

# Economic Briefing

AUGUST 2019

ISSUE EIGHT | VOLUME THIRTEEN

The Federal Reserve's recent cut of the key interest rate was the first such move since it cut rates to nearly zero during the financial crisis a decade ago. The move reduced the federal funds rate, which is what banks charge each other to borrow money from one another, from 2.5 percent to 2.25 percent. The Federal Reserve uses interest rates as a lever to either stimulate or moderate the economy while balancing maximum employment with stable inflation. In the case of the most recent rate cut, the Federal Reserve said the rationale was to protect the growing economy from uncertain international trade factors and slowing growth abroad.

Interest rates can have a meaningful impact on employment because the cost of borrowing is passed from banks to businesses, which in turn may have to decrease investment or even lay off workers if operating costs are too high as a result of higher interest costs. As a consequence, this leads to decreases in consumer spending and demand for products, which in turn leads to cutting wages in other sectors of the economy. On the other hand, if interest rates are cut, banks will lower their interest rates, which encourages spending by businesses and households.

On the national level, core inflation been tracking below the Federal Reserve's target level of 2 percent, while the unemployment rate has held steady near 4 percent. Ideally, the United States economy will operate at full employment, also known as the non-accelerating inflation rate of unemployment ("NAIRU"). Although it is referred to as full employment, NAIRU does not mean an unemployment rate of zero, but instead signifies the inflection point when inflation will begin to increase. NAIRU is important in the national

economy because once the unemployment rate drops below that level, inflation will theoretically accelerate. The theory behind this inverse relationship is that when unemployment rates drop, firms need to attract workers by increasing wages for the same work. Those firms then raise prices on their goods and services to compensate for the rising cost of labor. According to the St. Louis Federal Reserve, NAIRU currently stands at 4.6 percent, meaning that the unemployment rate is theoretically low enough where inflation should start to increase. Despite this theory, inflation has not yet begun to increase in the expected fashion.

In Nevada's expanding economy, average wages have climbed considerably as employment has grown and unemployment has dropped. The state has enjoyed the highest job growth rate in the United States for the past nine months, and over the past 12 months, total nonfarm employment in Nevada has grown by 3.4 percent, with 46,700 jobs gained in the state's economy. The state's employment growth rate has consistently been among the top five states since

## MONTHLY Employment Indicators

| Nevada Employment |              | Jun-19                |
|-------------------|--------------|-----------------------|
| Current Period    | Prev. Period | Same Period Prev. Yr. |
| 1,429,500         | 1,435,000    | 1,382,800             |
| GROWTH RATE       | -0.4% ▼      | 3.4% ▲                |

| Nevada Private Average Weekly Hours Worked |              | Jun-19                |
|--|--------------|-----------------------|
| Current Period                             | Prev. Period | Same Period Prev. Yr. |
| 35.1                                       | 34.7         | 34.1                  |
| GROWTH RATE                                | 1.2% ▲       | 2.9% ▲                |

| Nevada Unemployment Rate |              | Jun-19                |
|--------------------------|--------------|-----------------------|
| Current Period           | Prev. Period | Same Period Prev. Yr. |
| 4.0%                     | 4.0%         | 4.5%                  |
| GROWTH RATE              | 0.0% ◊       | -0.5% ▼               |

## TRAILING 12-MONTH Employment Indicators

| Nevada Employment <sup>(1)</sup> |              | Jun-19                |
|----------------------------------|--------------|-----------------------|
| Current Period                   | Prev. Period | Same Period Prev. Yr. |
| 1,411,717                        | 1,407,825    | 1,362,425             |
| GROWTH RATE                      | 0.3% ▲       | 3.6% ▲                |

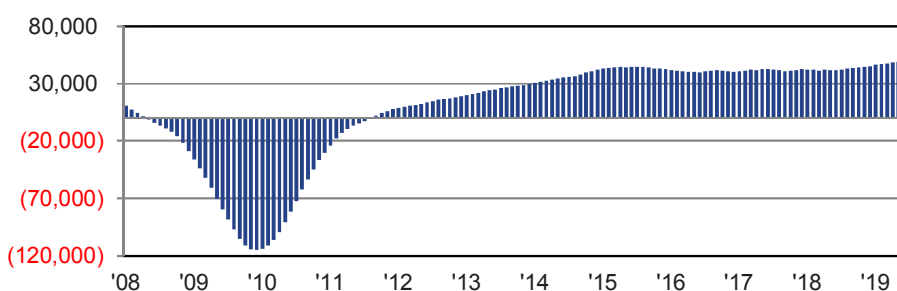
| Nevada Private Average Weekly Hours Worked <sup>(1)</sup> |              | Jun-19                |
|---|--------------|-----------------------|
| Current Period  | Prev. Period | Same Period Prev. Yr. |
| 34.5  | 34.5         | 34.0                  |
| GROWTH RATE   | 0.2% ▲       | 1.5% ▲                |

| Nevada Unemployment Rate <sup>(1)</sup> |              | Jun-19                |
|---|--------------|-----------------------|
| Current Period                          | Prev. Period | Same Period Prev. Yr. |
| 4.3%                                    | 4.3%         | 4.8%                  |
| GROWTH RATE                             | 0.0% ◊       | -0.5% ▼               |

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

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## NEVADA EMPLOYMENT GROWTH TRAILING 12-MONTH AVERAGES



**MONTHLY & QUARTERLY**  
Economic Indicator Series

**Nevada Initial Unemployment Insurance Claims**

Jun-19

| Current Period | Prev. Period | Same Period Prev. Yr. |
|----------------|--------------|-----------------------|
| 9,456          | 9,432        | 9,999                 |
| GROWTH RATE    | 0.3% ▲       | -5.4% ▼               |

**Nevada Residential Housing Units Permitted**

Jun-19

| Current Period | Prev. Period | Same Period Prev. Yr. |
|----------------|--------------|-----------------------|
| 2,230          | 1,673        | 1,163                 |
| GROWTH RATE    | 33.3% ▲      | 91.7% ▲               |

**Nevada Taxable Retail Sales**

Apr-19

| Current Period  | Prev. Period    | Same Period Prev. Yr. |
|-----------------|-----------------|-----------------------|
| \$5,176,462,594 | \$5,628,409,110 | \$4,950,760,763       |
| GROWTH RATE     | -8.0% ▼         | 4.6% ▲                |

**Nevada Gross Gaming Revenue**

Jun-19

| Current Period  | Prev. Period  | Same Period Prev. Yr. |
|-----------------|---------------|-----------------------|
| \$1,040,994,041 | \$981,771,213 | \$933,019,638         |
| GROWTH RATE     | 6.0% ▲        | 11.6% ▲               |

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

Jun-19

| Current Period | Prev. Period | Same Period Prev. Yr. |
|----------------|--------------|-----------------------|
| 4,847,490      | 4,944,861    | 4,700,395             |
| GROWTH RATE    | -2.0% ▼      | 3.1% ▲                |

**Clark/Washoe County Visitor Volume**

Jun-19

| Current Period | Prev. Period | Same Period Prev. Yr. |
|----------------|--------------|-----------------------|
| 4,329,135      | 4,379,050    | 4,338,897             |
| GROWTH RATE    | -1.1% ▼      | -0.2% ▼               |

**Nevada New Business Creation**

Q4 '18

| Current Period | Prev. Period | Same Period Prev. Yr. |
|----------------|--------------|-----------------------|
| 422            | 635          | -550                  |
| GROWTH RATE    | -33.5% ▼     | 176.7% ▲              |

**Nevada Housing Price Index**

(Q1 1991 = 100)

Q1 '19

| Current Period | Prev. Period | Same Period Prev. Yr. |
|----------------|--------------|-----------------------|
| 272.9          | 267.9        | 247.9                 |
| GROWTH RATE    | 1.9% ▲       | 10.1% ▲               |

**Clark County Office Market**

**Vacancy Rate**

Q2 '19

| Current Period | Prev. Period | Same Period Prev. Yr. |
|----------------|--------------|-----------------------|
| 15.4%          | 15.4%        | 16.5%                 |
| GROWTH RATE    | 0.0% ◊       | -1.1% ▼               |

**Nevada Hotel/Motel Occupancy**

Q1 '19

| Current Period | Prev. Period | Same Period Prev. Yr. |
|----------------|--------------|-----------------------|
| 81.6%          | 80.2%        | 81.7%                 |
| GROWTH RATE    | 1.4% ▲       | -0.1% ▼               |

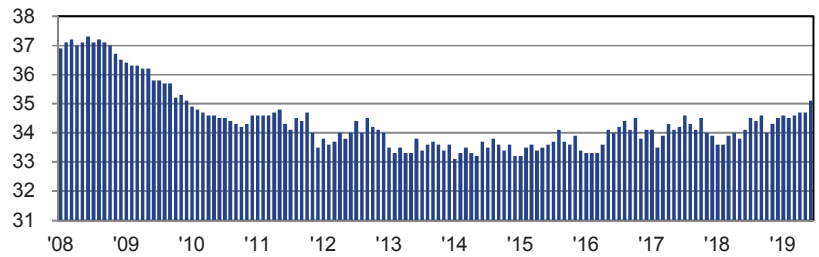
**State of Nevada Personal Income**

Q1 '19

| Current Period   | Prev. Period     | Same Period Prev. Yr. |
|------------------|------------------|-----------------------|
| \$38,011,400,000 | \$37,606,175,000 | \$36,064,775,000      |
| GROWTH RATE      | 1.1% ▲           | 5.4% ▲                |

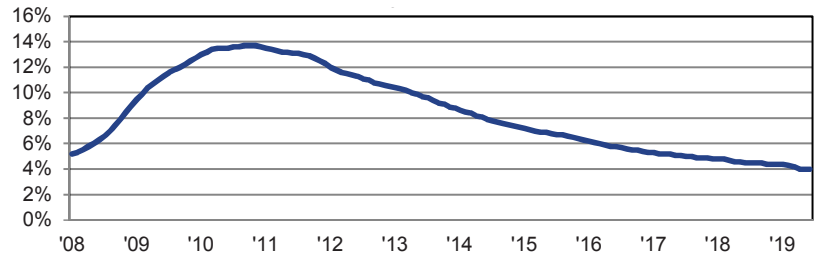
**NEVADA PRIVATE AVERAGE WEEKLY HOURS WORKED**

MONTHLY SERIES



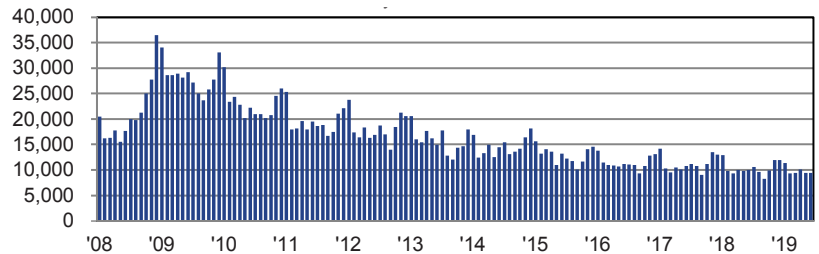
**NEVADA UNEMPLOYMENT RATE**

MONTHLY SERIES



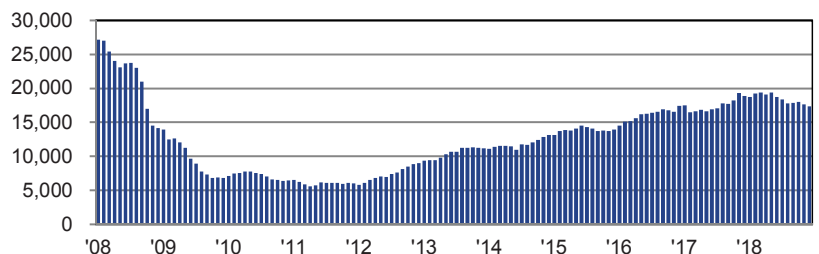
**NEVADA UNEMPLOYMENT INSURANCE CLAIMS**

MONTHLY SERIES



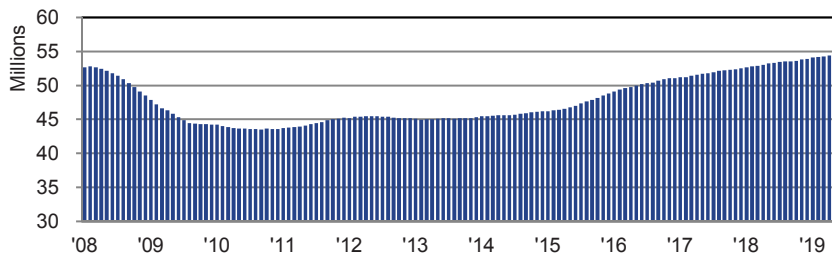
**NEVADA RESIDENTIAL UNITS PERMITTED**

TRAILING 12-MONTH TOTALS



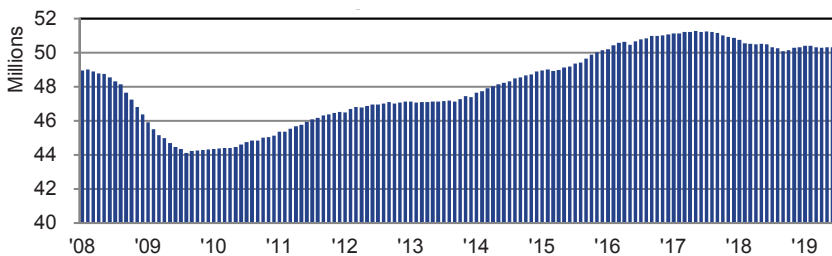
**LAS VEGAS/RENO-TAHOE AIRPORT PASSENGER COUNTS**

TRAILING 12-MONTH TOTALS



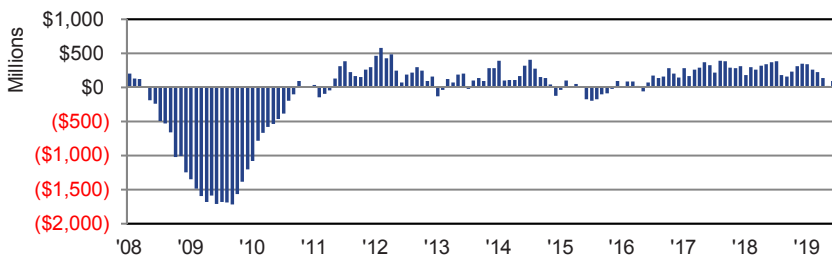
**CLARK/WASHOE COUNTY VISITOR VOLUME**

TRAILING 12-MONTH TOTALS



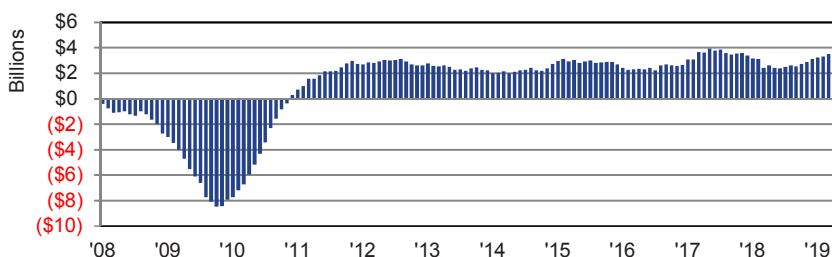
**GROWTH IN NEVADA GROSS GAMING REVENUE**

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 <sup>(2)</sup>** Jun-19

| Current Period | Prev. Period | Same Period Prev. Yr. |
|----------------|--------------|-----------------------|
| 121,250        | 121,793      | 130,519               |
| GROWTH RATE    | -0.4% ▼      | -7.1% ▼               |

**Nevada Residential Housing**

**Units Permitted <sup>(2)</sup>** Jun-19

| Current Period | Prev. Period | Same Period Prev. Yr. |
|----------------|--------------|-----------------------|
| 17,066         | 15,999       | 18,744                |
| GROWTH RATE    | 6.7% ▲       | -9.0% ▼               |

**Nevada Taxable Retail Sales <sup>(2)</sup>**

Apr-19

| Current Period   | Prev. Period     | Same Period Prev. Yr. |
|------------------|------------------|-----------------------|
| \$61,852,722,775 | \$61,627,020,944 | \$58,512,175,486      |
| GROWTH RATE      | 0.4% ▲           | 5.7% ▲                |

**Nevada Gross Gaming Revenue <sup>(2)</sup>**

Jun-19

| Current Period   | Prev. Period     | Same Period Prev. Yr. |
|------------------|------------------|-----------------------|
| \$11,907,584,953 | \$11,799,610,549 | \$11,812,536,760      |
| GROWTH RATE      | 0.9% ▲           | 0.8% ▲                |

**Las Vegas/Reno-Tahoe**

**Enplaned and Deplaned Passengers <sup>(2)</sup>** Jun-19

| Current Period | Prev. Period | Same Period Prev. Yr. |
|----------------|--------------|-----------------------|
| 54,787,640     | 54,640,545   | 53,346,570            |
| GROWTH RATE    | 0.3% ▲       | 2.7% ▲                |

**Clark/Washoe County Visitor Volume <sup>(2)</sup>**

Jun-19

| Current Period | Prev. Period | Same Period Prev. Yr. |
|----------------|--------------|-----------------------|
| 50,318,744     | 50,328,506   | 50,494,386            |
| GROWTH RATE    | 0.0% ◊       | -0.3% ▼               |

**Nevada New Business Creation <sup>(2)</sup>**

Q4 '18

| Current Period | Prev. Period | Same Period Prev. Yr. |
|----------------|--------------|-----------------------|
| 2,305          | 1,333        | -2,199                |
| GROWTH RATE    | 72.9% ▲      | 204.8% ▲              |

**Nevada Housing Price Index <sup>(1)</sup>**

(Q1 1991 = 100) Q1 '19

| Current Period | Prev. Period | Same Period Prev. Yr. |
|----------------|--------------|-----------------------|
| 265.8          | 259.6        | 234.4                 |
| GROWTH RATE    | 2.4% ▲       | 13.4% ▲               |

**Clark County Office**

**Market Vacancy Rate <sup>(1)</sup>** Q2 '19

| Current Period | Prev. Period | Same Period Prev. Yr. |
|----------------|--------------|-----------------------|
| 15.8%          | 16.1%        | 16.9%                 |
| GROWTH RATE    | -0.2% ▼      | -1.1% ▼               |

**Nevada Hotel/Motel Occupancy <sup>(1)</sup>**

Q1 '19

| Current Period | Prev. Period | Same Period Prev. Yr. |
|----------------|--------------|-----------------------|
| 83.1%          | 83.1%        | 83.4%                 |
| GROWTH RATE    | 0.0% ◊       | -0.3% ▼               |

**State of Nevada Personal Income <sup>(2)</sup>**

Q1 '19

| Current Period    | Prev. Period      | Same Period Prev. Yr. |
|-------------------|-------------------|-----------------------|
| \$152,045,600,000 | \$150,424,700,000 | \$144,259,100,000     |
| GROWTH RATE       | 1.1% ▲            | 5.4% ▲                |

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

Continued From Cover

June 2016. As a result, the statewide unemployment rate is at 4.5 percent, which is near pre-recession levels for Nevada and slightly above the national unemployment rate of 3.7 percent.

While Nevada's unemployment rate is higher than the national average, recent wage growth in the state has easily outpaced national wage growth. Over the past 12 months, average weekly wages in the state have increased by 8.2 percent, growing from \$792 to \$858 as of June 2019. Over the same period, national weekly earnings have increased by 2.8 percent, less than half the growth rate in Nevada. The parallel positive trends in job and wage growth suggest that Nevada's labor market has additional capacity for continued expansion.

Another positive for the state is that wages have risen faster than inflation, meaning more purchasing power for every dollar earned by Nevadans. Over the past year, the Consumer Price Index for Urban Consumers in the Western United States increased by 2.7 percent compared to statewide wage growth of 8.2 percent. This equates to real wage growth of 5.5 percent for Nevada workers. On a regional basis, average weekly wages in the Las Vegas metropolitan area grew by 3.1 percent in the first quarter of 2019 over the prior year, while wages in the Reno metropolitan area grew by 19.9 percent. When adjusted based on each area's respective cost of living indices, the purchasing power of wages increased by 1.0 percent in Southern Nevada and by 18.1 percent in Northern Nevada, where average weekly wages climbed 19.9 percent over the prior year.

The Federal Reserve's recent rate cut, and the potential for another in the coming months, could lead to higher prices in the near future, but for now, Nevadans are experiencing the benefits created by rising wages and relatively low inflation.

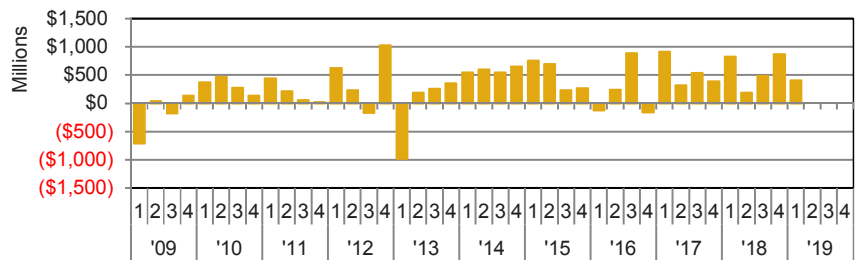
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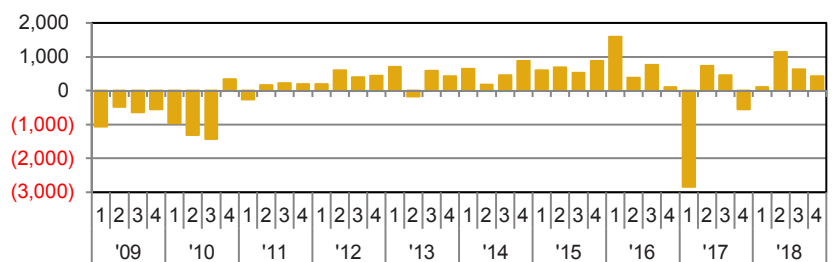
appliedanalysis.com

**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.

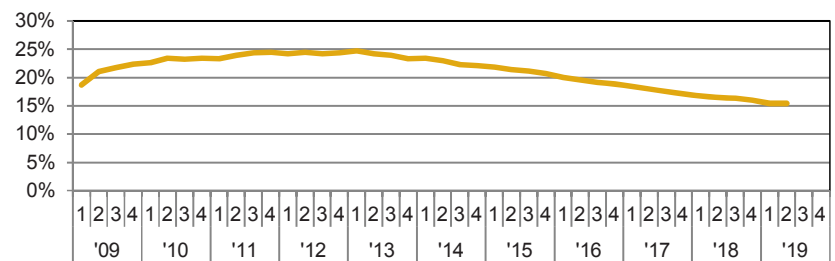
NEVADA PERSONAL INCOME GROWTH  
QUARTER-OVER-QUARTER



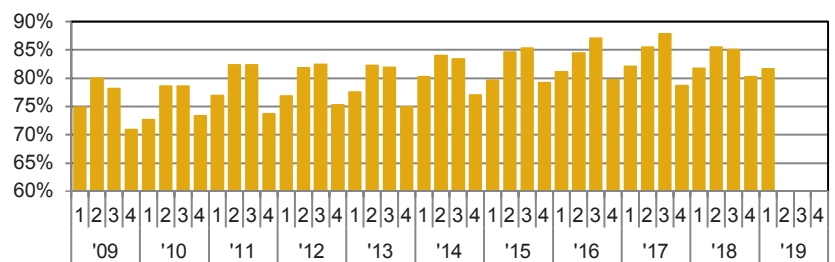
NEVADA NEW BUSINESS CREATION  
QUARTER-OVER-QUARTER



LAS VEGAS OFFICE MARKET VACANCY RATE  
QUARTERLY SERIES



NEVADA HOTEL/MOTEL OCCUPANCY  
QUARTERLY SERIES



NEVADA STATE BANK  
THE DOOR TO YOUR FUTURE

