

Pennsylvania Businesses Not Very Optimistic

Recently the Lincoln Institute of Public Opinion Research released its annual Spring Keystone Business Climate Survey. Over 360 business executives from all corners of the Commonwealth completed the survey. The overall results are not too surprising—a significant percentage of the executives responding are not very optimistic about what the business climate has been or is expected to be over the next six months. But is this a one-time snapshot during a sluggish economy or a longer running trend?

To provide some insight into this question, we look at the previous Spring Business Climate Surveys back to 2010, the year the last recession ended. Each year the survey asks executives to offer their opinions on issues that affect the business climate within the Commonwealth. Some questions are specific to current events, but there are six core questions asking about general business conditions, sales, and employment levels. In this *Brief*, we will concentrate on business conditions and employment levels.

When asked in the spring of 2010 “do you think business conditions in Pennsylvania are better, the same, or worse than they were six months ago”, only 12.6 percent indicated that it had in fact gotten better. Forty-one percent claimed no change while 43 percent believed conditions had worsened. Keeping in mind that the nation has just emerged from a severe recession, finding that 84 percent of business executives had the opinion that conditions had either not changed or deteriorated was not all that surprising. Some optimism crept in during the spring of 2011 as 25 percent of respondents believed conditions were better.

However that mild optimism faded as the percentage of those indicating an improvement steadily declined over the next three years settling in at 14.3 percent in 2014. This spring’s results showed a decidedly more pessimistic tone in response with the 85.2 percent of executives reporting no change or a worsening of Pennsylvania’s business climate from six months prior topping the percentage for this measure found by the 2010 survey. The latest survey results are certainly far from being a ringing endorsement of the economy.

When asked about the Commonwealth’s business climate six months out, 24.5 percent of respondents in 2010 thought it would improve. Optimism about the near future was stronger in 2011 but gave way to a gloomier outlook in 2012 when only 15.5 percent thought the future was looking brighter. It rose a bit in 2013 to just more than 19 percent and remained there this spring.

The second set of questions concerns employment levels at the companies represented by the executives responding to the survey. The first question asks “are employment levels at your company higher, the same, or lower than they were six months ago”. As expected, while

emerging from the recession in 2010, the responses reflect pessimism as only 9.5 percent of the respondents indicated they had increased employment levels. This number rose to 22.3 percent in 2011 before falling sharply back to 13.4 percent in 2012 and then even further to 8.5 in 2013. It rebounded a bit this past spring as 14.6 percent of executives stated they have increased employment over the last six months.

But the real story here is the percentage of executives who claim their firms stood pat over the previous six months. In 2010 that percentage was 54.7. It increased some over the next two years reaching 65.7 in 2012. After a slight dip last year, it stood at the two-thirds level in the most recent survey. The only positive is that when asked if any had decreased employment, the 18.2 percent who acknowledged that they had, is the lowest figure in the last five spring surveys (the highest was 2010 at 31.6 percent).

The second question surrounding employment is concerned with expected levels six months out. Coming out of the recession in 2010 the percentage indicating that they were planning to add to payroll was only 8.6 percent. The number increased greatly in 2011 (29.8 percent) before falling to roughly half that in 2012 and 2013 respectively. In the most recent survey that number has crept up to 18.2. In 2014 nearly 70 percent responded they had no plans to change employment levels, the highest level since 2010 when 74.2 said they were planning to hold steady.

This lack of ebullience among executives about the business climate and their employment levels is substantiated by the official jobs figures. Establishment payroll data for Pennsylvania shows that from 2010 to 2011 the annual average number of total nonfarm jobs increased by just over 63,000—about one percent. From 2012 to 2013 this figure increased ever so slightly by just 16,600 jobs. Thus far in 2014 the number of nonfarm jobs in the Commonwealth has risen by 37,900 in January over its year earlier level, but that growth cooled off considerably in February and March. While these are positive gains, it shows basically no evidence of accelerating in statewide job totals thus far in 2014.

The results of the Lincoln Institute's 2014 Spring Business Climate Survey are not very optimistic. It continues a trend that stretches back to the end of the recession in 2010. Those in the know—business decision makers—reinforce what the data has been suggesting, that the Pennsylvania economy, has been moving ahead, albeit slowly over the last couple of years.

Frank Gamrat, Ph.D., Senior Research Associate

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<p>Allegheny Institute for Public Policy 305 Mt. Lebanon Blvd.* Suite 208* Pittsburgh PA 15234 Phone (412) 440-0079 * Fax (412) 440-0085 E-mail: aipp@alleghenyinstitute.org</p>
