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Nevada's Employment Outlook

Nevada is expected to see 5 percent job growth by the end of **this** decade, according to recent projections by the Nevada Department of Employment, Training & Rehabilitation (DETR), said Bill Anderson, DETR's chief economist.

"There is reason to be optimistic about Nevada's long-term economic outlook," Anderson said. "While the news of late has not been encouraging, a developing megaresort boom, coupled with a likely improvement in the housing sector is the reason for this positive forecast."

DETR's Research and Analysis Bureau conducted an analysis of employment by industry through 2010. It is estimated that Nevada's economy was home to 1.29 million jobs in the final quarter of 2007, Anderson said.

"For all of 2007, this translates into a 1.4 percent increase relative to 2006, and represents a marked slowdown from previous years," Anderson said. "Job gains in 2006 totaled 4.7 percent, and 6.3 percent in 2005. In fact, job growth in 2007 was surely the slowest since 0.2 percent in 2002."

The projections process uses actual employment data provided by Nevada employers to determine employment trends. The historical data is supplemented by the knowledge of upcoming developments around the State and Bureau staff analyses of likely economic scenarios. Projections are based upon actual information through June 2007. Therefore, any references to employment for periods beyond the second quarter of 2007 should be considered estimates.

Improvement is expected to get under way in earnest during 2009, when a 3.2 percent gain is anticipated, Anderson said. In 2010, growth will strengthen even further, peaking at 5.1 percent in the year's third quarter. Jobs are forecast to total 1.44 million by the end

of 2010. Relative to estimates from year-end 2007, this represents a gain of 145,000 new jobs, he added.

An overview of the forecast for various industry groups is shown below:

Nevada Employment Projections by Industry			
	2007:IVQ Estimate	2010:IVQ Projection	Change
Natural Resources and Mining	14,300	15,800	1,500
Construction	128,400	134,000	5,600
Manufacturing	51,100	56,600	5,500
Trade, Transportation, and Utilities	240,700	260,800	20,100
Information	15,600	17,800	2,200
Financial Services	65,300	70,100	4,800
Professional and Business Services	158,700	175,900	17,200
Education and Health Services	171,600	193,300	21,700
Leisure and Hospitality	343,500	401,200	57,700
Other Services	28,900	31,000	2,100
Government	72,400	79,600	7,200
	<u>1,290,500</u>	<u>1,436,100</u>	<u>145,600</u>

“The recent housing boom and crash has greatly impacted recent trends, and will continue to impact the State’s labor markets in the near-term,” Anderson said. “The strong employment gains in recent years were fueled by unprecedented global liquidity. The correction phase of the business cycle developed in mid-2006. Home sales and the median price of homes continue to plummet statewide. Subprime lending issues have led to problems in the broader credit markets. Now, and in the future, we must experience the aftereffects, and our current and future growth rates reflect that reality.”

For instance, the projections suggest that construction jobs were declining at a 7 percent rate as 2007 came to a close, Anderson said. This decline was driven by weakness on the residential side of the market. Construction job losses are forecast through mid-2009, with improvement thereafter. By the end of 2010, jobs should be growing at a 5% annual clip and are expected to total about 135,000, up slightly from current readings.

Megaresort construction is underway up and down the Las Vegas Strip. Nevada should see a resultant surge in employment in 2009, Anderson said. Encore at Wynn Las Vegas opens in late-2008. Fontainebleau and Project City Center will open in 2009. These three projects alone total over 12,000 new rooms. If other resorts aren’t negatively affected, Nevada will see a surge in employment to service this growing sector. The next several months are forecast to be relatively stable, but by year-end 2009, leisure and hospitality jobs should be growing at a 7.5% clip. Similar gains are forecast throughout 2010. By the

end of the forecast period, leisure and hospitality jobs should surpass 400,000 in the State.

“The western part of the state, Washoe and nearby counties, will likely need longer to emerge from the economic downturn,” Anderson said. “There is no apparent economic driver on the horizon to fill the shoes of the liquidity-induced housing boom, and gaming is not an expanding industry in the area. Western Nevada will most likely wait for the business cycle to reverse. An improvement in California’s economic performance would also be a positive for the region. Exports are gaining momentum from overseas as the value of the dollar drops. This could help support the manufacturing sector, which has a significant presence in western Nevada. However, housing related manufacturing is a significant drag on the sector.”

Anderson added that gold producers in the rural counties are expected to continue to operate at maximum capacity. Employment in the industry is forecast to continue growing, but may be held back by the inability to recruit and hire qualified workers. Copper prices have also been resilient, as demand from China remains strong. Mining has rural Nevada on solid economic ground into the predictable future. Support sectors, however, appear slow to respond. Business leaders in rural Nevada inform us that specialty contractors are currently in demand.

“Following a period of relative stability over the next several months, Nevada’s economy appears poised for a rebound beginning in 2009,” Anderson said. “Perhaps the most important risks to the outlook concern events beyond the State’s borders. If the national economy weakens further and slips into recession, Nevada will feel the impacts, in part via fewer-than-anticipated visitors and lower discretionary incomes. Continued credit market volatility could prolong the problems in the residential housing sector, and perhaps even spill over into the nonresidential side, delaying our recovery in Nevada.”



DETR is comprised of the Employment Security Division, Equal Rights Commission, Rehabilitation Division, the Information Development and Processing Division and the Research and Analysis Bureau.

DETR works in partnership with the Nevada JobConnect System to connect businesses and workers.