



News Release

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Economic Activity for Large Employers Slows Further, Overall Business Sentiment Moves Lower

Iowa Business Council Releases First Quarter Results

DES MOINES, IOWA – (March 2, 2009) All three indicators used to measure economic activity among large employers in the state for the coming six months moved lower for the second quarter in a row, dropping the **2009Q1 Iowa Business Council (IBC) Overall Economic Outlook Survey Index (OSI)** to **35.3**. This is eight points lower than the 2008Q4 Overall OSI of 43.3 reported in December, and 31 points lower than the Overall OSI of 66.3 from one year ago. The IBC Economic Outlook Survey was completed by the 19 corporate members of the Iowa Business Council during the third week of February, the results of which were released today.

The **2009Q1 Sales OSI** is **38**, thirteen points lower than last quarter and thirty-five points lower than in the 2008Q1 survey. More than half of the survey respondents (58%) expect sales levels to decrease over the next six months – lower (37%) or substantially lower (21%). However, 42% of the CEOs predict steady or increased business activity – no change (16%), higher (21%), or substantially higher (5%).

The **2009Q1 Capital Spending OSI** is **31**, a decrease of ten points from last quarter and thirty-two points lower than one year ago. Thirty-one percent of IBC corporate members expect capital spending levels to be substantially higher (5%), higher (5%), or remain the same (21%) through August of 2009. The majority of the survey respondents (68%) expect capital spending --- investments in facilities and equipment --- to be lower (42%) or substantially lower (26%). (Note: rounding may cause the addition of percentages to equal more or less than 100%.)

The **2009Q1 Employment OSI** is **37**, one point lower than three months ago and twenty-six points lower than last year. While more than half (58%) of IBC corporate members expect hiring needs to be lower (47%) or substantially lower (11%) for the next six months, 42% of respondents expect no change (26%) or higher (16%) employment levels.

“Our survey results from the last two quarters reflect the country’s current economic health, with negative trends now reaching deeper into Iowa’s business environment,” said Mel Haught, chair of the Iowa Business Council and president and CEO of Pella Corporation. “As the 2009 General Assembly proceeds with its work at the State House, the best strategy to revive and

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enhance Iowa's economy will be to align the vision of the public and private sectors. It is essential that we engage in mutually beneficial discussion about the fundamental issues that have served as the foundation of Iowa's attractive business climate for many years. In this period of severe economic downturn, now is not the time to remove incentives or deter initiatives that spur innovative business growth and generate wealth-creating career opportunities for the majority of our workforce. A skilled and diverse workforce follows opportunity wherever it exists. We need to continue to work to assure that Iowa is always the destination of choice."

The quarterly Iowa Business Council Economic Outlook Survey incorporates a diffusion index, wherein each survey response falls on a 100-point scale. Using weighted averages, an index number is then calculated that measures the sentiment of IBC executives projecting business activity six months into the future. An Outlook Survey Index (OSI) of 50 indicates that the business sentiment of all survey participants is average; an OSI above 50, the sentiment is positive; below 50, the sentiment is negative. This index will generate a numeric measure going forward that attempts to more precisely estimate the economic condition of business activity in Iowa.

IBC Economic Outlook 2009Q1 Survey Responses

Quarter	Substantially Higher		Higher		No Change		Lower		Substantially Lower	
	09Q1	08Q4	09Q1	08Q4	09Q1	08Q4	09Q1	08Q4	09Q1	08Q4
Change in sales in the next six months?	5%	5%	21%	37%	16%	21%	37%	26%	21%	11%
Change in capital spending in the next six months?	5%	11%	5%	11%	21%	26%	42%	37%	26%	16%
Change in employment in the next six months?	0%	0%	16%	11%	26%	42%	47%	37%	11%	11%

Rounding may cause the addition of percentages in a measure to equal more or less than 100%.

IBC Economic Outlook Survey Index (OSI) – last seven quarters

	<u>09Q1</u>	<u>08Q4</u>	<u>08Q3</u>	<u>08Q2</u>	<u>08Q1</u>	<u>07Q4</u>	<u>07Q3</u>
OVERALL OSI	35.3	43.3	63.3	64.3	66.3	66.3	64.7
Sales OSI	38	51	63	71	73	68	69
Capital Spending OSI	31	41	65	66	63	71	65
Employment OSI	37	38	62	56	63	60	60

OSI = 50 means business sentiment is average; > 50 is positive; < 50 is negative.

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The Economic Outlook Survey is conducted quarterly by the Iowa Business Council to inform Iowa businesses and Iowans about projected trends in the state's economy, which may prove useful for business and economic planning purposes.

The Iowa Business Council is a nonprofit, nonpartisan, self-funded organization whose 23 members are the top executives of 19 of the largest businesses in the state, the three Regent university presidents, and Iowa's largest banking association. Founded in 1985, the Council's purpose is to focus the personal commitment of its members in active leadership roles on major initiatives that offer opportunity to enhance Iowa's economic vitality and improve the lives of Iowans. Council members identify major economic issues, evaluate options, and assist in implementing solutions through collaborative public/private partnerships. **Collectively**, IBC companies and institutions employ more than 203,000 Iowans and, in just the last 10 years, have invested over \$13 billion worth of capital in the state. **Annually**, the Business Council represents more than \$250 million in financial contributions and volunteer hours given to numerous charitable causes around Iowa. Council member companies and institutions are leaders in technology innovation with over \$2.5 billion in spending and procured grants for research and development. For more information, please visit the IBC Web site at www.iowabusinesscouncil.org.

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Iowa Business Council Economic Outlook Survey

Historical Perspective (pre-OSI) of Survey Results: 2004/Q3 – 2007/Q2

	<u># of Respondents</u>	<u>Expected Sales</u>		
		<u>Higher</u>	<u>No Change</u>	<u>Lower</u>
2007 Q2	19	84%	16%	0%
2007 Q1	20	95	5	0
2006 Q4	20	55	35	10
2006 Q3	20	90	10	0
2006 Q2	19	95	5	0
2006 Q1	20	85	15	0
2005 Q4	20	90	10	0
2005 Q3	19	84	16	0
2005 Q2	19	89	6	6
2005 Q1	19	78	22	0
2004 Q4	17	79	14	7
2004 Q3	18	78	17	5

	<u># of Respondents</u>	<u>Expected Capital Spending</u>		
		<u>Higher</u>	<u>No Change</u>	<u>Lower</u>
2007 Q2	19	58%	32%	10%
2007 Q1	20	50	45	5
2006 Q4	20	40	50	10
2006 Q3	20	60	35	5
2006 Q2	19	58	42	0
2006 Q1	20	60	40	0
2005 Q4	20	60	35	5
2005 Q3	19	74	21	5
2005 Q2	19	50	44	6
2005 Q1	19	53	47	0
2004 Q4	17	64	29	7
2004 Q3	18	39	56	5

	<u># of Respondents</u>	<u>Expected Iowa Employment</u>		
		<u>Higher</u>	<u>No Change</u>	<u>Lower</u>
2007 Q2	19	53%	47%	0%
2007 Q1	20	55	45	0
2006 Q4	20	45	55	0
2006 Q3	20	55	45	0
2006 Q2	19	58	42	0
2006 Q1	20	65	35	0
2005 Q4	20	50	45	5
2005 Q3	19	53	32	15
2005 Q2	19	50	44	6
2005 Q1	19	68	26	6
2004 Q4	17	64	22	14
2004 Q3	18	50	28	22