

Economic Briefing

AUGUST 2018

ISSUE EIGHT | VOLUME TWELVE

Nevada continues to boast one of the highest employment growth rates in the nation. The Silver State recorded the third-fastest employment growth rate in June 2018, adding 45,100 jobs over the previous year, a growth rate of 2.9 percent. The state has been consistently among the top 10 states for growth each month over the past five years. Consequently, the not-seasonally-adjusted unemployment rate of 4.5 percent in June was near pre-recession levels and stood just above the national rate of 4.2 percent.

The national unemployment rate is at historically low levels, close to what is commonly known as full employment. Economists also call this the non-accelerating inflation rate of unemployment ("NAIRU"). Full employment, or NAIRU, does not mean that unemployment is zero, but rather it describes the relationship between employment and

inflation. Current estimates of the NAIRU are around 4.7 percent, which is well above the current unemployment rate. It is important to note that the NAIRU is not a static number, and it reacts to changes in demographics, technology, relative prices, and other non-monetary and non-fiscal policies.

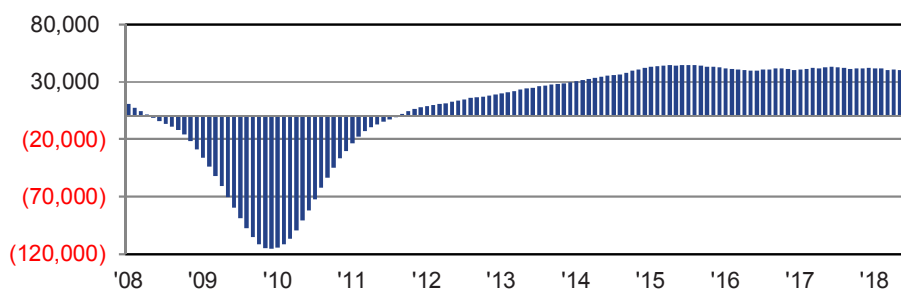
The theory behind the NAIRU is that when unemployment is low, firms must pay higher wages to compete for workers in the labor market. This increases costs for firms, who pass along these higher costs to consumers in the form of higher prices. Employment data show average weekly wages in Nevada increasing 3.9 percent over June of last year, while the Consumer Price Index for the western states rose by 3.2 percent during the same period. After adjusting for inflation, the purchasing power of the average weekly wage increased by 0.9 percent. Inflation and wage growth are expected to increase as the

unemployment rate remains at or below the NAIRU.

Inflation also relates to monetary policy. The dual mandate of the Federal Reserve is promoting stable prices and full employment. To achieve these goals, current monetary policy aims to keep the inflation rate at 2 percent per year. The Fed has been gradually raising the federal funds rate since December 2016 to its current level of 2 percent in response to rising inflation. In response to federal funds rate hikes, the average 30-year fixed rate mortgage rate has risen from 3.4 percent in 2016 to over 4.5 percent in 2018. Rising borrowing costs alone increased the cost of buying a home by roughly 15 percent, much higher than any increase in wages during the same period. This increase in interest payments translates to less spending on other goods and services, keeping the economy from overheating and inflation near

Continued on Back Cover »

NEVADA EMPLOYMENT GROWTH TRAILING 12-MONTH AVERAGES



MONTHLY

Employment Indicators

| Nevada Employment | | Jun-18 |
|-------------------|--------------|-----------------------|
| Current Period | Prev. Period | Same Period Prev. Yr. |
| 1,381,200 | 1,381,500 | 1,342,300 |
| GROWTH RATE | 0.0% ◊ | 2.9% ▲ |

| Nevada Private Average Weekly Hours Worked | | Jun-18 |
|--------------------------------------------|--------------|-----------------------|
| Current Period | Prev. Period | Same Period Prev. Yr. |
| 34.1 | 33.8 | 34.2 |
| GROWTH RATE | 0.9% ▲ | -0.3% ▼ |

| Nevada Unemployment Rate | | Jun-18 |
|--------------------------|--------------|-----------------------|
| Current Period | Prev. Period | Same Period Prev. Yr. |
| 4.7% | 4.8% | 5.1% |
| GROWTH RATE | -0.1% ▼ | -0.4% ▼ |

TRAILING 12-MONTH

Employment Indicators

| Nevada Employment ⁽¹⁾ | | Jun-18 |
|----------------------------------|--------------|-----------------------|
| Current Period | Prev. Period | Same Period Prev. Yr. |
| 1,360,667 | 1,357,425 | 1,321,200 |
| GROWTH RATE | 0.2% ▲ | 3.0% ▲ |

| Nevada Private Average Weekly Hours Worked ⁽¹⁾ | | Jun-18 |
|-----------------------------------------------------------|--------------|-----------------------|
| Current Period | Prev. Period | Same Period Prev. Yr. |
| 34.0 | 34.0 | 34.1 |
| GROWTH RATE | 0.0% ◊ | -0.2% ▼ |

| Nevada Unemployment Rate ⁽¹⁾ | | Jun-18 |
|-----------------------------------------|--------------|-----------------------|
| Current Period | Prev. Period | Same Period Prev. Yr. |
| 4.9% | 4.9% | 5.3% |
| GROWTH RATE | 0.0% ◊ | -0.4% ▼ |

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

MONTHLY & QUARTERLY
Economic Indicator Series

Nevada Initial Unemployment Insurance Claims Jun-18

| Current Period | Prev. Period | Same Period Prev. Yr. |
|----------------|--------------|-----------------------|
| 9,999 | 9,789 | 10,758 |
| GROWTH RATE | 2.1% ▲ | -7.1% ▼ |

Nevada Residential Housing Units Permitted Jun-18

| Current Period | Prev. Period | Same Period Prev. Yr. |
|----------------|--------------|-----------------------|
| 1,163 | 2,080 | 1,818 |
| GROWTH RATE | -44.1% ▼ | -36.0% ▼ |

Nevada Taxable Retail Sales May-18

| Current Period | Prev. Period | Same Period Prev. Yr. |
|-----------------|-----------------|-----------------------|
| \$5,047,139,301 | \$4,950,760,763 | \$4,820,041,932 |
| GROWTH RATE | 1.9% ▲ | 4.7% ▲ |

Nevada Gross Gaming Revenue Jun-18

| Current Period | Prev. Period | Same Period Prev. Yr. |
|----------------|-----------------|-----------------------|
| \$933,003,709 | \$1,044,198,446 | \$895,695,131 |
| GROWTH RATE | -10.6% ▼ | 4.2% ▲ |

Las Vegas/Reno-Tahoe Enplaned and Deplaned Passengers May-18

| Current Period | Prev. Period | Same Period Prev. Yr. |
|----------------|--------------|-----------------------|
| 4,705,857 | 4,513,674 | 4,525,954 |
| GROWTH RATE | 4.3% ▲ | 4.0% ▲ |

Clark/Washoe County Visitor Volume Jun-18

| Current Period | Prev. Period | Same Period Prev. Yr. |
|----------------|--------------|-----------------------|
| 4,338,878 | 4,335,581 | 4,378,392 |
| GROWTH RATE | 0.1% ▲ | -0.9% ▼ |

Nevada New Business Creation Q4 '17

| Current Period | Prev. Period | Same Period Prev. Yr. |
|----------------|--------------|-----------------------|
| 39 | 460 | 109 |
| GROWTH RATE | -91.5% ▼ | -64.2% ▼ |

Nevada Housing Price Index Q1 '18
(Q1 1991 = 100)

| Current Period | Prev. Period | Same Period Prev. Yr. |
|----------------|--------------|-----------------------|
| 248.0 | 239.4 | 218.1 |
| GROWTH RATE | 3.6% ▲ | 13.7% ▲ |

Clark County Office Market Vacancy Rate Q2 '18

| Current Period | Prev. Period | Same Period Prev. Yr. |
|----------------|--------------|-----------------------|
| 17.9% | 18.0% | 19.1% |
| GROWTH RATE | -0.1% ▼ | -1.2% ▼ |

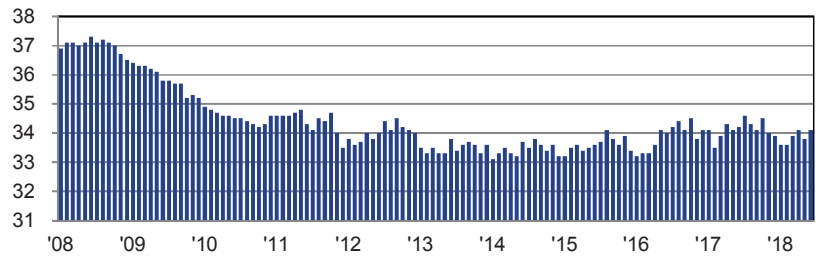
Nevada Hotel/Motel Occupancy Q1 '18

| Current Period | Prev. Period | Same Period Prev. Yr. |
|----------------|--------------|-----------------------|
| 81.7% | 78.8% | 82.1% |
| GROWTH RATE | 2.9% ▲ | -0.4% ▼ |

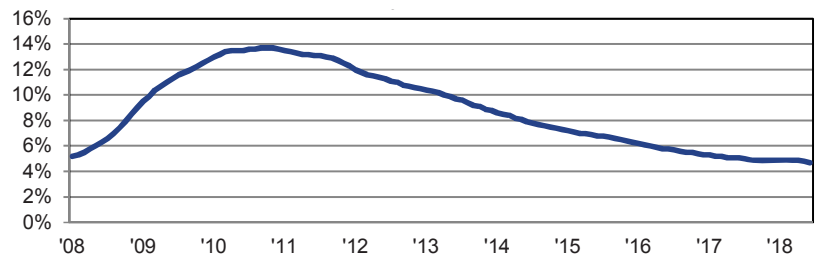
State of Nevada Personal Income Q1 '18

| Current Period | Prev. Period | Same Period Prev. Yr. |
|------------------|------------------|-----------------------|
| \$34,179,983,500 | \$33,834,950,500 | \$32,849,250,500 |
| GROWTH RATE | 1.0% ▲ | 4.1% ▲ |

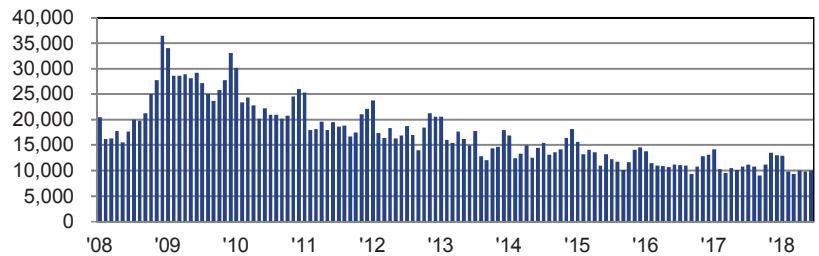
NEVADA PRIVATE AVERAGE WEEKLY HOURS WORKED
MONTHLY SERIES



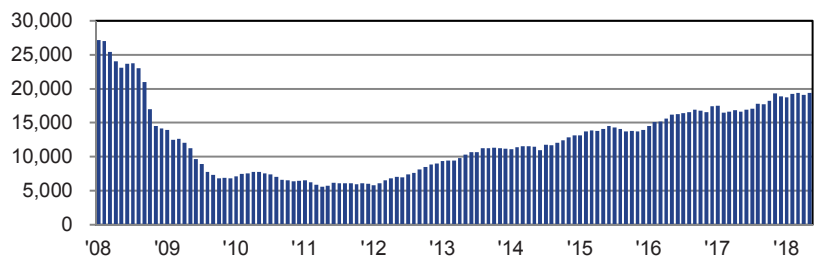
NEVADA UNEMPLOYMENT RATE
MONTHLY SERIES



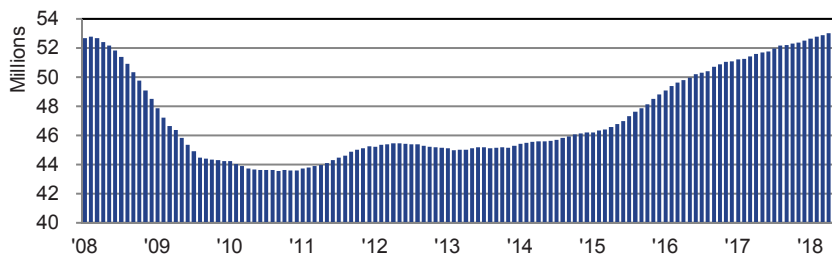
NEVADA UNEMPLOYMENT INSURANCE CLAIMS
MONTHLY SERIES



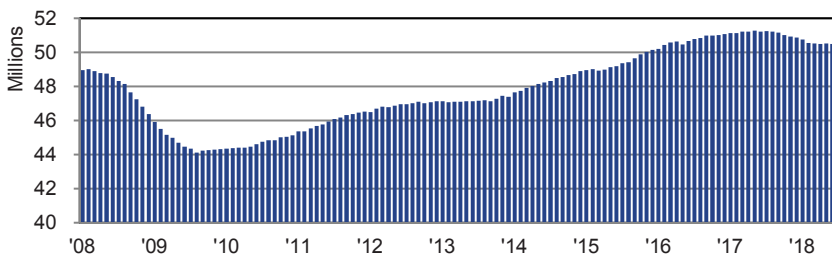
NEVADA RESIDENTIAL UNITS PERMITTED
TRAILING 12-MONTH TOTALS



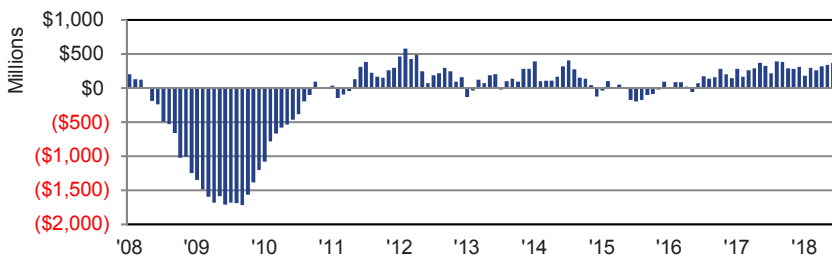
LAS VEGAS/RENO-TAHOE AIRPORT PASSENGER COUNTS
TRAILING 12-MONTH TOTALS



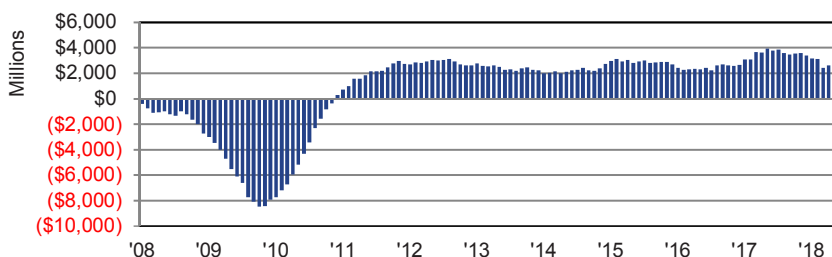
CLARK/WASHOE COUNTY VISITOR VOLUME
TRAILING 12-MONTH TOTALS



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⁾

| | | Jun-18 | |
|----------------|--------------|-------------|-----------|
| Current Period | Prev. Period | Same Period | Prev. Yr. |
| 130,519 | 131,278 | 133,434 | |
| GROWTH RATE | -0.6% ▼ | -2.2% ▼ | |

Nevada Residential Housing Units Permitted ⁽²⁾

| | | Jun-18 | |
|----------------|--------------|-------------|-----------|
| Current Period | Prev. Period | Same Period | Prev. Yr. |
| 18,744 | 19,399 | 16,915 | |
| GROWTH RATE | -3.4% ▼ | 10.8% ▲ | |

Nevada Taxable Retail Sales ⁽²⁾

| | | May-18 | |
|------------------|------------------|------------------|-----------|
| Current Period | Prev. Period | Same Period | Prev. Yr. |
| \$58,739,272,855 | \$58,512,175,486 | \$56,310,531,412 | |
| GROWTH RATE | 0.4% ▲ | 4.3% ▲ | |

Nevada Gross Gaming Revenue ⁽²⁾

| | | Jun-18 | |
|------------------|------------------|------------------|-----------|
| Current Period | Prev. Period | Same Period | Prev. Yr. |
| \$11,812,589,808 | \$11,775,281,230 | \$11,444,722,566 | |
| GROWTH RATE | 0.3% ▲ | 3.2% ▲ | |

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

| | | May-18 | |
|----------------|--------------|-------------|-----------|
| Current Period | Prev. Period | Same Period | Prev. Yr. |
| 53,205,809 | 53,025,906 | 51,679,902 | |
| GROWTH RATE | 0.3% ▲ | 3.0% ▲ | |

Clark/Washoe County Visitor Volume ⁽²⁾

| | | Jun-18 | |
|----------------|--------------|-------------|-----------|
| Current Period | Prev. Period | Same Period | Prev. Yr. |
| 50,494,367 | 50,533,881 | 51,218,187 | |
| GROWTH RATE | -0.1% ▼ | -1.4% ▼ | |

Nevada New Business Creation ⁽²⁾

| | | Q4 '17 | |
|----------------|--------------|-------------|-----------|
| Current Period | Prev. Period | Same Period | Prev. Yr. |
| -1,610 | -1,540 | 2,851 | |
| GROWTH RATE | -4.5% ▼ | -156.5% ▼ | |

Nevada Housing Price Index ⁽¹⁾

| | | Q1 '18 | |
|------------------------|--------------|-------------|-----------|
| <i>(Q1 1991 = 100)</i> | | | |
| Current Period | Prev. Period | Same Period | Prev. Yr. |
| 234.3 | 226.9 | 211.1 | |
| GROWTH RATE | 3.3% ▲ | 11.0% ▲ | |

Clark County Office Market Vacancy Rate ⁽¹⁾

| | | Q2 '18 | |
|----------------|--------------|-------------|-----------|
| Current Period | Prev. Period | Same Period | Prev. Yr. |
| 18.2% | 18.4% | 19.6% | |
| GROWTH RATE | -0.2% ▼ | -1.4% ▼ | |

Nevada Hotel/Motel Occupancy ⁽¹⁾

| | | Q1 '18 | |
|----------------|--------------|-------------|-----------|
| Current Period | Prev. Period | Same Period | Prev. Yr. |
| 83.1% | 83.2% | 83.3% | |
| GROWTH RATE | -0.1% ▼ | -0.2% ▼ | |

State of Nevada Personal Income ⁽²⁾

| | | Q1 '18 | |
|-------------------|-------------------|-------------------|-----------|
| Current Period | Prev. Period | Same Period | Prev. Yr. |
| \$136,719,934,000 | \$135,339,802,000 | \$131,397,002,000 | |
| GROWTH RATE | 1.0% ▲ | 4.1% ▲ | |

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

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the target level. All current signals, including statements from the Federal Reserve Board of Governors, suggest three or four rate increases in both 2018 and 2019, although the bank continually assesses the state of the economy and may alter course.

Other factors could slow the U.S. economy. Large economic shocks, like the 2008 housing crisis or the 2001 dot com bubble, may reduce overall demand. Other countries could see deep recessions that lead to instability and greatly increase geopolitical risk in the European Union and the Middle East. Ongoing changes to U.S. trade policies, and the subsequent reactions, could reduce demand for exported U.S. goods and services, potentially cooling the economy. Recently enacted fiscal policy that reduced taxes and increased the federal deficit could manifest in higher deficits and more federal debt, causing inflation to accelerate above the Fed's target, raising interest rates and reducing consumers' ability to borrow.

The near-term outlook for the U.S. economy is strong, but it is always evolving in reaction to new events and changing conditions. Shifts in the world economy and recent changes in domestic monetary and fiscal policy will bear monitoring for their potential impacts on the national and state economies in the months to come.

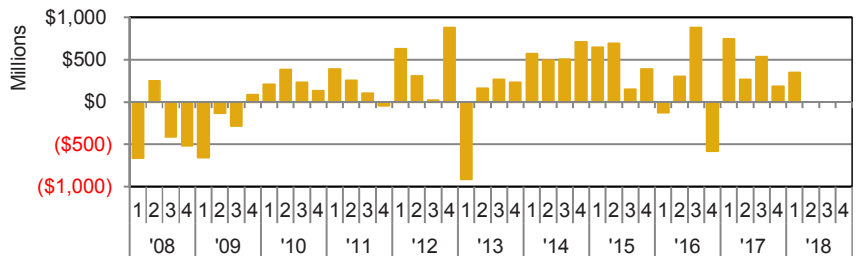
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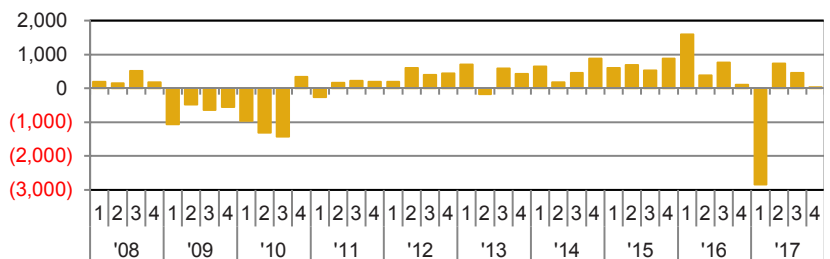
appliedanalysis.com

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.

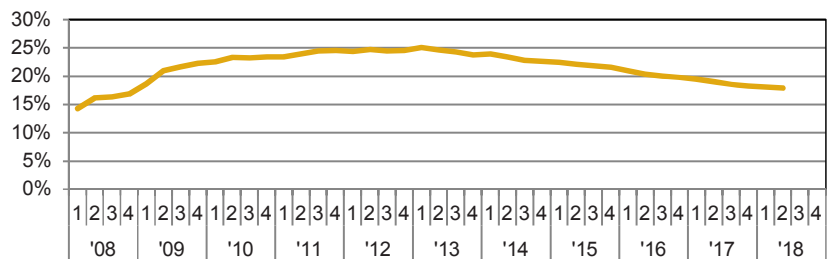
NEVADA PERSONAL INCOME GROWTH
QUARTER-OVER-QUARTER



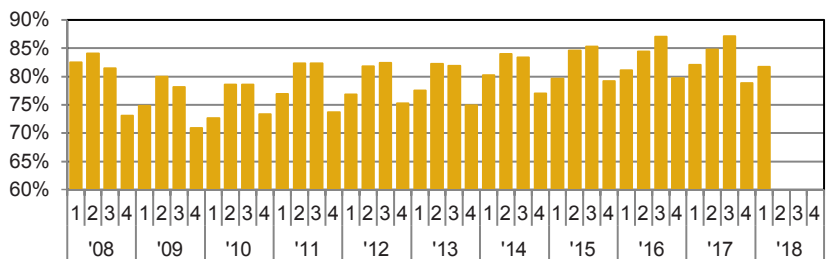
NEVADA NEW BUSINESS CREATION
QUARTER-OVER-QUARTER



LAS VEGAS OFFICE MARKET VACANCY RATE
QUARTERLY SERIES



NEVADA HOTEL/MOTEL OCCUPANCY
QUARTERLY SERIES



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