

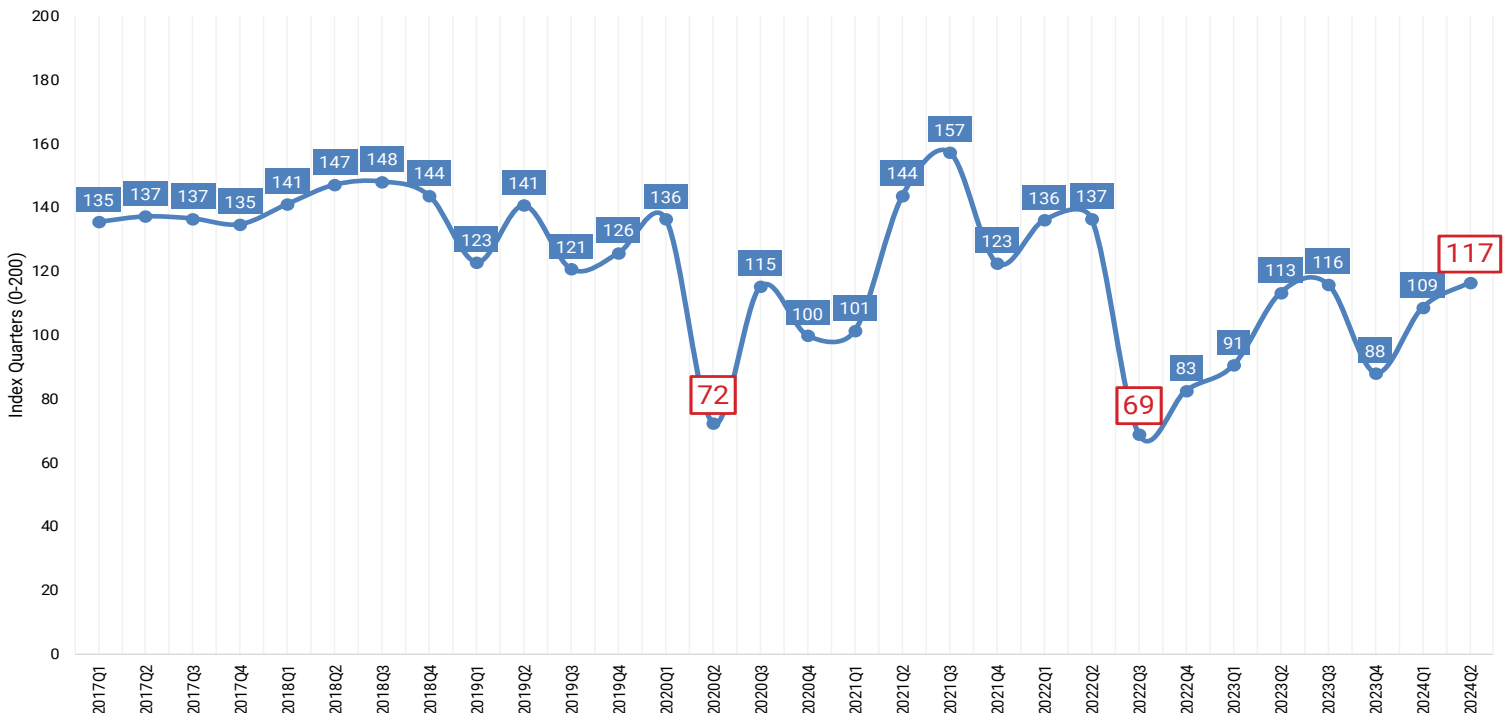
QUARTERLY INDICATORS

Southern Nevada Business Confidence Index

UNLV LEE BUSINESS SCHOOL
CENTER FOR BUSINESS
AND ECONOMIC RESEARCH

Second Quarter 2024

Local Businesses Exhibit Increased Optimism on Local Economic Conditions



Southern Nevada Business Confidence Index, Highlights

ECONOMIC EXPECTATIONS

- Local business leaders' confidence remained positive, rising from 108.7 in the prior quarter to 116.5 in 2024Q2.
- Local business leaders view of U.S. economic conditions became negative, decreasing from 110.7 in the prior quarter to 96.4 in 2024Q2. That score, although below 100, is still the second highest score since 2022Q2.

EXPECTATIONS FOR HIRING

- The expectations on hiring rose from 91.1 in 2024Q1 to 116.1 in 2024Q2, a more optimistic signal regarding the local economy.

EXPECTATIONS FOR HOME PRICES

- Expectations on home prices in Southern Nevada continued to rise last quarter from 126.3 in the prior quarter to 142.9 in 2024Q2, reversing last quarter's decline.
- 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. The January 2024 home price index fell slightly by 0.1 percent, which is also the first decrease since February 2023.

MOST IMPORTANT CHALLENGES

- Economic uncertainty, marked by 25.0 percent of business leaders, ranked first as the most difficult challenge in Southern Nevada going into 2024Q2.

POTENTIAL RECESSION

- 43.1 percent of respondents each expressed the belief that the U.S. economy will not be in a recession in the next two years.
- A significant increase occurred in the percentage of respondents compared to the previous quarter (43.1 vs. 30.2 percent), 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 first quarter of 2024 grew by an annualized 1.6 percent, slightly below its potential. This increase in real GDP largely reflected consumer spending and housing investment. These gains were partly offset by a decrease in inventory investment. U.S. nonfarm employment in March added a stronger-than-expected 303,000 jobs, mainly coming from the health care, government, and construction sectors. Wages continue to grow strongly (33 consecutive months in excess of 4.0 percent year-over-year), posting 4.1 percent year-over-year in March. The March unemployment rate decreased slightly to 3.8 percent from February and the labor force participation rate ages 25 to 54 in March of 83.4 percent does not fall too far below its all-time peak of 84.6 in January 1999. Alongside the expanding labor market, recent economic data indicate that the United States continues to expand. Advanced estimates for retail sales grew by 0.7 percent month-over-month, making its seventh consecutive month of growth. The PCE inflation of 2.7 percent in March was slightly lower than market forecasts. The Fed left the federal funds rate target unchanged at its March meeting, as the U.S. economy remains more robust than anticipated.

“U.S. real gross domestic product (GDP) for the first quarter of 2024 grew by an annualized 1.6 percent, slightly below its

Clark County continued to display somewhat favorable economic signals. Seasonally adjusted employment added 1,800 jobs in February, but the unemployment rate remained the same at 5.4 percent from January to February. Leisure and hospitality employment surpassed its pre-pandemic peak of 295,166 by 0.7 percent to 297,117 but fell by 0.1 percent month-over-month. January taxable sales increased 5.3 percent year-over-year and February gaming revenue increased by 8.9 percent year-over-year. Harry Reid passengers rose by 3.8 percent and visitor volume in February grew by 9.1 percent from last year. The local housing market experienced continued increases in housing prices and increases in residential permits amid higher inventories.

The survey results presented in this report indicate increased optimism on future local business conditions following the sharply increasing pessimistic views on U.S. economic conditions. Local businesses also anticipated an increase in local housing prices as well as a strong increase in construction activity. Slightly 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), increased slightly to 116.5 in the second quarter from 108.7 in the prior quarter, staying above 100 since the sharp decline in 2023Q4. (Figure 1). That is, local businesses anticipate an economic expansion in Southern Nevada, while they expressed pessimism regarding the U.S. economic outlook.

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. None of the five components fell below 100, which suggests that respondents, on average, feel overall more positively than negatively about these five components. That is, the index sits above 100 at 116.5. The index values for business expectations of Nevada economic conditions, sales, profits, hiring, and capital expenditure scored 121.8, 128.6, 114.3, 116.1, and 101.8, respectively (Figure 2)¹.

Expectations for the U.S. and Nevada Economies

Southern Nevada business leaders forecasted that Nevada economic conditions will improve, on average, with a score of 121.8, while local business leaders expressed mild pessimism on U.S. economic conditions with a score of 96.4, 12.9 percent lower from the previous quarter at 110.7 but 101.3 percent higher from 47.9 in 2023Q2. Expectations for the U.S. economy was the only index component below 100. Compared to last quarter for Southern Nevada, the score is slightly lower by 7.0 percent but higher from last year by 14.5 percent, where the previous quarter at 130.9 was also the highest score since 2022Q2. (Figures 3 and 4).

“Southern Nevada business leaders forecasted that Nevada economic conditions will improve, on average, with a score of 121.8, while local business leaders expressed mild pessimism on U.S. economic conditions with a score of 96.4.”

¹ Note: When reporting percentage responses, totals may not add to 100 because of rounding. The index equals the average of its five components. Each component is calculated as follows: add 100 to the difference between the percentages of positive and negative responses. Thus, for example, if the index for the Nevada economic conditions component equals 115.0 this means that 15.0 percent (100+15.0) more respondents expressed a positive attitude (45.0 percent) than those who expressed a negative attitude (30.0 percent).

Figure 1
CBER's Southern Nevada Business Confidence Index

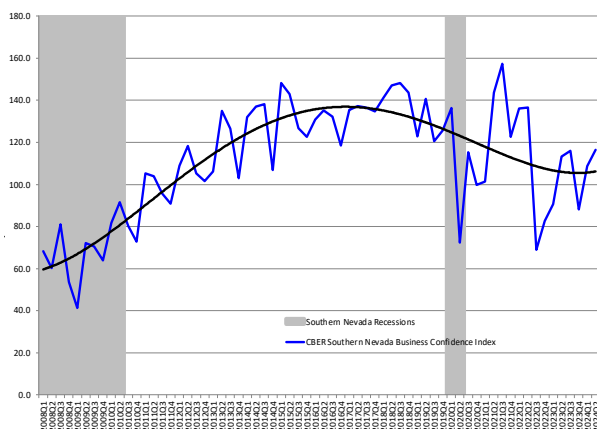
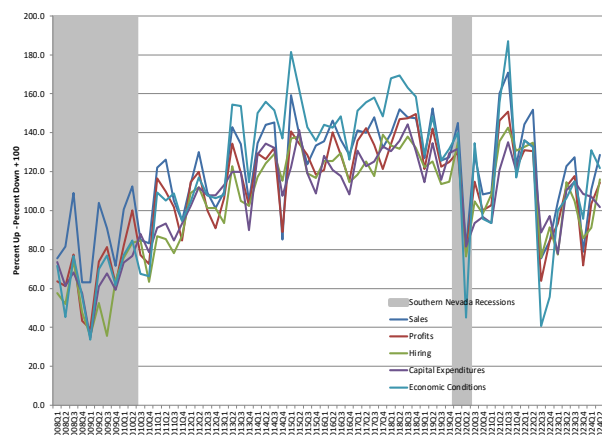


Figure 2
Components of CBER's Southern Nevada Business Confidence Index



When asked about the U.S. economy, 46.4 percent of business leaders forecasted a somewhat worse or much worse economy, while 42.9 percent projected a somewhat better or much better economy. The remaining 10.7 percent projected no change. When asked the same question about the Nevada economy, 23.6 percent of business leaders predicted a somewhat worse or much worse economy, 30.9 percent anticipated no change, and 45.5 percent expected a somewhat better or much better economy. This adds context to the most important challenge question, where most local business leaders said their biggest challenge was economic uncertainty.

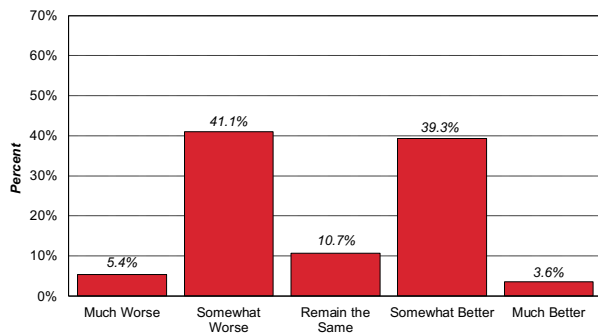
“Local business leaders expressed a significant increase in optimism on sales with a value of 128.6.”

Expectations for Sales

Local business leaders expressed a significant increase in optimism on sales with a value of 128.6, which is also the highest amongst the components (Figure 5). The component value increased by 16.2 percent and 4.6 percent, respectively, from last quarter and last year, paralleling a recent strong year-over-year growth in local taxable sales. When asked about sales in their own industry, 21.4 percent of the respondents forecasted a decrease, 28.6 percent expected no change, and 50.0 percent predicted an increase.

Figure 3

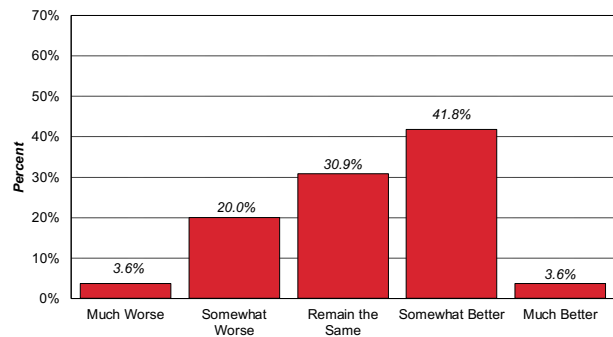
How do you think economic conditions in U.S. will change in the coming quarter compared to the current quarter?



CBER Business Confidence Index Survey

Figure 4

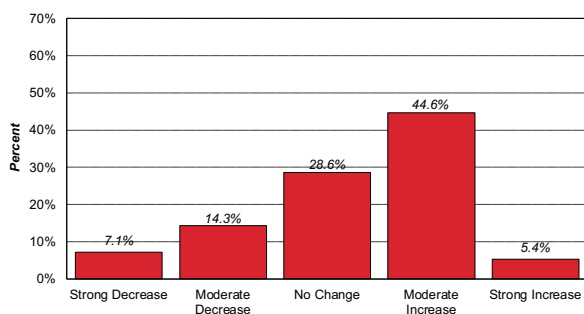
How do you think economic conditions in Nevada will change in the coming quarter compared to the current quarter?



CBER Business Confidence Index Survey

Figure 5

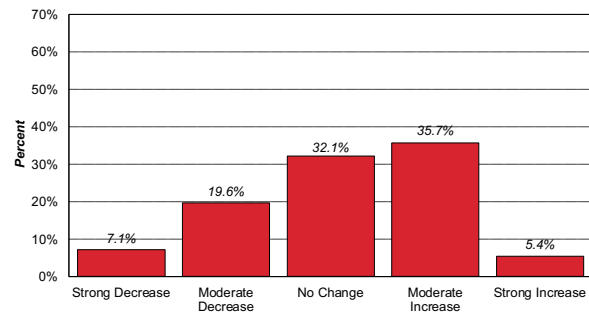
How do you think sales in your industry will change in the coming quarter compared to the current quarter?



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 with a score of 114.3 (Figure 6). When asked about profits, 26.8 percent of respondents anticipated decreased profits in their industry, 32.1 percent predicted no change, and 41.1 percent forecasted increased profits.

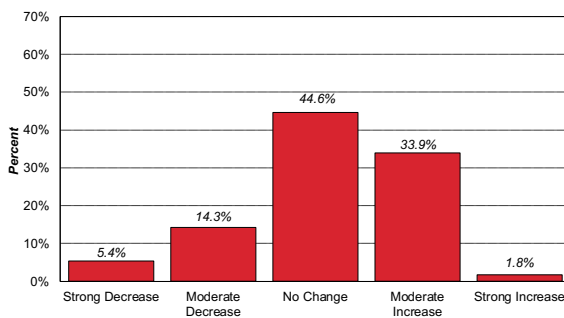
“Local business leaders also expressed heightened optimism on profits.”

Expectations for Hiring

The index value for expectations on hiring increased by 27.5 percent from last quarter to 116.1; this is the largest increase of the components compared to last quarter (Figure 7). When asked about hiring in their own industry, 19.6 percent of local business leaders expected a decrease, 44.6 percent expected no change, and 35.7 percent projected an increase.

Figure 7

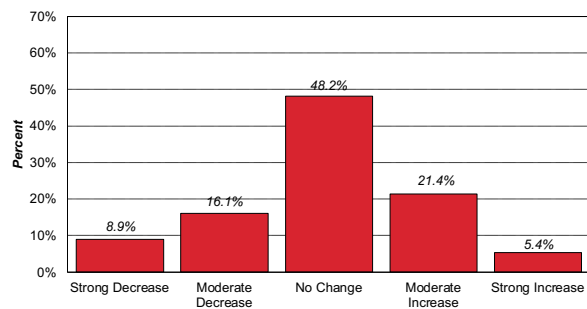
How do you think hiring in your industry will change in the coming quarter compared to the current quarter?



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 one of the scores that fell despite being over 100. The value decreased to 101.8 this quarter from 107.1 last quarter and 110.4 last year. (Figure 8). That is, 25.0 percent of respondents forecasted decreased capital expenditure in their industry, while 26.8 percent projected increased capital spending. The remaining 48.2 percent expected no change.

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 the highest at 142.9. That is, Southern Nevada businesses anticipate a strong increase in local home prices in the second quarter compared to the previous quarter. 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, despite the recent decrease in January by 0.1 percent. This overall increase reverses the downward trajectory observed since June 2022 due to rising mortgage rates. Residential permits also grew in February, up by 6.1 percent from last quarter and up 153.4 percent from last year, which might reflect an expectation that the Fed will begin to cut interest rates soon. When asked about expectations on home prices, 58.9 percent of the respondents expected increases in home prices in Southern Nevada, 25.0 percent forecasted no change, and 16.1 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 142.9.”

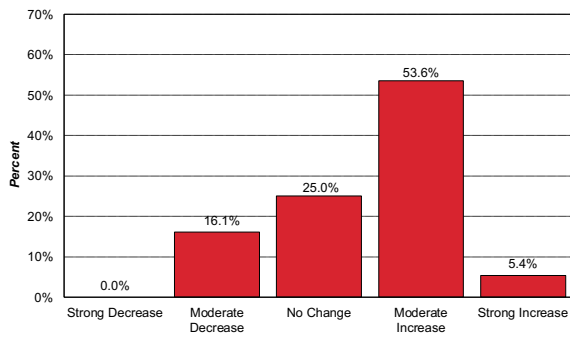
Expectations for Construction Activity

Local business leaders continued to predict an increase in construction activity in Southern Nevada with a value of 142.9, which matches the highest value with the expectations for home prices (Figure 10). When asked about expectations on construction activity, 57.1 percent of the respondents expected more construction activity, 28.6 percent projected no change, and only 14.3 percent forecasted less construction activity in the second quarter compared to the first quarter of 2024.

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

Figure 9

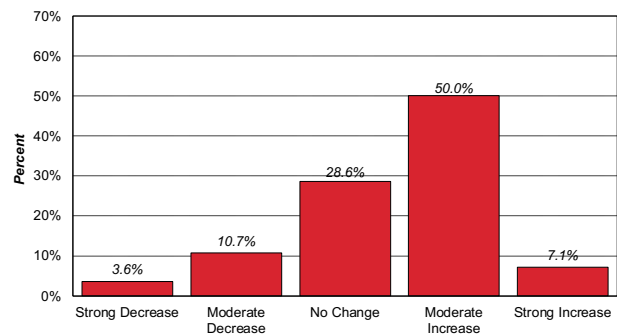
How do you think home prices in Southern Nevada will change in the coming quarter compared to the current quarter?



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 25.0 percent of business leaders, was ranked the most difficult challenge in Southern Nevada in the second quarter of 2024 despite the increasing positive outlook for Nevada economic conditions (Figure 11). Higher operating and/or production costs were reported as the second most difficult challenge in Southern Nevada with 21.2 percent, moving up two places from fourth ranked most difficult challenge last quarter. Finding qualified employees at 19.2 percent dropped to third ranked most important challenge. Local business leaders are still finding qualified employees a challenge, but less so than higher operating costs possibly due to inflation.

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

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, 39.2 percent reported that the monetary response was “too/relatively weak,” while 11.8 percent reported it was “too/relatively strong.” The remaining 49.0 percent reported that it was “just about right.” When asked about current national fiscal policy implemented by the Congress and the Administration, 57.7 percent of respondents answered that the fiscal policy response was “too/relatively weak,” 30.8 percent reported “just about right,” and 11.5 percent reported “too/relatively strong.”

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

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

45.1 percent of the respondents expressed the belief that the U.S. economy will slide into recession within the next 18 months (Figure 14). Specifically, 0.0 percent predicted a recession sometime in the third quarter of 2024, while 15.7 percent forecasted it to occur sometime in the fourth half of 2025, and 29.4 percent forecasted sometime in 2025. On the other hand, 11.8 percent of respondents assumed that the U.S. economy already experiences a recession.

With the Fed’s current policy to bring down inflation, 37.3 percent of respondents believe that the Fed’s new policy to bring down inflation already caused, or will cause, a recession, while 62.7 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, 13.7 percent thought that the Fed would reduce inflation, and the remaining 23.6 percent forecasted that the Fed would fail to reduce inflation or actually increase inflation. Among those who projected no recession, 43.1 percent of respondents anticipated that the Fed’s current policy to bring down inflation, while 19.6 percent predicted that the Fed would fail to reduce inflation.

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

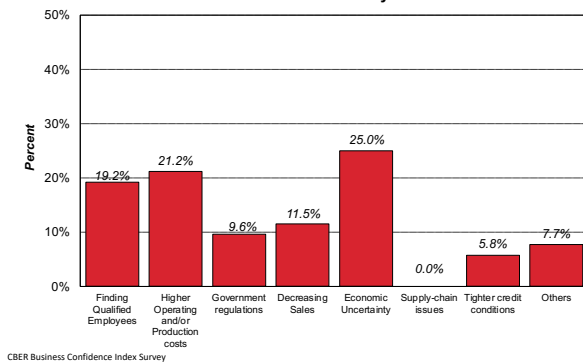


Figure 12
How would you rate current national monetary policy?

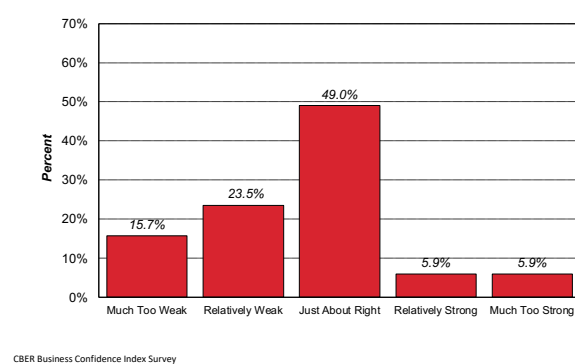


Figure 13
How would you rate current national fiscal policy?

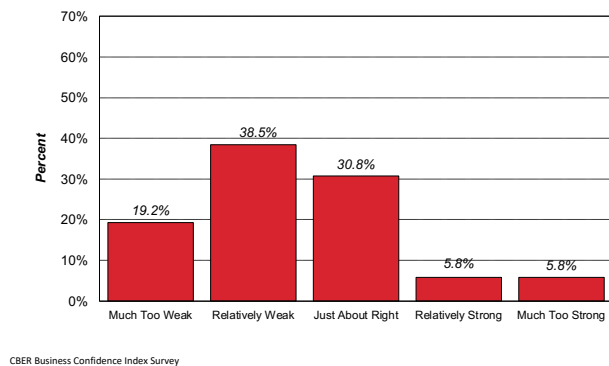
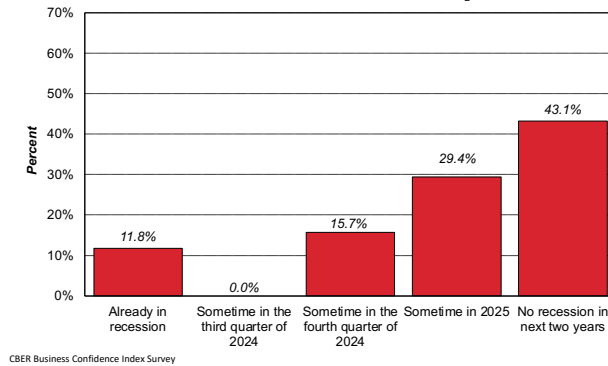


Figure 14
When do you believe that the next recession will occur in the national economy?



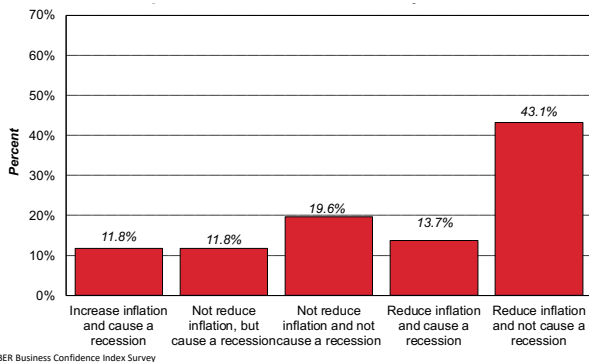
Note: When reporting percentage responses, totals may not add to 100 because of rounding.

Conclusion

The most recent CBER business survey suggests that local businesses maintain a more positive outlook on the local economy in the second quarter of 2024 as well as ongoing slight pessimism about U.S. economic conditions. That is, local business leaders predict improved expectations for capital expenditures, sales, profits, local economic conditions, and hiring in the second quarter countering their pessimistic views of U.S. economic conditions. The respondents also anticipate strong increases in local home prices and construction activity in Clark County in the short term. In conclusion, the local economy is expected to expand in the second quarter despite pessimistic views regarding the ongoing U.S. economic growth.

Figure 15

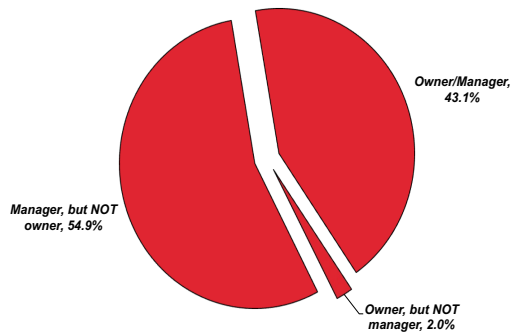
Given the Fed's current policy to bring down inflation, you expect that the Fed in the next two years will:



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Figure 16

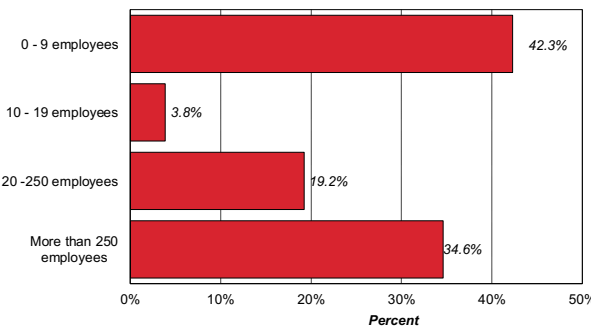
Which best describes your position in the business?



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Figure 17

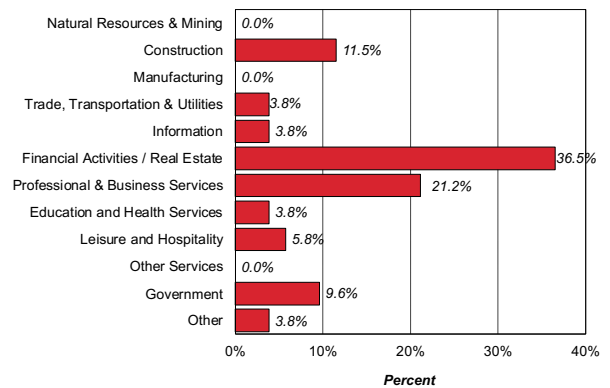
How many people, full time and part time, does your business currently employ, NOT including yourself?



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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.

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.