

DIRECTOR
Larry J. Mosley



GOVERNOR
Jim Gibbons

OFFICE OF THE DIRECTOR

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Contact: Mae Flennoy
Public Information Officer
Phone: 702.486.7991
Cell: 702.249.6324

Nevada's Unemployment Rate Climbs to 23-Year High at 7.1 percent

Nevada's unemployment rate hit a 23-year high, registering at 7.1 percent in August. This is up significantly from a revised 6.6 percent in July. This constitutes a 2.2 percentage point increase from August 2007, said Bill Anderson, chief economist for the Nevada Department of Employment, Training & Rehabilitation. Unemployment in the Las Vegas-Paradise MSA increased three-tenths of a percentage point from July to 7.1 percent in August. The unemployment rate in the Reno-Sparks MSA rose to 6.6 percent, and the unemployment rate in the Carson City MSA climbed up to 6.8 percent. The national rate climbed to 6.1 percent.

The last time Nevada had an unemployment rate that high was in 1985, when it reached 7.4 percent, Anderson said.

“There are three significant factors contributing to the recent economic downturn: the housing collapse, the credit crisis, and high energy costs,” Anderson said. “The credit crisis has gripped Nevada and sent us into, arguably, the most severe downturn in memory. Housing market woes have been followed by financial stress affecting commercial developments. In addition to the real estate and commercial development correction, travel costs are inhibiting State visitation.”

Anderson said there continues to be a decline in the demand for goods and services due to falling disposable income, thereby affecting employment, especially in a state reliant on tourism.

“Without financial backing due to a strained credit system, more and more developments cannot find funding, and cannot create the jobs they would otherwise,” Anderson said. “Furthermore, population growth in Nevada, particularly Clark County, is still strong. This leads to a constant increase of the labor pool without a corresponding increase in jobs, so the unemployment rate will rise.”

Industrial employment in Nevada grew by 2,000 jobs in August from the preceding month, showing some signs of resiliency, but employment remained 8,500 jobs lower than the employment level from August 2007, a 0.7 percent decrease, Anderson said. The Las Vegas-Paradise MSA added 2,100 jobs in August, month-over-month, but the total job count remained essentially unchanged from a year ago.

Anderson said the Leisure and Hospitality industry grew by 1,300 jobs year-over-year, primarily due to strong Food Services and Drinking Places industry growth.

“Casino and Hotels employment was mostly bolstered by the opening of the \$250 million Eastside Cannery in East Las Vegas,” Anderson said.

August also saw the end to seven straight months of month-over-month sales increases for existing homes, although resale levels were still significantly higher than year-ago levels. Median home prices for new and existing homes continued to fall, and Nevada’s foreclosure rate continued to worsen, Anderson said.

While the price of crude oil has fallen below \$100 a barrel, supply issues and industry price resistance should keep gasoline prices high throughout September, so gasoline prices will continue to adversely affect consumer demand and purchasing power. Despite the supply pressure from Hurricane Ike, fuel prices are still expected to gradually decline in the coming months, providing much needed relief to Nevadans and the state’s economy, Anderson said.

Cash flow for major casino projects and developers continues to tighten. Clark County gaming win for July, continuing to struggle with high fuel prices and the effects of the recent national economic downturn, fell by 15.0 percent from July 2007 levels. The Las Vegas strip saw some turbulence in August when the \$5 billion dollar Plaza Hotel and Casino was delayed, like the Echelon Place before it, due to an inability to finance its construction.

“In all, Nevada remains stagnant,” Anderson said. “Every step of development and growth is held back by credit issues and high costs.”

Many significant projects are still intact, and the employment growth outlook remains positive, but expectations of that growth have been significantly tempered. Plans for City Center, Fountainsbleau and the Cosmopolitan remained unaffected, and both the Hard Rock Hotel and Caesars Palace have put extensive expansion plans in place.

“All told, we are projecting a net increase of 44,000 new jobs during the 2007-2011 timeframe. Much of the anticipated job growth will occur in the final two years of the forecast period, offsetting job losses expected for all of 2008. We project employment growth for 2008 at -1.1%. In 2009 we project growth at 0.3%. 2010 and 2011 are projected to grow by 1.8% and 2.4%, respectively. These growth rates are hardly what we’ve come to expect in Nevada. However, the rates reflect Nevada’s resiliency and ability to rebound quite nicely when less dynamic economies would suffer longer-term

debilitating effects. Still, it appears unlikely that a return to the near-boom conditions of years past is in the cards.”

See additional attachment, Nevada Perspectives, a short-term employment projection.



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.