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ECONOMIC OVERVIEW: May 2010

	<u>UNEMPLOYMENT RATES</u>			<u>JOB GROWTH RATES</u>		
	<u>May '10¹</u>	<u>May '09</u>	<u>Apr '10</u>	<u>May '10¹</u>	<u>May '09</u>	<u>Apr '10</u>
Nevada ²	14.0%	11.5%	13.7%	(2.8)%	(10.2)%	(3.4)%
Las Vegas-Paradise MSA ³	14.1	11.3	14.2	(3.7)	(10.5)	(4.5)
Reno-Sparks MSA ³	13.3	11.1	13.5	(2.5)	(10.3)	(3.1)
Carson City MSA ³	13.2	10.7	13.5	(2.7)	(7.1)	(3.0)
United States ²	9.7	9.4	9.9	(0.4)	(4.6)	(1.0)

Nevada's seasonally adjusted unemployment rate jumped three-tenths of a percentage point to 14 percent in May. The increase not only sets a new all-time high for the State, it also means Nevada now carries the notable distinction of having the highest unemployment rate in the nation. Nevada surpassed Michigan, whose rate fell from 14 to 13.6 percent, in May. Michigan's manufacturing based economy has been in decline for years, leaving the Wolverine state with the highest unemployment rate for 50 consecutive months – until now. In just three years, Nevada's economy has fallen from one of the strongest performing to possibly the weakest. Since the start of the recession, in December 2007, the unemployment rate has increased 8.8 percentage points, the largest increase of any state in the nation. In May, Nevada's unemployment rate was 4.3 percentage points higher than the national average.

Nevada's employers added 4,800 jobs in May, but most of the increase was seasonal or temporary census hiring. The seasonal increase is an improvement over last year, when employers cut payrolls by 2,400 from April to May. Over the long term though, the increase is less than the 20 year average April to May increase of 7,600. On a positive note, over-the-year employment decline has moderated considerably. In May 2009, employment estimates were down 10.2 percent from the previous year. This May, over-the-year job loss is down just 2.8 percent.

All regional labor markets benefited from a seasonal increase and the addition of temporary census workers. Las Vegas-Paradise area employers added 3,000 jobs in May. While, employers in the Reno-Sparks area increased payrolls by 1,200, and Carson City employers added 100 jobs.

May's job report brought a mixed bag of seasonal improvement and an unexpected decline in one industry. In preparation for seasonal tourism, employers in the leisure and hospitality sector added 1,300 jobs. Preliminary signs of a much anticipated up-tick in construction employment seem to be materializing with the addition of 500 new jobs. In a somewhat alarming reversal of recent trends, the education and health services sector lost 1,500 jobs. Most of the losses came from training providers in vocational and technical schools and small private practice medical and dental offices. In the public sector, state and local governments continue to shed jobs. New fiscal year budgets start July 1, and due to large budget shortfalls, public sector employment will continue to contract in the near future as previously announced layoffs go into effect. The federal government,

¹Preliminary estimates

²Unemployment rates are seasonally adjusted for the State of Nevada and the United States

³Metropolitan Statistical Area (Las Vegas-Paradise MSA = Clark County; Reno-Sparks MSA = Washoe & Storey counties; Carson City MSA = Carson City)

via the census, provided the lion's share of this month's employment increase, however these temporary positions are expected to end within months.

Unemployment in each region of the State declined in May, due to seasonal improvements. In the Las Vegas-Paradise area, the unemployment rate decreased from 14.2 to 14.1 percent. The unemployment rate in the Reno-Sparks region fell two-tenths to 13.3 percent. In Carson City, the unemployment rate fell to 13.2 percent from 13.5 percent the previous month. (Unemployment rates for the State's metropolitan areas are not adjusted for seasonality. For comparison purposes, the State's unadjusted unemployment rate was 13.8 percent in May, down from 14.0 percent in April.)

Nevada has been hit extremely hard as the recession has spread throughout the economy. In fact, the State's jobless rate has increased to the point that it is the highest in the nation. During the early-2000s, Nevada's unemployment rate was fairly similar to Michigan's. However, by the middle part of the decade, the Silver State's jobless rate was 2.6 percentage points below Michigan's. In the last year, conditions have deteriorated markedly in Nevada, while Michigan has seen some improvement. In May 2009, Michigan's unemployment rate was at a seasonally adjusted 13.6 percent, 2.1 points higher than Nevada's. However, as of May 2010, Nevada's rate has jumped 2.5 percentage points, while Michigan's has begun to subside, falling from a peak of 14.5 percent in December to 13.6 percent. Clearly, with its historical reliance on gaming and construction as engines of growth, Nevada has been at the epicenter of the current economic downturn, as these two sectors have each felt the brunt of negative economic forces.

There are a number of factors contributing to the run-up in the State's unemployment rate. However, looking at it in as straight-forward manner as possible, a couple of trends stand out. As the State's employment base continues to erode, upward pressure is placed on joblessness. Household employment, which differs from the employer-based measure of employment which is typically the focus of our monthly analyses, has declined by more than five percent since the beginning of 2007 (Household employment is based on a survey of households, while non-farm, or industrial employment is based on a survey of employers.) By itself, this accounts for some of the increase in joblessness. At the same time, the State's labor force has continued to expand as the recession has unfolded, and more Nevadans have entered the job market looking for work. Specifically, the labor force has expanded by 5.5 percent since January 2007. In essence, there are more Nevadans in a labor market with fewer jobs.

Nevada's mining region, centered in Elko County has fared relatively well compared to the rest of the State in the recession. High gold prices and resurgence in commodity prices has brought stability to the region's mining-based economy. Gold recently sold at an all time high of \$1,246 per ounce, and copper prices have rebounded despite the deep recession. Demand for copper from emerging economies such as China and India have pushed copper prices to near pre-recession levels at over \$3 per pound. Though there has been some spillover from the downturn in the broader economy, the recession's affect on the mining region has been comparatively mild. For instance, Elko County's unemployment reading in May is 5.5 percentage points lower than the Statewide average, 13.8 percent (not-seasonally adjusted.) Taxable sales figures, a gauge of economic activity and consumer sentiment have held up pretty well in Elko compared to the rest of the State. In calendar year 2009, taxable sales were down just five percent over-the-year, while Statewide taxable sales were down 17 percent. Employment has held up well, too. From the start of the recession through September 2009 (the most recent figure available), employment fell by just 620 jobs, a three percent decline, compared to a Statewide drop of 159,900 or 14 percent over the same time frame. While things look positive now for Nevada's miners, it's important to note that gold prices tend to run counter cyclical to the business cycle and have seen many ups and downs in the past. With a national economic recovery likely, gold prices are bound to decline in the years ahead.