

# Fall 2016 Local Business Attitude Survey



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The Butler Center for Business and Economic Research is pleased to announce the results of the Fall 2016 Local Business Attitude Survey. The results of the survey are used to measure the expectations of local businesses for the upcoming year regarding local and national economic conditions and the costs of doing business. Below we present the results of the 2016 survey, *which was conducted after the election*, and a comparison of the results with those from 2014 and 2015.

We measure sentiment regarding future economic conditions on a scale from 0 to 200. A value equal to 100 indicates an equal amount of positive and negative attitudes, a value below 100 indicates relatively more pessimism, and a value above 100 indicates relative optimism. Questions were asked about economic and business conditions both locally and nationally. Each of the questions and the corresponding measure of local business sentiment is presented below.

## Local Business Sentiment Results: Local Economic Conditions

During the upcoming year, will	Sentiment		
	For 2015	For 2016	For 2017
o the local economy expand?	128.1	100	137.6
o the local unemployment rate decrease?	98.4	64.7	102.7
o the number of residential housing permits increase?	138	100	124.6
o the number of commercial construction permits increase?	144.7	97	133.7
o the number of visitors to Columbus increase?	164.8	128.6	160.3
Overall Index of Local Economic Conditions	134.8	98.1	131.8

What a difference a year makes! Last year, with an overall index near 100, attitudes regarding overall local economic conditions in 2016 were neutral, neither optimistic nor pessimistic. This was also true in the residential and commercial construction industries. However, now looking forward into 2017, businesses are strongly optimistic about these areas with optimists outweighing pessimists by more than 3 to 1. Consistent with previous years, businesses express the most optimism for the local tourism industry to continue to grow; only 3 percent of businesses expected a decline in the number of visitors while over 60 percent expected that number to increase. Expectations regarding the local unemployment rate were the most pessimistic for 2016. Most businesses expected the rate to increase in 2016 but are neutral regarding the measure in 2017. Given the high degree of optimism regarding local economic growth, this result is probably due to the fact that the change in the unemployment rate is uncertain during times of economic expansion; the rate may decrease as more people find jobs, but may also increase as more people enter the labor force as job prospects improve.

At a national level, local businesses continue to be optimistic about economic growth. The index has grown from year to year indicating a larger and larger proportion of optimists.

During the upcoming year, will the <i>national</i> economy expand?	Sentiment		
	For 2015	For 2016	For 2017
	122	147	156

Expectations regarding the costs of doing business are derived by measuring the level of agreement or disagreement about whether the following costs will increase.

Labor Costs	Employee Health Care Costs	Cost of Materials	Cost of Utilities
Transportation Costs	Taxes and Fees		Property Rental Costs

As above, we measure business sentiment for each cost dimension on a scale from 0 to 200. A value equal to 100 indicates that the same number of businesses agreed as disagreed that the cost would increase, a value below 100 indicates relatively more disagreement, and a value above 100 indicates relative agreement that the cost would increase. Overall sentiment is then calculated as the average across cost components. The results are presented below along with those from previous surveys.

**Local Business Sentiment Results: Cost of Doing Business**

During the upcoming year ...	Sentiment		
	For 2015	For 2016	For 2017
o labor costs will rise	143.8	166	153
o employee health care costs will increase	158	188	153
o the cost of materials will rise	152	152	156
o the cost of utilities will rise	153	135	150
o transportation costs will increase	126.8	141	144
o taxes and fees will increase	152.8	121	135
o property rental costs will rise	124	109	122
Overall Local Business Cost Index	144.4	145	145

Results indicate that on average a greater proportion of businesses expect each of these costs to increase in 2017. The overall cost index remained relatively constant indicating that the proportion of business expecting overall costs to increase is the same this year as last. While cost increases are expected across all dimensions, the proportion of businesses expecting an increase declined from 2016 for two categories, labor costs and employee health care costs. Even though the majority of businesses still expect health care costs to increase, the index has fallen by 35 points from last year. This is due to a larger percentage of businesses expecting a reduction in these costs.

**Looking forward into 2017, local businesses are optimistic about economic growth both locally and for the country as a whole and expect costs of doing business to continue to rise across the board.**

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