

April 15, 2021

## **Southern Nevada Business Leaders Report Strong Optimism About the Local Economic Recovery**

The Southern Nevada Business Confidence Index, constructed by the Center for Business and Economic Research (CBER) at the University of Nevada, Las Vegas (UNLV), surged by 41.6 percent from 101.5 in the first quarter to 143.7 in the second quarter of 2021 (Figure 1). The index, moreover, skyrocketed 98.7 percent year-over-year as the index in 2020Q2<sup>1</sup> was at the lowest level since the Great Recession due to the worsening COVID-19 outbreak. A substantial quarter-over-quarter gain in the index value suggests that the local business leaders are highly confident that the local economy will experience a strong recovery in the second quarter. Moreover, the leisure and hospitality sector, which showed deep pessimism since the COVID-19 outbreak, finally rebounded and showed robust optimism this 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 components all remain above 100, which suggests that respondents, on average, feel more positive than negative about the five components. The respondents exhibited strong optimism for all five components, which may reflect a positive economic outlook not only due to eased restrictions with ongoing vaccination efforts but also due to the new \$1.9 trillion federal relief bill. The index values for business expectations of Nevada economic conditions, sales, profits, hiring, and capital expenditure scored 155.4, 160.2, 146.2, 135.6, and 120.9, respectively.<sup>2</sup>

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

Southern Nevada business leaders expressed strong confidence for both Nevada and U.S. economic conditions as both indexes posted substantial quarter-over-quarter and year-over-year surges. This may reflect a strengthening economic recovery, driven by more fiscal stimulus and ongoing vaccination efforts. Las Vegas has been penalized in economic recovery due to its tourism-dependent economy, but current vaccination efforts help to ease business restrictions related to COVID-19. As a result, the local businesses showed higher optimism for the Nevada economy compared to the U.S. economy this quarter. Moreover, the value for Nevada economic activity scored above 100 after two consecutive quarters of values below 100. The values for U.S. and Nevada economic activity were 151.6 and 155.4, respectively.

When asked about the U.S. economy, 69.2 percent forecasted a better economy, while 17.6 percent forecasted a worse economy. The remaining 13.2 percent expected no change. When asked the same question about the Nevada economy, 69.6 percent of respondents forecasted an improved economy, 16.3

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<sup>1</sup> The index was overstated since a majority of responses were received before the massive economic lockdowns.

<sup>2</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 155.4, then this means that 55.4 percent more respondents exhibit a positive attitude (69.6 percent) than those that exhibit a negative attitude (14.1 percent).

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

percent projected no change, and 14.1 percent expected a worse economy. This outcome corresponds to one of the closest linkages between expectations for the U.S. and Nevada economies that this survey has ever reported. That is, survey respondents report little, if any, difference in their outlook for the U.S. and Nevada economies over the next quarter.

#### *Expectations for Sales*

The index value for expectations on sales recorded the highest of any component at 160.2. The retail sales have exhibited strong performance despite COVID-19, benefiting from massive inflows of income support from the federal government. As a result, the U.S. retail sales already surpassed its pre-pandemic peak in June 2020. Although the U.S. retail sales experienced a robust gain compared to the pre-pandemic levels, Clark County's retail sales have not yet recovered from the COVID-19 pandemic due to its tourism-dependent economy. This result occurred despite strong local spending thanks to increased personal income due to COVID-19 relief. Recent increasing demand in tourism, however, seems to boost local businesses' confidence on future sales in their industry. When asked about sales, 72.0 percent of the respondents predicted increased sales in their industry, 16.1 percent expected no change, and 11.8 percent projected decreased sales.

#### *Expectations for Profits*

The respondents also expressed strong confidence on profits with a value of 146.2, which is aligned with sales. The index also soared by 42.2 and 87.9 percent, respectively, from last quarter and last year. When asked about profits in their own industry, 60.2 percent of respondents expected an increase, 25.8 percent predicted no change, and 14.0 percent forecasted a decrease.

#### *Expectations for Hiring*

The local business leaders also posted solid optimism for hiring with a value of 135.6. The index value for expectations on hiring jumped by 25.2 and 77.5 percent quarter-over-quarter and year-over-year, respectively. When asked about hiring in their own industry, 43.3 percent expected an increase, 48.9 percent expected no change, and only 7.8 percent projected a decrease.

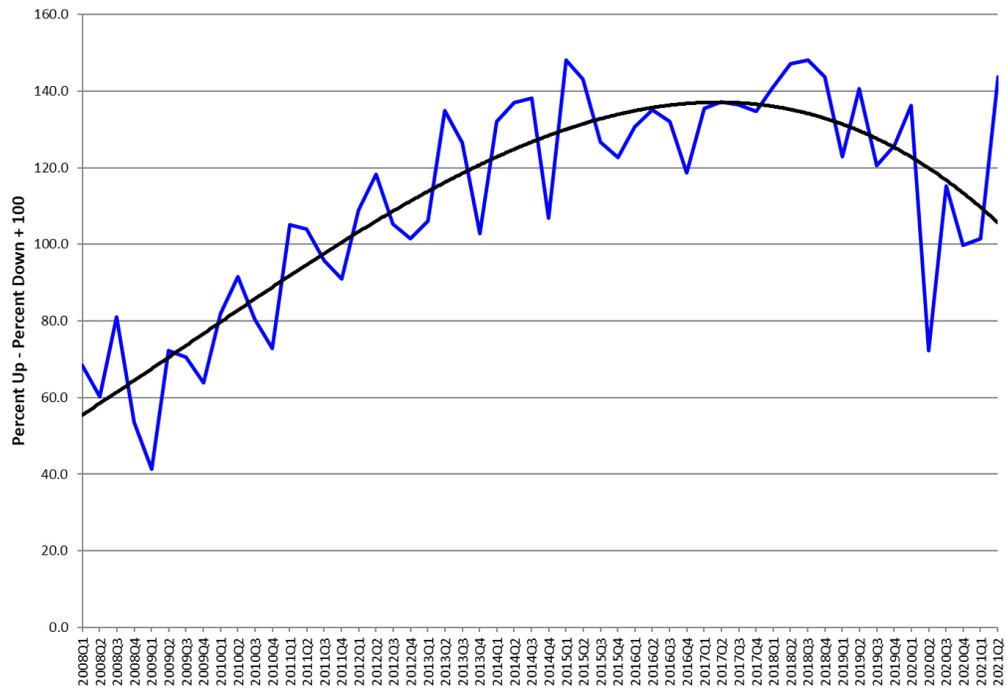
#### *Expectations for Capital Expenditure*

The index value for capital expenditure finally rebounded to 120.9 after four consecutive quarters of pessimism. This signals that many local businesses are gaining confidence with the current economic recovery. Thus, they plan to expand their capital expenditure as the restrictions related to COVID-19 ease due to higher vaccination rates. When asked about expectations on capital expenditure, 36.3 percent of respondents forecasted increased capital expenditure in their industry, while 15.4 percent projected decreased capital expenditure. The remaining 48.4 percent expected no change.

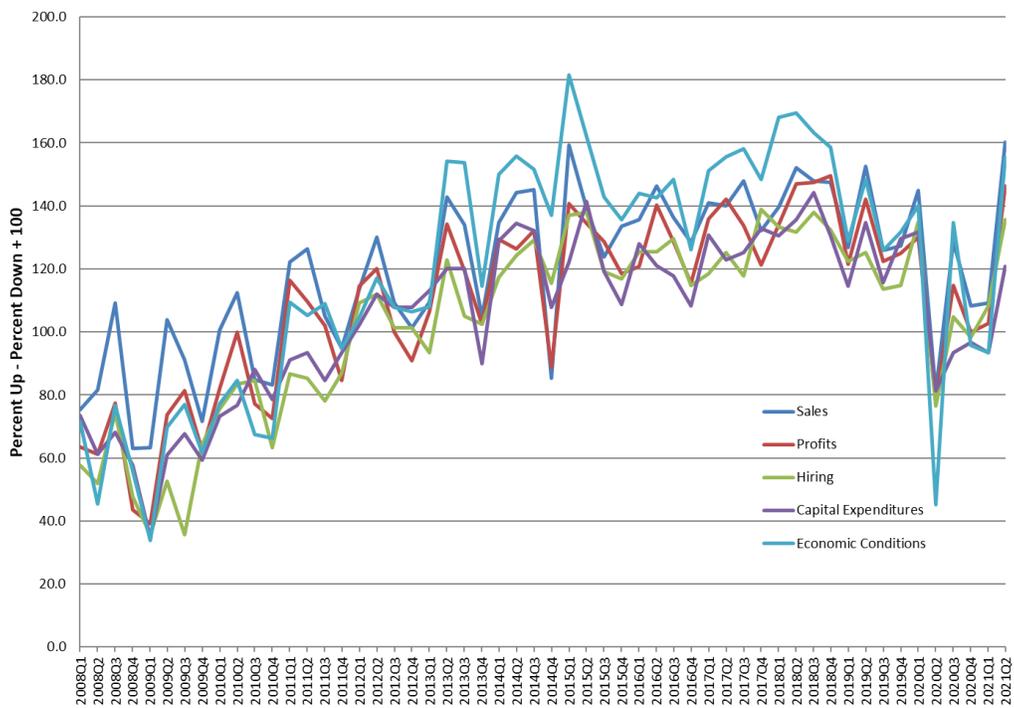
CBER conducts the survey of Southern Nevada businesses on a quarterly basis. The complete results of the most current survey can be found online at <https://cber.unlv.edu/publications/2021Q2BCI.pdf>. The CBER website is <https://cber.unlv.edu>.

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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.*