

April 17, 2018

## **CBER Business Confidence Index Hits Its Highest Level in Three Years**

The Southern Nevada Business Confidence Index, constructed by the Center for Business and Economic Research (CBER) at the University of Nevada, Las Vegas (UNLV), rose by 4.3 percent from 141.1 in the first quarter to 147.1 in the second quarter of 2018. This level is the highest level since 2015Q1, which was its highest level that CBER ever recorded (Figure 1). The index's value also strongly exceeds its level from last year (i.e., 137.2) in spite of its seasonality. That is, the index usually records its highest level in the second quarter of the year. The index includes five components: business expectations of (i) general economic conditions in Nevada, (ii) sales, (iii) profits, (iv) hiring, and (v) capital expenditure. The index remains above 100, which implies that respondents, on average, feel more positive than negative about the five components. Overall, respondents reported optimistic views on the five components. Moreover, the levels of the components mostly experienced higher values for both year-over-year and quarter-over-quarter changes. Southern Nevada business leaders also expressed continued optimism on overall economic conditions for the U.S., as its value remained well above 100. The index values for business expectations of Nevada economic conditions, sales, profits, capital expenditure, and hiring scored 169.4, 152.0, 146.9, 135.7, and 131.6, respectively.<sup>1</sup>

### *Expectations for the U.S. and Nevada Economies*

Southern Nevada business leaders expressed a more favorable economic outlook for Nevada, while they forecasted a less favorable economic outlook for the United States. That is, the score of general economic conditions for Nevada rose slightly by 0.8 percent from last quarter (i.e., 169.4 vs. 168.0), but surged strongly by 8.8 percent from last year (i.e., 169.4 vs. 155.7). On the other hand, the score of general economic conditions for the United States, however, dropped by 9.3 and 6.9 percent, respectively, relative to last quarter and last year. The softened optimism on U.S. economic conditions may reflect economic uncertainty due to a potential tariff war and recent high volatility in the stock market.

When asked about the Nevada economy, 71.4 percent of the respondents forecasted a better economy, 26.5 percent expected no change, and only 2.0 percent forecasted a worse economy. The value for the U.S. economy still remains highly favorable, but lower than the value for Nevada. When asked about the U.S. economy, 57.6 percent of local business executives forecasted a better economy, 23.2 percent expected no change, and 19.2 percent forecasted a worse economy.

### *Expectations for Sales*

The index value for expectations on sales jumped by 8.9 and 8.6 percent, respectively, quarter-over-quarter and year-over-year. The value of sales scored 152.0, the second highest value in three years.

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

<sup>1</sup>The 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 169.4, then this means that 69.4 percent more respondents exhibit a positive attitude (71.4 percent) than those that exhibit a negative attitude (2.0 percent).

When asked about sales, 62.2 percent of respondents expected increased sales in their industry compared to 10.2 percent who expected decreased sales. The remaining 27.6 percent projected no change.

#### *Expectations for Profits*

The local business leaders expressed higher optimism for profits with a value of 146.9. Not only did the value climb by 9.6 and 3.3 percent, respectively, quarter-over-quarter and year-over-year, but it also hit its highest level since the Great Recession. When asked about profits, 57.1 percent of the respondents forecasted increased profits in their industry, 32.7 percent expected no change, and 10.2 percent forecasted worse profits.

#### *Expectations for Capital Expenditure*

The index value for expectations on capital expenditure experienced both quarterly and yearly gains, up by 4.0 and 10.5 percent, respectively. This outcome may reflect better financial conditions due to the corporate tax cut. Specifically, 41.8 percent of the respondents expected increases in capital expenditure in their industry, 52.0 percent expected no change, and only 6.1 percent expected decreases.

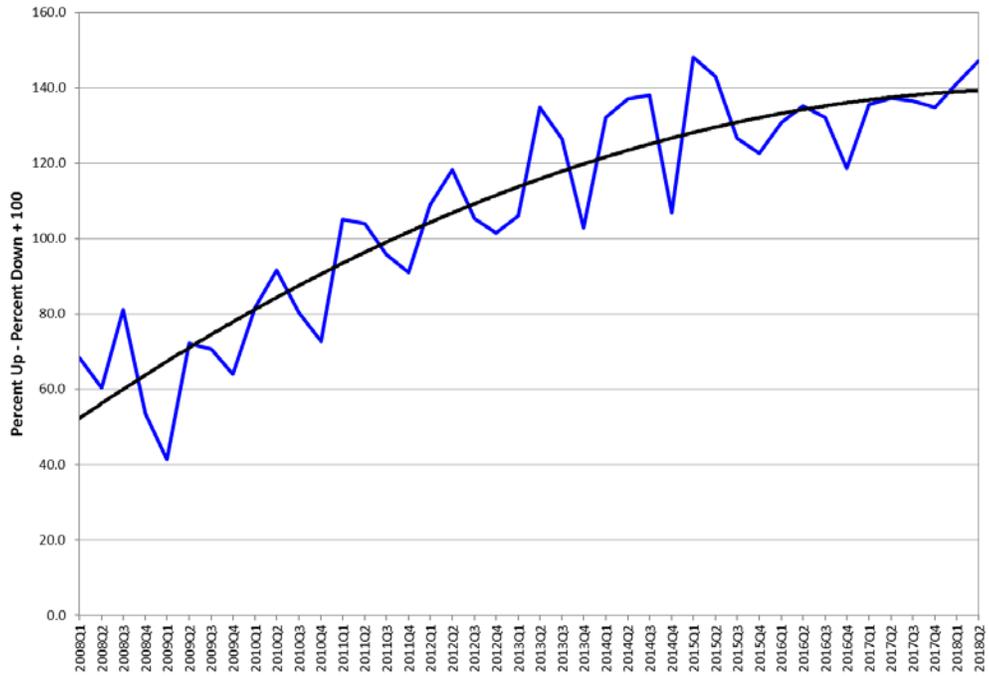
#### *Expectations for Hiring*

The respondents' expectations about hiring in their industry continued to decline for two consecutive quarters, with a value of 131.6, while the value still remains higher than its level from last year. These quarterly survey results actually show that local businesses face much difficulty in finding qualified workers. This may partly explain why the component on hiring experienced a loss. Taken as a whole, 41.8 percent of respondents predicted an increase in hiring in their industry, while 10.2 percent expected a decrease. The remaining 48.0 percent expected no change.

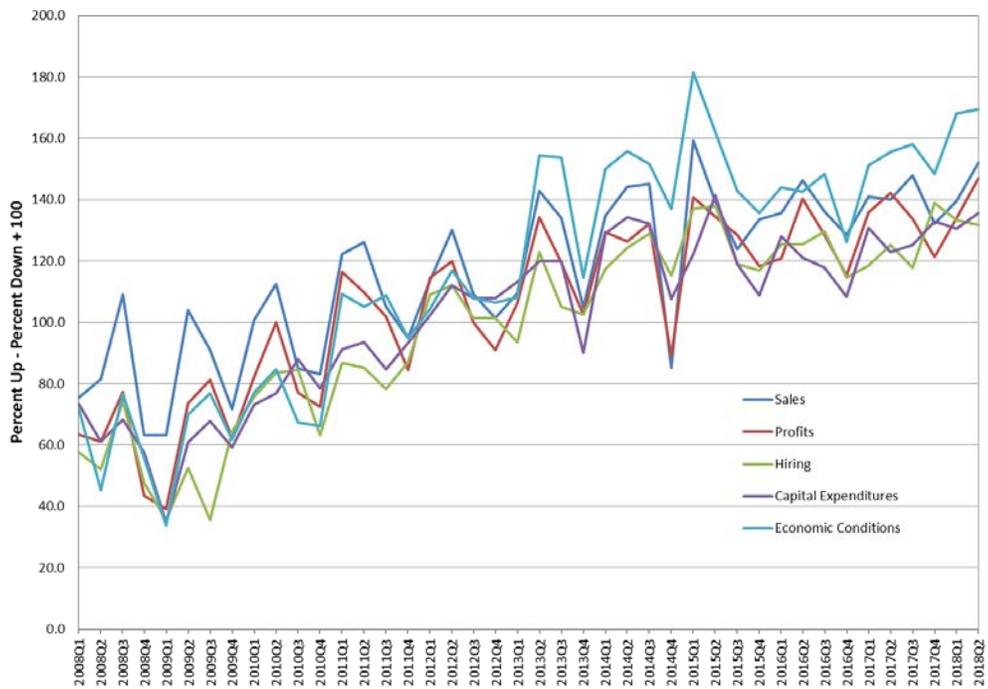
CBER conducts the survey of Southern Nevada businesses on a quarterly basis. The complete results of the most current survey can be found online at <http://cber.unlv.edu/publications/2018Q2BCI.pdf>. The CBER website is <http://cber.unlv.edu>.

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**Figure 1. CBER’s Southern Nevada Business Confidence Index**



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



*The views expressed are those of the author and do not necessarily represent those of the University of Nevada, Las Vegas or the Nevada System of Higher Education.*