Since the end of the Great Recession, Southern Nevada has lagged behind the majority of the country in achieving a full economic recovery. It wasn’t until 2012 and 2013 that employment numbers for the Las Vegas Metropolitan Statistical Area (MSA) started exhibiting healthy growth, with gains of 2.7 and 3.1 percent, respectively (Chart 1). Looking ahead, we expect nonfarm employment to continue to grow at increasing rates, with projected increases of 3.6 percent in 2014 and 3.8 percent in 2015.

The Las Vegas unemployment rate reached its peak of 14.4 percent back in third quarter 2010 and has been steadily declining ever since (Chart 2). As of fourth quarter 2013, the rate has dropped 5.5 percentage points to 8.9 percent. We can expect a rate of 8.2 percent by the end of 2014 and a rate of 7.6 percent by the end of 2015.

Southern Nevada Economy to Continue Growth in 2014 and 2015
Chart 3 shows the total wages earned in Clark County annually, adjusted for employment gains. Wages experienced large declines in both 2009 and 2010 and were slightly negative for 2011. Not until 2012 did Southern Nevada see positive wage growth. We estimate wage growth at 1.7 percent for 2013 and 2.3 percent for both 2014 and 2015.

Consumer spending has been consistently strong in the past few years, both at the local and national levels. In Southern Nevada, we use Clark County taxable sales to measure levels of consumer spending (Chart 4). Taxable sales grew by 6.2 percent and 4.8 percent in 2012 and 2013, respectively. We predict robust growth moving forward, with year-over-year gains of 5.5 percent in 2014 and 5.6 percent in 2015. The larger increases are mostly the result of stronger employment and total wage growth.
Gaming and Tourism

As the national economy continues to improve, so will Southern Nevada’s leisure and hospitality industry. After experiencing growth of 2.1 percent in 2012, Las Vegas visitor volume took a hit in 2013, declining by 0.2 percent (Chart 5). We expect positive growth for total visitors to Las Vegas starting in 2014, with an increase of 0.9 percent. For 2015, we anticipate a growth rate of 2.0 percent.

Another measure of tourism activity in Southern Nevada is the total number of passengers enplaned/deplaned at McCarran Airport (Chart 6). Activity increased from 2011 to 2012 by 0.4 percent and again in 2013 with a growth rate of 0.5 percent. As with overall visitor volume, we expect larger increases for the next couple of years. In 2014, our model predicts a growth rate of 2.9 percent. Similarly in 2015, we expect total growth of 2.2 percent.
A larger influx of visitors over the next two years will also increase gaming revenues in Southern Nevada (Chart 7). As incomes rise, we see a trend of visitors spending more money on gaming. Clark County gaming revenues increased by 2.4 percent in 2013, even though Las Vegas visitor volume decreased for the year. We look for this trend to continue in 2014 and 2015, with projected gaming revenue growth of 2.8 percent and 2.7 percent, respectively.

Construction and Real Estate

The lack of growth in construction and real estate remains a barrier for achieving a full economic recovery in Southern Nevada. Many indicators in this sector didn’t bottom out until late 2011 or early 2012, more than two years after the Great Recession was officially declared over by the National Bureau of Economic Research.

Las Vegas MSA construction employment didn’t start experiencing growth until 2012, when it increased by a healthy 9.8 percent (Chart 8). There were small gains in 2013 as well, with a growth rate of 1.7 percent. In 2014 and 2015, we look for growth to accelerate, with annual rates of 2.4 percent and 2.9 percent, respectively.
Similar to construction employment, Las Vegas home prices didn’t bottom out until early 2012 (Chart 9). By the end of 2012 and in 2013, however, home prices experienced large gains, increasing by 12.9 percent and 25.5 percent, respectively. In recent quarters, growth has somewhat weakened, but remains on an upward trend. For 2014 we expect annual home-price increases of 10.3 percent. We predict overall growth of 7.34 percent for 2015.

Clark County building permits provide a good measure of construction activity in Southern Nevada. The total number of building permits experienced large increases for both 2012 and 2013, rising by 40.0 percent and 18.8 percent, respectively (Chart 10). For 2014 we predict a lower but still significant growth rate of 8.5 percent. Similarly, in 2015, we expect increases of 9.4 percent.
An alternative to looking at the total number of building permits is to look at total building permits valuations. This allows us to measure the magnitude of construction projects in dollars, which is helpful as building one large commercial building (such as a casino) leads to much more economic activity than building a few residential homes.

When total building permits increased by almost 40 percent in 2012, total building permits valuations grew by 49.4 percent (Chart 11). In 2013, we once again saw higher growth in permits valuations than total number of permits, with a growth rate of 24.6 percent compared to 18.8 percent. We look for this trend to continue into 2014 and 2015, with Clark County building permit valuations increasing by 12.9 percent and 11.3 percent, respectively.

Chart 12 shows Las Vegas MSA total construction wages, adjusted for employment gains. It wasn’t until 2013 that total wages experienced positive growth, with estimated gains of 6.2 percent. Driven mostly by higher home prices and overall economic growth in Southern Nevada, we expect construction wages to continue to rise the next couple of years, specifically by 4.6 percent in 2014 and 5.8 percent in 2015.
Risks to the Forecast

Both in 2012 and 2013, Southern Nevada and many other western areas led the nation in economic growth, a pre-Great Recession pattern. Our forecast assumes that this trend will continue over the next couple of years.

Because the Southern Nevada economy is dependent on the leisure and hospitality industry, any large changes to economies that provide tourists to Las Vegas could compromise the forecast. Examples of such economies are California, the United States as a whole, and the Asia Pacific region.

Uncertainty about U.S. policy has dampened some business activity, including hiring. If business confidence either sharply rises or declines, total employment and wages will be greatly affected.