

# QUARTERLY INDICATORS

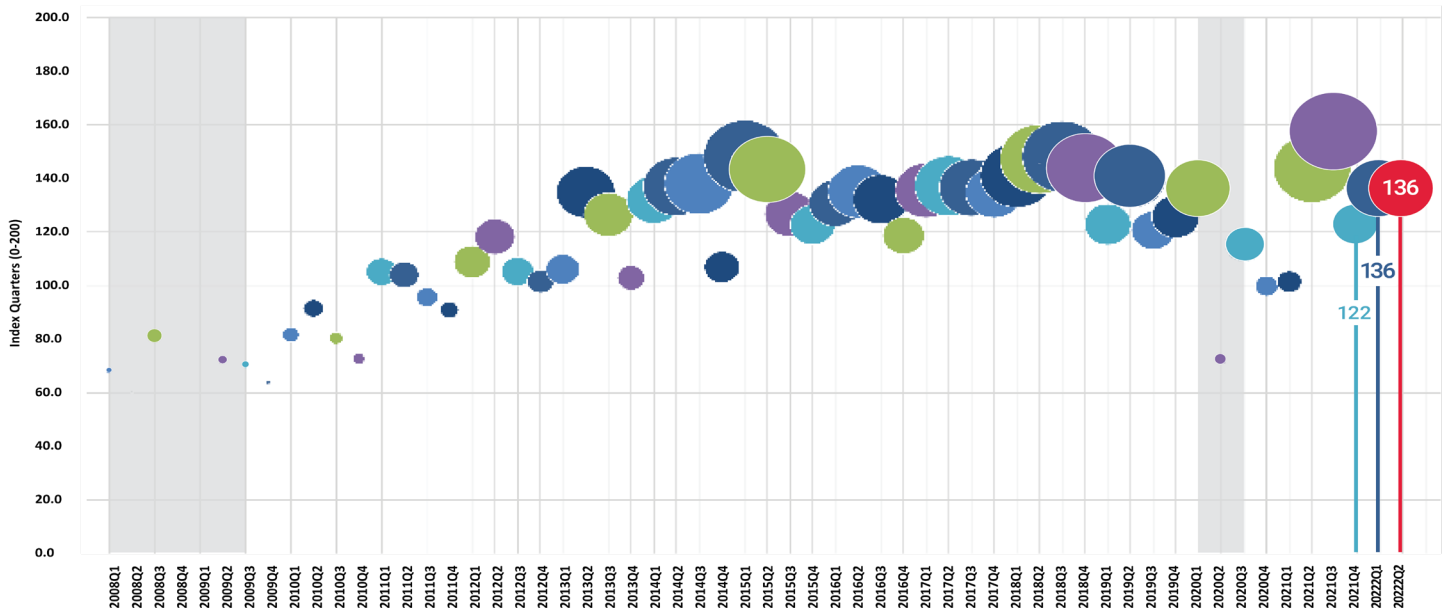
## Southern Nevada Business Confidence Index



LEE BUSINESS SCHOOL  
CENTER FOR BUSINESS  
AND ECONOMIC RESEARCH

Second 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 that the U.S. and Nevada economic conditions will remain largely unchanged in the second quarter of 2022 compared to last quarter. Expectations remain that the Nevada economy exhibits much more strength than the national economy.

o Clark County's economy will continue to improve in the second quarter based on local business leaders' expectations, while increased challenges of finding qualified workers could lower economic growth.

#### EXPECTATIONS FOR SALES

o The index value for expectations of sales continued to score the highest among the five components with a value of 151.8, which may reflect the recent strong improvement in the local tourism sector as the effect of COVID-19 has waned.

#### EXPECTATIONS FOR PROFITS

o Although local businesses also expressed high optimism on profits with a value of 130.6, the index declined slightly by 0.4 percent quarter-over-quarter despite a 5.2 percent increase in the value of sales, probably mainly reflecting increasing costs due to high inflation.

#### EXPECTATIONS FOR HOME PRICES

o Local business executives predict that the upward trend of local housing prices will continue for the second quarter with a value of 157.6 despite the expectation of higher mortgage interest rates.

o The local housing markets exhibited a stronger-than-expected performance despite the virus, benefiting from low mortgage rates and incoming domestic migration. According to Redfin's analysis, Las Vegas was the seventh most popular migration destination of any major U.S. metro area with a net inflow of 31,701 people in 2021, benefiting from relative affordability, warm weather, and remote work opportunities.

## EXPECTED CHALLENGES

o Finding qualified employees was marked by 42.7 percent of business leaders as the most difficult challenge in Southern Nevada for the second consecutive quarter as the labor shortage continues. The percentage increased by almost 15 percentage points from the previous quarter's 27.8 percent.

o This challenge differs from the national economy where businesses reported inflation as the most difficult challenge in March, replacing labor quality as the biggest problem. This may reflect the fact that Southern Nevada recently posted strong pick-ups in economic activity, which was slower than the U.S. average due to its large economic dependence on the tourism sector.

o A majority (60 percent) of Southern Nevada Business leaders continue to forecast that a full recovery from the pandemic will not occur until 2024 or later. This is higher than the 51.9 percent in the first quarter of 2022 who responded with the same expectation. In contrast, back in the third quarter of 2021, 56 percent of respondents forecasted a full economic recovery in 2022.

## FULL REPORT BELOW

### Economic Outlook: Global, National, and Local

U.S. real gross domestic product (GDP) for the fourth quarter of 2021 experienced a stronger-than-expected growth of 6.9 percent at an annual rate, largely reflecting a surge in inventory investment as businesses restocked depleted inventories caused by high demand and supply disruptions. U.S. nonfarm employment continued its recent robust gains, adding 431 thousand jobs in March. The average for the first three months of 2022 equaled 562 thousand jobs, which coincidentally equaled the average number of new jobs per month in all of 2022. The U.S. unemployment rate in March dropped to 3.6 percent, only 0.1 percent higher than the level in February 2020. The labor shortages also began to show a sign of easing as the labor force participation rate continued to recover. For those between 25 and 54, the participation rate hit 82.5 percent in March, mirroring exactly the average level in 2019. The most recent data indicate that the U.S. economy will continue its expansion, but consumer sentiment continues to decline with pessimism rising as real household income decreases due to escalating inflation. Small businesses confidence also declined in March, reporting that inflation was the single most important problem, which replaced "labor quality" according to the National Federation of Independent Business. To fight ongoing inflation, the Federal Reserve will likely increase rates more aggressively to near 2 percent this year and begin to reduce its asset holdings by up to \$95 billion per month beginning in May. The Fed raised the federal funds rate by 25 basis points to a target range of 0.25-0.50 in March, lower than a much talked about 50 basis point increase due to the uncertainty of the Russian-Ukraine war.

Clark County recently posted generally positive economic signals as the tourism sector experienced strong pick-ups due to the waning the COVID-19 pandemic. Seasonally adjusted employment experienced a strong gain of 7,600 jobs in February,

*"Clark County recently posted generally positive economic signals as the tourism sector experienced strong pick-ups due to the waning the COVID-19 pandemic."*

and the unemployment rate also fell by 0.4 percent to 6.1 percent. As a result, the current employment remains 1.6 percent or 17,000 jobs lower than the pre-pandemic peak in February 2020. Taxable sales and gaming revenue already recovered from the COVID-19 recession thanks to a massive influx of federal stimulus money, reaching substantially higher levels than pre-pandemic. The tourism sector showed a slower recovery compared to other sectors as it requires face-to-face contact. It has started to gain momentum, however, given reduced business restrictions related to COVID-19. Harry Reid airport passengers and visitor volume in February remained lower than their levels from two years ago by 13.5 and 28.0 percent, respectively. The local housing market continued to post 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 aligned with the current strong pick-ups in local economic activity despite ongoing economic uncertainty. The respondents expressed hiring qualified workers as the biggest challenge, which likely lowers, however, Southern Nevada's potential economic growth in the short run.

*"The survey results conveyed in this report show high confidence on the local business conditions aligned with the current strong pick-ups in local economic activity despite ongoing economic uncertainty."*

## 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), was up slightly by 0.4 percent from 136.1 in the first quarter to 136.5 in the second quarter of 2022 (Figure 1). The index suggests that the Southern Nevada economic recovery will continue at a similar pace amid uncertainty about escalating inflation. The respondents also forecasted that the U.S. economic condition will likely remain unchanged from last quarter with the value of 101.2.

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 132.6, 151.8, 130.6, 134.9, and 132.6, respectively (Figure 2)<sup>1</sup>.

*"The Southern Nevada Business Confidence Index...was up slightly by 0.4 percent from 136.1 in the first quarter to 136.5 in the second quarter of 2022."*

Figure 1

CBER's Southern Nevada Business Confidence Index

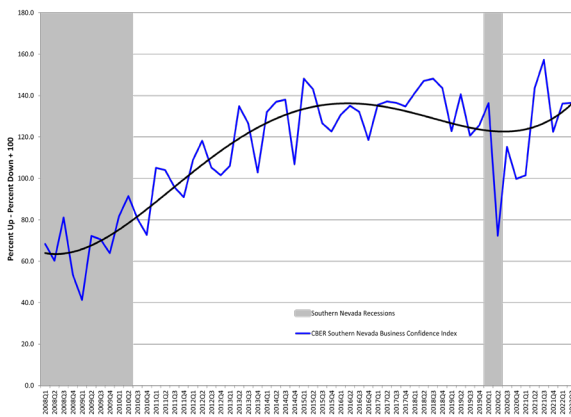
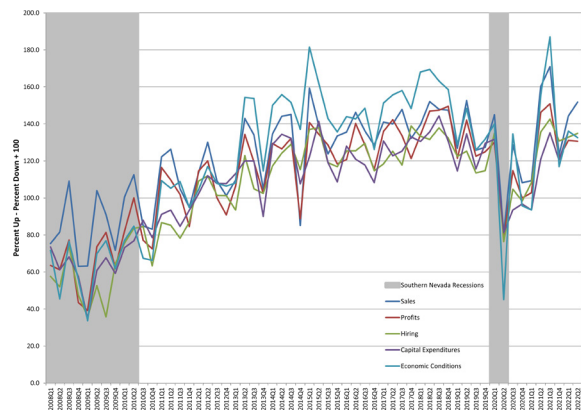


Figure 2

Components of CBER's Southern Nevada Business Confidence Index



<sup>1</sup> 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 132.6, this means that 32.6 percent more respondents endorsed a positive attitude (59.3 percent) than those with a negative attitude (26.8 percent).

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

Southern Nevada business leaders forecasted that the Nevada economic condition will remain relatively unchanged in the first quarter of 2022 with a value of 132.6, slightly lower than in the prior quarter. (Figure 3). The respondents, however, expected that the U.S. economy will not budge much from last quarter with a value of 101.2, rising somewhat from a more pessimistic view for the last quarter (Figure 4). That is, the index value for the U.S. economic activity scored neutral but slightly positive at 101.2, while the value was slightly below 100 at 93.4 last quarter. When asked about the U.S. economy, 44.2 percent forecasted a better economy, while 43.0 percent projected a worse economy. The remaining 12.8 percent expected no change. When asked the same question about the Nevada economy, 59.3 percent of respondents forecasted an improved economy, 14.0 percent projected no change, and 26.7 percent expected a worse economy.

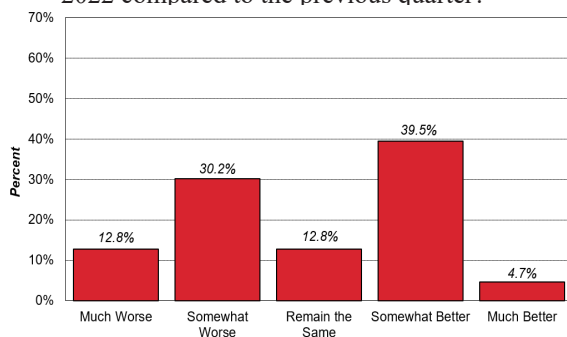
## Expectations for Sales

The index value for expectations of sales posted the largest quarter-over-quarter increase of 5.2 percent among the five components (Figure 5). The index value also continued to score the highest among the five components with a value of 151.8. This might reflect the recent strong improvement in the local tourism sector as the effect of COVID-19 has waned. In addition, Las Vegas has planned to host or hosted several large events such as the 2022 NFL Draft. When asked about sales in their own industry, 67.1 percent of the respondents predicted an increase, 17.6 percent expected no change, and 15.3 percent projected a decrease.

*“The index value for expectations of sales posted the largest quarter-over-quarter increase of 5.2 percent among the five components.”*

Figure 3

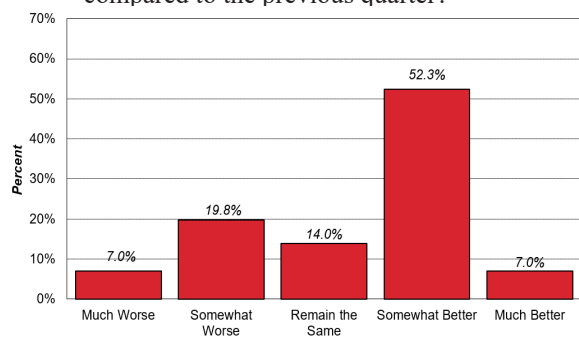
How do you think economic conditions in the United States will change in the 2<sup>nd</sup> quarter of 2022 compared to the previous quarter?



CBER Business Confidence Index Survey

Figure 4

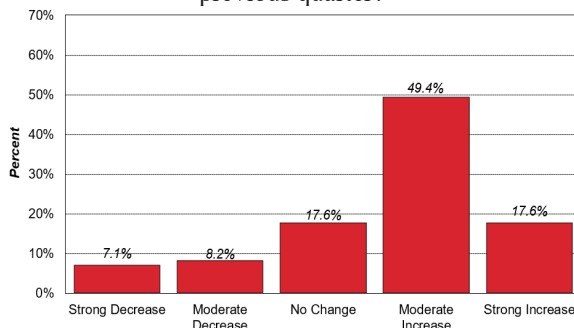
How do you think economic conditions in Nevada will change in the 2<sup>nd</sup> quarter of 2022 compared to the previous quarter?



CBER Business Confidence Index Survey

Figure 5

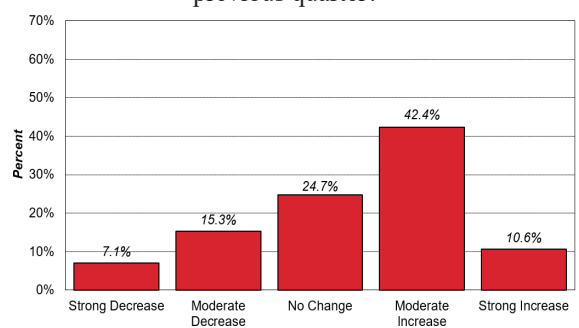
How do you think sales in your industry will change in the 2<sup>nd</sup> quarter of 2022 compared to the previous quarter?



CBER Business Confidence Index Survey

Figure 6

How do you think profits in your industry will change in the 2<sup>nd</sup> quarter of 2022 compared to the previous quarter?



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

## Expectations for Profits

Local businesses also expressed relatively high optimism on profits with a value of 130.6 (Figure 6). The index, however, declined slightly by 0.4 percent quarter-over-quarter despite a 5.2 percent increase in the value of sales, probably reflecting increasing costs due to higher inflation. When asked about profits, 52.9 percent of respondents expected increased profits in their industry, 24.7 percent predicted no change, and 22.4 percent forecasted decreased profits.

## Expectations for Hiring

The index value for expectations on hiring continued to increase quarter-over-quarter by 1.6 percent this quarter to a value of 134.9 (Figure 7). This likely reflected the ongoing labor shortage and the Great Resignation (Reevaluation). When asked about hiring in their own industry, 47.7 percent expected an increase, 39.5 percent expected no change, and 12.8 percent projected a decrease.

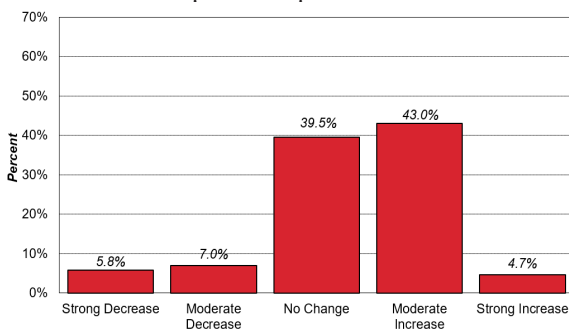
## Expectations for Capital Expenditure

Local business leaders continued to express optimism on capital expenditure in their industry with a value of 132.6 (Figure 8). That is, 48.8 percent of respondents forecasted increased capital expenditure in their industry, while 16.3 percent projected decreased capital spending. The remaining 34.9 percent expected no change.

*“The index, however, declined slightly by 0.4 percent quarter-over-quarter despite a 5.2 percent increase in the value of sales, probably reflecting increasing costs due to higher inflation.”*

Figure 7

How do you think hiring in your industry will change in the 2<sup>nd</sup> quarter of 2022 compared to the previous quarter?

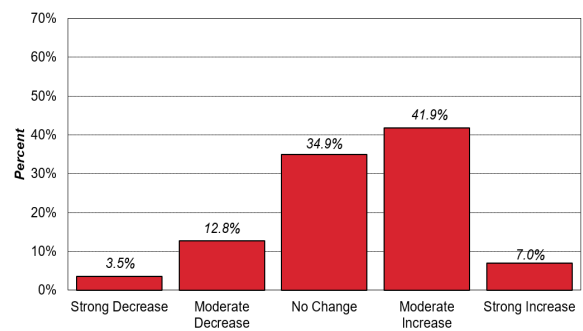


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Note: When reporting percentage responses, totals may not add to 100 because of rounding.

Figure 8

How do you think capital expenditure in your industry will change in the 2<sup>nd</sup> quarter of 2022 compared to the previous quarter?



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## Expectations for Home Prices

The local housing markets exhibited a stronger-than-expected performance despite the virus, benefiting from low mortgage rates and incoming domestic migration (Figure 9). According to Redfin’s analysis<sup>2</sup>, Las Vegas was the seventh most popular migration destination of any major U.S. metro area with the net inflow of 31,701 people in 2021, benefiting from relative affordability, warm weather, and remote work opportunities. Phoenix ranked the most popular migration destination in 2021 with 85,183 net inflow of people. Las Vegas continued to remain one of the top 10 cities for relocation.<sup>3</sup> With an influx of population, Las Vegas home prices showed the third largest year-over-year price increase in February with 28.2% percent after North Port, FL (+28.8%) and Phoenix, AZ (+28.3%) amid a shortage of home inventory.<sup>4</sup> Local business executives predict that the upward trend of local housing prices will continue for the second quarter with a value of 157.6 despite the expectation of higher mortgage interest rates. The local land

*“...Las Vegas was the seventh most popular migration destination of any major U.S. metro area with the net inflow of 31,701 people in 2021...”*

<sup>2</sup> <https://www.redfin.com/news/homebuyer-migration-2021-rising-home-prices/>.

<sup>3</sup> <https://www.nationalmortgagenews.com/list/the-top-10-cities-home-buyers-want-to-relocate-to-this-spring>.

<sup>4</sup> <https://www.redfin.com/news/home-prices-surge-to-new-record-february/>.



shortage adds to the mix of factors contributing to higher home prices. When asked about expectations on home prices, 69.4 percent of the respondents expected increases in home prices in Southern Nevada, 18.8 percent forecasted no change, and only 11.8 percent predicted decreases in home prices.

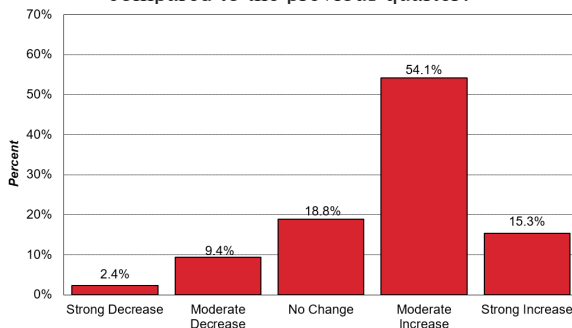
### Expectations for Construction Activity

Local business leaders also express a positive outlook for construction activity with a value of 156.5 (Figure 10). When asked about expectations on construction, 62.4 percent of the respondents expected more construction activity, 31.8 percent projected no change, and only 5.9 percent forecasted less construction activity in the second quarter compared to the first quarter. The local land shortage will produce a negative effect on construction activity in the Vegas valley.

*“The local land shortage will produce a negative effect on construction activity in the Vegas valley.”*

Figure 9

How do you think home prices in Southern Nevada will change in the 2<sup>nd</sup> quarter of 2022 compared to the previous quarter?

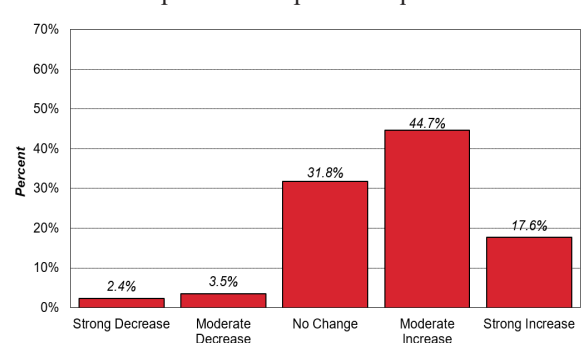


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Note: When reporting percentage responses, totals may not add to 100 because of rounding.

Figure 10

How do you think construction activity in Southern Nevada will change in the 2<sup>nd</sup> quarter of 2022 compared to the previous quarter?



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### Most Important Challenges

Finding qualified employees was marked by 42.7 percent of business leaders as the most difficult challenge in Southern Nevada for the second consecutive quarter as the labor shortage continues. The percentage increased by almost 15 percentage points from the previous quarter's 27.8 percent (Figure 11). This challenge differs from the national economy where businesses reported inflation as the most difficult challenge in March, replacing labor quality as the biggest problem.<sup>5</sup> This may reflect the fact that Southern Nevada recently posted strong pick-ups in economic activity, which was slower than the U.S. average due to its large economic dependence on the tourism sector. Economic uncertainty scored as the second most important challenge with 22.7 percent, slightly higher than 20.4 percent from the prior quarter. Higher operating and/or production costs was identified as the third most difficult challenge with 14.7 percent, lower than the 20.4 percent from last quarter. Only 1.3 percent of the respondents mentioned the Coronavirus (COVID-19) as the most important challenge as the pandemic impact has waned. Among those who reported “others” as the most important challenge (9.3 percent), supply disruptions was mentioned most frequently.

*“This challenge differs from the national economy where businesses reported inflation as the most difficult challenge in March, replacing labor quality as the biggest problem.”*

### The Economic Recovery

The majority of the respondents forecasted a slow recovery of the local economy (Figure 12). That is, 60.0 percent respondents expected no full recovery until 2024 or later, and 25.3 percent forecasted a full recovery would happen in 2023. Only 14.7 percent respondents anticipated that a full recovery would happen in 2022.

*“The majority of the respondents forecasted a slow recovery of the local economy.”*

<sup>5</sup> <https://assets.nfib.com/nfibcom/SBET-March-2022.pdf>.

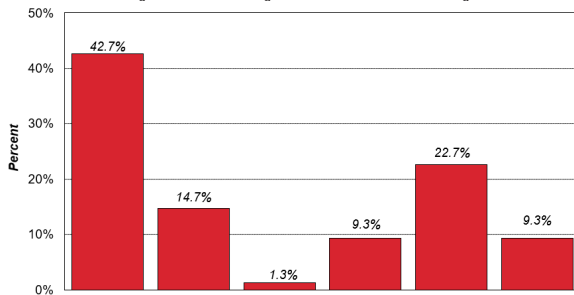
## Responses of National Fiscal and Monetary Policies

Local business leaders reported that the response of national fiscal policy was somewhat strong, but the response of national monetary policy was somewhat weak, although the classification for both might be neutral (Figures 13 and 14). Last quarter, respondents stated that both responses of fiscal and monetary policies were somewhat strong. The change in perspectives may reflect the anticipated interest rate hikes and downsizing of the balance sheet by the Federal Reserve to control inflation. When asked about the response of national monetary policies to the COVID-19 recession, 26.7 percent reported that the monetary response was “too/relatively strong,” 40.0 percent that the response was “just about right,” and 33.4 percent reported the response was “too/relatively weak.” When asked about the response of national fiscal policy implemented by the Congress and the Administration, 40.5 percent respondents answered that the fiscal policy response to the economic downturn due to the virus was “too/relatively strong,” while 36.5 percent reported “too/relatively weak.” The remaining 23.0 percent reported “just about right.”

*“Local business leaders reported that the response of national fiscal policy was somewhat strong, but the response of national monetary policy was somewhat weak...”*

Figure 11

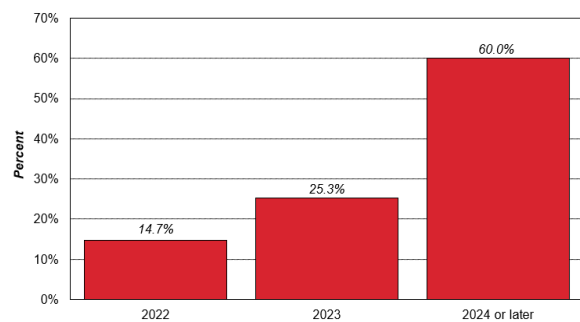
What is the most important challenge that you face in your business today?



CBER Business Confidence Index Survey

Figure 12

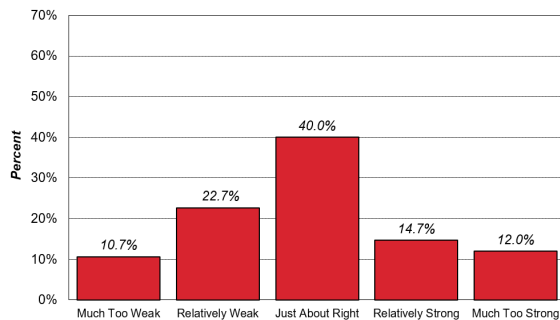
When do you expect the full recovery from the current recession to occur?



CBER Business Confidence Index Survey

Figure 13

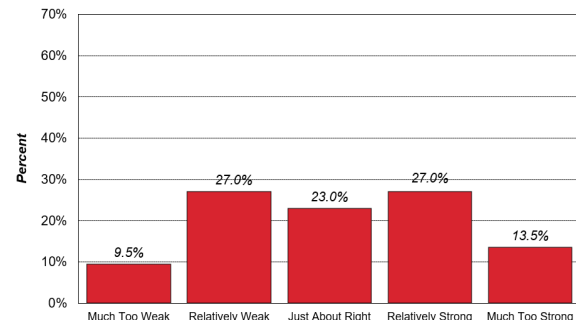
Rating the response of national monetary policy to the COVID-19 recession



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Figure 14

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



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

## Company's Position after Full Economic Recovery

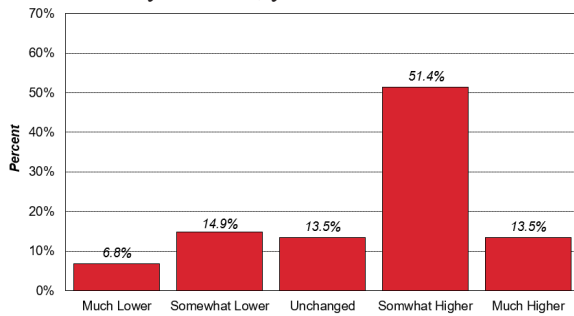
The majority of local business leaders remained highly optimistic about their levels of sales and employment after full economic recovery compared to the pre-pandemic economy (Figures 15 and 16). When asked about their level of sales after the full recovery compared to their pre-recession positions, 64.9 percent of respondents forecasted an increase in sales, 13.5 percent expected no change, and 21.6 percent predicted a decrease. When asked about employment, 56.0 percent of respondents expected an increase

*“The majority of local business leaders remained highly optimistic about their levels of sales and employment after the full economic recovery...”*

compared to pre-recession levels, while 21.3 percent expected a decrease. The remaining 22.7 percent predicted no change in employment after the full recovery compared to the pre-recession levels.

**Figure 15**

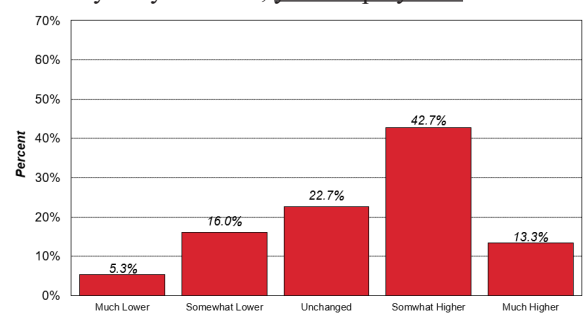
Comparing your company's position before COVID19 recession to where you expect it to be after the economy fully recovers, your sales will be?



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**Figure 16**

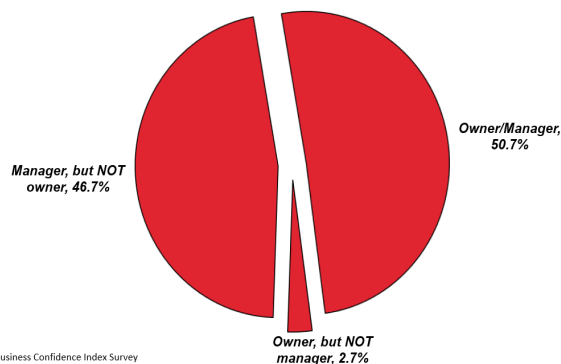
Comparing your company's position before COVID19 recession to where you expect it to be after the economy fully recovers, your employment will be?



CBER Business Confidence Index Survey

**Figure 17**

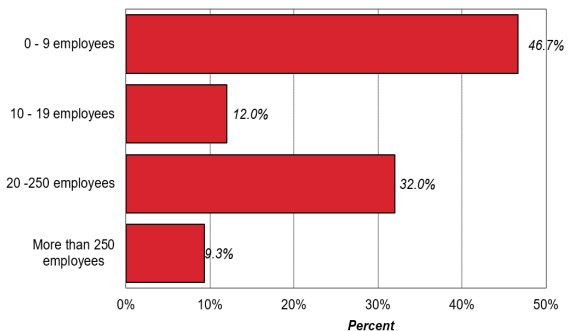
Which best describes your position in your business?



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**Figure 18**

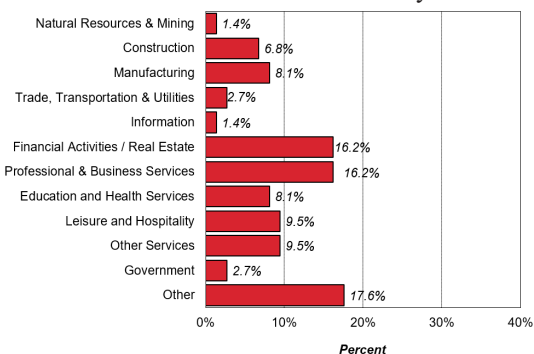
How many people, full time and part time, does your business currently employ, NOT including yourself?



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**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 remain highly optimistic about the local economy in the second quarter of 2022 despite ongoing economic uncertainty largely caused by escalating inflation and the Russian-Ukraine war. Local business leaders forecast that the local economic conditions will continue to improve in the second quarter, but the U.S. economic conditions will remain unchanged from last quarter. 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 in the second quarter based on local business leaders' expectations, while increased challenges with finding qualified workers could lower potential economic growth.

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](mailto:CBER@UNLV.EDU) for questions and concerns.