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North Dakota Thrives as Nevada Suffers in Divergent U.S. Recovery: Economy

By Steve Matthews - Dec 19, 2011

The U.S. economic expansion that began in June 2009 shows a dichotomy at the state level, with [Nevada](#), California and Florida labor markets still languishing from the real estate collapse at the same time domestic energy production drives employment in North Dakota and Alaska.

By the first quarter of 2012, oil and gas-rich Texas will gain back all of the jobs it lost during the last recession, the third state to do so after North Dakota and [Alaska](#), according to a forecast released today by IHS Global Insight Inc. Nevada and Michigan won't get there until 2017 or after.

With widespread areas of the country lagging behind in job creation, the U.S. expansion may have trouble gaining momentum, said James Diffley, chief U.S. regional economist at IHS in Philadelphia. States such as Nevada, Florida and [Georgia](#) that benefited from the housing boom in 2002 to 2006 are now laggards, he said.

"There has been a dramatic reversal of fortunes," Diffley said. "The previously booming Sun Belt, excluding Texas, has morphed into the most depressed area of the country because of the housing bust. The unevenness from state to state is both a reflection of, and a cause of, the weak recovery."

Among the other largest U.S. states, [New York](#) and [Pennsylvania](#) will probably return to peak employment in 2013, Illinois and North Carolina in 2015, and California, Florida, Georgia and [Ohio](#) in 2016, IHS Global Insight projects.

Growth in the U.S. may be 2 percent next year, not enough to reduce unemployment much from a November level of 8.6 percent, said [Mark Vitner](#), senior economist at Wells Fargo Securities LLC in Charlotte, [North Carolina](#).

'Narrow' Recovery

"There are only a handful of bright spots," said Vitner. "I am troubled by how narrow the economic recovery is today. I think this puts us in a vulnerable position if [Europe](#) and the global economy weaken more quickly and more severely than is currently expected."

The ratio of bad loans as a proportion of total lending at Spanish banks climbed in October to the highest level since 1994, showing how the fallout from the country's property slump, rising unemployment and the spreading European debt crisis has hurt the industry, figures from the Bank of Spain showed today.

Data from Asia today indicated [consumer spending](#) in [Japan](#) is stabilizing, helping support an economy that faces growing risks from abroad. Japanese department store sales fell 1.9 percent in November from the same month a year earlier, the Japan Department Store Association said in [Tokyo](#). The three-month moving average was a 1.6 percent drop, little changed from the August-October period, and demand has been “relatively solid,” the group said.

Shares Rise

Stocks in the U.S. fell on a report that European Union ministers failed to agree on raising the ceiling for their bailout fund. The Standard & Poor's 500 Index dropped 1.2 percent to 1,205.07 at 3:29 p.m. in New York.

[North Dakota](#)'s economy was ranked best-performing among U.S. states in the second quarter, followed by Oklahoma, according to the Bloomberg Economic Evaluation of States Index, which uses data on employment, income, real estate, taxes and stocks.

A slowdown in migration of U.S. job seekers from depressed states to faster-growing ones will keep the [unemployment rate](#) from returning to prerecession levels, said [Mark Zandi](#), chief economist at Moody's Analytics Inc. in West Chester, Pennsylvania.

'Underwater' Homeowners

“In past recoveries, unemployed workers could quickly move to find work,” he said. “It is much more difficult to do that today given the large number of underwater homeowners and the aging of the population. This suggests that the recovery will be weaker than past recoveries.”

The economies and labor markets in [Alaska](#), North Dakota and Texas all reflect rising energy prices and increased spending on exploration, Diffley said.

Through October, Texas has recovered 94 percent of the jobs lost during the recession, compared with just 27 percent for the U.S., Comptroller Susan Combs wrote in a Dec. 12 letter to Republican presidential candidate and Governor Rick Perry.

North Dakota and Alaska led tax collection increases from July to September, with revenue more than doubling because of “taxes driven by higher oil and mineral prices,” the Nelson A. Rockefeller Institute of Government said Dec. 8.

Since 2005, oil production in North Dakota has nearly quadrupled at the same time employment in mining, quarrying, and oil and gas extraction has increased 185 percent, IHS said.

Wage Gains

What's more, energy-producing regions are seeing “significant wage gains,” said [Drew Matus](#), senior U.S. economist at UBS Securities LLC. “Go to North Dakota and try to rent a hotel room for the night. Good luck, right? You cannot do it.”

Meantime, in places where housing's collapse was most-pronounced, states continue to languish. Nevada, California and Arizona posted the highest foreclosure rates in November, with Florida, Georgia and [Michigan](#) among the top 10 states, according to RealtyTrac Inc., a mortgage-data firm.

“Nevada -- Las Vegas -- was ground zero for the housing bubble,” said [Charles Lieberman](#), chief investment officer with Advisors Capital Management LLC in Hasbrouck Heights, [New Jersey](#), and a

former head of monetary analysis at the Federal Reserve Bank of New York. “One would expect people to have a gloomier outlook in Las Vegas than in North Dakota.”

Commercial Real Estate

Georgia suffers from an overbuilt commercial real estate market, said Rajeev Dhawan, Georgia State University’s economic forecaster in Atlanta. “What we need to make a dent in the sky-high office vacancy rate is to create 10,000 jobs in the coming months.” Instead, job announcements have been “in the hundreds,” he said.

About 25 percent of the nation’s metropolitan areas are growing in excess of 4 percent, said [Paul Ballew](#), chief economist at Nationwide Mutual Insurance Co. in Columbus, Ohio.

“You get these pockets of geographic growth” outside the “epicenter of housing,” he said. “One of the things that has played out this year is the geographic unevenness has continued to roll forward.”

Courtesy of JB Goodwin