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Vermont Business Roundtable and Economic & Policy Resources

4th 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 of 2018 outlook results of their joint initiative, the *VBR/EPR Business Conditions Survey and Index*.

Overall Finding

The latest survey, which was conducted during October and November of 2018, achieved a response rate of 65 percent overall. Survey results show that:

- **More than 80 percent of respondents shared negative outlooks specifically with ease of hiring for available positions (83%);** an increase from the previous survey (77%);
- **A majority of respondents expressed a neutral outlook about the state's overall business climate (57%);** a decrease from the previous survey (53%). However, expected demand for the next three months was improved over the previous quarter among a slight majority (51%).
- **When asked, "Are you more or less optimistic about the general business climate in your sector compared to three months ago?", the responses were largely neutral.** However, the Finance and Insurance sector expressed the most optimism (54%), while the Education sector had the most pessimistic outlook (50%).

Mr. Carr of EPR stated that “Given the length of the current economic upturn and the real forward progress the economy has made since the end of the last recession, it is a bit surprising that sentiment among Vermont business leaders has remained on the neutral side of the ledger. Uncertainty about trade policy, recent volatility in the U.S. stock market, and the slowdown in the global economy may still be holding back a more favorable view of future economic conditions. Resolution of those uncertainties as we move forward may begin to move respondents in a more optimistic direction.”

“Until and unless we can meet Vermont’s workforce challenges with a robust pipeline of new talent, we will continue to see an economy held back. This is why the Roundtable and partners have focused so much energy in the Vermont Talent Pipeline Management project. This employer-led model is changing the way we engage with educators to train new workers.” said Roundtable President Lisa Ventriess.

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:

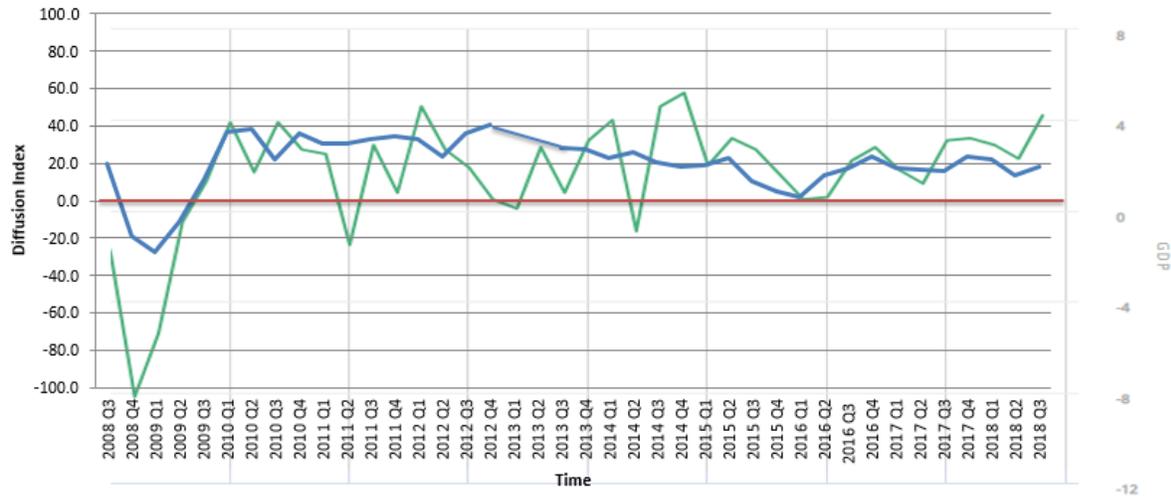
- **Compared to their national counterparts, which are expecting increases in both capital spending and employment, a majority of Vermont companies are predicting no changes in either measure.**

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 only slight fluctuation. Given the responses from this and the previous survey, they continue to demonstrate that economic conditions overall are stable but not immediately leading towards expansion in many areas of the State and sectors of Vermont economy.**

Table 1: Comparison between the VBR and National GDP Data

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



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\$).



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 finding and retaining qualified employees; the affordability of Vermont, especially housing and taxes; 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 January 2019.

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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