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Despite a Drop in Expectations, CBER's Southern Nevada Business Index Shows Optimism

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After two straight quarters of growth, Southern Nevada businesses' expectations have dampened slightly. For third quarter 2012, CBER's Southern Nevada Business Confidence Index declined from 118.2 to 105.26 (Figure 1). The index contains five components: general economic conditions in Nevada, sales, profits, hiring, and capital expenditures. Despite the decline in third quarter, the index remains over 100. This value implies that more respondents, on average, gave positive answers than negative when presented with questions on the above areas.

Four of the components were over 100 for third quarter 2012 (Figure 2). The values for general economic conditions, sales, hiring, and capital expenditures were 107.89, 109.21, 101.32, and 107.89, respectively. The value for profits was exactly 100, suggesting that most respondents expected no change for the quarter.

Although each component of the index decreased for third quarter, the largest decreases occurred in sales, profits, and hiring. When asked about sales in their own industry, 53.9 percent of Southern Nevada businesses expected no change, 18.4 percent expected a worsening, and 27.7 percent expected an improvement. For profits, 44.8 percent expected no change, and the remaining 55.2 percent were exactly split between increased and decreased profits. Responses to hiring expectations were similar, with 69.3 percent expecting no change, 14.7 expecting a decline, and 16.0 percent expecting an increase.

When asked about capital expenditures and general economic conditions, Southern Nevada businesses were more optimistic. Just over 21 percent expected an increase in capital expenditures for their industry, compared to only 13.5 percent that expected declines. The remaining 64.9 percent expected no change. For the general economic conditions of Nevada, 56.7 percent expected no change, 17.6 percent expected worsening, and 25.7 forecasted an improved state.

The Center for Business and Economic Research (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/bci.pdf>. The CBER website is <http://cber.unlv.edu>.

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Figure 1. CBER's Southern Nevada Business Confidence Index

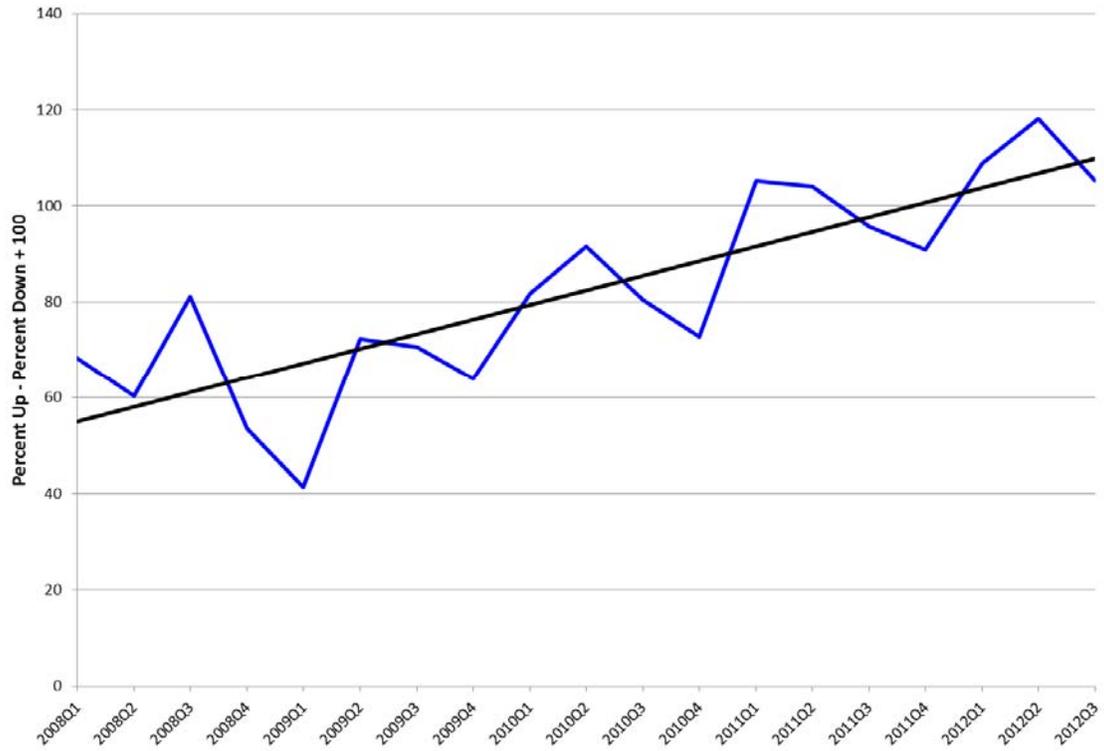


Figure 2. Components of CBER's Southern Nevada Business Confidence Index

