

# Southern Nevada Economic Outlook

It became popular, though perhaps more a sign of ignorance and arrogance than fact, to proclaim that the Las Vegas economy enjoyed immunity from national recessions. More knowledgeable people, recognizing the problem of this statement, came to say that the Las Vegas economy had in the past few recessions done better than the national economy. That is, the evidence showed that the Las Vegas economy experienced recessions when the national economy did, but that they were shorter in duration and of less depth. This immunity mindset gained some acceptance from hyperpublic relations, the lack of economic knowledge, the occurrence of recessions during a period in which interest in casino gambling grew rapidly, and national recessions were generally mild by historical comparison.

But events would prove the immunity argument false. The 2001 recession showed that Las Vegas could have deeper and longer recessions than the U.S. To be sure, the terrorist attacks in September created greater difficulties for destination resorts. Fearing another attack, people traveled less after September 2001. Moreover, they found legalized gambling more readily available than in the past. The national contraction bottomed in November of 2001, whereas decline in Las Vegas continued deep into 2002.

But old sayings, even if wrong, can have a life far after having been found wrong. So some may still adhere to such thoughts, but the recent events of late 2007 and 2008 should go a long way in putting this mindset behind us. On the contrary, the most recent events should bring a new understanding that tourist destinations, such as Las Vegas, may incur greater economic difficulty than the national economy if the downturn turns into a spiraling consumer-lead contraction. Consumers cut back on discretionary-spending activities relative to other needs and desires once conditions reached a critical tipping point. In short, business-cycle differences prove critical in the relative performance of regional tourist-based economies, such as Las Vegas.

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year ago, and the changes we foresaw at mid-2008. We next look at where we find things that have a major effect on Southern Nevada's economy. This provides input to our 2009 and 2010 forecasts. The forecasts are followed by our considerations of risks to the forecasts.

## **Where We Find Ourselves: Is It a Recession or a Depression?**

Following the Great Depression of the 1930s it became acceptable to refer to less destructive business-cycle downturns as recessions, reflecting periods in which unemployment fell far short of the severity of the 1930s. One finds that this practice, however, leaves no useful guidelines when a recession falls between severe and mild, such as we now find ourselves in the current downturn. To be sure, people using casual discourse might be given a pass on such confusion, but one might hope that economists and the popular media might give some thought to the difference in the two terms before giving their accustomed "fling" at the empty computer video screen. Liking greater precision, let us offer a definition of a depression as one in which either the unemployment rate rises above 15 percent for two months running or that the rate stays above 10 percent for three years or longer. Using this definition, Southern Nevada finds itself in a recession, the most recent unemployment rate remains below 8 percent, though data revisions which could raise the rate remain possible. See Figure 1. Still, we do not foresee adjustments to 15 percent.

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