Southern Nevada Businesses’ Confidence Remains Optimistic despite Ongoing Economic Uncertainty

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, up by 4.2 percent from 120.7 in the third quarter to 125.7 in the fourth quarter of 2019 (Figure 1). Although the index, which remained at a relative high level, gained quarter-over-quarter, its large year-over-year loss continued with ongoing trade tensions between the U.S. and China and an anticipated global economic slowdown. The index, in our view, will not revisit its historically high level from last year in the near future as the economic data signal a slowdown.

The index includes five components: business leaders’ expectations of (i) general economic conditions in Nevada, as well as expectations on their own industry’s (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. The respondents expressed continuing optimism as all five components climbed from last quarter and also remained above 100. The index values for business expectations of Nevada economic conditions, capital expenditure, sales, profits, and hiring scored 131.8, 129.5, 127.3, 125.0, and 114.8, respectively.¹ Note that businesses express a more positive attitude about the Nevada economy than about their own industry’s performance at the margin.

Expectations for the U.S. and Nevada Economies

Local business leaders showed a positive view on the national economic outlook for this quarter, which differs from last quarter where the local businesses expressed a soft pessimism on the future national economy with increasing trade tensions between the U.S. and China (i.e., 108.0 vs. 95.5). This may reflect a hope from ongoing negotiation between the U.S. and China or changing views on the severity of the effect of trade war on the national economy. In fact, the CBER’s survey results indicate that a few respondents who showed the negative views on a trade war on economic growth in the last quarter moved to neutral views for this quarter. As a result, the local businesses’ confidence on Nevada economy also rose, benefiting from more favorable perspective on the U.S. economy.

The index values for expectation on both U.S. and Nevada economic conditions rebounded quarter-over-quarter, up by 13.1 and 4.8 percent, respectively. The index values, however, remained notably lower compared to last year, down by 22.9 and 16.8 percent, respectively. Overall, the local business leaders expressed optimism on future national and statewide economic conditions. When asked about the U.S. economy, 40.9 percent of respondents forecasted an improved economy, while 33.0 percent

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 131.8, then this means that 31.8 percent more respondents exhibit a positive attitude (48.9 percent) than those that exhibit a negative attitude (17.0 percent). Note the rounding error for this calculation.
expected a worse economy. The remaining 26.1 percent projected no change. When asked about the Nevada economy, 48.9 percent of the respondents projected an improved economy, 34.1 percent forecasted no change, and 17.0 percent expected a worse economy.

*Expectations for Sales*

The index value for expectations on sales rebounded slightly, up by 1.2 percent quarter-over-quarter from 125.8 to 127.3. Although the local businesses’ confidence in sales activity remained at an optimistic level, the value remained well below last year’s value of 147.4. That is, 50.0 percent of the respondents predicted increased sales in their industry, 27.3 percent expected no change, and only 22.7 percent projected decreased sales.

*Expectations for Profits*

The local businesses also felt more confident about profits in their industry quarter-over-quarter (i.e., 125.0 vs. 122.5), along with the increased optimism on sales activity. The index value for expectations on profits, however, remained substantially lower than the level from last year as the value hit its record-high level of optimism in 2018Q4. When asked about profits in their own industry, 46.6 percent of respondents expected an increase, 31.8 percent predicted no change, and 21.6 percent forecasted a decrease.

*Expectations for Capital Expenditure*

The survey respondents expressed higher optimism on capital expenditure than sales, profit, and hiring. The index value for expectations on capital expenditure rebounded strongly, up by 11.9 percent from last quarter. The value also experienced the least reduction year-over-year compared to the other components, only down by 0.8 percent. When asked about capital expenditure in their own industry, 44.3 percent of the respondents’ projected increased capital expenditure, while 14.8 percent expected decreased capital expenditure. The remaining 40.9 percent forecasted 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/2019Q4BCI.pdf](https://cber.unlv.edu/publications/2019Q4BCI.pdf). The CBER website is [https://cber.unlv.edu](https://cber.unlv.edu).

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Figure 1. 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.