Nevada Retail Sales Expected to Increase 5.2 Percent in 2013

National predictions slightly less optimistic

The Retail Association of Nevada (RAN) forecasts retail sales in the state will increase 5.2 percent in 2013. The expected growth is slightly more modest than the preliminary 7.3-percent increase witnessed in 2012. However, it is more optimistic than the 3.4 percent forecasted nationally by the National Retail Federation.*

RAN President Mary Lau noted, “We witnessed strong growth in retail sales throughout the state in 2012, with the preliminary growth rate coming in 3.1-percentage-points higher than 2011’s 4.2 percent increase. Many economic indicators affecting retail sales have shown significant improvements in the last year, and we expect these trends to continue in 2013.”

The state unemployment rate fell to 10.2 percent by the end of the year (seasonally adjusted), the lowest it has been in four years. Initial unemployment insurance claims for the state also declined, falling 6.2 percent to 218,800. In addition, the state is witnessing increased visitor spending, with Las Vegas reporting record visitation of approximately 39.6 million; it will most likely report record visitor spending in 2012. Total taxable sales (including all taxable sales categories, not just traditional consumer retail) for the state increased 6.4 percent compared to last year and have witnessed year-over-year increases for 29 consecutive months.

Lau continued, “Consumers are seeing these positive signs and increasing their willingness to spend as a result. The Consumer Confidence Index reported year-over-year increases for ten consecutive months last year and even reported an increase of 78.9 percent in October (73.1 versus 40.9 in the same month in 2011). However, with so much uncertainty surrounding the fiscal situation, consumer confidence lost a significant amount of momentum by December 2012, reporting only a 0.5-percent increase year-over-year (65.1
versus 64.8 in December 2011). Consumers may have been reacting to the prospect of lower take-home pay going forward and thus lower disposable income as a result of the increase in payroll taxes.”

It is important to note that according to the Bureau of Economic Analysis, gross domestic product (GDP) reported an annual growth rate of negative 0.1 percent for the fourth quarter of 2012. While not expected, if the United States were to enter another recession due to continued uncertainty about the fiscal situation, it would negatively impact consumer confidence and retail sales growth.

*Note that generally, both nationally and in Nevada, retail sales forecasts include traditional consumer retail categories such as department stores, general merchandise stores, furniture, grocery and clothing sales (and exclude other types of taxable sales that comprise “total taxable retail sales” in Nevada, such as those reported in the construction or manufacturing sectors, as well as restaurants and bars, Nevada’s largest single category). There are slight differences between categories included in the NRF forecast compared to RAN’s forecast, such as automobile sales, which are excluded from NRF’s forecast but included in RAN’s.

Source: Applied Analysis, historical data obtained from the Nevada Department of Taxation