



Southern Nevada Business Confidence Index

First Quarter 2021

Economic Outlook: Global, National, and Local

U.S. real gross domestic product (GDP) for the third quarter of 2020 jumped by a best-ever 33.4 percent at an annual rate. Real GDP still remains 3.4 percent below its pre-recession peak in 2019Q4 despite the historic rebound. Overall, the record rebound reflected strong recovery in both consumer spending and business investment, which was boosted by the CARES Act as well as “whatever-it-takes” Quantitative Easing. U.S. nonfarm employment, however, lost 140,000 jobs in December, the first contraction since April amid a surge in COVID-19 cases. The labor market will likely continue to suffer next month as new coronavirus cases continue to rise. The economy still needs to recoup 9.8 million jobs to return to its February pre-pandemic peak. Retail sales, however, already surpassed the pre-pandemic peak and continued its year-over-year increase despite reduced supplemental unemployment benefits. Housing starts also continued their strong year-over-year gains, boosted by all-time low interest rates. The U.S. economic recovery is currently losing momentum due to new business restrictions caused by the COVID-19 surge in cases. The second stimulus package and the vaccine rollout, however, should promote a faster recovery in the near future.

Clark County posted a slower economic recovery due to its tourism-dependent economy. Seasonally adjusted employment added 7,800 jobs in November largely reflecting a notable gain in the trade, transportation, and utility sector. The leisure and hospitality sector, however, experienced a slight loss in employment due to the recent COVID-19 surge in cases. The unemployment rate dropped to 11.5 percent but still remains the highest among large metro areas. Total McCarran Airport passengers and visitor volume have improved since the reopening of the economy, but still plummeted over 50 percent year-over-year. Taxable sales and gaming revenue, however, have experienced stronger-than-expected performance thanks to increased personal income due to the CARES Act. The local housing market has also shown surprising performance despite the virus, benefitting from low interest rates, higher disposable income, and work-from-home opportunities.

Clark County will likely continue to suffer with a slower economic recovery due to its tourism-dependent economy possibly until more than 50 percent of population are vaccinated. Although the U.S. retail sales have surpassed its previous peak, the spending related to the tourism sector did not recover yet as it requires face-to-face contact. Moreover, the current COVID-19 surge in cases brings more uncertainty to the tourism sector along with additional restrictions. The survey results conveyed in this report align with the current economic conditions as respondents expressed some pessimism on local business conditions but optimism about the overall U.S. economy.

“Clark County posted a slower economic recovery due to its tourism-dependent economy.”

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), edged up 1.7 percent from 99.8 in the fourth quarter of 2020 to 101.5 in the first quarter of 2021 (Figure 1). The index, however, continued to post a year-over-year loss of 25.6 percent. A quarter-over-quarter gain in the index value may reflect a seasonal “new-year” effect. The index scored slightly above 100, which suggests that overall business conditions in Southern Nevada will improve slightly from the previous quarter.

“The Southern Nevada Business confidence Index, ..., edged up 1.7 percent...in the first quarter of 2021. ... (but) post(ed) a year-over-year loss of 25.6 percent”

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. The index remains above 100, which suggests that respondents, on average, feel more positive than negative about the five components. The respondents exhibited optimism for sales, hiring and profits, which may reflect increased personal income thanks to the CARES Act. The local business leaders, nevertheless, reported pessimism on capital expenditure and general economic conditions, which may reflect our tourism-dependent economy that has been persistently affected by COVID-19 induced restrictions. The index values for business expectations of Nevada economic conditions, sales, profits, hiring, and capital expenditure scored 93.5, 109.3, 102.8, 108.3, and 93.5, respectively (Figure 2).¹

Figure 1

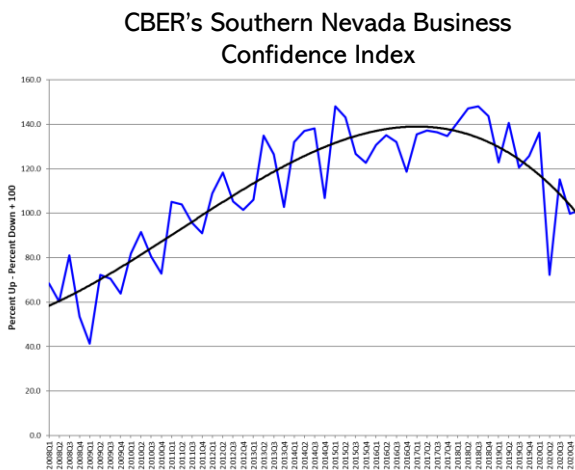
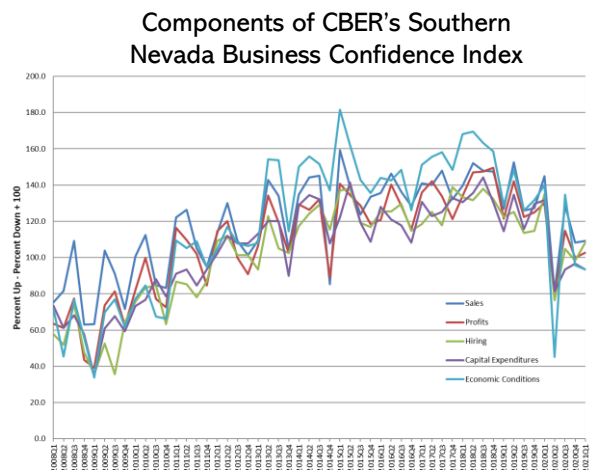


Figure 2



¹ 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 93.5, then this means that 6.5 percent more respondents exhibit a negative attitude (43.0 percent) than those that exhibit a positive attitude (36.4 percent).

Expectations for the U.S. and Nevada Economies

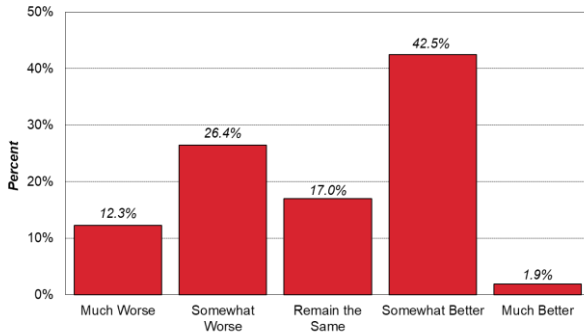
Southern Nevada business leaders expressed small decreases in confidence for both the Nevada and U.S. economies compared to the prior quarter. This may reflect the imposition of additional coronavirus restrictions caused by a surge in new cases. Despite retaining marginal optimism for the U.S. economic condition, the respondents continued pessimism for Nevada economic activity may reflect a slower local recovery due to its tourism-dependent economy. The values for U.S. and Nevada economic activity scored 105.7 and 93.5, respectively.

“Southern Nevada business leaders expressed small decreases in confidence for both Nevada and U.S. economies...”

When asked about the U.S. economy, 44.3 percent forecasted a better economy, while 38.7 percent forecasted a worse economy (Figure 3). The remaining 17.0 percent expected no change. When asked the same question about the Nevada economy, 36.4 percent of respondents forecasted an improved economy, 20.6 percent projected no change, and 43.0 percent expected a worse economy (Figure 4).

Figure 3

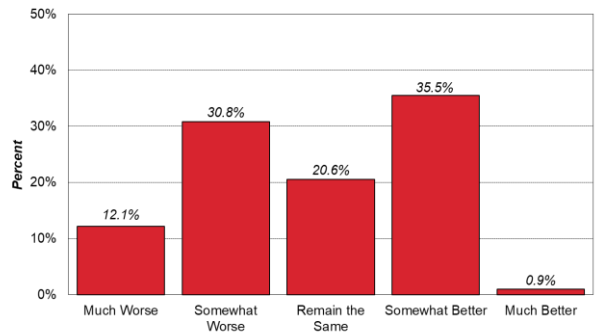
How do you think economic conditions in the United States will change in the 1st quarter of 2021 compared to the previous quarter?



CBER Business Confidence Index Survey

Figure 4

How do you think economic conditions in Nevada will change in the 1st quarter of 2021 compared to the previous quarter?



CBER Business Confidence Index Survey

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

Expectations for Sales

Local business leaders reported optimism in sales activity in their industry with a value of 109.3. Sales scored the highest among components for the second straight quarter, probably thanks to the CARES Act. U.S. retail sales already surpassed its previous peak, and Clark County taxable sales and gaming revenue have performed much better despite a huge loss in visitor volume. That is, November Clark County gaming revenue only decreased by 20.5 percent from last year despite a 57.5 percent loss in visitor volume over the same period. Moreover, October Clark County taxable sales, excluding the leisure and hospitality sector², experienced a 1.8 percent year-over-year increase. When asked about sales, 40.2 percent of the respondents predicted increased sales in their industry, 29.0 percent expected no change, and 30.8 percent projected decreased sales (Figure 5).

“Local business leaders reported optimism in sales activity in their industry...”

² We excluded business codes 711, 712, 713, 721 and 722 from the total Clark County taxable sales. [https://tax.nv.gov/uploadedFiles/taxnvgov/Content/TaxLibrary/\(4\)%20SUT_Stat_Oct_20.pdf](https://tax.nv.gov/uploadedFiles/taxnvgov/Content/TaxLibrary/(4)%20SUT_Stat_Oct_20.pdf).

“Among all sectors, pessimism on profits was prevalent in the leisure and hospitality, education and health services, and government sectors.”

Expectations for Profits

The respondents expressed marginal optimism on profits with a value of 102.8. Among all sectors, pessimism on profits was prevalent in the leisure and hospitality, education and health services, and government sectors. When asked about profits in their own industry, 37.0 percent of respondents expected an increase, 28.7 percent predicted no change, and 34.3 percent forecasted a decrease (Figure 6).

Expectations for Hiring

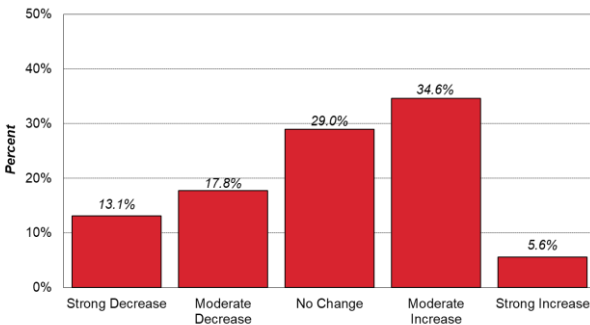
The index value for expectations on hiring jumped by 10.2 percent from the prior quarter to a value of 108.3. Most sectors except for the leisure and hospitality, education and health services, and government predicted increased hiring activities in their industry. The leisure and hospitality industry expressed deep pessimism for hiring activities in their industry, which probably reflects more restrictions and cautions related to a surge in virus cases. When asked about hiring in their own industry, 31.5 percent expected an increase, 45.4 percent expected no change, and 23.1 percent projected a decrease (Figure 7).

Expectations for Capital Expenditure

Many local business leaders continue to follow a conservative path with their capital expenditure, with a value of 93.5, due to high economic uncertainty despite the beginning of the rollout of COVID-19 vaccines. When asked about expectations on capital expenditure, 24.1 percent of respondents forecasted increased capital expenditure in their industry, while 30.6 percent projected decreased capital expenditure. The remaining 45.4 percent expected no change (Figure 8).

Figure 5

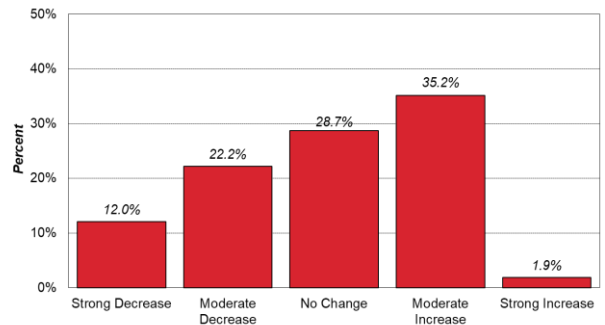
How do you think sales in your industry will change in the 1st quarter of 2021 compared to the previous quarter?



CBER Business Confidence Index Survey

Figure 6

How do you think profits in your industry will change in the 1st quarter of 2021 compared to the previous quarter?

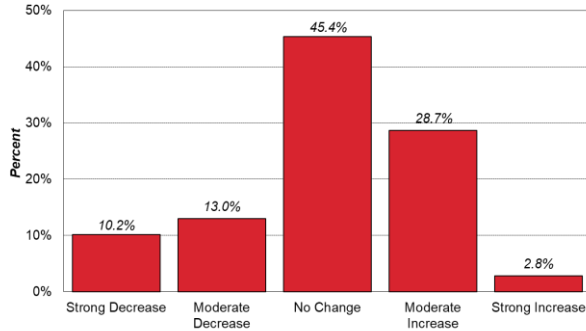


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Note: When reporting percentage responses, totals may not add to 100 because of rounding.

Figure 7

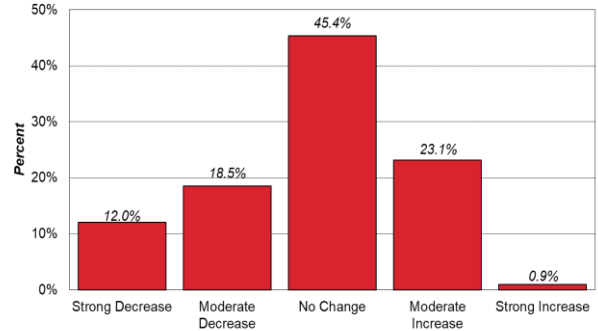
How do you think hiring in your industry will change in the 1st quarter of 2021 compared to the previous quarter?



CBER Business Confidence Index Survey

Figure 8

How do you think capital expenditures in your industry will change in the 1st quarter of 2021 compared to the previous quarter?



CBER Business Confidence Index Survey

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Expectations for Home Prices

The local and national housing market has exhibited a better-than-expected performance despite the virus, benefitting from all-time low mortgage rates. Notwithstanding the worst unemployment rates among large metro areas due to its heavy tourism-dependent economy, Las Vegas median housing prices rose to an all-time high with a surge in sales, which may reflect partly work-from-home opportunities. Las Vegas was ranked 9th among the top 10 cities that gained the most newcomers during COVID-19 according to LinkedIn. In addition, CoreLogic no longer classifies Las Vegas as a very high-risk city that may potentially decline in home prices over the next 12 months. The local business executives seem to predict that the current performance of the local housing market will continue for the first quarter with a value of 103.7. When asked about expectations on home prices, 35.5 percent of the respondents expected increases in home prices in Southern Nevada, 32.7 percent forecasted no change, and 31.8 percent predicted decreases in home prices (Figure 9).

“The local business executives seem to predict that the current performance of the local housing market will continue for the first quarter...”

Expectations for Construction Activity

Local business leaders also continued to express a slightly positive outlook on construction activity with a value of 106.5. This may reflect high performance in the housing market. When asked about expectations on construction, 28.0 percent of the respondents expected more construction activity, 50.5 percent projected no change, and 21.5 percent forecasted less construction activity in the first quarter compared to last quarter (Figure 10).

Most Important Challenges

The respondents mentioned economic uncertainty as the most difficult challenge for the third straight quarter, leading with 30.7 percent (Figure 11). The coronavirus (COVID-19) scored as the second most important challenge with 26.7 percent,

“A majority of local business leaders anticipate that a full recovery will not happen in 2021”

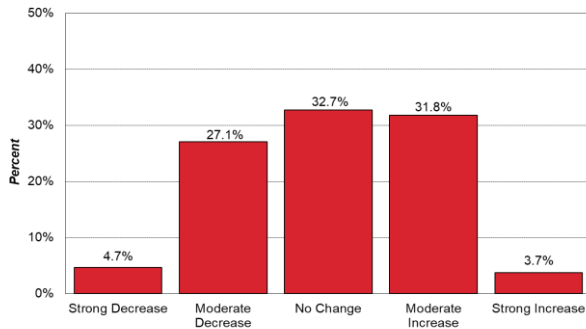
Largely mentioned by the local business leaders working in the leisure and hospitality sector. Decreasing sales was marked as the third most difficult challenge with 18.8 percent. Among those who reported “others” as the most important challenge (7.9 percent), political (or regulation) uncertainty was mentioned most frequently.

The Economic Recovery

A majority of local business leaders anticipate that a full recovery will not happen in 2021 (Figure 12). When asked about the timing of the full economic recovery, 50.5 percent of respondents forecasted a full recovery to happen in 2022, and 36.6 percent expected a full recovery in 2023 or later. Only 12.9 percent expected a full recovery in 2021.

Figure 9

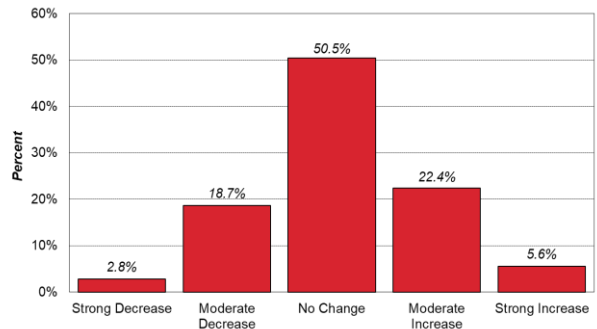
How do you think home prices in Southern Nevada will change in the 1st quarter of 2021 compared to the previous quarter?



CBER Business Confidence Index Survey

Figure 10

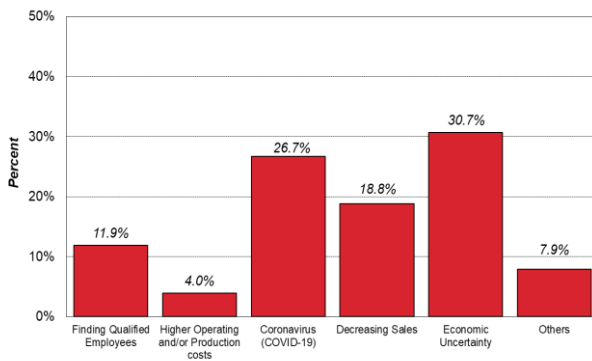
How do you think construction activity in Southern Nevada will change in the 1st quarter of 2021 compared to the previous quarter?



CBER Business Confidence Index Survey

Figure 11

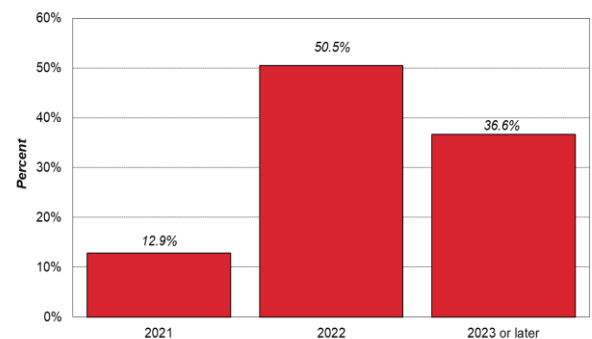
What is the most important challenge that you face in your business today?



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Figure 12

When do you expect the full recovery from the current recession to occur?



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

Responses of National Fiscal and Monetary Policies

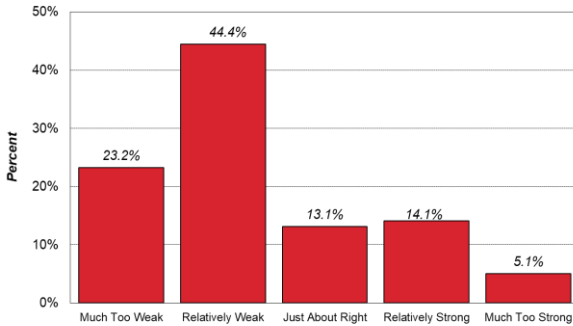
Many local business leaders continued to report that the responses of national fiscal and monetary policies to the COVID-19 recession by the Congress/Administration and the Fed were weak (Figures 13 and 14). When asked about the response of national fiscal policy implemented by the Congress and the Administration, more than half of respondents (67.7 percent) answered that the fiscal policy response to the economic downturn due to the virus was too weak, while 19.2 percent reported too strong. The remaining 13.1 percent reported “just about right”. This result, however, does not reflect the current situation as respondents mostly completed the survey before the second stimulus package was passed.

“The survey also revealed that Southern Nevada business executives think that the response of the monetary policy was stronger than that of the fiscal policy...”

The survey also revealed that Southern Nevada business executives think that the response of the monetary policy was stronger than that of the fiscal policy (the first stimulus package) to the COVID-19 recession. That is, 42.7 percent reported that the response was too weak, 27.1 percent that the response was “just about right,” and 30.2 percent reported the response was too strong.

Figure 13

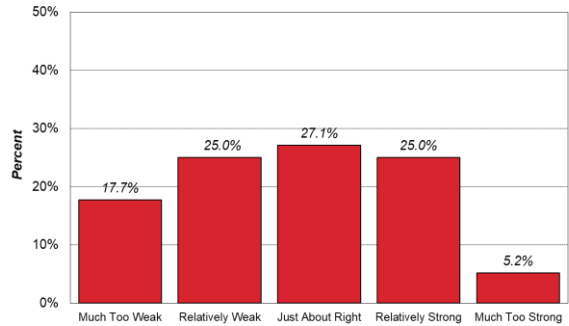
Rating the response of national fiscal policy to the COVID-19 recession



CBER Business Confidence Index Survey

Figure 14

Rating the response of national monetary policy To the COVID-19 recession



CBER Business Confidence Index Survey

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

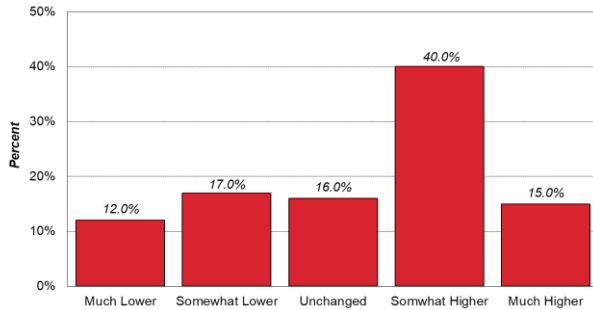
Company's Position after Full Economic Recovery

A majority of local business leaders seem optimistic about their levels of sales and employment after the full economic recovery compared to pre-pandemic times (Figures 15 and 16). When asked about their level of sales after the full recovery compared to their pre-recession positions, 55.0 percent of respondents forecasted an increase in sales, 16.0 percent expected no change, and 29.0 percent predicted a decrease. When asked about employment, 38.6 percent of respondents expected an increase compared to pre-recession levels, while 25.7 percent expected a decrease. The remaining 35.6 percent predicted no change in employment after the full recovery compared to the pre-recession levels.

“A majority of local business leaders seem optimistic about their levels of sales and employment after the full economic recovery...”

Figure 15

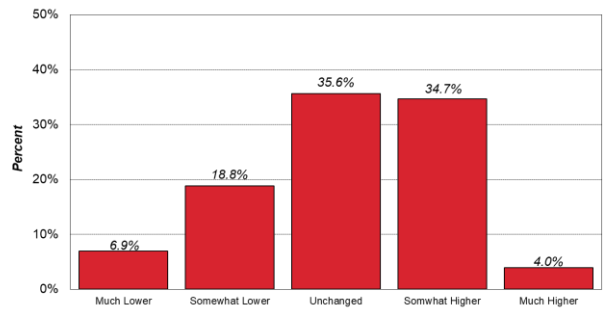
Comparing your company's position before COVID-19 recession to where you expect it to be after the economy fully recovers, your sales will be?



CBER Business Confidence Index Survey

Figure 16

Comparing your company's position before COVID-19 recession to where you expect it to be after the economy fully recovers, your employment will be?



CBER Business Confidence Index Survey

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

Conclusion

“Overall, we conclude that Clark County’s economic conditions are expected to improve slightly in the first quarter...”

In summary, the most recent CBER business survey suggests that local business leaders are slightly optimistic about the local economy in the first quarter of 2021. Respondents forecasted that U.S. economic conditions will continue to improve this quarter, while the Nevada economy will worsen somewhat compared to the previous quarter, which may reflect the current situation with record-high coronavirus cases. As a result, the Southern Nevada business leaders expressed pessimism on capital expenditure in their industry. On the other hand, local business leaders expressed optimism on sales, profits and hiring in their industry, probably because of increased spending by local consumers helped by the initial CARES Act. They also predicted increased home prices and construction activities in the first quarter. Overall, we conclude that Clark County’s economic conditions are expected to improve slightly in the first quarter based on local business leaders’ expectations. The passage of the second relief package probably improves the outlook presented in this report, since responses came before the passage of this second relief package.

Stephen M. Miller, Director
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Center for Business and Economic Research

Figure 17

Which best describes your position in your business?

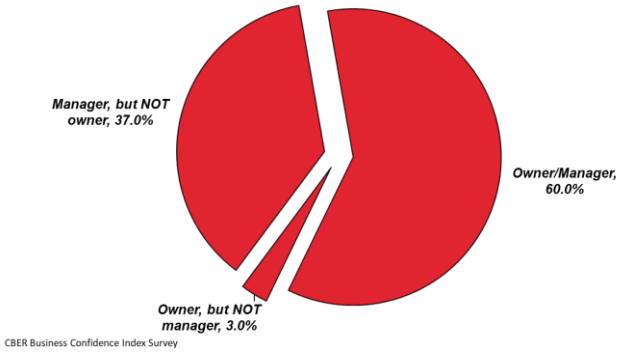


Figure 18

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

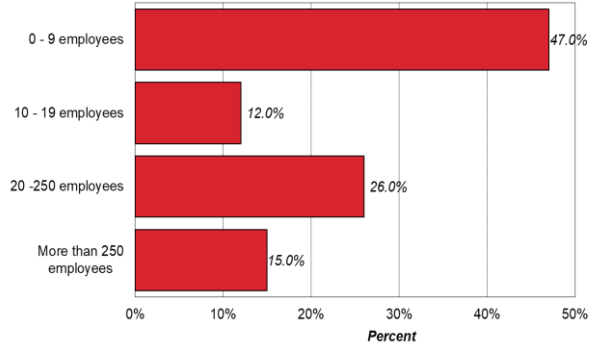
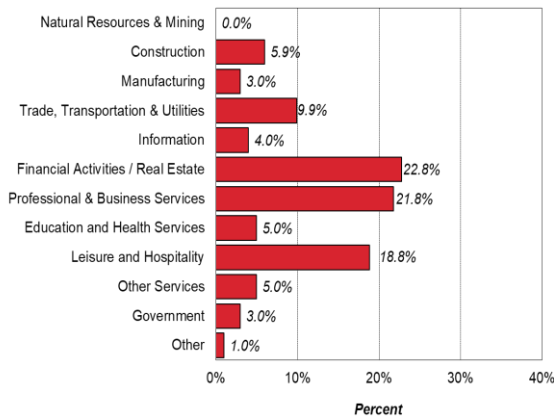


Figure 19

Business sectors reflected in survey



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

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.