CBER Business Confidence Index Shows Favorable Economic Outlook

The Southern Nevada Business Confidence Index, constructed by the Center for Business and Economic Research (CBER) at the University of Nevada, Las Vegas (UNLV), declined by 1.3 percent from 136.5 in the third quarter to 134.7 in the fourth quarter of 2017 (Figure 1). Even though the index moved downward quarter-to-quarter due to seasonality, the index remains significantly above the level from last year (i.e., 118.6). 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. Among the five components, the values for sales, profits, and economic conditions experienced losses, while the values for hiring and capital expenditure experienced gains from last quarter. All five components, however, gained compared to last year. Southern Nevada business leaders expressed continued optimism on overall economic conditions for both Southern Nevada and the United States as all components of the index remained well above 100. The index values for business expectations of Nevada economic conditions, hiring, capital expenditure, sales, and profits scored 148.3, 138.9, 133.0, 132.2, and 121.3, respectively.¹

Expectations for the U.S. and Nevada Economies

Southern Nevada business leaders reported less optimism on the economic outlook for both Nevada and the United States compared to last quarter. This partly reflects seasonality, while Hurricanes Harvey and Irma may have dampened the confidence for the U.S. outlook. The recent mass shooting at a country music concert on the Las Vegas Strip is not reflected in our findings as the survey was conducted during September. It is unclear how negatively this tragic and deadly incident will affect the local businesses’ confidence on the Nevada economic outlook.

The scores of general economic conditions for Nevada and the United States declined by 6.2 and 10.8 percent, respectively, from quarter-to-quarter, while the scores were significantly up year-over-year by 17.6 and 12.0 percent, respectively. The value for Nevada economic conditions for the fourth quarter of 2017 was 148.3. When asked about the Nevada economy, 64.0 percent of the respondents forecasted a better economy, 20.2 percent expected no change, and 15.7 percent forecasted a worse economy. The value for the U.S. economy is optimistic, but it is lower than the value for Nevada, with a score of 122.7. When asked about the U.S. economy, 51.1 percent of business leaders were positive, 20.5 percent were neutral, and 28.4 percent were negative.

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 148.3, then this means that 48.3 percent more respondents exhibit a positive attitude (64.0 percent) than those that exhibit a negative attitude (15.7 percent).
Expectations for Sales
The expectations for sales fell by 10.6 percent quarter-over-quarter, after hitting the highest level in two years last quarter. Nevertheless, its value climbed by 2.9 percent from last year. Local businesses’ expectation on sales is somewhat aligned with recent consumer confidence, which experienced a small loss due to Hurricanes Harvey and Irma. When asked about sales in their own industry, 52.2 percent of respondents expected an increase in sales, 27.8 percent expected no change, and 20.0 percent expected a decline.

Expectations for Profits
The index value for profits in the fourth quarter of 2017 slipped by 9.2 percent from last quarter. In addition, the expectations for profits scored the lowest among the five components with the value of 121.3. Nevertheless, the value itself is the highest fourth quarter value since the Great Recession and gained 5.2 percent from a year ago. When asked about profits, 41.6 percent of the respondents forecasted increased profits compared to 20.2 percent who projected worse profits. The remaining 38.2 percent expected no change.

Expectations for Hiring
The Southern Nevada business leaders expressed strong optimism on hiring in their own industry with a value of 138.9. This level for hiring in the fourth quarter of 2017 hit its highest value since the Great Recession. The value surged by 17.9 and 21.1 percent, respectively, from last quarter and last year after generally soft readings this year. Specifically, 46.7 percent of respondents predicted an increase in hiring in their industry, while only 7.8 percent expected a decrease. The remaining 45.6 percent expected no change.

Expectations for Capital Expenditure
The expectations for capital expenditure experienced both robust quarterly and yearly gains, up by 6.1 and 22.8 percent, respectively. This value not only posted the strongest yearly gain among the five components, but it also rose to the highest level in two years. Increases in capital expenditure by businesses will further boost the local economy. The recent mass shooting on the Las Vegas Strip, however, may lower respondents’ optimism for capital expenditure in their industry, however. Taken as a whole, 45.5 percent of the respondents forecasted increases in capital expenditure in their industry, 42.0 percent expected no change, and 12.5 percent expected decreases.

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/2017Q4BCI.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.