

July 20, 2017

Southern Nevada Business Confidence Remains High

The Southern Nevada Business Confidence Index, constructed by the Center for Business and Economic Research (CBER) at the University of Nevada, Las Vegas (UNLV), fell slightly by 0.5 percent from 137.2 in the second quarter to 136.5 in the third quarter of 2017 (Figure 1). Although the index ticked down marginally due to seasonality, it continued to remain high as local business leaders stayed positive on the overall economic conditions for both Southern Nevada and the U.S. The index climbed 3.3 percent from a year ago from 132.1 to 136.5. 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. Among the five components, the values for profits and hiring experienced losses, while the values for sales, capital expenditures, and economic conditions experienced gains from a quarter 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 Nevada economic conditions, sales, profits, hiring, and capital expenditures scored 158.1, 147.8, 133.7, 117.8, and 125.3, respectively.¹

Expectations for the U.S. and Nevada Economies

Southern Nevada business leaders expressed highly optimistic outlooks for both Nevada and the United States, as the scores of general economic conditions for Nevada and the United States remained at some of the highest levels in two years. The value for Nevada economic conditions increased for the third straight quarter in 2017, with a score of 158.1. When asked about the Nevada economy, 67.7 percent were positive, 22.6 percent were neutral, and 9.7 percent were negative. The value for the U.S. economy, however, decreased 7.4 percent from the previous quarter; while it increased significantly by 22.3 percent from last year, with a score of 137.6. The remaining high expectation of the general economic conditions for the United States reflected local businesses' hope for the promised policies by the new administration. When asked about the U.S. economy, 57.0 percent of business leaders expected improvement, 23.7 percent expected no change, and 19.4 percent expected weakening.

Expectations for Sales

The expectations on sales rebounded and rose to the highest level in two years, whereby its value climbed by 5.6 and 8.5 percent from last quarter and last year, respectively. This is somewhat surprising as local business leaders usually show lower expectations for sales in the third quarter compared to the second quarter. This may reflect a higher level of consumer confidence with respect to the new administration. When asked about sales in their own industry, 60.9 percent of respondents expected an increase in sales, 26.1 percent expected no change, and 13.0 percent expected a decline.

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 158.1, then this means that 58.1 percent more respondents exhibit a positive attitude (67.74 percent) than those that exhibit a negative attitude (9.68 percent).

Expectations for Profits

The Southern Nevada business leaders expressed less optimism on their profits in the third quarter compared to the second quarter, as the value decreased by 6.0 percent from 142.2 to 133.7. The value, nevertheless, remained 4.0 percent higher than last year. Specifically, 48.9 percent of respondents projected increased profits, while 15.2 percent projected worsened profits in their industry compared to last quarter. The remaining 35.9 percent expected no change.

Expectations for Hiring

The expectations for hiring scored the lowest among the five components with the value of 117.8, and it was the only component that experienced both quarterly and yearly reductions. The index value for hiring in the third quarter of 2017 fell by 5.9 and 9.1 percent, respectively, from last quarter and last year, which may signal a slowing of job growth in Southern Nevada as the labor market is tighter. Taken as a whole, 33.3 percent of the respondents predicted an increase in hiring in their industry, 51.1 percent expected no change, and 15.6 percent expected a decrease.

Expectations for Capital Expenditures

The value for capital expenditures posted both quarterly and yearly gains, up by 2.0 and 6.3 percent, respectively. When asked about capital expenditures, 41.8 percent of the respondents forecasted increases for their industry compared to 16.5 percent who expected decreases, and 41.8 percent 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/2017Q3BCI.pdf>. The CBER website is <http://cber.unlv.edu>.

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Figure 1. CBER’s Southern Nevada Business Confidence Index

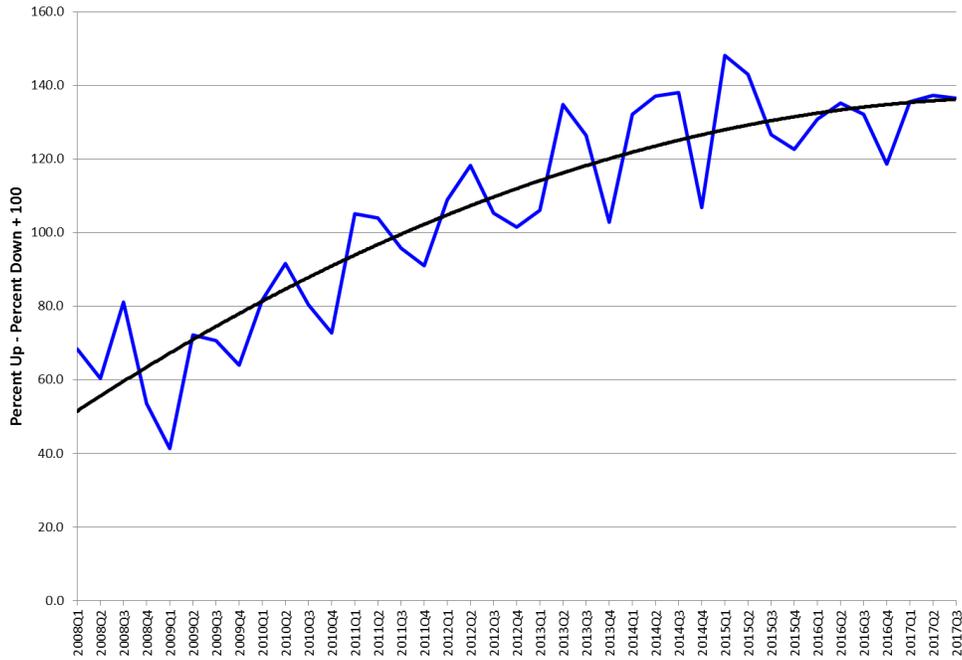
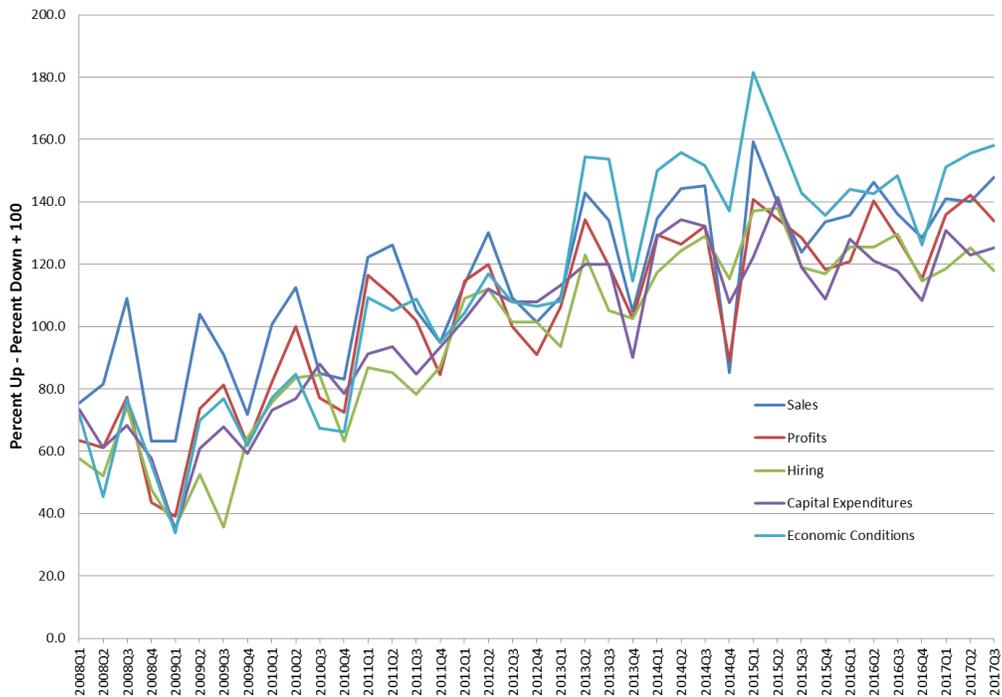


Figure 2. Components of CBER’s Southern Nevada Business Confidence Index



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