

With national economic growth picking up over the second half of the year, Federal Reserve Chairwoman Janet Yellen has stated that the case for an interest rate increase has “strengthened,” implying that the United States has come a long way from the Great Recession. A great deal of uncertainty lies in the outcome of an increase in the interest rate. On one hand, it can boost investor confidence in the economic conditions, resulting in more investments.

Economic Briefing

OCTOBER 2016

ISSUE TEN | VOLUME NINE

On the other hand, the cost of borrowing money increases, which potentially deters future investments. The Federal Reserve continually changes its target interest rate based on its dual mandates: maximum employment and stable prices. While prices have been stable for quite some time, recent trends in employment across the nation and in Nevada suggest that the state is prepared to weather a rate increase should the Fed move forward with one.

Nevada suffered immensely through the downturn with the unemployment rate peaking at 13.7 percent in September 2010, roughly 4 percentage points higher than the rest of the country. Over the past six years, the state’s unemployment rate has been steadily shrinking, resulting in a 6.3 percent unemployment rate in August 2016 (latest available). While the state’s unemployment rate is still 1.4 percentage points higher than the United States, the recovery has been much stronger in Nevada as the employment rate came down by nearly 7.4 percent compared to a 4.5 percent decrease in the national average.

The downward trend in unemployment is also evident in initial unemployment insurance claims figures. In Nevada, unemployment claims decreased by 48 percent between August 2010 and August 2016, a signal that workers can more easily find other job opportunities in today’s economy.

In addition to the decrease in unemployment, establishment-based employment has grown at an impressive rate. Employment in Nevada increased by 17.7 percent between August 2010 and August 2016 compared to the 10.9 percent national average. The rise in employment is stemming from both a decrease in unemployment and an increase in the size of labor force as people are returning to work due to the abundance of job opportunities

Another key aspect of the recovery has been wage growth. The growth in wages is closely tied to better overall economic conditions. Since the downturn, weekly wages in Nevada’s private sector grew from \$657 to \$761, a 15.8 percent growth rate that is almost 2 percentage points higher than the

MONTHLY Employment Indicators

| Nevada Employment | | Aug-16 |
|-------------------|--------------|-----------------------|
| Current Period | Prev. Period | Same Period Prev. Yr. |
| 1,297,500 | 1,291,100 | 1,260,400 |
| GROWTH RATE | 0.5% ▲ | 2.9% ▲ |

Nevada Private Average Weekly Hours Worked Aug-16

| Current Period | Prev. Period | Same Period Prev. Yr. |
|----------------|--------------|-----------------------|
| 34.5 | 34.3 | 34.1 |
| GROWTH RATE | 0.6% ▲ | 1.2% ▲ |

Nevada Unemployment Rate Aug-16

| Current Period | Prev. Period | Same Period Prev. Yr. |
|----------------|--------------|-----------------------|
| 6.3% | 6.5% | 6.6% |
| GROWTH RATE | -0.2% ▼ | -0.3% ▼ |

TRAILING 12-MONTH Employment Indicators

| Nevada Employment ⁽¹⁾ | | Aug-16 |
|----------------------------------|--------------|-----------------------|
| Current Period | Prev. Period | Same Period Prev. Yr. |
| 1,279,450 | 1,276,358 | 1,245,767 |
| GROWTH RATE | 0.2% ▲ | 2.7% ▲ |

Nevada Private Average Weekly Hours Worked⁽¹⁾ Aug-16

| Current Period | Prev. Period | Same Period Prev. Yr. |
|----------------|--------------|-----------------------|
| 33.7 | 33.7 | 33.5 |
| GROWTH RATE | 0.1% ▲ | 0.6% ▲ |

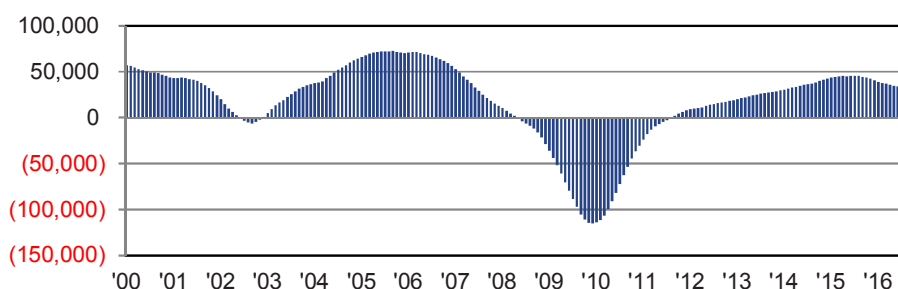
Nevada Unemployment Rate⁽¹⁾ Aug-16

| Current Period | Prev. Period | Same Period Prev. Yr. |
|----------------|--------------|-----------------------|
| 6.2% | 6.3% | 7.0% |
| GROWTH RATE | -0.1% ▼ | -0.8% ▼ |

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

Continued on Back Cover >>

NEVADA EMPLOYMENT GROWTH TRAILING 12-MONTH AVERAGES



MONTHLY & QUARTERLY
Economic Indicator Series

Nevada Initial Unemployment Insurance Claims

Aug-16

| Current Period | Prev. Period | Same Period Prev. Yr. |
|----------------|--------------|-----------------------|
| 10,962 | 11,040 | 11,733 |
| GROWTH RATE | -0.7% ▼ | -6.6% ▼ |

Nevada Residential Housing Units Permitted

Jun-16

| Current Period | Prev. Period | Same Period Prev. Yr. |
|----------------|--------------|-----------------------|
| 1,447 | 2,002 | 1,425 |
| GROWTH RATE | -27.7% ▼ | 1.5% ▲ |

Nevada Taxable Retail Sales

Jul-16

| Current Period | Prev. Period | Same Period Prev. Yr. |
|-----------------|-----------------|-----------------------|
| \$4,460,349,844 | \$4,872,754,936 | \$4,332,111,124 |
| GROWTH RATE | -8.5% ▼ | 3.0% ▲ |

Nevada Gross Gaming Revenue

Aug-16

| Current Period | Prev. Period | Same Period Prev. Yr. |
|----------------|-----------------|-----------------------|
| \$860,696,184 | \$1,015,666,963 | \$908,240,162 |
| GROWTH RATE | -15.3% ▼ | -5.2% ▼ |

Las Vegas/Reno-Tahoe Enplaned and Deplaned Passengers

Aug-16

| Current Period | Prev. Period | Same Period Prev. Yr. |
|----------------|--------------|-----------------------|
| 4,448,018 | 4,525,159 | 4,343,954 |
| GROWTH RATE | -1.7% ▼ | 2.4% ▲ |

Clark/Washoe County Visitor Volume

Aug-16

| Current Period | Prev. Period | Same Period Prev. Yr. |
|----------------|--------------|-----------------------|
| 4,362,848 | 4,611,253 | 4,321,091 |
| GROWTH RATE | -5.4% ▼ | 1.0% ▲ |

Nevada New Business Creation

Q1 '16

| Current Period | Prev. Period | Same Period Prev. Yr. |
|----------------|--------------|-----------------------|
| 1,589 | 883 | 596 |
| GROWTH RATE | 80.0% ▲ | 166.6% ▲ |

Nevada Housing Price Index

(Q1 1991 = 100)

Q4 '15

| Current Period | Prev. Period | Same Period Prev. Yr. |
|----------------|--------------|-----------------------|
| 199.3 | 193.4 | 176.6 |
| GROWTH RATE | 3.0% ▲ | 12.8% ▲ |

Clark County Office Market

Vacancy Rate

Q2 '16

| Current Period | Prev. Period | Same Period Prev. Yr. |
|----------------|--------------|-----------------------|
| 21.0% | 21.5% | 22.5% |
| GROWTH RATE | -0.5% ▼ | -1.5% ▼ |

Nevada Hotel/Motel Occupancy

Q4 '15

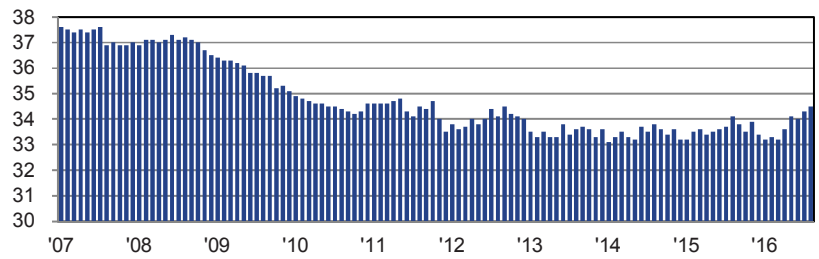
| Current Period | Prev. Period | Same Period Prev. Yr. |
|----------------|--------------|-----------------------|
| 79.2% | 85.3% | 77.0% |
| GROWTH RATE | -6.1% ▼ | 2.2% ▲ |

State of Nevada Personal Income

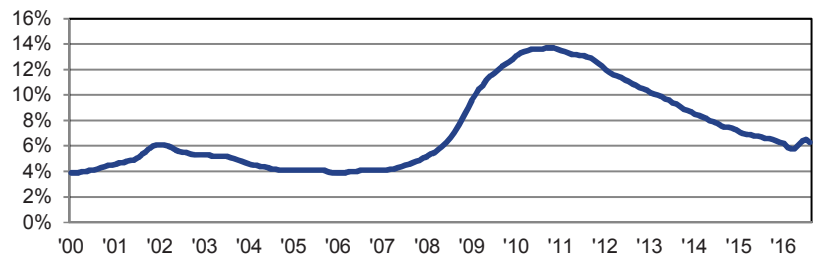
Q2 '16

| Current Period | Prev. Period | Same Period Prev. Yr. |
|------------------|------------------|-----------------------|
| \$31,480,826,500 | \$31,098,978,250 | \$30,197,109,000 |
| GROWTH RATE | 1.2% ▲ | 4.3% ▲ |

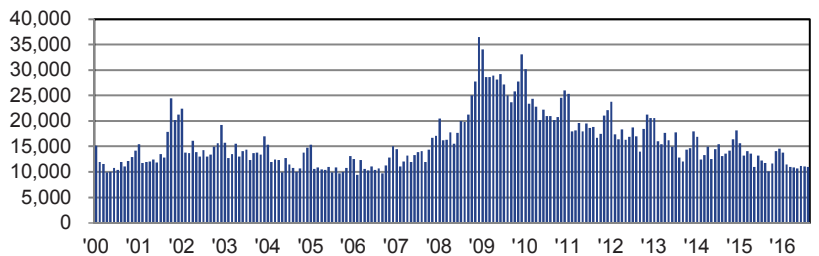
NEVADA PRIVATE AVERAGE WEEKLY HOURS WORKED
MONTHLY SERIES



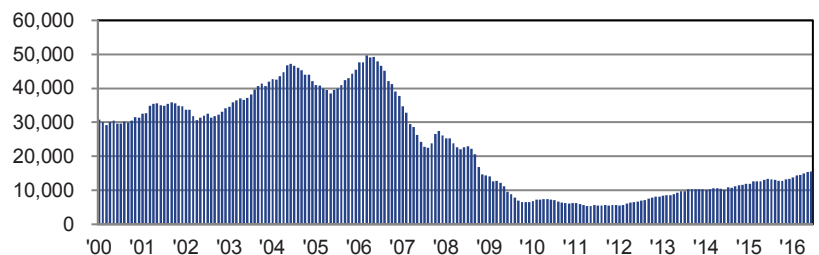
NEVADA UNEMPLOYMENT RATE
MONTHLY SERIES



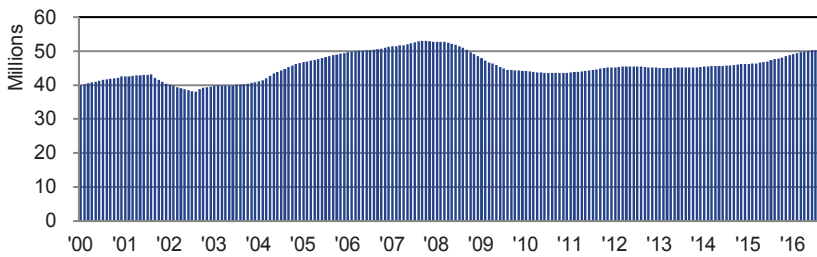
NEVADA UNEMPLOYMENT INSURANCE CLAIMS
MONTHLY SERIES



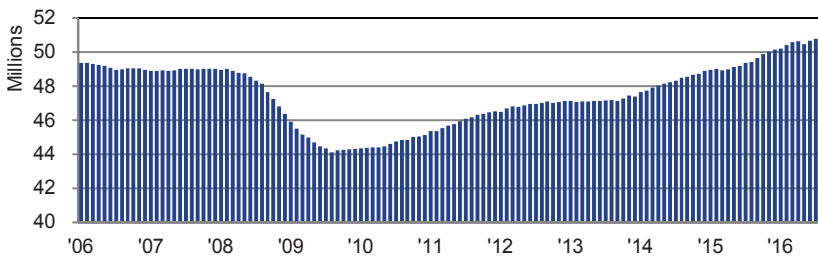
NEVADA RESIDENTIAL UNITS PERMITTED
TRAILING 12-MONTH TOTALS



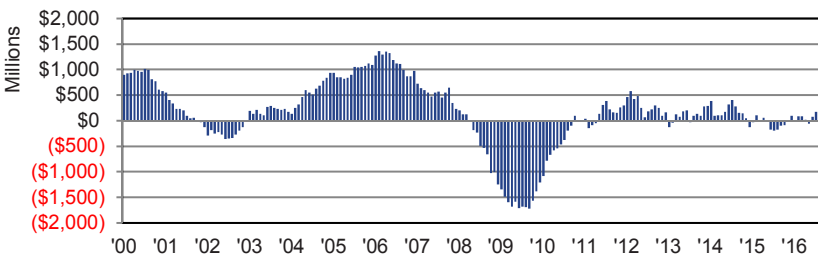
LAS VEGAS/RENO-TAHOE AIRPORT PASSENGER COUNTS
TRAILING 12-MONTH TOTALS



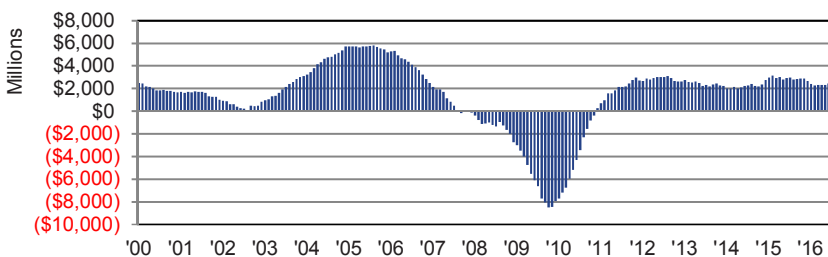
CLARK/WASHOE COUNTY VISITOR VOLUME
TRAILING 12-MONTH TOTALS



GROWTH IN NEVADA GROSS GAMING REVENUE
TRAILING 12-MONTH TOTALS



GROWTH IN NEVADA TAXABLE RETAIL SALES
TRAILING 12-MONTH TOTALS



TRAILING 12-MONTH
Economic Indicator Series

Nevada Initial Unemployment Insurance Claims ⁽²⁾

| | | Aug-16 | |
|----------------|--------------|-------------|-----------|
| Current Period | Prev. Period | Same Period | Prev. Yr. |
| 141,090 | 141,861 | 166,701 | |
| GROWTH RATE | -0.5% ▼ | -15.4% ▼ | |

Nevada Residential Housing Units Permitted ⁽²⁾

| | | Jun-16 | |
|----------------|--------------|-------------|-----------|
| Current Period | Prev. Period | Same Period | Prev. Yr. |
| 15,479 | 15,457 | 13,403 | |
| GROWTH RATE | 0.1% ▲ | 15.5% ▲ | |

Nevada Taxable Retail Sales ⁽²⁾

| | | Jul-16 | |
|------------------|------------------|------------------|-----------|
| Current Period | Prev. Period | Same Period | Prev. Yr. |
| \$52,916,534,141 | \$52,788,295,421 | \$50,669,632,508 | |
| GROWTH RATE | 0.2% ▲ | 4.4% ▲ | |

Nevada Gross Gaming Revenue ⁽²⁾

| | | Aug-16 | |
|------------------|------------------|------------------|-----------|
| Current Period | Prev. Period | Same Period | Prev. Yr. |
| \$11,166,512,625 | \$11,214,056,603 | \$11,027,026,167 | |
| GROWTH RATE | -0.4% ▼ | 1.3% ▲ | |

Las Vegas/Reno-Tahoe Enplaned and Deplaned Passengers ⁽²⁾

| | | Aug-16 | |
|----------------|--------------|-------------|-----------|
| Current Period | Prev. Period | Same Period | Prev. Yr. |
| 50,407,003 | 50,302,939 | 47,625,441 | |
| GROWTH RATE | 0.2% ▲ | 5.8% ▲ | |

Clark/Washoe County Visitor Volume ⁽²⁾

| | | Aug-16 | |
|----------------|--------------|-------------|-----------|
| Current Period | Prev. Period | Same Period | Prev. Yr. |
| 50,832,863 | 50,791,106 | 49,421,896 | |
| GROWTH RATE | 0.1% ▲ | 2.9% ▲ | |

Nevada New Business Creation ⁽²⁾

| | | Q1 '16 | |
|----------------|--------------|-------------|-----------|
| Current Period | Prev. Period | Same Period | Prev. Yr. |
| 3,684 | 2,691 | 2,117 | |
| GROWTH RATE | 36.9% ▲ | 74.0% ▲ | |

Nevada Housing Price Index ⁽¹⁾

| | | Q4 '15 | |
|------------------------|--------------|-------------|-----------|
| <i>(Q1 1991 = 100)</i> | | | |
| Current Period | Prev. Period | Same Period | Prev. Yr. |
| 191.1 | 185.4 | 170.8 | |
| GROWTH RATE | 3.1% ▲ | 11.9% ▲ | |

Clark County Office Market Vacancy Rate ⁽¹⁾

| | | Q2 '16 | |
|----------------|--------------|-------------|-----------|
| Current Period | Prev. Period | Same Period | Prev. Yr. |
| 21.7% | 22.1% | 22.9% | |
| GROWTH RATE | -0.4% ▼ | -1.2% ▼ | |

Nevada Hotel/Motel Occupancy ⁽¹⁾

| | | Q4 '15 | |
|----------------|--------------|-------------|-----------|
| Current Period | Prev. Period | Same Period | Prev. Yr. |
| 82.2% | 81.6% | 81.2% | |
| GROWTH RATE | 0.6% ▲ | 1.0% ▲ | |

State of Nevada Personal Income ⁽²⁾

| | | Q2 '16 | |
|-------------------|-------------------|-------------------|-----------|
| Current Period | Prev. Period | Same Period | Prev. Yr. |
| \$125,923,306,000 | \$124,395,913,000 | \$120,788,436,000 | |
| GROWTH RATE | 1.2% ▲ | 4.3% ▲ | |

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

« Continued From Cover

national average. The growth in wages has resulted in rising median household incomes. Last month, the U.S. Census Bureau released a report showing that the median household income in the United States grew by 5.2 percent in 2015. While Nevada experienced similar growth, its increase was slightly lower at 5.12 percent. It is important to note that these income trends mean little if they do not translate into more economic activity. In Nevada, that has been the case as the overall condition of the economy is significantly better compared to the downturn.

The growth of private businesses has grown steadily at roughly 2 percent a year, which complements the strengthening labor market. Also, monthly taxable retail sales have surpassed the pre-recession peak of \$4.68 billion and hit a new peak of \$5.12 billion, a signal of consumer activity and optimism. Additionally, the number of tourists coming to southern Nevada has increased at an annual rate of roughly 2.5 percent since 2010, which is a boon to the state economy and an indication that more people around the nation and the world are enjoying the current economic conditions.

No one knows with full certainty whether the Fed will increase the interest rate in the near future. However, the current economic state of the nation and Nevada, including a strong labor market, falling unemployment and rising wages, demonstrates how far we have come from the downturn of 2008. This strong recovery has solidified the economic fundamentals in Nevada and prepared the state for any uncertainty that lies ahead.

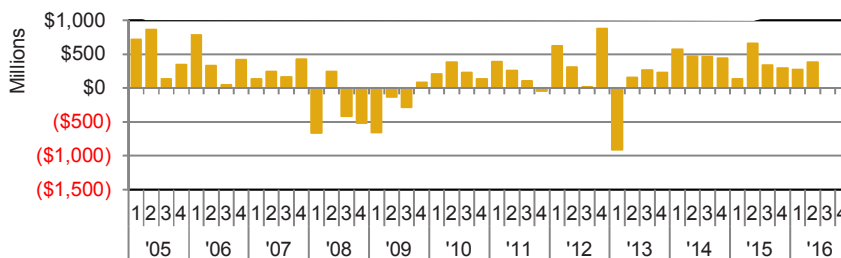
Prepared by:



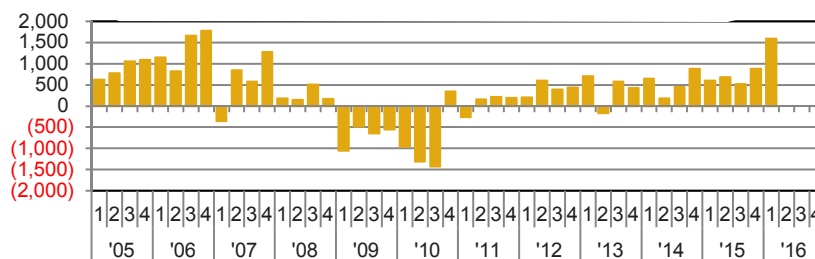
appliedanalysis.com

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.

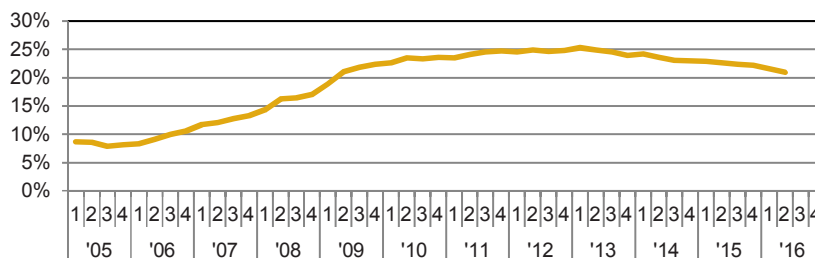
NEVADA PERSONAL INCOME GROWTH
QUARTER-OVER-QUARTER



NEVADA NEW BUSINESS CREATION
QUARTER-OVER-QUARTER



LAS VEGAS OFFICE MARKET VACANCY RATE
QUARTERLY SERIES



NEVADA HOTEL/MOTEL OCCUPANCY
QUARTERLY SERIES

