

The Sangamon County Business Economic Outlook Survey March 2010



About the survey: The Sangamon County Business Economic Outlook Survey is a biannual vehicle to assess the economic outlook of businesses and non-profit organizations in Sangamon County. The survey solicits opinions from a sample of businesses/firms/organizations in Sangamon County with 10 or more employees. Opinions solicited include expectations about the performance of various aspects and sectors of the Sangamon County economy in the next 12 months; expectations for the respondent's own business; and the biggest challenges facing their firm in the local economy over the next 12 months. The most recent results are based on nearly 180 survey responses that were collected during late February through mid-March of 2010 (n = 177). The Outlook Survey began in March 2008 and was also conducted in September 2008, March 2009 and September 2009.

About the "Intensity Index Score" (IIS): Outlook questions ask respondents whether an economic indicator over the next 12 months will: *decrease quite a bit, decrease a little, stay about the same, increase a little, or increase quite a bit.* For the purpose of tracking responses over time, we developed an "Intensity Index Score" for each of the outlook indicators. The Intensity Index Score is the average of all ratings when the following values are given to each response: decline quite a bit (-100), decline a little (-50), stay about the same (0), increase a little (+50), and increase quite a bit (+100).

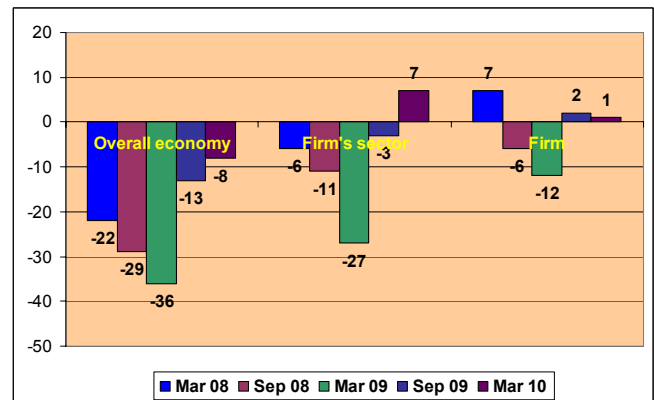
This score can range from a low of -100, meaning every respondent expects the topic to "decline quite a bit" -- to a high of +100, meaning every respondent expects the topic to "increase quite a bit." A score of 0 either indicates that every respondent expects the topic to "stay about the same," or that the increase and decrease responses are evenly balanced.

Highlights of Results

Recent overall outlook measures reinforce positive trend found in the September 2009 survey. For the overall Sangamon County economy, the most recent Intensity Index Score (IIS) is slightly negative (-8), actually a bit more positive than was found last September (-13). For their own firm, the IIS is now just slightly on the positive side (+1), about where it was last September (+2). Index scores for the firm's sector

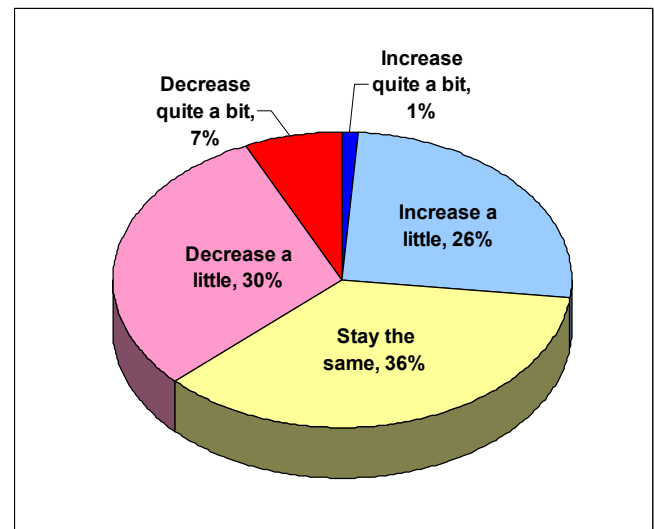
in the local economy are now on the positive side (+7), up from just slightly negative last September (-3). All of the latest index scores reinforce the significant positive trend found in last September's survey.

**Intensity Index Scores Over Time
 For Sangamon County Economy Overall,
 Firm's Sector and Own Firm**



Expectations for the performance of the Sangamon County economy as a whole over the next 12 months are slightly negative (Intensity Index Score = -8). Over one-quarter (27%) of the respondents expect an increase in the performance (1% quite a bit; 26% a little) while over one-third expect some kind of decrease (7% quite a bit; 30% a little). About the same percent (36%) expect it to stay about the same.

**Outlook for Sangamon County Economy
 Intensity Index Score = -8**



Compared to six months ago, the latest results show somewhat fewer expecting a decrease (37% vs. 42% in September) and more expecting an increase (27% vs. 23% in September). About the same number saw stability in both surveys (36% vs. 35% in September).

Outlook for sectors. For most sectors, the March 2010 outlook for the next 12 months is slightly to somewhat more positive than was the case in September 2009. And, the number of sectors on the positive side of the Intensity Index Score has gone from two sectors in September to six sectors in the latest survey.

The outlook for the medical/health care sector continues to be the most positive (IIS = +40, up from +30 in September). This is followed by:

- Finance/insur/real est (+12, up from -3 in Sept)
- Info & communications (+9, up from -3 in Sept)

The March 2010 outlook for seven other sectors ranges from just slightly positive to just slightly negative:

- Retail trade (+3, up from -7 in Sept)
- Accommod/recreation (+2, up from -9 in Sept)
- Construction (+2, up from -11 in Sept)
- Business/professional services (0, up from -6)
- Wholesale trade (-1, up from -10 in Sept)
- Transportation/warehousing (-2, up from -8)
- Personal services (-4, up from -8 in Sept)

Negative outlooks are found for the remaining two sectors:

- Education (-16, down from +9 in Sept)
- Manufacturing (-24, with -23 in Sept)

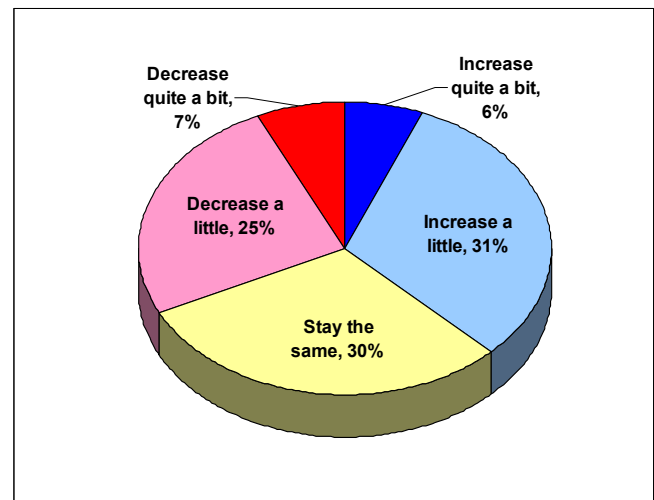
The March outlook for manufacturing is the most negative of all the sectors but did not change from last September. In contrast, education shows the largest change from last September (change of -25 index points), actually going from a somewhat positive outlook then to an overall negative outlook now. To illustrate, those who had a negative outlook for the education sector increased from 16 percent in September to 47 percent in the recent survey.

The overall expectations for “your” firm / business in Sangamon County over the next 12 months are just slightly above neutral (Intensity Index Score = +1). Nearly four in ten (37%) expect some kind of increase (6% quite a bit; 31% a little), and just under one-third (32%) expect some kind of decrease (7% quite a bit and 25% a little). Three in ten (30%) gave a rating of “stay about the same.”

Compared to six months ago, the latest results show just slightly more expecting an increase (37% vs. 35% in September) and also slightly more expecting a decrease (32% vs. 31% in September). Those

expecting stability declined slightly (30% vs. 34% in September).

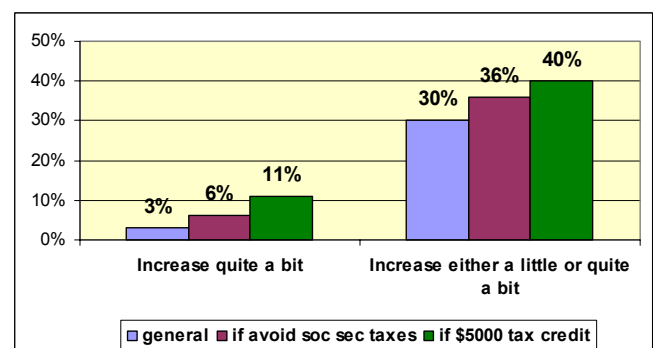
**Outlook for Own Firm: “Overall”
Intensity Index Score = +1**



Employment incentives. One of the “topical question areas” in the recent survey was the assessed impact of potential employment incentives. Here, respondents were first asked about their employment outlook, generally, in the section regarding outlook for various aspects of their own firm. They were then asked about their firm’s employment outlook: a) if they could avoid paying social security taxes for the remainder of 2010 on new hires; and b) if they could receive a \$5,000 federal tax credit for every full-time position they add.

In the graph below, we see that the proportion of the respondents who said their firm would increase their employment “quite a bit” doubled from 3 percent in the general question to 6 percent for the social security tax incentive, and then almost doubled again to 11 percent for the \$5,000 federal tax credit. For the proportion who said their firm would increase their employment at all (either “a little” or “quite a bit”), the proportion increases from 30 percent for the general question, to 36 percent for the social security tax incentive, and to 40 percent for the \$5,000 federal tax credit.

**Increases in Employment Outlook for Their Firm,
Given Two Possible Hiring Incentives**



Impacts of selected topics on firm. The other “topical question” in the recent survey asked respondents to assess the impact of six selected topics on their firm to date.

The national recession is found to have had a negative impact on 85 percent of the respondents (18% large negative impact, 33% modest negative impact and 34% small negative impact).

State government finances and payments has had a negative impact on nearly two-thirds (66%) of the firms (16% large impact, 19% modest, and 32% small), and **local government finances** has had a negative impact on almost as many (60% -- 8% large impact, 20% modest, and 32% small).

Three of ten respondents (30%) reported that **the availability of credit/loans** (or lack thereof) has had a negative impact on their firm (5% large, 7% modest and 18% small).

For **the federal stimulus package**, 60 percent reported no impact, but virtually the same number reported a negative impact (18%) as reported a positive impact (19%).

For **high-speed rail possibilities and issues**, nearly eight in ten (79%) either reported no impact or did not know. Nearly one in five (18%) reported a negative impact while 5 percent reported a positive impact.

Challenges. When asked to choose the three biggest challenges facing them over the next 12 months, nearly half (49%) chose consumer confidence/ spending while almost as many chose government regulations/taxes (46%). Nearly four in ten selected two other concerns:

- Employee compensation/benefits (38%)
- State government finances (37%)

Nearly one quarter identified competition from local/state/national firms (24%) while 15 to 18 percent of the respondents selected four others:

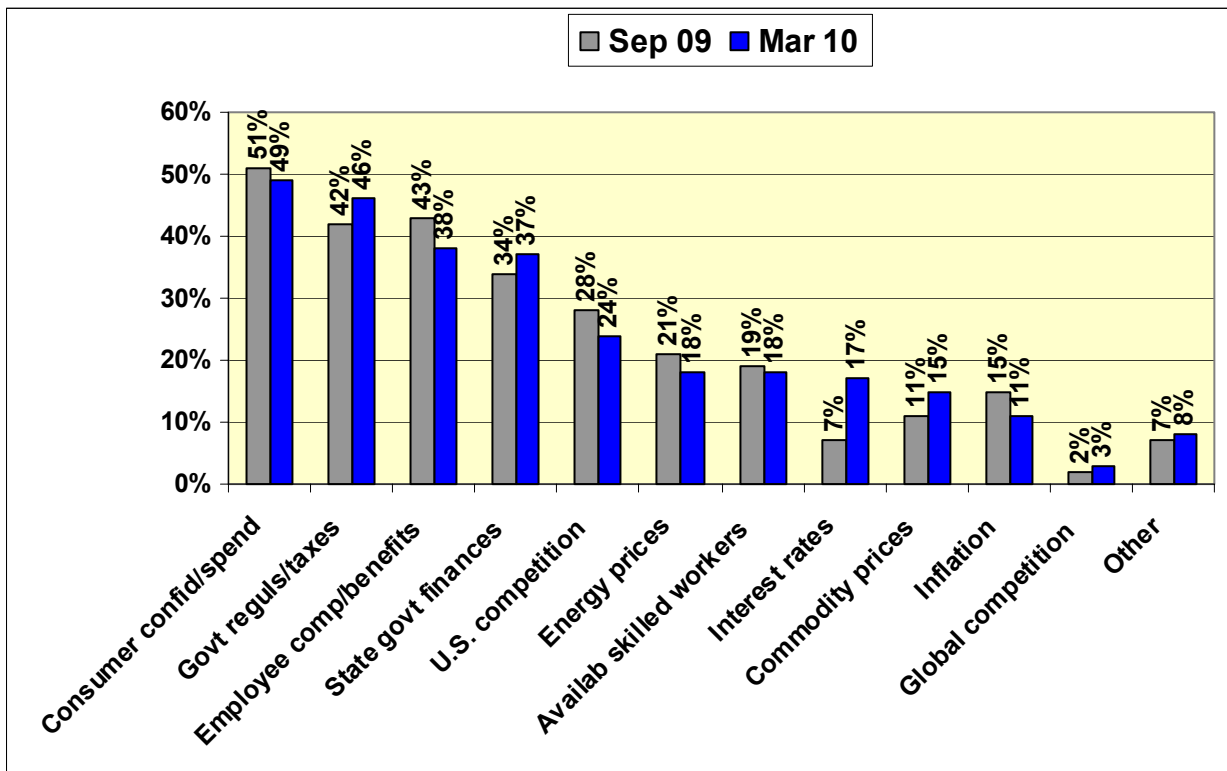
- Energy prices (18%)
- Availability of skilled workers (18%)
- Interest rates (and credit) (17%)
- Commodity prices (15%)

Concern about inflation (11%) was next, followed by global competition (3%).

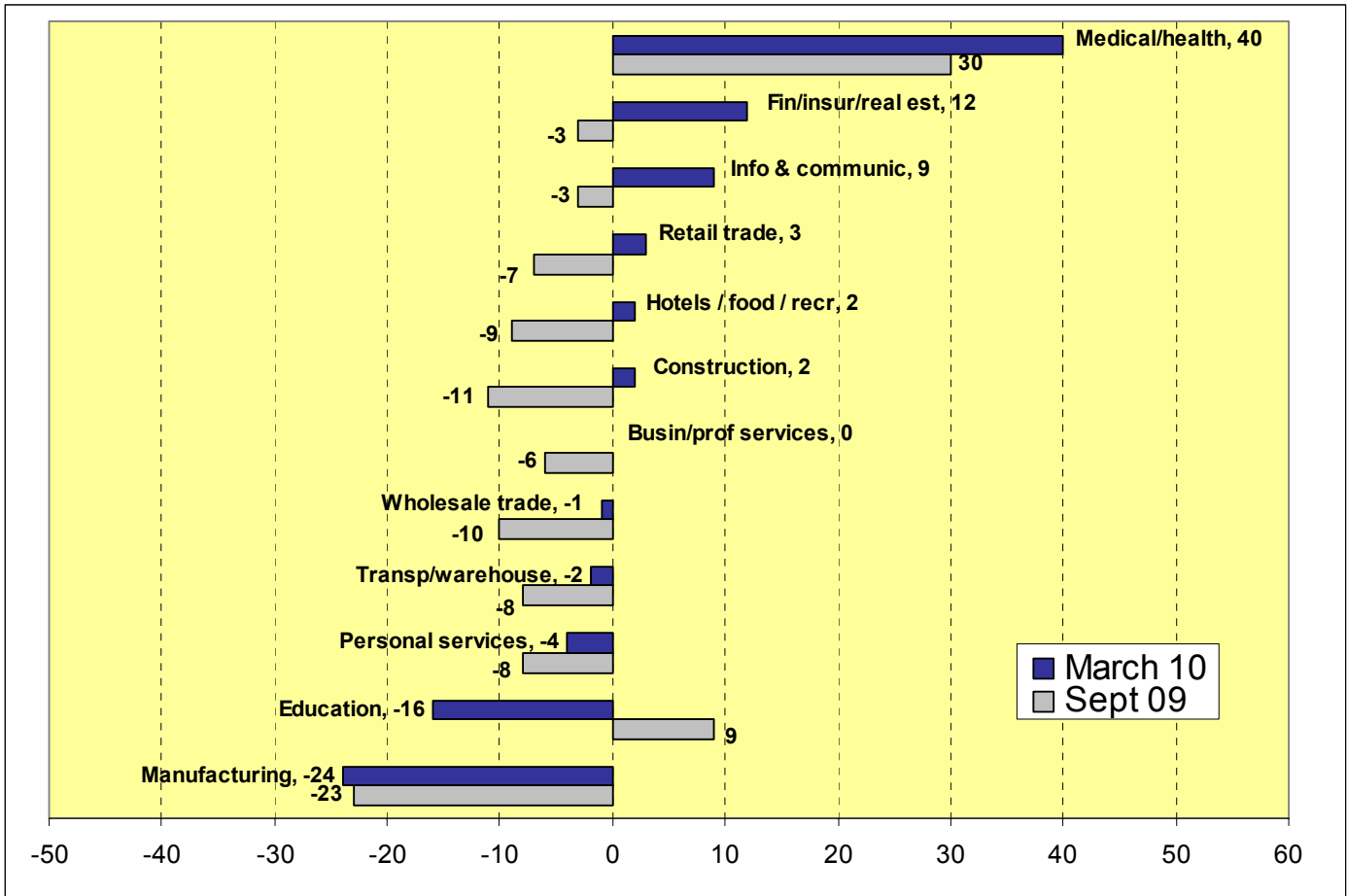
For the most part, the concerns identified in March 2010 are the same as those that concerned the September 2009 respondents. The largest change occurred for the concern with interest rates (and credit), which increased by 10 percentage points (7% to 17%). Small increases of 3-4% are found for four concerns, small decreases of 3-5% are found for three concerns, and there was virtually no change for four types of concerns (within 2%).

More detailed results are presented below.

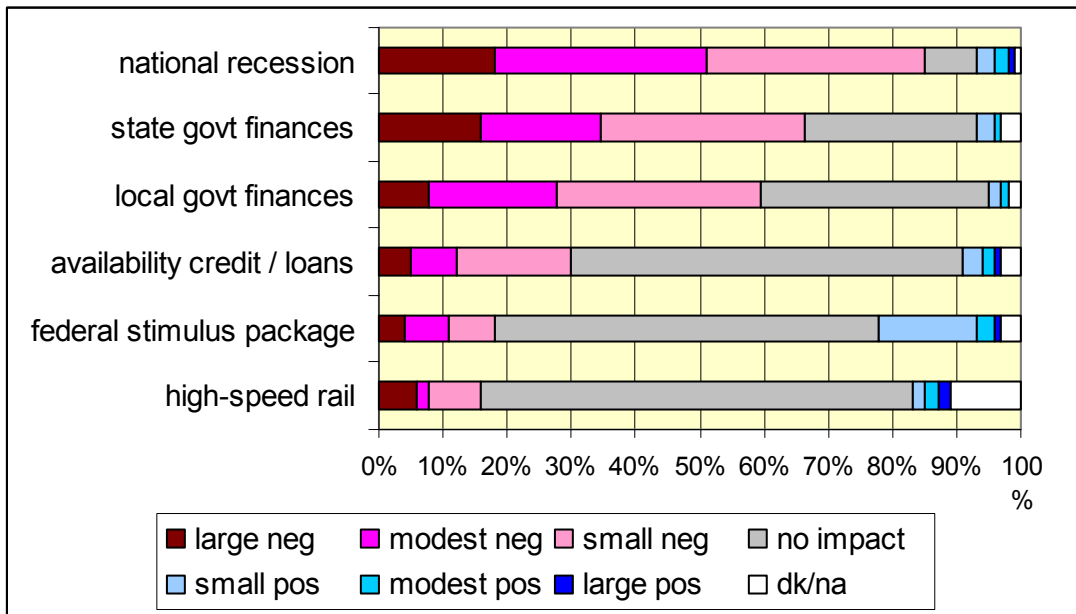
What are the Three Biggest Challenges Facing Your Firm in the Local Economy over the Next 12 Months?



Intensity Index Scores for Economic Sectors, Current and Six Months Ago



Assessed Impact of Six Selected Topics on Firm to Date



More results as well as updates and additional analyses of the results are/will be posted at:
<http://url.uis.edu/SCBusinessOutlookSurveyResults>

Over the Next 12 Months, What are your Expectations for Sangamon County Economy?

(figures show % of respondents by category)

Sangamon County	March 2010 Results					Mar 10 Intensity Index Score (IIS)	Recent Sept 09 to Mar 10 change in IIS	Mar 09 to Sept 09 change in IIS
	DECREASE		SAME	INCREASE				
	<u>quite a bit</u>	<u>a little</u>		<u>a little</u>	<u>quite a bit</u>			
Overall economy	7%	30%	36%	26%	1%	-8	+5	+23
Gross sales / revenue	8	28	31	33	1	-5	+4	+23
Overall employment	9	31	35	24	1	-11	+5	+19
Capital investment	11	26	41	19	3	-12	+1	+23
Contributions to non-profits ...	10	36	46	7	1	-24	+7	+12
Interest rates	1	4	41	47	7	+27	+4	+30
Inflation/prices	2	5	28	52	13	+35	+2	+5

Over the Next 12 Months, What are your Expectations for Your Firm?

(figures show % of respondents by category)

Own Firm	March 2010 Results					Mar 10 Intensity Index Score (IIS)	Recent Sept 09 to Mar 10 change in IIS	Mar 09 to Sept 09 change in IIS
	DECREASE		SAME	INCREASE				
	<u>quite a bit</u>	<u>a little</u>		<u>a little</u>	<u>quite a bit</u>			
Overall	7%	25%	30%	31%	6%	+1	-1	+14
Capital investment	6	15	44	29	6	+7	+5	+17
Gross revenue / sales	7	22	27	38	7	+8	+5	+15
Number of employees	6	18	46	27	3	+2	+4	+6
Profitability	11	26	25	31	7	-2	-1	+14

Over the Next 12 Months, What are your Expectations for Your Firm's Economic Sector?

(based on ratings of expectations for sector respondent selects as primary sector;

figures show % of respondents by category)

Firm's Sector	March 2010 Results					Mar 10 Intensity Index Score (IIS)	Recent Sept 09 to Mar 10 change in IIS	Mar 09 to Sept 09 change in IIS
	DECREASE		SAME	INCREASE				
	<u>quite a bit</u>	<u>a little</u>		<u>a little</u>	<u>quite a bit</u>			
Firm's Sector	7%	20%	30%	37%	5%	+7	+10	+14

How much of an impact has each of the following had on your firm to date?

	Large Negative	Modest neg	Small neg	No Impact	Small pos	Modest pos	Large Positive	dk/ na
The national recession	18%	33%	34%	8%	3%	2%	1%	1%
State govt finances & payments	16%	19%	32%	27%	3%	1%	0%	3%
Finances of local governments	8%	20%	32%	36%	2%	1%	0%	2%
Availability of credit / loans	5%	7%	18%	61%	3%	2%	1%	3%
The federal stimulus package	4%	7%	7%	60%	15%	3%	1%	3%
High-speed rail possibs & issues	6%	2%	8%	68%	2%	2%	1%	11%