The "third" estimate for fourth quarter 2014 shows U.S. real gross domestic product increasing at an annualized rate of 2.2 percent. Compared to the "second" estimate, personal consumption expenditures increased more, but were offset by smaller gains in private inventories. Nonresidential fixed investment, residential investment, and state and local government spending also made positive contributions. Net exports and federal government spending made negative contributions. This marks the third straight quarter that the U.S. economy experienced growth—rebouncing from a weak first quarter. Consumer spending remains strong, although some aspects of the housing market are no longer improving. A stronger national economy will help propel Nevada’s economy forward. In Clark County, tourism remains fairly robust, and taxable sales continue to make large gains. Nevada’s employment is also showing stable growth.

The Southern Nevada Business Confidence Index, constructed by the Center for Business and Economic Research (CBER), fell from 148.2 to 143.0 for second quarter 2015 (see page 2). Although the index declined, this quarter’s value of 143.0 is the second highest since the index’s creation, and it is higher than last year’s third quarter value of 137.0. The index is constructed from five components of business expectations: general economic conditions in Nevada, sales, profits, hiring, and capital expenditures. As with the previous 13 quarters, 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. All five of the components were above 100 for the second quarter of 2015 (see page 2). The values for general economic conditions, capital expenditures, sales, hiring, and profits were 162.1, 141.4, 139.3, 137.9, and 134.5, respectively.

When asked about general economic conditions for second quarter 2015, Southern Nevada businesses were more optimistic about the local economy than the U.S. economy as a whole. When asked about the U.S. economy, 48.3 percent expected improvement, and 51.7 percent expected no change. None of the respondents expected weakening. For the general economic conditions of Nevada, 37.9 percent of Southern Nevada businesses expected no change, and 62.1 percent forecasted an improved state. Once again, no respondents expected a worsening economy.

Business leaders also reported improved expectations for capital expenditures and hiring. When asked about capital expenditures, 44.8 percent expected increases for their industry, compared to only 3.4 percent who expected declines. The remaining 51.7 percent expected no change. For hiring, 37.9 percent projected increased hiring, 62.1 percent of the businesses expected no change in hiring, and no respondents expected less hiring for second quarter 2015.

Although the overall values for sales and profits were lower than in first quarter 2015, respondents remained optimistic. For sales, 53.6 percent expected an increase, 32.1 percent expected no change, and 14.3 expected a decline. When asked about profits in their own industry, 44.8 percent of the respondents expected improvement, 44.8 percent expected no change, and 10.3 percent expected a worsening.

Recently, we have seen slower gains in home prices for Las Vegas compared to a year ago. The slower growth in home prices has caused a split in the expectations of Southern Nevada businesses. There was some optimism for a strong recovery in 2015, with 6.9 percent expecting home prices to rise in the first half of the year, and 17.2 percent forecasting gains in the second half of the year. Moving forward, 20.7 percent expected meaningful increases in the first half of 2016, and 10.3 percent believed substantial price gains will occur in the second half of 2016. A large portion of respondents (44.8 percent) believed that such gains will take place the first half of 2017 or beyond.

For construction activity in Southern Nevada, 20.7 percent forecasted increases in the first half of 2015, 17.2 percent projected increases in the second half of 2015, 24.1 percent expected gains in the first half of 2016, 6.9 percent expected increases in the second half of 2016, and 31.0 percent believed no significant increases will happen until the first half of 2017 or beyond.

Continued on page 2
Southern Nevada businesses still see the impact of the nation’s financial issues. Among the top problems were unpredictable business conditions (58.6 percent), slowing or lost sales (20.7 percent), and falling real estate values (13.8 percent).

Nearly all the respondents expressed the view that financial problems would affect their businesses. Among the survey participants, 6.9 percent said that problems associated with financial conditions threatened the survival of their business, and 17.2 percent said that such problems depressed prospects for the foreseeable future. Combined, 69.0 percent of the respondents said that financial issues created only a temporary setback or required only minor adjustments. Another 3.3 percent saw no effects on their business.

The survey respondents also expect lingering effects from the nation’s financial problems. A large percentage (48.3 percent) thought a long period of slow or no economic growth was the most serious problem. Significant minorities were more concerned about other issues, such as a more socialized economy (17.2 percent), large tax increases (13.8 percent), increased inflation (10.3 percent), and loss of small business opportunity (10.3 percent).

Credit conditions seem to be improving for Southern Nevada businesses. The majority of respondents (79.3 percent) did not seek additional credit in the past year. Of those who did, 50.0 percent were able to obtain the credit they sought, while the other 50.0 percent were granted a line of credit for a lesser amount. For credit extensions granted, 83.3 percent of the respondents did not seek to extend an existing line of credit, but of those who did, 60.0 percent were able to get the extension they requested, while 40.0 percent were granted an extension at a lesser amount.

The most recent survey responses suggest optimism about the Southern Nevada economy. Consumer spending continues to rise and Clark County’s employment is showing stable year-over-year gains. The real estate and construction markets remain barriers for a full recovery. In addition, a stronger U.S. economy could help accelerate Southern Nevada’s recovery by strengthening tourism.

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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.

BUSINESS CONFIDENCE INDEX SURVEY RESULTS

CBER’s Business Confidence Index was above 100 for second quarter 2015.

All five components of CBER’s composite index were above 100 for second quarter 2015.
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:

- An inability to obtain credit: 8.6%
- Slowing or lost sales: 20.7%
- Falling real estate values: 12.6%
- The cost and/or terms of credit: 0.0%
- The unpredictability of business conditions: 58.6%
- Other: 3.4%
- None: 0.0%
- Don’t know/Refuse: 3.4%

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

- Threaten its survival: 6.9%
- Depress its prospects for the foreseeable future: 17.2%
- Temporarily set it back: 41.4%
- Require minor adjustments: 27.6%
- None: 3.4%
- Don’t know/Refuse: 3.4%

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

- Large tax increases: 13.8%
- Large cuts in desirable government activities: 0.0%
- Inflation: 10.3%
- Long period of no or slow economic growth: 48.3%
- Loss of small business opportunity: 10.3%
- A more socialized economy: 17.2%
- No serious long-term problems: 0.0%
- Don’t know/Refuse: 0.0%

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

- Granted a line of credit for the requested amount: 10.3%
- Granted a line of credit for a lesser amount: 10.3%
- Refused a line of credit: 0.0%
- Did not apply for a line of credit: 79.3%
If you applied to extend an existing line of credit in the last year, what was the result?

Business sectors reflected in survey

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