

Law Enforcement Industry

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Adjusted NICS Checks Decline in May

James McIlree, CFA
561-237-2709
jmcilree@dawsonjames.com

Adjusted National Instant Criminal Background Check System (NICS) firearm background checks declined in May versus a year ago. Total checks increased 5% versus May of 2020, but checks excluding new permits and permit renewals, a proxy for firearm purchases, declined 17% in May, 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. 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, and in May, adjusted checks fell 17% versus May 2020.

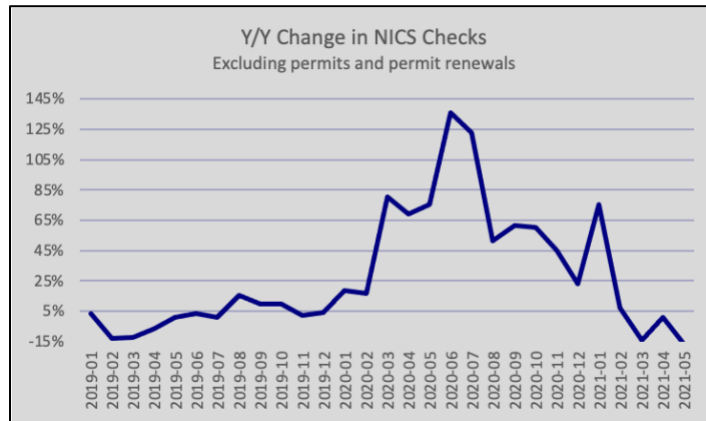
To adjust for the abnormal seasonal pattern from December of 2020 through March of 2021, we compare trailing 3-month adjusted requests. For the three months ending May 2021, adjusted NICS requests were down 10.4% over the same period a year ago. April was the first year-over-year decline of 3-month trailing adjusted NICS checks since June of 2019 and the rate fell even further in May. In 2020, Q1 growth was 42%, Q2 was 93%, Q3 was 75%, and Q4 was 41%. This year, Q1 growth was 13%, and for the first two months of Q2, the rate of adjusted checks fell 7%. 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 in 2020: 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 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.

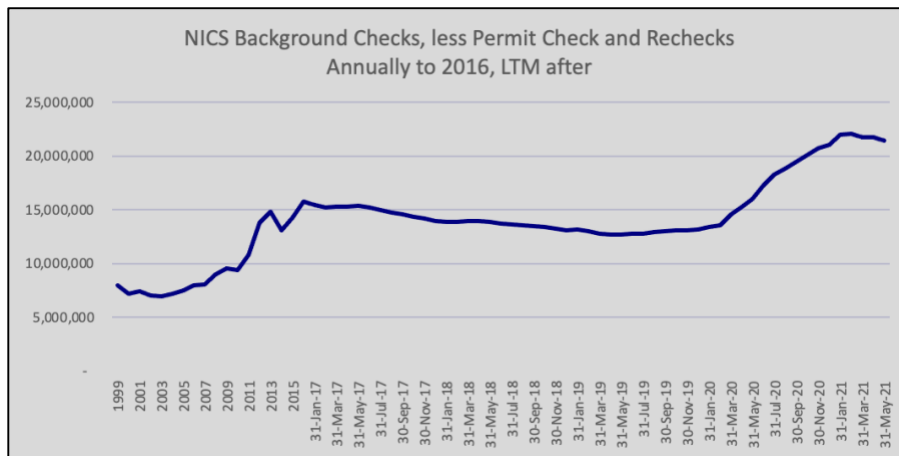
The National Instant Criminal Background Check System (NICS) provides a proxy for firearm sales. The Brady Handgun Violence Prevention Act of 1993 requires the FBI to check whether prospective firearms or explosives buyers' names and birth years match entries in federal databases of 1) criminal histories 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. 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.

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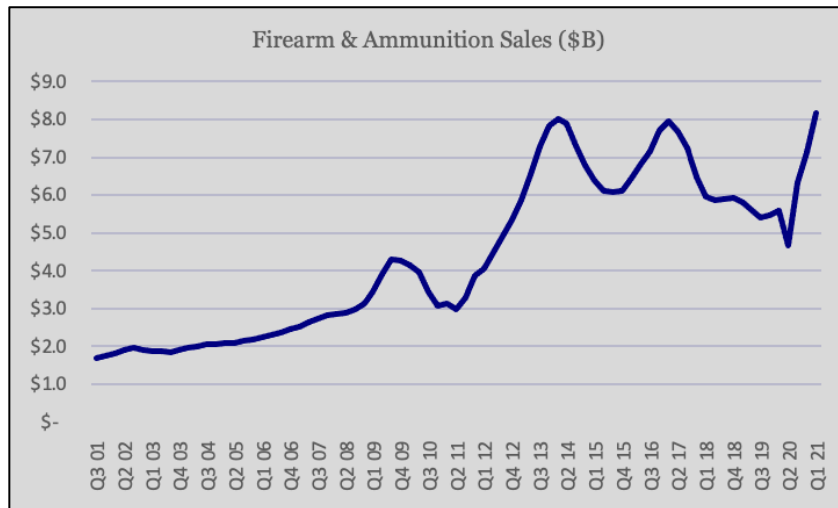
Source: "NICS Firearm Background Checks: Month and Year by State and Type," www.fbi.gov/services/cjis/nics

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 May of 2021, LTM adjusted checks were 21.5 million, down 1% versus the LTM adjusted checks in April 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. Q1 21 firearm and ammunition excise taxes were up 72% over the March 2020 level and up 10% over Q4 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 May 2021 were up over 10% in only New Jersey, Massachusetts, and Minnesota. Adjusted checks were down in 40 states.

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

State/Territory	3 Mos. Ending May 2020	3 Mos. Ending May 2021	Change	Percent Change
Puerto Rico	2,483	19,371	16,888	680%
Virgin Islands	34	156	122	359%
Hawaii	5	16	11	220%
District of Columbia	451	1,233	782	173%
Mariana Islands	27	68	41	152%
New Jersey	29,675	69,560	39,885	134%
Guam	827	1,146	319	39%
Massachusetts	28,884	38,765	9,881	34%
Minnesota	93,638	103,504	9,866	11%
Pennsylvania	247,765	265,122	17,357	7%
Connecticut	34,975	37,217	2,242	6%
Maryland	51,567	54,358	2,791	5%
New York	100,681	105,323	4,642	5%
Delaware	17,771	18,588	817	5%
New Mexico	53,817	53,738	(79)	0%
South Dakota	26,102	25,867	(235)	-1%
North Dakota	20,961	20,452	(509)	-2%
Louisiana	102,235	99,218	(3,017)	-3%
Alaska	26,809	25,578	(1,231)	-5%
Alabama	161,848	154,028	(7,820)	-5%
Tennessee	195,349	183,994	(11,355)	-6%
Montana	41,984	39,540	(2,444)	-6%
Wyoming	22,665	21,274	(1,391)	-6%
Wisconsin	142,824	133,475	(9,349)	-7%
Illinois	144,532	134,423	(10,109)	-7%
Michigan	190,094	176,221	(13,873)	-7%
California	322,119	298,594	(23,525)	-7%
Washington	157,690	143,527	(14,163)	-9%
Mississippi	89,986	81,836	(8,150)	-9%
Maine	35,406	32,152	(3,254)	-9%
Florida	411,025	369,897	(41,128)	-10%
Idaho	57,697	51,814	(5,883)	-10%
Totals	5,649,117	5,062,673	(586,444)	-10%
Missouri	183,515	163,104	(20,411)	-11%
Indiana	173,573	150,885	(22,688)	-13%
Oklahoma	121,328	105,083	(16,245)	-13%
Colorado	168,158	144,080	(24,078)	-14%
Arkansas	76,689	65,605	(11,084)	-14%
Kansas	65,556	55,981	(9,575)	-15%
Rhode Island	13,389	11,238	(2,151)	-16%
Virginia	205,896	172,167	(33,729)	-16%
South Carolina	105,573	88,242	(17,331)	-16%
Nebraska	8,650	7,177	(1,473)	-17%
Vermont	17,614	14,490	(3,124)	-18%
New Hampshire	46,696	38,185	(8,511)	-18%
Georgia	170,738	138,031	(32,707)	-19%
Texas	534,657	423,849	(110,808)	-21%
West Virginia	66,050	51,358	(14,692)	-22%
North Carolina	98,404	76,492	(21,912)	-22%
Iowa	13,432	10,412	(3,020)	-22%
Ohio	225,730	174,309	(51,421)	-23%
Utah	56,475	43,442	(13,033)	-23%
Kentucky	125,665	96,190	(29,475)	-23%
Arizona	176,723	134,463	(42,260)	-24%
Oregon	127,840	96,591	(31,249)	-24%
Nevada	54,840	41,244	(13,596)	-25%

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

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