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Vermont Business Roundtable and Economic & Policy Resources

1st Quarter 2019 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 Q1 of 2019 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 2019, achieved a response rate of 62 percent overall. Survey results show that:

- **More than 60 percent of respondents shared negative outlooks specifically with ease of hiring for available positions (64%);** a slight shift toward neutral from the previous survey.
- **A supermajority of respondents expressed a neutral or negative outlook about the state's overall business climate (85%);** a sharp increase from the previous survey.
- **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 or negative.** The Accommodation and Food Services sector expressed the most optimism (43%), while the Education sector had the most pessimistic outlook (80%).

Mr. Carr of EPR stated that “Given the late cycle dynamics of the current, second-longest upturn in U.S. history, it is not surprising that business sentiment this past month seems to have been adversely impacted by a combination of the record-long partial shutdown of the federal government, on-going uncertainty regarding U.S. trade and monetary policy, and what also looks to be a loss of some forward growth momentum in the global economy—particularly with respect to China and developing countries and now in the UK as Brexit negotiations have stalled. Perhaps the recent end of the partial federal shutdown, the recent, more dovish tone to U.S. monetary policy, and the resumption of trade negotiations with China will help diminish the effect of uncertainty on business sentiment in future surveys and begin to move survey respondents back in a more optimistic direction.”

“Vermont’s economy is most definitely impacted by events on the national and global levels, but at the state level we must ensure that our business climate is as competitive as it can possibly be. Whether we’re talking about fiscal policy or a seamless cradle to career education delivery system, Vermont business needs to count on a predictable and reliable framework for economic growth. The respondents’ negative outlook on the current business climate is very concerning.” said Roundtable President Lisa Ventriss.

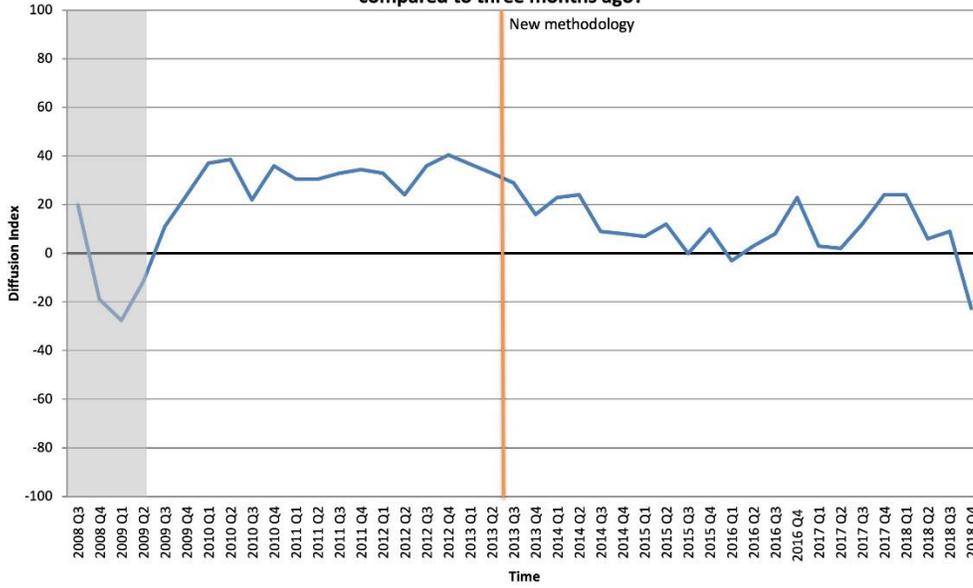
The raw (unweighted) survey data are easily compared to the quarterly, national Business Roundtable CEO Survey of national and multi-national companies, which contains similar questions to the VBR/EPR Survey in terms of employment and capital spending (www.brt.org). Comparing these two surveys revealed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

- **Compared to their national counterparts, which are expecting increases in both capital spending and employment, a majority of Vermont companies are predicting little changes in either measure.**

When comparing this quarter’s observation to historical VBR/EPR survey results of the current business climate (Table 1), and this quarter’s reading for the composite index for the next three months (Table 2) indicates that:

- **Survey respondents believe Vermont’s current business conditions-outlook overall has declined to the lowest level since the re-launch of the business confidence index under the new survey methodology. However, the forward-looking composite index of business conditions over the next three months showed little change from previous quarters. This suggests that last quarter’s pessimism may be only short-lived.**
- **Business confidence is a fragile concept and it is not unusual for single readings to bounce around due to short-term developments. Survey respondents this quarter appear to be concerned about the uncertainties associated with the partial shutdown of the Federal Government. The partial federal shutdown was very prominent in the news headlines during the quarterly survey period in January, lending some degree of optimism that the historically sharp decline in business confidence this quarter may only be temporary. This observation is supported by the one quarter ahead forward looking index which remained relatively stable.**

Table 1: Diffusion Index of Current Business Climate
Are you more or less optimistic about the general business climate in your sector compared to three months ago?



Note: Data missing from Q4 2009 and Q1/Q2 2013. Shaded area indicates recession.



Table 2: Composite Index of Next Three Months
Forward Looking Composite Index of Demand, Capital Spending & Employment in the Next Three Months



Note: Data missing from Q4 2009 and Q1/Q2 2013. Shaded area indicates recession.



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 healthcare and taxes; the aging population; and uncertainty regarding the partial federal shutdown.**

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 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 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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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."