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Economic Indicators for Nevada

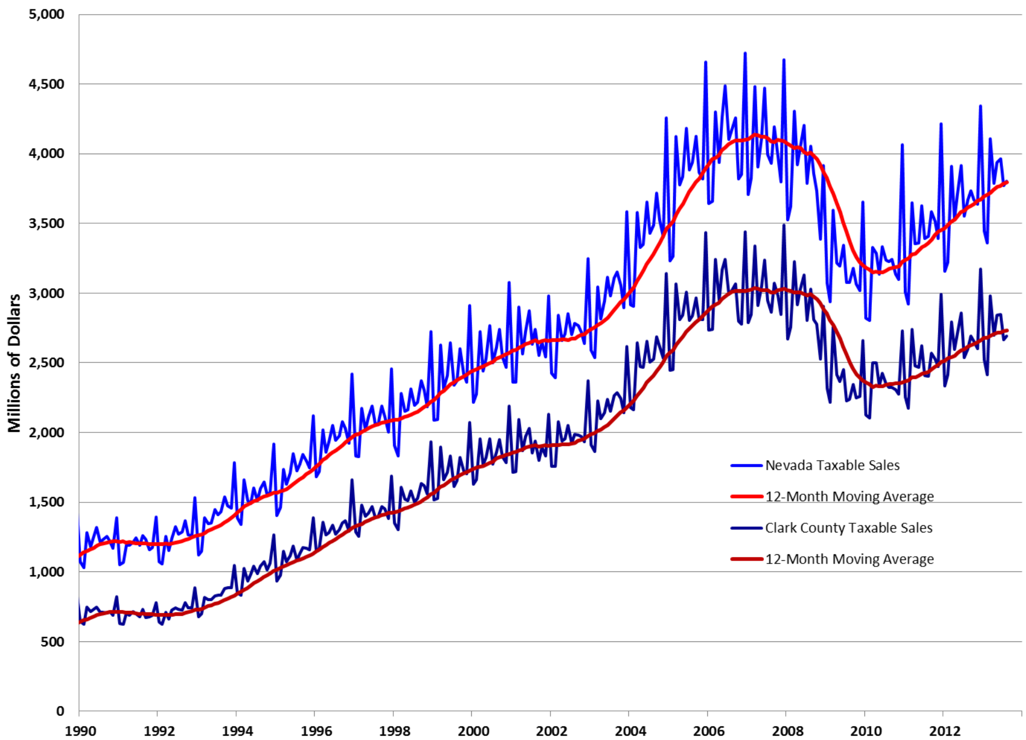
Ryan T. Kennelly

One consequence of the government shutdown has been the delayed release of data. Most notably absent are state and local employment numbers. At the state and local level, jobs gained (or lost) are the most common series used to represent the current state of the economy. Now that we lack that information, to what other indicators can we turn?

Consumer Spending

One frequently used economic indicator is consumer spending. Increased spending suggests more disposable income from higher employment. Using 12-month moving averages, taxable sales increased by 0.30 percent for Nevada and 0.29 percent for Clark County in August 2013 (Figure 1). When comparing the first eight months of 2013 to the first eight months of 2012, taxable sales were up 5.28 percent and 3.93 percent for Nevada and Clark County, respectively.

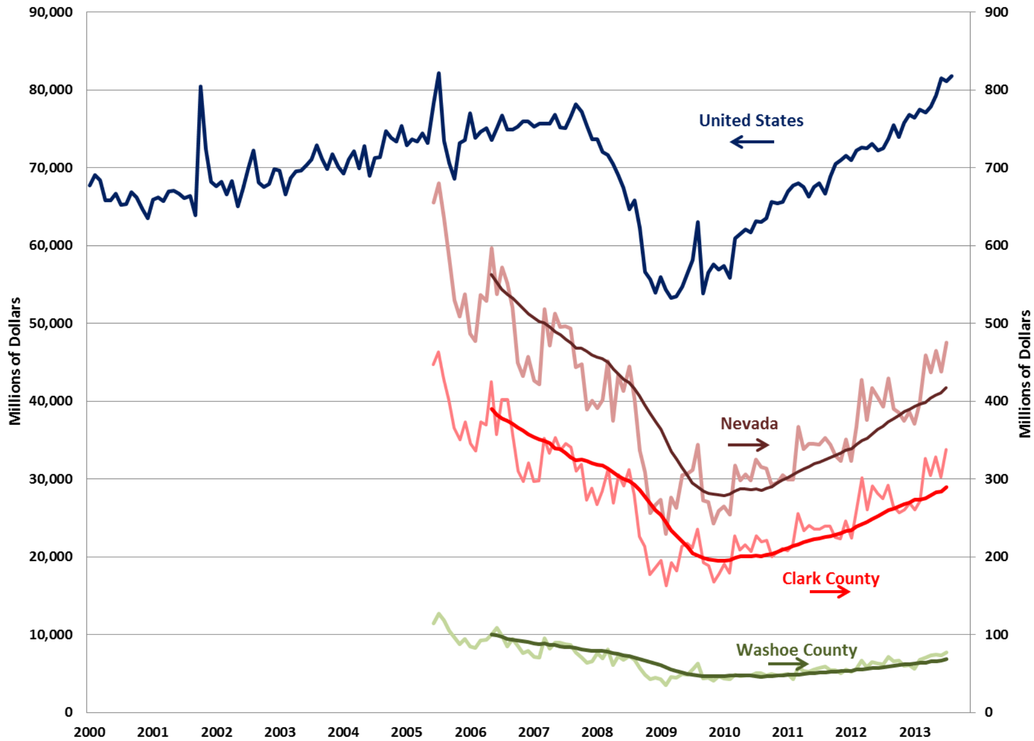
Figure 1: Nevada and Clark County Taxable Sales



Source: Nevada Department of Taxation

Another valuable measure of consumer spending is automobile and part sales. Increased spending on automobiles indicates consumers' willingness to purchase big ticket items. Since the recession, Nevada's numbers have not kept up with the national pace in terms of total recovery (Figure 2). For the first seven months of 2013, however, automobile and part sales in Nevada have strengthened, up 12.36 percent. This outperforms the national pace, which has increased by 8.82 percent thus far.

Figure 2: Automobile and Part Sales



Source: Nevada Department of Taxation

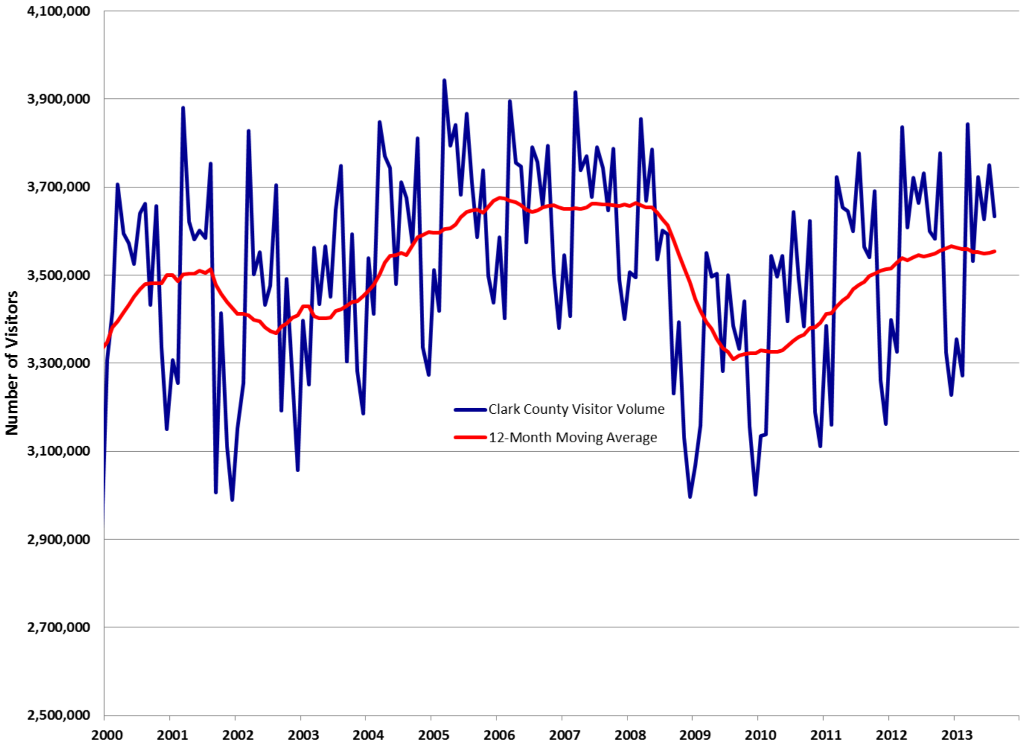
The condition of Nevada's economy can also be assessed by measuring activity in the state's most important industries. Economists typically use location quotients to determine which industries drive a region's economy. A location quotient provides information about whether the region has more or less of a particular industry than is the national average.[1] For Nevada, we only need to concentrate on two industries, gaming/tourism and real estate/construction.

Gaming and Tourism

Measuring activity in the tourism sector can be done a few ways. First is to look at total visitors. For August 2013, the 12-month moving average of Clark County visitor volume increased by 0.08 percent (Figure 3). Overall, Clark County visitor volume for 2013 has been weak. Compared to the first eight months of 2012, total visitor volume is down 0.52 percent. Similarly, 2013 Nevada visitor volume is down 0.39 percent when compared to the 2012 numbers.

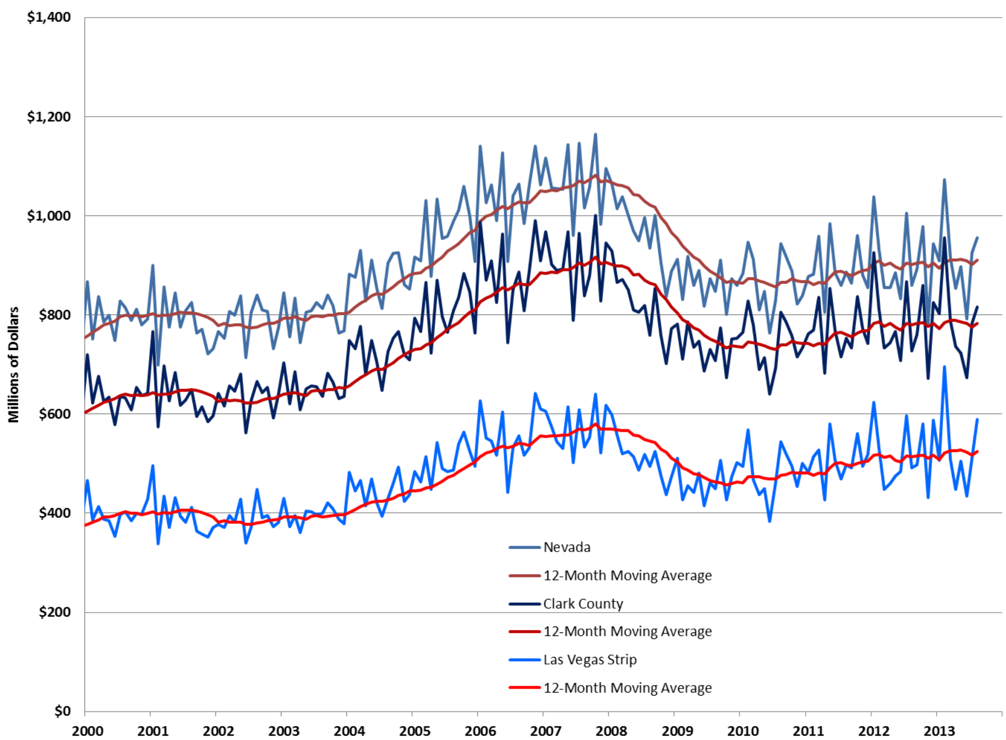
[1] A location quotient for a given industry in a region is calculated as $L_{i,j} = (E_{i,j}/E_j)/(E_{i,US}/E_{US})$ where $E_{i,j}$ represents employment in industry i in region j, E_j is total employment in region j, and US refers to U.S. employment. For more information about Nevada's economic base see: http://cber.unlv.edu/commentary/CBER-25July2013.pdf.

Figure 3: Clark County Visitor Volume



Source: Las Vegas Convention and Visitors Authority

Figure 4: Gross Gaming Revenue



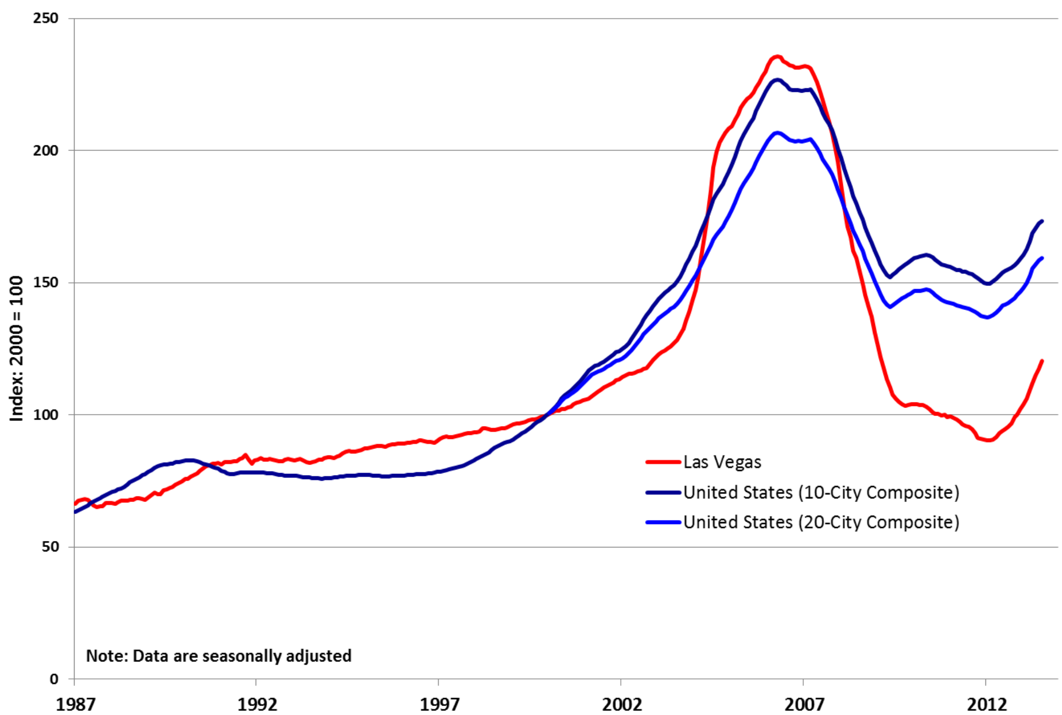
Source: Nevada Gaming Commission

Another good indicator for the tourism sector is gross gaming revenues (Figure 4). Nevada gaming revenues increased by 0.89 percent from July to August, using 12-month moving averages. Clark County and Las Vegas Strip revenues grew by 0.96 percent and 1.58 percent over the same time period, respectively. Compared to the first eight months of 2012, total gross gaming revenues in 2013 are up 0.81 percent and 2.20 percent for Nevada and the Las Vegas Strip, respectively, but down 0.04 percent for Clark County.

Real Estate and Construction

Real estate and construction are both vital to the health of Nevada's economy. Nevada is behind a majority of the country in achieving a full economic recovery, mostly the result of weakness in these sectors. From July 2012 to July 2013, housing prices in the Las Vegas metropolitan area increased by 27.32 percent (Figure 5). U.S. home prices rose by 12.25 percent during the same period. Although Las Vegas has recently experienced a bigger jump in prices, they remain further below their peak than the national average. Las Vegas home prices remain down 48.9 percent, while U.S. prices are 23.0 percent below their peak.

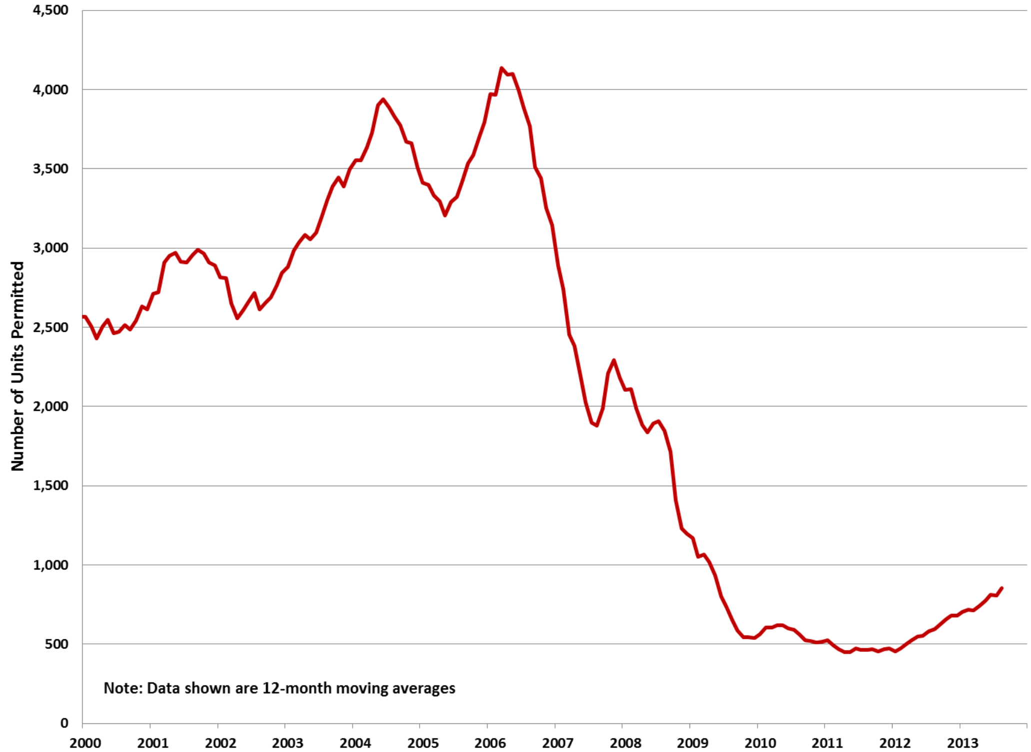
Figure 5: Case-Shiller Home Price Indexes



Source: Standard and Poor's

Using 12-month moving averages, housing permits for Nevada reached their peak in mid-2006, at 4,100 permits per month, as shown in Figure 6. After that point, the number of permits per month fell drastically due to the collapse of the housing market. The series bottomed out in mid-2011, falling by about 89 percent in the five-year period. So far this year, Nevada housing permits are up 44.66 percent. However, housing permits still remain almost 80 percent below their prerecession peak.

Figure 6: Nevada Housing Permits



Source: Center for Business and Economic Research

Without the most recent employment numbers, we must look to other indicators to determine where Nevada's economy stands. So far in 2013, we are seeing trends somewhat similar to those in 2012. Consumer spending remains strong, at both the state and local level. However, a weak national economy is affecting Nevada in the form of slowing growth in tourism. Some indicators, such as Clark County visitor volume and gaming revenue, are behind where they were at this point last year. The real estate and construction sectors are faring slightly better in 2013 than 2012 but remain far below their prerecession levels. This implies that we should see similar gains in employment, which has continually experienced about 2 percent growth year-over-year.

Ryan T. Kennelly
Economic Analyst
Center for Business and Economic Research
University of Nevada, Las Vegas