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Vermont Business Roundtable and Economic & Policy Resources

1st and 2nd 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 Q2 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 April of 2018, achieved a response rate of 68 percent overall and included a 50 percent or greater response rate from all represented sectors within the membership. Survey results show that:

- **Almost three-quarters of respondents (72%) shared negative outlooks specifically with ease of hiring for available positions;** an increase from the previous survey (69%);
- **Fully half of responses to the question about the state's overall business climate outlook were neutral (50%);** a deterioration from the previous survey (42%). However, expected demand and capital spending for the next three months were viewed more positively (each at 48.5%, respectively).
- **When asked, "Are you more or less optimistic about the general business climate in your sector compared to three months ago?"**, the manufacturing sector had the most optimistic outlook on the general business climate (67% optimistic), while the health care sector again had the least optimistic outlook (67% pessimistic, 33% neutral).

Mr. Carr of EPR stated that “While business leaders in Vermont appear to have a somewhat more cautious economic outlook compared to their national counterparts, there are still a number of positive signs, including an uptick in all three of the diffusion indices looking forward into the future – including demand, capital spending, and employment.”

“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 optimism is creeping back into their outlooks on demand for products and services, and capital spending, especially among manufacturers.” said Roundtable President Lisa Ventriss.

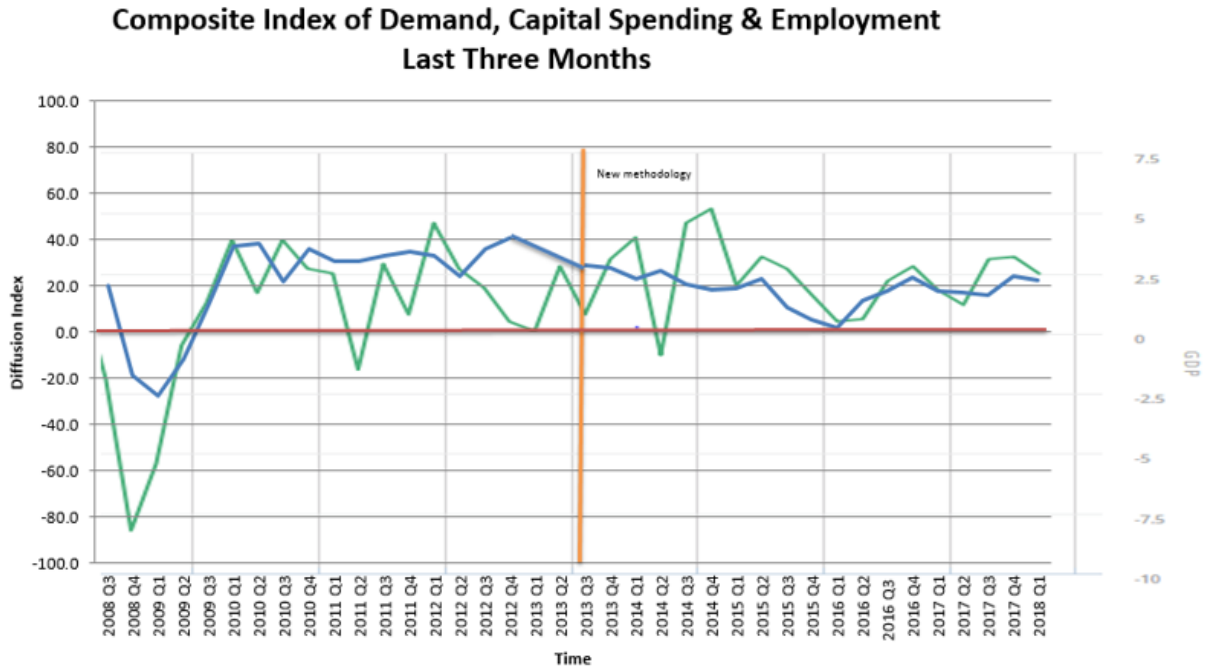
The raw (unweighted) survey data are easily compared to the quarterly, national Business Roundtable CEO Survey of national and multi-national companies, which contains similar questions to the VBR/EPR Survey in terms of employment and capital spending (www.brt.org). Comparing these two surveys revealed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

- **Fewer Vermont companies are predicting increases in capital spending and have a more neutral outlook in hiring plans 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 only slight fluctuation. Given the responses from this and the previous survey, they continue to demonstrate that economic conditions overall remain cautiously optimistic in many areas of the State and sectors of Vermont economy.**

Table 1: Comparison between the VBR and National GDP Data



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 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

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

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 July 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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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."