



LEE COUNTY BUSINESS CLIMATE SURVEY REPORT

First Quarter, 2017

Prepared in partnership with:



and

The Regional Economic Research Institute • Florida Gulf Coast University



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Report Information

This report is conducted quarterly by the Horizon Council of Lee County, Florida, and Florida Gulf Coast University's Regional Economic Research Institute. This work would not be possible without considerable cooperation from the Horizon Council's Chairs, the RERI's student researchers, and the Lee County Economic Development Council.

The Regional Economic Research Institute studies, analyzes and reports on the regional economy encompassing Collier, Lee, Charlotte, Hendry, and Glades counties. Established in 2005, it serves as a public service and economic development unit of the Lutgert College of Business' Dean's Office and strives to connect Southwest Florida to the resources of Florida Gulf Coast University.

The Institute's Business Climate Survey group specializes in sampling design and analysis, including program evaluation, policy research, and needs assessment. The Business Climate Survey group involves FGCU students in every stage of survey development, allowing them to develop professional skills and networks that add value to their degrees and, by extension, to their future employers.

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INTRODUCTION

The Lee County Business Climate Survey Report, published in partnership between the Horizon Council and Florida Gulf Coast University, provides primary research to the business community, elected officials, and other concerned citizens in an effort to gauge the state of Lee County's economy over time as well as impressions and concerns about it in the future.



Since the beginning of this partnership, the BCS has been comprised of three areas of focus. The first area—encompassed in the first seven questions of the survey—focuses on Lee County business executives' impressions of economic conditions and trends with respect to hiring and investment. The second area has been the calculation of an *Executive Business Climate Index*. This EBCI provides a summary number which will allow one to quickly gauge whether the business climate in Lee County is improving or declining. Finally, the third area is comprised of various questions that change from survey to survey. In the past, these "Special Topics" have focused on areas such as business executives' concerns about interest rates and access to capital, firms' demand for critical occupations and their ability to find workers within those occupations, the cost of doing business in Lee County, and even concern for employee wellness and wellness programs.

The BCS also allows respondents to voice concerns, kudos, and criticisms of Lee County's economic environment. Every effort is made to include these comments in each survey.

The Horizon Council FGCU Business Climate Survey is administered, written, and published by the staff and students working with the Regional Economic Research Institute in the Lutgert College of Business. We very much welcome your comments and suggestions regarding the report, including suggestions for Special Topics questions for future editions.

This survey would not have been possible without the many busy business owners and executives who took the time to respond to it. I also thank John Boland, Glen Salyer, and their colleagues at the Lee County Economic Development Office; Robert Beatty, Dean of Lutgert College of Business at FGCU; Russell Schropp, Chair of the Horizon Council's Business Issues Taskforce; and Michael Quaintance of Keiser University. CareerSource Southwest Florida's James Wall and Peg Elmore continued to provide valuable input and advice.

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EXECUTIVE SUMMARY

The Executive Business Climate Survey provides a view of the local economy that is based on responses from senior executives from a range of industries across the county. An invitation to complete the internet survey was sent to 564 executives and business owners in Lee County. Eighty-eight executives completed the survey from January 17, 2017, through February 2, 2017. Six reminders were sent during the survey period.

This survey provides a key economic indicator for Lee County, the *Executive Business Climate Index*. This index value is computed each quarter and released to the public as a way to provide an established economic indicator on the state of the local economy. The index is computed using the two questions concerning the current and future economic conditions and a third question concerning the expected industry economic conditions. The index is an average of the responses, with substantially better equal to 100, moderately better equal to 75, same equal to 50, moderately worse equal to 25 and substantially worse equal to zero. The index value can range from 0 to 100.

The results from the first quarter survey reflect a five-point increase from the fourth quarter 2016 measure, with the index rising from 63 to 68. The increase marks the second consecutive increase for the indicator, and the highest mark since the first quarter of 2016.

The current survey's Special Topics section focuses on the local business community's sentiment and expectations regarding the incoming Trump administration. Other findings of the Business Climate Survey for 1Q2017 include:

- 64 percent of executives stated that the current economic conditions have improved over last year, while 34 percent stated that they were the same;
- 73 percent of the executives expect the economy to improve over the next year, and 23 percent stated that the economy would stay the same;
- 59 percent of the executives stated that the current economic conditions for their industry have improved over last year, while 32 percent stated that economic conditions remained approximately the same.
- 62 percent of executives expect economic conditions for their industry to improve over the next year;
- 49 percent of executives had increased employment over the last year, while 2 percent had reduced employment;
- 49 percent of executives expect to increase employment at their companies during the next year, while 51 percent of executives plan to remain at the same level;
- 63 percent of companies expect to increase investment next year while 3 percent expect to reduce investment levels;
- 48 percent of executives believe their operating environment will be better in 2017 than in 2016, while 11 percent believe it will be worse.
- 55 percent of executives are more optimistic of their business's future going into 2017 than in 2016, while 5 percent were less optimistic.
- 64 percent of executives expect the actions of President Trump to make their company better off, while 7 percent believe it will make their company worse off.
- 65 percent of executives believe the president will focus on issues important to their business, while 7 percent believe he will not focus on important issues.
- 56 percent of executives said Barack Obama did not have a big achievement during his tenure as president, while 22 percent said economic recovery from the Great Recession was his biggest achievement.
- 33 percent of executives said the Affordable Care Act was Barack Obama's biggest failure while in office, and 17 percent said race relations were his biggest failure.
- 72 percent of executives expect President Donald Trump to significantly dismantle Obama's legacy.
- 64 percent of executives believe that dismantling Obama's legacy would be a good thing, while 17 percent said it would be a bad thing.

I. RECURRING QUESTIONS

Each quarter, the Horizon Council FGCU Business Climate Survey polls Lee County’s business leaders about the state of the economy in Lee County. These seven questions are designed to provide a snapshot of short-term trends and perceptions regarding the state of the local economy, employment, and capital investment. Asking the same recurring questions allows for a side-by-side comparison of the economy during each quarter. The results from these questions for the first quarter of 2017 can be found in Figures 1 through 7 below.

Figure 1 reports that 64 percent of surveyed executives indicated that economic conditions in Lee County were moderately or substantially better compared to a year ago. This was an increase from the fourth quarter 2016 measure of 60 percent, but marks a decline from the first quarter 2016 measure of 73 percent. Despite the gain from the previous quarter, these results indicate that local business owners and executives are generally less pleased with the direction of the local economy over the past year.

Figure 1: Current Economic Condition

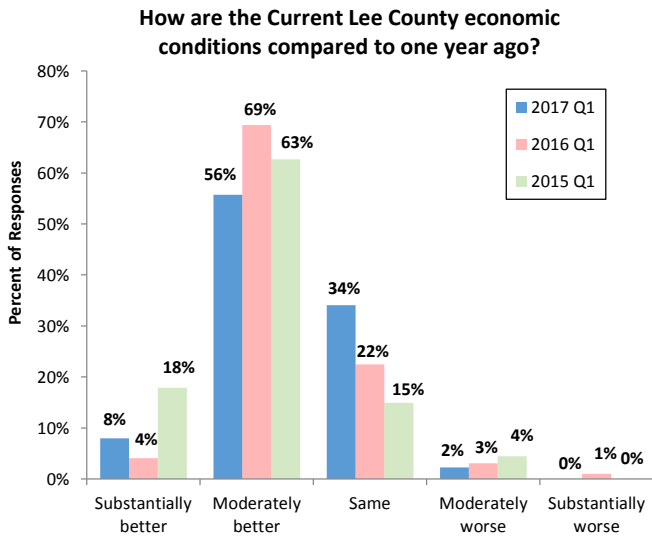


Figure 2 tracks business leaders’ perceptions about economic conditions going into the next year. The survey found that 73 percent of executives indicated they expect economic conditions in Lee County to be moderately or substantially better in the next year. This is a large increase from the 2016 fourth quarter reported figure of 51 percent and a slight increase from the first quarter 2016 report, which found that 72 percent of surveyed executives expected conditions in Lee County to be better in the next year.

Figure 2: Future Economic Condition

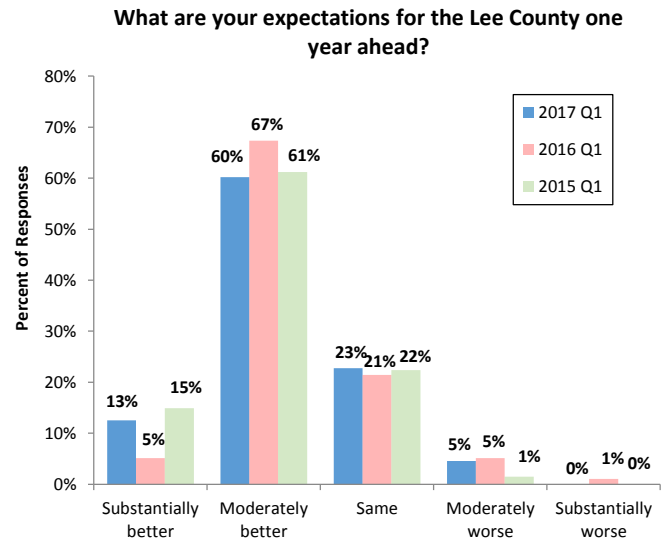


Figure 3 reports on executives’ perceptions about their particular industry and is more narrowly focused. The survey found that 59 percent of surveyed executives believed current conditions in their industry were better compared to a year ago. This marks an increase from the 47 percent recorded in the fourth quarter 2016, but a slight decrease from the 61 percent reported a year ago on the first quarter 2016 report.

Figure 3: Current Industry Condition

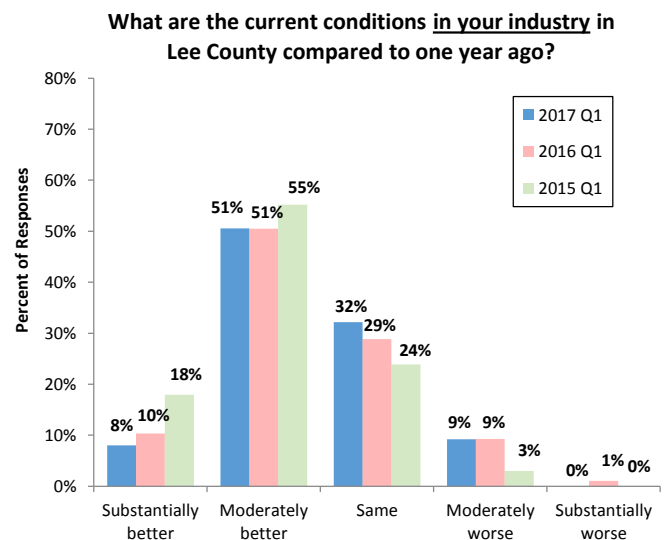
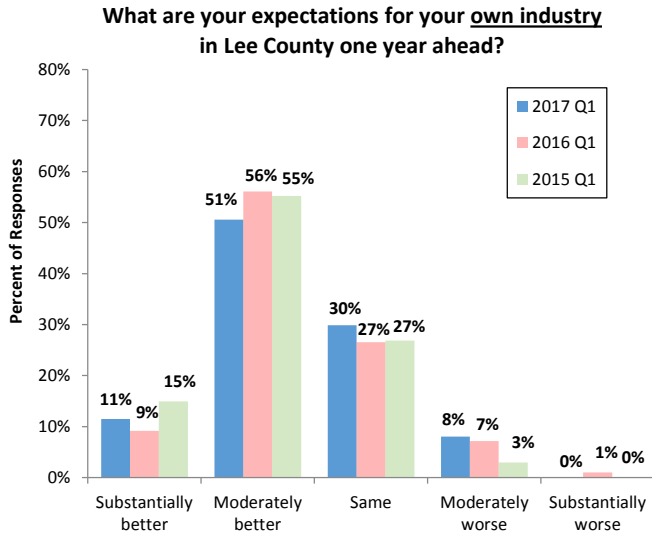


Figure 4 reports that 62 percent of surveyed executives expect conditions in their industry to be moderately or substantially better in the next year. This is an increase from the 2016 fourth quarter report, which reported that 51 percent of surveyed executives expect conditions in their industry to be better in the next year, but a decrease from the 2016 first quarter report,

which reported that 65 percent of surveyed executives expect conditions in their industry to be better in the next year.

Figure 4: Future Industry Condition



Figures 5 and 6 focus on employment. Figure 5 reports that 49 percent of executives have moderately or substantially increased employment over the last year. This is an increase from the 2016 fourth quarter report, which reported that 40 percent of surveyed executives have increased employment over the past year. However, there was no change from the 2016 first quarter report, which also reported that 49 percent of surveyed executives have increased employment over the past year.

Figure 5: Current Hiring Trend

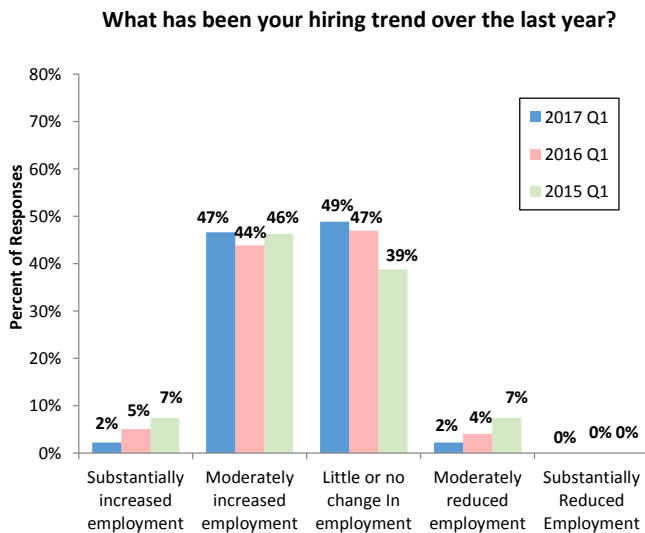
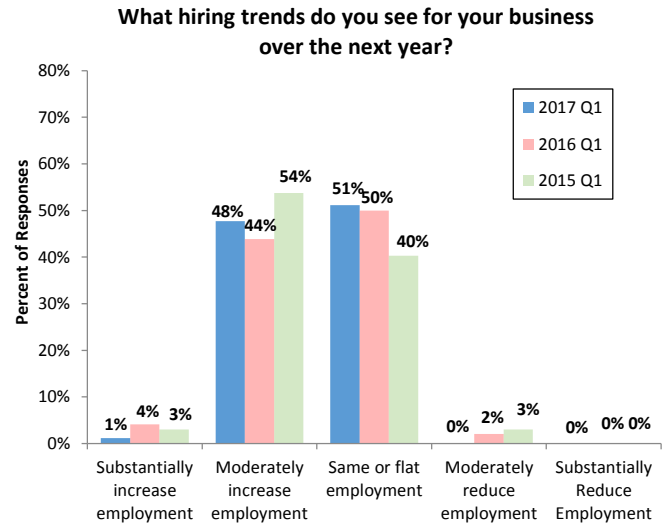


Figure 6 reports that 49 percent of surveyed executives expect to moderately or substantially increase employment over the next year. This is an increase from the 2016 fourth quarter report, which reported that 39 percent of surveyed executives expect to increase employment over the next year, and a slight

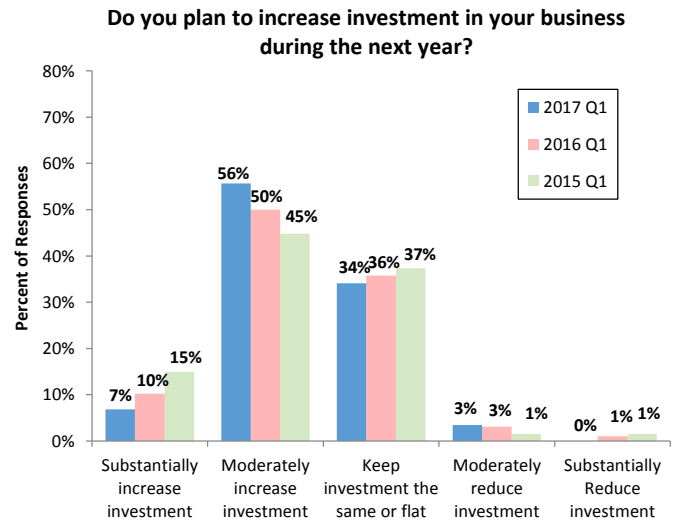
increase from the 2016 first quarter report, which reported that 48 percent of surveyed executives expect to increase employment over the next year.

Figure 6: Future Hiring Trend



Finally, Figure 7 focuses on capital investment. It reports that 63 percent of surveyed executives expect to moderately or substantially increase investment over the next year. This was a large increase from the 2016 fourth quarter report, which reported that 46 percent of surveyed executives expect to increase investment over the next year, and an increase from the first quarter report from 2016, which reported that 60 percent of surveyed executives expect to increase investment over the next year.

Figure 7: Future Investment Trend

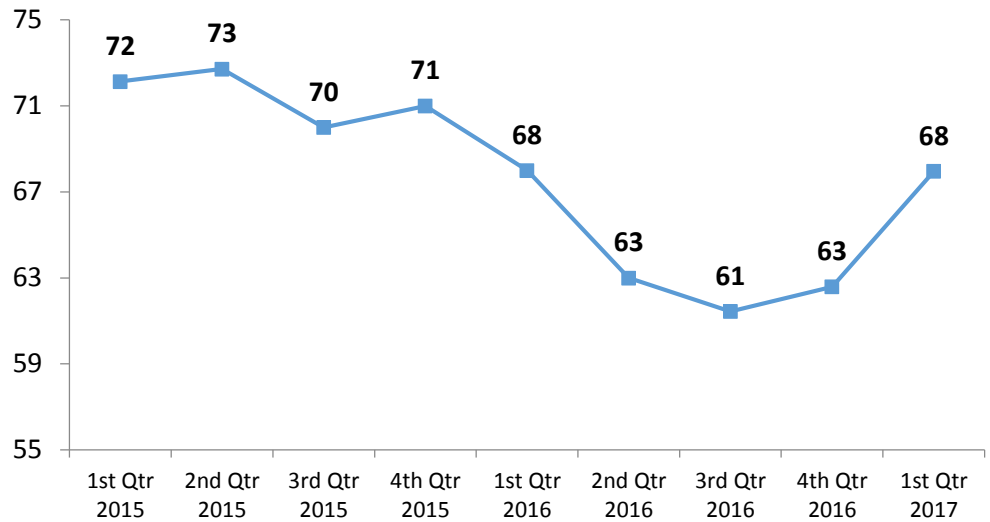


Results from previous quarters' surveys going back to 2012 can be found on FGCU's Regional Economic Research Institute's web site, at fgcu.edu/cob/reri. For charts depicting historical trends for recurring questions, see Appendix A below.

II. THE EXECUTIVE BUSINESS CLIMATE INDEX

One of the key features of this survey is the calculation of an *Executive Business Climate Index*. Each quarter, this index value of the current business climate in Lee County is computed and released to the public as a way to provide an economic indicator allowing one to quickly gauge whether the business climate in Lee County is improving or declining. The EBCI is computed using the two questions concerning the current and future economic conditions (reported in Figures 1 and 2) a third question concerning the expected industry economic conditions (reported in Figure 4). The index is an average of the responses, with substantially better equal to 100, moderately better equal to 75, same equal to 50, moderately worse equal to 25 and substantially worse equal to zero. The index value can range from 0 to 100.

Horizon Council FGCU Business Climate Index



The results from the first quarter survey reflect an increase from the fourth quarter 2016 result, with the index increasing from 63 to 68. Despite the increase, the index remains below a 74 to 69 band that persisted for two years until the first quarter 2016.



III. SPECIAL TOPICS

Each Executive Business Climate Survey contains a set of questions not asked on a recurring basis. These special topic questions highlight on areas of importance to the economic development of our region with the intention of accessing the business community’s input and feedback to development officials, industry agents, and government officials.

The present survey focused on Lee County's business community's sentiment and expectations toward the outgoing Obama Administration and the incoming Trump Administration, especially with respect to effects on the regional business climate. *The first four questions presented in this section were based on the Wells Fargo/Gallup Small Business Index, which polled over 600 small business owners across the nation. The last four questions were based on a poll conducted by Suffolk University and USA Today, which polled 1,000 registered voters across the nation.* Results from these questions are reported in figures 8 through 15. To highlight differences in sentiment and expectations between our region and the nation, results for Lee County are presented in blue and results for the nation are presented in red.

Figure 8: Business Environment

Do you think the operating environment for your business in 2017 will be better, worse or about the same as 2016?

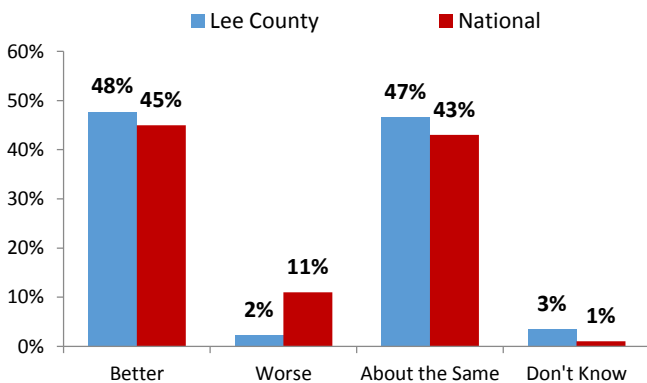


Figure 8 considers firms’ operating environment for the next year. Forty-eight percent of responding business executives reported they believed the operating environment for their business would be better in 2017 than in 2016. This was slightly better than the 45 percent that reported better in the Wells Fargo/Gallup national poll. Only 2 percent of business executives in Lee County believed that the operating environment for their business would be worse in 2017,

compared to 11 percent in the national survey who said their operating environment would be worse.

Figure 9: Business Future

Are you more optimistic about your business's future going into 2017 than you were going into 2016, less optimistic or about the same?

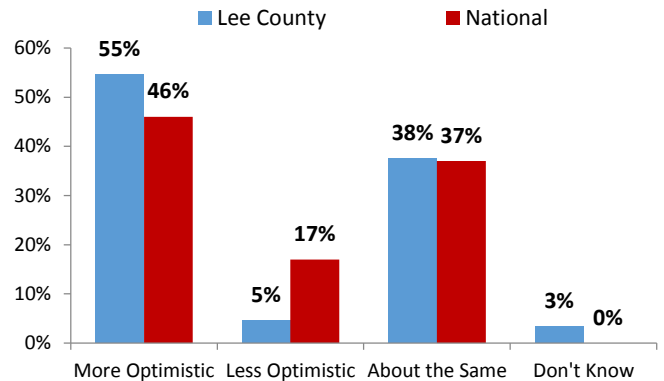


Figure 9 focuses on business optimism going into 2017. Fifty-five percent of responding business executives said they were optimistic about the future of their business for 2017, while only 46 percent of the national survey were optimistic. There is more pessimism nationally, indicated by the 17 percent of business executives who are less optimistic about their business’s future, as opposed to the 5 percent in Lee County.

Figure 10: New Administration’s Actions

Do you think the actions the new president and Congress will take next year will make your company better off, worse off or have no effect on your business?

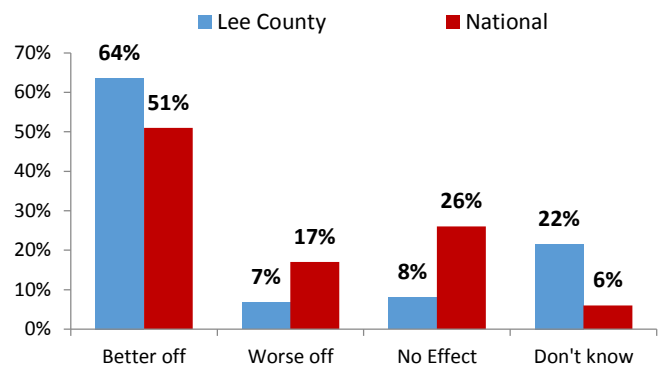


Figure 10 focuses on the impact the new administration will have on firms. Sixty-four percent of respondents believe the actions taken by the new president and Congress will make their

company better off, while only 51 percent of business executives nationally shared the same sentiment. More business executives nationally believed that the actions will either make their firm worse off (17 percent nationally versus 7 percent in Lee County) or have no effect (26 percent nationally versus 8 percent in Lee County).

Figure 11: President Issues

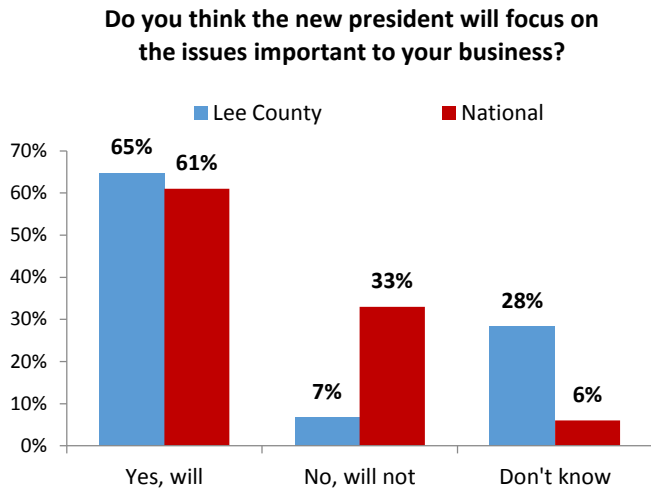


Figure 11 focuses on issues important to businesses. Sixty-five percent of responding executives believe the new president will focus on issues important to their business, which was slightly higher than the national poll (61 percent). Meanwhile, 33 percent of business executives nationally believe that the president will not focus on issues important to their business, while only 7 percent of business executives in Lee County shared the same sentiment.

Figure 12: Obama's Biggest Achievement

Which of the following seven areas would you consider to be Barack Obama's biggest achievement?

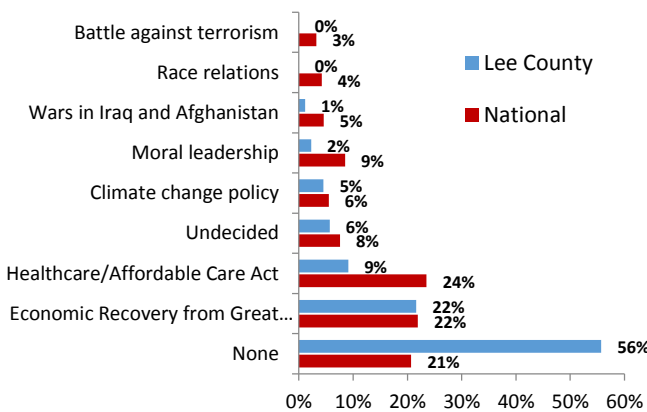


Figure 12 focuses on Barack Obama's biggest achievements while in office. Fifty-six percent of respondents believe Obama did not have a big achievement while in office, compared to

only 21 percent nationally. Furthermore, 22 percent of local business executives said economic recovery from the Great Recession was Obama's greatest achievement (matching the national result), and 9 percent of business executives said the Affordable Care Act was his biggest achievement (compared to 24 percent nationally).

Figure 13: Obama's Biggest Failure

Which of the following seven areas would you consider to be Barack Obama's biggest failure?

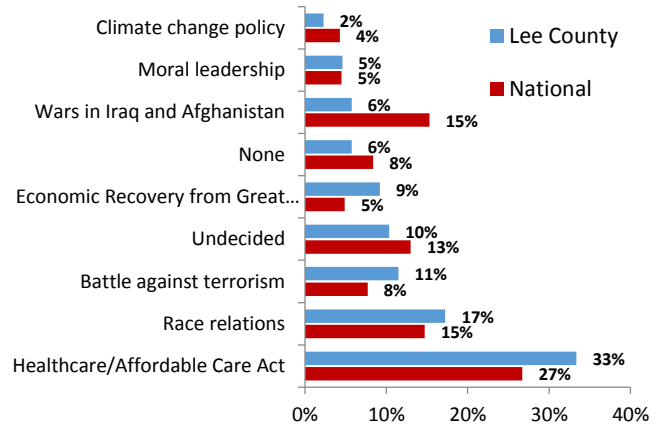


Figure 13 focuses on Barack Obama's biggest failure while in office. Thirty-three percent of responding local business said the Affordable Care Act was Obama's biggest failure, while 27 percent of respondents in the national poll said the same thing. Furthermore, 17 percent of local business executives who responded said race relations were Obama's biggest failure (compared to 15 percent from national respondents), while 11 percent said the battle against terrorism ranked as Obama's biggest failure (compared to 8 percent of respondents nationally).

Figure 14: Donald Trump on Obama's Legacy

Do you think that Donald Trump will significantly dismantle President Obama's legacy in office?

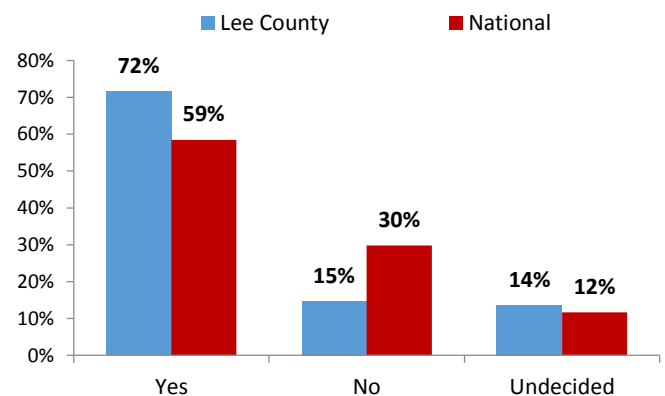


Figure 14 focuses on how president Donald Trump will handle Barack Obama’s legacy. Seventy-two percent of responding local business executives believe Donald Trump will significantly dismantle Barack Obama’s legacy while in office, while only 59 percent of respondents nationally shared the same sentiment. Only 15 percent of local respondents believed that Donald Trump would not dismantle Barack Obama’s legacy (compared to 30 percent nationally) and 14 percent were undecided (compared to 12 percent nationally).

Figure 15: Dismantling Obama’s Legacy
In your view, would dismantling President Obama's legacy in office be a good thing or a bad thing?

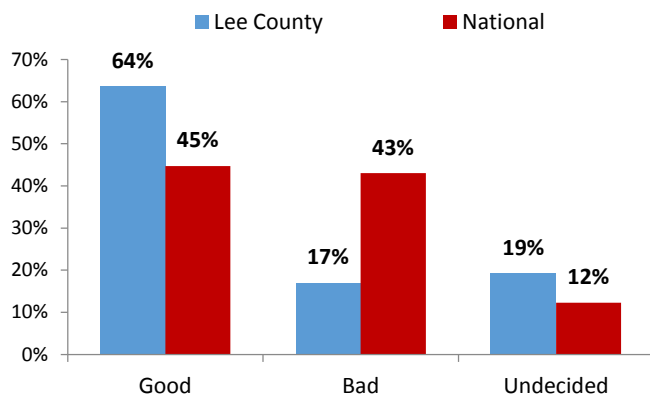


Figure 15 focuses on whether dismantling Obama’s legacy would be a good or bad thing. Sixty-four percent of responding business executives said dismantling Obama’s legacy would be a good thing (compared to 45 percent nationally), while only 17 percent of business executives said it would be a bad thing (compared to 43 percent nationally). Nineteen percent of local business executives said they were undecided on the question, while 12 percent nationally were also undecided.

IV. COMMENTS, SUGGESTIONS, AND RECOMMENDATIONS

The comments indicated that executives were concerned with the national and international economy as it relates to local activity, as well as some general comments of the workforce. There are concerns and comments about:

- Property Values
- Labor Market
- Prices
- Government Regulation
- Cost of Business

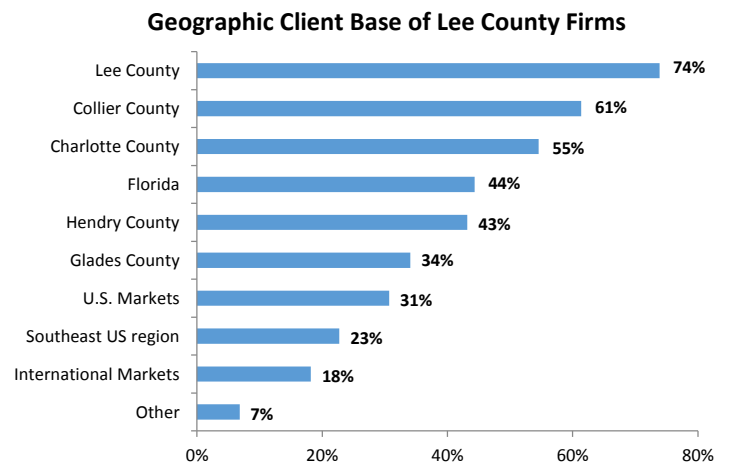
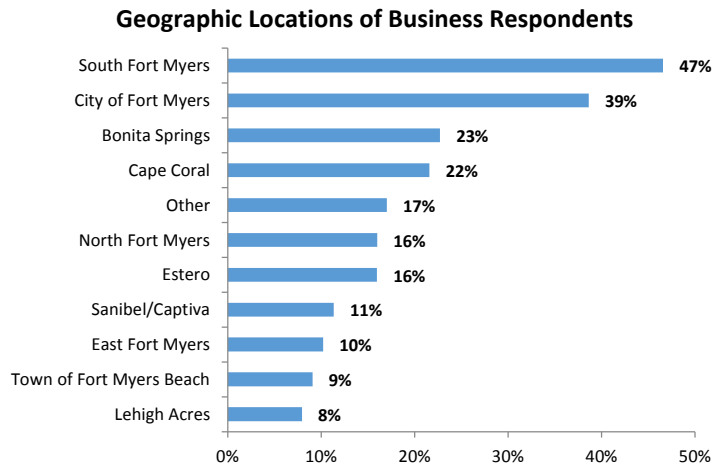
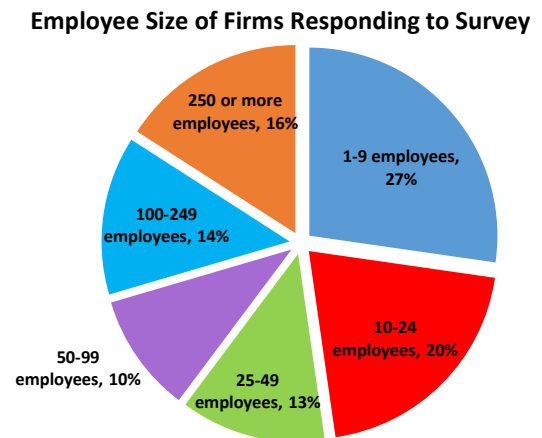
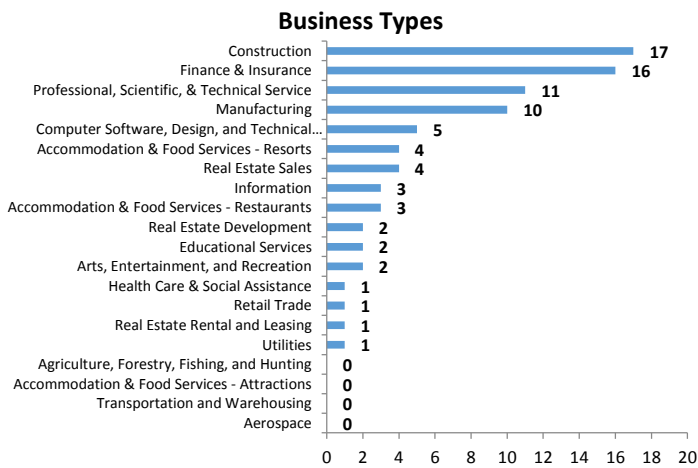
Executive responses to this question are found in Appendix B.

V. COMPANY CHARACTERISTICS

Each executive provided information about his or her firm, including:

- Business Type;
- Number of Employees;
- Company Location; and
- Geographic Client Base.

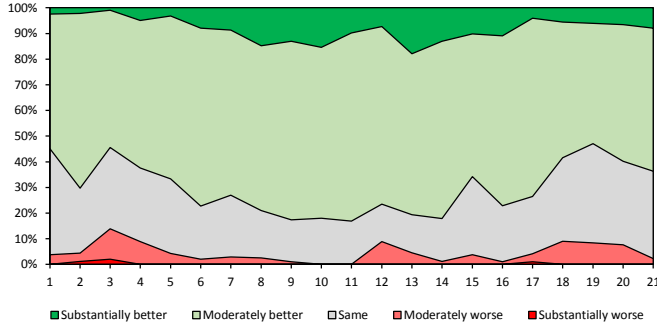
The following figures provide an overview of general characteristics of the responding companies.



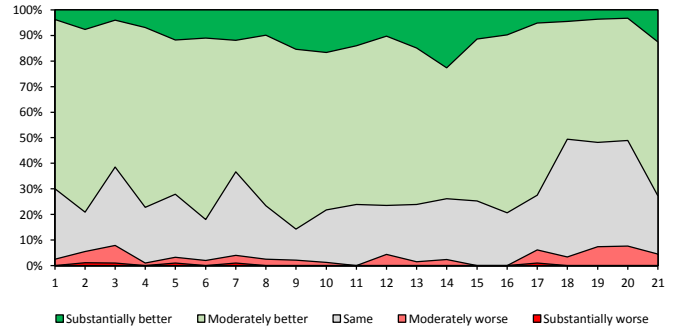
APPENDIX A. HISTORICAL TRENDS OF RECURRING QUESTIONS

Historical trends of the seven recurring questions asked in each Executive Business Climate Survey can be found in this section.

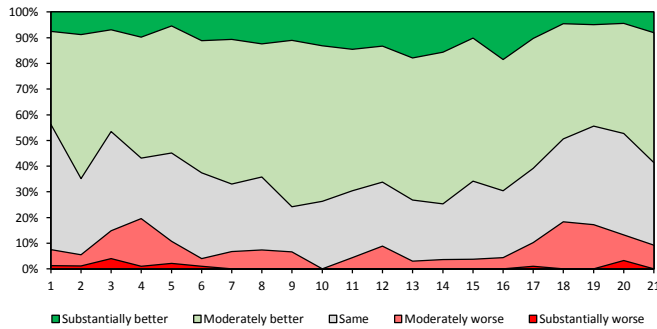
How are the current Lee County economic conditions compared to a year ago?



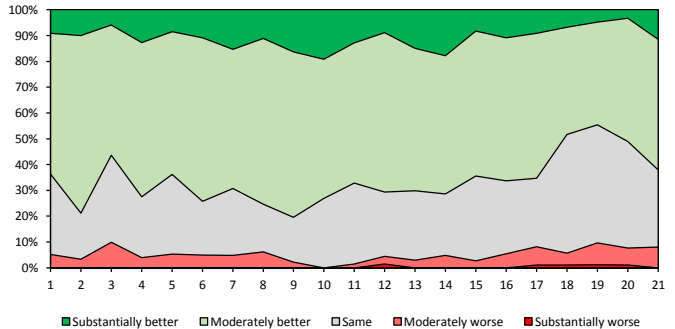
What are your expectations for the Lee County economy one year ahead?



What are the current conditions in your industry in Lee County compared to one year ago?



What are your expectations for your own industry in Lee County one year ahead?



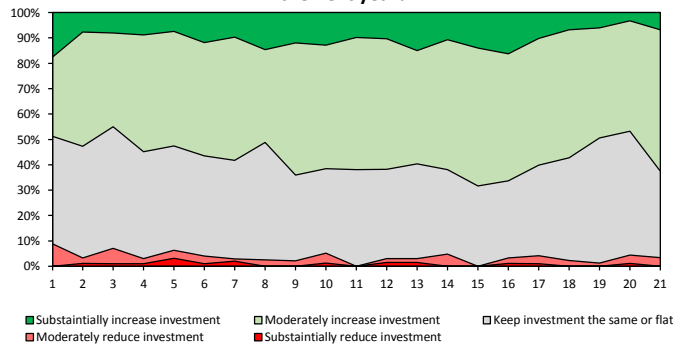
What has been your hiring trend over the last year?



What hiring trends do you see for your business over the next year?



Do you plan to increase investment in your business during the next year?



APPENDIX B. FULL COMMENTS, SUGGESTIONS, AND RECOMMENDATIONS

This list includes specific responses from the executives for the following question:

Please indicate any other comments, suggestions, or recommendations you would like to make regarding the regional economy or your business.

1. Housing market seems to be reaching a peak for the higher end homes.
2. Competition continues to grow. Hiring qualified talent is becoming harder due to the economy improving causing more opportunity.
3. Obama was a failure in so many ways, it was disappointing that I could only register one.
4. Note that higher prices for my products are good for me but bad for my clients. We anticipate moderately higher pricing in my industry across the board.
5. Good questions!
6. More information as it relates to demographic changes in our area.
7. FGCU is doing a good job producing engineering students.
8. Our employment hiring is stable since we are a full plant and have staffing levels that typically do not change other than for replacing folks that leave
9. I'm a bit concerned that this survey might be misconstrued because of so many political statements and people potentially could get upset at the Horizon Council. With that said, many people have sold their businesses because of the potential labor law reform measures and mandatory health care requirements and fines. With increases in Insurance (both health related and otherwise) mixed with higher income taxes, etc. It is refreshing to see that there is a light at the end of the tunnel. With that said, you can use the survey results to get a good pulse. I think overall it places us in a better place for positive economic development.
10. It is too soon to call the impact our new President will have on local business. Of course, there is optimism anytime we have change, but this is a volatile time to assess. Costs of doing business including uptick in finding labor and retaining great people is still a number one concern as the cost of living here is high. Therefore, costs associated with business and labor are also high. We do not see demand here changing. Another concern is the erosion of market share with increased competition continues to drive opportunities for us to position our brand strategy to differentiate ourselves from the influx of new eateries.