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 (SA\(^1\))

Non-farm Job Levels Up 42,100\(^1\) or 3.0% Over the Year

Nevada #1 in Employment Growth 11 Months Running

Up 5,400 Jobs Over the Month
2,100 (NSA\(^2\)) 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 jobs\(^1\) bringing the two-month change to a gain of 9,900 jobs

\(^1\) seasonally adjusted
\(^2\) not seasonally adjusted

Total Nonfarm Employment
Nevada’s employment grew at an annual rate of 3.0% in August, compared to 1.4% in the nation as a whole\(^1\)

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

\(^1\) 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)
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%

¹ not seasonally adjusted
Voluntary Part Time Employment Rising

Nevada: Full Time and Part Time Employment

- Total full-time employment:
  - 200,000
  - 400,000
  - 600,000
  - 800,000
  - 1,000,000
  - 1,200,000

- Total part-time employment:
  - 200,000
  - 400,000
  - 600,000
  - 800,000
  - 1,000,000
  - 1,200,000

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

- 60%
- 65%
- 70%
- 75%
- 80%
- 85%
- 90%

- Part-time employment for non-economic reasons:
  - 5%
  - 10%
  - 15%
  - 20%
  - 25%
  - 30%
  - 35%
  - 40%
  - 45%
  - 50%
  - 55%
  - 60%
  - 65%
  - 70%
  - 75%
  - 80%
  - 85%
  - 90%
  - 95%
  - 100%

- 12-month moving average

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State Unemployment Rate
4.1% in August 2019

Unchanged from July; down from 4.5% a year ago.¹

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

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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

- Age 16-20
- Age 20-24
- Age 75+
- Below Poverty Level
- Under HS Education
- People With Any Disability
- American Indian
- HS or Equivalent
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

Interest Measure
- Spread
- 10-Year
- 3-Month

Date
2010 2015 2020
Interest Rate Spread, %
4
3
2
1
0
0
Cleveland Federal Reserve Calculated Odds of Recession

Probability of Recession Calculated from the Yield Curve

<table>
<thead>
<tr>
<th>Probability of recession</th>
<th>Forecast</th>
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Note: Shaded bars indicate recessions.
Source: Federal Reserve Board, Federal Reserve Bank of Cleveland, Haver Analytics

3-month Treasury bill rate (percent) | July | August | September |
--------------------------------------|------|--------|-----------|
| 2.11                                 | 1.96 | 1.95   |

10-year Treasury bond rate (percent) | July | August | September |
-------------------------------------|------|--------|-----------|
| 2.07                                 | 1.58 | 1.80   |

Yield curve slope (basis points) | July | August | September |
---------------------------------|------|--------|-----------|
| -4                               | -38  | -15    |

Prediction for GDP growth (percent) | July | August | September |
-----------------------------------|------|--------|-----------|
| 2.2                               | 2.2  | 2.1    |

Probability of recession in 1 year (percent) | July | August | September |
-----------------------------------------------|------|--------|-----------|
| 35.4                                         | 44.1 | 37.9   |

New York Federal Reserve Calculated Odds of Recession

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

August 2020 = 37.9271%

*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
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.
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).

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[Diagrams showing trends in Coincident and Leading Indices with shaded areas indicating recessions.]
Watching for Changes: UI Benefit Aging
Recession Impacts Vary by Region

Nevada Unemployment Rate by Sector

- Nevada
- Manufacturing
- Leisure and Hospitality

National Unemployment Rate by Sector

- National
- Construction
- Financial Activities
- Educational and Health Services
- Public Administration

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Responding to a Potential Recession

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

What are the odds of an outcome?  What is the impact of that outcome?

Expected Value
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

\[0.1 \times \$200,000 = \$20,000 +
\]
\[0.3 \times \$10,000 = \$3,000 +
\]
\[0.6 \times -$1,000 = -$600 =
\]
\[\$22,400\]
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%

0.4 x 1.35% = 0.54% +
0.6 x 1.85% = 1.11% =

1.65%

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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