

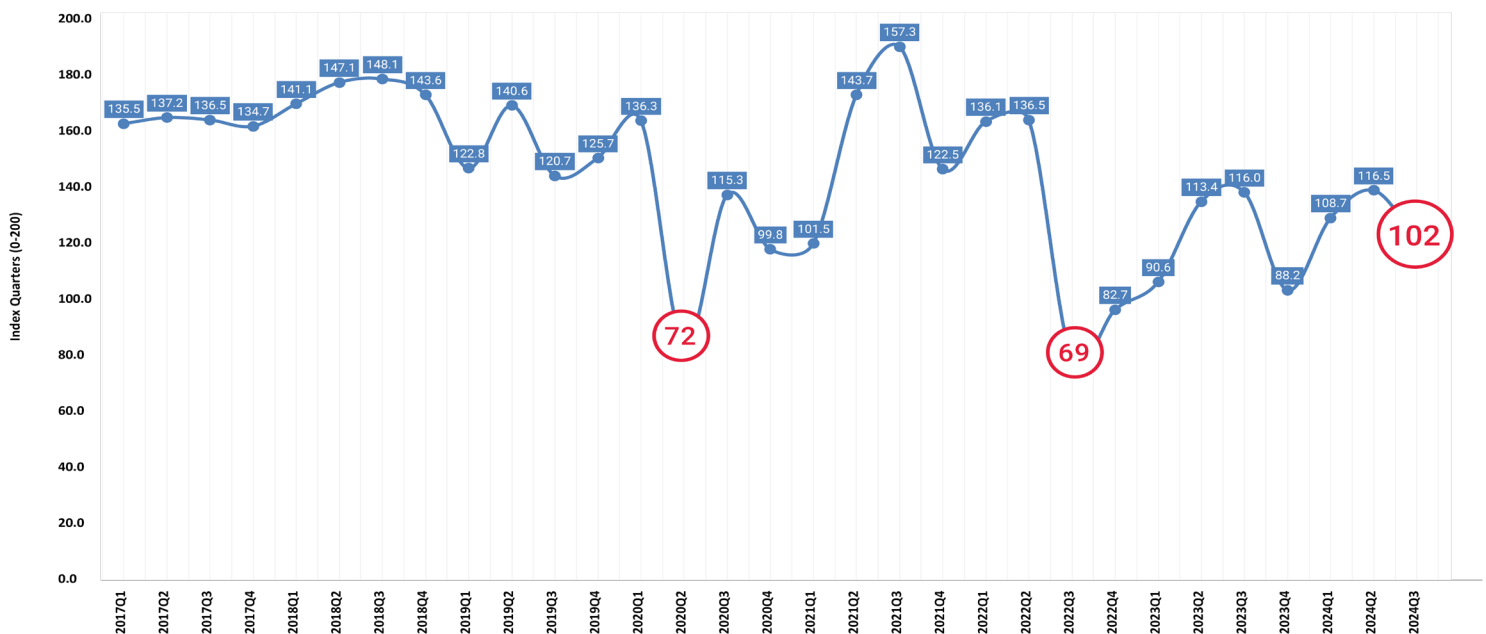
# QUARTERLY INDICATORS

## Southern Nevada Business Confidence Index

UNLV LEE BUSINESS SCHOOL  
CENTER FOR BUSINESS  
AND ECONOMIC RESEARCH

Third Quarter 2024

### Southern Nevada Business Leaders Express Diminished Optimism on Local Economic Conditions in the Third Quarter of 2024



### Southern Nevada Business Confidence Index, Highlights

#### ECONOMIC EXPECTATIONS

- Local business leaders' confidence fell from 116.5 in the prior quarter to 102.7 in 2024Q3.
- Local business leaders' view of U.S. economic conditions worsened, decreasing from 96.4 in the prior quarter to 74.5 in 2024Q3. This is the lowest score since 2023Q4.

#### EXPECTATIONS FOR HIRING

- The expectations on hiring fell from 116.1 in 2024Q2 to 92.2 in 2024Q3, posting a more pessimistic signal regarding the local economy.

#### EXPECTATIONS FOR HOME PRICES

- Expectations on rising home prices in Southern Nevada diminished last quarter from 142.9 in the prior quarter to 127.5 in 2024Q3, reversing last quarter's increase.
- The Las Vegas Case-Shiller home price index follows this trend, posting an overall strong increase in local home prices since March 2023 and reversing its prior downward trajectory observed since June 2022 due to rising mortgage rates.

**MOST IMPORTANT CHALLENGES**

- Finding qualified employees, marked by 33.3 percent of business leaders, ranked first as the most difficult challenge in Southern Nevada going into 2024Q3.

**POTENTIAL RECESSION**

- 72.9 percent of respondents expressed the belief that the U.S. economy is currently in or will enter a recession in the next two years with 20.8 percent of those respondents believing that the U.S. economy already experiences a recession.
- A significant decrease occurred (43.1 to 27.1 percent) in the percentage of respondents, however, who expected no recession in the next two years.

FULL REPORT BELOW

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

The “advance” estimate for U.S. real gross domestic product (GDP) for the second quarter experienced a stronger-than-expected annualized growth of 2.8 percent, twice the 1.4 percent in the first quarter. All the main components except for net exports contributed positively to the growth of real GDP. U.S. nonfarm employment, however, in July added a weaker-than-expected 114,000, mainly coming from the health care, construction, transportation and warehousing sectors; information lost jobs during this period. Wages continue to grow (36 consecutive months) posting a 3.6 percent year-over-year increase in July. The July unemployment rate increased to 4.3 percent, its highest level since October 2021. The labor force participation rate ages 25 to 54 in July rose slightly to 84.0 percent and did not fall too far below its all-time peak of 84.6 percent in January 1999. Alongside the expanding labor market, recent economic data indicate that the United States continues to expand. Advanced estimates for retail sales in June did not budge month-over-month due to softened gas prices and a cyberattack on auto dealers. Excluding gas and autos, retail sales increased robustly by 0.8 percent. The PCE index rose by 3.0 percent year-over-year in June, down 0.1 percent from the previous month. The Fed left the federal funds rate target unchanged at its July meeting, as the U.S. economy remains more robust than anticipated.

*“U.S. real gross domestic product (GDP) for the second quarter experienced a stronger-than-expected annualized growth of 2.8 percent, twice the 1.4 percent in the first quarter.”*

Clark County displayed mixed economic signals. Seasonally adjusted employment lost 2,000 jobs in June and the unemployment rate increased by 0.1 percentage points to 5.5 percent from May to June. Leisure and hospitality employment surpassed its pre-pandemic peak of 295,166 to 302,170 and rose by 0.6 percent month-over-month. May taxable sales fell slightly by 0.2 percent year-over-year to \$5,551,414,538 and May gaming revenue increased by 2.9 percent year-over-year. June Harry Reid passengers and Las Vegas visitor volume grew by 3.7 and 1.8 percent, respectively, year-over-year, boosted by an extra weekend in June compared to the previous year. The local housing market experienced continued increases in housing prices.

The survey results presented in this report indicate slowed optimism on future local business conditions following strong pessimistic views on U.S. economic conditions. Local businesses also anticipated waning increases in local housing prices and in construction activity. Decaying U.S. economic conditions, however, may pose problems for 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), fell to 102.7 in the third quarter, down from 116.5 in the previous quarter and 116.0 in the same quarter last year (Figure 1). The index, however, remained above 100, indicating that local businesses anticipate a slower economic expansion in Southern Nevada, while they expressed strong pessimism regarding the U.S. economic outlook with a score of 74.5.

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. Two of the five components fell below 100, but all components fell within 10 points of 100, which suggests that respondents, on average, feel overall slightly more positive than negative about the local economy. That is, the index sits above 100 at 102.7. The index values for business expectations of Nevada economic conditions, sales, profits, hiring, and capital expenditure scored 98.0, 105.9, 107.8, 92.2, and 109.8, respectively (Figure 2)<sup>1</sup>.

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

Southern Nevada business leaders forecasted slight pessimism about Nevada economic conditions with a score of 98, while local business leaders expressed strong pessimism on U.S. economic conditions with a score of 74.5, 22.7 percent lower from the previous quarter at 96.4 and 9.1 percent lower from 82.0 in 2023Q3. Compared to past scores for Southern Nevada, the score is much lower by 19.5 and 14.8 percent quarter-over-quarter and year-over-year, respectively, falling below 100 for the first time after two quarters. Expectations for the U.S. economy had the lowest component index score, in line with the previous quarter where it also had the lowest score. (Figures 3 and 4).

*“Southern Nevada business leaders forecasted slight pessimism about Nevada economic conditions with a score of 98, while local business leaders expressed strong pessimism on U.S. economic conditions with a score of 74.5.”*

<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 98.0 this means that 2.0 percent (100+(-2.0)) fewer respondents expressed a positive attitude (34.0 percent) than those who expressed a negative attitude (36.0 percent).

Figure 1  
CBER's Southern Nevada Business Confidence Index

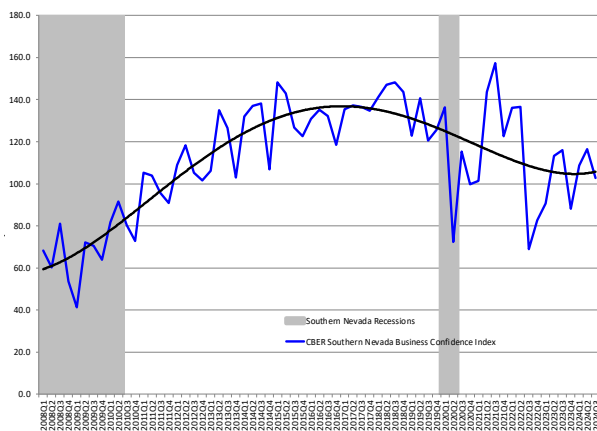
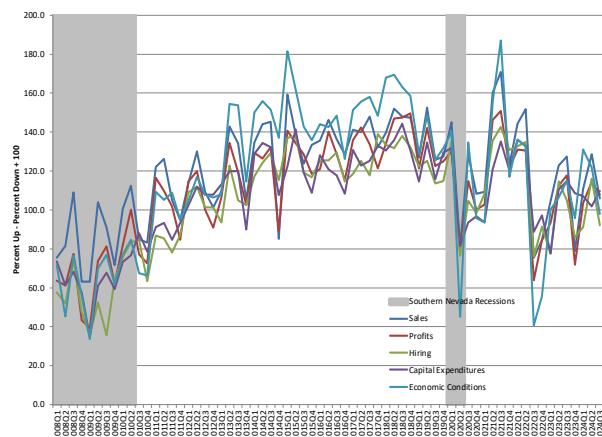


Figure 2  
Components of CBER's Southern Nevada Business Confidence Index



When asked about the U.S. economy, 49.0 percent of business leaders forecasted a somewhat worse or much worse economy, while 23.5 percent projected a somewhat better or much better economy. The remaining 27.5 percent projected no change. When asked the same question about the Nevada economy, 36.0 percent of business leaders predicted a somewhat worse or much worse economy, 30.0 percent anticipated no change, and 34.0 percent expected a somewhat better or much better economy.

*“Local business leaders expressed mild optimism on sales with a value of 105.9.”*

**Expectations for Sales**

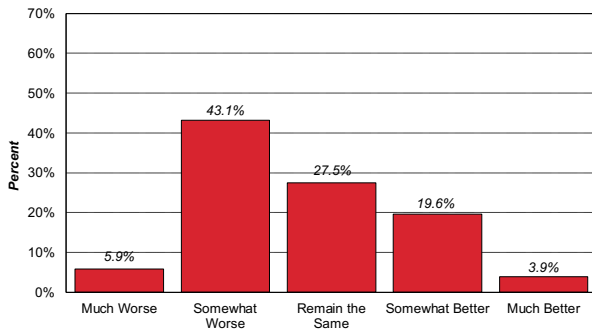
Local business leaders expressed mild optimism on sales with a value of 105.9 (Figure 5). The component value, however, decreased by 17.7 percent and 16.9 percent, respectively, from last quarter and last year, paralleling the recent slower year-over-year growth in local taxable sales. When asked about sales in their own industry, 25.5 percent of the respondents forecasted a decrease, 43.1 percent expected no change, and 31.4 percent predicted an increase.

**Expectations for Profits**

Local business leaders also expressed slight optimism on profits with a score of 107.8 (Figure 6). When asked about profits, 25.5 percent of respondents anticipated decreased profits in their industry, 41.2 percent predicted no change, and 33.3 percent forecasted increased profits.

Figure 3

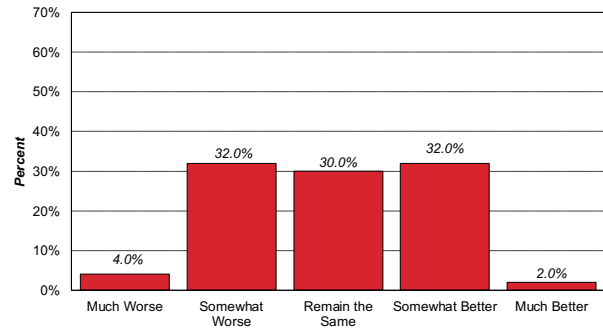
How do you think economic conditions in U.S. will change in the coming quarter compared to the current quarter?



CBER Business Confidence Index Survey

Figure 4

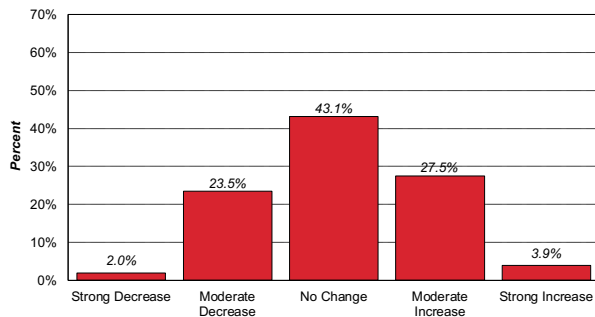
How do you think economic conditions in Nevada will change in the coming quarter compared to the current quarter?



CBER Business Confidence Index Survey

Figure 5

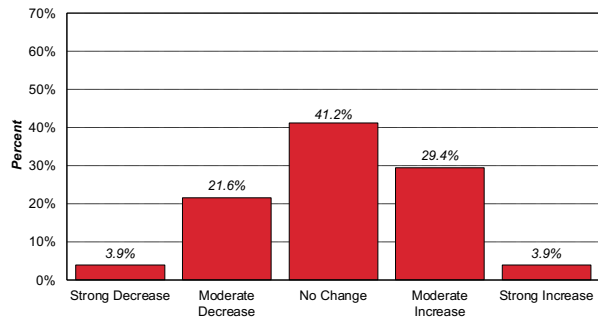
How do you think sales in your industry will change in the coming quarter compared to the current quarter?



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 Hiring**

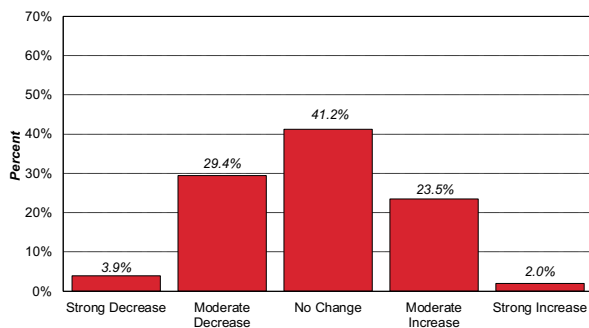
The index value for expectations on hiring had the second largest change with a 20.6 percent decrease from last quarter to 92.2; this is also the second lowest component score after U.S. economic conditions. This adds further context to the most important challenges question, where local business leaders said finding qualified employees was the largest challenge they face today. (Figure 7). When asked about hiring in their own industry, 33.3 percent of local business leaders expected a decrease, 41.2 percent expected no change, and 25.5 percent projected an increase.

**Expectations for Capital Expenditure**

The index for expectation on capital expenditure was the only component that had any increase compared to last quarter but fell when compared to last year. Capital index rose to 109.8 this quarter from 101.8 last quarter (Figure 8). That is, 21.6 percent of respondents forecasted decreased capital expenditure in their industry, while 31.4 percent projected increased capital spending. The remaining 47.1 percent expected no change.

Figure 7

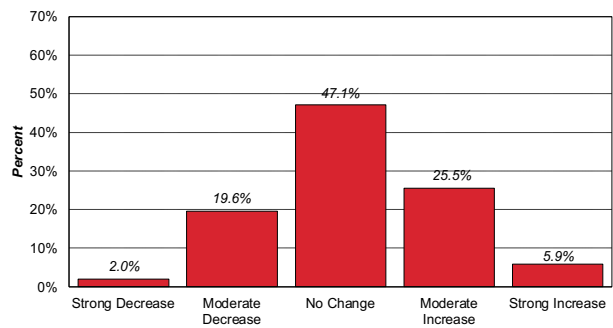
How do you think hiring in your industry will change in the coming quarter compared to the current quarter?



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 Home Prices**

The index value for expectations on home prices in Southern Nevada, which is not a component of the overall index, scored 127.5, significantly higher than the overall index value of 102.7. That is, Southern Nevada business leaders anticipate that the housing market will perform better than the overall economy, which may partly reflect expectations of an interest rate cut. Notably, the most recent movement in the Las Vegas Case-Shiller Home price index follows these predictions, posting an overall increase in local home prices since March 2023. This overall increase reverses the downward trajectory observed since June 2022 due to rising mortgage rates. When asked about expectations on home prices, 47.1 percent of the respondents expected increases in home prices in Southern Nevada, 33.3 percent forecasted no change, and 19.6 percent predicted decreases in home prices.

*“The index value for expectations on home prices in Southern Nevada, which is not a component of the overall index, scored the highest at 127.5.”*

**Expectations for Construction Activity**

Local business leaders continued to predict an increase in construction activity in Southern Nevada with a value of 123.5, aligning with the high score in the expectations on housing prices (Figure 10). When asked about expectations on construction activity, 43.1 percent of the respondents expected more construction activity, 37.3 percent projected no change, and only 19.6 percent forecasted less construction activity.

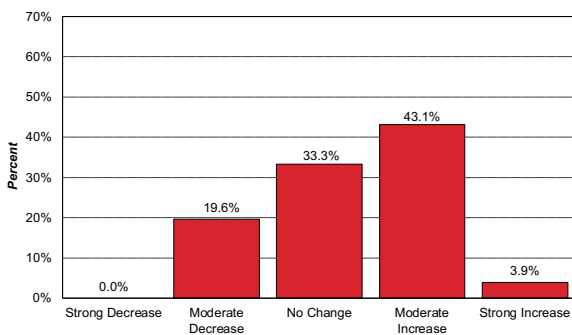
**Most Important Challenges**

Finding qualified employees, marked by 33.3 percent of business leaders, was ranked the most difficult challenge in Southern Nevada in the third quarter of 2024 following expectations for hiring being the second lowest component (Figure 11). Tighter credit conditions were reported as the second most difficult challenge in Southern Nevada with 20.8 percent staying in second place from last quarter. Economic uncertainty and higher operating and/or production costs at 14.6 percent dropped to third and remained at third, respectively, two places lower than last quarter. Compared to last quarter, local business leaders said that finding qualified employees is a challenge but less so than economic uncertainty. The roles have switched where finding qualified employees has become their biggest challenge and economic uncertainty has become less of an issue.

*“Local business leaders continued to predict an increase in construction activity in Southern Nevada with a value of 123.5.”*

Figure 9

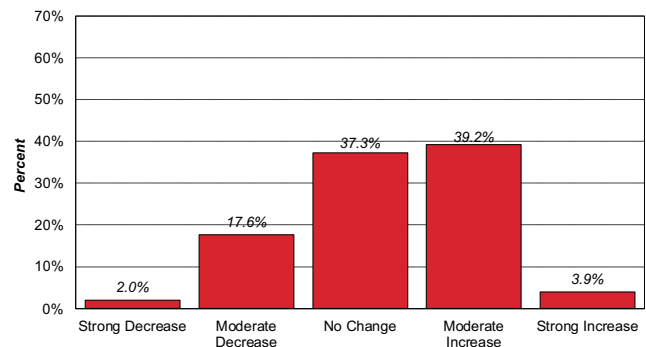
How do you think home prices in Southern Nevada will change in the coming quarter compared to the current quarter?



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.

**National Fiscal and Monetary Policies**

Local business leaders rated both the current national fiscal and monetary policies as relatively weak (Figures 12 and 13). When asked about current national monetary policy, 27.1 percent reported that the monetary response was “too/relatively weak,” while 20.8 percent reported it was “too/relatively strong.” The remaining 52.1 percent reported that it was “just about right.” When asked about current national fiscal policy implemented by the Congress and the Administration, 20.8 percent of respondents answered that the fiscal policy response was “too/relatively strong,” 31.3 percent reported “just about right,” and 47.9 percent reported “too/relatively weak.”

*“Compared to last quarter, local business leaders said that finding qualified employees is a challenge but less so than economic uncertainty.”*

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

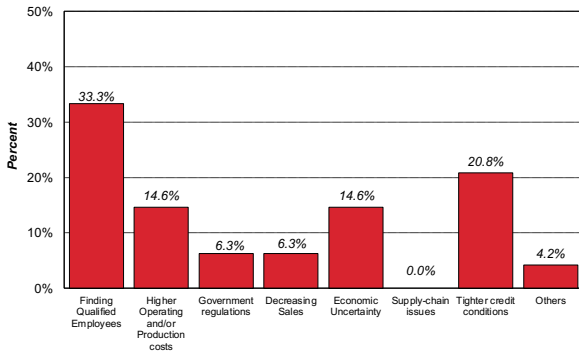
Slightly more than half of the respondents (52.1 percent) believed that the U.S. economy will slide into recession within the next 18 months (Figure 14). Specifically, no one predicted a recession sometime in the third quarter of 2024, while 16.7 percent forecasted it to occur sometime in the fourth quarter of 2024, and 35.4 percent forecasted sometime in 2025. On the other hand, 20.8 percent of respondents believed that the U.S. economy already experiences a recession. 27.1 percent of respondents expect no recession in the next two years.

*“Local business leaders rated both the current national fiscal and monetary policies as relatively weak.”*

With the Fed’s current policy to bring down inflation, 72.9 percent of respondents believe that the Fed’s new policy to bring down inflation already caused, or will cause, a

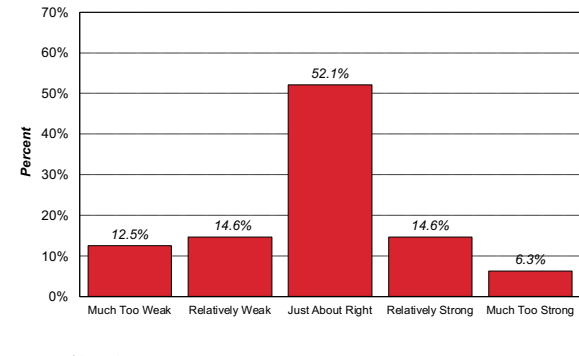
recession, while 27.1 percent projected that the Fed’s new policy would not cause a recession in the next two years (Figure 15). Among those who expected that a recession would result from the Fed’s policy, the majority (74.3 percent) thought that the Fed would reduce inflation, and the remaining 25.7 percent forecasted that the Fed would fail to reduce inflation or actually increase inflation. Among those who projected no recession, all predicted that the Fed would fail to reduce inflation.

**Figure 11**  
What is the most important challenge that you face in your business today?



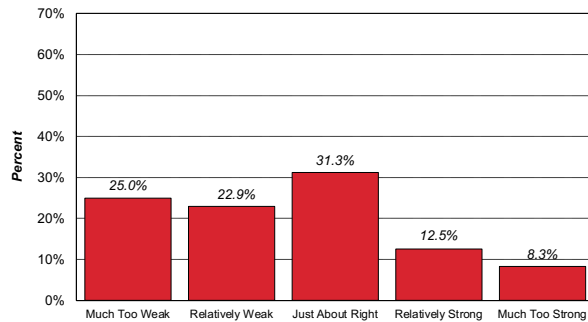
CBER Business Confidence Index Survey

**Figure 12**  
How would you rate current national monetary policy?



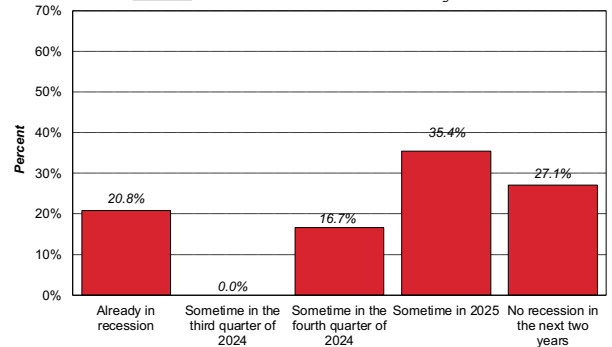
CBER Business Confidence Index Survey

**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.

Figure 15

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

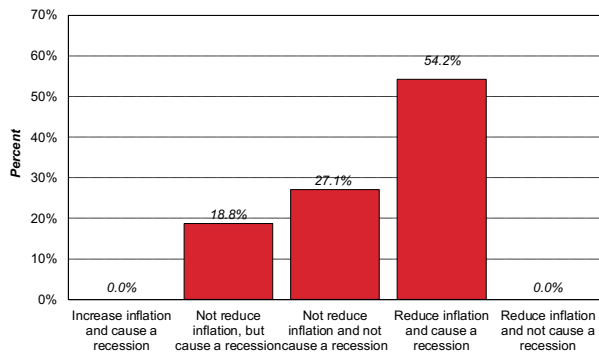


Figure 16

Which best describes your position in the business?

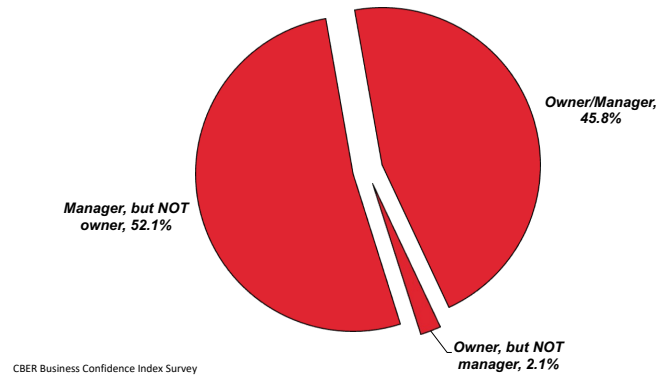


Figure 17

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

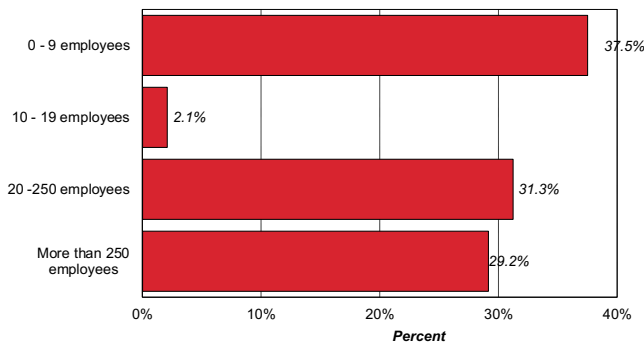
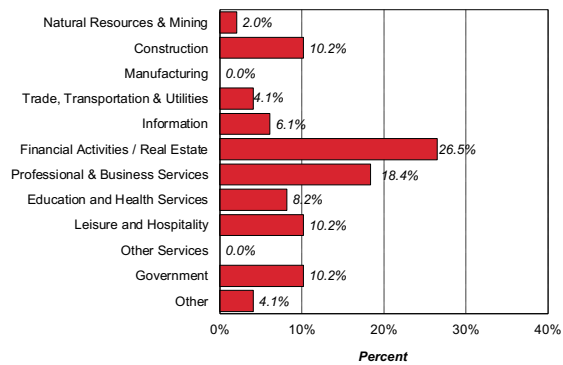


Figure 18

Business sectors reflected in 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 business leaders maintain a slightly weaker but still positive outlook on the local economy in the third quarter of 2024 as well as strong pessimism about U.S. economic conditions. That is, local business leaders predict improved expectations for capital expenditures, sales, profits and worsening conditions for local economic conditions, and hiring in the third quarter; countering their pessimistic views of U.S. economic conditions. The respondents also anticipate strong, yet weaker than the previous quarter, increases in local home prices and construction activity in Clark County in the short term. In conclusion, the local economy is expected to expand mildly in the third quarter despite pessimistic views regarding the ongoing U.S. 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.