

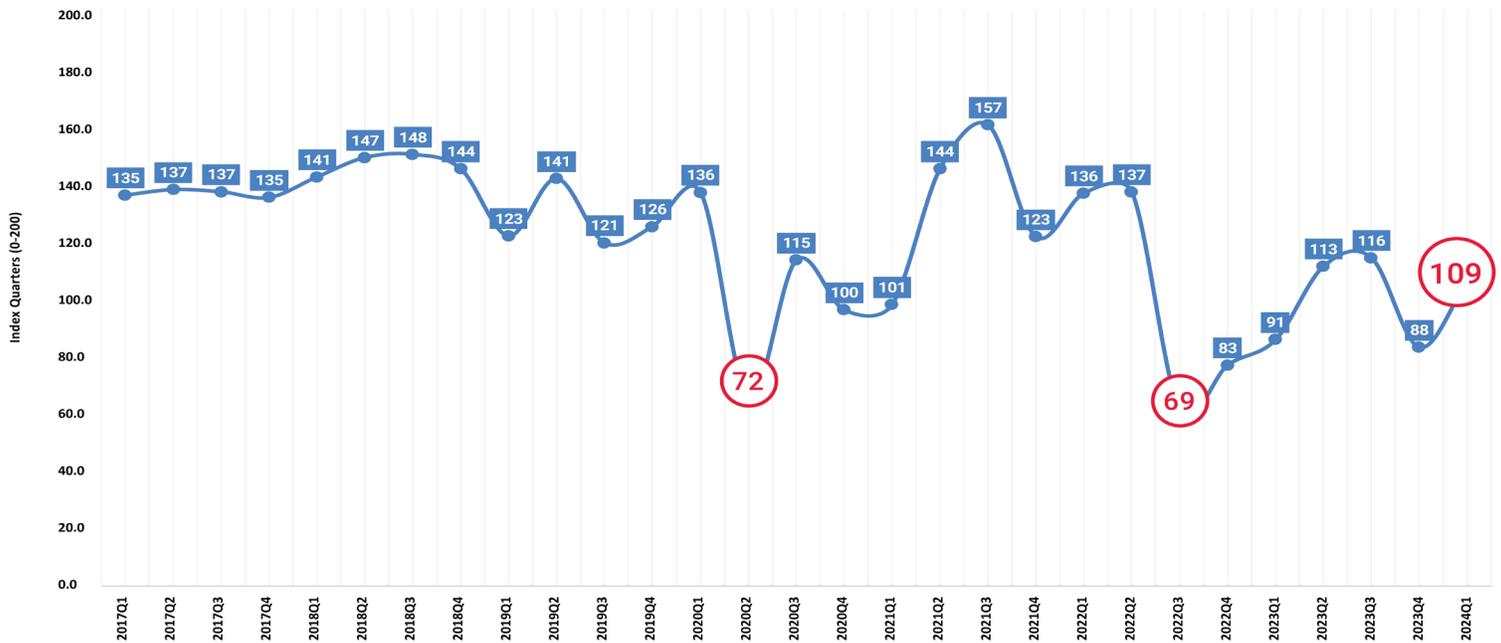
# QUARTERLY INDICATORS

## Southern Nevada Business Confidence Index

UNLV LEE BUSINESS SCHOOL  
CENTER FOR BUSINESS  
AND ECONOMIC RESEARCH

First Quarter 2024

### Local Businesses' Confidence Rebound to Optimism



### Southern Nevada Business Confidence Index, Highlights

#### ECONOMIC EXPECTATIONS

- Local business leaders' confidence rose back above 100 to 108.7 in 2024Q1 after dropping to 88.2 in 2023Q4.
- Local business leaders' view of U.S. economic conditions sharply increased to a value of 110.7, posting its highest score since 2021Q3 and indicating an increase in optimism regarding the U.S. economic outlook.

#### EXPECTATIONS FOR HIRING

- The index value for expectations on hiring rose slightly from 85.9 in 2023Q4 to 91.1 in 2024Q1, indicating a perceived slowing in the local labor market.

#### EXPECTATIONS FOR HOME PRICES

- The index value for expectations on home prices in Southern Nevada jumped above 100 after its sudden decrease below 100 in the last quarter. The index rose from 78.9 to 126.3 in 2024Q1.
- The Las Vegas Case-Shiller Home price index posted an upward trend since April 2023, and residential permits have shown year-over-year gains since June 2023 despite high interest rates amid a tight inventory.

**MOST IMPORTANT CHALLENGES**

- Economic uncertainty, marked by 31.5 percent of business leaders, was ranked the most difficult challenge in Southern Nevada in 2024Q1.

**POTENTIAL RECESSION**

- 26.4 percent of respondents expressed the belief that the U.S. economy is currently in a recession.
- There was an increase in the percentage of respondents compared to the previous quarter (30.2 vs. 22.2 percent), however, who expected no recession in the next two years.

FULL REPORT BELOW

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

U.S. real gross domestic product (GDP) for the fourth quarter of 2023 grew well above its potential growth by an annual 3.3 percent. This increase in real GDP largely reflected consumer spending, exports, government spending, and business investment. The personal consumption expenditures (PCE) price index, the Federal Reserve’s inflation gauge, increased by 2.6 percent year-over-year, slightly above the Fed’s target rate of 2.0 percent. U.S. nonfarm employment in December added a stronger-than-expected 216,000 jobs. Wages continued to rise strongly by 4.1 percent year-over-year. The December unemployment rate held at 3.7 percent and the seasonally adjusted labor force participation rate ages 25 to 54 fell slightly from 83.3 percent in November to 83.2 percent in December. In addition, recent economic data indicate that the United States economy continues to expand. Advanced estimates for retail sales eked out marginal growth, up 0.3 percent month-over-month, making its sixth consecutive month of growth. The PCE inflation of 2.6 percent in November fell slightly, in line with market forecasts. Despite this, consumer sentiment rose in December, marking the first increase after four consecutive months of decline but reaching its highest level since July. This observation benefits from the ongoing decrease in inflation. The Fed left the federal funds rate target unchanged at its December meeting, as the U.S. economy remains more robust than anticipated.

*“U.S. real gross domestic product (GDP) for the fourth quarter of 2023 grew well above its potential growth by an annual 3.3 percent.”*

Clark County continued to display somewhat favorable economic signals. Seasonally adjusted employment added 4,800 jobs in November, and the unemployment rate edged down to 5.1 percent in November. Leisure and hospitality employment exceeded its pre-pandemic peak of 295,166 by 1.4 percent to 299,369 but fell by 0.4 percent month-over-month. Also, nonfarm employment exceeded its pre-pandemic peak by 12.0 percent in November, reaching a new high of 1,149,800 nonfarm employees. October taxable sales increased 1.6 percent year-over-year and November gaming revenue increased by 14.3 percent year-over-year. Gaming revenue in November surged by 14.3 percent, the highest on record, boosted by the Formula 1 Las Vegas Grand Prix despite only a 0.7 percent increase in visitor volume. The local housing market continued a recovery in housing prices and year-over-year gains in residential permits amid low inventories.

The survey results presented in this report indicate increased optimism on future local business conditions following the sharply increasing optimistic views on U.S. economic conditions. Local businesses also anticipated an increase in local housing prices as well as

a mild slight increase in construction activity. Largely improving U.S. economic conditions, however, should aid the local economy’s expansion as local tourism largely hinges on domestic travelers.

## 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), increased sharply to 108.7 in the first quarter from 88.2 in the prior quarter, going above 100 since its sharp decline in 2023Q4. (Figure 1). That is, local businesses leaders continue to anticipate an economic expansion in Southern Nevada, while they also expressed optimism regarding the U.S. economic outlook for the first time in six consecutive quarters.

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. Only one of the five index components, hiring, fell short of 100, which suggests that respondents, on average, feel overall more positively than negatively about the local economic future. That is, the index sits above 100 at 108.7 and the index values for business expectations of Nevada economic conditions, sales, profits, hiring, and capital expenditure scored 130.9, 110.7, 103.6, 91.1, and 107.1, respectively (Figure 2)<sup>1</sup>.

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

Southern Nevada business leaders forecasted that Nevada economic conditions will minimally expand or stay the same with the highest score of 130.9, while local business leaders expressed growing optimism on U.S. economic conditions at a score of 110.7. This is compared to the previous quarter when U.S. economic conditions stood at 42.3, which

*“Southern Nevada business leaders forecasted that Nevada economic conditions will minimally contract or stay the same, while local business leaders expressed the most pessimism on U.S. economic conditions at a score of 42.3.”*

<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 130.9 this means that 30.9 percent (100+30.9) more respondents expressed a positive attitude (49.1 percent) than those who expressed a negative attitude (18.2 percent).

Figure 1  
CBER’s Southern Nevada Business Confidence Index

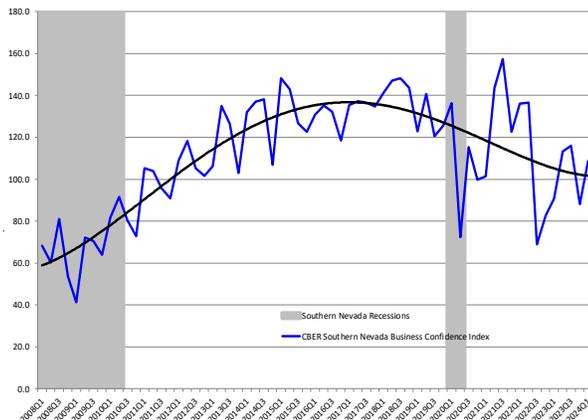
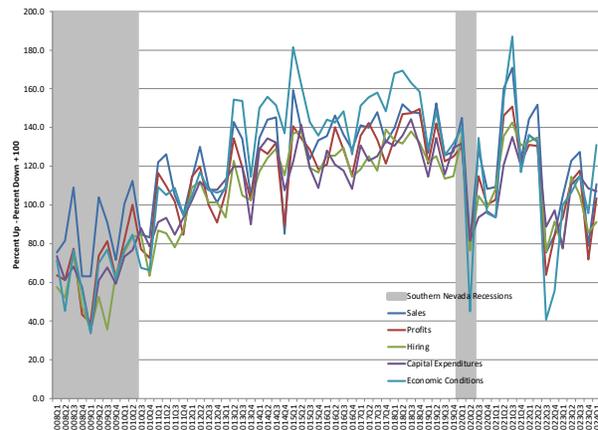


Figure 2  
Components of CBER’s Southern Nevada Business Confidence Index



was also the lowest score since 2022Q4. (Figures 3 and 4). When asked about the U.S. economy, 33.9 percent forecasted a somewhat worse or much worse economy, while 44.6 percent projected a somewhat better or much better economy. The remaining 21.4 percent projected no change. When asked the same question about the Nevada economy, 18.2 percent of respondents predicted a somewhat worse or much worse economy, 32.7 percent anticipated no change, and 49.1 percent expected a somewhat better or much better economy. This counters the most important challenge question where most local business leaders said their biggest challenge was economic uncertainty.

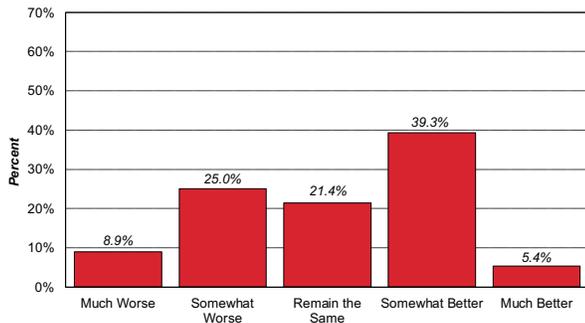
*“Local business leaders expressed a significant increase in optimism on sales with a value of 110.7.”*

**Expectations for Sales**

Local business leaders expressed a significant increase in optimism on sales with a value of 110.7 (Figure 5). The index value increased by 40.4 percent and 6.0 percent, respectively, from last quarter and last year following a recent stronger year-over-year growth in local taxable sales. When asked about sales in their own industry, 30.4 percent of the respondents forecasted a decrease, 28.6 percent expected no change, and 41.1 percent predicted an increase.

Figure 3

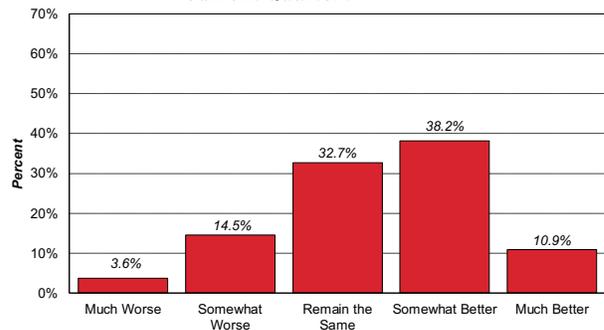
How do you think economic conditions in U.S. will change in the coming quarter compared to the current quarter?



CBER Business Confidence Index Survey

Figure 4

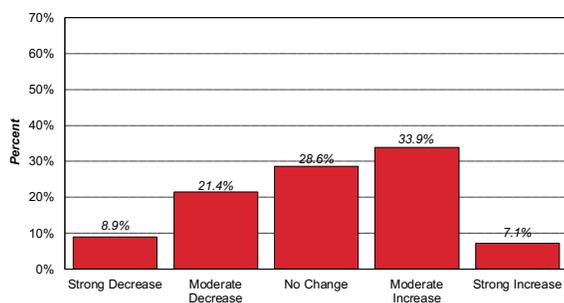
How do you think economic conditions in Nevada will change in the coming quarter compared to the current quarter?



CBER Business Confidence Index Survey

Figure 5

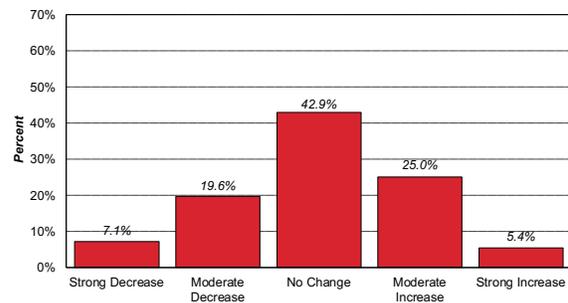
How do you think sales in your industry will change in the coming quarter compared to the current quarter?



CBER Business Confidence Index Survey

Figure 6

How do you think profits in your industry will change in the coming quarter compared to the current quarter?



CBER Business Confidence Index Survey

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

**Expectations for Profits**

Local business leaders also expressed heightened optimism on profits. Its scores 103.6 compared to 71.8 in the previous quarter (Figure 6). When asked about profits, 26.8 percent of respondents anticipated decreased profits in their industry, 42.9 percent predicted no change, and 30.4 percent forecasted increased profits.

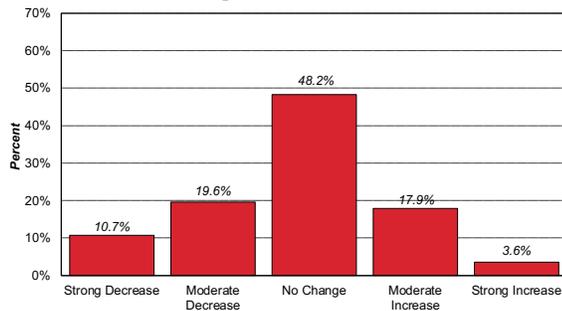
*“Local business leaders also expressed heightened optimism on profits.”*

**Expectations for Hiring**

The index value for expectations on hiring was the most pessimistic amongst the indexes, despite increasing by 6.0 percent from last quarter (Figure 7). Local business leaders scored this question at 91.1 and was the only index component to score below 100. When asked about hiring in their own industry, 30.4 percent expected a decrease, 48.2 percent expected no change, and 21.4 percent projected an increase.

Figure 7

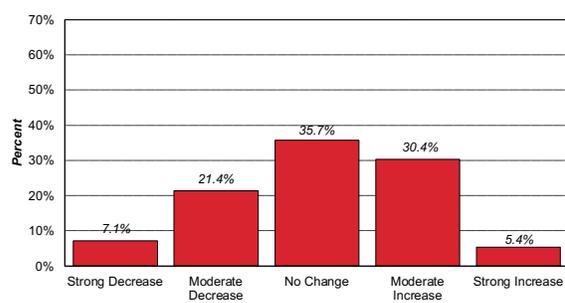
How do you think hiring in your industry will change in the coming quarter compared to the current quarter?



CBER Business Confidence Index Survey

Figure 8

How do you think capital expenditures in your industry will change in the coming quarter compared to the current quarter?



CBER Business Confidence Index Survey

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

**Expectations for Capital Expenditure**

The index for expectation on capital expenditure was the only score that fell albeit remaining over 100. The value decreased by 1.3 percent to 107.1 this quarter from 108.6 in 2023Q4 (Figure 8). That is, 28.6 percent of respondents forecasted decreased capital expenditure in their industry, while 35.7 percent projected increased capital spending. The remaining 35.7 percent expected no change.

**Expectations for Home Prices**

The index value for expectations on home prices in Southern Nevada was the second highest score with a value of 126.3 after the sudden decrease to 78.9 in 2023Q4 after four consecutive quarters of scoring over 100 (Figure 9). This indicates that Southern Nevada businesses anticipate an increase in local home prices in the first quarter compared to the previous quarter. The Las Vegas Case-Shiller Home price index continued a gain since April 2023, and residential permits in November were up 13.3 percent from last year, which might reflect a tight inventory as well as an expectation that the Fed will continue to pause interest rate hikes. When asked about expectations on home prices, 42.1 percent of the respondents expected increases in home prices in Southern Nevada, 42.1 percent forecasted no change, and 15.8 percent predicted decreases in home prices.

*“The index value for expectations on home prices in Southern Nevada was the second highest score with a value of 126.3...”*

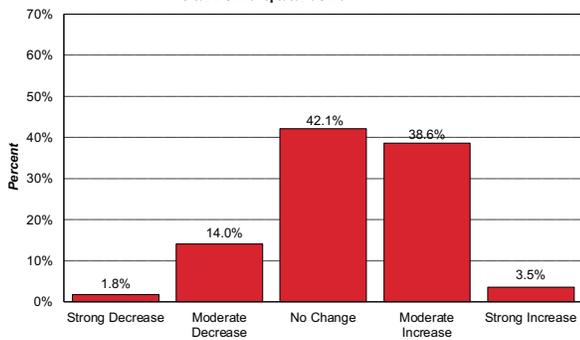
**Expectations for Construction Activity**

Local business leaders continued to predict an increase in construction activity in Southern Nevada with a value of 119.6 (Figure 10). When asked about expectations on construction, 44.6 percent of the respondents expected more construction activity, 30.4 percent projected no change, and only 25.0 percent forecasted less construction activity in the first quarter compared to the fourth quarter of 2023 at 91.5.

*“Local business leaders continued to predict an increase in construction activity in Southern Nevada....”*

Figure 9

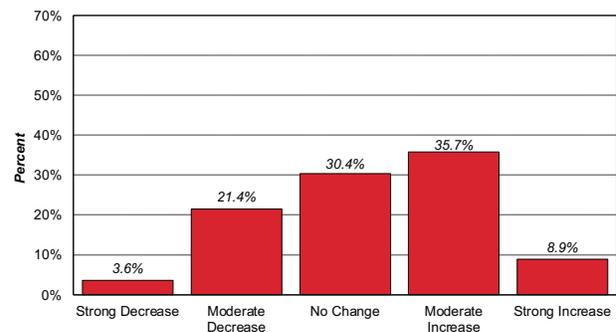
How do you think home prices in Southern Nevada will change in the coming quarter compared to the current quarter?



CBER Business Confidence Index Survey

Figure 10

How do you think construction activity in Southern Nevada will change in the coming quarter compared to the current quarter?



CBER Business Confidence Index Survey

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

**Most Important Challenges**

Economic uncertainty, marked by 31.5 percent of business leaders, was ranked the most difficult challenge in Southern Nevada in the first quarter of 2024 despite the increasing positive outlook on U.S. and Nevada economic conditions (Figure 11). Finding qualified employees was reported as the second most difficult challenge in Southern Nevada with 14.8 percent, improving from being the most difficult challenge from last quarter. Tighter credit conditions tied with finding qualified employees at 14.8 percent. Holding down fourth place at 13.0 percent was higher operating and/or production costs.

*“Economic uncertainty ... was ranked the most difficult challenge in Southern Nevada.”*

**National Fiscal and Monetary Policies**

Local business leaders rated both current national fiscal and monetary policies as relatively weak (Figures 12 and 13). When asked about current national monetary policy, 47.2 percent reported that the monetary response was “too/relatively weak,” while 24.5 percent reported it was “too/relatively strong.” The remaining 28.3 percent reported that it was “just about right.” When asked about current national fiscal policy implemented by the Congress and the Administration, 64.8 percent of respondents answered that the fiscal policy response was “too/relatively weak,” 16.7 percent reported “just about right,” and 18.5 percent reported “too/relatively strong.”

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

More than half of the respondents expressed the belief that the U.S. economy will slide into recession in 2024 or experience no recession in the next two years (Figure 14). Specifically, 24.5 percent predicted a recession sometime in 2025, while 30.2 percent expected no recession in the next two years. Notably, a smaller percentage of respondents compared to the previous quarter (9.4 vs. 26.9 percent), expected a recession in the first half

*“More than half of the respondents expressed the belief that the U.S. economy will slide into recession in 2024 or experience no recession in the next two years.”*

Figure 11

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

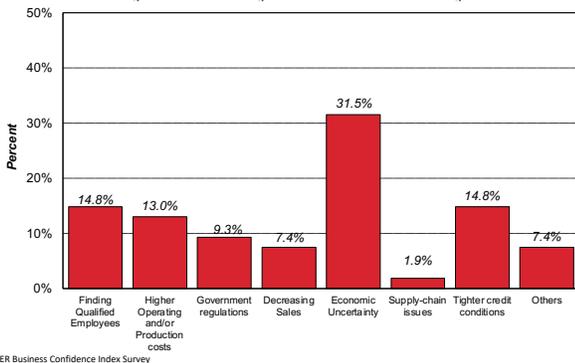


Figure 12

How would you rate current national monetary policy?

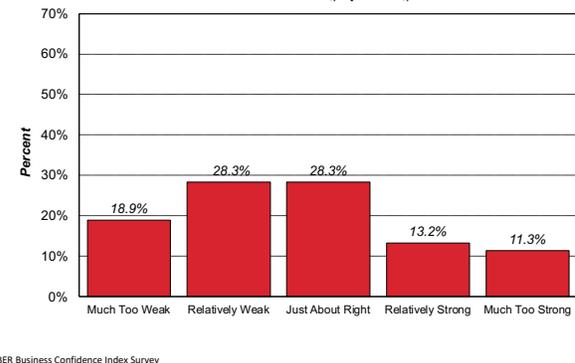


Figure 13

How would you rate current national fiscal policy?

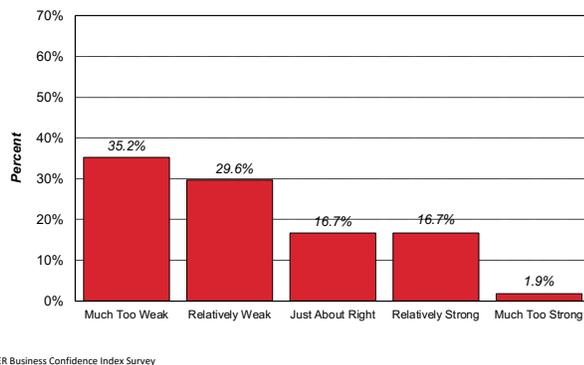
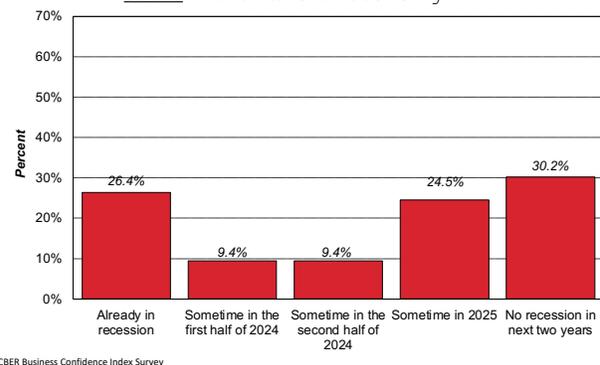


Figure 14

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



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

of 2024. On the other hand, 9.4 percent of respondents expected a recession in the second half of 2024, and 26.4 percent of respondents assumed that the U.S. economy already experiences a recession.

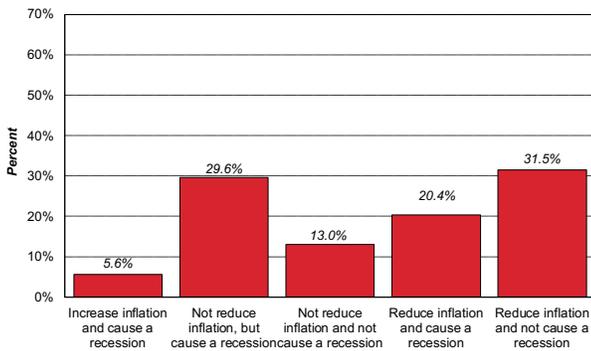
With the Fed's current policy to bring down inflation, 55.6 percent of respondents believe that the Fed's new policy to bring down inflation already caused, or will cause, a recession, while 44.4 percent projected that the Fed's new policy would not cause a recession in the next two years (Figure 15). Among those who expected that a recession would result from the Fed's policy (55.6 percent), 36.7 percent thought that the Fed would reduce inflation, and the remaining 63.3 percent forecasted that the Fed would fail to reduce inflation or actually increase inflation. Among those who projected no recession (44.4 percent), 70.8 percent of respondents anticipated that the Fed's current policy to bring down inflation, while 29.2 percent predicted that the Fed would fail to reduce inflation.

## Conclusion

The most recent CBER business survey suggests that local businesses maintain a more positive outlook on the local economy in the first quarter of 2024 than they do for the national economy. Nevertheless, the pessimism about U.S. economic conditions in 2023Q4 have been replaced by some optimism on the U.S. economy. Locally, local business leaders predict improved expectations for capital expenditures, sales, profits, local economic conditions, in the first quarter with a pessimistic outlook on hiring. The respondents also anticipate an increase in local home prices and increased construction activity in Clark County in the short term. In conclusion, the local economy is expected to expand in the first quarter of 2024 in line with the ongoing U.S. economic growth.

Figure 15

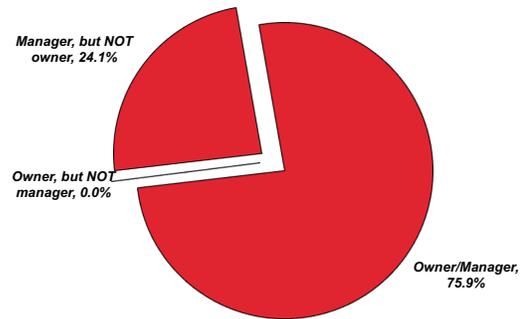
Given the Fed's current policy to bring down inflation, you expect that the Fed in the next two years will:



CBER Business Confidence Index Survey

Figure 16

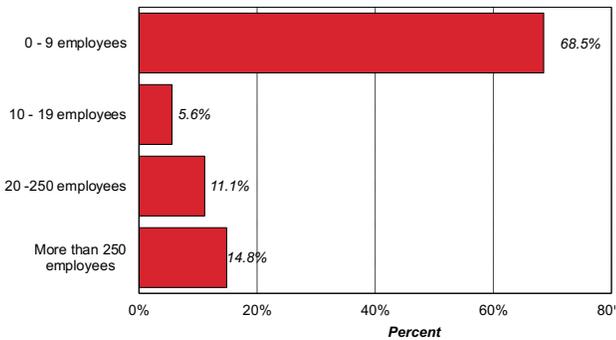
Which best describes your position in the business?



CBER Business Confidence Index Survey

Figure 17

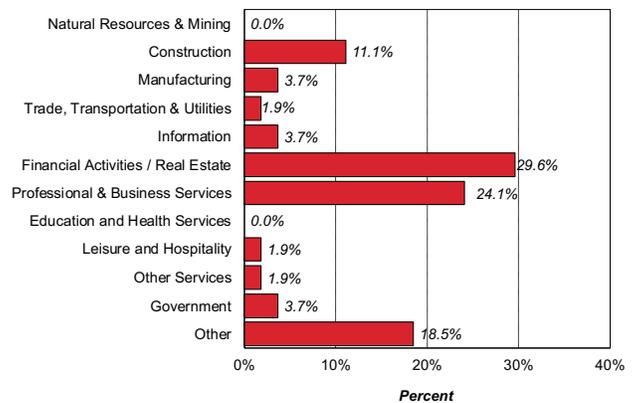
How many people, full time and part time, does your business currently employ, NOT including yourself?



Business Confidence Index Survey

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.

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.