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Vermont Business Roundtable and Economic & Policy Resources

3rd 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 Q3 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 July and August of 2018, achieved a response rate of 61 percent overall, down from previous levels due to summer schedules. Survey results show that:

- **More than three-quarters of respondents (77%) shared negative outlooks specifically with ease of hiring for available positions;** an increase from the previous survey (72%);
- **Slightly less than half of responses expressed a neutral outlook about the state’s overall business climate (48%);** a slight improvement from the previous survey (50%). However, expected demand and capital spending for the next three months deteriorated from the previous quarter (49% and 51% neutral, respectively).
- **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 (45%), while the Education sector had the most pessimistic outlook (75%).

Mr. Carr of EPR stated that “Despite last quarter’s increase in business confidence, responses once again appear to be trending back towards neutral. Business leaders remain understandably cautious regarding to the near-term outlook with all of the political volatility in Washington, and as they work through their own issues with a tightening supply of workers as the unemployment rate drifts even lower. In the absence of a long-term and steady supply of available workers with the skill sets they need, Vermont businesses appear to be indicating that they are finding it difficult to commit to larger, long-term expansions.”

“Clearly, ease of hiring qualified workers continues to deteriorate and remains a dampening effect on employers’ outlook on business climate in general. However, we are concerned to see optimism shifting to neutrality in their outlooks on demand for products and services, and capital spending, across the board.” said Roundtable President Lisa Ventriss.

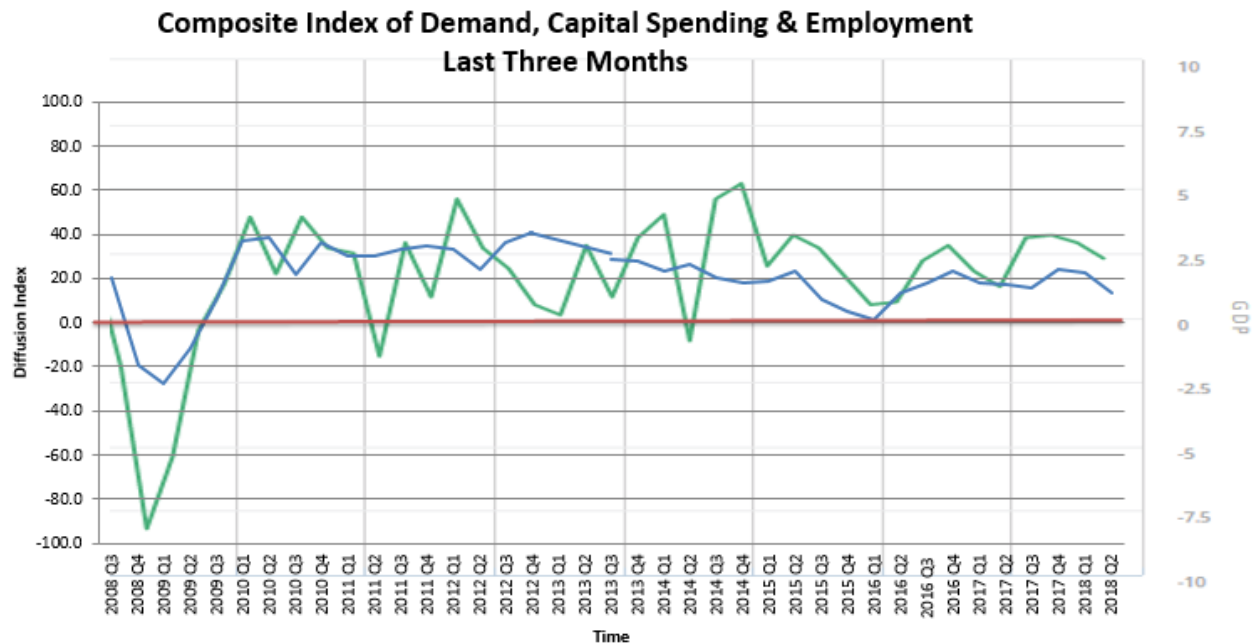
The raw (unweighted) survey data are easily compared to the quarterly, national Business Roundtable CEO Survey of national and multi-national companies, which contains similar questions to the VBR/EPR Survey in terms of employment and capital spending (www.brt.org). Comparing these two surveys revealed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

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



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

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 next survey will be conducted in October 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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