



# **VBR and EPR**

## **Business Conditions Survey and Index**

**2<sup>nd</sup> Quarter of 2017 Outlook**

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**Lisa M. Ventriss, President, VBR**  
**Amanda M. Wassel, Research Economist, EPR**

# *Business Conditions Index*

- **Tool for tracking business conditions and forecasting future of Vermont's economy.**
- **Weighted for representativeness by employment.**
- **Insight into business sentiments and trends – with missing data accounted for going forward.**

## *Survey Overview*

- **8 questions about economic outlook, demand, capital spending, employment, difficulty of hiring.**
- **Topical question – pro-growth tax policies**
- **70% Response Rate**
  - **50% or higher response rate from 12 out of 14 represented sectors.**

# *Survey Results*

## *The Raw Data\*: Response Rate per VBR Sector*

<b>Sector</b>	<b>Percent of VBR Sector</b>
22 – Utilities	67%
23 – Construction	50%
31-33 – Manu.	80%
51 – Information	50%
52 – Finance	75%
53 – Real Estate	100%

<b>Sector</b>	<b>Percent of VBR Sector</b>
54 – Prof./Tech.	79%
56 – Administrative	50%
61 – Education	50%
62 – Health	56%
72 – Accommodation	86%
81 – Other	50%

\*Note: “Raw Data” refers to data that come directly from SurveyMonkey, and has not been subject to weighting or other statistical methods.

\*No respondents from retail or arts/entertainment.

# *Survey Results*

## *The Raw Data: Unweighted Survey Response*

<b>Survey Q4 2016/Q1 2017</b>	<b>Pos.</b>	<b>Neut.</b>	<b>Neg.</b>
1. Optimism about Business Climate	24.3%	54.6%	21.2%
2. Demand, past 3 months	50.0%	36.4%	13.6%
3. Expected Demand, next 3 months	43.9%	40.9%	15.2%
4. Capital spending, past 3 months	41.2%	40.0%	18.5%
5. Expected cap. spending, next 3 months	40.0%	40.0%	20.0%
6. Employment change, past 3 months	27.7%	56.9%	15.4%
7. Employment change, next 3 months	27.7%	56.9%	15.4%
8. Ease of hiring	4.6%	21.5%	73.9%

# *Survey Results*

## *The Raw Data: Unweighted Survey Response*

**Q1:** Are you more or less optimistic about the general business climate in your sector compared to three months ago?

\* Excludes sectors with less than 3 respondents.

*The most optimistic sector:*

**Information (67% optimistic, 33% neutral)**

*The most pessimistic sector:*

**Healthcare (60% pessimistic, 20% neutral, 20% optimistic)**

# Survey Results, Outlook

## The Raw Data: Question 1

Are you more or less optimistic about the general business climate in your sector compared to three months ago?\*

<b>Utilities:</b> 100% neutral	<b>Construction:</b> 50% neutral, 50% pessimistic	<b>Manufacturing:</b> 25% optimistic, 50% neutral, 25% pessimistic	<b>Information:</b> 67% optimistic, 33% neutral
<b>Finance &amp; Insurance:</b> 27% optimistic, 60% neutral, 13% pessimistic	<b>Real Estate:</b> 28% optimistic, 57% neutral, 14% pessimistic	<b>Prof. &amp; Tech. Services:</b> 27% optimistic, 45% neutral, 27% pessimistic	<b>Education:</b> 75% neutral, 25% pessimistic
<b>Health:</b> 20% optimistic, 20% neutral, 60% pessimistic	<b>Accommodations:</b> 29% optimistic, 57% neutral, 14% pessimistic		

\* Results from industries with one respondent are not included in the presentation for anonymity.

## *Survey Results, The Last Three Months*

The next three slides present the results of the following three questions:

**Were your products or services more in demand or less in demand in the first quarter of 2017 compared to the same period last year?**

**How did your company's capital spending (including purchases of new software, equipment, supplies, or office space) change in the first quarter of 2017 compared to the same period last year?**

**How did your company's employment change in the first quarter of 2017?**



# Survey Results, The Last Three Months

## The Raw Data: Construction, Utilities, and Manufacturing

	<b>Utilities</b>	<b>Construction</b>	<b>Manufacturing</b>
<i>Demand</i>	50% positive, 50% neutral	50% positive, 50% neutral	87% positive, 13% neutral
<i>Capital Spending</i>	50% positive, 50% negative	50% positive, 50% neutral	50% positive, 37% neutral, 13% negative
<i>Employment</i>	50% neutral, 50% negative	100% neutral	38% positive, 38% neutral, 25% negative

# Survey Results, The Last Three Months

*The Raw Data: Information, Finance, Real Estate, and Prof/Tech Services*

	<b>Information</b>	<b>Finance and Insurance</b>	<b>Real Estate</b>	<b>Prof/Tech Services</b>
<i>Demand</i>	33% positive, 67% negative	53% positive, 40% neutral, 7% negative	43% positive, 43% neutral, 14% negative	36% positive, 36% neutral, 27% negative
<i>Capital Spending</i>	33% positive, 33% neutral, 33% negative	47% positive, 40% neutral, 13% negative	14% positive, 86% neutral	18% positive, 45% neutral, 36% negative
<i>Employment</i>	67% neutral, 33% negative	33% positive, 60% neutral, 7% negative	43% positive, 57% neutral	27% positive, 55% neutral, 18% negative

# Survey Results, The Last Three Months

*The Raw Data: Education, Health, Arts and Recreation, Accommodation and Food Services*

	<b>Education</b>	<b>Health</b>	<b>Accommodation and Food</b>
<i>Demand</i>	25% positive, 25% neutral, 50% negative	60% positive, 20% neutral, 20% negative	57% positive, 29% neutral, 14% negative
<i>Capital Spending</i>	25% positive, 50% neutral, 25% negative	60% positive, 20% neutral, 20% negative	71% positive, 14% neutral, 14% negative
<i>Employment</i>	75% neutral, 25% negative	40% neutral, 60% negative	28% positive, 57% neutral, 14% negative

# *Survey Results, Outlook*

## *The Raw Data*

The next three slides present the results of the following three questions:

**Do you expect your products and services to be more in demand or less in demand in the second quarter of 2017 compared to the same period last year?**

**How do you expect your company's capital spending (including purchases of new software, equipment, supplies, or office space) to change in the second quarter of 2017 compared to the same period last year?**

**How do you expect your company's employment to change in second quarter of 2017?**

# Survey Results, Outlook

*The Raw Data: Construction, Utilities, and Manufacturing*

	<b>Utilities</b>	<b>Construction</b>	<b>Manufacturing</b>
<i>Expected Demand</i>	100% neutral	50% neutral, 50% negative	25% positive, 63% neutral, 13% negative
<i>Expected Capital Spending</i>	50% positive, 50% negative	50% positive, 50% neutral	50% positive, 13% neutral, 37% negative
<i>Expected Employment</i>	50% neutral, 50% negative	50% positive, 50% neutral	37% positive, 50% neutral, 13% negative

# Survey Results, Outlook

*The Raw Data: Information, Finance, Real Estate, and Prof/Tech Services*

	<b>Information</b>	<b>Finance and Insurance</b>	<b>Real Estate</b>	<b>Prof/Tech Services</b>
<i>Expected Demand</i>	33% positive, 33% neutral, 33% negative	60% positive, 27% neutral, 13% negative	57% positive, 29% neutral, 14% negative	45% positive, 45% neutral, 9% negative
<i>Expected Capital Spending</i>	33% positive, 33% neutral, 33% negative	53% positive, 33% neutral, 13% negative	29% positive, 71% neutral	9% positive, 64% neutral, 43% negative
<i>Expected Employment</i>	33% positive, 67% neutral	27% positive, 53% neutral, 20% negative	43% positive, 57% neutral	45% positive, 55% neutral

# Survey Results, Outlook

*The Raw Data: Education, Health, Accommodation and Food Services*

	<b>Education</b>	<b>Health</b>	<b>Accommodation and Food</b>
<i>Expected Demand</i>	75% neutral, 25% negative	80% positive, 20% negative	29% positive, 57% neutral, 14% negative
<i>Expected Capital Spending</i>	25% positive, 50% neutral, 25% negative	40% positive, 60% neutral	29% positive, 57% neutral, 14% negative
<i>Expected Employment</i>	75% neutral, 25% negative	40% neutral, 60% negative	14% positive, 71% neutral, 14% negative

## *Survey Results*

### *The Raw Data: Unweighted Survey Response, Comparison Between National Business Roundtable (BRT) and VBR*

- **Business Roundtable (BRT)**
  - 210 CEOs representing businesses nationwide.
  - 16 million employees, \$7.3 trillion in annual revenues.
  - Invest \$150 billion annually in R&D, generate \$500 billion in sales for small/medium businesses annually
- **BRT CEO Survey**
  - Expected sales, capital spending, and employment (next six months).
  - Data constructed into diffusion index.



## Survey Results

### *The Raw Data: Unweighted Survey Response, Comparison Between National Business Roundtable (BRT) and VBR*

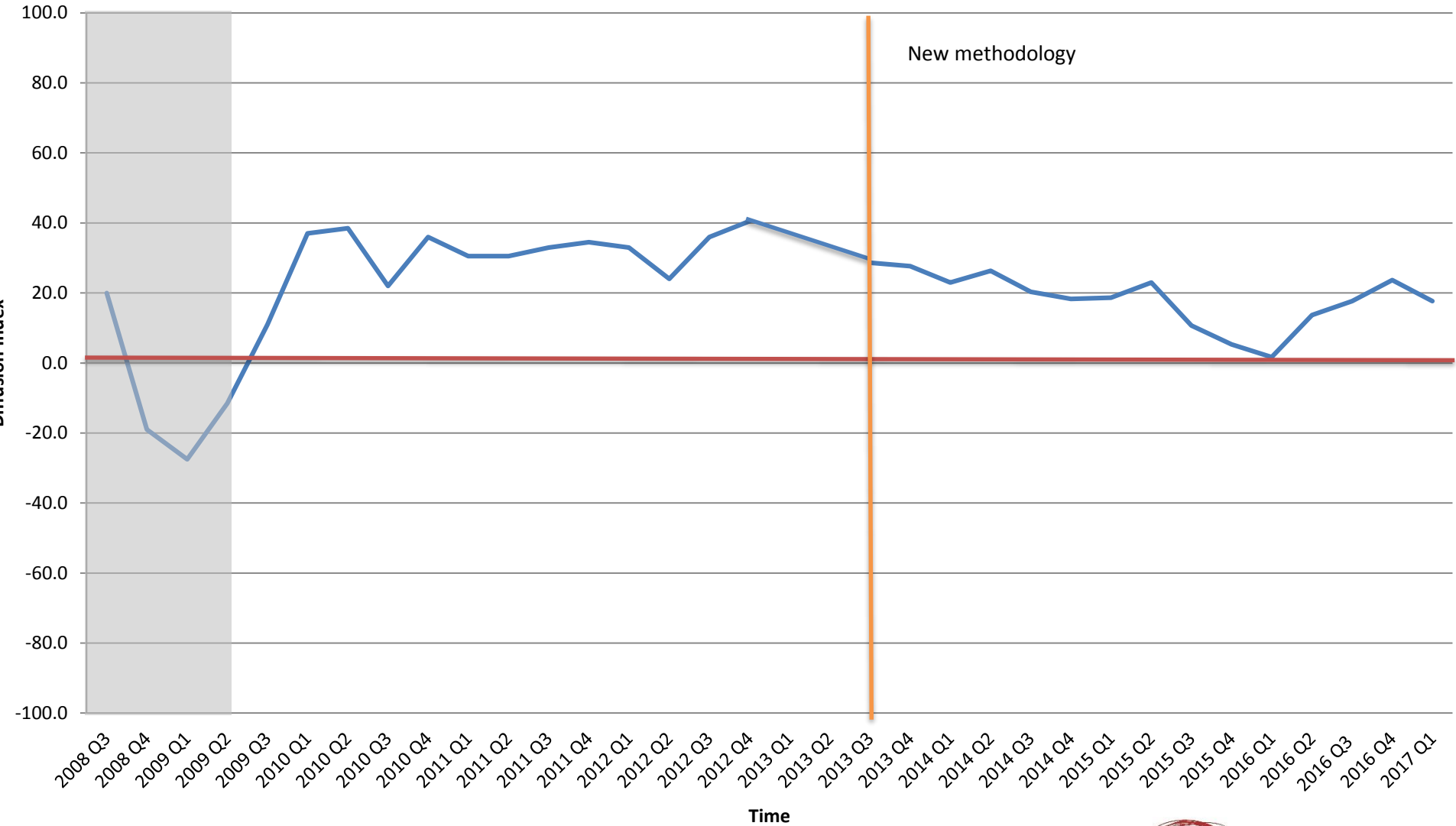
<b>Next Three Months</b>	<b>BRT</b>	<b>VBR</b>
Capital, increase	46%	40%
Capital, decrease	13%	20%
Capital, neutral	40%	40%
Employment, increase	41%	28%
Employment, decrease	18%	15%
Employment, neutral	41%	57%

# *Survey Results*

## *Weighted Index Data: Diffusion Index Number*

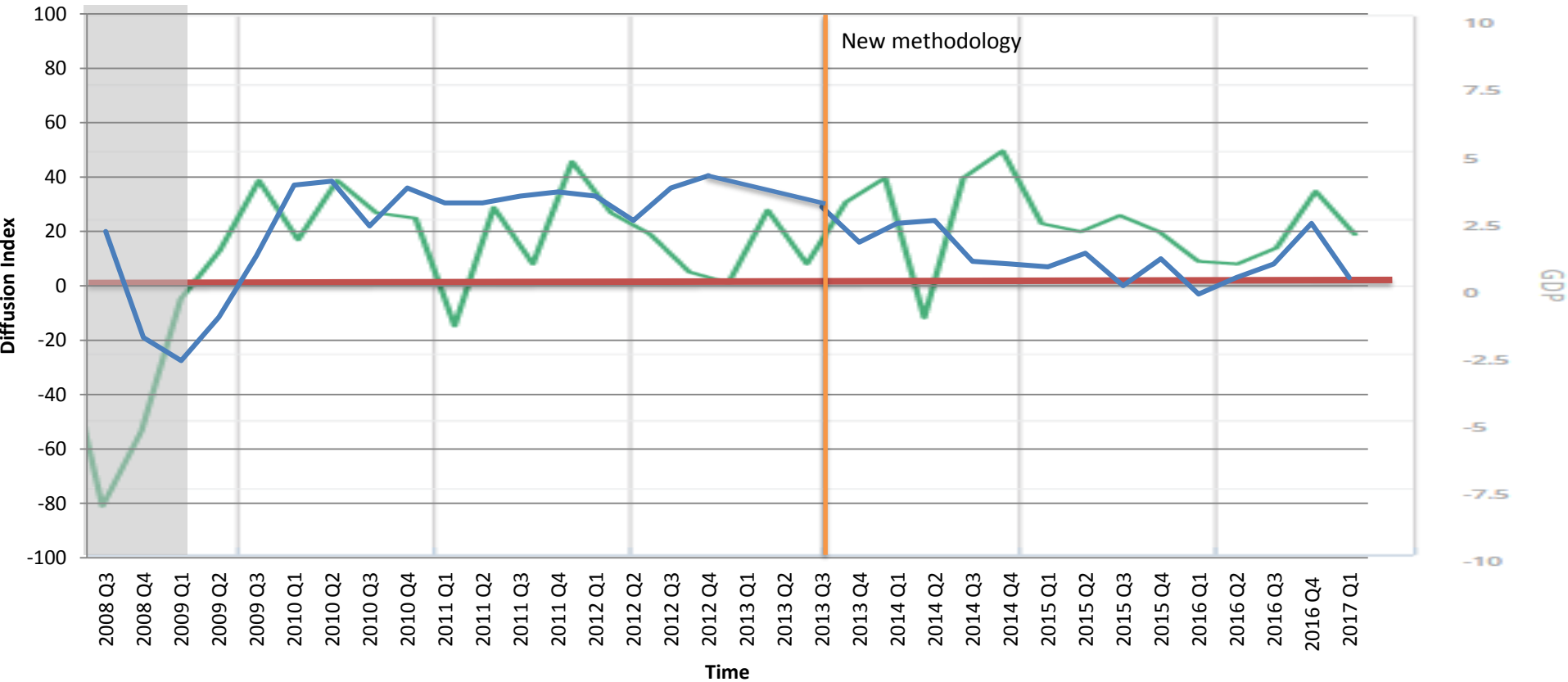
<b>Survey Q4 2016/ Q1 2017 Outlook</b>	<b>Diffusion Index</b>	<b>Survey Q1/ Q2 2017 Outlook</b>	<b>Diffusion Index</b>
Business Climate	23	Business Climate	3
Demand, past	33	Demand, past	19
Demand, future	25	Demand, future	8
K spending, past	22	K spending, past	24
K spending, future	17	K spending, future	18
Employ. past	16	Employ. past	10
Employ. future	22	Employ. future	8
Ease of Employ., past	-37	Ease of Employ., past	-39

# Composite Index of Demand, Capital Spending & Employment Last Three Months



# Diffusion Index: A Forward Looking Indicator

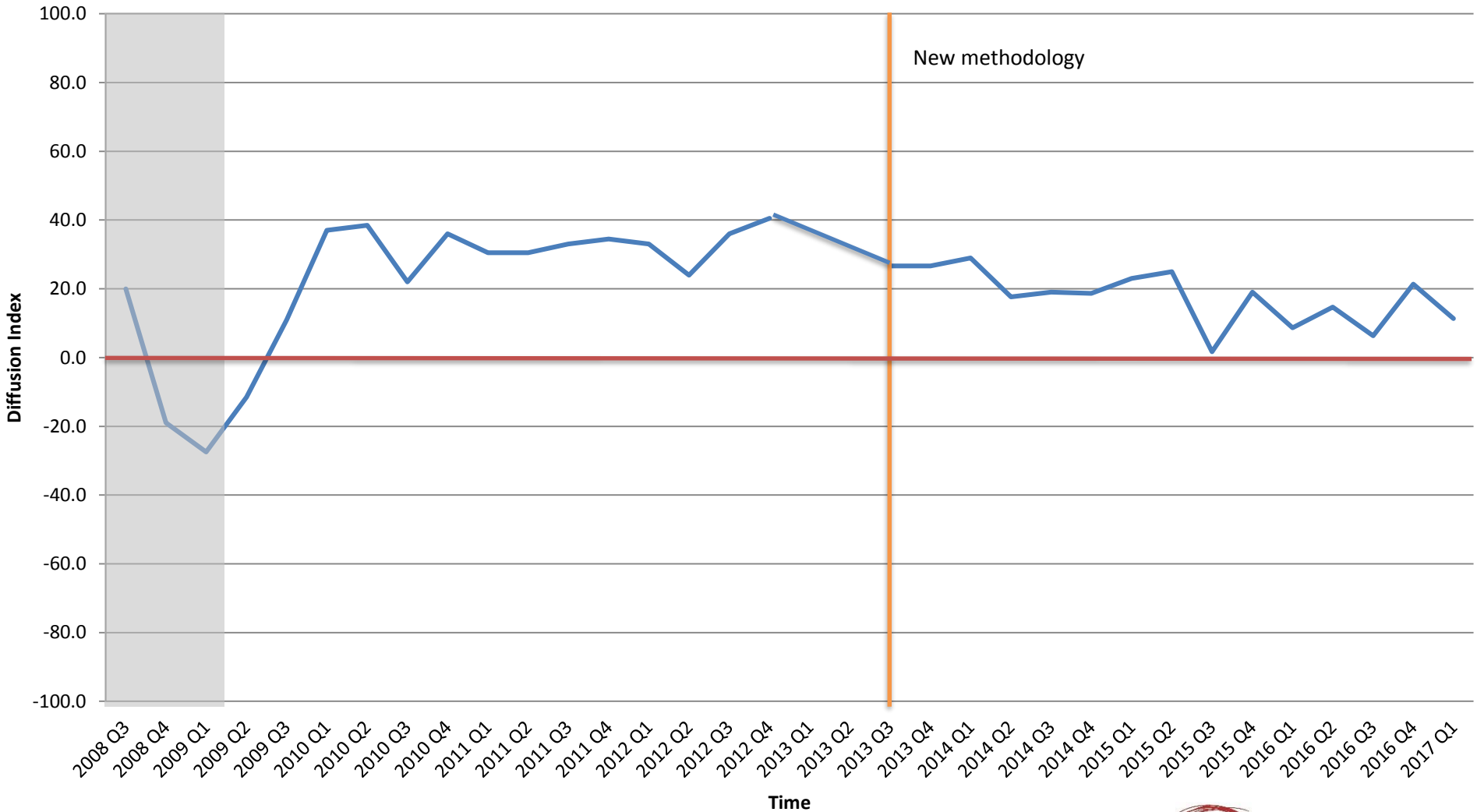
Are you more or less optimistic about the general business climate in your sector compared to three months ago?



Note: Data missing from Q1 2009 to Q1 2010 and Q1/Q2 2013. Shaded area indicates recession.

The blue line is the diffusion index. The green line is the % change in quarterly GDP annualized (Bil 2009\$).

# Composite Index of Demand, Capital Spending & Employment Next Three Months



Note: Data missing from Q1 2009 to Q1 2019 and Q1/Q2 2013. Shaded area indicates recession.

## *Updated Survey Results: Comments Concerns of VBR Members*

- **24 comments**
- **Most prominent issues:**
  - **Finding qualified employees/workforce;**
  - **Affordability of Vermont, especially housing/taxes;**
  - **Healthcare uncertainty.**

# Contact Information

## **Lisa M. Ventriss, President**

Vermont Business Roundtable

30 Kimball Avenue, Suite 302, South Burlington, VT

LISA@VTROUNDTABLE.ORG

## **Jeffrey B. Carr, President**

Economic & Policy Resources, Inc.

P.O. Box 1660

Williston, Vermont 05495 U.S.A.

JBC@EPRECONOMICS.COM

## **Amanda M. Wassel, Research Economist**

Economic & Policy Resources, Inc.

P.O. Box 1660

Williston, Vermont 05495 U.S.A.

AMW@EPRECONOMICS.COM