

Law Enforcement Industry

May 13, 2021

Adjusted NICS Checks Flat in April

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Adjusted National Instant Criminal Background Check System (NICS) firearm background checks were flat in April. Total checks increased 21% versus April of 2020, but checks excluding new permits and permit renewals, a proxy for firearm purchases, were flat in April, a continuing deceleration in growth from the past twelve months. Comps will remain difficult over the coming months.

The National Instant Criminal Background Check System (NICS) was created to comply with The Brady Handgun Violence Prevention Act of 1993. The Act requires the FBI to check whether prospective firearms or explosives buyers' names and birth years match entries in federal databases of persons prohibited from buying firearms. Total NICS checks include requests for permits and permit renewals, and excluding these two categories, or adjusted NICS checks, provides a proxy for gun purchases in the U.S.

Adjusted NICS checks accelerated beginning March of 2020 and the year-over-year growth rate peaked in June of 2020 at 136%. The growth rate in July 2020 was 123%, and for the next four months, the growth in NICS checks averaged 54%. The growth rate in December 2020 was less than half the rate of the previous four months, rebounded in January 2021 and decelerated again in February 2021. In March of 2021, adjusted checks declined 14% versus March of 2020, the first monthly year-over-year decline in almost two years. In April of 2021, adjusted checks were flat versus April of 2020.

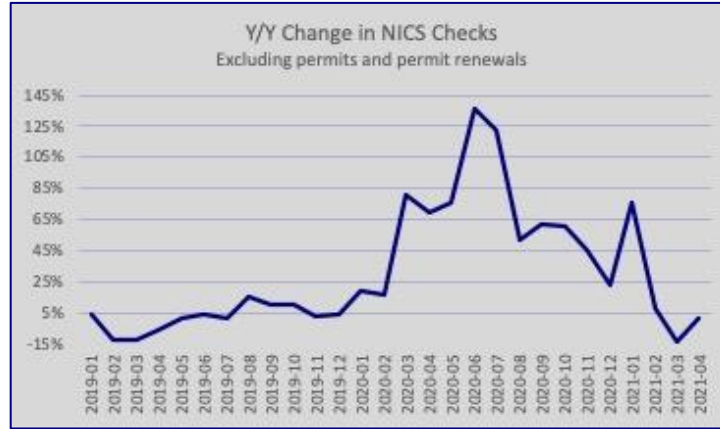
To adjust for the abnormal seasonal pattern from December of 2020 through March of 2021, we compare trailing 3-month adjusted requests. For the three months ending April 2021, adjusted NICS requests were down 4.2% over the same period a year ago. This is the first year-over-year decline of 3-month trailing adjusted NICS checks since June of 2019 and the rate is down substantially from the past twelve months. In 2020, Q1 growth was 42%, Q2 was 93%, Q3 was 75%, and Q4 was 41%. Comps will be very difficult through the end of this year.

In our opinion, there are five driving factors for the sharp increase in NICS checks: 1) checks were down 16% from the end of 2016 through the end of 2019 and the subsequent increase is a reversion to the mean. Catalysts for that reversion include: 2) the uncertainty created by the pandemic; 3) the wave of riots and violence and increased crime in many U.S. cities in 2020 and this year; and 4) uncertainty over firearm regulations. 5) Pressure on police budgets.

As the pandemic continues to wane, so, too, could demand for firearms. However, hostility to police budgets, ambivalent attitudes towards organized public disturbances, and increased proposals for restrictions on firearms will likely mitigate some of this diminution in growth. In our opinion, the public desires a certain level of safety and will satisfy that desire with some combination of publicly and privately provided goods and services. That is, if publicly provided safety declines relative to the amount desired, privately provided safety will increase. And vice versa.

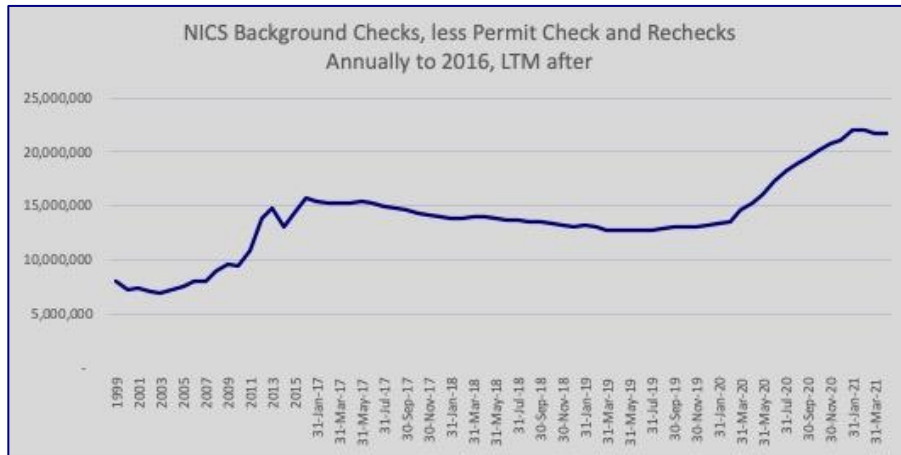
The National Instant Criminal Background Check System (NICS) provides a proxy for firearm sales. The Brady Handgun Violence Prevention Act of 1993 requires the FBI to check whether prospective firearms or explosives buyers' names and birth years match entries in federal databases of 1) criminal histories in the Interstate Identification Index (III); 2) wanted persons, subjects of protection orders, and other persons who may pose a threat to officer and public safety in the National Crime Information Center (NCIC) database; 3) persons prohibited from possessing or receiving a firearm in the NICS Indices; and 4) non-U.S. citizens attempting to receive firearms.

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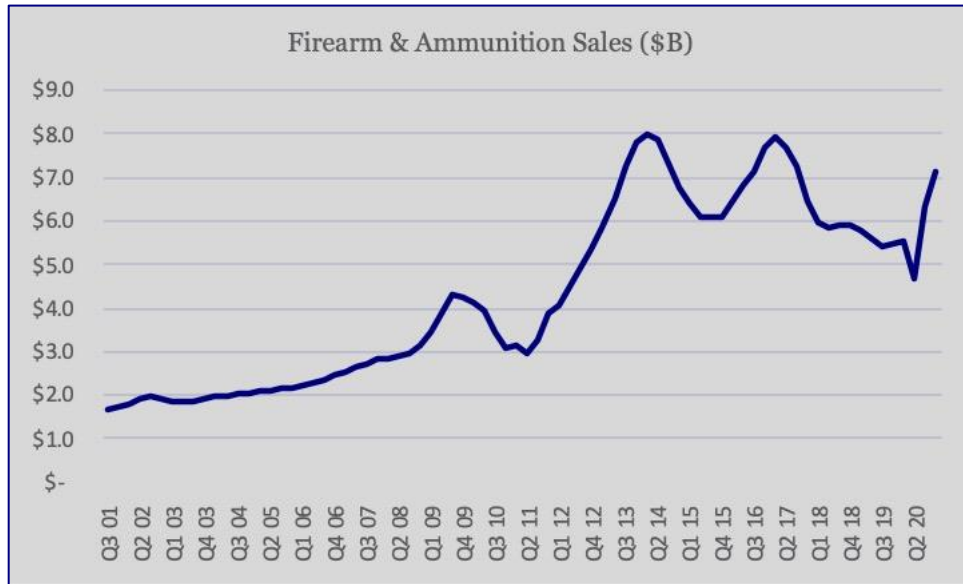
Source: "NICS Firearm Background Checks: Month and Year by State and Type," www.fbi.gov/services/cjis/nics

From 1999 through 2008, background checks (less permits and renewals) increased at a 1.3% compound annual rate. From 2008 through 2016, checks grew at a 7.3% compound annual rate. From the end of 2016 through 2019, the number of checks fell at a 5.8% annual rate. For 2020, background checks (excluding permits and renewals) were 21.1 million, 60% higher than the 13.2 million checks processed in 2019. In April of 2021, LTM adjusted checks were 21.7 million, flat with the LTM adjusted checks in March 2021 and down from the peak level of 22.0 million achieved in January 2021.



Source: "NICS Firearm Background Checks: Month and Year by State and Type," www.fbi.gov/services/cjis/nics

The increase in adjusted NICS checks as a proxy for firearm and ammunition sales is verified by excise tax data. Using U.S. Treasury Alcohol and Tobacco Tax and Trade Bureau excise tax collection data, wholesale firearm and ammunition sales grew at a 7.2% compound annual rate from 2000 through 2008, 12% from 2008 to 2016, fell at a 15% compound rate from 2016 through June of 2020 and rose over 50% in the second half of 2020.



Source U.S. Treasury, Alcohol and Tobacco Tax and Trade Bureau, Statistical Release, www.ttb.gov/tax-audit/tax-collections and Dawson James Securities estimates.

Within the continental United States, adjusted checks for the three months ending April 2021 were strong in New Jersey, Massachusetts, Michigan, Minnesota, Maryland and Pennsylvania.

NICS Background Checks (excluding new and renewal permits)
by State and Territory

State/Territory	3 Mos. Ending Apr. 2020	3 Mos. Ending Apr. 2021	Change	Percent Change
Puerto Rico	2,778	16,546	13,768	496%
Virgin Islands	61	160	99	162%
District of Columbia	474	1,239	765	161%
Hawaii	5	13	8	160%
New Jersey	28,542	69,891	41,349	145%
Mariana Islands	29	62	33	114%
Guam	738	1,068	330	45%
Massachusetts	28,461	40,478	12,017	42%
Michigan	151,223	181,559	30,336	20%
Minnesota	88,611	106,155	17,544	20%
Maryland	48,970	56,063	7,093	14%
Pennsylvania	244,022	274,739	30,717	13%
Delaware	17,146	18,610	1,464	9%
New Mexico	51,260	54,933	3,673	7%
Alaska	23,516	25,191	1,675	7%
South Dakota	26,502	28,048	1,546	6%
Louisiana	93,123	97,319	4,196	5%
Montana	37,307	38,949	1,642	4%
New York	103,849	107,287	3,438	3%
North Dakota	20,138	20,782	644	3%
Alabama	155,026	158,051	3,025	2%
Washington	145,599	148,110	2,511	2%
California	298,672	302,917	4,245	1%
Idaho	52,465	53,133	668	1%
Wyoming	21,488	21,605	117	1%
Wisconsin	135,208	135,382	174	0%
Maine	32,889	32,703	(186)	-1%
Tennessee	186,723	185,613	(1,110)	-1%

State/Territory	3 Mos. Ending Apr. 2020	3 Mos. Ending Apr. 2021	Change	Percent Change
Rhode Island	12,754	12,588	(166)	-1%
Mississippi	83,409	80,502	(2,907)	-3%
Illinois	140,030	135,024	(5,006)	-4%
Totals	5,347,450	5,125,330	(222,120)	-4%
Florida	396,913	376,332	(20,581)	-5%
South Carolina	96,864	91,559	(5,305)	-5%
Missouri	174,782	164,676	(10,106)	-6%
Connecticut	37,710	35,461	(2,249)	-6%
Indiana	168,236	156,484	(11,752)	-7%
Colorado	156,350	144,697	(11,653)	-7%
Vermont	16,283	14,813	(1,470)	-9%
Kansas	63,595	57,750	(5,845)	-9%
Georgia	152,597	138,379	(14,218)	-9%
New Hampshire	43,927	39,571	(4,356)	-10%
Nebraska	8,492	7,556	(936)	-11%
Arkansas	72,963	64,908	(8,055)	-11%
Oklahoma	118,947	105,617	(13,330)	-11%
Utah	51,317	44,809	(6,508)	-13%
West Virginia	64,183	54,591	(9,592)	-15%
North Carolina	94,715	80,473	(14,242)	-15%
Nevada	48,565	41,124	(7,441)	-15%
Ohio	215,428	181,191	(34,237)	-16%
Arizona	161,160	135,391	(25,769)	-16%
Virginia	213,507	178,377	(35,130)	-16%
Kentucky	119,330	98,635	(20,695)	-17%
Iowa	12,931	10,625	(2,306)	-18%
Oregon	119,035	96,533	(22,502)	-19%
Texas	508,602	401,058	(107,544)	-21%

Source: "NICS Firearm Background Checks: Month and Year by State and Type," www.fbi.gov/services/cjis/nics

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