

RENO MSA ECONOMIC OUTLOOK – FEBRUARY 2018

Published April 2018

To answer the demand for economic trend insight and analysis in Northern Nevada, this report summarizes the coincident and leading indexes for the Reno MSA.

Leading Economic Index February 2018

Provides an economic outlook for the region by signaling future movements in the Reno MSA economy over a six to twelve month period.

Coincident Economic Index February 2018

Provides historical and current trends for the Reno MSA economy.

Leading Economic Index											Coincident Economic Index		
0.15% ↑											0.46% ↑		
% Change	Taxable Sales	Taxable Gaming Revenue	# of SF Homes Sold	Airport Passengers	Airport Cargo	Gasoline Sold	Initial Claims for Unemploy.	S&P 500 Index	Interest Rate Spread	M2 Money Supply	% Change	Nonfarm Employment	Household Employment
Month to Month	0.17% ↑	0.41% ↑	0.98% ↑	0.69% ↑	-0.26% ↓	0.26% ↑	-0.41% ↓	4.21% ↑	23.08% ↑	-0.30% ↓	Month to Month	0.44% ↑	0.48% ↑
1.99% ↑											2.84% ↑		
% Change	Taxable Sales	Taxable Gaming Revenue	# of SF Homes Sold	Airport Passengers	Airport Cargo	Gasoline Sold	Initial Claims for Unemploy.	S&P 500 Index	Interest Rate Spread	M2 Money Supply	% Change	Nonfarm Employment	Household Employment
Year to Year	3.27% ↑	2.69% ↑	4.76% ↑	10.04% ↑	-4.74% ↓	3.97% ↑	-2.98% ↓	16.63% ↑	-18.18% ↓	1.95% ↑	Year to Year	2.88% ↑	2.80% ↑

The Reno MSA leading economic index uses a robust econometric approach to determine variables to include in the index and a composite methodology introduced by the Bureau of Economic Analysis of the U.S. Department of Commerce to estimate weights for the selected series. The Reno MSA coincident index is created using the composite methodology introduced by the Department of Commerce and made popular by The Conference Board. All data series are monthly, many are seasonally adjusted using the moving average method, and all series reported in dollar terms are adjusted for inflation. All indexes are based on data starting January 1995, with 1995=100. The following variables are included in each index:

Leading Index

- NV Claims for Unemployment
- WC Gaming Revenue
- WC Single-Family Home Sales
- S&P 500 Index (US)
- WC Taxable Sales
- Interest Rate Spread
- MSA Gasoline Sales
- Money Supply (US)
- RTIA Passengers

Coincident Index

- MSA Nonfarm Employment (CES)
- MSA Household Employment (LAUS)

* MSA-Reno Metropolitan Statistical Area * NV-Nevada * WC-Washoe County * RTIA-Reno Tahoe International Airport

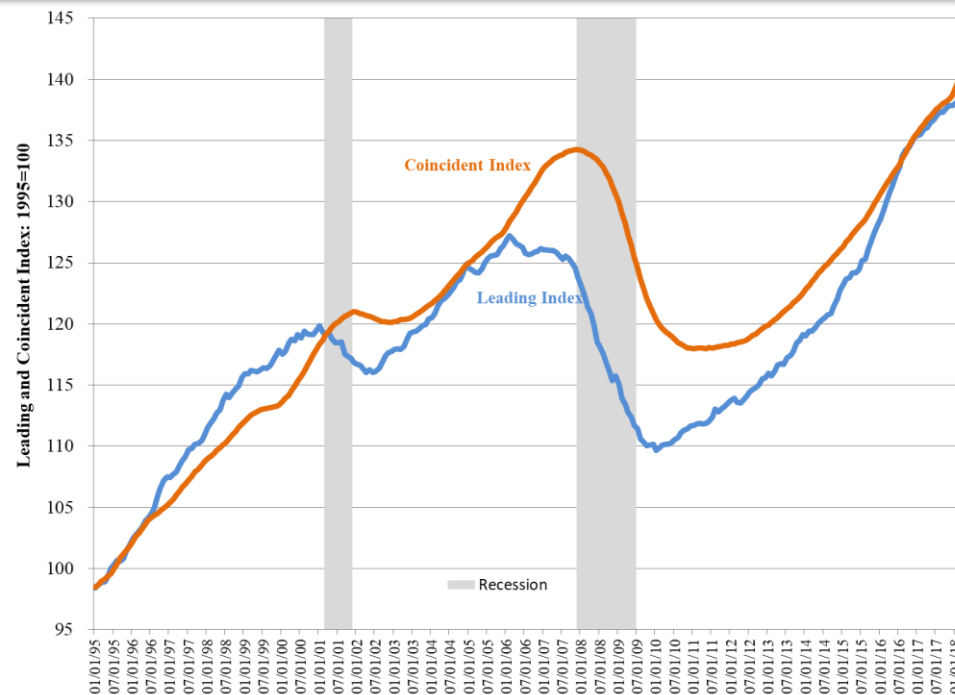
Initial claims for unemployment and interest rate spread series are inversely related to economic growth. An increase in the number of new claims for unemployment would indicate a decline in the economy. Similarly, increases in interest rates slow economic growth as access to capital becomes more expensive.

Reno MSA Leading Index

Reno MSA Leading Index¹ increased between January and February 2018, indicating expected growth in the regional economy over the next 6-12 months.

The RLI shows a 0.15% increase between January and February 2018. The index increased by 1.99% over the same period last year (February 2017 to 2018). This is the fifth month of index increases following a small (0.06%) decline in the index in September 2017. Prior to this decline, the index experienced 27 consecutive months of growth.

Similar to January 2018 a negative change occurred in three series of the index in February. On the national level, the money supply series declined, while the interest rate spread



Series	Latest Period- February 2018	Prev. Period- January 2018	Change Prev. Period	Prev. Year- February 2017	Change Prev. Year
Taxable Sales (Washoe Co., SA, CPI)	429,233,270	428,514,046	0.17%	415,652,815	3.27%
Taxable Gaming Revenue (Washoe Co., SA, CPI)	43,306,275	43,128,413	0.41%	42,170,839	2.69%
# of Single Family Homes Sold (Washoe Co., SA)	750	743	0.98%	716	4.76%
Airport Passengers (RTIA, SA)	338,576	336,262	0.69%	307,670	10.04%
Airport Cargo Lbs. Shipped (RTIA, SA)	12,565,619	12,598,716	-0.26%	13,191,123	-4.74%
Gallons of Gasoline Sold (Washoe & Storey Co., SA)	15,226,026	15,186,911	0.26%	14,645,278	3.97%
Initial Claims for Unemployment (Nevada, SA)	2,552	2,563	-0.41%	2,631	-2.98%
S&P 500 Index (US, CPI)	1,727	1,657	4.21%	1,481	16.63%
Interest Rate Spread (US)	1.44	1.17	23.08%	1.76	-18.18%
M2 Money Supply (US, CPI)	8,481	8,507	-0.30%	8,319	1.95%
Leading Index Result	138.23	138.03	0.15%	135.53	1.99%

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, Nevada Department of Motor Vehicles, Reno-Tahoe International Airport (RTIA).
SA-Series results are seasonally adjusted. CPI-Series results are adjusted for inflation to 1995.

series increased, both changes having a negative impact on the index. The local decline is in the airport cargo pounds shipped series, which has declined in April and every month since June 2017. This is likely due to high increase in shipments in the previous year. This decline may be a cause for concern if it continues after March 2018.

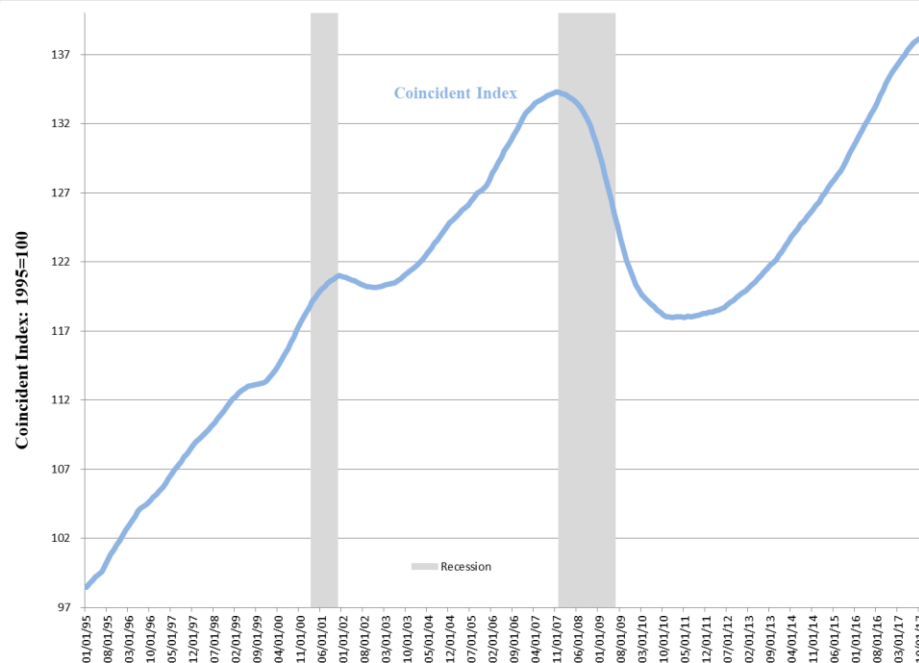
¹ Reno MSA Leading Economic Index (RLI) predicts future changes in the region’s economy by “leading” current economic activity, represented by the coincident index. The Leading Index is based on ten local, regional, and national data series aggregated using a combination of composite and econometric techniques. Due to lags in data availability, taxable sales, airport passengers and cargo, and gasoline gallons sold data are projected for the month ahead and updated when actual data becomes available.

Reno MSA Coincident Index

Reno MSA Coincident Index increased between January and February 2018, as the regional economy continues to expand.

The Reno MSA Coincident Index, which reflects current economic conditions in the region, is based on two indicators: Washoe and Storey County employment from the Current Employment Statistics (CES) series and Local Area Unemployment Statistics (LAUS) series.² Both series are administered by the Bureau of Labor Statistics (BLS).

The index shows a 0.46% increase between January and February 2018, the highest monthly percentage increase in the index since the recession. The index increased by 2.84% between February 2017 and 2018. The Reno MSA coincident index has increased for 79 straight months since August 2011 as employment in the region continues to grow.



Series	Latest Period- February 2018	Prev. Period- January 2018	Change Prev. Period	Prev. Year- February 2017	Change Prev. Year
Reno MSA Employment (CES, SA)	228,275	227,267	0.44%	221,875	2.88%
Reno MSA Employment (LAUS, SA)	227,847	226,767	0.48%	221,641	2.80%
<i>Coincident Index Result</i>	<i>139.89</i>	<i>139.25</i>	<i>0.46%</i>	<i>136.03</i>	<i>2.84%</i>

Source: Current Employment Statistics (CES) and Local Area Unemployment Statistics (LAUS), Bureau of Labor Statistics.
SA-Series results are seasonally adjusted.

² The CES series is based on the establishment-level data, estimates jobs by place of work, and does not include agricultural or self-employed workers. The LAUS series is based on household-level data, estimates employed persons by place of residence, and includes agricultural and self-employed workers. A combination of the two series provides a more accurate picture of the employment situation in the region.