

January 14, 2021

Southern Nevada Business Confidence Index Up Slightly Quarter over Quarter but Down Dramatically Year over Year

The Southern Nevada Business Confidence Index, constructed by the Center for Business and Economic Research (CBER) at the University of Nevada, Las Vegas (UNLV), edged up 1.7 percent from 99.8 in the fourth quarter of 2020 to 101.5 in the first quarter of 2021 (Figure 1). The index, however, continued to post a year-over-year loss of 25.6 percent. A quarter-over-quarter gain in the index value may reflect a seasonal “new-year” effect. The index scored slightly above 100, which suggests that overall business conditions in Southern Nevada will improve slightly from the previous quarter.

The index includes five components: business leaders’ expectations of (i) general economic conditions in Nevada, as well as expectations for their own industry’s (ii) sales, (iii) profits, (iv) hiring, and (v) capital expenditure. The index remains above 100, which suggests that respondents, on average, feel more positive than negative about the five components. The respondents exhibited optimism for sales, hiring and profits, which may reflect increased personal income thanks to the CARES Act. The local business leaders, nevertheless, reported pessimism on capital expenditure and general economic conditions, which may reflect our tourism-dependent economy that has been persistently affected by COVID-19 induced restrictions. The index values for business expectations of Nevada economic conditions, sales, profits, hiring, and capital expenditure scored 93.5, 109.3, 102.8, 108.3, and 93.5, respectively.¹

Expectations for the U.S. and Nevada Economies

Southern Nevada business leaders expressed small decreases in confidence for both the Nevada and U.S. economies compared to the prior quarter. This may reflect the imposition of additional coronavirus restrictions caused by a surge in new cases. Despite retaining marginal optimism for the U.S. economic condition, the respondents continued pessimism for Nevada economic activity may reflect a slower local recovery due to its tourism-dependent economy. The values for U.S. and Nevada economic activity scored 105.7 and 93.5, respectively.

When asked about the U.S. economy, 44.3 percent forecasted a better economy, while 38.7 percent forecasted a worse economy. The remaining 17.0 percent expected no change. When asked the same question about the Nevada economy, 36.4 percent of respondents forecasted an improved economy, 20.6 percent projected no change, and 43.0 percent expected a worse economy.

Expectations for Sales

Local business leaders reported optimism in sales activity in their industry with a value of 109.3. Sales scored the highest among components for the second straight quarter, probably thanks to the CARES Act.

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 93.5, then this means that 6.5 percent more respondents exhibit a negative attitude (43.0 percent) than those that exhibit a positive attitude (36.4 percent).

U.S. retail sales already surpassed its previous peak, and Clark County taxable sales and gaming revenue have performed much better despite a huge loss in visitor volume. That is, November Clark County gaming revenue only decreased by 20.5 percent from last year despite a 57.5 percent loss in visitor volume over the same period. Moreover, October Clark County taxable sales, excluding the leisure and hospitality sector², experienced a 1.8 percent year-over-year increase. When asked about sales, 40.2 percent of the respondents predicted increased sales in their industry, 29.0 percent expected no change, and 30.8 percent projected decreased sales.

Expectations for Profits

The respondents expressed marginal optimism on profits with a value of 102.8. Among all sectors, pessimism on profits was prevalent in the leisure and hospitality, education and health services, and government sectors. When asked about profits in their own industry, 37.0 percent of respondents expected an increase, 28.7 percent predicted no change, and 34.3 percent forecasted a decrease.

Expectations for Hiring

The index value for expectations on hiring jumped by 10.2 percent from the prior quarter to a value of 108.3. Most sectors except for the leisure and hospitality, education and health services, and government predicted increased hiring activities in their industry. The leisure and hospitality industry expressed deep pessimism for hiring activities in their industry, which probably reflects more restrictions and cautions related to a surge in virus cases. When asked about hiring in their own industry, 31.5 percent expected an increase, 45.4 percent expected no change, and 23.1 percent projected a decrease.

Expectations for Capital Expenditure

Many local business leaders continue to follow a conservative path with their capital expenditure, with a value of 93.5, due to high economic uncertainty despite the beginning of the rollout of COVID-19 vaccines. When asked about expectations on capital expenditure, 24.1 percent of respondents forecasted increased capital expenditure in their industry, while 30.6 percent projected decreased capital expenditure. The remaining 45.4 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 <https://cber.unlv.edu/publications/2021Q1BCI.pdf>. The CBER website is <https://cber.unlv.edu>.

Stephen M. Miller, Director
Jinju Lee, Economic Analyst

²We excluded business codes 711, 712, 713, 721 and 722 from the total Clark County taxable sales. [https://tax.nv.gov/uploadedFiles/taxnvgov/Content/TaxLibrary/\(4\)%20SUT_Stat_Oct_20.pdf](https://tax.nv.gov/uploadedFiles/taxnvgov/Content/TaxLibrary/(4)%20SUT_Stat_Oct_20.pdf).

Figure 1. CBER's Southern Nevada Business Confidence Index

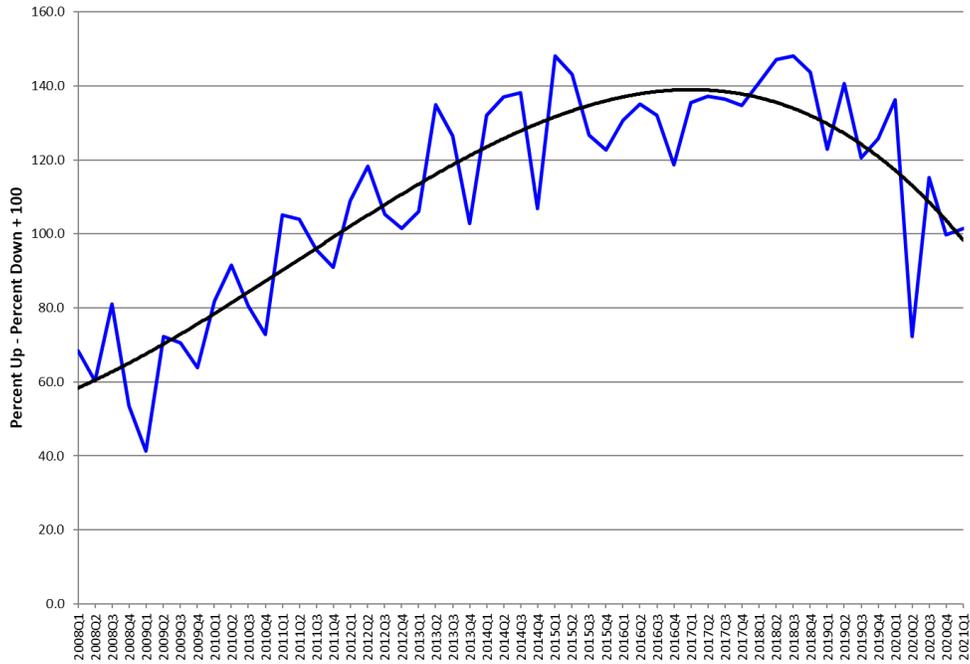
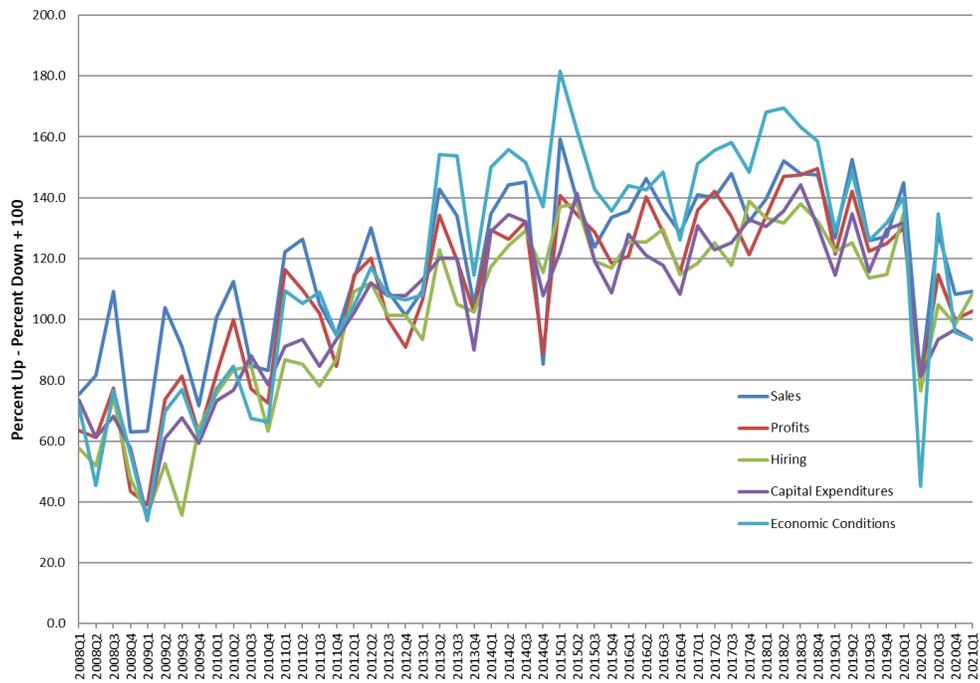


Figure 2. Components of CBER's Southern Nevada Business Confidence Index



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.