

NEVADA PERSPECTIVES



RESEARCH &
ANALYSIS BUREAU

NEVADA'S PREMIER SOURCE OF WORKFORCE & ECONOMIC INFORMATION & ANALYSIS

August 2008 Nevada Short-Term Employment Projections by Industry

Employment projections by industry have been developed through 2011. Historical information and trends are supplemented by the knowledge of upcoming developments around the State and Bureau staff analyses of likely economic scenarios.

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.

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August 2008

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The Research and Analysis Bureau, the State's premier source of labor market and economic information and analysis, maintains a variety of projections applications and programs. Every year, short-term industry and occupational projections are generated, as required by the U.S. Employment and Training Administration (ETA). Another ETA requirement calls for long-term industry and occupational projections to be done every other year. Sub-State information is available for both the short- and long-term series.¹

The projections presented below are designed and maintained in order to provide Nevada officials and policymakers, researchers and analysts, the business and labor communities, and others, with important information concerning the State's economic prospects. They are meant to provide decision-makers with critical information necessary to make sound choices. As such, they are updated on a quarterly basis in order to incorporate more recent information and developments.

Introduction

Nevada's long-term economic performance has been quite impressive. For instance, between 1996 and 2006, job growth in the State averaged 4.3% per year. Nationally, jobs grew at just a 1.3% average clip over the same period. Nevada's unemployment rate was lower than the national average every year between 2002 and 2007. There were 59,000 employers in Nevada in 2007, an increase of 20,000 from just a decade earlier.

However, much of that momentum was lost with the onset of the current economic downturn. In 2008, the Nevada economy continues to decelerate and lose jobs. Nationally, job growth is weak, but still positive. Our unemployment rate has crept above the national average (5.9% in the first half of the year vs. 5.3% for the U.S. as a whole). 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.

The impacts of these negative forces on the State's economy have been more pronounced than anticipated. As a result, the Research and Analysis Bureau has adjusted our previous employment projections,² released in early-2008, to reflect the new economic environment. Specifically, we have reduced the 2008 employment projection by 3.1% relative to that produced earlier (from 1.3 million projected early this year to 1.26 million in the current round of projections). Our projection for 2009 has been reduced by 5.9% relative to the previous forecast. Finally, employment expectations for 2010 have been adjusted downward by

8.5% relative to that previously reported. In our view, these adjustments appear prudent in light of the difficulties facing the economy.

Projections Highlights

General... Employment projections by industry have been developed through 2011. The projections process utilizes historical Quarterly Census of Employment and Wages³ information through 2008:IQ. Historical information and trends are supplemented by the knowledge of upcoming developments

around the State and Bureau staff analyses of likely economic scenarios.⁴

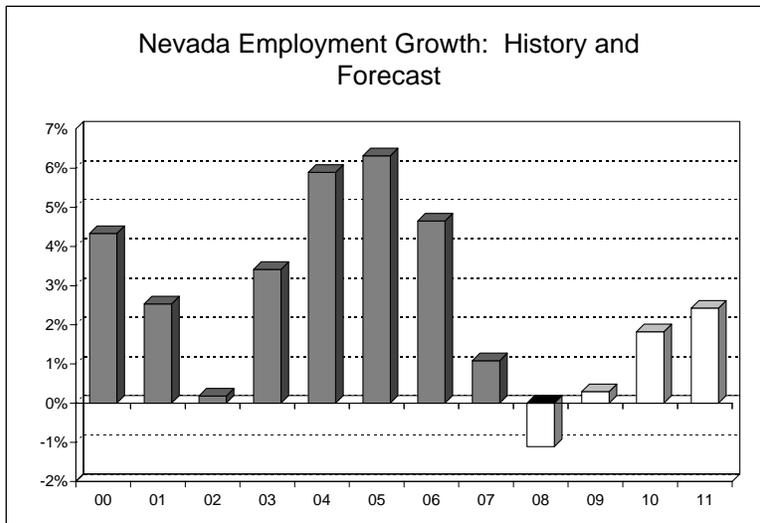
Table 1

August 2008 Nevada Employment Projections			
	Employment	Change	Pct. Change
2007	1,276,018	13,691	1.1%
2008	1,261,891	-14,127	-1.1%
2009	1,265,612	3,721	0.3%
2010	1,288,700	23,088	1.8%
2011	1,319,989	31,289	2.4%

All told, we are projecting a net increase of 44,000 new jobs during the 2007-2011 timeframe. (Table 1 and Figure 1 provide an overview of the projections.) 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.

Figure 1



Housing and construction (including the planned opening of several new megaresort-type properties) activity are critical components in driving our projections. Hopefully, the housing market will correct and cheaper energy costs will make travel more affordable. If credit market fundamentals improve, the construction and real estate sectors can turn positive in late-

2009. If the current crop of negative forces continues through 2009, the economy could stumble into 2010 or even 2011.

Our projections include the openings of the Encore, City Center, Fontainebleau and the Cosmopolitan megaresort properties. However, the accommodations sector of the economy is currently shedding jobs, potentially offsetting some of the stimulative impacts associated with upcoming openings, and this trend will continue until the economic headwinds diminish.

Industry Results... Projections information for 20 industry sectors is shown in Tables 2-A and 2-B. As for current trends, outside of mining and population-driven industries such as health care and government, essentially all sectors of the state economy have been negatively affected in these difficult times.

Construction is feeling the biggest hit, as job levels have declined approximately 10% so far in 2008.

Table 2-A

August 2008 Nevada Short-Term Employment Projections by Industry					
	2007	2008	2009	2010	2011
total	1,276,018	1,261,891	1,265,612	1,288,700	1,319,989
change	13,691	-14,127	3,721	23,088	31,289
pct. change	1.1%	-1.1%	0.3%	1.8%	2.4%
agriculture, forestry, fishing, & hunting	2,318	2,411	2,455	2,504	2,554
change	49	93	44	49	50
pct. change	2.2%	4.0%	1.8%	2.0%	2.0%
mining	12,012	12,109	12,428	12,736	13,054
change	569	97	319	308	318
pct. change	5.0%	0.8%	2.6%	2.5%	2.5%
utilities	4,512	4,591	4,585	4,608	4,631
change	-514	79	-6	23	23
pct. change	-10.2%	1.8%	-0.1%	0.5%	0.5%
construction	133,231	117,420	110,512	106,481	108,084
change	-8,638	-15,811	-6,908	-4,031	1,603
pct. change	-6.1%	-11.9%	-5.9%	-3.6%	1.5%
manufacturing	50,342	49,144	48,653	49,263	50,806
change	122	-1,198	-491	610	1,543
pct. change	0.2%	-2.4%	-1.0%	1.3%	3.1%
wholesale trade	37,770	37,645	37,699	38,359	39,608
change	509	-125	54	660	1,249
pct. change	1.4%	-0.3%	0.1%	1.8%	3.3%
retail trade	139,564	141,714	142,292	144,769	147,852
change	2,619	2,150	578	2,477	3,083
pct. change	1.9%	1.5%	0.4%	1.7%	2.1%
transportation and warehousing	52,916	53,709	54,461	55,934	57,891
change	3,473	793	752	1,473	1,957
pct. change	7.0%	1.5%	1.4%	2.7%	3.5%
information	15,633	15,834	16,128	16,491	16,986
change	762	201	294	363	495
pct. change	5.1%	1.3%	1.9%	2.3%	3.0%
finance and insurance	37,027	34,816	33,159	33,154	34,315
change	-1,578	-2,211	-1,657	-5	1,161
pct. change	-4.1%	-6.0%	-4.8%	0.0%	3.5%

Finance and insurance, in addition to real estate, rental, and leasing are two other sectors experiencing significant contraction. The difficulties in these sectors are driven, to a large degree, by challenging credit market conditions.

Educational services, health care and social services, and public administration are three healthy sectors benefiting from long-term historical growth in the State. Since 1990, Nevada's population has increased by 120%, or 1.5 million. Trends in these industries are projected to remain favorable.

Retail trade has also benefited from Nevada's growth, both in terms of population and visitor spending. These establishments are projected to add 8,000

new jobs over the projections period.

Job levels in the State's largest sector, accommodation and food services, totaled 309,500 in 2007. Employment levels are projected to total 322,400 in 2011.

Figure 2 displays the volatility in the sector's employment expected through 2011, driven by the openings of the major projects now under construction on the Las Vegas Strip.

Gradual improvement is projected for the construction sector. However, early in the projection period, this improvement will simply be reflected in less-pronounced job losses. Growth is not expected until a 1.5% increase in 2011. Still, over the 2007-2011 period, job losses will total 25,000 in this all-important sector.

Table 2-B

August 2008 Nevada Short-Term Employment Projections by Industry					
	2007	2008	2009	2010	2011
real estate and rental and leasing	27,261	26,413	25,950	26,340	27,263
change	777	-848	-463	390	923
pct. change	2.9%	-3.1%	-1.8%	1.5%	3.5%
prof., scientific, and tech. services	54,087	53,997	54,790	56,105	58,041
change	881	-90	793	1,315	1,936
pct. change	1.7%	-0.2%	1.5%	2.4%	3.5%
mgmt. of comp. and enterprises	16,208	17,179	17,303	17,649	18,002
change	2,761	971	124	346	353
pct. change	20.5%	6.0%	0.7%	2.0%	2.0%
admin. and support and waste mgmt.	85,438	81,103	79,382	81,380	85,449
change	-2,466	-4,335	-1,721	1,998	4,069
pct. change	-2.8%	-5.1%	-2.1%	2.5%	5.0%
educational services	73,431	75,828	78,023	80,714	83,539
change	3,916	2,397	2,195	2,691	2,825
pct. change	5.6%	3.3%	2.9%	3.4%	3.5%
health care and social assistance	92,940	96,116	99,328	103,204	107,332
change	4,305	3,176	3,212	3,876	4,128
pct. change	4.9%	3.4%	3.3%	3.9%	4.0%
arts, entertainment, and recreation	31,152	30,197	30,155	30,758	31,374
change	699	-955	-42	603	616
pct. change	2.3%	-3.1%	-0.1%	2.0%	2.0%
accommodation and food services	309,507	309,064	313,675	320,847	322,424
change	1,798	-443	4,611	7,172	1,577
pct. change	0.6%	-0.1%	1.5%	2.3%	0.5%
other services	29,025	29,343	29,604	30,197	31,028
change	705	318	261	593	831
pct. change	2.5%	1.1%	0.9%	2.0%	2.8%
public administration	71,641	73,258	75,031	77,208	79,756
change	2,939	1,617	1,773	2,177	2,548
pct. change	4.3%	2.3%	2.4%	2.9%	3.3%

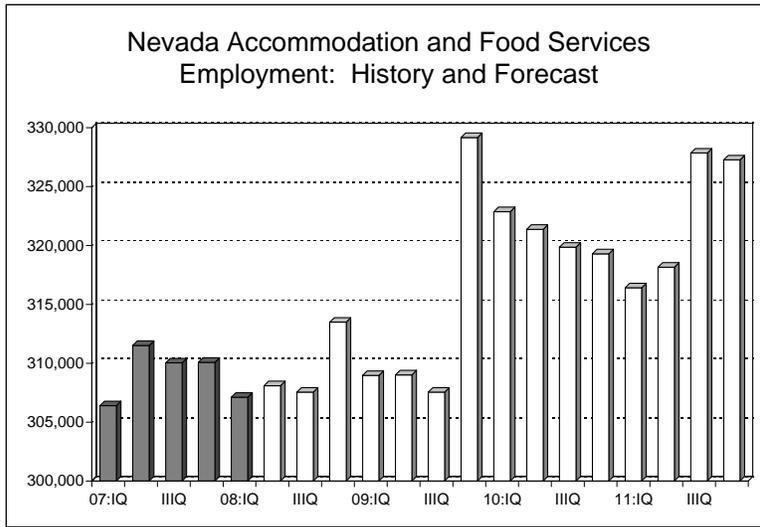
Figure 3 provides details concerning the outlook for construction employment. Without a pickup in the broader economy, the outlook for the construction sector is sluggish, especially as major projects currently underway are completed, with nothing in the pipeline to absorb those workers.

The financial and real estate sectors have also been impacted by the difficulties in housing and construction. Job losses are projected into 2009, with a return to stability and growth beginning in 2010.

Conclusion

Nevada has been significantly impacted by the current economic downturn. Difficulties in

Figure 2



the residential and commercial construction and real estate markets, coupled with travel and discretionary spending constraints, have combined to bring a halt to several years of solid economic results.

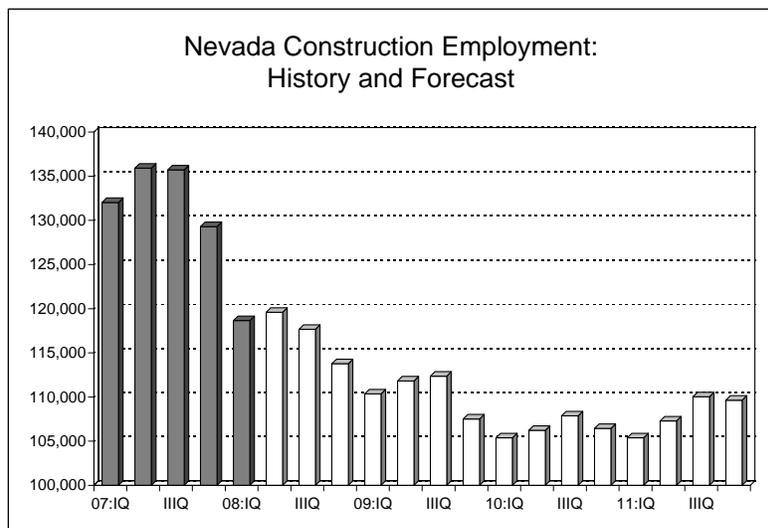
The projections outlined above suggest that labor market conditions in the State will remain weak into 2009, but will rebound thereafter. Still it appears unlikely that a

return to the near-boom conditions of years past is in the cards.

Figure 3

If City Center and other projects prove to be successful ventures, the economy will benefit.

The northern part of the state faces greater odds. Positive consumer sentiment in the region is less likely to develop without the proven resiliency of the dynamic southern Nevada economy. In northern Nevada, the housing, manufacturing, and trade sectors, are less likely to respond when local economic stimulus is not imminent.



The rural counties are economically sound, but the surge in employment growth has subsided. The mining sector has supply constraints and won't grow their workforce at the same rates of the recent past.

Endnotes

¹ Projections covering the 2007-2009 and 2006-2016 period are available at <http://www.neavdaworkforce.com>.

² The previous round of projections utilized historical employment information through 2007:IIQ. Actual 2007 employment came in just 0.3% below that projected.

³ The QCEW Program provides a variety of information on establishments and employees covered by State unemployment insurance laws. For projections purposes, employees working in establishments that cannot be classified within a specific North American Industry Classification System (NAICS) industry are excluded. However, the number of employees impacted is very small. In 2007, there were about 1,300 employees in these unclassified establishments.

⁴ The foundation of employment projections is a continuous (monthly) review of current economic forces, or input variables. From there, we use projections software employing up to 21 econometric models used to project 100 unique Nevada industries. These models are supplemented with "local knowledge," such as known future megaresort openings, in finalizing the projections.

The projections are generally developed at the three-digit NAICS level. However, there are several four-digit NAICS industries used and other industries created specifically to reflect the unique nature of the Nevada economy. For instance, mining is adjusted to reflect precious metal production. Government employment is adjusted to pull out the unique functions of the postal service, education and hospitals. The leisure and hospitality industry is also adjusted to separate casino hotels from less dominant subsectors.