

RENO MSA ECONOMIC OUTLOOK - MAY 2016

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

Important changes to the index: Past versions of the index included a two-month lag. For example, the index issued in May 2016 was based on March 2016 data. This is because two of the variables in the leading index, taxable sales and gasoline sales, are reported at a two-month lag. In order to improve the timeliness of the leading index, these variables will be estimated for the missing month using an average 12-month, year-over-year change for each variable. As a result, leading and coincident indices will now be reported with only one-month lag period.

Leading Economic Index

May 2016

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

May 2016

Provides historical and current trends for the Reno MSA economy.

	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
Month to Month	0.72% ↑	-0.20% ↓	0.85% ↑	0.33% ↑	0.86% ↑	0.08% ↑	-1.72% ↓	1.22% ↑	0.00%	0.22% ↑
	0.54% ↑									
Year to Year	9.98% ↑	2.35% ↑	13.01% ↑	7.56% ↑	12.68% ↑	0.86% ↑	-14.97% ↓	-1.40% ↓	-30.43% ↓	5.64% ↑
	5.69% ↑									

	Nonfarm Employment	Household Employment
Month to Month	0.28% ↑	0.18% ↑
	0.23% ↑	
Year to Year	3.88% ↑	3.30% ↑
	3.57% ↑	

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The Reno MSA leading economic index uses a robust econometric approach to determine variables to include in the index and 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)

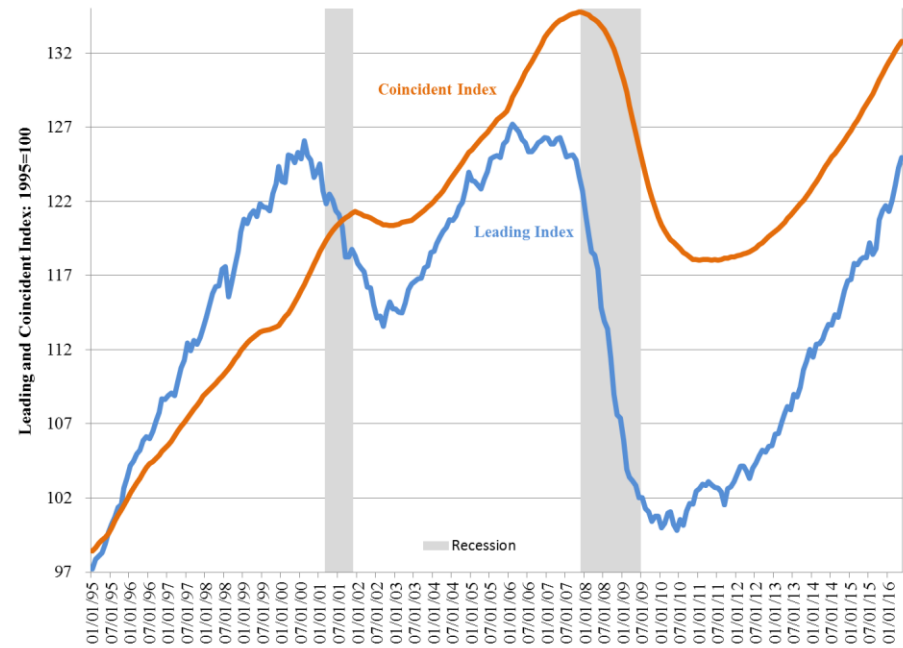
* MSA-Reno Metropolitan Statistical Area * NV-Nevada * WC-Washoe County * RTIA-Reno Tahoe International Airport

It should be noted that two series within the indexes, initial claims for unemployment and interest rate spread are inversely related to economic growth. An increase in the number of new claims for unemployment would indicate a decline in the economy, as is the interest rate, with declining interest rates acting as a stimulus for economic growth.

Reno MSA Leading Index

Reno MSA Leading Index increased between April and May 2016, indicating expected growth in the regional economy over the next 6-12 months. This is the 4th consecutive increase in the monthly index since January 2016.

The 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. As discussed above, the index was revised in June 2016 to allow a one-month, rather than a two-month data lag. The tightening of the lag time, combined with data benchmarking, resulted in historical index results that differ from previous reports. Additionally, cargo information for the Reno-Tahoe International Airport was not available for April and May of 2016 and was estimated for this variable.



Reno MSA Leading Economic Index

Series	Latest Period- May 2016	Prev. Period- April 2016	Change Prev. Period	Prev. Year- May 2015	Change Prev. Year
Taxable Sales (Washoe Co., SA, CPI)	398,233,938	395,399,119	0.72%	362,107,564	9.98%
Taxable Gaming Revenue (Washoe Co., SA, CPI)	41,891,259	41,976,735	-0.20%	40,928,926	2.35%
# of Single Family Homes Sold (Washoe Co., SA)	715	709	0.85%	633	13.01%
Airport Passengers (RTIA, SA)	295,348	294,365	0.33%	274,588	7.56%
Airport Cargo Lbs. Shipped (RTIA, SA)	12,224,736	12,120,440	0.86%	10,848,620	12.68%
Gallons of Gasoline Sold (Washoe & Storey Co., SA)	14,360,604	14,349,521	0.08%	14,238,290	0.86%
Initial Claims for Unemployment (Nevada, SA)	2,871	2,921	-1.72%	3,376	-14.97%
S&P 500 index (US, CPI)	1,331	1,315	1.22%	1,350	-1.40%
Interest Rate Spread (US)	1.44	1.44	0.00%	2.07	-30.43%
M2 Money Supply (US, CPI)	8,076	8,058	0.22%	7,645	5.64%
Leading Index Result	124.95	124.28	0.54%	118.23	5.69%

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.

and May of 2016 and was estimated for this variable.

The RLI shows a 0.54% increase between April and May 2016. The index increased by 5.69% over the same period last year (May 2015 to 2016). This is a continuation of the period of growth enjoyed by the region in the recent years and provides a positive outlook for future growth in the region over the next six to twelve months.

Reno MSA Coincident Index

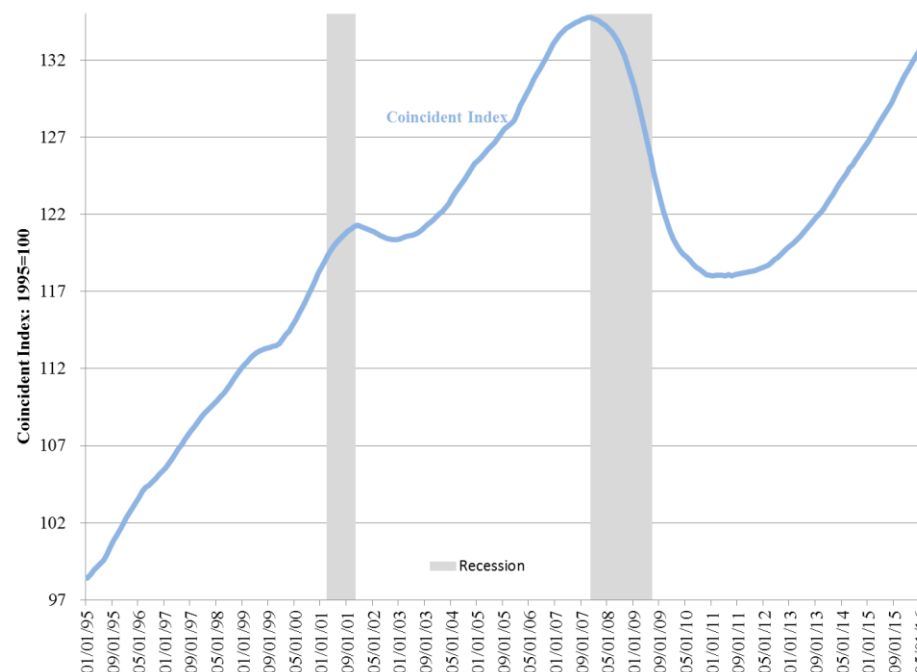
Reno MSA Coincident Index increased between April and May 2016, as the regional economy continues to expand.

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. Both series are administered by the Bureau of Labor Statistics (BLS).

Note that in April 2016 BLS revised the LAUS series data going back to 2010, due to normal benchmarking routines. As a result, some of the historical values of this coincident index may have changed.

The index shows a 0.23% increase between April and May 2016, the latest data available for both series. The index increased by 3.57% between May 2015 and May 2016.

The Reno MSA coincident index has increase for 58-straight months since August 2011.



Reno MSA Coincident Economic Index

Series	Latest Period-	Previous Period-	Change	Previous Year-	Change
	May 2016	April 2016		Previous	
Reno MSA Employment (CES, SA)	213,683	213,083	0.28%	205,700	3.88%
Reno MSA Employment (LAUS, SA)	218,291	217,899	0.18%	211,319	3.30%
Coincident Index Result	132.80	132.50	0.23%	128.22	3.57%

Source: Current Employment Statistics (CES) and Local Area Unemployment Statistics (LAUS), Bureau of Labor Statistics.

SA-Series results are seasonally adjusted.