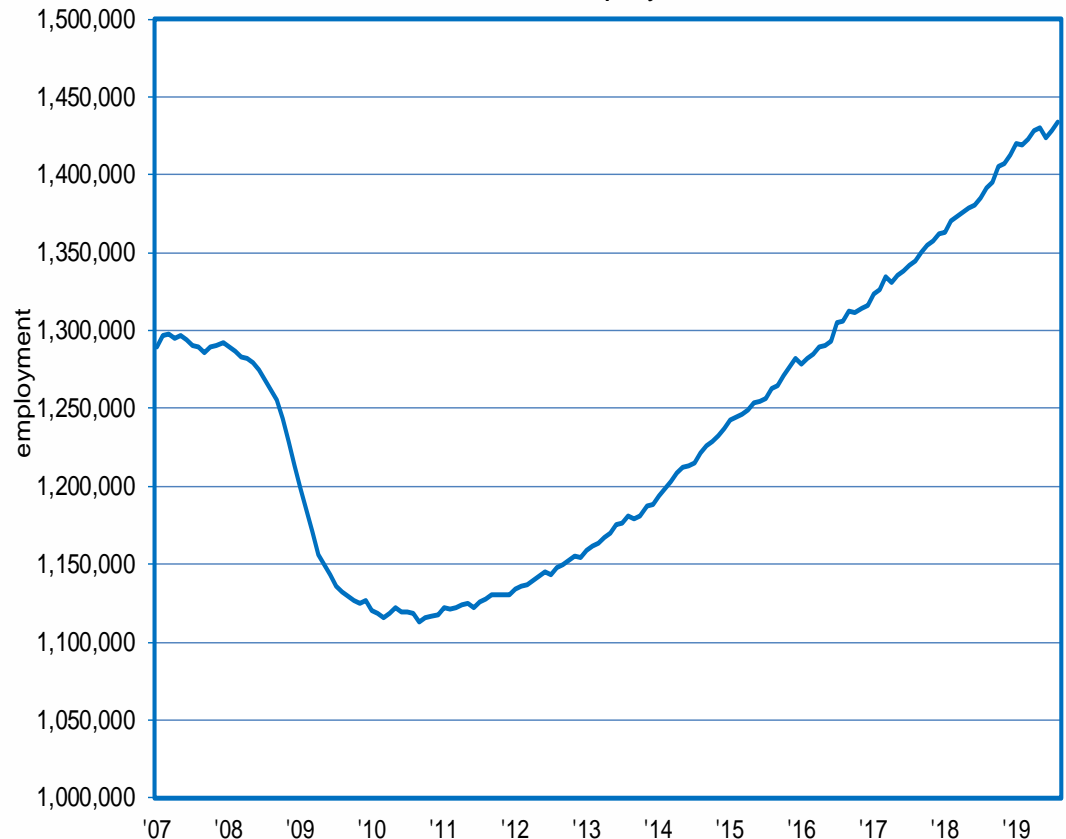
Up 5,400 Jobs Over the Month
2,100 (NSA²) jobs were expected to be realized based upon historical trends, but 7,500 were actually added, resulting in the seasonally-adjusted increase

July's employment level was revised down by 700 jobs¹ bringing the two-month change to a gain of 9,900 jobs

¹ seasonally adjusted

² not seasonally adjusted

Total Nonfarm Employment

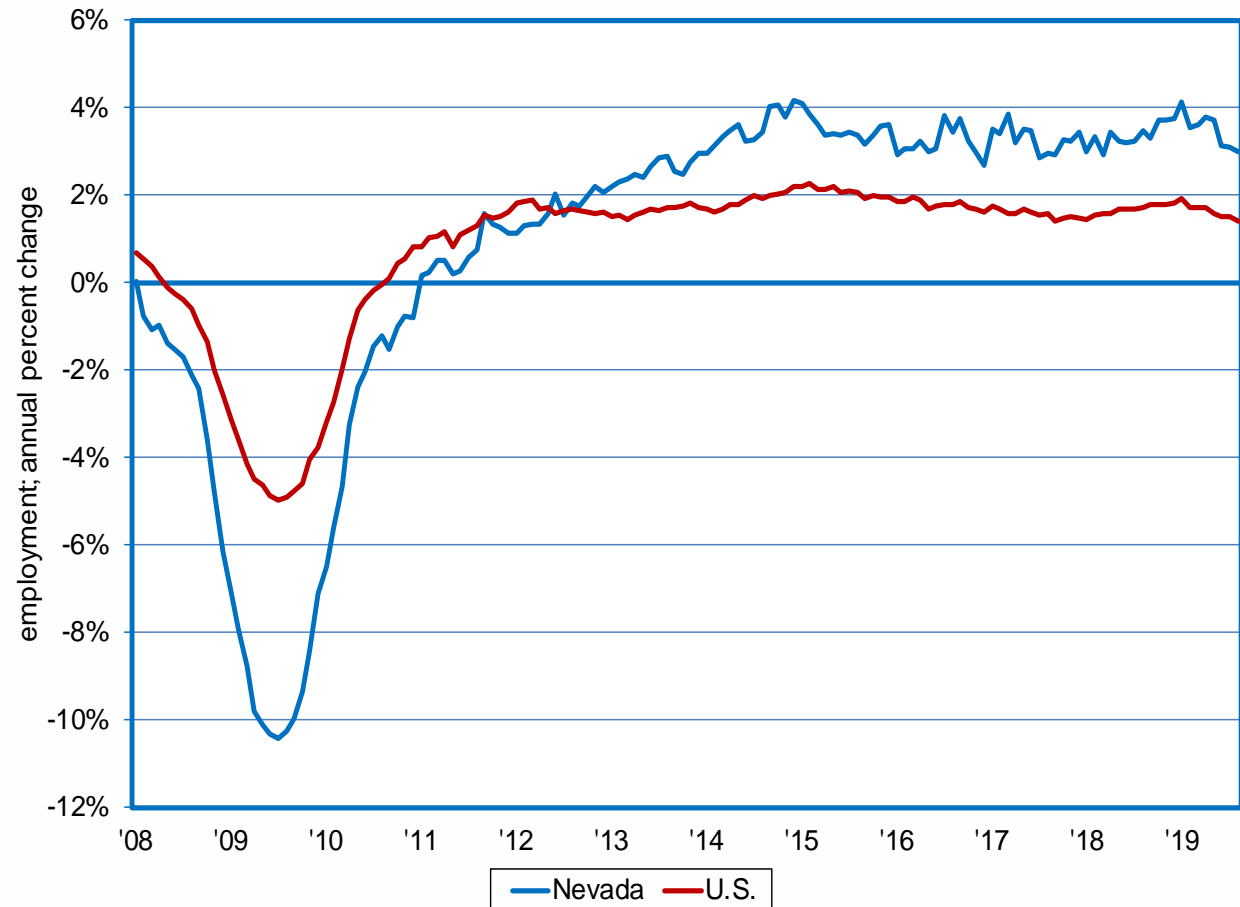


Nevada Growing Twice as Fast as Nation

Nevada's employment grew at an annual rate of 3.0% in August, compared to 1.4% in the nation as a whole¹

Nevada's job growth has outpaced the nation for 85 straight months

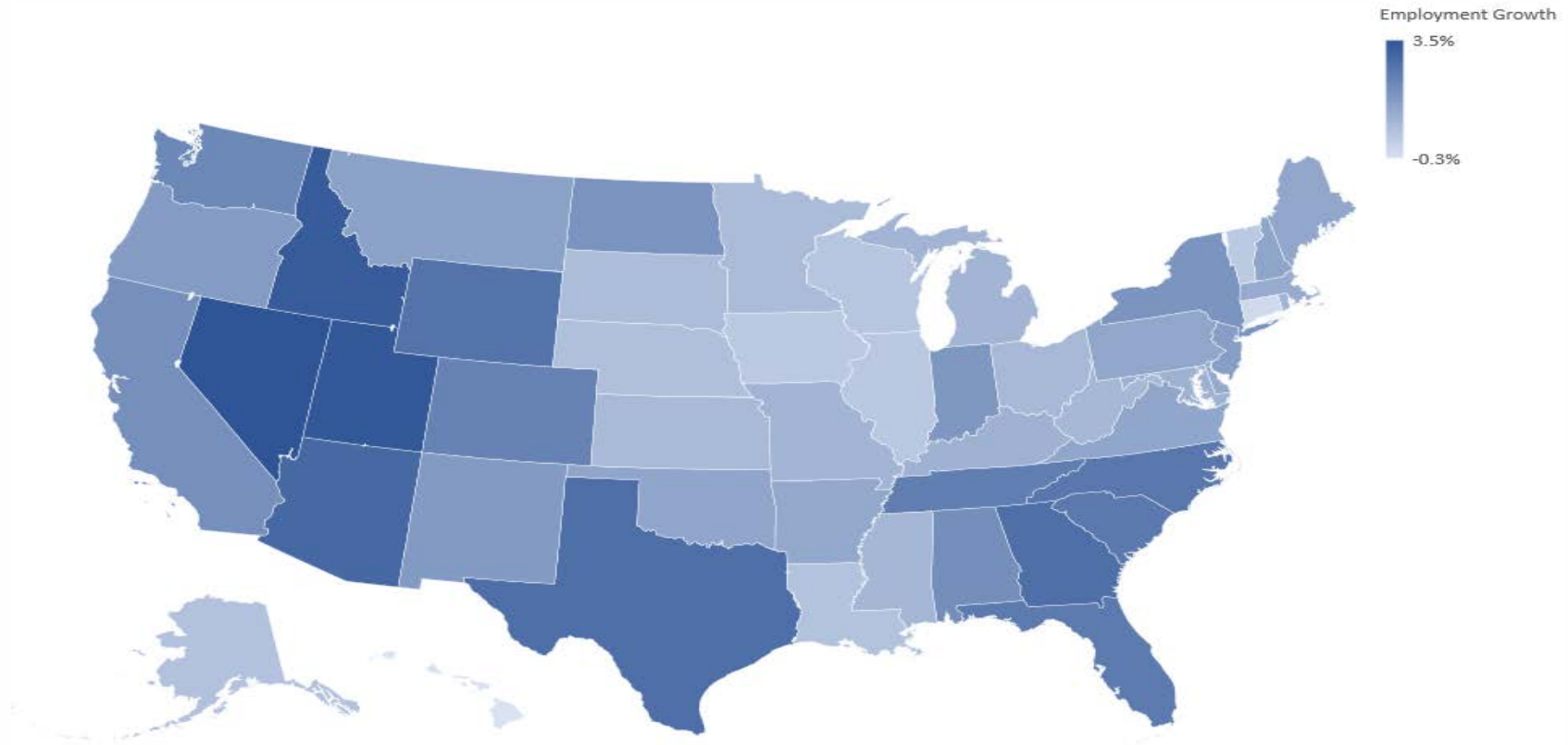
Job Growth: NV vs. U.S.



¹ seasonally adjusted

Nevada #1 in Private Sector Job Growth Over the Year

Average Employment Growth by State, 2019 First Quarter (Year over Year - Total Private Employment, All Industries)



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12-Month Average Job Growth Over The Same Time Last Year Across All Sectors

Professional and business services is up 12,900 jobs, using a 12-month average through August over the same time last year, a gain of 6.9%¹

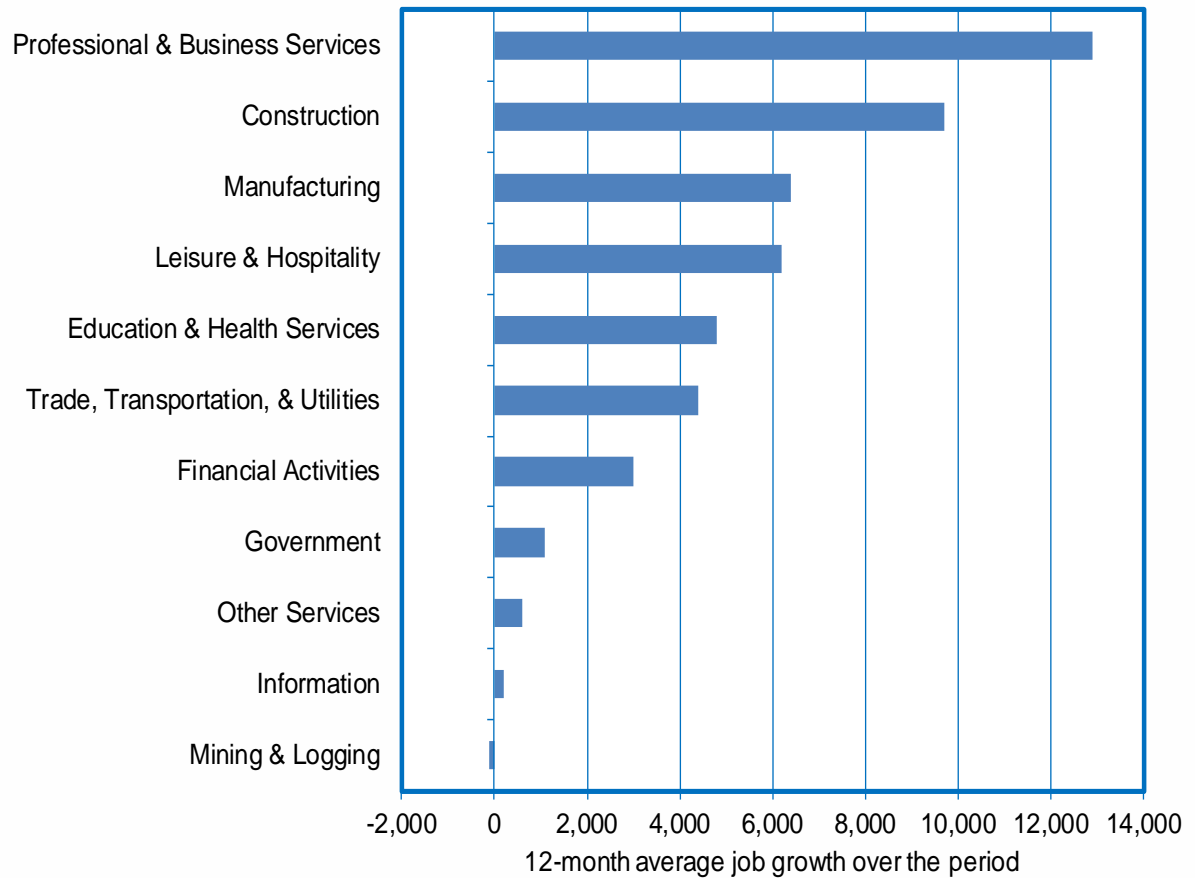
Manufacturing has grown by 12.2% after adding 6,400 jobs

Construction added 9,700 jobs, a gain of 11.1%

Leisure & hospitality grew by 1.8% and added 6,200 jobs

Mining declined by 100 or -0.3%

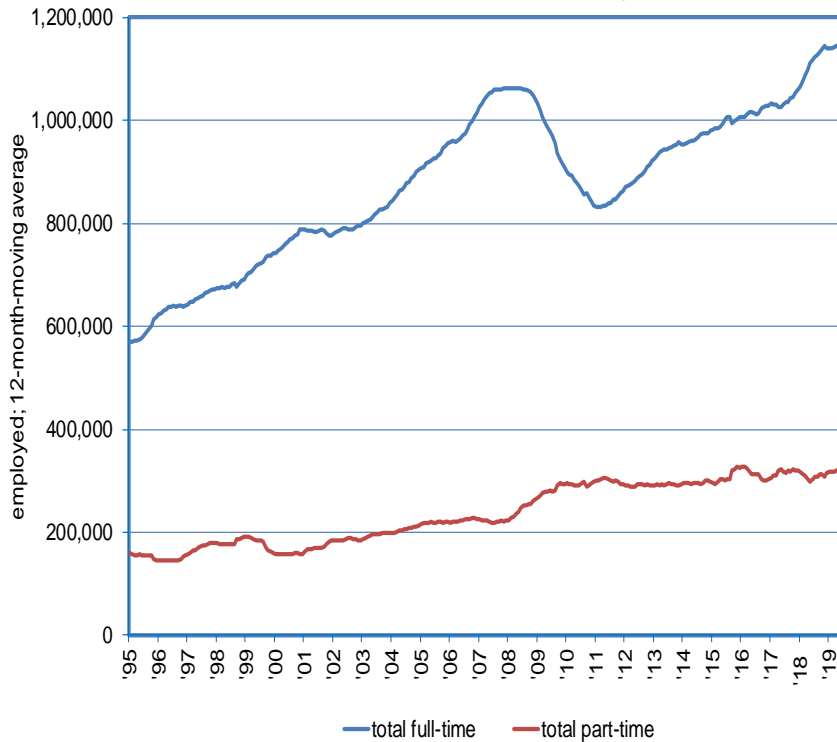
Nevada Nonfarm Job Growth by Industry



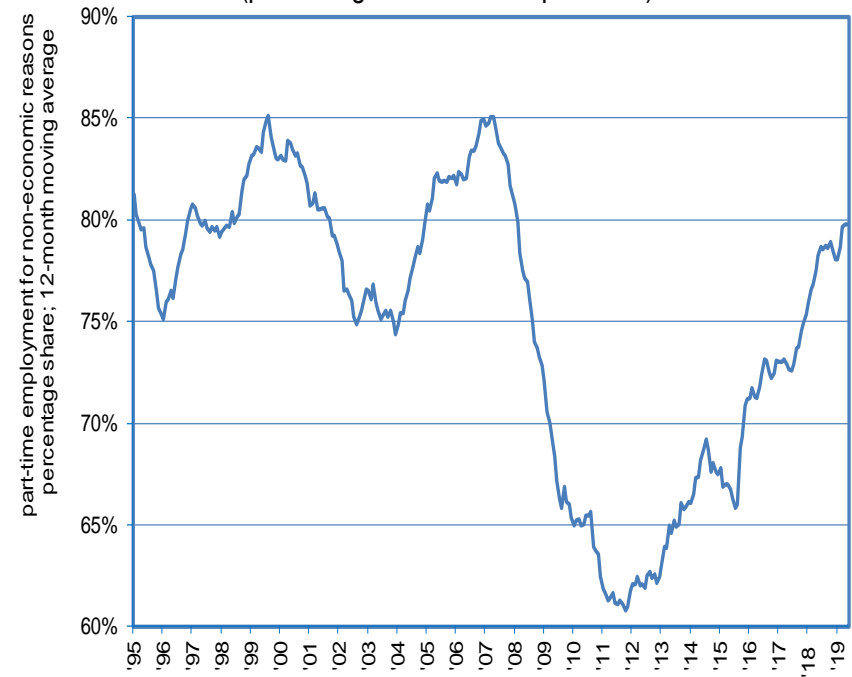
¹ not seasonally adjusted

Voluntary Part Time Employment Rising

Nevada: Full Time and Part Time Employment



Nevada: Part-time Employment for Non-Economic Reasons
(percentage share of total part-time)



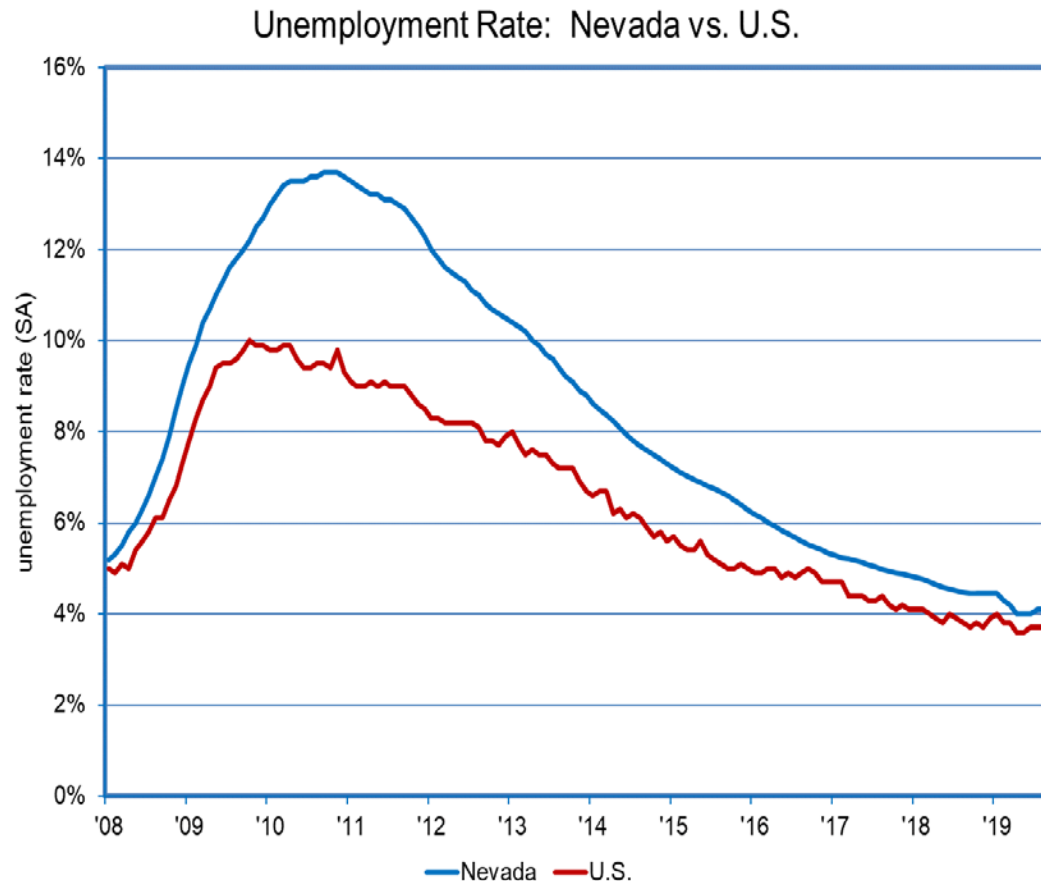
State Unemployment Rate

4.1% in August 2019

Unchanged from July;
down from 4.5% a year
ago¹.

Unemployment totaled
63,299, up 1,063 over
the month and down
4,155 over the year

Compares to a 3.7%
rate for the U.S. – 0.4
percentage point
higher

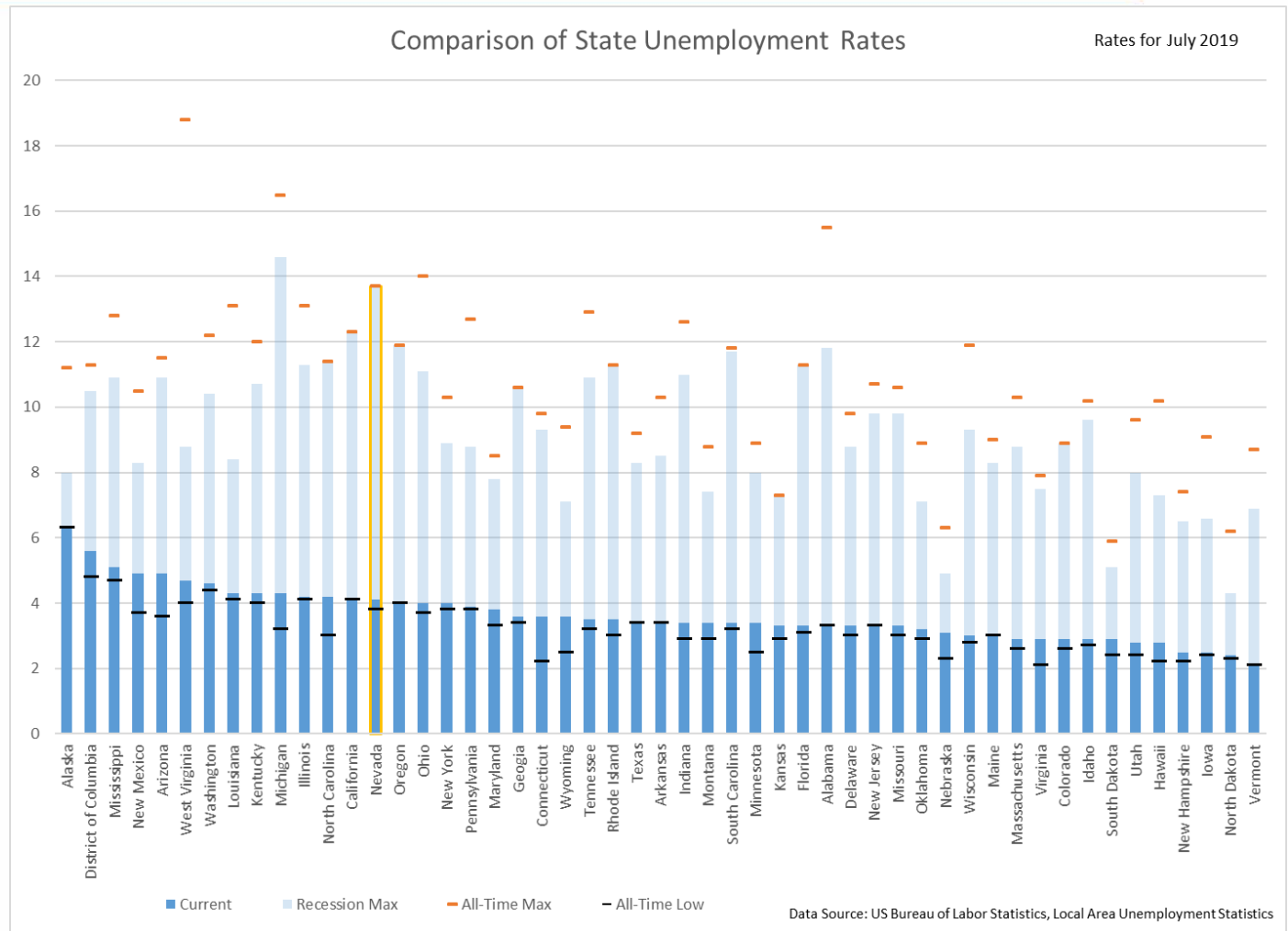


¹ seasonally adjusted

Ranking of State Unemployment Rates

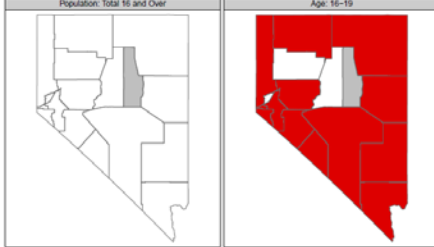
Currently, most states are near their all-time low unemployment rates.

39 states, including Nevada, are within 0.5 percentage points of their all-time low unemployment rate.



Demographic Groups With High Unemployment

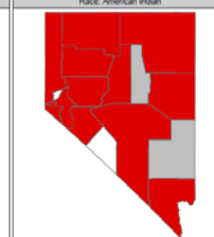
Areas Meeting at Least One High Unemployment Threshold, 2017



Areas Meeting at Least One High Unemployment Threshold, 2017



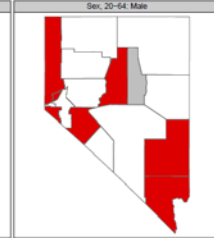
Areas Meeting at Least One High Unemployment Threshold, 2017



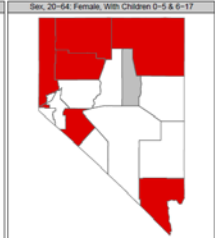
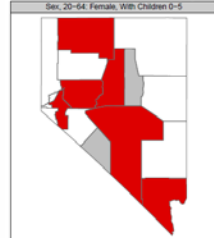
Areas Meeting at Least One High Unemployment Threshold, 2017



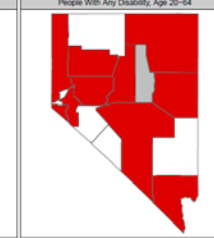
Areas Meeting at Least One High Unemployment Threshold, 2017



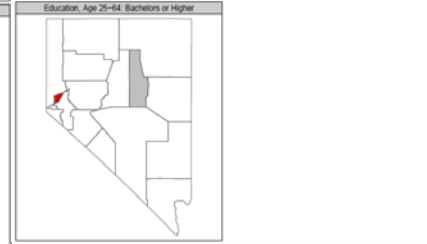
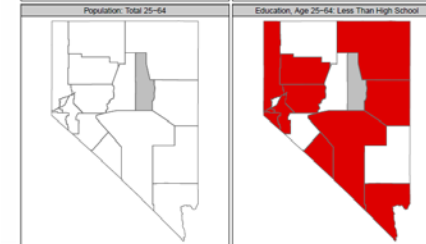
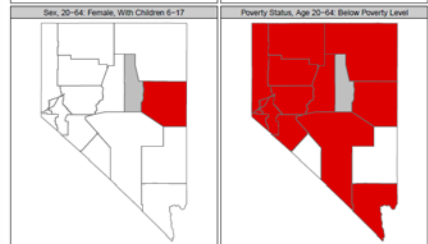
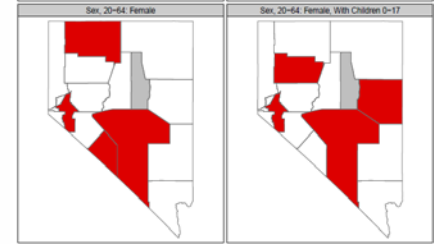
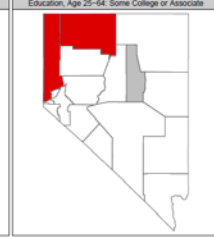
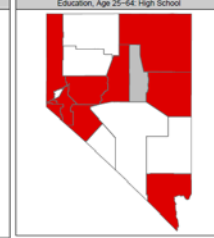
Areas Meeting at Least One High Unemployment Threshold, 2017



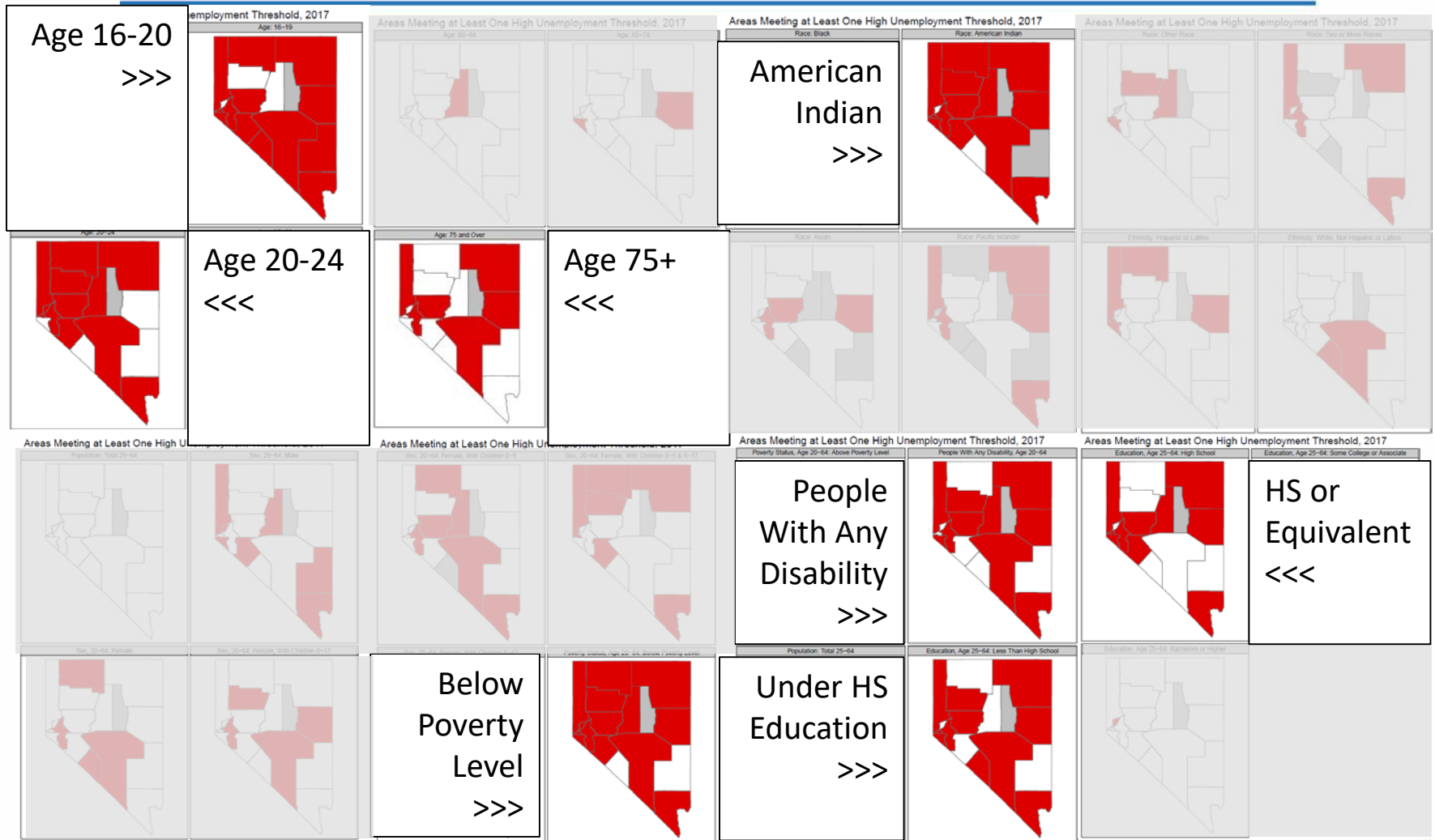
Areas Meeting at Least One High Unemployment Threshold, 2017



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Demographic Groups With High Unemployment



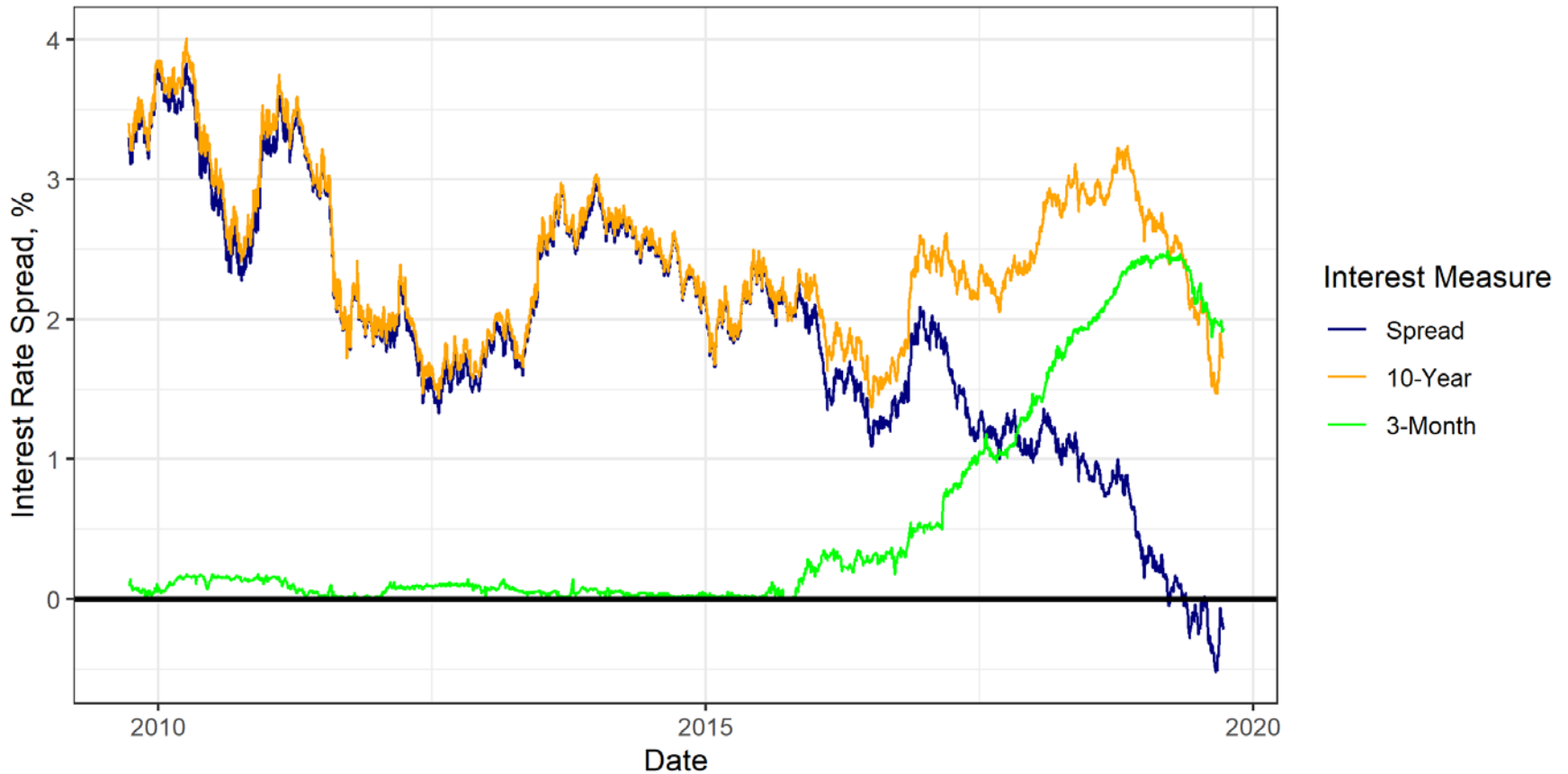
The Question Everyone Asks...

**When is the next
recession
coming?**

Yield Curve Outlook – Still Inverted

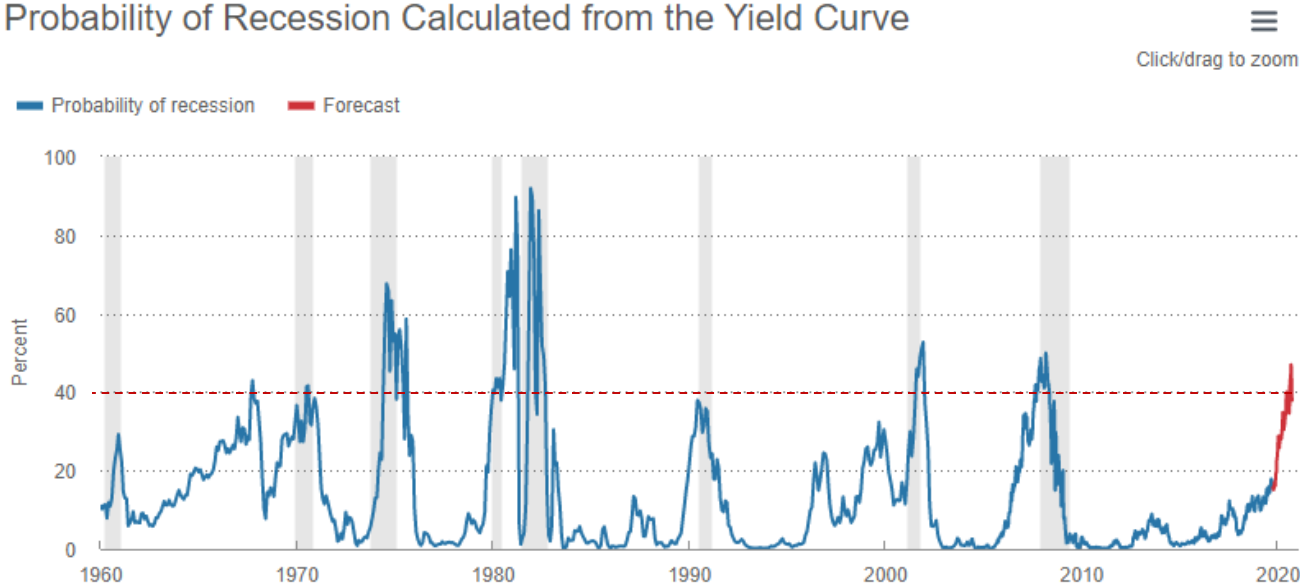
Recent History of 10 Year/3 Month Yield Curve

Shaded areas indicate recessions



Cleveland Federal Reserve Calculated Odds of Recession

Probability of Recession Calculated from the Yield Curve



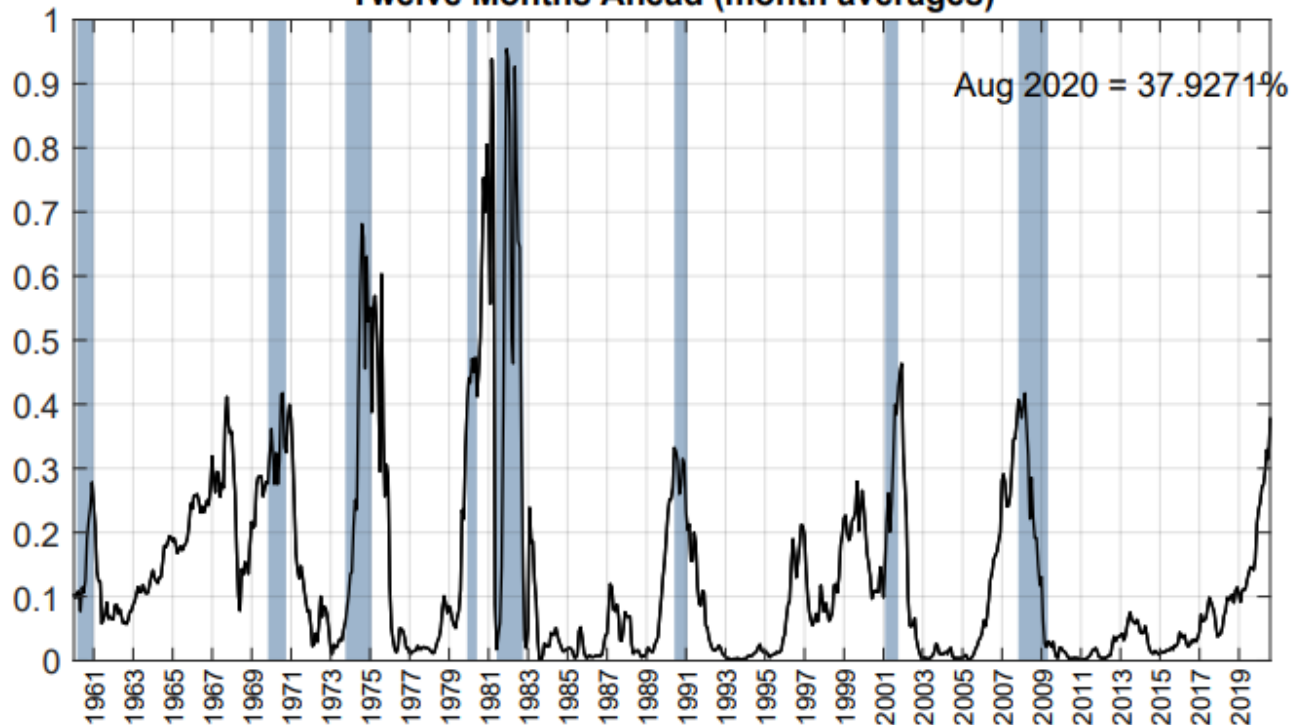
Note: Shaded bars indicate recessions.
Source: Federal Reserve Board, Federal Reserve Bank of Cleveland, Haver Analytics

	July	August	September
3-month Treasury bill rate (percent)	2.11	1.96	1.95
10-year Treasury bond rate (percent)	2.07	1.58	1.80
Yield curve slope (basis points)	-4	-38	--15
Prediction for GDP growth (percent)	2.2	2.2	2.1
Probability of recession in 1 year (percent)	35.4	44.1	37.9

<https://www.clevelandfed.org/our-research/indicators-and-data/yield-curve-and-gdp-growth.aspx>

New York Federal Reserve Calculated Odds of Recession

**Probability of US Recession Predicted by Treasury Spread*
Twelve Months Ahead (month averages)**

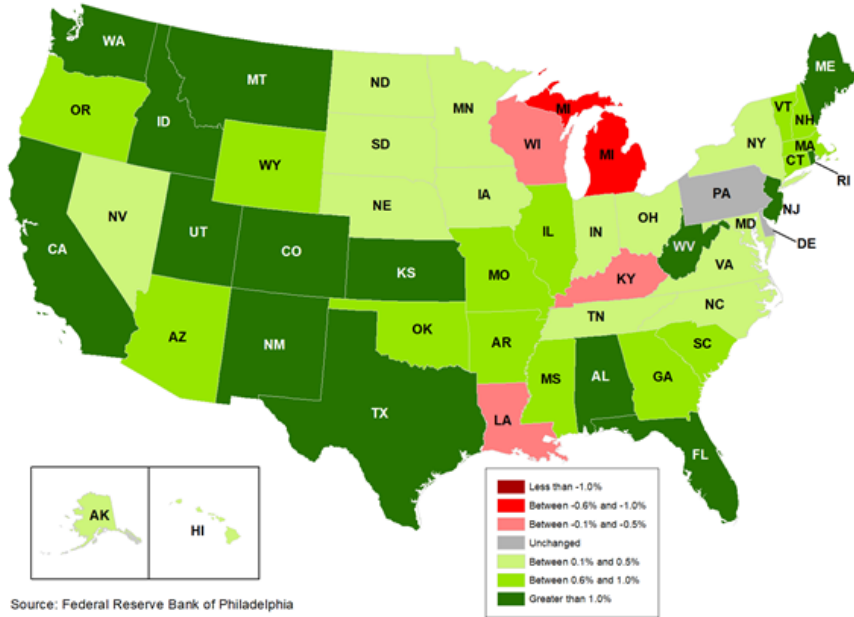


*Parameters estimated using data from January 1959 to December 2009, recession probabilities predicted using data through Aug 2019. The parameter estimates are $\alpha = -0.5333$, $\beta = -0.6330$.

Updated 04-Sep-2019

Philadelphia Federal Reserve Coincident and Leading Indices

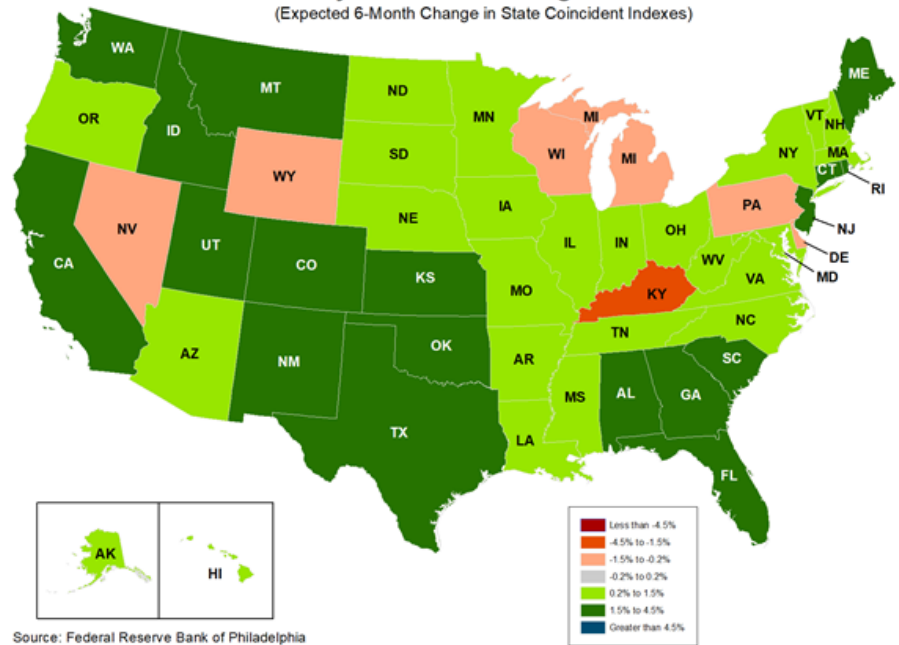
July 2019 State Coincident Indexes: Three-Month Change



Source: Federal Reserve Bank of Philadelphia

The leading index for each state predicts the six-month growth rate of the state's coincident index. In addition to the coincident index, the models include other variables that lead the economy: state-level housing permits (1 to 4 units), state initial unemployment insurance claims, delivery times from the Institute for Supply Management (ISM) manufacturing survey, and the interest rate spread between the 10-year Treasury bond and the 3-month Treasury bill.

July 2019 State Leading Indexes
(Expected 6-Month Change in State Coincident Indexes)

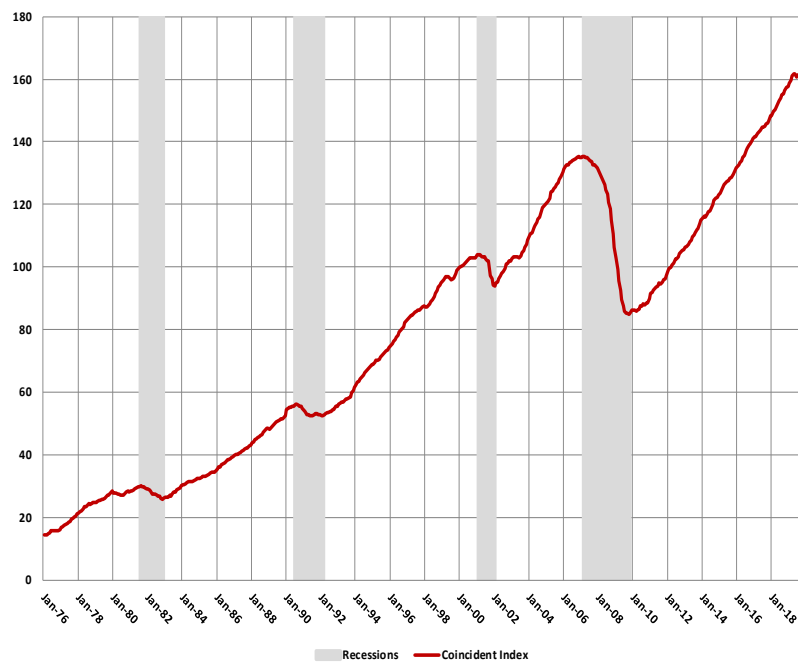


Source: Federal Reserve Bank of Philadelphia

CBER-DETR Coincident and Leading Indices

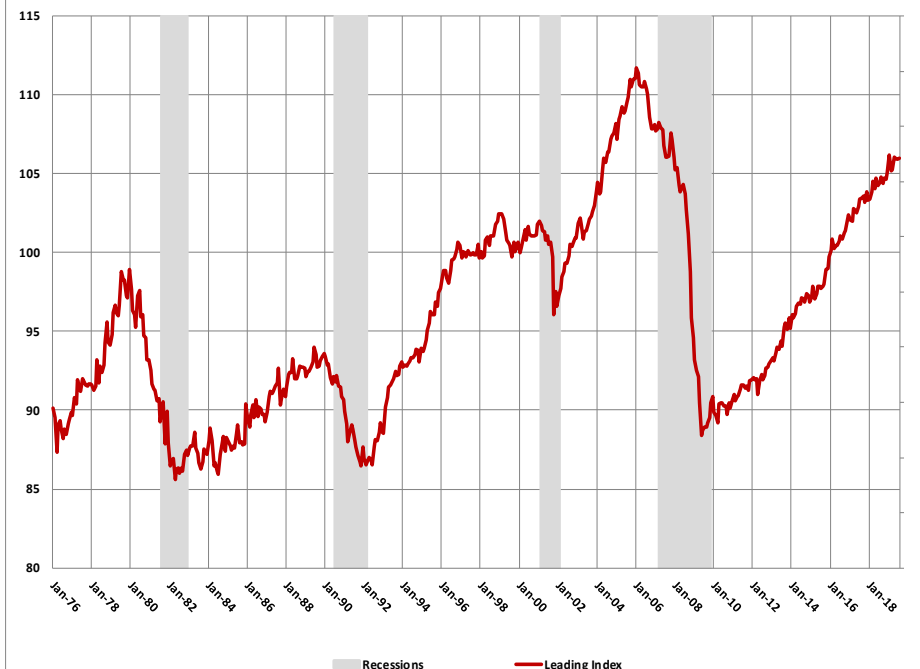
CBER-DETR Coincident Index

Nevada Coincident Employment Index includes four employment measures – household employment, nonfarm employment, the unemployment rate (inverted, since an upward movement in the jobless rate is a “negative”), and the insured unemployment rate (inverted).



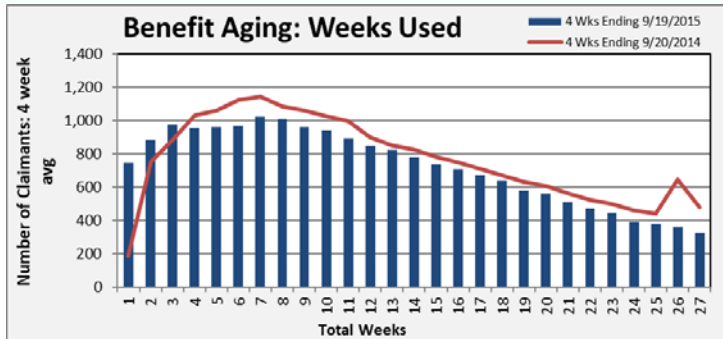
CBER-DETR Leading Index

The Nevada Leading Employment Index includes six employment related measures – initial claims for unemployment insurance (inverted), the real 10-year Treasury rate (inverted), housing permits, commercial permits, construction employment, and the short-duration unemployment rate (inverted).

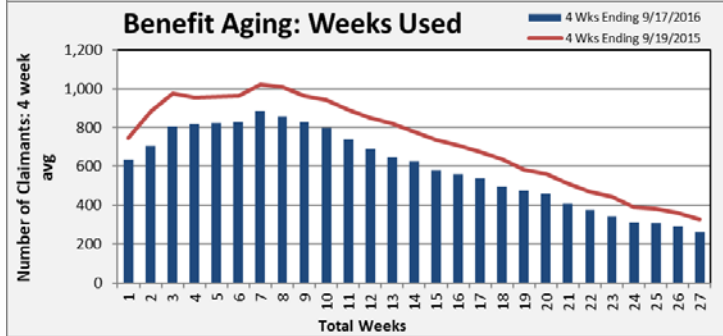


Watching for Changes: UI Benefit Aging

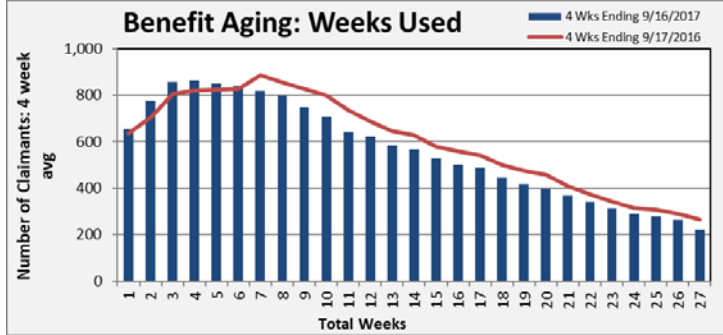
2015



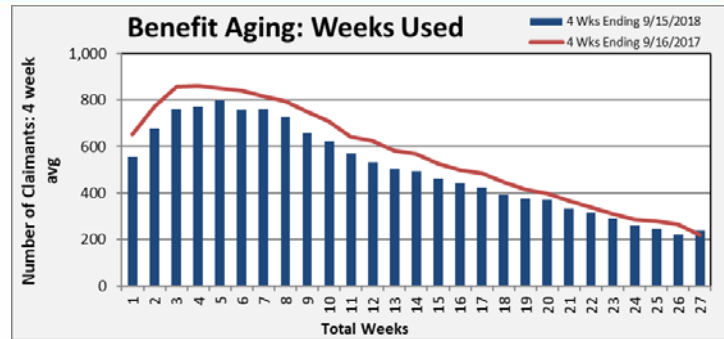
2016



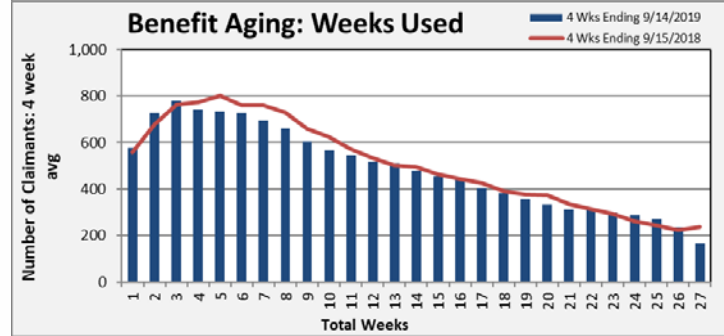
2017



2018

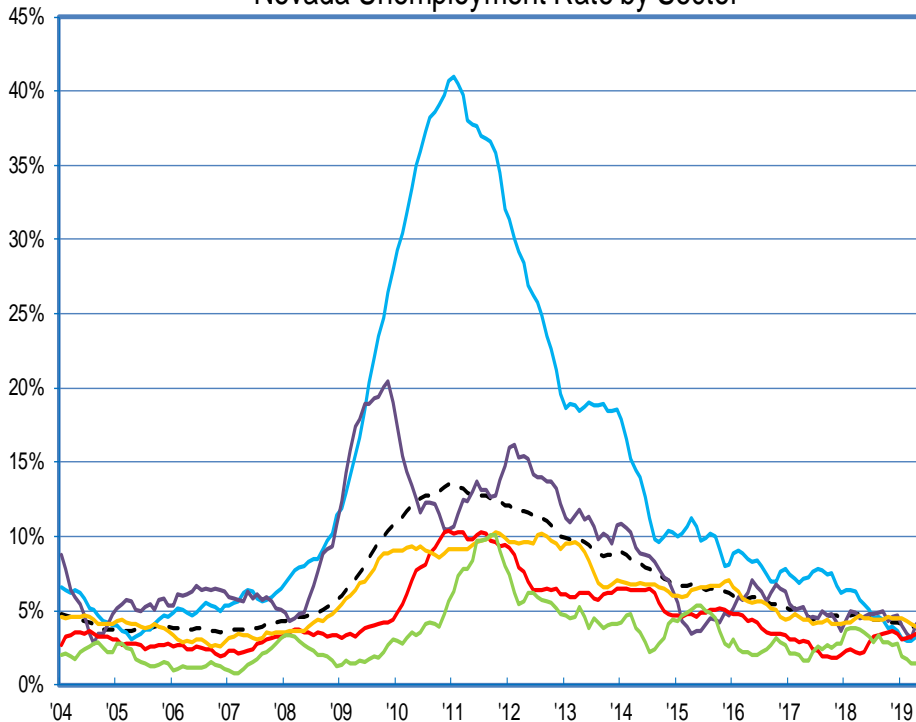


2019



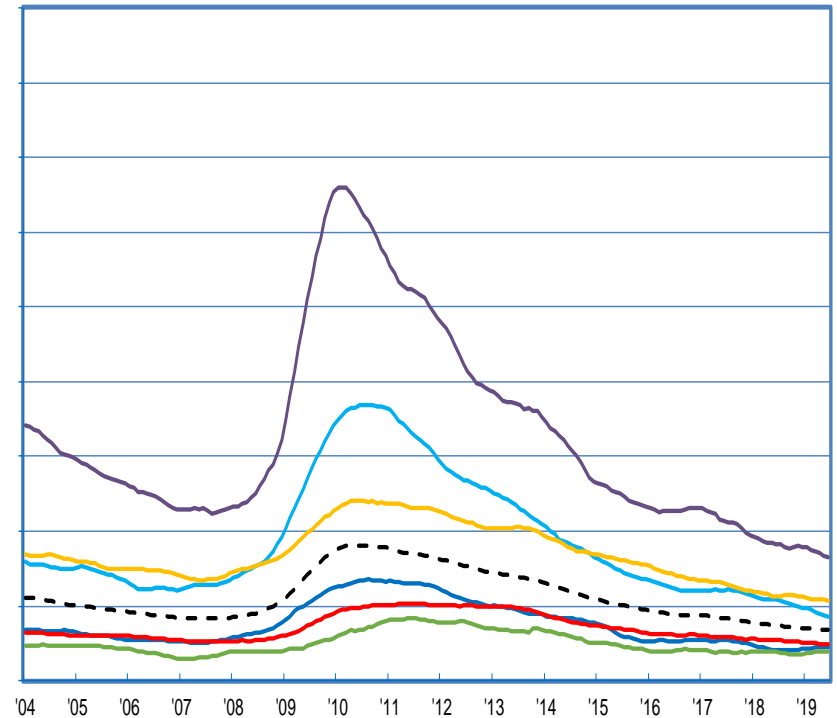
Recession Impacts Vary by Region

Nevada Unemployment Rate by Sector



- Nevada
- Manufacturing
- Leisure and Hospitality
- Construction
- Education and Health Services
- Public Administration

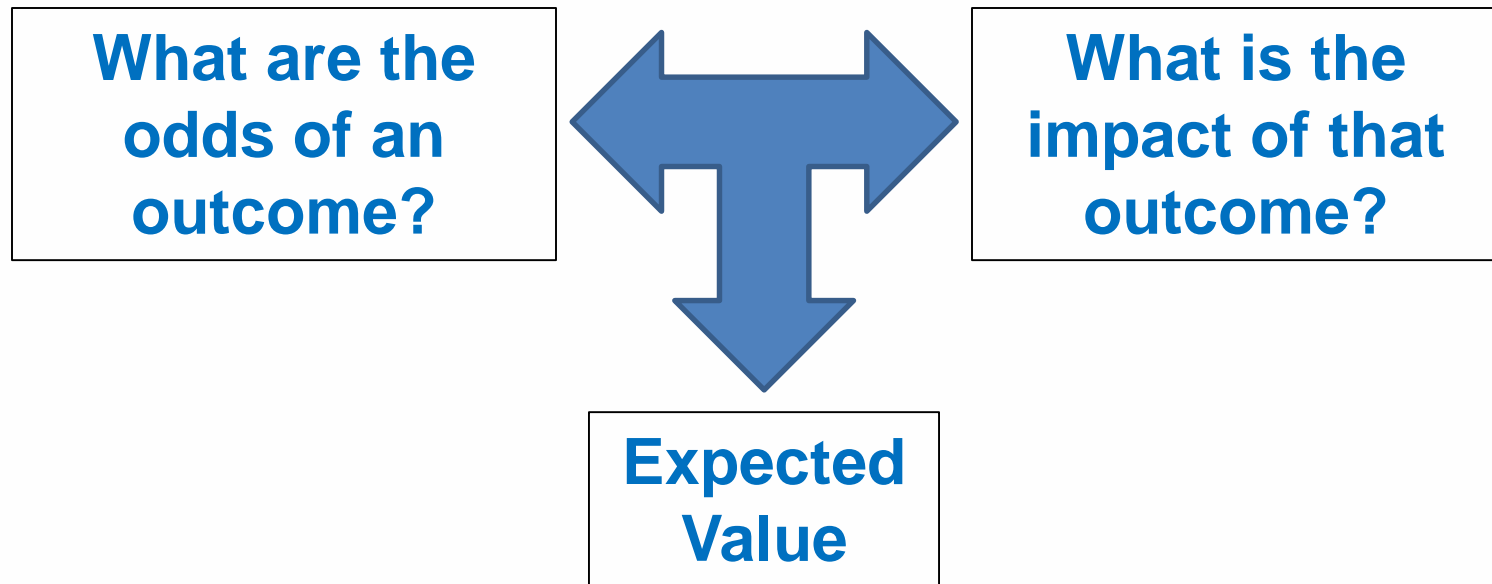
National Unemployment Rate by Sector



- National
- Manufacturing
- Education and Health Services
- Public Administration
- Construction
- Financial Activities
- Leisure and Hospitality

Responding to a Potential Recession

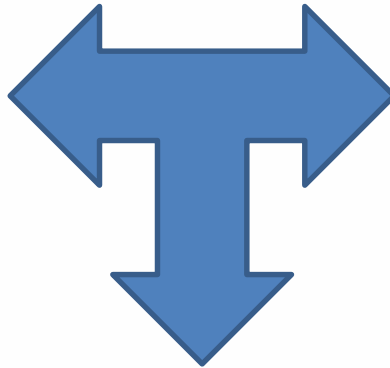
What actions can you take today, with an uncertain outlook for next year?



Responding to a Potential Recession

Ask a question, multiply the probability of each outcome by the impact of that outcome, and add the totals together.

Outcome 1: 10%
Outcome 2: 30%
Outcome 3: 60%



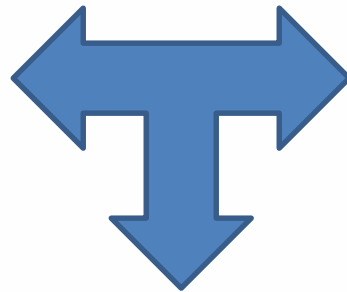
O1: \$200,000
O2: \$10,000
O3: -\$1,000

$$\begin{aligned} 0.1 \times \$200,000 &= \$20,000 + \\ 0.3 \times \$10,000 &= \$3,000 + \\ 0.6 \times -\$1,000 &= -\$600 = \\ &\mathbf{\$22,400} \end{aligned}$$

Responding to a Potential Recession

What might an appropriate average tax rate be for 2020, given the potential for a recession to hit?

Recession: 40%
No Recession: 60%



Recession Rate: 1.35%
No Recession Rate: 1.85%

$$\begin{aligned} 0.4 \times 1.35\% &= 0.54\% + \\ 0.6 \times 1.85\% &= 1.11\% = \\ &\underline{\underline{1.65\%}} \end{aligned}$$

Note: The expected value here depends on both your assumed probabilities about an unknown future, and your own judgement about the best response to each outcome. It is a tool to help you structure your thoughts, not a crystal ball.

For Additional Information, Please Contact:

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