2018 Nevada State Bank Small Business Survey

It Matters Who You Bank With.
This survey was conducted by Applied Analysis as commissioned by Nevada State Bank. Percentages have been rounded to the nearest tenth.
Welcome to the 2018 edition of our annual Nevada State Bank Small Business Survey.

This marks our fifth year of conducting a statistically-significant survey of small business owners and decision-makers throughout Nevada. We find great value in measuring their opinions about the national and state economies and important issues that impact their businesses, from finding and hiring employees, to giving back to their communities, to confronting challenges both large and small.

This year’s survey is especially encouraging. In fact, it reveals record levels of confidence in both the state and national economies. This optimism is understandable. After all, Nevada is back to being a national leader in population growth, as well as economic and job growth. It’s no wonder so many businesses from other parts of the country continue to set up shop in the Silver State.

Of course, small business owners face their share of challenges. They’re also reflected in these results.

Highlights from this year’s survey include:

- More than 87 percent of those surveyed believe Nevada’s economy is headed in the right direction. That represents the highest level of confidence in the five-year history of this survey.
- Likewise, nearly 83 percent of small business leaders in Nevada believe the national economy is headed in the right direction. That’s also the highest this percentage has been.
- Nearly 53 percent of our small business leaders said their company revenues increased over the past year—with more than 70 percent of them expecting that trend to continue over the next 12 months.

This year’s survey was conducted in January 2018 and included interviews with more than 400 Nevada business owners, operators and senior management executives in companies with annual sales ranging from $250,000 to $10 million.

We take pride in giving a voice to the people who run the businesses that are so important to our state. We’re committed to doing all we can to understand and meet their needs in the years ahead.

The following pages summarize our findings. To view or share an electronic version of the survey report, please visit our website at www.nevadasmallbusiness.com/survey.
Healthcare costs remain a leading concern among small businesses

Three-fifths (60.7 percent) of respondents believe the Affordable Care Act should be repealed and replaced. Taxes and regulation were also concerns. Furthermore, 7 out of 10 respondents (69.7 percent) believe that it is very important that the U.S. tax system be reformed.

Note: Legislation passed in early 2018.

Top Three Concerns for Small Businesses

<table>
<thead>
<tr>
<th>2018</th>
<th>2017</th>
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<table>
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<tr>
<th>2016</th>
<th>2015</th>
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<tr>
<td>2. Healthcare Costs</td>
<td>2. Government Regulation</td>
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Note: The 2014 survey did not ask about healthcare costs.
Do you believe that the Affordable Care Act should be repealed and replaced, or do you feel like the Affordable Care Act can work for your business and employees?

3 in 5 respondents feel the Affordable Care Act should be repealed and replaced.

In your opinion, how important is it that the **U.S. tax system** be reformed?

- 69.7% Very Important
- 19.9% Somewhat Important
- 4.2% Not Important
- 6.2% No Answer

Nearly 9 in 10 respondents believe it is at least somewhat important that the tax system be reformed.

Do you believe the Federal Reserve will raise interest rates in the next 6 months?

- 73.9% Yes
- 11.9% No
- 11.2% Not Sure
- 3.0% No Answer

More than 7 in 10 respondents said they believe the Federal Reserve will raise interest rates in the next 6 months.

If the Federal Reserve were to raise interest rates, do you believe this would have a positive, negative or neutral impact on your business?

- 54.5% Neutral
- 32.6% Negative
- 5.7% Positive
- 3.0% No Answer
- 4.2% Not Sure
Hiring the right people for the job is a perennial challenge in Nevada
Survey respondents continue to rank hiring and retaining quality employees as a challenge second only to fighting their competition and attracting customers.

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

**TOP FIVE CHALLENGES**

- **23.9%** Attracting/Retaining Customers/Competition
- **22.4%** Hiring/Retaining Quality Employees
- **10.7%** Government/Legislation
- **9.7%** Financial Stability/Cash Flow
- **5.7%** Taxes
The employment outlook is positive

An overwhelming majority (97.0%) of surveyed businesses indicated they will either increase their number of employees or maintain staffing levels. This is a significant increase over historical numbers.

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

- 42.3% Increase
- 1.7% Decrease
- 54.7% Keep the Same

Slightly more than half of respondents plan to keep their employee base the same over the next 12 months.

How easy or difficult is it for you to recruit quality job candidates from within your market?

About 7 in 10 respondents said recruiting quality job candidates from within their market is somewhat to very difficult.

What would you say is the main reason you find it difficult to recruit quality job candidates from within your market?

1. Lack of Qualified People
2. Lack of Experience
3. Nature of the Business
4. Poor Work Ethic
5. Lack of Education

Do you recruit job candidates from out of state?

- 32.1% Yes
- 67.4% No
- 0.5% No Answer
An overwhelming majority of businesses feel the national economy is heading in the right direction

More than four-fifths (82.6 percent) of small businesses in Nevada believe the national economy is heading in the right direction. This is an increase of 13.7 percentage points reported in the prior year, an all-time high for this survey. This positivity marks a 50-percentage-point increase over 2014 levels, where only 35.5 percent of respondents believed the national economy was heading in the right direction.
Business leaders believe Nevada’s economy will continue to be strong

Nearly 9 out of 10 respondents (87.3 percent) believe that Nevada’s economy is heading in the right direction, reflecting the highest level of confidence in the past five years. The latest rating reflects an increase from 77.0 percent in the prior year and an even bigger increase from 47.6 percent reported in 2014.

Thinking back over the past year, a clear majority (91.1%) believe the business environment in Nevada has gotten better or stayed about the same.

In addition, respondents were generally optimistic about the future, with more than two-thirds believing the business environment will get better in the next year.

During the past several years, Nevada has provided tax abatements, tax credits and other incentives to encourage 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 investments?

- 47.3% in Favor
- 3.5% No Answer
- 2.0% Not Sure
- 15.2% Opposed
- 32.1% Neutral

Nearly half of respondents support the state’s use of incentives to diversify the economy and attract large investments.
Nevada businesses remain positive about profitability and revenue

More than half of respondents said their business revenues or sales have increased in the past 12 months. A staggering 96.5% of businesses reported the expectation of consistent or growing profits in the coming year.

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

- **63.9%** INCREASE
- **32.6%** REMAIN ABOUT THE SAME
- **3.0%** DECREASE
- **0.5%** NO ANSWER

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

- **70.4%** INCREASE
- **26.6%** REMAIN ABOUT THE SAME
- **2.2%** DECREASE
- **0.7%** NO ANSWER
Small businesses find it easier to get financing

As the economy improves, businesses are finding it easier to obtain bank financing. While more than two-thirds (67.7 percent) said that they found it somewhat to very difficult to get financing from a bank, this is the lowest rate in five years, and the majority of respondents are not very concerned about access to capital or financing. In fact, more than a quarter of them (25.4 percent) said they anticipate applying for financing in the next 12 months for equipment (17.9 percent) or expansion (16.2 percent). Nearly 90 percent of respondents ranked the relationship with their banker as somewhat to very important, as bankers help them navigate the uncertainties of the ever-changing business environment.

How concerned are you about access to capital/financing?

- Not At All Concerned: 26.9%
- Very Concerned: 14.9%
- No Answer: 13.4%
- Slightly Concerned: 16.9%
- Somewhat Concerned: 13.7%
- Not At All Concerned: 4.5%
- Against: 7.5%
- No Answer: 2.2%

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

- Very Difficult: 24.4%
- Somewhat Difficult: 43.3%
- Not At All Difficult: 18.9%
- No Answer: 13.4%

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

1. Financing Equipment
2. Expanding Operations

HISTORICAL PERSPECTIVE

Percentage of respondents who feel it's somewhat to very difficult to get financing from a bank.

- 2014: 79.7%
- 2015: 78.6%
- 2016: 75.6%
- 2017: 74.8%
- 2018: 67.7%

HISTORICAL PERSPECTIVE

Percentage of respondents who ranked their banking relationship as somewhat to very important to the success of their small business.

- 2014: 86.9%
- 2015: 81.1%
- 2016: 83.6%
- 2017: 86.4%
- 2018: 88.8%
Some of the responses to the survey reflected attitudes specific to the respondents’ location within the state. Southern Nevada small businesses clearly have stronger sentiments about the incoming sports franchises, while Northern Nevada small businesses are very concerned about housing prices and availability.

The Las Vegas Stadium and professional sports are believed to have a positive impact on business

More than one-third (37.3 percent) of small businesses believe the new Las Vegas Stadium will have a positive impact on their business. More than two-fifths (41.3 percent) believe that professional sports in Las Vegas will also have a positive impact on their business.

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<thead>
<tr>
<th>CLARK COUNTY</th>
<th>Positive</th>
<th>Negative</th>
<th>Neutral</th>
<th>Not Sure</th>
<th>No Answer</th>
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<tr>
<td></td>
<td>51.9%</td>
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<td>39.8%</td>
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<tr>
<td>NORTHERN NEVADA</td>
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<td>10.0%</td>
<td>71.0%</td>
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<tr>
<td>RURAL NEVADA</td>
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<td>78.9%</td>
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<tr>
<td>STATEWIDE</td>
<td>37.3%</td>
<td>6.0%</td>
<td>51.2%</td>
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<td>4.5%</td>
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</table>
Las Vegas recently announced four professional sports teams within the last two years, including an NHL team, an NFL team, a USL team and a WNBA team. Do you believe professional sports in Las Vegas will have a positive, negative, or neutral impact on your business?

**ANTICIPATED IMPACT OF PROFESSIONAL SPORTS IN LAS VEGAS ON BUSINESS, BY LOCATION**

**CLARK COUNTY**
- 56.8% Positive
- 2.3% Negative
- 37.1% Neutral

**NORTHERN NEVADA**
- 77.0% Neutral
- 3.0% Positive
- 13.0% Negative

**RURAL NEVADA**
- 73.7% Neutral
- 13.2% Positive
- 7.9% Negative

**AFFORDABLE HOUSING A CONCERN IN NORTHERN NEVADA**

Opinions on housing vary depending on where you live in Nevada, reflecting the disparity between prices in these areas. Overall, home prices in Nevada appreciated by 11.6 percent in 2017, the third-fastest growth among all states. Northern Nevada is experiencing an increase in existing home prices, with median home closing prices reaching $345,000 by the end of 2017, an increase of 16.0 percent over 2016. By comparison, the median sales price of existing homes in Southern Nevada was $238,000 in December 2017.

**How concerned are you about the supply of affordable housing in your community?**

<table>
<thead>
<tr>
<th>Level of concern about affordable housing, by business location</th>
<th>Very Concerned</th>
<th>Moderately Concerned</th>
<th>Somewhat Concerned</th>
<th>Not Concerned At All</th>
<th>No Answer</th>
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<tbody>
<tr>
<td><strong>CLARK COUNTY</strong></td>
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<td>24.9%</td>
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<td>2.7%</td>
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Note: Results for sub-state regions have a smaller sample size and a higher margin of error.
COMMUNITY

Businesses gave generously to charities over the past year

More than two-thirds (68.7 percent) of small businesses budget for charitable giving each year. In 2017, nearly one-third (31.3 percent) gave to the Vegas Strong campaign with a majority choosing direct donations (46.0 percent). More than four-fifths (81.7 percent) of the respondents stated that this support did not impact their planned giving for other charitable causes during the fourth quarter. Moreover, nearly a quarter (24.9 percent) of small businesses stated that they gave back to the community more in 2017 than the previous year.

Tragedy struck Las Vegas on October 1, 2017 as a gunman opened fire on a crowd of concertgoers at the Route 91 Harvest Music Festival, leaving 58 people dead and 546 injured.

Did your business participate in the Vegas Strong campaign?

31.3% Yes
1.5% No Answer
67.2% No

3 in 10 statewide respondents contributed to and participated in the Vegas Strong campaign, helping the city recover in a variety of ways.

4 in 5 respondents that participated in the Vegas Strong campaign did not alter other charitable giving plans, demonstrating a willingness to go above and beyond for Las Vegas.
Community involvement is the most important factor of giving

More than four-fifths (81.9 percent) of small businesses reported that community involvement was somewhat to very important to their business. Second was charitable giving with 79.3 percent, then employee volunteerism, with 65.7 percent of respondents reporting that it was somewhat to very important to their business.

Does your business budget for charitable giving each year?

More than 6 in 10 respondents said their small business budgets for charitable giving each year.

Top Five

1. In-kind Donations of Goods or Services
2. Cash Donations
3. Sponsorships
4. Employee Volunteerism
5. Employee Service on Boards or Committees

Combined, 8 in 10 respondents said charitable giving (cash donations) was somewhat to very important to their business. More than half of respondents indicated employee volunteerism was somewhat to very important.

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

- More: 24.9%
- Less: 3.0%
- About the same: 69.7%
- No answer: 2.5%

Did your support or donation to the Vegas Strong campaign impact the planned giving for other charitable causes during the fourth quarter of 2017?

- Yes: 12.7%
- No: 81.7%
- No answer: 5.6%