The “third” estimate for the first quarter of 2015 showed U.S. real gross domestic product (GDP) decreasing at an annualized rate of 0.2 percent. U.S. real GDP exhibited a general trend over the last few years, where weaker growth occurs for first quarter. Federal government spending, changes in private inventories, and residential investment made positive contributions to GDP growth. Nonresidential fixed investment, net exports, and state and local government spending made negative contributions. Even though U.S. real GDP experienced negative growth in the first quarter of 2015, the unemployment rate recently fell to 5.3 percent, its lowest level since 2008. Housing starts and the housing price index rose year-over-year, and consumer spending remains strong.

A stronger national economy will help propel Nevada’s economy forward. The Nevada and Clark County economies also show positive signals from the most recent data. In Clark County, tourism remains fairly robust, and taxable sales continue to show year-over-year growth. Nevada’s unemployment rate hit its lowest level since August 2008.

The Southern Nevada Business Confidence Index, constructed by the Center for Business and Economic Research (CBER), fell from 143.0 to 126.7 in the third quarter of 2015 (Figure 1). Even though the index declined for the second straight quarter, respondents still remain optimistic about Southern Nevada’s economy. The index includes the following five components of business expectations: general economic conditions in Nevada, sales, profits, hiring, and capital expenditures. As with the previous 14 quarters, the index still exceeds 100, which implies that more respondents, on average, gave positive, than negative answers, when asked about the five components. All five of the components also exceeded 100 for the third quarter of 2015 (Figure 2). The values for general economic conditions, capital expenditures, sales, hiring, and profits scored 142.9, 119.1, 123.8, 119.1, and 128.6, respectively.

When asked about general economic conditions for third quarter 2015, Southern Nevada businesses were slightly more optimistic about the local economy than the U.S. economy as a whole. When asked about the U.S. economy, 50.0 percent of the respondents expected improvement, 30.0 percent expected no change, and the remaining 20 percent expected weakening. For the general economic conditions of Nevada, 52.4 percent forecasted an improving economy, 38.1 percent of Southern Nevada businesses expected no change, and the remaining 9.5 percent expected a weakening. The outlook is somewhat less optimistic compared to last quarter because no respondents expected a worsening economy in the last survey for both the United States and Nevada.

Business respondents reported worsening expectations for capital expenditures and hiring. The value for capital expenditures fell the most among the five components of the CBER Business Confidence Index, from 141.4 to 119.1, but respondents remain optimistic about capital expenditures. When asked about capital expenditures, 28.6 percent expected increases for their industry, compared to 9.5 percent who expected decreases. The remaining 61.9 percent expected no change. For hiring, 28.6 percent projected increased hiring, 61.9 percent of the businesses projected no change in hiring, and 9.5 percent respondent projected less hiring for third quarter 2015.

Although the overall values for the sales and profits components were lower than in the previous two quarters of 2015, respondents remained optimistic. For sales, 33.3 percent expected an increase, 57.1 percent expected no change, and 9.5 expected a decline. For profits in their own industry, 33.3 percent of the respondents expected improvement, 61.9 percent expected no change, and 4.8 percent expected a worsening.

Although Las Vegas recently experienced a faster growth in home price compared to the U.S. average, we still experienced slower gains in home prices for Las Vegas compared to a year ago. The slower growth in home prices caused a split in the expectations of Southern Nevada businesses. Some optimism existed for a strong recovery in 2015, with 21.1 percent expecting home prices to rise in the second half of the year. Moving forward, 15.8 percent expected meaningful
increases in the first half of 2016, and 15.8 percent believed substantial price gains will occur in the second half of 2016. In addition, 10.5 percent forecasted gains in the first half of 2017, and a large portion of respondents (36.8 percent) believed that such gains will take place in the second half of 2017 or beyond.

For construction activity in Southern Nevada, 40.0 percent forecasted increases in the second half of 2015, 10.0 percent projected increases in the first half of 2016, 15.0 percent expected gains in the second half of 2016, 5.0 percent expected increases in the first half of 2017, and 30.0 percent believed no significant increases will happen until the second half of 2017 or beyond.

Southern Nevada businesses still feel the effects of the nation’s financial issues. Among the top problems were unpredictable business conditions (57.1 percent), slowing or lost sales (19.0 percent), and falling real estate values (19.0 percent).

Nearly all respondents expected financial problems to affect their businesses. Among the survey participants, 4.8 percent said that problems associated with financial conditions threatened the survival of their business and 33.3 percent said that such problems depressed prospects for the foreseeable future. Combined, 52.4 percent of the respondents said that financial issues created only a temporary setback or required only minor adjustments. Another 4.8 percent saw no effects on their business.

The survey respondents also expect lingering effects from the nation’s financial problems. A large percentage (47.6 percent) thought a long period of slow or no economic growth was the most serious problem. Other respondents were more concerned about different issues, such as a more socialized economy (14.3 percent), large tax increases (14.3 percent), loss of small business opportunity (9.5 percent), large cuts in desirable government activities (4.8 percent), and increased inflation (4.8 percent).

Credit conditions seem to be improving for Southern Nevada businesses. All the people who applied for additional credit in the past year obtained the credit that they sought. The majority of respondents (85.7 percent), however, did not seek additional credit in the past year. Also, no respondents applied to extend an existing line of credit.

The most recent survey suggests optimism with respect to the Southern Nevada economy. Consumer spending continues to rise, and Clark County’s employment exhibits stable year-over-year gains. While the real estate and construction markets have been obstacles for a full recovery, signs exist of stronger activity in these markets going forward. Finally, a stronger U.S. economy can accelerate Southern Nevada’s recovery by strengthening tourism.

Center for Business and Economic Research

The views expressed are those of CBER and do not necessarily represent those of the University of Nevada, Las Vegas or the Nevada System of Higher Education.
How do you think economic conditions in the U.S. will change in the coming quarter compared to the current quarter?

How do you think economic conditions in Nevada will change in the coming quarter compared to the current quarter?

How do you think sales in your industry will change in the coming quarter compared to the current quarter?

How do you think profits in your industry will change in the coming quarter compared to the current quarter?

Note: Totals may not sum to 100 because reported values are rounded independently.
How do you think hiring in your industry will change in the coming quarter compared to the current quarter?

How do you think capital expenditures in your industry will change in the coming quarter compared to the current quarter?

When do you expect to see a meaningful recovery in Southern Nevada's home prices?

When do you expect to see an increase in construction activity in Southern Nevada?

Note: Totals may not sum to 100 because reported values are rounded independently.
If you have been affected by the nation’s current financial problems, is the most important problem caused by:

- The unpredictability of business conditions: 57.1%
- Slowing or lost sales: 19.0%
- Falling real estate values: 19.0%
- An inability to obtain credit: 4.8%
- Other: 0.0%
- None: 0.0%
- Don’t know/Refuse: 0.0%

For your business, does the immediate financial problem associated with the current financial situation:

- Temporarily set it back: 33.3%
- Threaten its survival: 4.8%
- Depress its prospects for the foreseeable future: 33.3%
- Require minor adjustments: 19.0%
- None: 4.8%
- Don’t know/Refuse: 4.8%

What do you think will be the most serious long-term problem caused by the nation’s financial problems?

- Long period of no or slow economic growth: 47.6%
- Large tax increases: 14.3%
- Large cuts in desirable government activities: 4.8%
- Inflation: 4.8%
- Loss of small business opportunity: 9.5%
- A more socialized economy: 14.3%
- No serious long-term problems: 4.8%
- Don’t know/Refuse: 0.0%

If you applied for a line of credit in the last year, what was the result?

- Did not apply for a line of credit: 65.7%
- Refused a line of credit: 0.0%
- Granted a line of credit for a lesser amount: 0.0%
- Granted a line of credit for the requested amount: 14.3%

Note: Totals may not sum to 100 because reported values are rounded independently.
If you applied to extend an existing line of credit in the last year, what was the result?

Which best describes your position in the business?

How many people, full time and part time, does your business currently employ, NOT including yourself?

Business sectors reflected in survey

Note: Totals may not sum to 100 because reported values are rounded independently.