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PRESS RELEASE

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ECONOMIC OVERVIEW: December 2010

	UNEMPLOYMENT RATES			JOB GROWTH RATES		
	<u>Dec '10¹</u>	<u>Dec '09</u>	<u>Nov '10</u>	<u>Dec '10¹</u>	<u>Dec '09</u>	<u>Nov '10</u>
Nevada ²	14.5%	13.0%	14.3%	(1.5)%	(7.2)%	(2.0)%
Las Vegas-Paradise MSA ³	14.9	13.0	14.3	(1.6)	(7.9)	(2.3)
Reno-Sparks MSA ³	13.8	12.5	13.3	(2.3)	(7.3)	(2.7)
Carson City MSA ³	14.0	12.8	13.1	(1.0)	(5.1)	(2.0)
United States ²	9.4	10.0	9.8	0.8	(3.6)	0.7

For Immediate Release
January 21, 2011

Nevada's Unemployment Rate Rises to 14.5 Percent in December

Following a few months of relative stability, Nevada's unemployment rate increased to a seasonally adjusted 14.5 percent in December. Although not directly comparable, the unemployment rates in Nevada's sub-state areas saw significant increases, which typically occur at year's end. In the Las Vegas-Paradise MSA, the unemployment rate jumped six-tenths to 14.9 percent – marking a new all-time high. The unemployment rate in the Reno-Sparks area increased to 13.8 percent from 13.3 in November. That too, set a new all-time high for the area. Carson City's unemployment rate reached a new high as well, surging from 13.1 in November to 14.0 percent in December. In the Elko area — which includes Elko and Eureka counties — the unemployment rate increased by four-tenths, rising from 7.6 to 8.0 percent in December. *(Unemployment rates for the State's metropolitan areas are not adjusted for seasonality. For comparison purposes, the State's unadjusted unemployment rate was 14.6 percent in December, up from 13.9 percent in November.)*

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)

At 14.5 percent, an estimated 193,500 Nevadans are out of work and seeking new employment opportunities, said Bill Anderson, chief economist for the Department of Employment, Training and Rehabilitation (DETR).

“December brought a mixed bag of economic news. Nevada’s employers reported improvement, while results of the household survey for unemployment showed the opposite,” Anderson said. “While we cautioned against getting too excited over recent decreases in the unemployment rate, December’s increase does not change indications that the distressed labor market is starting to stabilize. It will simply be a long process to reverse the damage caused by the recession over the past few years. The labor market must begin to stabilize before it can turn around.”

In December, Nevada’s employers added 2,700 jobs. It’s a marked improvement over last year, when the recession forced employers to shed 3,500 jobs in the same period. Unfortunately, improvement on the jobs front failed to translate into fewer people out of work. The unemployment rate reached a new high.

Most of December’s job gains were the result of holiday hiring and the opening of a new resort. Most holiday hiring occurs in the employment services (temporary help agencies) and retail trade industries. In December, temporary agencies added 400 workers, and retail employers added 1,300. In all, retail employers added 3,200 jobs during the holiday hiring season. That compares to a loss of 2,000 during the 2009 holiday season. The leisure and hospitality industry added 1,800 jobs, driven mostly by the opening of the Cosmopolitan of Las Vegas, on the Las Vegas strip. Industries not faring as well include transportation, warehousing and utilities and other service industries, where employment declined by 800 and 500 jobs, respectively.

Employment in the Las Vegas-Paradise MSA increased by 1,900 jobs, while employment in the Reno-Sparks area increased by a modest 400 jobs. Employment in Carson City was virtually unchanged.

“We must look at a number of factors to determine the future health of the labor market,” Anderson said. “We must watch the trends over a period of time before making a solid prediction of which way the unemployment rate will go. At this point, it is reasonable to expect the rate will not be as volatile as in the past. Arguably, this represents improvement over the past few years when unemployment rose non-stop.”

December’s report from Nevada’s unemployment insurance system offered a mix bag, as well. Last month, there were 26,014 initial claims for unemployment insurance benefits filed, which represents a 6.2 percent increase from November (24,494 claims), but a decrease from December 2009 (33,021). Over the course of the year, initial claims for benefits have been on a downward trend overall. In a typical year, initial claims in December are 12 percent higher than in January, but in 2010 claims were 14 percent lower. This trend has been more significant looking at total weekly claims. On average in January 2010, there were 141,867 claims for weekly benefits across both regular and extended unemployment insurance programs. In December 2010, that had fallen to 111,292, a decline of 20.8 percent.

Nevada has seen a pronounced upward trend in the number of long-term unemployed. The increase in unemployment duration suggests that many people who lost their jobs during the economic contraction are still struggling to find employment.

“Recently, the average duration of unemployment climbed above 35 weeks, or about 8 months,” Anderson said. “The federal government seems to be adjusting to this new reality. Federal legislation passed in mid-December extended unemployment eligibility for up to 99 weeks through the end on 2011. Also, the Bureau of Labor Statistics responded to the rise in long-term

unemployment by announcing that it will begin counting unemployed people for more than 260 weeks, rather than the previous limit of 99 weeks.”

Based on a twelve month average, in December, an estimated 88,317 out of 191,083 or 46 percent of those unemployed have been so for 27 weeks or more. For comparison, in December 2006 and December 2007 only 12 percent and 13 percent, respectively, of the unemployed fell into the same category.

The pronounced impacts of the recession on Nevada’s residential real estate and construction sectors have been well-documented, Anderson said. A brief analysis of historical price trends highlights the end result of these forces. As measured by the widely-distributed S&P/Case-Shiller Home Price Index, prices in Nevada rose by approximately 50 percent between the beginning of calendar year 2000 and the first quarter of 2004. Trends during this period were very similar to those in the U.S., as measured by activity in 20 major metropolitan areas. Prices in Las Vegas then rose by, roughly, an additional 55 percent to reach their mid-2006 peak. Over the same period, prices throughout the country rose just 35 percent. Since then, Las Vegas home prices have fallen back to levels seen in calendar year 2000. While prices have also trended down considerably in the nation as a whole since mid-2006, they still remain about 45 percent higher than at the beginning of 2000.

Construction employment in Nevada has, at least in part, been driven by these developments. After peaking at close to 150,000 in mid-2006, job levels have declined to 57,100 as of December. As of June 2006, the construction sector accounted for 12 percent of employment in Nevada, about double the share for the nation as a whole. As of December 2010, construction accounted for 5 percent of total employment in Nevada, compared to a 4.2 percent share in the nation as a whole.



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 provide training and job placement services to job seekers and to assist employers in hiring practices.