

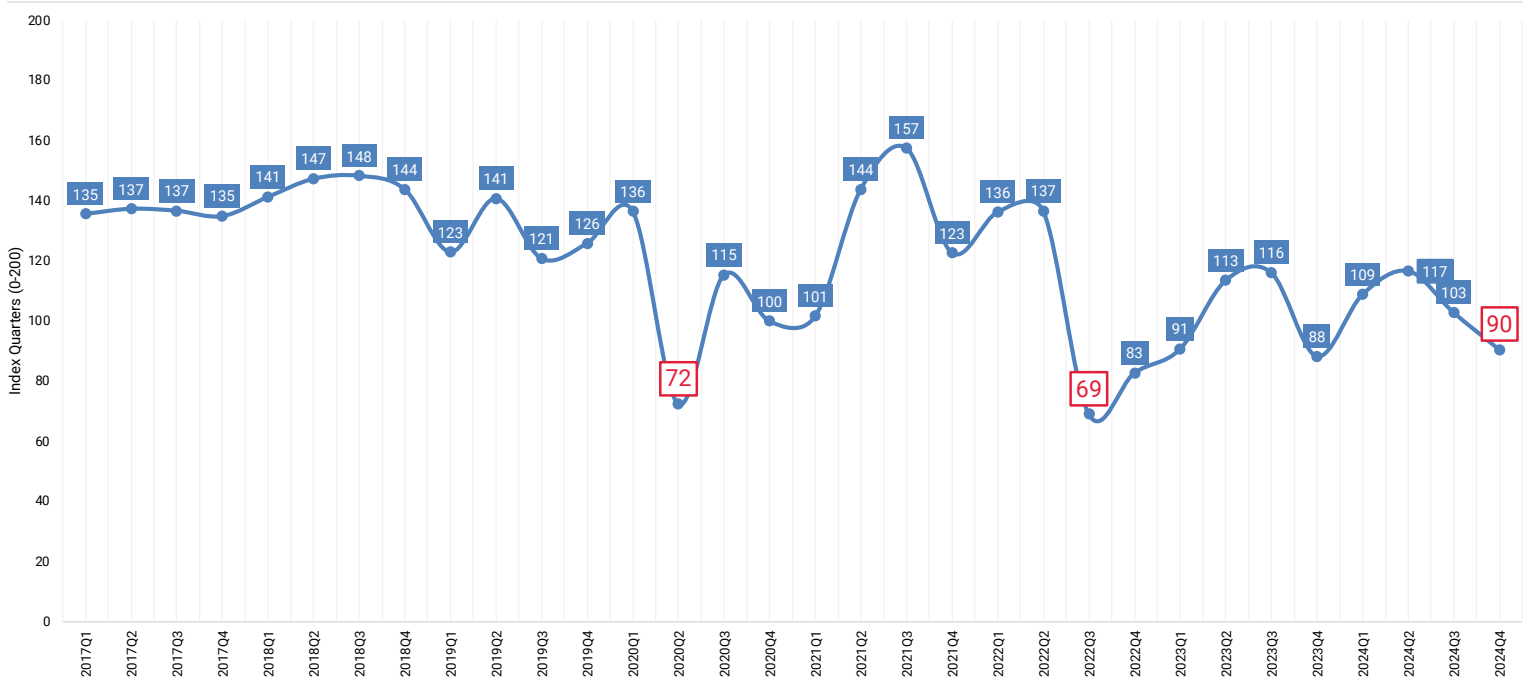
QUARTERLY INDICATORS

Southern Nevada Business Confidence Index

UNLV LEE BUSINESS SCHOOL
CENTER FOR BUSINESS
AND ECONOMIC RESEARCH

Fourth Quarter 2024

Southern Nevada Business Leaders Report Mild Pessimism on Local Economic Conditions for the Fourth Quarter of 2024



Southern Nevada Business Confidence Index, Highlights

ECONOMIC EXPECTATIONS

- Local business leaders' confidence as captured by the CBER Southern Nevada Business Confidence Index fell from 102.7 in the prior quarter to 90.4 in 2024Q4.
- Local business leaders view of U.S. economic conditions became positive, increasing from 74.5 in the prior quarter to 104.3 in 2024Q4. The second highest score this year. When asked about economic conditions in Nevada, these business leaders' views also became positive, rising from 98.0 last quarter to 101.4 in 2024Q4.

EXPECTATIONS FOR HIRING

- The expectations on hiring fell from 92.2 in 2024Q3 to 73.9 in 2024Q4, a more pessimistic signal regarding the local economy.

EXPECTATIONS FOR HOME PRICES

- Expectations on home prices in Southern Nevada dropped slightly from 127.5 in the prior quarter to 124.6 in 2024Q4.
- The Las Vegas Case-Shiller home price index followed this trend, posting an overall strong increase in local home prices since March 2023 and reversing its prior downward trajectory observed since July 2022 due to rising mortgage rates.

MOST IMPORTANT CHALLENGES

- Economic uncertainty, marked by 26.1 percent of business leaders, ranked first as the most difficult challenge in Southern Nevada going into 2024Q4.

KEY SKILLS AND TRAITS FOR HIRING DECISION

- 19.2 percent of local business leaders ranked “prior experience in the industry” the highest when asked what skills and traits they look for in their hiring decisions.

POTENTIAL RECESSION

- 44.1 percent of respondents expressed the belief that the U.S. economy will be in a recession in the next two years. 22.1 percent believed that we are already in recession.
- A slight increase occurred in the percentage of respondents, compared to the previous quarter (33.8 vs. 27.1 percent), who expected no recession in the next two years.

FULL REPORT BELOW

Economic Outlook: Global, National, and Local

The third estimate for U.S. real gross domestic product (GDP) for the third quarter of 2024 continued its robust expansion, growing by an annualized 2.8 percent. Real GDP increased by 3.0 percent in the previous quarter. The increase largely reflected strong consumer spending, likely driven by robust income growth despite higher prices. U.S. nonfarm employment in October remained relatively unchanged, with a slight increase of 12,000 jobs, reflecting the impacts of the hurricanes and the Boeing Strike. Wages continue to grow, posting a 4.0 percent year-over-year increase in October reaching \$35.46 per hour, and outpacing inflation. The September unemployment rate remained the same at 4.1 percent in October. Alongside the expanding labor market, recent economic data indicate that the United States continues to expand. Advanced estimates for retail sales grew by 0.4 percent month-over-month. The PCE inflation of 2.2 percent in August was slightly lower than market forecasts. The Fed cut interest rates by a quarter percentage point in its November meeting, following an initial half-point reduction in September. The 30-year mortgage rates, however, rose, moving in the opposite direction due to expectations of higher inflation.

“U.S. real gross domestic product (GDP) for the third quarter of 2024 continued its robust expansion, growing by an annualized 2.8 percent”

Clark County continued to display somewhat mixed economic signals. Seasonally adjusted employment declined by 1,700 jobs in September, primarily due to losses of 2,890 jobs in the leisure and hospitality sector and 1,334 jobs in the construction sector. The unemployment rate in August rose to its highest level since April 2022 at 5.9 percent. August taxable sales continued to decrease by 3.1 percent year-over-year. September gaming revenue rebounded, however, up by 3.3 percent year-over-year after a 3.8 percent decrease in the prior month. Harry Reid passengers in September declined by 0.7 percent year-over-year, while visitor volume rose by 1.1 percent over the same period. The local housing market experienced continued increases in housing prices but decreases in residential permits.

The survey results presented in this report indicate mild pessimism on local business conditions following slight optimistic views on U.S. and local economic conditions. Local

businesses also anticipated waning increases in local housing prices and in construction activity. Improving U.S. economic conditions, however, may be an upside 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 90.4 in the fourth quarter from 102.7 after the three previous quarters, sitting above 100 (Figure 1). That is, local businesses anticipate an economic slowing or contraction in Southern Nevada, while they expressed more optimism 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. Four out of the five components fell below 100, which suggests that respondents, on average, feel overall more negatively about these components. As stated, the index sits below 100 at 90.4. The index values for business expectations of Nevada economic conditions, sales, profits, hiring, and capital expenditure scored 101.4, 94.2, 91.3, 73.9, and 91.3, respectively (Figure 2)¹.

Expectations for the U.S. and Nevada Economies

Southern Nevada business leaders forecasted that Nevada economic conditions will improve marginally with a score of 101.4, up from last quarter’s score of 98.0. At the same time, local business leaders expressed slightly stronger optimism on U.S. economic conditions with a score of 104.3, which is 29.8 points higher from the previous quarter. (Figures 3 and 4).

“Southern Nevada business leaders forecasted that Nevada economic conditions will improve marginally with a score of 101.4, up from last quarter’s score of 98.0., slightly stronger optimism on U.S. economic conditions with a score of 104.3.”

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 94.2 this means that 5.8 percent (100-5.8) more respondents expressed a negative attitude (42.0 percent) than those who expressed a positive attitude (36.2 percent).

Figure 1
CBER’s Southern Nevada Business Confidence Index

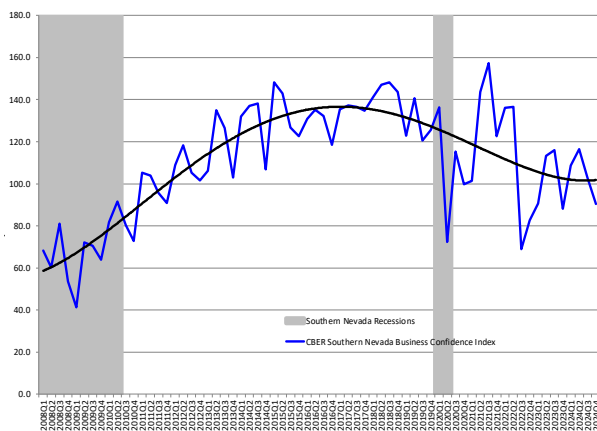
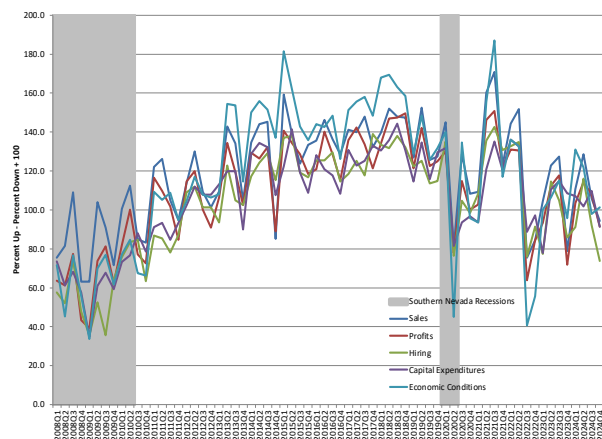


Figure 2
Components of CBER’s Southern Nevada Business Confidence Index



When asked about the U.S. economy, 36.2 percent of business leaders forecasted a somewhat worse or much worse economy, while 40.6 percent projected a somewhat better or much better economy. The remaining 23.2 percent projected no change. When asked the same question about the Nevada economy, 39.1 percent of business leaders predicted a somewhat worse or much worse economy, 20.3 percent anticipated no change, and 40.6 percent expected a somewhat better or much better economy. This adds some context to the most important challenge question, where most local business leaders said the largest challenge was economic uncertainty.

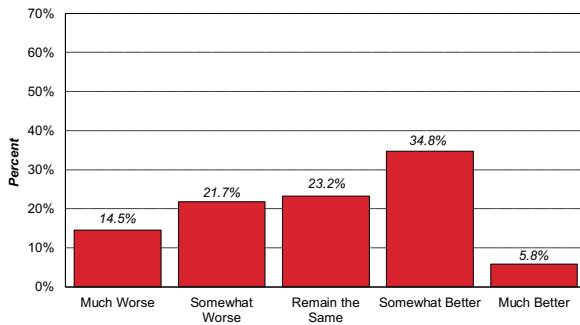
“Local business leaders expressed mild pessimism on sales with an individual component value of 94.2.”

Expectations for Sales

Local business leaders expressed mild pessimism on sales with an individual component value of 94.2 (Figure 5). The component value decreased from 105.9 in 2024Q3 to 94.2 in 2024Q4, paralleling recent three consecutive months of year-over-year declines in local taxable sales. When asked about sales in their own industry, 42.0 percent of the respondents forecasted a decrease, 21.7 percent expected no change, and 36.2 percent predicted an increase. This was the first of four components that fell this quarter and fell below 100.

Figure 3

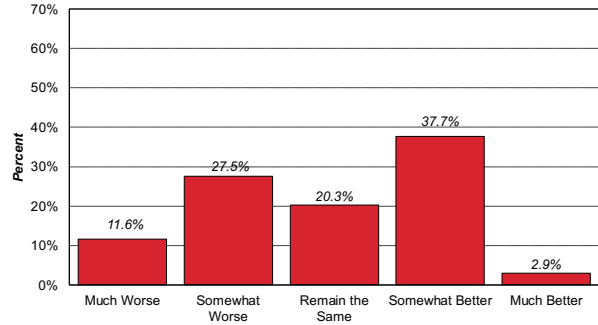
How do you think economic conditions in U.S. will change in the coming quarter compared to the current quarter?



CBER Business Confidence Index Survey

Figure 4

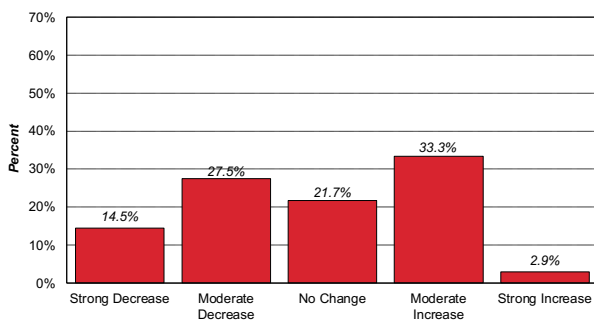
How do you think economic conditions in Nevada will change in the coming quarter compared to the current quarter?



CBER Business Confidence Index Survey

Figure 5

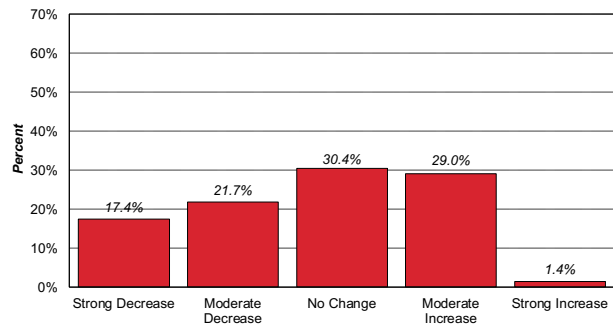
How do you think sales in your industry will change in the coming quarter compared to the current quarter?



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

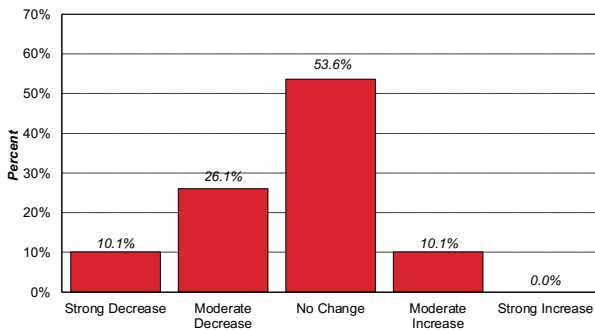
Local business leaders also expressed slight pessimism on profits with a component score of 91.3(Figure 6). When asked about profits, 39.1 percent of respondents anticipated decreased profits in their industry, 30.4 percent predicted no change, and 30.4 percent forecasted increased profits. Despite below 100, expectations for profits had the largest year-over-year change of 27.1 percent among all the other components.

Expectations for Hiring

The index value for expectations on hiring had the largest change quarter-over-quarter among all the components with an 18.3 point decrease from last quarter to 73.9 this quarter. This also adds further context to the most important challenges question, where local business leaders said finding qualified employees was the fourth largest challenge they face today. (Figure 7). When asked about hiring in their own industry, 36.2 percent of local business leaders expected a decrease, 53.6 percent expected no change, and 10.1 percent projected an increase.

Figure 7

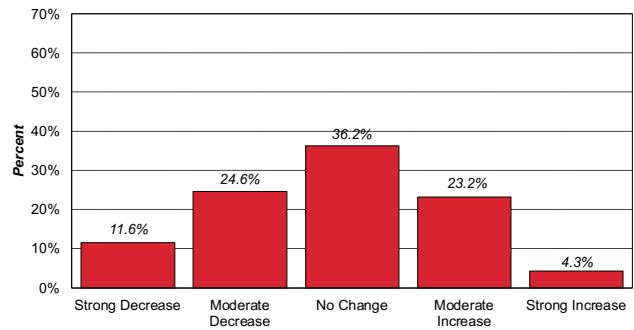
How do you think hiring in your industry will change in the coming quarter compared to the current quarter?



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 component for expectation on capital expenditure was the last of the four components falling and falling below 100. The index fell to 91.3 this quarter from 109.8 last quarter and 108.6 last year, which may be due to economic uncertainty surrounding the presidential election outcome. (Figure 8). That is, 36.2 percent of respondents forecasted decreased capital expenditure in their industry, while 27.5 percent projected increased capital spending. The remaining 36.2 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 second highest value at 124.6. That is, Southern Nevada business leaders anticipate a slightly weaker increase in local home prices in the fourth quarter compared to the previous quarter (Figure 9). 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 July 2022 due to rising mortgage rates. Residential permits also fell in September, down by 32.2 percent from last month and down

“The index value for expectations on home prices in Southern Nevada, which is not a component of the overall index, scored the highest at 124.6.”

21.0 percent from last year, which reflects the relationship between the recent high interest rates set by the Fed and residential construction activity. When asked about expectations on home prices, 47.8 percent of the respondents expected increases in home prices in Southern Nevada, 29.0 percent forecasted no change, and 23.2 percent predicted decreases in home prices.

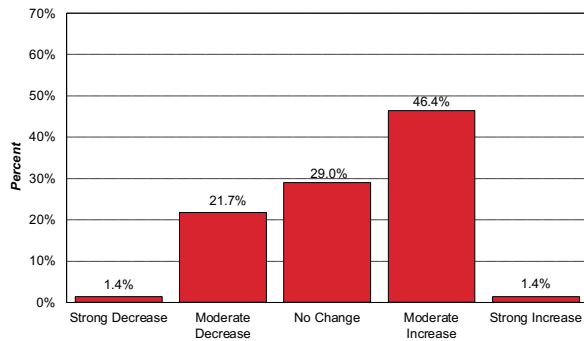
Expectations for Construction Activity

Local business leaders continued to predict an increase in construction activity in Southern Nevada with a value of 136.2, the highest score this quarter, which matches the second highest value with the expectations for home prices (Figure 10). When asked about expectations on construction activity, 52.2 percent of the respondents expected more construction activity, 31.9 percent projected no change, and only 15.9 percent forecasted less construction activity.

“Local business leaders continued to predict an increase in construction activity in Southern Nevada with a value of 136.2.”

Figure 9

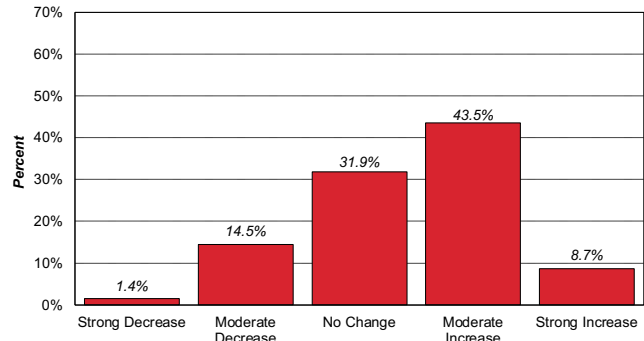
How do you think home prices in Southern Nevada will change in the coming quarter compared to the current quarter?



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 26.1 percent of business leaders, was ranked the most difficult challenge in Southern Nevada in the fourth quarter of 2024, jumping from a previous third rank (Figure 11). Government regulations were reported as the second most difficult challenge in Southern Nevada with 18.8 percent jumping from the fourth most important from last quarter. Higher operating and/ or production costs remained third at 17.4 percent. Finding qualified employees marked at 14.5 in this quarter fell from first place at 33.3 percent in 2024Q3. This combination of challenges regarding economic uncertainty and government regulations could reflect election anxiety.

“Economic uncertainty marked by 26.1 percent of business leaders, was ranked the most difficult challenge in Southern Nevada in the fourth quarter of 2024.”

Key Skills and Traits for Hiring Decision

When asked about important traits or skills in the hiring decision, 19.2 percent of local business leaders marked experience in the industry the highest when making such decisions (Figure 12). This was then followed by punctuality and reliability at 18.1 percent and flexibility and adaptability at 17.1 percent. The “education level” and “technical qualifications” came in the lowest at 8.8 and 9.8 percent, respectively, of business leaders.

National Fiscal and Monetary Policies

Local business leaders rated both the current national fiscal and monetary policies as relatively weak (Figures 13 and 14). When asked about current national monetary policy, 43.5 percent reported that the monetary response was “too/relatively weak,” while 17.4 percent reported it was “too/relatively strong.” The remaining 39.1 percent reported that it was “just about right.” When asked about current national fiscal policy implemented by the Congress and the Administration, 15.9 percent of respondents answered that the fiscal policy response was “too/relatively strong,” 27.5 percent reported “just about right,” and 56.5 percent reported “too/relatively weak.”

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

Potential Economic Recession

44.1 percent of the business leaders expressed the belief that the U.S. economy will slide into recession within the next 18 months (Figure 15). Specifically, 4.4 percent predicted a recession sometime in the fourth quarter of 2024, while 22.1 percent, sometime in the first half of 2025, 8.8 percent, sometime in the second half of 2025, and 8.8 percent, sometime in 2026. On the other hand, 22.1 percent of respondents assumed that the U.S. economy already experiences a recession. Finally, 33.8 percent of respondents said that no recession will occur in the next two years.

Figure 11

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

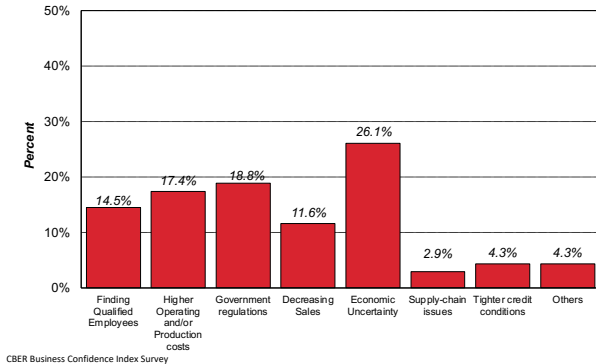


Figure 12

Job skills for hiring reflected in survey

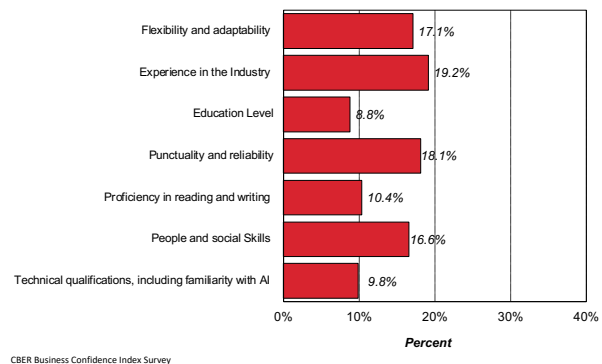


Figure 13

How would you rate current national monetary policy?

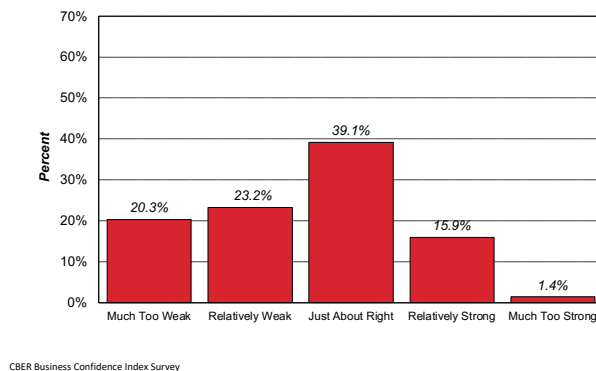


Figure 14

How would you rate current national fiscal policy?

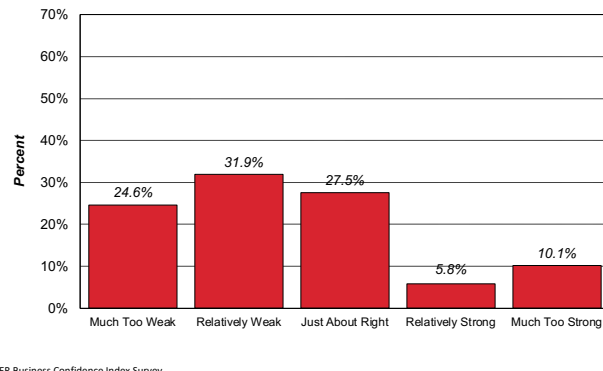


Figure 15
When do you believe that the next recession will occur in the national economy?

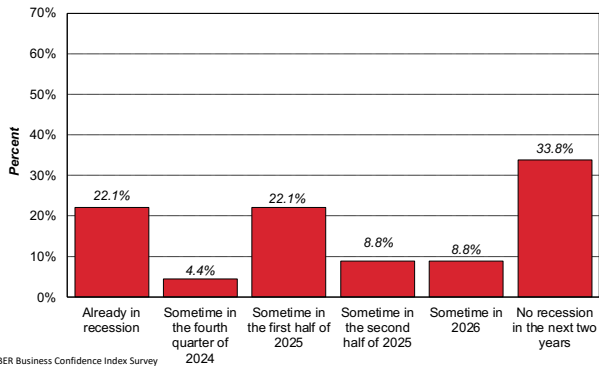


Figure 16
What do you think will happen to interest rates between now and the end of the year?

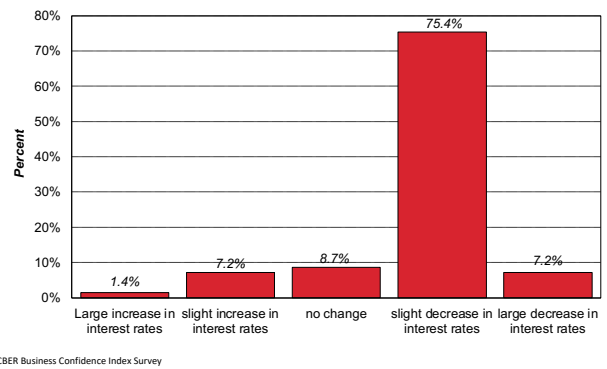


Figure 17
Which best describes your position in the business?

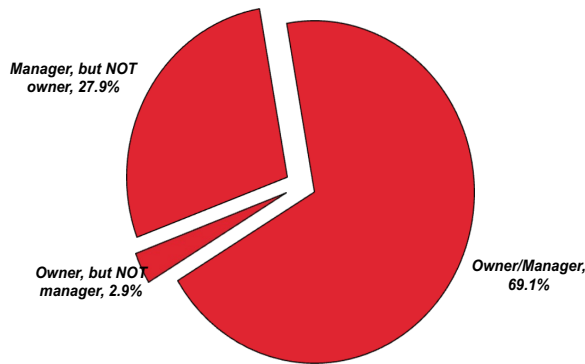


Figure 18
How many people, full time and part time, does your business currently employ, NOT including:

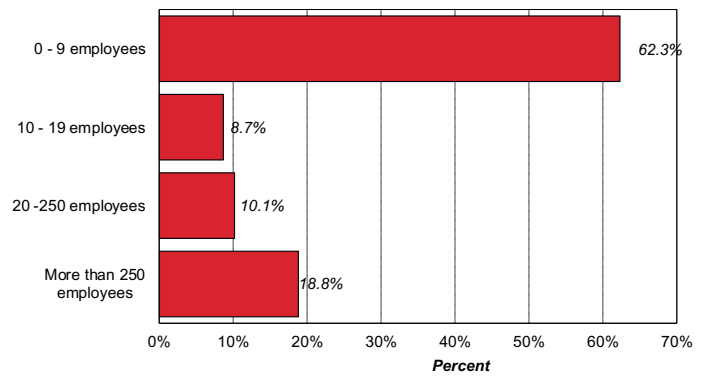
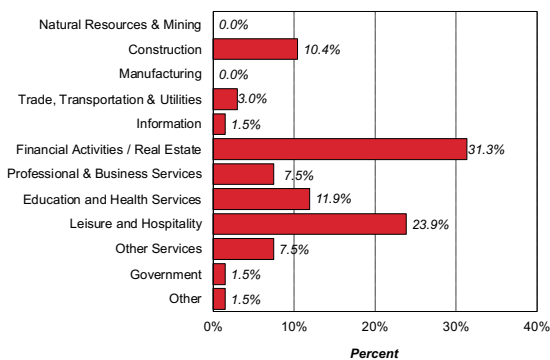


Figure 19
Business sectors reflected in survey



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

Interest Rates Between Now and the End of the Year

The majority (82.6 percent) respondents believe that the Fed will continue to decrease interest rates in the fourth quarter of 2024 (Figure 16). Only 8.7 percent expected a rate increase, while the remaining 8.7 percent forecasted no change in interest rates before the end of the year. Among those who expected a decrease in interest rates, 91.2 percent thought that the Fed would slightly reduce interest rates, and the remaining 8.8 percent forecasted that the Fed would largely decrease interest rates.

Conclusion

The most recent CBER business survey suggests that local business leaders maintain a somewhat guarded and pessimistic outlook on their industry business conditions in the fourth quarter of 2024. That is, local business leaders predict worsening conditions for capital expenditures sales, profits, and hiring in the fourth quarter; countering their slightly optimistic views of U.S. and local economic conditions. The respondents also anticipate slightly 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 soften in the fourth quarter.

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.