



QUARTERLY INDICATORS

Southern Nevada Business Confidence Index

UNLV | LEE BUSINESS SCHOOL
CENTER FOR BUSINESS
AND ECONOMIC RESEARCH

First Quarter 2023

Southern Nevada Business Confidence Index, Highlights

ECONOMIC EXPECTATIONS

- Local businesses' confidence remains pessimistic (below 100) for the third straight quarter at 90.6 in the first quarter of 2023.
- The index, however, continued to post an upward trend, increasing by 9.6 percent quarter-over-quarter from 82.7 in the last survey conducted in September of 2022. This might partly reflect a seasonal “new-year” effect, which is the typical pattern in the index series.

EXPECTATIONS FOR SALES

- Local business leaders expressed slight optimism on sales this quarter after two consecutive quarters of pessimism with an index value for expectations of 104.4, which is the highest of all the components of the overall index.

EXPECTATIONS FOR HIRING

- The index value for expectations on hiring declined by 15.4 percent to a score of 77.3, the lowest among the five components, despite the robust labor market and lower from 91.4 in September.

EXPECTATIONS FOR CAPITAL EXPENDITURE

- The index for expectations on capital expenditure scored its lowest level at 77.8 since 2010Q2, which likely reflects rising borrowing costs due to interest rate hikes.

EXPECTED FOR HOME PRICES

- The respondents projected a continued decrease in housing prices in the first quarter of 2023 with a value of 40.0, rebounding higher by 67.4 percent from last quarter's low of 23.9.
- The existing homes' median price in Clark County decreased by 1.9 percent to \$370,000 in November 2022, the first year-over-year decline since December 2016 according to Home Builders Research.

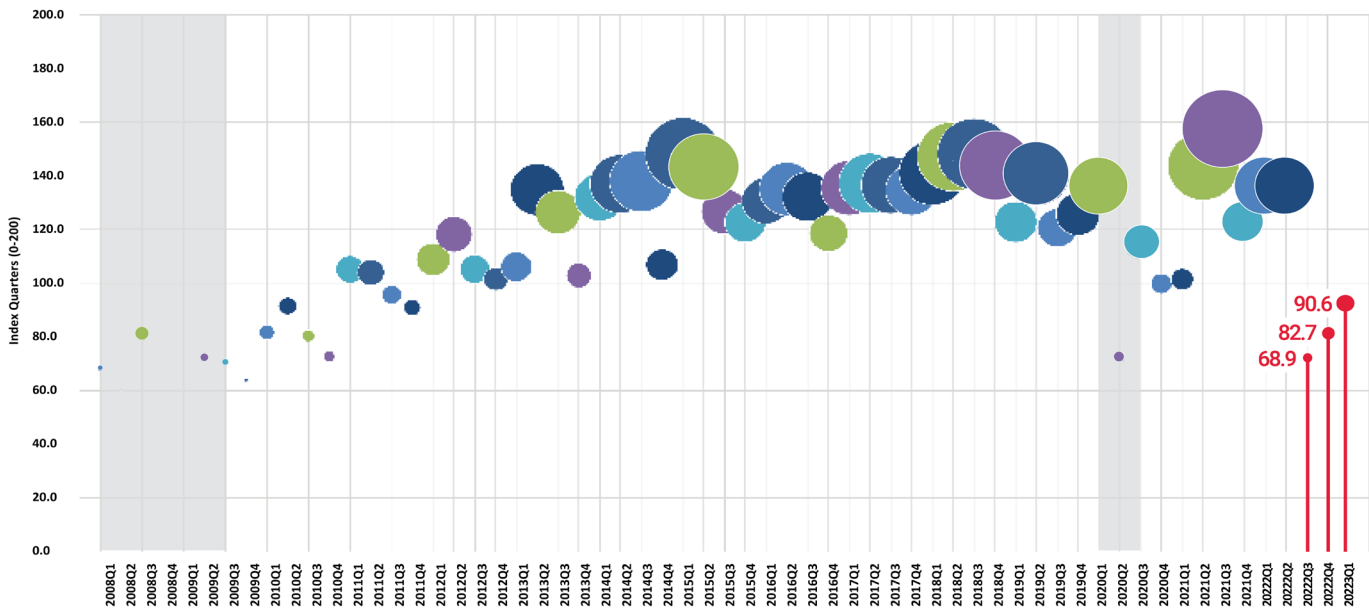
MOST IMPORTANT CHALLENGES

- The respondents mentioned decreasing sales as the most difficult challenge for this quarter, which might signal that Clark County's taxable sales would see a further slowdown or decline in the coming months.

POTENTIAL RECESSION

- A majority of local businesses believe that the current U.S. economy is nearing or already in a recession.
- Among those who predicted a recession in 2023 (46.5 percent), the majority (65.0 percent) forecasted a recession in the second half of 2023.

Local Businesses Remain Pessimistic for the Third Straight Quarter



[FULL REPORT BELOW](#)

Economic Outlook: Global, National, and Local

U.S. real gross domestic product (GDP) for the third quarter of 2022 rebounded, expanding by an annual 3.2 percent after two consecutive quarters of declines. The increase in real GDP in the third quarter, however, largely reflected unsustainable strong growth in net exports. Consumer spending on services and government spending also contributed positively to real GDP growth, while business investment and consumer spending on goods declined from the last quarter. U.S. nonfarm employment continued to post robust gains, but at a slower pace, adding 223,000 jobs in December. As a result, the U.S. economy added an average of 375,000 jobs in 2022. The U.S. unemployment rate in December ticked down to a low of 3.5 percent despite a higher labor-force participation rate. Although the labor market posted signs of slowing with decelerated wage growth, the market still posts 1.65 jobs available per unemployed person. The historical average since 2000 has been 0.7 jobs per unemployed person. Given the current tight labor market, the Federal Reserve will likely continue to increase interest rates to control inflation. The CPI inflation continued to decelerate in December, up by 6.5 percent year-over-year, which is well above the Fed’s 2.0 percent target.

Clark County recently displayed mixed economic signals. Seasonally adjusted employment experienced a sturdy gain of 2,300 jobs in November, but the unemployment rate edged up to 5.6 percent. Although the total employment level in November surpassed the pre-pandemic peak by 1.8 percent (18,700 jobs), the leisure and hospitality employment remained 4.5 percent (13,300 jobs) lower than its pre-pandemic peak. Gaming revenue, which was boosted by the COVID-19 stimulus, continued its slowdown, which may signal the normalization of budgets for gambling amid inflation. That is, Clark County’s year-over-year growth in gaming revenue remained below 6 percent since July 2022, somewhat lower than the current inflation. Moreover, the gaming revenue plummeted by 8.4 percent year-over-year in November 2022. Strong convention attendance helped to boost visitor volumes for the last two months, but visitor volume

“Clark County recently displayed mixed economic signals.”

remained lower than its pre-pandemic levels. The local housing market also cooled with a decreasing median price partly due to higher mortgage rates. Taxable sales in October, nonetheless, experienced a strong year-over-year gain of 10.6 percent.

The survey results conveyed in this report suggest continued pessimism on future local business conditions amid ongoing recession fears, which is aligned with low levels of current national consumer sentiment and the small business optimism index. The respondents to our survey mentioned decreasing sales as the most difficult challenge for this quarter, which might signal that Clark County’s taxable sales would see a further slowdown or decline in the coming months. CBER, however, suspects that this finding might be partly due to higher responses from those in the financial activities and real estate sectors, as the local housing market has been struggling with rising mortgage interest rates.

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), remained pessimistic (below 100) for three consecutive quarters at 90.6 in the first quarter of 2023, indicating a continued economic slowdown (Figure 1). The index, however, continued to post an upward trend, increasing by 9.6 percent from 82.7 in the fourth quarter of 2022 and 32.5 percent from 68.9 in the third quarter of 2022. This might partly reflect a seasonal “new-year” effect, as the index is usually higher for the first quarter compared to its previous (fourth) quarter, with exceptions of 2009Q1 and 2019Q1 since 2008Q1.

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. Three index components – profits, hiring, and capital expenditure continued to remain below 100, which suggests that respondents, on average, feel more negative than positive about these components. The local business leaders, nonetheless, reported slight optimism on sales and expected no change in Nevada economic conditions. The index values for business expectations of Nevada economic conditions, sales, profits, hiring, and capital expenditure scored 100.0, 104.4, 93.3, 77.3, and 77.8, respectively (Figure 2)¹.

“The survey results conveyed in this report suggest continued pessimism on future local business conditions amid ongoing recession fears, which is aligned with low levels of current national consumer sentiment and the small business optimism index.”

“The Southern Nevada Business Confidence Index...remained pessimistic (below 100) for three consecutive quarters at 90.6 in the first quarter of 2023, indicating a continued economic slowdown.”

Figure 1
CBER’s Southern Nevada Business Confidence Index

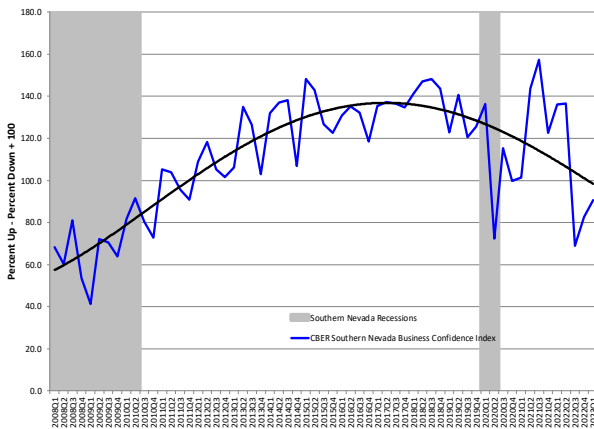
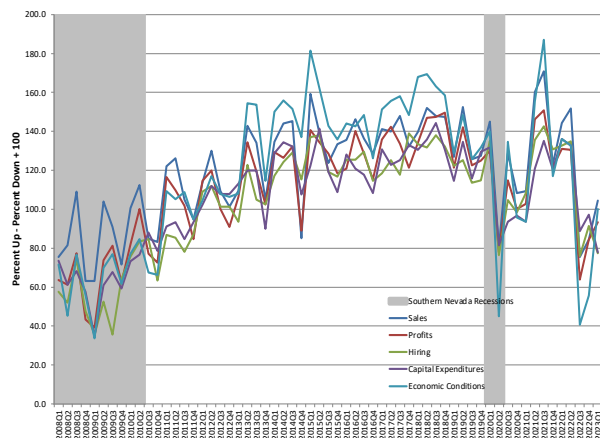


Figure 2
Components of CBER’s Southern Nevada Business Confidence Index



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 sales component equals 104.4, this means that 4.4 percent (100+4.4) more respondents endorsed a positive attitude (40.0 percent) than those with a negative attitude (35.6 percent).

Expectations for the U.S. and Nevada Economies

Southern Nevada business leaders forecasted that Nevada economic conditions will remain unchanged, while U.S. economic conditions will continue to worsen in the first quarter compared to the previous quarter, with values of 100.0 and 68.9, respectively (Figures 3 and 4). When asked about the U.S. economy, 20.0 percent forecasted a better economy, 28.9 percent projected no change, and 51.1 percent projected a worse economy. When asked the same question about the Nevada economy, 37.8 percent of respondents forecasted an improved economy, while the same percentage of respondents (37.8 percent) expected a worsening economy. The remaining 24.4 percent projected no change.

Expectations for Sales

Local business leaders expressed slight optimism on sales this quarter after two consecutive quarters of pessimism with a value of 104.4 (Figure 5). When asked about sales in their own industry, 40.0 percent of the respondents predicted an increase, 24.4 percent expected no change, and 35.6 percent projected a decrease.

Expectations for Profits

Local businesses expressed slight pessimism on profits with a value of 93.3 (Figure 6). When asked about profits, 40.0 percent of respondents expected increased profits in their industry, 13.3 percent predicted no change, and 46.7 percent forecasted decreased profits.

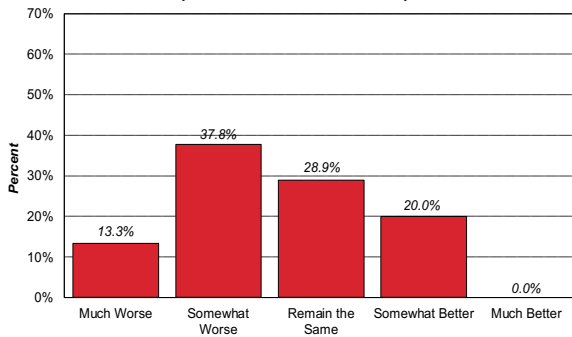
Expectations for Hiring

The index value for expectations on hiring declined by 15.4 percent quarter-over-quarter to a score of 77.3, the lowest among the five components, despite the robust

“Local business leaders expressed slight optimism on sales this quarter after two consecutive quarters of pessimism with a value of 104.4.”

Figure 3

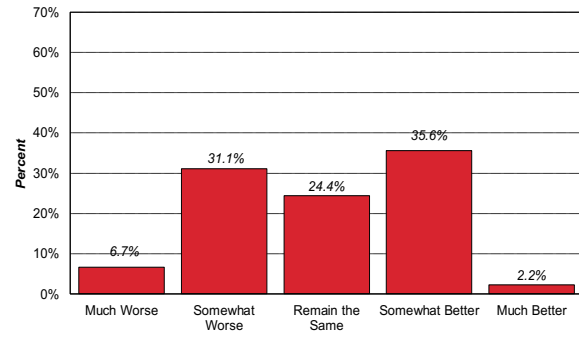
How do you think economic conditions in the United States will change in the 1st quarter of 2023 compared to the current quarter?



CBER Business Confidence Index Survey

Figure 4

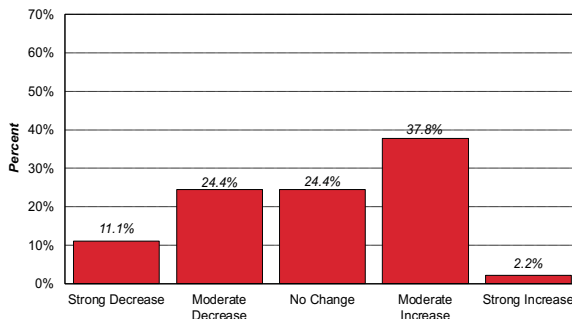
How do you think economic conditions in Nevada will change in the 1st quarter of 2023 compared to the previous quarter?



CBER Business Confidence Index Survey

Figure 5

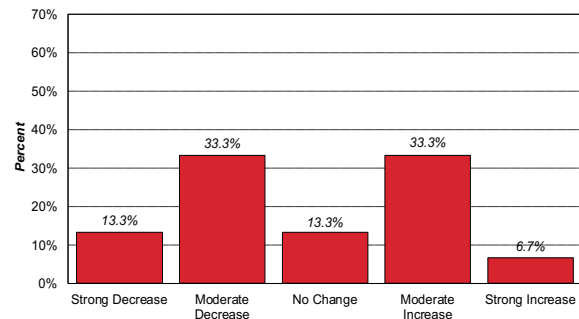
How do you think sales in your industry will change in the 1st quarter of 2023 compared to the previous quarter?



CBER Business Confidence Index Survey

Figure 6

How do you think profits in your industry will change in the 1st quarter of 2023 compared to the previous quarter?



CBER Business Confidence Index Survey

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

labor market (Figure 7). Although local businesses expected a decrease in employment levels in their own industries for the last two quarters, the local labor market experienced a steady gain. The unemployment rate, however, ticked up as more people returned to the workforce. When asked about hiring in their own industry, 22.7 percent expected an increase, 31.8 percent expected no change, and 45.5 percent projected a decrease.

Expectations for Capital Expenditure

The index for expectation on capital expenditure scored its lowest level at 77.8 since 2010Q2, which likely reflects rising borrowing costs due to interest rate hikes (Figure 8). That is, 24.4 percent of respondents forecasted increased capital expenditure in their industry, while 46.7 percent projected decreased capital spending. The remaining 28.9 percent expected no change.

“The index for expectation on capital expenditure scored its lowest level at 77.8 since 2010Q2, which likely reflects rising borrowing costs due to interest rate hikes.”

Figure 7

How do you think hiring in your industry will change in the 1st quarter of 2023 compared to the previous quarter?

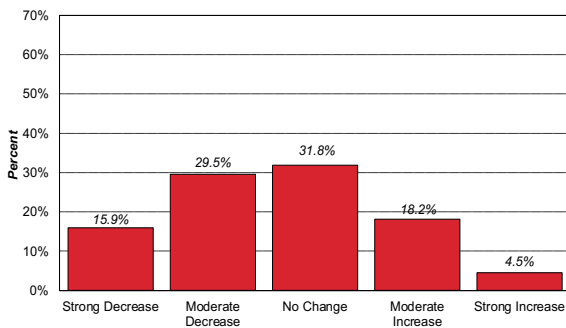
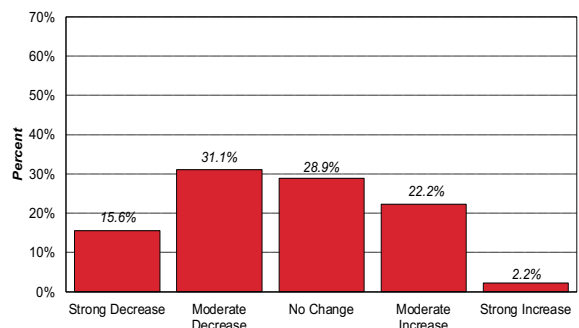


Figure 8

How do you think capital expenditure in your industry will change in the 1st quarter of 2023 compared to the previous quarter?



CBER Business Confidence Index Survey

CBER Business Confidence Index Survey

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

Expectations for Home Prices

The respondents projected a continued decrease in housing prices in the first quarter with a value of 40.0 (Figure 9). The index value, however, rebounded, up 67.4 percent from last quarter’s 23.9. Las Vegas house prices have declined since June 2022 due to rising mortgage rates. The existing home median price in Clark County decreased by 1.9 percent to \$370,000 in November 2022, the first year-over-year decline since December 2016 according to Home Builders Research. Although the 30-year average mortgage rate has declined for the last few months after hitting the highest level since 2002, it still remains high at over 6 percent. When asked about expectations on home prices, only 8.9 percent of the respondents expected increases in home prices in Southern Nevada, 22.2 percent forecasted no change, and a large majority of 68.9 percent predicted decreases in home prices.

“The existing home median price in Clark County decreased by 1.9 percent to \$370,000 in November 2022, the first year-over-year decline since December 2016 according to Home Builders Research.”

Expectations for Construction Activity

The index value for expectations on construction activity remained below 100 with a value of 75.6, which likely reflects the continued bleak outlook for the future housing markets (Figure 10). When asked about expectations on construction, 28.9 percent of the respondents expected more construction activity, 17.8 percent projected no change, and 53.3 percent forecasted less construction activity in the first quarter of 2023 compared to the fourth quarter of 2022.

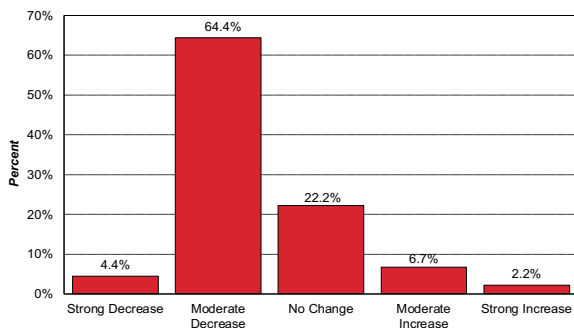
Most Important Challenges

Decreasing sales was mentioned as the most difficult challenge in Southern Nevada this coming quarter, marked by 27.9 percent of business leaders (Figure 11). This might

partly reflect the high responses from those in the financial activities and real estate sectors (Figure 18) which have been hit by high-interest rates. Only 11.3 percent mentioned decreasing sales as the most important challenge in the prior quarter. Finding qualified employees was reported as the second most difficult challenge in Southern Nevada in the first quarter with 20.9 percent, lower than last quarter’s 27.4 percent. Economic uncertainty, which was mentioned as the most difficult challenge last quarter with 32.3 percent, was identified as the third most important challenge this quarter with 18.6 percent.

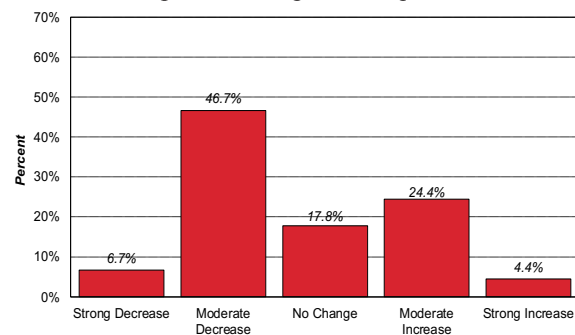
“Decreasing sales was mentioned as the most difficult challenge... This might partly reflect the high responses from those in the financial activities and real estate sectors.”

Figure 9
How do you think home prices in Southern Nevada will change in the 1st quarter of 2023 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 2023 compared to the previous quarter?



CBER Business Confidence Index Survey

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National Fiscal and Monetary Policies

Local business leaders rated current national fiscal and monetary policies as somewhat weak (Figures 12 and 13). When asked about current national monetary policy, 39.5 percent reported that the monetary response was “too/relatively weak,” while 25.6 percent reported it was “too/relatively strong.” The remaining 34.9 percent reported that it was “just about right.” When asked about current national fiscal policy implemented by the Congress and the Administration, 53.5 percent of respondents answered that the fiscal policy response was “too/relatively weak,” 30.2 percent reported “just about right,” and 16.3 percent reported “too/relatively strong.”

Potential Economic Recession and the Fed’s Policy to Reduce Inflation

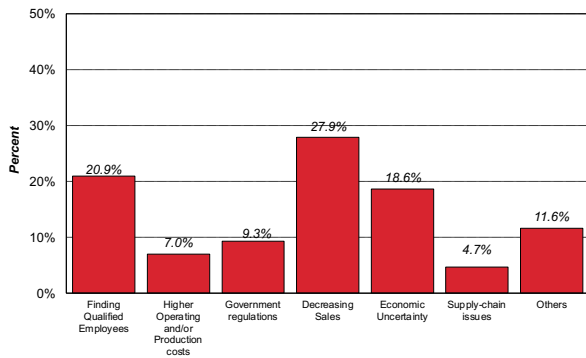
The majority of local business leaders believe that the U.S. economy will likely be in a recession sometime in 2023 or that the U.S. economy is already experiencing a recession (Figure 14). When asked about the next recession, 34.9 percent of respondents assumed that the national economy is already in recession, 46.5 percent predicted a recession sometime in 2023, 7.0 percent forecasted sometime in 2024, and the remaining 11.6 percent forecasted no recession in the next two years. Among those who predicted a recession in 2023, the majority (65.0 percent) forecasted a recession in the second half of 2023.

With the Fed’s new policy to combat inflation, approximately 70 percent of respondents (69.8 percent) believe that the Fed’s new policy to bring down inflation already caused or will cause a recession, while 30.2 percent projected no recession (Figure 15). Among those who expected a recession, 30.0 percent thought that the Fed would reduce inflation, and the remaining 70.0 percent forecasted that the Fed would fail to reduce inflation. Among those who projected no recession (30.2 percent), 76.9 percent of respondents anticipated that the Fed’s new policy to bring down inflation would reduce inflation, while only 23.1 percent predicted that the Fed would fail to reduce inflation.

“The majority of local business leaders believe that the U.S. economy will likely be in a recession sometime in 2023 or that the U.S. economy is already experiencing a recession.”

Figure 11

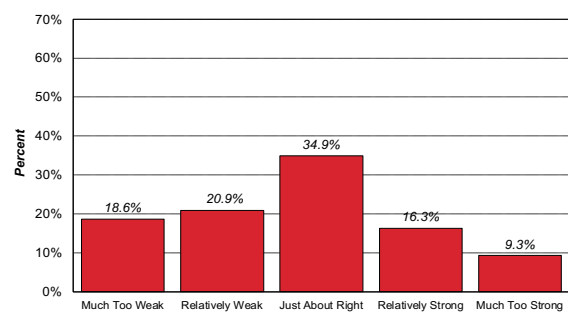
What is the most important challenge that you face in your business today?



CBER Business Confidence Index Survey

Figure 12

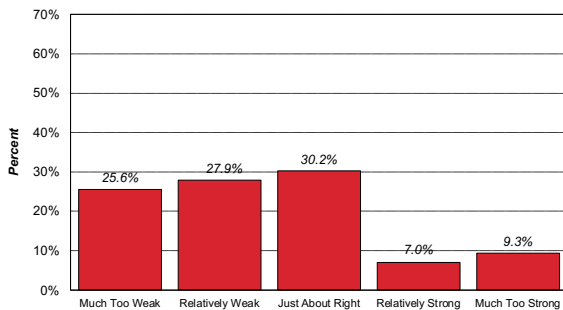
How would you rate current national monetary policy?



CBER Business Confidence Index Survey

Figure 13

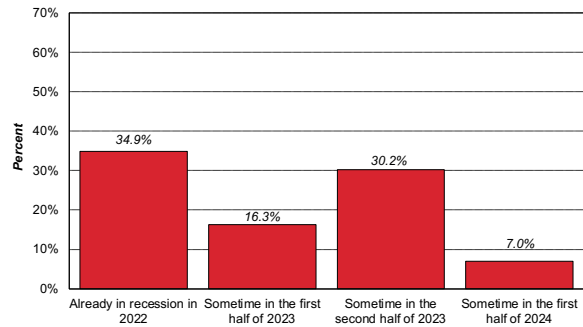
How would you rate current national fiscal policy?



CBER Business Confidence Index Survey

Figure 14

When do you believe that the next recession will occur in the national economy?



CBER Business Confidence Index Survey

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

Conclusion

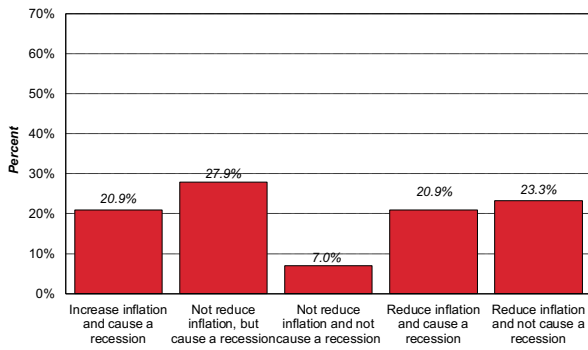
The most recent CBER business survey suggests that local businesses continue to be pessimistic about the local economy in the first quarter of 2023 amid recession fears. A majority of local businesses believe that the current U.S. economy is nearing or already in a recession. Local business leaders forecast that the local economic conditions will remain unchanged in the first quarter, while U.S. economic conditions will continue to worsen. Respondents expressed a negative outlook on profits, capital expenditure, and hiring in their industry, while a marginally positive optimism on sales. The respondents also anticipate a continued cooling of home prices and construction activity in the short term. The one good news is the pandemic and its impacts seem to no longer be an even minor concern for respondents, which is a significant shift compared to where respondents were two years ago. In conclusion, the local economy will likely continue to struggle in the first quarter of 2023.

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.

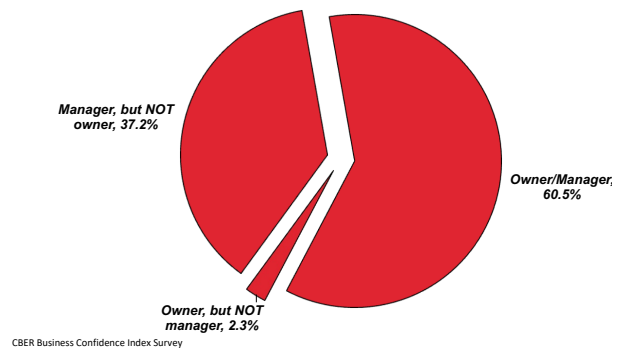
Please email us at CBER@UNLV.EDU for questions and concerns.

Figure 15
Given the Fed's new policy to dring down inflation, you expect that the Fed will:



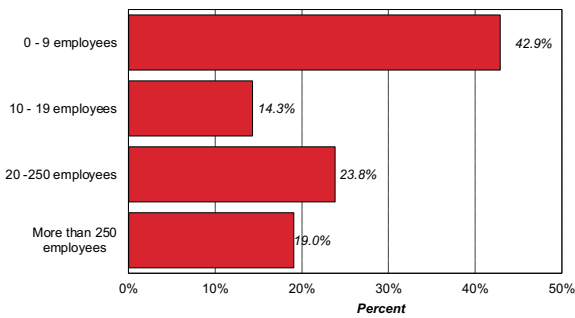
CBER Business Confidence Index Survey

Figure 16
Which best describes your position in the business?



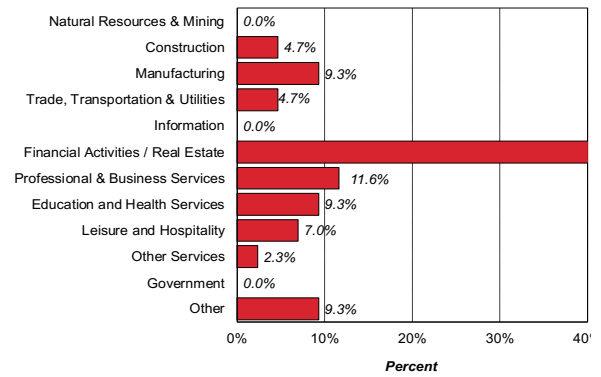
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Figure 17
How many people, full time and part time, does your business currently employ, NOT including yourself?



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Figure 18
Business sectors reflected in survey



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