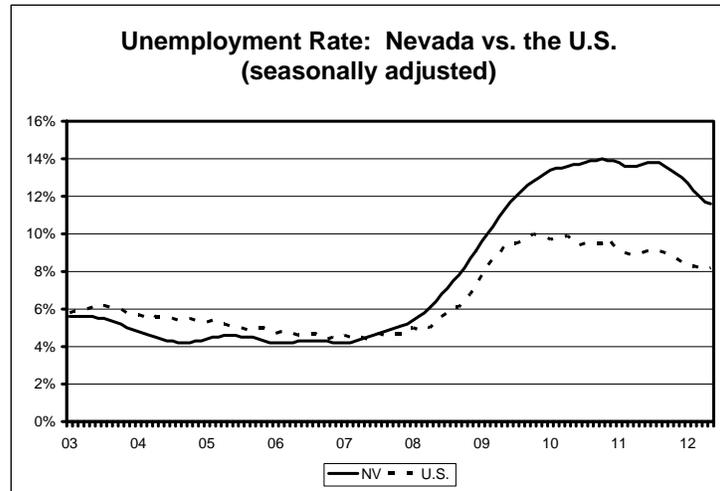


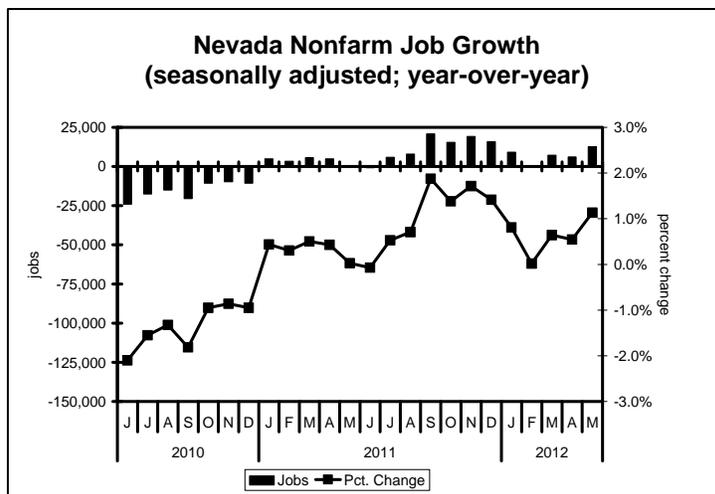
## NEVADA LABOR MARKET OVERVIEW May 2012

Taken as a whole, labor market conditions in Nevada are fairly encouraging based upon May information. Nationwide, the pace of recovery has slowed considerably of late. During the year's first quarter, month-to-month job gains averaged 226,000 in the U.S. In April, growth slowed, resulting in a gain of just 77,000 (revised down from original estimates), followed by a gain of 69,000 in May. Against this backdrop, it would have been no surprise to see a weak Nevada report. However, Statewide April job estimates have been revised upward by 700, and a seasonally adjusted 5,900 jobs were added to payrolls in May, the



second-strongest month-to-month gain this year. At a seasonally adjusted 1.14 million, job readings stand at their second-highest level in nearly three years and are up 12,700 from a year ago.

Additionally, Nevada recorded its ninth consecutive month-to-month decline in the unemployment rate, from 11.7 percent in April to 11.6 percent in May. This marks the lowest tally in three years. Still, though, there are 158,300 Nevadans officially counted amongst the unemployed, suggesting that much ground remains to be made up. For instance, in 2007, as the State was entering the

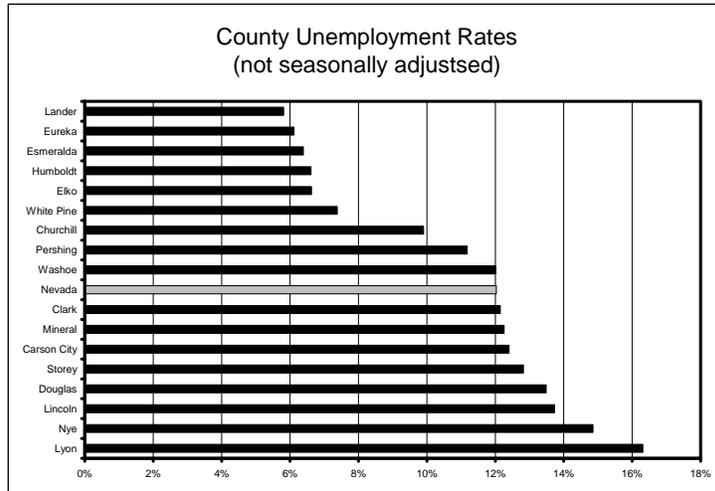


recession, unemployment averaged 61,100 for the year.

Much has been made of late concerning the underlying reasons behind the downtrend in the jobless rate, both nationally and in Nevada. While employment is growing modestly, a declining labor force has also contributed to the easing unemployment rate over the past several months.

Through the first five months of the year, the labor force is down 21,700 from a year ago. As with the nation, Nevada's "labor force participation rate" continues to trend down, despite the fact that the economy "officially" emerged from recession in late-2009. In the 12 months ending in May, 65.1 percent of the State's population was in the labor force. In late-2008, 70 percent of the State's adult population was active in the labor force, either employed or unemployed. Some of this downtrend may be "structural" in nature, perhaps as the baby boom generation enters retirement. Some of the decline is also surely the result of "cyclical" forces in response to the economy's struggles of late, as individuals may have dropped out of the labor force due to a perceived lack of job opportunities.

While not directly comparable to the State's seasonally adjusted figure, the unemployment rate in each of the state's three metropolitan areas held relatively steady, and in a



narrow range, in May.<sup>1</sup> Las Vegas is home to the highest jobless rate amongst the State's three population centers, at 11.8 percent. Carson City (11.7 percent) and Reno (11.5 percent) are marginally lower. In all three regions, there is little change measured against April readings (up 0.2 percentage point in Las Vegas, 0.1 point in Reno, and down 0.1 point in Carson City). In all three areas, 2012 rates represent the lowest May readings in three years. While this steady improvement is welcome news, much ground remains to be made up. In May 2007, as the economy was entering the prolonged recession, unemployment rates in the State's major population centers fell in the 4.2 to 4.5 percent range.

Looked at another way, seven counties, all of them rural, have single-digit unemployment rates on a

<sup>1</sup> Unemployment rates for the State's metropolitan areas and counties reported here are not adjusted for seasonality. Hence, comparisons to the State's seasonally adjusted rate should be avoided. Legitimate comparisons, however, can be made to the State's unadjusted rate – 11.6 percent in May, up from 11.5 percent in April and 13.3 percent in May 2011.

year-to-date basis, with the lowest rates in Lander, Eureka, and Esmeralda. Lyon (16.3 percent so far this year) and Nye (14.9 percent) have the highest jobless rates.

Back to the jobs front, based upon historical trends, payrolls tend to expand by 4,200 from April to May.

This year, however, the gain, at 10,100, was more than double that. The end result was the seasonally adjusted increase of 5,900 noted above. The private sector continues to lead the way. In May, employment in these establishments stands 17,500 higher than a year ago. Gains have been recorded, without interruption, since January 2011. This growth is being partially offset by continued pressure on the public sector, especially in the State's local government entities. Since peaking in late-2008, nearly 14,000 local government jobs have been lost. Currently, there are 2,400 fewer State government positions compared to an early-2011 high-water mark. In May, public sector employment is down 4,800 relative to a year ago.

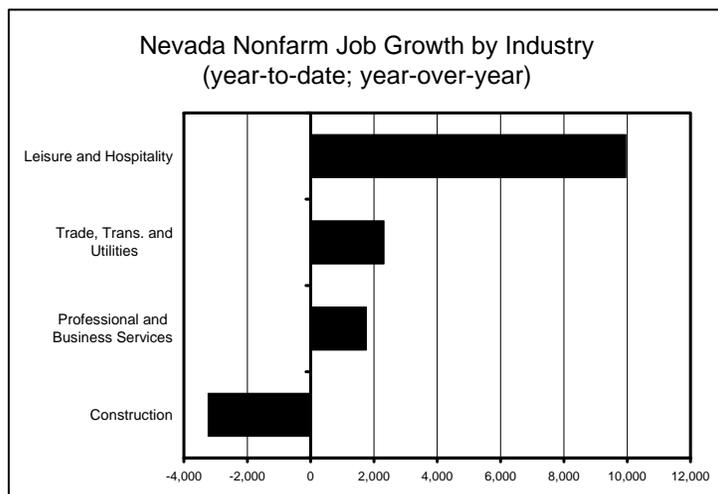
Nearly all industries in Nevada reported positive results in May. However, job estimates can be subject to considerable month-to-month volatility. Hence, a look at year-to-date results helps to shed light on underlying trends. Through the first five months of 2012, nonfarm job levels in

|                    | Unadjusted Change | Expected Seasonal Movement | Seasonally Adjusted Change |
|--------------------|-------------------|----------------------------|----------------------------|
| Total Nonfarm Jobs | 10,100            | 4,200                      | 5,900                      |
| Private Sector     | 10,000            | 4,400                      | 5,600                      |
| Public Sector      | 100               | -200                       | 300                        |
| Las Vegas          | 5,600             | 1,600                      | 4,000                      |
| Reno               | 1,800             | 700                        | 1,100                      |
| Carson City        | 200               | 200                        | 0                          |

Totals may not sum due to rounding

Nevada stand 9,000 higher than a year ago. As for some of the State's major industries, leisure/hospitality has added 10,000 payroll jobs so far this year. Recent trends in the trade/transportation/utilities industries have been fairly strong, leaving job levels in the first five months of the year up by 2,300 compared to 2011.

Professional/business services establishments have added 1,800 jobs over the same period. Mining-related jobs have averaged 15,500 so far this year, up by 2,300 (or 17.4 percent) from 2011. Strong underlying fundamentals in this industry have certainly contributed to the relatively low unemployment



rates in several of the State's rural counties.

Construction remains a weak spot, especially in terms of jobs. However, several barometers of housing activity are pointing to a muted rebound. Statewide residential building permits are up 40 percent so far this year, through April. Housing starts are up by one-fourth over the same period. Resale activity in Las Vegas has been on the rise for 15 straight months. New home closings in the south have increased in five of the past seven months. Statewide, the number of mortgages entering the foreclosure process in this year's first quarter was at its lowest level in nearly five years. With that said, however, recent improvements in residential market fundamentals have done little to noticeably offset the deterioration that unfolded over the past several years.

At the sub-State level, northern Nevada is lagging trends in the south. For instance, Carson City job readings are down 900 so far this year compared to the same period in 2011. The Reno metro area has

added just 100 jobs. Las Vegas, on the other hand, has added 4,100 new jobs, as the region has benefitted from 25 consecutive months of visitor volume growth prior to a marginal decline in April. In May, Las Vegas leisure/hospitality employment stands 9,700 higher than a year ago.

The number of employers covered under Unemployment Insurance provisions is on the rebound, further evidence of an economy that has entered recovery mode. Specifically, after declining for ten consecutive quarters, employer growth moved into positive territory in the second half of 2011. All told, there were 57,000 UI-covered employers in the State as of the first quarter, up 1.8 percent from the first three months of 2011.

During the most recent recession, it became apparent that Nevada's economy is very sensitive to broader macroeconomic trends in the national (and international) markets. Despite the slowdown in job growth in recent months in the nation as a whole, most signs tend to point to a continuation of modest labor market improvement. For instance, national hiring and job openings rates have been on the upswing since, roughly, 2009. Barring further deterioration in the U.S. labor market, Nevada should continue to show modest, but fairly stable, improvement.

