

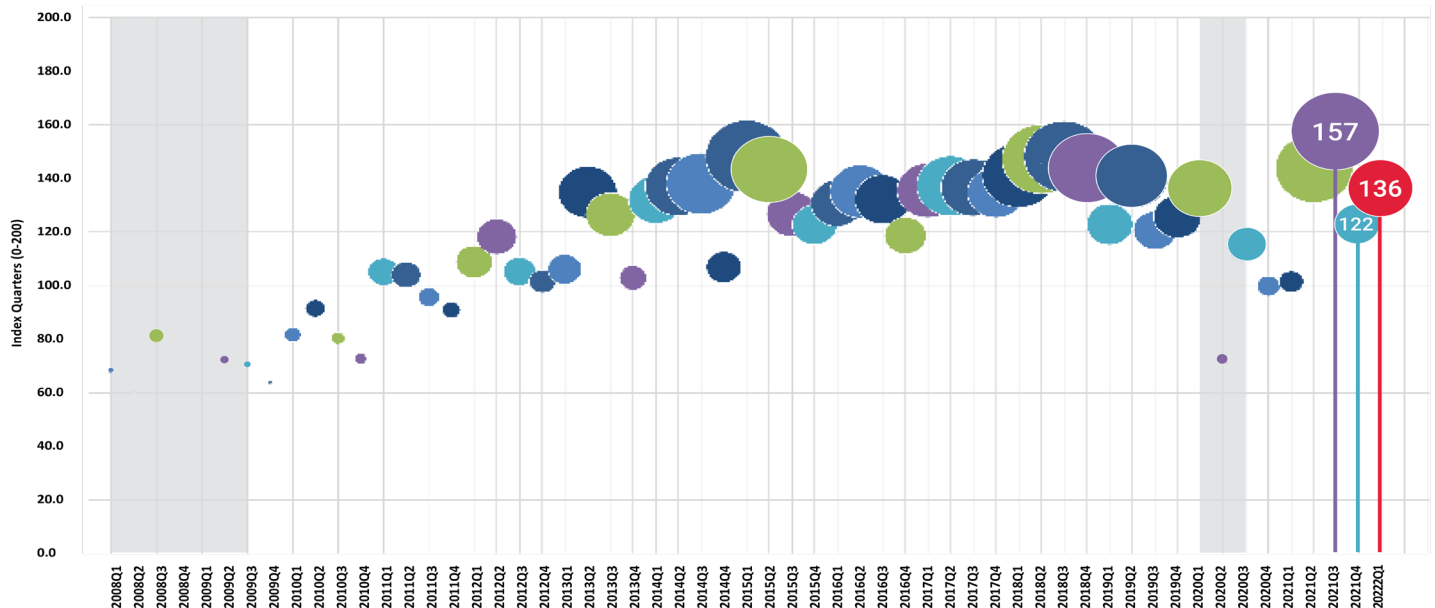
QUARTERLY INDICATORS

Southern Nevada Business Confidence Index

UNLV | LEE BUSINESS SCHOOL
CENTER FOR BUSINESS
AND ECONOMIC RESEARCH

First Quarter 2022

Three Most Recent Index Scores for CBER's Southern Nevada Business Confidence



Southern Nevada Business Confidence Index, Highlights

ECONOMIC EXPECTATIONS

o Southern Nevada business leaders forecasted dueling predictions that the Nevada economic condition will continue to improve in the first quarter of 2022, while the U.S. economic condition will worsen compared to last quarter.

o A similar trend happened in 2012 when the local economy just started to speed up its recovery from the Great Recession, while the U.S. economy had significantly recovered from the Great Recession and had exceeded its prior peak in real GDP since the first quarter of 2011.

EXPECTATIONS FOR SALES

o The index value for sales scored the highest among the five components with a value of 144.3. This might reflect the recent strong improvement in the local tourism sector, benefiting from higher vaccination rates and the return of conventional business with the reopened borders.

EXPECTATIONS FOR HOME PRICES

o Local business executives predict that the upward trend of local housing prices will continue for the first quarter with an index value of 147.5.

o The local and national housing markets exhibited a stronger-than-expected performance despite the virus, benefitting from all-time low mortgage rates and incoming domestic migration. According to the Redfin's analysis of the October and November 2021 data, Las Vegas was the third most popular online search for a

migration destination of any major U.S. metro after Miami and Phoenix, which benefited from relative affordability, warm weather, and remote work opportunities.

EXPECTED CHALLENGES

o Finding qualified employees was marked as the most difficult challenge with 27.8 percent for the second consecutive quarter as the labor shortage continues.

o Economic uncertainty and higher operating and/or production costs were tied as the second most difficult challenges with 20.4 percent amid escalating inflation.

o Among those who reported “others” as the most important challenge (16.7 percent), the lack of home inventory was mentioned most frequently.

EXPECTATIONS FOR FULL ECONOMIC RECOVERY

o 51.9 percent respondents expected no full recovery until 2024 or later, and 37.0 percent forecasted a full recovery would happen in 2023. This is a more pessimistic outlook compared to last quarter whereby 64.4 percent respondents expected no full recovery until 2023.

FULL REPORT BELOW

Economic Outlook: Global, National, and Local

U.S. real gross domestic product (GDP) for the third quarter of 2021 experienced a weaker-than-expected growth of 2.3 percent at an annual rate, primarily caused by a deceleration in consumer spending due to the resurgence of COVID-19 cases as well as goods and labor supply shortages. U.S. nonfarm employment continued to post disappointing gains, adding only 199,000 jobs in December amid the ongoing labor shortage and the spread of the Omicron variant. As a result, the U.S. labor market added an average of 537,000 new jobs per month in 2021, and the employment level now stands only 2.3 percent lower than its pre-pandemic peak in February 2020. The unemployment rate in December dropped significantly to 3.9 from 4.2 percent. Retail sales in November climbed by only 0.3 percent month-over-month despite a 0.8 percent increase in consumer price index over the same period. The most recent data indicate that the U.S. economy’s growth recently slowed with the combination of the resurgence of COVID cases, higher inflation, and continued labor and material shortages. To fight ongoing inflation, the Federal Reserve announced its intention to end asset purchases in March a bit earlier than previously projected and begin a potential downsizing of the Fed’s balance sheet along with the potential of three interest rate hikes in 2022.

Clark County recently posted generally positive signs of economic recovery as the tourism sector experiences strong pick-ups with higher vaccination rates and the return of convention business and international travelers. Seasonally adjusted employment added 1,700 jobs in November, and the unemployment rate also fell by 0.3 percent to 7.3 percent. November Harry Reid airport passengers and visitor volume, however, remained lower than their levels from two years ago by 4.6 and 14.6 percent, respectively. November gaming revenue and October taxable sales, however, surpassed their levels from two years ago by a substantial 44.1 and 22.7 percent, respectively, benefiting from a massive influx of federal stimulus money. The local housing market also reached higher median home prices every month due to higher demand and tighter inventory. The survey results conveyed in this report show high confidence on the local business conditions

“Clark County recently posted generally positive signs of economic recovery as the tourism sector experiences strong pick-ups with higher vaccination rates and the return of convention business and international travelers.”

despite the current challenges of the Omicron variant, escalating inflation, and continued labor and supply shortages, while at the same time, local business leaders anticipate struggles for the U.S. economy in the first quarter of 2022.

Southern Nevada Business Confidence Index

The Southern Nevada Business Confidence Index, constructed by the Center for Business and Economic Research (CBER) at the University of Nevada, Las Vegas (UNLV), rose strongly by 11.1 percent from 122.5 in the fourth quarter of 2021 to 136.1 in the first quarter of 2022 (Figure 1). (Note that the 13.6 percentage point increase from 122.5 translates into an 11.1 percent increase on a base of 122.5.) The index also jumped by 34.1 percent from last year. The index suggests that the Southern Nevada economic recovery will continue despite the rapid spread of the Omicron variant. The respondents, however, forecasted that the U.S. economic condition will post somewhat worse conditions in the first quarter of 2022 compared to last 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. Index components all remain well above 100, which suggests that respondents, on average, feel more positive than negative about the five components. The index values for business expectations of Nevada economic conditions, sales, profits, hiring, and capital expenditure scored 136.1, 144.3, 131.1, 132.8, and 136.1, respectively (Figure 2)¹.

“The Southern Nevada Business Confidence Index...rose strongly by 11.1 percent from 122.5 in the fourth quarter of 2021 to 136.1 in the first quarter of 2022.”

Figure 1

CBER's Southern Nevada Business Confidence Index

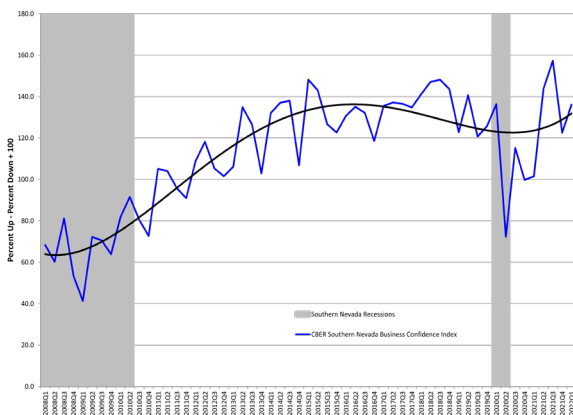
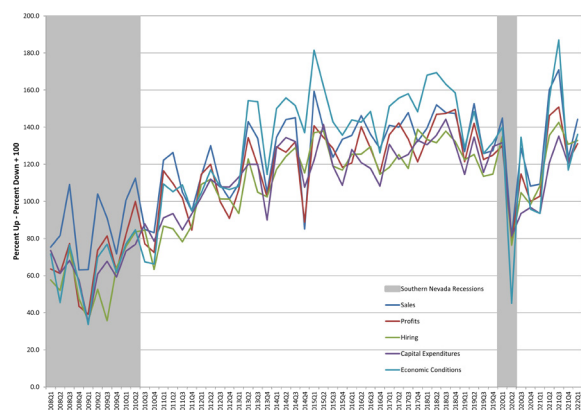


Figure 2

Components of CBER's Southern Nevada Business Confidence Index



Expectations for the U.S. and Nevada Economies

Southern Nevada business leaders forecasted that the Nevada economic condition will continue to improve in the first quarter of 2022, while the U.S. economic condition will worsen compared to last quarter (Figures 3 and 4). That is, the values for U.S. and Nevada economic activity were 93.4 and 136.1, respectively. The value for U.S. economic activity fell below 100 for the first time since 2020Q2 as respondents felt more negative than positive about future U.S. economic conditions. A similar trend happened in 2012 when

“The value for U.S. economic activity fell below 100 for the first time since 2020Q2 as respondents felt more negative than positive about future U.S. economic conditions.”

¹ Note: When reporting percentage responses, totals may not add to 100 because of rounding. 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 136.1, this means that 36.1 percent more respondents endorsed a positive attitude (60.7 percent) than those with a negative attitude (24.6 percent).

the local economy just started to speed up its recovery from the Great Recession, while the U.S. economy had significantly recovered from the Great Recession and had exceeded its prior peak in real GDP since the first quarter of 2011. When asked about the U.S. economy, 39.3 percent forecasted a better economy, while 45.9 percent projected a worse economy. The remaining 14.8 percent expected no change. When asked the same question about the Nevada economy, 60.7 percent of respondents forecasted an improved economy, 14.8 percent projected no change, and only 24.6 percent expected a worse economy.

Expectations for Sales

The index value for expectations of sales posted the largest quarter-over-quarter increase of 17.2 percent among the five components (Figure 5). The index value also scored the highest among the five components with a value of 144.3. This might reflect the recent strong improvement in the local tourism sector, benefiting from higher vaccination rates and the return of convention business with the reopened borders. When asked about sales in their own industry, 62.3 percent of the respondents predicted an increase, 19.7 percent expected no change, and 18.0 percent projected a decrease.

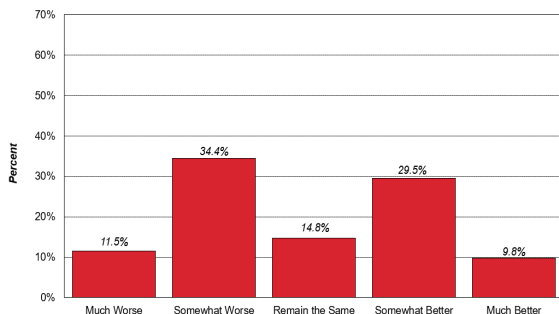
Expectations for Profits

Local businesses also expressed high optimism on profits with a value of 131.1 (Figure 6). When asked about profits, 54.1 percent of respondents expected increased profits in their industry, 23.0 percent predicted no change, and 23.0 percent forecasted decreased profits.

“The index value for expectations of sales posted the largest quarter-over-quarter increase of 17.2 percent among the five components.”

Figure 3

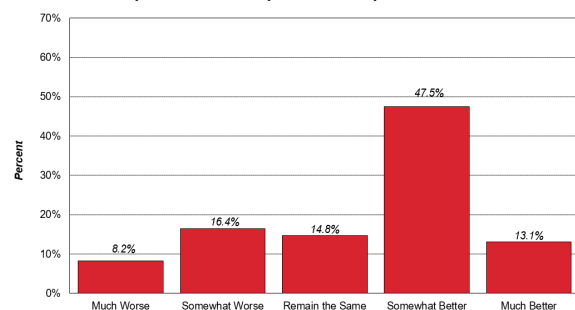
How do you think economic conditions in the United States will change in the 1st quarter of 2022 compared to the previous quarter?



CBER Business Confidence Index Survey

Figure 4

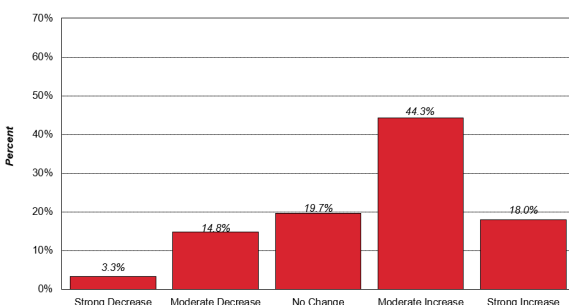
How do you think economic conditions in Nevada will change in the 1st quarter of 2022 compared to the previous quarter?



CBER Business Confidence Index Survey

Figure 5

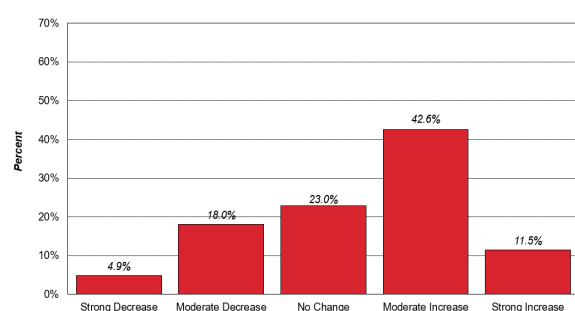
How do you think sales in your industry will change in the 1st quarter of 2022 compared to the previous quarter?



CBER Business Confidence Index Survey

Figure 6

How do you think profits in your industry will change in the 1st quarter of 2022 compared to the previous quarter?



CBER Business Confidence Index Survey

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

Expectations for Hiring

The index value for expectations on hiring increased the least by 1.5 percent quarter-over-quarter to a value of 132.8 (Figure 7). This likely reflected the ongoing labor shortage and the Great Resignation (Reevaluation). When asked about hiring in their own industry, 44.3 percent expected an increase, 44.3 percent expected no change, and 11.5 percent projected a decrease.

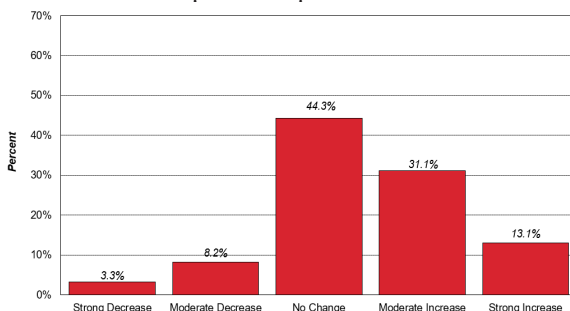
“This likely reflected the ongoing labor shortage and the Great Resignation (Reevaluation).”

Expectations for Capital Expenditure

Local business leaders continued to express optimism on capital expenditure in their industry with a value of 136.1 (Figure 8). That is, 52.5 percent of respondents forecasted increased capital expenditure in their industry, while 16.4 percent projected decreased capital expenditure. The remaining 31.1 percent expected no change.

Figure 7

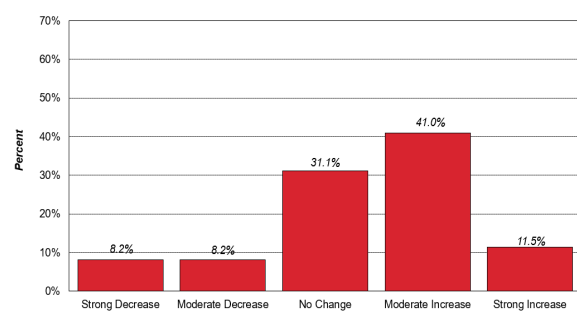
How do you think hiring in your industry will change in the 1st quarter of 2022 compared to the previous quarter?



CBER Business Confidence Index Survey

Figure 8

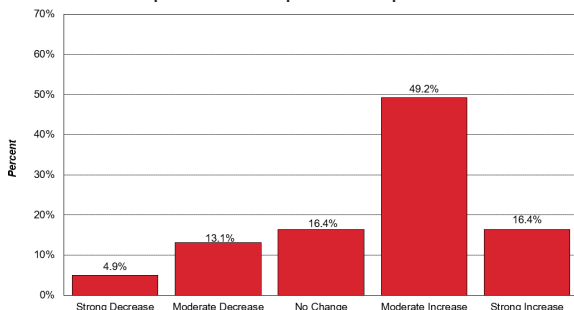
How do you think capital expenditure in your industry will change in the 1st quarter of 2022 compared to the previous quarter?



CBER Business Confidence Index Survey

Figure 9

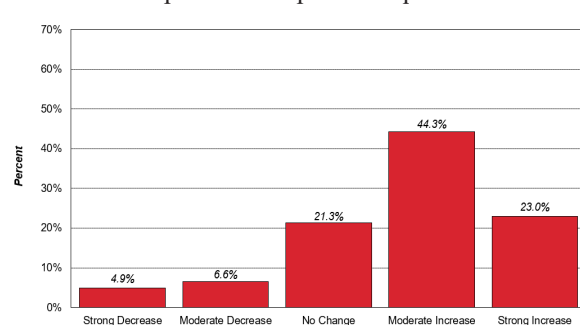
How do you think home prices in Southern Nevada will change in the 1st quarter of 2022 compared to the previous quarter?



CBER Business Confidence Index Survey

Figure 10

How do you think construction activity in Southern Nevada will change in the 1st quarter of 2022 compared to the previous quarter?



CBER Business Confidence Index Survey

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

Expectations for Home Prices

The local and national housing markets exhibited a stronger-than-expected performance despite the virus, benefitting from all-time low mortgage rates and incoming domestic migration (Figure 9). According to the Redfin's analysis of the October and November 2021 data, Las Vegas was the third most popular migration destination of any major U.S. metro after Miami and Phoenix, which benefited from relative affordability, warm weather, and remote work opportunities. In the second quarter of 2021, Las Vegas was the second most popular population migration destination after Phoenix. As a result, the local housing market posted not only all-time high home sales but also a record-high

“... Las Vegas was the third most popular migration destination of any major U.S. metro after Miami and Phoenix ...”

median home price in 2021. The inventory of homes for sale also remains at persistently low levels due to surprisingly high demand. Local business executives predict that the upward trend of local housing prices will continue for the first quarter with a value of 147.5. When asked about expectations on home prices, 65.6 percent of the respondents expected increases in home prices in Southern Nevada, 16.4 percent forecasted no change, and 18.0 percent predicted decreases in home prices.

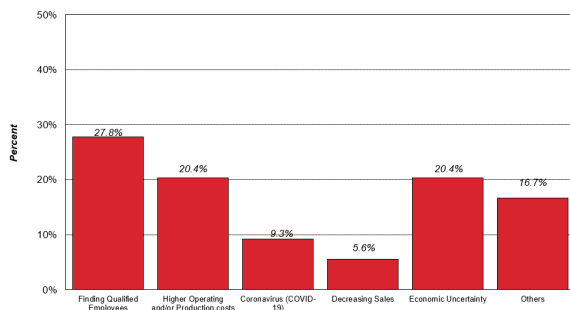
Expectations for Construction Activity

Local business leaders also express a positive outlook for construction activity with a value of 155.7 (Figure 10). This may reflect a strong increase in housing permits as builders try to ease the recent overwhelming demand. When asked about expectations on construction, 67.2 percent of the respondents expected more construction activity, 21.3 percent projected no change, and only 11.5 percent forecasted less construction activity in the first quarter of 2022 compared to the fourth quarter of 2021.

“Local business leaders also express a positive outlook for construction activity with a value of 155.7.”

Figure 11

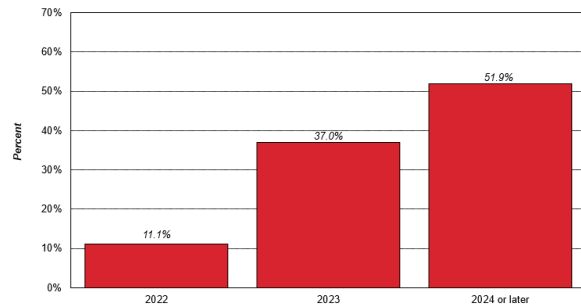
What is the most important challenge that you face in your business today?



CBER Business Confidence Index Survey

Figure 12

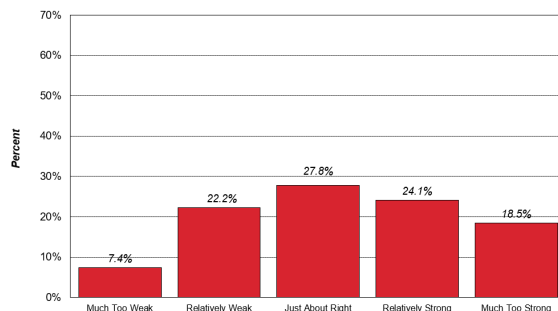
When do you expect the full recovery from the current recession to occur?



CBER Business Confidence Index Survey

Figure 13

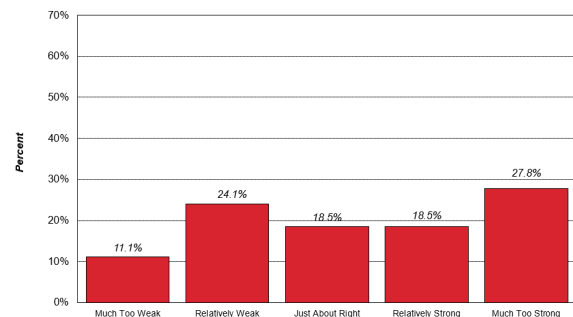
Rating the response of national monetary policy to the COVID-19 recession



CBER Business Confidence Index Survey

Figure 14

Rating the response of national fiscal policy To the COVID-19 recession



CBER Business Confidence Index Survey

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

Most Important Challenges

Finding qualified employees was marked as the most difficult challenge with 27.8 percent of business leaders for the second consecutive quarter as the labor shortage continues (Figure 11). Economic uncertainty and higher operating and/or production costs were tied as the second most difficult challenges with 20.4 percent amid escalating inflation. Only 9.3 percent of the respondents mentioned the Coronavirus (COVID-19) as the most important challenge despite the spread of the Omicron variant. Among those who reported “others” as the most important challenge (16.7 percent), the lack of home inventory was mentioned most frequently.

“Only 9.3 percent of the respondents mentioned the Coronavirus (COVID-19) as the most important challenge despite the spread of the Omicron variant.”

The Economic Recovery

The majority of the respondents forecasted a slow recovery of the local economy (Figure 12). That is, 51.9 percent respondents expected no full recovery until 2024 or later, and 37.0 percent forecasted a full recovery would happen in 2023. This is a more pessimistic outlook compared to last quarter when 64.4 percent respondents expected no full recovery until 2023. Only 11.1 percent respondents anticipated that a full recovery would happen in 2022 this quarter, significantly lower than the 35.6 percent recorded in the last quarter.

Responses of National Fiscal and Monetary Policies

Local business leaders reported that the responses of both national monetary and fiscal policies were somewhat strong (Figures 13 and 14). Last quarter, respondents stated that the response of fiscal policy was just about right, while the response of national monetary policy was somewhat weak. The perspectives of the respondents changed, which might reflect recent struggles amid escalating inflation. The Federal Reserve, therefore, announced that it will end its asset purchases by March and signaled the possibility of three rate hikes in 2022 as well as a potential downsizing of its balance sheet to control inflation. When asked about the response of national monetary policies to the COVID-19 recession, 42.6 percent reported that the monetary response was “too/relatively strong,” 27.8 percent that the response was “just about right,” and 29.6 percent reported the response was “too/relatively weak.” When asked about the response of national fiscal policy implemented by the Congress and the Administration, 46.3 percent respondents answered that the fiscal policy response to the economic downturn due to the virus was “too/relatively strong,” while 35.2 percent reported “too/relatively weak.” The remaining 18.5 percent reported “just about right.”

Company's Position after Full Economic Recovery

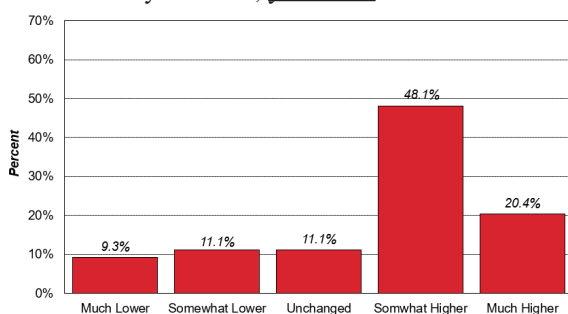
The majority of local business leaders remained highly optimistic about their levels of sales and employment after the full economic recovery compared to the pre-pandemic economy (Figures 15 and 16). When asked about their level of sales after the full recovery compared to their pre-recession positions, 68.5 percent of respondents forecasted an increase in sales, 11.1 percent expected no change, and 20.4 percent predicted a decrease. When asked about employment, 55.6 percent of respondents expected an increase compared to pre-recession levels, while 16.7 percent expected a decrease. The remaining 27.8 percent predicted no change in employment after the full recovery compared to the pre-recession levels.

“Only 11.1 percent respondents anticipated that a full recovery would happen in 2022 this quarter, significantly lower than the 35.6 percent recorded in the last quarter.”

“The majority of local business leaders remained highly optimistic about their levels of sales and employment after the full economic recovery compared to the pre-pandemic economy.”

Figure 15

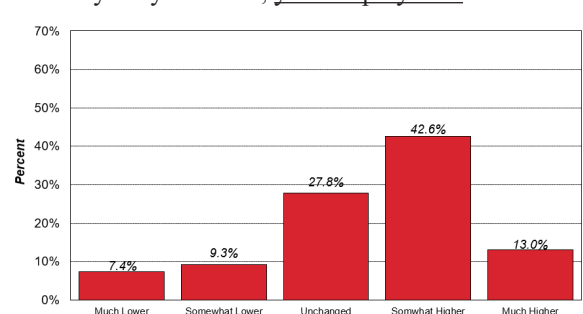
Comparing your company's position before COVID19 recession to where you expect it to be after the economy fully recovers, your sales will be?



CBER Business Confidence Index Survey

Figure 16

Comparing your company's position before COVID19 recession to where you expect it to be after the economy fully recovers, your employment will be?

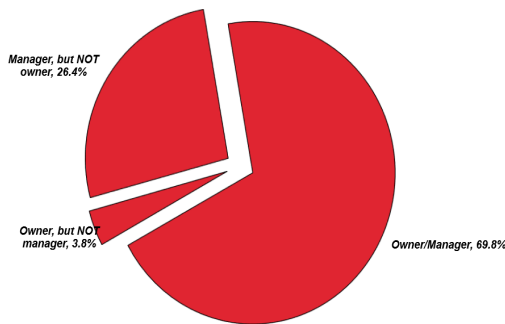


CBER Business Confidence Index Survey

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

Figure 17

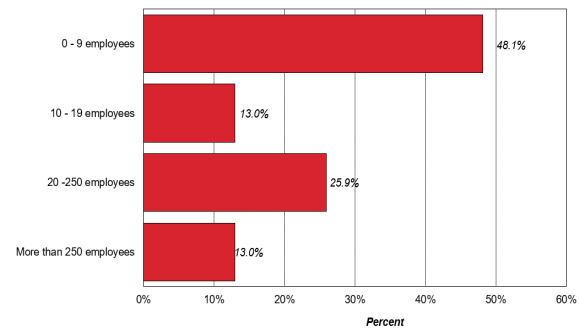
Which best describes your position
In your business?



CBER Business Confidence Index Survey

Figure 18

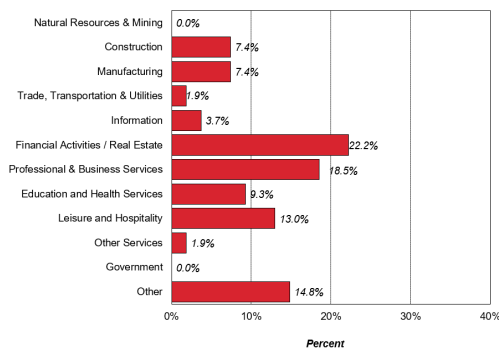
How many people, full time and part time, does
you business currently employ, NOT including
yourself?



CBER Business Confidence Index Survey

Figure 19

Business sectors reflected in survey



CBER Business Confidence Index Survey

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

Conclusion

The most recent CBER business survey suggests that local businesses are highly optimistic about the local economy in the first quarter of 2022 despite their slight pessimistic outlook on U.S. economic activity. Local business leaders predict that the local economic conditions will continue to improve in the first quarter despite the current challenges with higher inflation, labor shortage, supply chain disruptions, and the resurgence of the COVID-19 cases. As a result, respondents expressed a positive outlook on sales, profits, capital expenditure, and hiring in their industry. They also anticipated increased home prices and construction activity in the short run. Therefore, we conclude that Clark County's economy will continue to improve, while the U.S. economy will struggle in the first quarter based on local business leaders' expectations.

Center for Business and Economic Research

The views expressed are those of the authors and do not necessarily represent those of the University of Nevada, Las Vegas, or the Nevada System of Higher Education.

Please email us at CBER@UNLV.EDU for questions and concerns.