

# ROAD TO RECOVERY

## COVID-19 RELATED ECONOMIC INDICATORS

May 15, 2020

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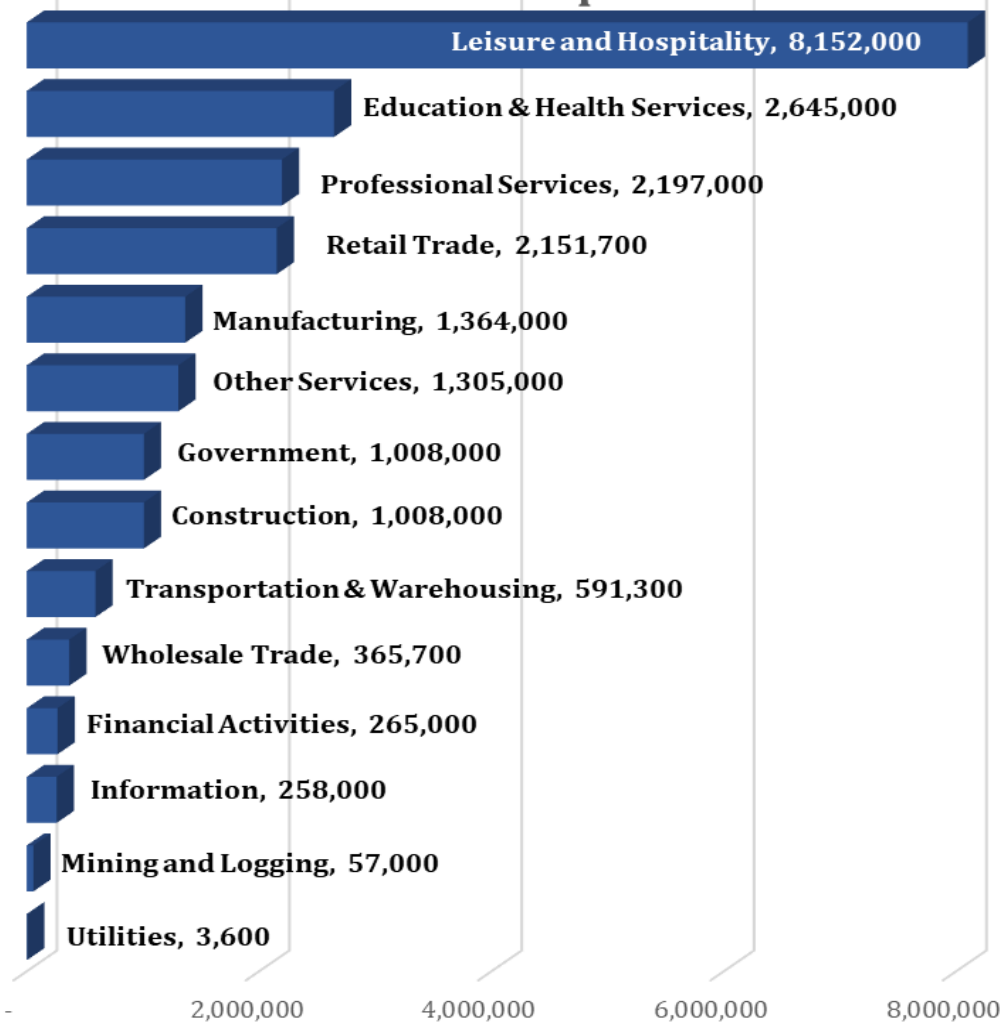
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- 1Q 2020 GDP declined by
  - 1.2% compared to 4Q2019
  - 0.3% compared to 1Q2019
  - 4.8% annualized decline due to “stay-at-home” orders issued in March, which “led to rapid changes in demand, as businesses and schools switched to remote work or cancelled operations, and consumers cancelled, restricted, or redirected their spending”

	% Change	
	Q to Q	Annualized
<b>Personal consumption expenditures (PCE)</b>	-1.9%	-7.8%
<b>Goods</b>	-0.3%	-1.3%
Durable goods	-4.3%	-17.1%
Motor vehicles and parts	-9.6%	-38.4%
Furnishings and household equipment	-1.6%	-6.5%
Recreational goods and vehicles	0.0%	0.0%
Other durable goods	-3.7%	-14.8%
Nondurable goods	1.7%	6.8%
Food/beverages for off-premises consumption	5.8%	23.1%
Clothing and footwear	-10.5%	-42.2%
Gasoline and other energy goods	-1.4%	-5.6%
Other nondurable goods	3.1%	12.3%
<b>Services</b>	-2.7%	-10.6%
Housing and utilities	0.2%	0.6%
Health care	-4.8%	-19.4%
Transportation services	-8.3%	-33.1%
Recreation services	-9.1%	-36.6%
Food services and accommodations	-8.4%	-33.8%
Financial services and insurance	0.7%	2.7%
Other services	-1.1%	-4.4%

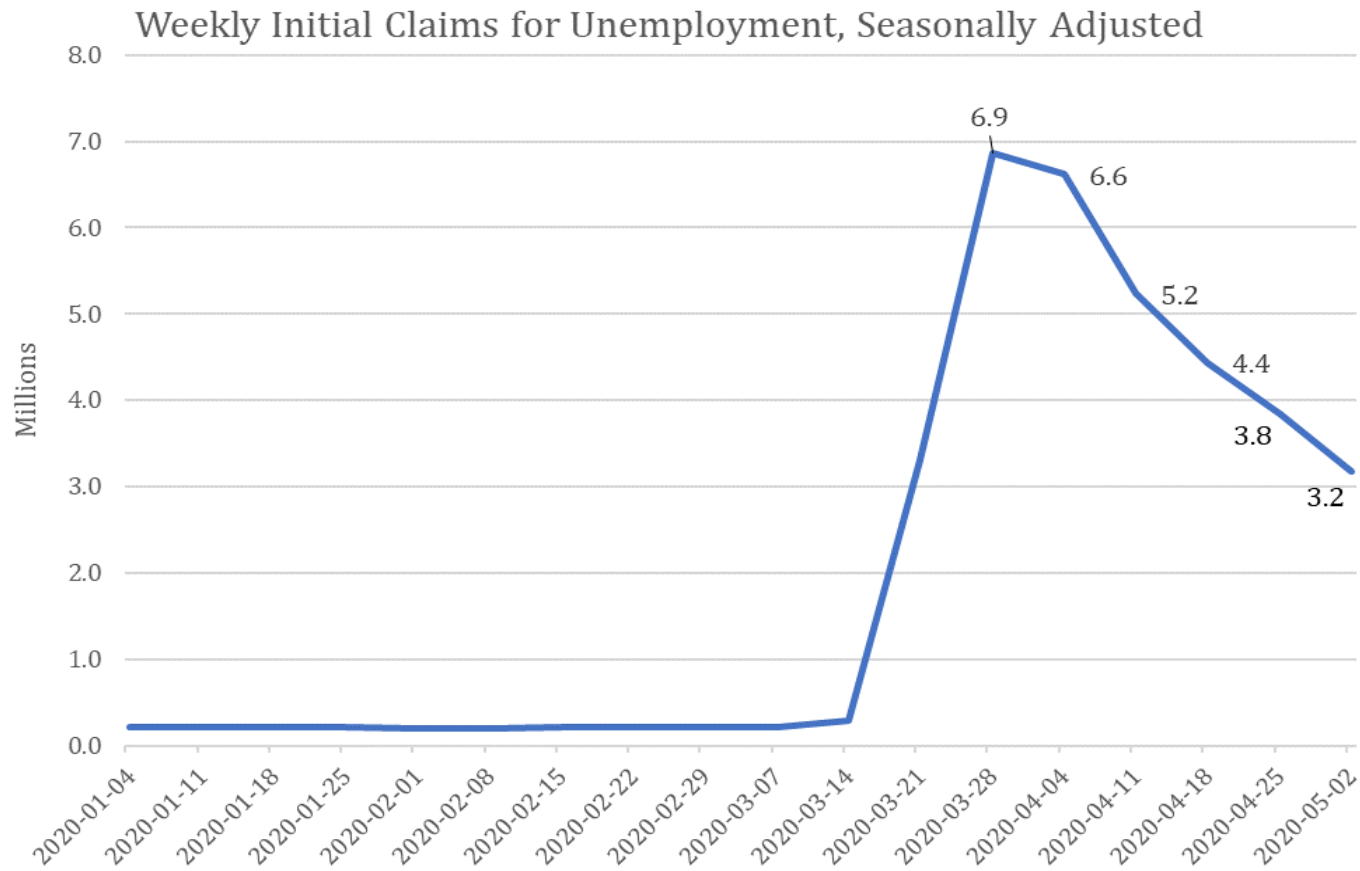
Source: Federal Reserve Bank of St. Louis.

## US Employment Change by Industry- March and April 2020



Source: Bureau of Labor Statistics.

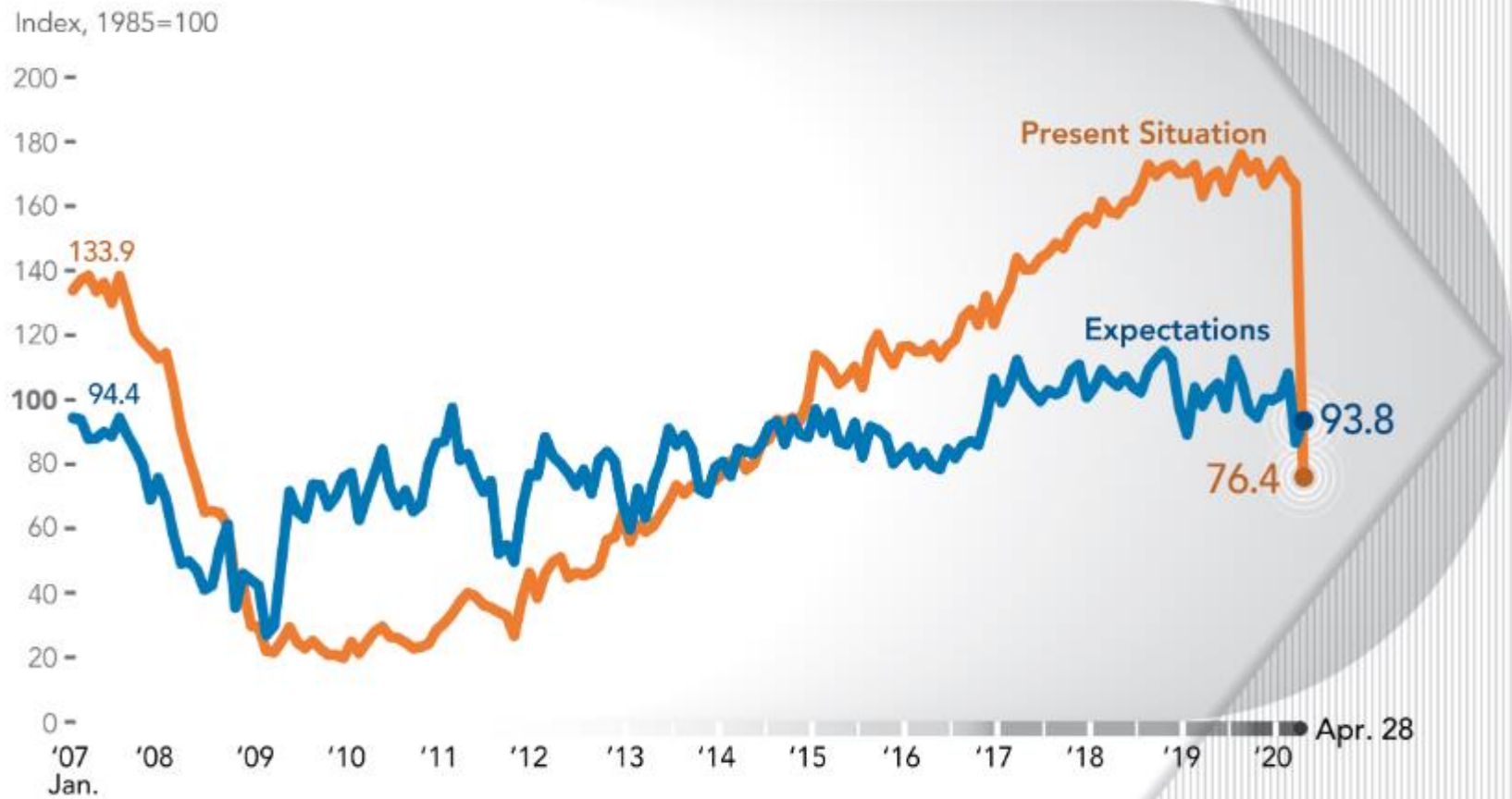
- **First Round**
  - Durable retail, Food and Beverage, Recreation/ Entertainment, Hospitality, Medical
- **Second Round**
  - Professional-Business Services (accountants, attorneys, IT, etc.)
- **Third Round**
  - Government, Construction



- 33.5 million unemployment claims since mid-March
- April 2020 US unemployment rate-14.7% (4.4% in March 2020)

Source: Federal Reserve Bank of St. Louis.

### The Conference Board Consumer Confidence Index® Present Situation versus Expectations



Source: The Conference Board Consumer Confidence Survey®, April 2020

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## Market Summary > S&P 500 Index INDEXSP: .INX

**2,935.43** +5.63 (0.19%) ↑  
May 11, 2:23 PM EDT · Disclaimer



- Forecast earnings and dividends fall by 25%-50% in 2020 before returning to normal.
- Valuation models assume a short-term interruption in earnings and cash flows, insignificant over a 10-year investment horizon.

- Markets largely assume that the crisis will be short-lived, a rapid economic recovery will ensue, and policy makers are in control.

## Market Summary > Dow Jones Industrial Average INDEXDJX: .DJI

**24,282.76** -48.56 (0.20%) ↓  
May 11, 2:21 PM EDT · Disclaimer



	Real Gross Domestic Product % change, annual rate				Personal Consumption Expenditures Price Index (PCE) less food & energy % change, annual rate		
	Full Sample Median	Five Lowest	Five Highest		Full Sample Median	Five Lowest	Five Highest
Q1-20	-2.4	-7.7	1.0	Q1-20	1.7	-1.2	2.0
Q2-20	-26.5	-50.0	-1.0	Q2-20	0.8	-3.4	1.9
Q3-20	2.0	-12.6	20.7	Q3-20	1.0	-0.8	1.9
Q4-20	5.8	0.0	23.6	Q4-20	1.2	0.0	3.0
Q1-21	6.0	2.1	15.7	Q1-21	1.4	0.5	3.0
Q2-21	4.5	2.1	13.1	Q2-21	1.5	0.8	3.4
Q3-21	3.8	2.0	8.0	Q3-21	1.7	1.0	2.3
Q4-21	2.9	1.1	6.3	Q4-21	1.7	1.1	2.4

**Civilian Unemployment Rate**  
%, quarterly average

	Full Sample Median	Five Lowest	Five Highest
Q1-20	3.8a	—	—
Q2-20	12.0	6.4	20.0
Q3-20	10.5	5.9	17.3
Q4-20	9.5	4.5	18.0
Q1-21	8.0	4.1	15.0
Q2-21	7.4	4.0	13.4
Q3-21	6.6	3.9	12.0
Q4-21	6.0	3.7	10.4

a = actual

Source: NABE,  
Outlook Flash Survey,  
April 2020

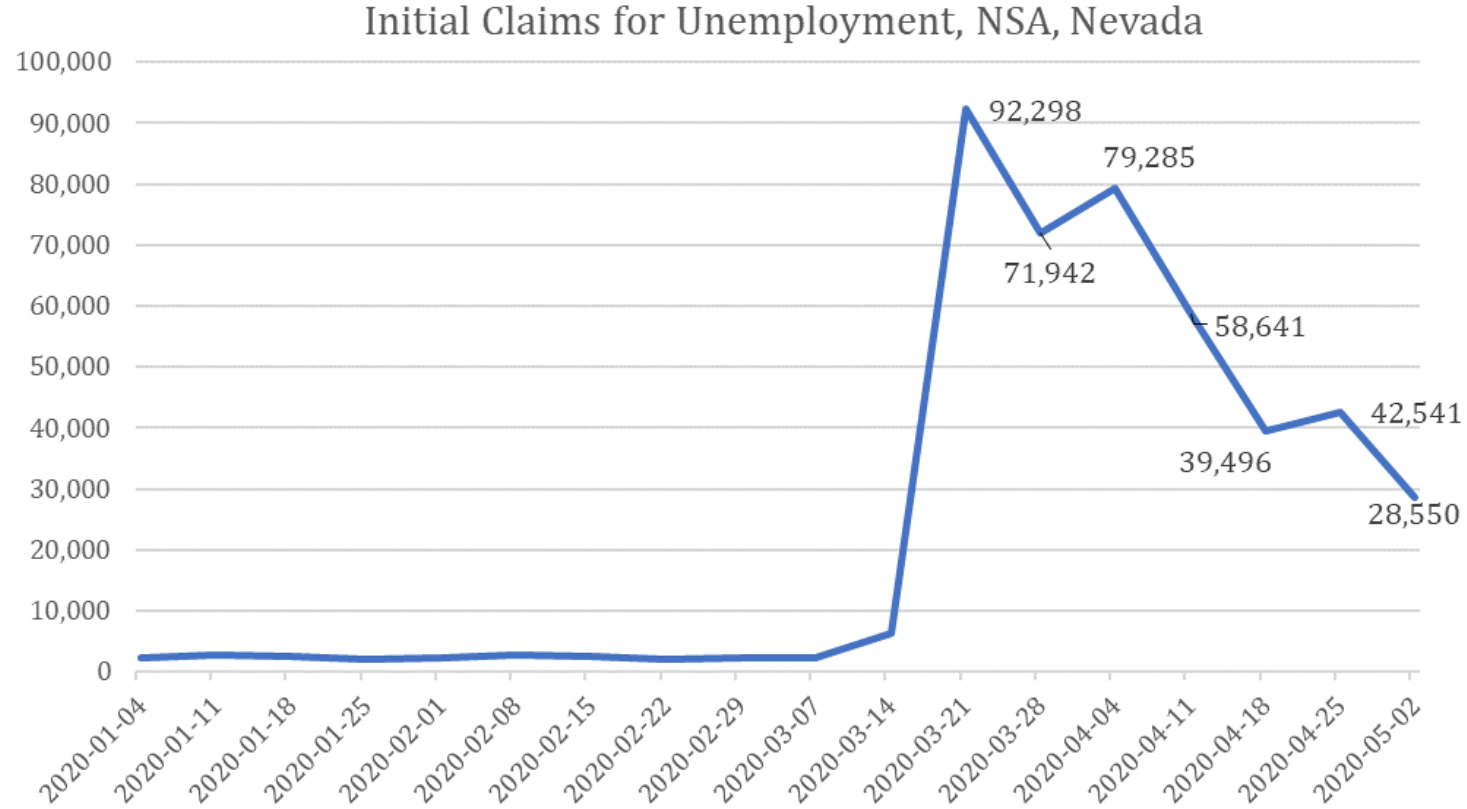
- Modest economic recovery in the second half of 2020 but that the U.S. won't see "a more robust rebound until social distancing measures are eased more fully in 2021"
  - Lewis Alexander, chief U.S. economist at Nomura
- Types of Recovery
  - V-Shaped-sharp recovery following short term restrictions, no longer discussed
  - U-Shaped-months to several years to recover
    - Nike Swoosh-years of slow recovery
  - W-Shaped-partial recovery followed by a second wave of outbreaks or financial crisis
- Recovery Drivers
  - Lifting of restrictions, consumer confidence
    - Testing, availability of vaccine/treatment



- March 15, 2020-Fed Funds cut to 0.00% to 1.00% range, reserve requirements to 0.00%
- March 27, 2020-CARES Act
  - Individuals-unemployment benefits, tax deadlines, student loans
  - General-refundable business tax credit, student meals, Supplemental Nutrition Assistance Program (SNAP), and food banks
  - Public Health-Hospitals, community health centers, research and development, FDA, CDC, Veterans' health care, and Strategic National Stockpile.
  - State and Local Government-COVID-19 response, Community Development Block Grants, K12 schools, higher education, children and families programs
  - Business-Small Business Administration (\$349 billion PPP), loans to big corporations, including airlines
- April 3, 2020-Payroll Protection Program Liquidity Facility (PPPLF)
  - Starting April 27, 2020, supports SBA's PPP with additional funds of \$310 billion
- Multiple credit-related acts

## Nevada PPP Statistics (Guinn Center, April 2020)

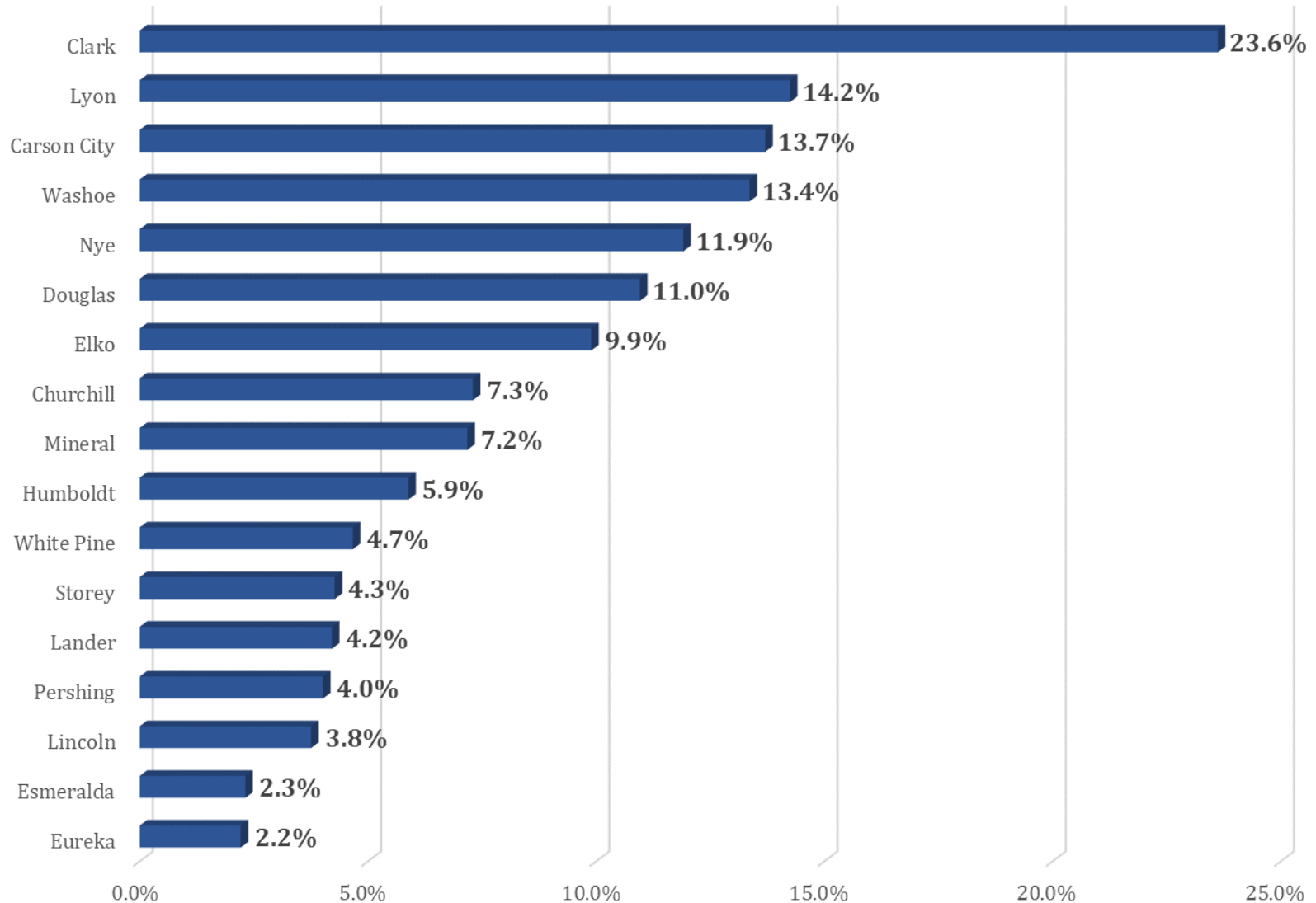
- 270,079 total small businesses
  - 0.9% of the 30.8 million small businesses in the US
- 8,674 approved PPP loans
  - 0.5% of the 1.7 million approved loans in the US
- \$2.0 billion in approved PPP dollars
  - 0.6% of the total \$341.6 approved PPP dollars
- \$232,200 average loan amount
  - 1.13 times the average US loan amount of \$205,600
- Ranked 2<sup>nd</sup> to last (after California) for percent of small businesses receiving PPP loan (3.2%)
  - North Dakota ranked first at 15%, US average of 5.4%
  - Compared to Peer States: Arkansas-8.7%, Iowa-10.9%, Kansas-10.3%, Mississippi-8.1%, Utah-7.4%



- 413,000 unemployment claims since mid-March
- Continuous claims of 303,573 a/o May 2, 2020
  - 19.4% estimated unemployment rate
  - 6.4% in March 2020 (3.8% February and January 2020)

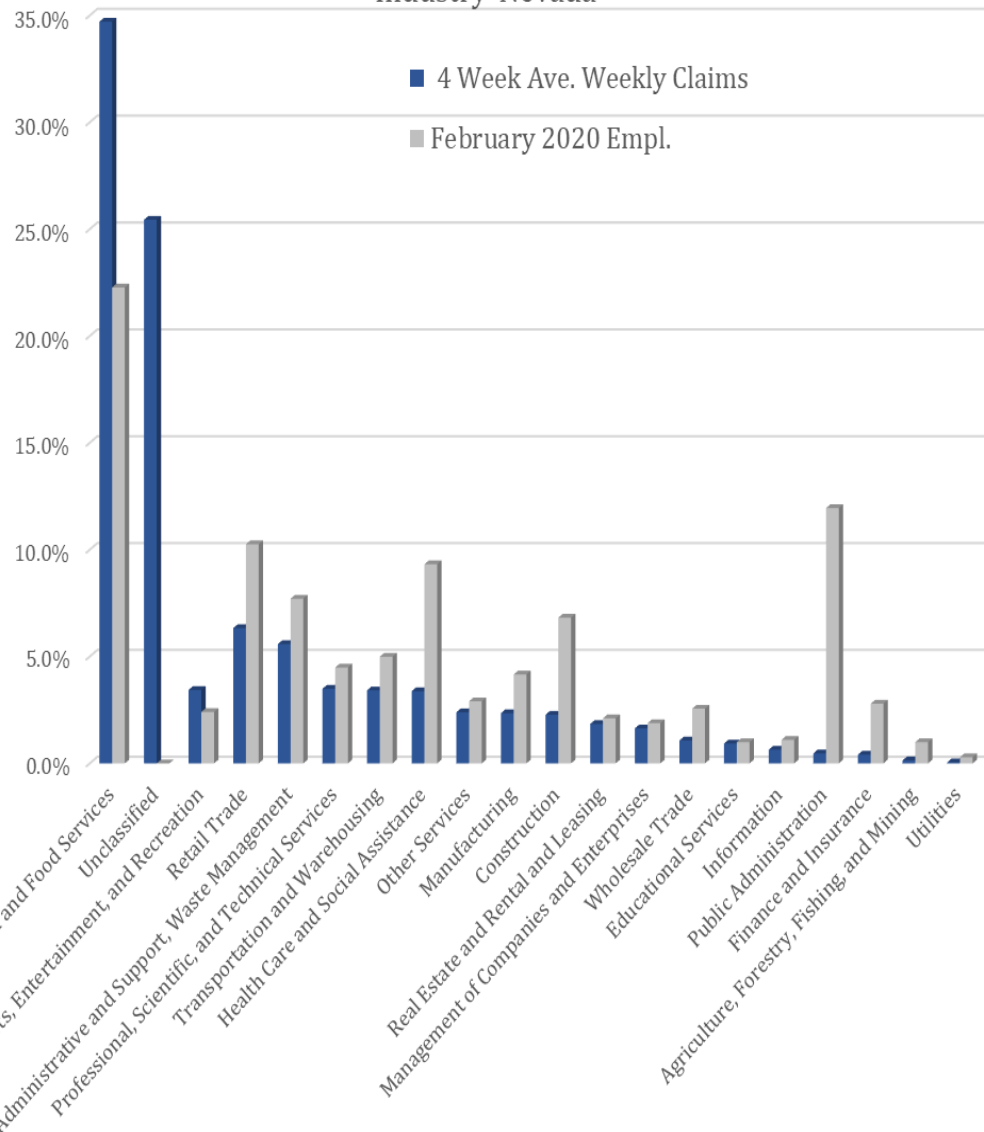
Source: Nevada Department of Employment, Training, and Rehabilitation.

Continuous Claims for Unemployment as % of Labor Force a/o May 2, 2020



Source: Nevada Department of Employment, Training, and Rehabilitation.

% Of Total Employment and Average Claims for Unemployment by Industry-Nevada



Industry	4 Week Ave. Weekly Claims	February 2020 Empl.
Accommodation and Food Services	34.7%	22.3%
Unclassified	25.4%	0.0%
Arts, Entertainment, and Recreation	3.4%	2.4%
Retail Trade	6.3%	10.3%
Administrative and Support, Waste Management	5.6%	7.7%
Professional, Scientific, and Technical Services	3.5%	4.5%
Transportation and Warehousing	3.4%	5.0%
Health Care and Social Assistance	3.4%	9.3%
Other Services	2.4%	2.9%
Manufacturing	2.4%	4.2%
Construction	2.3%	6.8%
Real Estate and Rental and Leasing	1.8%	2.1%
Management of Companies and Enterprises	1.6%	1.9%
Wholesale Trade	1.1%	2.6%
Educational Services	0.9%	1.0%
Information	0.6%	1.1%
Public Administration	0.5%	11.9%
Finance and Insurance	0.4%	2.8%
Agriculture, Forestry, Fishing, and Mining	0.1%	1.0%
Utilities	0.0%	0.3%

## Economic Impacts of COVID-19-Reno-Sparks MSA

- Accommodation
  - \$1 in lost sales=\$1.74 lost in MSA output
  - 1 lost employee=1.55 lost MSA employees
- Food and Beverage
  - \$1 in lost sales=\$1.68 lost in MSA output
  - 1 lost employee=1.33 lost MSA employees
- Construction
  - \$1 in lost sales=\$1.69 lost in MSA output
  - 1 lost employee=1.69 lost MSA employees
- Arts, Entertainment, and Recreation
  - \$1 in lost sales=\$1.67 lost in MSA output
  - 1 lost employee=1.54 lost MSA employees
- Retail (excluding Grocery, Auto, and Home Improvement)
  - \$1 in lost sales=\$1.91 lost in MSA output
  - 1 lost employee=1.44 lost MSA employees





































Source: IMPLAN model for Reno-Sparks MSA, 2018.

## Local Government Funding

- Room tax, gaming tax, and sales tax revenue impacted by closure
- High percentage of General Fund revenue
  - Washoe County: Room Tax 0.1%, Gaming Taxes 0.5%, and Sales Taxes 30%
  - City of Reno: Gaming Taxes 1.8% and Sales Taxes 29%
  - City of Sparks: Gaming Taxes 1.3% and Sales Taxes 30%
- Other impacted sources: state and federal grants, interest, franchise fees, liquor licenses, building and planning, marijuana, etc.

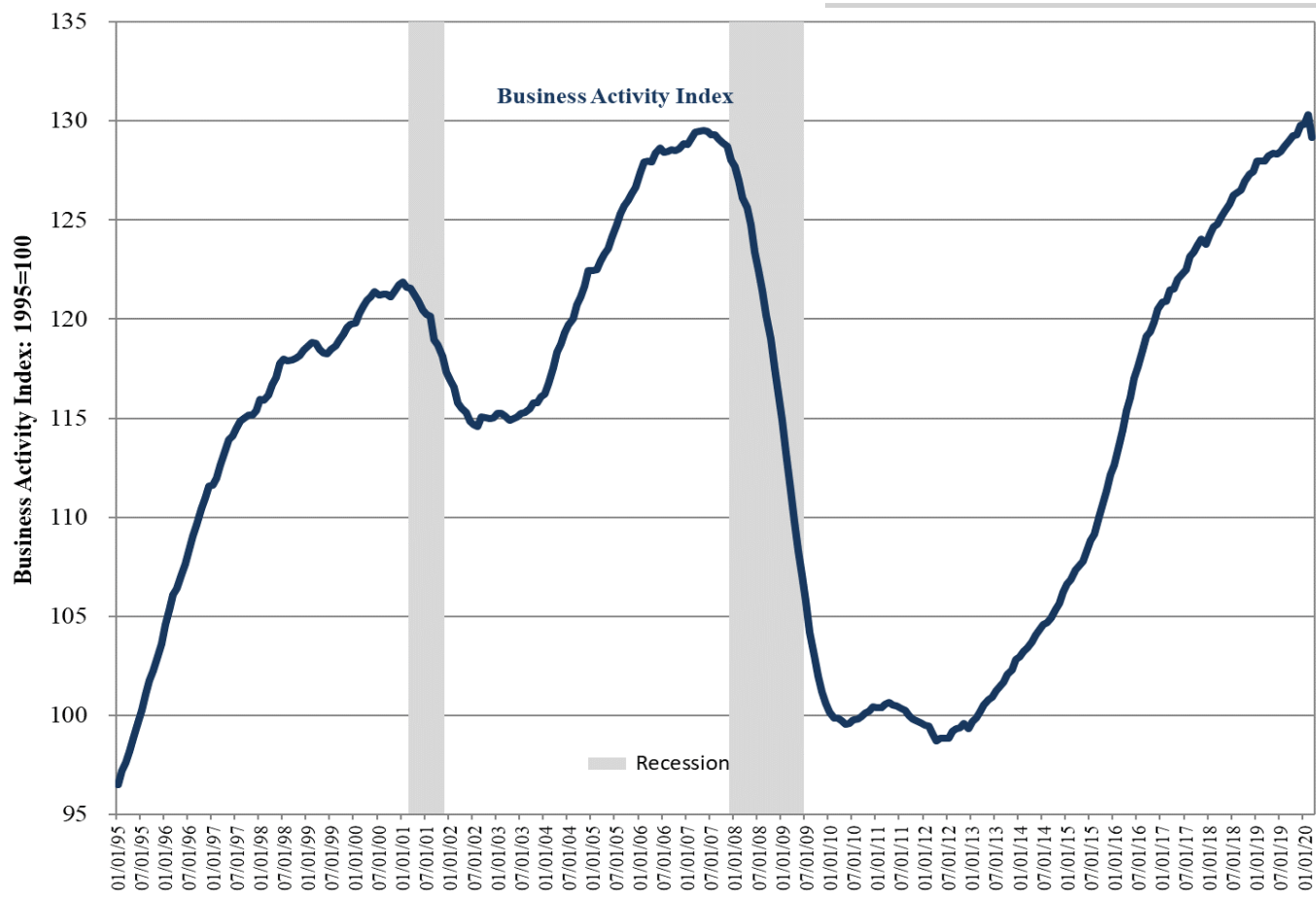
Source: City of Reno, City of Sparks, and Washoe County, analysis by EEC.

### 1Q 2020 Regional Real Estate Activity

	Reno-Sparks	Carson City	Dayton	Fernley
<b>New Home Sales</b>	 <b>447</b>		 <b>24</b>	 <b>34</b>
y-o-y % ch.	 33.8%		 71.4%	 21.4%
<b>New Home Median Sales Price</b>	 <b>\$461,390</b>		 <b>\$330,584</b>	 <b>\$316,887</b>
y-o-y % ch.	 -4.9%		 -1.1%	 12.0%
<b>Existing Home Sales</b>	 <b>1,363</b>	 <b>129</b>	 <b>105</b>	 <b>127</b>
y-o-y % ch.	 13.5%	 10.3%	 31.3%	 11.4%
<b>Existing Home Median Sales Price</b>	 <b>\$395,000</b>	 <b>\$360,000</b>	 <b>\$327,000</b>	 <b>\$275,500</b>
y-o-y % ch.	 9.7%	 9.1%	 10.5%	 5.9%
<b>Single-Family Listings</b>	 <b>1,381</b>	 <b>136</b>	 <b>127</b>	 <b>153</b>
y-o-y % ch.	 -11.0%	 -11.7%	 8.5%	 -2.5%

Source: Center for Regional Studies, UNR.





Series	Latest Period- March 2020	Prev. Period- February 2020	Change Prev. Period	Prev. Year- March 2019	Change Prev. Year
Taxable Sales (Washoe Co., SA, CPI)	458,197,180	458,762,033	-0.12%	441,820,585	3.71%
Taxable Gaming Revenue (Washoe Co., SA, CPI)	41,596,639	43,426,775	-4.21%	43,388,206	-4.13%
CES Employment (Reno MSA, SA)	248,875	248,625	0.10%	244,767	1.68%
Airport Passengers (Reno Tahoe Airport, SA)	358,758	374,459	-4.19%	355,854	0.82%
Airport Cargo Lbs. Shipped (Reno Tahoe Airport, SA)	12,021,714	12,056,248	-0.29%	12,322,240	-2.44%
<b>Business Activity Index Result</b>	<b>129.16</b>	<b>130.30</b>	<b>-0.87%</b>	<b>127.99</b>	<b>0.91%</b>

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.

## Business Outlook

- Secondary impacts in government and construction industries
  - Cuts in public services, increasing taxes
  - Commercial vacancies, lower lease costs
- Difficulty finding employees, increasing wages
  - Declines in labor force participation
- Changes in revenue/cost structures
- Business success factors
  - Flexibility/adaptability, creativity, marketing
  - Employee and customer base
  - Reliable and flexible supply networks
  - Lack of debt, access to short term capital



Questions?