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Southern Nevada Business Confidence Rebounding in 2017

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 by 1.3 percent from 135.5 in the first quarter of 2017 to 137.2 in the second quarter in 2017 (Figure 1). The index remained high as local business leaders continue to expect a stronger economy for the United States. This upward movement, however, may also reflect seasonality, since the index in the second quarter usually jumps compared to the first quarter. 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. Although the confidence index gained compared to a quarter ago, not all the components climbed quarter-over-quarter. That is, the components for sales and capital expenditure experienced losses relative to last quarter. 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 Nevada economic conditions, profits, sales, hiring, and capital expenditure scored 155.7, 142.2, 140.0, 125.2, and 122.8, respectively.¹

Expectations for the U.S. and Nevada Economies

Southern Nevada business leaders expressed much optimism about the local economy, as the score of Nevada economic conditions rose by 2.9 percent from last quarter. In addition, the expectation of general economic conditions for Nevada not only scored the highest, but also increased the most, year-over-year among the five components. General economic conditions for Nevada increased 9.1 percent compared to a year ago.

Local businesses also stayed at the highest level of optimism for the U.S. economy for the second quarter of 2017. Local businesses, which currently employ 0 to 9 employees and 20 to 250 employees, actually showed more favorable outlook on the U.S. economy than Nevada economy. General economic conditions for the U.S. decreased by 2.6 percent from 152.6 to 148.7 from last quarter, while it increased by 17.0 percent compared to last year. The remaining high expectation of the general economic conditions for the U.S. reflected local businesses' hope for the promised policies by the new administration. When asked about the U.S. economy, 64.3 percent of business leaders expected improvement, 20.0 percent expected no change, and 15.7 percent expected weakening. The similar numbers for the Nevada economy are 64.3 percent positive, 27.0 percent neutral, and 8.7 percent negative. Thus, overall the business leaders' expectations for the Nevada economy marginally exceeded their expectations for the U.S. economy.

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 Nevada economic conditions component equals 155.7, then this means that 55.7 percent more respondents exhibit a positive attitude (64.35 percent) than those that exhibit a negative attitude (8.70 percent).

Expectations for Profits

The Southern Nevada business leaders continued to forecast an increase in their profits in the second quarter of 2017 compared to the first quarter. The index value for expectations on profits increased by 4.7 and 1.4 percent, respectively, from last quarter and last year with the value of 142.2. Specifically, 56.9 percent of respondents projected increased profits, while 14.7 percent projected worsened profits in their industry compared to last quarter. The remaining 28.4 percent expected no change.

Expectations for Sales

The expectations on sales decreased by 0.7 and 4.2 percent, respectively, compared to last quarter and last year, even though consumer confidence remained at its highest level in a decade. When asked about sales in their own industry, 56.5 percent of respondents expected an increase in sales, 27.0 percent expected no change, and 16.5 percent expected a decline. Interestingly, expectations for sales (i.e., 140.0) scored slightly lower than expectations for profits as local business leaders in smaller businesses (hiring 0 -19 employees) showed much more optimism for profits than for sales.

Expectations for Hiring

The index value for expectations on hiring increased by 5.7 percent from last quarter, but is slightly lower (0.2 percent) than last year with the value of 125.2. According to the National Federation of Independent Businesses' survey, small businesses struggle to find qualified workers, even though they have opened more job positions. In addition, recent data show that Clark County experienced a substantial average weekly wage increase (up by 12.2 percent) in the third quarter of 2016 compared to a year ago. This tight labor market may explain why expectations on hiring are slightly lower compared to last year. Taken as a whole, 38.3 percent of the respondents predicted an increase in hiring in their industry, 48.7 percent expected no change, and 13.0 percent expected a decrease.

Expectations for Capital Expenditure

The expectations for capital expenditure scored the lowest among the five components with the value of 122.8. The index value, nonetheless, rose by 1.5 percent year-over-year. The smaller the businesses are, the more optimistic are their expectations for capital expenditure. Overall, when asked about capital expenditure, 36.0 percent of the respondents forecasted increases for their industry compared to 13.2 percent who expected decreases. Half (50.9 percent) of the respondents expected no change.

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/2017Q2BCI.pdf>. The CBER website is <http://cber.unlv.edu>.

Stephen M. Miller, Director
Jinju Lee, Economic Analyst

Figure 1. CBER’s Southern Nevada Business Confidence Index

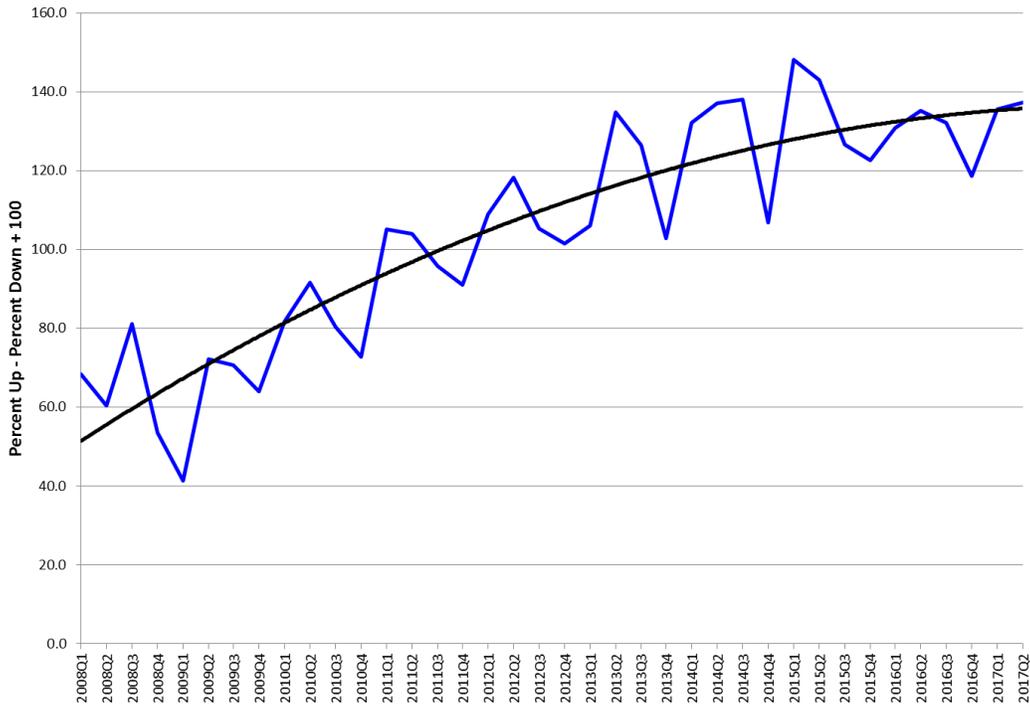
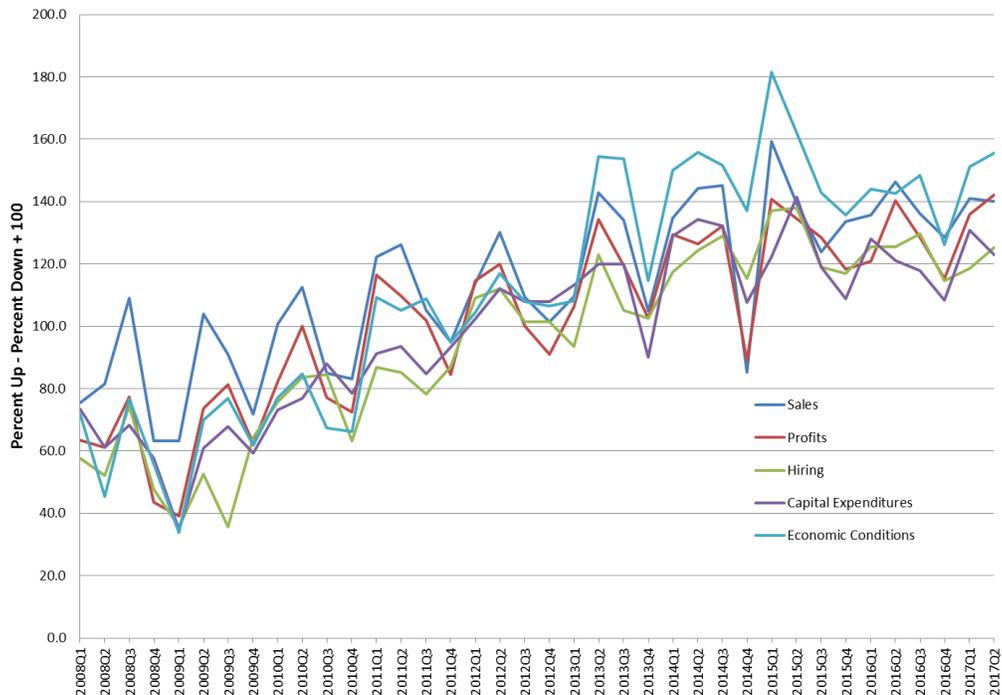


Figure 2. Components of CBER’s Southern Nevada Business Confidence Index



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