

**The Sangamon County  
 Economic Outlook Survey  
 March 2012**



**About the survey:** The Sangamon County 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 firm; and the biggest challenges facing their firm in the local economy over the next 12 months. The most recent results are based on 189 survey responses that were collected during March of 2012. The Outlook Survey has been conducted in March and September since March of 2008 (with the exception of last September, 2011).

**About the "Intensity Index Score" (IIS):** Outlook questions ask respondents whether an economic indicator over the next 12 months will: *decline quite a bit, decline 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 decline responses are evenly balanced.

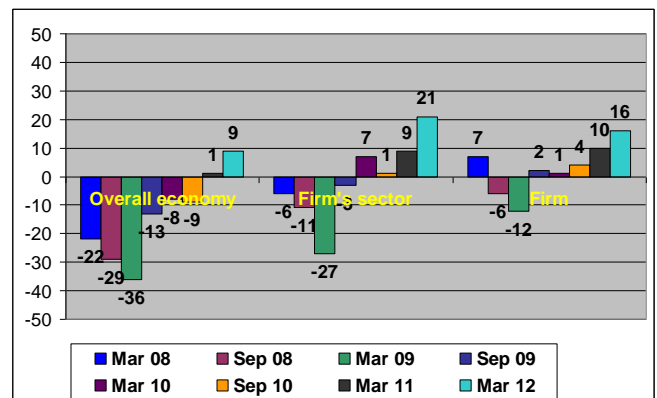
**Highlights of Results**

**Overall Intensity Index Scores are the most positive in four years.** Expectations for the Sangamon County economy as a whole, for their own firm and for their firm's sector are all the most positive we have seen in four years of surveying.

**For the overall Sangamon County economy,** the most recent Intensity Index Score (IIS) is a positive +9. This is up from +1 one year ago, which in turn was up from -8 two years ago. Three years ago, in March

2009, this index reached its low of -36 after starting at -22 in March 2008. (See the left part of the graph below.)

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



**For their own firm,** the trend is the same but at more positive levels. The IIS is now +16, up from +10 a year ago, which in turn was up from +1 two years ago. Three years ago, in March 2009, this index reached its low of -12, declining from its initial score of +7 in March 2008 and the September 2008 score of -6. (See the right part of the graph above.)

**For the economic sector of their firm,** we see the same basic trend. The IIS is now +21, even more positive than that for their own firm. Here, the score is up from +9 a year ago and +7 two years ago. Three years ago, in March 2009, this index reached its low of -27, down from its initial score of -6 in March 2008. (See the middle part of the graph.)

**A Closer Look at the Expectations**

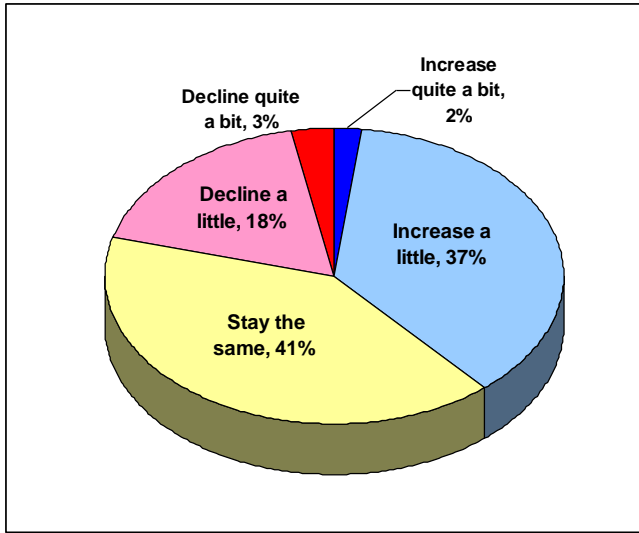
**The Sangamon County Economy**

**Expectations for the performance of the Sangamon County economy as a whole** over the next 12 months are positive (Intensity Index Score = +9). Nearly four in ten (39%) of the respondents expect an increase (2% quite a bit; 37% a little), nearly twice as many as those expecting some kind of decline (21%; 3% quite a bit; 18% a little). About four in ten (41%) expect it to stay about the same. (See the graph below.)

Compared to a year ago, the latest results show somewhat more expecting an increase (39% vs. 33%),

and somewhat fewer expecting a decline (21% vs. 28%). About the same percent expect stability (41% vs. 38%).

**Current Outlook for Sangamon County Economy: Intensity Index Score = +9**



As was the case a year ago, the overwhelming majority of employers expect inflation in the Sangamon County economy to increase (IIS = +58 with 84% expecting this, compared to +69 and 91% a year ago). However, the IIS for interest rates is now at +15 (37% expect an increase), down from +33 a year ago (57% expected an increase).

For gross sales/revenue in Sangamon County, the current IIS is +19, with a majority (54%) expecting an increase. This is up a bit from +14 a year ago (46% expecting an increase).

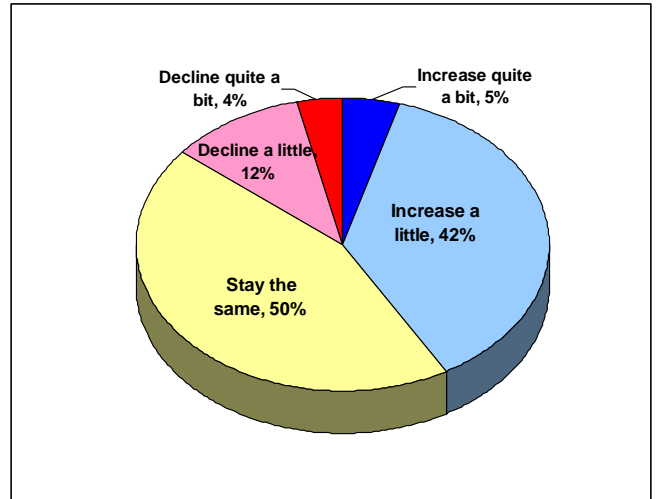
Contributions to non-profit organizations receive the only negative IIS (-12). Here, 13 percent expect an increase while 31 percent expect a decline and 57 percent expect the contributions to remain about the same. These expectations are about the same as found a year ago.

**Your Firm / Organization**

The overall expectations for “your” firm / business in Sangamon County over the next 12 months are even more positive (Intensity Index Score = +16). Almost half (47%) expect some kind of increase (5% quite a bit; 42% a little), about three times as many who expect some kind of decline (16%; 4% quite a bit and 12% a little). Nearly four in ten (37%) gave a rating of “stay about the same.”

Compared to a year ago, the latest results show that the percent expecting an increase is somewhat more (47% vs. 39%) while the percent expecting a decline is somewhat less (16% vs. 21%). About the same percent expect stability (37% vs. 39%).

**Outlook for Own Firm: “Overall” Intensity Index Score = +16**



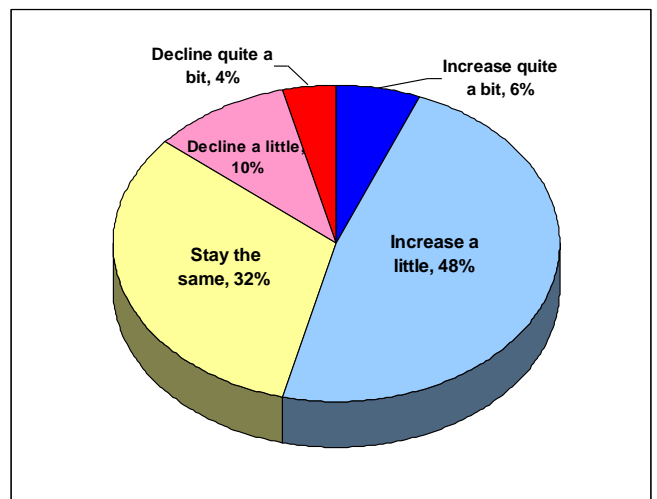
The IIS for all aspects of the respondents’ firm is currently positive, the most being for gross revenue/sales (+22, with 58% expecting an increase). For number of employees, the current IIS is +12, with 39 percent expecting this number will increase while 14 percent expect this number will decline.

**Outlook for Economic Sectors**

The overall expectations for the economic sector of the respondents’ firm over the next 12 months are positive (IIS = +21). Over half (54%) expect some kind of increase (6% quite a bit; 48% a little) while only 14 percent expect some kind of decline (4% quite a bit; 10% a little). About one-third (32%) expect stability.

A year ago, the IIS for their firm’s economic sector was +9, with 43 percent expecting an increase and 21 percent expecting a decrease.

**Outlook for Firm’s Sector: “Overall” Intensity Index Score = +21**



**In terms of the outlook for economic sectors rated by all respondents**, the latest survey shows that all but one of the sectors have Intensity Index Scores that are positive. While this was also the case a year ago, the current IIS scores are more positive.

The outlook for *the medical/ health care sector* continues to be, by far, the most positive (IIS = +48).

This is followed by the outlook for five other sectors, with index scores around +20:

- Finance/insurance/real estate (+22)
- Retail trade (+20)
- Information & communications (+19)
- Construction (+18)
- Accommodations/food/entertainment (+18)

And, these are followed by the outlook for four other sectors, with index scores around +10:

- Education (+12)
- Business/professional support (+10)
- Personal services (+8)
- Wholesale trade (+7)

Finally, the IIS for transportation/warehousing is slightly positive (+3), while the index score for manufacturing is slightly negative (-3).

Compared to one year ago, the largest increases in the Intensity Index Scores are found for:

- Construction (+1 to +18; up 17)
- Finance/insurance/real estate (+8 to +22; up 14)
- Manufacturing (-15 to -3; up 12)

The IIS is up 8 to 9 points for each of the following sectors:

- Retail trade (+11 to +20; up 9)
- Hotels/food/recreation (+9 to +18; up 9)
- Education (+4 to +12; up 8)
- Medical/health (+40 to +48; up 8)

## Challenges over Next 12 Months

When asked to choose the three biggest challenges facing them over the next 12 months, the recent results show that two concerns top the list, identified by more than four in ten respondents:

- Energy prices (46%)
- Government regulations/taxes (43%)

Following are three concerns, identified by more than three in ten respondents:

- Employee compensation/benefits (37%)
- State government finances (34%)
- Consumer confidence/spending (33%)

And, about one in five respondents selected:

- Inflation (22%)
- U.S. competition (22%)
- Commodity prices (20%)
- Availability of skilled workers (18%)

Far behind are concerns relating to interest rates (4%) and global competition (1%).

The challenges most on the minds of employers are very similar to those identified one year ago. For the top five challenges, the largest differences are small. They are found for energy prices, up 4% from last year (42% to 46%), and for consumer confidence/spending, down 4% from last year (37% to 33%). The other three show no change. For all concerns, the largest change is found for interest rates, which dropped to 4% from 10% a year ago.

Compared to two years ago, the current concern about energy prices is dramatically higher (18% to 46%). And the number of employers with concerns about inflation has doubled (11% to 22%). At the same time, while the number of employers identifying their concern about consumer confidence/spending is still in the top five, this number has decreased from 49% to 33%. And those with concerns about interest rates have decreased as well (17% to 4%).

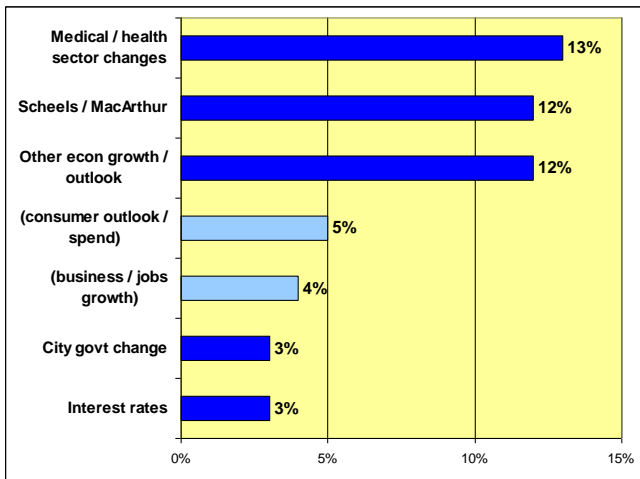
More detailed results are presented below, on pages 5 and 6.

## The Topical Questions

**The most positive and negative development for the Sangamon County economy in the past 12 months.** Employers were asked to identify the most positive and the most negative development for the Sangamon County economy over the past 12 months. Half (51%) of the employers identified a positive development while two-thirds (68%) identified a negative development. For ease of comparison, the following results for each are based on all sample members, not just those who gave a response.

**The most positive development.** Developments relating to three topics are most frequently identified, as seen in the graph below.

**The Most Positive Development**



The top three positive development topics are:

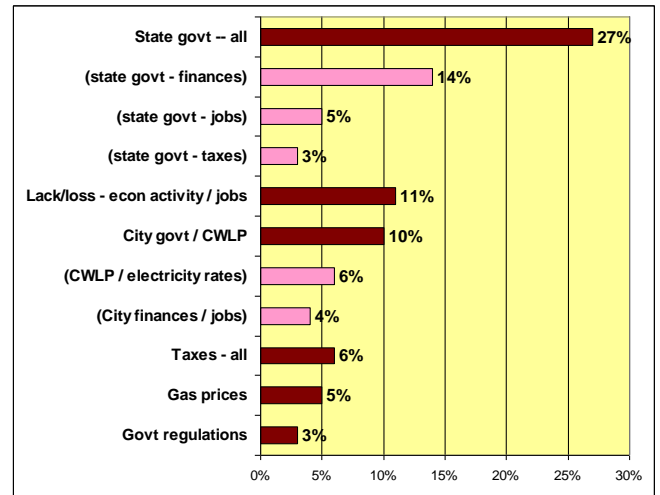
- 1) changes in the medical/health sector: 13%;
- 2) developments relating to MacArthur Blvd, particularly the opening of Scheel's and the extension of MacArthur: 12%; and
- 3) other developments relating to economic growth and outlook: 12% (including consumer outlook and spending and business and job growth).

**The most negative development.** By far, the most frequent comments here relate to state government (27%). About half of these (14%) are references to state government finances and/or delays in payments.

Comments relating to the lack or loss of economic activity and jobs are next most frequent (11%), followed very closely by comments relating to city government and CWLP (10%).

Other comments are about half as frequent. Those most frequently-mentioned are presented in the graph below.

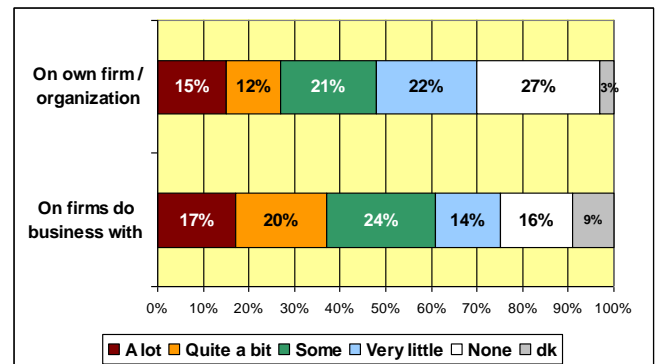
**The Most Negative Development**



**Impact of State's delay in paying bills.** Employers were asked, "What impact, if any, has the State's delay in paying its bills had on your firm/organization?" They were also asked the same question for "those firms that do business with you, or contribute to you."

Nearly half (48%) of the employers said the state's delay has had at least some impact on their own firm/organization. As seen in the graph below, over one-quarter (27%) of the employers said the state's delay has had either "a lot" (15%) or "quite a bit" (12%) of impact. And, another one in five (21%) said "some" impact.

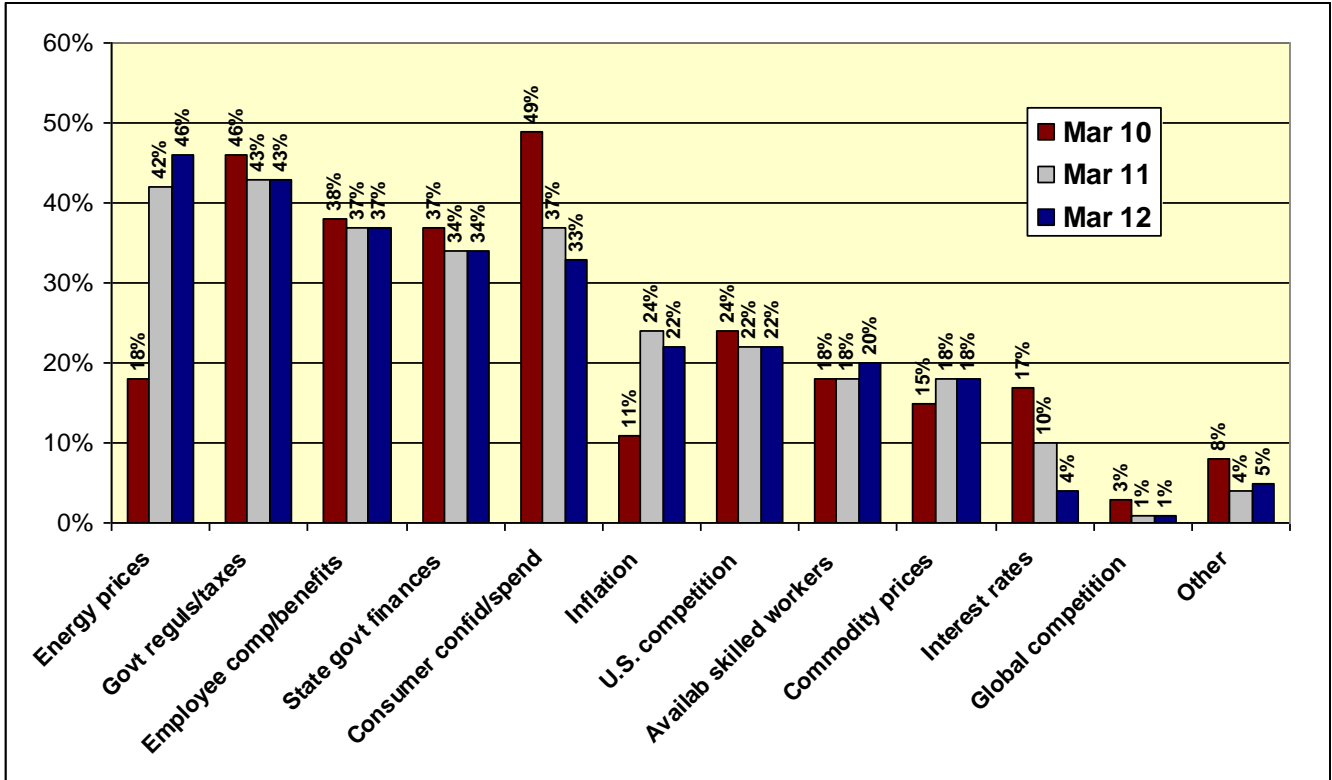
**Impact of State's Delay in Payment**



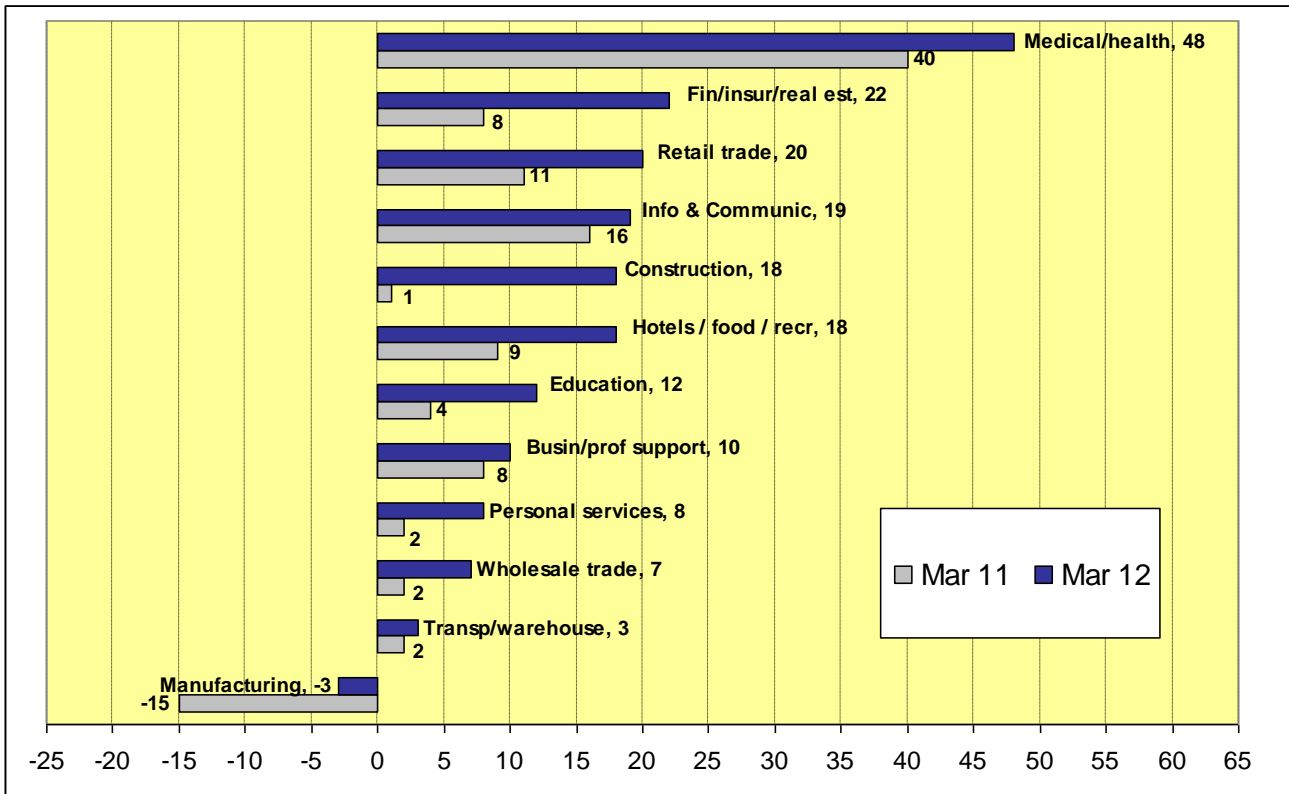
Six in ten (61%) of the employers said the state's delay has had at least some impact on firms that do business with them. As seen in the graph above, over one-third (37%) said this had either "a lot" (17%) or "quite a bit" (20%) of impact. Another one-quarter (24%) said "some" impact.

**NOTE:** Employers were also asked "what two to three 'things' could most improve the Sangamon County economy in the next 12 months." Over six in ten of the respondents gave a response. These comments are still being analyzed.

### 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 One Year Ago



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

(figures show % of respondents by category)

Sangamon County	March 2012 Results					March 12 Intensity Index Score (IIS)	Recent March 11- March 12 <u>change</u> in IIS	Sept 10- Mar 11 <u>change</u> in IIS
	DECLINE		SAME	INCREASE				
	<u>quite a bit</u>	<u>a little</u>		<u>a little</u>	<u>quite a bit</u>			
Overall economy .....	3%	18%	41%	37%	2%	+9	+8	+10
Gross sales / revenue .....	3	15	29	50	4	+19	+5	+13
Overall employment .....	3	15	43	38	1	+10	+3	+16
Capital investment .....	5	14	40	39	2	+10	+4	+1
Contributions to non-profits ...	6	25	57	12	1	-12	+0	+14
Interest rates .....	2	4	57	35	2	+15	-18	+23
Inflation/prices .....	1	1	14	50	34	+58	-11	+41

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

(figures show % of respondents by category)

Own Firm	March 2012 Results					March 12 Intensity Index Score (IIS)	Recent March 11- March 11 <u>change</u> in IIS	Sept 10- March 11 <u>change</u> in IIS
	DECLINE		SAME	INCREASE				
	<u>quite a bit</u>	<u>a little</u>		<u>a little</u>	<u>quite a bit</u>			
Overall .....	4%	12%	37%	42%	5%	+16	+6	+6
Capital investment .....	4	8	50	30	7	+14	+2	+7
Gross revenue / sales .....	3	15	23	50	8	+22	+10	+1
Number of employees .....	5	9	47	35	4	+12	+7	-1
Profitability .....	4	18	38	36	5	+10	+4	+6

## 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 2012 Results					March 12 Intensity Index Score (IIS)	Recent March 11- March 12 <u>change</u> in IIS	Sept 10- March 11 <u>change</u> in IIS
	DECLINE		SAME	INCREASE				
	<u>quite a bit</u>	<u>a little</u>		<u>a little</u>	<u>quite a bit</u>			
Firm's Sector .....	4%	10%	32%	48%	6%	+21	+12	-8