Optimism Wanes for 3rd Quarter

The Charlotte Business Confidence Index is derived from a six question survey asking business leaders their opinions about expectations for the upcoming quarter as it pertains to the national and local economy, as well as company sales, profits, hiring plans, and capital expenditures. An index value is calculated for each question that ranges from 0 to 100, with an index value above 50 indicating expansion or positive outlook, and values below 50 indicating contraction or negative outlook. The Charlotte Business Confidence Index is a composite of the six questions with equal weighting, and is represented with the same 0 to 100 scale.

Overall, Mecklenburg County business leaders’ optimism for the upcoming third quarter 2011 diminished when compared to their expectations at a similar point in time prior to the second quarter. As the following table shows, all of the third quarter index values posted a decline. Business leaders responding to the survey still have at least some level of confidence with the local economy and their company sales, profits, hiring plans, and capital expenditures for the third quarter 2011 as compared to the second quarter, but have a negative outlook on national economic expectations. The third quarter Charlotte Business Confidence Index recorded a value of 55.0, a decline of 7.3 points from the second quarter. An index value above 50 indicates positive expectations, while values below 50 indicate negative expectations.

### 2011 Third Quarter Outlook Index Values

<table>
<thead>
<tr>
<th>Index Category</th>
<th>Value</th>
<th>Change From Q2</th>
</tr>
</thead>
<tbody>
<tr>
<td>National Economic Outlook</td>
<td>47.6</td>
<td>-12.6</td>
</tr>
<tr>
<td>Local Economic Outlook</td>
<td>53.7</td>
<td>-9.4</td>
</tr>
<tr>
<td>Sales Expectations</td>
<td>62.8</td>
<td>-5.6</td>
</tr>
<tr>
<td>Profits Expectations</td>
<td>59.1</td>
<td>-4.0</td>
</tr>
<tr>
<td>Hiring Expectations</td>
<td>55.1</td>
<td>-7.4</td>
</tr>
<tr>
<td>Capital Expenditures Expectations</td>
<td>51.7</td>
<td>-4.6</td>
</tr>
<tr>
<td>Charlotte Business Confidence</td>
<td>55.0</td>
<td>-7.3</td>
</tr>
</tbody>
</table>

Index above 50 indicates expansion
Index below 50 indicates contraction

### National Economy

Mecklenburg County business leaders have a negative outlook on the national economy, with a national economic outlook index value of 47.6. This is the only third quarter index value below 50 and represents the largest decline among all index values, dropping 12.6 points from the second quarter. Only one-quarter of the business leaders responding to the survey expect the national economy to improve in the third quarter compared to the second quarter 2011. Only one percent of the respondents expect the national economy to be much better, and 24 percent expect the national economy to be somewhat better. The largest percentage of respondents (43%) expects the national economy to remain the same in the third quarter. Twenty-six percent of respondents expect the national economy to be somewhat worse, and 5 percent of the business leaders expect it to be much worse.
Local Economy

Business leaders in Mecklenburg County still have higher expectations for the local economy than the national economy despite an index value decline of 9.4 points from the second quarter, with a slightly optimistic local economic outlook index value of 53.7. Only 35 percent of business leaders responding to the survey expects the local economy to improve in the third quarter compared to the second quarter 2011. One percent expect the local economy to be much better, and 34 percent expect it to be somewhat better. The largest percentage of respondents (46%) expects the local economy to remain the same. The remaining 19 percent of respondents either expect the local economy to be somewhat worse (16%) or much worse (3%).

Sales

Similar to the second quarter, of the six component indices, Mecklenburg County business leaders have the greatest confidence in sales, with a sales index value of 62.8. This still represents a 5.6 point decline from the second quarter. The decline in optimism mirrors the decreased consumer confidence seen nationally in The Conference Board Consumer Confidence Index® (CCI) as consumer concern over personal income growth and labor market conditions grows. Sixty percent of business leaders responding to the survey expect increases in sales in the third quarter compared to the second quarter 2011. Forty-nine percent expect a moderate increase in sales and 11 percent expect a strong increase. Nearly a quarter of respondents expect no change in sales, while 14 percent expect a moderate decrease. Only 3 percent of the business leaders expect a strong decrease in sales in the third quarter 2011.

Profits

Expectations for profits had the smallest index value decline (4 points) from the second quarter, and Mecklenburg County business leaders continue to have a positive outlook on profits, with a profits index value of 59.1. As with sales, businesses remain somewhat optimistic with their expectations for profits, more so than with hiring plans and capital expenditures. Forty-four percent of business leaders responding to the survey expect increases in profits for the third quarter compared to the second quarter 2011. The majority of them (45%) expect just a moderate increase in profits. An additional 23 percent of respondents expect no change in profits for the third quarter. Nineteen percent expect profits to decrease moderately and 4 percent expect a strong decrease.
Hiring

Although declining 7.4 points from the second quarter, business leaders in Mecklenburg County have a positive outlook on hiring plans, with a mildly optimistic hiring plans index value of 55.1. Thirty-eight percent of business leaders responding to the survey expect increases in hiring for the third quarter compared to the second quarter 2011. Thirty-five percent expect a moderate increase in hiring and just 3 percent expect a strong increase. Nearly half of the respondents (47%) expect no change in hiring for the third quarter. Only 5 percent of business leaders expect a strong decrease in hiring, and 9 percent expect a moderate decrease.

Capital Expenditures

Mecklenburg County business leaders have little confidence regarding capital expenditures, with a capital expenditures index value of 51.7, still positive, but a drop of 4.6 points from the second quarter. Continued low expectations for capital expenditures could be, in part, attributed to businesses’ reluctance to increase expenditures with the persistently sluggish economic growth and uncertain economic conditions. Twenty-six percent of business leaders responding to the survey expect an increase in capital expenditures, with only 3 percent expecting a strong increase for the third quarter compared to the second quarter 2011. Fifty-eight percent expect no change in capital expenditures for the third quarter. The remaining respondents expect a moderate decrease (11%) or a strong decrease (5%) in capital expenditures.

Respondents

Business leaders who responded to the survey represent the entire range of industries in Mecklenburg County including construction; manufacturing; retail; finance and insurance; professional, scientific, and technical services; and health care and social assistance. Forty-one percent of respondents employed fewer than 19 employees, 31 percent employed 20 to 99 employees, and 28 percent employed more than 100. In terms of annual sales, 27 percent had sales of less than $25 million, 23 percent ranged from $1 to $9 million, 23 percent ranged from $10 to $99 million, 14 percent had sales of more than $100 million, and 14 percent were undisclosed.
The Charlotte Business Confidence Index represents the collaborative efforts of the Charlotte-Mecklenburg Workforce Development Board, the City of Charlotte, and BusinessFirst Charlotte, a collaborative program between the City of Charlotte and the Charlotte Chamber to provide a quarterly, forward-looking indicator of economic activity in Mecklenburg County based on the opinions of local business executives. The UNC Charlotte Urban Institute is conducting the research and analysis. The survey was disseminated to businesses who first registered as participants through the index website (www.ui.uncc.edu/businessfirst). Registration is open to all businesses in Mecklenburg County. For classification and verification, the registration asks for company information regarding business type, employment size, and revenues. Survey responses are then calculated into an index value ranging from 0 to 100, with 50 as the neutral point. To determine the index values, for each question the percent of responses for each option in the five-part scale is multiplied by a weighting factor to transform the values into a scale that ranges from 0 to 100. The overall index is a composite of all six questions combined with equal weighting and calculated similarly. The index values represent the opinions of the participants who responded to the survey, constituting just a sample of all business leaders in Mecklenburg County.

If you are interested in registering as a participant in order to receive invitations to complete our quarterly survey, you can do so at www.ui.uncc.edu/businessfirst. The next survey asking about expectations for fourth quarter 2011 will be conducted the first two weeks of September.

We would like to thank the 74 business leaders who completed the survey during the first two weeks of June. As the survey expands to include more participants, further analysis is planned to include breakdowns by individual industries and business characteristics, as well as to look at trends over time.

For More Information

Workforce Development Board
Charlotte-Mecklenburg

Advantage Carolina

businessfirst
Charlotte
A City-Chamber Program

UNC Charlotte
Urban Institute
9201 University City Blvd
Charlotte, NC 28223-0001

Phone: 704-687-2307
Fax: 704-687-3178
E-mail: jmkozar@uncc.edu