

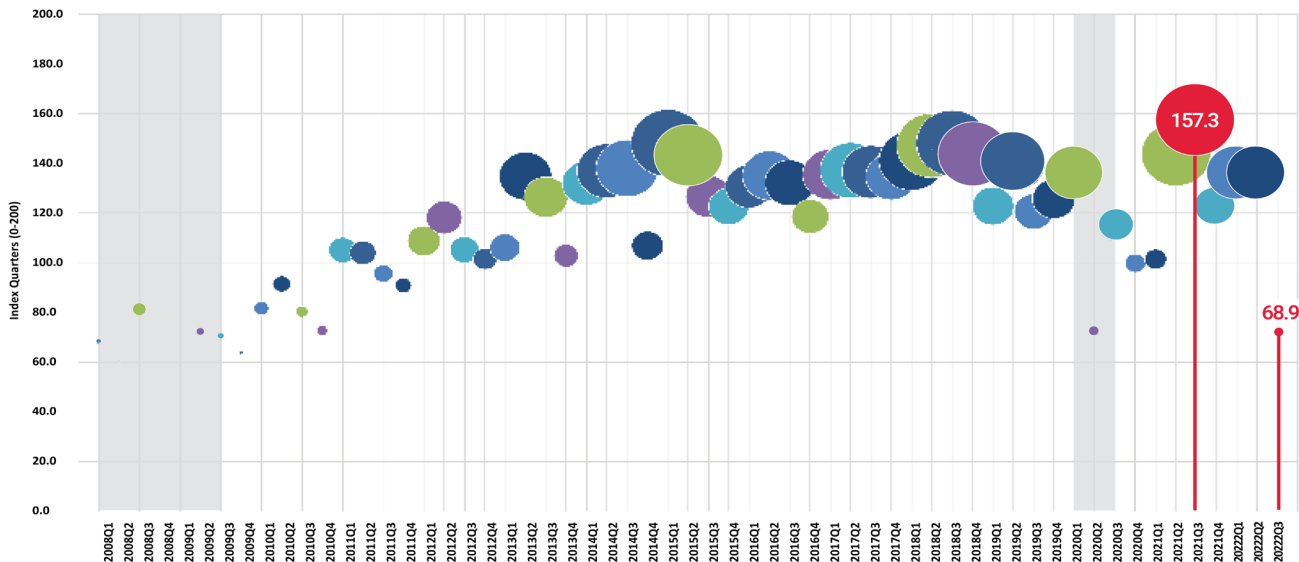
# QUARTERLY INDICATORS

## Southern Nevada Business Confidence Index

UNLV | LEE BUSINESS SCHOOL  
CENTER FOR BUSINESS  
AND ECONOMIC RESEARCH

Third Quarter 2022

### Lowest vs. Highest Index Scores Since the Great Recession for CBER's Southern Nevada Business Confidence



### Southern Nevada Business Confidence Index, Highlights

#### ECONOMIC EXPECTATIONS

o Local businesses' confidence in the U.S. economic outlook dropped to its lowest level since CBER introduced this index in 2008Q1. Nevada economic conditions revealed its second lowest reading since the Great Recession. This is in contrast to one year ago when our 2021Q3 recorded the highest reading ever for the U.S. economic outlook.

o Respondents' high pessimism on the local business conditions aligns with depressed national consumer and business confidence amid growing inflation and recession concerns.

#### EXPECTATIONS FOR SALES

o The index value for expectations of sales dropped by 50.3 percent to 75.5 in the third quarter from 151.8 in the second quarter as the majority of respondents projected a decrease in sales.

#### EXPECTATIONS FOR HIRING

o Although U.S. real GDP may experience two consecutive quarterly declines, economists maintain that the U.S. economy is not likely experiencing a recession as the labor market remains strong. Local businesses, however, forecasted that employment will decrease in the third quarter.

#### EXPECTATIONS FOR HOME PRICES

o The respondents projected a decrease in housing prices in the third quarter.

o The local housing market signaled cooling with decreasing median price amid high mortgage rates.

**COMPANY’S POSITION AFTER THE COVID-19 RECESSION**

o The majority of the respondents reported that their sales remain higher, but their employment remains lower than before the COVID-19 recession.

**POTENTIAL RECESSION**

o Given the Fed’s new policy to combat inflation, 81.9 percent of respondents predicted a recession in 2023, while 18.1 percent projected no recession.

o Among those who expected a recession in 2023, 32.5 percent expected that the Fed would reduce inflation, and the remaining 67.5 percent forecasted that the Fed would fail to reduce inflation.

**EXPECTED CHALLENGES**

o Despite reduced hiring projections in the third quarter, finding qualified employees was still chosen as the most difficult challenge in Southern Nevada for the third consecutive quarter.

**FULL REPORT BELOW**

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

U.S. real gross domestic product (GDP) for the first quarter of 2022 unexpectedly shrank by 1.6 percent at an annual rate, the first decline since the COVID-19 pandemic recession. The decrease largely reflected reduced government spending and a huge trade deficit caused by a drop in exports and a surge in imports. Retail sales in May decreased by 0.3 percent month-over-month as consumers are cutting back their spending amid high inflation, which is aligned with the record-low consumer sentiment with expected worsening business conditions. Housing starts also plunged by 14.4 percent from last month amid rising interest rates. Based on the most recent economic data at the time of this writing, the Atlanta Fed’s GDPNow expects a continued fall in real GDP for the second quarter. U.S. nonfarm employment, however, experienced a stronger-than-expected gain, adding 372 thousand jobs in June despite rising recession fears. The U.S. unemployment rate in June remained unchanged for the fourth straight month at 3.6 percent. With the robust labor market, the Federal Reserve will move forward with another 75 basis-point increase in July as they do “whatever it takes” to control inflation.

Clark County recently posted generally positive economic signals as the tourism sector experienced strong gains. Seasonally adjusted employment experienced a strong gain of 4,800 jobs in May, and the unemployment rate remained at 5.3 percent. As a result, the current employment remains 0.6 percent, or 6,800 jobs, lower than the pre-pandemic peak in February 2020. Taxable sales and gaming revenue continued to remain at substantially higher levels than those prior to the pandemic. May Harry Reid airport passengers are now nearing the pre-pandemic levels and May visitor volume continued its recovery with a robust month-over-month gain of 1.7 percent. The local housing market, nevertheless, cooled with a decreasing median price amid high mortgage rates.

The survey results conveyed in this report show high pessimism on future local business conditions, which aligns with depressed national consumer and business confidence amid growing recession concerns. In addition, local business leaders forecast that the robust labor market will end and turn negative in the third quarter.

*“U.S. real gross domestic product (GDP) for the first quarter of 2022 unexpectedly shrank by 1.6 percent at an annual rate, the first decline since the COVID-19 pandemic recession.”*

*“The survey results conveyed in this report show high pessimism on future local business conditions, which aligns with depressed national consumer and business confidence amid growing recession concerns.”*

## 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), plummeted by 49.5 percent from 136.5 in the second quarter to 68.9 in the third quarter of 2022 (Figure 1). The index hit the lowest level since 2009Q4, which suggests that Southern Nevada would experience a decline in economic activity in the third quarter amid economic uncertainty. This reflects respondents’ deep pessimism on the national economy, scoring its lowest since the introduction of CBER’s index in the first quarter of 2008.

*“The Southern Nevada Business Confidence Index...plummeted by 49.5 percent from 136.5 in the second quarter to 68.9 in the third quarter of 2022.”*

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. Index components all dropped well below 100, which suggests that respondents, on average, feel more negative than positive about the five components. The index values for business expectations of Nevada economic conditions, sales, profits, hiring, and capital expenditure scored 40.6, 75.5, 63.9, 76.0, and 88.7, respectively (Figure 2)<sup>1</sup>.

Figure 1  
CBER’s Southern Nevada Business Confidence Index

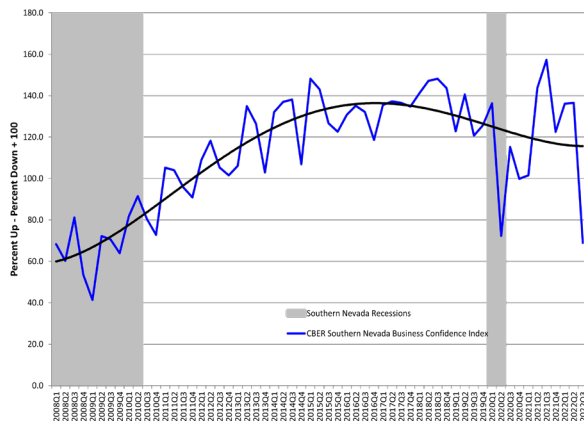
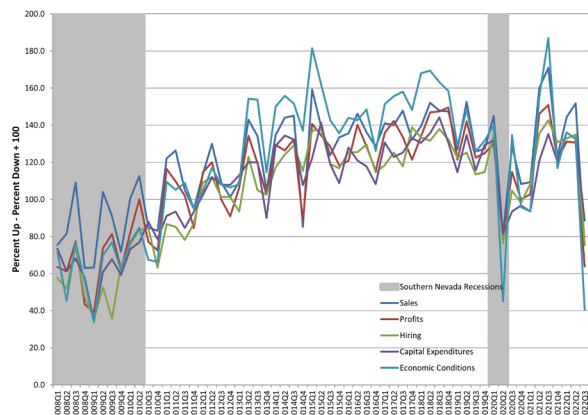


Figure 2  
Components of CBER’s Southern Nevada Business Confidence Index



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

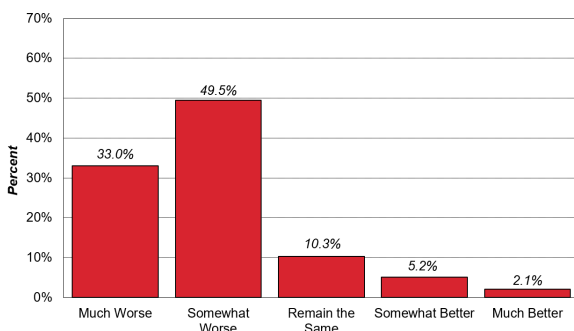
Southern Nevada business leaders forecasted that both Nevada and U.S. economic conditions in the third quarter will be worse compared to the previous quarter, with values of 40.6 and 24.7, respectively (Figures 3 and 4). Local businesses’ confidence on the U.S. economic outlook dropped to the lowest level since CBER introduced this index in 2008Q1. The value for the Nevada economic conditions also showed the second lowest reading after a value of 33.7 in 2009Q1 during the Great Recession. When asked about the U.S. economy, only 7.2 percent forecasted a better economy, while 82.5 percent projected a worse economy. The remaining 10.3 percent expected no change. When asked the same question about the Nevada economy, only 9.4 percent of respondents forecasted an improved economy, 21.9 percent projected no change, and 68.8 percent expected a worsening economy.

*“Local businesses’ confidence on the U.S. economic outlook dropped to the lowest level since CBER introduced this index in 2008Q1.”*

<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 40.6, this means that 59.4 percent more respondents endorsed a negative attitude (68.8 percent) than those with a positive attitude (9.4 percent).

Figure 3

How do you think economic conditions in the United States will change in the 3<sup>rd</sup> quarter of 2022 compared to the previous quarter?

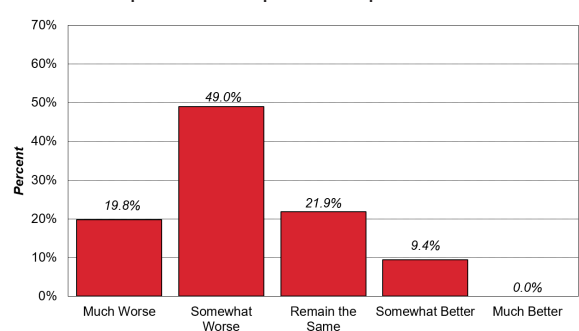


CBER Business Confidence Index Survey

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

Figure 4

How do you think economic conditions in Nevada will change in the 3<sup>rd</sup> quarter of 2022 compared to the previous quarter?



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**Expectations for Sales**

The index value for expectations of sales dropped by 50.3 percent to 75.5 in the third quarter from 151.8 in the second quarter as the majority of respondents projected decreases in sales (Figure 5). When asked about sales in their own industry, 28.7 percent of the respondents predicted an increase, 18.1 percent expected no change, and 53.2 percent projected a decrease.

**Expectations for Profits**

Local businesses also expressed high pessimism on profits with a value of 63.9 (Figure 6). When asked about profits, 20.6 percent of respondents expected increased profits in their industry, 22.7 percent predicted no change, and 56.7 percent forecasted decreased profits.

**Expectations for Hiring**

Despite ongoing labor shortages, the index value for expectations on hiring plummeted by 43.7 percent quarter-over-quarter to a value of 76.0 (Figure 7). Although the U.S. real GDP may experience two consecutive declines, economists maintain that the U.S. economy is not experiencing a recession as the labor market remains strong. Local businesses leaders, however, forecasted that employment will decrease in the third quarter. When asked about hiring in their own industry, 15.6 percent expected an increase, 44.8 percent expected no change, and 39.6 percent projected a decrease.

**Expectations for Capital Expenditure**

Although local business leaders also expressed pessimism on capital expenditure in their industry, its value was the highest among five components with a score of 88.7 (Figure 8). That is, 28.9 percent of respondents forecasted increased capital expenditure in their industry, while 40.2 percent projected decreased capital spending. The remaining 30.9 percent expected no change.

**Expectations for Home Prices**

The respondents projected a decrease in housing prices in the third quarter with a value of 77.3 (Figure 9). The recent hikes in mortgage rates cooled housing markets, resulting in a recent decrease in the median home price in Las Vegas with relaxed home inventory. When asked about expectations on home prices, 23.7 percent of the respondents expected increases in home prices in Southern Nevada, 29.9 percent forecasted no change, and nearly a majority of 46.4 percent predicted decreases in home prices.

**Expectations for Construction Activity**

Local business leaders reported a bleak outlook for construction activity with a value of 80.4 (Figure 10). When asked about expectations on construction, 20.6 percent of the respondents expected more construction activity, 39.2 percent projected no change, and

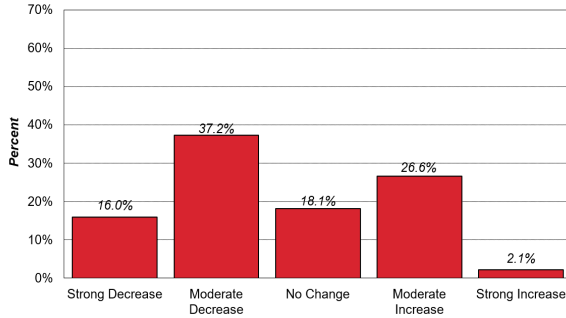
*“...economists maintain that the U.S. economy is not experiencing a recession as the labor market remains strong. Local businesses leaders, however, forecasted that employment will decrease in the third quarter.”*

*“The respondents projected a decrease in housing prices in the third quarter with a value of 77.3.”*

40.2 percent forecasted less construction activity in the third quarter compared to the second quarter.

Figure 5

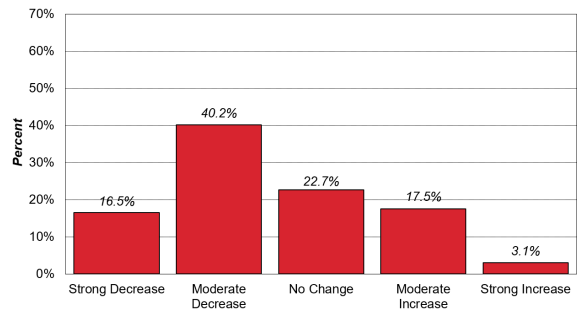
How do you think sales in your industry will change in the 3<sup>rd</sup> quarter of 2022 compared to the previous quarter?



CBER Business Confidence Index Survey

Figure 6

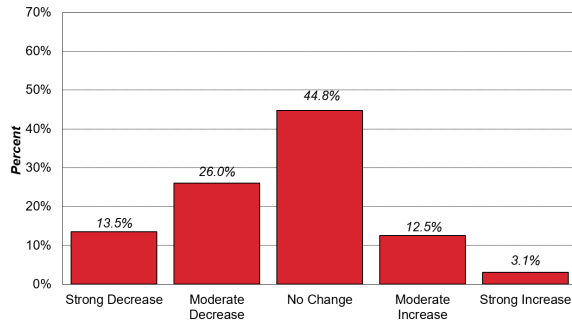
How do you think profits in your industry will change in the 3<sup>rd</sup> quarter of 2022 compared to the previous quarter?



CBER Business Confidence Index Survey

Figure 7

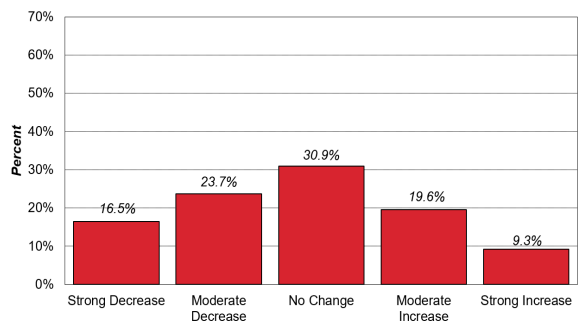
How do you think hiring in your industry will change in the 3<sup>rd</sup> quarter of 2022 compared to the previous quarter?



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Figure 8

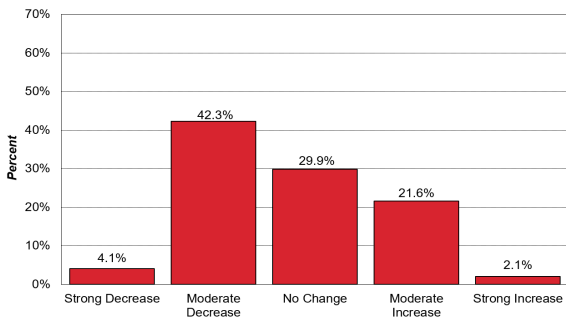
How do you think capital expenditure in your industry will change in the 3<sup>rd</sup> quarter of 2022 compared to the previous quarter?



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Figure 9

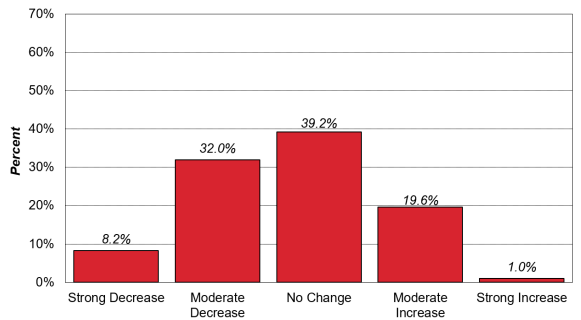
How do you think home prices in Southern Nevada will change in the 3<sup>rd</sup> quarter of 2022 compared to the previous quarter?



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Figure 10

How do you think construction activity in Southern Nevada will change in the 3<sup>rd</sup> quarter of 2022 compared to the previous quarter?



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



**Most Important Challenges**

Despite reduced hiring projections in the third quarter, finding qualified employees was marked by 34.4 percent of business leaders as the most difficult challenge in Southern Nevada for the third consecutive quarter. The percentage, nonetheless, decreased by almost 9 percentage points from the previous quarter’s 42.7 percent (Figure 11). Economic uncertainty was scored as the second most important challenge with 31.2 percent, much higher than 22.7 percent from the prior quarter. Higher operating and/or production costs were identified as the third most difficult challenge with 17.2 percent, rising from the 14.7 percent from last quarter despite the Fed’s recent efforts to control inflation rates. No one mentioned Coronavirus (COVID-19) as the most important challenge.

**The Potential Economic Recession Given the Fed’s New Policy**

The majority of the respondents forecasted a potential recession sometime in 2023 (Figure 12). That is, 81.9 percent respondents predicted a recession in 2023, while 18.1 percent projected no recession given the Fed’s new policy to combat inflation. Among those who expected a recession, 32.5 percent believed that the Fed would reduce inflation, and the remaining 67.5 percent forecasted that the Fed would fail to reduce inflation. Among those who projected no recession (18.1 percent), 29.4 percent respondents anticipated that the Fed’s new policy to bring down inflation would not work, while 70.6 percent predicted that the Fed would reduce inflation without causing a recession.

**National Fiscal and Monetary Policies**

Local business leaders rated current national fiscal and monetary policies as somewhat weak (Figures 13 and 14). When asked about the rate of current national monetary policy, 66.3 percent reported that the monetary response is “too/relatively weak,” 19.6 percent reported that it is “just about right,” and 14.1 percent reported it is “too/relatively strong.” When asked about the rate of current national fiscal policy implemented by the Congress and the Administration, 75.0 percent of respondents answered that the fiscal policy response was “too/relatively weak,” while 14.1 percent reported “too/relatively strong.” The remaining 10.9 percent reported “just about right.”

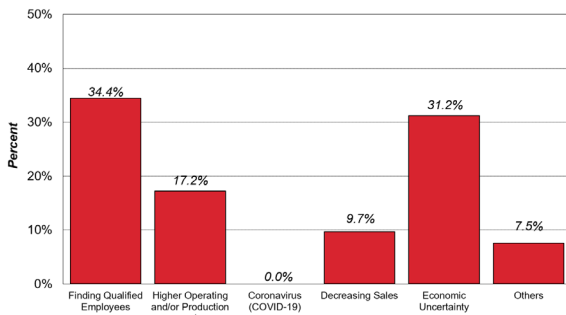
**Company’s Position after the COVID-19 Recession**

The majority of the respondents reported that their levels of sales remain higher, but their employment levels are still lower than the levels before the COVID-19 recession (Figures 15 and 16). When asked about their level of sales compared to their pre-recession positions, 43.5 percent of respondents reported increased sales, 17.4 percent reported no change, and 39.1 percent reported decreased sales. When asked about employment, only 19.1 percent of respondents reported an increase compared to pre-recession levels, while 41.5 percent reported a decrease. The remaining 39.4 percent reported no change in employment compared to the pre-recession levels.

*“Despite reduced hiring projections in the third quarter, finding qualified employees was marked by 34.4 percent of business leaders as the most difficult challenge...”*

*“The majority of the respondents forecasted a potential recession sometime in 2023.”*

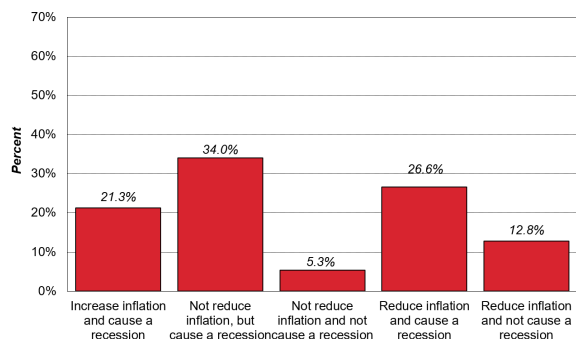
**Figure 11**  
What is the most important challenge that you face in your business today?



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

**Figure 12**  
Given the Fed’s new policy to bring down inflation, you expect that sometime in 2023 that the Fed will:



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Figure 13

How would you rate current national monetary policy?

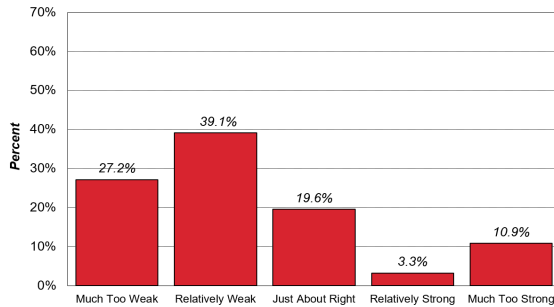
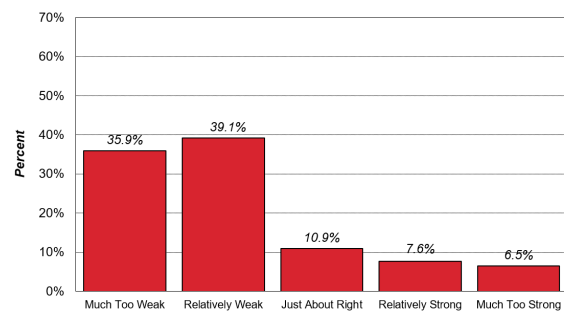


Figure 14

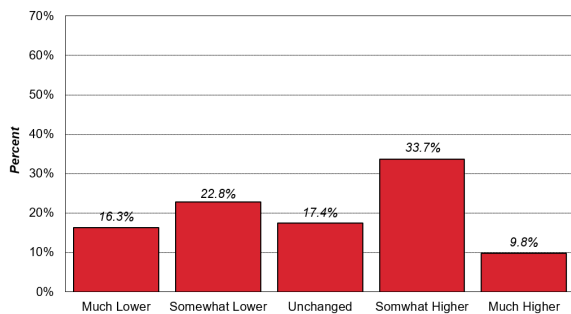
How would you rate current national fiscal policy?



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Figure 15

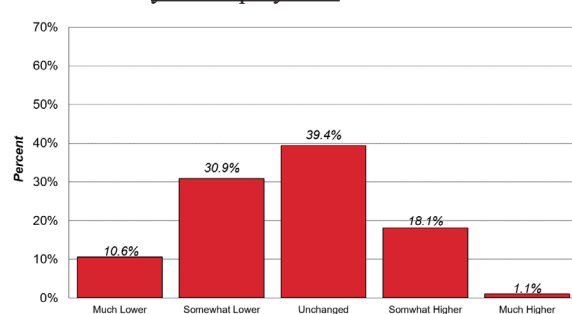
Comparing the position before COVID-19 recession to where your sales levels are now?



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Figure 16

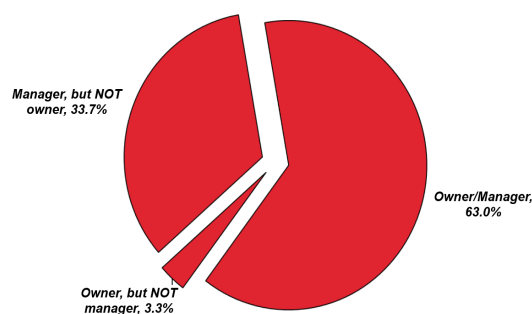
Comparing the position before COVID-19 recession to where your employment levels are now?



CBER Business Confidence Index Survey

Figure 17

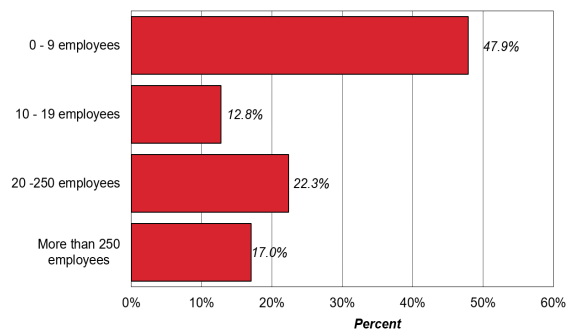
Which best describes your position in your business?



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Figure 18

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



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

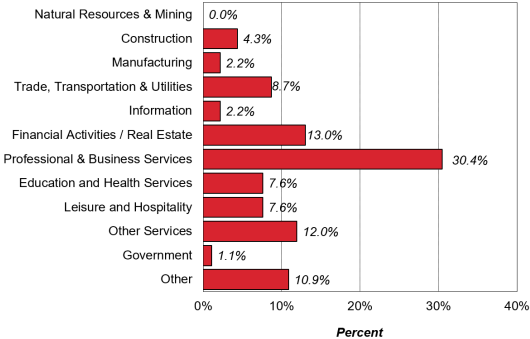
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## Conclusion

The most recent CBER business survey suggests that local businesses are highly pessimistic about the local economy in the third quarter of 2022 amid growing recession fears. Local business leaders forecast that the local economic conditions will experience a downturn in the third quarter, along with a dismal outlook on the U.S. economic conditions. As a result, respondents expressed a negative outlook on sales, profits, capital expenditure, and hiring in their industry. They also anticipated reduced home prices and construction activity in the short run. Therefore, we conclude that Clark County's economy will struggle with the economic slowdown in the third quarter based on local business leaders' expectations.

Figure 19

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.