

RENO-SPARKS ECONOMY OVERVIEW

March 7, 2019

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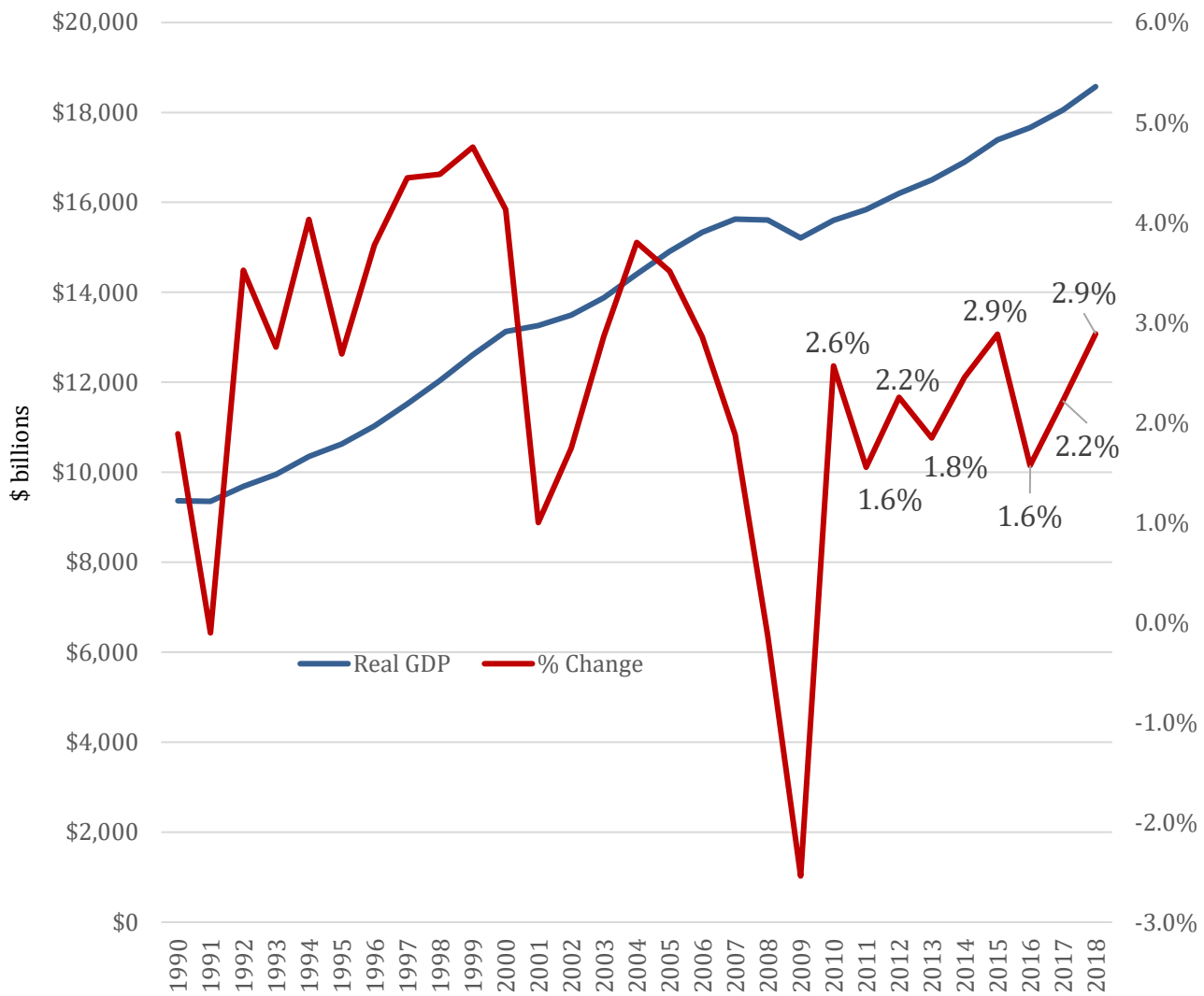
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- The recent post-recession recovery has lasted 116 months, second-longest in history
 - If the economy continues to grow, it will set the longest record in July 2019
- Recession is typically defined as a decline in gross domestic product (GDP) for two or more consecutive quarters, accompanied by
 - decline in the stock market, increase in unemployment, and decline in the housing market
- Causal factors include:
 - high interest rates, increased inflation, reduced consumer confidence, and reduced real wages
- Additional areas of consideration include:
 - initial jobless claims, auto sales, industrial production, aggregate hours worked, real personal income, and real manufacturing and trade sales

- St. Louis Federal Reserve model predicts a 0.24% chance of an imminent U.S. recession
- Bank of America's predictive recession probability model suggests a 26% percent chance of recession in the next year
- Economic outlook survey by National Association for Business Economics (NABE) found:
 - 10% of respondents expect recession to start in the first half of 2019, 20% by the second half of 2019, 25% by the first half of 2020, 30% by the second half of 2020, and 50% by 2021 or later
 - Majority (99%) expect GDP will remain positive through 2019 (average of 2.7%), 67% expect growth to exceed 2%
 - Greatest downside risk to the U.S. economy in 2019:
 - trade policy (40% of respondents), interest rates (21%), political or geopolitical events (13%), rising inflation (10%), immigration restrictions (6%), substantial stock market decline/volatility (4%)



3Q2018-3.4%
4Q 2018-2.6%

- decline in
- inventory investment
 - personal consumption expenditures
 - federal and state spending
- increase in
- exports
 - nonresidential fixed investment

2019 GDP growth forecast:

- NABE-2.70%
- OECD-2.71%

2020 GDP growth forecast:

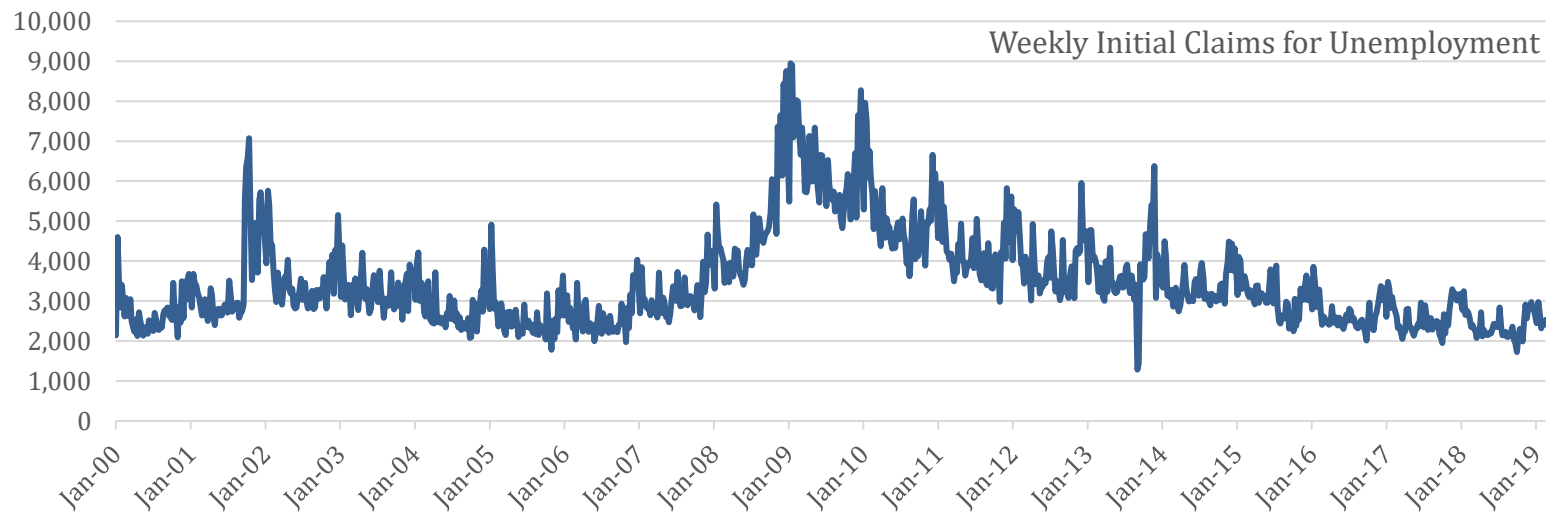
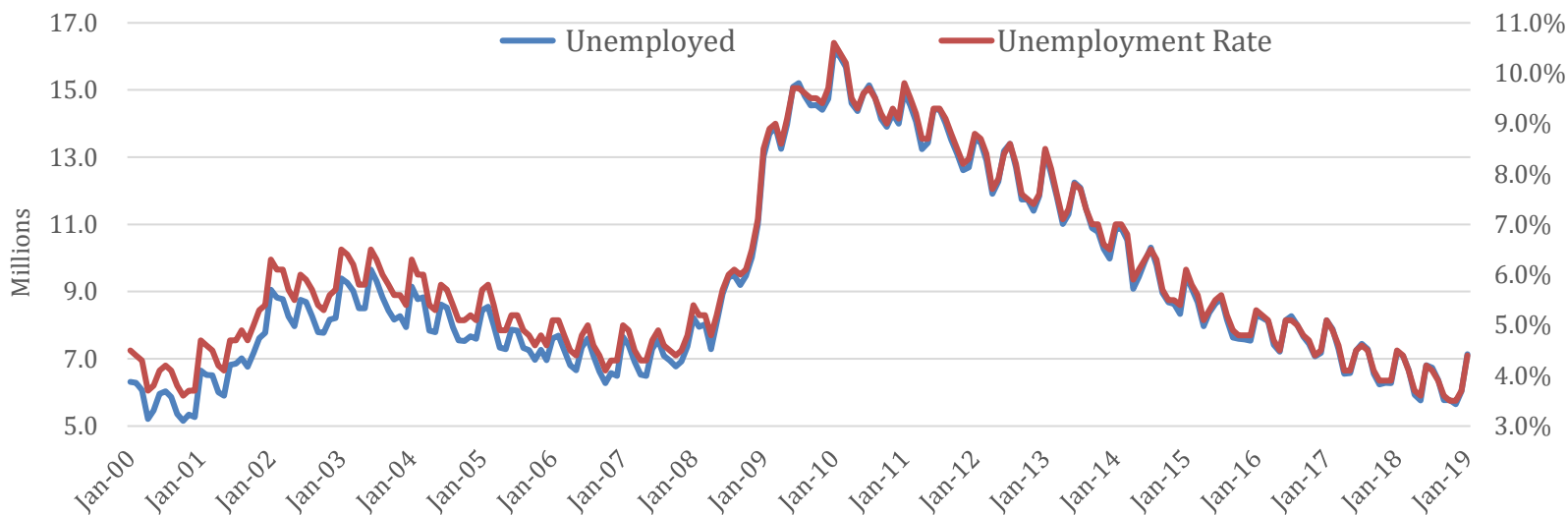
- OECD-2.13%

Source: Bureau of Economic Analysis, National Association for Business Economics, Organisation for Economic Co-operation and Development.



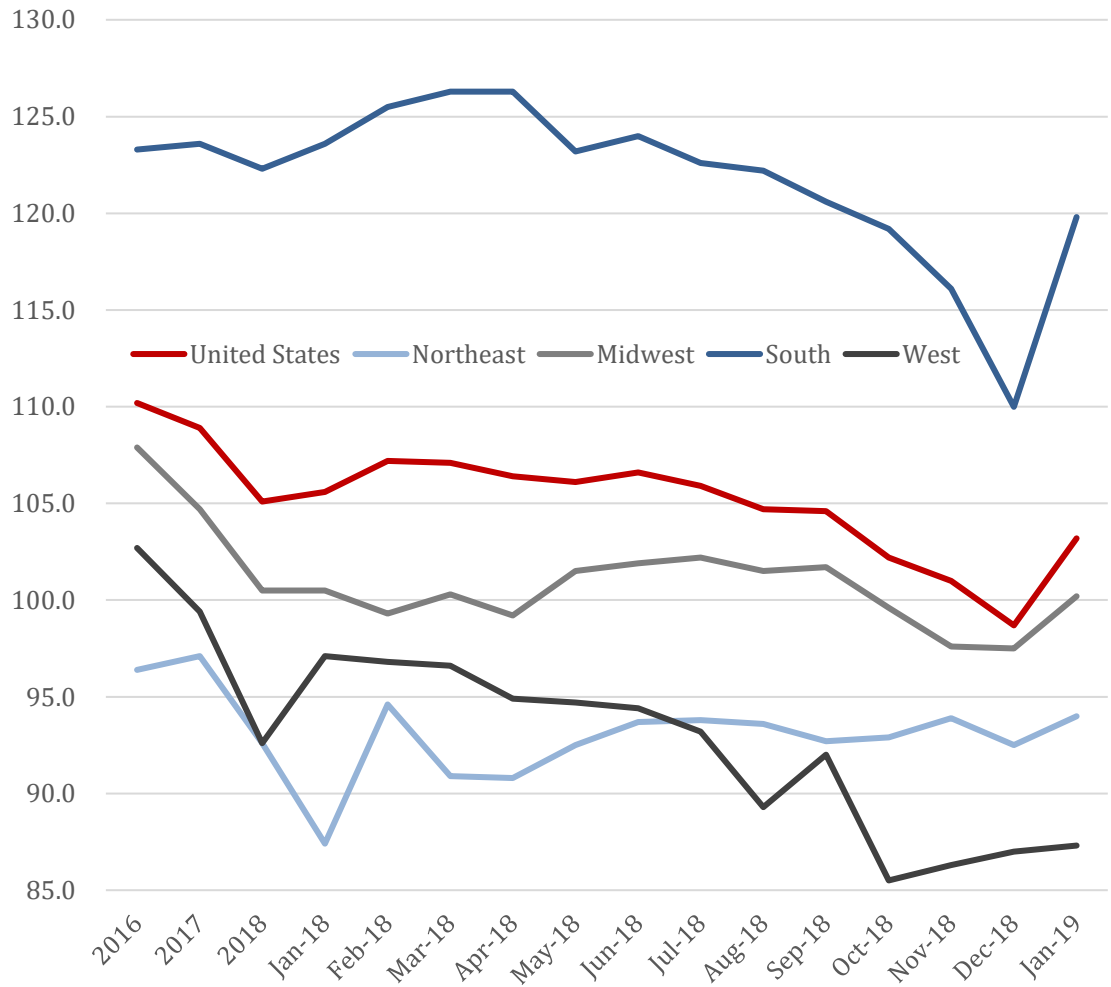
Source: Yahoo Finance.

222,000 jobs in December-*-average of 223,000 jobs in 2018-**-304,000 jobs in January



Source: Bureau of Labor Statistics, Federal Reserve Bank of St. Louis.

Pending Home Sales Index (PHSI)



Source: National Association of Realtors.

Housing Forecast

- Existing Home Sales
 - 2019: -1.1%
 - 2020: +4.0%
- New SF Sales
 - 2019: +4.3%
 - 2020: +9.2%
- Housing Starts
 - 2019: +3.5%
 - 2020: +5.7%
- Median Prices-Existing (\$259,300)
 - 2019: +2.2%
 - 2020: +3.3%
- Median Prices-New (\$321,000)
 - 2019: 0%
 - 2020: +3.4%

INTEREST RATE (Federal Reserve, NABE)

- Federal Reserve rate-2.5% December 2018 from 0.25% in December 2015
 - Increases on hold due to uncertain global outlook and financial markets
 - NABE-39% of economists predict one increase in 2019, 26%-two increases

INFLATION RATE (Bureau of Labor Statistics)

- CPI: 2.1%-2017, 2.4%-2018, 1.6%-January 2018 to 2019

PRIVATE NONRESIDENTIAL FIXED INVESTMENT (Federal Reserve Bank of St. Louis)

- PNFI: 6.0%-2017, 8.2%-2018
 - 8.2%-3Q2018, 8.6%-4Q2018
- PNFI Inflation Indexed: 0.7%-2017, 1.2%-2018

INDUSTRIAL PRODUCTION INDEX (Federal Reserve Bank of St. Louis)

- 1.6%-2017, 4.0%-2018
- 4.1%-December 2018, 3.8%-January 2019

CONSUMER CONFIDENCE (The Conference Board)

- CC Index: -6.1%-December 2018, -5.0%-January 2019, +8.0%-February 2019
- Percentage of consumer expecting business conditions in the next six months to
 - IMPROVE-up from 16.3% to 19.7%
 - WORSEN-down from 13.8% to 8.9%

PERSONAL CONSUMPTION EXPENDITURES (PCE) (Bureau of Economic Analysis)

- PCE: 4.3%-2017, 4.7%-2018
 - 5.2%-3Q 2018, 4.6%-4Q 2018
- Real PCE: 2.5%-2017, 2.6%-2018

TRADE SALES

- Sales in Sales for Retail Trade and Food Services
- 5.0%-2018, 2.3%-December 2018, 4.1%-November 2018
- Biggest 2018 declines:
 - Sporting goods, hobby, musical instrument, & book stores -5.8%
 - Department stores -0.9%

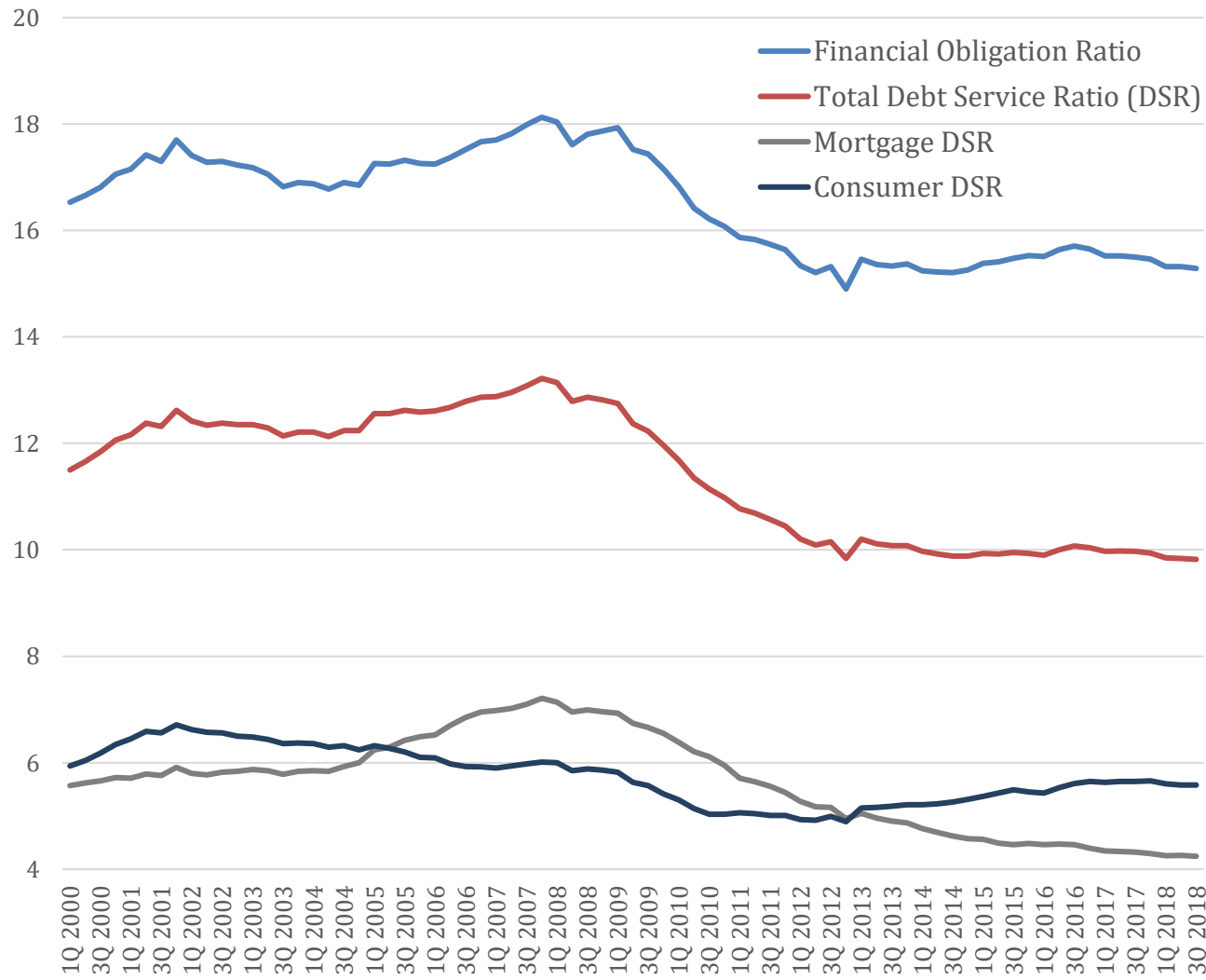
REAL WAGES (Federal Reserve Bank of St. Louis)

- Data for non self-employed workers, 16+ years old
- 1.2%-2017, 0.6%-2018
- 0.6%-3Q 2018, 2.9%-4Q2018

REAL PERSONAL INCOME (Federal Reserve Bank of St. Louis)

- 2.57%-2017, 2.38%-2018
- 3.16%-December 2018

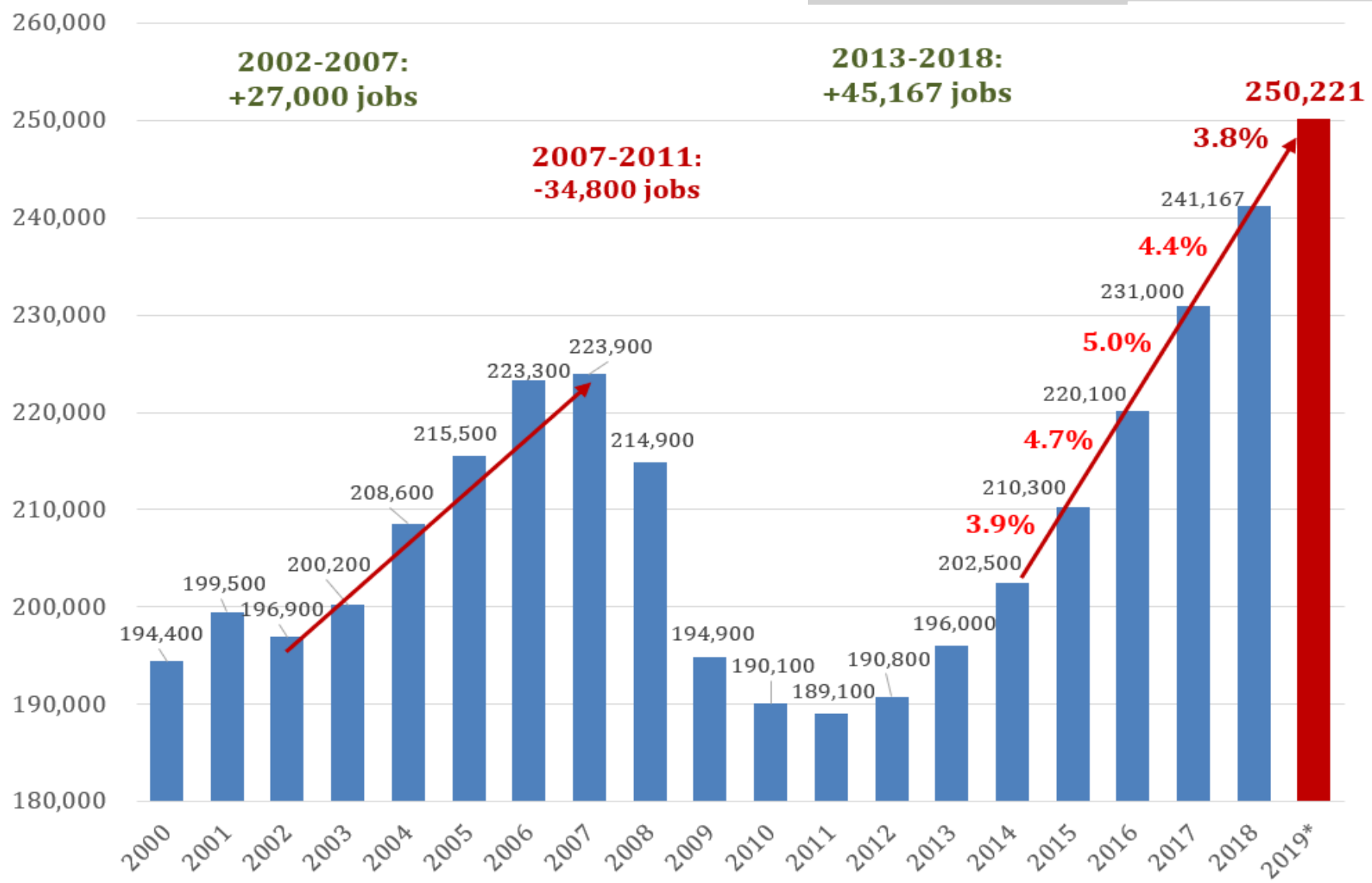
Debt as Percent of Disposable Income



Auto Loan Defaults

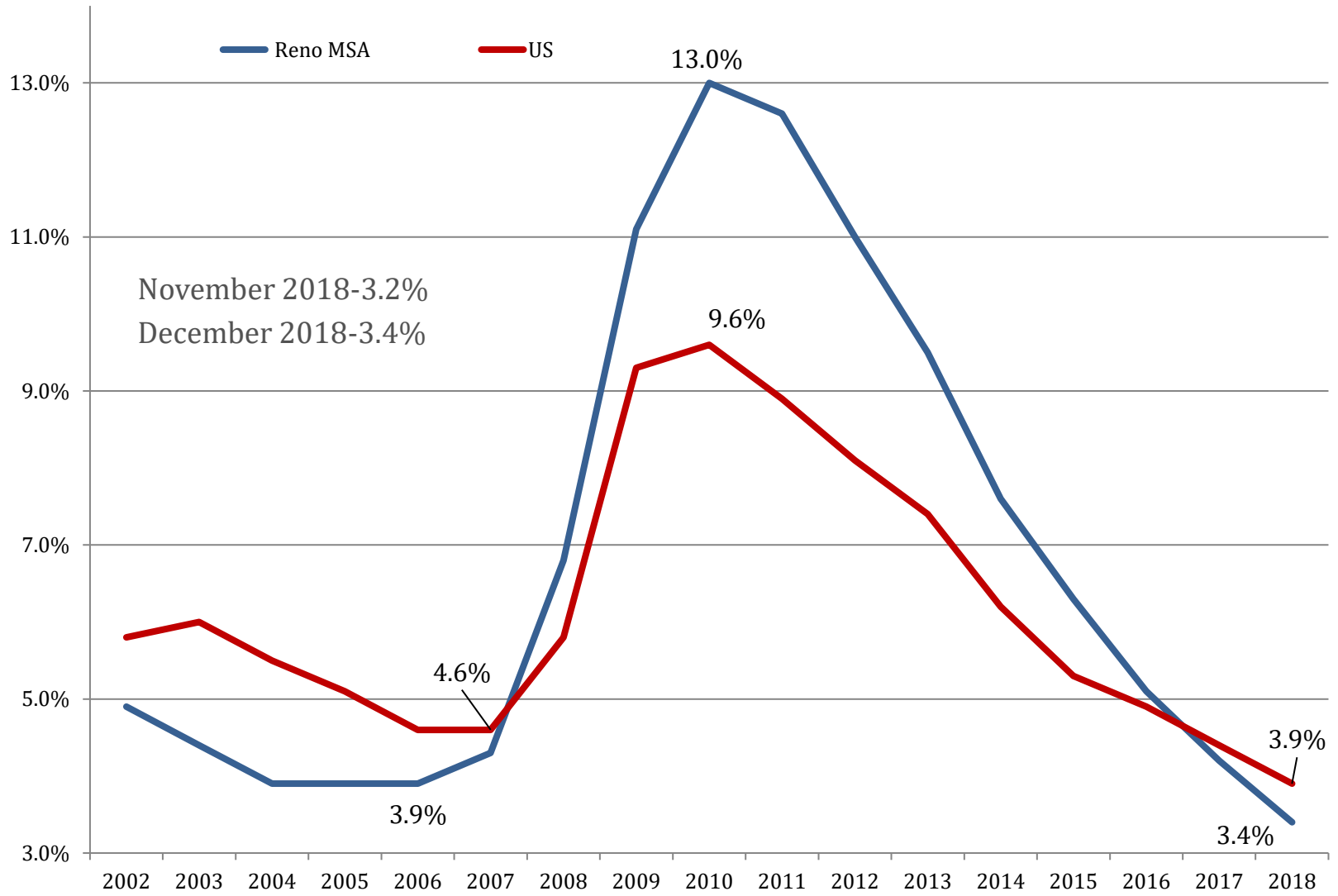
- Over 7 million are more than 90 days behind on auto loan
- More than a million more “troubled borrowers” at the end of 2018 than there were in 2010
- Troubled borrowers ratio peaked at 5.3% in late 2010 compared to 4.5% by the end of 2018, as auto loans hit a record high in 2016

Source: Board of Governors of the Federal Reserve System and Federal Reserve Bank of New York.



Source: Nevada Department of Employment, Training, and Rehabilitation (DETR).

*2019 data estimated using average annual growth rates from DETR short-term employment projections.



Source: Nevada Department of Employment, Training, and Rehabilitation (DETR).

Industry	2016-2017	%	2017-2018	%	3Q2018
	Change	Change	Change	Change	Hourly Wage
Manufacturing	3,100	22.1%	3,183	20.3%	\$ 28.72
Professional & business services	800	2.7%	2,567	6.2%	\$ 28.69
Transportation, warehousing, & utilities	1,300	7.2%	1,258	7.2%	\$ 23.35
Construction	2,200	15.1%	892	4.3%	\$ 28.84
Government	700	2.3%	608	2.2%	\$ 32.53
Retail trade	300	1.3%	600	1.2%	\$ 15.95
Leisure & hospitality	800	2.2%	550	1.5%	\$ 12.29
Education and health services	700	2.8%	383	1.5%	\$ 27.28
Other	<u>1,200</u>		<u>226</u>		
Total	11,100	5.0%	10,267	4.4%	

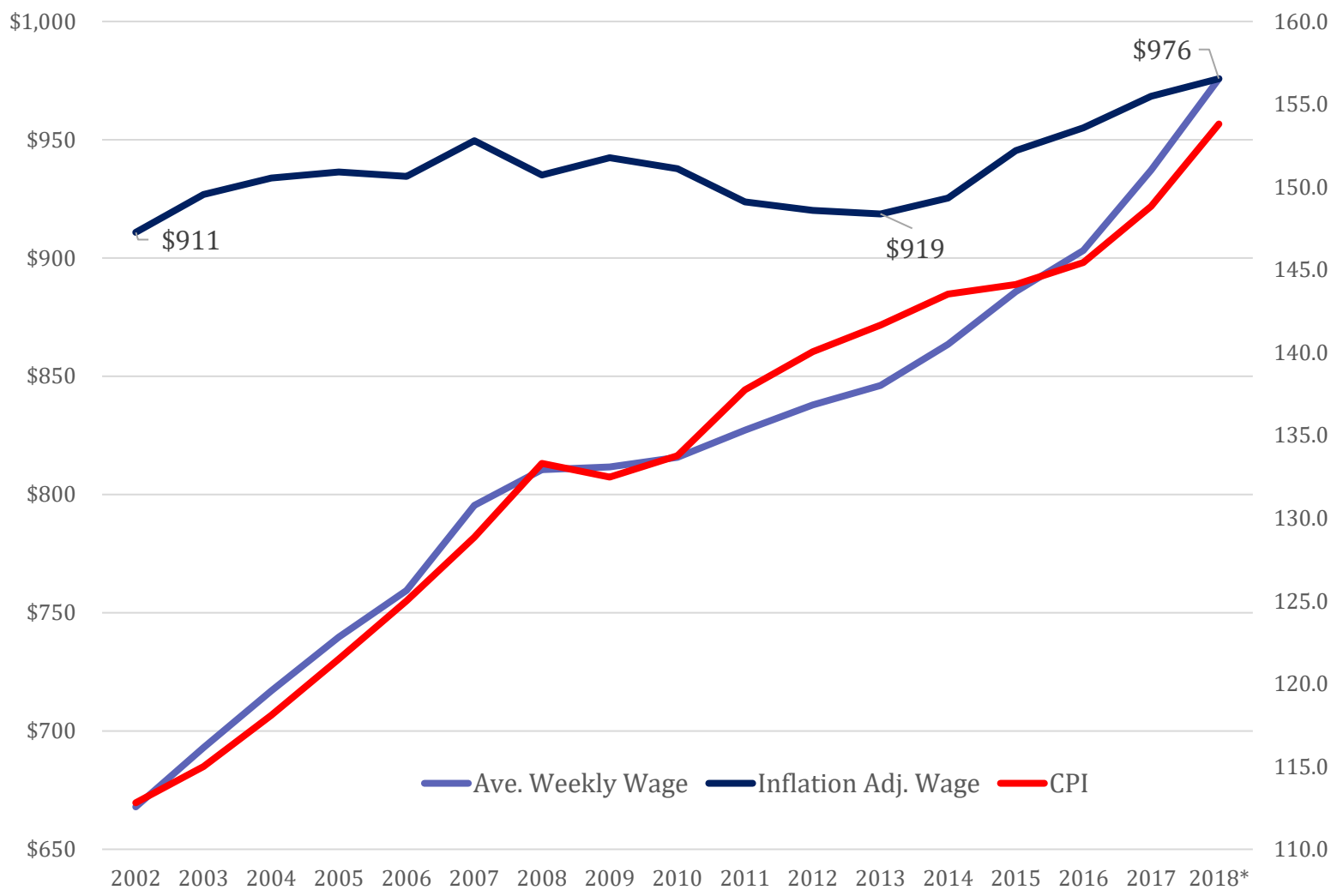
Source: Nevada Department of Employment, Training, and Rehabilitation (DETR).

2017-2019 Short-Term Projections				
Industry	Base Employment	Projected Employment	Numeric Change	Percent Change
Manufacturing	16,098	22,870	6,772	42.1%
Construction	17,429	20,893	3,464	19.9%
Trade, Transportation, and Utilities	51,498	54,014	2,516	4.9%
Professional and Business Services	30,652	32,817	2,165	7.1%
Education and Health Services	45,005	47,129	2,124	4.7%
Leisure and Hospitality	37,935	38,473	538	1.4%
Government	11,998	12,364	366	3.1%
Other Services (Except Government)	6,358	6,610	252	4.0%
Financial Activities	10,566	10,782	216	2.0%
Unclassified	12,467	12,634	167	1.3%
Natural Resources and Mining	636	655	19	3.0%
Information	2,205	2,182	(23)	-1.0%
Total	242,847	261,423	18,576	7.6%

Source: Nevada Department of Employment, Training, and Rehabilitation (DETR).

2014-2024 Long-Term Projections				
Industry	Base Employment	Projected Employment	Numeric Change	Percent Change
Manufacturing	12,800	22,557	9,757	76.2%
Accommodation and Food Services	30,030	38,771	8,741	29.1%
Health Care and Social Assistance	21,150	28,411	7,261	34.3%
Educational Services	16,020	22,937	6,917	43.2%
Retail Trade	22,060	28,134	6,074	27.5%
Construction	11,520	17,501	5,981	51.9%
Administrative & Waste Management	14,500	19,904	5,404	37.3%
Transportation and Warehousing	13,810	16,877	3,067	22.2%
Professional, Scientific, & Technical Sv	9,710	12,718	3,008	31.0%
Wholesale Trade	8,980	11,122	2,142	23.9%
Other Services (except Government)	5,460	7,474	2,014	36.9%
Government	10,661	11,979	1,318	12.4%
Finance and Insurance	5,590	6,536	946	16.9%
Real Estate and Rental and Leasing	3,540	4,380	840	23.7%
Utilities	370	684	314	84.9%
Management of Companies & Enterpr	2,740	3,045	305	11.1%
Arts, Entertainment, and Recreation	5,250	5,503	253	4.8%
Information	2,010	2,260	250	12.4%
Mining	170	277	107	62.9%
Agriculture, Forestry, Fishing & Hunti	110	150	40	36.4%
Unclassified	15,379	11,713	(3,666)	-23.8%
Total	211,860	272,933	61,073	28.8%

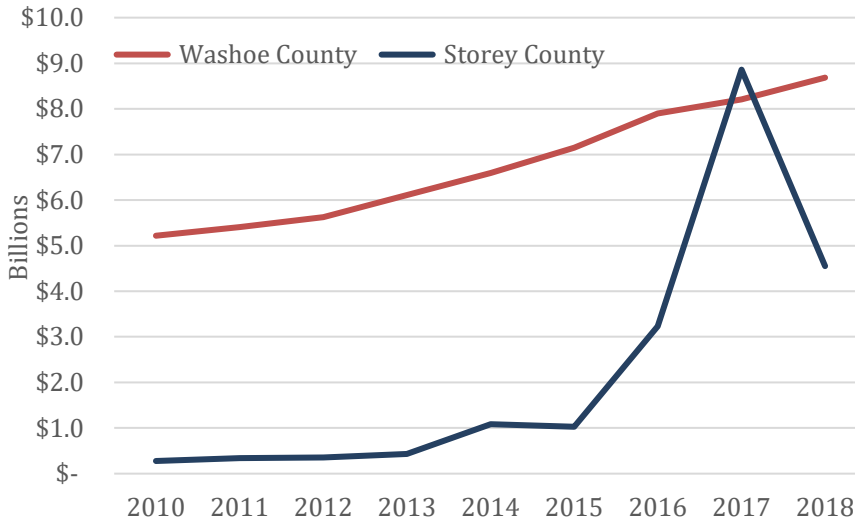
Source: Nevada Department of Employment, Training, and Rehabilitation (DETR).



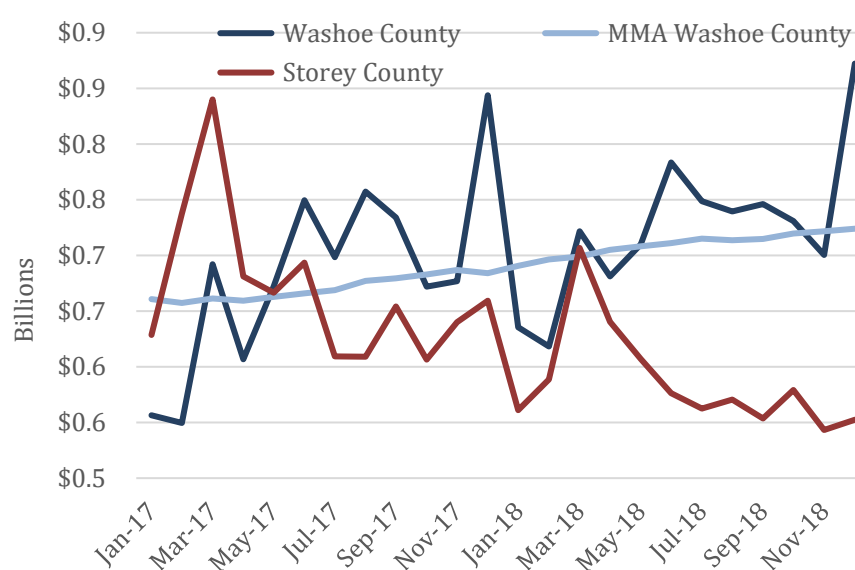
Source: Nevada Department of Employment, Training, and Rehabilitation (DETR) and Consumer Price Index, Bureau of Labor Statistics (BLS).

*2018 data as of 3rd Quarter 2018.

Annual Taxable Sales



Monthly Taxable Sales



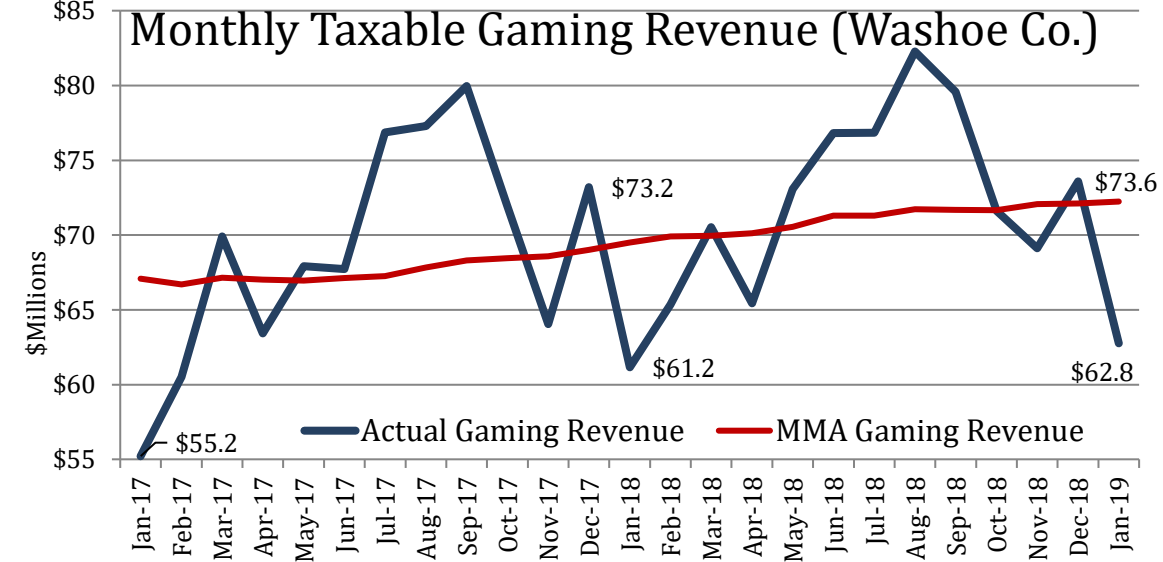
Washoe County (Dec. 2018)

- Food Services and Drinking Places-\$111,102,330, +3.2%
- General Merchandise Stores-\$103,438,120, +0.6%
- Motor Vehicle and Parts Dealers-\$102,159,149, +2.6%
- Merchant Wholesalers, Durable Good-\$72,579,524, +23.5%
- Building Material and Garden Equipment and Supplies-\$46,136,275, +11.9%

Storey County (Dec. 2018)

- Professional, Scientific, and Technical Services-\$19,513,686, -62.1%
- Merchant Wholesalers, Durable Goods-\$8,132,894, -84.6%
- Machinery Manufacturing-\$3,911,657, -30.1%
- Chemical Manufacturing-\$2,215,022, +2270.3%
- Fabricated Metal Product Manufacturing-\$1,787,251, +254.4%

Source: Nevada Department of Taxation. MMA-monthly moving average.



Jan. 2019 W/U/D

- Slots \$105.50, +7.8%
- Tables \$626.49, -19.4%

Annual 2/18-1/19 W/U/D

- Slots \$117.59, +4.9%
- Tables \$823.81, +4.1%

Washoe County (FY 2018)

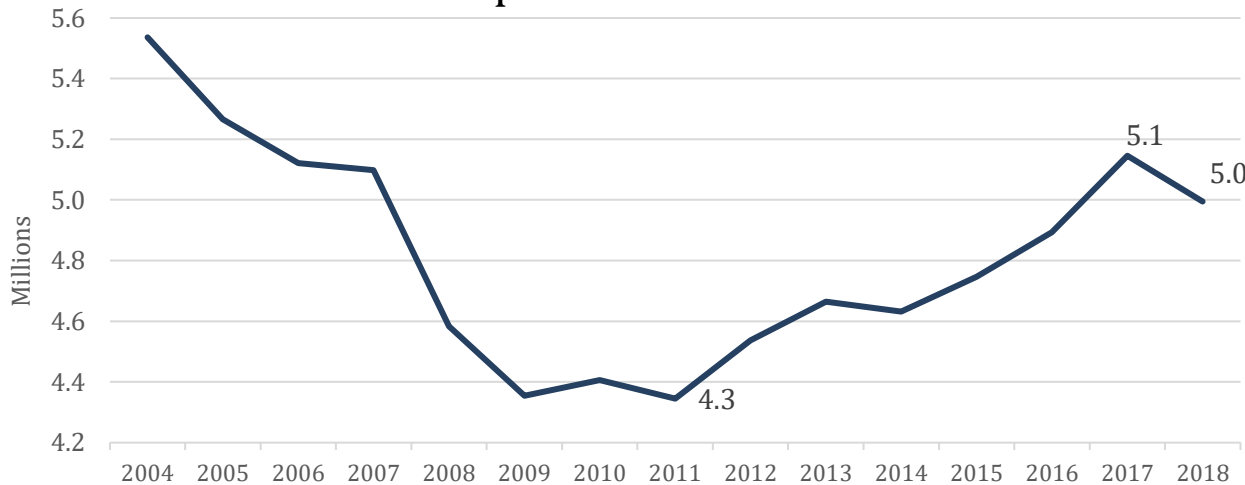
- Gaming revenue-50.3% of total v. 54.3% FY 2008
- 20% room revenue, 22.8% F&B, 7.0% other

Las Vegas Strip (FY 2018)

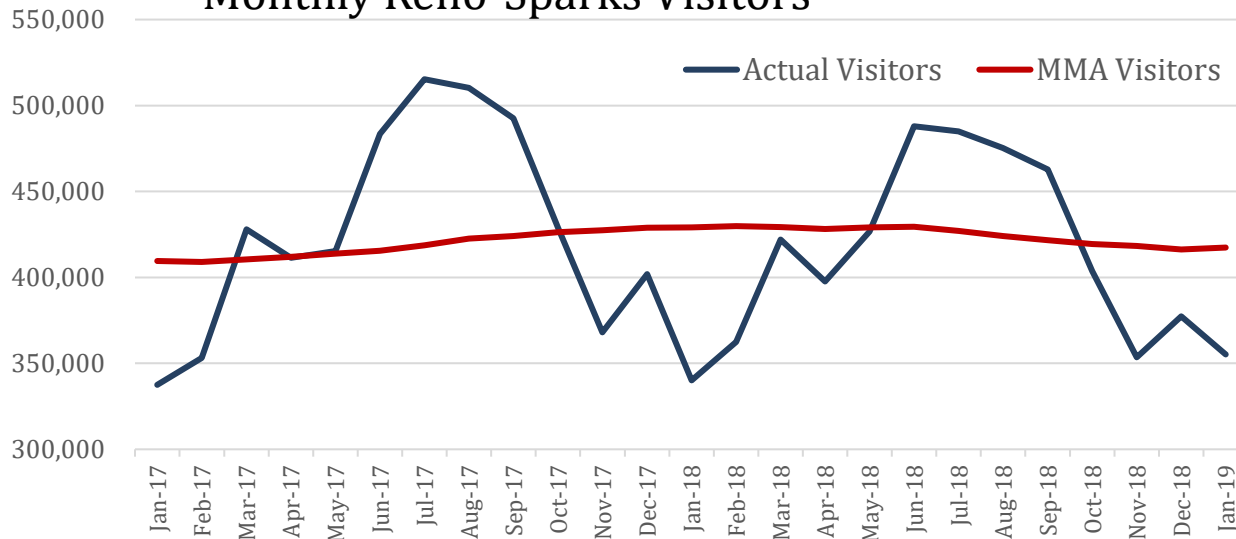
- Gaming revenue-34.3% v. 39.7% FY 2008
- 27.9% rooms, 23% F&B, 14.7% other

Source: Nevada Gaming Control Board. MMA-monthly moving average.

Annual Reno-Sparks Visitors



Monthly Reno-Sparks Visitors



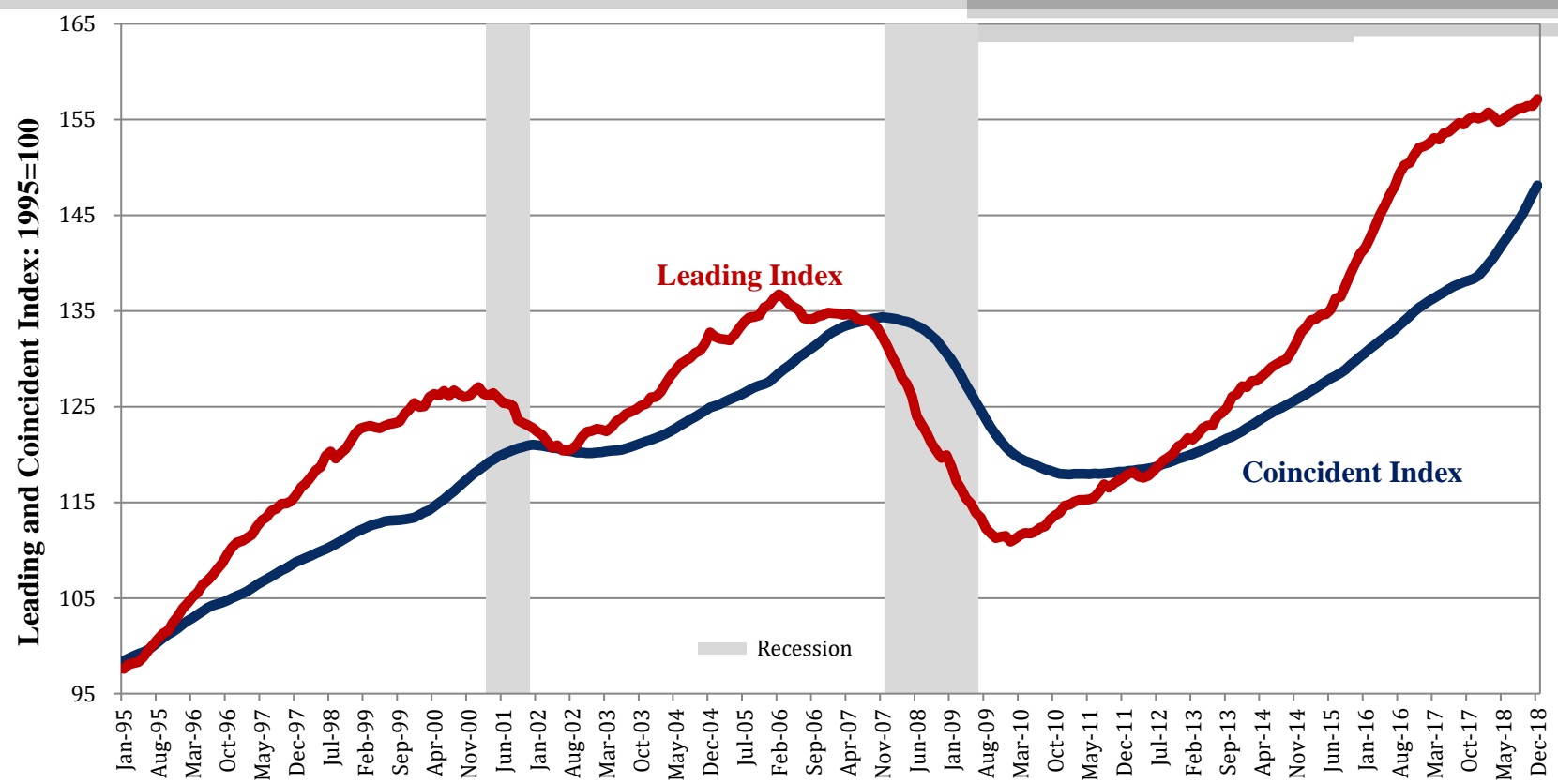
Source: Reno-Sparks Convention & Visitor's Authority.

Average Cash Rate (Jan. 2019)

- Reno-Suburban- \$121.29, +32.2
- Reno-Downtown- \$113.69, +35.7%
- Sparks-\$76.90, +13.0%
- Non-gaming- \$112.06, -1.2%

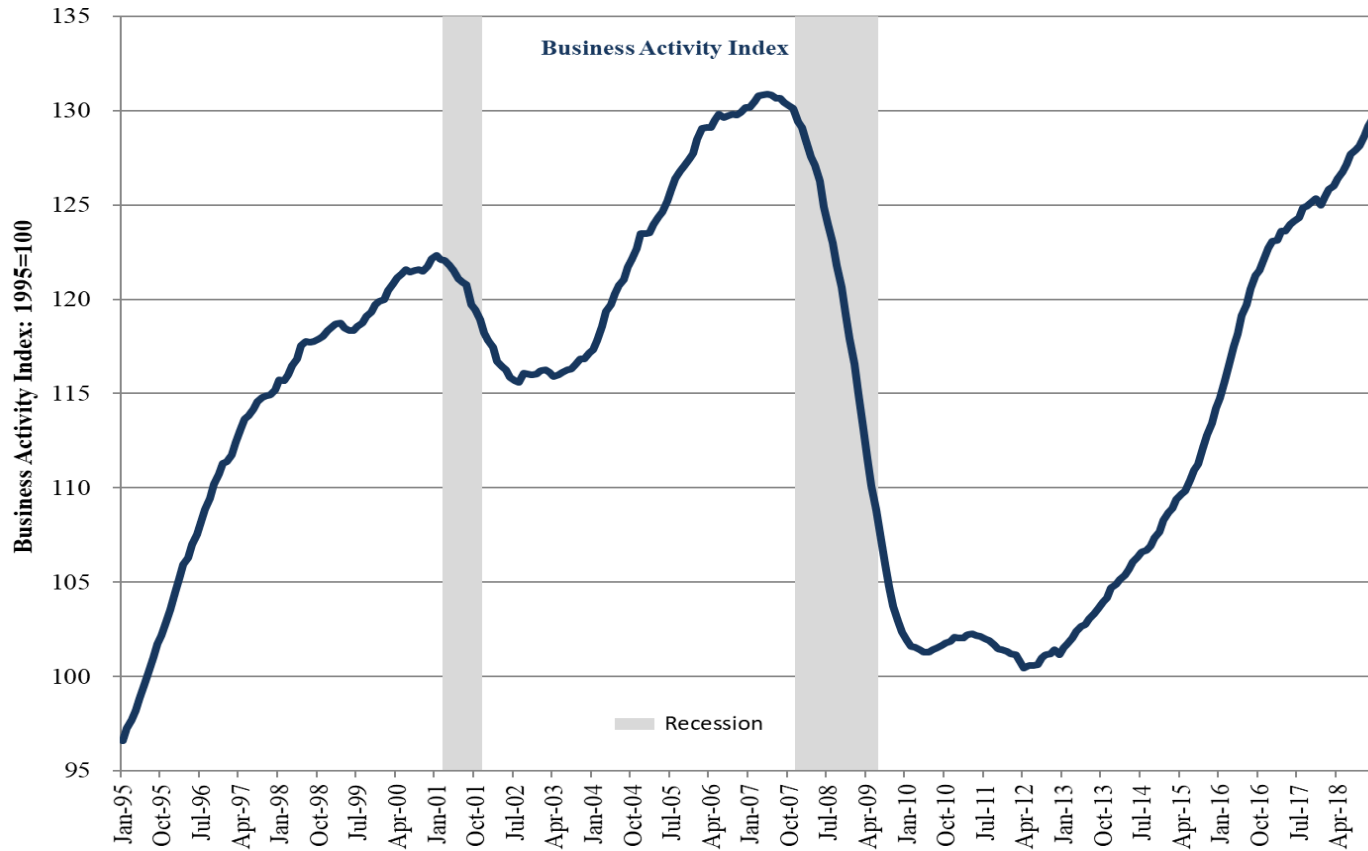
Occupancy (Jan. 2019)

- Reno-Suburban- 72.1%, +0.4%
- Reno-Downtown- 39.2%, -4.8%
- Sparks-57.9%, -2.5%
- Non-gaming- 60.7%, +8.2%



Series	Latest Period- December 2018	Prev. Period- November 2018	Change Prev. Period	Prev. Year- December 2017	Change Prev. Year
Taxable Sales (Washoe Co, SA, CPI)	440,173,186	438,560,640	0.37%	425,064,739	3.55%
Taxable Gaming Revenue (Washoe Co., SA, CPI)	43,745,974	43,797,296	-0.12%	42,881,895	2.02%
# of Single Family Homes Sold (Washoe Co., SA)	668	679	-1.56%	734	-8.96%
Airport Passengers (RTIA, SA)	350,841	349,650	0.34%	333,964	5.05%
Airport Cargo Lbs. Shipped (RTIA, SA)	12,405,223	12,457,444	-0.42%	12,678,228	-2.15%
Initial Claims for Unemployment (Nevada, SA)	2,391	2,416	-1.03%	2,590	-7.68%
S&P 500 Index (US, CPI)	1,692	1,657	2.15%	1,633	3.63%
Interest Rate Spread (US)	0.56	0.92	-39.13%	1.10	-49.09%
M2 Money Supply (US, CPI)	8,767	8,657	1.28%	8,553	2.51%
Leading Index Result	140.08	139.43	0.46%	138.46	1.17%

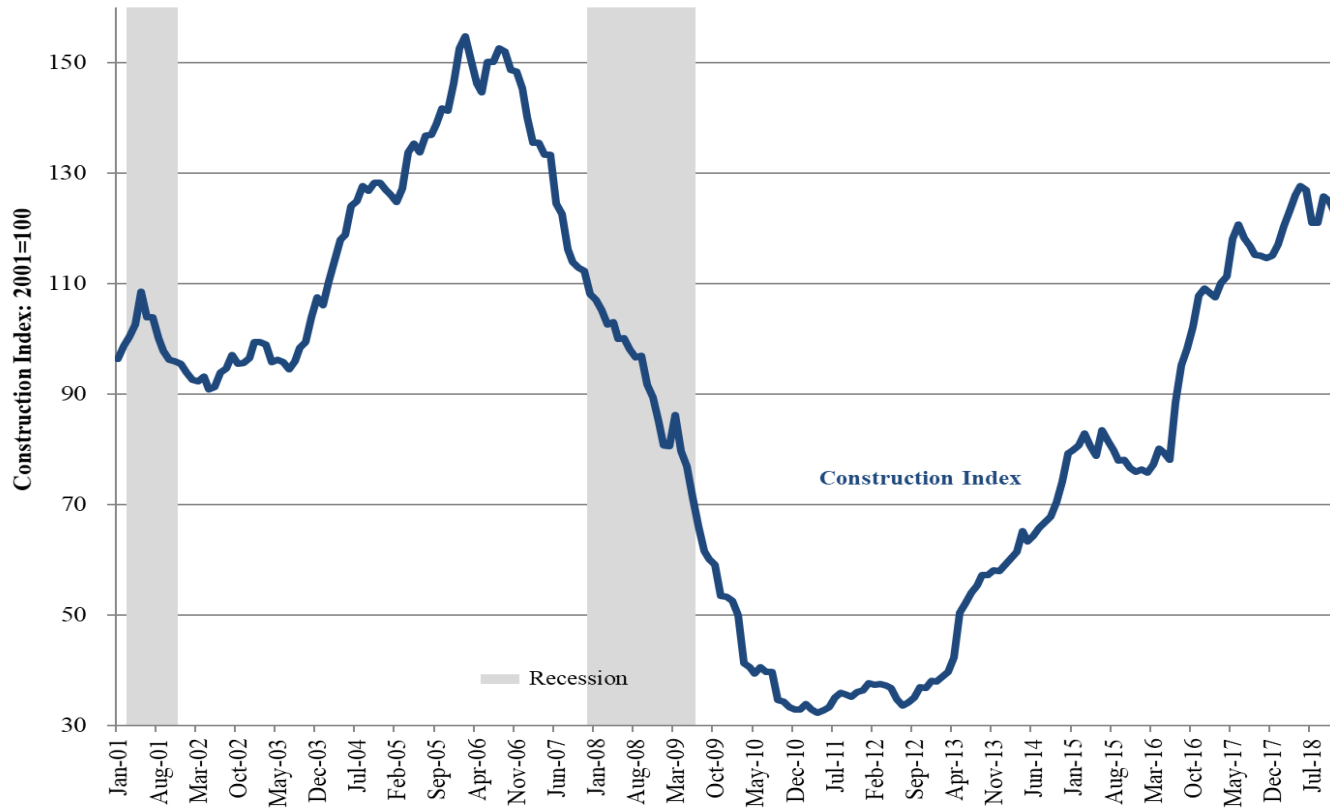
Source: US Department of Labor, Nevada Gaming Control Board, Washoe County Assessor/Center for Regional Studies (UNR), Federal Reserve Bank of St. Louis, Nevada Department of Taxation, Reno-Tahoe International Airport (RTIA).
 SA-Series results are seasonally adjusted. CPI-Series results are adjusted for inflation to 1995.



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Taxable Gaming Revenue (Washoe Co., SA, CPI)	43,745,974	43,797,296	-0.12%	42,881,895	2.02%
CES Employment (Reno MSA, SA)	241,167	239,700	0.61%	226,375	6.53%
Airport Passengers (Reno Tahoe Airport, SA)	350,841	349,650	0.34%	333,964	5.05%
Airport Cargo Lbs. Shipped (Reno Tahoe Airport, SA)	12,405,223	12,457,444	-0.42%	12,678,228	-2.15%
Business Activity Index Result	129.57	129.20	0.29%	124.97	3.68%

Source: Nevada Department of Taxation, Nevada Gaming Control Board, Current Employment Statistics (CES)-Bureau of Labor Statistics, and Reno-Tahoe International Airport.

SA-Series results are seasonally adjusted. CPI-Series results are adjusted for inflation to 1995.

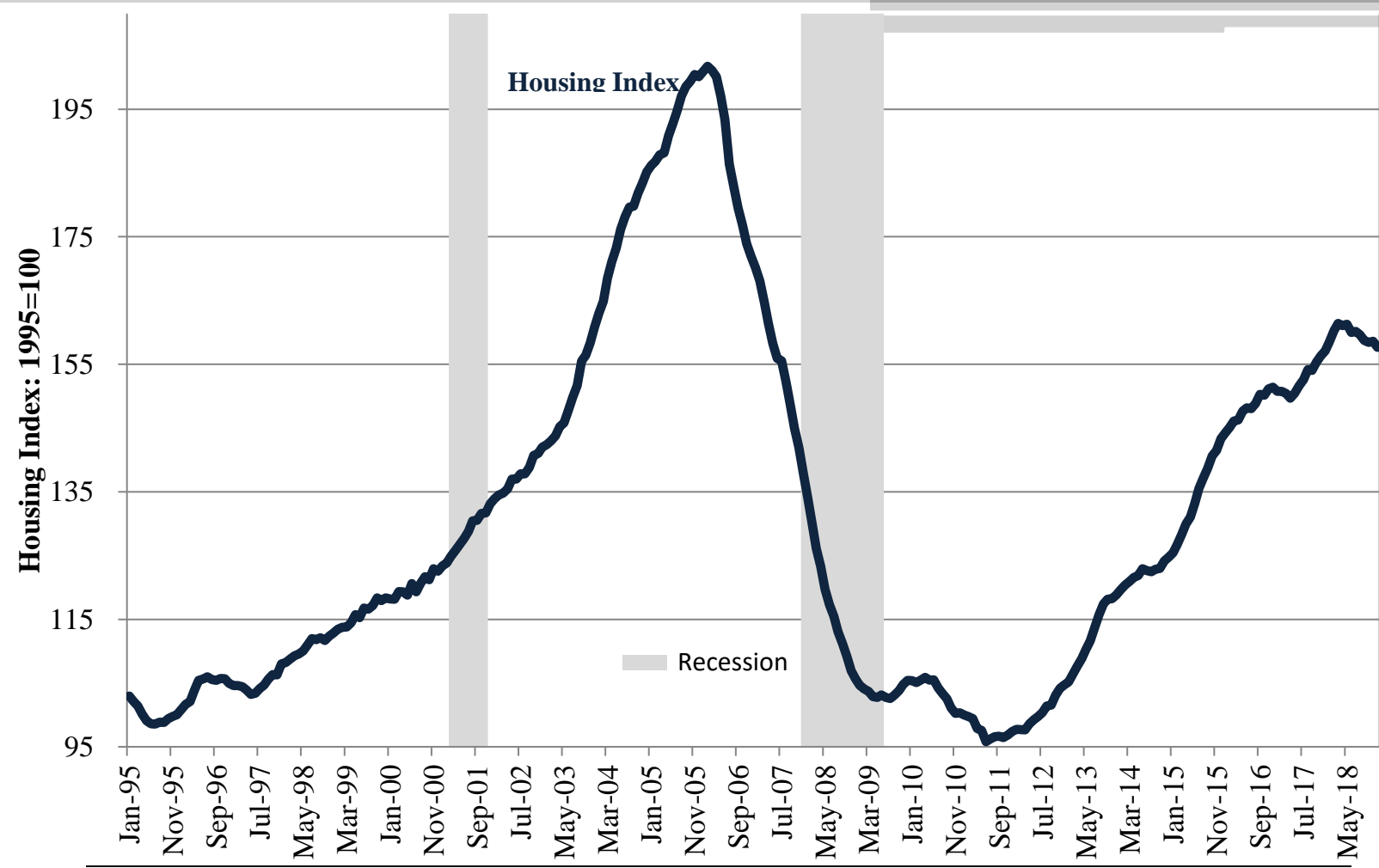


Series	Latest Period- December 2018	Prev. Period- November 2018	Change Prev. Period	Prev. Year- December 2017	Change Prev. Year
Reno MSA Construction Employment (SA)	17,692	17,542	0.86%	16,792	5.36%
Washoe Co. Commercial Building Permit Value (SA, CPI)*	32,251,013	33,449,617	-3.58%	27,472,446	17.39%
Washoe Co. Commercial Building Permits (SA)*	24.2	24.9	-3.01%	21	14.17%
Washoe Co. Residential Building Permit Value (SA, CPI)*	51,464,774	52,720,282	-2.38%	55,536,627	-7.33%
Washoe Co. Residential Building Permit Units (SA)*	382	394	-2.88%	427	-10.50%
Construction Index Result	119.99	122.54	-2.07%	115.02	4.32%

Source: Current Employment Statistics-Bureau of Labor Statistics and Building Departments of City of Reno, City of Sparks, and Washoe County.

SA-Series results are seasonally adjusted. CPI-Series results are adjusted for inflation to 2001.

*Includes data for Washoe County, City of Reno, and City of Sparks.



Series	Latest Period- January 2019	Prev. Period- December 2018	Change Prev. Period	Prev. Year- January 2018	Change Prev. Year
New and Existing Homes Sold (Washoe Co., SA)	660	668	-1.31%	743	-11.20%
Median Price of New/Existing Homes (Washoe Co., SA, CPI)	234,650	234,600	0.02%	215,579	8.85%
Housing Index Result	156.75	157.67	-0.58%	158.62	-1.18%

Source: Washoe County Assessor/Center for Regional Studies (UNR).
SA-Series results are seasonally adjusted. CPI-Series results are adjusted for inflation to 1995.