



NSB

NEVADA STATE BANK

2020

**SMALL
BUSINESS
SURVEY**



NEVADA  SMALL BUSINESS  ^{CO}

CONTENTS



2 NATIONAL ECONOMY

4 NEVADA ECONOMY

6 OUTLOOK

8 EMPLOYMENT

10 IMPACTS

12 COMMUNITY

**APPLIED
ANALYSIS**



The Small Business Survey is conducted annually by Applied Analysis as commissioned by Nevada State Bank. All percentages are rounded to the nearest tenth.

You can find additional resources and the monthly Economic Briefing, prepared by Applied Analysis, at NevadaSmallBusiness.com.



NEVADA STATE BANK

Welcome to the 2020 edition of our annual Nevada State Bank Small Business Survey.

As Nevada continues to diversify and grow with major economic development, such as Switch data centers, professional sports facilities, and medical center expansions, the small businesses that support, serve and surround them grow, too. With the results of our seventh annual Small Business Survey, it is clear that businesses in Nevada are confident and continue to see potential in the next 12 months.

Small businesses generate new jobs and provide products and services that we all use and need. They make a profound impact on our lives, from encouraging innovation and entrepreneurship to growing our tax base. At Nevada State Bank, we strive to provide the financial acumen and resources that our local small businesses need to thrive.

To that end, this annual survey is designed to provide insights and share knowledge from these valuable businesses throughout the state. Some key highlights from this year's survey include:

- More than 76 percent of all respondents believe the **national economy** is heading in the right direction. This is an increase of 5.4 percentage points from 71.4 percent in 2019. And 81.8 percent continue to believe **Nevada's economy** is heading in the right direction.
- In a telling statistic from the survey, challenges and concerns around **hiring and retaining employees** spiked again this year. It broke into the top three concerns of small business, as well as jumping 10 percentage points in its rank among the top challenges for small business.
- On the positive side, just over half of all respondents saw increases in their **business revenues or sales** over the past 12 months. Nearly 59 percent expected their business to be more profitable in 2020.
- Less than 50 percent of respondents felt it was difficult to **obtain financing**, and 75 percent of those that had applied for financing reported getting approved for partial or complete funding.

While the survey also told us that more than 93 percent of the respondents felt their banking relationship is important to the success of their business, we want to be sure to earn their trust, their confidence, and their business. Nevada State Bank believes in building relationships and providing our clients with the right tools and services they need for their financial health. We believe it matters who you bank with.

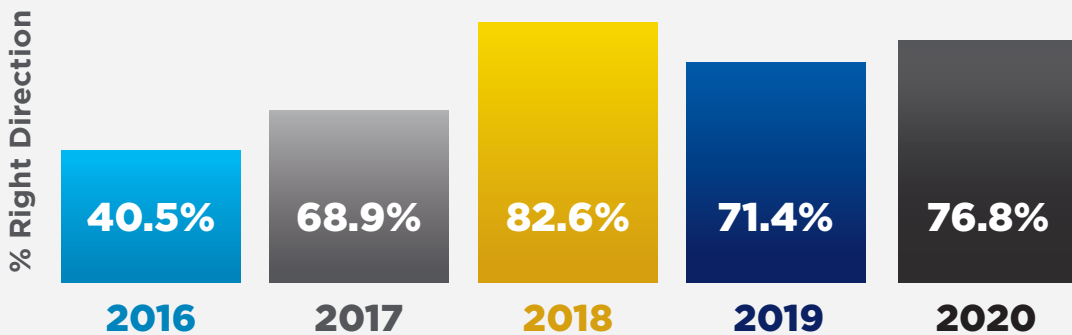
So whether you are helping build new transportation infrastructure, serving the growing tech sector, or taking classes to advance your business skills, read on for a summary of key topics and issues for Nevada businesses. Additional resources and an electronic copy of this report may be found at www.nevadasmallbusiness.com/survey.

Terry Shirey
President and CEO
Nevada State Bank

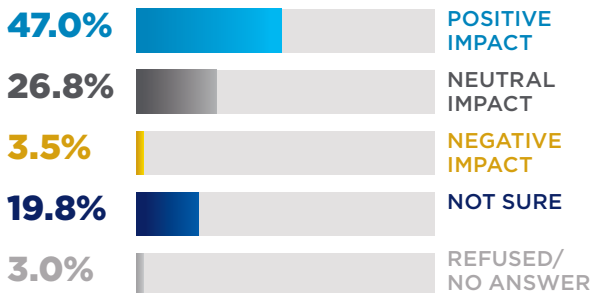
NATIONAL ECONOMY

The majority of respondents are highly optimistic about the national economy and continue to believe it is heading in the right direction. Over 3 in 4 small business respondents (76.8 percent) reported that they believe the national economy is heading in the right direction. This constitutes an increase of 5.4 percent from a year ago when 71.4 percent of respondents indicated that they believed the national economy was heading in the right direction.

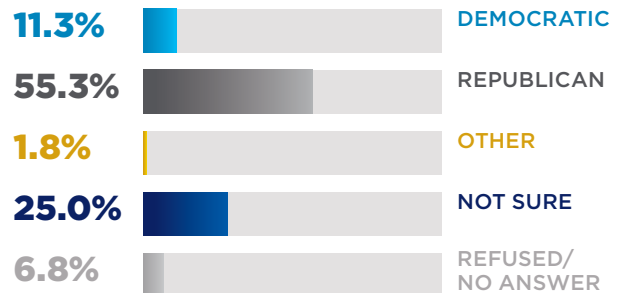
Do you believe the national economy is generally headed in the right direction or the wrong direction?



Do you believe the outcome of the 2020 presidential election will have a positive, negative, or neutral impact on your business?



This year is a presidential election year. Which party do you think will win the presidency in November 2020?

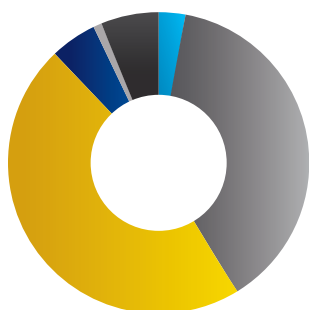


A majority of small businesses expect interest rates to remain as-is and are bullish on the topic of recession.

About half of respondents (46.8 percent) expect the Fed to keep interest rates about the same in 2020, while about 2 in 5 (38.5 percent) expect interest rates to increase modestly over the next year. On the topic of recession in the midst of the longest economic expansion in U.S. history, about 3 in 10 respondents (29.3 percent) somewhat-to-strongly agree that the nation will experience a recession in 2020. Looking ahead two years, nearly one-third of respondents (32.8 percent) somewhat-to-strongly agree that the nation will experience a recession in 2021. Over one-third of respondents (35.0 percent) think any future recession is likely to impact Nevada more than the national economy.

In 2020, do you expect interest rates to...?

▶ About **2 in 5** respondents expect interest rates to **increase modestly** in 2020.



2.8% INCREASE SIGNIFICANTLY

38.5% INCREASE MODESTLY

46.8% STAY ABOUT THE SAME

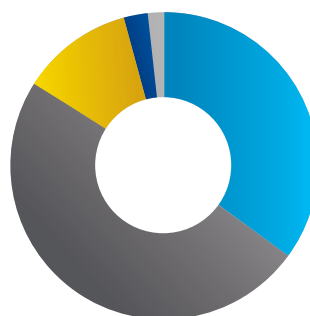
5.0% DECREASE MODESTLY

0.8% DECREASE SIGNIFICANTLY

6.3% REFUSED/NO ANSWER

In your opinion, do you think any future recession is likely to impact Nevada more, less, or about the same as the national economy?

▶ **One-third** of respondents (35.0 percent) think any future recession is likely to impact Nevada more than the national economy.



35.0% MORE

49.0% ABOUT THE SAME

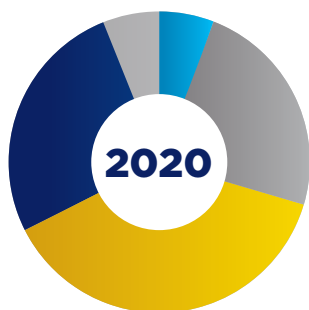
12.0% LESS

2.5% NOT SURE

1.5% REFUSED/NO ANSWER

Based on what you see in your businesses, do you strongly disagree, somewhat disagree, somewhat agree, or strongly agree that the U.S. will experience a recession?

In 2020?



5.8% STRONGLY AGREE

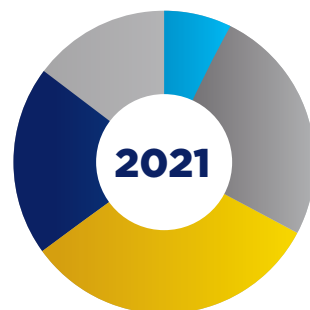
23.5% SOMEWHAT AGREE

38.5% SOMEWHAT DISAGREE

26.3% STRONGLY DISAGREE

6.0% NOT SURE

In 2021?



7.3% STRONGLY AGREE

25.5% SOMEWHAT AGREE

32.3% SOMEWHAT DISAGREE

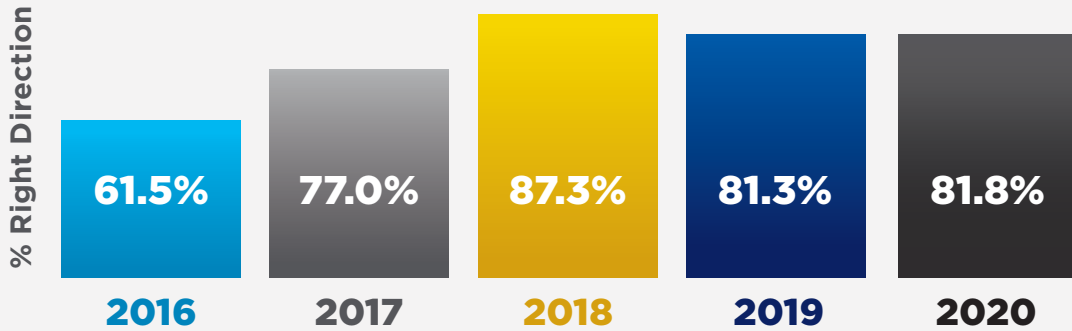
20.3% STRONGLY DISAGREE

14.8% NOT SURE

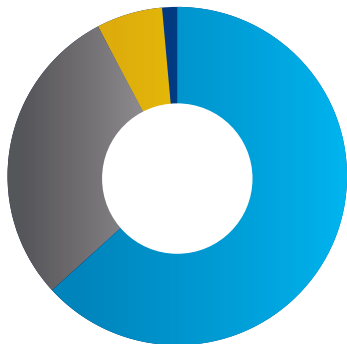
NEVADA ECONOMY

A larger majority of local small businesses believe Nevada’s economy is heading in the right direction. Over 4 in 5 respondents (81.8 percent) reported that they believe Nevada’s economy is heading in the right direction, which is 5.0 percentage points higher than those who said the same about the national economy. The latest figure is up 0.5 percent from 81.3 percent in 2019. Although this represents a relatively small change for the year, nearly 2 in 3 respondents (63.3 percent) reported that they believe the business environment in Nevada has gotten better over the past year.

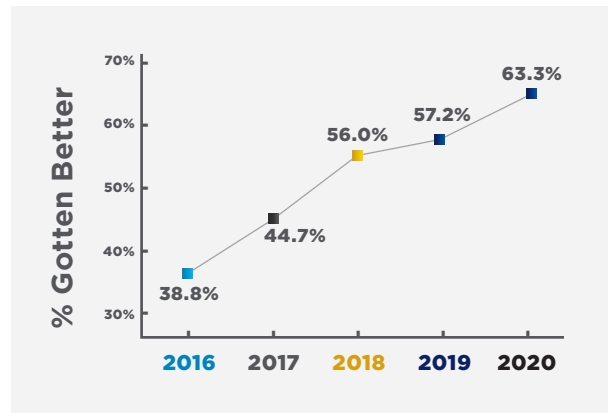
What about the Nevada economy? Would you say it is generally heading in the right direction or the wrong direction?



Thinking back over the past year, would you say the business environment in Nevada has gotten better, gotten worse, or stayed about the same?

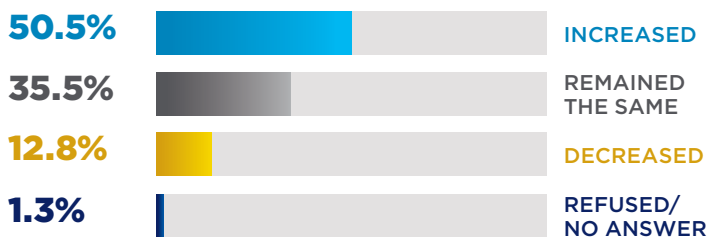


63.3% GOTTEN BETTER
26.0% STAYED ABOUT THE SAME
6.3% GOTTEN WORSE
1.5% REFUSED/NO ANSWER

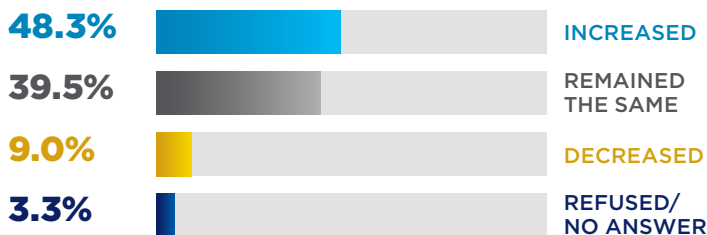


Nevada small businesses report increases in revenues and profitability in the past year with a positive outlook going forward. Just over half of respondents (50.5 percent) saw increases in business revenues or sales over the past 12 months. Although this figure is down from 53.5 percent in 2019, nearly two-thirds of respondents (65.5 percent) indicated they believe their business revenues or sales will increase over the next 12 months. In addition, just less than half of respondents (48.3 percent) reported seeing their business' profitability increase over the past 12 months, which is an increase of 4.3 percentage points from 44.0 percent in 2019 and represents the highest value reported since 2016. Nearly 3 in 5 survey respondents (58.5 percent) reported that they believe their business' profitability will increase over the next year.

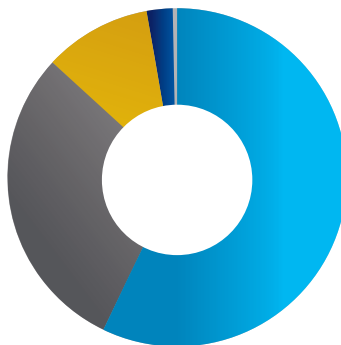
In the past 12 months, have your business revenues or sales increased, decreased, or remained about the same?



In the past 12 months, has your business' profitability increased, decreased, or remained about the same?



During the past several years, Nevada has provided tax credits and other incentives to induce economic diversification and large investments by new companies. Are you in favor of, opposed to, or neutral regarding the state's use of incentives to attract new business investment?



57.3% IN FAVOR
29.8% NEUTRAL
10.3% OPPOSED
2.3% NOT SURE
0.5% REFUSED/NO ANSWER

OUTLOOK

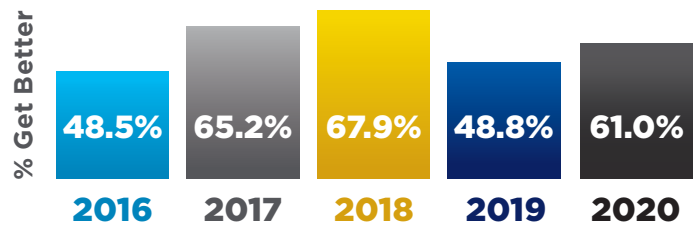
Looking forward, more than 3 in 5 small business respondents (61 percent) expect the business environment in Nevada to get better over the next 12 months. The latest figure is up 12.2 percent from 2019. Ranking highest among a series of concerns, healthcare costs remain a primary concern of small business owners in Nevada, with nearly two-fifths (39.3 percent) of respondents reporting that they are very concerned with the cost of healthcare. However, hiring and retaining employees has jumped into second place, pushing out business taxes and bumping government regulation down on the list of concerns.

Top three concerns for small businesses (ranked by mean)

- 2020** Healthcare Costs | Hiring & Retaining Employees | Government Regulation
- 2019** Healthcare Costs | Government Regulation | Business Taxes
- 2018** Healthcare Costs | Business Taxes | Government Regulation
- 2017** Healthcare Costs | Business Taxes | Government Regulation
- 2016** Business Taxes | Healthcare Costs | Government Regulation

Do you expect the business environment in Nevada to get better, get worse, or stay about the same over the next 12 months?

▶ The latest figure is **up 12.2 percent** from 2019.



Do you believe your business revenues or sales will increase, decrease, or remain about the same in the next 12 months?



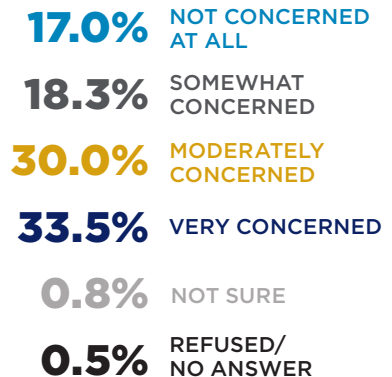
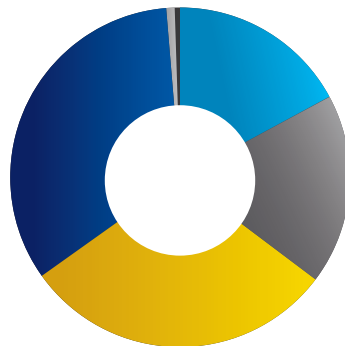


Do you believe your business' profitability will increase, decrease, or remain about the same in the next 12 months?



Housing affordability represents a concern for small businesses. Approximately one-third of respondents (33.5 percent) report being very concerned that the price of available homes does not align with average incomes in their community.

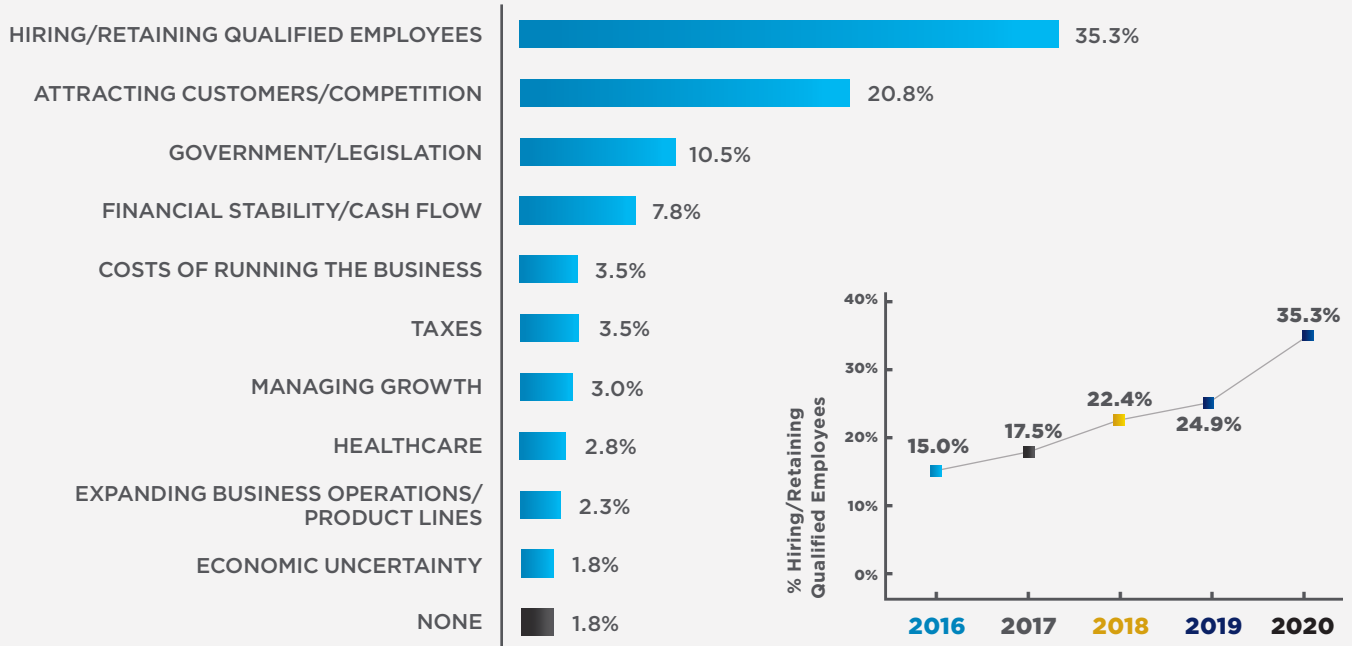
How concerned are you about housing affordability? Are you...



EMPLOYMENT

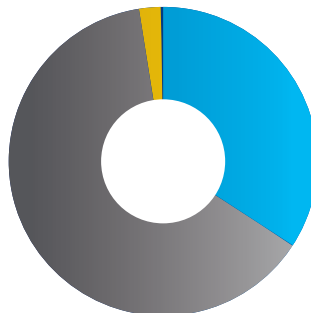
Approximately 35 percent of respondents indicated that hiring and retaining qualified employees represented the *single most important challenge* facing them as a small business, a 10.4 percent increase over the prior year with this rapidly growing issue. The number of businesses planning to increase their employee base in the next year increased from 31.8 percent in 2019 to 34.0 percent in the latest survey. In addition, 77.1 percent of small businesses indicate that it is somewhat-to-very difficult to recruit quality job candidates from within their market, representing a 7.7 percentage point increase from 2019.

What is the single most important challenge you face as a small business?



In the next 12 months, do you plan to increase your number of employees, decrease your number of employees, or keep your employee base the same?

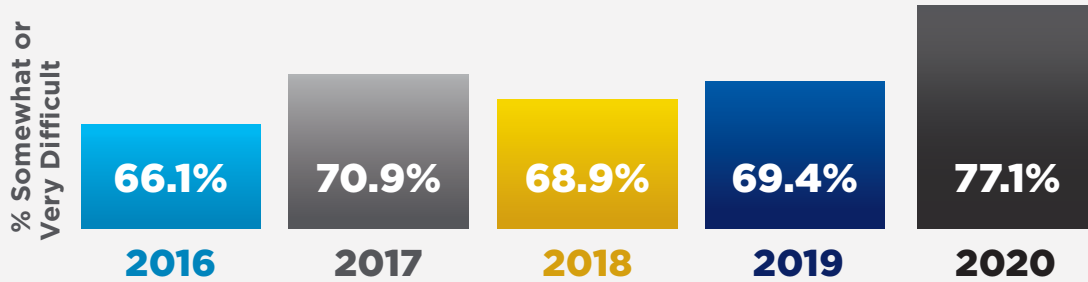
▶ Over 1 in 3 respondents plan to increase their employee base over the next 12 months.



34.0% INCREASE
63.0% REMAIN ABOUT THE SAME
2.5% DECREASE
0.5% REFUSED/NO ANSWER

Labor availability is a challenge across the board. Five years ago, Nevada’s unemployment rate stood at 5.1 percent, and 66.1 percent of small businesses cited difficulty recruiting. Today, the unemployment rate is 3.3 percent, and 77.1 percent of businesses struggle finding quality candidates. More than one-fourth of respondents (27.8 percent) indicate that they recruit candidates from out of state.

How easy or difficult is it for you to recruit quality job candidates within your market? Would you say it is very easy, somewhat easy, somewhat difficult, or very difficult?



A relevant factor for employment, in 2020 do you expect the availability of workforce housing to improve, worsen, or remain about the same?

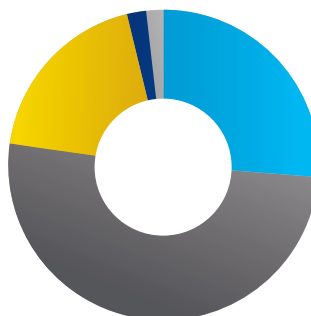
▶ About **half of respondents** expect the availability of workforce housing to remain about the same in 2020.



- 16.8%** IMPROVE
- 50.3%** REMAIN ABOUT THE SAME
- 29.3%** WORSEN
- 3.0%** NOT SURE
- 0.8%** REFUSED/NO ANSWER

During the 2019 Legislative Session, Nevada lawmakers agreed to increase Nevada’s minimum wage to \$12 per hour between July 2020 and July 2024. Do you believe this increase will have a positive, negative, or neutral impact on your business?

▶ A slight majority anticipate a neutral impact with just over **1 in 4 respondents** indicating a positive impact.

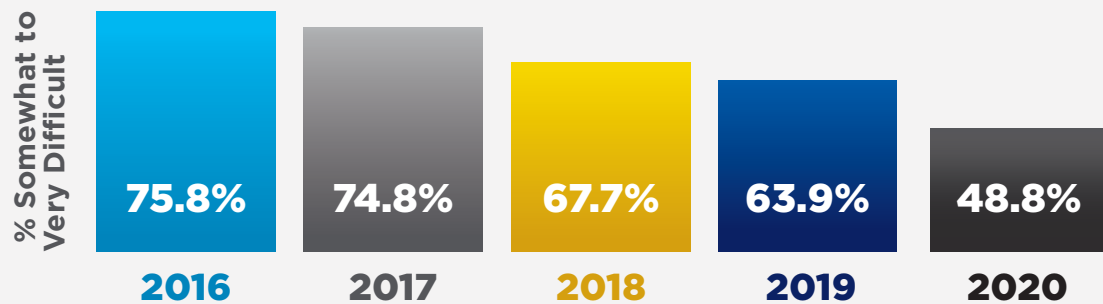


- 26.3%** POSITIVE IMPACT
- 51.0%** NEUTRAL IMPACT
- 19.0%** NEGATIVE IMPACT
- 2.0%** NOT SURE
- 1.8%** REFUSED/NO ANSWER

2020 IMPACTS

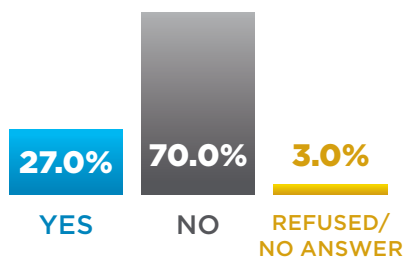
Access to financing is a diminishing issue for Nevada small businesses. Less than half of respondents (48.8 percent) report that it is somewhat-to-very difficult to get financing from a bank these days, with 17.5 percent indicating that it is very difficult to obtain financing. Importantly, the latest value represents a 15.1 percentage point decrease from 2019, when 63.9 percent of respondents found it somewhat-to-very difficult to get financing. Just over one-fourth of respondents (27.0 percent) said they applied for a loan, credit line, or other type of financing over the past year, and 75 percent of them reported getting approved for the partial or full amount they asked for. Only 15.0 percent of small businesses anticipate applying for some type of financing over the next year (down from 18.9 percent in 2019), with the primary purposes being financing of equipment, cash flow management, and construction financing.

In your opinion, how difficult is it for a small business to get financing from a bank these days?

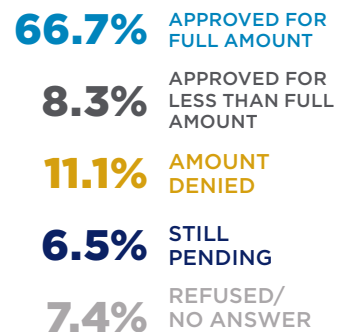
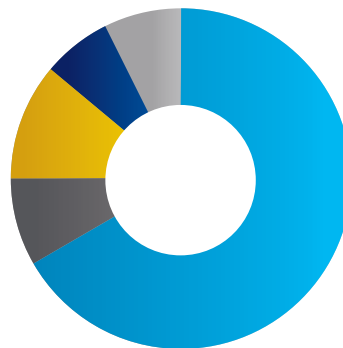


Did you apply for a loan, a credit line or any other type of financing over the past 12 months?

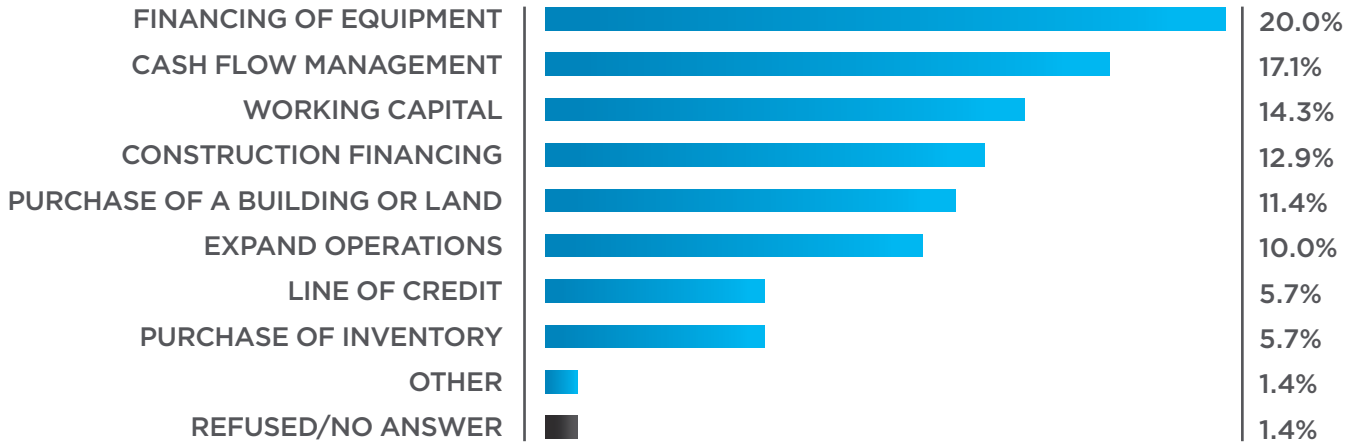
▶ Over 1 in 4 respondents applied for some type of financing over the past 12 months.



What was the outcome of your application for loan, credit line, or other form of financing?

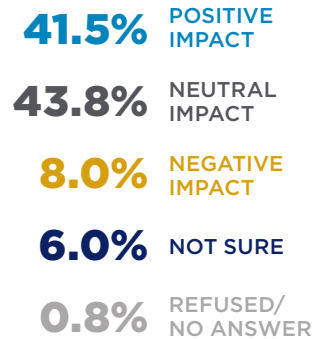
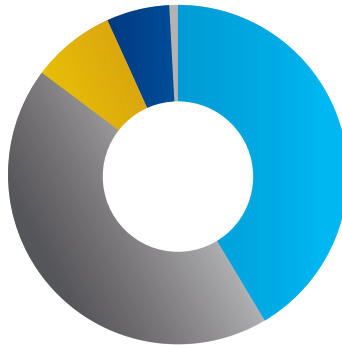


What is the primary purpose of the financing you are looking to secure?



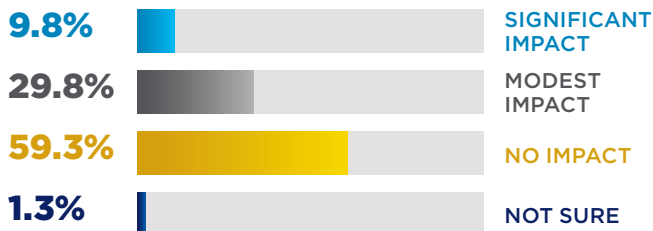
The Tax Cuts and Jobs Act of 2017 reformed federal tax laws starting in 2018. In your opinion have these reforms had a positive, negative, or neutral impact on your business?

▶ While mainly neutral, more than **2 in 5** respondents feel these reforms have had a positive impact on their business.



To what extent do you expect automation or artificial intelligence will impact your business during the next five years?

▶ While almost 60 percent do not anticipate an impact, nearly **2 in 5** respondents indicated that automation or artificial intelligence would have a modest or significant impact on their business during the next five years.



COMMUNITY

Small businesses in Nevada feel strongly about charitable giving. Nearly three-quarters of small businesses surveyed (73.8 percent) budget for charitable giving each year. About 28.0 percent of respondents said their business is giving back to the community more than they did last year, with over two-thirds (67.8 percent) giving about the same. Cash donations (25.7 percent), in-kind donations (25.5 percent), employee volunteerism (19.7 percent) and sponsorships (18.4 percent) represent the top ways that small businesses report giving back to the community.

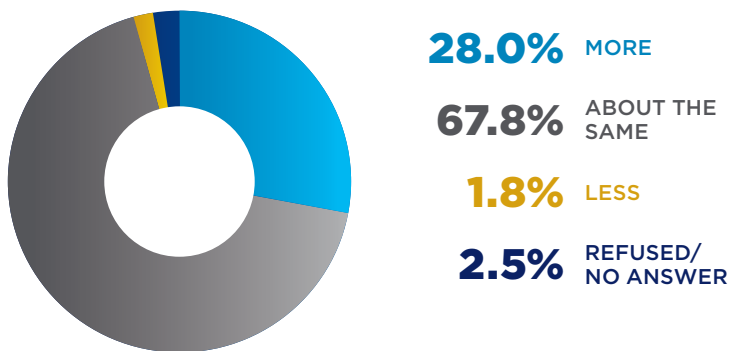
Does your business budget for charitable giving each year?

▶ Nearly **3 in 4** respondents said their **small business budgets for charitable giving each year.**



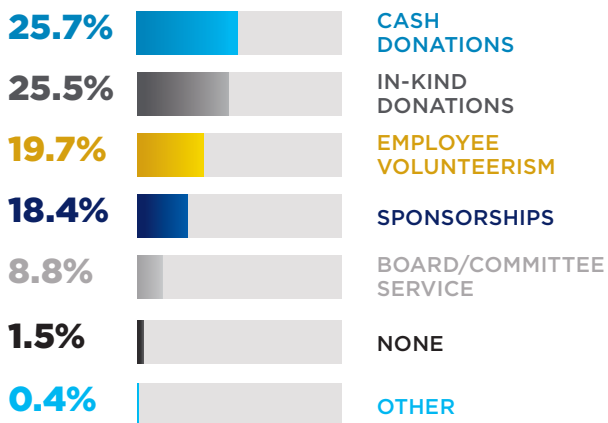
Would you say your business is giving back to the community more, less, or about the same as last year?

▶ Over **1 in 4** respondents indicated their **small business is giving back more than last year.**



Which of the following ways, if any, does your business give back to the community?

(Multiple responses allowed)



Which social cause or community need is most important to your organization?





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