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Southern Nevada Business Confidence Surged with Favorable U.S. Outlook

The Southern Nevada Business Confidence Index, constructed by the Center for Business and Economic Research (CBER) at the University of Nevada, Las Vegas (UNLV), surged by 14.3 percent from 118.6 in the fourth quarter of 2016 to 135.5 in the first quarter in 2017 (Figure 1). The gain perhaps reflects a seasonal “New Year” effect, as every first quarter’s index scores higher than its previous quarter’s. The index includes five components: business expectations of (i) general economic conditions in Nevada, (ii) sales, (iii) profits, (iv) hiring, and (v) capital expenditures. The index remains above 100, which implies that respondents, on average, feel more positive than negative about the five components. All the components except for hiring jumped remarkably from a quarter ago and were up year-over-year. Hiring was the only component that experienced a loss from a year ago. Southern Nevada business leaders reported positive attitudes as the components of the index all remained well above 100. The index values for business expectations of economic conditions, sales, profits, capital expenditure, and hiring scored 151.3, 141.0, 135.9, 130.8, and 118.4, respectively.¹

Expectations for the U.S. and Nevada Economies

Local business leaders expressed much optimism about both the local and the U.S. economies when asked about their expectations for general economic conditions in the first quarter of 2017. The surge in expectations on the economic conditions probably not only reflects a “New Year” effect but also business executives’ hope for the new Congress and new administration. Respondents showed the highest expectation on general economic conditions for Nevada relative to other four components, with a score of 151.3. General economic conditions for Nevada increased 20.0 and 5.1 percent, respectively, compared to a quarter and a year ago. Fifty-nine percent of respondents expected an improving economy, while only 7.7 percent expected a worsening, and 33.3 percent forecasted no change.

Nevada business leaders showed higher expectations for the U.S. economy relative to Nevada, the first time that this has occurred since the Nevada economy started recovering from the previous recession in 2011. The U.S. economic condition index scored 152.6, which increased substantially by 39.3 and 30.8 percent, respectively, from last quarter and last year. When asked about the U.S. economy, about two-thirds of business leaders expected improvement, 21.1 expected no change, and 13.2 percent expected weakening.

Expectations for Sales

The 12-year high in consumer confidence may explain the positive upsurge of the sales index. The index value for expectations on sales increased by 9.8 and 4.0 percent compared to last quarter and last year.

Note: When reporting percentage responses, totals may not add to 100 because of rounding.

¹The index equals the average of its five components. Each component is calculated as follows: add 100 to the difference between the percentages of positive and negative responses. Thus, for example, if the index for the economic conditions component equals 151.3, then this means that 51.3 percent more respondents exhibit a positive attitude (59.0 percent) than those that exhibit a negative attitude (7.7 percent).

When asked about sales in their own industry, 56.4 percent of respondents expected an increase in sales, 28.2 percent expected no change, and 15.4 percent expected a decline.

Expectations for Profits

The Southern Nevada business leaders forecasted an increase in their profits in the first quarter of 2017, compared to the fourth quarter of 2016. The index value for expectations on profits increased by 17.8 percent to 135.9, 12.6 percent higher than the index from last year. Slightly more than half (51.3 percent) of the respondents projected increased profits, while only 15.4 percent projected worsened profits in their industry compared to last quarter. The remaining 33.3 percent expected no change.

Expectations for Capital Expenditure

The expectations on capital expenditure finally rebounded after three consecutive quarters of declines. The capital expenditure index jumped the most by 20.8 percent quarter-over-quarter to 130.8, while rising 2.1 percent above its level from last year. When asked about capital expenditure, 43.6 percent of the respondents forecasted increases for their industry compared to 12.8 percent who expected decreases. Nearly 44 percent (43.6) percent of survey respondents expected no change.

Expectations for Hiring

The index value for expectations on hiring scored the lowest among the five components at 118.4. The hiring index is also the only component that experienced a loss from last year, decreasing by 5.5 percent. But, it was up from last quarter. The low score may reflect the recent slowdown in employment growth in the Las Vegas Metropolitan Statistical Area. The recent three-month rolling average was 1,600 job losses, which is the largest decrease in six years. This loss, however, will probably be a temporary occurrence as the respondents still remained optimistic about hiring in their own industry. Taken as a whole, 34.2 percent of the respondents predicted an increase in hiring in their industry, 50.0 percent expected no change, and 15.8 percent expected 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/2017Q1BCI.pdf>. The CBER website is <http://cber.unlv.edu>.

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Figure 1. CBER's Southern Nevada Business Confidence Index

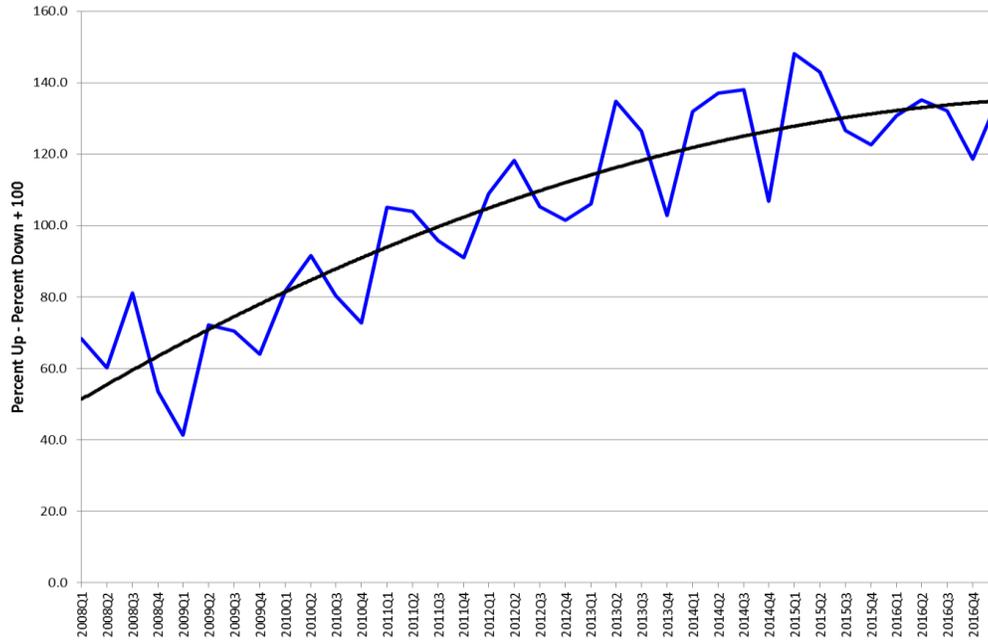
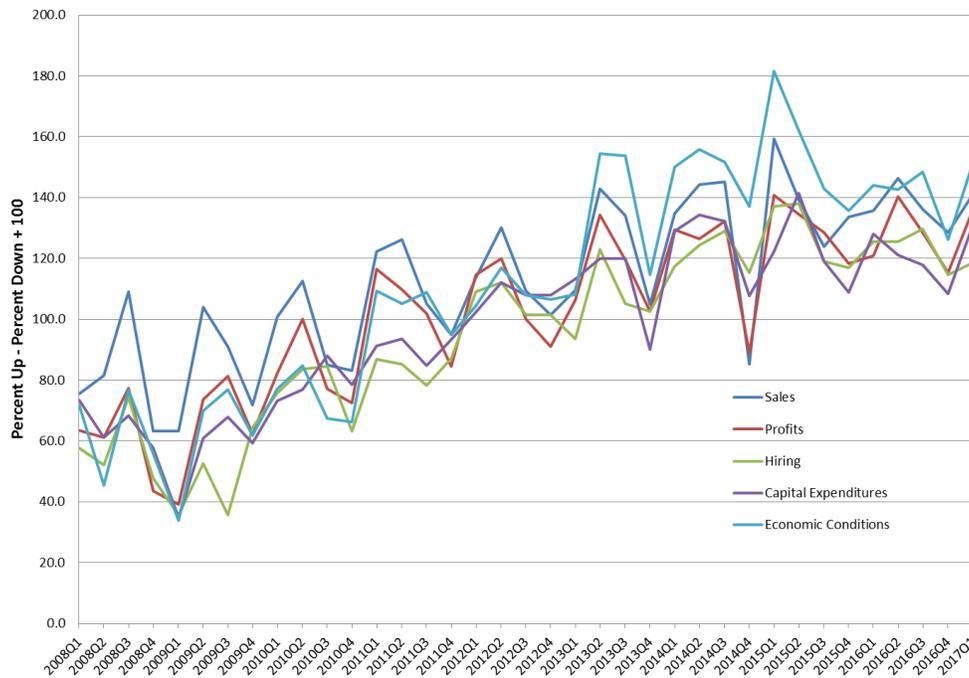


Figure 2. Components of CBER's Southern Nevada Business Confidence Index



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