

April 18, 2019

## **Southern Nevada Business Confidence Rebounded Sharply After a Plummet in the Previous Quarter**

The Southern Nevada Business Confidence Index, constructed by the Center for Business and Economic Research (CBER) at the University of Nevada, Las Vegas (UNLV), rebounded after a substantial loss last quarter, up by 14.5 percent from 122.8 in the first quarter of 2019 to 140.6 in the second quarter (Figure 1). The index's surprising gain may reflect the combination of the end of the partial federal government shutdown, no potential interest hikes as Fed alters its immediate policy, and seasonality. Local business leaders usually express higher confidence in the second quarter compared to the first quarter. The increased worry of a potential economic slowdown or recession in the prior quarter also seems to have waned this quarter. Although the index decreased by 4.4 percent from last year, the index recorded its second-highest, second-quarter level.

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. This quarter, respondents expressed highly optimistic outlooks on the five components as they all well exceeded 100. Although the index values substantially rebounded from last quarter, all excluding sales experienced year-over-year losses. The index values for business expectations of sales, Nevada economic conditions, profits, capital expenditure, and hiring scored 152.6, 148.4, 142.1, 134.7, and 125.3, respectively.<sup>1</sup>

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

Local business leaders reported higher confidence in their economic outlooks for both Nevada and the U.S. compared to last quarter. The index values for expectations on the U.S. and Nevada economic conditions jumped by 6.9 and 15.1 percent, respectively, quarter-over-quarter. This may reflect the end of the partial federal government shutdown, rebounding consumer confidence, and the Fed's change in policy to not raise interest rates in the near future, which may solidify more optimistic views on current economic conditions compared to a quarter ago. The values, nevertheless, still declined notably by 17.2 and 12.4 percent, respectively, for the U.S. and Nevada year-over-year.

When asked about the U.S. economy, 44.8 percent of respondents projected an improved economy, while 30.2 percent expected a worse economy. The remaining 25.0 percent forecasted no change. Southern Nevada business leaders expressed a more favorable economic outlook for Nevada. When asked about the Nevada economy, 65.3 percent of the respondents projected an improved economy, 17.9 percent forecasted no change, and 16.8 percent expected a worse economy.

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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 148.4, then this means that 48.4 percent more respondents exhibit a positive attitude (65.3 percent) than those that exhibit a negative attitude (16.8 percent).

*Expectations for Sales*

The local businesses showed the highest level of confidence in sales activity in their industry since 2015Q1. The index value for expectations on sales rebounded after three consecutive quarters of decreases and was the only component that experienced a year-over-year gain. The value climbed strongly by 20.3 percent quarter-over-quarter and posted a slight increase of 0.4 percent year-over-year. That is, 62.1 percent of the respondents predicted increased sales in their industry, 28.4 percent expected no change, and only 9.5 percent projected decreased sales.

*Expectations for Profits*

Along with highly optimistic views on sales activity, the index value for expectations on profits also increased strongly from last quarter. Although the value fell by 3.3 percent from a year ago, it gained substantially by 17.1 percent from last quarter. When asked about profits in their own industry, 53.7 percent of respondents predicted an increase, 34.7 percent expected no change, and 11.6 percent forecasted a decrease.

*Expectations for Capital Expenditure*

The survey shows that local businesses anticipate increased activity in capital expenditure in their industry compared to last quarter, up by 17.5 percent. The index value for expectations on capital expenditure, however, did not budge much from last year (i.e., 135.7 to 134.7). When asked about capital expenditure in their own industry, 44.2 percent of the respondents' projected increased capital expenditure, 9.5 percent expected decreased capital expenditure. The remaining 46.3 percent forecasted no change.

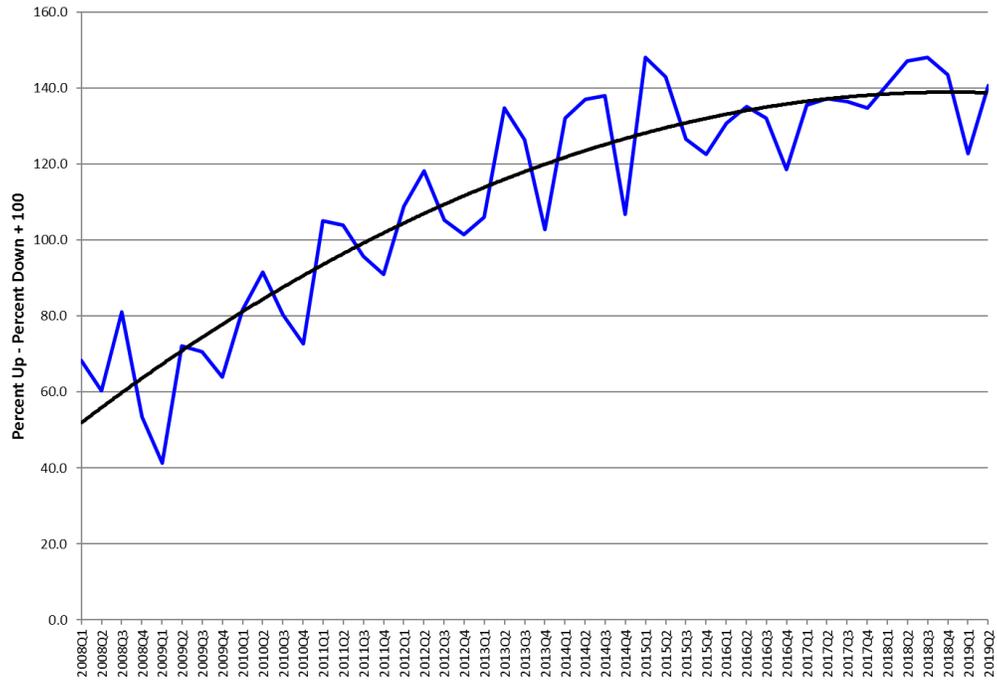
*Expectations for Hiring*

The expectation on hiring experienced a quarterly gain of 2.4 percent from 122.4 to 125.3. The value, however, is lower than the level from last year by 4.8 percent. Southern Nevada business leaders expressed increased challenges in finding qualified workers compared to last quarter, which may explain why the value for hiring scored the lowest among the five components. When asked about hiring, 36.8 percent respondents predicted an increase in hiring in their industry, while 11.6 percent projected a decrease. The remaining 51.6 percent expected no change.

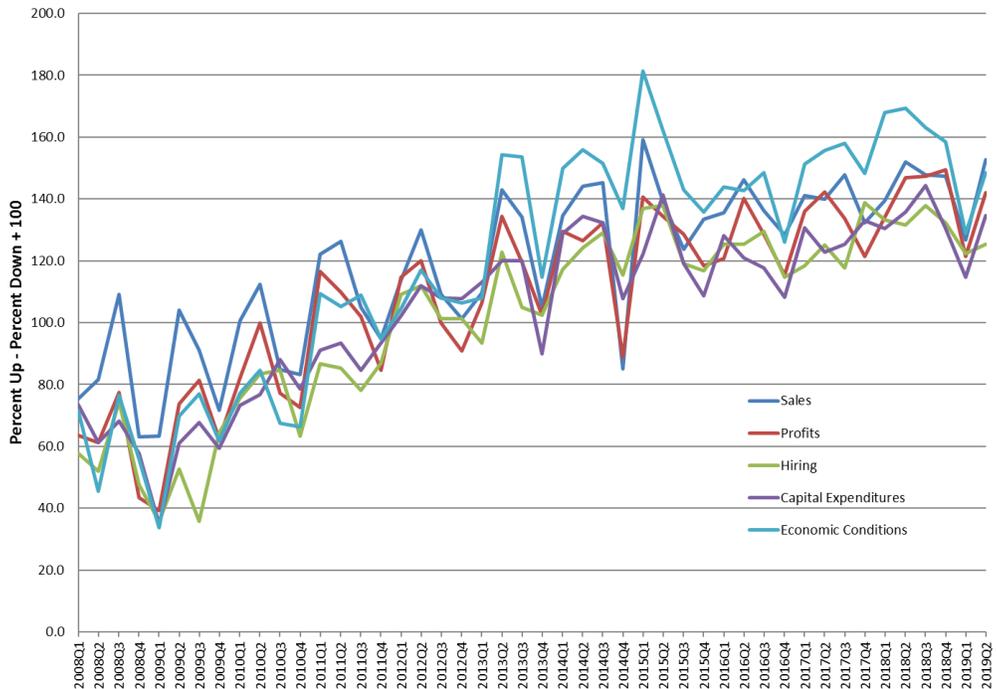
CBER conducts the survey of Southern Nevada businesses on a quarterly basis. The complete results of the most current survey can be found online at <http://cber.unlv.edu/publications/2019Q2BCI.pdf>. The CBER website is <http://cber.unlv.edu>.

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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.*