Sangamon County Economic Outlook Survey

Assessing the economic expectations of business and non-profit organizations in Sangamon County

Fall 2012

UNIVERSITY OF ILLINOIS SPRINGFIELD
SURVEY RESEARCH OFFICE

The Chamber

Conducted by the:

UNIVERSITY OF ILLINOIS SPRINGFIELD

Survey Research Office

Sponsored by the University of Illinois Springfield Chancellor's Office,
the Center for State Policy and Leadership at UIS,
and The Greater Springfield Chamber of Commerce

Methodology

The Sangamon County Economic Outlook Survey is a mail survey examining the economic perceptions, expectations, and evaluations of Sangamon County businesses and non-profit organizations. The survey has been conducted biannually (March and September) since 2008[1] with the goal of providing a longitudinal analysis of the local economy through the lens of area organizations. The original sample included all known businesses/firms/organizations in Sangamon County with 10 or more employees, provided by the Greater Springfield Chamber of Commerce in the fall of 2007.

The Fall 2012 survey is limited to entities who have previously responded to the Outlook Survey and a random sample of all other known entities with 10 or more employees. The final sample included 884 Sangamon County organizations representing the private sector, the non-profit sector, and the public sector. A printed questionnaire and letter requesting participation in the study were sent to these 884 individual businesses and non-profit organizations on September 17, 2012. Reminder postcards were mailed on September 24th, with follow-up questionnaires arriving on October 5th. The survey was closed on October 16th. The survey also included a web option. Respondents were required to enter their unique project ID number to complete the web version in order to eliminate duplicate responses.

Intensity Index Scores
The "Intensity Index Score" is developed using the economic indicator questions, which have consistently appeared in every Outlook Survey. The score is the average of all ratings when the following values are assigned to each response: large decline (-100), small decline (-50), stay the same (0), small increase (+50), and large increase (+100).

The survey has an 18.9% response rate, the results presented in this report are from 170 respondents.

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Special thanks to Richard Schuldt, Dr. Beverly Bunch, Dr. Patricia Byrnes, Denise Scott, and A.J. Simmons for their assistance on this project.

[1] The only exception being September 2011.

Table 1 presents the business demographics for the respondents.

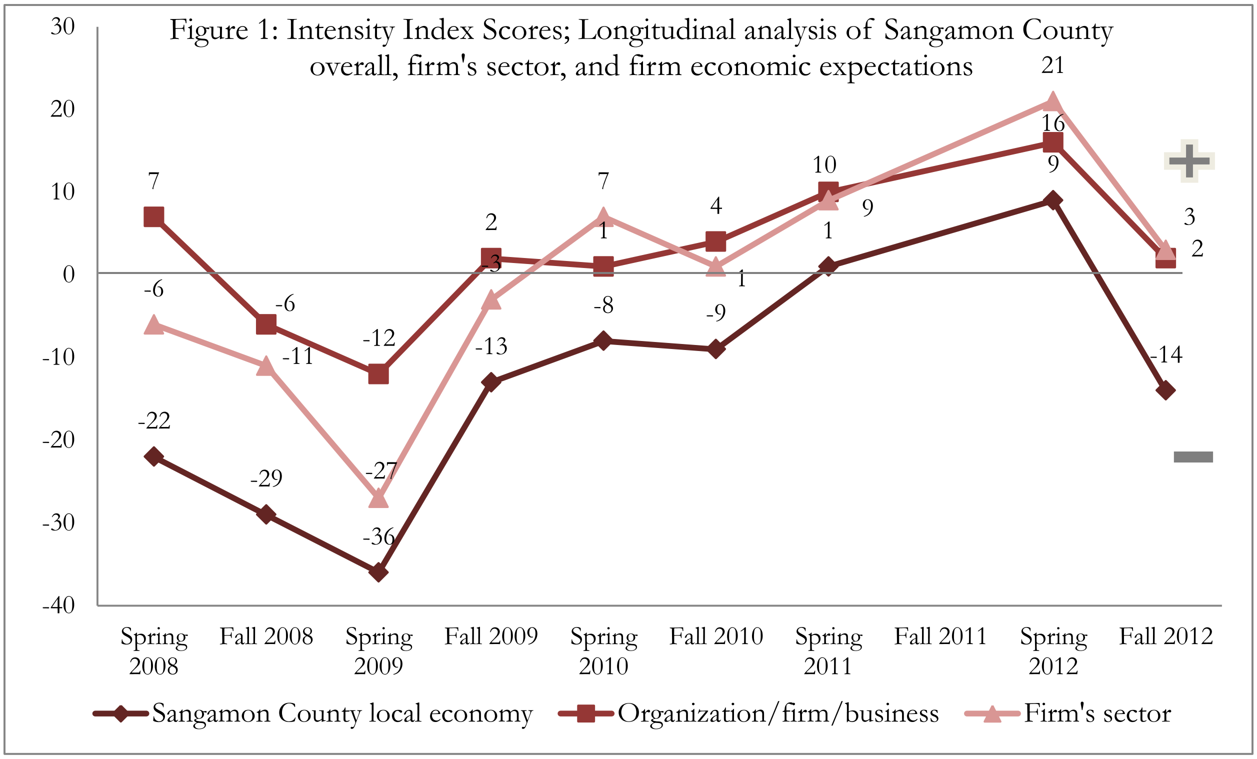
Table 1 Business demographics of respondents

Business Characteristic	Responses	Valid frequency
Sector		
Private sector (for-profit)	139	84.2%
Non-profit sector	20	12.1%
Public sector (government)	6	3.6%
Primary economic activity		
Construction	15	9.4%
Manufacturing	9	5.6%
Wholesale trade	1	.6%
Retail trade	29	18.1%
Transportation/ warehousing	5	3.1%
Finance/insurance/real estate	20	12.5%
Medical/ health care	20	12.5%
Education/ educational services	1	.6%
Accommodations/food/entertainment/recreation	20	12.5%
Information and communications systems	7	4.4%
Business and professional support services	14	8.8%
Personal services	19	11.9%

Executive Summary

The Fall 2012 Sangamon County Economic Outlook Survey studies local businesses, firms, and non-profits in order to gauge expectations for the next twelve months across several economic indicators. This survey follows six months after the Spring 2012 survey, which marked the highest expectations for economic conditions in Sangamon County since the survey began in 2008.

Figure 1 displays the longitudinal analysis of Intensity Index Scores for economic evaluations about the overall Sangamon County economy, respondents' firm's sector, and individual firms/businesses/organizations.



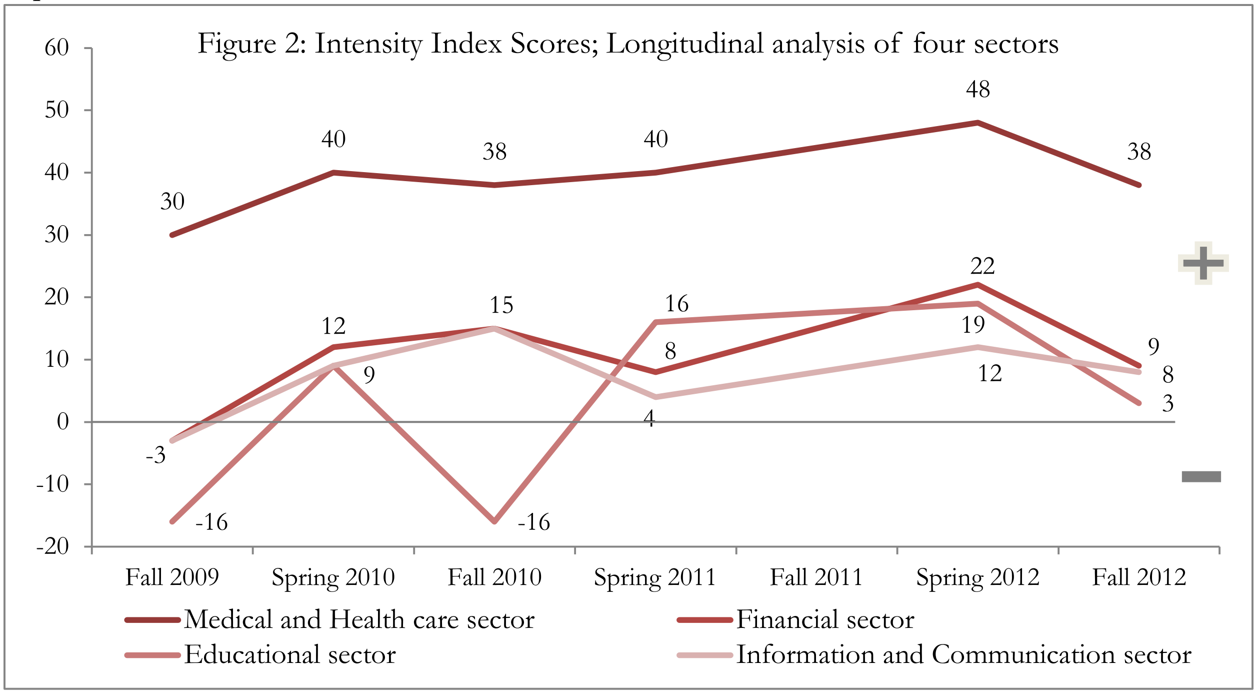
Respondents are more positive about their own business' growth than in the overall Sangamon County economy.

The Fall 2012 survey saw a decrease or leveling off of expectations across the majority of economic indicators. While local businesses have diminished expectations for the overall Sangamon County economy, they are still rather positive about their own business prospects for the upcoming year. When examining indicators about "their own firm," 35 percent of respondents expect increases in their firm's capital investments, 31 percent expect an increase in profitability, and 45 percent expect an increase in gross revenue over the next 12 months.

In addition, only 20 percent of respondents report an expected decline in the total number of employees at their own business over the next 12 months. In fact, respondents report that the overall status of their business/firm/organization will remain stagnant with 40.1 percent expecting no growth or decline.

The medical/ health care sector is still strong.

When examining expectations across different economic sectors, several key trends emerge. First, the medical/health care sector continues to be the sector in which the most growth is expected. As seen in Figure 2, the medical and health care sector has consistently received the highest expectations since 2009.

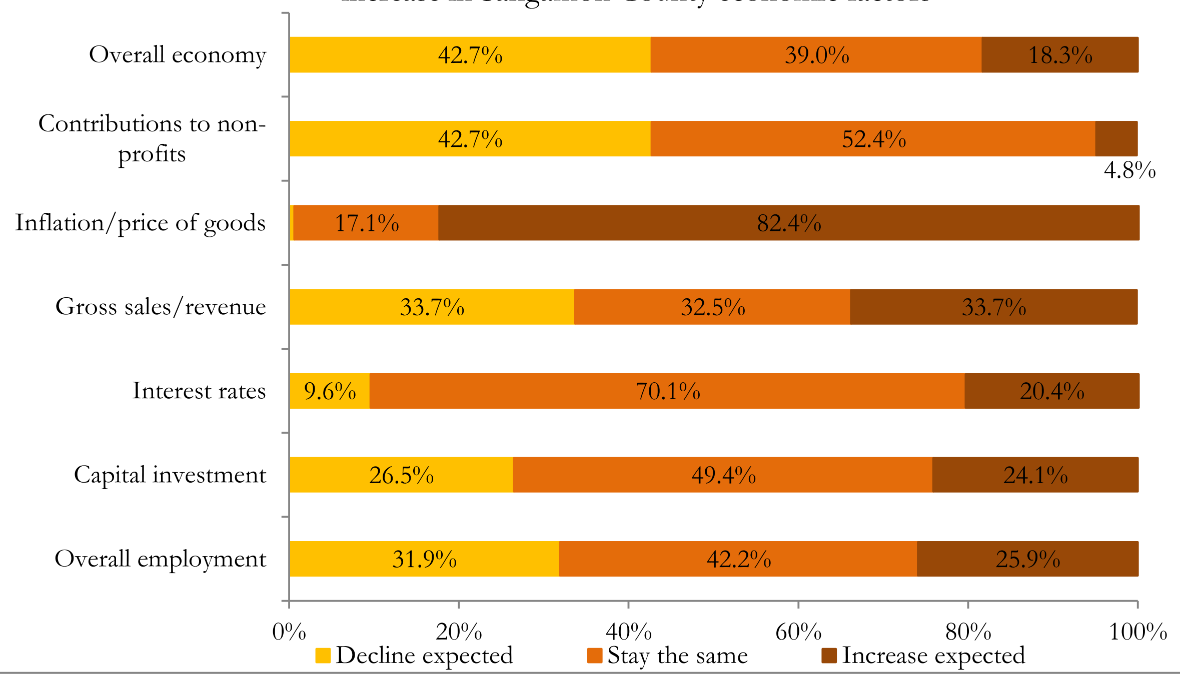


In the spring survey, more than 75.3 percent of respondents expected increases in this sector. In the fall survey, these high expectations remain - with over 70 percent of respondents expecting either a small increase (58.1 percent) or a large increase (13.2 percent). Second, the finance sector also received high expectations with 37.3 percent of respondents reporting an increase in the sector. Manufacturing received the least promising expectations with 34.5 percent of respondents expecting a decline and only 8.5 percent expecting an increase in the manufacturing sector.

The Sangamon County Economy

The Fall 2012 Survey indicates a decline in expectations for the Sangamon County local economy. In March 2012, local area businesses and nonprofit organizations reported more optimistic expectations across a series of local economic indicators than in Fall 2012. These expectations diminished in the fall survey. When asked about expectations for the overall Sangamon County economy, the most recent Intensity Index Score (IIS) is negative (-14). This is down from March 2012, which was positive (+9). However, it is still up from its lowest point (-36 in March 2009).

Figure 3: Percent of respondents who expect a decline, no change, or increase in Sangamon County economic factors



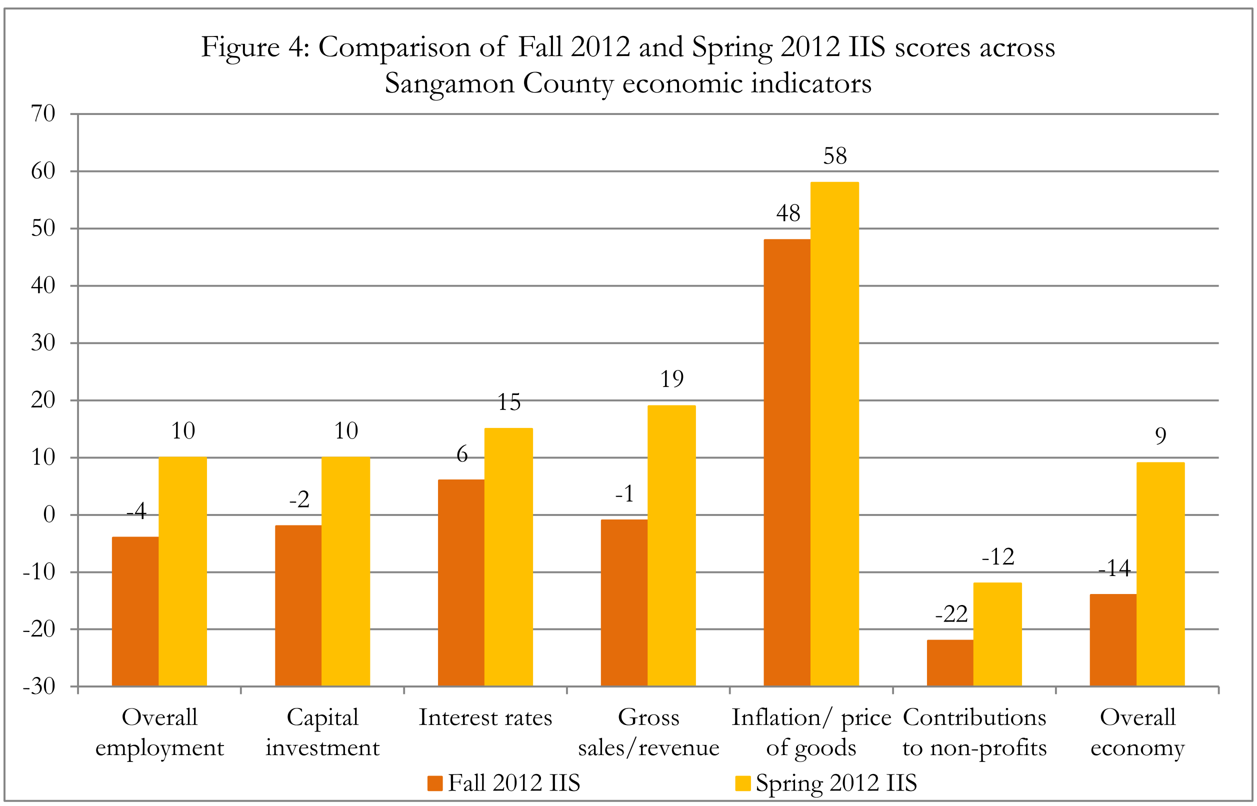
As seen in Figure 3, in most instances, the majority of respondents expect the individual Sangamon County economic factors to remain stable, and not decline or increase over the next 12 months. Only when asked about the overall Sangamon County economy, did the majority of respondents report that they expect a decline (42.7 percent) over the next 12 months, while 39 percent expect the economy to stay the same, and 18.3 percent expect an increase. In addition, while over 80 percent of respondents expected inflation/price of goods to increase over the next 12 months, the inflation IIS decreased ten points from the Spring 2012 survey. This indicates that in the Spring 2012, a higher percentage of respondents thought that inflation rates were going to increase than in the Fall 2012- this is a more positive evaluation. When asked about gross sales and revenue, a relatively equal percentage of respondents reported that they expected a decline (33.7 percent), an increase (33.7 percent), or expected gross sales and revenue to stay the same (32.5 percent).

Table 2 displays the current Intensity Index Scores, the Spring 2012 Intensity Index Scores, as well as the change between the scores.

Table 2 Intensity Index Scores for overall Sangamon County economic indicators

Table 2	Fall 2012 IIS	Spring 2012 IIS	Difference (Fall 2012-Spring 2012)
Overall employment	-4	+10	-14
Capital investment	-2	+10	-12
Interest rates	+6	+15	-9
Gross sales/revenue	-1	+19	-20
Inflation/ price of goods	+48	+58	-10[2]
Contributions to non-profits	-22	-12	-10
Overall economy	-14	9	-23

Figure 4 demonstrates the differences in the Intensity Index Scores from Spring 2012 to the current Fall 2012 survey.



[2] Inflation is the only indicator for which a negative value indicates a positive expectation. Therefore, the 10 point decrease from Spring 2012 to Fall 2012 indicates that expectations are more positive in Fall 2012.

Examining Expectations by Sector

When respondents were asked about their expectations for economic sectors in Sangamon County, every sector saw a decrease in expectations from Spring 2012 to Fall 2012 (see Table 3). Not only did respondents have lower expectations in their own sector (-19 point change in IIS), but also in the retail trade sector (-22 point change in IIS), accommodations/food/entertainment/recreation sector (-19 point change in IIS), and construction (-18 point change in IIS).

Table 3 Intensity Index Scores for specific economic sectors

Table 3	Fall 2012 IIS	Spring 2012 IIS	Difference (Fall 2012-Spring 2012)
Own firm's sector[3]	+2	+21	-19
Construction	0	+18	-18
Manufacturing	-15	-3	-12
Wholesale trade	-7	+7	-14
Retail trade	-2	+20	-22
Transportation/warehousing	-7	+3	-10
Finance/insurance/real estate	+9	+22	-13
Medical/ health care	+38	+48	-10
Education/ educational services	+3	+12	-9
Accommodations/ food/ entertainment/ recreation	-1	+18	-19
Information and communications systems	+8	+19	-11
Business and professional support services	-4	+10	-14
Personal services	-6	+8	-14

Respondents expect increases in four sectors: the medical/health care (+38 IIS in Fall 2012), the finance/insurance/real estate sector (+9 IIS in Fall 2012), information and communications systems (+8 IIS in Fall 2012), and education/ educational services (+3 IIS in Fall 2012).

[3] This variable was constructed by combining a self-report of own firm's "primary economic activity" which was then coded into one of the appropriate twelve sectors, and the individual response with the corresponding sector category.

Overall Expectations for "Your" Firm/Organization

Respondents were more positive about their expectations for their own business/firm/organization over the next 12 months. When asked about the overall status of their own firm, 33.5 percent of respondents expect an increase over the next 12 months, 40.1 percent expect no change, and 26.4 percent expect a decline. While the IIS of +3 is lower than the Spring expectations (+16), it is still positive - indicating that the majority of respondents expect neither no change or an increase (see Table 4).

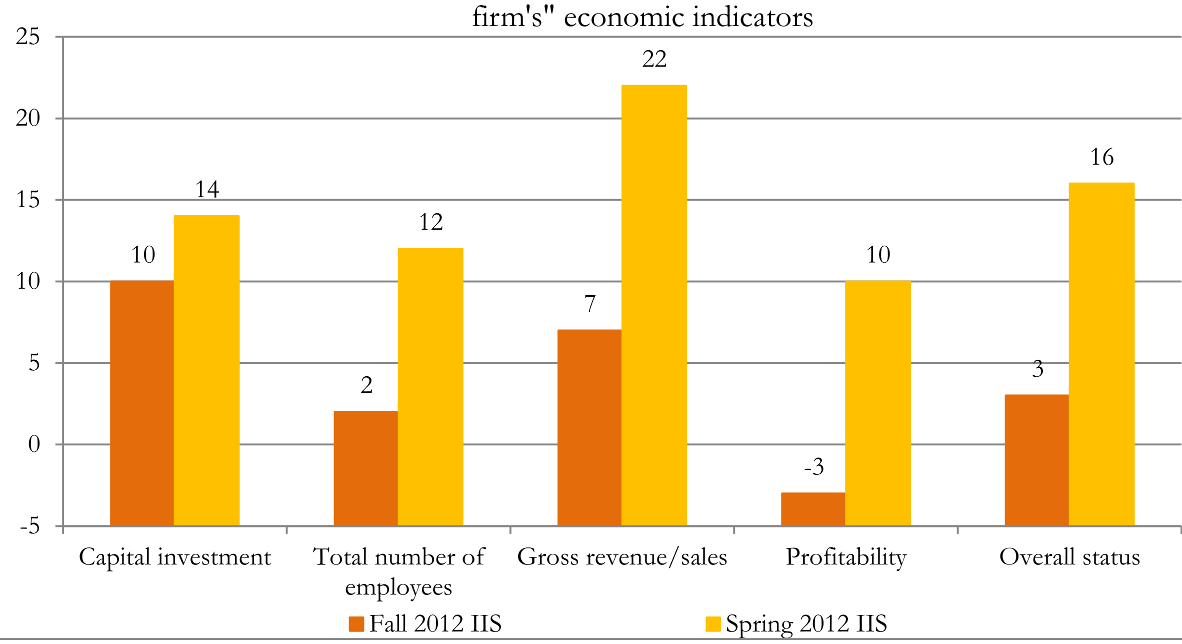
Table 4 Intensity Index Scores for own firm/business/organization expectations

Table 4	Fall 2012 IIS	Spring 2012 IIS	Difference (Fall 2012-Spring 2012)
Capital investment	+10	+14	-4
Total number of employees	+2	+12	-10
Gross revenue/sales	+7	+22	-15
Profitability	-3	+10	-13
Overall status	+3	+16	-13

Across all personal firm or business indicators, the majority of respondents expect no change. Forty-seven percent of respondents expect no change in the capital investment in their firm and 53 percent expect no change in total number of employees. In addition, 67.5 percent of businesses expect an increase in their gross revenue/sales over the next 12 months.

Figure 5 demonstrates the differences in the Intensity Index Scores from Spring 2012 to the current Fall 2012 survey across "own firm's" indicators.

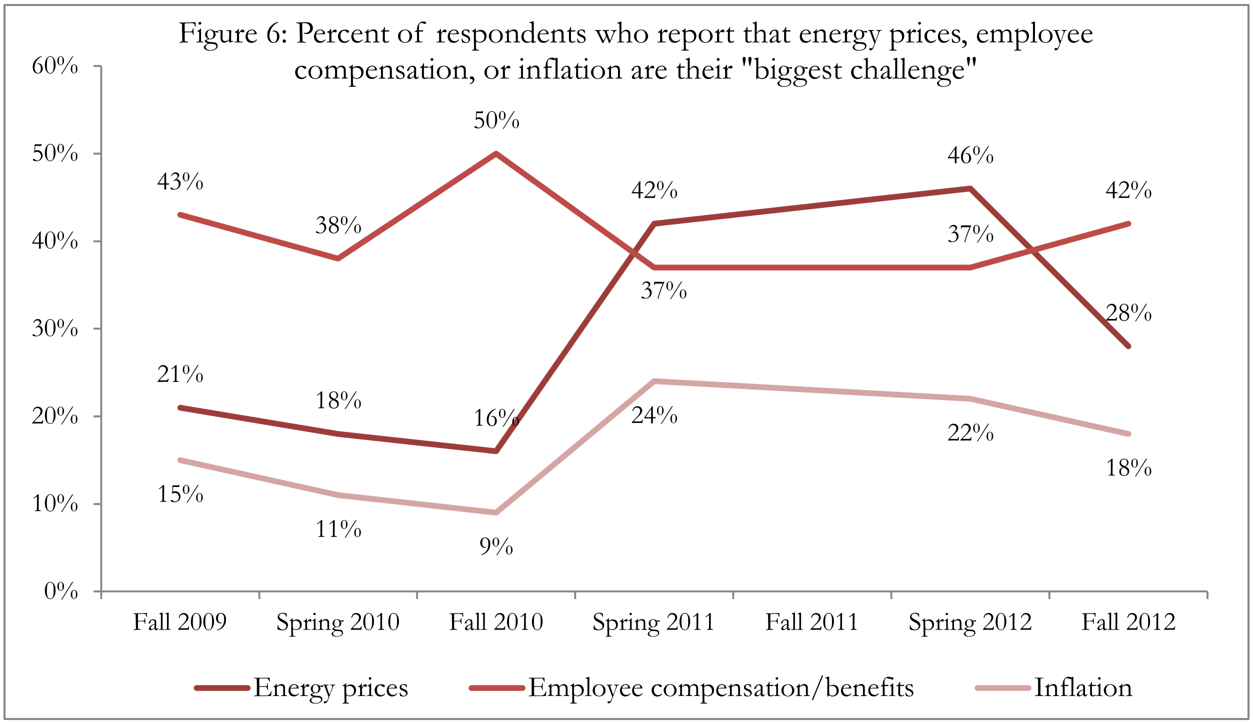
Figure 5: Comparison of Fall 2012 and Spring 2012 IIS scores across "own firm's" economic indicators



Biggest challenges facing Sangamon County businesses

When asked to identify the three biggest challenges facing their business, the most frequent responses were government regulations and taxation (42.9 percent), employee compensation/benefits (41.8 percent), and consumer confidence/spending (40.6 percent). In the Spring 2012 survey energy prices were identified by the most respondents as one of the three biggest challenges facing their business (46 percent). This decreased nearly 20 percentage points in the Fall 2012 survey to 27.6 percent.

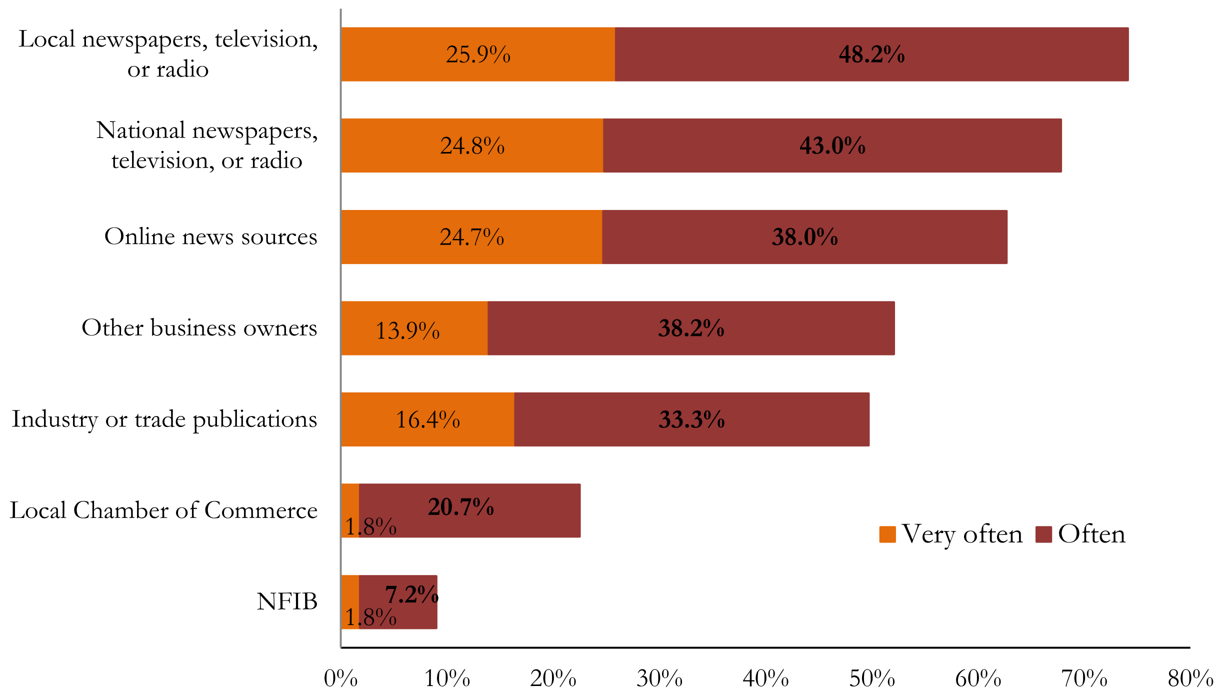
As seen in Figure 6, while there is a decrease in the percent of respondents who reported that inflation rates and energy prices were their biggest challenge, there was a five percentage point increase to 42 percent in respondents who reported that employee compensation/benefits were their biggest challenge. This number is still less than the 50 percent of respondents who reported that employee compensation/benefits were their biggest concern in the Fall 2010 survey.



News and Information Sources

The Fall 2012 survey included topical questions regarding where business owners received their information and news about the local Sangamon County business outlook. The majority of respondents reported receiving their news from local newspapers, television, or radio sources.

Figure 7: Percent of respondents who report getting information "very often" or "often" from the following sources



Over 75 percent of respondents stated that they either got their information “very often” (25.9 percent) or “often” (48.2 percent) from local news. National news was the second most relied upon source with 67.8 percent reporting that they got their news either “very often” or “often” from these types of sources. Online news sources were also a very prominent source of information for Sangamon County area businesses and nonprofits (see Figure 7).

Survey Questionnaire and Topline Results

(*N*= 170)

Section 1: Sangamon County Economic Expectations

Over the next 12 months, what are your expectations for **the local economy** in Sangamon County? Do you think each aspect of the local economy will see a large decline, small decline, stay the same, small increase, or large increase?

Overall employment (Intensity Index Score = -4)

	Responses	Valid frequency
Large decline	6	3.6%
Small decline	47	28.3%
Stay the same	70	42.2%
Small increase	42	25.3%
Large increase	1	.6%

Capital investment (Intensity Index Score = -2)

	Responses	Valid frequency
Large decline	8	4.8%
Small decline	36	21.7%
Stay the same	82	49.4%
Small increase	36	21.7%
Large increase	4	2.4%

Interest rates (Intensity Index Score = +6)

	Responses	Valid frequency
Large decline	1	.6%
Small decline	15	9.0%
Stay the same	117	70.1%
Small increase	32	19.2%
Large increase	2	1.2%

Gross sales/revenue (Intensity Index Score = -1)

	Responses	Valid frequency
Large decline	4	2.4%
Small decline	52	31.3%
Stay the same	54	32.5%
Small increase	54	32.5%
Large increase	2	1.2%

Inflation/price of goods (Intensity Index Score =+48)

	Responses	Valid frequency
Large decline	0	0%
Small decline	1	.6%
Stay the same	28	17.1%
Small increase	109	66.5%
Large increase	26	15.9%

Contributions to non-profits (Intensity Index Score =-22)

	Responses	Valid frequency
Large decline	11	6.6%
Small decline	60	36.1%
Stay the same	87	52.4%
Small increase	8	4.8%
Large increase	0	0%

The overall economy (Intensity Index Score = -14)

	Responses	Valid frequency
Large decline	10	6.1%
Small decline	60	36.6%
Stay the same	64	39.0%
Small increase	28	17.1%
Large increase	2	1.2%

Section 2: Expectations for Sangamon County Economic Sectors

Over the next 12 months, what are your expectations for the following **economic sectors** in Sangamon County? Do you think each sector will see a large decline, small decline, stay the same, small increase, or large increase?

Construction (Intensity Index Score = 0)

	Responses	Valid frequency
Large decline	5	3.0%
Small decline	44	26.7%
Stay the same	65	39.4%
Small increase	47	28.5%
Large increase	4	2.4%

Manufacturing (Intensity Index Score = -15)

	Responses	Valid frequency
Large decline	6	3.6%
Small decline	51	30.9%
Stay the same	94	57.0%
Small increase	14	8.5%
Large increase	0	0%

Wholesale trade (Intensity Index Score = -7)

	Responses	Valid frequency
Large decline	3	1.8%
Small decline	45	27.1%
Stay the same	91	54.8%
Small increase	27	16.3%
Large increase	0	0%

Retail trade (Intensity Index Score = -2)

	Responses	Valid frequency
Large decline	3	1.8%
Small decline	50	30.1%
Stay the same	64	38.6%
Small increase	48	28.9%
Large increase	1	.6%

Transportation/warehousing (Intensity Index Score = -7)

	Responses	Valid frequency
Large decline	3	1.8%
Small decline	40	24.1%
Stay the same	101	60.8%
Small increase	22	13.3%
Large increase	0	0%

Finance/insurance/real estate (Intensity Index Score = +9)

	Responses	Valid frequency
Large decline	5	3.0%
Small decline	25	15.1%
Stay the same	74	44.6%
Small increase	59	35.5%
Large increase	3	1.8%

Medical/health care (Intensity Index Score = +38)

	Responses	Valid frequency
Large decline	2	1.2%
Small decline	8	4.8%
Stay the same	38	22.8%
Small increase	97	58.1%
Large increase	22	13.2%

Education/educational services (Intensity Index Score = +3)

	Responses	Valid frequency
Large decline	1	.6%
Small decline	26	15.9%
Stay the same	100	61.0%
Small increase	37	22.6%
Large increase	0	0%

Accommodations/food/entertainment/recreation (Intensity Index Score = -1)

	Responses	Valid frequency
Large decline	7	4.2%
Small decline	40	24.2%
Stay the same	72	43.6%
Small increase	43	26.1%
Large increase	3	1.8%

Information and communications systems (Intensity Index Score = +8)

	Responses	Valid frequency
Large decline	3	1.8%
Small decline	15	9.0%
Stay the same	101	60.8%
Small increase	45	27.1%
Large increase	2	1.2%

Business and professional support services (Intensity Index Score = -4)

	Responses	Valid frequency
Large decline	6	3.6%
Small decline	32	19.3%
Stay the same	98	59.0%
Small increase	29	17.5%
Large increase	1	.6%

Personal services (Intensity Index Score = -6)

	Responses	Valid frequency
Large decline	6	3.7%
Small decline	39	23.8%
Stay the same	88	53.7%
Small increase	31	18.9%
Large increase	0	0%

Section 3: Expectations for Your Business/Firm/Organization in Sangamon County

Over the next 12 months, what are your expectations for **your business/firm/organization** in Sangamon County? Do you think each aspect of your business will see a large decline, small decline, stay the same, small increase, or large increase?

Capital investment in firm (Intensity Index Score = +10)

	Responses	Valid frequency
Large decline	8	4.8%
Small decline	22	13.3%
Stay the same	79	47.6%
Small increase	42	25.3%
Large increase	15	9.0%

Total number of employees (Intensity Index Score = +2)

	Responses	Valid frequency
Large decline	5	3.0%
Small decline	30	17.9%
Stay the same	89	53.0%
Small increase	41	24.4%
Large increase	3	1.8%

Gross revenue/sales (Intensity Index Score = +7)

	Responses	Valid frequency
Large decline	10	6.0%
Small decline	38	22.9%
Stay the same	42	25.3%
Small increase	70	42.2%
Large increase	6	3.6%

Profitability (Intensity Index Score = -3)

	Responses	Valid frequency
Large decline	7	4.2%
Small decline	51	30.4%
Stay the same	58	34.5%
Small increase	49	29.2%
Large increase	3	1.8%

Overall status (Intensity Index Score = +3)

	Responses	Valid frequency
Large decline	6	3.6%
Small decline	38	22.8%
Stay the same	67	40.1%
Small increase	53	31.7%
Large increase	3	1.8%

Right now, as you look over the next 12 months, what are the three biggest challenges facing your business/firm/organization?

	Responses	Valid frequency
Inflation	30	17.6%
Interest rates	14	8.2%
Employee compensation/ benefits	71	41.8%
Consumer confidence/spending	69	40.6%
Energy prices	47	27.6%
Commodity prices	27	15.9%
Availability of skilled/trained workers	29	17.1%
Competition from local/state/national firms	45	26.5%
Global competition	5	2.9%
State government finances	59	34.7%
Government regulations and taxation	73	42.9%
Other	23	13.5%

Others mentioned: banks, charitable giving, Congress (2), President, environmental regulations, Healthcare reform (6), slow economy (2), total disruption of society, downtown parking, real estate availability.

Section 4: Information about Sangamon County Business Expectations

Finally, we are interested in where you get your news and information about the local Sangamon County business outlook. Do you get information from the following sources very often, often, sometimes, seldom, or never?

Industry or trade publications

	Responses	Valid frequency
Very often	27	16.4%
Often	55	33.3%
Sometimes	46	27.9%
Seldom	26	15.8%
Never	11	6.7%

National Federation of Independent Business (NFIB)

	Responses	Valid frequency
Very often	3	1.8%
Often	12	7.2%
Sometimes	30	18.1%
Seldom	41	24.7%
Never	80	48.2%

Other business owners

	Responses	Valid frequency
Very often	23	13.9%
Often	63	38.2%
Sometimes	58	35.2%
Seldom	18	10.9%
Never	3	1.8%

Your local Chamber of Commerce

	Responses	Valid frequency
Very often	3	1.8%
Often	34	20.7%
Sometimes	56	34.1%
Seldom	45	27.4%
Never	26	15.9%

National newspapers, television, or radio

	Responses	Valid frequency
Very often	41	24.8%
Often	71	43.0%
Sometimes	30	18.2%
Seldom	18	10.9%
Never	5	3.0%

Local newspapers, television, or radio

	Responses	Valid frequency
Very often	43	25.9%
Often	80	48.2%
Sometimes	29	17.5%
Seldom	10	6.0%
Never	4	2.4%

Online news sources

	Responses	Valid frequency
Very often	39	24.7%
Often	60	38.0%
Sometimes	28	17.7%
Seldom	21	13.3%
Never	10	6.3%

Other news and information sources mentioned: distributors, franchise organization, trade organization, vendor publications, lobbyists.

Survey Research Office

Center for State Policy & Leadership
University of Illinois Springfield

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The **Survey Research Office** has a computer-assisted telephone interviewing (CATI) lab, mail survey office, web survey hosting capabilities, in addition to advanced analytical services. The SRO is well-suited to help in every step of the research process. Uniquely located within the Center for State Policy & Leadership, the SRO benefits from a variety of different disciplines and intellectual assets within the Center and relies on these assets during the research process. Clients include Illinois Department of Transportation, The Greater Springfield Chamber of Commerce, Environmental Protection Agency, Quitline, and the University of Illinois system.

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