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Local Businesses Report Higher Confidence, but Finding Qualified Workers Proves Difficult

The Southern Nevada Business Confidence Index, constructed by the Center for Business and Economic Research (CBER) at the University of Nevada, Las Vegas (UNLV), increased slightly by 0.7 percent from 147.1 in the second quarter to 148.1 in the third quarter of 2018 (Figure 1). The index reached the same level in 2015Q1, its highest level since CBER started reporting this index. The index's value also strongly exceeds its level from last year in the third quarter (i.e., 136.5). The index shows that business leaders in Southern Nevada remain confident on the short-term future of the local economy as the index increased for each of the last three quarters. The index includes five components: business expectations of (i) general economic conditions in Nevada, (ii) sales, (iii) profits, (iv) hiring, and (v) capital expenditure. The index remains above 100, which implies that respondents, on average, feel more positive than negative about the five components. Overall, respondents reported highly optimistic outlooks on the five components as they all exceeded 100 by significant margins. The index values for business expectations of Nevada economic conditions, sales, profits, capital expenditure, and hiring scored 163.2, 147.9, 147.4, 144.3, and 137.9, respectively.

Expectations for the U.S. and Nevada Economies

Southern Nevada business leaders expressed a less favorable economic outlook for Nevada compared to last quarter (i.e., 163.2 vs. 169.4). The index value, however, rose by 3.3 percent from last year. When asked about the Nevada economy, 68.4 percent of the respondents expected a better economy, while only 5.3 percent expected a worse economy. The remaining 26.3 percent forecasted no change.

Local business leaders reported a highly favorable economic outlook for the United States, as the index value (i.e., 153.2) surged by 10.7 and 11.3 percent, respectively, quarter-over-quarter and year-over-year. This favorable national outlook still falls below the outlook for the Nevada economy, however. This record high level of the index value may reflect recent favorable economic indicators and the summit between President Trump and Kim Jong Un, which occurred during the survey period, despite the uncertainty due to a potential trade war and interest rate hikes by the Fed. When asked about the U.S. economy, 66.3 percent of respondents projected an improved economy, 21.1 percent expected no change, and 12.6 projected a worse economy.

Expectations for Sales

The index value for expectations on sales decreased by 2.7 percent quarter-over-quarter from 152.0 to 147.9. The value, however, remained relatively flat year-over-year, up by 0.05 percent. When asked about sales, 61.5 percent of respondents expected increased sales in their industry compared to 13.5 percent who expected decreased sales. The remaining 25.0 percent projected no change.

Expectations for Profits

The local business leaders expressed a record-high level of optimism for profits. The index value for expectations on profits experienced both quarterly and yearly increases, up by 0.3 and 10.2 percent

respectively. When asked about profits, 60.0 percent of the respondents forecasted increased profits in their industry, 27.4 percent expected no change, and 12.6 percent forecasted decreased profits.

Expectations for Capital Expenditure

The survey shows that more local businesses expect growth in capital expenditure in their industry compared to last quarter and last year. In addition, the index value reached its highest level since the Great Recession. The value for expectations on capital expenditure jumped by 6.3 and 15.2 percent, respectively, from last quarter and last year. Specifically, about half of respondents (50.5 percent) predicted an increase in capital expenditure in their industry, while only 6.2 percent projected a decrease. The remaining 43.3 percent expected no change.

Expectations for Hiring

The expectations for hiring by local businesses rebounded after two consecutive quarters of declines. Expectations rose by 4.8 and 17.1 percent, respectively, quarter-over-quarter and year-over-year. In comparison to the last survey, the current survey shows that local businesses face growing difficulty in finding qualified workers. This implies that the Southern Nevada labor market is tight and that wage growth should accelerate. When asked about hiring in their own industry, 49.5 percent of the respondents projected an increase, 38.9 percent expected no change, and 11.6 percent projected a decrease.

CBER conducts the survey of Southern Nevada businesses on a quarterly basis. The complete results of the most current survey can be found online at <http://cber.unlv.edu/publications/2018Q3BCI.pdf>. The CBER website is <http://cber.unlv.edu>.

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Figure 1. CBER's Southern Nevada Business Confidence Index

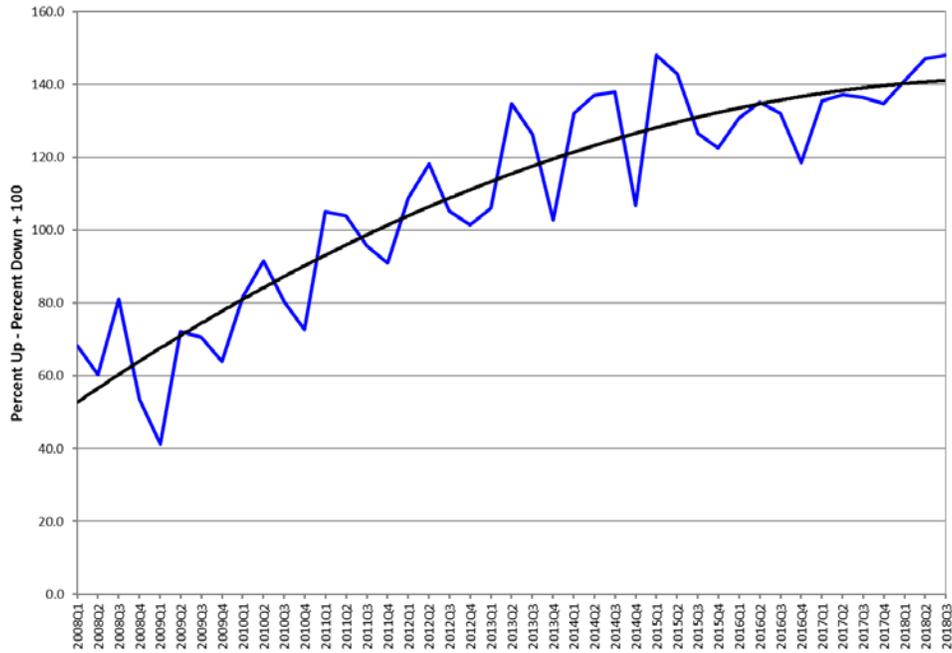
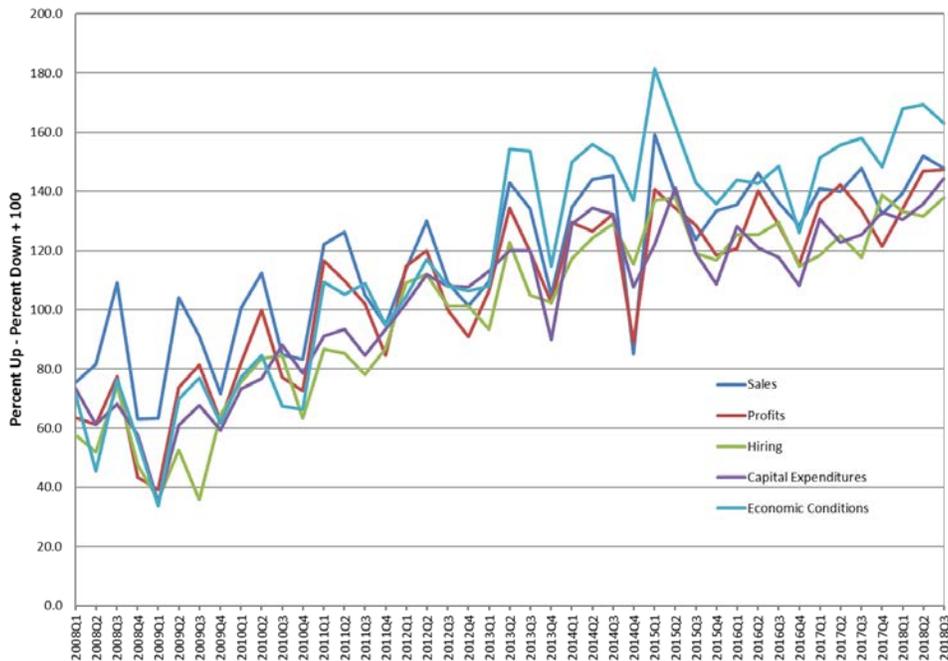


Figure 2. Components of CBER's Southern Nevada Business Confidence Index



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