

Southwest Florida Executive Business Climate Survey Fall 2007

By:

Dr. Gary Jackson, Director
Regional Economic Research Institute
Florida Gulf Coast University



Harborside Events Center
October 18th, 2007

RERI Statistical Analysis Provided by
Jim Breitbach and Minh Pham

10501 FGCU Boulevard South
Fort Myers, Florida 33965
Tel: 239 590-7319 Fax: 239 590 7330

gjackson@fgcu.edu
www.fgcu.edu/cob/reri

I. Executive Summary

Major findings from the study:

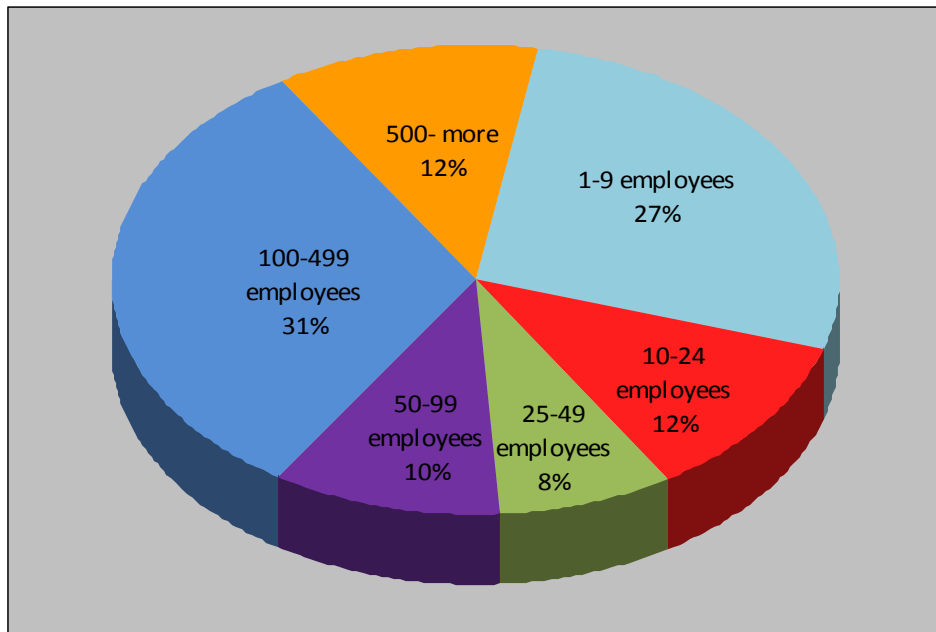
- The survey includes executive responses from a mix of large and small firms over a cross-section of businesses in Southwest Florida. Many firms had multiple locations with a majority in Lee and Collier Counties serving local, regional, national, and international markets.
- Approximately 60 percent of the respondents are less optimistic about the regional economy over the next 12 months compared to the previous 12 months. Only 15 percent of the respondents were more optimistic and 25 percent felt that the regional economy over the next 12 months will remain about the same as the previous 12 months.
- The Housing slowdown has lowered business at 67 percent of the firms. Most executives feel that the housing market will recover in 2009 but approximately 20 percent felt that the recovery could happen in 2008 and another 20 percent felt that it would take place in 2010 or later.
- Forty-three percent of the respondents do not expect a significant impact to the economy from the new property tax limits, 40 percent thought that the limits would help the economy, and 17 percent felt that the limits would hurt the local economy.
- Hiring is expected to be unchanged for 43 percent of the firms, 24 percent of the firms expect to increase employment, and 33 percent of the firms expect to reduce employment over the next 12 months. Most firms expect to be able to find enough qualified workers over the next 12 months.
- Forty-two percent of the firms expect to increase investment in the next 12 months with 20 percent increasing investment significantly. Only 14 percent of the firms expect to decrease investment levels.
- The companies report that, on average, seasonal residents contribute 22 percent of the annual sales, vacationers make up 10 percent, and international visitors account for four percent of sales.

II. Introduction

The 2007 Southwest Florida Business Climate Survey was conducted by the Regional Economic Research Institute (RERI) of Florida Gulf Coast University for the Chamber of Southwest Florida. The survey was mailed to executives of the largest 250 employers and a random sample of 250 other employers with at least five employees in Charlotte, Collier, and Lee Counties. The survey was conducted by mail with the option for executives to use an online survey instrument. There were a total of 79 responses with 45 mail responses to the survey and 34 online surveys completed resulting in a 16 percent response rate. This sample provides a sufficient sample size to draw general conclusions about the outlook for the local economy. The number of responses to a particular question is shown below the chart.

The firm size based on number of employees of the respondents is provided in Figure 1. It validates the sample design with 53 percent of the firms having the number of employees greater than 50 and 47 percent with less than 50 employees.

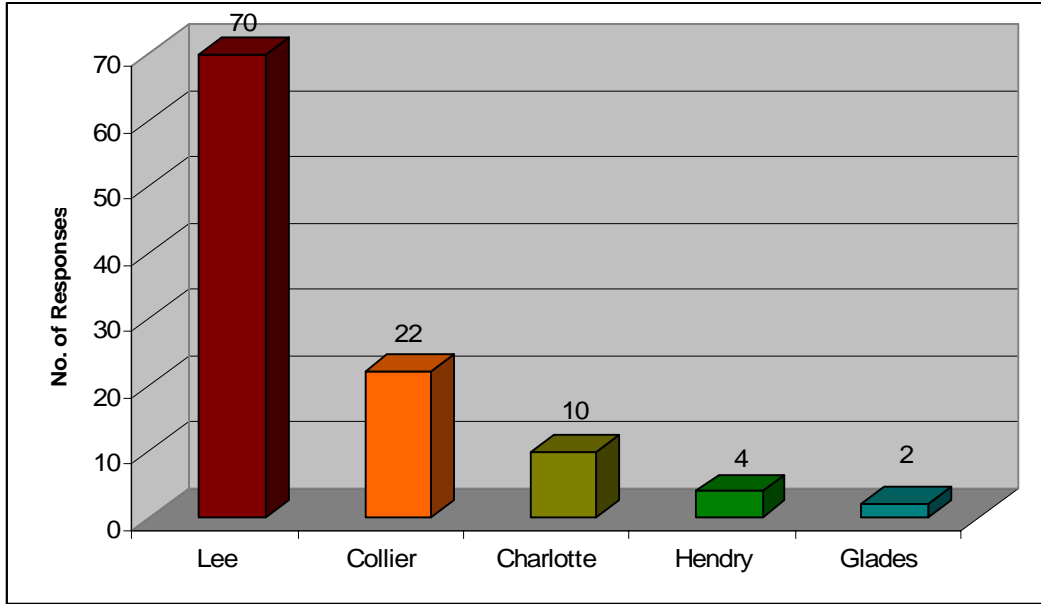
Figure 1
What is the size of your firm?



Based on 79 responses to this question.

Many firms have multiple locations throughout the Southwest Florida Region. Figure 2 shows the responses to the question about location of the firm's offices.

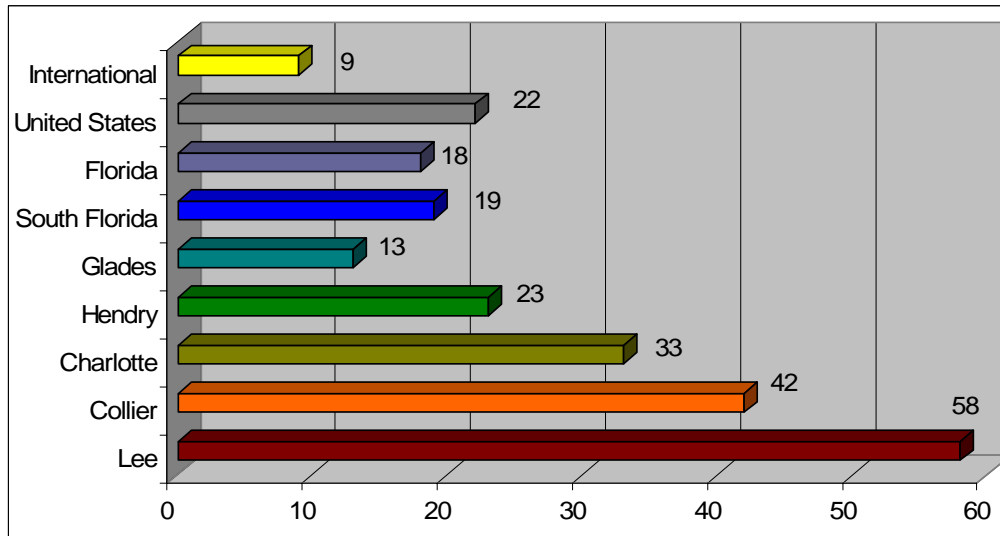
Figure 2
Where is your firm Located?



Multiple responses, based on 79 responses to this question.

Respondents have a diversified client base, as reflected in Figure 3. There were 78 firms that responded to this survey question and multiple answers were allowed. Approximately 12 percent of the companies have an international client base and 26 percent have a U.S. client base.

Figure 3
What areas comprise your geographic client base?

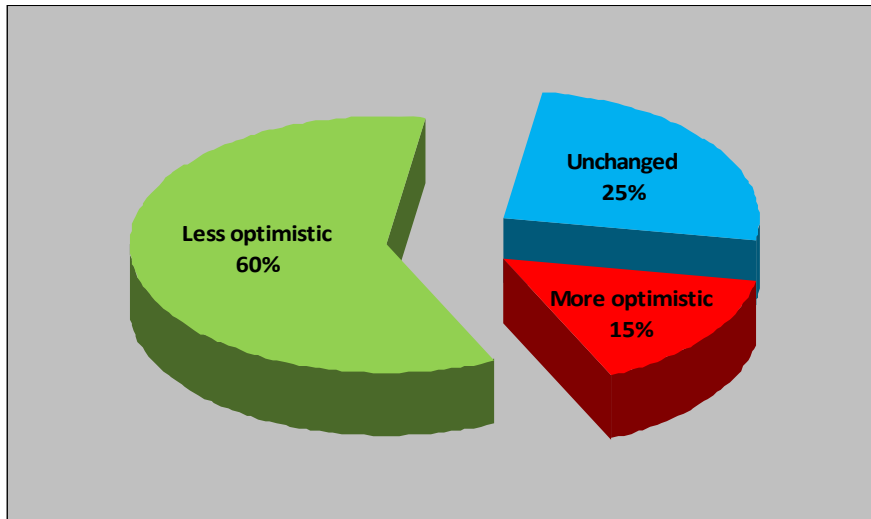


Multiple responses, based on 77 responses to this question.

III. Analysis of Survey Findings: Slower Short-term Growth

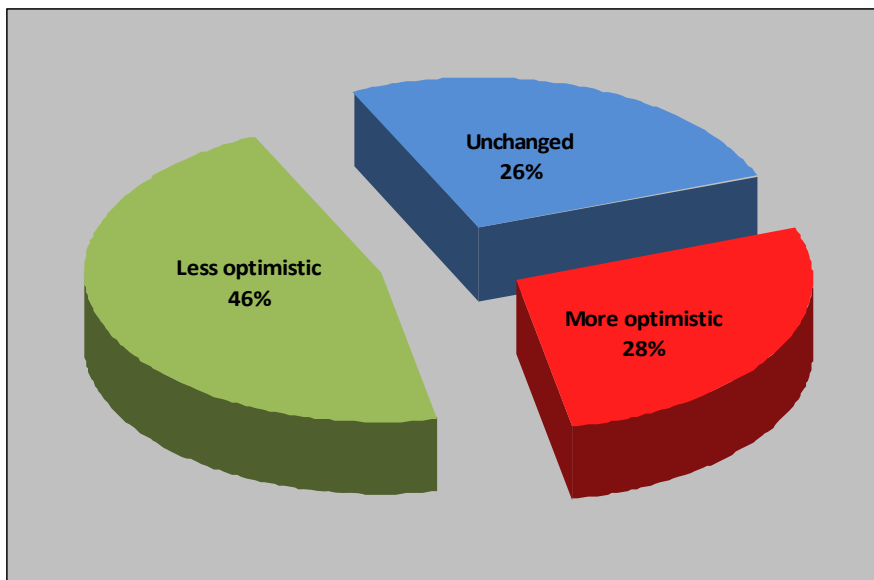
Firms are less optimistic about the regional economy over the next 12 months as shown in Figure 4. Executives are more optimistic about their own business outlook as indicated by Figure 5.

Figure 4
Overall Regional Economic Outlook
Next 12 Months Compared to Previous 12 Months



Based on 79 responses to this question.

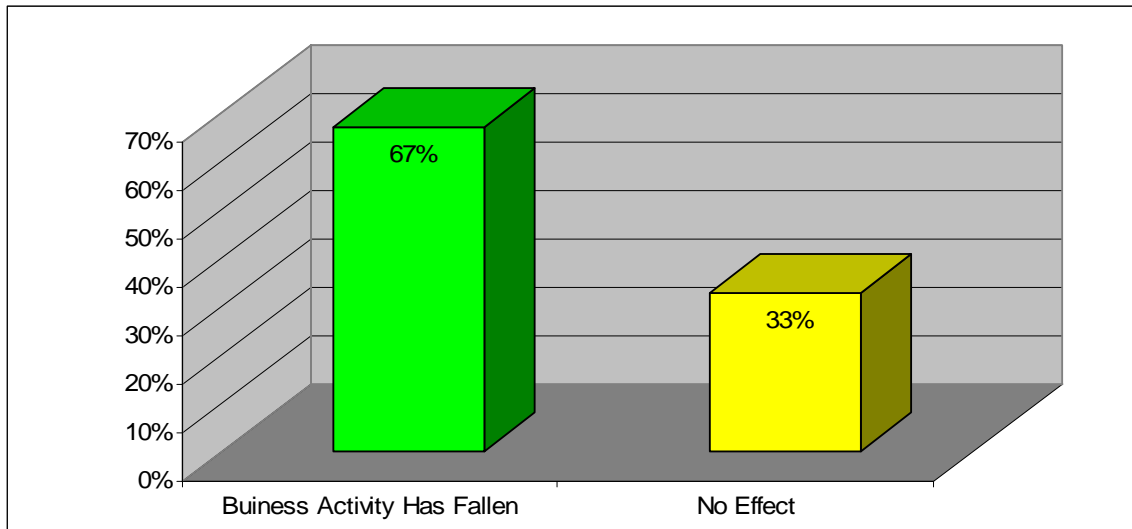
Figure 5
Respondent-Specific Business Outlook
Next 12 Months Compared to Previous 12 Months



Based on 77 responses to this question.

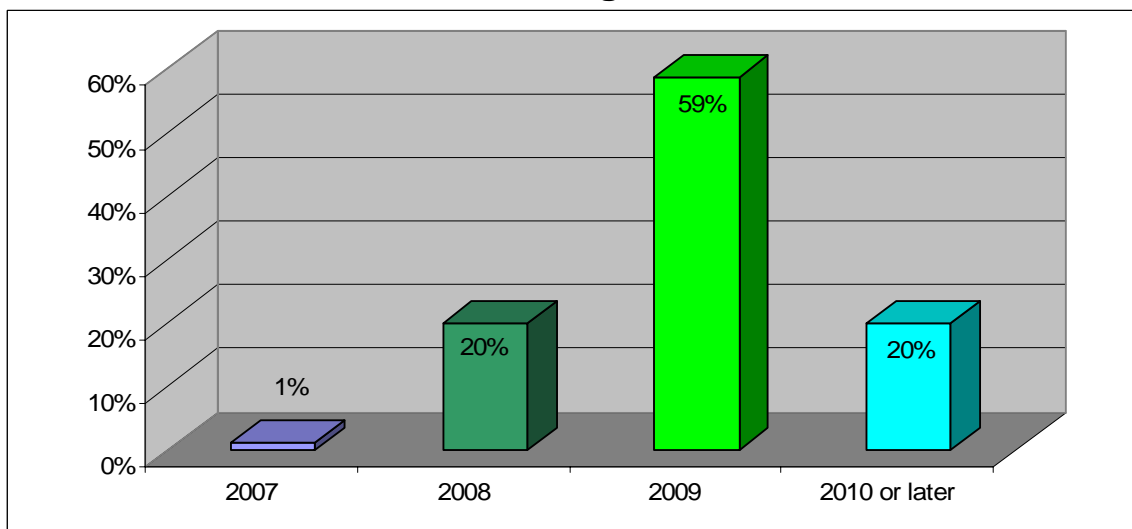
The housing slowdown has reduced business at most companies; however, most executives are expecting a housing market recovery in 2009. See Figures 6 and 7.

Figure 6
Has the Housing Slowdown Hurt Your Business Activity Level?



Based on 77 responses to this question.

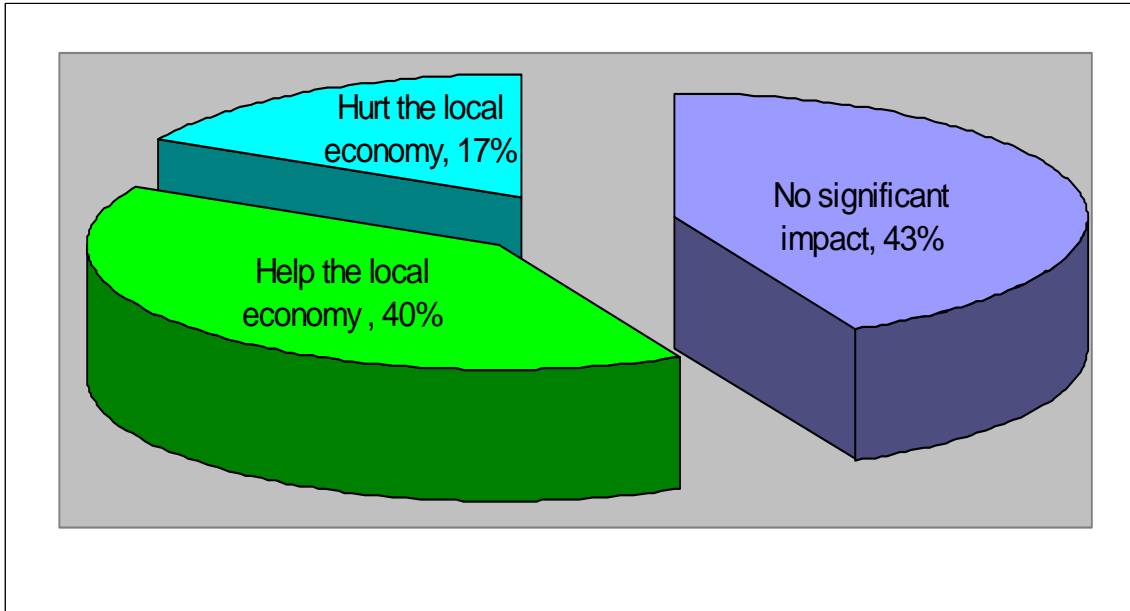
Figure 7
When Will the Housing Market Recover?



Based on 75 responses to this question.

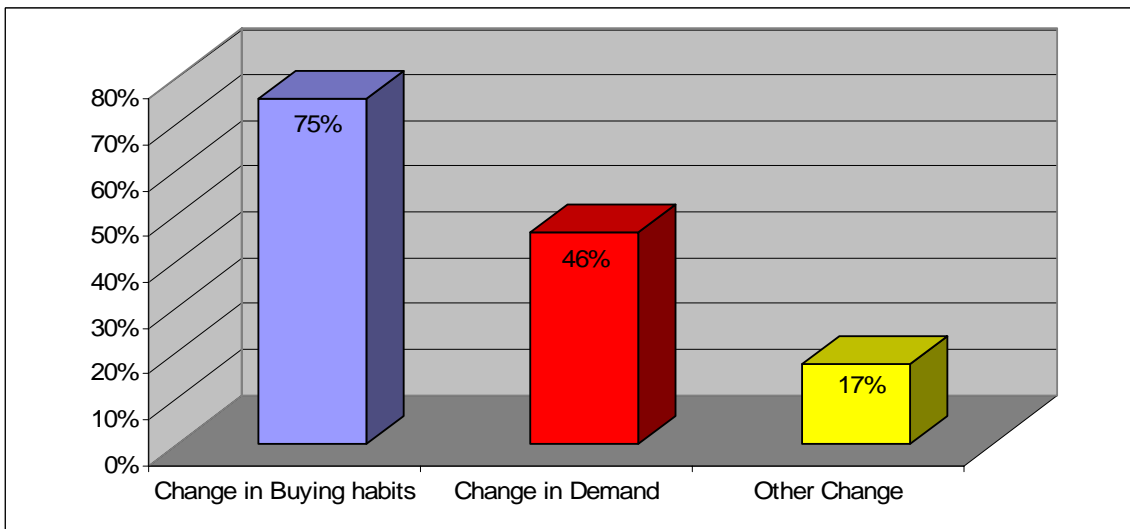
Forty percent of respondents felt that the limits on property taxes will help the local economy. Forty-three percent did not expect a significant impact and 17 percent thought that the limits would hurt the local economy as shown in Figure 8. Most companies expect to see changes in demand and customer buying habits over the next 12 months as shown in Figures 9 and 10.

Figure 8
Will the New Limits on Local Property Tax Increases Help or Hurt the local Economy?



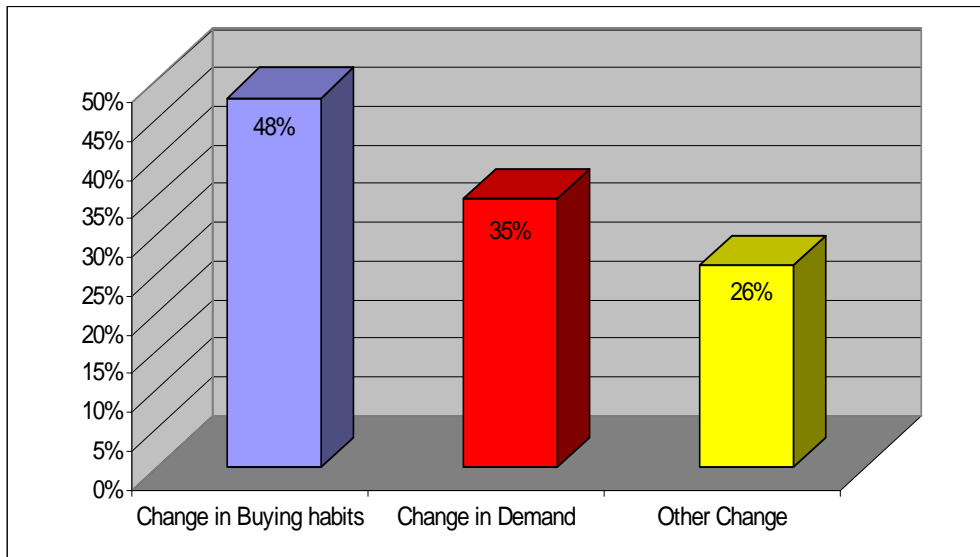
Based on 76 responses to this question.

Figure 9
What Changes Do You See in the Regional Customer Base?



Multiple responses, based on 72 responses to this question.

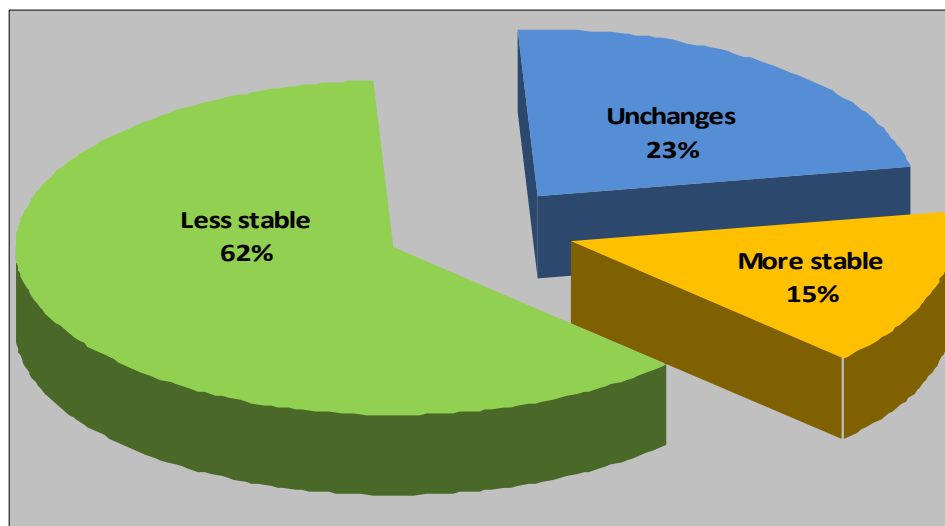
Figure 10
What Changes Do You See in Your Customer Base?



Multiple responses, based on 64 responses to this question.

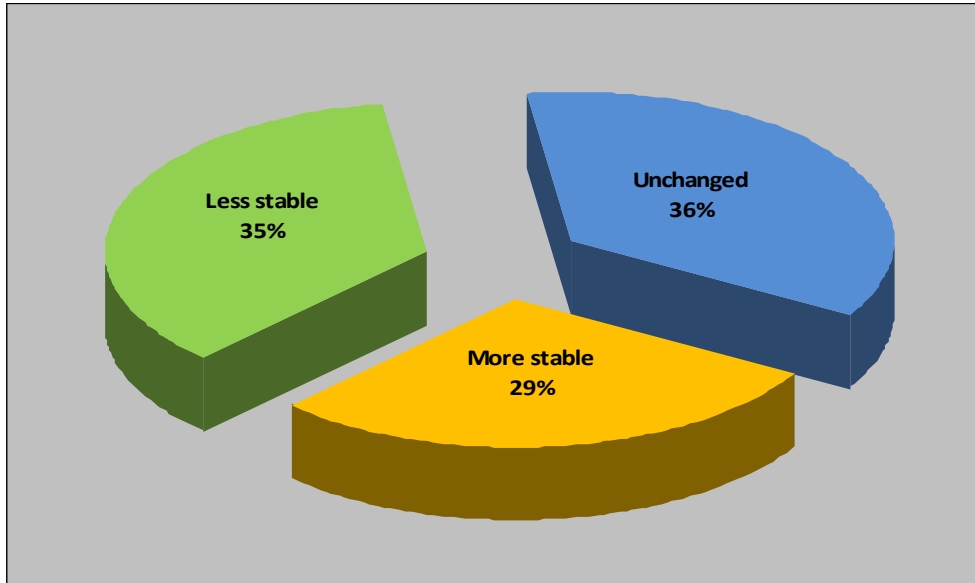
Sixty-two percent of executives expect that the regional economy will be less stable but only 35 percent expect less stability in their own business markets as shown in Figures 11 and 12.

Figure 11
Do You See the Regional Economy as More Or Less Stable In the Upcoming 12 Months?



Based on 73 responses to this question.

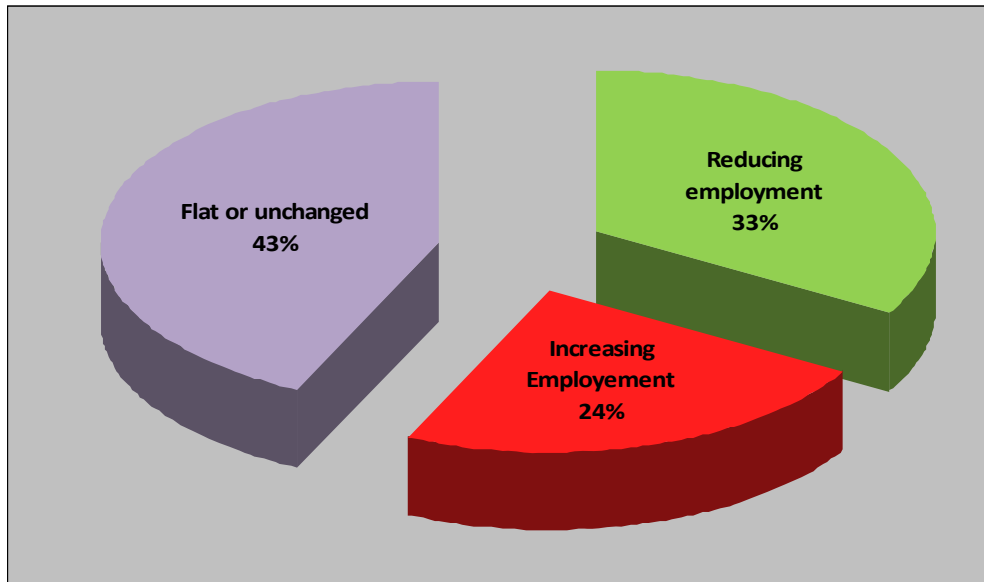
Figure 12
Do You See Your Business as More or Less Stable In the Upcoming 12 Months?



Based on 72 responses to this question.

The hiring forecast is mixed. Although 24 percent of the firms expect to increase hiring, 33 percent expect to reduce hiring, as shown in Figure 13.

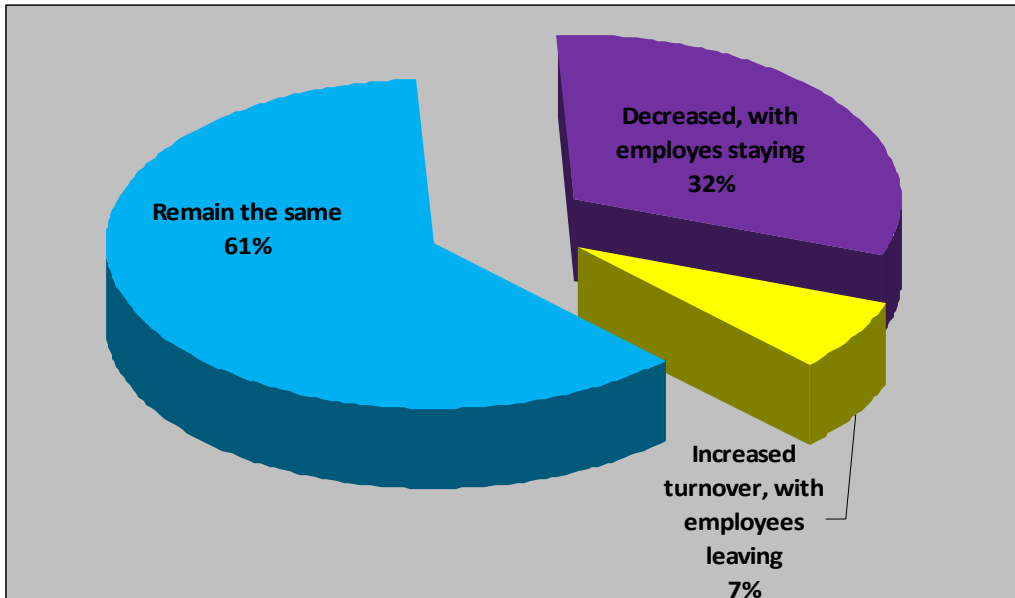
Figure 13
What Hiring Trends Do You See For Your Business In the Upcoming 12 Months?



Based on 73 responses to this question.

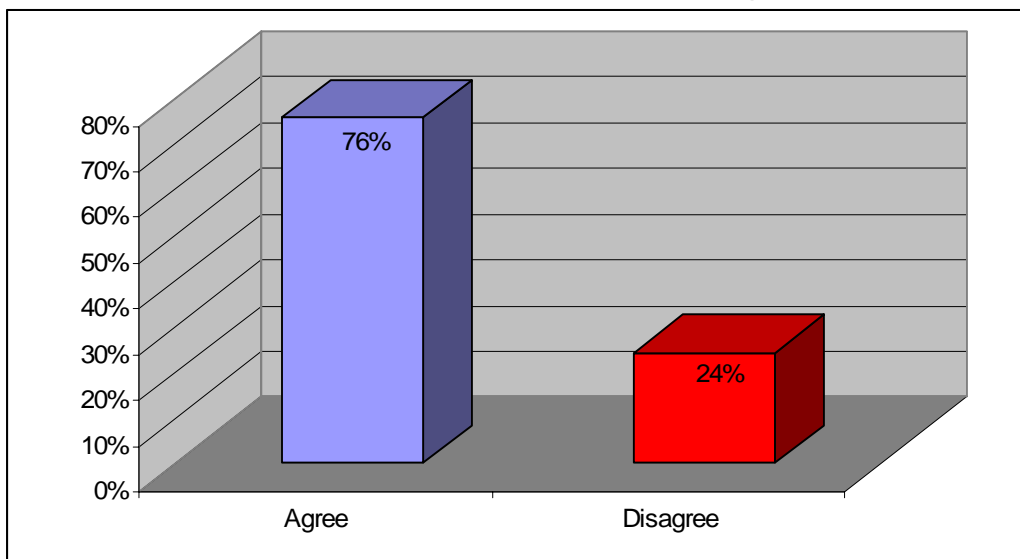
The respondents expect that employee turnover will fall, as shown in Figure 14. Most firms expect to be able to find qualified workers. Health care professional and technicians as well as engineering and computer science occupations are expected to continue to be in high demand. See Figures 15.

Figure 14
What Trend Do You Anticipate in Employee Turnover In Your Business in the Upcoming 12 Months?



Based on 73 responses to this question.

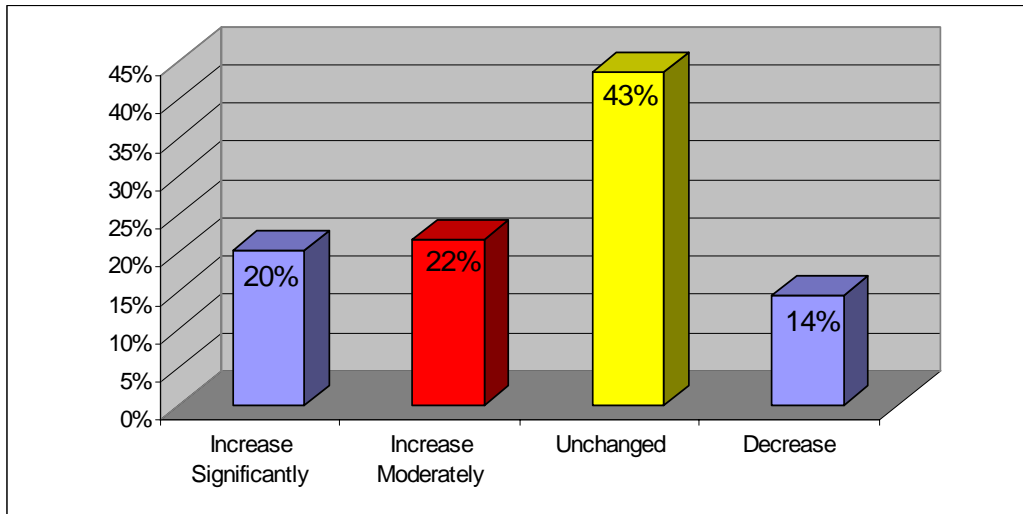
Figure 15
In My Business, I Expect to Find Enough Qualified Workers In the Local Economy in the Upcoming 12 Months.



Based on 71 responses to this question.

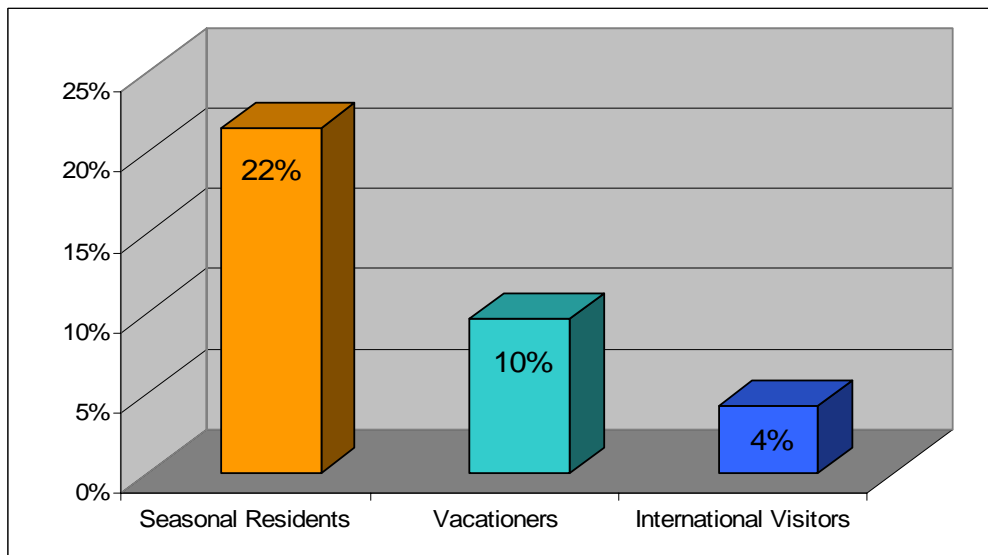
Forty-two percent of the firms expect to increase investment levels over the next 12 months as shown in Figure 16. There is considerable variation in the importance of vacationers, seasonal residents, and international visitors to sales. Figure 17 shows that on average, seasonal residents contribute approximately 22 percent to area sales, vacationers contribute approximately 10 percent and international visitors contribute approximately four percent to area sales.

Figure 16
Do You Plan to Increase Investment
In Your Business During the Next 12 Months?



Based on 70 responses to this question.

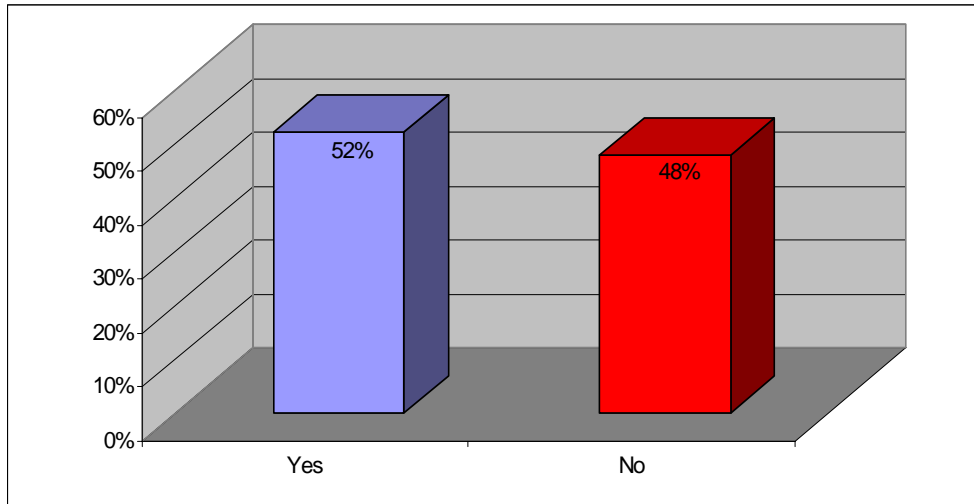
Figure 17
Average Annual Sales to Seasonal Residents,
Vacationers and International Visitors



Based on 59 responses to this question.

Respondents were mixed about the ability to use telecommunications as a way to replace physical travel, as shown in Figure 18.

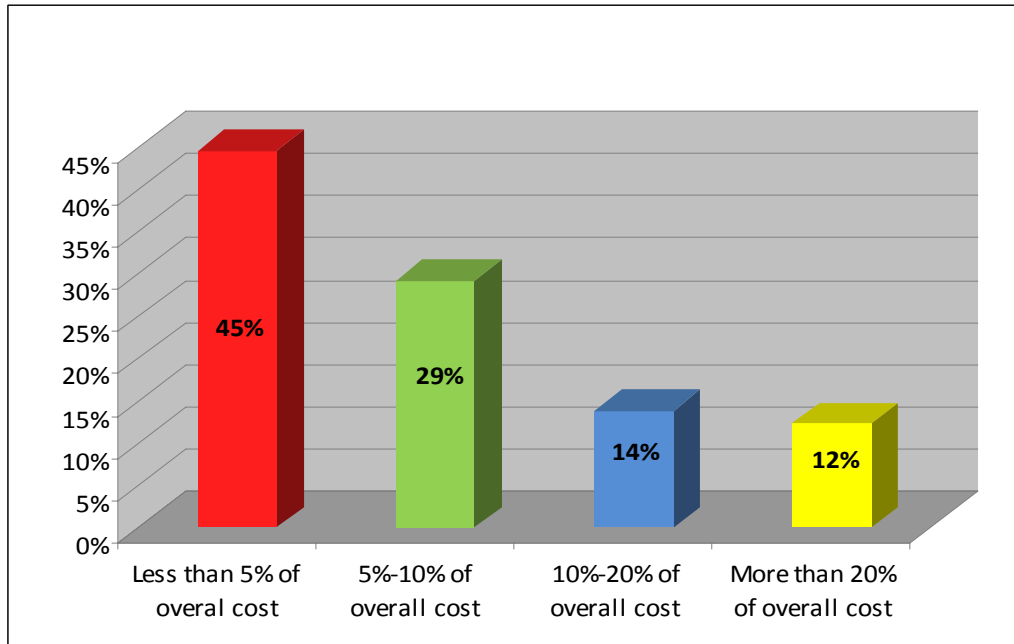
Figure 18
Do You See the need for Physical Travel Declining Due to Increased Telecommunications Capabilities?



Based on 70 responses to this question.

Energy costs as a percent of total costs are shown in Figure 19. Energy costs representing 10 percent or more of total costs were reported by 26 percent of the firms.

Figure 19
Energy Costs Account for What Percent of Total Costs?



Based on 65 responses to this question.

IV. Most Frequent Answers to Open-ended Questions about the Economy

Closed-end questions can limit the ability of the respondent to provide thoughts on key issues, so the survey included several key open-ended questions. The most frequent answers and comments are presented below, in rank order:

Q1: What influential trends in the SW Florida regional economy do you foresee?

1. Slower growth, higher unemployment, lower housing prices as the housing and construction industries adjust to lower demands.
2. Need diversification of the regional economy with more high technology industries and jobs supported by university and college growth and technology centers.
3. Need for regional leadership and infrastructure development.
4. Continued population growth, long-term migration to Florida and more year-round residents.
5. Need for expanded health care services.
6. International tourism should strengthen due to depreciation of the dollar.

Q2: What influential trends in your business do you foresee?

1. More competition, slower growth, business failures and mergers, need to control costs.
2. Rethink business model, increased marketing, diversification, expand market areas.
3. Recognition of need for urban development and redevelopment and environmental awareness.
4. Healthcare needs and costs will grow.

Q3: What skills and/or employee characteristics are in the greatest need or shortage in your business?

1. Good interpersonal skills, being adaptive, willing to learn, meet deadlines, and have good writing skills.
2. High technology professionals, engineers, computer science, financial analysts, and other high-quality college educated applicants.
3. Experienced sales representatives, need employees with superior customer service skills and orientation.
4. Health care professionals and technicians.
5. Skilled craftsmen and women including marine, machining, and welding.

Q4: What local economic information would be of interest to you and your organization if it could be available at an upcoming regional economic forecasting event?

1. Real estate statistical data and trends.
2. Demographic and economic trends for the local economy.
3. Update on property tax changes, surviving economic slow-downs, and using the internet effectively.