

# NEVADA BUSINESS CONDITIONS

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September 2017

The “advance” estimate for U.S. real gross domestic product (GDP) for the second quarter of 2017 grew at a 2.6 percent annualized rate. Real GDP for the first quarter was revised downward to a 1.2 percent pace. Residential investment exhibited the largest decrease among the real GDP components for the second quarter, while consumer spending and business investment rebounded robustly. Based on incomplete data, personal consumption expenditures, nonresidential fixed investment, federal government spending, and net exports contributed positively to growth; while private residential fixed investment, private inventory investment, and state and local government spending contributed negatively. U.S. nonfarm employment added a solid 209,000 jobs in July. The unemployment rate edged down to 4.3 percent, a 16-year-low level. June retail sales experienced a weaker-than-expected 2.8 percent year-over-year gain, although consumer confidence stayed at a favorable level. Auto and truck sales continued to contract compared to last year. June housing starts rebounded, up by 2.1 percent year-over-year, and the seasonally adjusted May housing price index increase remained mostly unchanged at a 5.6 percent pace from a year ago. The Federal Reserve will probably raise the interest rate once more in 2017 and will start to shrink its \$4.5 trillion balance sheet this year, which could promote hikes in mid- and long-term interest rates.

Nevada posted positive signals in its economic activity based on the most recent data. Seasonally adjusted statewide employment gained 10,600 jobs in June. The trade, transportation, and utilities sector created the largest number, 4,200 jobs. The unemployment rate remained unchanged at 4.7 percent. Taxable sales in May continued to post a strong 9.2 percent year-over-year increase, which reflected both a sturdy gain in Clark County and a huge surge in Storey County, the latter due to the Reno-Tahoe Industrial Center (TRIC). Legalized recreational marijuana sales are expected to bring additional gains to taxable sales going forward. May gasoline sales (in gallons) increased by 4.0 percent year-over-year. June gaming revenue and total air passengers rose by 0.9 and 1.8 percent, respectively, compared to a year ago.

For Clark County, somewhat muted positive signals emerged with the latest data. Seasonally adjusted employment added 4,700 jobs from May to June. The unemployment rate ticked down to 4.9 percent. June visitor

volume for Clark County declined by 1.9 percent year-over-year, and the hotel/motel occupancy rate was also down slightly by 0.9 percent from a year ago. Nonetheless, total McCarran passengers was the fourth highest on record, up by 1.5 percent year-over-year during the same period. Clark County gaming revenue for June remained relatively flat, up by 0.3 percent from last year. May taxable sales and gasoline sales climbed 5.7 and 3.7 percent, respectively, compared to a year earlier. Residential housing permits and commercial permits in February decreased substantially by 58.2 and 32.6 percent, respectively, year-over-year.

Washoe County experienced highly positive signals in its economic activity. The Reno-Sparks seasonally adjusted employment added 1,600 jobs in June and was up by 3.6 percent from last year. The unemployment rate fell to 4.0 percent in June. Taxable sales for Washoe and Storey Counties in May increased dramatically by 25.3 percent from last year, thanks to increased activity at TRIC. June gaming revenue and air passengers rose by 1.7 and 8.5 percent, respectively, year-over-year. Residential housing permits in June significantly exceeded their level from last year by 161.0 percent, which reflected a continuing upsurge in multi-family units in Sparks and Reno.

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The views expressed are those of the authors and do not necessarily represent those of the University of Nevada, Las Vegas or the Nevada System of Higher Education.

|                        | Date    | Units             | Data    |          |          | Growth |          | Comments                        |
|------------------------|---------|-------------------|---------|----------|----------|--------|----------|---------------------------------|
|                        |         |                   | Latest  | Previous | Year Ago | Recent | Year Ago |                                 |
| <b>Nevada</b>          |         |                   |         |          |          |        |          |                                 |
| Employment             | 2017M06 | 000s, SA          | 1342.1  | 1331.5   | 1293.4   | 0.8%   | 3.8%     | Up Over Year Ago                |
| Unemployment Rate*     | 2017M06 | %, SA             | 4.7     | 4.7      | 5.7      | 0.0%   | -1.0%    | Unchanged From Month Ago        |
| Taxable Sales          | 2017M05 | \$billion         | 4.820   | 4.559    | 4.413    | 5.7%   | 9.2%     | Strong Year-Over-Year Increase  |
| Gaming Revenue         | 2017M06 | \$million         | 895.43  | 991.60   | 887.46   | -9.7%  | 0.9%     | Up Over Year Ago                |
| Air Passengers         | 2017M06 | million persons   | 4.581   | 4.542    | 4.502    | 0.9%   | 1.8%     | Up Over Year Ago                |
| Gasoline Sales         | 2017M05 | million gallons   | 104.54  | 99.46    | 100.56   | 5.1%   | 4.0%     | Up Over Year Ago                |
| <b>Clark County</b>    |         |                   |         |          |          |        |          |                                 |
| Employment             | 2017M06 | 000s, SA          | 979.0   | 974.3    | 947.3    | 0.5%   | 3.3%     | Up Over Year Ago                |
| Unemployment Rate*     | 2017M06 | %, Smoothed SA    | 4.9     | 5.0      | 5.9      | -0.1%  | -1.0%    | Reduced                         |
| Taxable Sales          | 2017M05 | \$billion         | 3.470   | 3.314    | 3.283    | 4.7%   | 5.7%     | Up Over Year Ago                |
| Gaming Revenue         | 2017M06 | \$million         | 764.32  | 860.71   | 761.67   | -11.2% | 0.3%     | Up Over Year Ago                |
| Residential Permits    | 2017M02 | units permitted   | 803     | 970      | 1923     | -17.2% | -58.2%   | Significant Decrease            |
| Commercial Permits     | 2017M02 | permits           | 29      | 32       | 43       | -9.4%  | -32.6%   | Low and Volatile                |
| Air Passengers         | 2017M06 | million persons   | 4.198   | 4.208    | 4.134    | -0.2%  | 1.5%     | Up Over Year Ago                |
| Gasoline Sales         | 2017M05 | million gallons   | 71.94   | 69.21    | 69.38    | 3.9%   | 3.7%     | Up Over Year Ago                |
| Visitor Volume         | 2017M06 | million persons   | 3.886   | 3.882    | 3.962    | 0.1%   | -1.9%    | Down From Year Ago              |
| <b>Washoe County</b>   |         |                   |         |          |          |        |          |                                 |
| Employment**           | 2017M06 | 000s, SA          | 226.4   | 224.8    | 218.5    | 0.7%   | 3.6%     | Up Over Year Ago                |
| Unemployment Rate*     | 2017M06 | %, Smoothed SA    | 4.0     | 4.1      | 5.1      | -0.1%  | -1.1%    | Reduced                         |
| Taxable Sales**        | 2017M05 | \$billion         | 0.818   | 0.765    | 0.653    | 6.9%   | 25.3%    | Up Strongly                     |
| Gaming Revenue         | 2017M06 | \$million         | 67.10   | 68.25    | 65.95    | -1.7%  | 1.7%     | Up Over Year Ago                |
| Residential Permits    | 2017M06 | units permitted   | 488     | 549      | 187      | -11.1% | 161.0%   | Up Significantly From Year Ago  |
| Commercial Permits     | 2017M06 | permits           | 31      | 47       | 30       | -34.0% | 3.3%     | Low and Volatile                |
| Air Passengers         | 2017M06 | million persons   | 0.368   | 0.318    | 0.339    | 15.6%  | 8.5%     | Up Over Year Ago                |
| Gasoline Sales**       | 2017M05 | million gallons   | 15.45   | 14.65    | 14.81    | 5.5%   | 4.4%     | Up Over Year Ago                |
| Visitor Volume         | 2017M05 | million persons   | 0.415   | 0.411    | 0.393    | 1.0%   | 5.8%     | Up Over Year Ago                |
| <b>United States</b>   |         |                   |         |          |          |        |          |                                 |
| Employment             | 2017M07 | million, SA       | 146.615 | 146.406  | 144.457  | 0.1%   | 1.5%     | Up Over Year Ago                |
| Unemployment Rate*     | 2017M07 | %, SA             | 4.3     | 4.4      | 4.9      | -0.1%  | -0.6%    | Reduced                         |
| Consumer Price Index   | 2017M06 | 82-84=100, SA     | 243.8   | 243.8    | 239.8    | 0.0%   | 1.6%     | Up Over Year Ago                |
| Core CPI               | 2017M06 | 82-84=100, SA     | 251.6   | 251.3    | 247.4    | 0.1%   | 1.7%     | Up Over Year Ago                |
| Employment Cost Index  | 2017Q2  | 05.12=100, SA     | 129.0   | 128.3    | 126.0    | 0.5%   | 2.4%     | Increased                       |
| Productivity Index     | 2017Q1  | 2009=100, SA      | 107.2   | 107.5    | 106.0    | -0.3%  | 1.2%     | Up Over Year Ago                |
| Retail Sales           | 2017M06 | \$billion, SA     | 473.5   | 474.2    | 460.4    | -0.2%  | 2.8%     | Up Over Year Ago                |
| Auto and Truck Sales   | 2017M06 | million, SA       | 16.41   | 16.58    | 16.77    | -1.0%  | -2.1%    | Decreased                       |
| Housing Starts         | 2017M06 | million, SA       | 1.215   | 1.122    | 1.190    | 8.3%   | 2.1%     | Increased                       |
| Real GDP***            | 2017Q2  | 2009\$billion, SA | 17010.7 | 16903.2  | 16663.5  | 2.6%   | 2.1%     | Robust Rebound                  |
| Dollar Exchange Rate   | 2017M07 | 97.01=100         | 120.735 | 122.266  | 121.967  | -1.3%  | -1.0%    | Down From Year Ago              |
| Trade Balance          | 2017M06 | \$billion, SA     | -43.642 | -46.391  | -43.835  | -5.9%  | -0.4%    | Year-Over-Year Deficit Decrease |
| S and P 500            | 2017M07 | monthly close     | 2470.30 | 2423.41  | 2173.60  | 1.9%   | 13.7%    | Up Strongly From Year Ago       |
| Real Short-term Rate*  | 2017M07 | %, NSA            | -1.53   | -1.62    | -2.4     | 0.1%   | 0.9%     | Up Over Year Ago                |
| Treasury Yield Spread* | 2017M07 | %, NSA            | 1.25    | 1.21     | 1.20     | 0.04%  | 0.05%    | Slight Increase                 |

Note: NSA = Not Seasonally Adjusted, SA = Seasonally Adjusted

\*Growth data represent change in the percentage rate

\*\*Reflects the Reno-Sparks MSA which includes Washoe and Storey Counties

\*\*\*Recent growth is an annualized rate

Sources: Nevada Department of Taxation; Nevada Department of Employment, Training, and Rehabilitation; UNR Bureau of Business and Economic Research; UNLV Center for Business and Economic Research; McCarran International Airport; Reno/Tahoe International Airport; Las Vegas Convention and Visitors Authority; Reno-Sparks Convention and Visitors Authority; U.S. Department of Commerce; U.S. Bureau of Labor Statistics; U.S. Census Bureau; U.S. Federal Reserve System.