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Vermont Business Roundtable and Economic & Policy Resources

3rd 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 Q3 of 2019 outlook results of their joint initiative, the *VBR/EPR Business Conditions Survey and Index*.

Overall Findings

The latest survey, which was conducted during July of 2019, achieved a response rate of 63 percent overall. Survey results show that:

- **Two-thirds of respondents shared negative outlooks specifically with ease of hiring for available positions (67%);** a slight shift toward neutral from the previous survey (76%) and is reflective of the chronic demographic-workforce growth challenges in Vermont;
- **A majority of respondents expressed a neutral outlook about the state’s overall business climate (54% Neutral, 22% Negative);** a slight shift toward negative outlook of the previous survey (62% Neutral, 14% Negative).
- **When asked, “Are you more or less optimistic about the general business climate in your sector compared to three months ago?” ...overall the responses were largely neutral or negative.** The Accommodation and Food Service sector expressed the most optimism (29%), while the Manufacturing sector had the most pessimistic outlook (75%).

Mr. Carr of EPR stated that “The latest survey data from key Vermont businesses regarding business sentiment shows there has been a small but noticeable erosion in confidence since this time last year. Business expansion decisions in Vermont have apparently been made more difficult by the combination of the State’s tight labor markets and only slow recent labor force growth, even though the discernable positive trend in labor force growth appears to have improved. Add to that the latest round of federal policy uncertainty due to the apparent escalation of the now full-blown trade war with China, and it seems clear that businesses have become cautious about the future. The next test for the U.S. economy will be how the latest round of U.S. tariffs and the corresponding retaliatory measures recently taken by the Chinese may impact the strength of household consumption—heretofore a pillar of strength for the U.S. economy. A slowdown in consumption typically indicates slower overall economic growth. With evidence of some cracks in the façade of the now longest economic expansion in recorded U.S. economic history, only time will tell if this potentially harmful turn in trade policy will grow significant enough to actually threaten the longevity of the current economic upturn.”

“Results of this survey show Vermont employers continue to be in a no- to slow-growth mode due to lack of available and ready workforce and issues of affordability in Vermont. And a declining population (i.e., consumers) means that any kind of market expansion will primarily happen outside of Vermont.” 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 decreases in both capital spending and employment, a majority of Vermont companies are predicting modest growth in both measures.**

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

- **Vermont appears to remain on a “mild positive trending toward neutral” outlook, 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.**

The diffusion index of the general business climate (Table 2) shows that business sentiment has returned to a more normal level after a sharp decline in the previous quarterly survey, likely related to the partial federal government shutdown.

Table 1: Comparison between the VBR and National GDP Data

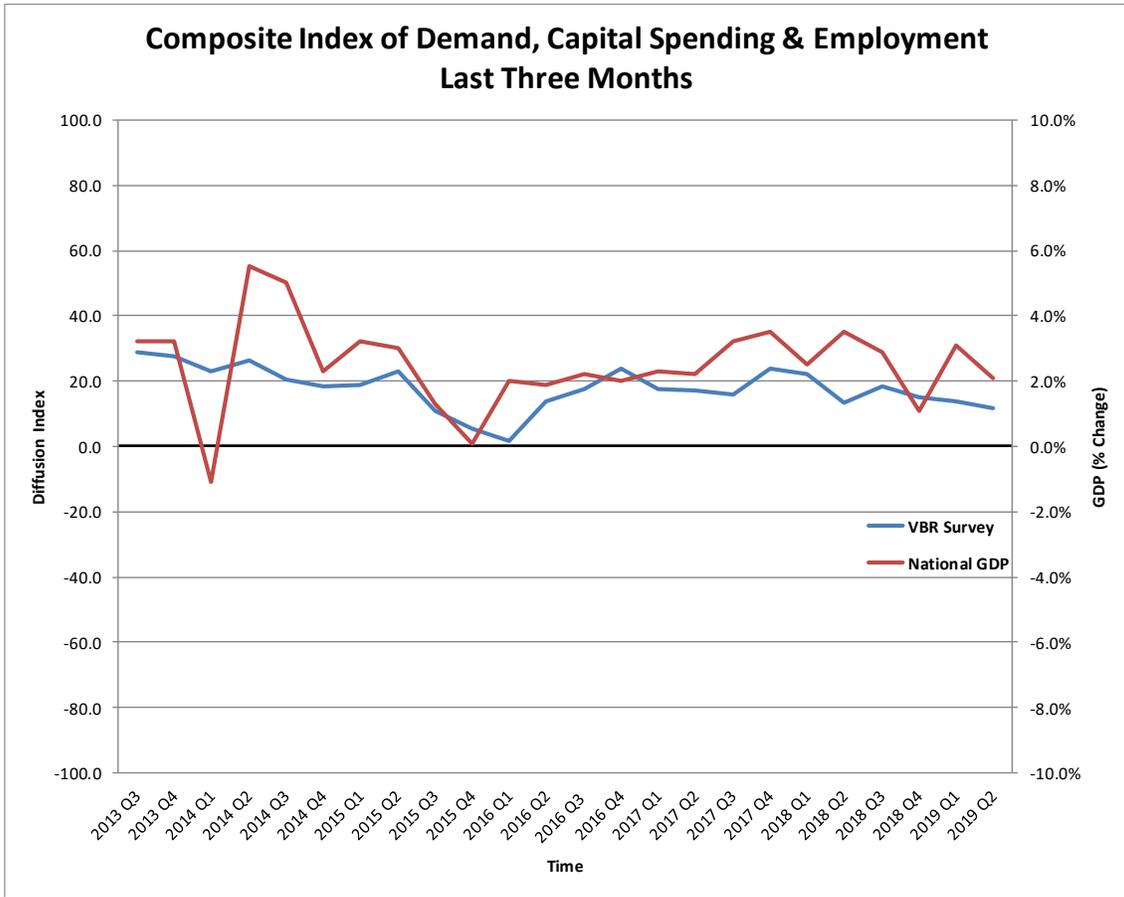
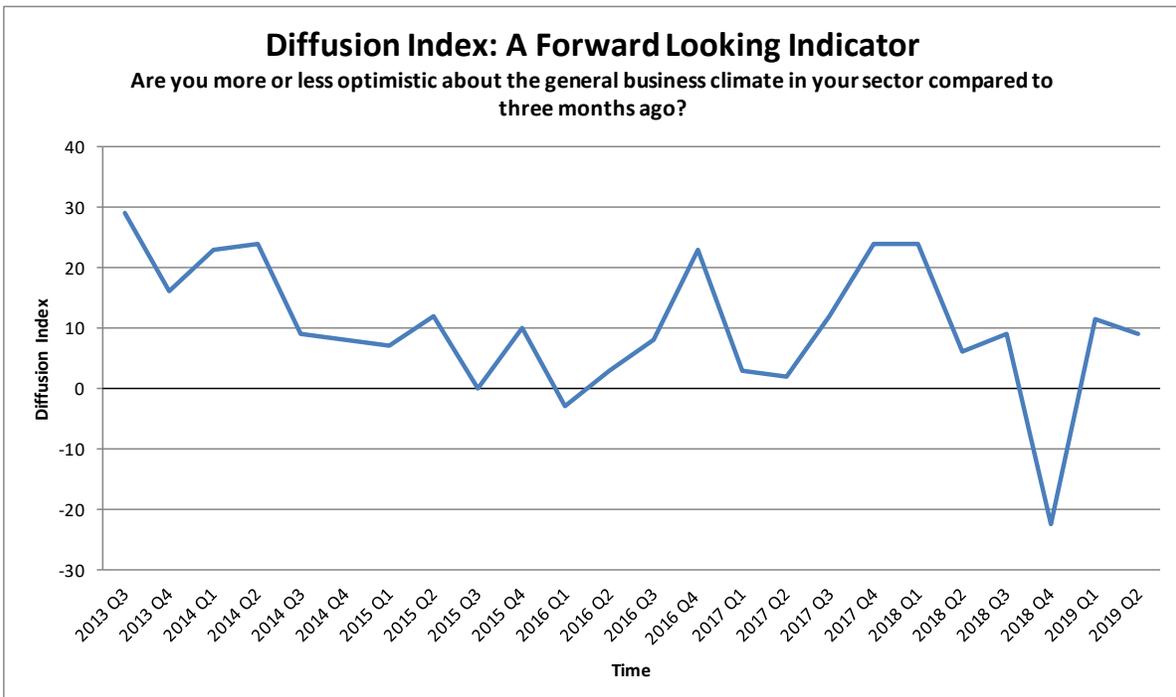


Table 2: Diffusion Index of General Business Climate



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 international trade.**

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 October 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."