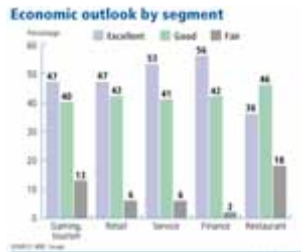


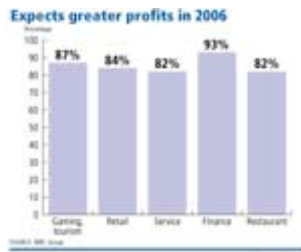
ECONOMIC OUTLOOK 2006 : LV businesses optimistic

Vast majority of owners expect strength shown in 2005 to carry over to 2006

By JENNIFER ROBISON
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The Las Vegas economy was strong in 2005, with nation-leading job growth and below-average unemployment.

And business owners and managers expect Southern Nevada's economy to remain fundamentally strong through 2006, despite concerns about taxes, regulation and competition, according to results from a mail-in survey conducted in December and January by the Review-Journal and local research firm MRC Group.

Nearly all respondents -- 94.2 percent -- said their outlook for 2006 is excellent or good. The remaining 5.8 percent said they expect a fair economic climate in 2006.

In addition, 84.1 percent of participants said they expect their company to make a bigger profit in 2006 than in 2005. Seventy percent said they planned to add employees in 2006, and 87.1 percent said they do not plan to scale back purchases or payroll in the coming year.

Kara Kelley, president and chief executive officer of the Las Vegas Chamber of Commerce, said the survey's upbeat results did not surprise her.

"Businesspeople know Las Vegas is a great place to do business," Kelley said. "The city has great economic vitality, and there's a dynamic quality to our economy and community that generates excitement about the future."

Specific survey results varied by industry.

The most optimistic respondents were in banking and finance, where 98 percent of decision makers expect an excellent or good 2006 and 93 percent look forward to higher profits. Seventy-two percent plan to add workers this year, and 91 percent said they will not cut purchasing or payrolls.

Mark Daigle, a member of the board of directors of the Nevada Bankers Association and Nevada chief executive officer of Colonial Bank, said the survey's results match the feedback he hears from industry members.

"The dynamics of growth in this market continue to be strong," Daigle said. "We still have a lot of in-migration from outside the market. We've typically relied on California (for new residents), but we're seeing folks from other markets as well who are attracted to the economic climate here."

Daigle said national speculation that the local high-rise market is deflating doesn't affect local banks because the city's homegrown financial institutions generally don't make loans for the construction of luxury towers. And although the rate of housing appreciation has slowed, local home values continue to rise at healthy levels, he added.

"There's plenty of reason for optimism," Daigle said. "From a business standpoint, this market continues to grow, and from a retail and consumer standpoint, it continues to grow. Construction jobs continue to be created and gaming and residential growth are helping support growth in the market."

Population expansion is also driving demand for additional bank branches and loan officers -- one reason so many companies in the finance sector plan to hire, Daigle said.

Diane Dutton, treasurer of the Nevada Society of Certified Public Accountants, said members of the finance field were the most optimistic because they focus on "real economic indicators" rather than analysis of subjective expectations such as consumer-confidence surveys, which have posted uneven results over the last year.

"Housing starts, visitor numbers, business startups and investment in new development in our community are all good," Dutton said. "People are optimistic because all the indicators they see in the market are positive."

In retailing, sustained population and visitor growth led 94 percent of respondents to expect an excellent or good 2006. Eighty-four percent predicted higher profits in 2006, while 77 percent said they'll boost staff numbers. Also, 88 percent said they will not reduce purchases or payrolls.

In the service category, which includes companies in landscaping, architecture and advertising, among other fields, 94 percent of survey participants said they look forward to a stronger year ahead, with 84 percent forecasting higher profits and 77 percent aiming to hire more workers. As in other sectors, the vast majority -- 88 percent -- said they will not drop purchases or payroll in 2006.

Among respondents in gaming and tourism, 87 percent said they believe 2006 will be an excellent or good year for their business. The same number predicted they would have both higher profits and more workers in 2006, while 80 percent said they will not slash purchases or payrolls.

Bill Bible, president of the Nevada Resort Association, said the positive outlook in his industry comes in part from a solid 2005.

"2005 was a very good year, especially in Southern Nevada, with record-breaking (gaming wins)," Bible said. "The results reflect optimism that the industry's strength will continue in 2006. The year is off to a good start in the first two months."

The restaurant sector posted the lowest expectations, with 82 percent anticipating an excellent or good year, and the same number forecasting higher profits, more hiring and sustained levels of purchases and payrolls.

Businesses varied by sector in the problems they said they might face in the next two years.

Decision makers in both restaurants and retail said they are most concerned about state and local taxes, while those in finance pointed to regulatory issues as their biggest hurdle. Companies in gaming and tourism are focused on competition as a key concern. Among small businesses in all categories, 51.6 percent said taxes are the most important issue for the 2007 Legislature to address.

Carole Vilardo, president of the Nevada Taxpayers Association, said retailers are especially concerned about taxes because they experience state and local levies in two phases of operation: First, like any other commercial entity, they pay taxes as businesses. But their customers also pay sales taxes, and rising sales taxes could influence consumers' buying decisions.

"People might not spend what they normally would on a product if sales taxes are too costly," Vilardo said.

Kelley said small companies are especially sensitive to any increase in taxes.

"For small businesses, the cost of doing business is so much more of an issue on a daily basis than it is for a larger company with wider resources," Kelley said. "So many small-business owners have gotten a loan or taken out a second mortgage to invest in their company, so they look at every added cost pretty significantly."

For banks and financial companies, concerns about regulation involve the effects red tape has on clientele.

"We're mostly concerned with regulatory issues that will constrain the entrepreneurial spirit, that will put an undue burden of reporting to government agents or that would do anything to dampen or restrict opportunity," Dutton said.

She added that she didn't foresee any specific new regulatory constraints in 2006, but she said it's "inherent in (the financial sector's) nature to be concerned about regulatory issues more than the burdens of taxes or competition."

Competition is the main issue for respondents in gaming and tourism.

Bible said Nevada's tourism market has a distinctive challenge: It's a substantial distance from many of its major feeder markets, so gaming operations that develop closer to those markets could leach customers away from Nevada. Also, industry members worry about tax advantages some of their competitors might have.

"There's concern about competition developing, particularly in California, with tribal gaming," Bible said. "The concern is that gaming conducted by tribal governments doesn't have a tax impact. Gaming that is operated in tribal environments is essentially tax free, other than minor taxes paid to states for regulation."

Bible said industry members are somewhat divided about tribal gaming, since several local operators have management agreements to run tribal casinos. Some of the profits from those contracts are reinvested in Nevada.

"From a Nevada perspective, that (reinvestment) is good, but there's still concern that there might not be a level playing field in terms of the way gaming is regulated and taxed in other jurisdictions," Bible said.

Bible said solutions to concerns about competition from tribal casinos would come from Congress rather than state governments. Congress is considering revisions to the Indian Gaming Regulatory Act, the 1988 bill that established the National Indian Gaming Commission. Updates to the law could include limits on the ability to locate tribal casinos outside reservations, Bible said.

Despite the myriad issues that confront Las Vegas businesses, local leaders are confident that economic growth will characterize 2006.

"What's really great about optimism among local businesses is that it looks like that optimism will transfer itself into economic expansion and job growth," Kelley said. "And when business is good, life is good. People who have jobs and disposable income have a good quality of life."