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Southern Nevada Businesses' Expectations Continue to Dampen

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For the second straight quarter, Southern Nevada business expectations have dampened. The Southern Nevada Business Confidence Index, constructed by the Center for Business and Economic Research (CBER), declined from 105.26 to 101.54 for fourth quarter 2012 (Figure 1). The index is constructed from five components of business expectations: general economic conditions in Nevada, sales, profits, hiring, and capital expenditures. Despite the decline in the fourth quarter, the index is still over 100. This implies that more respondents, on average, gave positive answers than negative when presented with questions on the above areas.

Four of the components remained 100 for the fourth quarter of 2012 (Figure 2). The values for capital expenditures, general economic conditions, sales, and hiring were 107.8, 106.4, 101.3, and 101.3, respectively. Only the value for profits was below 100. Its 90.9 value implies that more respondents, on average, had negative expectations about profits than positive ones.

Although each component of the index decreased for the fourth quarter, the largest decreases occurred in sales and profits. When asked about sales in their own industry, 34.6 percent of Southern Nevada businesses expected no change, 32.0 percent expected worsening, and 33.3 percent expected improvement. For profits, 41.6 percent expected no change, 33.8 percent expected lower profits, and the remaining 24.7 percent projected increased profits for fourth quarter 2012.

When asked about capital expenditures and general economic conditions, Southern Nevada businesses were slightly more optimistic. Just over 27 percent expected an increase in capital expenditures for their industry, compared to only 19.5 percent that expected declines. The remaining 53.2 percent expected no change. Responses to hiring inquiries were more evenly split, with 56.6 percent expecting no change, 21.0 expecting a decline, and 22.3 percent expecting an increase. For the general economic conditions of Nevada, 47.4 percent expected no change, 23.1 percent expected worsening, and 29.5 forecasted an improved state.

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

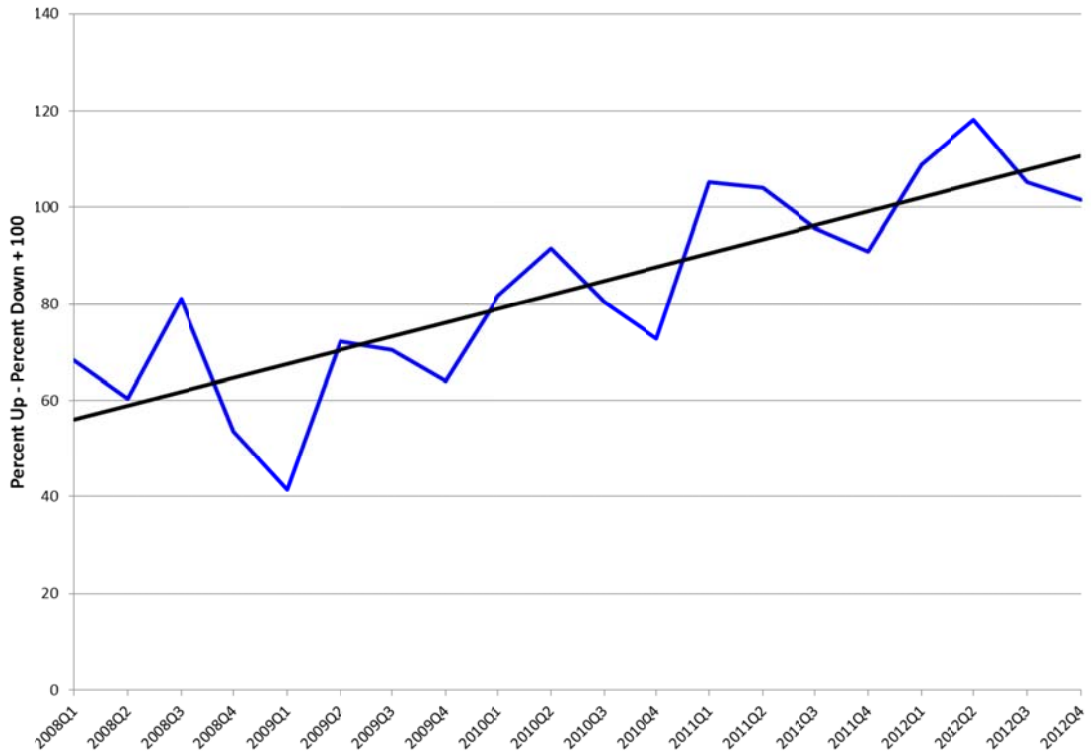


Figure 2. Components of CBER's Southern Nevada Business Confidence Index

