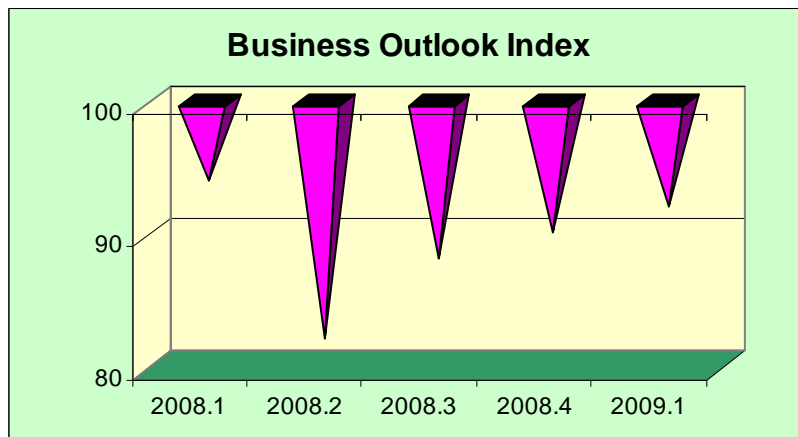


Businesses Outlook Survey

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Data from our recent survey indicate that Kern County businesses have become less pessimistic about local economic conditions. In the first quarter (January through March) of 2009, the *Business Outlook Index* improved slightly. The index stood at 92 compared to 90 in the previous quarter and 94 four quarters ago. Although managers are concerned about employment and general business conditions, they are less worried than the previous quarter.



Kern County's *Business Outlook Index* is compiled from telephone surveys administered to a random sample of local business managers listed in various telephone directories. Index values above 100 indicate optimism, while values below 100 suggest pessimism. The intent of the survey is to help business managers make more informed decisions given local economic trends. Survey results also enable investors to assess the potential for local economic growth based on the degree of business confidence.

To make an in-depth analysis of business confidence, we disaggregated the *Business Outlook Index* into two sub-indexes relating to recent and future business perceptions. The *Current Conditions Index* climbed 2 percentage points to arrive at 91. Likewise, the *Future Conditions Index* gained 2 percentage points to reach 93. Although business managers are still worried about current and future economic conditions, they are less pessimistic than the previous quarter.

| | Current Quarter | Previous Quarter | Four Quarters Ago |
|----------------------------------|-----------------|------------------|-------------------|
| Index of Business Outlook | 92 | 90 | 94 |
| Index of Current Conditions | 91 | 89 | 93 |
| Index of Future Conditions | 93 | 91 | 95 |

Employment Outlook:

Seventy-seven percent of interviewees reported that the number of jobs in their companies stayed constant this quarter, but 11 percent said more jobs were available in their companies and 13 percent reported reduced employment.

Likewise, 73 percent perceived that the number of jobs would stay constant next quarter, whereas 12 percent expected their companies to hire more workers. The remaining 15 percent anticipated a smaller workforce.

Financial Outlook:

Sixty-four percent of survey respondents reported that the financial conditions (sales and profits) of their companies were constant this quarter, whereas 13 percent indicated increased profits and sales and 20 percent stated lower profits and sales.

Similarly, 68 percent expected financial conditions of their companies to remain constant next quarter. However, 7 percent anticipated increased sales and profits and 19 percent predicted lower sales and profits.

Industry Outlook:

Seventy-nine percent perceived that the employment and general business conditions of their industries remained the same as the previous quarter, but 12 percent felt these conditions improved and 19 percent felt crumbling business conditions.

Sixty-six percent anticipated that the employment and general business conditions of their industries would be unchanged next quarter. However, 9 percent expected progress and 25 percent felt otherwise.

Economic Outlook:

When asked about Kern County's economy, 62 percent of interviewees perceived no improvement this quarter. Nevertheless, 14 percent felt conditions improved and 24 percent said conditions worsened.

Likewise, 63 percent felt that economic conditions would be unchanged next quarter. However, 16 percent anticipated for the economy to get better and 21 percent felt conditions are likely to get worse.

Factors Affecting Business Outlook:

We asked business managers to identify factors that have affected employment and financial conditions of their companies. They felt several factors brightened the business outlook:

- Stimulus and recovery plans of the new president
- Lower fuel costs and interest rates
- Improved international agribusiness

However, survey respondents expressed the belief that several factors darkened the business outlook:

- Low consumer confidence and insufficient household spending
- More business closures and lay-offs
- Continued recession in the housing market