

## State Economic Analysis - Nevada

### State GDP

Prior to the start of the Great Recession in December 2007, Nevada (NV) was consistently above the national annual percentage change in GDP. Generally, running 3 percentage points above. This superior performance came to an abrupt halt in 2007. During the Great Recession NV lost approximately 14% of its annual GDP (years 2007 to 2010) and nearly 25% of the value produced by its four major industries:

	2006 to 2010
Construction	(46%)
Retail trade	(19%)
Real estate and rental and leasing	(15%)
Accommodation and food services	(16%)
	(23%)

Recovery has been slower than that of the nation but in recovering. NV GDP has been showing a growth rate of 1% annually as compared to the national average of 2% (years 2011 to 2016) but NV's construction industry has not recovered unfortunately showing another (13%) decline between 2011 and 2016. One positive sign is the improvement in the health care and social assistance GDP category. That area has been growing at an annual average rate of about 4% and now makes up about 7% of NV's GDP (2016) <sup>(1)</sup>.

The slow going recovery is reasonable when compared to the national economy because while both NV and the national economies are weighted towards real estate, rental, and leasing, and health care and social assistance (an new emerging area for NV), NV is more weighted toward construction, retail trade, and accommodation and food services which the nation is not. The nation is more heavily weighted toward manufacturing, finance and insurance, and professional, scientific, and technical services which have experience grater rates of recovery. <sup>(1)</sup>

### State Exports

Surprisingly NV was a strong export market. About 9% of NV GDP was from exports (2016). 53% of NV's exports are primary metals. <sup>(2)</sup> The major trading partner is Switzerland (39%). <sup>(2)</sup> Its major export to Switzerland is gold. <sup>(3)</sup>

### State Population

NV has had steady population growth since 2008 but leveled off between 2016 and 2017. As of 2017 the population was 2.93 million which is about 0.9% of the US population. A major feature of NV population statistic is that immigration is occurring disproportionately from older citizenry. During the period between 2010 and 2016 the median age has grown from 36.4 to 37.8 years old. This increase in median age is accounted for by the nearly 159,000 influx of over 55 year old residents. <sup>(4)</sup>

### Unemployment / Employment

Along with GDP, the Great Recession hit NV's employment hard. During the recession the unemployment rate reached a high of 13.7% (Oct. 2010). Since then the unemployment rate has been falling and employment increasing. <sup>(5)</sup> The unemployment rate is currently near the national average and running at 5.0%. <sup>(6)</sup> The growth in employment does not appear to be isolated to existing firms as new firms are being added (2014 to 2017), especially in the education and health services, and leisure and hospitality categories. <sup>(7)</sup> The growing and declining occupations and industries are as follows <sup>(8)</sup>:

#### Growing & Declining Occupations

Occupation	Change in Jobs (2008-2016)
Combined Food Preparation and Serving Workers, Including Fast Food	8,000
Retail Salespersons	6,778
Military occupations	6,071
Gaming Dealers	-4,797
Construction Laborers	-7,855
Carpenters	-9,412

#### Growing & Declining Industries

Industry	Change in Jobs (2008-2016)
Full-Service Restaurants	15,678
Limited-Service Restaurants	11,490
Corporate, Subsidiary, and Regional Managing Offices	9,724
Framing Contractors	-8,870
Drywall and Insulation Contractors	-9,203
Casino Hotels	-25,984

There are several trends in the employment outlook. Leisure and hospitality remains the largest employer but casinos and resorts are experiencing lack luster gaming receipts. In an attempt to increase revenue resorts are adding live entertainment and meeting facilities. NV is entering big league sporting with the addition of an NHL hockey team and the prospects of adding other professional sporting teams (e.g. Oakland Raiders were approved by NFL owners to move to Las Vegas in Mar. 2017). NV had a big win in 2014 when Tesla announced it would build a facility outside of Reno; Tesla has currently added 1,100 workers and should add another 5,400 by the end of 2018. Finally, the University of NV at Las Vegas opened a new medical school.

### Personal Income

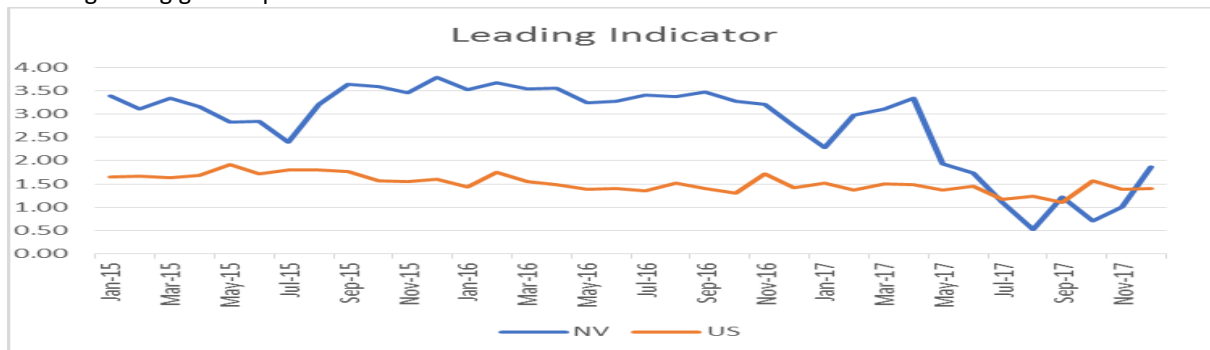
Per capital income as a percent of the U.S. fell significantly during the recession but has stabilized in the last few years at 88% of the national average or \$44,000. Likely due to the shift in average population age, the components of personal income have shifted over the last 10 years. In 2006 personal income was divided 67% earnings, 22% dividends and interest, and only 10% personal current transfer receipts (i.e. social security and pension payments). In 2016 that division was 60%, 23%, and a much higher 17%, respectively.<sup>(10)</sup>

### Housing

The migration of retiring population appears to be fueling a NV real estate recovery. For 2016 price increases were 8% to 12%. NV has now recovered 65% of home value lost in the housing crisis.<sup>(9)</sup> However, the high level of current listing with price cuts and the fact that 13.5% of homes are in a negative equity position indicates that the housing market may not be as robust as desired. However the rental market appears strong indicating that some may wish to replace their rental position with home ownership in the near future.<sup>(11)</sup>

### Economic Forecast

The leading indicator from the Federal Reserve which is designed to project GDP growth six months in the future is showing strong growth potential:<sup>(12)</sup>



In addition, Wells Fargo's Messrs. Vitner and Feik predicted a GDP growth of 2.8%, a fall in the unemployment rate to 4.5%, and nonfarm employment to increase by 34,500 in 2008.<sup>(13)</sup> New employment avenues, noted above, may also improve the state's employment situation. However, unless home sales and correspondingly construction begin to show greater improvement it will be difficult for NV to reach its full potential.

### References

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