

FOR IMMEDIATE RELEASE: March 1, 2018

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Vermont Business Roundtable and Economic & Policy Resources

4th Quarter 2017 and 1st Quarter 2018 Business Conditions Survey and Index

Results Show Continuing Neutral Outlook

(South Burlington, Vt.) Today, Lisa Ventriss, President of Vermont Business Roundtable (VBR) and Jeffrey Carr, President, Economic & Policy Resources (EPR), announced the Q4 2017 outlook results of their joint initiative, the VBR/EPR Business Conditions Survey and Index.

Overall Finding

The latest survey, which was conducted during January of 2018, achieved a response rate of 69 percent overall and included a 50 percent or greater response rate from 13 of 14 represented sectors within the membership. Survey results show that:

- **A supermajority of respondents (69%) shared negative outlooks specifically with ease of hiring for available positions**, a decline from the previous survey (63%);
- **Slightly more than 40 percent of responses to the question about the state's overall business climate outlook were neutral (42%)**, an improvement from the previous survey (63%). The remaining responses saw a doubling of positive responses this quarter compared to last (38% vs 19%), and also a slight uptick in negative responses (20% vs 18%).
- **The information sector again had the most optimistic outlook on the general business climate (100% optimistic)**, while the education sector again had the least optimistic, but improving outlook (50% pessimistic, 25% neutral, 25% optimistic). This is the third quarter in a row that the information sector led in optimism about the general business climate.

Mr. Carr of EPR stated that “We seem to be seeing the first signs that the higher levels of business confidence on the national level are working their way back to business leaders in Vermont. With the near-term outlook for the U.S. and global economies strengthening, we would expect to see at least a small increase in optimism for the Vermont economy as well.” While the index remains in the “neutral to mild optimism” range, the slight uptick in optimism is encouraging for the overall economic outlook in the state.

“Clearly, ease of hiring qualified workers will continue to be a major drag on employers’ outlook on business climate in general. However, we are encouraged to see signs that optimism is creeping back into employers’ psyche. On all three measures – demand, capital spending, and hiring – employers anticipate improvements in the next three months”, said Roundtable President Lisa Ventriss.

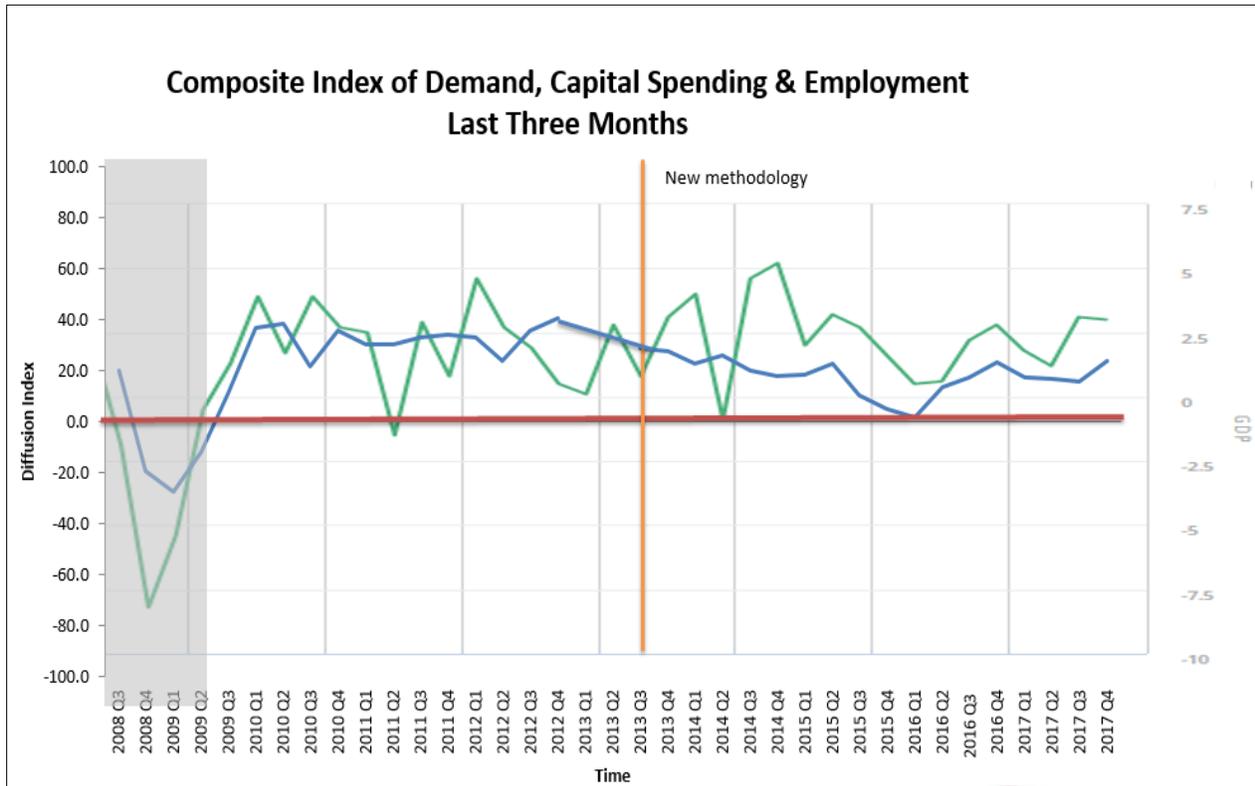
The raw (unweighted) survey data are easily compared to the quarterly, national Business Roundtable CEO Survey of national and multi-national companies, which contains similar questions to the VBR/EPR Survey in terms of employment and capital spending (www.brt.org). Comparing these two surveys revealed that:

- **Vermont companies are predicting slightly lower capital spending plans and a more neutral or stable employment outlook than their national counterparts.**

When comparing VBR/EPR survey results against national GDP data (Table 1), we find that

- **Vermont’s outlook appears to remain on a “neutral” trend, with a slight positive uptick. Given the responses from this and the previous survey, and continues to demonstrate that economic conditions overall remain somewhat uncertain in many areas of the State and sectors of Vermont economy.**

Table 1: Comparison between the VBR and National GDP Data



Also included in the survey was the opportunity for Roundtable members to express their opinions on other topics impacting their businesses.

- **Based on the highest frequency of comments, respondents expressed concern about the finding qualified employees, challenging workforce demographics, the affordability of Vermont, and the uncertainty regarding healthcare.**

Methodology

- The quarterly survey is a tool for tracking business conditions and forecasting the future of Vermont’s economy, by providing insight into business sentiments and trends. Specifically, the survey provides both a look back at the previous quarter and a predictive index going forward.
- The data for both the backward and forward-looking questions are weighted to the Vermont economy by sector employment and turned into “diffusion indices”.¹ These diffusion indices provide a tool for analyzing and presenting insight into the Vermont economy over time through

¹ Each question on the survey is weighted by sector employment and the diffusion number is formulated by giving each “strong positive” answer a numerical value of 1.0, “mild positive” answers a numerical value of 0.5, neutral answers a value of 0, “mild negative” answers a value of -0.5, and strong negative values of -1.0. The diffusion index numbers are then formulated based on these numerical values. A value of 100 would mean that every respondent answered “strong positive”, a value of 0 would mean that every respondent answered neutrally, and a value of -100 would mean that every respondent answered “strong negatively.”

the sentiments of the Roundtable members. The survey asked eight retrospective and prospective questions about the CEOs' economic outlook, demand, capital spending, and employment.

The next survey will be conducted in April of 2018.

The Vermont Business Roundtable (VBR) is a nonprofit, nonpartisan organization of chief executive officers of Vermont's leading private and nonprofit employers, representing geographic diversity and all major sectors of the Vermont economy. The Roundtable is committed to sustaining a sound economy and preserving Vermont's unique quality of life by studying and making recommendations on statewide public policy issues. Learn more at www.vtroundtable.org.

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