

# NEVADA STATE BANK

## Economic Briefing

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**T**he Federal Reserve is considering an end to its extraordinary treasury and mortgage-backed security purchasing program, known as quantitative easing, this October. This measure has injected large amounts of currency into the economy, lowering interest rates and increasing investments. In particular, mortgage rates, which currently average 4.12 percent for a thirty-year loan, are still near their historical low of 3.31 percent set in November 2012. Relatively low rates helped spur the housing recovery, reduced interest costs and increased consumer spending in Nevada and throughout the nation.

The impact of the slow end of quantitative easing was largely felt in June of 2013, when interest rates increased 65 basis points (0.65 percentage points) from the previous month. The program's actual end is expected to have modest impacts on interest rates in the near term; rates have adjusted for much of it already. It does, however, potentially mark a turning point in the recovery, one where the national economy no longer needs extraordinary measures to move forward.

Cheap credit has allowed the economy to expand considerably. As of the first quarter, mortgage payments made up 4.8 percent of personal disposable income, the lowest share since 1981. The total value of mortgages in the economy is still 10.4 percent below the Q2 2008 peak value, and has risen only 0.4 percent since

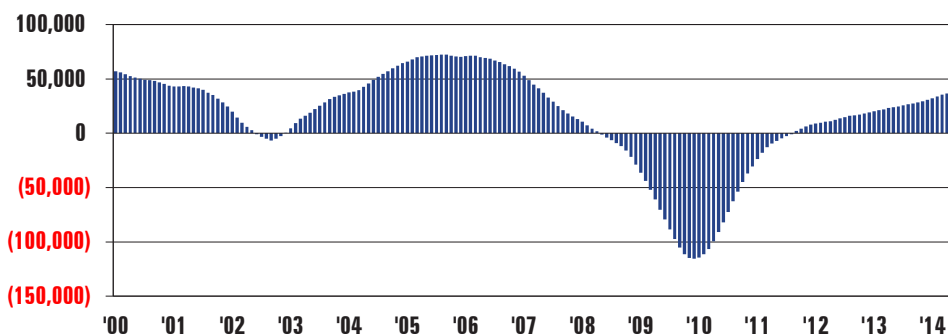
bottoming out in Q1 2013. The low rate of new mortgage debt, combined with historically low rates, has allowed households across the country to lower their debt payments, freeing money for other areas of spending.

One thing consumers are buying in droves are new automobiles. In the second quarter, 16.5 million cars were sold, more than any quarter since 2006. In the U.S., the trailing twelve months of auto sales through June 2014 are up 54.1 percent since bottoming out in the 12 months ending October 2009. As cars and other durable goods were forced to last longer during the downturn, it is perhaps not surprising that consumers are finally starting to replace aging equipment. As of April, taxable auto sales in Nevada were up 62.3 percent since the low point reached during the recession.

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### NEVADA EMPLOYMENT GROWTH

TRAILING 12-MONTH AVERAGES



### MONTHLY

#### Employment Indicators

Nevada Employment		May-14
Current Period	Prev. Period	Same Period Prev. Yr.
1,219,800	1,211,500	1,176,000
GROWTH RATE	0.7% ▲	3.7% ▲

Nevada Private Average Weekly Hours Worked		May-14
Current Period	Prev. Period	Same Period Prev. Yr.
33.2	33.3	33.3
GROWTH RATE	-0.3% ▼	-0.3% ▼

Nevada Unemployment Rate		May-14
Current Period	Prev. Period	Same Period Prev. Yr.
7.9%	8.0%	10.1%
GROWTH RATE	-0.1% ▼	-2.2% ▼

Nevada Initial Unemployment Insurance Claims		May-14
Current Period	Prev. Period	Same Period Prev. Yr.
12,524	14,931	16,183
GROWTH RATE	-16.1% ▼	-22.6% ▼

### TRAILING 12-MONTH

#### Employment Indicators

Nevada Employment <sup>(1)</sup>		May-14
Current Period	Prev. Period	Same Period Prev. Yr.
1,193,958	1,190,308	1,155,992
GROWTH RATE	0.3% ▲	3.3% ▲

Nevada Private Average Weekly Hours Worked <sup>(1)</sup>		May-14
Current Period	Prev. Period	Same Period Prev. Yr.
33.5	33.5	33.9
GROWTH RATE	0.0% ◆	-1.2% ▼

Nevada Unemployment Rate <sup>(1)</sup>		May-14
Current Period	Prev. Period	Same Period Prev. Yr.
9.0%	9.2%	10.8%
GROWTH RATE	-0.2% ▼	-1.8% ▼

Nevada Initial Unemployment Insurance Claims <sup>(2)</sup>		May-14
Current Period	Prev. Period	Same Period Prev. Yr.
174,591	178,250	212,592
GROWTH RATE	-2.1% ▼	-17.9% ▼

Notes: (1) Trailing 12-month/4-quarter averages.  
(2) Trailing 12-month/4-quarter totals.

## MONTHLY & QUARTERLY

*Economic Indicator Series*

### Nevada Residential Housing Units Permitted

May-14

Current Period	Prev. Period	Same Period	Prev. Yr.
1,085	1,074		1,172
GROWTH RATE	1.0% ▲		-7.4% ▼

### Nevada Taxable Retail Sales

Apr-14

Current Period	Prev. Period	Same Period	Prev. Yr.
\$3,903,083,977	\$4,431,763,542		\$3,787,429,435
GROWTH RATE	-11.9% ▼		3.1% ▲

### Nevada Gross Gaming Revenue

May-14

Current Period	Prev. Period	Same Period	Prev. Yr.
\$970,265,587	\$852,005,476		\$897,438,790
GROWTH RATE	13.9% ▲		8.1% ▲

### Las Vegas/Reno-Tahoe Enplaned and Deplaned Passengers

May-14

Current Period	Prev. Period	Same Period	Prev. Yr.
4,053,031	3,876,675		4,053,473
GROWTH RATE	4.5% ▲		0.0% ▼

### Clark/Washoe County Visitor Volume

May-14

Current Period	Prev. Period	Same Period	Prev. Yr.
4,278,616	4,150,468		4,132,547
GROWTH RATE	3.1% ▲		3.5% ▲

### Nevada New Business Creation

Q4 '13

Current Period	Prev. Period	Same Period	Prev. Yr.
432	582		442
GROWTH RATE	-25.8% ▼		-2.3% ▼

### Nevada Housing Price Index

(Q1 1991 = 100)

Q1 '14

Current Period	Prev. Period	Same Period	Prev. Yr.
167.6	163.0		138.6
GROWTH RATE	2.8% ▲		21.0% ▲

### Clark County Office Market Vacancy Rate

Q2 '14

Current Period	Prev. Period	Same Period	Prev. Yr.
25.2%	25.6%		25.7%
GROWTH RATE	-0.4% ▼		-0.5% ▼

### Nevada Hotel/Motel Occupancy

Q1 '14

Current Period	Prev. Period	Same Period	Prev. Yr.
80.5%	75.1%		77.5%
GROWTH RATE	5.4% ▲		3.0% ▲

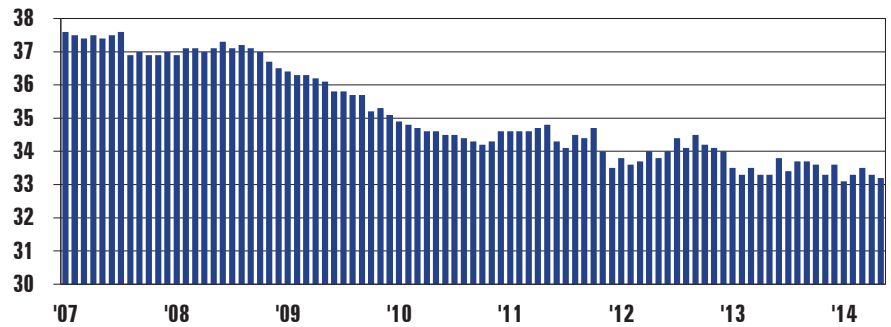
### State of Nevada Personal Income

Q1 '14

Current Period	Prev. Period	Same Period	Prev. Yr.
\$27,813,370,250	\$27,515,494,250		\$26,641,783,250
GROWTH RATE	1.1% ▲		4.4% ▲

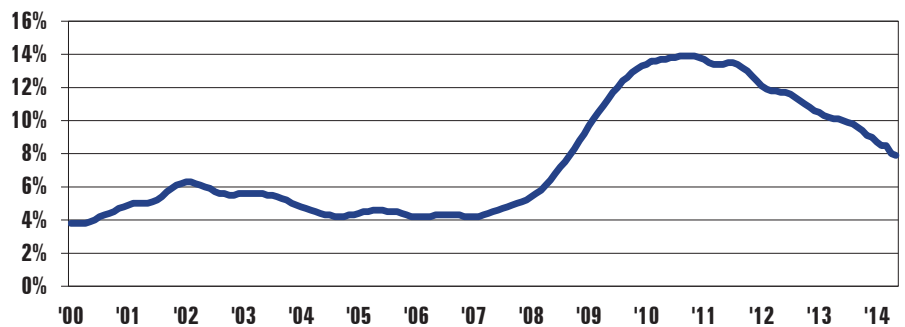
## NEVADA PRIVATE AVERAGE WEEKLY HOURS WORKED

MONTHLY SERIES



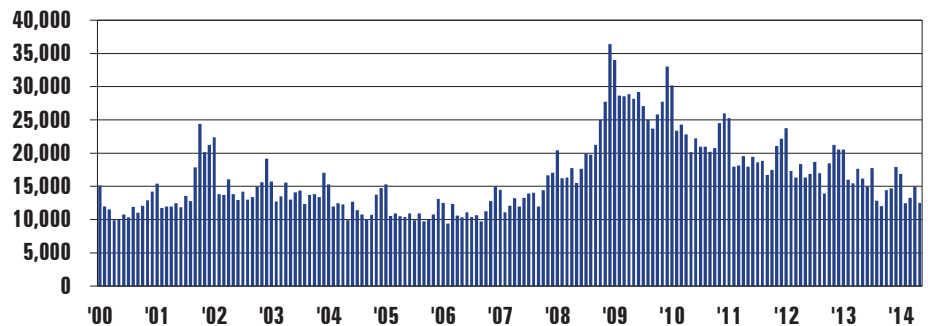
## NEVADA UNEMPLOYMENT RATE

MONTHLY SERIES



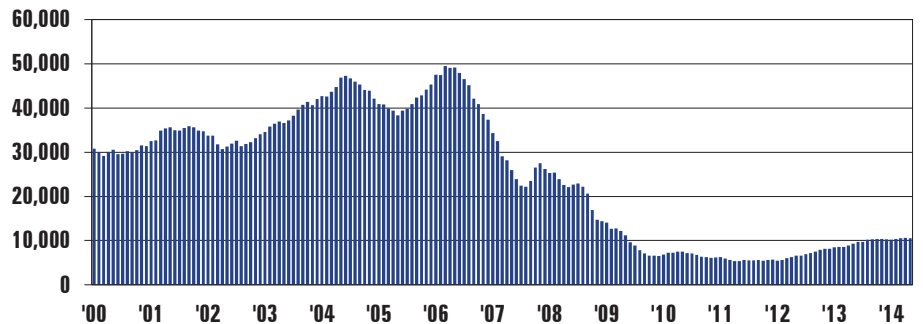
## NEVADA UNEMPLOYMENT INSURANCE CLAIMS

MONTHLY SERIES

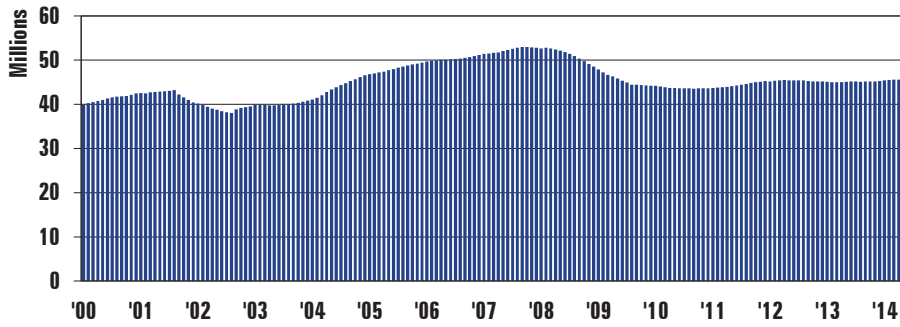


## NEVADA RESIDENTIAL UNITS PERMITTED

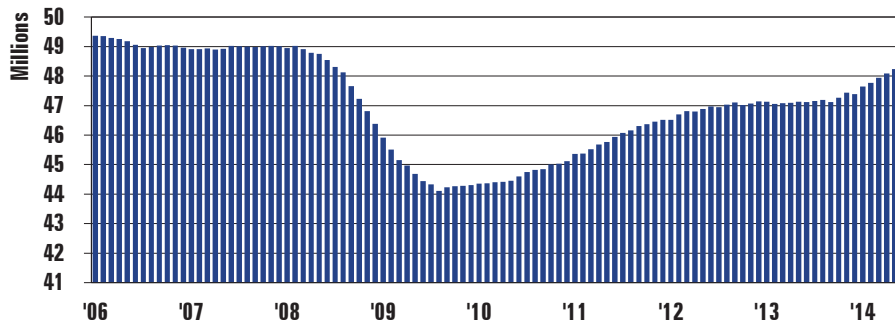
TRAILING 12-MONTH TOTALS



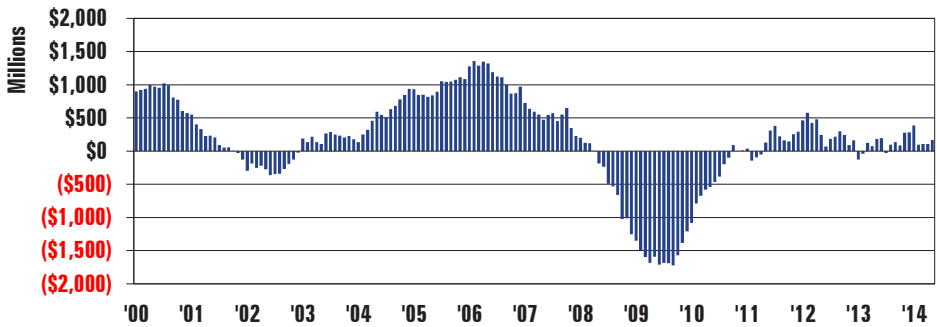
**LAS VEGAS/RENO-TAHOE AIRPORT PASSENGER COUNTS** TRAILING 12-MONTH TOTALS



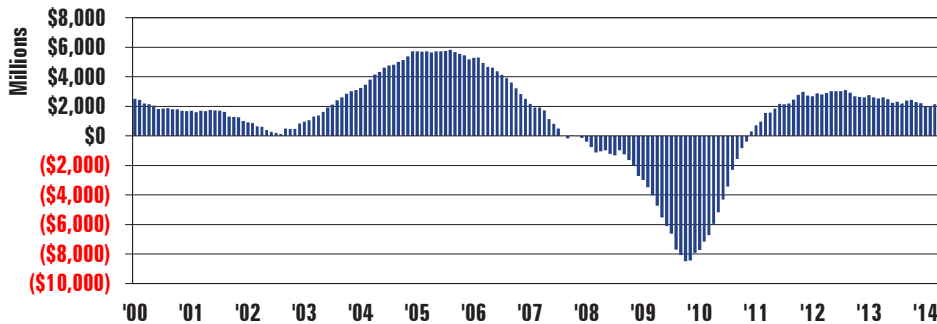
**CLARK/WASHOE COUNTY VISITOR VOLUME** TRAILING 12-MONTH TOTALS



**GROWTH IN NEVADA GROSS GAMING REVENUES** TRAILING 12-MONTH TOTALS



**GROWTH IN NEVADA TAXABLE RETAIL SALES** TRAILING 12-MONTH TOTALS



**TRAILING 12-MONTH**  
*Economic Indicator Series*

<b>Nevada Residential Housing Units Permitted</b> <sup>(2)</sup>		May-14
Current Period	Prev. Period	Same Period Prev. Yr.
10,503	10,590	9,302
GROWTH RATE		-0.8% ▼ 12.9% ▲

<b>Nevada Taxable Retail Sales</b> <sup>(2)</sup>		Apr-14
Current Period	Prev. Period	Same Period Prev. Yr.
\$46,937,016,586	\$46,821,362,044	\$44,930,346,623
GROWTH RATE		0.2% ▲ 4.5% ▲

<b>Nevada Gross Gaming Revenue</b> <sup>(2)</sup>		May-14
Current Period	Prev. Period	Same Period Prev. Yr.
\$11,111,948,973	\$11,039,122,176	\$10,943,150,410
GROWTH RATE		0.7% ▲ 1.5% ▲

<b>Las Vegas/Reno-Tahoe Enplaned and Deplaned Passengers</b> <sup>(2)</sup>		May-14
Current Period	Prev. Period	Same Period Prev. Yr.
45,593,644	45,594,086	45,129,249
GROWTH RATE		0.0% ▼ 1.0% ▲

<b>Clark/Washoe County Visitor Volume</b> <sup>(2)</sup>		May-14
Current Period	Prev. Period	Same Period Prev. Yr.
48,235,146	48,089,077	47,127,106
GROWTH RATE		0.3% ▲ 2.4% ▲

<b>Nevada New Business Creation</b> <sup>(2)</sup>		Q4 '13
Current Period	Prev. Period	Same Period Prev. Yr.
1,548	1,558	1,643
GROWTH RATE		-0.6% ▼ -5.8% ▼

<b>Nevada Housing Price Index</b> <sup>(1)</sup>		Q1 '14
Current Period	Prev. Period	Same Period Prev. Yr.
158.3	151.0	128.1
GROWTH RATE		4.8% ▲ 23.5% ▲

<b>Clark County Office Market Vacancy Rate</b> <sup>(1)</sup>		Q2 '14
Current Period	Prev. Period	Same Period Prev. Yr.
25.4%	25.5%	25.7%
GROWTH RATE		-0.1% ▼ -0.3% ▼

<b>Nevada Hotel/Motel Occupancy</b> <sup>(1)</sup>		Q1 '14
Current Period	Prev. Period	Same Period Prev. Yr.
79.9%	79.2%	79.3%
GROWTH RATE		0.7% ▲ 0.6% ▲

<b>State of Nevada Personal Income</b> <sup>(2)</sup>		Q1 '14
Current Period	Prev. Period	Same Period Prev. Yr.
\$111,253,481,000	\$110,061,977,000	\$106,567,133,000
GROWTH RATE		1.1% ▲ 4.4% ▲

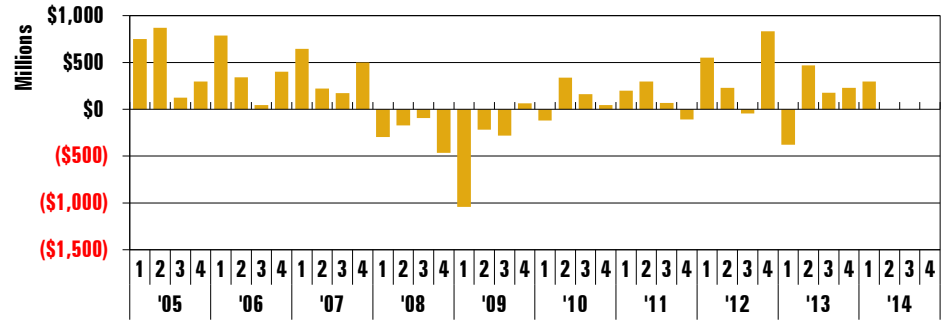
Notes: (1) Trailing 12-month/4-quarter averages.  
(2) Trailing 12-month/4-quarter totals.

Other durable goods in Nevada, including furniture sales (+32.9 percent since trough) and building and gardening supplies (+24.6 percent), have increased faster than taxable retail sales as a whole (+24.3 percent). Across the country, durable personal consumption expenditures in the twelve months ending June 2014 were \$15.3 trillion dollars, an increase of 25.4 percent from the trough of the recession. By comparison, non-durable expenditures have increased by 23.0 percent since bottoming out. Consumers in Nevada and in the U.S. as a whole are taking advantage of low interest rates by replacing aging items that had their lives extended during the Great Recession.

The end of quantitative easing does not mean this trend will stop. The Federal Reserve expects to maintain a low interest rate policy, while much of the injected capital remains in the market. The velocity of money, a ratio of GDP to the amount of currency and highly liquid money (money market, savings, and small CDs) available to investors, was at an all-time low during the first quarter. GDP was only 1.53 times the liquid money stock, well below any historical value since the figure began to be tracked in 1959. As money available from the Fed begins to tighten, this figure is anticipated to gradually rise back to more normalized levels. Money stock is not expected to remain idle as reserves for corporations, banks, and individuals; rather, funds may be put to more productive uses – with the expectation of continuing to expand the economy. 🌀

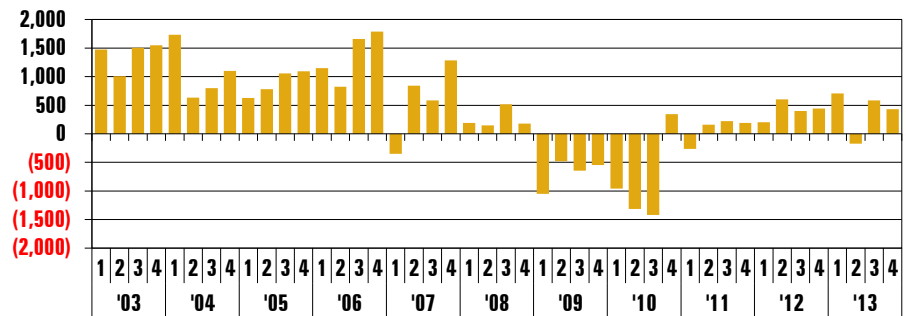
STATE OF NEVADA PERSONAL INCOME GROWTH

QUARTER-OVER-QUARTER



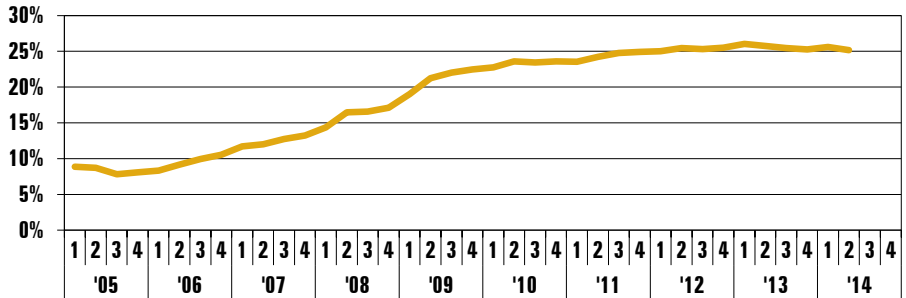
NEVADA NEW BUSINESS CREATION

QUARTER-OVER-QUARTER



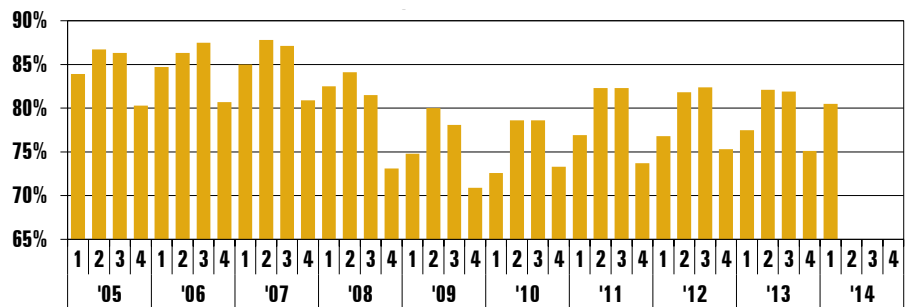
LAS VEGAS OFFICE MARKET VACANCY RATE

QUARTERLY SERIES



NEVADA HOTEL/MOTEL OCCUPANCY

QUARTERLY SERIES



Prepared by:



**Methodology:** Applied Analysis ("AA") was retained by Nevada State Bank to summarize and analyze a series of key economic indicators on a recurring basis. Relevant data were obtained from AA's internal databases as well as national, regional and local data providers, including, without limitation, state and local governments. While we have no reason to doubt the accuracy of any of the data reported, we have not performed an audit or assurance procedures on these data, and as such, we cannot attest to their completeness. Generally speaking, data reported are for Nevada, Clark County, Washoe County, or the metropolitan areas therein. Please note that these geographies may differ slightly between data providers.